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**The Sultanate of Oman
The enabling environment for
sustainable enterprises:
An “EASE” Assessment**

Graeme Buckley, Gary Rynhart

Small
Enterprise
Programme

Job Creation
and Enterprise
Development
Department

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Preface

The primary goal of the ILO is to contribute, with its member States, to achieve full and productive employment and decent work for all, including women and young people, a goal embedded in the ILO Declaration 2008 on *Social Justice for a Fair Globalization*,¹ and which has now been widely adopted by the international community.

In order to support member States and the social partners to reach the goal, the ILO pursues a Decent Work Agenda which comprises four interrelated areas: Respect for fundamental worker's rights and international labour standards, employment promotion, social protection and social dialogue. Explanations of this integrated approach and related challenges are contained in a number of key documents: in those explaining and elaborating the concept of decent work,² in the Employment Policy Convention, 1964 (No. 122) and in the Global Employment Agenda.

The Global Employment Agenda was developed by the ILO through tripartite consensus of its Governing Body's Employment and Social Policy Committee. Since its adoption in 2003 it has been further articulated and made more operational and today it constitutes the basic framework through which the ILO pursues the objective of placing employment at the centre of economic and social policies.³

The Employment Sector is fully engaged in the implementation of the Global Employment Agenda, and is doing so through a large range of technical support and capacity building activities, advisory services and policy research. As part of its research and publications programme, the Employment Sector promotes knowledge-generation around key policy issues and topics conforming to the core elements of the Global Employment Agenda and the Decent Work Agenda. The Sector's publications consist of books, monographs, working papers, employment reports and policy briefs.⁴

While the main findings of the research initiatives are disseminated through the Employment Working Papers, the *Employment Report* series is designed to consolidate the major evaluations of employment programmes, conclusions and resolutions of workshops and seminars, and other information details that are particularly, though not exclusively useful to the work of the ILO and its constituent partners.

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Executive Director
Employment Sector

¹ See http://www.ilo.org/public/english/bureau/dgo/download/dg_announce_en.pdf.

² See the successive Reports of the Director-General to the International Labour Conference: *Decent work* (1999); *Reducing the decent work deficit: A global challenge* (2001); *Working out of poverty* (2003).

³ See <http://www.ilo.org/gea>. And in particular: *Implementing the Global Employment Agenda: Employment strategies in support of decent work*. "Vision" document, ILO, 2006.

⁴ See <http://www.ilo.org/employment>.

Foreword

In June 2007, the International Labour Conference (ILC) discussed the promotion of sustainable enterprises. Promoting sustainable enterprises calls for the strengthening of the institutions and governance systems which nurture enterprises. Strong and efficient markets need strong and effective institutions. Promoting sustainable enterprises is also about ensuring that human, financial and natural resources are combined equitably and efficiently in order to achieve innovation and enhanced productivity.

The ILC reached a set of conclusions on the promotion of sustainable enterprises based on tripartite consensus which included 17 conditions or policy areas related to the enabling environment. These conditions are:

- *Peace and political stability;*
- *Good governance;*
- *Social dialogue;*
- *Respect for universal human rights and international labour standards;*
- *Entrepreneurial culture;*
- *Sound and stable macroeconomic policy and good management of the economy;*
- *Trade and sustainable economic integration;*
- *Enabling legal and regulatory environment;*
- *Rule of law and secure property rights;*
- *Fair competition;*
- *Access to financial services;*
- *Physical infrastructure;*
- *Information and communication technologies;*
- *Education, training and lifelong learning;*
- *Social justice and social inclusion;*
- *Adequate social protection; and*
- *Responsible stewardship of the environment.*

This report is designed to stimulate debate and to provide an evidence base for policy reforms for an environment more conducive to the promotion of sustainable enterprises in Oman. In particular, the report has been used to identify focus areas of policy reform to support the dialogue, advocacy and public policy work of the Oman Chamber of Commerce and Industry (hereafter “OCCI”). This is the subject of a complementary OCCI strategy report which outlines the main policy findings with a set of recommendations in the form of an action plan.

This report is organized in the following fashion:⁵

Part 1 of the report uses the 17 conditions framework to make a comparative analysis of the enabling environment for sustainable enterprises in Oman across each policy area. Data is gathered from existing secondary resources such as the World Bank, ILO, IMF and World Economic Forum. Comparisons are then made between Oman’s performances on each variable against competitor countries over time.

Part 2 is composed of the results of a survey of Omani firms. This primary data collection consisted of 150 face to face interviews with a cross section of firms, of varying

⁵ This report is available online at:
http://www.ilo.org/employment/Whatwedo/Publications/WCMS_151259/lang--en/index.htm
where the various charts and graphs will be clearer than in a black and white printed paper copy.

sizes and sectoral activities from across the country. The survey was conducted by Arabian Research Bureau, under the aegis of the ILO.

Interviews were with company owners, CEOs, directors and general managers of private sector firms and focused on the following sub set of the 17 policy areas: entrepreneurship; culture; competition; enabling legal and regulatory environment; good governance; information and communications technology; education, training and lifelong learning/skills and education; adequate social dialogue/social protection; work force relations; and lastly on the role of the Oman Chamber of Commerce and Industry (OCCI). These interviews took place in April and May of 2011. This analysis was complemented by an additional series of interviews and focus group discussions with OCCI members, OCCI Executive-Board members and senior officials from a number of Government Ministries.

Part 3 of the report consists of Policy recommendations. These recommendations are made only in the areas where both primary and secondary data were compiled.

The views expressed in the report are the sole responsibility of the principal authors, Graeme Buckley and Gary Rynhart and do not represent those of the ILO or the OCCI. Similarly, any errors or omissions are the sole responsibility of the principal authors.

Markus Pilgrim
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Overview snapshot

Peace and political stability

Oman was not immune from the social and political unrest characteristic of many countries in the region and although the protests that started in late February 2011 have abated; particularly those which address corruption and the entrenchment of vested interests, the risk of further disturbances remains if genuine political and economic reform is not introduced. The protests have largely been against Ministers and powerful business interests who are perceived to be corrupt. The results of the survey which was carried out in April and May reflected the uncertainty at that time. Overall, 15 per cent of survey respondents⁶ said that political instability/uncertainty was affecting their business *a lot* while 48 per cent said the instability was affecting their business *to some extent*. However, overall according to the survey, it seems that more respondents are optimistic about the coming year for their business than not, perhaps reflective of Oman's standing as one of the most stable environment in the region.

Good governance

Dissatisfaction about bribery and misuse of public office among Omanis is increasing. From the survey most firms believe that corruption and bribery hinders the performance of Omani firms while female-owned or female-run firms felt corruption and bribery had a *very* negative impact on firms' performance. This discontent is also reflected in the annual "Corruption Perceptions Index" of the campaigning organization, Transparency International, which ranked Oman 41 out of 180 countries in 2010, a noticeable decline from its 28th place ranking in 2005. Inefficient government bureaucracy and corruption were also listed among the 15 most problematic factors for doing business in Oman, according to the Global Competitiveness Report by the World Economic Forum (WEF). On a regional scale, both the World Bank and Transparency International ranked Oman below Qatar and the United Arab Emirates in its ability to control corruption and in the quality of public services. A range of institutions and measures to create more confidence within the business community that bribery and corruption are being actively tackled needs to be visibly explored.

Social dialogue

The current situation in terms of workplace relations and the related legislative frameworks in Oman is fluid. Recent legislative changes have enabled the freedom to establish labour unions in all firms and the right to bargain collectively, but it appears that these legislative changes have led to some confusion. Certainly the past year has seen some volatility in terms of workplace relations, with a number of disputes, strikes and on occasion, some wild-cat strike action. Mechanisms to resolve disputes and mediation services do not appear robust enough. Firms particularly in the manufacturing sector see workplace relations as deteriorating. Clearer information on the new legislative framework law would appear to be warranted along which increased efforts to strengthen mediation and dispute resolution mechanisms.

⁶ References to 'survey respondents' or 'the survey' refer to the survey conducted by ARB on behalf of the ILO and OCCI and which is covered in Part 2 of the report.

Respect for universal human rights and international labour standards

The Basic Law – Oman’s first constitution – that was introduced in 1996 protects, at least in principle, civil liberties and personal freedoms. However, there are various challenges in giving effect to these freedoms. Furthermore, Oman has not ratified a number of core UN Human Rights Conventions and International Labour Organization Core Labour Standards. Similar to other countries in the Middle East, Oman scores poorly on the Freedom House political participation and civil liberties index. Freedom of the press is guaranteed, but restricted in practice. In recent times, some of the restrictions on the media and freedom of speech have been challenged by some parts of the population.

Sound and stable macroeconomic policy and good management of the economy

The broader macro-economic picture is generally positive with the economy performing well. Economic growth averaged 6.5 per cent over the last three years. The current account is expected to record surpluses in 2011-12, driven by high oil prices and robust production growth. However, the Omani economy will remain vulnerable to any downturn in domestic oil production and to fluctuations in oil and gas export prices. While inflation is a current concern, rising to 4.4 per cent, many forecasters expect it to fall in 2012 as food prices stabilize. This generally bright economic outlook is reflected in the survey results with some 62 per cent of firms saying they were optimistic in terms of their business operations for the immediate future.

Trade and sustainable economic integration

Oman’s trade share in GDP grew from 85.68 per cent in 2007 to 97.24 per cent in 2008, which is high compared to Kuwait, Qatar and the MENA average. Its import growth, in real terms, increased from an average rate of 21.3 per cent over the period 2005-07 to 24 per cent in 2008. However, Oman’s exports fell by an estimated 1.2 per cent in 2008 after growing at an average rate of 22.1 per cent during the 2005-07 period. In terms of Oman’s non-oil exports, these increased by 32 per cent year on year in 2010, with exports of chemical products seeing the largest increase. Exports are forecast to grow by an average of 9 per cent in 2011-12, boosted by higher oil prices and the continued development of Oman’s sea ports, which will increase re-export trade.

Enabling legal and regulatory environment

According to the World Bank’s “Doing Business index” which tracks the ‘ease of doing business’ across 183 economies, Oman is ranked below the GCC average. To some extent this is reflected in the survey results which, for example, indicate that 70 per cent of firms believe that Oman’s regulatory environment makes it difficult for small businesses to compete with large businesses. This theme also emerged in the survey as a reason why more young Omanis do not start a business. Nearly 40 per cent of firms felt that business’ required dealings with the Government can be too bureaucratic and could be improved. A consolidated effort to create more effective, accountable and efficient regulatory frameworks is warranted.

Rule of law and secure property rights

Oman’s ability to ensure the rule of law is high compared to other GCC countries and the World Bank ranked Oman together with Qatar at the top among other GCC countries on

its rule of law index. Protection of property and enforcement of intellectual property rights are also comparatively strong in Oman, according to the World Economic Forum. The global ranking published in the World Economic Forum Global Competitiveness Report 2010-2011 places Oman 24th out of 139 economies in terms of protection of property rights and 20th in terms of intellectual property rights.

Fair competition

Competition policy remains a concern for the business community. Nearly 1 in 2 firms describe competition policy and legislation in Oman as not efficient or only sometimes efficient in preventing unfair competition. Firms in the manufacturing sector in particular are concerned about fair competition. According to the World Bank, the total business density index (the number of registered companies as a percentage of the active working population) for Oman increased from 15.40 per cent in 2003 to 22.19 in 2007. Similarly, the scores for intensity of local competition and effectiveness of anti-monopoly policies by the World Economic Forum have improved, placing the country above the world average but below UAE, Qatar and in the local competition index also below the GCC average. However, Oman's performance in the Global Competitiveness Report's measure of opinion on the extent of market dominance has decreased from 3.8 in 2008 to 3.6 in 2010 leaving it behind all the other GCC countries. This highlights that corporate activity in Oman continues to be dominated by relatively few businesses.

Information and communication technology

Over the last decade, Oman has made significant progress in improving its telecommunications infrastructure, the quality of communication services and establishing an ICT-conducive environment. Oman's telecommunications infrastructure, the ICT diffusion and use have improved significantly. This is also reflected in international statistics showing that the number of internet users grew from 17 per 100 people in 2007 to 52 in 2009, according to the International Telecommunication Union (ITU). This is higher than in other GCC countries except for the UAE. The number of broadband subscribers also rose dramatically. Although this is low compared to other GCC countries, the number is expected to rise as the quality of services is constantly improving.

Access to financial services

The banking sector has witnessed significant growth in recent years. Credit to the private sector as a percentage of GDP increased from 31.07 per cent in 2006 to 35.48 per cent in 2008, according to the IMF. Despite the positive trend, the country still ranks below the GCC and MENA average and is far below Kuwait and UAE on this indicator. Yet small and medium-sized enterprises (SME) still face difficulties in accessing finance. According to the latest executive opinion survey by the World Economic Forum (WEF), 13.5 per cent of the respondents considered financing as one of the most problematic factors for doing business in Oman. One of the current obstacles is that small borrowers in Oman often lack the detailed and historical financial records that banks rely on to evaluate creditworthiness. This is also reflected in the World Bank's credit information index, placing the Sultanate below UAE, Kuwait and the GCC and MENA average on this index.

Physical infrastructure

Oman has committed increasing amounts of money to building up the transport infrastructure in recent years and continues to follow its long-term development plan for the sector. The latest Global Competitiveness Report by the World Economic Forum (WEF)

ranked Oman 21st (out of 139 countries) in quality of overall infrastructure, 10th in quality of roads and 33rd in quality of port infrastructure. Although Oman ranks high on an international and regional scale, supply of infrastructure was listed among the 15 most problematic factors for doing business in Oman, according to the latest Global Competitiveness Report by the World Economic Forum (WEF). Some of the problems include steady growth in traffic, lack of infrastructure services in some remote areas and frequent flooding that affects the transportation system. The Government is currently committed to investing heavily in the road network and air and sea ports.

Entrepreneurship culture

No enterprises or jobs will be created without real business opportunities. Therefore the Omani Government is also focusing on promoting growth sectors, such as tourism, power generation and infrastructure development in the hope that this will create business opportunities. The survey results suggest that there is a positive view of entrepreneurship from young people (41 per cent sharing this view). However, a large sample of enterprises surveyed (43 per cent) believe that only a small minority of young people have the right skills to successfully run a business. Oman has a wide range of separate initiatives to provide entrepreneurs with necessary skills and help them with financing, yet these often seem supply driven and lack cohesion. From a policy perspective while the importance of private sector development and entrepreneurship are acknowledged in the eighth five year plan (2011-2015), there is no separate policy framework drawn up for promoting entrepreneurship culture or SMEs in Oman. Action on this should be a priority.

Education, training and lifelong learning

Oman has placed great importance on education since 1970 when Sultan Qaboos took power in 1970. Government spending on education has increased significantly since, amounting to 3.9 per cent of GDP in 2006, which was slightly higher than the GCC average of 3.68 per cent. Significant progress has been achieved in the educational system resulting in reduced illiteracy and increasing rates of educational participation. Yet the results have been disappointing. Schools and universities are turning out graduates lacking in skills they need to succeed in employment. Additionally, and despite impressive improvements in education indicators over time, the percentage of young people who are both out-of-school and out-of-work is too high. There are current skills shortages and many companies have to look abroad to get the skills they need. The Omanization policy (the replacement of expatriate workers with local staff) is clearly an obstacle to this and some firms are consequently operating without key skilled personnel. This is leading to frustrations and low productivity. In the survey, skills mismatch concerns were greatest in the SME and trading sectors.

Social justice and social inclusion

Oman has developed rapidly from a low income to a high income country. Few other countries have matched such a rapid rate of progress against social and economic indicators. The current five-year development plan (2011-15) continues to focus on promoting the living standards of citizens and reducing income disparities. The Basic Law prohibits discrimination on the basis of gender, origin, color, language, religion, sect, domicile, or social status. However, Oman's gender-related UNDP development index is low, even compared to the GCC average. Also the female labour force participation rate compares unfavourably with other countries in the region. The country performs slightly better on the gender empowerment measure, which assesses women's political participation, decision-making and power over economic resources. The UNDP ranked Oman above the GCC average on this index.

Adequate social protection

Oman has made much progress in developing its health care and social security system in recent times. Omanis are provided with extensive social services, including insurance against old age, disability and death, maternity and health care. The national development plan foresees the extension of social insurance coverage over the next five years, starting with the self-employed, non-Omani workers, and later, possibly being extended to cover other benefits such as unemployment insurance. Since the protests in early 2011 the Government has increased social spending. This can be expected to continue (for example, the new ‘marriage fund’ to provide loans to enable those with limited financial means to marry is to be established). The main concern is that such measures are easy to implement, but very hard to reverse. Lessons can be learned from other countries which are grappling with fiscal adjustments and trying to address profligate policies of the past.

Responsible stewardship of the environment

Oman is struggling with high levels of soil and water salinity in the coastal plains, periodic droughts, loss of wildlife, waste disposal and overgrazing and desertification, especially in the South. Oman’s Ecological Footprint score was 5 in 2007, which is low compared to other Gulf countries. The Environmental Sustainability Index (ESI), which covers 146 countries assessing their ability to protect the environment over the next several decades ranked Oman 83rd, which is a relatively good score on a regional scale. However, the Environmental Performance Index (EPI) that measures how close the country comes to broadly-accepted targets for environmental performance, ranks Oman lower than the GCC average.

Part 1: Survey of comparative secondary data

The following analysis of secondary data sets corresponds to selected indicators for each of the 17 conditions for an enabling environment for sustainable enterprises as identified by the International Labour Conference in 2007. For each of the policy areas the chosen indicator measures Oman's performance over a recent time series and in comparison to neighbouring countries Kuwait, UAE and Qatar, plus a regional average for the Gulf Cooperation Council (GCC) or Middle East and North Africa (MENA).

1. Political elements

1.1 Peace and political stability

Peace and political stability are basic preconditions to nurture the formation and growth of sustainable enterprises. Oman's political system has remained comparatively stable under the rule of Sultan Qaboos bin Said al-Said, thus providing a supportive environment for local and foreign businesses for over 30 years. The Sultan has guided the country along a sound economic path with a focus on building good infrastructure and the provision of decent public services – a path, which has proved popular in spite of the lack of a democratic government, thus keeping the risk of political instability low. However, the unrest throughout much of the Arab world in 2011 has affected Oman with some, albeit relatively modest, dissent and criticism expressed in certain quarters.

Oman's political system is centred on Sultan Qaboos, who has ruled the country for 40 years. All important decisions are made by the Sultan – he retains the positions of head of state and prime minister and formally also the positions of head of defense, finance and foreign affairs. In the 1990s, the Sultan started modernizing the government structure with the establishment of a Consultative Assembly, which evolved into the Majlis al-Shura, the Consultative Council. Its 84 members are elected for a four-year term, but the chamber has no legislative power and can only recommend changes to new laws. Although it can make recommendations on domestic legislation, discussions of foreign policy and defense are not permitted. In 1996, the Sultan approved Oman's first constitution, which led to the establishment of a bicameral parliament consisting of the Majlis al-Shura and an appointed State Council – Majlis al-Dawla. Unlike the Consultative Council, the 53 members of Majlis al-Dawla are appointed by the Sultan for a four-year term.⁷

In early 2011 there was a surge in frustration among certain parts of the population, centred on the current employment situation, low wages, alleged corruption in parts of government and rising food prices. To respond to these demands, the Sultan reshuffled his ministerial team. To some extent this was also satisfying the demand for more power for the Consultative Council as some of the new ministers appointed to the cabinet were from the Majlis al-Shura.⁸

⁷ The Economic Commission for Western Asia (2010). ESCWA Country Profiles 2009, E/ESCWA/SD/2010/Technical Paper.2, 28 January 2010.

⁸ The Economist Intelligence Unit (2011). Oman politics: Purge, ViewsWire: March 9th 2011.

Perhaps the major issue which may affect the political stability of a country which has maintained a reputation of being one of the most stable Gulf States for a long time is the uncertainty over who will succeed the long-serving Sultan. There is no obvious successor to the Sultan, and the process for nominating his successor is unusual and obviously untested. His legacy will be hard to follow and his successor is likely to face many challenges such as calls for greater democratization; possible tensions with neighbouring states (e.g. instability in Yemen or confrontation over Iran's nuclear programme); the latent division between more wealthy and often more liberal urban Omanis and the typically more conservative rural population; and various largely economic tensions that arise because of the very large expatriate community in Oman.⁹

Key Indicators

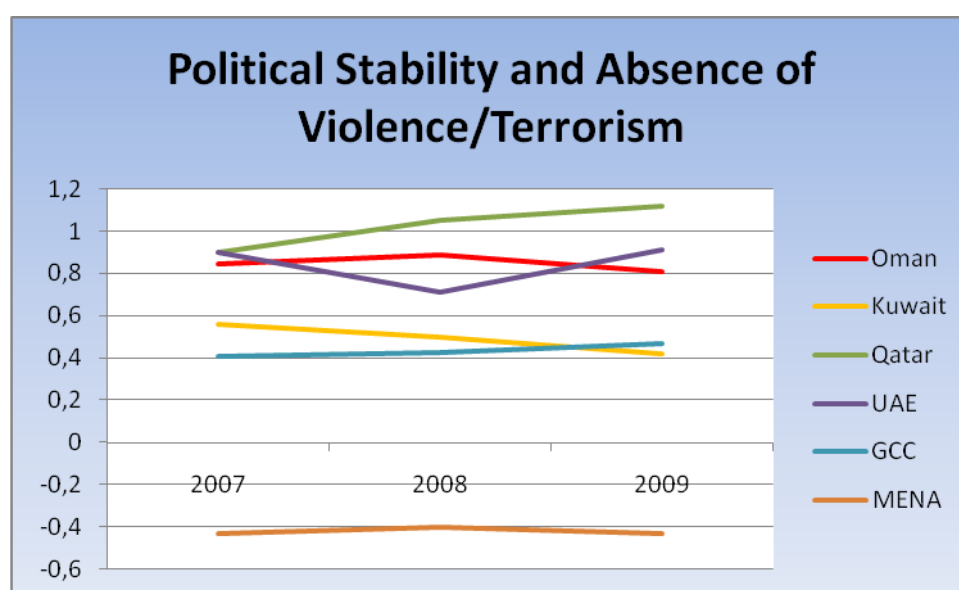
Political Stability and Absence of Violence/Terrorism

The likelihood that the government will be destabilized by unconstitutional or violent means, including terrorism.

Source: World Bank, Governance Matters database¹⁰

	2007	2008	2009
Oman	0.85	0.89	0.81
Kuwait	0.56	0.50	0.42
Qatar	0.90	1.05	1.12
UAE	0.90	0.71	0.91
GCC¹¹	0.41	0.43	0.47
MENA¹²	-0.43	-0.40	-0.43

Estimate of governance measured on a scale from approximately -2.5 to 2.5. Higher values correspond to better governance.



⁹ Economic Intelligence Unit (2011). Country Report Oman, London.

¹⁰ <http://info.worldbank.org/governance/wgi/sc_country.asp>

¹¹ Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates.

¹² Includes 21 countries: Algeria, Bahrain, Djibouti, Egypt Arab Rep., Iran Islamic Rep.of., Iraq, Israel, Jordan, Kuwait, Lebanon, Libya, Malta, Morocco, Oman, Qatar, Saudi Arabia, Syrian Arab Republic, Tunisia, United Arab Emirates, Yemen Rep.of, West Bank and Gaza.

1.2 Good governance

Poor governance, corruption and inefficient institutions can discourage entrepreneurship and hold back private-sector growth and development. In Oman, power is concentrated in the hands of a few. A small number of powerful families have a stranglehold over the commercial sector, and the Sultan is in almost complete control over the political scene. This uneven division of power has been at the root of several corruption scandals in recent years some of which have led to the dismissal of some high-level government officials. However, it appears that dissatisfaction about bribery and misuse of public office among Omanis is increasing. This has led to several protests in early 2011 which drew attention to alleged corruption, particularly at high levels of government.¹³ This anger and discontent is also reflected in the annual “Corruption Perceptions Index” of the campaigning organization, Transparency International, which ranked Oman 41 out of 180 countries in 2010, a noticeable decline from its 28th place ranking in 2005. On a regional scale, both the World Bank and Transparency International ranked Oman below Qatar and the United Arab Emirates in its ability to control corruption and in the quality of public services. Although Oman has signed neither the UN Convention against Corruption nor the OECD convention on combating bribery, the Sultan has started to take specific measures to fight corruption, such as the major reshuffle of ministers and government officials in early 2011, which included the chairmen of the State Financial and Administrative Audit Institution and the Tender Board, two institutions which, according to one source, had been “perceived to have turned a blind eye to corrupt practices”.¹⁴ Inefficient government bureaucracy (4.5 per cent of respondents) and corruption (1.6 per cent of respondents) were also listed among the 15 most problematic factors for doing business in Oman, according to the Global Competitiveness Report by the World Economic Forum (WEF).¹⁵

Similar to other countries in the Middle East, Oman scores poorly on political participation and civil liberties. The Freedom House classifies Oman as “not free” and the score of the World Bank’s Voice and Accountability Index ranks Oman behind Qatar, UAE and Kuwait, as well as the MENA and GCC averages. Citizens of Oman can elect the Majlis al-Shura, but the 84-member Consultative Council has no legislative power. All other members of the Government are appointed by the Sultan who retains the positions of head of state and prime minister and formally also the positions of head of defense, finance and foreign affairs. There is no organized political opposition and political parties are not permitted. Freedom of expression and democratic debate are limited, and criticism of the Sultan is prohibited.¹⁶

¹³ Economic Intelligence Unit (2011). Country Report Oman, London.

¹⁴ The Economist Intelligence Unit (2011). Oman politics: Purge, Views Wire: March 9th 2011.

¹⁵ World Economic Forum (2011). The Global Competitiveness Report 2010-2011, Geneva.

¹⁶ Freedomhouse (2010). Freedom in the World Country Report – Oman.

Key Indicators

Control of corruption

The extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as "capture" of the state by elites and private interests.

Source: World Bank, Governance Matters database.¹⁷

	2007	2008	2009
Oman	0.4	0.57	0.48
Kuwait	0.51	0.55	0.42
Qatar	1.01	1.33	1.64
UAE	1.03	1.08	0.2
GCC	0.54	0.66	0.53
MENA	-0.12	-0.1	-0.09

Estimate of governance measured on a scale from approximately -2.5 to 2.5. Higher values correspond to better governance.

Corruption perceptions index (CPI)

The Transparency International CPI measures the perceived levels of public-sector corruption as seen by business people and country analysts in a given country and is a composite index, drawing on different expert and business surveys.

Source: Transparency International.¹⁸

	2008	2009	2010
Oman	5.5 (rank 41)	5.5 (rank 39)	5.3 (rank 41)
Kuwait	4.3 (rank 65)	4.1 (rank 66)	4.5 (rank 54)
Qatar	6.5 (rank 28)	7.0 (rank 22)	7.7 (rank 19)
UAE	5.9 (rank 35)	6.5 (rank 30)	6.3 (rank 28)
GCC	5.2	5.4	5.6
MENA¹⁹	3.8	3.8	3.9

The scores on a scale from zero (highly corrupt) to ten (highly clean). Rank is out of 180 countries.

Government effectiveness

The quality of public services, the capacity of the civil service and its independence from political pressures and the quality of policy formulation.

Source: World Bank, Governance Matters database.²⁰

	2007	2008	2009
Oman	0.43	0.54	0.65
Kuwait	0.17	0.06	0.21
Qatar	0.13	0.85	1.13
UAE	0.92	0.88	0.93
GCC	0.34	0.47	0.58
MENA	-0.18	-0.13	-0.09

Estimate of governance measured on a scale from approximately -2.5 to 2.5. Higher values correspond to better governance.

¹⁷ <http://info.worldbank.org/governance/wgi/sc_country.asp>

¹⁸ <http://www.transparency.org/policy_research/surveys_indices/cpi/2008>

¹⁹ Includes 19 countries: Algeria, Bahrain, Djibouti, Egypt Arab Rep., Iran, Islamic Rep.of., Iraq, Jordan, Kuwait, Lebanon, Libya, Malta, Morocco, Oman, Qatar, Saudi Arabia, Syrian Arab Republic, Tunisia, United Arab Emirates, Yemen, Rep. of (no data for West Bank and Gaza).

²⁰ <http://info.worldbank.org/governance/wgi/sc_country.asp>

Voice and accountability		2007	2008	2009
The extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media.				
<u>Source:</u> World Bank, Governance Matters database. ²¹				
	Oman	-1.06	-1.06	-1.08
	Kuwait	-0.52	-0.56	-0.54
	Qatar	-0.73	-0.69	-0.89
	UAE	-1	-0.95	-0.87
	GCC	-0.96	-0.97	-0.99
	MENA	-0.9	-0.9	-0.91
Estimate of governance measured on a scale from approximately -2.5 to 2.5. Higher values correspond to better governance.				

Other useful indicators

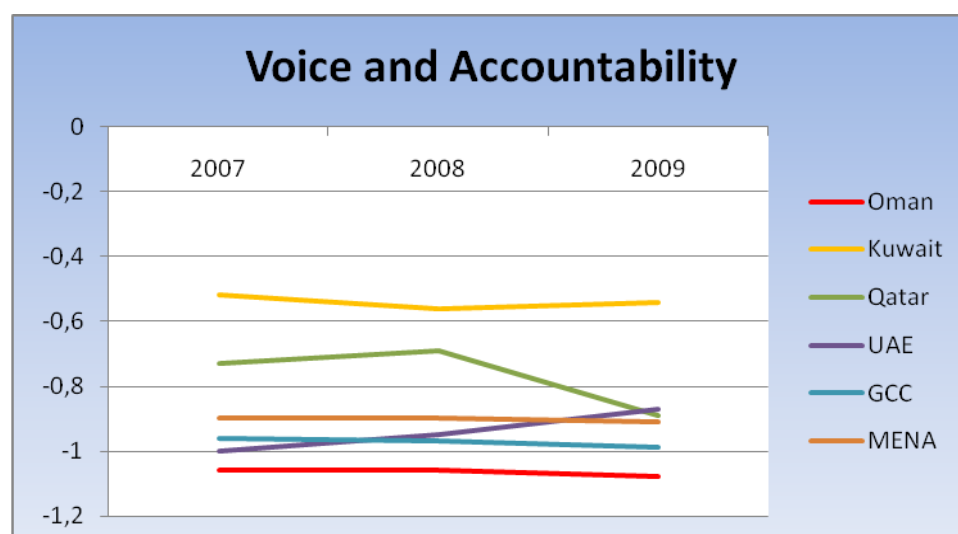
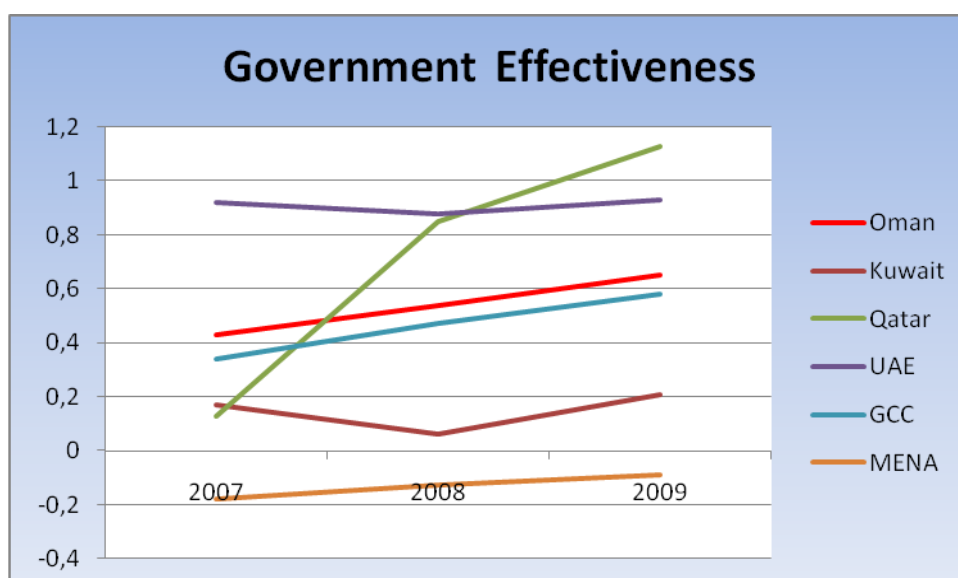
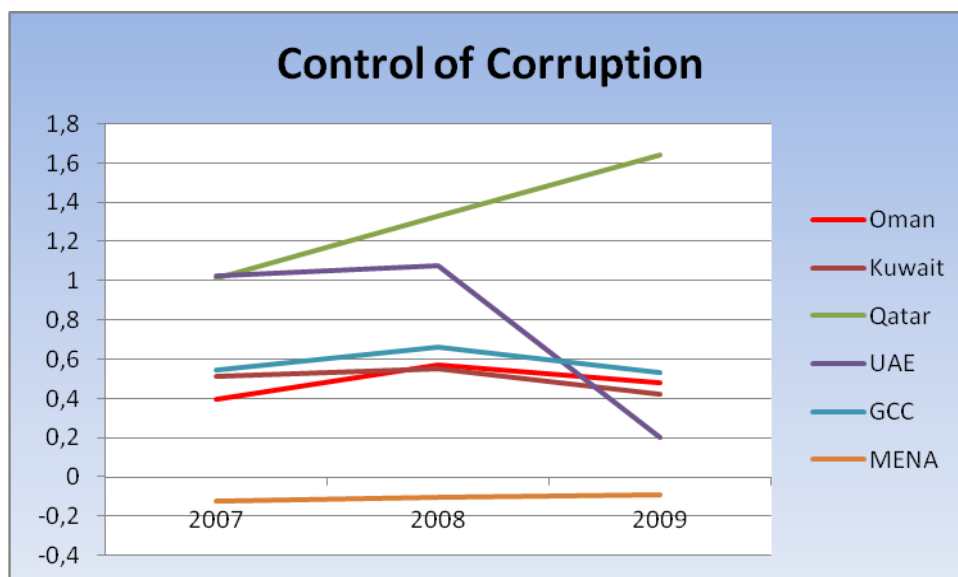
Political rights index		2008	2009	2010
The Political Rights index measures the degree of freedom in the electoral process, political pluralism and participation, and functioning of government.				
<u>Source:</u> Freedom House, The Freedom in the World Survey. ²²				
	Oman	6	6	6
	Kuwait	4	4	4
	Qatar	6	6	6
	UAE	6	6	6
	GCC	6	6	6
	MENA²³	6	6	6
Numerically, Freedom House rates political rights on a scale of 1 to 7, with 1 representing the most free and 7 representing the least free.				
Civil liberties index		2008	2009	2010
The Civil Liberties index measures freedom of expression, assembly, association, and religion.				
<u>Source:</u> Freedom House, The Freedom in the World Survey. ²⁴				
	Oman	5	5	5
	Kuwait	4	4	4
	Qatar	5	5	5
	UAE	5	5	5
	GCC	5	5	5
	MENA	5	5	5
Freedom House rates civil liberties on a scale of 1 to 7, with 1 representing the most free and 7 representing the least free.				

²¹ <http://info.worldbank.org/governance/wgi/sc_country.asp>

²² <<http://www.freedomhouse.org/template.cfm?page=15>>

²³ Includes 20 countries: Algeria, Bahrain, Djibouti, Egypt, Iran, Iraq, Israel, Israeli-Occupied Territories, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Qatar, Saudi Arabia, Syria, Tunisia, United Arab Emirates, Yemen Rep. of.

²⁴ <http://www.freedomhouse.org/template.cfm?page=15>



1.3 Social dialogue

Social dialogue is fundamental to the objective of promoting opportunities for women and men to obtain decent and productive work in conditions of freedom, equity, security and human dignity. In recent years, Oman has made some progress in improving the conditions and legal framework for social dialogue among employers and workers and is currently revising the labour law in order to make further improvements in this area.²⁵ However, Oman has not ratified Conventions 87 and 98 on freedom of association and collective bargaining (nor Conventions 100 and 111 on elimination of discrimination in respect of employment and occupation) although in 2006 and 2007, two decrees by the Sultan were adopted allowing for collective bargaining and the formation of trade unions (previously prohibited). Collective bargaining is a relatively new concept in Oman, with the royal decree making it possible to use collective bargaining to set wages and working conditions. In cases when there is no trade union, collective bargaining can take place between the employer and five representatives selected by the workers of the enterprise. The right to strike was recognized in the labour law that came into effect in 2003.²⁶ Strikes must be supported by an absolute majority of the workforce and notice of the strike must be received by the employer in writing at least three weeks beforehand.

As a result of the decrees allowing for trade unions, over 100 individual unions have been established, with about fifty of these having completed their own elections as of February 2010. The trade union system is not completely free from restrictions. For instance, only one trade union federation is allowed: the General Federation of Oman Trade Unions (GFOTU). There must be at least 25 employees for a union to be formed, regardless of the size of the company and the Ministry of Employment may refuse to register a trade union “if it is not convinced” that all the requirements have been met (thus introducing what can be seen as a somewhat arbitrary or ambiguous element to the establishment of workers’ organizations). The armed forces, security and government personnel, and domestic workers are not allowed to form unions. There are also restrictions on the right to freely organize activities and formulate programmes. For example, unions must notify the government at least one month in advance of union meetings.

