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**SULTANATE OF OMAN
DEVELOPMENT COUNCIL**

**FOLLOW-UP REPORT ON THE
FIRST FIVE-YEAR DEVELOPMENT PLAN**

**RESULTS OF THE FIRST
FOUR YEARS 1976 - 1979**



Sultanate of Oman

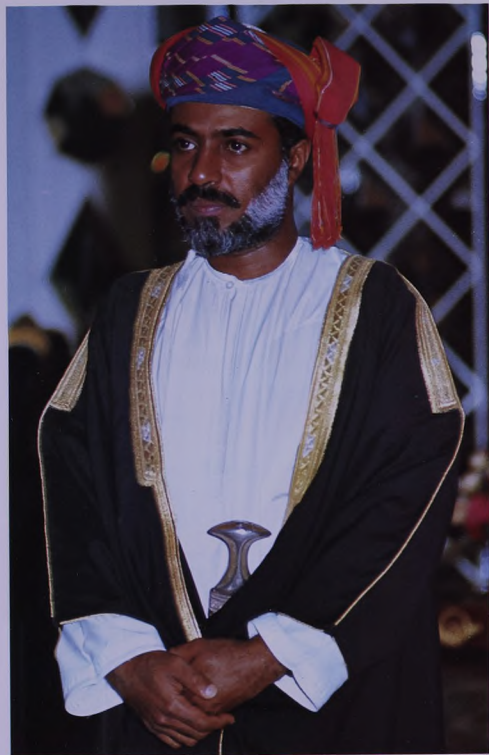
Development Council

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FIRST FIVE-YEAR DEVELOPMENT PLAN**

Results of the First Four Years
1976 - 1979



H. M. Qaboos bin Said, Sultan of Oman



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FOREWORD

The Development Council was established by a Royal Decree of His Majesty Sultan Qaboos bin Said issued on 3/11/1394 (17 November 1974). To demonstrate the importance of the functions entrusted to the Council, His Majesty the Sultan decreed that its composition should be of selected ministers with himself as Chairman.

The functions of the Development Council, as defined in the law, are planning functions leaving the executive functions and the responsibility of the actual execution of projects in the hands of the ministries concerned. In particular the Council was required to prepare a long-term strategy for economic development in the Sultanate of Oman, and to incorporate long-term policies and objectives into a series of five-year development plans. The Council proposes the policies and procedures by which the implementation of the plan may proceed; discusses and approves development projects submitted by the Government; coordinates the activities of various government bodies in implementing the Five-Year sectoral Plans; reviews the implementation of the plans and prepares detailed annual follow-up reports.

Since its establishment, the Development Council has carried out a number of important functions. In February 1975, the Council approved the long-term strategy of economic development and prepared in the same month the Economic Development Law issued by Royal Decree No. 9/1975. In 1975 the Council completed the preparation of the First Five-Year Development Plan covering the period 1976-1980 which His Majesty approved by Royal Decree No. 32/1976. Among projects recommended by the Development Council was the establishment of the Oman Development Bank to assist in the financing of projects initiated by the private sector in the areas of manufacturing, agriculture, petroleum, mining and fisheries, and also the establishment of a special fund for the development of fisheries. Both projects are now in operation. The Development Council has co-operated closely with the Financial Affairs Council in formulating and implementing the policies and procedures relating to the rationalization of government expenditure and in maintaining close ties with inter-regional and international financial institutions from which the necessary funding for a number of projects was secured with concessionary terms.

The first Five Year Development Plan commenced its implementation over four years ago and is consequently reaching its final stage. Detailed annual follow-up reports of actual performance for the years 1976 - 1979 have been published. These follow-up reports disclose that much has been achieved in the course of these years. The Sultanate enjoys a firm and sound financial base. Its rational and wise financial policies have won the appreciation of the international financial institutions. In the field of economic development, the standard of living of the people continues to rise in the different regions and among the various socio-economic classes. A number of important development projects, initiated by the government, have been completed. For the first time in Oman natural gas has been exploited and a modern flour mill is in operation. A large modern harbour in Raysut has been constructed and a copper mining project and a cement factory are under construction. A large number of projects involving roads, electricity, water, hospitals, schools and vocational training centers have been completed. Communication projects to extend the coverage of telephones, telegraph, radio and television relay have been completed. The social aspects of development have also received government attention; the provision of low cost housing has been greatly extended and the social benefits to the disabled have been increased. At the same time the government has pursued its policy of strengthening its defence capabilities due to the prevailing international situation.

The private sector has responded positively to the efforts of the government in the field of economic development in all areas of the country. Private sector investments were made in a number of small manufacturing projects suited to the Omani economy, in addition to investments in housing, internal and external trade, agriculture and fisheries.

At this juncture in which the Sultanate is about to celebrate the tenth anniversary of National Day, which date marks the beginning of modern Oman, we look forward to the future with self-confidence in our ability to continue to build on what has already been achieved in the field of progress. Preparations for the second Five-Year Development Plan are under way and the Plan should be ready for implementation effective from January 1981. The preliminary outline of the second Development Plan confirms to ourselves the belief that we shall be proceeding to a new era of economic prosperity and development.

At this stage of our development, I am pleased to introduce this report which is an accurate representation of what has been achieved during the first four years (1976-1979) of the first Five-Year Development Plan. The report contains a brief and concise presentation of the country's development with supporting facts and figures.

May God bless us all and grant us support in our efforts to serve our beloved country under the wise leadership and guidance of His Majesty Sultan Qaboos bin Said.

QAIS ABDUL MUNIM AL-ZAWAWI
Deputy Chairman
Development Council

2/9/1400
15/7/1980

Main Economic and Social Indicators

| Item | Unit | 1970 | 1975 | 1979 |
|---|---------------------|------|-------|-------|
| National Income (at current prices) | Mill. R.O. | 81 | 590 | 1032 |
| Petroleum production — average daily production | Thousand barrels | 332 | 341 | 295 |
| Government revenue — from internal sources | Mill. R.O. | 45 | 388 | 693 |
| Government expenditure | Mill. R.O. | 21 | 495 | 651 |
| (of which, development expenditure) | Mill. R.O. | (3) | (173) | (194) |
| Private sector investments | Mill. R.O. | 11 | 50 | 101 |
| Money in circulation | Mill. R.O. | 5 | 39 | 74 |
| Total recorded imports | Mill. R.O. | 8 | 264 | 430 |
| Number of government employees | Number | 1750 | 19000 | 36091 |
| Wages and salaries paid by government | Mill. R.O. | 2.3 | 53 | 126 |
| Total electricity produced by government installations | Mill. kWh | 8 | 154 | 600 |
| Total quantity of water produced | Mill. gallons | 14 | 359 | 2206 |
| Length of asphalted roads | Kilometre | 10 | 708 | 1760 |
| Length of graded roads | Kilometre | 1817 | 5495 | 13497 |
| Telephone lines installed | Number | 557 | 3701 | 11173 |
| Total number of schools | Number | 3 | 176 | 352 |
| Total number of students | Number | 900 | 49229 | 85937 |
| Total number of beds in hospitals and health centres. | Number | 12 | 1000 | 1428 |

CHAPTER 1

Achievements of the First Five-Year Development Plan

The following six chapters analyse the economic developments which took place during the period 1976—1979 i.e. during the first four years of the Five-Year Plan. This chapter gives a brief summary of the framework within which these developments took place as well as an evaluation and appraisal of the results achieved.

