

the business year



OMAN 2021/22

Vision 2040 Special Edition



Sultanate of Oman سلطنة عُمان
وزارة التجارة والصناعة وترويج الاستثمار
Ministry of Commerce, Industry & Investment Promotion



DIPLOMACY | ECONOMY & INVESTMENT PROMOTION | FINANCE | VISION 2040 | 4TH INDUSTRIAL REVOLUTION | ENERGY & MINERALS

ICT & DIGITAL INNOVATION | GREEN ENERGY: POWER, WATER & SUSTAINABILITY | TRANSPORT & LOGISTICS

CONSTRUCTION & REAL ESTATE | AGRIBUSINESS & FISHERIES | HEALTHCARE, EDUCATION & RESEARCH | TOURISM & RETAIL



Image: Ashraf Hamdan



THE BUSINESS YEAR: OMAN 2021/22

Oman, for some time, has been a nation on the move. An integral part of the GCC, it is also seeking to extend its influence further afield via the development of port infrastructure that is set to make it a firm fixture on the East-West transport route.

But Oman isn't developing unguided, instead sticking faithfully to Vision 2040, a wide-ranging, ambitious blueprint that foresees the development of a diverse, sustainable economy unshackled by a reliance on oil and gas, which currently plagues much of the region.

And as 2021 nears an end, the country also sees an end to the pressures COVID-19 inflicted on its economy, stifling growth in sectors from transport to tourism. It was in this environment, however, that the majority of research was carried out for this publication. Sitting down with top business leaders across the country, we were able to gauge first hand just how Oman's recovery is shaping up, and what long-term lessons might be learned from the health emergency.

While oil may not feature heavily in its long-term plans, it will certainly be a key factor in the country's development for years to come. Oman was, however, wise enough to budget for 2021 based on a low price per barrel, meaning that a resurgent barrel has left plenty of room for maneuver as the government budgets for the coming term. In late 2020, the country also tasked the newly formed Energy Development Oman (EDO) with investing in alternative and renewable energies, providing a sense of how Oman hopes to invest its way to a more sustainable future.

This publication, our eighth annual publication on the Gulf economy, has a distinct focus on Vision 2040, with the scheme, in the wake of COVID-19, never having been more relevant. Through interviews and analysis, we hope this work provides the reader a clear reading on Oman's current investment climate, as well as a glimpse at the future shape of its business environment. ✖

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ISBN 978-1-912498-84-0

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EXECUTIVE SUMMARY

With the worst of COVID-19 now behind it, *Oman* is keen to continue to grow its position along the East-West trade route as it continues to shed its reliance on oil and gas.

COVID-19 struck Oman in much the same way as its GCC neighbors alongside an equally economically damaging drop in oil prices. However, with the worst of the pandemic over, and oil prices once again packing a punch, Oman is well positioned to continue its push toward diversification via the development of new sectors and transport infrastructure that is making it a key stopover on the East-West trading route.

DIPLOMACY TALKS

While diplomatic squabbles are not new to the GCC, Oman has never been party to any major disagreement, instead acting as a mediator when challenges arise. The man behind this success is former foreign minister Yusuf bin Alawi bin Abdullah, who stepped down in August 2020. Bin Abdullah played a crucial role in allowing Oman to be seen as the Switzerland of the Middle East and was replaced by Sayyid Badr Albusaidi, who took the bold decision to hold off formalizing diplomatic relations with Israel as many of the country's neighbors rushed to do so, following in the footsteps of the UAE. Oman also continues to play a key role in mediation efforts in Yemen and between Iran and the wider GCC.

REBOUND

The Omani economy is expected to rebound in 4Q2021 and over 2022. This is following the dual blow of fluctuating oil prices and the COVID-19 pandemic, which, according to the National Centre for Statistics and Information (NCSI), led to more than 215,000 expatriate workers leaving Oman from March 2020 to March 2021. However, after the opening of borders in September 2021, positive indicators have begun to trickle in. According to the International Monetary Fund, GDP is projected to grow around 2.5% in 2021, with a 3% average growth rate predicted over the coming years. In early January 2021, the 10th five-year development plan (2021-2025) and the 2021 state budget were issued by royal decree, and have a strong focus on recovery. The national recovery plan consists of four key themes, 14 national priorities, and 82 strategic objectives. It aims to expand the economic diversification base, achieve fiscal sustainability, create public-private partnerships, redirect aid to SMEs, attract FDI, and boost the labor market.

QUITE THE VISION

Oman's Vision 2040 began life with the late Sultan Qaboos bin Said,

and has since been endorsed by his successor, His Majesty Sultan Haitham bin Tariq. The wide-ranging blueprint contains plans to transform Oman into a sustainable, diverse economy. Unlike other similar but complex documents, Oman Vision 2040 featured revised indicators for each sector and straightforward targets for 2030 and 2040. These indexes aim to present gradual improvement in each dimension of society and come alongside policies and programs. Vision 2040 has three main pillars: People and Society, or health and wellbeing, heritage and identity, and the development of skills; Economy and Development, which refers to economic diversification and the role of the private sector, the preservation of the environment, and the development of world-class infrastructure; and Governance and Institutional Performance, which aims to improve government effectiveness such as transparency and the rule of law.

NEW REVOLUTIONS

The Fourth Industrial Revolution, as the infusion of high-tech solutions into manufacturing has come to be known, has arrived in Oman, helping to drive automation and efficiency via the introduction of cutting-edge technology and smart systems. Indeed, it forms a key part of Vision 2040. And there are already signs that the local manufacturing sector is on the up—according to NCSI, industrial activities reached a value of OMR3,122,300,000 by the end of 2Q2021, compared to OMR2,785,100,000 the previous year, an in-

crease of 12.1%. As well as boosting local production, the government sees the development of a stronger manufacturing sector as key to its plans of increasing FDI, bolstering SMEs, and empowering the private sector.

CHANGING ENERGIES

Despite its long-term strategy to lower its oil dependency, Oman’s budget for 2021 was created with the assumption that the average oil price per barrel will be around USD45. Expected net oil revenues were estimated at OMR3.5 billion of the budgeted total revenues of OMR8.6 billion, which would have resulted in a deficit of OMR2.2 billion had the price of crude oil not increased to 150% of the predicted value.