The employers’ sole representative is the Oman Chamber of Commerce and Industry (OCCI) which was established by a Sultanate Decree in 1973. It has a close relationship to government, benefits from a compulsory membership and plays an important role in stimulating the country’s economic activities through its active participation in implementing national development plans.²⁷

The Global Competitiveness Report 2010/2011 by the World Economic Forum ranks Oman 23rd out of 133 countries in the category labour-employer relations, which is

²⁵ Khaleej Times “Oman revising laws to protect labour rights”, 10 February 2011
<http://www.khaleejtimes.com/DisplayArticleNew.asp?xfile=/data/middleeast/2011/February/middleeast_February269.xml§ion=middleeast>

²⁶ Sultanate of Oman Ministry of Manpower, Omani Labour Law
<http://www.manpower.gov.om/en/law_committees.asp>Solidarity Center <<http://www.solidaritycenter.org/content.asp?pl=863&sl=407&contentid=873>>

²⁷ ILO (2010). Sultanate of Oman – Decent Work Country Programme 2010-13. ITUC (2010). Annual Survey of violations of trade union rights – Oman <<http://survey.ituc-csi.org/+Oman-.html?lang=en>>; Solidarity Center , Oman: A New Trade Union Center Is Born <<http://www.solidaritycenter.org/content.asp?contentid=1029>>

relatively good and slightly better than the GCC average. Nonetheless, social dialogue and tripartism in Oman requires strengthening particularly in the field of freedom of association.

Key Indicators

Union density rate

Union density rate measures the number of trade union members as a percentage of the non-agricultural labour force.

Source: ILO²⁸

	1985	1990	1995
Oman
Kuwait
Qatar
UAE

Measures as a percentage of the non-agricultural labour force

Enterprises belonging to employers' organization rate

It measures the number of enterprises belonging to employer organizations.

Source: ILO²⁹

	as of May 1997
Oman	..
Kuwait	46 000
Qatar	..
UAE	50 000

Number of enterprises belonging to employer organizations (Number of enterprises covered). The index is being developed.

Collective wage bargaining coverage rate

Collective wage bargaining coverage rate measures the number of employers who belong to an employers' organization and the proportion of employees covered by collective agreements (per cent). However, collective bargaining coverage rate is being developed and major data collection is under way.

Source: ILO³⁰

	1990	1995	2002
Oman
Kuwait
Qatar
UAE

Proportion of employees covered by collective agreements (per cent) to total employment.

²⁸ ILO (2005). Social Dialogue Indicators – Trade union membership and collective bargaining coverage: Statistical concepts, methods and findings, Paper No. 10, Geneva.

²⁹ <<http://www.ilo.org/public/english/dialogue/ifpdial/publ/wlr97/annex/tab2.htm> >

³⁰ ILO (2005). Social Dialogue Indicators – Trade union membership and collective bargaining coverage: Statistical concepts, methods and findings, Paper No. 10, Geneva.

Other useful indicators

Cooperation in labour-employer relations		2008 (GC 08/09)	2009 (GC 09/10)	2010 (GC 10/11)
The World Economic Forum (WEF) Survey asked business leaders to provide their expert opinions on the following: "Labour-employer relations in your country are". Source: World Economic Forum Executive Opinion Survey ³¹	Oman	5.0 (rank 26)	5.3 (rank 14)	5.1 (rank 23)
	Kuwait	5.0	4.6	4.6
	Qatar	4.8	5.2	5.2
	UAE	5.1	5.3	5.3
	GCC	4.9	4.9	4.9
	World	4.5	4.5	4.4
	(mean)			
		1 = generally confrontational, 7 = generally cooperative		

1.4 Respect for universal human rights and international labour standards

Respect for human rights and International Labour Standards is an essential element of decent work. The Basic Law – Oman's first constitution – that was introduced in 1996 protects, at least in principle, civil liberties and personal freedoms. However, there are various challenges in giving effect to these freedoms in Oman. Furthermore, Oman has not ratified the following core UN Human Rights Conventions.

- International Convention on the Prevention and Punishment of the Crime of Genocide,
- International Convention on Civil and Political Rights,
- International Convention on Economic, Social and Cultural Rights,
- Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment.

The Sultanate joined the International Labour Organization in 1991 but has ratified only four of the Core Labour Standards. The following ILO core labour conventions are still waiting for ratification.

- Freedom of association and collective bargaining (Conv. 87, Conv. 98)
- Elimination of discrimination in respect of employment and occupation (Conv. 100, Conv.111).

Similar to other countries in the Middle East, Oman scores poorly on the Freedom House political participation and civil liberties index. The country is classified as "not free", which is similar to other GCC states except for Kuwait which is considered as "partly free". There is no organized political opposition and political parties are not permitted in Oman. Likewise, the establishment of independent human rights organizations is not permitted. Only the formation of nongovernmental organizations is allowed. Freedom of expression and democratic debate are limited, and criticism of the

³¹ <<http://www.weforum.org/en/initiatives/gcp/Globalpercent20Competitivenesspercent20Report/PastReports/index.htm>>

Sultan is prohibited. Further measures to tighten some restrictions on freedom of expression were introduced by the Government in 2009. Freedom of the press is guaranteed, but restricted in practice. The Government censors politically sensitive content on the internet and also restricts academic freedom by preventing the publication of politically sensitive topics. Many of the private print publications exercise rigorous self-censorship. In 2008, the Sultan issued a decree expanding government oversight and regulation of electronic communications, including communication on personal blogs. In recent times, some of the restrictions on the media and freedom of speech have been challenged by some parts of the population.³²

It was only in 2003 that suffrage became universal for adult Omani citizens, both men and women. Citizens of Oman can now elect the Consultative Council³³ but this body can only make recommendations and has no legislative power. All other members of the Government are appointed by the Sultan. Although the right to peaceful assembly exists, all public gatherings require official permission, and the Government has the authority to prevent organized public meetings without any appeal process. According to the law, arbitrary arrest and detention are prohibited, but the police and security services often ignore this.³⁴

The Basic Law guarantees equal treatment for men and women in Oman. In line with this, women can take part in the political process and the Sultan encourages women to participate in the process of Oman's social and economic development. Compared to other countries in the region, female representation in government is high and there are no formal restrictions for females in education or jobs. There have been female members of the State Council since 1994 and in 2004, the Sultan appointed two women as cabinet ministers. In spite of these efforts to integrate women in public life, some aspects of Islamic law and tradition discriminate against women. Thus, for example, Oman's personal status law, interpreted from Sharia, favours the rights of men over those of women in marriage, divorce, inheritance, and child custody.³⁵

Significant problems surround migrant workers, who make up half of Oman's workforce and have a particularly strong presence in the construction industry and domestic work. It is clear that the legal provisions covering the rights of migrant workers remain inadequate. For instance, foreign workers risk deportation if they abandon their contracts without documentation releasing them from their employment, meaning employers could hold them in a relationship that is open to exploitation. Oman has not ratified the International Convention on the Protection of the Rights of all Migrant Workers and Members of their Families.³⁶

³² The Economist Intelligence Unit (2011). Country Report Oman, February 2011. Freedomhouse (2010). Freedom in the World Country Report – Oman.

³³ Majlis al-Shura.

³⁴ Freedomhouse (2010). Freedom in the World Country Report – Oman. Economic Intelligence Unit (2008). Country Profile 2008: Oman, London.

³⁵ Bertelsmann Stiftung, BTI (2010). Oman Country Report. Gütersloh: Bertelsmann Stiftung, 2009; Economic Intelligence Unit (2008). Country Profile 2008: Oman, London; Women's Rights in the Middle East and North, Country Reports – Oman.
< <http://www.freedomhouse.org/template.cfm?page=179>>

³⁶ ITUC (2010). Annual Survey of violations of trade union rights – Oman; Freedom House (2010). Freedom in the World Country Report – Oman.

Key Indicators

Ratification of Human Rights Conventions

as of April 2011

It shows the status of human rights instrument – how many of human rights instruments have been ratified. It refers to ratification of the following 7 conventions: Convention Against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment, Convention on the Rights of the Child, International Convention on the Elimination of All Forms of Discrimination Against Women, International Convention on the Elimination of All Forms of Racial Discrimination, International Convention on the Prevention and Punishment of the Crime of Genocide, International Covenant on Civil and Political Rights, International Covenant on Economic, Social and Cultural Rights.

Source: United Nations Treaty Collection.³⁷

Oman	3 ³⁸
Kuwait	7
Qatar	4 ³⁹
UAE	4 ⁴⁰
Number of ratified Conventions (out of 7)	

Ratification of fundamental ILO conventions

as of 22 April 2011

It shows the status of labour rights conventions. It refers to ratification of the following 8 conventions: Freedom of association and collective bargaining (Convention 87, 98), Elimination of forced and compulsory labour (29, 105), Elimination of discrimination in respect of employment and occupation (Convention 100, 111), Abolition of child labour (Convention 138, 182).

Source: ILO⁴¹

Oman	4 ⁴²
Kuwait	7 ⁴³
Qatar	5 ⁴⁴
UAE	6 ⁴⁵
Number of ratified Conventions (out of 8)	

³⁷ <<http://treaties.un.org/Pages/Treaties.aspx?id=4&subid=A&lang=en>>

³⁸ Not ratified: a) International Convention on the Prevention and Punishment of the Crime of Genocide; b) International Covenant on Civil and Political Rights; c) International Covenant on Economic, Social and Cultural Rights; d) Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment.

³⁹ Not ratified: a) International Convention on the Prevention and Punishment of the Crime of Genocide; b) International Covenant on Civil and Political Rights; c) International Covenant on Economic, Social and Cultural Rights.

⁴⁰ Not ratified: a) International Covenant on Civil and Political Rights; b) International Covenant on Economic, Social and Cultural Rights; c) Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment.

⁴¹ <<http://www.ilo.org/ilolex/english/docs/declworld.htm>>

⁴² ‘Freedom of association and collective bargaining’ (Conv. 87, Conv. 98) and ‘Elimination of discrimination in respect of employment and occupation’ (Conv. 100, Conv. 111) not ratified.

⁴³ Conv. 100 ‘Elimination of discrimination in respect of employment and occupation’ not ratified.

⁴⁴ ‘Freedom of association and collective bargaining’ (Conv. 87, Conv. 98) and the Conv. 100 ‘Elimination of discrimination in respect of employment and occupation’ not ratified.

⁴⁵ ‘Freedom of association and collective bargaining’ (Conv. 87, Conv. 98) not ratified.

Other useful indicators

Political rights index

The Political Rights index measures the degree of freedom in the electoral process, political pluralism and participation, and functioning of government.

Source: Freedom House, The Freedom in the World Survey.⁴⁶

	2008	2009	2010
Oman	6	6	6
Kuwait	4	4	4
Qatar	6	6	6
UAE	6	6	6
GCC	6	6	6
MENA⁴⁷	6	6	6

Numerically, Freedom House rates political rights on a scale of 1 to 7, with 1 representing the most free and 7 representing the least free.

Civil liberties index

The Civil Liberties index measures freedom of expression, assembly, association, and religion.

Source: Freedom House, The Freedom in the World Survey.⁴⁸

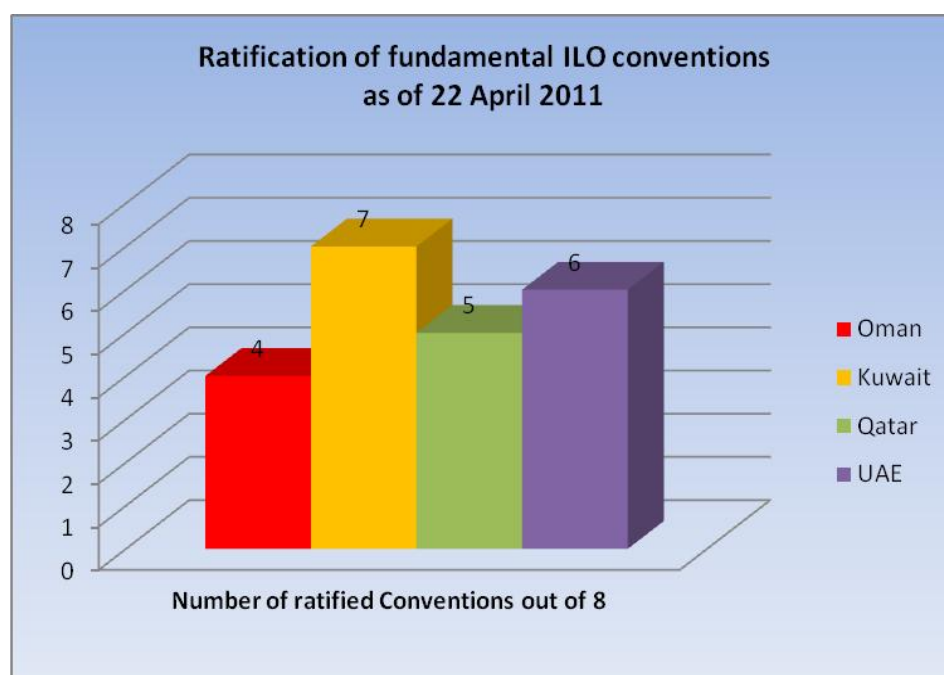
	2008	2009	2010
Oman	5	5	5
Kuwait	4	4	4
Qatar	5	5	5
UAE	5	5	5
GCC	5	5	5
MENA	5	5	5

Freedom House rates civil liberties on a scale of 1 to 7, with 1 representing the most free and 7 representing the least free.

⁴⁶ <<http://www.freedomhouse.org/template.cfm?page=15>>

⁴⁷ Includes 20 countries: Algeria, Bahrain, Djibouti, Egypt, Iran Islamic Rep. of, Iraq, Israel, Israeli-Occupied Territories, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Qatar, Saudi Arabia, Syria, Tunisia, United Arab Emirates, Yemen Rep. of.

⁴⁸ <<http://www.freedomhouse.org/template.cfm?page=15>>



2. Economic elements

2.1 Sound and stable macroeconomic policy and good management of the economy

A stable macroeconomic environment is important for business. Oman's economic performance is closely linked to global oil prices as the country is heavily dependent on the hydrocarbon sector with crude oil accounting for around 40 percent of GDP. Oil was first found in 1960s and since then the country has been an important oil exporter. In contrast to some other Gulf countries, however, Oman's oil resources are relatively limited and increasingly difficult and costly to extract. It is estimated that the oil resources will be exhausted in less than 20 years. For this reason, the Government has embarked on a development strategy focussing on economic diversification. The Government seeks to expand exports of natural gas that was discovered in the late 1980s; to develop gas-based industries; to encourage foreign investment in petrochemicals, electric power, tele-communications, and other industries; to promote tourism; to improve education and health services; to modernize its infrastructure; and address some structural problems, including the privatization of state-owned enterprises.⁴⁹

The development strategy, driven by oil and gas exports, has resulted in high real GDP growth of 6 per cent⁵⁰ on average per year during 2000-10, which is comparable with other GCC countries. The non-oil GDP growth was estimated at 3 per cent in 2009, mainly driven by the construction sector and gas-based industries. The non-oil growth will be further supported by the expansion of ports, the diversification into manufacturing, such as aluminium and the development of tourism infrastructure.⁵¹ The positive trend has also been supported by an increase in private consumption since 2001. In contrast, government consumption has been fairly steady for several years. Gross capital formation, which depends on government-driven investment, stabilized at around 30 per cent of GDP in 2008, mainly boosted by work on projects such as the Sohar refinery and the third liquefied natural gas train. Over the last decade the Government has also strengthened its balance sheet by reducing public debt and accumulating savings while the central bank increased its foreign assets. Gross domestic savings as a percentage of GDP stood at 51.05 per cent in 2008, which is similar to other GCC countries.⁵²

However, the rapid growth together with an increase in private consumption has put pressure on prices, with inflation peaking at 12per cent in 2008. The global financial crisis (via the downward pressure on commodity prices) brought inflation down to 3.9 per cent in 2009, with inflation forecasts of 3.5 to 4.5 per cent forecast for 2011 and 2012. As a mean of keeping inflation low, the Government controls prices of a range of core goods and services through an extensive subsidy system and by directly influencing prices through state-owned enterprises and utilities, including for electricity and water. Also the maintenance of the Riyal's peg to the dollar has helped to limit the impact of imported inflation.

⁴⁹ Economic Intelligence Unit (2010). Industry Report: Energy Oman, September 2010, London; Oxford Business Group (2011). The Report: Oman 2011.

⁵⁰ According to IMF estimates.

⁵¹ Economic Intelligence Unit (2011). Country Report Oman, London.

⁵² Economic Intelligence Unit (2008). Country Profile 2008: Oman, London.

Oman's current account balance has been in surplus for more than two decades, although the value varied considerably, mainly in relation to international oil prices. However, in 2009, the Sultanate recorded a small deficit. This was largely attributable to the worsened global conditions after the financial crisis. In 2010, the external current account shifted from a deficit to a surplus of 11.4 per cent. For the period of 2011-12, the Economist Intelligence Unit forecasts an average surplus of 2.7 per cent of GDP, due to an expected growth in exports over the period.⁵³

In general, the Omani economy is exposed to volatile oil and gas prices and remains vulnerable to any downturn in domestic oil production. Therefore the Government's diversification away from its reliance on oil exports will become increasingly important. Oman's prudent macroeconomic management, however, has helped to balance some external shocks. Thus Oman was well prepared to confront the global financial crisis in 2008. This was mainly due to the Government's rigorous oversight of the financial sector, which promotes prudent risk management, reinforces capital buffers, and enhances banks' resilience to macroeconomic shocks. Since 1975, Oman has a tradition of setting its economic policy through five-year plans. The current five-year plan that came out in January 2011 continues the focus on economic diversification and education (established in earlier 5 year plans), in addition to attracting national and foreign investment, enhancing the role of the private sector and upgrading the legislation which governs investment.⁵⁴

In spite of the generally positive macroeconomic outlook, Oman's main economic and social challenge is to provide more employment opportunities for its citizens. Unemployment is a growing concern as Oman has a young population, with over 52 per cent of citizens under the age of 20 and 82 per cent under 35. There are more than 30 000 young Omanis entering the market each year, many of them unable to find a job. About 60 per cent of the labour force of almost one million is made up of non nationals (mostly South Asians). The labour force participation rate reflecting the proportion of the population aged 15-64 that is economically active was 57.7 per cent in 2009, which is low compared to elsewhere in the region.

Similar to other Gulf States, Oman also has a large expatriate workforce, with non-Omanis constituting almost 27 per cent of the total population. Traditionally, Omanis made up over 80 per cent of the public-sector but only 20 per cent of the private-sector labour force (and expatriates filled unskilled and low-paid jobs). However, the number of Omanis employed in the private sector is rising as result of the "Omanization" process (since 1988), aimed at replacing existing expatriate workers with local labour. In this context, the Government has introduced quotas, penalising companies that do not hire Omanis.⁵⁵ The current Long Term Development Strategy (Vision 2020)⁵⁶ calls for the provision of employment opportunities and training for Omanis (including Omani women). Specifically, it sets out the objective of substituting expatriate labour with

⁵³ IMF Executive Board Concludes 2010 Article IV Consultation with Oman, Public Information Notice (PIN) No. 11/44, April 1, 2011
<<http://www.imf.org/external/np/sec/pn/2011/pn1144.htm>>; Oxford Business Group (2011). The Report: Oman 2011.

⁵⁴ Ibid.

⁵⁵ Economic Intelligence Unit (2008). Country Profile 2008: Oman, London; Oxford Business Group (2010). The Report: Oman 2010.

⁵⁶ <<http://www.moneoman.gov.om/loader.aspx?view=planning-hrds-lo&type=plan>>

highly qualified Omani labour. This is expected to help shift the economy from low value added to high value added activities.

Key Indicators

GDP growth (per cent)		2008	2009	2010
Annual percentage growth rate of Gross Domestic Product (GDP) at market prices based on constant local currency. GDP is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources. Source: IMF. ⁵⁷	Oman	7.448	6.049	5.915
	Kuwait	6.023	6.208	6.233
	Qatar	14.146	13.140	14.481
	UAE	6.315	6.359	6.735
	GCC	7.47	7.31	7.56
	MENA⁵⁸	5.85	4.79	3.40
	Annual percentage growth rate of GDP.			
Inflation rate (per cent)		2007	2008	2009
Consumer price index reflects changes in the cost to the average consumer of acquiring a fixed basket of goods and services that may be fixed or changed at specified intervals, such as yearly. Source: World Development Indicators online.	Oman	5.96	12.09	3.94
	Kuwait	5.48	10.58	3.97
	Qatar	13.76	15.05	-4.86
	UAE	..	..	..
	GCC	6.53	10.22	2.18
	MENA⁵⁹	10.393	11.463	9.962
	Rate (per cent) whereas high inflation can erode the purchasing power of wages and can make enterprises unsustainable.			
Labour force participation rate		2007	2008	2009
The labour force participation rate is the proportion of the population ages 15-64 that is economically active: all people who supply labour for the production of goods and services during a specified period. The labour force participation rate is calculated by expressing the number of persons in the labour force as a percentage of the working-age population. The labour force is the sum of the number of persons employed and the number of unemployed. The working-age population is the population above a certain age, prescribed for the measurement of economic characteristics. Source: ILO KILM ⁶⁰	Oman	57.7	57.5	57.7
	Kuwait	70.3	70	70.1
	Qatar	84.1	84.4	84.9
	UAE	78.1	78.3	78.3
	GCC	68.7	68.65	68.73
	MENA	50.8	51.05	..
	The labour force participation rate is calculated by expressing the number of persons in the labour force as a percentage of the working-age population.			

⁵⁷ <<http://www.imf.org/external/pubs/ft/weo/2008/01/weodata/index.aspx>>

⁵⁸ developing only.

⁵⁹ Includes 13 countries: Bahrain, Egypt Arab Rep., Iran Islamic Rep.of, Jordan, Kuwait, Lebanon, Libya, Oman, Qatar, Saudi Arabia, Syrian Arab Republic, United Arab Emirates, Yemen Rep.of.

⁶⁰ <<http://www.ilo.org/public/english/employment/strat/kilm/index.htm>>

Other useful indicators

Current Account Balance (per cent GDP)

Current account balance (also called 'current account surplus/deficit') is the sum of net exports of goods and services, net income, and net current transfers. It is a record of a country's transactions with the rest of the world. It shows whether a country is 'living within its means'. If a country is spending more abroad than it earns from the rest of the world then corrective action will be necessary, e.g. to maintain the value of the country's currency in relation to other countries' currency. The balance of payments is a double-entry accounting system that shows all flows of goods and services into and out of an economy. All transactions are recorded twice - once as a credit and once as a debit. In principle the net balance should be zero, but in practice the accounts often do not balance, requiring inclusion of a balancing item, net errors and omissions. Positive current account (surplus) balance is associated with positive net exports. If the current account balance is negative, it measures the portion of domestic investment financed by foreigners' savings.

Source: IMF.⁶¹

	2008	2009	2010
Oman	11.66	10.77	8.82
Kuwait	45.23	42.31	44.6
Qatar	11.96	9.96	7.96
UAE	27.46	26.04	26.95
GCC	24.66	21.94	20.64
MENA62	19.804	23.020	19.372

Per cent of GDP.

Government Finance (per cent of GDP)

Government finance (or cash surplus/ deficit) is government revenue (including grants) minus expense, minus net acquisition of nonfinancial assets. This cash surplus or deficit is closest to the earlier overall budget balance (still missing is lending minus repayments, which are now a financing item under net acquisition of financial assets).

When the expenditures of a government are greater than its tax revenues, it creates a deficit in the government budget. This therefore causes the government to borrow capital from the 'world market', increasing further debt. The opposite of a budget deficit is a budget surplus; in this case, tax revenues exceed government purchases and transfer payments.

Whether government deficits are good or bad cannot be decided without examining the specifics. If the government runs a deficit to deal with a severe recession (or depression), to spend on public investment (in infrastructure, education, basic research, or public health), the vast majority of economists would agree that the deficit is bearable, beneficial, and even necessary. If, on the other hand, the deficit finances wasteful expenditure or current consumption, most would recommend tax hikes, transfer cuts, and/or cuts in government purchases to balance the budget.

Source: International Monetary Fund, Government Finance Statistics Yearbook and data files, and World Bank and OECD GDP estimates (World Development Indicators online).

	2006	2007	2008
Oman	..	..	..
Kuwait	12.62	20.01	..
Qatar	10.76	10.35	15.23
UAE	..	..	..
GCC	9.11	12.27	15.23
MENA63	0.29	1.66	0.29

Per cent of GDP.

⁶¹ <<http://www.imf.org/external/pubs/ft/weo/2008/01/weodata/index.aspx>>

⁶² Includes 13 countries: Bahrain, Egypt Arab Rep., Iran Islamic Rep.of, Jordan, Kuwait, Lebanon, Libya, Oman, Qatar, Saudi Arabia, Syrian Arab Republic, United Arab Emirates, Yemen Rep.of.

⁶³ developing only.

Gross Capital Formation (per cent GDP)	2007	2008	2009
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Gross capital formation consists of outlays on additions to the fixed assets of the economy plus net changes in the level of inventories. Fixed assets include land improvements (fences, ditches, drains, and so on); plant, machinery, and equipment purchases; and the construction of roads, railways, and the like, including schools, offices, hospitals, private residential dwellings, and commercial and industrial buildings. Inventories are stocks of goods held by firms to meet temporary or unexpected fluctuations in production or sales, and "work in progress."

Gross capital formation (also called investment rate or gross domestic investment), along with foreign direct investment, is critical to economic growth and economic development. High level of gross capital formation in a period of time refers to increase in the value of inventories. High level of gross capital formation or investment is conducive to economic growth.

Source: World Development Indicators Online.⁶⁴

Oman	30.64	29.72	..
Kuwait	21.19	18.93	..
Qatar	37.57	40.25	38.93
UAE	20.45	..	..
GCC	26.38	28.86	32.53
MENA	24.62	23.83	..

Per cent of GDP.

Gross Domestic Savings (per cent GDP)	2007	2008	2009
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Gross domestic savings are calculated by deducting total final consumption expenditure from GDP at current prices.

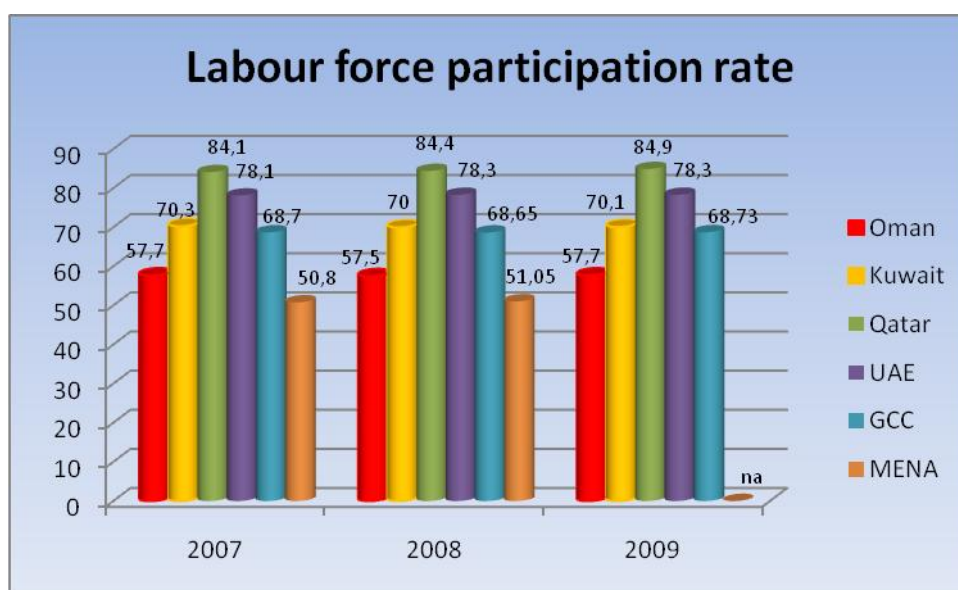
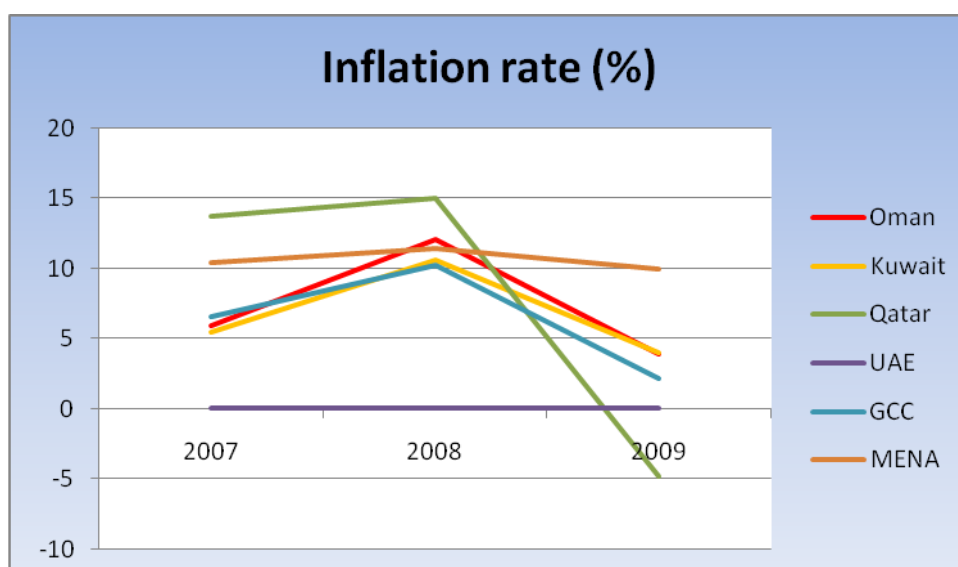
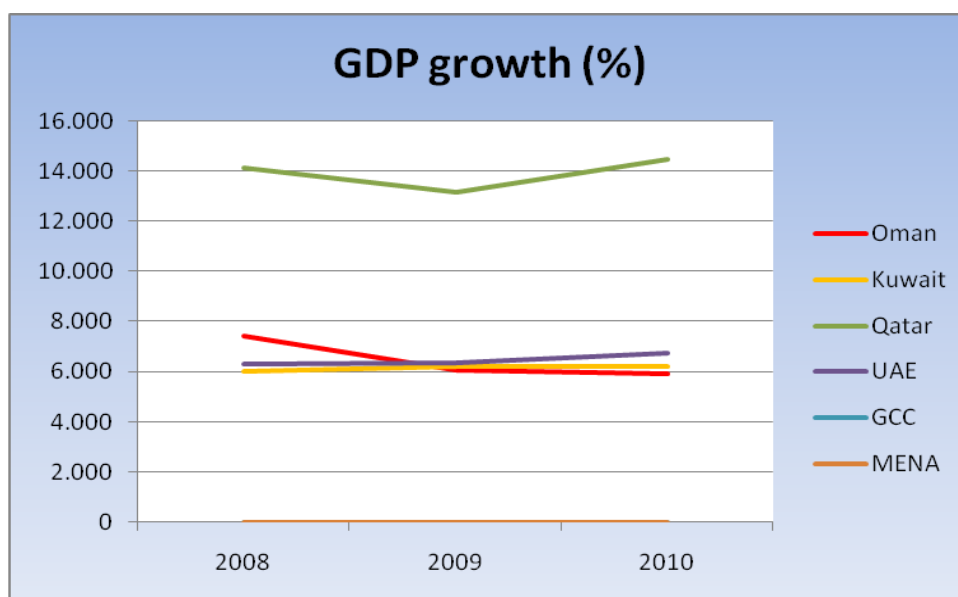
A high gross domestic saving rate usually indicates a country's high potential to invest. Savings can therefore be vital to the amount of fixed capital available, which in turn can contribute to economic growth. However, increased savings do not always correspond to increased investment. If savings are not deposited into a financial intermediary like a bank there is no chance for those savings to be recycled as investment by businesses. This means that saving may increase without increasing investment, possibly causing a short-fall of demand rather than economic growth. In the short term, if savings fall below investment, it can lead to growth of aggregate demand and economic boom. In the long term, if savings fall below investment, it eventually reduces investment and detracts from future growth.

Source: World Development Indicators online 2009.

Oman	58.16	51.05	..
Kuwait	56.28	59.73	..
Qatar	60.44	63.72	54.46
UAE	43.76	..	..
GCC	53.25	56.62	45.80
MENA	37.36	36.18	..

Per cent of GDP.

⁶⁴ <<http://ddp-ext.worldbank.org/ext/DDPQQ/member.do?method=getMembers&userid=1&queryId=135>>



2.2 Trade and sustainable economic integration

Trade, market integration and global value chains are important to the growth of sustainable enterprises. The Sultanate of Oman has a long heritage as a seafaring and trading nation which long predates the discovery of oil and gas. Today, the Sultanate's export trade is dominated by oil, accounting for an average of 70 per cent of export earnings followed by liquefied natural gas (LNG) accounting for 18 per cent of total export earnings. Another important item contributing to export revenue is re-export trade that is boosted by the development of Oman's sea ports. The three main import items are food products, manufactured goods, and machinery and transport equipment as many companies rely on foreign suppliers to provide them with goods that the local industry cannot supply. The demand for food imports is attributable to Oman's harsh terrain that makes agriculture difficult. Although oil production is falling and import spending rising, high energy prices helped to keep Oman's trade balance in surplus for more than two decades. It only recorded a small deficit in 2009, reflecting the global financial downturn. Oman's trade share in GDP grew from 85.68 per cent in 2007 to 97.24 per cent in 2008, which is high compared to Kuwait, Qatar and the MENA average. Its import growth, in real terms, increased from an average rate of 21.3 per cent over the period 2005-07 to 24 per cent in 2008. However, Oman's exports fell by an estimated 1.2 per cent in 2008 after growing at an average rate of 22.1 per cent during the 2005-07 period.⁶⁵ Both exports and imports are forecast to grow in 2011-12.⁶⁶

The source of the country's main imports are the UAE, EU and Japan, followed by the US and India. According to the latest WTO statistics, Oman's key markets for oil exports and LNG sales are in Asia, with China being the main destination. It is estimated that Oman's export profile is unlikely to change in the coming years due to its long-standing oil export contracts. With regard to non-oil products, the UAE is the main destination. It is also the key market for re-exports.

Oman has been liberalizing its trade regime since the 1990s and is a signatory to several regional and international trade agreements. Thus Oman joined the World Trade Organization in 2000, signed a free trade agreement with the United States in 2006⁶⁷, is a member of the Gulf Cooperation Council (GCC) and participates in the Pan Arab Free Trade Area. Recently, Oman has gained better access to important markets through its membership of the Gulf Cooperation Council which signed a free trade agreement with Singapore in 2008 and with the European Free Trade Association (EFTA) in 2009. In general, Omani exports have good access to international markets, especially in comparison to its region and income group.⁶⁸ Oman's trade policy relies to a large extent on WTO Agreements and the GCC Treaty. In this context, Oman has been reviewing and amending its laws, including on contingency trade remedies, government procurement, commercial companies, and investment. Formulation and implementation of Oman's

⁶⁵ World Bank (2010). Oman Trade Brief in World Trade Indicators 2009/10: Country Trade Briefs. Washington, DC: World Bank. Available at <<http://www.worldbank.org/wti>>

⁶⁶ Oxford Business Group (2011). The Report: Oman 2011.

⁶⁷ Oman's free trade agreement (FTA) with the United States entered into force on January 1, 2009.

⁶⁸ Economic Intelligence Unit (2008). Country Profile 2008: Oman, London; WTO Trade Profiles – Oman
<<http://stat.wto.org/CountryProfile/WSDBCountryPFView.aspx?Language=E&Country=OM>>

trade policy is the responsibility of the Ministry of Commerce and Industry, in coordination with other ministries.⁶⁹ Although the World Bank's Enabling Trade Index ranks Oman above Qatar, Kuwait and the GCC average in terms of facilitating the free flow of trade, its trade regime is more restrictive than that of an average high-income non-OECD or high-income country.⁷⁰ Agricultural products (admittedly few in number and value) receive the highest protection. However, according to the World Bank, Oman has a very liberal services trade regime.⁷¹

The Omani Government promotes and supports foreign direct investment (FDI) as part of its efforts to expand the private sector's role in the economy. FDI is allowed in most sectors of the economy, however, the level of foreign ownership is often limited and foreign investors are required to employ Omani labour. In addition, some of the regulations can be non-transparent and contradictory, and bureaucracy can be burdensome and time-consuming. Land ownership for foreigners is generally prohibited except in designated tourist areas and in industrial estates. However, there are no restrictions on capital repatriation, currency exchange, or transfer of dividends.⁷² Oman has also set up a series of free zones where foreign investors enjoy a range of incentives, including the ability to have a 100 per cent share in companies, free repatriation of profits, a reduced initial Omanization rate and a 10-year tax holiday.⁷³ Despite some restrictions, Oman has been able to attract large amounts of FDI, averaging 2.3bn USD a year between 2005 and 2009, although there was a sharp drop in investment in 2009, owing to the global recession. The average annual inflow of FDI grew from 0.45 per cent of GDP in 2004 to 4.79 per cent in 2009 (from 7.95 per cent in 2007). The oil and gas sector received the largest amount of investment followed by manufacturing, financial intermediation, real estate and construction.⁷⁴ In 2007, FDI inflows to Oman originated from 59 countries but 81 per cent of all FDI inflows stemmed from nine countries. The major sending country was United Kingdom, with a share of 24 per cent of total FDI flows, followed by the United Arab Emirates (18.6 per cent) and the United States (18.3 per cent).⁷⁵

⁶⁹ WTO (2008). Trade Policy Review Body – Trade Policy Review. Report by the Secretariat – Oman – Revision, WT/TPR/S/201/Rev.1.