The modern development of the Sultanate of Oman began subsequent to July 1970, with the immediate objective of achieving rapid economic development so as to compensate the country for the long period of economic stagnation that marked the pre 1970 period. Development had to be started from a very narrow base as can be seen from the table of Main Economic and Social Indicators shown at the beginning of this report. A review of the table shows that asphalted roads did not exceed ten kilometres in length; there were only three schools, twelve hospital beds, 557 telephone lines and no modern port or airport.

It is an established fact that the economic development of a country is not a simple process. It represents the most difficult challenge that developing countries have experienced during the past three decades of this century. It is a considerable task even if started from a much wider economic base than the one which existed in Oman in 1970. Whilst oil production and the revenues derived from it have been of great assistance in overcoming these difficulties they were not in themselves sufficient to overcome all the difficulties. The dependence on oil revenues in turn creates new challenges, namely the need to develop alternative sources of revenue to support and eventually replace the oil revenue.

In 1979 oil revenue in Oman formed 91.6% of government revenue and 61.5% of the country's gross domestic product. However, despite the oil revenue Oman has not been a capital exporting country. The volume of oil production in Oman is at a limited scale compared to other oil exporting countries. The maximum average

daily production of oil in Oman was 366,000 barrels during 1976, whilst in 1979 it amounted to 295,000 barrels.

Against this background of limited revenues the area of Oman is substantial, about 300,000 square kilometres and its population is comparatively large, living in a considerable number of towns and villages scattered throughout its area. To serve all these population centres necessitated the construction of a wide network of economic and social infrastructures such as roads, schools, hospitals, health centres, electricity and water utilities and other essential services.

Natural resources other than oil are limited. This has made it essential to put more effort and time into identifying and evaluating development projects which could generate income in the future.

The difficulties as stated are of the type generally met with in many of the developing countries. The economy of Oman, however, enjoys inherent advantages which can assist in the creation of a sound economy developed through the careful and rational utilization of the resources available. The economy of the Sultanate has a long history of agricultural and fishing activities and its people have a wide experience of trade acquired through the past centuries as a result of the favourable geographical location of the country in addition to their long experience in navigation, and sea-borne trade.

Development efforts during the period 1970-1975 were concentrated upon the construction of the basic economic and social infrastructures which are the pre-requisite for subsequent development. Large sums were invested in building up such an infrastructure.

With effect from January 1976, implementation of the first comprehensive Five-Year Development Plan commenced. In adapting to the Omani economy, immediate objectives and long-term objectives were proposed for the Plan.

Immediate objectives :

One : The estimates made by Petroleum Development (Oman), the sole oil producing company in Oman at the time, pre-

dicted a decline in oil production after reaching its peak in 1976 i.e. from the first year of the Plan period. Production was estimated to gradually continue to decline during the Plan. It was therefore necessary that this matter should be taken into consideration in formulating the Plan as oil was the basic source of government revenue.

Therefore the Plan adopted the following policies :

- i) To define realistic targets for the Plan in line with the development of oil production and its revenue.
- ii) To maintain a reasonable level of annual government development expenditure through the supplementation of internal sources of government revenue by financing the largest possible number of projects with assistance from inter-regional and international financial institutions with concessionary terms. The Plan has in this respect achieved a remarkable success. During the first four years of the Plan it was possible to secure R.O. 180 million of grants and R.O. 288 million of medium and long-terms loans with concessionary terms. The government did not resort to borrowing on commercial terms during that period. As a result, and in spite of the decline in oil production, the government has during the four-year period implemented development projects amounting to R.O. 898 million.
- iii) To encourage Petroleum Development (Oman) to accelerate its activities of exploration for oil and its development, and to give concessions in new areas to other oil companies. The aim was to halt the decline in oil production and to reverse the trend if possible. These efforts were greatly successful. Several agreements have been concluded with new oil prospecting companies already resulting in the discovery of an oil-field in Butabul, and production from this field is expected to be at the daily average rate of 12,000 barrels by the beginning of 1981. Another result is the discovery of an additional natural gas field. The agree-

ment with P.D.(O), of whom the government owns 60% of the capital, was reviewed with the aim of providing additional incentives for putting more effort into the field of exploration and discovery. These efforts have been successful in increasing known exploitable oil reserves from 1329 million barrels, on the first of January 1976, to 2480 million barrels as of the first January 1980. P.D.(O) commenced, at the end of 1977, the necessary construction works for producing oil from the fields of Amal and Marmul, and the extension of the pipelines to transport this oil to Mina Al Fahal. These construction works are expected to be completed during the current year (1980). With effect from the end of 1980 oil production is expected to rise again.

The consequences of these actions have meant that the government has been successful during the four year period in reversing the declining trend in oil production, increasing the level of production and increasing the level of proven oil reserves thus as a result increasing the lifetime of economic production of oil in Oman. In addition, the natural gas fields which have been discovered during these four years — though not large enough at present to be exported — have good prospects of being exploited for export at the beginning of the 1990's.

Two : As a result of the heavy expenditure on the construction of the economic infrastructure during the two years preceding the first Five-Year Plan, exacerbated by rising prices and world-wide inflation after 1974 and increased government expenditure in various sectors, the 1974 and 1975 government budgets recorded large deficits amounting to R.O. 62.1 million and R.O. 107.8 million respectively. In addition the government's involvement in contractual agreements during those two years had resulted in heavy financial obligations which had to be provided for in the 1976 budget. As a result of the foregoing the balance of payments continued to show a deficit. These problems were successfully resolved by the adoption of the following financial policies which were essential to restore balance to public finance. This has been accomplished in the following manner :

- i) Financial procedures have been rationalised and the range of projects submitted to the Tender Board has been widely expanded. This resulted in a reduction in the costs of executed projects wherever possible and a larger number of projects have been executed at a lower total cost.
- ii) The rate of annual growth of government recurrent expenditure was restricted by the introduction of control procedures.
- iii) To reduce the deficit gap in the budget, resort was made to securing grants and easy terms borrowing as was mentioned earlier. The application of this policy succeeded in reducing the total deficit from R.O. 94 million in 1976 to R.O. 15 million in 1977. In 1978 there was a deficit of R.O. 58 million caused by the decline in oil production. In 1979 the budget recorded a surplus amounting to R.O. 42 million. As a result of the surplus the financial position of the country has improved. The rate of inflation which was at its peak during 1974 and 1975 has slowed down. The deficit in the current account balance in the Balance of Payments was reduced from R.O. 12.8 million in 1975 to R.O. 3.1 million in 1976 and turned to a surplus of R.O. 12.2 in 1977. However, in 1978 a deficit of R.O. 30.6 million was recorded due to the decline in oil production and a stagnation in the level of prices during that year. A large surplus amounting to R.O. 124.3 million has been achieved for 1979.
- iv) In the Five-Year Plan non-essential projects were avoided and efforts were concentrated on projects whose economic and social viability had been established, thus avoiding unnecessary capital and current expenditure on projects of doubtful benefit.

