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Sultanate of Oman
Ministry of National Economy



Basic Components and Main Indicators
of the Plan (2001-2005)

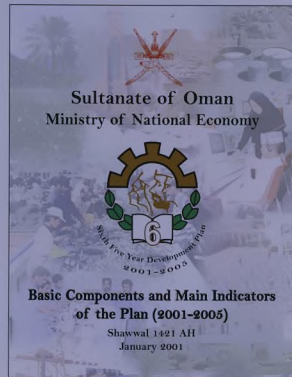
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Sultanate of Oman
Ministry of National Economy



Illuminous Words

We are today, citizens, on the threshold of the preparations for the Sixth Five Year Plan. There have been many lessons that we have learnt from the current Plan, which we shall use as guidelines for better future performance, and to avoid negative occurrences, therefore ensuring that we shall achieve higher rates of growth and more job opportunities for our people. This will maintain economic, financial, and fiscal stability. Our experience of the current Five Year Plan will enable us to improve our savings and investment policies and in laying down a comprehensive strategy for privatisation. This strategy will have the goal of raising productive efficiency, cutting costs and stimulating local and foreign investors notably to contribute to the overall development process, God willing.

...It is essential that the Omani society – government and citizens – should realize the extent of the need to be prepared to encounter the challenges of globalisation. We shall do so through improvement of our national capabilities, basing the economy on the firm foundations of international competitiveness and productivity, enhancing the performance of our institutions, and recognising the value of knowledge, technology and research, which are the keys to progress, and creating the climate which will ensure the sustainable growth of the private sector, and its broad contribution to development plans and economic policies, confirm its ability to practice economic activities with efficiency and flexibility and, with God permission, enable the private sector to deal with the challenges which will come with our membership of the WTO.

Qaboos bin Said

18 November 1999



His Majesty Sultan Qaboos Bin Said

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Qaboos bin Said

19 November 1999



His Majesty Sultan Qaboos Bin Said

Foreword

The Sixth Five Year Plan (2001-2005), that has been ratified in accordance with Royal Decree No.1/2001, represents the second phase among a series of the plans that are being formulated to pursue the realization of the dimensions, objectives and policies of the Vision for Oman's Economy: Oman 2020. The preparation of this Plan assumes a special significance as it comes within highly important and complex circumstances and variables at the local, regional, and global levels. It was necessary to take into account these circumstances and variables in all steps of the preparation of the plan. Of the most significant variables were the following:

- The fluctuation of oil prices and the negative impact of such fluctuations on the stability of the economy.
- The Sultanate's membership of the World Trade Organisation (WTO).
- The establishment of the Custom Union with other AGCC States.
- The emergence of economic blocs.
- The increasing importance of the role of the state financial reserves in realizing sustainable development

In view of the above it gives me great pleasure to present this booklet that aims at reviewing the main components of the Sixth Five Year Plan, which includes the macro-objectives, basic components, and the basic planning balances in their preliminary form that will be subject for review and amendment according to the final data to be available for 2000.

The sixth Five Year Plan is a manifestation of the aspirations and ambitions of the leader of the Sultanate's march towards development, the

initiator of the modern Oman renaissance, His Majesty Sultan Qaboos bin Said, Sultan of Oman, who has always been and still is being devoted to build Oman so that it will take its position among the advanced nations.

We pray to Almighty Allah to grant success to our efforts for the best interest of our country and its citizens.

Ahmed bin Abdul Nabi Macki

Minister of National Economy

Deputy Chairman of the Financial Affairs and Energy Resources Council

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Chapter One

The Overall objectives and Basic Principles of the Sixth Five Year Development Plan (2001 – 2005)

1.1 Introduction:

On the base of the remarkable accomplishments of the long term development strategy (1976 –1995) in the fields of expansion and diversification of production base, development and promotion of private sector, upgrading the infrastructure, establishing the basis of the modern state; and so as to improve the quality of life of the Omani citizens in general, and face the challenges emanating from the advanced stage reached by the national economy, and in order to achieve the maximum benefits from the opportunities available to the state by those processes, particularly the rapid advancement in the telecommunications and information technology arenas, so as to promote sustainable development, a long term development strategy has been adopted for the period (1996–2020). The latter is represented in the Vision for Oman's Economy: Oman 2020, which has been ratified in January 1996 as per Royal Decree No. 1/96.

The (1996 – 2020) development strategy primarily aims at maintaining the current level of per capita income, as a minimum, and strives to double it, in real terms, by the year 2020. The fundamental dimensions of this strategy centre in the following goals:

1. Development of human resources, and upgrading Omanis skills and competences to keep abreast with the technological progress; to manage the dynamics of this progress in a highly efficient way; and to face the ever changing domestic and global conditions.

2. Creation of a stable macroeconomic framework aimed at the development of a private sector capable of the optimal use of human and natural resources of the Sultanate in an efficient and ecologically- sound way.
3. Encouraging the establishment of an effective and competitive private sector; and consolidation of the mechanisms and institutions that will foster shared visions, strategies and policies between the private sector and the government.
4. Providing appropriate conditions for the realization of economic diversification, and striving toward the optimal use of natural resources and the geo-strategic location of the Sultanate.
5. Enhancing the standard of living of the Omani people; reduction of inequality among regions and among various income groups; and ensuring that the fruits of development are shared by all citizens.
6. Preserving the achievements accomplished during the past twenty-five years, safeguarding and developing them, along with the completion of some of the necessary basic services.

1.2 Overall Objectives of the Sixth Five Year Development Plan (2001 - 2005):

In line with the general framework of the Vision for Oman's Economy: Oman 2020, its long term objectives, and in view of the lessons drawn from the experience of execution of the Fifth Five Year Plan (1996 -2000) and the challenges it involved, the overall objectives of the Sixth Five Year Development, ratified by Royal decree No. 1/2001 and illustrated in annexure (3), rest on each of the following four basic dimensions:

A. Economic balance and sustainable growth:

1. Working towards maintaining the real average income per capita at its current level by targeting annual GDP growth rate of not less than 3% at constant prices.
2. Adopting sustainable fiscal policies through rationalization of government spending, increasing the government revenue, particularly the non-oil revenue, and build up of financial reserves of the government.
3. Maintaining the current low levels of inflation.
4. Improving and upgrading the scientific standard in the judicial field and enhancing international cooperation in the exchange of expertise in judicial arena.
5. Realizing comparable levels of development in the different regions of the Sultanate.

B. Human resources development:

1. Raising of the enrolment ratio in higher education institutions and upgrading and spreading of basic education shall be given first priority in the Plan.
2. Supporting the programmes that aim at enhancing the activities of the youth sector as it is considered to be groundstone for building the society.
3. Special attention shall be given to culture and heritage as they represent two fundamental dimensions that integrate with the social and economic development.
4. Provision of appropriate employment opportunities for he Omani citizens through implementation of economically viable and labour intensive production projects.
5. Adoption of transparent population policy consistent with the directives aiming at sustainability of development.