⁷⁰ According to the MFN Tariff Trade Restrictive Index (TTRI).

⁷¹ World Bank (2010). Oman Trade Brief in World Trade Indicators 2009/10: Country Trade Briefs. Washington, DC: World Bank. Available at <<http://www.worldbank.org/wti>>

⁷² Heritage Foundation. Country report - Oman: <<http://www.heritage.org/index/Country/Oman>>

⁷³ extendable for up to 25 years subject to increased levels of Omani staff.

⁷⁴ Oxford Business Group (2011). The Report: Oman; Economic Intelligence Unit (2008). Country Profile 2008: Oman, London; Economic Intelligence Unit (2010). Industry Report: Energy Oman, September 2010, London.

⁷⁵ ESWA (2009). Foreign Direct Investment Report, E/ESCWA/EDGD/2009/Technical Paper.2, New York.

Key Indicators

Trade (per cent of GDP)

Trade is the sum of exports and imports of goods and services measured as a share of gross domestic product. It takes values between 0 and $+\infty$

Please note that the trade-to-GDP ratio refers to the sum of the imports and exports and could therefore exceed 100 per cent.

Source: World Bank national accounts data, and OECD National Accounts data files (World Development Indicators online).

	2007	2008	2009
Oman	85.68	97.24	..
Kuwait	91.72	92.08	..
Qatar	90.1	81.92	77.97
UAE	150.98	..	..
GCC	113.845	109.456	87.235
MENA	89.93	90.57	..

Trade share (per cent) in GDP.

Enabling Trade Index (ETI)

The Enabling Trade Index measures the factors, policies and services facilitating the free flow of goods over borders and to destination. The index breaks the enablers into four overall issue areas: (1) market access, (2) border administration, (3) transport and communications infrastructure and (4) the business environment. Enabling Trade Index was published in 2008 and 2009.

Source: World Economic Forum⁷⁶

	2007 (Report 2008)	2008 (Report 2009)	2009 (Report 2010)
Oman	4.22 (rank 50)	4.52 (rank 34)	4.71 (rank 29)
Kuwait	4.03 (rank 58)	3.96 (rank 59)	4.01 (rank 65)
Qatar	4.48 (rank 41)	4.5 (rank 35)	4.68 (rank 34)
UAE	4.96 (rank 23)	4.97 (rank 18)	5.12 (rank 16)
GCC	4.80	4.51	4.67

On a scale from 1 to 7, a high score in the overall ETI indicates that a country is relatively successful at enabling the free flow of trade.

FDI net inflow (per cent GDP)

Foreign direct investment are the net inflows of investment to acquire a lasting management interest (10 per cent or more of voting stock) in an enterprise operating in an economy other than that of the investor. It is the sum of equity capital, reinvestment of earnings, other long-term capital, and short-term capital as shown in the balance of payments. This series shows net inflows in the reporting economy and is divided by GDP.

Source: International Monetary Fund, International Financial Statistics and Balance of Payments databases, World Bank, Global Development Finance, and World Bank and OECD (World Development Indicators online)

	2007	2008	2009
Oman	7.95	3.91	4.79
Kuwait	0.1	0	..
Qatar	..	..	..
UAE	..	..	..
GCC	..	..	..
MENA	4.45	4.44	2.62

FDI net inflow (per cent in GDP).

⁷⁶ <<http://www.weforum.org/en/initiatives/gcp/GlobalEnablingTradeReport/index.htm>>

Other useful indicators

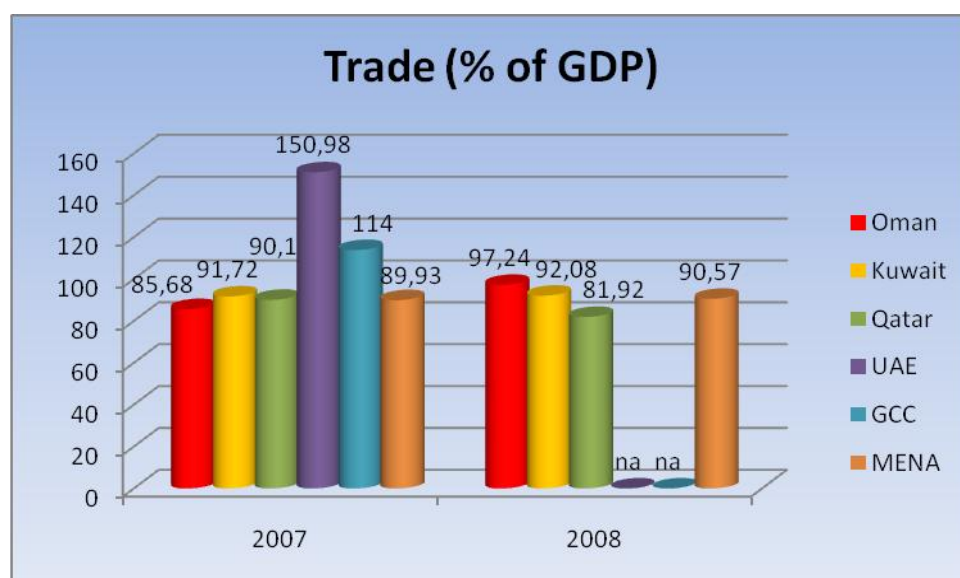
Export propensity index= Exports of good and services (per cent GDP)

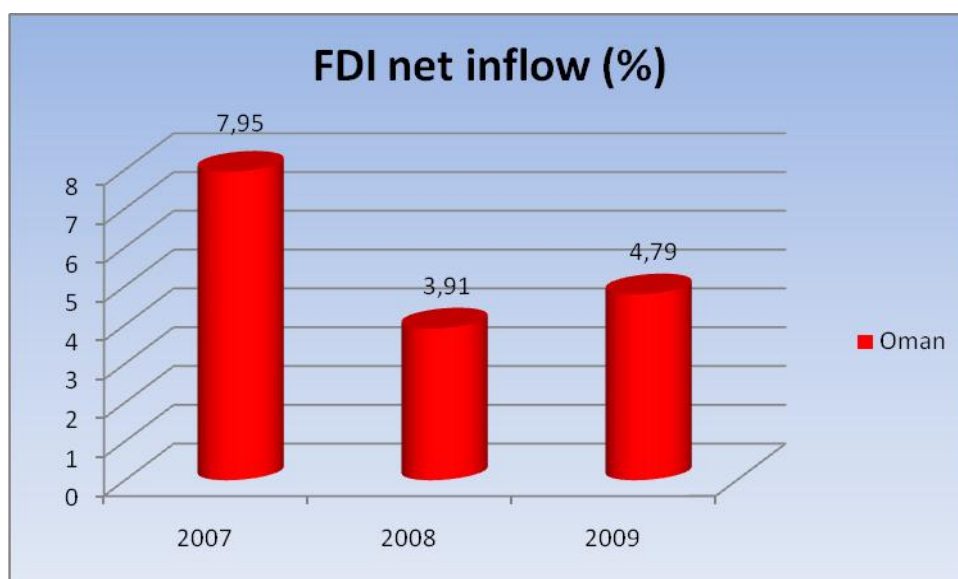
Exports of goods and services represent the value of all goods and other market services provided to the rest of the world. They include the value of merchandise, freight, insurance, transport, travel, royalties, license fees, and other services, such as communication, construction, financial, information, business, personal, and government services. They exclude labour and property income (formerly called factor services) as well as transfer payments.

Source: World Bank national accounts data, and OECD National Accounts data files (World Development Indicators online).

	2006	2007	2008
Oman	56.6	59.29	..
Kuwait	63.4	66.44	..
Qatar	56.48	52.69	46.75
UAE	87.14	..	..
GCC	70.35	68.61	50.25
MENA	51.33	51.46	..

It ranges from 0 (with no exports) to 100 (with all domestic production exported).





2.3 Enabling legal and regulatory environment

Poorly designed regulations and unnecessary bureaucratic burdens on business limit enterprise start-ups and can lead to informality. In some areas, Oman has progressively improved the business environment through greater liberalization and measures aimed at reducing regulatory burdens. It has primarily focused on reducing costs and time required for starting a business and on simplifying tax procedures. As a result, Oman's overall ease of doing business ranking (as measured by the World Bank) improved dramatically from 114th in 2007 to 57th in 2010. The Doing Business ranking is a composite of sub-indices and in some of these, Oman figures in the global top 25 (out of 183), such as for registering property and paying taxes but in other areas, such as getting credit and enforcing contracts there is still ample room for improvement (and bankruptcy procedures can also be particularly lengthy).

In 2009, the Ministry of Commerce and Industry introduced the 'One-Stop Shop' registration to enable a single-window service for Commercial Registration of new companies with minimal paperwork.⁷⁷ The new initiative reduced the business start-up by 3 procedures and the time needed for a registration by 21 days. In addition, an online name registry and payment system with a prepaid card were introduced. As a result, starting a business takes an average of 12 days now, compared to the world average of 35 days and the cost of starting a business has decreased from 4.3 per cent in 2007 to 3.3 per cent (as a percentage of income per capita). The minimum capital requirement has decreased from 541.8 per cent of income per capita in 2007 to 288.4 per cent in 2010.⁷⁸

Oman has a generally attractive tax structure for investors (especially those who set up in the free zones). In 2009, the Government introduced a new tax law with the goal of

⁷⁷ Information Technology Authority (2007). Oman Digital Society Report 2007
<http://www.itu.int/wsis/stocktaking/scripts/documents.asp?project=1174296945&lang=en>;
 e.Oman Portal
http://www.ita.gov.om/ITAPortal/Businesses/Businesses_Projects.aspx?NID=18

⁷⁸ World Bank and International Bank for Reconstruction and Development (2007-2011). Doing Business 2007-2011, Washington DC.

modernizing the tax regime and simplifying tax procedures (especially the many tax exemptions for different types of activities). According to the World Bank's Doing Business calculations, this resulted in reducing the average time spent preparing and filing taxes to 62 hours which is just under a third of the regional average of 204 hours (in 2010).⁷⁹ Under the new law, all entities will be taxed at a rate of 12 per cent of income above 77 619 USD, which is one of the lowest rates globally and makes the country very attractive for foreign investors. In the past, foreign companies were taxed at a nominal rate of 30 percent.⁸⁰

Key Indicators

Regulatory Quality Index		2007	2008	2009
<p>The ability of the government to provide sound policies and regulations that enable and promote private sector development. Estimate of governance measured on a scale from approximately -2.5 to 2.5. Higher values correspond to better governance.</p> <p>Source: World Bank, Governance Matters database.⁸¹</p>	Oman	0.7	0.8	0.66
	Kuwait	0.31	0.22	0.2
	Qatar	0.46	0.77	0.62
	UAE	0.68	0.64	0.56
	GCC	0.51	0.56	0.51
	MENA	-0.16	-0.11	-0.07
	<p>Estimate of governance measured on a scale from approximately -2.5 to 2.5. Higher values correspond to better governance.</p>			
Ease of Doing Business Rank		2008 (DB 2009 report)	2009 (DB 2010 report) + (rank without "employing workers")	2010 (DB 2011 report)
<p>Ease of doing business index ranks economies from 1 to 181, with first place being the best. A high ranking means that the regulatory environment is conducive to business operation. This index averages the country's percentile rankings on 10 topics, made up of a variety of indicators, giving equal weight to each topic.</p> <p>Source: World Bank, Doing Business project.⁸²</p>	Oman	57	65 (rank 72)	57
	Kuwait	52	61 (rank 70)	74
	Qatar	37	39 (rank 36)	50
	UAE	46	33 (rank 38)	40
	GCC	38	39 (rank 43)	43
	<p>The index ranks economies from 1 to 181, with first place being the best.</p>			

⁷⁹ <<http://www.doingbusiness.org/reforms/overview/economy/oman>>

⁸⁰ Oxford Business Group (2011). The Report: Oman 2011.

⁸¹ <<http://info.worldbank.org/governance/wgi/index.asp>>

⁸² <<http://www.doingbusiness.org/EconomyRankings/>>

Other useful indicators

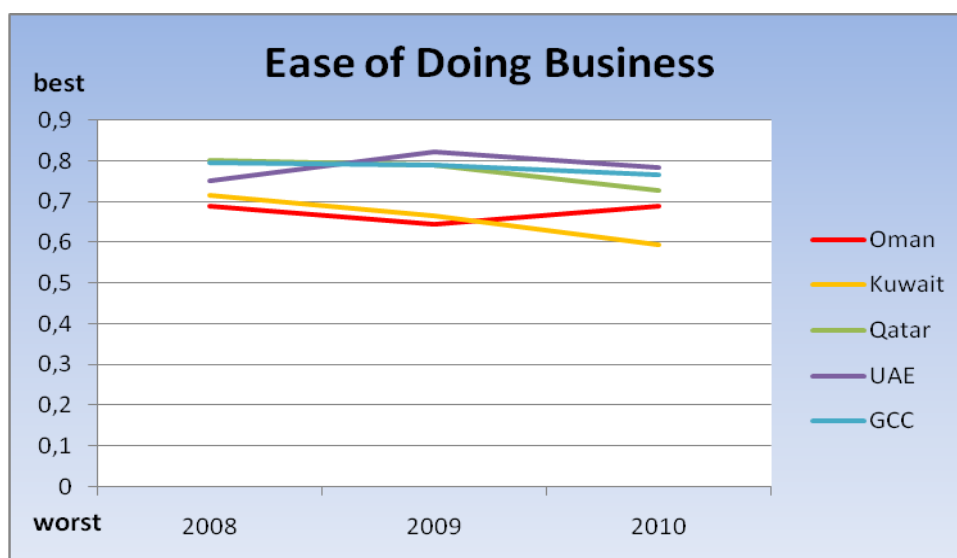
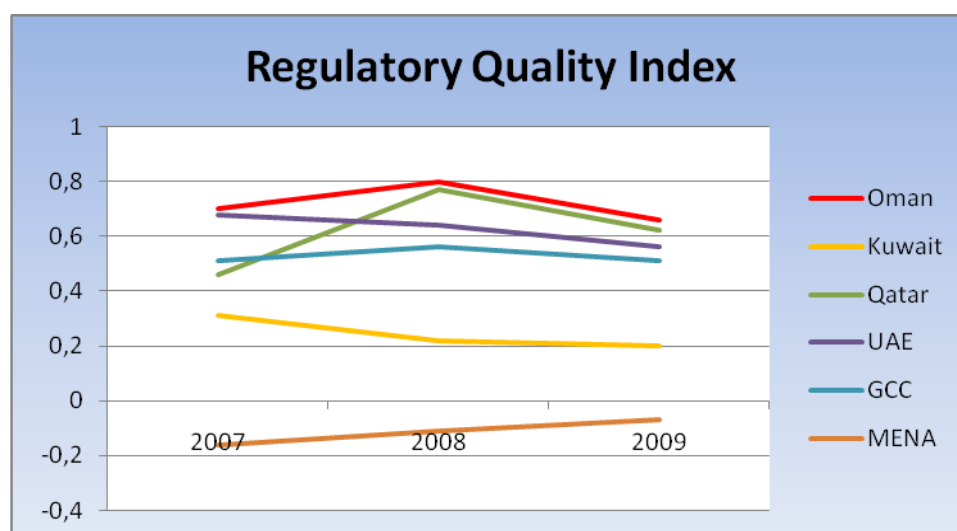
Starting a business (rank)

Starting a Business Index records all procedures that are officially required for an entrepreneur to start up and formally operate an industrial or commercial business. These include obtaining all necessary licenses and permits and completing any required notifications, verifications or inscriptions for the company and employees with relevant authorities. The index ranks economies from 1 to 181, with first place being the best.

Source: World Bank, Doing Business project.⁸³

	2008 (DB 2009 report)	2009 (DB 2010 report)	2010 (DB 2011 report)
Oman	76	62	76
Kuwait	134	137	141
Qatar	57	68	111
UAE	113	44	46
GCC	76	64	78

The index ranks economies from 1 to 181, with first place being the best.



⁸³ <<http://www.doingbusiness.org/EconomyRankings/>>

2.4 Rule of law and secure property rights

The extent, to which the business community has confidence in the rules of society, including the quality of contract enforcement and property rights, affects their readiness to make long-term investments. The Basic Law that was introduced in 1996 provides for the Constitution and sets out the social, economic and judicial principles of the Sultanate. It guarantees the freedom to engage in economic activity and the security of ownership of private property. Islam is the state religion and the Sharia forms the basis for national legislation. The judiciary has three tiers, headed by the Supreme Court. There are separate lower courts to deal with civil, commercial, Sharia and criminal matters. There is also an Administrative Court, which is an independent juridical body with exclusive powers to review decisions issued by the Government. The Omani courts operate and conduct their proceedings in accordance with the Civil and Commercial Procedure Law of Oman. Oman's judicial system was restructured in 2001-2002 including the creation of about 40 new courts outside the capital facilitating access to justice. In addition, the public prosecution service was separated from the police, and an independent attorney-general was appointed.⁸⁴

Oman's ability to ensure the rule of law is high compared to other GCC countries. The World Bank ranked Oman together with Qatar at the top among other GCC countries on its rule of law index. Protection of property and enforcement of intellectual property rights are also comparatively strong in Oman, according to the World Economic Forum. The global ranking published in the World Economic Forum Global Competitiveness Report 2010-2011 places Oman 24th out of 139 economies in terms of protection of property rights and 20th in terms of intellectual property rights. In general, the threat of expropriation is low, but the judiciary is subject to political influence. Oman's legal regime has attracted many foreign investors over the last decade. However, land and real estate ownership for foreigners is generally prohibited except in designated tourist areas and in industrial estates.⁸⁵ Oman has also enacted and implemented a series of laws for the protection of intellectual property rights, which are in line with international treaties, conventions, and protocols. The laws range from the registration of trademarks to the regulation of civil and criminal penalties. Although the enforcement of laws protecting intellectual property rights has improved, the local courts are struggling with trademark infringement cases as they have not yet developed a body of experience and knowledge in this area.⁸⁶

⁸⁴ Economic Intelligence Unit (2008). Country Profile 2008: Oman, London; Oxford Business Group (2011). The Report: Oman 2011.

⁸⁵ Heritage Foundation. Country report - Oman: <<http://www.heritage.org/index/Country/Oman>>

⁸⁶ WTO (2008). Trade Policy Review Body - Trade Policy Review - Report by the Secretariat - Oman – Revision, WT/TPR/S/201/Rev.1; Gonzalez, C.F and Sangar, A.(2010). Intellectual Property Rights in the Sultanate of Oman <<http://www.jdsupra.com/post/documentViewer.aspx?fid=da2c474c-b986-4252-967d-a4909f4af6c3>>

Key Indicators

Rule of law Index

The extent to which agents have confidence in and abide by the rules of society, including the quality of contract enforcement and property rights, the police, and the courts, as well as the likelihood of crime and violence.

Source: World Bank, Governance Matters database.⁸⁷

	2007	2008	2009
Oman	0.58	0.77	0.68
Kuwait	0.67	0.64	0.59
Qatar	0.75	0.89	0.96
UAE	0.38	0.54	0.52
GCC	0.53	0.61	0.56
MENA	-0.09	-0.05	-0.06

Estimate of governance measured on a scale from approximately -2.5 to 2.5. Higher values correspond to better governance.

Other useful indicators

Property rights

The World Economic Forum (WEF) Survey asked the business leaders to provide their expert opinions on the following: "Property rights in your country, including over financial assets, are 1= poorly defined and not protected by law, 7=clearly defined and well protected by law".

Source: World Economic Forum, The Global Competitiveness Report.

	2008 (GC 08/09)	2009 (GC 09/10)	2010 (GC 10/11)
Oman	5.4 (rank 41)	5.6 (rank 26)	5.5 (rank 24)
Kuwait	5.8	5.1	4.9
Qatar	5.6	6	5.5
UAE	5.4	5.5	5
GCC	5.5	5.5	5.3
World (mean)	4.7	4.5	4.4

1= poorly defined and not protected by law, 7=clearly defined and well protected by law

Intellectual property protection

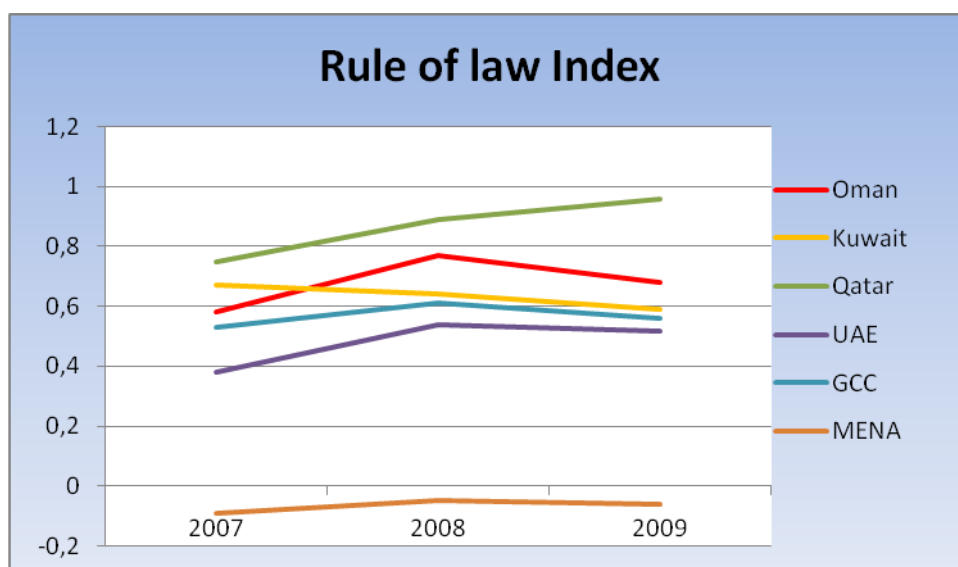
The World Economic Forum (WEF) Survey asked the business leaders to provide their expert opinions on the following: "Intellectual property protection and anti-counterfeiting measures in your country are 1= weak and not enforced, 7=strong and enforced".

Source: World Economic Forum, The Global Competitiveness Report.

	2008 (GC 08/09)	2009 (GC 09/10)	2010 (GC 10/11)
Oman	4.9 (rank 30)	5.0 (rank 26)	5.3 (rank 20)
Kuwait	3.6	4	4.1
Qatar	5.1	4.5	4.8
UAE	5.2	5.6	5.3
GCC	4.7	4.8	4.9
World (mean)	3.8	3.8	3.7

1= weak and not enforced, 7=strong and enforced

⁸⁷ <<http://info.worldbank.org/governance/wgi/index.asp>>



2.5 Fair competition

Fair competition in the marketplace is likely to produce a range of efficiencies in the provision of goods and services, to lower costs, reduce price distortions and widen consumer choice. The Omani economy is dominated by the public sector and there are various cases of government monopolies and markets characterized by limited competition. To address this, the Government embarked on an ambitious privatization programme with the objective of boosting the role of the private sector, encouraging foreign and local investment and thus promoting competition. The move towards privatization started in 1998 and was intensified by Oman's accession to the WTO in 2000. The law regulating the privatization process was enacted in 2004. The power and water desalination sector was the first area formerly under government control that the authorities opened to private participation. It was followed by the sale of a 30 per cent stake in the government-owned Oman Telecommunications Company (OmanTel) and by the privatization of a petroleum products company, Al Maha. Other sectors which could be privatized, at least in part, include the postal service, solid waste management and transport and wastewater.⁸⁸

According to the World Bank the total business density index (the number of registered companies as a percentage of the active working population) for Oman increased from 15.40 per cent in 2003 to 22.19 in 2007. Similarly, the scores for intensity of local competition and effectiveness of anti-monopoly policies by the World Economic Forum have improved, placing the country above the world average but below UAE, Qatar and in the local competition index also below the GCC average. However, Oman's performance in the Global Competitiveness Report's measure of opinion on the extent of market dominance has decreased from 3.8 in 2008 to 3.6 in 2010, leaving it behind all the other GCC countries. This highlights that corporate activity in Oman continues to be dominated by relatively few business groups.

With respect to a legal framework, Oman has no legislation on price controls or legislation on ensuring fair competition per se, but Article 33 of Sultani Decree No.

⁸⁸ Economic Intelligence Unit (2008). Country Profile 2008: Oman, London; Oxford Business Group (2011). The Report: Oman 2011.

38/2000 gives protection against unfair competition and certain products, such as gas, petroleum, electricity, and water, as well as some services (e.g. telecommunications), are subject to price controls. According to the WTO, the Government sets maximum prices for these goods and services and the companies adjust their prices accordingly.⁸⁹

It can be difficult for foreign businesses to set up in Oman without connections to local agents. This matter goes back to the system where all foreign companies were officially required to have an Omani agent who would receive a percentage of any profit and retain majority ownership. Although this system was abolished with the accession to the World Trade Organization in 2000, the legacy remains, and similar “unofficial patronage” practices for new foreign entrants to Omani markets continue to exist.⁹⁰

Key Indicators

Total Business Density (percent)		2003	2005	2007
Total business density is calculated as the number of total registered companies as a percentage of the active working age population in that year. <u>Source:</u> World Bank Group Entrepreneurship Survey (WBGES) ⁹¹	Oman	15.40	17.21	22.19
	Kuwait	..	..	..
	Qatar	..	..	..
	UAE	..	..	..
	GCC	..	..	..
	Number of total registered companies as a percentage of the active working age population.			

Other useful indicators

Intensity of local competition index		2008 (GC 08/09)	2009 (GC 09/10)	2010 (GC 10/11)
Intensity of local competition index is based on survey data drawn from the following question: “Competition in the local markets is (1=limited in most industries and price-cutting is rare, 7=intense in most industries as market leadership)”. <u>Source:</u> World Economic Forum Executive Opinion Survey ⁹² , The Global Competitiveness Report.	Oman	4.7 (rank 84)	5.0 (rank 59)	5.1 (rank 53)
	Kuwait	5.1	5.3	5.0
	Qatar	5.1	5.7	6.1
	UAE	5.6	5.8	5.7
	GCC	5.2	5.4	5.5
	World	4.9	4.9	4.8
	(mean)			
		1=limited in most industries and price-cutting is rare, 7=intense in most industries as market leadership		

⁸⁹ WTO (2008). Trade Policy Review Body - Trade Policy Review - Report by the Secretariat - Oman – Revision, WT/TPR/S/201/Rev.1.

⁹⁰ The Economist Intelligence Unit (2011). Oman politics: Purge, ViewsWire: March 9th 2011.

⁹¹ <<http://rru.worldbank.org/businessplanet/default.aspx?pid=8>>

⁹² <<http://www.insead.edu/v1/gitr/wef/main/analysis/showdatatable.cfm?vno=1.37>>

Effectiveness of anti-monopoly policies

Effectiveness of anti-monopoly policy index is based on annual survey data. The respondents were asked to rate the effectiveness of anti-monopoly policy in their country: "Anti-monopoly policy in your country is (1=lax and not effective at promoting competition, 7=effective and promotes competition)".

Source: World Economic Forum Executive Opinion Survey, The Global Competitiveness Report.

	2008 (GC 08/09)	2009 (GC 09/10)	2010 (GC 10/11)
Oman	3.9 (rank 60)	4.3 (rank 48)	4.6 (rank 36)
Kuwait	3.6	3.4	3.8
Qatar	4.2	4.5	4.7
UAE	4.1	4.7	4.9
GCC	4.1	4.3	4.6
World (mean)	4.0	4.0	4.1

1=lax and not effective at promoting competition,
7=effective and promotes competition

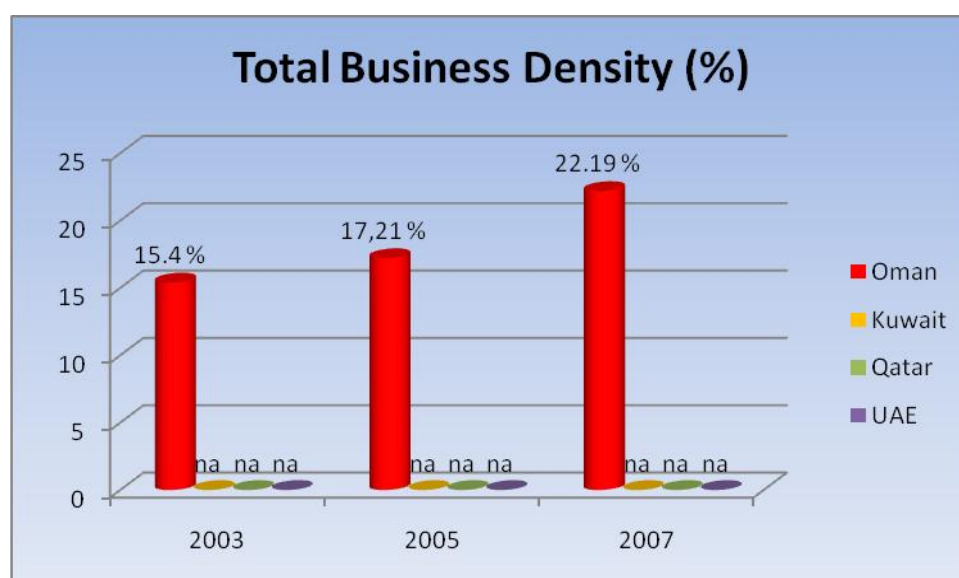
Extent of market dominance

Extent of market dominance index is based on annual survey data. The respondents were asked to rate the corporate activity in their country: "Corporate activity in your country is (1=dominated by a few business groups, 7=spread among many firms)".

Source: World Economic Forum Executive Opinion Survey, The Global Competitiveness Report.

	2008 (GC 08/09)	2009 (GC 09/10)	2010 (GC 10/11)
Oman	3.8 (rank 66)	3.5 (rank 79)	3.6 (rank 72)
Kuwait	4.1	3.9	3.8
Qatar	4.6	5.6	5.3
UAE	4.6	5.0	4.8
GCC	4.3	4.4	4.4
World (mean)	3.9	3.9	3.8

1=dominated by a few business groups, 7=spread among many firms



2.6 Information and communication technologies

The continuing shift towards knowledge-based economies and the accelerated growth in the technological sphere has led to increased pressures on enterprises to upgrade their production technologies and adopt information and communication technology (ICT) innovations to enhance their competitiveness. Over the last decade,

Oman has made significant progress in improving its telecommunication infrastructure, the quality of communication services and establishing an ICT-conducive environment. With an overall goal of transforming the Sultanate into a knowledge-based economy, the Government adopted in 2002 a national IT strategy called e.Oman. The e.Oman initiative aims at improving the efficiency of public services, enhancing the activities of businesses and empowering individuals with ICT skills and knowledge. It started with a wide range of initiatives and services, such as the creation of a Unified Government Network, the execution of the ePayment portal, the establishment of the National Data Centre, the foundation of the Community Knowledge Centres and the creation of ICT and innovation clusters, among many others. Implementation of the national strategy is entrusted to the Information Technology Authority (ITA) which was set up by the Royal Decree 52/2006 as an autonomous legal body affiliated to the Minister of National Economy.⁹³

As a result of latest efforts, Oman's telecommunication infrastructure, the ICT diffusion and use have improved significantly. This is also reflected in international statistics showing that the number of internet users grew from 17 per 100 people in 2007 to 52 in 2009, according to the International Telecommunication Union (ITU). This is higher than in other GCC countries except for UAE, where the number of users was 75 (in 2009). Statistics also show that the number of broadband subscribers rose dramatically from 668 in 2004 to 31,983 in 2008. Although this is low compared to other GCC countries, the number is expected to rise as the quality of services is constantly improving. The number of mobile phone subscribers per 100 people increased from 92 in 2007 to 140 in 2009 reflecting the creation of an independent network covering now more than 60 per cent of the population. This contributed to a massive increase in prepaid card mobile-phone users. Similarly, the number of subscribers to fixed-line telephony has increased, amounting to 269,700 in 2006. Moreover, there are projects underway for connecting remote villages using a wireless local loop system.⁹⁴

While the first phase of the strategy focused on improving infrastructure, now the focus has switched to fostering the ICT industry. The Government aims to restructure the telecom sector to enable the active participation of the private sector and to increase competition. Currently there are two major players dominating the market: Nawras and OmanTel. In the long term, the country is hoping for the ICT sector to become an engine of growth and modernization.⁹⁵

⁹³ Information Technology Authority (2007). Oman Digital Society Report 2007
<<http://www.itu.int/wsis/stocktaking/scripts/documents.asp?project=1174296945&lang=en>>;
e.Oman Portal < http://www.ita.gov.om/ITAPortal/Info/FAQ_eOman.aspx>

⁹⁴ Economic Intelligence Unit (2008). Country Profile 2008: Oman, London.

⁹⁵ Oxford Business Group (2010). The Report: Oman 2010.

Box 1: National strategy for Oman's Digital Society⁹⁶

The implementation of the National strategy for Oman's Digital Society began in May 2003 with the following focus areas:

- Streamlining Government services to citizens and business
- Creating and nurturing knowledge-based industries
- Developing a local ICT sector
- Supporting a better competitive environment
- Providing employment for Omani youth
- Enabling better healthcare
- Improving educational opportunities
- Supporting tourism sector
- Enhancing social development using IT
- Making Oman more attractive

Despite the positive trend, Oman also faces some challenges. The primary challenge is low awareness of information and communication technology. This calls for more investments in ICT training and awareness campaigns. Another challenge is a lack of Oman-specific internet content.⁹⁷ Oman also scored low (3.0 in 2007) on the ICT Development Index (IDI) compared to UAE (3.27), the GCC (3.13) and MENA average (3.31). However, the score of 2007 does not fully reflect the actual situation because the country has seen a wide range of changes since.

Key Indicators

ICT Development Index (IDI)		-	2002	2007
IDI compares developments in information and communication technologies (ICT) in 154 countries over a five-year period from 2002 to 2007. The Index combines 11 indicators into a single measure that can be used as a benchmarking tool globally, regionally and at the country level. These are related to ICT access, use and skills, such as households with a computer the number of Internet users; and literacy levels. <u>Source:</u> International Telecommunication Union. ⁹⁸	Oman	-	2.12	3
	Kuwait	-	3.57	2.77
	Qatar	-	4.44	2.84
	UAE	-	5.29	3.27
	GCC		3.71	3.13
	MENA⁹⁹	-	2.28	3.31
Scale from 1 to 10, with lower scores reflecting lower development levels.				

⁹⁶ Information Technology Authority (2007). Oman Digital Society Report 2007.

⁹⁷ Oxford Business Group (2010). The Report: Oman 2010.

⁹⁸ <http://www.itu.int/ITU-D/ict/publications/idi/2009/material/IDI2009_w5.pdf>

⁹⁹ Including 18 countries: Algeria, Bahrain, Egypt, Arab Rep., Iran, Islamic Rep.of., Jordan, Kuwait, Palestine, Lebanon, Libya, Malta, Morocco, Oman, Qatar, Saudi Arabia, Syrian Arab Republic, Tunisia, United Arab Emirates, Yemen, Rep.of.

Other useful indicators

Internet users (per 100)

The Internet is a linked global network of computers in which users at one computer get information from other computers in the network. Internet users are people with access to the worldwide network. The total number of Internet users is divided by the population and multiplied by 100.

Source: International Telecommunication Union.¹⁰⁰

	2007	2008	2009
Oman	16.68	20.00	51.50
Kuwait	31.57	34.26	36.85
Qatar	37.00	39.00	40.00
UAE	61.00	72.00	75.00
GCC	34.86	42.20	49.06
MENA¹⁰¹	13.59	18.88	..

Number of users per 100 people.

Mobile phone subscribers (per 100 people)

Mobile phone subscribers refer to users of portable telephones subscribing to an automatic public mobile telephone service using cellular technology that provides access to the public switched telephone network.

Source: International Telecommunication Union¹⁰² and World Development Indicators.

	2007	2008	2009
Oman	91.7	115.58	139.54
Kuwait	97.28	99.59	129.85
Qatar	111.13	131.39	175.4
UAE	177.17	208.65	232.07
GCC	123.21	147.18	171.40
MENA	47.15	58.04	..

Number of subscribers per 100 people.

Broadband subscribers (per 100 people)

Broadband subscribers are the total number of broadband subscribers with a digital subscriber line, cable modem, or other high-speed technologies.

Source: International Telecommunication Union.¹⁰³

	2007	2008	2009
Oman	0.74	1.15	1.44
Kuwait	1.23	1.37	1.51
Qatar	7.64	8.98	10.35
UAE	8.7	12.43	15.01
GCC	4.94	6.33	7.19
MENA	0.59	0.84	..