Three : During the preparatory stage of the Plan there was evidence that the private sector — to which the Plan attaches great importance and considers a cornerstone in the Omani economic system — has been concentrating its efforts mainly in commercial activities, and in involvement in real estate,

owing to the high returns from investment in these sectors at that time. Despite the importance of developing these sectors, the private sector in concentrating all its efforts in merely two sectors was taking a real risk. Inevitably the increasing supply and competition in both these sectors would result in declining returns of investment in these two sectors. As most of the investment finance in these sectors was obtained through commercial bank loans, the private sector investors could in the future be faced with severe financial difficulties and a decline in liquidity as has happened in several countries. This is characteristic of periods of economic boom which induce many investors to invest in fields in which they have no previous experience. The concentration of the private sector's efforts in these two sectors resulted in the neglect of other important primary areas of investment such as manufacturing, agriculture, fisheries, petroleum and mining leaving the financing of these sectors to the government which contradicts with the establishment of a balanced economy. It was therefore necessary that the Development Plan should propose government support and encouragement to the private sector in directing its investments to new areas. To this effect, the Plan has taken the following action :

- i) The Oman Development Bank has been established. The Bank's principal function is to provide long and medium term financing to the private sector to be disbursed for financing capital expenditure projects in the sectors of manufacturing, agriculture, fisheries, mining and petroleum.
- ii) Certain tax exemptions have been granted to investors in these sectors.
- iii) Significant incentives have been granted to encourage those small scale projects which best suit the private sector.

These policies and measures were met by a favourable response from investors in the private sector who have invested a total sum of R.O. 333 million in various areas of activity in the four year period. The rate of investment

has increased annually, to R.O. 101 million in 1979 from R.O. 50 million in 1975. Total investments of the private sector in manufacturing during the four years were in excess of R.O. 50 million. In agriculture and fisheries they amounted to R.O. 16 million.

According to the results of the 1978 survey of the industrial sector conducted by the Directorate General of National Statistics of the Development Council, there were 536 establishments in the manufacturing sector, that is, excluding traditional industries and handicrafts, and services such as vehicle repair workshops and tailoring. This shows that the private sector directed its attention to small projects which are more suited to the Omani economy. Amongst these are establishments engaged in the production of paints, asbestos cement pipes, building materials, furniture, steel and aluminium works, dairy products, poultry and soft drinks in addition to bakeries and others.

Long-term objectives :

- a) to develop new sources of income to supplement and eventually to replace oil revenues.
- b) to increase the proportion of capital investment expended on income-generating projects, particularly in the sectors of manufacturing, mining, agriculture and fisheries.
- c) to effect a wider geographical distribution of investment in order that the benefits may be shared by different regions of the country, and to narrow the gap in the standards of living in different regions with special emphasis on the least developed regions.
- d) to maintain and develop the existing areas of population and to protect them against the dangers of mass immigration to these already densely populated areas and to protect the environment.

- e) to pay more attention to the development of water resources which are of vital importance to economic progress.
- f) to develop the local human resources in order that they may be able to play a more active role in the national economy.
- g) to continue the development of the basic infrastructure.
- h) to encourage trading activities by removing the obstacles which hinder their progress; these obstacles include problems of transportation, storage and limitations on competition with a view to encouraging competitive practices and keeping prices at reasonable levels.
- i) to work to achieve the basic requirements of a free economy in which the private sector plays a leading role on the basis of free competition in a market clear of monopolistic practices. To this end the introduction of incentives including reasonable tax exemptions, loans with easy repayment terms to finance productive projects and government participation in the capital of important projects are suggested.
- j) to improve the efficiency of the government administration.

The following six chapters contain an analysis of the progress made towards achieving these objectives. Major steps have been taken towards achieving these long-term objectives with the result that during the four year period a growth rate in domestic product amounting to 58.4% has been achieved in the sector of agriculture and fisheries; 576.2% has been reached in manufacturing, 416.6% in electricity and water, 56.2% in transportation and communication, 115.6% in trade and 74.5% in the banking sector. Oil generated revenue continues to be the basic source of national income; however the growth of other sectors at such high rates is an encouraging positive result.

The success of the first Five-Year Development Plan should not be deemed to imply that difficulties were not encountered during the course of its implementation. The practical experience accumulated during the four years of the Plan's application revealed diverse difficulties, the most important of which are the following:

- 1) The absorptive capacity of the Omani economy is still small, that is, the execution capacity of projects is limited. The several elements of this capacity are the capability of the government administrative bodies to undertake feasibility studies of projects and to implement them, the capability of companies and contractors to execute the projects and the time taken in importing the machinery and equipment needed for their execution. Additional subsidiary elements to be noted are the availability of an experienced labour force, and the availability of managerial expertise for the maintenance and operation of projects after their completion.
- 2) The study and design of income generating projects in particular usually took a longer time than was anticipated as such projects needed special attention to their economic feasibility and to the rapidly changing situation in the domestic and international markets.
- 3) The private sector, particularly those engaged in the traditional activities of agriculture and fisheries were slow to respond to development requirements aimed at increasing the productivity of their traditional methods of production.
- 4) The availability of employment at higher incomes than those derived from agriculture and fisheries, in conjunction with attractive urban facilities, continued to draw those engaged in these sectors into the densely populated urban centres.
- 5) The increasing use of water for various aspects of domestic purposes was at the expense of limiting the water available for the purposes of irrigation.

CHAPTER 2

National Income

The Technical Secretariat of the Development Council has prepared annual estimates of the national income in the Sultanate of Oman with the aim of assessing the effect of the development efforts in the various sectors of economic activity. These estimates show that a high rate of growth in the national income has been achieved during the first four years of the Plan. Preliminary estimates shows that a high growth rate in the national income is expected during 1980, the fifth and last year of the first Five-Year Plan. All sectors, without exception, have contributed to this growth.