C. Economic Diversification:

1. Acceleration of the diversification activities growth rates as well as raising their share in GDP.
2. Development of non-oil goods and services exports through increasing their share, quality standard and structure.
3. Development of natural gas based industries.
4. Upgrading tourism as it is one of the basic supports of comprehensive development.

D. Private sector development:

1. Special attention is to be given to the privatisation programme and activate its process with intention to reduce the national economy's dependence on public spending, encourage private sector investment, provide competitive environment and improve the efficiency of the national economy.
2. To increase the private sector share in (GDP) through its participation in the industrial programme of natural gas based projects in addition to strengthening its activities in its traditional fields of investment and raising its productivity.
3. Increase private savings, encouragement of local and foreign investment through creation of a suitable investment climate, expansion of the sector's activities.

1.3 The basic principles of the fiscal framework of the Sixth Five Year Plan (2001–2005):

Based on the Vision for Oman's Economy: Oman 2020, particularly its first dimension that aims at provision of a stable macroeconomic framework, as well as the approved overall objectives of the Sixth

Five Year Plan (2001–2005), and in view of the results of the evaluation of fiscal performance of the Fifth Five Year Plan (1996–2000), oil prices expectations, the developments in government spending as per the Sixth Five Year Plan objectives of broadening and upgrading education services and enhancing the diversification processes, the basic principles of the fiscal framework of the Sixth Five year Plan, ratified by Royal Decree No. 1/2001, have been formulated as follows:

1. Enhancing the government financial reserves through transferring any additional revenue resulting from an increase in oil price above the assumed level of oil price for the plan period (US \$18 per barrel) to the State General Reserve Fund (SGRF). In addition the volume of required withdrawal from the fund to finance the approved deficit should be strictly observed and not exceeded.
2. Rationalization of Government spending by restructuring the State General Budget through benefiting from cost effectiveness approaches.
3. Finalizing the restructuring of the State administrative apparatus so as to develop systems and work methods, facilitate administrative procedures in the government units and reduce their associated public expenditure.
4. Development of government non-oil revenue.
5. The public debt of total government loans shall be maintained within the internationally accepted safe limits. Efforts shall be exerted to restructure such loans in order to reduce their service burden.
6. Provision of finance necessary to participate in a set of economically viable production projects that provide adequate employment opportunities for the Omani citizens.

7. Priority in allocating government resources shall be given to the expenditure related to increasing intake of secondary education graduates into higher education, upgrading and expanding the basic education, development of natural gas resources, development of tourism sector, and maintenance of existing government assets.
8. Government authorities are to respond to any emergency or necessary increase in their budgets by reorganizing their priorities so that the increase is met from the allocations already approved, provided that such reorganisation should not be contradictory to the overall objectives of the Plan and its fiscal basis principles.
9. Encouragement of voluntary participation of the citizens in the provision of basic services.
10. In the event that oil prices decrease below the assumed level – US \$ 18 per barrel- the aspects relevant to the Plan should then be reconsidered and amended in away consistent with that decrease in oil prices.
11. The work of the supreme committee of the Plan shall continue throughout the Plan implementation period to undertake periodic monitoring of the implementation of objectives, policies, and programmes of the Plan. In addition it shall coordinate with the government agencies and relevant sectors in order to implement the Plan's objectives and programmers more effectively and at a lower cost, resolve any challenges that faces plan's implementation, in addition to completion of dealing with the issues resolved by the Committee during the Plan preparatory meetings.

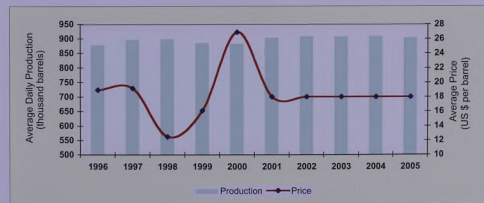
Chapter Two

Balance of Public Finance (Government Revenues and Expenditures)

2.1 Government revenues:

Oil revenue estimates were based on the assumption that the average production rate of crude oil during the Plan period will be about 908 thousand barrels per day and oil price is fixed during the Plan at US \$ 18 per barrel. Figure No. 2 illustrates forecasts of oil production rates and prices during the Sixth Five Year Plan compared to their actual levels during the Fifth Five Year Plan.

Figure No. (2-1)
Estimates of Average Daily Production and Prices of Oil during the Sixth Five Year Plan (2001 –2005)



Based on that, as well as the forecasts related to the non-oil revenue, it is expected that total government revenues during the Sixth Five Year Plan period, as indicated in Table No. (2-1) below would be about RO 12815 million compared to the total actual revenue of RO 10205 million during the Fifth Five Year Plan, i.e. an increase of 25.6%.

Table (2-1)
Estimates of Government Revenues and Expenditures
in the Sixth Five Year Plan (2001-2005)

(Million Rial Omani)

Fifth Five-Year Plan (1990-1996) Actual*	Item	Sixth Five-Year Plan (2001-2005)
890	Average Daily Production (thousand barrels)	908
18.7	Average Price (US \$ per barrel)	18
	First : Revenues:	
9629	Oil Revenue	9602
	Minus transfers to-	
2056	a. State General Reserve Fund (SGRF)	0
188	b. Oil Reserve Fund	190
7385	1. Net Oil Revenue	9412
304	2. Natural Gas Revenue	406
2420	3. Other Current Revenue	2994
45	4. Capital Revenues	30
52	5. Capital Repayments	43
10205	6. Total Revenues (1+2+3+4+5)	12813
	Second : Expenditure:	
	Current Expenditure	
3623	7. Defence & National Security Units	4212
4728	8. Civil Ministries	5735
548	9. Interest Paid on Loans	350
447	10. Government Share in PDO's Operating Expenditure	423
9347	11. Total Current Expenditure (7+8+9+10)	10920
	Investment Expenditure	
1061	12. Civil Development Expenditure	1285
63	13. Natural Gas Exploration	66
836	14. Government Share in PDO's Capital Expenditure	990
120	15. Human Resource Development Programme	175
0	16. Gas Procurement & Transport Cost	167
2080	17. Total Investment Expenditure (12+13+14+15+16)	2683
	Participation & Subsidy to Private Sector	
27	18. Subsidy to Oman Housing Bank	25
30	19. Subsidy to Industrial & Tourism Sectors	30
7	20. Support of Easy-Term Loans to Agriculture, Fisheries, Health, Education & Handicrafts	10
160	21. Participation in Domestic, Regional & International Establishments	88
0	22. Reserve	30
224	23. Total Participation & Subsidy to Private Sector (18+19+20+21+22)	183
11650	24. Total Expenditure (11+17+23)	13786
-1445	25. Current Deficit (6-24)	-971