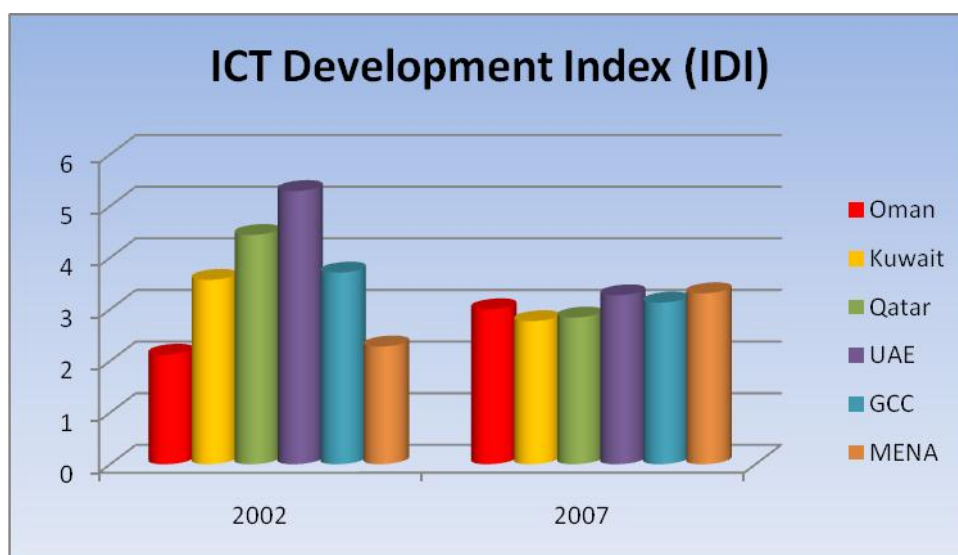
Number of subscribers per 100 people.

¹⁰⁰ <<http://www.itu.int/ITU-D/icteye/Indicators/Indicators.aspx>> and <<http://ddp-ext.worldbank.org/ext/DDPQQ/member.do?method=getMembers&userid=1&queryId=135>>

¹⁰¹ Developing only.

¹⁰² <<http://www.itu.int/ITU-D/icteye/Indicators/Indicators.aspx>> and <<http://ddp-ext.worldbank.org/ext/DDPQQ/member.do?method=getMembers&userid=1&queryId=135>>

¹⁰³ <<http://www.itu.int/ITU-D/icteye/Indicators/Indicators.aspx#>>



2.7 Access to financial services

Whether to create a new business or to expand an existing one, entrepreneurs of all sizes and types need financial resources to stay competitive and to grow. Oman's financial sector is highly competitive consisting of seven local and ten foreign banks, two specialized banks, six non-bank finance and leasing companies and dozens of local money exchange establishments (as of 2009). The regulatory and supervisory initiatives are guided by the Central Bank of Oman (CBO) and a banking law that came into effect in 2000 provides a legal framework for investment banking activities.¹⁰⁴

In Oman, the banking sector has witnessed significant growth in recent years, largely due to revenues generated from oil prices, efforts to diversify the economy and growing emphasis on the private sector. In addition, Oman's banking system remained stable during the global financial crisis since it had no direct exposure to the so-called toxic financial products which wrought so much damage to the global financial system. As a result, Oman has seen solid loan growth. The gross loan of seven publicly listed banks reached 22.9 billion USD in 2008, a growth rate of 29.9 per cent over 2007. In the previous year the growth rate stood at 38 per cent and it only slowed down in 2009 as a result of the global downturn.¹⁰⁵ Credit to the private sector as a percentage of GDP increased from 31.07 per cent in 2006 to 35.48 per cent in 2008, according to the IMF. Despite the positive trend, the country still ranks below the GCC and MENA average and is far below Kuwait (66.37 per cent in 2008) and UAE (71.34 per cent) on this indicator. As for the distribution by economic sector, personal loans occupied 40.8 per cent of total bank credit in 2009. Construction, services, manufacturing, imports trading, wholesale and retail trading each accounted for between 6-9 per cent.¹⁰⁶ In addition to credits provided by local banks, many large-scale projects, such as integrated tourism complexes, port expansions or new infrastructure projects were financed by leading global banks, with Oman's banks only playing support roles. The reason is that local

¹⁰⁴ Economic Intelligence Unit (2008). Country Profile 2008: Oman, London.

¹⁰⁵ Oxford Business Group (2010). The Report: Oman 2010.

¹⁰⁶ Central Bank of Oman (2010). Annual Report 2009.

lenders tend to be too small in terms of their asset bases to take the lead in financing large-scale projects.¹⁰⁷

Despite the growth in lending, some businesses and in particular small and medium-sized enterprises (SME) face difficulties in accessing finance. According to the latest executive opinion survey by the World Economic Forum (WEF), 13.5 per cent of the respondents considered financing as one of the most problematic factors for doing business in Oman.¹⁰⁸ This result may refer to constraints that small businesses experience. Traditionally, Omani commercial banks have been reluctant to lend to small businesses. The only financial institution with strong involvement in the sector has been the Oman Development Bank, which offers SME loans at a rate of 9 per cent, as well as local lenders known as finance companies who also service this sector of the market. Essentially, the Government pays the bank a 6 per cent subsidy, thus bringing the interest rate down to 3 per cent.¹⁰⁹ However, commercial banks are increasingly interested in the potential of the small business segment. In addition, the Government's current five-year development plan aims at improving SME access to financing. In this context, the Ministry of Commerce and Industry established a Directorate General for SME development with the goal of improving SME access to financing (and other business services).¹¹⁰ However, one of the current obstacles is that small borrowers in Oman often lack the detailed and historical financial records that banks rely on to evaluate creditworthiness. This is also reflected in the World Bank's credit information index, placing the Sultanate below UAE, Kuwait and the GCC and MENA average on this index. To address the issue, the Central Bank of Oman launched a new banking credit and statistical bureau system.¹¹¹ A credit bureau is under development and will be charged with the task of collecting and compiling detailed credit information on all debtors. The new system is expected to improve the loan application process.

Key Indicators

Domestic credit to private sector (per cent GDP)		2006	2007	2008
Domestic credit to private sector refers to financial resources provided to the private sector, such as through loans, purchases of non-equity securities, and trade credits and other accounts receivable, that establish a claim for repayment. For some countries these claims include credit to public enterprises. <u>Source:</u> International Monetary Fund, International Financial Statistics and data files, and World Bank and OECD GDP estimates (World Development Indicators).	Oman	31.07	35.7	35.48
	Kuwait	58.7	68.05	66.37
	Qatar	38.6	46.65	..
	UAE	64.33	69.63	80.97
	GCC	53.42	62.1	71.34
	MENA	37.46	38.84	36.15
	Credit to private sector (per cent GDP).			

¹⁰⁷ Oxford Business Group (2010). The Report: Oman 2010.

¹⁰⁸ World Economic Forum (2011). The Global Competitiveness Report 2011-2011, Geneva.

¹⁰⁹ Oxford Business Group (2011). The Report: Oman 2011.

¹¹⁰ Ibid.

¹¹¹ CBO, Dun & Bradstreet to ink pact to set up credit and statistical bureau, Friday, 18 January 2010, Times Of Oman: < http://www.dnbsame.com/news_jan2010.html>

Other useful indicators

Credit Information Index

Credit information index measures rules affecting the scope, accessibility, and quality of credit information available through public or private credit registries. The index ranges from 0 to 6, with higher values indicating the availability of more credit information, from either a public registry or a private bureau, to facilitate lending decisions.

Source: World Bank, Doing Business project.

	2008 (DB 2009 report)	2009 (DB 2010 report)	2010 (DB 2011 report)
Oman	2	2	2
Kuwait	4	4	4
Qatar	2	2	2
UAE	5	5	5
GCC	4	4	4
MENA	..	..	3

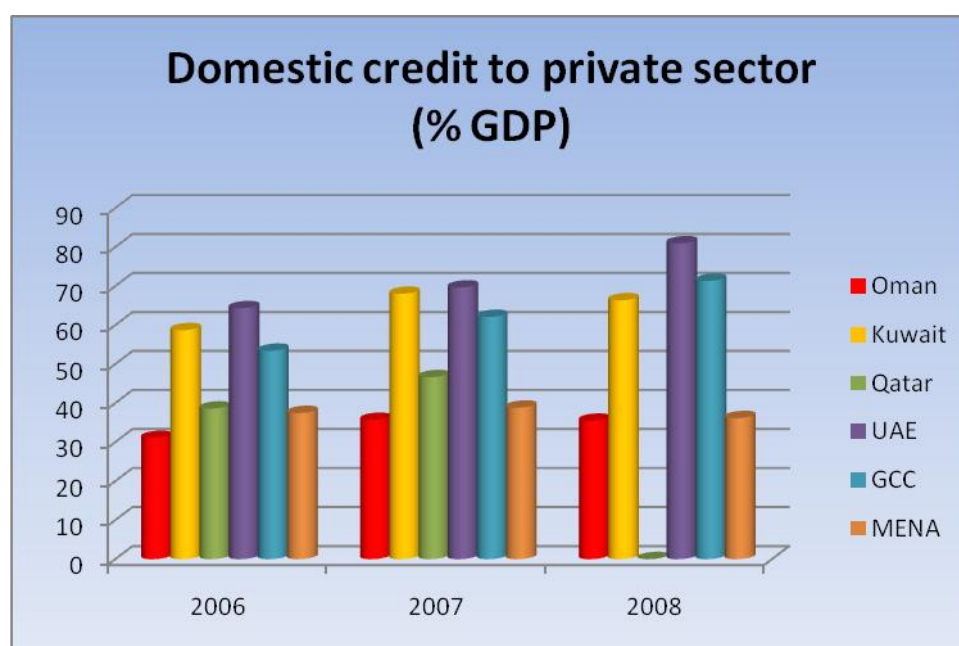
0=less info to 6=more info

Interest rate spread

Interest rate spread (lending rate minus deposit rate) is the interest rate charged by banks on loans to prime customers minus the interest rate paid by commercial or similar banks for demand, time, or savings deposits.

Source: International Monetary Fund, International Financial Statistics and data files. (World Development Indicators).

	2006	2007	2008
Oman	3.40	3.15	2.62
Kuwait	3.65	3.09	2.81
Qatar	2.95	3.00	3.88
UAE	..	..	..
GCC	3.42	3.28	3.10
MENA	4.76	4.25	..



2.8 Physical infrastructure

Enterprise sustainability critically depends on the quality and quantity of physical infrastructure. Oman has committed increasing amounts of money to building up the transport infrastructure in recent years and continues following its long-term

development plan for the sector.¹¹² Oman's transport system is based on road transport, although seaports play an important role in international trade, especially in trade with crude and petroleum products. There are also ambitious plans for construction of a rail network¹¹³ that will link Muscat to Sohar and to Kathmat Malaha.¹¹⁴ The current network of roads and ports links all significant places within Oman and gives access to all the neighbouring countries and many international destinations. It includes an expanding highway network, one main and five smaller airports, as well as various port facilities along the coastal area. In 2009, the country had estimated 40 874 km of roads, around 41 per cent of them paved, according to the International Road Federation, World Road Statistics. In 2004, 235 million tons of freight was moved by air and 3.3 million passengers passed through airports in Oman.¹¹⁵ The transport system in Oman is in good condition. The latest Global Competitiveness Report by the World Economic Forum (WEF) ranked Oman 21st (out of 139 countries) in quality of overall infrastructure, 10th in quality of roads and 33rd in quality of port infrastructure. Although Oman ranks high on an international and regional scale, supply of infrastructure was listed among the 15 most problematic factors for doing business in Oman, according to the latest Global Competitiveness Report by the World Economic Forum (WEF).¹¹⁶

Some of the problems include steady growth in traffic, lack of infrastructure services in some remote areas and frequent flooding that affects the transportation system. The volume of air traffic is growing fast, partly due to increasing tourism and rapidly expanding industrial production. In response to this, the civil aviation under-secretary announced in 2007 plans for a 3 billion USD investment programme for Oman's airport network including construction of four new airports at Sohar, Al Duqm, Ras al-Hadd and Adam and upgrading of the Seeb and Salalah airports. With regard to the road network, on the one hand the country suffers from heavy traffic in particular in urban areas. On the other hand, some sparsely populated areas are not covered by a network of paved roads. To address both problems, the Government signed 17 road development contracts in 2009 worth 220.3 million USD as part of its road expansion strategy.¹¹⁷ The Government also continues to allocate substantial resources to the development of its seaports. Some of the biggest projects include the expansion of the port of Salalah, Sohar, Khasab and Al Duqm, with the aim of encouraging regional and international trade. The majority of the infrastructure projects are funded by the Government with some private-sector participation. However, there is a tendency to increase private sector involvement in infrastructure projects.¹¹⁸ In addition to increasing the capacity of the transport system, some of the money is being spent on building up roads and ports that have been damaged by flooding as Oman is frequently hit by

¹¹² Oxford Business Group (2010). The Report: Oman 2010.

¹¹³ Known under the name: Al Batinah Railway project.

¹¹⁴ Railways Africa (2009). Railway for Oman, July 9, 2009
<<http://www.railwaysafrica.com/blog/2009/07/railway-for-oman/>>

¹¹⁵ World Development Indicators, World Bank.

¹¹⁶ World Economic Forum (2011). The Global Competitiveness Report 2011-2011, Geneva.

¹¹⁷ Oxford Business Group (2010). The Report: Oman 2010.

¹¹⁸ Economic Intelligence Unit (2008). Country Profile 2008: Oman, London.

storms.¹¹⁹ In recent times, the most serious damage was caused by the cyclone Gonu in 2007. Many roads, bridges and the liquefied natural gas terminal in Sur were badly hit by the storm.¹²⁰

Water resources are scarce in Oman and drinking water depends on extensive desalination. According to the World Health Organization, in 2008, 88 per cent of the population had access to an improved water source. This is low compared to elsewhere in the region.

Oman's electricity-generating capacity has grown significantly over the past three decades relying to 65 per cent on natural gas and to 32 per cent on oil. Most of the population has access to electricity including rural and mountain areas. However, the demand for electricity is growing, mainly due to a growing population in urban areas and the increase in industrial projects aimed at diversifying Oman's economy away from oil. The increase in demand is supported by low electricity tariffs that are subsidized by the Government. This has contributed to wasteful use of energy, which in turn is contributing to power cuts in the capital city. To improve the electricity-generating capacity, the Ministry of Housing, Electricity and Water has announced an investment programme of 7.8 billion USD for the electricity sector over the next six years. Moreover, the Government is also considering raising the price of electricity for commercial and industrial consumers. Despite the growing demand, Oman's power consumption per capita remained below the average of GCC countries in 2007.¹²¹

Key Indicators

Electric power consumption (kWh per capita)		2005	2006	2007
Electric power consumption measures the production of power plants and combined heat and power plants less transmission, distribution, and transformation losses and own use by heat and power plants. <u>Source:</u> International Energy Agency, Energy Statistics and Balances of Non-OECD Countries and Energy Statistics of OECD Countries (World Development Indicators), ¹²² IEA Energy Africa Statistics ¹²³	Oman	3597.63	4249.73	4483.73
	Kuwait	15345.23	16310.8	16197.73
	Qatar	15107.76	14102.44	12914.56
	UAE	13759.25	14621.96	16165.31
	GCC¹²⁴	11040.89	11481.89	11856.31
	MENA¹²⁵	1319.54	1379.53	1435.31
	kWh per capita.			

¹¹⁹ Oman - Disaster Statistics
<<http://www.preventionweb.net/english/countries/statistics/?cid=128>>

¹²⁰ BBC (2007). 'Cyclone hits Gulf state of Oman', 6 June 2007 <<http://news.bbc.co.uk/2/hi/6722749.stm>>

¹²¹ Economic Intelligence Unit (2010). Industry Report: Energy Oman, September 2010, London

¹²² <<http://ddp-ext.worldbank.org/ext/DDPQQ/member.do?method=getMembers&userid=1&queryId=135>>

¹²³ <<http://www.iea.org>>

¹²⁴ Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates

¹²⁵ Developing only.

Roads, paved (per cent of total roads)		2000	2004	2007
<p>Paved roads are those surfaced with crushed stone (macadam) and hydrocarbon binder or bituminized agents, with concrete, or with cobblestones, as a percentage of all the country's roads, measured in length.</p> <p>Source: International Road Federation, World Road Statistics (World Development Indicators).¹²⁶</p>	Oman	30	..	41.25
	Kuwait	80.6	85	..
	Qatar	90	..	..
	UAE	100	..	..
	GCC	67.5	61.9	..
	MENA¹²⁷	68.40	75.60	..
	Per cent of total roads			

Other useful indicators

Improved water source (per cent of population with access)		2000	2005	2008
<p>Access to an improved water source refers to the percentage of the population with reasonable access to an adequate amount of water from an improved source, such as a household connection, public standpipe, borehole, protected well or spring, and rainwater collection. Unimproved sources include vendors, tanker trucks, and unprotected wells and springs. Reasonable access is defined as the availability of at least 20 liters a person a day from a source within one kilometer of the dwelling.</p> <p>Source: World Health Organization and United Nations Children's Fund, Meeting the MDG Drinking Water and Sanitation Target. (World Development Indicators online)¹²⁸</p>	Oman	83	86	88
	Kuwait	99	99	99
	Qatar	100	100	100
	UAE	100	100	100
	GCC	95.5	96.25	96.75
	MENA¹²⁹	87.72	87.39	87.30
Per cent of population with access.				

Quality of overall infrastructure Index		2008 (GC 08/09)	2009 (GC 09/10)	2010 (GC 10/11)
<p>Survey data: "General infrastructure in your country is (1 = underdeveloped, 7= as extensive and efficient as the world's best)".</p> <p>Source: World Economic Forum, The Global Competitiveness Report.¹³⁰</p>	Oman	5.1 (rank 31)	5.6 (rank 22)	5.8 (rank 21)
	Kuwait	4.6	4.7	4.9
	Qatar	4.7	4.6	5.1
	UAE	6.0	6.1	6.2
	GCC	5.0	5.3	5.5
	World (mean)	3.8	4.1	4.3
	1 = underdeveloped, 7= as extensive and efficient as the world's best			

¹²⁶ <<http://ddp-ext.worldbank.org/ext/DDPQQ/member.do?method=getMembers&userid=1&queryId=135>>

¹²⁷ Developing only.

¹²⁸ <<http://ddp-ext.worldbank.org/ext/DDPQQ/member.do?method=getMembers&userid=1&queryId=135>>

¹²⁹ Developing only.

¹³⁰ <<http://www.weforum.org/pdf/GCR08/GCR08.pdf>>

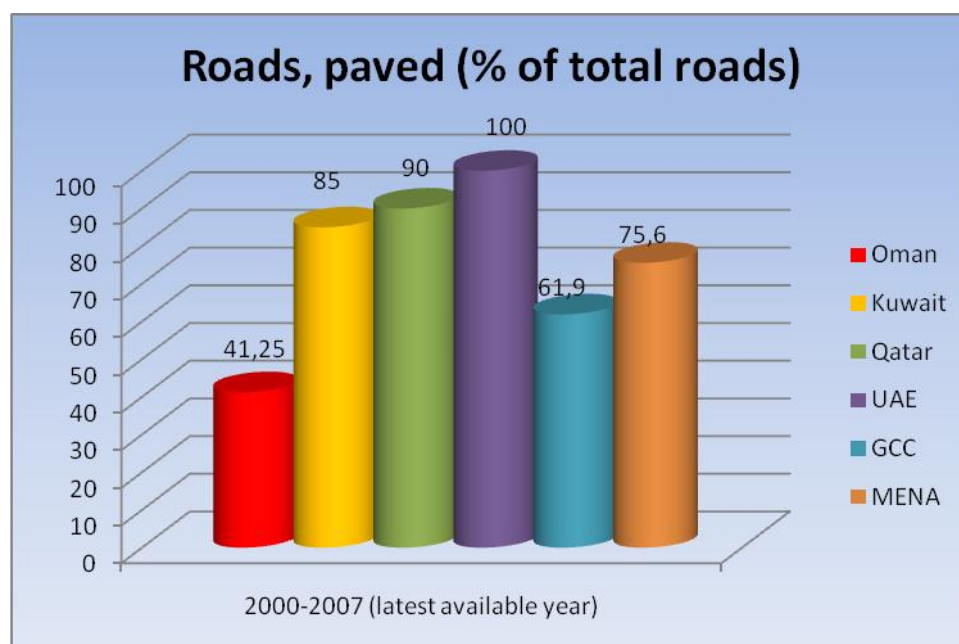
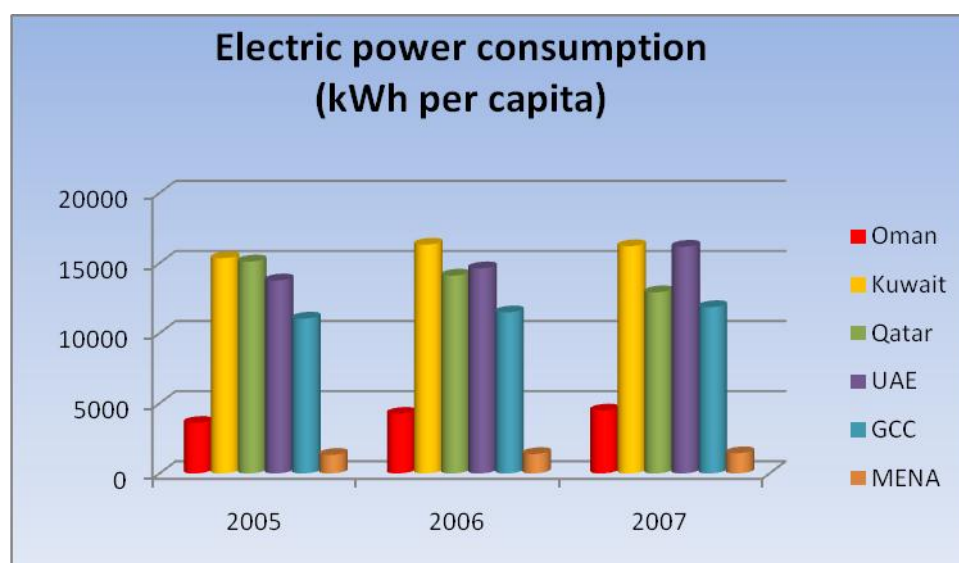
Quality of port infrastructure Index

Survey data: "Port facilities and inland waterways in your country are (1=underdeveloped, 7= as developed as the world's best)/ for landlocked countries this measures the ease of access to port facilities and inland waterways.

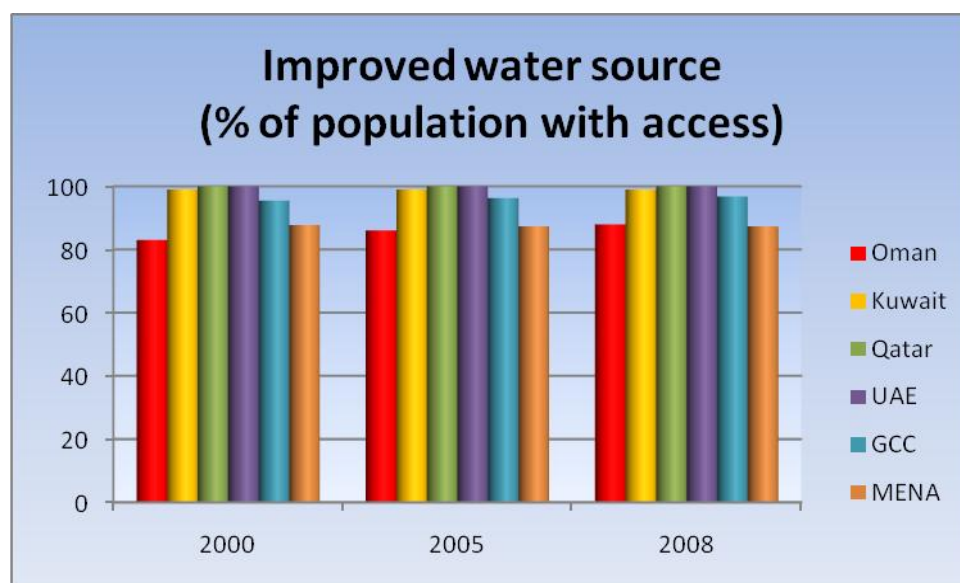
Source: World Economic Forum, The Global Competitiveness Report.¹³¹

	2008 (GC 08/09)	2009 (GC 09/10)	2010 (GC 10/11)
Oman	5.1 (rank 31)	5.2 (rank 32)	5.3 (rank 33)
Kuwait	4.0	4.1	4.4
Qatar	4.4	5.0	5.4
UAE	6.1	6.2	6.2
GCC	4.9	5.1	5.4
World (mean)	4.1	4.2	4.3

1=underdeveloped, 7= as developed as the world's best



¹³¹ <<http://www.weforum.org/pdf/GCR08/GCR08.pdf>>



3. Social elements

3.1 Entrepreneurial culture

Promoting an entrepreneurial culture is about making people – especially young people – aware of the potential of setting up and running a business as an alternative to waged employment in government and the private sector. Traditionally, the Omani economy was dominated by the public sector – state-owned enterprises played an important role in many sectors, such as telecommunication, transport, water and electricity and postal services. However, the Government has recognized the importance of the private sector to socio-economic development and embarked, over a decade ago, on an ambitious privatization programme. In this context, it has also recognized the importance of promoting entrepreneurship and developing a dynamic entrepreneurial class in Oman. In principle, the country has entrepreneurial potential with over 52 per cent of citizens under the age of 20 and 82 per cent under the age of 35, many of them unemployed. In light of this, entrepreneurship emerges as an important vehicle for fighting unemployment and promoting economic growth. Therefore, the Government encourages young Omanis to look for private sector jobs and to start their own enterprises, rather than relying on the Government to provide them with employment.¹³² However, success in this regard has been rather mixed so far as most young Omani's still seem to have a fairly strong preference for public sector jobs.

In spite of an emerging entrepreneurial culture, there is a general lack of international statistics estimating the number of enterprises and assessing the entrepreneurial culture in Oman. However, the World Bank reports that the share of newly registered firms to total working age population increased from 1.33 in 2003 to 3.63 in 2007 and that the share of new firms as a percentage of total registered firms grew from 0.09 in 2003 to 0.16 in 2007. It is also estimated that small and medium-sized enterprises (SMEs) represent 90 per cent¹³³ of the registered organizations in Oman and that there are 15 000-20 000 of SMEs generating 10-20 per cent of employment.¹³⁴

There is no separate policy framework drawn up for promoting entrepreneurship culture or SMEs in Oman, however the importance of private sector development and entrepreneurship are acknowledged in the eighth five year plan (2011-2015). Moreover, Oman has a wide range of separate initiatives to provide entrepreneurs with necessary skills and help them with financing. The country has nine government and non-profit agencies working to increase the number of start-ups and their success rates.¹³⁵ Thus the Ministry of Commerce and Industry established a Directorate General for SME development with the goal of providing consultation and training to start-ups and entrepreneurs and promoting the culture of innovation. The Directorate comprises three

¹³² Economic Intelligence Unit (2008). Country Profile 2008: Oman, London; Oxford Business Group (2011). The Report: Oman 2011.

¹³³ Oman Daily Observer, 'SMEs are the backbone of economic growth', 08 November 2010 <<http://main.omanobserver.om/node/29284>>

¹³⁴ Oman Economic Review, 'Making Life Easy', April 19, 2011 <http://www.oeronline.com/php/2007_dec/sme_forum.php>;

¹³⁵ Oxford Business Group (2011). The Report: Oman 2011.

departments: Department of Guidance, Business Pioneers Department and Business Development Department.¹³⁶ With a high share of young people, it is particularly important to encourage entrepreneurship at a young age. With this in mind, the Ministry of Manpower set up, in 2001, the SANAD programme that is concerned with promoting and fostering the development of small businesses and providing some funding for young entrepreneurs who wish to establish small enterprises. Similarly in 2009, the Cisco Entrepreneur Institute in cooperation with the Oman Chamber of Commerce and Industry set up a programme with the goal of improving entrepreneurship education. The institute offers entrepreneurship training that comprises a curriculum developed by the business schools from Stanford and Cornell Universities.¹³⁷

While it is important to provide young entrepreneurs with skills and knowledge needed to start a business, no enterprises will be created without real business opportunities. Therefore the Omani Government is also focusing on promoting growth sectors, such as tourism, power generation and infrastructure development in the hope that this will create business opportunities for small and medium-sized enterprises. Of these sectors, tourism might be particularly attractive for small business start ups.¹³⁸ Overall, there are a number of initiatives to promote entrepreneurial culture and, together with broader government initiatives to foster private sector development, there should be no shortage of opportunities for budding entrepreneurs. It remains to be seen whether young Omani's will rise to this challenge.

Key Indicators

New business density (per 1000 people)		2003	2005	2007
Number of newly registered corporations to total working age population (per 1000 of population). <u>Source:</u> World Bank Group Entrepreneurship Survey (WBGES) 2008. ¹³⁹	Oman	1.33	1.44	3.63
	Kuwait	..	..	..
	Qatar	..	..	..
	UAE	..	..	..
	GCC	..	..	..
	Number per 1000 of population			

¹³⁶Ministry of Commerce and Industry <www.mocioman.gov.om/MOCI/?lang=en-us> Oman Daily Observer, 'SMEs are the backbone of economic growth', 08 November 2010. <<http://main.omanobserver.om/node/29284>>

¹³⁷ Muscat Daily, Interview with Sharifa al Barami, 29 January 2011 <<http://www.muscatdaily.com/Archive/Stories-Files/Business-Interview2>>; Cisco Entrepreneur Institute at AMIDEAST/Oman <<http://www.amideast.org/oman/latest-news/cisco-entrepreneur-institute-amideastoman>>

¹³⁸ Oxford Business Group (2011). The Report: Oman 2011.

¹³⁹<<http://rru.worldbank.org/businessplanet/default.aspx?pid=8>>

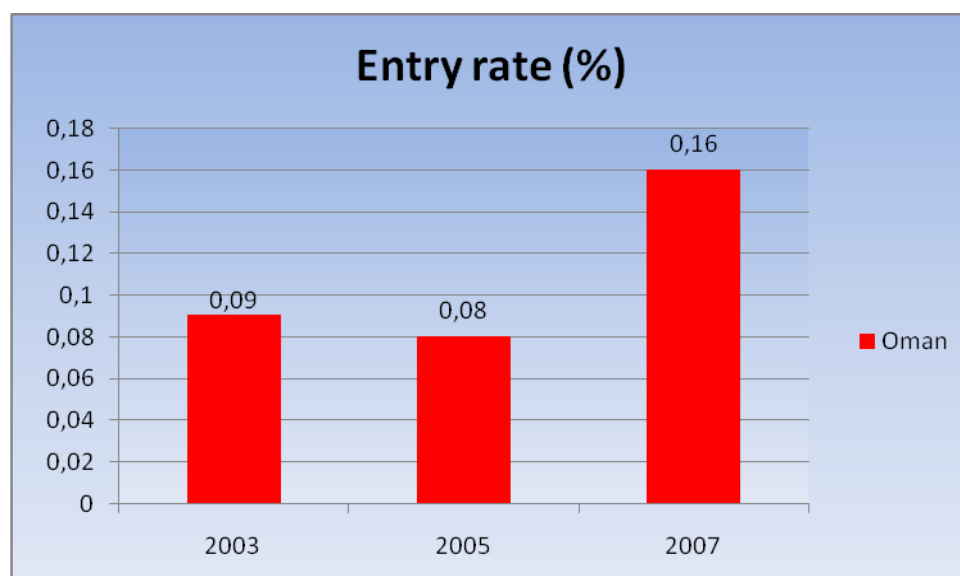
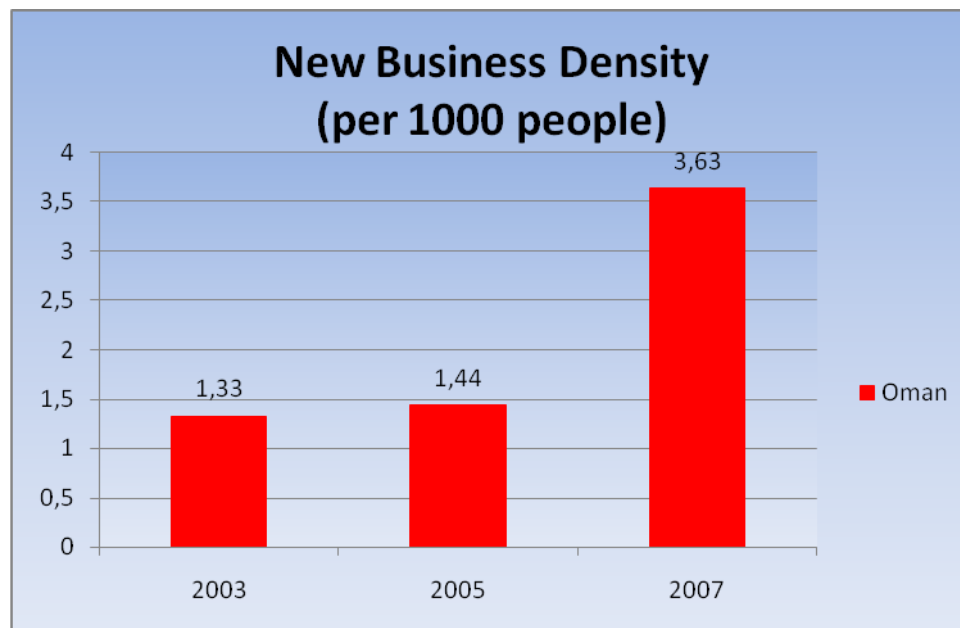
Entry rate (per cent)

Entry rate is defined as new firms (registered in the current year) as a percentage of lagged total registered firms.

Source: World Bank Group Entrepreneurship Survey (WBGES) 2008.¹⁴⁰

	2003	2005	2007
Oman	0.09	0.08	0.16
Kuwait
Qatar
UAE
GCC

Number of firms as a percentage of lagged total registered firms.



¹⁴⁰ <<http://rru.worldbank.org/businessplanet/default.aspx?pid=8>>

3.2 Education, training and lifelong learning

Enterprise success, productivity, competitiveness and even survival increasingly depend on human resources. Oman has placed great importance on education since 1970 when Sultan Qaboos took power. Government spending on education has increased significantly, amounting to 3.9 per cent of GDP in 2006, which was slightly higher than the GCC average of 3.68 per cent. Many schools have been built in the last three decades. While in 1970 there were only three schools in the country, today there are over 1000, 90 per cent of which are government-run and provide education at primary, preparatory and secondary levels. As a result, a significant progress has been achieved in the educational system resulting in reduced illiteracy and increasing rates of educational participation. In 2002 the gross primary school enrolment rate stood at 90.9 and the gross secondary school enrolment rate has increased from 39.39 per cent in 1990 to 91.32 in 2009. It is estimated that 48 per cent of the school population is made up of girls. The literacy rate for all adults stood at 81 per cent in 2003, while among 15-24 year-olds it reached 98 per cent. A significant improvement has also been achieved in tertiary enrolment, which increased from 14.25 per cent in 2002 to 26.44 in 2009 (per cent gross). The overall upward trend is also reflected in the UNDP's education index. The score for Oman increased from 0.766 in 2005 to 0.79 in 2007. However, compared to other countries in the region, Oman remains below the GCC average (score 0.851 in 2007) on this index.¹⁴¹

For a long time, education has been placed at centre stage in Oman's various development plans. To reach the goal of human resource development, the Government is currently focusing on improving basic education, as well as on establishing an improved and more integrated post secondary and technical educational system. The latter is deemed necessary because one of the biggest problems in the current system is the gap between the skills of available workers and market needs. According to the World Bank, an estimated 34.63 per cent (in 2003) of managers ranked skills of available workers as a major or severe constraint for doing business in Oman. In contrast, only 20.92 per cent of firms offered formal training for their permanent, full-time employees in 2004. It is not really clear to what extent this situation has changed since then but the lack of investments in training and employee development is also confirmed by recent World Economic Forum Global Competitiveness Report survey results which rank Oman below Qatar, UAE and the GCC average in terms of the extent of staff training. To address this, the Government has formulated a number of policies and strategies to upgrade the vocational education system. This has led to an opening of several technical institutes during the last decade. There is also an increasing demand for higher education places. Every year approximately 30 000 young Omanis complete secondary school and the number of places available in the tertiary system are currently insufficient. To address this, the Government has started to encourage private and foreign participation in tertiary education. This has led to the establishment of three new private universities and various programmes offered by foreign universities.¹⁴² At the research end of the educational spectrum, Oman has a relatively underdeveloped system of research institutes and relatively weak research capacity. However, the country began the process

¹⁴¹ Economic Intelligence Unit (2008). Country Profile 2008: Oman, London; Bertelsmann Stiftung, BTI (2010). Oman Country Report. Gütersloh: Bertelsmann Stiftung, 2009; Oxford Business Group (2011). The Report: Oman 2011.

¹⁴² Ministry of National Economy – Sultanate of Oman <
<http://www.moneoman.gov.om/loader.aspx?view=planning-hrds-et&type=plan>>Oxford Business Group (2011). The Report: Oman 2011

of addressing this, by creating a council for academic research in 2005. This is a policy-making institution and a funding agency. The Government is also integrating IT into all aspects of education. Development of an Educational Portal System allowing interactive e-learning and e-curriculum is currently under way.¹⁴³

Key Indicators

Public spending on education, total (per cent of GDP)		2006	2007	2008
Public expenditure on education consists of current and capital public expenditure on education plus subsidies to private education at the primary, secondary, and tertiary levels. <u>Source:</u> United Nations Educational, Scientific, and Cultural Organization (UNESCO) Institute for Statistics (World Development Indicators online).	Oman	3.90	..	..
	Kuwait	3.76	..	..
	Qatar	..	..	..
	UAE	1.14	0.91	0.99
	GCC	3.68	3.45	3.18
	MENA	5.20	..	4.53

Public spending on education as share (per cent) of GDP

Education index		2005 (HDR 2007/2008)	2007 (HDR 2009)	2008 (HDR 2010) ¹⁴⁴
It measures the educational attainment. The Education Index is measured by the adult literacy rate and the combined primary, secondary, and tertiary gross enrolment ratio. The adult literacy rate gives an indication of the ability to read and write, while the gross enrolment ratio gives an indication of the level of education from kindergarten to postgraduate education. It is a weighted average of Adult literacy index (with two-thirds weighting) and the combined primary, secondary, and tertiary gross enrollment ratio (Gross enrolment index [0, 100]) (with one-third weighting).	Oman	0.766	0.79	..
	Kuwait	0.871	0.872	..
	Qatar	0.852	0.888	..
	UAE	0.791	0.838	..
	GCC	0.825	0.851	..
	Arab countries¹⁴⁶	0.687	0.695	0.289

Source: UNDP, Human Development Report.¹⁴⁵

On a scale from 0 to 100. Higher values correspond to better performance.