In comparing the cumulative growth of the economy during the first four years of the Plan against the base year (1975) it can be seen that national income at current prices amounted to R.O. 1032 million in 1979 compared to about R.O. 590 in 1975; that represents an increase of R.O. 442 million or about 75% as at the end of the fourth year, whilst Gross Domestic Product has shown a growth rate of 62% during the same period.

Although the growth rate has varied markedly from year to year, the overall rate of growth for the four year period has been quite satisfactory. This substantial growth was derived for the main part from the major sector, oil, which contributed to an additional R.O. 234 million or 53% of total additional income. Income in other sectors has increased by R.O. 208 million or 47% of the total additional income. The public administration sector recorded an increase of R.O. 73 million followed by the internal trade sector with R.O. 44 million, and the construction sector with R.O. 20 million. The agriculture and fisheries sector contributed to the increase by R.O. 12 million and the manufacturing sector by a further R.O. 12 million.

Table 1

Industrial Origin of Gross Domestic Product at Current Prices

(Million Rials Omani)

| Description | 1975 | 1976 | 1977 | 1978 | 1979 |
|---|--------|--------|--------|--------|---------------------------|
| Agriculture and Fisheries | 20.2 | 21.4 | 24.0 | 27.1 | ³⁰ 32.0 |
| Petroleum and Mining | 486.8 | 530.4 | 534.8 | 498.4 | ^{496.1} 721.0 |
| Manufacturing | 2.1 | 4.0 | 8.3 | 11.2 | ^{12.6} 14.2 |
| Construction | 70.8 | 83.0 | 84.2 | 85.3 | ^{83.8} 90.7 |
| Transport and Communications | 23.5 | 25.5 | 28.2 | 33.2 | ³⁷ 36.7 |
| Electricity and Water | 1.8 | 5.0 | 6.3 | 8.0 | ¹⁰ 9.3 |
| Wholesale and retail trade | 38.5 | 50.3 | 65.5 | 72.2 | ^{83.8} 83.0 |
| Banking | 9.8 | 11.2 | 13.3 | 14.5 | 17.1 |
| Ownership of dwellings | 9.3 | 13.8 | 18.3 | 21.8 | ^{23.2} 26.3 |
| Public Administration & Defence | 53.0 | 71.0 | 83.4 | 105.9 | 125.9 |
| Other Services | 8.4 | 11.4 | 13.8 | 15.2 | 16.3 |
| Gross Domestic Product at market prices | 724.2 | 827.0 | 880.1 | 892.8 | 1172.5 |
| Less indirect taxes | -2.5 | -4.5 | -4.6 | -4.6 | -8.1 |
| Gross Domestic Product at factor cost | 721.7 | 822.5 | 875.5 | 888.2 | 1164.4 |
| Less net factor income payments | -131.6 | -146.0 | -130.2 | -119.8 | -132.5 |
| Gross National Product at factor cost | 590.1 | 676.5 | 745.3 | 768.4 | 1031.9 |

Table 2

Index of Growth rate of Domestic Product

| Description | 1975 | 1976 | 1977 | 1978 | 1979 |
|-----------------------------------|-------|-------|-------|-------|-------|
| Agriculture and fisheries | 100.0 | 105.9 | 118.8 | 134.2 | 158.4 |
| Petroleum and mining | 100.0 | 109.0 | 109.9 | 102.4 | 148.1 |
| Manufacturing | 100.0 | 190.4 | 395.2 | 533.3 | 676.2 |
| Construction | 100.0 | 117.2 | 118.9 | 120.5 | 128.1 |
| Transport and Communications | 100.0 | 108.5 | 112.0 | 141.3 | 156.2 |
| Electricity and water | 100.0 | 277.8 | 350.0 | 444.4 | 516.6 |
| Wholesale and retail trade | 100.0 | 130.6 | 170.1 | 187.5 | 215.6 |
| Banking | 100.0 | 114.3 | 135.7 | 148.0 | 174.5 |
| Ownership of dwellings | 100.0 | 148.4 | 196.8 | 234.4 | 282.8 |
| Public administration and Defence | 100.0 | 134.0 | 157.4 | 199.8 | 237.5 |
| Other services and sectors | 100.0 | 135.7 | 164.3 | 181.0 | 194.0 |
| Total | 100.0 | 114.2 | 121.5 | 123.3 | 161.9 |

With regard to the relative importance of income generated from the various sectors of the economy, petroleum is maintaining its position as the leading sector although its relative importance has declined to 61.5% in 1979 compared to 67.2% in 1975. Next in importance comes public administration and defence, which has risen to 10.7% in comparison to 7.3% over the same period.

Table 3

Relative importance of the sources of Gross Domestic Product

| Description | (Percent) | | | | |
|-----------------------------------|-----------|-------|-------|-------|-------|
| | 1975 | 1976 | 1977 | 1978 | 1979 |
| Petroleum and mining | 67.2 | 64.1 | 60.8 | 55.8 | 61.5 |
| Construction | 10.0 | 10.0 | 9.6 | 9.6 | 7.7 |
| Public administration and defence | 7.3 | 8.6 | 9.5 | 11.9 | 10.7 |
| Wholesale and retail trade | 5.3 | 6.0 | 7.4 | 8.1 | 7.1 |
| Transport and communications | 3.0 | 3.1 | 3.2 | 3.7 | 3.1 |
| Agriculture and fisheries | 2.8 | 2.6 | 2.7 | 3.0 | 2.7 |
| Ownership of dwellings | 1.3 | 1.7 | 2.1 | 2.4 | 2.3 |
| Banking | 1.4 | 1.4 | 1.5 | 1.6 | 1.5 |
| Other services | 1.2 | 1.4 | 1.6 | 1.7 | 1.4 |
| Electricity and water | 0.2 | 0.6 | 0.7 | 0.9 | 0.8 |
| Manufacturing | 0.3 | 0.5 | 0.9 | 1.3 | 1.2 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Total consumption has increased to R.O. 592 million in 1979 compared with R.O. 344 million in 1975 and has increased in relative importance to 50.5% of the total domestic product compared to a previous 47.5%. Most of this increase was accounted for by the increase in private consumption which amounted to R.O. 308.6 million compared to R.O. 115.1 million. Its relative importance to the total consumption has increased to 26.3% compared to 15.9%. Public consumption has increased to R.O. 283.5 million from R.O. 229 while its relative importance has declined to 24.2% from 31.6%.

Total investment has risen to R.O. 318 million in 1979 compared to R.O. 258 million in 1975. Its share of the Gross Domestic Product has declined to 27.1% from 35.6%. This is the result of the large increase in total domestic product in 1979. Government investments amounted to R.O. 217 million in 1979 compared to R.O. 208 million in 1975, a decline in its share to 18.5% from 28.7%. Private investments have increased to R.O. 101 million compared to R.O. 50 million and its share has increased to 8.6% from 6.9%.