As a result of positive energy trends, the economy has some room to recover. In order to monetize its oil reserves in these challenging times, in December 2020 the government established Energy Development Oman SAOC (EDO), an entity with the mandate to invest in conventional, renewable, and alternative energy sources. A few months before that, in order to achieve its international ambitions, Oman saw the creation of OQ, a global integrated energy company that provides end-to-end products, services, and solutions both upstream and downstream. With these major structural shifts, the Sultanate aims to create an environment that is easy to understand and navigate by both local and foreign players. ✖

GDP PER CAPITA (2019)

SOURCE: WORLD BANK

USD15,343

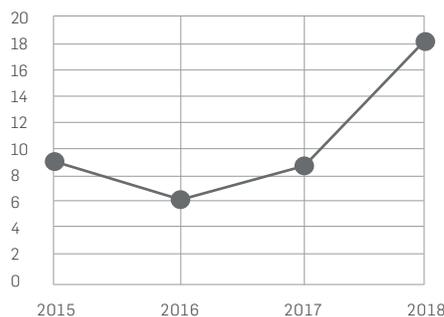
INFLATION (2019)

SOURCE: STATISTA

0.13%

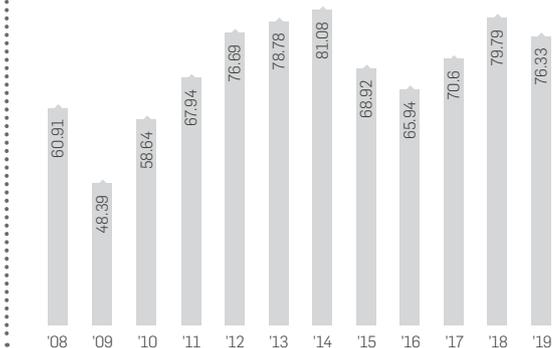
TRADE BALANCE (USD BN)

SOURCE: FOCUS ECONOMICS



GDP (CURRENT PRICES, USD BN)

SOURCE: THE WORLD BANK



DECEMBER 24, 2020

His Majesty Sultan Haitham bin Tarik announces Vision 2040, a wide-ranging blueprint for economic and social development.



JANUARY 3, 2021

The Official Gazette publishes two royal decrees regarding the 10th Five-year Development Plan and the 2021 state budget. The national plan is expected to generate **135,000 job opportunities**, reduce the deficit to **1.7% by 2024**, and achieve a surplus by 2025.

JANUARY 12, 2021

Sultan Haitham appoints his eldest son, Dhi Yazan bin Haitham, currently Minister for Culture, Sports, and the Youth, as **Oman's first-ever Crown Prince**.



JANUARY 5, 2021

Vodafone becomes the **third telecoms operator in the Sultanate**.

APRIL 15, 2021

The Sultanate introduces a 5% VAT, which will help it **generate around OMR400 million in revenue annually**.



SEPTEMBER 1, 2021

Oman's tourism sector **reopens its borders** to fully vaccinated tourists.

SEPTEMBER 4, 2021

The Public Establishment for Industrial Estates (Madayn) announces **plans for the establishment of a new industrial city, Saih A'Saraiyya**.



OCTOBER 5, 2021

Crude oil prices reach nearly USD80 per barrel, **the highest level since the beginning of October 2018**.

SEPTEMBER 29, 2021

The Ministry of Commerce, Industry and Investment Promotion (MoCIIP) launches **the Investors Residency Program**, which grants foreign investors and retirees the possibility of long residency in Oman.



OMANI RIAL

PEGGED TO DOLLAR AT

OMR2.6 TO USD1

1 RIAL IS DIVIDED INTO

1,000 BAISA

POPULATION (2019)

SOURCE: NCSI

| | |
|-------|--------------------|
| Omani | 2.6 MILLION |
| Expat | 1.9 MILLION |

TOP TRADING PARTNERS (2019)

SOURCE: NCSI

| NON-OIL EXPORTS | IMPORTS |
|------------------------|----------------|
| UAE | China |
| Saudi Arabia | UAE |
| India | US |
| China | India |
| Qatar | Japan |



Diplomacy

OMAN ON A MISSION

Oman has been championing regional diplomatic dialogue ever since Sultan Qaboos bin Said ascended to the throne in 1970.

For the past 50 years, the country has never cut off diplomatic relations with other states and has been praised for its distinct foreign policy that promotes stability and cooperation in the GCC and the broader region. The person that helped the Sultan ensure Oman was the Switzerland of the Middle East, Yusuf bin Alawi bin Abdullah, retired from his role in August 2020, after serving as Minister Responsible for Foreign Affairs for 23 years.

Since then, his successor Sayyid Badr Albusaidi has also proven his long-term outlook, neutrality, and pragmatism. One example of that was the decision to hold off on formalizing diplomatic relations with Israel, in light of the increased tension between the Jewish state and Palestine. Oman was also the first GCC country to order the return of its ambassador back to Syria. As the neighbor of Yemen, one of the most war-torn countries in the world right now, Oman also didn't shy away from making the first move in bridging the gap between the warring sides there, by sending a delegation to Sanaa in May 2021. The country also continues to play an important role as a mediator between Qatar, Iran, and the rest of the world.

While diplomacy will continue to be in the spotlight when talking about Oman, international relations have moved beyond that, and the Sultanate has also started actively looking at economic diplomacy as a way of driving growth. Through various cooperation agreements, including in the field of trade, security, and intellectual property, the country ensured its diplomatic

ties were backed by actions and not just words. As one of the consequences of the pandemic was increased trade protectionism and nationalism, it became even more important for Oman to strengthen its bilateral relations with the other GCC states and the world as a whole.

As a result of its proactive economic diplomacy and ambition to attract FDI in spite of the pandemic, Oman saw an increase in terms of volumes of FDI over the past year, with the most important contributors being the UK, the US, the UAE, Kuwait, Bahrain, China, Qatar, the Netherlands, India, and Switzerland. While most of those investments still go into the oil and gas sector, the Sultanate is encouraging companies to invest in other sectors and make use of the bilateral agreements already in place, including the FTA with the US. As Oman also recently became the first country in the region to completely fulfill the requirements of the WTO's FTA, the country is sending clear signals to foreign companies that it is open for business.

As Oman wants to continue to be seen as a safe haven in the Middle East that embodies political stability, after the passing of Sultan Qaboos bin Said in January 2020 the country went through some major restructuring in its cabinet. Despite the lack of a clear procedure for selecting His Majesty's successor, the country saw a smooth and efficient leadership transition. However, in order to ensure the stability of political rule moving forward, in January 2021 Sultan Haitham appointed his eldest son as Oman's first ever Crown Prince, a decision that mirrors the succession traditions of the rest of the Gulf states. A leader in foreign policy, the Sultanate has now successfully taken the path of ensuring its internal political stability as well. ✖

FOCUS

Oman-Saudi relations

HAPPY NEIGHBORS

Few international political ties in history have been as much of a win-win deal as those between Riyadh and Muscat.

IT IS NO SURPRISE THAT the Kingdom of Saudi Arabia (KSA) and the Sultanate of Oman have strong bilateral ties that go far back in history. These ties are due to shared interests, geographical proximity, and—above all—linguistic, cultural, and religious commonalities. Over the years, and even before the signing of the charter for the GCC in 1981, there has hardly been a single glitch in Riyadh-Muscat relations.