¹⁴³ Oxford Business Group (2011). The Report: Oman 2011.

¹⁴⁴ Inequality-adjusted education index: Inequality adjustment is based on data from household surveys, including the Luxembourg Income Study, Eurostat's European Union Survey of Income and Living Conditions, the World Bank's International Income Distribution Database, the United Nations Children's Fund's (UNICEF) Multiple Indicator Cluster Survey, Measure DHS Demographic and Health Surveys and the World Health Organization's (WHO) World Health Survey.

¹⁴⁵ <<http://hdrstats.undp.org/indicators/7.html>> and <<http://hdr.undp.org/en/reports/global/hdr2006/>>

¹⁴⁶ Based on less than half the countries (according to the HDR 2010).

Labour skills¹⁴⁷		2002	2005	2008
Labour skills measure the percentage of senior managers who ranked skills of available workers as a major or severe constraint. The computation of the indicator is based on the rating of the obstacles as a potential constraint to the current operations of the establishment.	Oman	34.63 ¹⁴⁹	..	..
	Kuwait	..	..	..
	Qatar	..	..	..
	UAE	..	..	..
	GCC	..	..	..
	Per cent of managers surveyed ranking this as a major business constraint.			
Firms offering formal training (per cent of firms)		2004	2007	2008
Firms offering formal training are the percentage of firms offering formal training programmes for their permanent, full-time employees.	Oman	20.92 ¹⁵¹	..	..
	Kuwait	..	..	..
	Qatar	..	..	..
	UAE	..	..	..
	GCC	..	..	..
	MENA	..	..	..
		Per cent of firms offering formal training.		
Extent of staff training		2008 (GC 08/09)	2009 (GC 09/10)	2010 (GC 10/11)
The World Economic Forum (WEF) Survey asked the business leaders to provide their expert opinions on the following: "The general approach of companies in your country to human resources is (1=to invest little in training and employee development, 7=to invest heavily to attract, train, and retain employees)".	Oman	4.2 (rank 49)	4.1 (rank 53)	4.3 (rank 45)
	Kuwait	4	3.9	3.6
	Qatar	4.6	4.8	4.8
	UAE	4.5	4.6	4.7
	GCC	4.2	4.4	4.5
	World mean	4.0	4.0	4.0
		1=to invest little in training and employee development, 7=to invest heavily to attract, train, and retain employees		

¹⁴⁷ Due to differences in scales used in the ECA countries in 2002 and 2005 (four points) and those used in the 2008 surveys (five points) indicators based on business constraints questions are not fully comparable.

¹⁴⁸ <<http://www.enterprisesurveys.org/CustomQuery/>>

¹⁴⁹ 2003.

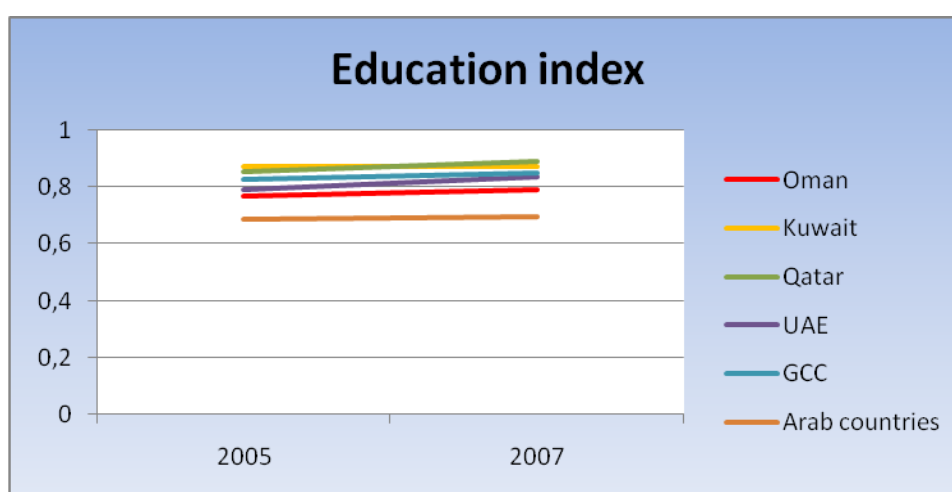
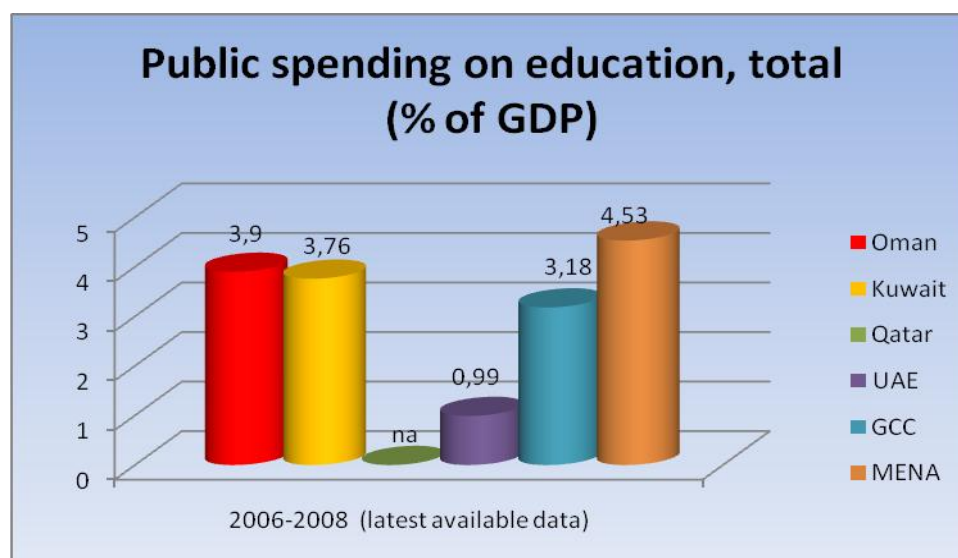
¹⁵⁰ <<http://www.enterprisesurveys.org/CustomQuery/>>

¹⁵¹ 2003.

¹⁵² <<http://www.weforum.org/pdf/GCR08/GCR08.pdf>>

Literacy rate, youth total (per cent of people ages 15-24)		2001	2005	2009
Youth literacy rate is the percentage of people ages 15-24 who can, with understanding, read and write a short, simple statement on their everyday life. <u>Source:</u> United Nations Educational, Scientific, and Cultural Organization (UNESCO) Institute for Statistics (World Development Indicators online)	Oman	..	..	97.63 ¹⁵³
	Kuwait	..	99.73	98.64 ¹⁵⁴
	Qatar	..	95.92 ¹⁵⁵	97.76
	UAE	..	95.01	..
	GCC	..	96.63	98.23
	MENA	85.09	..	89.28

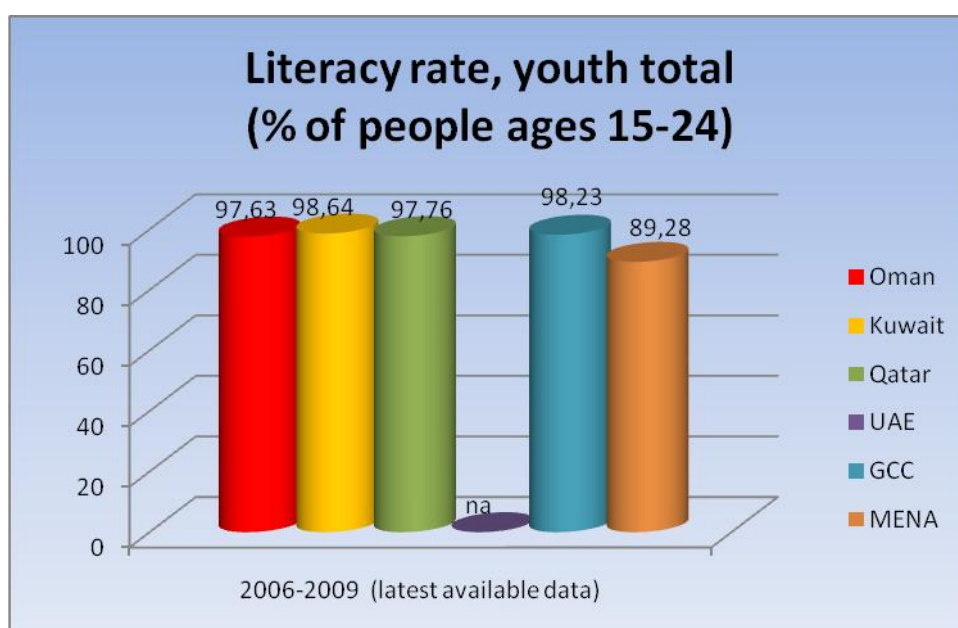
Per cent of people



¹⁵³ 2008.

¹⁵⁴ Ibid.

¹⁵⁵ 2004.



3.3 Social justice and social inclusion

Inequality and discrimination are incompatible with sustainable enterprise development. As a result of rapid economic development over the last four decades, Oman's income level and living standards have improved significantly. The country has developed rapidly from a low-income to a high-income country and the UNDP's Human Development Index (HDI) increased from 0.36 in 1970 to 0.79 in 2009. Few other countries have matched such a rapid rate of progress as measured by these indicators. Nonetheless, it is estimated that income disparities among regions and social groups have increased in the last decade. To address this, the current five-year development plan (2011-15) continues to focus on promoting the living standards of citizens and reducing

income disparities. It also focuses on creating more equality among regions and ensuring that all citizens benefit from the development process.¹⁵⁶ The significant rise in minimum wages for nationals working in the private sector from 364 USD to 520 USD, brought into effect early 2011, was one recent measure aimed at addressing these challenges. This decision was also driven by the wave of protests which occurred in some urban areas in early 2011.¹⁵⁷

Perhaps the main economic and social challenge facing Oman is the level of unemployment among young people. There are more than 30 000 young Omanis entering the labour market each year, many of them unable to find a job. The unemployment rate is estimated at 15 per cent but double that for youth aged 15-24 years. In 2009, the labour force¹⁵⁸ constituted 57.7 per cent of the total population, which is below the regional average (68.73 per cent in 2009). Oman also has a large expatriate workforce, with non-Omanis constituting almost 27 per cent of the total population and over half of the labour force. The number of Omanis employed in the private sector is rising as a result of the “Omanization” process, aimed at replacing existing expatriate workers with local labour but creating jobs for young Omanis will remain a big challenge in the coming years.¹⁵⁹

The Sultanate has a prudent policy of inclusiveness regarding all segments of the population. The Basic Law prohibits discrimination on the basis of gender, origin, color, language, religion, sect, domicile, or social status. However, Oman’s gender-related UNDP development index is low, even compared to the GCC average. Also the female labour force participation rate compares unfavorably with other countries in the region. In 2009, according to the ILO Decent Work Country Programme document, only 25.4 per cent of the female working-age population engaged actively in the labour market by either working or actively looking for work. In comparison, the rate was estimated at 49.9 per cent in Qatar and 45.4 in Kuwait. The country performs slightly better on the gender empowerment measure, which assesses women’s political participation, decision-making and power over economic resources. The UNDP ranked Oman above the GCC average on this index. This reflects the Government’s effort to integrate women in public life. There have been female members of the State Council since 1994 and in 2004, the Sultan appointed two women as cabinet ministers. Oman is also making significant progress in the area of female education. There are also some aspects of the legal system which favour the rights of men over those of Omani women, such as in areas like marriage, divorce, inheritance and child custody. To strengthen the position of women in

¹⁵⁶ Oxford Business Group (2011). *The Report: Oman 2011*; Bertelsmann Stiftung, BTI (2010). *Oman Country Report*. Gütersloh: Bertelsmann Stiftung, 2009.

¹⁵⁷ Al Arabiya News, *Oman raises minimum wage for private sector workers*, 17 February 2011. < <http://www.alarabiya.net/articles/2011/02/17/138006.html> >

¹⁵⁸ Reflecting the proportion of the population ages 15-64 that is economically active.

¹⁵⁹ ILO (2010). *Sultanate of Oman – Decent Work Country Programme 2010-13*; Economic Intelligence Unit (2008). *Country Profile 2008: Oman*, London; Oxford Business Group (2010). *The Report: Oman 2010*.

society, the Government has set up the National Strategy for Advancement of Omani Women with various targets to be achieved by 2020.¹⁶⁰

Box 2: National Strategy for Advancement of Omani Women¹⁶¹

The formulation of the National Strategy for the Advancement of Omani women is an extension of the Government's efforts to reinforce the role of women in society. It has been designed to achieve the following objectives in the period 2007-20:

- promote the full participation and involvement of women in the economic and social development process, as an integral part of the national general policy;
- design strategies and policies to enhance the situation of women in all spheres of development;
- expand the representation of women in decision-making positions enabling them to effectively participate in national decision-making and planning;
- review the legislation to ensure equal rights between men and women with the view to eliminating all forms of discrimination against women.

Finally, it should be pointed out that non nationals, particularly low-income migrant workers, are likely to face particular challenges when it comes to realizing social justice and social inclusion.

Key Indicators

GINI coefficient		2005 (HDR 2007/2008)	2007 (HDR 2009)	2000-2010 (HDR 2010)
GINI index measures the extent to which the distribution of income (or, in some cases, consumption expenditure) among individuals or households within an economy deviates from a perfectly equal distribution. A value of 0 represents absolute equality, a value of 100 absolute inequality.	Oman	..	..	..
	Kuwait	..	..	..
	Qatar	..	..	..
	UAE	..	..	..
	GCC	..	..	..

Source: World Bank staff estimates based on primary household survey data obtained from government statistical agencies and World Bank country departments (World Development Indicators online) and UNDP Human Development Report (HDR).¹⁶²

0= perfect equality, 100= perfect inequality

¹⁶⁰ ILO (2010). Sultanate of Oman – Decent Work Country Programme 2010-13; Economic Intelligence Unit (2008). Country Profile 2008: Oman, London; Women's Rights in the Middle East and North, Country Reports – Oman <<http://www.freedomhouse.org/template.cfm?page=179>>

¹⁶¹ ILO (2010). Sultanate of Oman - Decent Work Country Programme 2010-13.

¹⁶² see also: <<http://hdrstats.undp.org/indicators/147.html>>

The labour force participation rate is the proportion of the population ages 15-64 that is economically active: all people who supply labour for the production of goods and services during a specified period. The labour force participation rate is calculated by expressing the number of persons in the labour force as a percentage of the working-age population. The labour force is the sum of the number of persons employed and the number of unemployed. The working-age population is the population above a certain age, prescribed for the measurement of economic characteristics.

Gender-related development index (GDI)

Source: UNDP Human Development Report.

The labour force participation rate is calculated by expressing the number of persons in the labour force as a percentage of the working-age population

	2004 (Report 2006)	2005 (Report 2007- 2008)	2007 (HDR 2009)
Oman	0.785	0.788	0.826
Kuwait	0.864	0.884	0.892
Qatar	..	0.863	0.891
UAE	0.829	0.855	0.878
GCC	0.814	0.838	0.866

The lower the value, the more heavily a society is penalized for having inequalities

A composite index measuring gender inequality in three basic dimensions of empowerment – economic participation and decision-making, political participation, and decision-making and power over economic resources.

Source: UNDP, Human Development Report.¹⁶⁴

	2004 (Report 2006)	2005 (Report 2007-2008)	2007 (HDR 2009)
Oman	..	0.391	0.453
Kuwait	..	..	..
Qatar	..	0.374	0.445
UAE	0.353	0.652	0.691
GCC	0.242	0.254	0.299

The lower the value, the more heavily a society is penalized for having inequalities.

Gender equality rating assesses the extent to which the country has installed institutions and programmes to enforce laws and policies that promote equal access for men and women in education, health, the economy, and protection under law (1=low to 6=high).

Source: World Bank Group, CPIA database¹⁶⁵ (World Development Indicators online).

	2007	2008	2009
Oman
Kuwait
Qatar
UAE
GCC
MENA

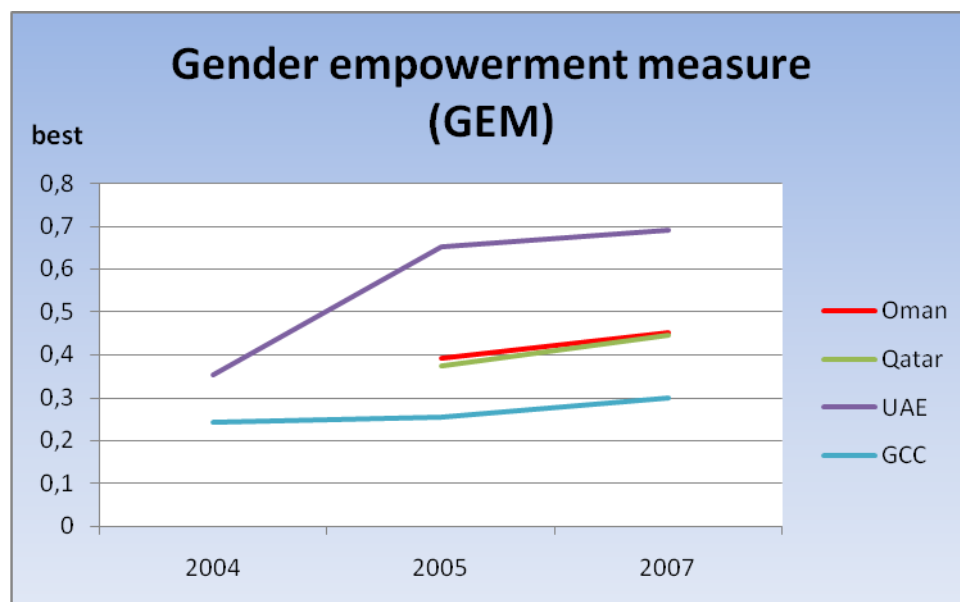
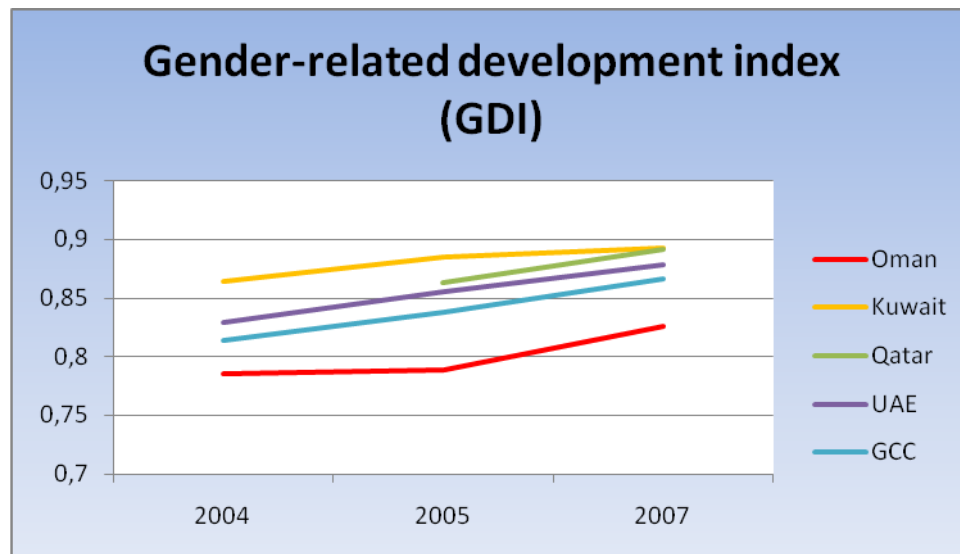
Equality: 1=low to 6=high

¹⁶³ <<http://www.ilo.org/public/english/employment/strat/kilm/index.htm>>

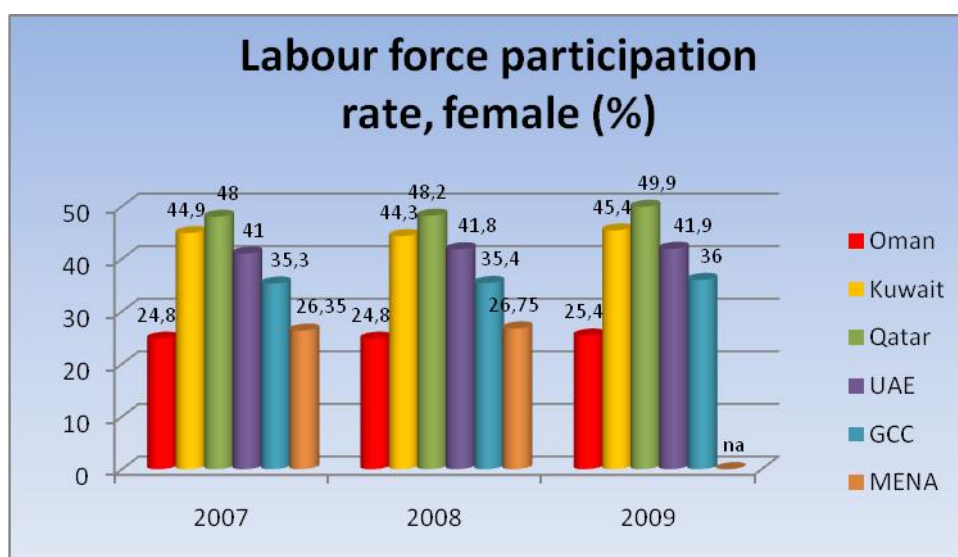
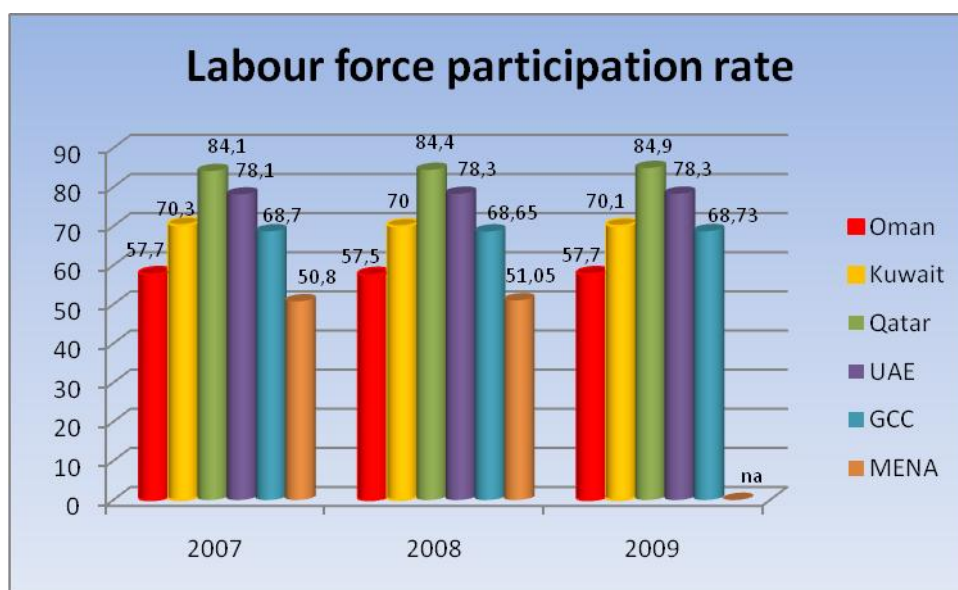
¹⁶⁴< <http://hdr.undp.org/en/reports/>>

¹⁶⁵ <<http://www.worldbank.org/ida>>

Labour force participation rate, female (per cent)		2007	2008	2009
Percentage of female working-age population (ages 15+) that actively engages in the labour market, by either working or actively looking for work. <u>Source:</u> ILO KILM ¹⁶⁶	Oman	24.8	24.8	25.4
	Kuwait	44.9	44.3	45.4
	Qatar	48	48.2	49.9
	UAE	41	41.8	41.9
	GCC	35.3	35.4	36
	MENA	26.35	26.75	..
	Per cent aged 15 and older			



¹⁶⁶ <<http://www.ilo.org/public/english/employment/strat/kilm/index.htm>>



3.4 Adequate social protection

Adequate social protection is key to improving productivity and fostering transitions to the formal economy. Over the last four decades Oman has made progress in developing its health care and social security system. Omanis are provided with extensive social services, including insurance against old age, disability and death, maternity and health care. In 2001, Oman spent about 3.66 per cent of its GDP on public social protection and health care, according to the IMF. As a result of these investments, about 90 per cent¹⁶⁷ of the population is covered by universal health services and the number of persons¹⁶⁸ covered by a social security insurance is increasing, amounting to

¹⁶⁷ The Ministry of Health, Sultanate of Oman <<http://www.moh.gov.om/>>

¹⁶⁸ The number of insured employees in the social insurance fund.

277 224 in 2009 from 173 689 in 2005.¹⁶⁹ The Government's commitment to social protection and health care is also reflected (at least in part) in the higher life expectancy rates: from an average 42 years in 1960 to 76 years in 2009.¹⁷⁰

The Omani social insurance system was established by Royal Decree No. 72/1991 and has been in place since 1992, providing old age, death and disability pensions to public and private-sector employees. The Public Authority for Social Insurance (PASI) is a tripartite body representing employees, employers and the Government and is responsible for the implementation of this law. The current scheme provides pensions and lump sum benefits upon retirement, death or disability and employment injury benefits for participants suffering work injuries or occupational diseases. The national development plan foresees the extension of social insurance coverage over the next five years, starting with the self-employed, non-Omani workers, and later, possibly being extended to cover other benefits such as unemployment insurance. The Sultanate is working towards bringing the current system into conformity with international social security standards and principles and towards ratification of relevant ILO Conventions, including Convention No. 102 on Social Security.^{171:}

Oman's health care system, which is largely based on public sector providers, performs well providing almost universal access to services for Omanis. There have been heavy investments in medical facilities and human resources since 1970 and the Government spending on healthcare has averaged more than 5 per cent of total public expenditure over the past five years. In the past, all healthcare services were free at the point of delivery but this put a significant burden on the government budget and now patients are charged a small fee for many medical services which has resulted in more prudent use of the national health service. While all Omanis and expatriates working in the public sector are covered by the government system, expatriates working in the private sector are covered by their employers. Despite good performance, some challenges remain. According to the WHO, a new health financing policy and system is needed to ensure equity and to safeguard quality of service. Moreover, there is scope to expand the role of the private sector in health services delivery.¹⁷²

¹⁶⁹ Public Authority for Social Insurance < http://www.taminat.com/english/stats_inv_cat.jsp>

¹⁷⁰ World Development Indicators online.

¹⁷¹ ILO (2010). Sultanate of Oman - Decent Work Country Programme 2010-13; Sultanate of Oman – Public Authority for Social Insurance < <http://www.taminat.com/english/brief.jsp>>; ILO (2008). Sultanate of Oman - Report to the Government. Peer review of the actuarial valuation of the Public Authority for Social Insurance as at 31 December 2005, International Financial and Actuarial Service, Social Security Department Geneva 2008, ILO/TF/Oman/R.2.

¹⁷² Economic Intelligence Unit (2008). Country Profile 2008: Oman, London; WHO(2006). Country Cooperation Strategy for WHO and Oman 2005–2009, EM/ARD/007/E/R, Cairo WHO, Oman < <http://www.who.int/countries/omn/en/>>

Key Indicators

Public social expenditure (per cent of GDP)

2004 2005 2006

Social expenditure as a percentage of general government expenditure is a measure of the extent to which governments assume responsibility for supporting the standard of living of disadvantaged or vulnerable groups. It includes expenditure on health care and non-health social security expenditure. A ratio to the total general government expenditure reflects properly the situation in countries with relatively "small" (in terms of public finances) governments. Social benefits provided by private entities are excluded in this measure.

Oman	..	..	..
Kuwait	..	..	..
Qatar	..	..	..
UAE	..	..	..
GCC	..	..	..

Source: International Monetary Fund (ILO Social Security Expenditure Database).¹⁷³

Per cent of government expenditure

Old age (per cent of GDP)

1994 1995 1996

Old age expenditure as percentage of GDP.

Source: ILO Social Security Inquiry.¹⁷⁴

Oman	..	..	..
Kuwait	..	..	..
Qatar	..	..	..
UAE	..	..	..
GCC	..	..	..

Old age expenditure as percentage of GDP

Old age pension beneficiaries

2003 2004 2006

Number of pension beneficiaries at 65 and older (or 60 and older) as a proportion of population at 65 and older. The index includes beneficiaries of all kind of pensions and similar benefits (not only old-age pensions but also survivors' and disability pensions) received by those over the age threshold to see what proportion of all those over a certain age threshold is actually receiving any type of social benefit.

Source: ILO Social Security Inquiry.¹⁷⁵

Oman	..	..	..
Kuwait	..	..	..
Qatar	..	..	..
UAE	..	..	..
GCC	..	..	..

Number of pension beneficiaries as a proportion of population at 65 and older

Public expenditure on health (per cent of GDP)

2007 2008 2009

Public expenditure on health as percentage of GDP – Public health expenditure consists of recurrent and capital spending from government (central and local) budgets, external borrowings and grants (including donations from international agencies and nongovernmental organizations), and social (or compulsory) health insurance funds.

Source: World Health Organization WHOSIS¹⁷⁶ and World Development Indicators online and UNDP Human Development Report.

Oman	5.42	4.91	5.76
Kuwait	5.25	6.11	5.59
Qatar	6.69	6.83	6.83
UAE	8.87	8.89	8.86
GCC	7.41	7.57	7.72
MENA	8.51	8.67	8.33

Per cent of GDP

¹⁷³ <<http://www.ilo.org/dyn/sesame/IFPSES.SocialDBExp>>

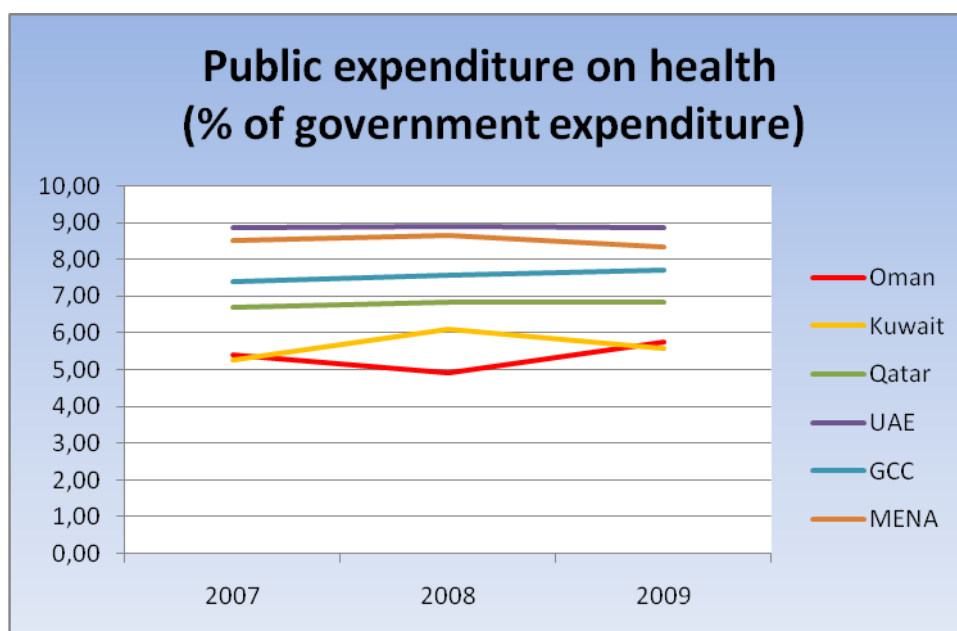
¹⁷⁴ Ibid.

¹⁷⁵ Ibid.

¹⁷⁶ Ibid.

Coverage by health care (per cent of total health care)	2004	2005	2006
Percentage of total (public and private) health care expenditure not financed by private household's out of pocket payments (as a proxy indicator).			
Oman
Kuwait
Qatar
UAE
GCC
GCC

Per cent of total health care



¹⁷⁷ <<http://www.ilo.org/dyn/sesame/IFPSES.SocialDBExp>>

4. Environmental elements

4.1 Responsible stewardship of the environment

Sustainable enterprise development goes hand in hand with responsible stewardship of the environment, which in turn needs appropriate regulations and incentives. Oman comprises 80 per cent desert, 18 per cent wadis and mountains and just 3 per cent coastal plains. Oman's climate varies: the coastal areas are hot and humid during the summer months, while the interior mostly remains hot and dry. One of the problems that the country faces is water scarcity. Drinking water supplies depend on extensive desalination. Oman is also struggling with high levels of soil and water salinity in the coastal plains, periodic droughts, loss of wildlife, waste disposal and overgrazing and desertification, especially in the South. However, Oman's Ecological Footprint score was 5 in 2007, which is low compared to other Gulf countries. The Environmental Sustainability Index (ESI), which covers 146 countries assessing their ability to protect the environment over the next several decades, ranked Oman 83rd, which is a good score on a regional scale. However, the Environmental Performance Index (EPI) that measures how close the country comes to broadly-accepted targets for environmental performance, ranks Oman lower than the GCC average.¹⁷⁸

The Omani Government is committed to environmental protection and has introduced a set of environmental laws and regulations, such as the law on the Conservation of the Environment and Prevention of Pollution, regulations for water, waste, chemicals, radioactivity, environment permits and others. The Ministry of Environment and Climate Affairs is responsible for the implementation of the legal framework. Oman is also committed to a wide range of international environmental treaties and accords including the Kyoto Agreements for Global Warming and green gases emissions, MARPOL agreement on marine pollution, the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes, the Ozone Layer Protection Treaty and the UN Framework Convention on Climatic Change, amongst others. In comparison with other countries, Oman has been one of the most ambitious of the Gulf States in terms of environmental protection and conservation, and it continues to be committed to environmental related issues.¹⁷⁹

¹⁷⁸ Economic Intelligence Unit (2008). Country Profile 2008: Oman, London; Oxford Business Group (2010). The Report: Oman 2010; Bertelsmann Stiftung, BTI (2010). Oman Country Report. Gütersloh: Bertelsmann Stiftung, 2009.

¹⁷⁹ King, D.C. (2008). Culture of the World Oman, New York.

Key Indicators

Environmental Sustainability Index (ESI)

The Environmental Sustainability Index (ESI) benchmarks the ability of nations to protect the environment over the next several decades. It does so by integrating 76 data sets – tracking natural resource endowments, past and present pollution levels, environmental management efforts, and the capacity of a society to improve its environmental performance – into 21 indicators of environmental sustainability.

Source: Yale University's Center for Environmental Law and Policy in collaboration with Columbia University's Center for International Earth Science Information Network (CIESIN), and the World Economic Forum.¹⁸⁰

	2001	2002	2005
Oman	..	40.2	47.9
Kuwait	31.9	23.9	36.6
Qatar
UAE	..	25.7	44.6
GCC	..	31	41.7
Peer group average¹⁸¹	..	53.5	52.1

The higher a country's ESI score, the better positioned it is to maintain favorable environmental conditions into the future.

Total Ecological Footprint (EFP) (global hectares per capita)

The Ecological Footprint (global hectares per capita) measures the amount of biologically productive land and sea area an individual, a region, all of humanity, or a human activity requires to produce the resources it consumes and absorb the waste it generates, and compares this measurement to how much land and sea area is available.

Source: Global Footprint Network, based on international data (UNSD, FAO, IEA, IPCC).¹⁸²

	2005	2007
Oman	4.7	5
Kuwait	8.9	6.3
Qatar	..	10.5
UAE	9.5	10.7
GCC	6.4	7.5
MENA¹⁸³	3.3	3.3

lower value= better performance

For 2005, humanity's total ecological footprint was estimated at 1.3 planet Earths – in other words, humanity uses ecological services 1.3 times as fast as Earth can renew them.

¹⁸⁰ <<http://www.yale.edu/esi/>> (for ESI 2005)
<<http://sedac.ciesin.columbia.edu/es/esi/archive.html>> (for ESI 2000-2002).

¹⁸¹ Peer groups were assigned by dividing the countries of the index into five equal groups, sorted by GDP per capita (PPP). The peer group ESI is the Average ESI score for that group.
<http://www.yale.edu/esi/b_countryprofiles.pdf> (See page 3 for explanation).

¹⁸² <http://www.footprintnetwork.org/en/index.php/GFN/page/ecological_footprint_atlas_2008>

¹⁸³ Including 17 countries: Iran Islamic Rep., Iraq, Israel, Jordan, Kuwait, Lebanon, Oman, Saudi Arabia, Syrian Arab Rep., Turkey, United Arab Emirates, Yemen Rep. of, Algeria, Egypt, Libya, Morocco, Tunisia.