Table 4

Uses of Gross Domestic Product at current prices

| Description | (Million Rials Omani) | | | | |
|--|-----------------------|--------------|--------------|--------------|---------------|
| | 1975 | 1976 | 1977 | 1978 | 1979 |
| Total consumption | 344.1 | 361.1 | 426.9 | 521.0 | 592.1 |
| Private* | 115.1 | 117.6 | 203.9 | 271.0 | 308.6 |
| Public | 229.0 | 243.5 | 223.0 | 250.0 | 283.5 |
| Total investment | 258.0 | 321.2 | 310.8 | 281.0 | 318.0 |
| Private | 50.0 | 60.4 | 80.9 | 90.9 | 101.0 |
| Public | 208.0 | 260.8 | 229.9 | 190.1 | 217.0 |
| Net export of goods and non factor services | 122.1 | 144.7 | 142.4 | 90.8 | 262.4 |
| Gross Domestic Product at market prices | 724.2 | 827.0 | 880.1 | 892.8 | 1172.5 |

* Includes changes in stocks.

Table 5

Relative importance of the uses of Gross Domestic Product

| Description | (Percent) | | | | |
|--|--------------|--------------|--------------|--------------|--------------|
| | 1975 | 1976 | 1977 | 1978 | 1979 |
| Total consumption | 47.5 | 43.7 | 48.5 | 58.3 | 50.5 |
| Private | 15.9 | 14.2 | 23.2 | 30.3 | 26.3 |
| Public | 31.6 | 29.5 | 25.3 | 28.0 | 24.2 |
| Total investment | 35.6 | 38.8 | 35.3 | 31.5 | 27.1 |
| Private | 6.9 | 7.3 | 9.2 | 10.2 | 8.6 |
| Public | 28.7 | 31.5 | 26.1 | 21.3 | 18.5 |
| Net export of goods and non factor services | 16.9 | 17.5 | 16.2 | 10.2 | 22.4 |
| Gross Domestic Product at market prices | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

At the same time the net exports of goods and non factor services has risen to R.O. 262.4 million in 1979 compared to R.O. 122.1 million in 1975. This is a consequence of the increased revenue derived from oil exports being at a much faster rate than the increase of imports. This item now represents 22.4% of Gross Domestic Product compared to 16.9% in 1975.

CHAPTER 3

Investments

Total investments in development projects implemented by the government and the private sector during 1976-1979 amounted to R.O. 1231 million of which R.O. 897.8 million were government investments. The rate of execution was 106.6% of total planned investments for the above mentioned period.

During this period the government and the private sector have implemented 108.2% and 102.5% respectively of the total planned investments.

Table 6

Implemented Investment Projects

(Million Rials Omani)

| | 1975 | 1976 | 1977 | 1978 | 1979 | Total 1976-79 |
|------------------------|-------|-------|-------|-------|-------|---------------|
| Government investments | 208.0 | 260.8 | 229.9 | 190.1 | 217.0 | 897.8 |
| Private investments | 50.0 | 60.4 | 80.9 | 90.9 | 101.0 | 333.2 |
| Total investments | 258.0 | 321.2 | 310.8 | 281.0 | 318.0 | 1231.0 |

Analyses of individual government investment projects indicates that though the total amount invested has exceeded the target set in the Plan, the components of the implemented projects were different from those planned. This is the result of the investments of some government bodies being short of the target figure of the Plan whereas in others the investment figure exceeded the estimated target. For example planned investments of civil ministries

were estimated in the Plan at R.O. 637 million for the period 1976-1979 whilst actual investments amounted to only R.O. 530 million during the reference period i.e. at an implementation rate of 83.2%. Alternatively whilst the estimated share of the government in the capital expenses of P.D.(O) was R.O. 78 million according to the Plan, actual government contribution amounted to R.O. 128 million i.e. 164.1% of the Plan figure. Also, whilst the planned investments of Defence and national security sector in projects of a civil nature were estimated at R.O. 115 million, actual investments amounted to R.O. 240 million i.e. about 208.7% of the planned figure.

Table 7
Planned and Actual Government Investments

(Million Rials Omani)

| Description | Planned 1976/79 | Actual 1976/79 | Rate of execution (%) |
|---|--------------------|-------------------|--------------------------|
| Investments of civil ministries | 637 | 530 | 83.2 |
| Government share of the P.D.(O) Capital Expenditure | 78 | 128 | 164.1 |
| Expenditure of Defence on projects of a civil nature | 115 | 240 | 208.7 |
| Total government investments | 830 | 898 | 108.2 |

In addition to the above, the rate of execution varied between the different sectors. Whilst it was low in some sectors, it reached high levels in others.

Table 8
Cumulative government investments 1976 - 1979
by economic sectors

| Sector | Total Planned 1976 - 79 (Million R.O.) | Total Executed 1976 - 79 (Million R.O.) | Rate of Execution (%) |
|---------------------------|---|--|-----------------------------|
| Petroleum and mining | 142.3 | 148.3 | 104.2 |
| Agriculture and fisheries | 28.5 | 14.9 | 52.3 |
| Manufacturing | 24.7 | 5.3 | 21.5 |
| Trade and tourism | 11.9 | 17.2 | 144.5 |
| Economic infrastructure | 379.2 | 361.0 | 95.2 |
| Social infrastructure | 89.2 | 57.2 | 64.1 |
| Public administration* | 141.2 | 287.7 | 203.8 |
| Financial institutions | 13.0 | 6.2 | 47.7 |
| Total | 830.0 | 897.8 | 108.3 |

* Includes development expenditure on projects of a civil nature executed by the Defence and national security sector.

Private sector investments continued to grow annually reaching a total amount of R.O. 333 million during the four years whilst the planned figure was R.O. 325 million, that is at a rate of implementation of 102.5%.

Table 9
Private sector investments
1976 — 1979

(Million Rials Omani)

| Description | 1976 | 1977 | 1978 | 1979 | Total 76-79 |
|--|------|------|------|-------|----------------|
| Partners' share in P.D.(O) investments | 10.5 | 12.6 | 22.3 | 34.6 | 80.0 |
| Investments of other oil companies | 5.6 | 9.0 | 10.6 | 19.1 | 44.3 |
| Housing | 26.1 | 26.2 | 29.4 | 30.0 | 111.7 |
| Cement Company | — | 2.0 | — | — | 2.0 |
| Copper Project | 0.3 | 0.4 | 0.5 | 0.1 | 1.3 |
| Other industrial projects | 9.5 | 18.4 | 14.1 | 9.4 | 51.4 |
| Commercial Projects | 1.6 | 2.3 | 2.7 | 2.0 | 7.0 |
| Agricultural and fishery projects | 1.2 | 1.6 | 2.2 | 3.7 | 15.9 |
| Other sectors | 5.6 | 8.4 | 9.1 | 2.1 | 19.6 |
| Total | 60.4 | 80.9 | 90.9 | 101.0 | 333.2 |

The geographical distribution of government investments was implemented, in a majority of instances, in accordance with the Plan. It will be recalled that one of the objectives of the first Five-Year Development Plan was "to effect a wider geographical distribution of investment in order that the benefits may be shared by different regions of the country, and to narrow the gap in the standards of living in different regions with special emphasis on the least developed regions". The Capital Area has accounted for 30.4% of the implemented total investment, the Southern Region accounted for 25.1% and all other areas accounted for 44.5%.