What is more, Oman follows a more lenient policy toward certain countries in the region such as Iran, which are not currently on the best of terms with KSA. In such cases, Oman has acted, on more than a few occasions, as a well-wishing mediator, sparing the region from unwanted friction, a boon given the amount of tension already going on in the Middle East. Oman also took on its usual role as a mediator for the KSA during the previous fallout between Qatar and the GCC.

In the case of Qatar, Muscat's efforts fortunately resulted in the lifting of the blockade and the renewal of diplomatic ties between all GCC member states and Qatar. The case of Iran, however, may be trickier, although there are signs that—thanks to Muscat's efforts—the hostilities between Tehran and Riyadh are declining. In May 2021, Saudi Crown Prince Mohammed bin Salman noted "Iran is a neighbouring country, and all we aspire for is a good and special relationship with Iran" during a televised interview, adding "we do not want Iran's situation to be difficult. On the contrary, we want Iran to grow."

Iran has similarly changed its tone toward the KSA, with a few high-ranking Iranian officials noting there is no unresolvable animosity between Tehran and Riyadh. This happened after Iranian Minister of Foreign Affairs Mohammad Javad Zarif dropped by Muscat earlier this year for a visit, which confirms Oman's positive role in the de-escalation of political tension in the region.

The KSA and Oman, which share a lengthy border, have a relatively large trade volume, as well. The value of Saudi exports to Oman, such as dairy and other edible products, plastics and petrochemical products, and steel, among many others, exceeds USD800-1,000 million. Oman, in return, exports metal ore, green-water seafaring vessels, organic chemicals, and livestock to the KSA. It is estimated that Oman's exports to the KSA have outweighed Saudi exports over the last three years, creating a positive trade balance of up to USD600 million for Oman.

The survival of many SMEs in Oman depends on their ability to find their way into the Saudi market—the largest and most vibrant

market in the region. Said Al Rashid, CEO of Oman Manufacturers Association (OMFA), told TBY recently that "exporting to Saudi for some of our manufacturers is essential because it is the largest market in the region." Maintaining excellent political ties with this largest market in the region is exactly what Omani diplomats and policymakers in Muscat are working toward with remarkable success.

Given the importance of bilateral ties between the two neighbors, it is hardly surprising that the newly sworn in Sultan of Oman Haitham bin Tariq al-Said made his first overseas official trip to Saudi Arabia. The Omani Sultan was welcomed by King Salman of Saudi Arabia in July 2021 where the two leaders discussed trade, regional security, and investment. Sultan Haitham bin Tariq al-Said was separately greeted by Saudi Crown Prince Mohammed bin Salman.

"The Saudi cabinet authorized officials to prepare and sign draft agreements with Oman in fields including commerce, culture, investment promotion and post and transport," according to Al Jazeera citing a report by Bloomberg. The business-related cooperation will be welcome news for the Omani side, which has been trying to fight unemployment and keep the country's debt in check in recent year.

Relations with the KSA can indeed affect the economy of Oman. Saudi investments have often been the lifeblood of Oman's economy. A large investment may soon be made in the form of a Saudi-backed industrial zone in Oman. The idea of a joint Saudi and Omani special economic zone was unveiled during a meeting between high-profile delegations from Riyadh and Muscat in June 2021. The proposed special economic zone can cluster Saudi investors together in a particular area in Oman and thus create synergy, while cutting down on the costs of cross-border transportation for Saudi industries based in Oman. The required workforce, meanwhile, will be mainly Omani, which can alleviate the unemployment problem in Oman.

If past events are anything to go by, Riyadh-Muscat ties will only prosper in the foreseeable future due to several strategic co-dependencies: the KSA and its investments boost Oman's economy. Meanwhile, Muscat is a reliable ally of Riyadh, which can—with thoughtful mediations—help the Kingdom out of political stand-offs in the region and beyond thanks to Oman's progressive diplomatic approach and its competence in using dialogue to solve ostensibly difficult issues. ✖

An aerial view of a Muscat neighborhood



A view of Muscat, the capital city of Oman

FISCAL BALANCE (% OF GDP)

SOURCE: FOCUS ECONOMICS

| | |
|------|--------------|
| 2015 | -17.6 |
| 2016 | -21.1 |
| 2017 | -13.9 |
| 2018 | -8.7 |
| 2019 | -9.1 |

UNEMPLOYMENT RATE (%)

SOURCE: FOCUS ECONOMICS





Economy & Investment Promotion

QUICK REBOUND

The Omani economy is expected to experience a major rebound in the last quarter of 2021 and over 2022. This is following the dual blow of fluctuating oil prices and the COVID-19 pandemic, which, according to the National Centre for Statistics and Information, led to more than 215,000 expatriate workers leaving Oman from March 2020 to March 2021.

However, after the opening of borders in September 2021, positive indicators have begun to trickle in. According to the International Monetary Fund, GDP is projected to grow around 2.5% in 2021, with a 3% average growth rate predicted over the coming years.

In early January 2021, the 10th Five-Year Development Plan (2021-2025) and the 2021 state budget were issued by royal decree, with a strong focus on recovery. The National Recovery Plan consists of four key themes, 14 national priorities, and 82 strategic objectives. It aims to expand the economic diversification base, achieve fiscal sustainability, create public-private partnerships, redirect aid to SMEs, attract FDI, and boost the

labor market.

According to government authorities, the 10th Five-Year Development Plan will generate 135,000 job opportunities and reduce the deficit to 1.7% by 2024. Elaborating further, Nasser Rashid Al Mawali, the undersecretary of the Ministry of Economy, specified: “In an effort to generate decent employment opportunities for Omanis, the plan was designed to achieve a priority socio-economic goal including developing human capital, enhancing economic activity and growth, achieving equitable development among governorates, and improving fiscal performance.”

In this chapter, we interviewed a wide array of public and private institutions facing a variety of challenges post COVID-19. For the recovery to aid in the development of a more sustainable recovery, the government has made clear its intentions to incentivize digitalization efforts, and the buzzword was never far from the lips of the people we sat down with. In the coming years, observers will truly begin to see whether it has paid off. ✖

A mixed-use real estate development in Muscat



Image: Jahidul-hasan



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Oman Hotel



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Oman Chamber of Commerce and Industry



Identity

Oman Chamber of Commerce and Industry (OCCI) is a private institution of public benefit which aims to organise the commercial and industrial interests of its members, develop, defend, and represent them in various fields.



Vision

Developing the Omani private sector to be an essential partner in sustainable economic development.



Mission

The official representation of the private sector locally and internationally, serving and developing its interests using innovative tools that integrate into the business community.

Corporate Values

OCCI values are derived from the word "TEAM", as each letter is a symbol of an institutional value that promotes the teamwork and ensures participation with various parties in achieving economic development objectives.

Confidence

Building professional Capacity, and activating Community communication channels.

Empowerment

Strengthening expertise and expanding the decision-making space.