Other useful indicators

Environmental Performance Index (EPI)

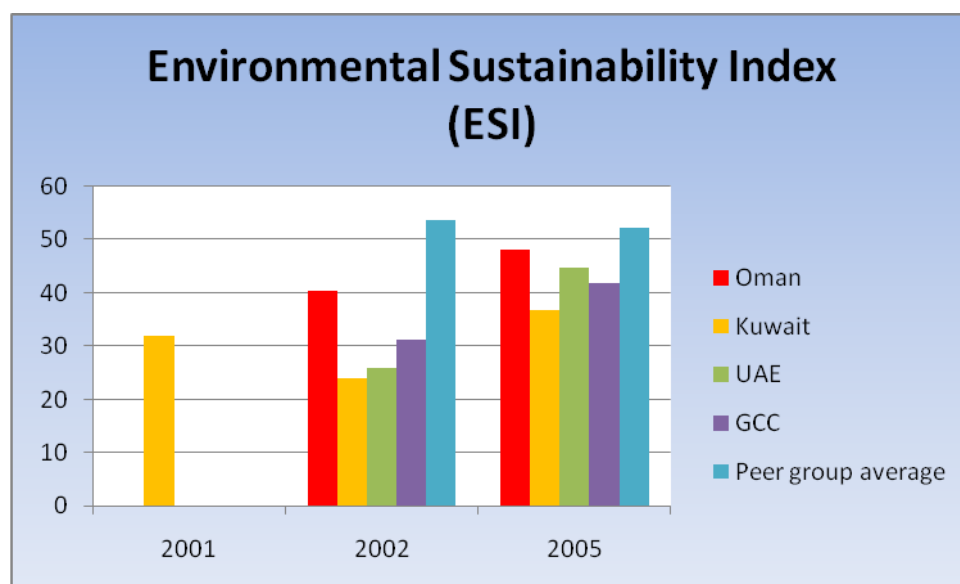
The 2008 Environmental Performance Index (EPI) ranks 149 countries on 25 indicators tracked across six established policy categories: Environmental Health, Air Pollution, Water Resources, Biodiversity and Habitat, Productive Natural Resources, and Climate Change. The EPI identifies broadly-accepted targets for environmental performance and measures how close each country comes to these goals.

Source: Yale University's Center for Environmental Law and Policy in collaboration with Columbia University's Center for International Earth Science Information Network (CIESIN), and the World Economic Forum¹⁸⁴

	2006	2008	2010
Oman	67.9	70.3	45.9
Kuwait	..	64.5	51.1
Qatar	..	..	48.9
UAE	73.2	64	40.7
GCC	69.8	67.9	47.32
MENA	..	70.0	54.1

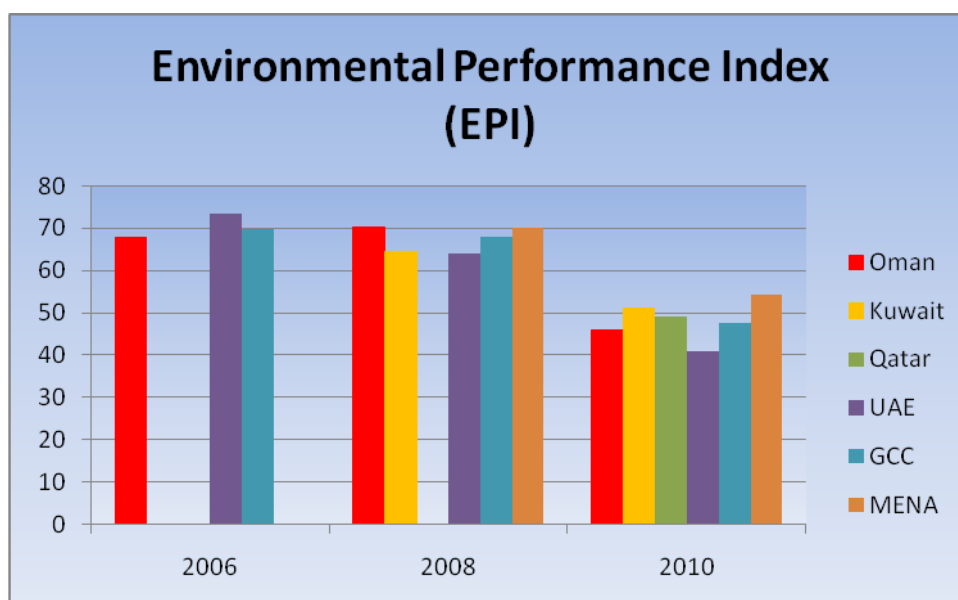
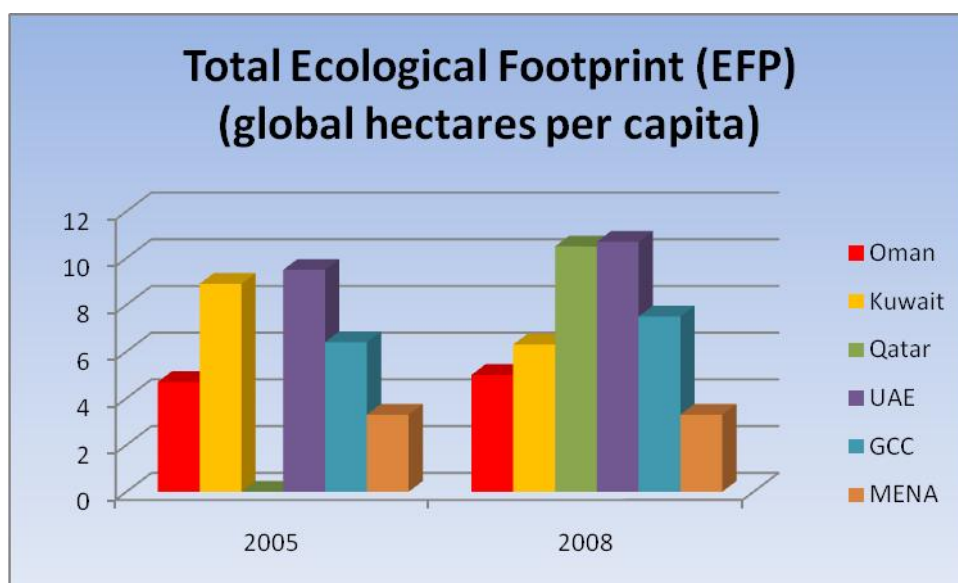
Income Group Average¹⁸⁵

The higher the score the better the environmental performance of the country (range of 0-100)



¹⁸⁴ <<http://epi.yale.edu/Home>> and <<http://epi.yale.edu/ResultsAndAnalysis>>

¹⁸⁵ Income Decile 5 (1=high, 10=low).



Part 2: Primary data enterprise survey

1. Terms of reference and approach

Part 1 of the study includes a survey of firms in Oman to gain an understanding of their views of enterprise development as well as the factors affecting development and growth. To do this the ILO commissioned the Arabian Research Bureau LLC (ARB) to perform this survey and conduct an initial analysis of survey results. This report shows the findings of the survey.

The primary research objectives of this study were to understand and assess the views of company owners, CEOs, Directors and General Managers of private sector firms in Oman with reference to:

- Entrepreneurship
- Competition
- Legal and regulatory environment
- Governance
- Information and communications technology
- Skills and education
- Social protection
- Work force relations
- Role of the OCCI

1.1 Approach

The ILO provided ARB with a questionnaire and sample design to conduct the survey. ARB then reviewed the questionnaire to ensure that respondents would understand survey questions.

1.2 Sample size and distribution

The ILO requested that ARB survey 150 firms using the following structure and distribution.

Table 1: Sample size structure and distribution

Company Grade		
Grade¹⁸⁶	% of Sample	Achieved Sample
Excellent	25%	38
Grade 1 & 2	25%	40
Grade 3 & 4	50%	72
Total	100%	150
Company Location by Region		
Region	% of Sample	Achieved Sample
Muscat	75%	113
Salalah	10%	15
Sohar	10%	14
Sur	5%	8
Total	100%	150

The ILO also requested that the sample include a good sectoral mix and female-owned and run enterprises. ARB would like to note that the number of female-owned and run enterprises surveyed is 14, i.e. 9.3 per cent of the total sample.

1.3 Data collection and analysis

All interviews in this study were conducted by a member of ARB's experienced field team. Additionally, all interviewers received training and testing on the survey before being allowed to perform interviews.

During data collection, ARB vigorously checked the quality of the data collected. ARB checked all survey response forms for logic and nonsensical answers in addition to 'back checking' a minimum of 20 per cent of questionnaires with respondents.

After data collection, ARB entered all data into a database and further checked the quality of the data. Then ARB began to analyze the data by looking at trends, averages and correlations where relevant.

¹⁸⁶ Grade as defined by the OCCI based on minimum capital requirements. An excellent grade enterprise must have a minimum of Omani Riyals 250,000; Grade 1, OR 100,000; Grade 2 OR 50,000; Grade 3 OR 25,000; and Grade 4 OR 15,000.

2. Research findings

This section details all research findings. It is categorized into 9 sections, as shown in section 2, based on the different pillars of enterprise development.

ARB would like to note most subsections in this section look at findings overall, except where variations in results by different company types differ significantly.

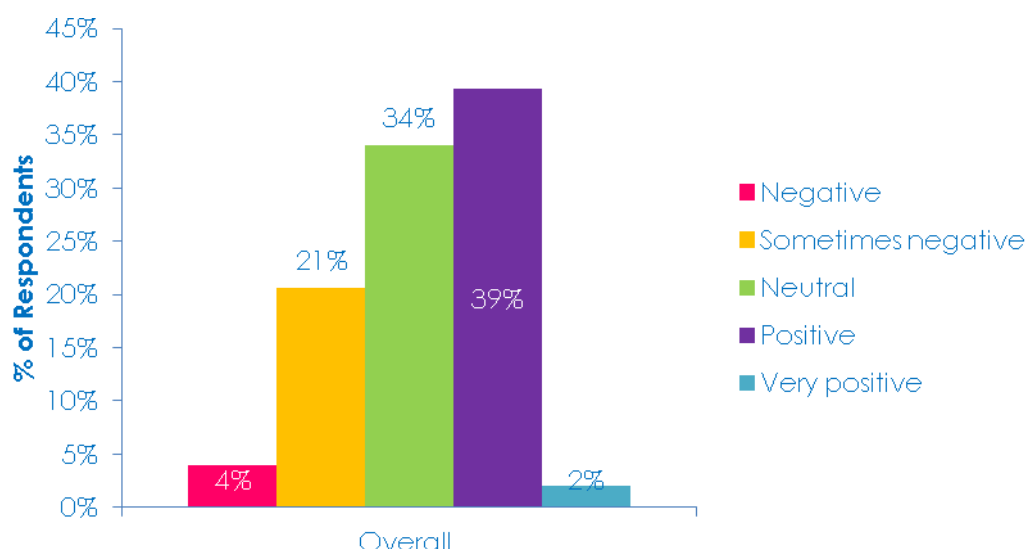
ARB would also like to note that in subsections that contain survey responses of unsure, don't know or can't say can be viewed as a negative response. This is because, in Oman, as ARB has seen in other research projects, some respondents do not like to say anything negative about particular topics and will prefer to say that they are unsure.

2.1 Entrepreneurship

2.1.1 Entrepreneurial culture amongst youths

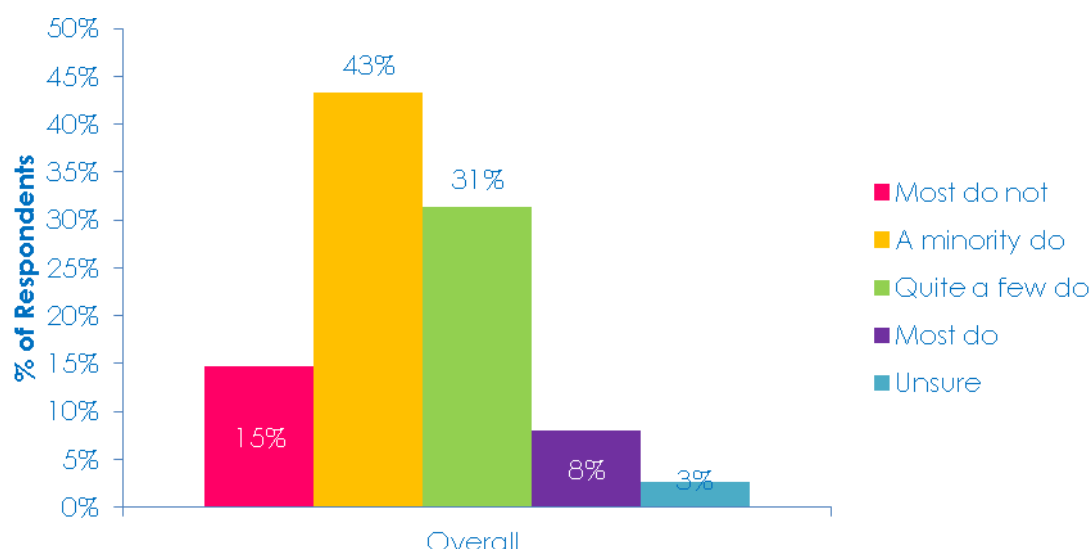
Forty one per cent of respondents believe that young people in Oman have a positive or very positive attitude towards entrepreneurship. This is followed by 34 per cent of respondents who feel young people have a neutral attitude.

Graph 1: Young people's attitude towards entrepreneurship



However, fewer respondents feel that young people have the right skills and competence to start and run a business. Forty three per cent of respondents believe that only a minority of young people have the skills to run and start a business, while 15 per cent believe that most young people do not.

Graph 2: Young people's skills and competences to start and run a business



2.1.2 Entrepreneurship culture amongst youths – Gender dimensions

Views on whether attitudes towards entrepreneurship amongst young people differ by gender were mixed. Overall, only 28 per cent of respondents believed that young men and women had the same attitude towards entrepreneurship while 38 per cent believed that young men had more positive attitude than young women. A further 34 per cent believed that females had a more positive attitude.

The main differences in views occur when looking at responses by gender and region. Sixty four per cent of females surveyed believed that women had a more positive attitude towards entrepreneurship. However, 51 per cent of respondents from outside of Muscat believed that young males had a more positive attitude towards entrepreneurship.

Table 2: Gender differences in young people's attitude towards entrepreneurship

	Overall	Grade Excellent	Grade 1 & 2	Grade 3 & 4	Muscat	Outside of Muscat	Female	Trade	Manufacturing	Oil & Gas ¹⁸⁷	Services
They are similar	28%	37%	15%	31%	30%	22%	21%	24%	25%	33%	32%
Young men are generally more positive	24%	21%	13%	32%	19%	38%	7%	31%	21%	33%	18%
Young men are slightly more positive	14%	11%	25%	10%	14%	14%	7%	17%	14%	33%	11%
Young women are generally more positive	25%	24%	28%	24%	27%	16%	57%	22%	29%	0%	26%
Young women are slightly more positive	9%	8%	20%	4%	9%	11%	7%	6%	11%	0%	12%

¹⁸⁷ Please note that only 3 purely oil and gas companies were surveyed.

Thoughts on whether there is a difference between young males and females and their having the necessary skills and competences to start and run a business also differed by region and respondent gender.

While overall, 34 per cent of respondents felt that the skills and competences needed by youths to start and run a business did not differ by gender, 38 per cent felt that young men have slightly better or much better skills than young women, compared to just 27 per cent that thought the same for young women.

As noted, views differed for female respondents and those working outside of Muscat. 50 per cent of female respondents believe that young women had slightly better or much better skills than their male peers while 46 per cent of respondents from companies outside of Muscat felt that young males had slightly better or much better skills and competences.

Table 3: Gender differences in the skills and competences to start and run a business

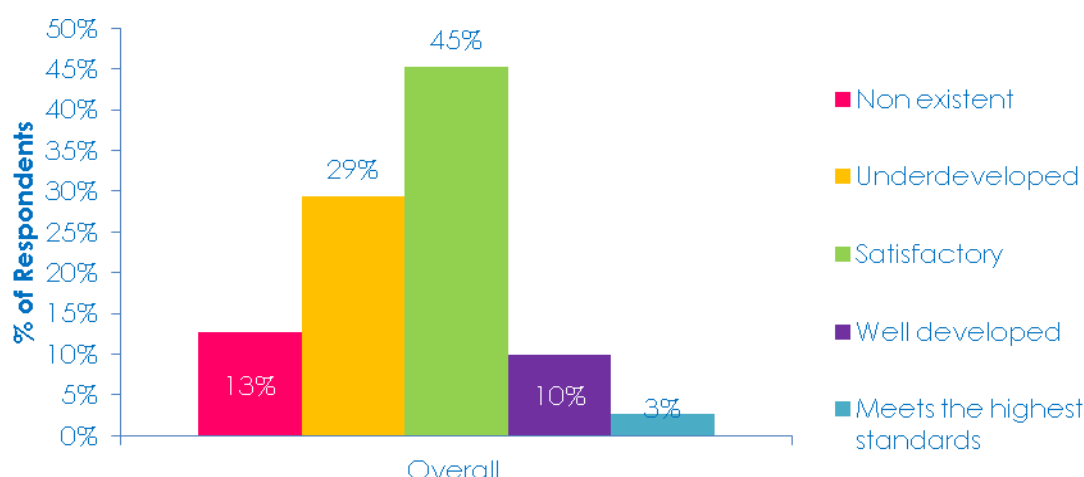
	Overall	Grade Excellent	Grade 1 & 2	Grade 3 & 4	Muscat	Outside of Muscat	Female	Trade	Manufacturing	Oil & Gas	Services
Not much difference	34%	45%	40%	25%	39%	19%	36%	26%	39%	0%	40%
Young women have much better skills and competences	12%	16%	13%	10%	12%	14%	29%	13%	0%	33%	15%
Young women have slightly better skills and competences	15%	16%	8%	19%	13%	22%	21%	19%	11%	33%	14%
Young men have much better skills and competences	33%	18%	33%	42%	30%	43%	7%	37%	46%	33%	25%
Young men have slightly better skills and competences	5%	5%	8%	4%	6%	3%	7%	6%	4%	0%	6%

Although marginal, it is important to note that more respondents believe that young males and females are relatively equal in terms of having the right skills and competences to start and run a business compared to those (28 per cent) that believe they have roughly the same attitudes towards entrepreneurship.

2.1.3 Public and private support for entrepreneurship

About 45 per cent of respondents thought that Oman has, in place, an adequate support system for individuals looking to establish a new business. However, 42 per cent believed that the system in place did not exist or was underdeveloped.

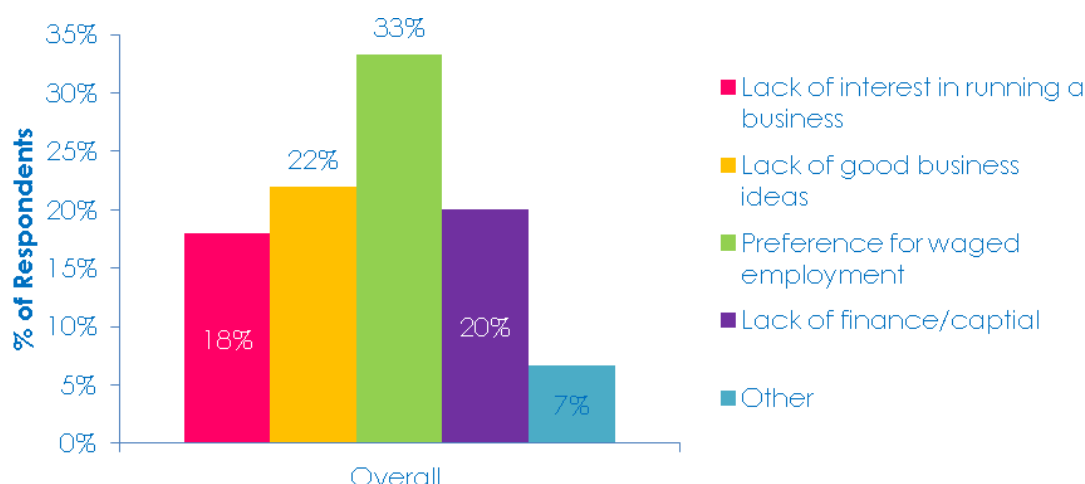
Graph 3: Support systems for individuals looking to establish a business



2.1.4 Biggest obstacle preventing more youths setting up their own business

About 33 per cent of firms believe that the single biggest obstacle preventing more, young Omanis from setting up their own business is due to the fact that they have a preference for waged employment while 22 per cent believe that young Omanis lack of good business ideas.

Graph 4: Biggest obstacle to more young Omanis starting their own business



Some of the ‘other’ reasons given by respondents were:

- Young Omanis are not willing to work. Thirty per cent of respondents who answered ‘other’ to this question gave this reason. **ARB would like to note** that all of the respondents who gave this reason were expatriates.
- Low acceptance by locals of locally made products
- Difficulties when dealing with authorities
- Do not want to take on risk

- Entry barriers put up by big businesses
- Lack of vision.

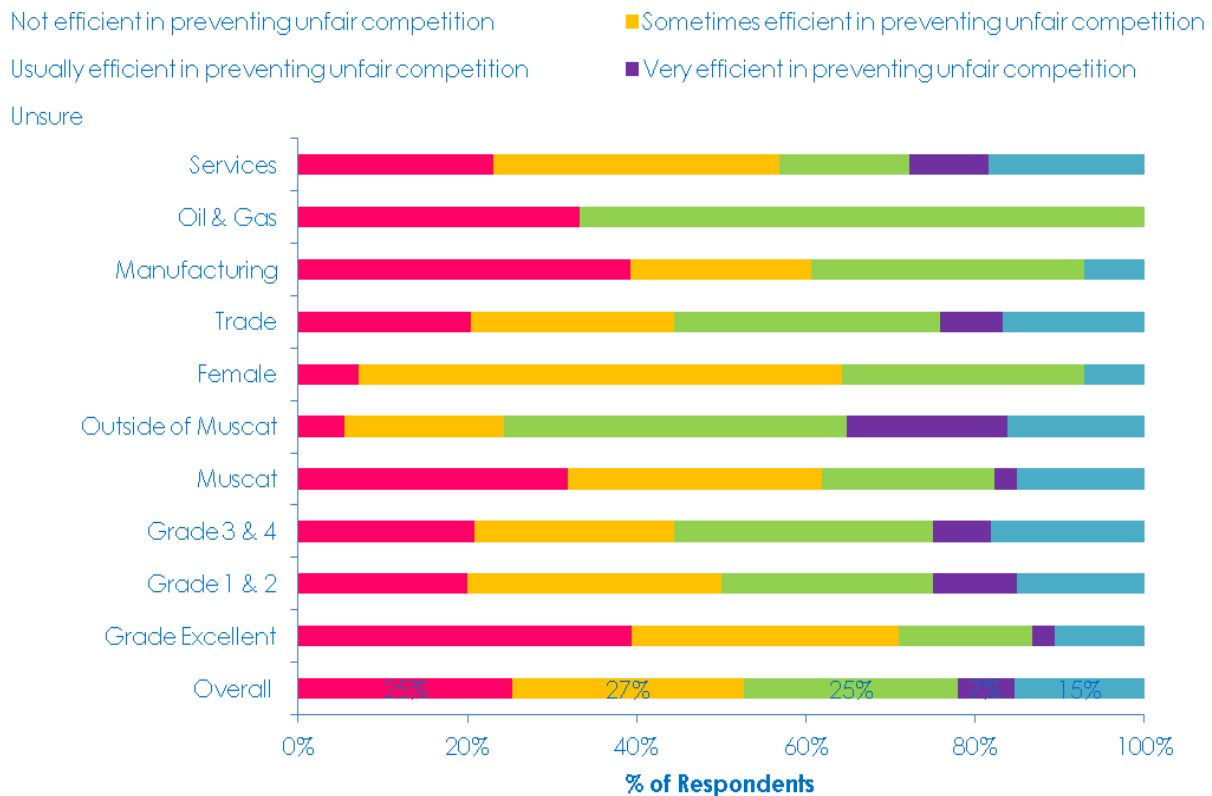
Results were similar across company grade, region, gender and economic sector.

2.2 Fair competition

2.2.1 Competition policy and legislation

Overall, 52 per cent of respondents describe competition policy and legislation in Oman as not efficient or only sometimes efficient in preventing unfair competition while a further 5 per cent are unsure.

Graph 5: Descriptions of Oman's fair competition policy

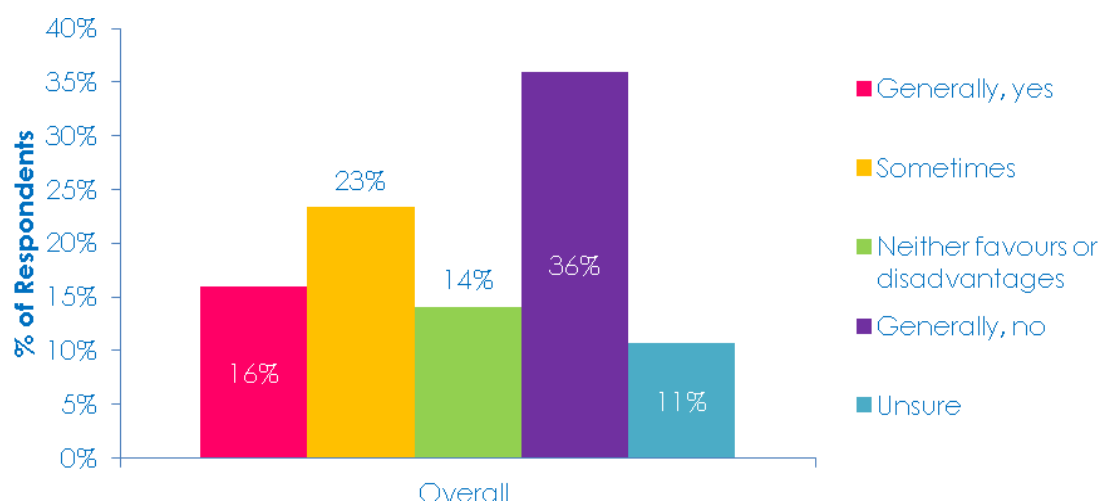


Descriptions differ by company grade, location and economic sector. Most notably, 39 per cent of companies in the manufacturing sector believe that competition policy and legislation is not efficient in preventing unfair competition compared to 23 per cent of services companies and 20 per cent of trade companies. Furthermore, 32 per cent of companies in Muscat believe that competition policy and legislation is not effective in preventing unfair competition compared to 5 per cent of companies outside of Muscat. In fact 19 per cent of companies outside of Muscat believe policy and legislation is very efficient compared to an overall figure of 7 per cent.

2.2.2 Favouritism of foreign investors over domestic investors

Views on Government favouritism of foreign investors, through the use of conditions and incentives, are mixed. About 39 per cent of respondents believe that the Government generally or sometimes favours foreign investors, 36 per cent believe that the Government does not favour foreign investors while 11 per cent are unsure.

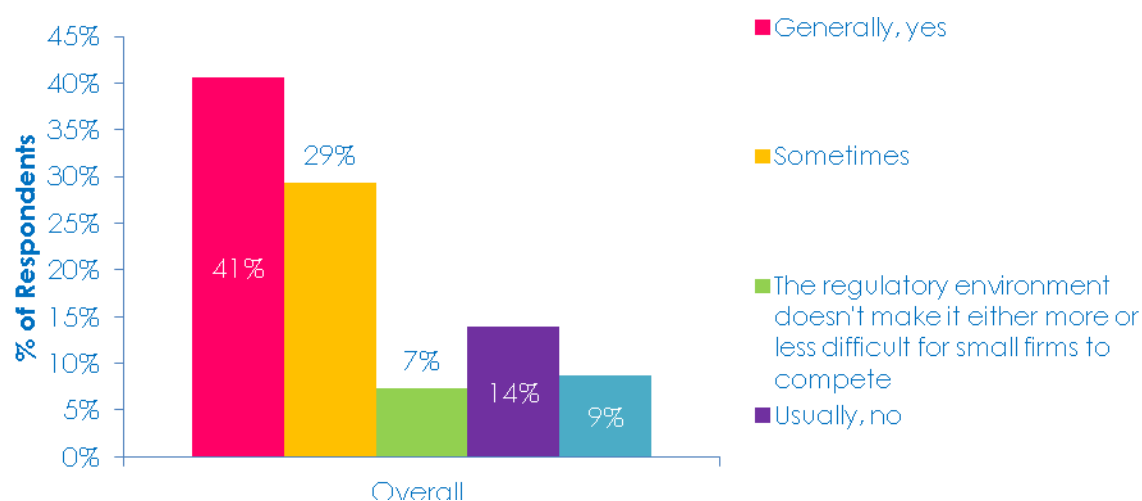
Graph 6: Views on favouritism of foreign investors over domestic investors



2.2.3 Regulatory environment makes it difficult for small businesses to compete with large businesses

A large majority of respondents (70 per cent) believe that Oman's regulatory environment makes it difficult for small businesses to compete with large businesses. **ARB would like to note** that this theme has been mentioned previously as a reason why more young Omanis do not start a business.

Graph 7: Regulatory environment and small businesses



2.3 Enabling legal and regulatory environment

2.3.1 Current labour legislation and its affect on enterprise growth

Overall, 66 per cent of respondents believe that Oman's labour legislation that companies must comply with is a constraint on enterprise growth.

Graph 8: Labour legislation and its affect on enterprise growth



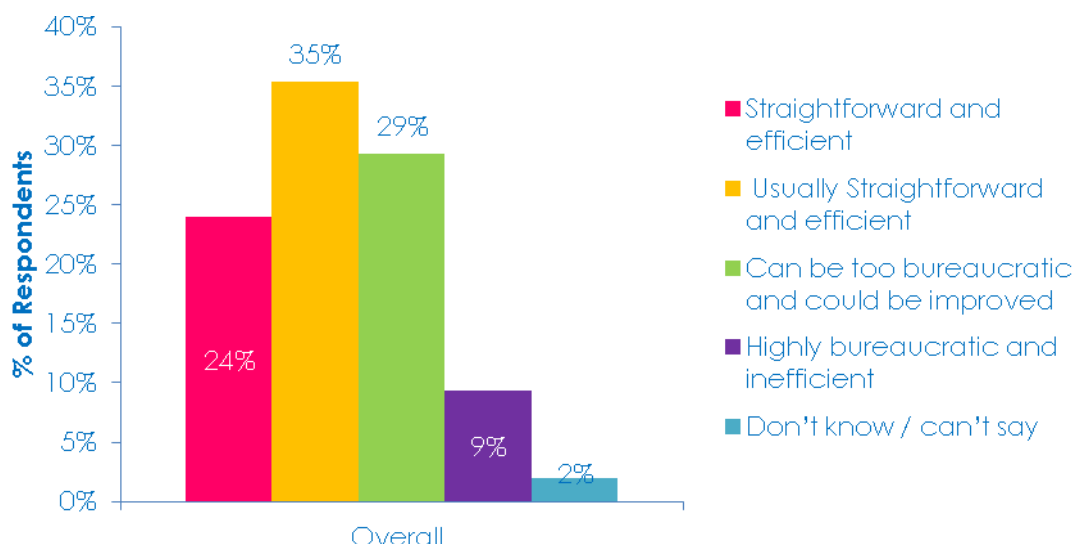
The view that Oman's labour legislation is a hindrance to enterprise growth is more acute for certain types of companies:

- 42 per cent of grade excellent companies feel that labour legislation is a constraint on enterprise growth while 39 per cent believe it is a big constraint.
- 63 per cent of grade 3&4 companies feel that the legislation is a constraint while 8 per cent believe it to be a big constraint.
- 52 per cent of companies in Muscat believe that the legislation is a constraint while 26 per cent believe it to be a big constraint.
- 57 per cent of trade companies believe legislation to be a constraint while 13 per cent believe it to be a big constraint.

2.3.2 Dealings with Government

Around 50 per cent of companies feel that business' required dealings with the government are straightforward and efficient or usually straightforward and efficient.

Graph 9: Dealings with Government



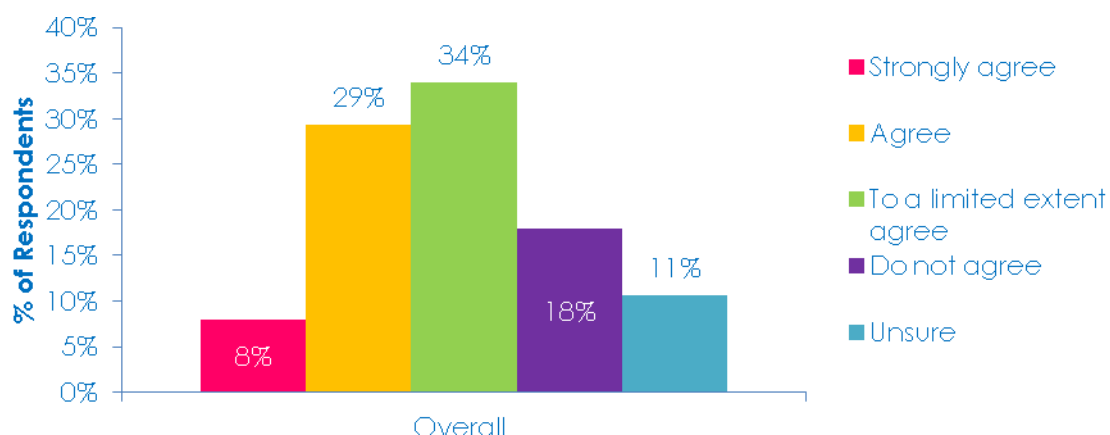
However, 81 per cent of companies outside of Muscat feel that firms find their required dealings with government are straightforward and efficient or usually straightforward and efficient. This may be due to the fact that these companies are based in locations where fewer companies exist.

2.4 Good governance

2.4.1 Interpretations of laws and regulations affecting firms

About 37 per cent of all respondents agree or strongly agree that interpretations of the laws and regulations affecting firms in Oman are consistent and predictable. A further 34 per cent agree to a limited extent.

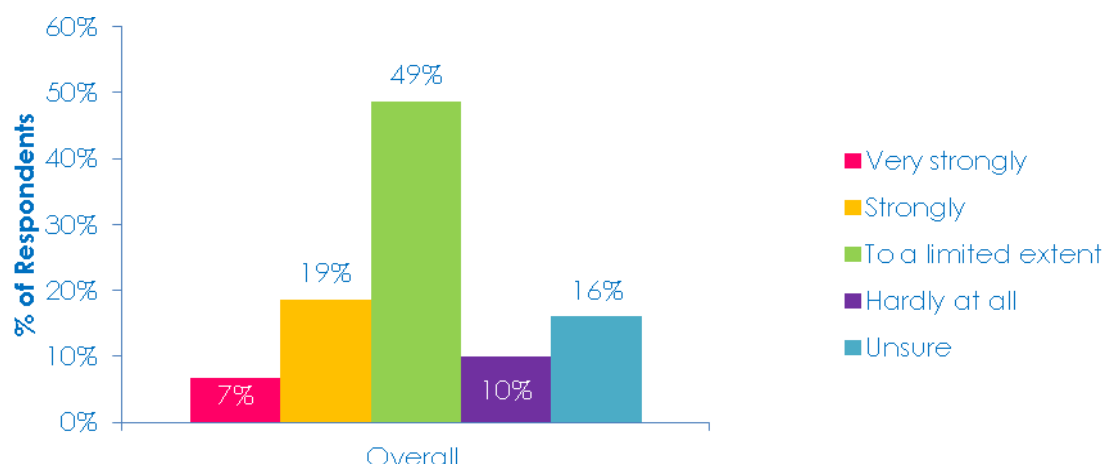
Graph 10: Interpretations of laws and regulations



2.4.2 Bribery and corruption

Most firms believe (49 per cent) that corruption and bribery hinders the performance of Omani firms to a limited extent while 19 per cent feel that it strongly affects performance.

Graph 11: Affect of bribery and corruption on firms

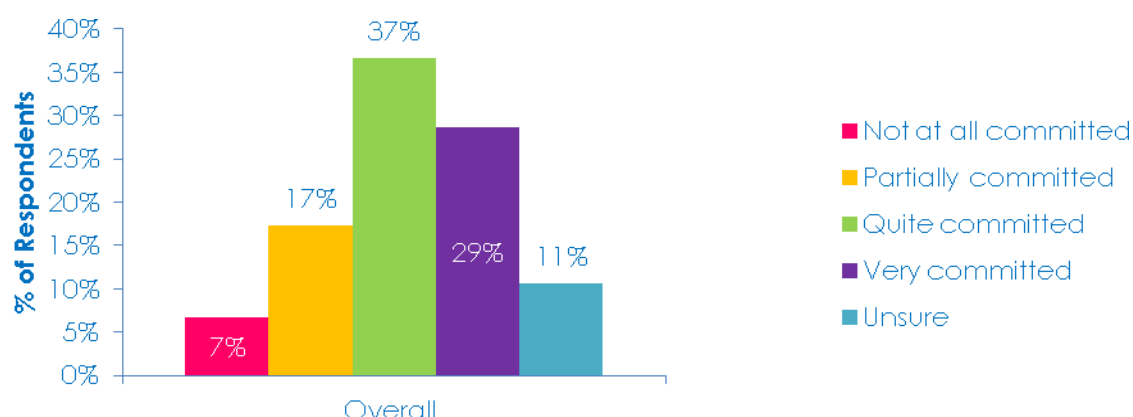


Most views on bribery and corruption by firms were relatively similar, except for those by female-owned or female-run firms. About 50 per cent of these respondents thought that bribery and corruption strongly or very strongly hinders the performance of Omani firms.