Table 10
Geographical distribution of planned and implemented government investments during 1976 — 1979

| Region | Planned | | Executed | |
|-----------------|--------------|-------|--------------|-------|
| | Million R.O. | % | Million R.O. | % |
| Capital Area | 272.0 | 32.7 | 272.9 | 30.4 |
| Interior | 325.0 | 39.2 | 399.5 | 44.5 |
| Southern Region | 233.0 | 28.1 | 225.4 | 25.1 |
| Total | 830.0 | 100.0 | 897.8 | 100.0 |

The four year period has witnessed the completion of those projects initiated before the commencement of the first Five-Year Plan. A large number of new projects have been completed. The following list shows the most important projects implemented during the four years of the Plan.

1. Oman Flour Mill
2. Grain silos and their extension
3. Oil tanks in Raysut
4. Power and desalination plant at Ghobra
5. Electrification of 26 towns and villages
6. Extension of networks for the distribution of electricity and water
7. Development of the Greater Mutrah Area
8. Development and construction of the infrastructure in Qurum and Khuwair
9. Construction of a natural gas pipeline from Yibal to the Capital Area
10. Mutrah Fishery project
11. Establishment of a Fund for assisting fishermen
12. Establishment of the Oman Development Bank
13. Construction of a new harbour facility at Raysut
14. Construction of Salalah Airport
15. Construction of the Intercontinental Hotel
16. Construction of the Salalah hospital
17. Extension of the Al Nahda, Khoula, Nizwa, Sur and Sohar hospitals

18. Construction of a large number of clinics and health centres in various wilayats
19. Establishment of the Institute for Agricultural Training in Nizwa
20. Establishment of teacher training institutes
21. Construction of a large number of schools all over the Sultanate
22. Establishment of four new vocational training centres
23. Establishment of the Institute for Public Administration
24. Construction of a satellite station
25. Extension of telephone and telex networks
26. Construction of boosters for radio and TV relay
27. Construction of low cost houses in different regions of the Sultanate
28. Construction of social and administrative centres in the Southern Region
29. Seeb—Nizwa road
30. Ruwi—Bustan—Sidab road
31. Muscat—Mutrah Corniche road
32. Masanaa—Rustaq road
33. Ibri—Buraimi road
34. Mutrah—Quriyat road
35. Bid Bid—Sur road
36. Thumrait—Salalah road
37. Salalah—Taqā—Maamoorā road
38. Jebel Akhdar road

In addition there are other important projects on which work has started during the first Five-Year period and is expected to be completed during the early years of the second Five-Year Plan. The most important of these projects are :

1. Four mountain roads in the Southern Region, total length of which is 208 kilometres. Work on these roads is expected to be completed by the end of 1981.
2. Musandam roads, a large part of which has been completed and the remaining part is expected to be completed by the end of 1981.
3. Nizwa—Thumrait road, more than 800 kilometres long. Parts of it have been constructed and the project is expected to be completed by the end of 1981.
4. The natural gas pipeline to Sohar. Work on this project has already started and is expected to be completed before the end of 1981.
5. Copper mining and smelting project. Work has started and is expected to be completed and production to commence in 1982.
6. The Cement project with a capacity of 624,000 metric tons per year. Implementation has already started and the factory is expected to start production by mid 1983.
7. The industrial area project at Rusayl. Study of the project has been completed. Construction of the first phase is expected to be completed in early 1982.
8. The oil refinery project with a capacity of 50,000 barrels per day. Implementation has already started and operation is expected before the end of 1982.

CHAPTER 4

Government Resources and Uses

The Sultanate witnessed a sound and stable financial position during the four year period. This was mainly accounted for by the rationalization of government expenditure, the extension of the tender system in contractual obligations, and the introduction of a number of measures aimed at improving the financial administration system of the government. These measures resulted in an increased efficiency of the financial control system.

For the first four years of the Plan 1976—1979 it was estimated that accumulated resources would be approximately R.O. 2313 million. Actual resources amounted to R.O. 2671 million, i.e. 15.4% above the estimated figure in the Plan. Oil revenues were estimated in the Plan at R.O. 1811 million while actual revenues amounted to R.O. 2030 million i.e. 12.1% above the estimated figure in the Plan. Total expenditure was estimated at R.O. 2313 million while actual expenditure amounted to R.O. 2592 million i.e. 12% above the planned estimate. Though the margin between the planned and actual total is relatively narrow, there are some differences as far as the individual items are concerned.

Total revenue from internal sources continued to rise during the period with the exception of the year 1978 when a decrease from the 1977 level was recorded owing to a lower level of oil production combined with stagnating prices which resulted in lower oil revenue. Non-oil revenue tended to rise during the four year period.

Alternatively current expenditure has risen continuously during the period as a result of the expansion in the different fields

Table 11
Planned and actual sources and uses
1976 — 1979

| Description | Sources and Uses | | Actual Planned (%) |
|---|------------------|--------|--------------------------|
| | Planned | Actual | |
| 1. Sources | | | |
| Oil revenue | 1811 | 2030 | 112.1 |
| Other revenue | 117 | 173 | 147.9 |
| External grants and loans | 385 | 468 | 121.3 |
| Total sources | 2313 | 2671 | 115.4 |
| 2. Uses | | | |
| Defence and national security expenditure | *827 | **1043 | 126.1 |
| Civil recurrent expenditure | 549 | 574 | 104.4 |
| Civil development expenditure | 715 | 658 | 91.9 |
| General reserve | 28 | — | — |
| Repayment of loans and interest | 194 | 317 | 163.9 |
| Total uses | 2313 | 2592 | 112.1 |

* Includes R.O. 115 million for development projects of a civil nature.

** Includes R.O. 240 million for development projects of a civil nature.

and of the general rise in the level of international prices. Civil development expenditure, including the government share in P.D.(O)'s Capital expenditure, varied annually as a result of changes in the dates when projects were due to be implemented.

The budgets have recorded total deficits during the period with the exception of 1979 when a surplus was realized. The volume of grants or new loans varied annually and in 1979 government debts were at their lowest as a result of the government's early repayment of commercial loans.