Achievement

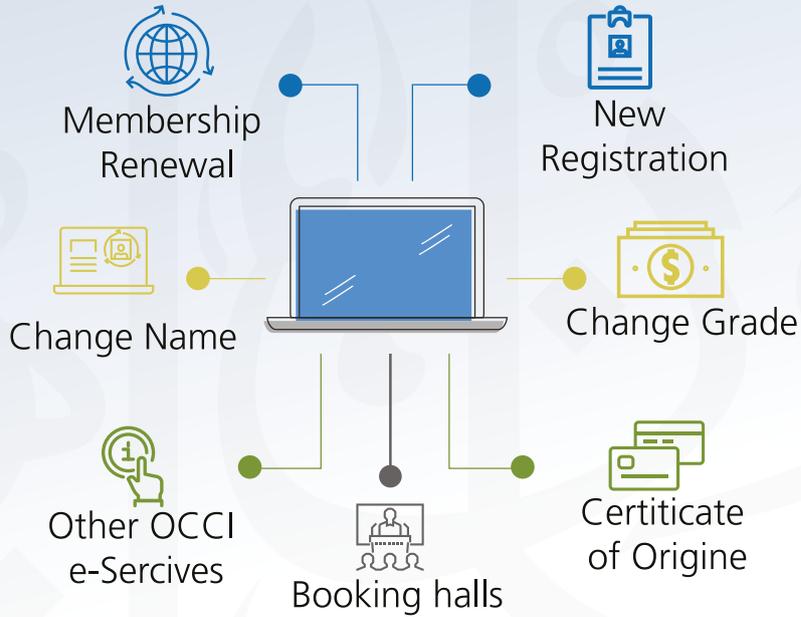
Implementation of functions associated with outcomes and optimal use of resources.

Significance

Focusing on common values and providing added value to work.



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Redha Bin Juma Al Saleh
CHAIRMAN,
OCCI



Al Fadhal Abbas Al Hinai
CEO,
OCCI

OMAN CHAMBER OF COMMERCE AND INDUSTRY (OCCI)

As the main representative of the private sector, OCCI works to organize, develop, defend, and represent commercial and industrial interests in various fields in the Sultanate.

What specific measures has OCCI taken to support its members in light of COVID-19?

AL FADHAL ABBAS AL HINAI The pandemic has affected many companies in the Sultanate, especially since SMEs constitute more than 85% of private-sector companies. OCCI has been quick to study the challenges faced by the private sector and is working with the competent authorities to find a package of incentives such as the exemption and reduction of a number of government fees. The chamber has also prepared a number of economic reports on the effects of the pandemic in various sectors in order to work with the relevant authorities and coordinate to provide incentives that enhance the capacity of the private sector and minimize the financial pressure caused by the pandemic.

REDHA BIN JUMA AL SALEH OCCI has worked in coordination with several authorities to enact measures and incentives aimed at reducing the pressures suffered as a result of the current economic conditions. These include a contribution of OMR1 million to the Job Security Fund; urging private-sector institutions to shift to remote work, abide by the requirements of general hygiene and prevention, and apply health and safety standards in the work environment; and contributing to the Endowment Fund to support health services, designated to support the fight against COVID-19.

How will relations between the local and foreign private sector develop in the future?

AFAAH We look forward to the development of strategic relations based on a real partnership so that the benefits are returned to the national economy. We want the private sector to benefit from the transfer of advanced technology in various fields of investment, enhance research and development opportunities, transfer global market experiences to the local market, and develop the local private sector so that it is able to compete in the regional and global markets. This

can be achieved through the tools available in OCCI, such as exchanging trade delegations, organizing joint exhibitions, and sitting on common tables to discuss investment opportunities offered by the government.

How is OCCI working to find new opportunities for business continuity?

RBJAS OCCI provides an integrated set of services such as: contributing information, data, and studies to assist in making investment decisions; exploring investment and commercial opportunities and introducing them to interested parties; finding the appropriate facilities and support capabilities for products and services provided by the private sector; discussing the problems and obstacles faced by establishments; providing legal, economic, and other advice in the management of projects; introducing the latest developments in the regulations, instructions, and economic trends related to their activities; developing investment and commercial relations between business owners and their counterparts; working to develop the activities carried out by the private sector, raise the level of its performance, and boost its position in the structure of the national economy; improving the business environment and resolving commercial disputes; expressing business owners' points of view on economic trends, legislation, and procedures; and carrying out the procedural work that regulates the relationship of establishments and their dealings with other parties.

How does OCCI facilitate high levels of cooperation between the public and private sectors?

AFAAH The chamber, in its capacity as the official representative of the private sector in its various activities, is a member of many government committees aimed at coordination and integration between the public and private sectors. The private sector is expected to play a pivotal role in economic development by focusing on important economic sectors. ✖

BIG *data*



NCSI has played a key role in collating and publishing all the key data from around the Sultanate and measuring the progress made in important areas.

Khalifa Al-Barwani
CEO,
NATIONAL CENTRE FOR STATISTICS
AND INFORMATION (NCSI)

What interesting trends did NCSI decide to measure as a result of the COVID-19 pandemic?

In 2020, we did not stop gathering data, though many other countries did. We did the 2020 census, which was a major project, though it went smoothly, and we even broke the global record by publishing all our data in 48 hours. COVID-19 changed the culture of thinking, and we decided we needed to update many things. It showed that we need to move toward automation in our work. As a statistics agency, we move more with opinions than facts. We want to gauge people's attitude with COVID-19. It was an interesting research, and we shared it with the policymakers. We seek to combine opinion with facts. It is not necessary to survey people in person, so we have a call center that gathers information. Then, we connect it with the data and bring both together. Quality assurance is extremely important, so we also try to reduce errors of collection by having many data sources. Policymakers can then see what the data and people say, as sometimes numbers do not tell us everything.

What other innovative statistical tools are you using at the institute right now?

The statistical law in Oman gives us the right to acquire data from any entity, so we bring the data together and standardize them, because if the data is collected differently, it cannot be analyzed and compared. We also try to work with big data. Oman is leading in big data in terms of mobiles. In 2020, we were able to use mobile data to track international tourism, internal tourism, mobility, and even major populations in small localities. From this data, you can see how many people are somewhere in a day and track the trends in tourism. According to the UN, we were the first country in the world with this technology.

How can you serve international businesses and investors with your services?

2020 for NCSI was a successful year, as we were the second country in the world to enable open access to data. The census and big data are open access and available online, so businesses can see where, when, and what they can invest. We have a website and a mobile app called Manafeth where one can find information about international trade of commodities. They can see where the opportunities lie and what Oman imports from each country in terms of quantity, cost, and regions.

How important is increasing the amount of research in Oman to achieving Vision 2040?

