

# Oman blends tradition with MODERNITY



# Diversity and partnerships to sustain future growth

After four decades of increasing prosperity and quality of life, Oman is tackling new and distinct challenges to maintain the momentum of its development

A strategically advantageous location at the mouth of the Arabian Gulf has made Oman a stalwart of maritime trade for centuries. Its close relationship with the sea and its extensive knowledge of seamanship are symbolised by fleets of dhows, the country's distinctive ancient ships. So it is little wonder that a nation of such renowned seafaring tradition is currently in the process of transforming its Port of Duqm into one of the largest maritime hubs in the Middle East as part of a vision to redefine its economic future.

The multibillion-dollar Duqm project – along with new airports, economic zones and other infrastructure developments – form part of a concerted national push to pivot the sultanate's economic base away from its current heavy reliance on revenues generated by its relatively modest oil and gas reserves, the astute management of which has served it well over the past four decades. Hydrocarbon revenues and ongoing economic and social reforms have led to Oman being commended as the nation that has made the greatest improvements in its quality of life indices worldwide over the past 40 years, according to a 2010 report by the United Nations Development Programme (UNDP).

After coming to power in 1970, His Majesty Sultan Qaboos bin Said opened up the country and embarked on various economic reforms and boosted social spending. "His Majesty had a vision to use the revenues from oil to benefit the lives of the people, particularly with regard to education," comments Nasser bin Khamis Al Jashmi, Undersecretary at the Ministry of Finance and Chairman of Oman Oil Company. As such, Oman's oil revenues have been consistently invested back

into the nation and its infrastructure, particularly roads, schools, hospitals and utilities.

Although not immune to the influence of political dissent in the region, Oman has so far not experienced the violence that has destabilised some of its neighbours. During the Arab Spring, disturbances and protests took place mainly in Sohar and the capital Muscat, but were distinctly low-key and sporadic compared to elsewhere in the Arab world. His Majesty announced a combination of wage and cost-of-living reforms and increases in welfare spending, which – along with continued calm at home and violence blighting other countries in the region – led to a continuation of the nation's political and social compact.

Consequently, public investment increased and the 2013 social spending budget of 12.9 billion rials (£21 billion) was the largest ever – by 29 per cent – and targeted education, social security and healthcare. Increased salaries and at least 20,000 new government jobs were promised last year.

## Facts & figures



- ▶ **Capital:** Muscat
- ▶ **Area:** 119,500 square miles; slightly larger than the UK and Ireland combined
- ▶ **Population:** 3,154,134 (2013 est.)
- ▶ **Labour force:** 968,800; about 60 per cent of which is non-national (2007 est.)
- ▶ **Public debt:** 4.1% of GDP (2012 est.)
- ▶ **GDP (purchasing power parity):** \$91.54 billion (2012 est.)
- ▶ **GDP (per capita):** \$29,600 (2012 est.)
- ▶ **GDP (real growth rate):** 5% (2012 est.)



His Majesty Sultan Qaboos bin Said with Queen Elizabeth II and Prince Phillip during a state visit to Muscat

The sultanate, however, is also encouraging the private sector to participate in raising socioeconomic standards for Omanis by striking public-private partnerships (PPPs) and enhancing the environment for small and medium-sized enterprises (SMEs). Both areas have been recognised as vital to Oman's future, with both also ripe for involvement by British firms interested in maximising the close relationship a historic ally in the region can offer.

A centuries-old heritage of trade across land and sea is reflected in the Omani ability

to negotiate and maintain solid relations overseas. Oman and the UK have enjoyed close relations, both politically and commercially, for more than 350 years, signing friendship treaties in 1798, 1800, 1891 and 1951.

Today, relations between the two nations have never been stronger. The UK is the biggest foreign investor in Oman and political leaders on both sides are calling for the private sector to further tighten bilateral trade links. "With Oman the beauty of the relationship is the network of relations of every type and every level across society," says the British Ambassador to Oman, Jamie Bowden. "You've got on a personal level a very warm relationship between His Majesty Sultan Qaboos bin Said and Her Majesty the Queen. You also have very tight commercial relations between businesses and business people; you've got a large number of Omanis who studied in the UK and many more who lived in the UK for other reasons and have built a network of personal friendships with people in the UK."

Oman's diplomatic nous and importance as a regional ally is demonstrated by its maintenance of diplomatic relations with Iran. His Majesty lobbied the Iranians on behalf of the United States to release a detained

Source: CIA World Factbook

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#Oman



(Photo: UK Press via Getty Images)

American journalist, and eventually pardon three young hikers who were accused of spying in 2009.

According to the UKTI, strengths of the Omani market include: an open economy; no personal income tax; full repatriation of capital, net profit and royalties; English is widely spoken; and good air connectivity to all major cities. It also highlights the solidity of its financial system - and limited exposure to the recent global crisis - as a major plus point.

"The medium-term outlook on Oman remains highly positive," says Hamood Sangour Al Zadjali, Executive President at

the Central Bank of Oman (CBO). "Oman's savings and investment as share of GDP has increased significantly in recent years. The country has a fairly well developed physical infrastructure that continues to witness rapid expansion and improvement. Oman's banking system is sound and efficient, mainly due to appropriate regulatory and supervisory framework adopted by the CBO. Oman has emerged as an attractive destination for foreign investment due to its stability, amenable investment climate and a unique geographical location, in addition to various incentives offered by the government." ●

## Discovering Duqm

Next to one of the most ambitious developments in Oman - an emerging global-scale maritime gateway that ranks among the biggest logistics projects throughout the Middle East region - is an area of protected natural beauty that juxtaposes Duqm's organically evolved past with its master-planned future.