It can be seen from the table of government finance that the total recurrent and development expenditure during the four years amounted to R.O. 2328 million while its total revenue from internal sources amounted to R.O. 2203 million reflecting a total deficit of only R.O. 125 million or 5.4% of the total recurrent and development expenditure.

The deficit gap was met by grants received amounting to R.O. 180 million. However, due to the erratic flow of grants during the four years, the government had to resort to borrowing in some years and repayment in subsequent years. Total net borrowing of the government at the end of the four years amounted to R.O. 24 million.

These three factors, that is the deficit of the internal resources, the amount of grants received and of net borrowing, resulted at the end of the fourth year in a small surplus amounting to R.O. 79 million. This surplus has been fully utilized to meet other government financial obligations not shown on the government finance table. The obligations represented the government contribution in the capital shares of international and regional establishments and some local establishments. Such contributions do not appear as items of expenditure in the budget but they appear in the final accounts of the government as capital expenditure.

Table 12
Government Finance

(Million Rials Omani)

| Description | 1976 | 1977 | 1978 | 1979 | Total 76-79 |
|--|--------|-------|-------|-------|----------------|
| Oil revenue | 455 | 482 | 458 | 635 | 2030 |
| Other revenue | 32 | 38 | 45 | 58 | 173 |
| Total revenue from internal sources | 487 | 520 | 503 | 693 | 2203 |
| Recurrent expenditure | | | | | |
| National security and defence | 272 | 237 | 265 | 269 | 1043 |
| Civil ministries | 95 | 127 | 138 | 144 | 504 |
| Government share in P.D.(O) recurrent expenditure | 12 | 15 | 19 | 24 | 70 |
| Interest on loans | 7 | 10 | 16 | 20 | 53 |
| Total recurrent expenditure | 386 | 389 | 438 | 457 | 1670 |
| Current surplus (+) or deficit (-) | +101 | +131 | +65 | +236 | +533 |
| Development expenditure | | | | | |
| Civil ministries | 181 | 130 | 89 | 130 | 530 |
| Government share in P.D.(O) capital expenditure | 14 | 16 | 34 | 64 | 128 |
| Total development expenditure | 195 | 146 | 123 | 194 | 658 |
| Total surplus (+) or deficit (-) | -94 | -15 | -58 | +42 | -125 |
| Grants | +18 | +93 | +7 | +62 | +180 |
| Net borrowing | +80 | -23 | +19 | -52 | +24 |
| New loans received | (+105) | (+60) | (+82) | (+41) | (+288) |
| Repayment of loans | (-25) | (-83) | (-63) | (-93) | (-264) |
| Total grants and loans | +98 | +70 | +26 | +10 | +204 |
| Final surplus (+) or deficit (-) | +4 | +55 | -32 | +52 | +79 |

National security and defence accounted for R.O. 1043 million during the four year period or 44.8% of the total recurrent and development expenditure of the government amounting to R.O. 2328 million.

Civil recurrent expenditure amounted to R.O. 504 million or 21.7% of the total recurrent and development expenditure. Civil development expenditure amounted to R.O. 530 million or 22.8%. The repayment of interest on loans accounted for R.O. 53 million or 2.3%.

The government's share of P.D.(O)'s recurrent expenditure was R.O. 70 million or 3% of the total government recurrent and development expenditure, whereas its share in the capital expenditure amounted to R.O. 128 million or 5.5%.

From the foregoing it can be seen that the available resources over the first four years of the Plan were utilized as follows:

| | |
|---|--------|
| Expenditure on national security and defence | 44.8% |
| Recurrent expenditure of civil ministries | 21.7% |
| Civil development expenditure | 22.8% |
| Government share in P.D.(O)'s recurrent expenditure | 3.0% |
| Government share in P.D.(O)'s development expenditure | 5.4% |
| Repayment of interest on loans | 2.3% |
| | 100.0% |

CHAPTER 5

Money and Credit

Banking institutions in the Sultanate of Oman have witnessed rapid development of their response to the large-scale growth of economic activity during the first four years of the Plan period. The number of banks operating in Oman, excluding the Central Bank of Oman, were 22 in 1979 compared to 13 in 1975. The number of branches has risen to 132 from the 55 which existed in the base year. Of the total number of banks in operation, 20 are commercial and two are specialized, that is the Oman Development Bank and the Housing Bank of Oman.

As a result of the increasing economic activity in the country the money supply has risen to R.O. 124.6 million in 1979 in comparison to R.O. 72.1 million in 1975, which represents an increase of 72.8%. Currency in circulation has risen to R.O. 74.3 million in 1979 from R.O. 38.6 million in 1975 that is at a rate of increase of 92.5%. Demand deposits have increased to R.O. 50.3 million in 1979 from R.O. 33.5 million in 1975 i.e. by 50.1%.

Table 13

Money Supply

(Million Rials Omani)

| | 1975 | 1976 | 1977 | 1978 | 1979 |
|----------------------------|-------|-------|-------|-------|-------|
| Currency with the public | 38.6 | 47.8 | 55.1 | 64.4 | 74.3 |
| Demand deposits | 33.5 | 54.9 | 58.2 | 53.7 | 50.3 |
| Money supply | 72.1 | 102.7 | 113.3 | 118.1 | 124.6 |
| Time deposits and savings | 40.5 | 57.9 | 88.4 | 107.6 | 118.5 |
| Private domestic liquidity | 112.6 | 160.6 | 201.7 | 225.7 | 243.1 |
| Government deposits | 33.5 | 39.3 | 71.5 | 42.5 | 68.1 |
| Total liquidity | 146.1 | 199.9 | 273.2 | 268.2 | 311.2 |

Time deposits and savings have risen to R.O. 118.5 million in 1979 from R.O. 40.5 million in 1975 or by 192.6%. Accordingly, private domestic liquidity which is composed of money supply and savings deposits amounted to R.O. 243.1 million in 1979 compared to its 1975 level of R.O. 112.6 million. This represents an increase rate of 115.9%. The rate of growth of private liquidity was rapid during the first years of the Plan amounting to 43% in 1976 and 53% in 1977. In 1978 and 1979, however, the rate had declined to 22% and 10% respectively. This development was a reflection of the government financial and monetary policy which aimed at controlling inflationary pressures and reducing the deficit in the general budget. It also reflects both the static oil price situation which occurred during 1978 and the decline in the level of oil production of that year.

Government bank deposits have increased to R.O. 68.1 million in 1979 from R.O. 33.5 million in 1975, that is at a rate of 103.3%. As a result total liquidity has increased to R.O. 311.2 million in 1979 from R.O. 146.1 million in 1975 or at a rate of 113%.