One of our responsibilities is to be ready to measure progress. There is already a target for 2040; therefore, it is important for policymakers to know how we are moving toward the target. We are preparing to measure all these indicators, and we have built methodologies that not only apply to Oman but are international. It is important that our indicators follow international methodologies, so they can be compared with other countries. In 2021, we are comparing data with that from 2020. The pandemic has affected many businesses; many indicators show this, and the trend can be seen worldwide. The great news is that the tourism sector, for example, was affected instantly, but it also bounced back quickly.

How is Oman performing in regard to the Sustainable Development Goals (SDGs)?

We are not able to measure all the SDG goals, and there is much more to be done. No country was able to measure all the SDG goals, with Europe able to only measure 60% of the indicators. We are trying to use administrative data, as the collection of data is expensive. We are aiming for 82% of our data to be from administrative sources and the field and opinion to be 16%. With the SDGs, we have achieved housing sector and education, but there are other indicators pending. ✖

2020 census data was published in just 48 hours

Manafeth website gives investors access to data about international trade

Predicts Oman's GDP to grow by 7.4% in 5 years

BIO
Khalifa Al-Barwani has been CEO of NCSI since 2013, as well as being a member of the board of directors of the Executive Committee of the General Authority for Manpower Register. He is a member of board of UNESCO Institute for Statistics and also sits on other boards and committees in Oman. He holds a PhD in population studies from the University of Liverpool in UK.

TBY ANALYTICS OMAN 2021

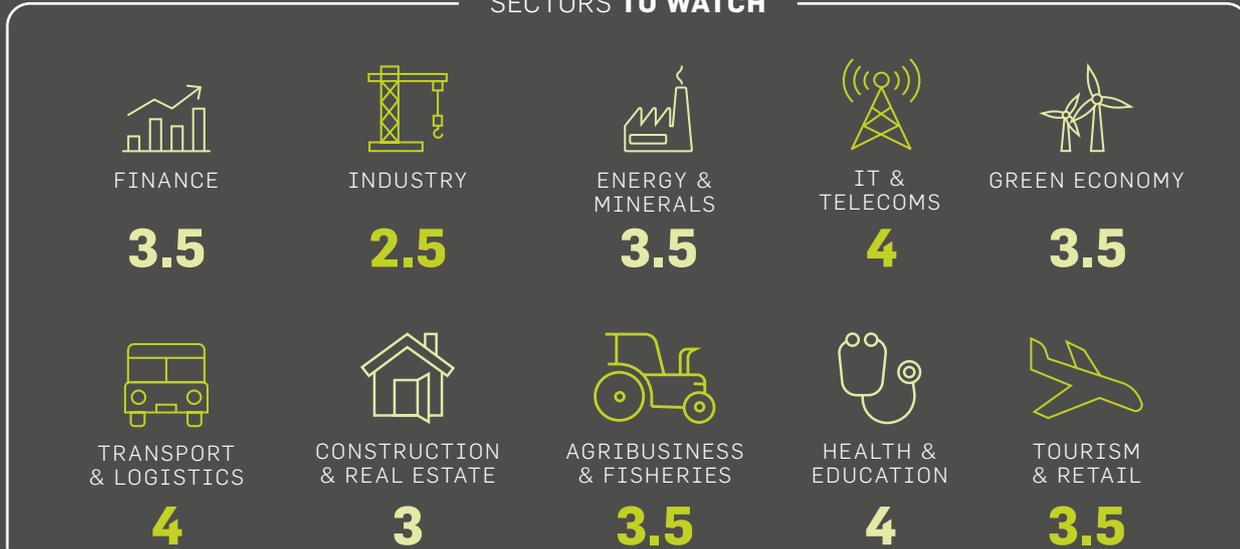
148 interviews were conducted for *The Business Year: Oman 2021* Analytics.

BUSINESS CONFIDENCE INDEX

How confident are you about the outlook for business in Oman this year (1-5)?

3.5
AVERAGE RATING

SECTORS TO WATCH



ADVANTAGES & CHALLENGES

What are the most commonly mentioned advantages and challenges of doing business in Oman?

ADVANTAGES

- Mandatory health insurance
- Government support for private sector and SMEs
- Vision 2040
- Recovering oil prices
- Push for import replacement
- Access to wealthy regional markets
- Bold renewable energy targets
- Growing recognition of "Made in Oman" brand

CHALLENGES

- COVID-19-related impact on all sectors
- Bureaucracy and red tape, outdated regulations
- High raw material costs and shortages
- High telecoms prices
- Lack of electric vehicle infrastructure



LOOKING TO *the future*

OIFC is focusing on digitalizing and introducing smart systems all in a bid to be part of the goals of Vision 2040.

Said Ahmed Safrar
CEO,
OMAN INVESTMENT & FINANCE
COMPANY (OIFC)

What is the strategic reasoning behind your merger plans with Gulf Investment Services Holding Co (GIS)?

The merger with GIS was part of our own diversification. We took over the company by offering them cash bonds and shares in OIFC which was a good deal for both sides. The result for that was an increase of our own capital by about 12%, with the rest paid partially in cash and partially over a five-year bond with a cover rate. We are striving to find similar companies in the future and replicate the merger. The time for consolidations and mergers is now, and people would do well to set aside issues of ego to explore the benefits and synergies that can be built with other institutions to advance their own businesses.

How are you expanding your mobile app, and what other technologies are you bringing to your operations?

As a service provider to the service providers, we are the middle institution that serves the end user or the public. We constantly come up with solutions that are safe and fast for the customer and bring the service providers quick revenues, stability, and customer service. We are now a publicly listed company, with more than 2,300 shareholders and a huge network with about 64 branches and an Omanization rate of above 95%. We provide a centralized collection point for customers for payment of all their electricity, water, and telecom utilities in addition to collection of Public Authority for Social Insurance monthly subscription and recharge services offered for all telecom operators and all electricity distribution companies in the Sultanate as well as recharge services for global top dominant online entertainment platforms and gaming solutions through our e-store services. We rely on the bank's system to protect client security and make sure there is no customer data breach. We became the one place to do all your transactions quickly, accurately, secure, and

encrypted, which helps people save their own information in one system. It also gives all service providers more time to create their own designs, plan for their own products, services, and offers, and serve their own clients with greater freedom. Besides that, we have an exchange company mandated also to accept bill payments at its 21 branches. Also, we have installed additional bill payment machines in strategic locations to provide more payment outlets for our valued customers. We now have 54 such machines functioning in all major wilayats of the Sultanate. We serve close to a quarter million clients on a monthly basis, doing technology-based transactions through our own platforms, which were not there four or five years ago. We are now striving to add more services with different government bodies.

What sectors are you looking to adding to your range of services?