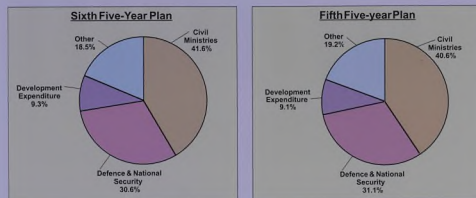
* Preliminary

2-2 Government Expenditure:

- a. The total government expenditure during the Sixth Five Year Plan period, as indicated in Table No. (2-1), is expected to be about RO 13786 million compared to RO 11560 million in the Fifth Five Year Plan, i.e. an increase of about 18.3%.
- b. Total current expenditure for the Sixth Five Year Plan period is expected to be RO 10920 million, with an increase of 16.8% above its actual total level during the Fifth Five Year Plan period.
- c. Total investment expenditure during the Sixth Five Year Plan is expected to increase to about RO 2683 million, with an increase of 29% above its actual total during the fifth Five Year Plan.
- d. Total expenditure on participation and subsidy to private sector is expected to reach about RO 183 million during the Sixth Five Year Plan period. Out of this amount RO 95 million is expected to be earmarked for private sector subsidy as compared with RO 64 million in the Fifth Five Year Plan, i.e. an increase of 48.4%.

Figure No. (2-2) below illustrates the expected structure of Government expenditure for the Sixth Five Year Plan period relative to its actual structure of the Fifth Five Year Plan.

Figure No. (2-2)
Structure of Government Expenditure for the Sixth Five Year Plan (2001-2005) Relative to its structure during the Fifth Five Year Plan (1996-2000)
% of total expenditure

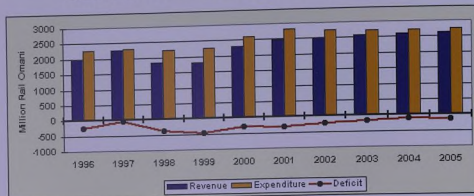


2-3 General Budget deficit:

- a- In view of the above expectations of government revenue and expenditure, total budget deficit during the Sixth Five Year Plan period is expected to be about RO 971 million, a decrease of about 32.8% of the actual total deficit during the Fifth Five Year Plan. According to the bases of the Plan, this deficit shall be financed through withdrawals from the SGRE.

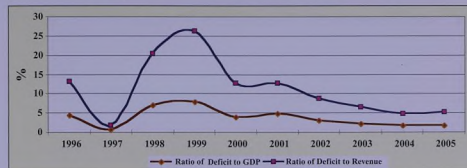
Figure No. (2-3) below illustrates government revenue and expenditure, general budget deficit during the Sixth Five Year Plan period relative to their actual levels in the Fifth Five Year Plan Period.

Figure No. (2-3)
Development of Government Revenue, Expenditure and Budget Deficit During the Sixth Five Year plan (2001-2005) relative to the Fifth Five Year Plan (1996-2000)



- b- The average general budget deficit during the Sixth Five Year Plan is expected to be about 7.6% of government revenue and 2.7% of GDP, compared to 14.2% and 4.7% respectively during the Fifth Five Year Plan period. Figure No. (2-4) below illustrates the development of general budget deficit relative to government revenue and GDP in the Sixth Five Year Plan period compared to the Fifth Five Year Plan.

Figure No. (2-4)
Development of Budget Deficit relative to Government revenue and GDP during the Sixth Five Year Plan (2001-2005) compared with the Fifth Five Year Plan



2-4 Public Debt:

In pursuance of the direction of not to resort to borrowing as a means of financing deficit, and to use net proceeds from privatisation operations to reduce the public debt, the total public debt balance by the end of the Plan period is expected to remain at its actual level at the end of the Fifth Five Year Plan, i.e. about RO 1500 million.

Accordingly the ratio of average public debt to GDP for the Sixth Five Year Plan period is expected to be about 20.5% compared with about 24.9% in the Fifth Five Year Plan.

Chapter Three

Balance of Gross Domestic Product (GDP) (Gross Domestic Product & Expenditure on it)

3-1: Development of GDP and its structure:

- a) It is expected that the average annual growth rate of GDP will be about 3.5% at constant prices and about 0.8% at current prices during the Sixth Five Year Plan period. The variation between the two rates comes as a direct result of the noticeable increase in oil prices in the base year (year 2000). The GDP at current prices is expected to increase in 2005, to about RO 7666 million compared to RO 7373 million in 2000 as illustrated in Table No. (3-1).
- b) As a result of the Plan's emphasis on promoting the economic diversification processes on the one hand, and the decrease in oil price assumed for the Plan period (US \$18) below its actual base year price (US \$26.9) on the other hand, the sectoral growth rates are expected to witness clear variation. Oil activities in the Plan are expected to record a negative growth rate of about 5.3%, while non-oil activities are expected to witness an average growth rate of 5.2%. However this is conditioned by the implementation of all the gas- based and petrochemical industries projects included in the investment programme of the Plan (annexure No.2).¹

¹ Note: Estimates indicated in this Balance as well as in the other balances of the Plan are provisional, and shall be updated in light of the final data of 2000.

Table (3-1)
Development of GDP in the
Sixth Five Year Plan (2001-2005)

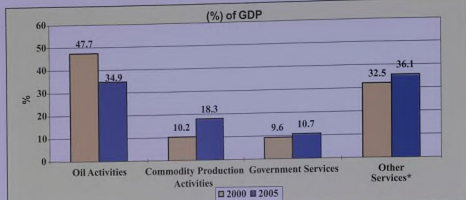
(Million Rial Omani)

Fifth Five-Year Plan (1996-2000) Actual *		Item	Sixth Five-Year Plan (2001-2005)	
The Plan's Last Year 2000	Average Annual Growth Rate (%)		The Plan's Last Year 2005	Average Annual Growth Rate (%)
3518	11.7	1. Oil Activities	2675	-5.3
		Non-oil Activities		
755	4.9	a- Commodity Production Activities	1403	13.1
3232	3.1	b- Services Production Activities	3728	2.9
3987	3.4	2. Total Non-oil Sectors	5131	5.2
-202	9.7	3. less: Imputed banking services	-221	1.8
70	9.1	plus: Custom duties	81	3.0
7373	6.8	4. Gross Domestic Product (1+2+3)	7666	0.8

* Preliminary

- c) Due to the expected variation in sectoral growth rates, a significant improvement in the GDP sectoral structures is envisaged during the Sixth Five Year Plan. The relative share of oil activities of GDP is expected to decrease in 2005 to about 34.9% compared to about 47.4% in the year 2000. However, the share of non-oil activities of GDP is expected to increase in 2005 to about 66.9% compared to about 54.1 in 2000. In the non-oil activities a significant increase is expected in the GDP share of the commodity production activities in the Sixth Five Year Plan. Their relative share is expected to increase to about 18.3% in 2005 compared to 10.2% in the year 2000. The relative share of service production activities is expected to witness slight increase in 2005 to about 48.6% compared to 43.8% in the year 2000. Figure No. (3-1) below illustrates the development of the GDP sectoral structure in the Sixth Five Year Plan relative to the Fifth Five Year Plan.