2.4.3 Anti-corruption measures

About 37 per cent of firms believe that the Omani Government is quite committed to fighting corruption while 29 per cent believe the Government is very committed.

Graph 11: Anti-corruption measures

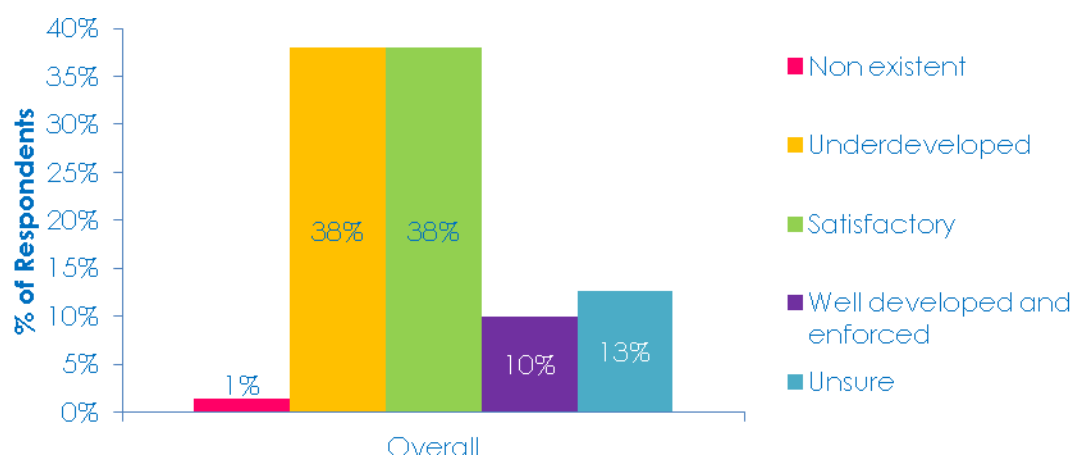


2.5 Information and communication technology

2.5.1 Legal framework

Only 1 per cent of respondents feel that Oman's laws relating to the use of technology are nonexistent. However, 38 per cent feel that they are underdeveloped and a further 38 per cent feel that they are satisfactory.

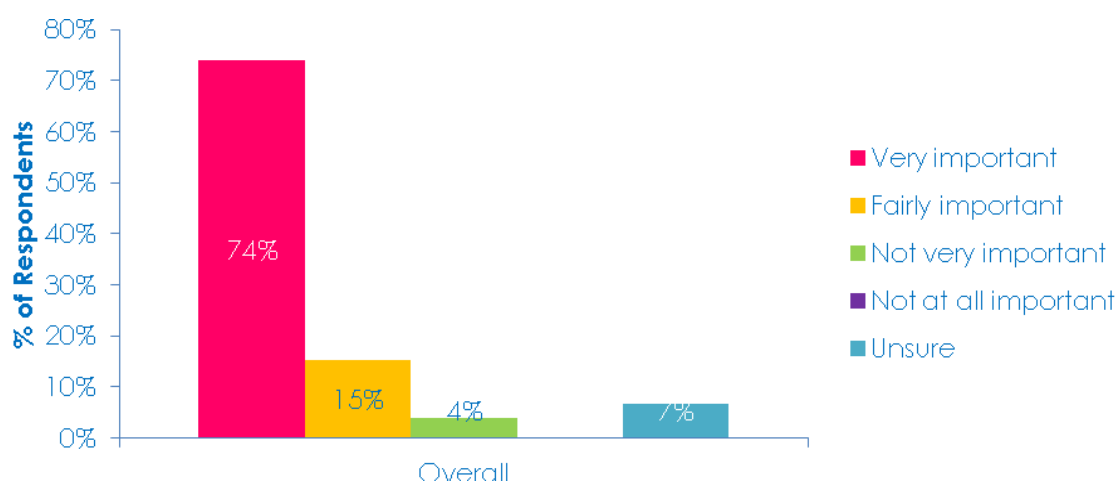
Graph 12: Views on information and technology laws



2.5.2 Broadband small firms – Importance of cost-effective broadband

About 74 per cent of respondents feel that cost-effective broadband for firms is very important. More notably, no respondent believes that cost-effective broadband is unimportant for firms. This view does not differ greatly by company grade, economic sector or number of employees.

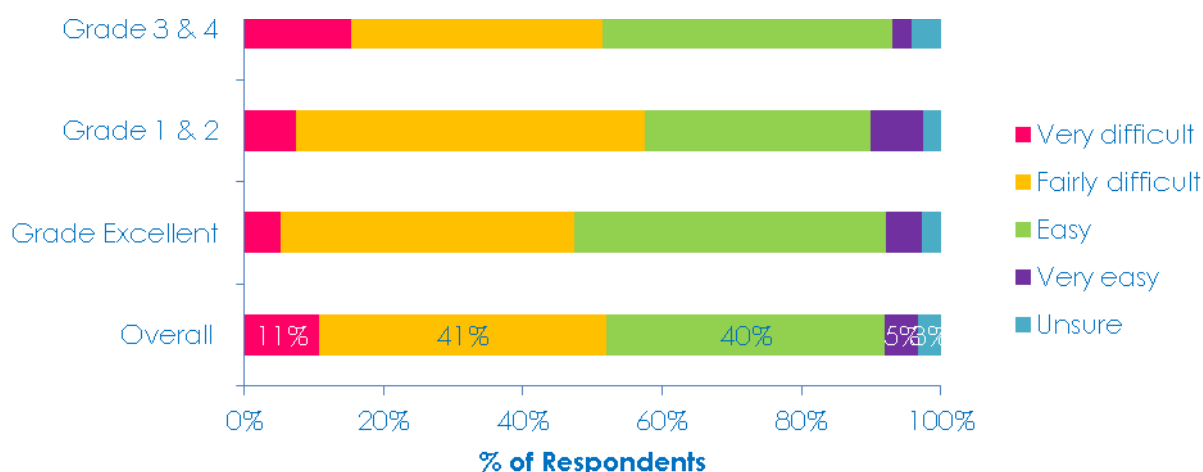
Graph 13: Importance of cost-effective broadband



2.5.3 Affordability of information and communication technology for small firms

Over 50 per cent of respondents feel that it is difficult for small firms to afford information and communication technology for their business activities while 40 per cent believe it is easy. However, views differ slightly by company grade.

Graph 14: Affordability of information and communication technology

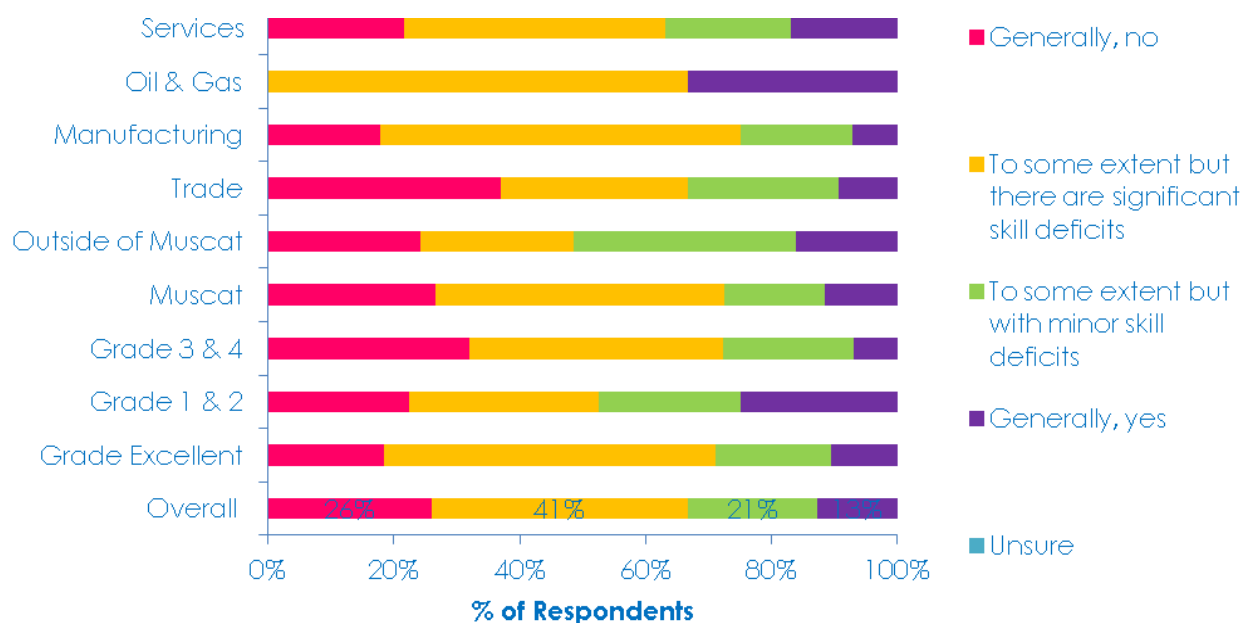


2.6 Skills and education

2.6.1 Availability of skilled workforce

Overall, 26 per cent of respondents feel that workers in Oman do not have the skills demanded by business. This is followed by 41 per cent of respondents who believe that workers in Oman to some extent have the skills required by business but feel there are significant skill deficits.

Graph 15: Availability of skilled employees

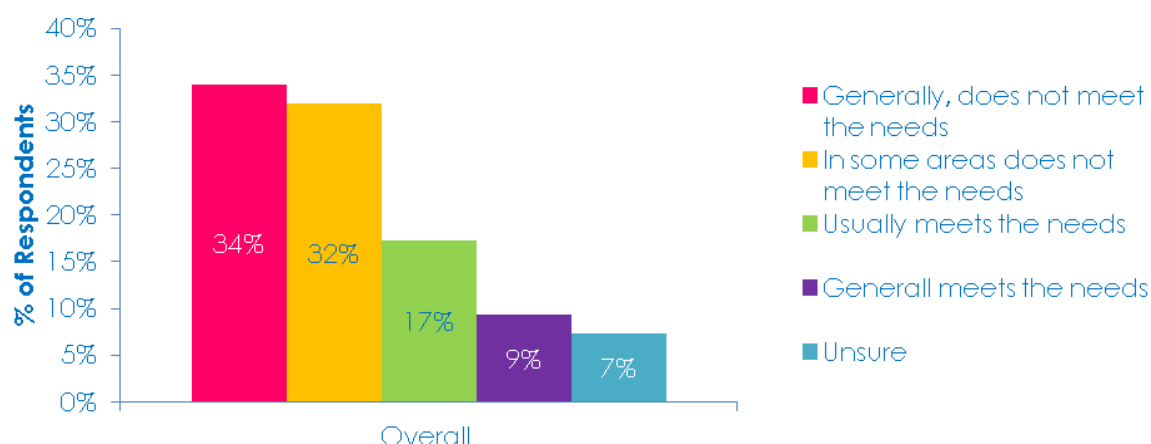


The view of workers in Oman generally not having the required skills required by business in Oman is greater for grade 3&4 companies and those involved in trade activities. About 32 and 37 per cent of respondents, respectively, from the categories feel this way.

2.6.2 Quality of the education system

Thirty four per cent of respondents feel that the tertiary and vocational education system generally does not meet the needs of the business community, while a further 32 per cent feel that in some areas it does not meet the needs.

Graph 16: Quality of Oman's education system

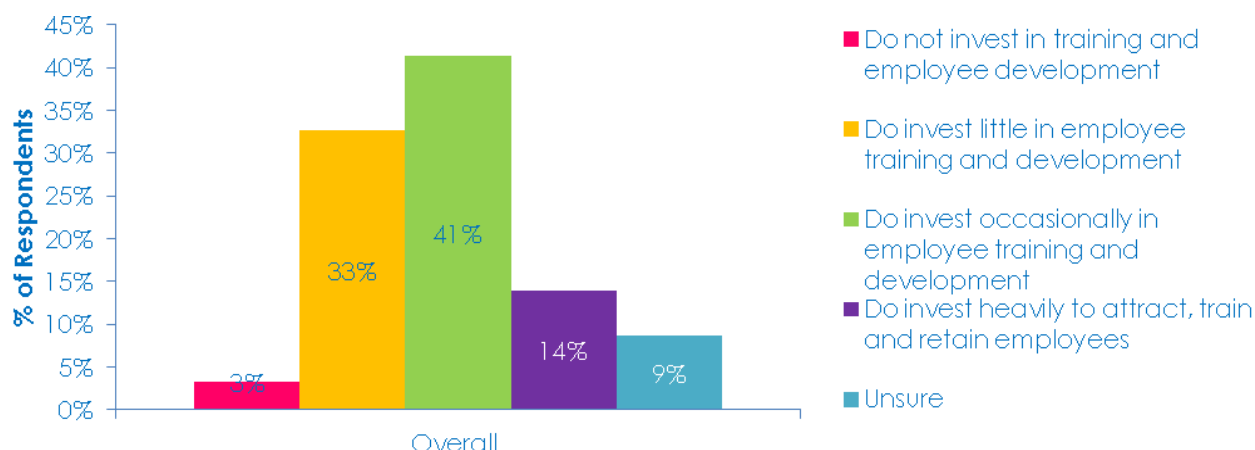


2.6.3 Extent of staff training by large firms

Thirty three per cent of respondents feel that the general approach by large firms to employee training and development is minimal while 41 per cent see large firms approach as “Do invest occasionally in employee training and development”.

ARB would like to note that these views do not differ significantly by company grade.

Graph 17: Investment in training and employee development by large firms

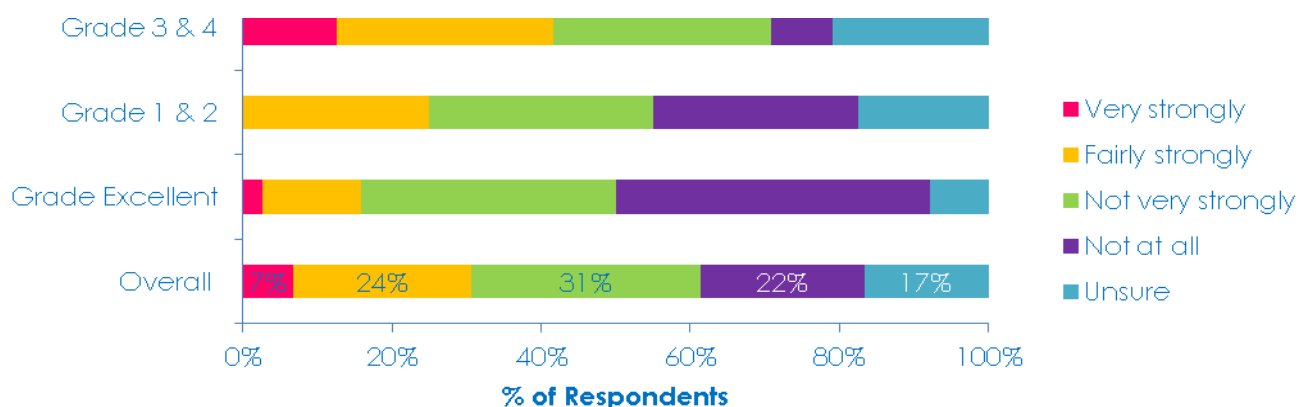


2.7 Social protection

2.7.1 Social security contributions

Overall, 7 per cent of respondents feel that the cost of statutory social security contributions affects employment growth in the private sector very strongly. However, this view is mainly held by grade 3&4 companies.

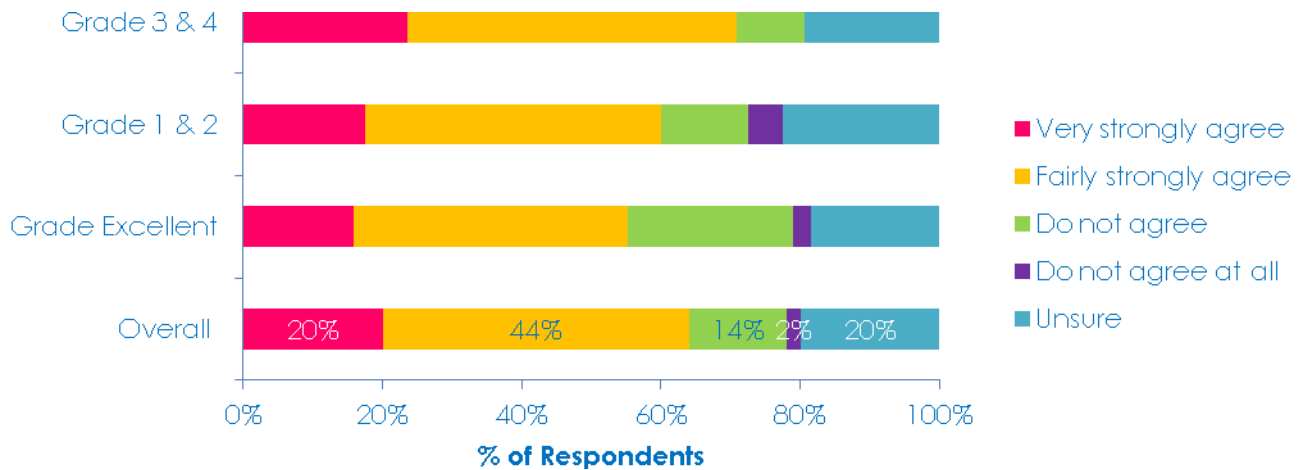
Graph 18: Affect of social security contributions



Furthermore, 20 per cent of all respondents feel very strongly that complying with social security obligations could be made easier while 44 per cent feel fairly strongly that it could be made easier.

It is important to note that the trend of agreement that social security payment obligations could be made easier decrease by company grade.

Graph 19: Making social security contributions easier



2.8 Workplace relations

2.8.1 Current workplace and employee relations climate

Many firms would describe the current workplace and employee relations climate in Oman as improving to firms seeking to invest or expand in Oman. However, overall 17 per cent of companies say that relations are getting worse. More notably, 26 per cent of grade excellent companies, 25 per cent of grade 1&2 companies and 25 per cent of manufacturing companies describe relations as deteriorating.

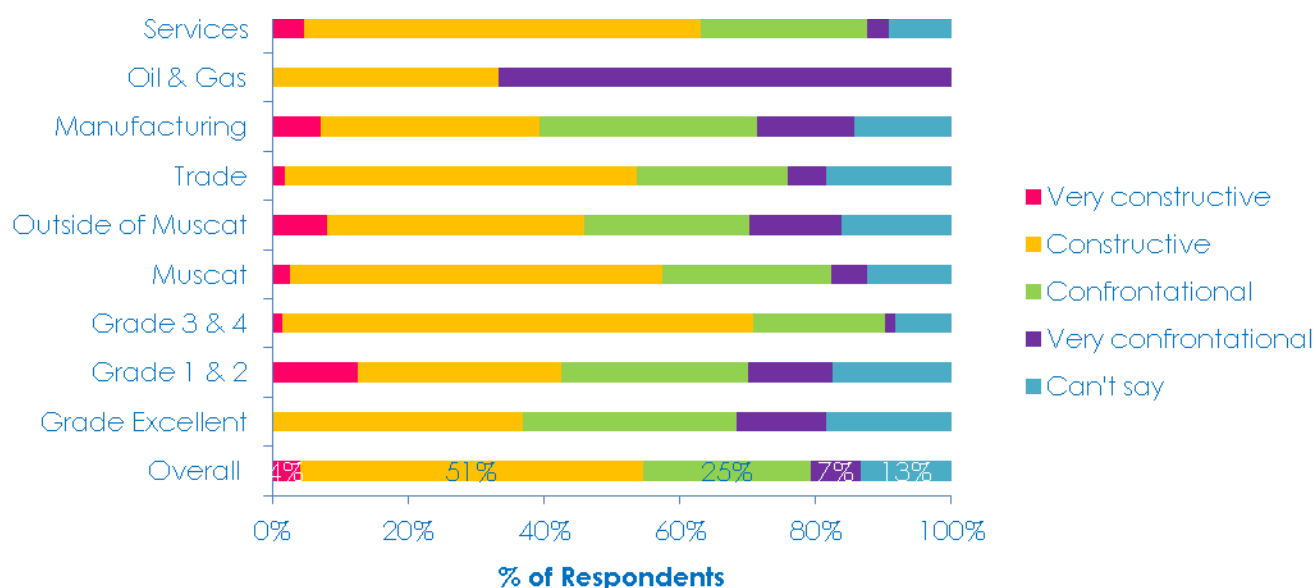
Graph 20: Current Workplace and Employee Relations Climate



2.8.2 Expectation of worker and trade union attitudes in the workplace over the next year

Overall, 51 per cent of respondents expect worker and trade union attitudes in Oman over the next twelve months to be constructive while 25 per cent expect attitudes to become confrontational. Additionally, 32 per cent of grade excellent companies and manufacturing companies expect attitudes to become confrontational.

Graph 21: Worker and trade union attitudes

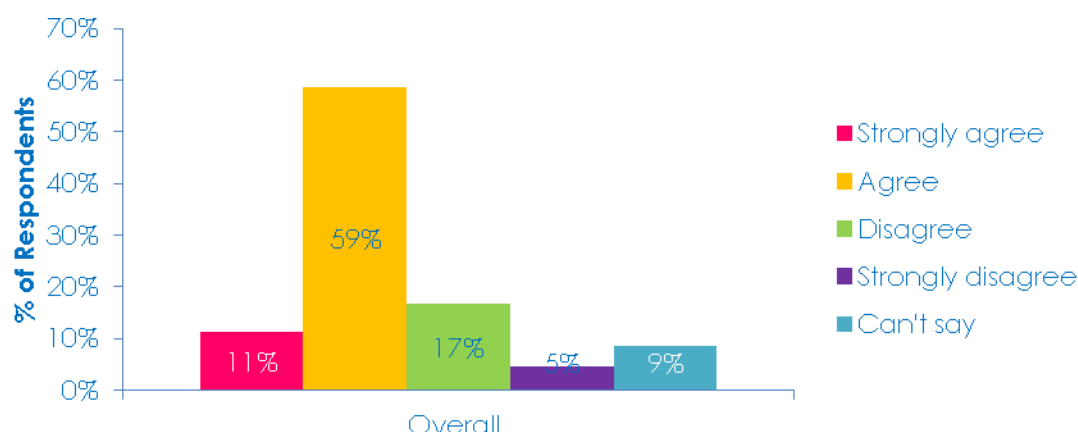


2.9 Role of the OCCI

2.9.1 Impressions of the OCCI

Fifty nine per cent of all respondents stated that they agree that the OCCI, through reports in the media, are an active organization at the national level in debates concerning business and the economy while 22 per cent stated they disagree or strongly disagree.

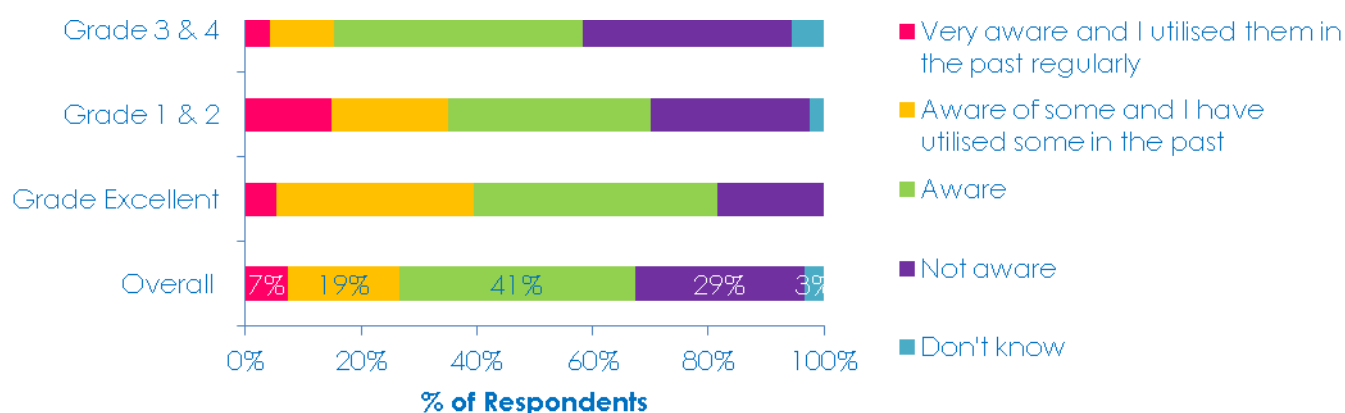
Graph 22: OCCI and national level debates



2.9.2 Awareness of activities, information and services the OCCI has available to firms in Oman

Overall, a large minority (29 per cent) of companies are not aware of the activities, information and services the OCCI has available. The statistic is higher for grade 3&4 companies (36 per cent). Furthermore, overall only 26 per cent of companies have used OCCI information and services or participated in their activities in the past.

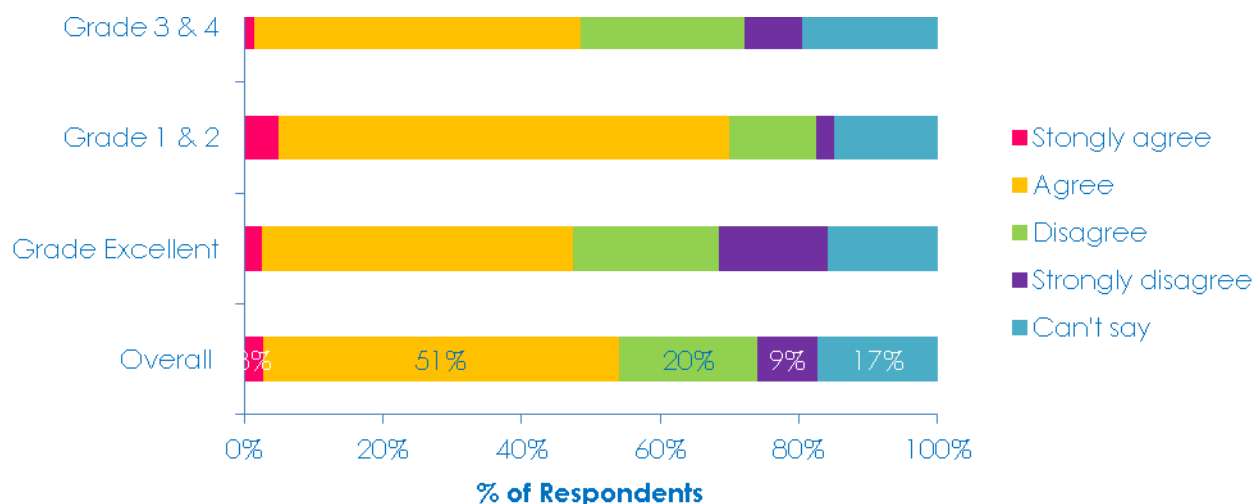
Graph 23: Awareness and usage of OCCI information, activities and services



2.9.3 Effectiveness of the OCCI in addressing legal, policy or regulatory constraints

Fifty four per cent of all respondents agree or strongly agree that the OCCI works effectively to address legal, policy or regulatory constraints facing firms while 29 per cent disagree or strongly disagree.

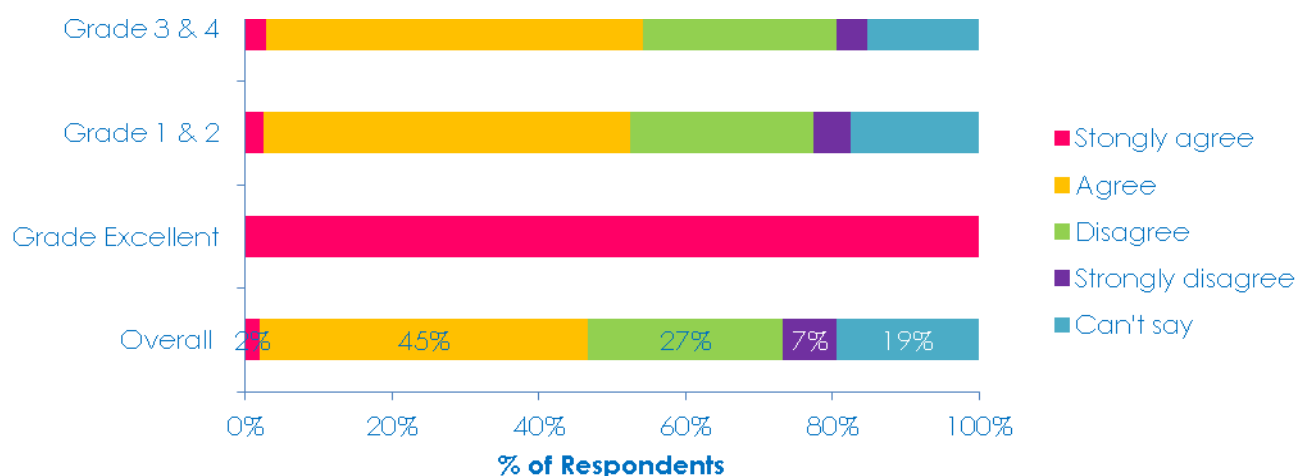
Graph 24: Effectiveness of the OCCI



2.9.4 OCCI addresses the needs and interests of small firms

Overall, 45 per cent of companies agree that the OCCI sufficiently addresses the needs of small companies. Furthermore, all grade excellent companies strongly agree that the OCCI adequately addresses the needs of small businesses.

Graph 25: OCCI addressing the needs and interests of small firms



2.9.5 Problems facing Oman's economy and how the OCCI should respond

The top 5 biggest challenges facing the Omani economy given by respondents were (ranked):

1. Lack of skilled local workforce (difficult to recruit the right people)
2. Inflation
3. Omanization laws (compulsory to hire locals, difficult to meet targets)
4. Labour legislation (new minimum wage, sponsorship for expatriates)
5. Education and training system (current system does not meet businesses' requirements, poor system).

The challenges are all interlinked, apart from inflation, and show that respondents believe employment is the biggest challenge facing the Omani economy.

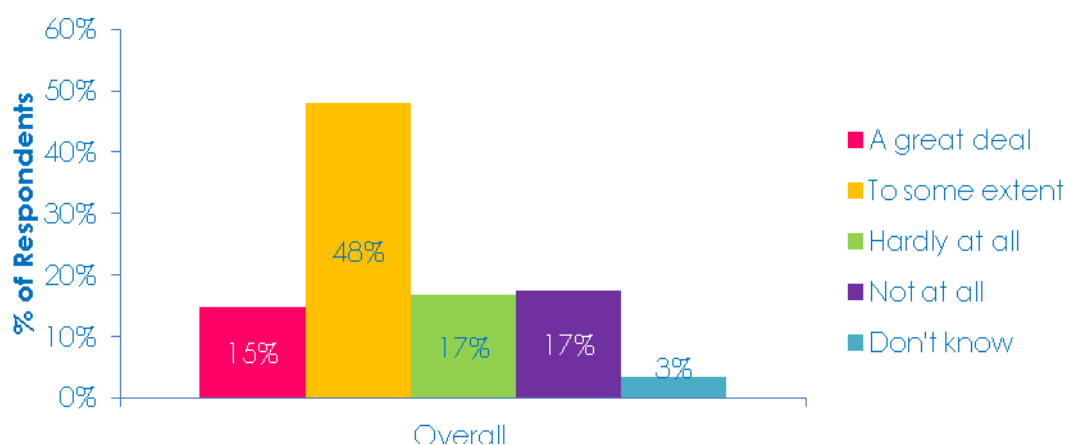
The top 5 responses given on how the OCCI should respond to these challenges were (ranked):

1. Education and training (improve current system, provide more education and training)
2. Facilitate job matching (create job finding centres, easy to access job seeker databases, collaboration between education institutions, ministries and industry)
3. Liberalize the labour market (Omanization and expatriate hiring)
4. Control inflation
5. Contribute to living costs.

2.9.6 Affect of political instability/uncertainty on business

Overall, 15 per cent of respondents said that political instability/uncertainty is affecting their business a lot while 48 per cent said the instability was affecting their business to some extent.

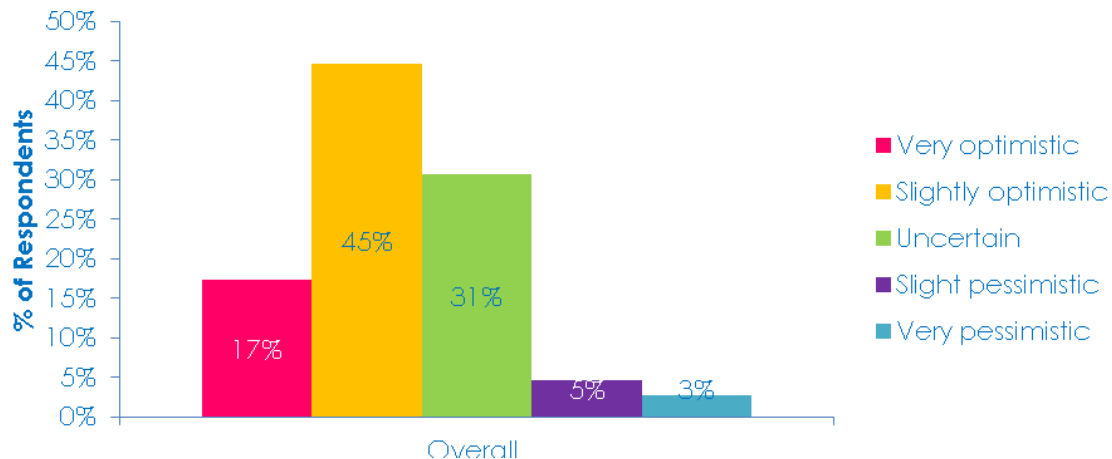
Graph 26: Affect of political instability on business



2.9.7 Perception of the coming year

Overall, it seems that more respondents are optimistic about the coming year for their business than not.

Graph 27: Views on business over the next 12 months



2.10 Recommendations to the OCCI

Many respondents gave recommendations on how the OCCI can serve firms better. The main recommendations given were:

- Policy advocacy
 - Equalize labour laws between expatriates and locals
 - Tax reductions, especially for SMEs
 - Intermediate between the private sector and government, especially the Ministry of Manpower
- Information
 - Provide information on locals looking for jobs and their skills and experiences to firms (for recruitment)
 - Make information more easily accessible – laws, regulations, new rules, changes in laws
 - Provide more information – economic situation of Oman and region, trade data
- Services
 - Create a business forum between government and key industry figures to discuss important issues
 - Provide help for SMEs – finding finance, advice
 - Provide training and education for locals, especially young Omanis and fresh graduates
 - Provide advice for firms throughout their lifecycle
 - Reduce procedural times
 - Ease registration procedures and licensing laws
- Find an alternative to Omanization.

2.11 Other comments

At the end of the survey, ARB asked respondents if they had any comments on the topics discussed in the survey. Most respondents either had no comments, spoke of the survey being positive for Oman or that it would help the OCCI. However some respondents reiterated what they think the OCCI should do:

- Improve local workforce in terms of education, training, skills and work ethic
- Ease labour laws (expatriates and locals).

Other comments looked at:

- Encourage usage/consumption of Omani services and products
- Improve Omani firms' competitiveness so that they can compete internationally.

2.12 Correlation

Through the Pearson correlation coefficient, ARB has noticed some medium and strong correlation between variables and survey questions. They are:

- Q1 and Q2. Q1: Attitudes of young people towards entrepreneurship. Q2: Young people having the skills and necessary requirements to start and run a business. Correlation of 0.431 and is significant at the 0.01 level (2-tailed).
- Q13 and Q30. Q13: Bribery and corruption hindering the performance of firms. Q30: Political instability/uncertainty currently affecting business. Correlation of 0.329 and is significant at the 0.01 level (2-tailed).
- Q13 and Q31. Q13: Bribery and corruption hindering the performance of firms. Q31: Perception over coming year for business. Correlation of -0.303 and is significant at the 0.01 level (2-tailed)
- Company grade and age. Correlation of -0.555 and is significant at the 0.01 level (2-tailed).
- Q25-Q28. Qs: Role of the OCCI and its effectiveness. Q25 and Q26, correlation of 0.381, Q25 and 28, correlation of 0.304, Q26 and Q27, correlation of 0.304, Q26 and Q26, correlation of 0.340 and Q27 and Q28, correlation of 0.539. All correlations are significant at the 0.01 level (2-tailed).
- Q21 and Q22. Q21: Cost of statutory social security contributions hindering employment growth in the private sector. Q22: Complying with social security contributions could be made easier. Correlation of 0.476 and is significant at the 0.01 level (2-tailed)

3. Summary

This section provides a summary of all survey responses, by looking at the average response given by respondents.

