

BTI 2010 | Oman Country Report

Status Index	1-10	5.53	# 71 of 128	
Democracy	1-10	3.98	# 99 of 128	➔
Market Economy	1-10	7.07	# 27 of 128	➔
Management Index	1-10	4.58	# 76 of 128	

scale: 1 (lowest) to 10 (highest) score rank trend

This report is part of the Transformation Index (BTI) 2010. The BTI is a global ranking of transition processes in which the state of democracy and market economic systems as well as the quality of political management in 128 transformation and developing countries are evaluated.

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Key Indicators

Population	mn.	2.7	HDI	0.85	GDP p.c.	\$	-
Pop. growth	% p.a.	2.1	HDI rank of 182	56	Gini Index		-
Life expectancy	years	76	UN Education Index	0.79	Poverty ²	%	-
Urban population	%	71.6	Gender equality ¹	0.43	Aid per capita	\$	-12.0

Sources: UNDP, Human Development Report 2009 | The World Bank, World Development Indicators 2009.

Footnotes: (1) Gender Empowerment Measure (GEM). (2) Percentage of population living on less than \$2 a day.

Executive Summary

Under Sultan Qaboos, who overthrew his father in 1970, Oman has followed a path of careful and gradual development and modernization. Oman's representative body, the Majlis al-Shura, has been active during the period between 2007 and 2009. It has enhanced the powers of specialized committees and increased its oversight of several ministers. Despite efforts by the regime to encourage public participation in Oman's second election with universal suffrage in its history, voter turnout in the October 2007 elections to the Majlis al-Shura did not increase. This is primarily because the Majlis has no real legislative power. Oman's political sector has limited freedom. Candidates for the legislature are allowed to publish posters and advertisements, but political parties and platforms are still outlawed. Candidates, therefore, stand for election only in their own name. In a bid to improve efficiency and good governance, Oman's government has made a number of high-level changes since 2006. Despite these minor improvements, the government announced no major initiative or policy during the period from 2007 to 2009. The decision-making process remains firmly closed off to contestation; the sultan enjoys absolute power in governance.

Increasing oil prices have continued to feed growth, which reached unprecedented levels during this period. The government reported a record estimated budget surplus of more than \$5 billion for 2008. Job creation for Omani citizens (the so-called Omanization process) remains a significant challenge. Unofficial sources estimate unemployment at 15%. The bilateral free trade agreement with the United States went into effect in January 2009. At the same time, Oman confirmed its decision to opt out of the future Gulf Cooperation Council (GCC) monetary union, which is scheduled for 2013. Oman's seventh five-year plan, which began in January 2006, reasserts economic diversification and an expansion of the private sector's role as the key components of the move toward a post-oil economy. Oman's dwindling oil reserves make this a necessity.

History and Characteristics of Transformation

On 23 July 1970, Oman's present ruler, Sultan Qaboos, overthrew his father Said bin Taimur with British assistance, marking a turning point in Oman's modern history. Sultan Qaboos has ruled since then. Soon after taking power, Sultan Qaboos abolished many of his father's harsh restrictions on various personal freedoms, which had prompted thousands of Omanis to either rebel or leave the country. He also offered amnesty to opponents of the previous regime, many of whom took this opportunity to return to Oman. In general, Sultan Qaboos promised his people a shift away from his father's policies, economic development and an increased role in government.

Sultan Qaboos faced many deeply entrenched problems. He confronted an insurgency by expanding and re-equipping the armed forces and the state's security apparatus, and by carefully integrated Oman into the international system. In order to mitigate the country's endemic poverty and illiteracy, the sultan embarked on political and economic reforms and launched major development programs. He also sought international support for his economic policies by promising an extensive modernization program based on oil revenues. Sultan Qaboos has built his regime's domestic legitimacy on a policy of nation building and the assimilation of all of Oman to the oil rentier state framework. The sultan cultivates his own image as the incarnation of the country's so-called renaissance.

Oman is a hereditary monarchy headed by Sultan Qaboos, who rules by royal decree. The sultan's lack of a clear heir raises many questions regarding succession and Oman's stability. Since his accession to power, Sultan Qaboos has endeavored to provide political representation for the country's diverse tribal, regional, and ethnic interests by creating a balance of these groups in his council of ministers, which is directly appointed by the sultan and functions as the sultan's cabinet. The monarch is both chief of state and head of government, as well as the minister of defense, finance and foreign affairs, the commander-in-chief of the armed forces and the chairman of the Central Bank. In 1981, the sultan created the State Consultative Council (SCC), an appointed body that had a purely informal role.