Figure No. (3-1)
GDP sectoral structure in the Sixth Five Year Plan
(2001-2005) relative to the Fifth Five Year Plan (1996-2000)



* Includes imputed banking services & custom duties

3-2 Development of Expenditure on GDP and its Structure

- a. It is expected that the share of final consumption will increase at an annual rate of about 2.5% on average during the Sixth Five Year Plan. It is expected to increase to RO 4946 million in 2005 compared to RO 4375 million in 2000. In accordance with the Plan's directions, aiming at rationalization of government spending, the targeted annual growth rate for the government (public) final consumption is expected not to exceed 1.5% on average. However, private final consumption in the Plan is expected to increase at an average annual rate of 3%, which would ensure maintenance of the current standard of living for the Omani citizen, one of the bases of the development strategy.
- b. In line with the Plan's objectives that seek promotion of investment, it is expected that investment (capital formation) during the Plan will grow at an average annual growth rate of about 5.4%. Investment is therefore expected to increase from about RO 936 million in 2000 to about RO 1217 million in 2005.

- c. Due to the assumed decrease in oil price during the Plan period below its actual level in 2000, the net goods and services export surplus is expected to decrease in the Plan at an average annual rate of 6.1%. It is expected to decrease in 2005 to about RO 1503 million compared to RO 2063 million in 2000. Table No. (3-2) reflects the development of expenditure on GDP in the Sixth Five Year Plan.

Table No. (3-2)
Structure of Expenditure on GDP

(Million Rial Omani)

The Plan's Last Year	Average Annual Growth Rate (Fifth Plan) (%)	Item	Sixth Five-Year Plan (2005-2001)	
			2005 Planned	Average Annual Growth Rate (Sixth Plan) (%)
4375	1.5	1. Final Consumption	4946	2.5
147+	0.2	a- Public	1589	1.5
2902	2.2	b- Private	3357	5.0
936	3.3	2. Gross Capital Formation (investment)	1217	5.4
582	2.3	a- Public	561	-0.7
354	5.0	b- Private	657	13.2
2063	35.6	3. Net Exports of Goods and Services	1503	-6.1
7373	6.8	4. Gross Domestic Product at producers' current prices (1+2+3)	7666	0.8

* Preliminary

- d. In pursuance of the Plan's directions aiming at investment encouragement and promotion of private sector role in the national economy, it is expected that, as illustrated in figure No. (3-2) below, positive developments in the Plan's expenditure structure will take place. The most important of these developments in the expenditure structure are as follow:

- The investment relative share of GDP will increase from 12.7% in 2000 to about 15.9% in 2005.
- The private sector's investment share of GDP will increase to 8.6% in 2005 relative to 4.8% in 2000. The relative public investment share of GDP will decrease to 7.3% in 2005 compared to 7.9% in 2000.

In addition, the final consumption relative share of GDP will increase to about 64.5% in 2005 compared to 59.3% in 2000. The public final consumption share of GDP is expected to witness a slight increase from 20% in 2000 to about 20.7% in 2005, while the relative share of private consumption is expected to increase to 43.8% in 2005 compared to 39.4% in 2000.

As a result of the assumed decrease in oil price in the plan, the net export of goods and services surplus share of GDP is expected to decrease to 19.6% in 2005 compared to 28% in 2000.

Figure No. 3-2
Structure of Expenditure on GDP
In the Sixth Five Year Plan relative to the Fifth Five Year Plan



Chapter Four

Investment and Saving Balance

4-1 Development of Size and Composition of Investment:

- In order to enhance the national economy's growth rates and sustainability of development the Sixth Five Year Plan strives to encourage domestic and foreign investment. In line with that, the total investment size for the Sixth Five Year Plan period is expected to witness a significant increase, as illustrated in Table No. (4-1), to about RO 8118 million compared to about RO 5000 million in the Fifth Five Year Plan, an increase of 62.4%. This is conditioned by the implementation of all the planned major natural gas based projects.

Table No. (4-1)
Investment Size and Composition
in the Sixth Five-Year Plan (2001-2005)

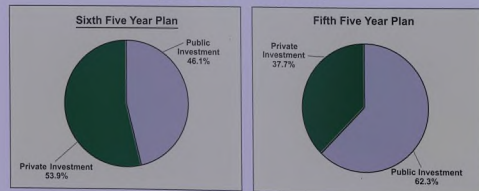
(Million Rial Omani)

Fifth Five-Year Plan *				Item	Sixth Five-Year Plan			
Public	Private	Total	Relative Share (%)		Public	Private	Total	Relative Share (%)
836	668	1504	30.1	- Crude Oil	990	825	1815	22.4
101	0	101	2.0	- Natural Gas	458	0	458	5.6
856	346	1202	24.0	- LNG	252	125	377	4.6
1320	873	2193	43.9	Other non-oil	2046	3422	5468	67.4
3115	1887	5000	100.0	Total Investment	3746	4372	8118	100.0

* Preliminary

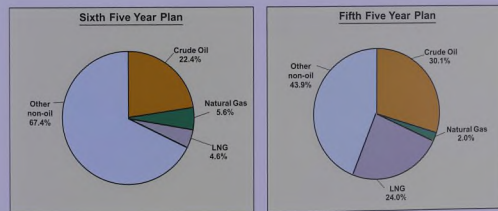
- b. The total public sector investment in the Sixth Five Year Plan is expected to increase to RO 2746 million, with an increase of 20.3% above its actual level in the Fifth Five Year Plan. However, the total private sector investment is expected to witness a significant increase to about RO 4372 million, with an increase of 131.7% relative to the Fifth Five Year Plan.
- c. Consequently wide changes are expected to take place in the investment structure of the Sixth Five Year Plan. In consistence with Plan objectives aiming at promotion of private sector's role in the national economy, the relative private sector investment share in the Sixth Five Year Plan is expected to increase to 53.9% compared to about 37.7% in the Fifth Five Year Plan. Accordingly the public sector investment share of total investment in the Sixth Five Year Plan is expected to decrease to about 46.1% compared to about 62.3% in the Fifth Five Year Plan. Figure No. (4-1) below illustrates the structure of total investment in the Sixth Five Year Plan.

Figure No. (4-1)
Structure of Total Investment in the sixth Five Year Plan
(2001-2005)
Relative to the Fifth Five year Plan
(% of total investment)



In terms of investment structure by major sectors, as illustrated in figure No. (4-2) below, the other non-oil activities share of the Sixth Five Year Plan's total investment is expected to witness a remarkable increase (depending on the implementation of all the gas based industrial projects included in the Plan's investment programme) to about 67.4% compared to about 43.9% in the Fifth Five Year Plan. This increase is attributable to Sixth Five year Plan targeting of the development of natural gas based industries and promotion of tourism. The relative share of the investments related to the development and upgrading of natural gas in the total investment of the Sixth Five Year Plan is expected to increase to about 5.6% compared to about 2.0% in the Fifth Five Year Plan.