The 46-million-year-old Rock Garden is considered one of the most important heritage sites in Oman. It comprises three square kilometres of sandstone and limestone sculptures that have been shaped by wind, water, frost and other natural forces, which are typical of the numerous and unusual rock formations in Duqm and its surrounding areas that could potentially become major tourism attractions.

Leading environmental expert Peter Farrington joined the Special Economic Zone Authority in Duqm (SEZAD) last year to investigate how best to protect, conserve and promote the vast geological wealth in the area and is leading the creation of an arts and culture centre near the Rock Garden. He came highly experienced in the area as while working at the Port of Duqm he also founded the "Duqm: Portraits of Discovery" project that brought together 140 photographic and visual works of art that displayed individual artistic perceptions of the region's landscape and seascape.

The project showcased pieces by 35 Omani and international artists who took part in the 2011 exhibition, including the Netherlands and Oman-based Brazilian artist Vera Mauro, one of whose photos of the Rock Garden appears on page 9 of this report.



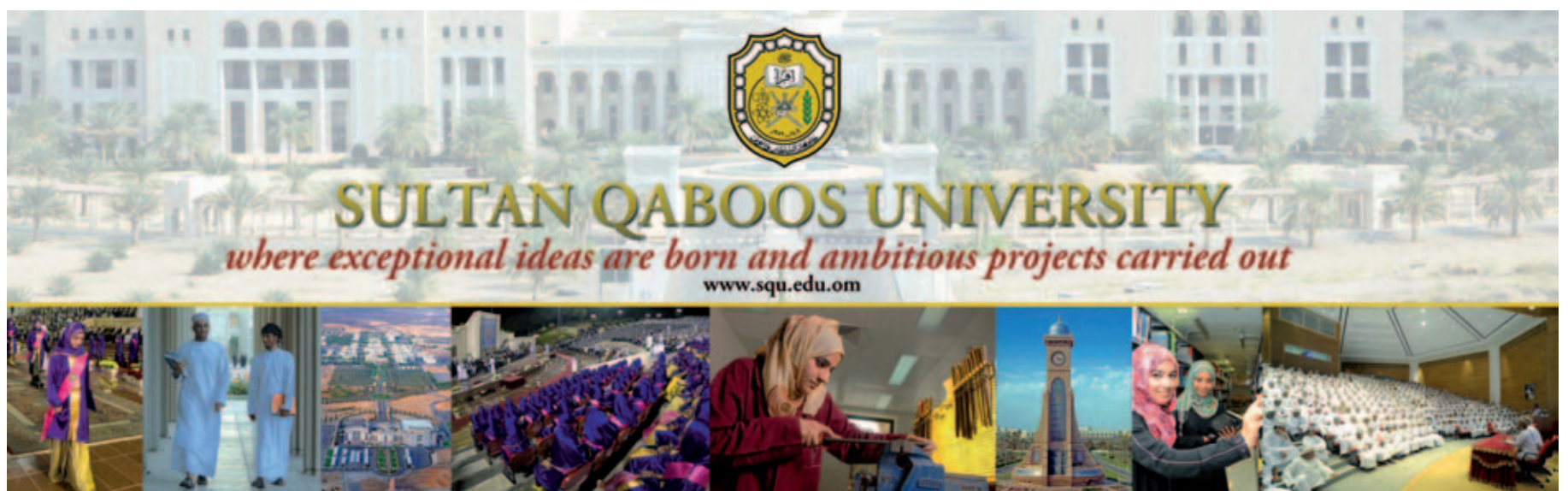
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*Times of Oman* was the first newspaper in the country to create an online edition, as far back as 1998, and today it also boasts a mobile application, a highly active social media presence and an increasingly sophisticated website: [www.timesofoman.com](http://www.timesofoman.com).

A pioneer in the media sector, the newspaper has won close to 150 international awards from various entities in the realm of design and presentation over the past few years, including nine from the Asian Media Awards, nearly 100 from the Society for News Design's (SND) Creative Competition, three from Communication Arts Design Annual and two from World Press Cartoon, among many others.



Ahmed Essa Al Zadjali, CEO of Muscat Press and Publishing House



# Economic diversification stimulates new commercial ecosystem



**The sultanate is transforming itself into a more competitive place to do business to steer its economy into new waters**

Up until the 1970s, Oman's economy was largely based on agriculture. The advent of oil extraction and production caused a paradigm shift in the country's finances, raising GDP growth to unprecedented levels and pivoting the economy towards the hydrocarbons sector.

Today, however, another paradigm shift is necessary if Oman is to ensure sustainable economic growth.

Production has been steadied in the last few years but Oman's oil reserves are gradually shrinking. The government has laid out a plan to reduce the hydrocarbon sector's contribution to GDP from its current lev-

el of about 47 per cent to just 9 per cent by 2020 and in doing so, it aims to generate more jobs in a wider variety of sectors for the rising numbers of young Omanis entering the labour force. The latter has the dual purpose of increasing the level of "Omanisation" and lowering the dependence on expat workers.

SMEs are being centred as one of the key drivers of diversification. Under the recommendation of the Central Bank of Oman, many of the country's banks are making SMEs' access to financing more achievable than ever before. The National Bank of Oman (NBO) and Ahli Bank, for example, have active programmes in place for lending to SMEs.