On 6 November 1996, Sultan Qaboos issued a royal decree promulgating the basic law, which is considered to be Oman's constitution. This document clarifies royal succession, bars ministers from holding interests in public companies or from doing business with the government, establishes a bicameral legislature, and guarantees basic civil liberties for Omani citizens. The bicameral Council of Oman, created by the basic law, consists of an upper chamber, the State Council (Majlis al-Dawla), the 72 members of which are appointed by the sultan and have only advisory powers, and a lower chamber, the Consultative Council (Majlis al-Shura), which replaced the SCC in 1991. The Majlis al-Shura, elected by universal suffrage, is a member of the Arab Inter-Parliamentary Union (AIPU) and has some limited power to propose legislation.

Oman is a middle-income economy by Middle Eastern standards. As with other Gulf nations, oil is the mainstay of the economy, providing a large proportion of GDP and state revenue. Compared to its neighbors, however, Oman is only a modest producer with quickly-disappearing oil reserves, a fact which poses a major challenge to the state's ability to meet its developmental needs. As such, the government has prioritized economic diversification by promoting agriculture, tourism, the gas sector and non-oil industries. Oman has been a pioneer in the region in terms of privatization. It actively encourages the private sector to play a role in the country's development. No serious domestic political dissent exists in Oman. All reforms, therefore, originate from above. The country's main challenge consists of balancing its rising social costs with its economic resources.

Transformation Status

I. Democracy

Since the 1980s, Sultan Qaboos has called for the establishment of democratic governance in accordance with the traditions and customs of Omani society. This means a gradual, top-down reform process. Qaboos' reforms focus on good governance, rule of law, accountability and transparency. The sultan encourages popular participation without providing the political structures for the people to contest his executive power.

1 | Stateness

Oman's sultan possesses a virtually total monopoly on the use of force. The security forces have complete control over the state's entire territory. There are no areas in which any opposition groups infringe on that control.

Monopoly on the use of force

Omanis, in general, give their full support to the state. Two exceptions to this are found among Ibadhi civil society, which expresses a muted call for traditional religious leadership, and in the country's southern region, where national unity remains an issue long after the area's insurgency in the 1970s. Oman has no major opposition groups. The basic law ensures that all citizens have the same civic rights under the law. The nation-state is widely accepted as legitimate.

State identity

Though Islam is the state religion, the regime has been very tolerant of all sectarian groups. The religious establishment is under the state's firm control and can hardly express its voice without the prior consent of the ruling elite.

No interference of religious dogmas

In 1970, Sultan Qaboos inherited a territory torn apart by competitive local allegiances. One of his major achievements has been to build a civilian state administration that extends throughout the territory. Public security and order are well-maintained. The large size of the state bureaucracy and its lack of technical skills, however, limit the effectiveness of Oman's administrative system.

Basic administration

2 | Political Participation

Oman is an absolute monarchy ruled by the sultan and his appointed government. However, the sultan has allowed a steady and incremental diversification of political personnel through the bicameral Council of Oman, which acts as an

Free and fair elections

advisory body. In 2003, Qaboos granted universal suffrage for the Majlis al-Shura elections to all male and female adults over the age of 21. Within limits, the elections were considered free and fair. In 2007, the Majlis al-Shura was composed of 84 members elected for a renewable four-year term. Governorates (wilayas) whose population exceeds 30,000 inhabitants have two representatives, and smaller wilayas just one. Contesting candidates compete in their names only, because the regime outlaws political parties, platforms and public gatherings. For the first time in 2007, however, it did permit posters, banners and advertisements on TV and in the newspapers. The president of the Majlis is appointed by royal decree. The Majlis is responsible to the sultan and the council of ministers.

Since the defeat of the rebellions in the 1970s in the south, the sultan has ruled with very little challenge. Although there have been two minor attempts (in 1994 and 2005) by Islamist groups to organize opposition, the sultan enjoys an absolute power to govern.

Effective power to govern

The basic law provides a limited right of freedom of assembly within the limits of the law. In practice, prior government approval is required for all public gatherings.

Association / assembly rights

The basic law guarantees freedom to form associations insofar as they are constituted for legitimate objectives and their activities are not considered to be inimical to social order. The Ministry of Social Development must approve the establishment of all organizations and their by-laws. Associational rights are generally underdeveloped.

As part of the bilateral free trade agreement with the United States, the government of Oman amended its labor law. Among these reforms was a 2006 royal decree that granted the right to form trade unions to private sector workers. The Ministry of Manpower later outlined provisions for collective bargaining in the private sector and affirmed the right of private sector workers to stage peaceful strikes.