Figure No. (4-2)
Sectoral Structure of Total Investments in the Sixth Five Year
Plan (2001-2005) Compared with the Fifth Five Year Plan
(1996-2000)
% of Total Investment



4-2 Main Components of the Public Sector Investment Programme in the Plan:

Table No.(4-2) illustrates main components of the public sector investment programme in the Sixth Five Year Plan. The most important features indicated by the table may be summarized as follows:

- Increase of government share in the capital expenditure of Petroleum Development Oman (PDO) in the Sixth Five year Plan to RO 990 million, i.e. an increase of 18.4% relative to the actual size in the fifth Five Year Plan. This increase aims on the one hand to enable the Company to achieve the targeted oil production rates, and on the other hand aims to promote the exploration and development efforts.
- Increase in development expenditure of civil ministries in the Sixth Five Year Plan to about RO 1285 million compared to the actual expenditure of RO 1061 million in the Fifth Five Year Plan, an increase of 21.1%. Such increase is a reflection of the attention directed by the Plan to increasing the capacities of the higher education institutions, and upgrading education, health and tourism services. Annexure No.(1) includes a list of some development projects of the civil ministries in the Plan.
- Increase in public sector investments, of the Sixth Five year Plan, directed to the non-oil production areas. In line with the Plan objectives related to the development of natural gas based industries, and economic diversification in general, the sector's investments in non-oil production areas are expected to increase to about RO 1296 million compared to RO 1096 million in the Fifth Five Year Plan, an increase of 18.2%.

Table (4-2)
Main Components of the Public Sector Investment Programme
in the Sixth Five-Year Plan (2001-2005)

(Million Rial Omani)

Fifth Five-year Plan (1996-2000) Actual *	Item	Sixth Five-year Plan (2001-2005)
896	- Government share in PDO capital expenditure	990
65	- Natural gas exploration programme	66
1061	- Civil Ministries development expenditure	1285
120	- Human resources development programme	175
0	- Gas procurement and Transport cost	167
0	- Gas pipe line project	175
496	- Third train of the natural gas project (Upstream)	121
360	- Third train of the natural gas project (Downstream)	131
0	- Natural gas based industrial projects	185
0	- Sohar Refinery	385
177	- Other investments of public enterprises	66
5113	Total	3746

* Preliminary

4-3 Main Components of the Private Sector Investment Programme in the Plan:

The most prominent features of the private sector investment programme in the Sixth Five Year Plan, as clear from table No. (4-3) below, are as follows:

- Increase in the Plan's expected investments for each of the main components of the programme, except those of the liquefied natural gas project (LNG), which will decrease to about RO 125 million compared to about RO 346 million in the Fifth Five Year Plan. This is due to completion of the project's construction in the Fifth Five Year Plan while its investments in the Sixth Five

Year Plan will only be limited to those related to construction of the third train for the project. The private sector investment in Oil Sector will increase in the Sixth Five Year Plan to about RO 825 million, an increase of 23.5% relative to the Fifth Five Year Plan. Private sector investment related to the privatisation programme in the sixth Five Year Plan is expected to be about RO 396 million. The other private sector investment is also expected to increase in the Plan to about RO 1219 million compared to RO 873 million in the Fifth Five Year Plan, i.e. an increase of 39.6%.

In line with the Plan objectives, the private sector is expected to invest in the natural gas-based industries. Its total investment in these industries, during the Plan period, are expected to be about RO 1807 million, i.e. about 41.3% of its total investment during the Plan period. Annexure No.(2) illustrates the production projects in the Plan.

Table No.(4-3)
The Basic Components of Private Sector Investment
Programme
In the Sixth Five Year Plan (2001-2005)

(Million Rial Omani)

Fifth Five-year Plan (1996-2000) Actual *	Item	Sixth Five-year Plan (2001-2005)
557	- Foreign partners' share in PDO capital expenditure	660
111	- Other foreign oil companies investment	165
346	- Third train of the natural gas project (LNG) (Downstream)	125
0	- Natural gas based industrial projects	1807
0	- Privatisation programme	396
873	- Other private sector investments	1219
1887	Total	4372

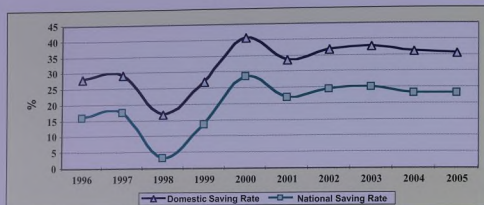
*Preliminary

4-4 Saving:

Domestic saving is expected to decrease during the Plan period at an average annual rate of about 1.9% to be about RO 2720 million in 2005, compared to RO 2998 million in 2000. This decrease is attributable to the remarkable improvement in oil prices in 2000 and the additional proceeds realized by the country as a result. Despite this decrease, however, the domestic saving indicators in the Plan are expected to improve. The average domestic saving rate relative to GDP is expected to increase during the Plan period to about 35.9% compared to about 29.1% in the fifth Five Year Plan.

The national saving is also expected to decrease during the Plan period at an average annual rate of 3.4%. The national saving rapid decline rate relative to the domestic saving rate is attributable to the expected increase in the volume of investment in the Sixth Five Year Plan, and the impact of the burden of their finance and implementation on the balance of services and external transfers. However, it is important to indicate that national saving indicators of the Plan will improve compared to those in the Fifth Five Year Plan. The average national saving rate relative to GDP in the Plan is expected to increase to about 23.5% compared to 16.5% in the Fifth Five Year Plan. Figure No.(4-3) below illustrates the domestic and national saving rates in the Sixth Five Year Plan.

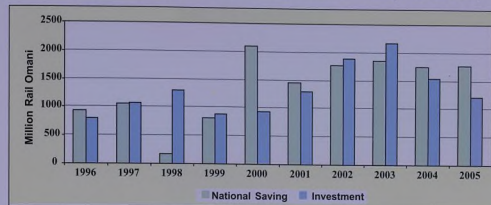
Figure No. (4-3)
 Domestic and National Saving Rates
 In the Sixth Five Year Plan (2001-2005)
 % of GDP



4-5 National Saving and Investment:

As a result of the expected improvement in the national saving indicators an increase is expected in the national saving surplus above the domestic investment in the Sixth Five Year Plan. This comes despite the expected increase in volume of investments in the Plan.. The total of this surplus for the Plan period is expected to be about RO 492 million compared to about RO 85 million during the Fifth Five Year Plan. The expectation of a surplus in the national saving means that resources are available for additional investment, and efforts can be made to direct these resources to Muscat Securities Market (MSM) so as to finance additional investment opportunities that are economically feasible. Figure No.(4-4) illustrates the development of national saving and domestic investment during the Plan period.