According to the CEO of NBO, Salaam Said Al Shaksy, the bank is also "looking at making equity investments in medium-sized companies with excellent prospects."

"A lot more can be unleashed from the SME sector in terms of value creation," he adds. Despite having created a supportive environment for their growth, the government cannot single-handedly boost SME productivity and success. Therefore, the private sector is also doing its part by lending its expertise to up-and-coming entrepreneurs.

The Zubair Corporation is one such company. Managing Director Khalid M. Al Zubair says: "As a country, we have to build suffi-

cient incubators, venture capital venues and robust mentoring programmes and I see that large and established corporations can play a valuable role in this sphere."

One of Oman's original private sector pioneers that developed business lines essential to the country's growth, The Zubair Corporation has established the Zubair Small Enterprises Centre where a team of professionals liaise with and offer advisory services to SMEs and business entrepreneurs and hold management training sessions.

"Not every company [in the holding] can afford the best level of HR, communications, IT, etc., but as a group we can share

## Interest soars in Islamic finance



Dr Jamil El Jaroudi (centre), CEO of Bank Nizwa, the country's first Islamic bank, welcomed last year's Lord Mayor of London Roger Gifford (left) and the British Ambassador Jamie Bowden (right) on a visit to the bank's head office in Shatti Al Qurum in January 2013

**Oman's new Islamic banking sector is expanding rapidly and is set to take on a major role in the nation's progress**

The Royal decree issued by His Majesty Sultan Qaboos bin Said in May 2011 heralded the launch of the country's Islamic banking sector and the creation of its first two dedicated Islamic financial services institutions: Bank Nizwa and Al Izz International Bank. Based on the ethical principles of Islamic law (also known Shariah), Islamic finance involves the sharing of profit and loss and the prohibition of the collection and payment of interest.

Established conventional lenders in the sultanate have also since opened Islamic windows to offer Shariah-compliant products and the sector registered a more than 30 per cent growth rate in its first two years.

In 2012 both new banks floated initial public offerings (IPOs), following the requirement by the Central Bank of Oman (CBO) that they list at least 40 per cent of their shares. Both IPOs were heavily oversubscribed, indicating whetted appetites in the region for Islamic products on the Muscat

Securities Market (MSM) – which in September launched its new index for Shariah-compliant companies.

"The CBO is confident that the advent of Islamic banking will have a positive impact on the economy. Oman offers a large potential for the growth of Islamic banking, opening up new segments and players both from banks within and investors from abroad and thus providing opportunities for new foreign investments," says CBO's Executive President Hamood Sangour Al Zadjali. "Its inclusion will add to the competitive environment, providing the consumers the benefit of choosing between both conventional and Islamic banking products."

Dr Jamil El Jaroudi, CEO of Bank Nizwa, says the new products pique the interest of many people who want to marry their economic lives with their ethical beliefs and adds: "Although we only started with three branches, sometimes we receive more than 1,000 visitors per day asking not just to open accounts, but also to learn more about the industry. So it shows that there is still a lot of awareness work to be done." ●



**Khalid M. Al Zubair, Managing Director of The Zubair Corporation**



**Prem Maker, Executive Director of Areej Vegetable Oils & Derivatives**

**Oman's industrial estates and free zones offer investors attractive incentives and can serve as an ideal base to access larger markets**

**Tourism and the services industry are the main economic areas the government would like to expand in its economic diversification plan**

the expertise between companies and add value within our own core. This formula we can replicate with SMEs," adds Mr Al Zubair.

The Zubair Corporation has demonstrated the need for flexibility and diversification. What began as a trading company in 1967 is now a holding with activities in energy and logistics, engineering and construction, ICT, real estate and hospitality, financial services and manufacturing. "As time elapsed, we became more and more in tune with what the country needs in services and products and hence moved into areas based on Oman's key needs and priorities," explains the CEO.

This was how The Zubair Corporation ended up opening the Shangri-La's Barr Al Jissah Resort & Spa in 2005. Tourism was a virtually untapped sector at the time and is now proving to be a key piece in the government's economic diversification scheme.

One of the biggest employers in the country, The Zubair Corporation was founded by Khalid Al Zubair's father, Mohammad Al Zubair, and today remains a family run enterprise. The managing director feels that this quality lends the corporation strong roots in the community.

"Long-term stability and continuity means that responsible outlook is embedded in our business model," he says. "A commitment to the community can also raise morale within the company and meet the needs of employees, especially those in the younger generation who wish to work for successful companies that have broader goals than simply the pursuit of business success."

As for the government's "Omanisation" and job creation plan, training is, of course, a key component, yet Omani schools are in some ways still behind schedule in teaching the necessary skills for today's market. Thus, some companies are taking matters into their own hands and providing in-house training.

Areej Vegetable Oil & Derivatives (AVOD), for example, is one regionally important player that has opened its own internal training centre.

"We are already 60 per cent 'Omanised', which is about double the industry average," says Prem Maker, Executive Director. "If we are to progress further we need to replace the other 40 per cent who hold very technical jobs and because training for these trades is not available in the open market, we have to provide the training - both in the classroom and on the job."

AVOD is a vertically integrated company that processes raw untreated oils it sources from around the world, manufactures all packaging components and, ultimately, distributes its own products.

The National Bank of Oman, has also opened its own academy to train people. "Our CSR strategy is supporting the youth and developing their capabilities," says Mr Shaksy. "We have developed our own people; Omani people are on our director's board. We've sent people over to business schools in other countries to prepare them to confront challenges."