The basic law provides for freedom of opinion and correspondence within the limits of the law. Freedom of the press is also guaranteed, provided that it does not lead to public discord or violate the security of the state. There are seven daily newspapers, four in Arabic and three in English. The 1984 press and publication law still authorizes the government to censor all domestic and imported publications and the Ministry of Information can take legal action against any material it regards as politically, culturally, or sexually offensive. Editorials are generally consistent with the government's views. The government influences the privately owned press through subsidies. In practice, these restrictions favor self-censorship. Criticism of the sultan in any form is prohibited.

Freedom of expression

The government owns four radio stations and two national television stations. In 2004, a royal decree gave Omani citizens the right to establishment private radio and television companies, as long as they used their own capital to do so. The first

private Omani television channel went on air in February 2009. The availability of satellite dishes has made foreign broadcast information accessible to a large percentage of the population.

3 | Rule of Law

Oman has no system of checks and balances, and thus no separation of powers. All power is concentrated in the sultan. The executive branch of government tries, however, to exercise its powers in a legitimate fashion. Article 59 of the basic law states that “the sovereignty of the law is the basis of governance in the state. Rights and freedoms are guaranteed by the dignity of the judiciary and the probity and impartiality of the judges.”

Separation of
powers

Oman’s legal system is based primarily on the Ibadhi school of Islam. Though the basic law guarantees judicial independence, the judiciary is nonetheless strongly influenced by the executive branch. The sultan makes all judicial appointments and presides over the Supreme Judicial Council, which, in turn, oversees the judiciary and formulates judicial policy.

Independent
judiciary

The sultan has repeatedly made clear that abuse of powers by officials will not be tolerated. In July 2008, the president of the Muscat municipality and the minister of manpower were dismissed on rumors of malpractice and corruption. Nevertheless, conflict of interests among the ruling elite is common practice. Many cabinet members and senior office holders are involved (either personally or through their relatives) in businesses that benefit from public contracts. Four of Oman’s largest holding companies are controlled by two special advisers to the Sultan (the minister of agriculture and the minister of commerce and industry) either directly or via their children.

Prosecution of
office abuse

Though Oman’s legal code theoretically protects civil liberties and personal freedoms, both are regularly ignored by the regime. Oman, therefore, cannot be considered free. In June 2008, the U.S. State Department Trafficking in Persons Report ranked Oman among the worst in the world. Following bilateral discussions between the United States and Oman in November 2008, royal decrees promulgated a law against human trafficking and established a National Commission for Human Rights. This commission, however, is attached to the appointed State Council and does not enjoy any independence from the regime.

Civil rights

In domestic life, women face discrimination in many areas. Men are traditionally and legally seen as the heads of household, and as such, women are not entitled to certain state benefits, including housing loans. Women do not have full freedom to make decisions about their health and reproductive rights. Moreover, they are afforded unequal rights under the personal status law, which governs inheritance, marriage, divorce, transfer of citizenship and child custody.

4 | Stability of Democratic Institutions

Oman's executive branch is free to manage the country with very limited democratic input. Although the Majlis al-Shura's powers have increased, it cannot address important issues such as national security, foreign relations or the structure of the political system. It remains limited to providing consultation and advice in economic and social areas only, and proposing amendments to laws submitted for its consideration by the sultan's cabinet in these fields. The Majlis cannot initiate legislation. It is limited to questioning ministers about work related to public services. The public has limited access to political information through the media. It does, however, keep the executive under a certain degree of unofficial scrutiny via the Internet. The justice system is relatively capable of operating independently of government intervention, except in security-related cases or other sensitive areas.

Performance of democratic institutions

There is wide public support for the expansion of the Majlis al-Shura's role. The sultan, however, exhibits no sign of any commitment to enhance the Majlis al-Shura's power or to transform it into a proper legislative body. Political stakeholders agree on the need for good governance, although not necessarily through democratic institutions.

Commitment to democratic institutions

5 | Political and Social Integration

Oman prohibits the existence of political parties and politically motivated associations. Despite the ban on parliamentary groups within the Majlis al-Shura, lobbies based on shared interests (like justice, education and health matters) are being formed. Whereas the lobbies' ability to influence national policy remains weak, their very existence illustrates a qualitative evolution of some delegates' perceptions of their place in the general balance of powers.

Party system

Societal interests are articulated and channeled informally through friendships, family and tribal clans, and connections with public figures. These interests are articulated in the political sphere by the elected Majlis al-Shura members, local sheikh and tribal representatives, and even by the sultan himself, especially on his annual meet the people tour throughout the country.

Interest groups

Oman's structure as a rentier welfare state has not produced conditions conducive to organized societal demands and pressures.

No public opinion poll has been conducted to assess the popularity of the current system. However, it is widely believed that citizens welcome the idea of greater political participation. Despite this, there appears to be a general feeling of apathy among the public that the process of democratization is slow and that the Majlis al-Shura is less powerful than many had hoped. Not surprisingly, therefore, despite an intense government media campaign urging citizens to vote in the 2007 elections, no more than 30% of eligible nationals participated.