We currently have investments in banking, brokerage, finance, exchange companies, as well as a power station construction company. Besides that, we own 40% of an investment fund and have other small investments in a number of publicly listed companies. In a unique investment of ours, we are the single-largest company in the country that acquires bad debts. We buy those debts as we have the network for the entire billing of water, electricity, and telecoms, which helps us to process the settlements. And now we are keen to replicate with our acquisition of GIS. We are in a place where we should invest locally, but we have to keep an eye on the regional and international markets, as the cost of funding some places in the world is much cheaper than in Oman. We have a highly supportive board of directors that is pushing us to further go for greater investment and more benefits for their own shareholders. ✕

Capital increased by 12% after merger with GIS

64 branches and 54 bill payment machines functioning in all major wilayats of the Sultanate

BIO

Said Ahmed Safrar holds an MBA from the University of Hull in the UK, with more than 27 years of professional experience in the banking, telecoms, and investment sectors. He was chief customer experience officer with Omani Qatari Telecommunications Company SAOG (Ooredoo) before joining Oman Investment and Finance Co SAOG as CEO in 2014. He is a board member of Sohar International Bank SAOG, Financial Corporation Co SAOG, Taageer Finance Company SAOG, Dhofar Generating Company SAOG, Wasel Exchange SAOC, and The First Mazoon Fund. He completed a senior executive leadership program at Harvard Business School.



Faisal Mohamed Al Yousef
CHAIRMAN,
MUSCAT FINANCE

THE LONG *game*

Muscat Finance has been able to build the right foundations to capture growth opportunities for the long term even in difficult times.

BIO

Faisal Mohamed Al Yousef is a Chartered Certified Account (FCCA, UK) with a bachelor of science degree in economics from the School of Oriental and African studies, UK. He worked with Ernst and Young as an audit specialist before becoming the CEO of Al Yousef Group LLC. He represents the Al Yousef Group on the boards of various investee companies as deputy chairman of Cactus Premier Drilling Services SAOC, Truckoman Oil and Gas Services SAOC, and Al Ruwad International School. Presently, he is also a board member of Bank Dhofar and Al Anwar Investments.

As the Sultanate posted over 10% GDP growth in 4Q2021, what trends have you spotted in the financial private sector?

With the country being predominately hydrocarbon revenue dependent, and oil prices rising, this will naturally help the government move closer to balancing its fiscal deficit. The government will be in a better position to pay off the amount due on all completed projects. The entire banking and leasing sectors were affected by the credit crunch caused by the decline in oil prices. The government, as the primary economic growth driver for many years in the country, was undergoing pressure due to the decline in oil revenue, which caused a significant rise in budget deficit from 2016 onwards. The government had to take drastic measures in order to sustain the long economic development plan for the country and its people. These avenues included increased taxes and the introduction of VAT and took severe austerity measures. Whilst there are always positive and negatives with all these measures, we rely on the patience of the Omani citizens and the educated among us to explain how these measures in fact will bring more prosperity in the long term. For example, VAT taxes were added mostly for discretionary items. It is time for us to think, should we be spending all these amounts on goods which we could do without. As most of these goods are imported, in fact, this is our wealth being transferred to other nations. More importantly, 2021 marks the commencement of the next five-year plan (2021-2025). Oman can now embark and speed up the investments that are planned in order to bring economic growth and prosperity to the whole nation in a more balanced way, as there is a greater focus on the individual. Investment in education and health system also take prominence in the plan and 2040 vision. This is very important, because like we have seen the speed at which many industries and economies globally have been disrupted, it is only with the right education that we will be able to capture these trends and react early and in the right way. The private

sector is expected to take a more active role on all these fronts. Through bringing more balance to prosperity across the nation, vision 2040 and the first five-year plan has a focus on regional development.

How relevant are the short to medium-term objectives for Muscat Finance in terms of the challenges of COVID-19?

IT investments are no longer a discretionary choice, they are a necessity and are the basic requirement to continue in any business. IT touches various aspects of business; assists from a control point of view and produces economies of scale and creates cost leadership position in the product offering. The IT sector is also essential in improving data mining. Leading global companies such as Google, Facebook and Uber have data as their unique competitive advantage. They anticipate the trends in behaviours of the consumer, and they take advantage of these by offering bespoke advertising and pricing on a specific product offering and at the maximum price of the consumer's demand curve. Muscat Finance aims to work in a healthy, profitable and balanced ecosystem. The loan book of banks has been falling since 2016, since the drop of oil prices. With the financial crisis, and with the aim of maintaining the loan book, banks have been trying to seek good quality credit. Therefore, instead of lending traditionally to finance leasing companies (FLCs), banks started to lend directly to FLCs customers. This affected Muscat Finance and other FLCs. There is an opportunity for Muscat Finance to work with banks and take over the "toxic assets" from their loan book so that banks can rebuild their capital base through release of provisions for these assets. Muscat Finance can also benefit, since from a long-term point of view these assets will increase in value. Muscat Finance has always taken a long term perspective. We are here for the long term, and there is no doubt that the banking and finance sector will emerge strong from the current crisis. ✖

building CONNECTIONS

OABC's initiatives are all aimed at building strong relationships and demonstrating Oman's openness to business and investment.

Rebecca Olson
EXECUTIVE DIRECTOR,
OMAN AMERICAN BUSINESS CENTRE (OABC)



What have been some of the initiatives that have helped keep your network connected over the past year?

OABC has been extremely active in Oman for almost two decades and is best known for its high-level networking, professional seminars, and other business events, which were traditionally done in person. When the pandemic hit, we adapted quickly to move everything online. This has provided an opportunity to remind members that OABC is not only an events-focused organization but rather a trade-focused US Chamber of Commerce affiliate and professional network. During the pandemic, OABC introduced executives and member companies to each other via email, digital events, and Zoom professional networking sessions. OABC surveys its member companies about their needs during the pandemic, and we send updates regularly with important news, from opportunities within different sectors to regional travel guidelines and key legislative or tax changes. We have also launched a mobile app for companies to offer member-to-member benefits, and we have built strong connections with other AmChams in the GCC region.

Which sectors are currently exhibiting the most potential for investment by American companies?

There are opportunities in several sectors, including fisheries, mining, tourism, manufacturing, logistics, plus IT/data centers, education, and sustainable tech/green hydrogen. 50 new opportunities were put forth in the manufacturing and industrial sector recently by the government, and a portal will soon be launched outlining details of many more. The Omani government is ex-

remely open to supporting investors, and willing to cooperate and incentivize business in a variety of ways. Finally, the country itself is extremely welcoming, peaceful, and stable, with a prime location in the region, outside the Strait of Hormuz. Exporters are happy to know that the Port of Salalah has a 2-week direct line to the US. As an American myself, I personally enjoy the freedom and benefits the FTA offers: we are always looking to share the many positives of life and business in Oman with companies looking to come to this region.

How does the OABC promote the US Oman FTA, as well as trade and investment between Oman and the US?