Figure No.(4-4)
 National Saving and Domestic Investment
 During the Period of the Sixth Five Year Plan (2001-2005)



Chapter Five

Balance of Trade and Current External Transactions (Balance of Payments)

5-1 Trade Balance :

Merchandise exports in 2005, as illustrated in table No. (5-1) below, are expected to maintain their volume realized in 2000, i.e. about RO 4294 million, despite the expected decrease in oil price for the Plan period to a level lower than that realized in 2000. Oil exports are expected to decrease during the Plan at an average annual rate of 7.4% to be about RO 2302 million in 2005. The performance of non-oil exports, however, is expected to improve remarkably in the Plan. Liquefied Natural Gas (LNG) exports are expected to grow during the Plan period at an average rate of about 24.7% as a result of completion of the LNG project and construction of the third train. Other non oil exports of Omani origin are expected to grow at an average annual rate of about 27.5% due to the rise of natural gas based industries, petrochemicals and Sohar refinery. Re-export volume is expected to grow at an average annual rate of about 6.9%.

Table No. (5-1)

Balance of Trade and Current External Transactions In the Sixth Five Year Plan (2001-2005)

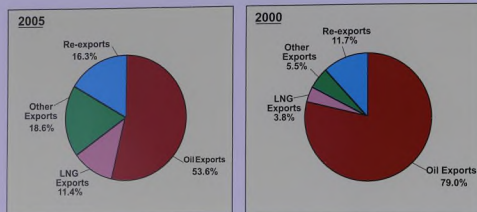
(Million Rial Omani)

Fifth Five Year Plan		Item	Sixth Five Year Plan	
Actual 2000	Average Annual Growth Rate (%)		2005	Average Annual Growth Rate (%)
2284	28.1	a. Trade Balance	1747	-5.2
4290	12.8	1-1 Merchandise Exports	4294	0.0
3388	13.0	1-1-1 Crude Oil Exports	2302	-7.4
163	-	1-1-2 LNG	491	24.7
237	5.4	1-1-3 Other Exports of Omani origin	798	27.5
503	9.3	1-2 Re-exports	702	6.9
-2007	3.6	1-2 Merchandise Imports	-2547	4.9
-221	2.2	b. Services balance	-279	4.7
-342	20.1	c. Net Factor Payments	-369	1.5
-555	-0.7	d. Net Expatriate Remittances	-584	1.0
		e. Current Account Balance Surplus/ Deficit		
1166	-236.2		515	-15.1

* Preliminary

Hence, positive tangible changes in the structure of merchandise exports are expected to ensue during the Plan. As indicated in figure (5-1), the share of non-oil exports in total exports is expected to increase remarkably in 2005 to about 46.4% compared to about 21% in 2000.

Figure No.(5-1)
Structure of Merchandise Exports
In the Sixth Five Year Plan (2001-2005)
% of Total Merchandise Exports



Merchandise imports, however, are expected to increase from about RO 2007 million in 2000 to about RO 2547 million in 2005, at an average growth rate of about 4.9% during the Plan period. Accordingly the trade balance surplus is expected to decrease during the Plan period at an average annual rate of about 5.2%.

5-2 Other External Current Transactions:

As illustrated in table No.(5-1) the deficit in the services balance is expected to grow during the plan at an average annual rate of 4.7%, net external investment income by about 1.5% and workers' net remittances to abroad by about 1.0%.

5-3 Current Account Balance:

As shown in paragraph 5-1 and 5-2 above, Current Account Balance surplus is expected to decrease from RO 1166 million in 2000 to about

RO 515 million in 2005, a decrease at an average annual rate of about 15.1%. Despite this expected decrease in the Current Account Balance which is mainly due to the decrease in expected oil price below its actual level in 2000, the total surplus of the current Balance would increase to about RO 431 million compared to about RO 108 million in the Fifth Five Year Plan.

In addition, the Current Account Balance is not expected to register a deficit during the Sixth Five Year Plan period, except in 2002 and 2003. The emergence of a deficit in Balance in these two years is due to the concentration of the Plan investment in that period.

Chapter Six

Prices and Inflation

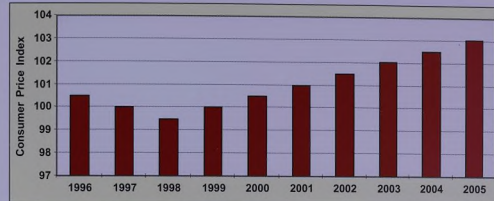
6-1 Inflation Rates:

The Sixth Five Year Plan strives to maintain the current low levels of inflation. In order to achieve this objective the Plan adopts a set of fiscal and monetary policies, the most important of which are as follows:

- Rationalisation of government spending.
- Maintenance of the official exchange rate of the Omani Rial.
- Liberalization of interest rate.
- Assist in control of consumption expenditure and raise the saving rate.
- Coordination between monetary policy and fiscal policy in such a way that maintains the stability of the national economy.

By grace of these policies, in addition to the expected decrease in rents which will result from the increasing rate of volume of housing units and decrease in telecommunications charges, as a result of the competition, technological and institutional advances expected in this field, the average annual inflation rate during the Plan is not expected to be more than 0.5%. Figure No.(6-1) illustrates the expected development in the general Consumer Price Index (CPI) during the Sixth Five Year Plan.

Figure No. (6-1)
Expected Development in the General Consumer
Price Index (CPI)
In the Sixth Five Year Plan(2001-2005)
1990 = 100



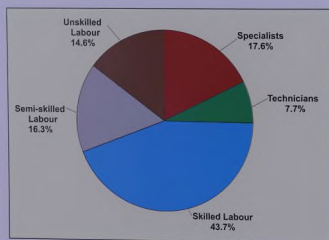
Chapter Seven

Labour Force Balance

7-1 Forecasts of Omani Labour Supply in the Plan:

Omani labour supply in the Plan is expected to increase at increasing rates. The additional Omani labour supply in the Plan is expected to be about 133.7 thousand workers. Due to the attention attached by the Plan to increasing intake in Higher education and vocational training, it is expected that a positive change in the structure of the additional supply of Omani labour in the Plan will take place. As illustrated in figure No. (7-1), the total share of specialists, technicians, and skilled labour is expected to be about 69.1% of the total additional supply of Omani labour in the Plan.

Figure No.(7-1)
Structure of the Additional Omani Labour Supply in
The Sixth Five Year Plan (2001-2005)
% of Total Additional Supply of Omani Labour



7-2 Labour Demand in the Plan:

The Sixth Five Year Plan focuses in particular on provision of suitable employment opportunities for the Omani citizens. In accordance with this direction the Plan is expected to provide about 110 thousand new employment opportunities compared to 78 thousand new jobs in the Fifth Five Year Plan, an increase of 41%.