Consent to democratic norms

Omani political culture is dominated by a respect for patriarchal leadership and a general acceptance of the government's omnipotence, despite society's diversity and its fragmentation between rich and poor, urban and rural, old and young, and male and female. The public is generally reluctant to organize itself in any politically meaningful manner.

Associational
activities

II. Market Economy

6 | Level of Socioeconomic Development

Given the dreadful social situation in the early 1970s, Oman has realized a considerable level of economic growth in a short period of time, as measured by the UNDP's Human Development Index (HDI). In its updated 2008 report, the HDI ranks Oman at position 53 with a value of 0.839. The state's exploitation of the oil rent has enabled economic and social development heretofore impossible. Oman remains a middle-income economy by Middle Eastern standards. The years since 2000 have revealed the existence of structural poverty in many rural and urban regions. The government's declared policy is to widen the scope of socioeconomic development, especially in border towns and remote areas, in an attempt to win the allegiance of these groups by awarding them senior public positions and by directing both public and private investments there. There is a certain regional focus on Buraimi, the western slopes of Jebel Akhdar, Dhofar province and the exclave of Musandam. The economic situation in rural areas is still characterized by a migrant workforce with low skill levels. On the national level, foreign labor, especially in the private sector, drives economic development and makes up for the lack of an Omani skilled labor force. Income disparities among regions and social groups increased from 2007 to 2009. More than 50% of Omanis employed in the private sector earn less than the legal minimum wage for nationals.

Socioeconomic
barriers

Oman has been successful in enhancing the status of women, who – at least in theory – have the same opportunities as men in public and private jobs. Oman's government has a deliberate policy of inclusiveness regarding all segments of the population. In reality, however, women and other groups of society such as the descendants of client and slave groups (descendants of slaves brought from Africa who are considered not to be of Arab blood) still face high barriers to their participation in formal economic activities.

Economic indicators		2004	2005	2006	2007
GDP	\$ mn.	24772.4	30923.3	35728.7	-
Growth of GDP	%	5.4	6.0	7.2	-
Inflation (CPI)	%	0.8	1.9	3.2	6.0
Unemployment	%	-	-	-	-
Foreign direct investment	% of GDP	0.4	5.5	4.5	-
Export growth	%	14.1	-	-	-
Import growth	%	27.4	-	-	-
Current account balance	\$ mn.	876.6	5177.5	5664.4	2678.7
Public debt	\$ mn.	-	-	-	-
External debt	\$ mn.	-	-	-	-
Total debt service	% of GNI	-	-	-	-
Cash surplus or deficit	% of GDP	-	-	-	-
Tax Revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	21.3	19.3	17.9	-
Public expnd. on edu.	% of GDP	4.0	3.5	4.0	-
Public expnd. on health	% of GDP	2.5	2.2	1.9	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	12.0	11.8	11.3	-

Sources: The World Bank, World Development Indicators 2009 | UNESCO Institute for Statistics | International Labour Organization, Key Indicators of the Labour Market Database | Stockholm International Peace Research Institute (SIPRI), Yearbook: Armaments, Disarmament and International Security.

7 | Organization of the Market and Competition

The foundations of a free and competitive market economy are assured. Over time, the government has incrementally introduced laws to ensure a free and fair market, and it has changed and amended earlier rules that seemed to interfere with market-based competition. This was particularly true during its process of entry into the WTO in 2000 and the enactment of the free trade agreement with the United States in January 2009. Similarly, Oman's government has initiated laws to encourage and facilitate foreign investment and to offer incentives for both private and foreign

Market-based
competition

investors. The program to privatize a number of wholly or partly state-owned enterprises has sped up considerably since 2003. Rules for regulating the employment of expatriate labor are still in force.

Anti-monopoly legislation is poorly developed. Members of the sultan's family, who concurrently enjoy top decision-making positions in government, managed to create monopolies before the agency law of November 1996 was passed. This law paved the way for more competition in many economic sectors and helped clarify a foreign principal's right to de-register the parties' agreement (at the Ministry of Commerce and Industry) upon expiration or cancellation of the commercial agency. However, the law did not alter an Omani commercial agent's existing contractual rights (including exclusivity) or the agent's right to claim compensation from its foreign principal for unjustified cancellation or non-renewal of their relationship. The existing monopolies, therefore, were not really affected by the law.