The FTA will celebrate its 12-year anniversary this year. Since its inception, trade between Oman and the US has more than doubled. As Oman is one of just 20 countries in the world with a US FTA, it is imperative that businesses and people know how to access information about to take advantage of it. OABC constantly finds new ways to promote its benefits and invite Omani, international, and American companies to explore the FTA further. We do this by hosting events, webinars, and workshops to help Omani companies navigate entry to the US, and for US companies to learn more about current opportunities in Oman. We make B2B introductions between companies looking to import U.S. products or find distributors for Omani products. We also heavily promote the Oman-US FTA via several channels. This year, in partnership with the US Embassy Muscat and MOCIIP, we have created a short film highlighting success stories of American, Omani, and foreign investors profiting from the FTA. Our members

had an opportunity to sit down with His Excellency, Qais Al Yousef, at the Ministry of Commerce, Industry and Investment Promotion for an exclusive virtual majlis event this year where he answered open-ended questions from the private sector and shared about Vision 2040 and upcoming opportunities for investors in Oman. This event is a great example of private/public sector discussion and the sorts of sessions that OABC hosts for its members, which help to build strong relationships and show Oman's openness to business and investment. One of our goals in 2021 is to see the opening of a US commercial office in Washington DC, which would greatly improve trade and support Omani companies entering the world's largest market. ✖

BIO

Rebecca Olson has been in Oman since 2013 and leads the staff team at OABC. After completing her masters of science in communications and global business at Rochester Institute of Technology, she gained over 10 years of experience working in public relations and marketing for both non-profit and for-profit organizations in the US, Kenya, and Oman. She worked as the director of communications for a Boston-based nonprofit, and often pitched urgent press releases to large media outlets and wrote speeches for use at international events, UN panel presentations, and US congressional hearings. After moving to Muscat, she founded Olson LLC, a writing and editing company that specializes in web content, information architecture, marketing plans, and other professional materials for a diverse clientele.

food SECURITY

Said Al Sahib
DIRECTOR,
ZUBAIR SMALL ENTERPRISES CENTRE
(ZUBAIR SEC)

With agriculture being a key sector for Vision 2040, Zubair SEC works to support Omani SMEs in any way possible



What major initiatives have you been involved with over the past year?

Zubair SEC has always sought to distinguish itself from other companies that offer services to develop SMEs. By looking into what these companies need, we design programs and initiatives that meet those requirements. We started with a direct support program where we invite a number of entrepreneurs from all over Oman to participate and introduce their business plans. Based on this, we go through a process of evaluation and assessment, we conduct an interview, and we identify the best opportunities for them. We provide them with a grant of USD26,000 and mentor them, develop their skills, and support them with marketing, branding, and so on. We have been doing this for the past seven years for over 48 projects, and only three of the companies did not last. We have introduced an initiative where we gather entrepreneurs for a workshop where they can meet mentors, share their challenges, learn about possible solutions, and receive support to grow their business. We cooperate with large corporations because the entrepreneurs also need to promote their business, and we help them get such opportunities. Some of these large companies outsource their services to SMEs, which gives the SMEs sustainable income. SMEs need corporate governance to grow and reach their full potential, which is why we recently introduced the initiative "Know your VAT." We have requested a consultant to provide webinars and educational sessions to SMEs, and we have already hosted a few of those.

What is the importance of SMEs for ensuring food security in Oman, and what is your vision for a more integrated approach when it comes to promoting sustainable food systems?

The agriculture sector is key for Vision 2040, and the Food and Agriculture Organization (FAO) is playing a significant role in terms of educating farmers on how to pack, plant, and sell their products. We have partnered with FAO because we can add value based on our experience and our contribution to SMEs. Our most recent collaboration with FAO, the Nutrition Sensitive Value Chain

Assessment (NSVCA) project, will provide farmer-based organizations and SMEs access to updated knowledge and data to operate in line with current research and national priorities. Farmer-based organizations and SMEs along the value chain also play a key role in influencing demand and supply through the production, packaging, selling, and marketing of food. Small farmers need someone that can help them with marketing strategies, because otherwise they waste a great deal of effort and money. They need an integrated approach. Successful joint initiatives include assessments, capacity development programs, and dialogue platforms and initiatives. The agriculture sector is no less important than other sectors of the economy.

Is there a need for special policy exemptions when it comes to the SMEs, and of what nature should such incentives be in order to have maximum effect in the long term?

What SMEs in Oman need more is an easing of regulations, thereby allowing them to participate in public tenders, prioritizing their products and services, opening up opportunities within large-scale projects floated by the government, and allocating land to them in various regions across the country to boost cluster industries within industrial estates. There should be a law to regulate SME businesses that should include corporate governance and compliance. In addition, large private-sector companies should outsource part of their contracts to SMEs, subcontract some of their services, and act as mentors to them.

Where do you see space for more FDI in Oman's economy?

Oman is an open market, with updated commercial law so foreign companies can easily do business with 100% ownership. We are a developing country, and most economic sectors need more development and offer great business opportunities. As per Vision 2040, the focus is on four main sectors: logistics, transformative industries, tourism, and agriculture and fisheries. All these sectors have potential for more FDI. ✖

Financially supported over

48

projects directly

SMEs need corporate governance to reach their full potential

Agriculture needs an integrated approach and more joint initiatives

BIO

Said Al Sahib has rich experience of over 25 years dealing with leading national and international organizations in public and private sectors. He has widely traveled and actively participated in delegations as a representative of the private sector. He started his career in the government closely involved in economic planning affairs. Al Sahib had his initial education in financial services and holds a master of arts degree in international business finance and an executive diploma in strategic management and leadership from the Charter Management Institute (CMI), UK.

scent OF SUCCESS



Amouage is updating its business model to appeal to the next generation of fragrance lovers.

Marco Parsiegla
CEO,
AMOUAGE

Online demand increased by

+600%
compared to 2019

In
80
markets around the world

BIO

Marco Parsiegla was appointed CEO of Amouage in 2019. With over two decades of experience in the fragrance and cosmetics industry, Parsiegla has a track record that spans marketing, sales, and strategy across the luxury market. He held various senior positions at Procter & Gamble, including global vice president of its prestige division with end-to-end responsibility for 12 iconic beauty brands including Gucci, Dolce & Gabbana, Hugo Boss, and Alexander McQueen. Prior to joining Amouage, he held the role of executive vice president for luxury and consumer goods at global communications group, Havas. Parsiegla holds a master's degree in business administration from Harvard Business School, US.

What was the impact of COVID-19 on the luxury fragrance industry, and how did it change your strategy?