The private sector is expected to provide most of these new employment opportunities in the Plan. It is expected to provide about 92% of the said opportunities. On the sectoral level, the manufacturing activities, construction, and tourism are expected to be the leading activities that will provide the new employment opportunities in the Plan.

Annexures

Annexure No.(1)

List of Some New Projects Included in the Investment Programme
of Civil Ministries for the Sixth Five Year Plan (2001-2005)

Name of the Project	Initial Cost (RO Million)
1. Crossing Over on the Main Road (Al-Ghobra - the Ministries)	2.0
2. Construction of a fly-over at the Airport round about	2.5
3. Sea Front Development Study (Athiba- Al Mawalih)	3.0
4. Fly-over at the University round-about	3.5
5. Subways around Al-Mawalih round-about	2.5
6. Devlopment of Alkhuwair service road	1.5
7. The unified financial system	2.0
8. Replacement and renewal of studios equipment in Muscat	4.5
9. Digital studios	3.5
10. youth houses	1.5
11. Construction of a hotel in Wilayat of Khasab	2.0
12. Drilling new gas wells in Yibal	4.6
13. Extension of the Government Gas Plant (Third Train)	10.2
14. Installation of pressure gauges in the wells at the government gas Plant- Phase 3	27.2
15. National Project for Date Palm Development	2.0
16. Plant protection, aerial spraying, and desert locust control	1.0
17. Support of introducing modern irrigation system in the citizens' farms in the regions	1.3
18. Integrated Preventive Programme (national vaccination and treatment)	1.3
19. Youth ships project	0.5
20. Sohar Marine fishing Port	2.0

Annexure No.(1)

List of Some New Projects Included in the Investment Programme of Civil Ministries for the Sixth Five Year Plan (2001-2005)

Name of the Project	Initial Cost (RO Million)
21. Construction of courts complex	4.0
22. Growth and substitution schools	35.5
23. Schools developed due to cancellation of evening classes	43.6
24. Addition of classes and educational facilities	13.2
25. Equipment for learning sources and computer rooms	21.0
26. Construction of Mirbat hospital - 18 bed -	1.5
27. Construction of Ibra Hospital	15.0
28. Construction of Salalah polyclinic	1.5
29. Rehabilitation of Khola hospital	2.5
30. Rehabilitation of Samail hospital	1.3
31. Projects of upgrading the vocational training centres to Technical colleges	8.0
32. Establishment of a Technical Industrial College in wilayat of Shinas	4.0
33. Financial support projects for national training projects	37.0
34. Oman Cultural centre	15.0
35. Easy term housing loans projects	9.6
36. Mirbat/Sadah/Hidbain road	6.0
37. Rehabilitation of Nizwa /Thamrait - Completion of phase I	8.0
38. Rehabilitation of Al-Batinah/ South road	8.0
39. Construction of Arrustaq (Al Batinah)/Maskan (Adh-Dhaira) road	7.0
40. Construction of Al-Buraimi/ hafeet wadi sagh road	2.5
41. Asphalting Thamrait/ Al Mazyona road	5.0
42. Establishing a free trade zone in Salalah	2.5

Annexure No.(1)

List of Some New Projects Included in the Investment Programme of Civil Ministries for the Sixth Five Year Plan (2001-2005)

Name of the Project	Initial Cost (RO Million)
43. Sewerage network for 9 cities - phase 1	30.0
44. Computerization of the human resources programme	1.0
45. Construction, equipment of central library and the Omani studies centre at the University	6.2
46. Updating and purchase of computer systems and accessories for the University	1.3
47. Infrastructure for the Information Technology industry	2.0
48. Feasibility study and detailed designs of Wadi Dhaiqah dam	2.5
49. Provision of drinking water from Sharqiyah basin to the villages, and coastal towns of Jaalan bari Bu Ali	6.0
50. Construction of a Youth House to substitute Bait Alfalaj	2.7
51. The 2003 General Census of Population, Housing and Establishments.	5.1
52. Consulting services for privatisation of electricity and water sectors	1.5
53. Secretariat General of State Audit building	2.5
54. Support for Manah power station	121.5
55. Privatization projects of electricity and water sectors	80.0
56. Fisheries Training Institute	2.0
57. Natural pasture management in Dhofar mountains	7.0

Annexure No.(2)
Production Projects of the Investment Programme
for the Sixth Five Year Plan(2002-2005)

RO Million

The Project	Total Cost	Investing Sector
1. The Third Train Project for the LNG Project	377	Private/Public
2. Omani Indian Fertilizer Project	380	Private
3. Sohar Fertilizer Project	212	Private
4. Ferrochrome Project	27	Private
5. Methanol Project	203	Private/Public
6. The Project of Extending Natural Gas Pipelines to Sohar and Salalah	175	Public
7. Sohar Refinery Project	385	Public
8. Aluminium Smelter Project	1170	Private/Public

Annexure No. (3)

Royal Decree
No. (1/2001)
Ratification of the Sixth Five year
Development Plan
(2001-2005)

Royal Decree

No. (1/2001)

Ratification of the Sixth Five Year Development Plan
(2001-2005)

We Qaboos bin Said, Sultan of Oman

Having reviewed:

- The Basic Law of the State, issued as per Royal Decree No. 101/96
- The Economic Development law of the year 1975;
- Royal decree No. 1/96 ratification of the Fifth Five Year Development Plan and the basic dimensions of the Vision for Oman's Economy
- To ensure that the fundamental bases for the sustainability of development are laid down through pursuance of the developmental effort within the framework of the Vision for Oman's Economy: Oman: 2020
- Royal Decree No. 1/80 establishing the State General Reserve Fund.
- To emphasize the need of according greater importance to human resource development;
- With the aim of fostering development programmes directed toward realization of economic diversification;
- To enhance the role of the private sector in the development process and expand its participation in the development programmes;
- And in light of the Council of Ministers deliberations in this respect;
- And in accordance with the public interest;

We decree the following:

- Article (1) :** Ratification of the Sixth Five Year Development Plan (2001–2005) and its objectives embodied in the attached Appendix No.(1).
- Article(2) :** The basic principles of its fiscal framework, delineated in the attached Appendix No.(2), must be adhered to in the implementation of the Plan.
- Article(3) :** The Ministry of National Economy shall publish the details of the Sixth Five Year Development Plan in special reports to be issued for this purpose.
- Article (4) :** All Ministries and Government agencies shall implement the aforementioned Sixth Five Year Development Plan with due adherence to the system of open tender and the system of ratification of the annual State General Budget and its implementation procedures.
- Article(5) :** The Main Supreme Committee of the Plan shall conduct annual assessment of the Development Plan taking into account changes that occur at both the national and international levels.
- Article (6) :** This Decree shall be published in the Official Gazette and shall take effect on January 1st, 2001.