Anti-monopoly
policy

Oman has liberalized and extensively deregulated foreign trade. After accession to the WTO in 2000, the government encouraged foreign trade and investment and introduced industrial regulations and labor laws. The agreement of the Gulf Cooperation Council (GCC) on customs union in 2003 and the entry into force of the bilateral Free Trade agreement with the United States in January 2009 suggest that the development in this area will continue.

Liberalization of
foreign trade

The Omani financial sector, supervised by the Central Bank of Oman (CBO), which was established in 1974, has been considerably transformed in recent years. The result is the creation of a modern financial system. The Muscat Securities Market (MSM) was established in 1989 and was the first Gulf stock market to set up a separate regulatory body, the Capital Market Authority (CMA). In January 1999, the new capital market law came into effect, which enabled the CMA to oversee the MSM, where all listed shares are traded.

Banking system

Though Oman has been less affected than many Middle East countries by the current international financial crisis, the central bank massively injected extra dollar liquidity into the domestic banking system in 2008. In January 2009, the government decided to band together with pension funds and the local financial sector to form a \$389 million fund to stabilize the country's stock market, which shed 41% of its capitalization in 2008. The Omani government will contribute 60% of the fund.

8 | Currency and Price Stability

The riyal has been pegged to the U.S. dollar since 1986. In practice, this means that domestic interest rates follow those in the United States. Oman has historically had extremely low inflation. However, inflation began to pick up in late 2005, partly

Anti-inflation /
forex policy

because of the weakness of the U.S. dollar against the currencies of Oman's main import suppliers (particularly the European Union and the United Arab Emirates) and because of the boom in foreign investments by Gulf Cooperation Council (GCC) nationals in Oman. As a result, government figures show an increase of 12.4% on average consumer prices over the first eleven months of 2008 compared to the previous year. These pressures contributed to the decision that Oman publicly announced in January 2009 not to join the GCC monetary union planned for 2013.

Oman's macroeconomic performance remained strong during 2007 and 2008. Due to high oil revenues, the effects of the new liquefied natural gas facility and growth in the non-oil sector, real GDP growth was over 6% in 2007. Fiscal policy has been prudent between 2007 and 2009, resulting in high budgetary surpluses. The government has devoted these surpluses to accumulating foreign assets and to lowering debt. The reserves are invested in the State General Reserve Fund, which acts both as a stabilization fund and as a means of saving excess oil export revenues for future generations. However, Oman's macroeconomic stability continues to be hostage to the country's over-reliance on oil revenues, the fluctuation of the value of oil prices and that of the U.S. dollar.

Macrostability

9 | Private Property

The basic law states that private property is protected and that nobody shall be prevented from disposing of property within the limits of the law. Nor shall anyone's property be expropriated or confiscated, unless done in compliance with the law and with proper compensation. In 2006, Gulf Cooperation Council (GCC) nationals gained the right to freely own residential and commercial properties anywhere in Oman. For other non-citizens, this freedom only applies to designated tourism projects.

Property rights

Oman's government has a deliberate policy of encouraging private sector growth. Since the early 2000s, the government has viewed private companies as the primary engines of economic growth. The government has been a regional leader in the privatization of state-owned enterprises. A number of oligopolies continue to operate, however, in which the state is an investor.

Private enterprise

10 | Welfare Regime

Oman provides its citizens with extensive social services. Human development indices have improved with respect to income, education and health, life expectancy, and education. Although it is not sufficient, government assistance for the poor helps to reduce poverty at least to some degree. According to the Ministry of Social Development, 49,500 people benefited from social assistance programs in

Social safety nets

2007. Pensions and social insurance have been widened to include both public and private sector employees. Nationals employed in the private sector are guaranteed a minimum monthly wage. The foreign workforce is not included in the welfare schemes. Unemployment benefits and state-sponsored insurance schemes do not exist.

The basic law prohibits discrimination on the basis of gender, origin, color, language, religion, sect, domicile, or social status. There are no formal restrictions for either males or females in education, jobs or public services. Nevertheless, opportunities for descendants of client or slave groups to get managerial positions in the civil sector are still rare, while recruitment of individuals on the basis of common tribal or ethnic background is still practiced on a large scale. Omani women, who are severely underrepresented in the legal field, continue to face difficulties gaining justice through the courts. In order to address this, the government, passed a law in 2008 stipulating that men's and women's legal testimonies are now considered equal. It is unclear to what extent this new law will apply to personal status law cases. Most women cite men's disapproval of women working outside the home and lack of acceptance of women holding senior positions as the greatest obstacles to their advancement.