Rather than creating new trends, COVID-19 acted as a catalyst and accelerated trends that had been underlying. It has become much more important for clients to see the bigger picture of a brand, beyond a mere product transaction. Their habits have drastically changed too, namely the use of digital, and on this front, e-commerce has been the prominent supportive pillar throughout the crisis. With all of this in mind, we have not changed our strategy, but accelerated our existing plans. Our growth strategy has three main pillars: connecting digitally, internally and with our customers; evoking emotional connections with our existing clients; and reaching new clients. Many interventions have been implemented in the last 12 months. In e-commerce, we moved to a state-of-the-art platform, having reinvented the consumer interface with very intuitive navigation, inspiring content, and rapid shopping possibilities. If we compare 4Q2020 with 1Q2020, we increased our e-commerce business six-fold. Traffic on our site has increased 66% compared to 2020, and revenues saw 50% growth. Despite the physical distance, we deepened our emotional connection to our clients. We have also expanded our global footprint and opened up new ways for clients to purchase Amouage. We are now present in 80 markets around the world, including China, where we launched in the last six months. In Oman, it is now possible to order through WhatsApp and receive white-glove home delivery. As retail is reopening, we will welcome clients around the world with a new merchandising generation that we have installed at more than 40 distribution points already. Meanwhile, we continue to innovate and launch new products. In April 2020, we introduced Interlude Black Iris, which has become one of our best performing creations, the Renaissance Collection, and, more recently in 2021, our power duo Boundless and Material, all to critical acclaim. On the

business side, we are ahead of the curve and have doubled our business since 2020, being 20% upward on our 2019 performance ahead of the industry that is projected to return to pre-COVID levels only by 2022.

Where does Amouage sit with regards to sustainability and the clean beauty space today, and what are your plans for the future?

Sustainability and in general, corporate social responsibility, is a key focus for us, as it should be for any brand, nowadays. Our efforts include solar panels and water collectors on the roof of our plant. We are recycling: for example we are re-using ethanol to clean our machinery and disinfect surfaces reducing waste. We also moved to online meetings and reduced our overall travel. In terms of ingredients, we are working with all of our partners along the value chain to make sure the ingredients we are using are ethically planted, collected and produced before they go into our products. We are exploring more opportunities that will set us on the path to become even more sustainable in the future.

What are the advantages of being based in Oman?

Having Oman as our base is, as we see it, one of our greatest advantages. We are the only Oman-based international luxury house (more than 50% of luxury fragrance houses are related to France) and our rich history and culture are the inspiration for our creations and what makes us so unique. It is also our commitment to craftsmanship and quality ingredients that allows us to tap into the sophisticated perfume traditions of the region. Being based in Oman also helped us during the pandemic. The government's efforts have been tremendous, creating a framework that helped the retail side navigate the crisis. Also, thanks to the Ministry of Health, we have been able to vaccinate all of our employees, and our Oman operations have not been halted for a single day throughout the whole pandemic. ✖

AMOUAGE

MATERIAL & BOUNDLESS



FOCUS

Investing in non-oil business

DIVERSIFY THIS

Business and leisure tourism is one of Oman's best bets to diversify itself away from an oil-based economy.

NEARLY A CENTURY HAS PASSED since the discovery of oil in the Middle East, and over these years the black gold has been both a economic blessing and a curse for the region, to say nothing of petroleum's geopolitical effects on the Gulf region.

Oman, itself, was a latecomer to the oil business, finding its first commercially viable oil field as late as 1962. However, when oil was finally discovered, extracted, refined, and exported by various operators in Oman, it had an irreversible impact on the economy, and what an impact it was.

GDP skyrocketed after the petrodollars started to pour into the Omani economy, showing a 82% spike in GDP in 1968, only a year after Oman's first oil shipment was exported. The face of Oman and its capital, Muscat, began to quickly change. Today, Muscat is endeavoring to become an earthly utopia with as many amenities as a citizen or visitor can wish for. The moderate and wise policies followed by the late Sultan Qaboos (in office between 1970 and 2020) and his successor, Sultan Haitham bin Tariq, also guaranteed the prosperity of the nation in many ways. However, one thing is certain: oil money cannot support the economy of Oman forever. This is hardly a fresh observation. "Diversification away from oil" and "the development of non-oil economy" have become something of a mantra in economic circles across Oman.

The unreliable nature of an oil-based economy is not only due to fluctuations in oil prices such as during the oil crashes of 2014 and 2020, but also because of the finite capacity of oil reservoirs and a global shift toward clean energies. In any case, the export of petroleum and its byproducts still continues to form the backbone of the

economy. The nation's leading exploration and production company is Petroleum Development Oman (PDO), in which the government of the Sultanate has a 60% interest. The rest of shares are owned by a consortium led by Royal Dutch Shell and others that constantly upgrade and localize the technologies of oil exploration and extraction in the country. Although the country's oil sector is doing well currently, everyone knows perfectly well that the days when the oil sector could singlehandedly drive Oman's economy forward are gone.

Oman—in an admirably realistic way—has determined that, regardless of any circumstances, by 2040, over 90% of the GDP must come from non-oil businesses. One of the ways that Oman tries to reduce its reliance on petrodollars is by investing in technology. "Oman invests heavily in technology infrastructure," Khalifa Abdullah Al-Barwani, CEO of National Centre for Statistics and Information (NCSI), informed TBY's journalists in the country. Al-Barwani, whose organization keeps an eye on economic developments across Oman, also noted "GDP in 2020 declined by 15.3%, but in 2021 we will see if there is a difference. Tourism, international trade, and the main sectors in business have all been affected. We hope that in five years, according to our expectations GDP will grow by 7.4%."

Omani authorities will surely do their best to bolster the affected non-oil sectors such as trade and tourism. Tourism, in particular, holds great promises for an exotic and picturesque land such as Oman. Furthermore, the disruption in tourism arrivals caused by the COVID-19 pandemic has given everyone an opportunity to

rethink Oman's masterplan for becoming a hub of tourism in the region. Sometimes the disruption of the status quo can be a good thing in the sense that it allows us to update our market strategies, while the industry is inactive.

Many commentators have shared their observations about Oman's potential for becoming a magnet for tourists. The most important points that everyone agrees with include keeping the country's authenticity and striking a balance between modernism and the traditional soul of the place, exciting visitors with the prospect of live experiences rather than paying visits to monuments or shopping centers, and raising greater awareness of Oman's own charms. For example, anyone who has ever been to the country knows how friendly, warm-blooded, and generous its citizens are. This, along with Oman's natural diversity and splendor, gives the

country a good headstart for becoming the next big tourist destination once vaccinations become the norm, and travel restrictions are lifted.

However, the Omani tourism authorities should well-position themselves for an expectant throng of travelers with the help of right branding strategies and ads. Once tourists start to come to Oman after the lifting of the restrictions, they surely will return in greater numbers if Oman makes the right impression in the first time—as it surely will.

Half a century of tapping into underground oil reservoirs has modernized the country, given it a new face, and brought it a huge deal of amnesties; now the country's assets over the ground—that is its culture, landscape, and good-natured people—can become the main source of income for the Gulf nation. ✖



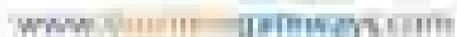
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