Question	Average Score (response)	Response Set
Q1. In Oman, how would you describe general attitudes among young people towards entrepreneurship?	3.15	1. Negative, 2. Sometimes negative, 3. Neutral, 4. Positive, 5. Very positive
Q2. To what extent do you think that young people in Oman have the necessary skills and competences needed for starting and running their own businesses?	2.41	1. Most do not, 2. A minority do, 3. Quite a few do, 4. Most do, 5. Unsure
Q3. In Oman, do you think that attitudes towards entrepreneurship differ between young Omani men and women?	2.63	1. No they are similar, 2. Young men are generally much more positive about entrepreneurship, 3. Young men are generally slightly more positive about entrepreneurship, 4. Young women are generally much more positive about entrepreneurship, 5. Young women are generally slightly more positive about entrepreneurship
Q4. In Oman, do you think there is a difference between young women and young men when it comes to having the necessary skills and competences needed for starting and running their own businesses?	2.64	1. Not much difference, 2. Young women generally have much better skills and competences for starting and running a business, 3. Young women generally have slightly better skills and competences for starting and running a business, 4. Young men generally have much better skills and competences for starting and running a business, 5. Young men generally have slightly better skills and competences for starting and running a business
Q5. Is there an adequate support system in your view for individuals looking to establish a new business (e.g. business development services; information on legislative requirements, information on licensing etc)?	2.61	1. Nonexistent, 2. Underdeveloped, 3. Satisfactory, 4. Well developed, 5. Meets the highest standards
Q6. What do you think is the single biggest obstacle preventing more young Omani's from setting up their own businesses?	2.75	1. Lack of interest in running a business, 2. Lack of good business ideas, 3. Preference for waged employment, 4. Lack of finance/capital, 5. Other
Q7. How would you describe competition policy and legislation in Oman?	2.59	1. Not efficient in preventing unfair competition, 2. Sometimes efficient in preventing unfair competition, 3. Usually efficient in preventing unfair competition, 4. Very efficient in preventing unfair competition, 5. Don't know/unsure
Q8. Do you think that the Government favours foreign investors over domestic investors by offering better conditions and incentives?	3.02	1. Generally, yes, 2. Sometimes, 3. Neither favours nor disadvantages either, 4. Generally, no, 5. Don't know/unsure

Q9. Do you think that the regulatory environment makes it difficult for small businesses to compete with larger businesses?	2.21	1. Generally, yes, 2. Sometimes, 3. The regulatory environment doesn't make it either more or less difficult for small firms to compete, 4. Generally, no, 5. Don't know/unsure
Q10. Do you think that the current labour legislation that firms must comply with is:	3.49	1. Very conducive to enterprise growth, 2. Conducive to enterprise growth, 3. No real impact on enterprise growth, 4. A constraint on enterprise growth, 5. A big constraint on enterprise growth, 6. Don't know/unsure
Q11. Generally, do you consider that firms in their required dealings with government (e.g. obtaining business licenses and permits etc) find it?	2.3	1. Straightforward and efficient, 2. Usually straightforward and efficient, 3. Can be too bureaucratic and could be improved, 4. Highly bureaucratic and inefficient, 5. Don't know/can't say
Q12. To what extent do you agree with the statement ' <u>Interpretations</u> of the laws and regulations affecting firms in Oman are consistent and predictable'?	2.94	1. Strongly agree, 2. Agree, 3. To a limited extent agree, 4. Do not agree, 5. Don't know/unsure
Q13. How strongly does bribery and corruption hinder the performance of Omani firms?	3.1	1. Very strongly, 2. Strongly, 3. To a limited extent, 4. Hardly at all, 5. Don't know/unsure
Q14. How committed do you think the Government is to fighting corruption?	3.19	1. Not at all committed, 2. Partially committed, 3. Quite committed, 4. Very committed, 5. Don't know/unsure
Q15. In Oman, laws relating to the use of information technology (e.g. electronic commerce, data protection, digital signatures) are:	2.95	1. Nonexistent, 2. Underdeveloped, 3. Satisfactory, 4. Well developed and enforced, 5. Don't know/unsure
Q16. How important do you think access to cost-effective broadband is for firms, particularly small firms, in Oman?	1.5	1. Very important, 2. Fairly important, 3. Not very important, 4. Not at all important, 5. Don't know/unsure
Q17. To what extent do you think that small firms can afford information and communication technologies for their business activities?	2.49	1. Very difficult, 2. Difficult, 3. Easy, 4. Very easy, 5. Don't know/unsure
Q18. Overall, do you think that workers have the skills demanded by business in Oman?	2.2	1. Generally, no, 2. To some extent but there are significant skill deficits, 3. To some extent but with minor skills deficits, 4. Generally, yes, 5. Don't know/unsure
Q19. To what extent do you think that tertiary and vocational education in Oman meets the needs of the business community?	2.24	1. Generally, does not meet the needs, 2. In some areas does not meet the needs, 3. Usually meets the needs, 4. Generally meets the needs, 5. Don't know/unsure
Q20. How would you describe the general approach of large firms in Oman to human resource development?	2.92	1. Do not invest in training and employee development, 2. Do invest little in training and employee development, 3. Do invest occasionally in training and employee development, 4. Do invest heavily to attract, train and retrain employees, 5. Don't know/unsure

Q21. In Oman, to what extent does the <u>cost</u> of statutory social security contributions, PASI, hinder employment growth in the private sector?	3.18	1. Very strongly, 2. Fairly strongly, 3. Not very strongly, 4. Not at all, 5. Don't know/unsure
Q22. Do you feel that <u>complying</u> with statutory social security obligations, PASI, could be made easier for businesses?	2.58	1. Very strongly agree, 2. Fairly strongly agree, 3. Do not agree, 4. Do not agree at all, 5. Don't know/can't say
Q23. How would you describe the current <u>workplace and employee relations climate</u> for firms seeking to invest or expand in Oman?	2.18	1. Supportive/positive, 2. Getting better, 3. Getting worse, 4. Negative, 5. Don't know/can't say
Q24. What is your expectation of <u>worker and trade union attitudes</u> in the workplace in Oman in the next twelve months?	2.75	1. Very constructive, 2. Constructive, 3. Confrontation, 4. Very confrontation, 5. Don't know/can't say
Q25. Through reports in newspapers, television & radio, is it your impression that OCCI is an active organization at the national level in debates concerning business and the economy?	2.41	1. Strongly agree, 2. Agree, 3. Disagree, 4. Strongly disagree, 5. Don't know/can't say
Q26. Are you aware of the activities, information and services OCCI has available for firms in Oman?	3.02	1. Very aware and I utilized in the past regularly, 2. Aware of some and I have utilized some in the past, 3. Aware, 4. Not aware, 5. Don't know/can't say
Q27. Do you think OCCI works effectively to address legal, policy or regulatory constraints facing firms in Oman?	2.87	1. Strongly agree, 2. Agree, 3. Disagree, 4. Strongly disagree, 5. Don't know/can't say
Q28. Do you think OCCI sufficiently addresses the needs and interests of small firms?	2.97	1. Strongly agree, 2. Agree, 3. Disagree, 4. Strongly disagree, 5. Don't know/can't say
Q30. Do you think that political instability or uncertainty is currently affecting your business?	2.47	1. A great deal, 2. To some extent, 3. Hardly at all, 4. Not at all, 5. Don't know/unsure
Q31. How do you perceive the coming year for your business? Are you...?	2.31	1. Very optimistic, 2. Slightly optimistic, 3. Uncertain, 4. Slightly pessimistic, 5. Very pessimistic

4. Conclusion

The views given by firms on enterprise development in Oman have shown many things. Firms believed that the regulatory environment and laws of Oman, except labour legislation, are somewhat satisfactory but could be improved. Not many respondents believed that they are well developed or worked as intended.

Views on the OCCI were largely positive. Many respondents are aware of the OCCI and believe that it is an active organization. However, respondents have called for the OCCI to provide more information, make information easily accessible and for the OCCI to improve its procedural timings.

Many firms felt that the instability in Oman (in first half 2011) was affecting their business but also felt that workplace relations were improving and had a largely positive outlook for the coming year.

However, two key themes in this study have emerged as obstacles to enterprise development and growth. They are current labour legislation, particularly Omanization and expatriate recruitment, and the ability and competitiveness of Oman's local workforce.

Current labour legislation is seen by many respondents as a constraint on businesses. Sixty six per cent of the sample feels that current labour legislation is a constraint on enterprise growth. In addition to this, many respondents have frequently mentioned that they want changes to the legislation on expatriate hiring as well as changes in, or even the abolishment, of Omanization.

However, this view of Omanization hindering companies mainly relates to views that the local workforce lack skills, knowledge, good work ethics and the skills demanded by business. Only 13 per cent of respondents believed that the local workforce have the necessary skills demanded by business with no skill deficits while only 9 per cent believed that Oman's tertiary and vocational education system generally meets the needs of the business community. Respondents see the lack of a skilled local workforce as one of the biggest challenges facing the Oman's economy.

Respondents gave some solutions to these problems. Other than changing labour legislation, they would like to see the OCCI, or other government organizations, facilitate enterprises to find locals for positions in their companies. They have also called for better education and training.

It is important to note that these two themes are interlinked and rectifying them will be difficult, particularly in the short term. However, the desire for changes in labour legislation will continue until firms find that the local workforce meets their needs. It is apparent that the OCCI must work with the other relevant government organizations to develop a short term and long term strategy to overcome these problems without suffering negative effects.

Respondents have also stated that they would like the OCCI to become more of an intermediary organization between the private sector and government. Respondents have recommended that the OCCI should hold business forums to discuss issues with key industry heads. Holding these forums could potentially serve the OCCI well in its aim to “Organize business and industry interests, represent them and defend them in different domains”¹⁸⁸, and help facilitate solutions to labour legislation and education and training problems as well as other issues.

¹⁸⁸ Source: <http://www.chamberoman.com/En/Content.aspx?SecNo=5>

Part 3: Policy recommendations

This Report focuses on the “enabling environment” for enterprise growth in Oman – the critical ingredient in facilitating enterprise and consequent employment growth.

As the information from the survey and the secondary data highlight there are a number of challenges facing Omani policymakers in creating an “enabling environment for sustainable enterprises” these include:

- Creating sufficient quality private sector employment opportunities
- Skills mismatches across sectors and Omanization laws;
- Uncertainty and volatility in the workplace environment;
- A regulatory environment that can hold back private sector growth;
- Inadequate support mechanisms for budding entrepreneurs;
- Corruption as an erosive element in Omani economic and political society.

The political situation additionally remains uncertain and is a concern for business. According to the survey 63 per cent of respondents said that political instability would affect their business in the coming year.

Notwithstanding these significant challenges, the broader macro-economic picture is generally positive with the economy performing well. Economic growth averaged 6.5 per cent over the last three years. The current account is expected to record surpluses in 2011-12, driven by high oil prices and robust production growth. In terms of Oman’s non-oil exports, these increased by 32 per cent year on year in 2010, with exports of chemical products seeing the largest increase. While inflation is a current concern, rising to 4.4 per cent in response to a rise in public-sector wages and pensions, many forecasters expect it to fall to 3.9 per cent in 2012 as food prices stabilize.¹⁸⁹

This generally bright economic outlook is reflected in the survey results with some 62 per cent of firms saying they were optimistic in terms of their business operations for the immediate future.

However, in spite of the generally positive macro-economic outlook, Oman’s main economic and social challenge is to provide more employment opportunities for its citizens. Unemployment is a growing concern as Oman has a young population, with over 52 per cent of citizens under the age of 20 and 82 per cent under 35.

There are more than 30,000 young Omanis entering the market each year, many of them unable to find a job. About 60 per cent of the labour force of almost one million is made up of non nationals (mostly South Asians). The labour force participation rate reflecting the proportion of the population aged 15-64 that is economically active was 57.7 per cent in 2009, which is low compared to elsewhere in the region.

¹⁸⁹ Inflation averaged 3.2 per cent in 2010 with a forecast average of 4.4 per cent for 2011 (EIU July 2011).

Perhaps a wider and connected issue is that there is still a real problem getting graduates and high school leavers to see the private sector as the *first* place to look for a job. The public sector is still favoured. About 40 per cent of graduates go to the public sector and 50 per cent to private sector, although this is slowly changing.¹⁹⁰

In Oman there is a large public sector with government jobs being more sought after than private sector ones. Many young people, especially university graduates, spend time outside the labour market waiting for public sector jobs. This is an issue not confined to Oman. Data from national surveys in all Arab countries indicate that the higher the education level of workers, the less likely they are to be employed in the private sector.¹⁹¹

The public sector historically has been the largest employer of university-educated workers, so its influence on incentives to learn far exceeds its weight in total employment. Civil service employment codes not only guarantee jobs for life, they often determine employee compensation based on just one criterion – highest degree achieved. Even without wage scales, public sector managers tend to rely on formal schooling more than private employers because lacking the market signals, it is more difficult for them to measure actual productivity.¹⁹²

The main Challenge therefore in addressing high unemployment in higher educated individuals is that the economy does not generate demand for attractive jobs – that is high productivity jobs requiring skilled workers and paying relatively high wages.

Promoting an entrepreneurial culture and more broadly the private sector as a location of choice for young Omanis is critical to the longer term economic health of Oman.

Below some tentative recommendations are outlined based on the initial set of interviews and focus groups that were conducted; the survey findings; and the analysis of the secondary data. Recommendations are limited to those seven policy areas that were the focus of the primary data enterprise survey.

¹⁹⁰ There are 202,876 Omanis in the private sector: 162,687 males and 40,189 females. Sectorally there are 49,000 employed in the contracting sector; 36,000 trading; 17,000 industrial; 14,000 mining; 13,000 real estate, 10,000 finance; 10,000 transport. The number of expatriates employed in the private sector is 1,114,164 (of that 113,668 females). (All figures Ministry of Manpower 2010).

¹⁹¹ ETF. 2009. *Human capital and employability* in the 14 partners of the Union for the Mediterranean, Informal background paper to the Union of the Mediterranean-Euromed Employment and labour high level working group meeting, held in Brussels on 26-27 November 2009, p 29, available at <http://goo.gl/F6bua>.

¹⁹² Salehi-Isfahani, D.; Dhillon, N. 2008. “Stalled Youth in Transitions in the Middle East: A Framework for Policy Reform”. Middle East Youth Initiative Working Paper, p. 21, available at <http://www.shababinclusion.org/content/document/detail/1166/>.

1. Entrepreneurship

1.1 Overview of current situation

Entrepreneurship is the key underlying driver for economic development. Entrepreneurs drive and shape innovation, they speed up structural changes in the economy, and they introduce new competition, thereby contributing to productivity. It is a critical element in driving forward sustainable economic growth which can nurture enterprise and employment growth.

The Government of Oman has recognized the importance of private sector promotion and in particular mechanisms to promote entrepreneurship.¹⁹³ But it is clear from the survey that greater efforts need to go into providing a facilitative and demand driven support system for budding entrepreneurs.

While the importance of private sector development and entrepreneurship are acknowledged in the eighth five year plan (2011-2015), there is not a separate entrepreneurship policy framework. This is a significant policy gap.

Promoting an entrepreneurial culture is about making people – especially young people – aware of the potential of setting up and running a business as an alternative to waged employment in government and the private sector. The survey results suggest that there is a positive view of entrepreneurship from young people (41 per cent sharing this view). Overall, only 28 per cent of respondents believed that young men and women have the same attitude towards entrepreneurship while 38 per cent believed that young men have a more positive attitude than young women. A further 34 per cent believed that females have a more positive attitude. However, a large sample of enterprises surveyed (43 per cent) believe that only a small minority of young people have the right skills to successfully run a business.

This would suggest in short, the will is there but not the means.

While it is important to provide young entrepreneurs with skills and knowledge needed to start a business, no enterprises will be created without real business opportunities. Current policy is geared towards promoting certain growth sectors such as tourism, power generation and infrastructure development in the hope that this will create business opportunities for small and medium-sized enterprises.

Moreover, the environment for growth is good. The Government will continue to pursue reforms that lead to diversification away from oil and gas and that promote non-oil exports. Tourism is likely to play a key role in this respect and has been targeted as a growth sector by the Government. The expansion of ports, the diversification into manufacturing (such as aluminum production) and the development of tourism infrastructure will boost non-oil exports. With an overall goal of transforming the Sultanate into a knowledge-based economy, the Government adopted in 2002 a national IT strategy called e.Oman. As a result of latest efforts, Oman's telecommunication infrastructure, the ICT diffusion and use have improved significantly.

¹⁹³ There are a number of entrepreneurial promotion agencies and initiatives in the country such as the "business diagnostic centre" Board which is chaired by the Ministry. Similarly SANAD with the same level of engagement (although there is view that some of these initiatives, such as specifically SANAD, are too supply driven).

Overarching Objective

By unleashing entrepreneurial potential and providing a level playing field, information, awareness and support for establishing enterprises, Oman can witness fast paced growth in the establishment of new enterprises creating wealth, new employment opportunities, improving distribution of wealth and exploiting the opportunities offered by international markets.

1.2 Policy Recommendations

- A wider policy framework is required for promoting an entrepreneurial culture in Oman. Such a framework should include inter alia the following key principles:
 - Entrepreneurship development must be at the centre stage of all economic growth policies in Oman. An environment needs to be created in which entrepreneurs and growing businesses can thrive and where entrepreneurship is rewarded.
 - The State should be a facilitator of the growth of entrepreneurship, through constant dialogue with the private sector. A deep and integrated culture of consultation with the private sector and its representative organizations needs to be created.
 - The upgrading of skills, particularly managerial skills for young entrepreneurs requires a major policy focus. Women and other marginalized groups should receive special focus within a new Entrepreneurial Policy Framework.
- A sectoral approach should be pursued with tailored guidance provided to those seeking to establish enterprises in particular sectors. Tourism should be targeted as a growth sector.
- Identify visible private sector champions and home grown entrepreneurs that can be an inspiration for young potential entrepreneurs. A public campaign may follow.
- Consider the establishment of an information gateway for young entrepreneurs (a facility that provides them with all the information and support mechanisms available e.g. where to get financing, where to go for training opportunities, etc.).¹⁹⁴
- Establish an inter-ministerial working group to promote entrepreneurship in education systems with the close collaboration of the private sector.¹⁹⁵
- Evaluate current counseling, mentoring and other similar support structures for young people who wish to become entrepreneurs

¹⁹⁴ Oman has nine government and non-profit agencies working to increase the number of start-ups and their success rates. A review on how greater synergies can be introduced between all these initiatives and greater information flows can be facilitated to aspiring entrepreneurs may be needed.

¹⁹⁵ This Group could explore strengths and deficiencies in the following areas and make recommendations : the importance of entrepreneurship being correctly reflected in teacher training; available ‘Entrepreneurship’ courses in (all professional degree awarding) higher education, technical and vocational training institutions; Establishing or enhancing “Entrepreneurship Competitions” at university level to culminate in Annual Entrepreneurship Competition at National level for selecting best business plans/models and providing grants for project implementation; Establishing technology and business incubators in selected universities.

2. Fair competition

2.1 Overview of current situation

Competition is critical to ensuring a modern and growing economy. Enterprises experiencing strong competitive pressures are more likely to innovate than those reporting no such pressures. By limiting entry and exit barriers, such as state monopolies or state licenses, competition forces unproductive enterprises out of the market, increasing the economy's overall productivity.

The Omani economy is dominated by the public sector and there are various cases of government monopolies and markets characterized by limited competition. The Government has increased efforts to liberalize markets and promote competition, notably the privatization programme which was initiated in 1998.

However, competition policy *remains* a concern for the business community. Nearly 1 in 2 firms describe competition policy and legislation in Oman as not efficient or only sometimes efficient in preventing unfair competition. Firms in the manufacturing sector in particular are most concerned.

While 39 per cent of respondents believe that the Government generally or sometimes favours foreign investors it can be difficult for foreign businesses to set up in Oman without connections to local agents. This matter goes back to the system where all foreign companies were officially required to have an Omani agent who would receive a percentage of any profit and retain majority ownership.

Overarching Objective

Facilitating new market entry by removing disincentives and barriers to investment through optimal regulatory frameworks which will provide for more innovative capacity and productivity improvements to the economy as a whole.

2.2 Recommendations

- Continue to promote the privatization process and a legal framework that ensures that unfair competitive practices are identified and responded. Efforts to increase the role of the private sector in large-scale infrastructure projects should continue.¹⁹⁶
- Initiate an information campaign making it clear that the necessity for foreign investors to have a “Foreign Agent” is no longer in place.
- Promote Business Research & Development (R&D) which has significant positive externalities in terms of technical and economic spill-overs. R&D can play a key role in enhancing business innovative performance which enables firms to differentiate their products and services from those of low-cost producers in integrated global and deregulated

¹⁹⁶ The latest (eighth) five-year development plan (2011-15) allocates more than OR1.5bn to the development of non-oil exports and infrastructure development (EIU country report July 2011).

markets. There is also a correlation between R&D and the ability of countries, sectors and firms to identify and adapt new technologies.

- Promote and facilitate partnerships between firms and universities to undertake shared Research & Development (R&D).

3. Enabling legal and regulatory environment

3.1 Overview of current situation

Good economic governance in areas such as taxation, regulations, and business licensing is a fundamental pillar for the creation of a favourable business environment. Effective regulations need to address market failures that inhibit productive investment and reconcile private and public interests.

Regulatory frameworks that support innovation and promote competition are key components in stimulating economic growth and in turn creating sustainable enterprises and productive employment.

Overall the legal environment makes Oman a relatively good place to invest. The recent Free Trade Agreement with the US along with WTO membership has helped. There is good investor protection. Corporation tax is low at 12 per cent and zero for those in free zones. Infrastructure is good with considerable resources from the current national budget being invested in new projects. A new port and airports are nearly finished.

Oman is also becoming an easier place to do business according to much of the secondary data referenced in this report with numerous initiatives in recent years to make it easier to do business. For example, in 2009, the Ministry of Commerce and Industry introduced the ‘One-Stop Shop’ registration to enable a single-window service for Commercial Registration of new companies with minimal paperwork.

However, on the World Banks’ “Doing Business index” which tracks the ‘ease of doing business’ across 183 economies, Oman is ranked below the GCC average. To some extent this is reflected in the survey results. About 70 per cent of firms believe that Oman’s regulatory environment makes it *difficult for small businesses to compete with large businesses*. The operating environment also emerged as a reason why more young Omanis do not start a business.

A large majority of respondents to the survey (70 per cent) believe that Oman’s regulatory environment makes it difficult for small businesses to compete with large businesses. This theme also emerged in the survey as a reason why more young Omanis do not start a business. Nearly 40 per cent of firms felt that business’ required dealings with the Government are too bureaucratic and could be improved.

Overarching Objective

Regulatory frameworks that are transparent, understandable, un-bureaucratic and provide legal certainty, particularly with respect to property rights, are essential to foster and sustain business creation and expansion. *Reforms must deliver smarter and more effective regulation.*

3.2 Recommendations

- Clearly and actively communicate to the enterprise sector any regulatory changes in a timely and well structured manner.
- Encourage Government to establish clear targets to reduce burdensome bureaucracy and administration on firms. Put in place, where they do not exist, regular regulatory reviews, with the full participation of the business community.¹⁹⁷
- Make regulatory bodies more accountable and create a ‘Think small firms first’ culture when it comes to costs of legislative or regulatory initiatives.¹⁹⁸ This can be through the application of the “only once” principle and “one stop shops”.¹⁹⁹
- Put in place a framework to safeguard against inappropriate regulation and provide more accountability for decisions. Assistance could be sought in establishing Regulatory Impact Assessment and benchmarking practices from international organizations such as the OECD.
- Create legal certainty for firms, for example by ensuring the start of legislation on a number of limited fixed dates and providing easy to digest early information about upcoming new rules.²⁰⁰
- Incorporate consultation mechanisms with the private sector into regulatory design processes.²⁰¹

¹⁹⁷ Regulatory Impact Assessments should include a specific evaluation of the impacts on firms. Good practices are considered to be: The Small Firms Impact Test (SFIT) in the UK; and The regulatory impact assessments in Sweden.

¹⁹⁸ Costs can be broken down to: a) Administrative costs; b) Compliance costs; c) Transaction costs; d) costs associated with legal uncertainty. For many interventions, the absolute costs of administrative and compliance requirements for SME are the same or similar to those of larger companies and hence potentially disproportionate (where larger firms are able to benefit from economies of scale). Thus where an intervention affects a particular economic sector it is important to consider the extent of concentration of output/ employment in SME and larger companies and the numbers of SME of different sizes (small, medium and micro). Evaluation of the application of the Think Small First principle in EU legislation and programmes Final Report 2009.

¹⁹⁹ A variety of examples have been identified: The combination of “one stop shop” system in the Czech republic; The application of “only once” principle in Hungary; The ELENA – (Elektronischer Entgeltnachweis) in Germany; The Inter-Institutional Taxation Data Storage (TDS) in Lithuania; The “Osmotherly Guarantee” in the UK; The Rescrit and the chèque emploi in France; The Contribution Payment Centers (CPCs) in Bulgaria.

²⁰⁰ In the UK all legislation affecting businesses is introduced on one of two dates each year, thus ensuring that businesses know when to check for legislative changes and can plan ahead accordingly. This approach is particularly relevant where legislation might affect a large number of businesses across sectors, and also where there are frequent changes to legislation (such as technical amendments).

²⁰¹ Numerous best practice examples of how to consult exist, some examples include: The 3 months mandatory consultation period on proposed major legislation in Sweden; The work of the Division for Better Business Regulation in Denmark; The work of the CNSAE “Comité National pour la Simplification Administrative en faveur des Entreprises” in Luxemburg; The consultation of business associations in Slovenia ; The Small Firms Consultation Database in the UK; The public consultation website “Teeme koos” in Estonia; The consultation process in Hungary.

4. Good governance

4.1 Overview of current situation

Good governance processes are important to manage policy complexity and to promote the economic, environmental and social welfare goals that serve the interests of citizens.

From a business perspective, trust in government is a vital factor in the decisions enterprises will make, such as the decision to invest or to expand operations. This trust is achieved through consistency over time in the approaches that governments take, in terms of devising and implementing policy.²⁰²

Bribery and corruption are a clear problem for Omani firms. Most firms from the survey believe that corruption and bribery hinders the performance of Omani firms to a limited extent while a fifth of Omani firms feel that it strongly affects performance. Oman's ranking on international indices also reflects this concern.

The recent political protests have resulted in the reorganization of many bodies that were managed by Ministers who have been dismissed for alleged corruption. The Financial Affairs and Energy Resources Council for example was restructured in mid-May. This comes in the wake of the widespread changes at Ministerial level that took place in mid-March in response to countrywide demonstrations, in part prompted by alleged ministerial corruption.

Overarching Objective

Good public governance, including productive public expenditure, open and transparent governance structures, and sound public administration free of corruption must be at the core of all public policy frameworks.

4.2 Recommendations

- Establish or strengthen independent anti-corruption institutions and “Freedom of Information” legislation;
- Ensure there is effective control of capital, financial and property holdings of civil servants (high level) and political figures (for example by establishing a “Declaration of interests” registrar);
- Promote the training of civil servants and Codes of Conduct for civil servants;
- Promote open, transparent, efficient and fair employment systems for public officials to ensure efficiency and good service and avoid patronage, nepotism and favouritism.
- Where corruption is very prevalent, not participating is difficult for a single business. Collective action through the Chamber can be important. Initiatives such as codes of conduct for firms on issues such as bribery and reporting mechanisms to combat corruption could be considered.

²⁰² Joint views of the International Chamber of Commerce (ICC) and the International Organization of Employers (IOE) to the 45th Session of the United Nations Commission for Social Development, 7-16 February 2007.

5. Skills and education

5.1 Overview of current situation

The Government has and is investing heavily in education. Yet the results have been disappointing. Schools and universities are turning out graduates lacking in skills they need to succeed in employment. Additionally, and despite impressive improvements in education indicators over time, the percentage of young people who are both out-of-school and out-of-work is too high.

There is an ongoing need to improve the relevance of education and training provision to the needs of the economy, employers and learners – in terms of pre-employment education and training, and education and training for the current workforce. This includes generic skills that support an adaptable and a flexible workforce and specific technical skills that are important to a range of industries and occupations. They are important for the flexibility and adaptability of both young workers and their employers in adjusting to, and taking advantage of, changing workplaces, markets and technologies.

All Ministries and all the business leaders spoken to in the development of this report underlined the issue of skills mismatches as a major concern. Active Labour Market Programmes (ALMPs) which target youth often lack the necessary mix of design features which are necessary for success, too often supply-driven (partnerships with the private sector are rare), traditional (i.e. they focus only on hard-skills in an in-class setting), and do not provide employment and/or intermediation services. The programmes often targeted highly educated males in urban areas, leaving behind important vulnerable groups such as women and school drop-outs.

There are current skills shortages and many companies have to look abroad to get the skills they need. The Omanization policy (the replacement of expatriate workers with local staff) is clearly an obstacle to this and firms consequently are going without key skilled personnel. This is leading to frustrations and low productivity.

The current Omanization policy was viewed with considerable dissatisfaction by firms in both the survey and the focus groups. In terms of key recommendations to OCCI “*finding an alternative to Omanization*” was specifically referenced.

In the survey, skills mismatch concerns were greatest in the SME and trading sectors. Nearly two thirds of the sample felt that the current education structures at tertiary and vocational level were not adequately equipping future job seekers.²⁰³

Firms offering formal training to employees also seems a concern. The lack of investment in training and employee development is confirmed by recent World Economic Forum Global Competitiveness Report survey results. The survey confirmed this with only 14 per cent of firms regularly investing in training and staff development.

In short, the end situation is that employers cannot find the right skills but legislation restricts the ability to bring in skills from outside the country. Further the Government is likely to step up its “Omanization” policy in light of recent protests.

²⁰³ At a macro level steps are being taken on the education front. Approval for the establishment of the country’s second public university has been recently granted. The Omani Government has announced 8,500 scholarships for Omanis studying in private universities and colleges. Of these, 7,000 are for study in local universities, and 1,500 are for study abroad (EIU July country report).

Overarching Objective

Employability of all groups through better education, effective skills development including through vocational education and training (VET), and improved matching of skills to the labour market, should be a continued priority for the Omani Government. The aim should be to better prepare and support individuals in meeting the demands of today's labour markets. Training should not be seen in isolation from education. Education, be it public or private, as well as vocational training, plays a crucial role in enabling young Omanis to enter the labour market and embark upon their adult life. Omani policymakers must give due attention to improving instructional systems for all ages, including education, pre-employment and vocational training.

5.2 Recommendations

- Skills policies and “Omanization” are clearly linked. The private sector will continue to be under pressure to meet targets to increase the number of jobs for Omani citizens. New policy measures by the Government may include a focus on educating and training Omanis to develop local professional and technical expertise. Funding to help firms meet the rising costs involved in training Omanis to replace expatriates and scale up investment in skills will then be important;
- Institutional, targeted and intensified policy dialogue between business and education policy makers at all levels is vital. Such dialogue needs rigor with technical input from specialists. The sectoral committees which have been established for bi-partite dialogue and to support private sector growth should be driven by the private sector;
- Promote increased sectoral analysis of skills gaps;
- Promote open competition principles that can diversify the supply of education and explore increasing the role of private sector providers;
- Consider, if not in place, a standardized national qualifications framework (NQF) to promote mobility in the labour market;
- Ensure that enterprises can easily access government funding for training. Consider how an information gateway can be established whereby firms (and jobseekers) can access in one place all information on training schemes;
- Ensure that training systems are regularly audited to ensure that they are free of excessive bureaucracy and can be accessed widely and immediately;
- Promote private sector resources to support active labour market programmes;
- Establish mechanisms between universities/training institutions and industry, for example, through Joint Councils (often on a sectoral basis) made up of representatives of academia and business with the aim of developing and promoting cooperation between enterprises and universities.²⁰⁴

²⁰⁴ These initiatives can facilitate the strategic development of the industry; on the ground cooperation in a range of fields, including curriculum development, work placements, technical exchange and the like; and maximize the potential for cooperation and partnership in research and development.

6. Social protection

6.1 Overview of current situation

Oman has made much progress in developing its health care and social security system in recent times. Omanis are provided with extensive social services, including insurance against old age, disability and death, maternity and health care.

The national development plan foresees the extension of social insurance coverage over the next five years, starting with the self employed, non-Omani workers, and later, possibly being extended to cover other benefits such as unemployment insurance.

In today's dynamic economy, employees need frameworks that support the transfer to new jobs, and employment protection must be properly balanced with encouraging job creation and maximizing employability when jobs are no longer sustainable. Active labour market policies (ALMP) that incorporate lifelong learning approaches and effective, sustainable social benefit systems are critical to supporting these transfers.

Since the protests started this year the Government has been increasing social spending.²⁰⁵ This can be expected to continue²⁰⁶ (for example, a new 'marriage fund' to provide loans to enable those with limited financial means to marry is to be established).

The main concern is that such measures are easy to implement, but very hard to reverse. A lesson can be learned currently as many economies are grappling with fiscal adjustments and trying to address profligate policies of the past.

Overarching Objective

To the extent possible, social spending should be aimed at supporting employability and re-entry to the workforce as soon as possible. Actions must continue to target vulnerable groups, to ensure that those most disadvantaged when facing unemployment can return to jobs as quickly as possible, and that they do not slip into poverty.

6.2 Recommendations

- Encourage a greater role for the private sector in service delivery in the health sector.
- Ensure a fiscally sustainable approach to social protection spending which is capable of adapting to changing fiscal conditions.

²⁰⁵ For example the authorities increased the minimum wage for Omanis employed in the private sector by 43 per cent during the protests; and the introduction of an allowance to meet the rising cost of living including those who are not covered by the civil service system (1 April 2011); increases in the monthly allowance for students at universities and vocational schools from 25 to 90 Omani Riyals also were put in place. Other measures can probably be expected.

²⁰⁶ The economic concessions made by the Government since the protests began in late February will cost OR1bn, thereby increasing expenditure in the 2011 budget from OR8.1bn to OR9.1bn (EIU July 2011).

7. Workplace relations

7.1 Overview of current situation

Social dialogue is founded on the recognition that the social partners constitute an important building block in ensuring social stability and is based on the recognition that employers and employees, as the principal providers on goods and services and wealth creators, represent two important interest groups in a market economy. Collective bargaining is one outcome that can emanate from social dialogue processes. For bargaining processes to produce successful outcomes a number of variables need to be in place, these include: stronger industrial relations institutions; bargaining co-ordination; and non-adversarial relationships.

The current situation in terms of workplace relations and the related legislative frameworks in Oman is fluid. The legal framework was adapted four years ago to allow the establishment of trade unions and there are now some 100 plus unions.²⁰⁷ They are not organized on a sectoral basis, only at enterprise level.

Furthermore recent legislative changes have enabled the freedom to establish labour unions in all firms and the right to bargain collectively. This is meant to be an in-house union of own employees, affiliated to the national (third party) union.

It appears that these latter legislative changes have led to some confusion. Certainly the year has seen some volatility in terms of workplace relations, with a number of disputes, strikes and on occasion, some wild-cat strike action. Mechanisms to resolve disputes and mediation services do not appear robust enough. Other legislative changes governing the workplace have also followed.²⁰⁸

Overall 17 per cent of companies in the survey sample say that workplace relations are getting worse. More notably, 26 per cent of grade excellent companies, 25 per cent of grade 1&2 companies and 25 per cent of manufacturing companies describe relations as deteriorating. 32 per cent of grade excellent companies and manufacturing companies expect attitudes to become confrontational in the coming year. The issue also came through in final comments by survey respondents as one of two critical issues facing the business community.

Clearer information on the new legislative framework law would appear to be warranted along with increased efforts to strengthen mediation and dispute resolution mechanisms.

²⁰⁷ Approximate membership numbers of 6,000-10,000 (source: ILO 2011).

²⁰⁸ For example, a compulsory mid-day break from 12.30- 3.30 pm for employees working outside between June and September was introduced in 2010, initially for the construction industry. It was subsequently extended to all sectors after Omanis working in the oil and gas sector demanded that it should also apply to them. The Oman Society for Petroleum Services has asked the Ministry of Manpower to consider exempting the petroleum industry, which runs 24-hour operations, from the three-hour break.

Overarching Objective

Smooth and effective workplace relations in Oman can be facilitated by increased communication mechanisms and processes of dialogue. By enabling workers to communicate their needs and concerns, dialogue enables employers to enhance the understanding of their employees about enterprise needs and objectives as well as market conditions, how they impact on both management and employees, and thus help to forge a common approach to issues of common concern.

7.2 Recommendations

- Social partners can play a critical role in providing guidance to their respective memberships on the specificities of the changes to the legislative framework, particularly in relation to the freedom to establish in all firms trade unions and the right to bargain collectively. Further dialogue is required on how to best implement the laws on the freedom to establish in all firms trade unions and the right to bargain collectively;
- A promotional campaign may be necessary to provide firms with greater information on the current workplace legislative framework;
- Exploring how dialogue mechanisms between business and unions at all appropriate levels that would facilitate problem solving may be warranted;
- Dispute resolution mechanisms and mediation services need strengthening and adaptation to be able to respond to the new and emerging framework.

8. Final summary and conclusions

This report is a comprehensive analysis of the enabling environment for Omani enterprises. It outlines a number of challenges and opportunities for the enterprise sector and a number of specific recommendations have been made in this respect.

In terms of implementation and moving forward, the following overarching implementation plan is suggested:

1. Address policy gaps

The lack of a policy framework on entrepreneurship is noted and this should be addressed as a matter of urgency. An effective entrepreneurial development strategy must comprise a long-term policy agenda explicitly aimed at continuously strengthening young firms, with evidence of implementation demonstrated by achieved time-bound targets.

2. Communicate changes clearly

The business community needs to have clarity on legislative changes and this needs to be communicated in a clear, effective and timely fashion.

3. Joined up governmental response

As noted, many of the policy challenges outlined in this report overlap. Intergovernmental co-ordination is essential to an effective sustainable response. Ideally, this type of co-ordination should be led by a single institution with effective mechanisms for policy coordination, involving key ministries, agencies and relevant local administrations.

4. A changing role for OCCI

Effective implementation of any policy framework will require ownership, commitment and monitoring at the highest levels of Government in consultation with the private sector and its representative organizations. The OCCI, as the main private sector representative organization has a key role in keeping the pressure on Government to actually apply the policies that have been agreed. This may require a changing relationship between OCCI and its government partners.

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