Equal opportunity

11 | Economic Performance

The Omani economy maintained its upward momentum in 2007 and 2008, registering an increase of 13% in its nominal GDP in 2007. Data for the first eight months of 2008 indicate robust revenue growth, outpacing strong increases in expenditure. Data from the Ministry of National Economy have shown that the Omani economy grew by 46% in nominal terms in the first half of 2008. Oil and natural gas sectors constitute 76% of industrial activity in the country. Given oil prices until mid-2008, the year 2008 is estimated to end with an amazing budget surplus reaching 2 billion Omani riyal. During the same period, the non-oil sector experienced sustained growth. Overall, the economy's robust performance reflects the government's focus on developing the non-oil sector, economic diversification, privatization of state-owned assets and structural reforms over the past few years. No official rate of unemployment is available, but estimates show a persistent unemployment level between 12 and 15% in 2004. These figures leave unacknowledged what is probably a considerable rate of underemployment, particularly in rural areas.

Output strength

In response to the current international financial crisis, the government unveiled a tough budget for 2009 based on a prudent per-barrel price of \$45. Based on this assumption, the government expects a deficit of 800 million riyal, which is to be financed by the State General Reserve Fund.

12 | Sustainability

Oman faces water scarcity and periodic droughts. Saline intrusion of aquifers is common in the most fertile region, the Batinah coast, due to irrigation-intensive agriculture. Overgrazing and desertification are becoming a growing problem in the south. In principle, the sultan has demonstrated a personal commitment to environmental protection and the country has a sound record of environmental law, enforced by the Ministry of Environment and Climate Affairs. Environment concern tends to lose pre-eminence with increasing frequency in the face of private interests and the development of real estate and industrial projects.

Environmental
policy

Oman has placed great importance on education since 1970 and over 25% of government civil spending goes to education. By 2008, Oman had over 1,000 schools, 90% of which are government-run and provide education at primary, preparatory and secondary levels. Girls represent 48.7% of all pupils registered until secondary school certificate. The Oman 2020 plan emphasized the necessity to upgrade the level of education by improving basic education and technical and vocational training. In the academic year 2007-2008, the sultanate had 23 private institutions of higher education. The government helps all of them with funding and subsidies. While the opening of many technical institutes during the last decade constitutes progress, vocational training remains the Achilles heel of Omani education. An important gap remains between education and training on the one hand and market needs on the other. Research institutes are still nonexistent. The country has started to address this deficiency by creating a council for academic research, but has exhibited no real political determination.

Education policy /
R&D

Transformation Management

I. Level of Difficulty

Structural constraints on Omani governance are limited. The royal family does not have a great deal of power over the sultan himself or the government, which includes only a few royal family members. Despite the high ethnic and tribal diversity of the national population, one of Qaboos' major achievements is the strengthening of the idea of an Omani nation as the collective framework of belonging. Even as recent economic difficulties produced growing frustrations and demands based on local identities, heterogeneity did not lead to ethnic or religious tensions. Instead of stoking division, different societal groups vie to win senior public positions and government support for their region(s). Despite the return of many Omanis to the country since the 1970s and the growing expatriate workforce, one of the main constraints for management performance remains the lack of a skilled national labor force that can meet the needs of the new economic sectors that the government wants to develop in the post-oil era.

Structural
constraints

Oman has a very limited civil society tradition and no tradition of civic engagement in NGOs. The government's fear that social or public associations could polarize society or galvanize public opinion has prompted it to ban any sort of politically-oriented civil society organization or association. The government has slightly relaxed its stance on civil society organizations but continues to control them by issuing licenses only to those deemed apolitical.

Civil society
traditions

Although Omani society is split along social, ethnic and regional lines, the regime has been highly successful in imposing the idea of an Omani nation as the collective framework of belonging. The lack of a dominant group or dominant tribe has encouraged this sense of national identity. This, coupled with the state power and its even-handed policy in creating equal opportunities to all citizens regardless of their background, has mitigated any cleavages within Omani society and thus any potential societal conflict. Structural unemployment for the past ten years, however, has produced growing frustrations and mutual prejudices, which could contribute to a re-polarization of the society and an increase in competitive declarations of loyalty to the nation by intra-national groups. This type of competition has not yet reached a level that could threaten national unity.

Conflict intensity

II. Management Performance

14 | Steering Capability

The sultan is aware of the need to increase political participation and has made some cautious reforms to address this. There is widespread agreement on key elements of the country's mid-term plan for economic development. First, the plan calls for Oman to develop and upgrade its human resources so as to better cope with international competitors. Secondly, the plan specifies that Oman's private sector needs to be made capable of using human and natural resources effectively and in a sustainable perspective. In general, the economic plan expresses that Oman should utilize the value of its geo-strategic location, optimize the use of its natural resources, promote economic diversification, and distribute the fruits of development equally among all regions and all citizens.