As economic diversification can be expedited through greater foreign participation and investment, the Omani Government is keen to welcome global investors, as Hamood Sangour Al Zadjali, Executive President of the Central Bank of Oman points out. "Oman provides a number of incentives in the free trade zones among which are 100 per cent foreign ownership, no custom duties on import and export of goods, no taxes levied on profits or dividends on businesses operating in these zones," he says.

"The Public Authority for Investment Promotion & Export Development (PAIPED) as well as the One Stop Shop (OSS) at the Ministry of Commerce and Industry are both dedicated to facilitating and attracting investments."

Oman's capital markets are yet another way business can grow, providing, as they do, means to raise funds for new projects and growth. Sheikh Abdullah Salem Al Salmi, Executive President of the Capital Markets Authority

highlights that his country's markets are "sound and fair", which is more important than being large and fast-growing. "We look for the long run," he says. "To give an example, in 2002 we became the first country to introduce corporate governance in the region. We are trying to build solid bases for our future development."

Incentives are also available in this area. According to the Director General of Muscat Securities Market (MSM), Ahmed Saleh Al Marhoon, the MSM was perhaps "the

only exchange allowing foreign investors without restriction in the region, with no tax on capital gains and no restriction on cash movements. We don't have any sort of hindrance on foreign investments."

Oman's sound stock exchange is complemented by a solid financial sector, a secure macroeconomic environment, a free market system and political stability - factors that the Central Bank's Al Zadjali says are responsible for Oman's emergence as an attractive destination. ●

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# Entrepreneurial spirit gets educational boost with ICT



## Public bodies universities and telecoms play a role in enabling diversification through ICT infrastructure development and knowledge transfer

Oman is working towards a knowledge and innovation-based society to diversify the economy. Entrepreneurship and higher education have received increased attention in the Gulf state and much emphasis has been placed on the development of small and medium-sized enterprises (SMEs). Institutions such as the Sultan Qaboos University (SQU) and the Information Technology Authority (ITA) are working to hone the skills of young Omanis and encouraging them to establish their own start-ups, particularly in the fields of science, innovation and high technology.

"We have a vision for this university to become an entrepreneurial university. We are concentrating on research at the moment, but we want to turn it into an entrepreneurial university. We are trying to introduce entrepreneurship as much as possible, and that is our greatest challenge," says Dr Ali bin Saud Al Bimani, Vice-Chancellor of SQU – Oman's only public university and with around 17,000 students.

The ITA was set up to lead the development of the all-pervading ICT sector in Oman, especially in the areas of e-government, industrial development and capacity building within society. ICT is seen as one sector in which there are many opportunities for start-up companies.

The authority provided training for students and an incubation programme (which is being co-

managed by Coventry-based firm UK-BI) to encourage innovative thinking within the sphere of high technology.

It also wants to change the mindset of young people who often think it is a much safer and better option to enter a government or large private company, rather than to take the risk of launching their own enterprise.

"Oman is really progressing in the ICT sector. We see the potential for creating small companies and ICTs as a very promising track," says the CEO of ITA, Dr Salim Al Ruzaiqi. "We would like young people to do something very innovative so we have several initiatives for them.

"For example, one is called The Nest, where we just try to catch all the innovators, people with ideas. They come and sit and have bright ideas and we help them to move their ideas forward and support them financially. We have an incubation facility that can host about 60 companies."

Of course all of this potential in the ICT sector cannot be realised without the proper infrastructure in place; the country's telecom operators will be instrumental in this regard. The goals of the ITA are being supported by companies like Nawras, the country's first privately owned telecom operator and second largest behind government-owned Omantel.

"We are trying to ensure that Oman has the best, most modern telecommunications business-



**Dr Ali bin Saud Al-Bimani, Vice-Chancellor of Sultan Qaboos University**

enabling and lifestyle-enabling technology in the world," says Ross Cormack, former CEO of Nawras.

The British businessman – who recently left his post at Nawras to become CEO of the Myanmar unit of Ooredoo, Nawras' parent company – says: "I read a study that said for every 10 per cent increase in broadband penetration in the country, it typically generates between 1.4 to 1.6 per cent extra GDP growth. If that is anything like the truth here, we have gone from 30 per cent penetration in the mobile market to 170 per cent today.

"It is people's ability to do business faster, better and make decisions more quickly and efficiently that makes the economy grow faster. We also play our part in education in the sense that education is management of knowledge and helping students have the right information in the right place.

"Oman has a huge opportunity ahead of it; whether it is knowledge in telecommunication, science or medicine, all of these will flourish in the next few years." ●

# Healthcare

**As the public healthcare system struggles to sustain its world-class levels of service to a growing population, the private sector is being asked to lend a hand**

As His Majesty Sultan Qaboos bin Said began his reign in 1970, Omani healthcare facilities were barely existent. In response, he made the development of a world-class healthcare system one of his top priorities. Investment of oil wealth made this possible and more than 40 years on, Oman can boast one of the best healthcare systems in the world.

In the World Health Report 2000, which included an evaluation of the world's health systems, Oman came in eighth position in the overall global ranking. The UN Human Development Report has put the sultanate at the top of 135 countries that have made the greatest progress in recent decades in public health.