Qaboos bin Said

Sultan of Oman

Issued on: 6 Shawwal 1421 AH

Corresponding to: January 1st, 2001

Appendix No. (1)

Overall Objectives of the Sixth Five Year Development Plan (2001–2005)

1. To ensure stability of the real average per capita income at its current level and its improvement to a target of achieving an average annual growth in the GDP at constant prices at a minimum rate of not less than 3%.
2. Adopt sustainable fiscal policies through rationalizing the government spending, increasing the government revenues, particularly the non-oil revenue, and build up of government financial reserves.
3. Maintenance of the current low levels of inflation.
4. First priority in the Plan shall be given to raising the rate of enrolment ratio in higher education institutions and the upgrading and spreading basic education.
5. Supporting the programmes that aim at promoting the activities of the youth sector as it is considered to be the ground stone for the building of the society.
6. Special attention shall be given to culture and heritage and they shall be considered as two fundamental dimensions that are integrated with the economic and social development
7. Upgrading the scientific standard in the judicial field and enhancing international cooperation in the field of exchanging judicial expertise.

8. Provision of suitable employment opportunities to the Omani citizens through implementation of a set of economically feasible and labour intensive production projects.
9. Acceleration of the diversification activities growth rates as well as raising their share in GDP.
10. Development of non-oil goods and services exports through increasing their share, quality standard, and structure.
11. Development of the natural gas based industries.
12. Upgrading tourism as it is one of the basic supports of comprehensive development.
13. Adoption of transparent population policies consistent with the directives aiming at sustainability of development.
14. Special attention is to be given to the privatization programme, enhancement of its processes so as to reduce the national economy's dependence on public spending, encourage private sector investment, provide competitive environment and improve the efficiency of the national economy.
15. To increase the private sector share in (GDP) through its participation in the industrial programme of natural gas based projects in addition to strengthening its activities in its traditional fields of investment and raising its productivity.
16. Increase private savings, encouragement of local and foreign investment through creation of a suitable investment climate, and expansion of the sector's activities.
17. Realization of comparable levels of development in the different regions of the Sultanate.

Appendix No. (2)

The basic principles of the fiscal framework of the Sixth Five Year Development Plan (2001-2005):

1. Enhancing the government financial reserves through transferring any additional revenue resulting from an increase in oil price above the assumed level of oil price for the plan period (US \$18 per barrel) to the State General Reserve Fund (SGRF). In addition the volume of required withdrawal from the fund to finance the approved deficit should be strictly observed and not exceeded.
2. Rationalization of Government spending by restructuring the State General Budget through benefiting from cost effectiveness approaches.
3. Finalizing the restructuring of the State administrative apparatus so as to develop systems and work methods, facilitate administrative procedures in the government units and reduce their associated public expenditure.
4. Development of government non-oil revenue.
5. The public debt of total government loans shall be maintained within the internationally approved safe limits. Efforts shall be exerted to restructure such loans in order to reduce their service burden.
6. Provision of finance necessary to participate in a set of economically viable production projects that provide adequate employment opportunities for the Omani citizens.
7. Priority in allocating government resources shall be given to the expenditure related to increasing intake of secondary education graduates into higher education, upgrading and expanding the

basic education, development of natural gas resources, development of tourism sector, and maintenance of existing government assets.

8. Government authorities are to respond to any emergency or necessary increase by reorganizing their priorities so that the increase is met from the allocations already approved, provided that such re-organisation should not be contradictory to the overall objectives of the Plan and fiscal basic principles.
9. Encouragement of voluntary participation of the citizens in the provision of basic services.
10. In the event that oil prices decrease below the assumed level – US \$ 18 per barrel- the aspects relevant to the Plan should then be reconsidered and amended in a way consistent with that decrease in oil prices.
11. The work of the Supreme Committee of the Plan shall continue throughout the Plan implementation period to undertake periodic monitoring of the implementation of objectives, policies, and programmes of the Plan. In addition it shall coordinate with the government agencies and relevant sectors in order to implement the Plan's objectives and programmes more effectively and at a lower cost, resolve any challenges that faces Plan's implementation, in addition to completion of dealing with the issues resolved by the Committee during the Plan preparatory meetings.

Appendix (2)

Fiscal Framework of the Plan Estimates of Government Revenue and Expenditure for the Sixth Five Year Plan (2001-2005)

(Million Rial Omani)

Item	2001	2002	2003	2004	2005	Total
First : Revenues						
- Oil Revenue	1913	1920	1923	1929	1917	9602
- Minus						
- Provision for Oil Reserve Fund	38	38	38	38	38	190
1. Net Oil Revenue	1875	1882	1885	1891	1879	9412
2. Natural Gas Revenue	74	77	81	85	89	406
3. Other Current Revenues	518	552	595	621	618	2934
4. Capital Revenues	4	4	4	4	4	20
5. Capital Repayments	24	7	4	4	4	43
6. Total Revenues (1+2+3+4+5)	2495	2522	2569	2605	2624	12815
Second : Expenditure						
<u>Current Expenditure</u>						
7. Defence & National Security Units	926	860	826	799	801	4212
8. Civil Ministries	1108	1120	1140	1169	1198	5735
9. Interest Paid on Loans	110	110	110	110	110	550
10 Government Share in PDO's Operating Expenditure	83	85	84	85	86	423
11. Total Current Expenditure (7+8+9+10)	2227	2175	2160	2163	2195	10920
<u>Investment Expenditure</u>						
12. Civil Development Expenditure	257	257	257	258	257	1286
13. National Gas Exploration	13	13	13	13	13	65
14. Government Share in PDO's Capital Expenditure	197	206	202	192	193	990
15. Human Resources Development Programme	35	35	35	35	35	175

Appendix (2) (Continuation)

Fiscal Framework of the Plan Estimates of Government Revenue and Expenditure for the Sixth Five Year Plan (2001-2005)

(Million Rial Omani)

Item	2001	2002	2003	2004	2005	Total
16. Gas Procurement & Transport Cost	11	30	42	42	42	167
17. Total Investment Expenditure (12+13+14+15+16)	513	541	549	540	540	2683
Participation & Subsidy to Private Sector						
18. Subsidy to Oman Housing Bank	5	5	5	5	5	25
19. Subsidy to Industrial & Tourism Sectors	6	6	6	6	6	30
20. Support of Easy-Term Loans to Agriculture, Fisheries, Health, Education & Handicrafts	2	2	2	2	2	10
21. Participation in Domestic Regional & International Establishments	53	9	9	9	8	88
22. Reserve	6	6	6	6	6	30
23. Total Participation & Subsidy to Private Sector (18+19+20+21+22)	72	28	28	28	27	183
24. Total Expenditure (11+17+23)	2812	2744	2737	2731	2762	13786
25. Current Deficit (6-24)	-317	-222	-168	-126	-138	-971

366 / 2001