Prioritization

In the minds of most of Oman's citizens, the Omani model of development is intimately linked to the person of Sultan Qaboos. The ruler has no heir and does not feel necessary to designate one; at times, seemingly indicating little intrinsic motivation to be concerned with the long-term development of the dynasty or the country. This has resulted in a growing feeling of anxiety among the population concerning a future without the reassuring paternal figure of Qaboos.

Thus far, the government has been quite successful in setting, maintaining and even achieving some of its development objectives, particularly its goals for economic reform and liberalization. With regard to politics, the regime has initiated some measured and gradual reforms, though this has not changed the fact that power remains heavily concentrated in the hands of Sultan Qaboos and his protégés. Some senior members of the government have remained in office for a very long time, which has bred sluggishness and a certain degree of political malaise. This stagnation, together with the absence of an active prime minister (the sultan also acts as prime minister), contributes to the government's inability to set and maintain strategic priorities in a coherent manner. Because the political leadership must satisfactorily serve the sultan in order to remain in the cabinet, the issues that interest the sultan have priority over all others.

Implementation

Oman's delicate political situation and limited economic endowment make the government very cautious about mistakes and failures. This explains the relatively slow and gradual nature of political development. The leadership responds quickly to mistakes and takes corrective actions. It has displayed an undeniable ability to learn. The cabinet, on the other hand, due to the lack of coordination and long-term perspective, has shown few signs of learning from past mistakes.

Policy learning

15 | Resource Efficiency

While the government has been relatively successful in making efficient use of its available economic resources, the use of human resources has seen mixed results. Undoubtedly, since the 1970s, the government of Oman has adopted a wider definition of human resource development and considers the strengthening of human resources to be the ultimate goal of the national development process. The government has tried to realize its human resources objectives by achieving economic equilibrium and sustainable growth, diversifying income sources, and by developing the private sector. However, success has been limited and many young people remain unemployed. In addition, a large portion of the Omanization policy of employment, implemented to increase the rate of nationals in the private sector, has dealt with low or unskilled positions. Appointments of civil servants are predominantly motivated by the necessity to maintain balance between various kinship and regional groups instead of purely rational criteria of competence. Though some young skilled technocrats have been offered decision-making positions in the cabinet since the end of the 1990s, a major change in the general human resource policy has not occurred. Moreover, the state apparatus remains highly concentrated in Muscat, as the fear of a possible emergence of alternative political power centers has prevented the establishment of any form of decentralized administration.

Efficient use of assets

Government objectives and priorities are generally clear and well understood by the population. The implementation of these objectives, however, is not as straightforward. Intra-government frictions, conflicting personal and local interests and cleavages occasionally hinder this implementation. In some cases, Sultan Qaboos seems to have imperceptibly stepped out of the decision-making arena, allowing government members to pursue their personal interests without regard for the nation as a whole. The sultan's central role and his strategy of limited cabinet reshuffling, on the other hand, promote continuity and allow the government to plan ahead. Coherence in policy formulation and strong cooperation among all concerned parties are strongest when the sultan expresses particular interest in a given objective.

Policy coordination

Oman has no special anti-corruption agencies or organizations. Instead, corruption falls under the aegis of a number of security services like the Royal Oman Police, the Internal Security Services and the Ministry of Palace Office. In 2002, the sultan decreed the money laundering law, which established the National Committee for Combating Money Laundering under the chairmanship of the under secretary of the Ministry of National Economy for Economic Affairs. Strict rules have been stipulated and any person convicted of money laundering is jailed for between three and 10 years. Bankers who do not comply with the law are also subject to jail

Anti-corruption policy

sentences. Moreover, article 53 of the 1996 basic law, which forbids members of the council of ministers to combine their ministerial positions with the chairmanship or membership of the board of any joint stock company, led two prominent businessmen to leave their seats in the months after it went into effect. In the long run, however, this law has not cleansed the Oman's political system of conflicts of interest. Currently, a substantial share of the cabinet members work directly or indirectly in business.

16 | Consensus-Building

The sultan has consolidated a sense of national unity by balancing competing interests and building national consensus. This consensus, in turn, generated support for social transformation. In principle, all major political and social actors agree on the goal of stable and steady movement toward political participation and a market-based economy. Yet, reform has always come from above. Some Islamist groups were arrested in the 1980s and 1990s, and also in 2005, for demanding more democratic rights, though they stopped short of calling for regime change. Apart from these cases, the religious establishment and tribal leaders generally fall in line with the government's policy of gradual and cautious reform.

Consensus on goals

Although authoritarian, Oman's political leadership demonstrates some responsiveness to public demands and a willingness to take corrective action. Apart from traditional and religious establishments, which call for reforms in accordance with the cultural values of society, Oman has no anti-reform veto actors. The government has been largely successful in co-opting and using societal forces to enhance its own plans. It has implemented gradual political liberalization so as to avoid consistent democratic reforms. The 2005 arrests of some Islamists were clear signs to the population that open repression remains an employable last resort to choke off contestation and to reassert the regime's political power.