The remarkable progress made since the beginning of the Omani Renaissance is reflected in vital health statistics: life expectancy at birth has risen from around 57 years in 1980 to 72.4 years in 2011; the infant mortality rate has been reduced from 116 (per 1,000 births) in 1970 to 9.5 in 2011.

"The improvements in some measures of the healthcare system have been quite phenomenal over the last 20 to 35 years," said Nigel Weale, former Director of Muscat Private Hospital (MPH), in an interview last year.

Economic growth on the back of oil wealth has made this progress possible, but growth itself brings with it other challenges. A growing and longer-living population coupled with the proliferation of lifestyle-related diseases – such as obesity, heart disease and diabetes – mean the public healthcare system and public investment cannot sustain a high level of service alone.

A huge level of private investment will also be required, as well as a greater number of private healthcare services. While the demand for private healthcare increases as the population becomes more affluent, the value of the healthcare industry is set to rise from \$1.3 billion in 2012 to \$2 billion in 2015.

"The government is actively looking to encourage and work with the private sector, not just to fill the gaps, but to provide the capacity that's being required. As the population develops, there is an increasing demand that both the private and the government sector are going to have to keep up with," said Mr Weale.

Expenditure by the Ministry of Health is expected to rise from \$3.53 billion in its seventh five-year plan (2006-10) to \$6.47 billion during its eighth five-year plan (2011-15), as large-scale projects such



# to see multibillion-dollar investment



Muscat Private Hospital was the country's first large private hospital when it opened in 2000 and the first to achieve accreditation from Joint Commission International (JCI)

as the Sultan Qaboos University Hospital and International Medical Cities – costing a total of \$3 billion – come on stream in the next two to three years.

“Healthcare is a sector we are very interested in. There is a very ambitious programme developing the healthcare sector here which involves building, training and every aspect,” says the British Ambassador to Oman, Jamie Bowden.

Muscat Private Hospital, a state-of-the-art facility in the Muscat neighbourhood of

Bausher, was the first large private hospital in Oman when it opened in 2000 and became the first hospital in the sultanate to receive accreditation from Joint Commission International (JCI).

The hospital management is expecting much more competition in the coming years as more and more private healthcare institutions are established to feed the growing market.

“This is going to be quite a competitive market over the next few years and

we need to accept that, react to that, but in a positive way,” said Mr Weale. “It will keep all of us on our toes. We are confident that we will stay ahead of the opposition competition.

“We have invested heavily in technology, so we have tended to look at making sure that we are ahead of the rest of the private market,” he commented, adding that there are also plans to increase bed capacity from 72 to 200 over the next three to five years.

The management at MPH is also actively committed to assisting the public healthcare system and meets regularly with the Ministry of Health. It has offered to share its radiology, diagnostics and operation services in a bid to cut long waiting lists at public hospitals. ●



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# Pioneering methods from 'comeback kid'

Oil and gas reserves that require ever-greater technical skills to extract mean Oman's petroleum industry is pioneering new methods that have revitalised the nation's oil sector, while economic diversification will reduce its reliance on petroleum revenues

Oman's deposits of 4.9 billion barrels of crude oil and 849.5 cubic metres of natural gas place the sultanate 25<sup>th</sup> and 27<sup>th</sup> globally in terms of proven reserves. A mature oil producer, with explorations dating back to the 1950s, and the largest in the Middle East who is not a member of OPEC, its available deposits may be on the decline and dwarfed by those in neighbouring Saudi Arabia, United Arab Emirates and Qatar, but they are nevertheless significant. In 2012, hydrocarbons accounted for 86 per cent of government revenues and around half of total GDP. Furthermore, increasing challenges to their extraction have spurred innovative new methods in the industry and added impetus to raising Omani skill sets and the push for economic diversification.

Unlike its neighbours with giant, fluid lakes of oil under their soils, Oman's oil reserves are more likely to be held in scattered, smaller fields, which age quickly and leave thick, sticky crude that until recently needed expensive technology to extract. Such characteristics led to oil production falling by more than 26 per cent

between 2000 and 2007, from 972,000 barrels per day (bpd) to 714,800 bpd. However, Oman has since been referred to as the "comeback kid of the oil world" as its willingness to innovate and test frontier technologies has returned the industry to former production levels.

"Oman is a small producer when you take global production into account, with about 950,000 barrels a day. We could reach a million, but the most important thing is to reach a level of production which is sustainable," says Nasser bin Khamis Al Jashmi, Undersecretary at the Ministry of Finance and Chairman of Oman Oil Company (OOC). "We are trying to reduce costs by applying the latest technologies and streamlining operations."

Mr Al Jashmi highlights the industry's application of unconventional extraction techniques such as hydraulic fracturing – or fracking – and injecting liquid polymers into heavy-oil fields to force the crude out as a major part of its upswing. "We have found in many cases costs are going down as we learn how to drill more efficiently; in some cases costs have fallen by 50 per cent," he adds.

Enhanced oil recovery (EOR) techniques are vital to the industry's future. Petroleum Development Oman (PDO) – a 60 per cent government-owned joint venture that produces 70 per cent of the country's oil output and accounts for almost all of Oman's natural gas supply – is a major proponent of their development. PDO expects 16 per cent of its oil production to come from EOR projects by 2016, up from just 3 per cent in 2012. It is also investing heavily in training Omanis in EOR and helping the country to be a future exporter of expertise in the sector.