Anti-democratic
veto actors

A regime's strategy has been the co-optation of the most powerful societal elites (religious leaders, tribal and ethnic notables, business elite) into the system. The government has tried to enhance national unity by appointing cabinet members from different regions and ethnic groups. Moreover, many tribal sheikhs, remunerated as employees of the Ministry of Interior, act as intermediaries in small disputes between individuals and the public administration. This policy has so far successfully pre-empted the outbreak of ethnic and tribal cleavages in the political sphere.

Cleavage /
conflict
management

The government does not encourage civil society organizations and associations but does grant licenses to those it deems apolitical (i.e. organizations that provide services to women, children, the disabled and the elderly), and in some cases the government even supports them financially.

Civil society
participation

No large-scale injustice has taken place in Oman that would require major reconciliation efforts. In an effort to assert the stability of his rule, Sultan Qaboos proclaimed a general amnesty toward his and his father's former political opponents and offered them seats in the government and top positions in the central administration.

Reconciliation

17 | International Cooperation

Since 1970, Oman has pursued a moderate foreign policy and expanded its diplomatic relations dramatically. Sultan Qaboos' government has made great efforts to fully integrate the country into the international community. In 1971, Oman joined the League of Arab States and the United Nations. Diplomacy has always been a means to assert the regime's stability in a troubled region. Fear of external interference prevents Oman from doing more to get international aid for some specific projects. The best example of this came with the Gonu cyclone, which hit the eastern coast of Oman in June 2007. The country carefully turned down all proposals for foreign assistance, considering them potential sources of undesired political interference. Nonetheless, the government works closely with international organizations such as the World Bank, the International Monetary Fund, the United Nations and other Arab regional developmental and financial institutions.

Effective use of support

Oman acts as a reliable partner in its relations with the international community. Oman's foreign policy since 1970 is based on four tenets. Firstly, Oman strives for the development and maintenance of good relations with all its neighbors, the members of the Gulf Cooperation Council (GCC) and Iran, Pakistan and India. Secondly, Oman maintains close relations with Great Britain, the United States and their Arab allies (especially Egypt and Jordan). Thirdly, Oman exhibits a pragmatic approach to bilateral relations, emphasizing underlying geo-strategic realities rather than temporary ideological positions. Finally, Oman works to establish security through cooperation rather than conflict.

Credibility

Oman works closely with neighboring states and has developed close ties with them. It is a founding member of the Gulf Cooperation Council (GCC), which was established in 1980. Even if Oman will not adhere to the 2013 GCC common currency target, it remains an active member of the Council. Oman was particularly active, for example, in the GCC's negotiations of bilateral free trade agreements with the European Union, Singapore and or also India in 2008. Furthermore, Oman was also one of the 14 founding members of the Indian Ocean Rim Association in 1997.

Regional cooperation

Strategic Outlook

In recent years, the country Oman has undergone substantial economic reform and some degree of political reform. The government will likely pursue its gradualist reform agenda. The regime's prioritization of its own stability and consolidation of power should not obscure the fact that major steps forward must be taken. Overall reforms are needed in order to restore popular confidence in the government's coordinated and long-term goals. In terms of political participation, mass abstention in the Majlis al-Shura 2007 elections illustrates a widespread refusal to endorse a legislative body without real power. The regime must empower the chamber to propose initiatives and recommend legislation in order to curb this popular disillusionment with representative institutions. Concurrently, civil society organizations and associations should immediately be strengthened and encouraged; the expression of alternative voices should be tolerated; and the oppressive climate of forced national unanimity should be relaxed.

More broadly, Oman's main structural challenge lies in the transition from an over-reliance on oil revenues to a diversified economy in which the national workforce will be in a position to play its full role in the creation of wealth. In order for this to happen, educational reform needs to feature high on the reform agenda. Oman's education system is still locked into a system of low expectations and low performance. Curricular focus must be placed on the promotion of personal initiative and a critical perspective. Young citizens must develop the capacity to participate in social and political debates on both the local and national levels. A further structural obstacle to long-term reform lies in the political-economic conflict of interest at the top levels in the country. Several cabinet members are still involved directly or indirectly in business. These decision-makers often fail to promote the nation's general interests (like the Omanization policy and the reform agenda) when they act as businessmen. Instead, they advance their own private interests through the influence they have as statesmen. From this point of view, the official challenges of Omanization and economic diversification go far beyond the employment issue and call into question the whole economic structure on which Oman has relied for thirty years.