"The experience in having to deal with complex and unconventional reservoirs has allowed Oman to uniquely develop specialist niche expertise in this field that has the potential to be exported," says Mulham Al Jarf, Deputy CEO of OOC, the country's flagship energy investment firm, which established a human capital development unit – Takatuf – in 2010. "Today, what we see in Oman that still remain untapped are complex and often unconventional and deep reservoirs. In order for OOC to grow its Omani production base and reserves, it will need to tackle such reservoirs."



**"We seek overseas investments that can be linked back to Oman, bringing with them value and knowledge transfer into the country"**

**MULHAM AL JARF,**  
Deputy CEO of Oman Oil Company (OOC)

"We have no geographic restrictions," adds Mr Al Jarf. "As a rule of thumb, we seek overseas investments that can be linked back to Oman, bringing with them value and knowledge transfer into the country."

OOC is also an active contributor to Oman's In Country Value (ICV) initiative, which "plays a key role in unlocking economic potential in Oman as well as helping to create a sustainable economic base," says Mr Al Jarf. "The successful long-term development of SMEs has proven time and time again in many countries to be the engine that drives the economy."

The company heavily invests in energy and energy-related sectors, which are broadly categorised as: exploration and production (E&P), refining and marketing, base petrochemicals, specialty chemicals, infrastructure, power, shipping, and metals and mining. Its E&P arm, OOCEP, has a 40 per cent stake in a new fracking project at the Khazzan field with BP, which received the green light from the government in December. Construction on the \$16 billion development starts this year and it is expected to produce at least 1 billion cubic feet of gas per day, starting in late 2017, raising the country's current output by around one-third. In addition, OOC and BP have signed a memorandum of understanding to develop the world's first acetic acid manufacturing plant using BP's new SaaBre™ process.

"As we invest for the future, perhaps the most important part of our investment is investing in the people who go with the plans and operations for many decades," says David Dalton, Regional President Middle East at BP. "There will be a need to continually look for the more difficult hydrocarbons. But with the right investment climate and incentives for foreign investment, and the right encouragement and framework set by the ministry, I am optimistic that will happen."



Oil production fell from 972,000 barrels per day (bpd) to 714,800 bpd between 2000 and 2007, rebounding to be now around 950,000 bpd



# A land of unique experiences

**While developing its tourism infrastructure, Oman is keen to maintain its distinct cultural identity**

Development of Oman's tourism industry became a key government policy plank in 2004 with the establishment of the Ministry of Tourism (MoT). Since then there has been heavy investment in the sector through various public and private sector entities.

As the country looks to create a sustainable economy, tourism holds huge potential considering its offerings: rich heritage, natural attractions, stunning beaches, adventure activities such as cliff diving and scuba diving, souks, forts, the Musandam peninsula, *khareef* (monsoon) season in Salalah, five-star desert camps, sand dunes, pink sunsets, spectacular mountain ranges, genuinely friendly Arab culture, and world-class hotels such as The Chedi Muscat Hotel and Shangri-La's Barr Al Jissah Resort and Spa.

In fact the sultanate was included on the list of the '20 Top Tourist Destinations in the World' in *National Geographic* in 2012.

"Seventy per cent of our tourist attractions are natural attractions: natural beauty and the heritage that we have. Each region has its own identity and uniqueness, and tourism products fit the nature of the region," says Maitha Al Mahrouqi, Undersecretary at the MoT. "We know the tourism industry can create sustainable jobs, especially through SMEs."

Oman has one of the fastest growing tourism sectors in the world. A 2009 World Travel and Tourism report states that the industry will grow by 7.8 per cent per year, reaching a value of almost \$7 billion by 2019. The GDP contribution of tourism was 2 per cent in 2011; the MoT aims for that



Duqm's protected Rock Garden forms part of Oman's cultural tourism offer (Photo: Vera Mauro)



**Maitha Al Mahrouqi,**  
Undersecretary at the MoT

figure to be around 3.5 per cent by 2015.

Visitor numbers have increased steadily, reaching 16 million in 2010. Tourists from the UK have risen sharply from 25,000 in 2003 to 121,000 in 2012 – a 15 per cent increase on 2011. As part of the Vision 2020 plan, the MoT hopes that the sultanate will have 12 million visitors by 2020. To reach this ambitious figure, much more investment and promotion will be required.

Central to these plans is Oman Air. "The expansion of our national carrier, Oman Air, has definitely helped us to promote the country," says Ms Al Mahrouqi.

The airline's expansion reflects the steady growth of the tourist sector itself: passenger numbers rose to 4.5 million in 2012 and last year the carrier served around 5 million travellers. Since 2006, Oman Air's fleet has grown

from nine to 30 aircraft and is poised to acquire an additional 16 by the end of 2015. It now has an extensive international network including six European cities.

Furthermore, in 2012 Oman Air won Best Business Class Airline Seat at the prestigious World Airline Awards, run by Skytrax, for the second year in a row.

"Oman Air has come a long way. It has enabled Oman to encourage tourism," said Wayne Pearce, former CEO, in an interview last year. "The airline looks upon itself as being an integrated part of Omani tourist infrastructure. It is keen to work with [the MoT] and has taken part in many joint promotions with them."

Another integrated part of the Omani tourist infrastructure is The Wave, a world-class luxury mixed-use residential project spread along six kilometres of Muscat's coastline, comprising homes, retail units, restaurants, hotels and a PGA-standard 18-hole golf course designed by Greg Norman. It is also home to Oman's largest private yachting hub.

**Each region has its own identity and individuality, with potential tourism development lying in their rich heritage, souks, forts, five-star desert camps, world-class hotels and adventure activities**

**Natural attractions include stunning beaches, the Musandam peninsula, *khareef* (monsoon) season, spectacular mountain ranges, sand dunes and genuinely friendly Arab culture**

"The Wave is a strategic part of Vision 2020 and the diversification of the economy from oil; and is a vehicle for providing enhanced tourist infrastructure," said former CEO Michael Lenarduzzi. "It brings investment by allowing foreigners to purchase real estate here. Bringing in people from different countries and different backgrounds adds to the vibrancy of projects like this. The residential element of the project provides a community and also a cash flow to fund the development of tourism infrastructure."

Ms Al Mahrouqi is also Chairperson of Oman Sail, which, like Oman Air, is charged with promoting Oman. CEO David Graham says the company was established in 2008 "to reinstate the maritime heritage of the country" and apart from running sailing schools, Oman Sail is "pushing the Oman brand around the world."

Now having teams compete on the world stage, it is raising the profile of Oman internationally, as a unique high-end tourist destination. ●

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# \$20bn investment to reposition Oman as gateway to the Gulf



New airports, ports, railways and thousands of miles of roads will reshape Oman's connectivity



Dr Ahmed bin Mohammed bin Salim Al Futaisi, Minister of Transport and Communications

## The sultanate's transport and logistics infrastructure provides solutions to increasing demand

Oman is seeing further renaissance in its transport infrastructure, where everything from seaports and airports to railways and roads are the target of heavy investment. In bygone days, the country played a much bigger role in regional trade than it currently does. With a host of infrastructure projects at varying degrees of completion, the government aims to take advantage of Oman's unique position on the eastern edge of the Arabian peninsula: outside the Arabian Gulf and opening out on to the Indian Ocean and its trade routes to Asia and East Africa.

"Oman, due to its strategic location and well geographically seated place in front of the peninsula, has always historically been the gate of the Gulf," says Minister of Transport

and Communications, Dr Ahmed bin Mohammed bin Salim Al Futaisi.

"However, now due to the requirements for big infrastructure, Oman has really in the last few decades not played the role of gateway and all the traffic, especially the ships, has transferred to the other GCC [Gulf Cooperation Council] countries."

The government is tackling all fronts simultaneously, building six new airports, its first-ever railway network, further developing its ports and laying thousands of miles of new roads - all of which will help integrate Oman with the rest of the Arabian Peninsula. The budget for these massive projects tops the £20 billion mark.

### The fast track to the GCC

The GCC Rail Project plans for 1,395 miles of tracks traversing the Arabian Peninsula and connecting the GCC economies for the benefit of regional trade. It will link major cities and towns such as Muscat and Sohar to each other and to Oman's borders, where it will continue into the UAE and on to Bahrain, Qatar, Saudi Arabia and Kuwait. The first line is due to begin operation in 2018.

Dr Al Futaisi foresees that the new rail network will be a guaranteed boon to cargo transport, yet getting people to switch from cars to trains will take a bit more work. "For the passengers, we really need to work harder to gear the mentality and the minds of people to different modes of transport other than cars," he says.

### Oman's ports of call

Of the six ports, the key contributors to the economy are those in Sohar, Salalah and Duqm. The former, located 143 miles northwest of the capital, will become the new main cargo port, serving the densely populated Al Batinah region and Muscat Governorate, and freeing up the capital's Sultan Qaboos Port for tourism purposes.

According to Andre Toet, CEO of Sohar Industrial Port Company, the Sultan Qaboos Port simply has no more room to grow. "It has reached capacity. So the decision was made to close it for commercial cargo and to transfer the cargo to Sohar," he says.

The Port of Salalah, in the far southwest and already ranked among the world's top 30

ports, will be the main transshipment hub. "Our proximity to rapid growth markets is quite unique," said the port's former CEO, Peter Ford. "That demand has shown that there is a need for continual investment. We have expanded twice in our history already; we have had over 600 per cent growth on both the container and general cargo sites since we started in 1998."

Duqm, situated about halfway down the eastern coast, is to be Oman's biggest industrial area. Dr Al Futaisi calls it "a flagship for Oman" and it comes complete with a special economic zone, a dry dock and a new airport (see page 12 for more on Duqm).

Active in all areas of shipping, including LNG, crude oil, refined petrochemicals and dry commodities, Oman Shipping Company (OSC) is one local firm that is helping raise the level of local participation. CEO Tarik Mohamed Al Junaidi says OSC is also "looking at adding value to the value chain" by providing a greater array of services that would contribute directly to the economy through additional revenues, job creation and support services.

OSC - a closed joint stock company owned by the Ministry of Finance and Oman Oil



## A world class fleet, for a seafaring nation

For thousands of years, the Omani passion for the sea has seen the nation earn a solid reputation as professional maritime traders. As we cross oceans to secure the future, the Oman Shipping Company combines this rich heritage with an expanding, modern fleet to provide dependable seafaring services across a variety of sectors, such as very large crude carriers (VLCCs), very large ore carriers (VLOCs), gas carriers, product tankers, chemical tankers, bulk carriers and the container market.



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Of the country's six ports, the key economic contributors are those in Sohar to the north, Salalah in the south and the southeastern Port of Duqm



Six new airports under construction will greatly expand business and tourism route options for passengers and the national flag carrier Oman Air

Company - owns and manages more than 40 vessels and charters many to third parties. Its own container line, the Gulf Express, makes regular trips between Jebel Ali in the UAE, Sohar and Muscat.

### Off to a flying start

With improved transport comes improved business opportunities and, by extension, higher tourism traffic.

"A lot of the air freight that enters Oman comes via Dubai and is trucked across the border because we do not have sufficient capacity," points out Vic Allen, acting CEO of Oman Airports Management Company (OAMC).

"So once we have built a new airport, that will all change. We will be able to attract much greater volumes of cargo and air freight through Muscat, which will help a lot in terms of freshness of produce, range and depth of product, etc."

A new terminal is being built at Muscat's airport, with a capacity for 12 million passengers a year. In 2012, the Muscat International Airport served more than 75 million passengers, up more than 1 million from the previous year. Transport Minister Dr Al Futaisi remarks that passenger traffic has grown on average by 18 per cent every year and that by 2020 figures might even reach 14-15 million.

On the other hand, Salim Al Afi, CEO of the Public Authority for Civil Aviation, sees things the other way round. Not wanting to put the cart before the horse, he says: "The first thing we need to do is really start marketing Oman as a destination for business or tourism. With that, you get the heavy traffic; and with the heavy traffic we can start to take the next step toward expanding the existing airport to the next phase and so on."

OAMC's Mr Allen points out that tourism infrastructure is being developed to prepare for a niche, high-end market.

"It is visitors who will appreciate what this country has to offer, which is a mix between modernity and tradition. It is the friendly people," he says, adding that Oman Air is also expanding its offer of point-to-point non-stop flights in order to make Oman a more attractively convenient destination.

The investment opportunities that these projects are opening up are ones that Oman is keen to draw attention to and foreign expertise is unambiguously welcomed. The Transport Minister says there is an "open invitation to all the investors, to all companies to come and share with us in such big developments." ●



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[www.OmanAirports.com](http://www.OmanAirports.com)

# New port to open trade options

Duqm is the home of a multi-purpose port, a dry dock and a special economic zone, all designed to boost economic development by connecting Oman with some of the world's most crucial trade routes and enhancing access to the Arabian peninsula

Out of a quiet fishing village about 350 miles south of Muscat, a tremendous, record-breaking project is taking shape. Once finished, Duqm will be the new home of a deep-sea port, a fishery harbour, a refinery, a petrochemical plant, an international airport, a tourist resort and an enlarged city, complete with all the necessary and desired social infrastructure for 100,000 residents.

Entrusted with converting this greenfield site into a wonder for investors, workers and visitors alike is the Duqm Special Economic Zone Authority (SEZAD). "We are capitalising on the strategic location of Duqm and the potential of the zone to anchor investments in the industrial, logistics and tourism sectors," says Yahya Al Jabri, Chairman of SEZAD.

Khalil Ahmed Al Salmi, Deputy CEO of Oman Drydock Company (ODC), enthuses about the fact that the entire area is being built from scratch. "This is a greenfield site; whatever you can imagine can be done. It is available for any opportunity."

The first enterprise to be up and running was ODC - an impressive ship repair yard, which in its first two years of operation already worked on 120 ships. Indeed, ODC is one of the largest and most modern of its kind in the Middle East, and Mr Al Salmi forecasts that soon ODC will be able to handle upwards of 200 ships each year.

The world's largest vessels can drop anchor in Duqm, thanks to its deep draughts (water depth at commercial berths is 18 metres). As a matter of fact, all of Oman's ports share this quality, something that Peter Broers, former CEO and appointed General Manager of Industrial Land at Port of Duqm Company in September 2013, names as one of the main factors behind the country's success.

The government sought out experts in port management to help boost its infrastructure and operations.

"For the Port of Sohar, the government selected the Port of Rotterdam and for the Port of Salalah, Oman cooperates with the container technology company APMT,

which is connected to Maersk. For Duqm, the Omani Government invited the Port of Antwerp to manage the port and since 2011 the Port of Duqm Company has existed," explains Mr Broers.

He adds that each port has its own unique strength: "Duqm will be the best option for the heavy and petrochemical industry and its related cargo."

Expertise from the Belgian port will be evident throughout the port's operations,

**The world's largest vessels can drop anchor in Oman's ports, thanks to their deep draughts, and international port management experts are advising on the latest IT and smooth operation solutions**

yet perhaps none as apparent as the computerised system. "Today it is important to bring in IT systems for paperless operations. This idea is quite new in the region, although it has been developed in European ports and used for decades," says Mr Broers.

Although the port infrastructure is still under development, commercial operations are already under way.

Located in the Wusta Governorate, the Port of Duqm - which is expected to generate some 15,000 direct jobs - will provide a logical gateway for the hinterland's hydrocarbons and mineral resources, such as limestone, silicate sand, dolomite and basalt, among others. Smart investors would tap into these minerals to develop new industries, like cement and glass, to add further value.

New roads and railways will ensure that Duqm is well connected, not only to the rest of Oman, but also to the Arabian Peninsula. The airport, due to be finished by 2015, will have capacity for half a million passengers per year. ●

**Oman's new centre for trade and industry**

**The Port of Duqm** represents a new chapter in Oman's infrastructure expansion.

**Located on the Arabian Peninsula's eastern seaboard**, the port forms a key part of Duqm's development as a multimodal, business-friendly destination.

**The port's strategic role** - as an export point for the hinterland's mineral wealth, as a flourishing logistics and transshipment hub and as a supply port for the country's upstream and downstream oil & gas industries - underline its role at the forefront of Oman's economic development and diversification.

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