From the analyses of the factors affecting the quantity of money supply and quasi money it would appear that the government's borrowing from the banking system was the main reason behind the large monetary increase in 1976. Government borrowing became relatively stable during 1977 and 1978 as a result of the efforts made to control the deficit in the budget. Thereafter, government borrowing from the banking system reached a very low level in 1979. This was a result of the government reducing the level of its short-term indebtedness, by the utilization of the increase in oil revenue following the rise of prices during the second half of that year.

Credit from the banking system to the private sector has been in line with the development of the money supply. The level of private sector lending greatly increased in 1976 and 1977 at the rate of 40% and 39% respectively. Thereafter the rate of growth decreased to 19% and 12% during the two years that followed.

During the same period net foreign assets have increased to R.O. 186.3 million in 1979 compared to R.O. 36.1 million in 1975 reflecting a rate of increase of 416%. Most of this increase occurred in 1979 as a consequence of the rise in oil prices. The two years 1977 and 1978, however, represent a period of noticeable development in the size of net foreign assets.

Table 14

Factors affecting the quantity of money and quasi money

(Million Riials Omani)

| Description | 1975 | 1976 | 1977 | 1978 | 1979 |
|---|--------|--------|---------|--------|---------|
| Credit to government | 69.1 | 107.8 | 64.4 | 69.8 | 4.2 |
| Central Bank of Oman | 7.0 | 18.3 | 8.4 | 49.2 | 0.2 |
| Commercial Banks | 62.1 | 89.5 | 56.0 | 20.6 | 4.0 |
| Credit to private sector | 85.2 | 119.4 | 166.3 | 197.7 | 221.8 |
| Net foreign assets (1) + (2) + (3) | + 36.1 | + 31.0 | + 107.2 | + 73.9 | + 186.3 |
| (1) Government assets | + 29.2 | + 37.3 | + 44.7 | + 46.1 | + 55.7 |
| (2) CBO Foreign assets | + 55.8 | + 68.4 | + 96.8 | + 60.4 | + 142.3 |
| a. assets | + 56.8 | + 76.8 | + 105.5 | + 97.2 | + 153.0 |
| b. liabilities | - 1.0 | - 8.4 | - 8.7 | - 36.8 | - 10.7 |
| (3) Commercial banks net foreign assets | - 48.9 | - 74.7 | - 34.3 | - 32.6 | - 11.7 |
| a. assets | + 23.1 | + 15.3 | + 33.3 | + 36.8 | + 67.8 |
| b. liabilities | - 72.0 | - 90.0 | - 67.6 | - 69.4 | - 79.5 |

Analyses of net foreign assets reveal that their increase was mainly due to the increase in the Central Bank of Oman's foreign assets which have risen 155% to R.O. 142.3 million in 1979 from R.O. 55.8 million in 1975. This was accounted for by the repayment of government debts to the Central Bank of Oman and also the increase of the Bank's capital and consequently the increase in its foreign investments.

The position of commercial banks has greatly improved. Their net foreign liabilities in 1976 were R.O. 75 million. Their indebtedness was reduced by about 50% during the two years that followed as a result of the wise financial and monetary policy implemented by the government. The indebtedness declined considerably further in 1979.

Analyses of the distribution of commercial bank credit reveal that the sectors of the wholesale and retail trade and of the import and export trade accounted for the larger part of total borrowing. In 1979 these sectors together accounted for 50% of the total while in 1975 their relative importance was about 33%. Next in relative importance comes the sector of construction whose share of total bank credit had risen to 15.2% in 1979 compared with 11.6% in 1975. The relative importance of bank loans to the government greatly declined from 42.9% in 1975 to 24.5% in 1977, to 8% in 1978 and finally to 2% in 1979. This reduction in the government indebtedness to commercial banks was accounted for by the government action, taken in 1977 and 1978, of transferring the major part of its short-term indebtedness due to the commercial banks, to the Central Bank of Oman.

In 1979, as was mentioned earlier, the government repaid most of its short-term indebtedness to the banking system including the Central Bank of Oman.

The level of interest rate charged by commercial banks on their lending was high during the four year period reaching its peak in 1979. Nevertheless, that rate was below the international level of interest rates prevailing during that period. This was due to the measures taken by the Central Bank of Oman in fixing a ceiling on the interest rates charged by the Financial institutions on bank loans and deposits.

In 1979, most of the bank credit interest rates (76.6%) varied between 10 and 12 percent whereas only 26.7% of total bank credit was liable to this level of interest rate in 1975.

Table 15
Distribution of Commercial Bank Credit

(Million Rials Omani)

| Description | 1975 | | 1976 | | 1977 | | 1978 | | 1979 | |
|------------------------------------|-------|------|-------|------|-------|------|-------|------|-------|------|
| | Value | % | Value | % | Value | % | Value | % | Value | % |
| Imports | 40.0 | 27.2 | 58.6 | 28.1 | 82.0 | 35.7 | 98.3 | 43.7 | 104.1 | 44.3 |
| Exports | 0.5 | 0.3 | 0.5 | 0.3 | 0.5 | 0.2 | 0.7 | 0.3 | 0.4 | 0.2 |
| Wholesale and retail trade | 8.5 | 5.8 | 7.6 | 3.7 | 11.0 | 4.8 | 10.7 | 4.8 | 13.1 | 5.5 |
| Mining and Quarrying | 1.3 | 0.9 | 2.5 | 1.2 | 2.2 | 1.0 | 1.1 | 0.5 | 3.5 | 1.5 |
| Construction | 17.1 | 11.6 | 14.8 | 7.1 | 21.6 | 9.4 | 30.2 | 13.4 | 35.7 | 15.2 |
| Manufacturing | 0.7 | 0.5 | 1.5 | 0.7 | 5.3 | 2.3 | 5.7 | 2.5 | 4.5 | 1.9 |
| Electricity, Gas and Water | 1.0 | 0.7 | — | — | 0.6 | 0.3 | 0.2 | 0.1 | 0.9 | 0.4 |
| Transport and Communications | 0.8 | 0.5 | 4.1 | 2.0 | 4.7 | 2.0 | 5.6 | 2.5 | 6.7 | 2.8 |
| Financial Institutions | — | — | 0.1 | — | 0.1 | — | 1.6 | 0.7 | 1.2 | 0.5 |
| Services | 1.8 | 1.2 | 2.8 | 1.3 | 5.6 | 2.5 | 6.6 | 2.9 | 5.1 | 2.2 |
| Government | 63.1 | 42.9 | 86.3 | 41.4 | 56.3 | 24.5 | 18.0 | 8.0 | 4.7 | 2.0 |
| Personal Loans | 10.3 | 7.0 | 21.5 | 10.3 | 29.4 | 12.8 | 35.0 | 15.6 | 31.0 | 13.2 |
| Agriculture and cottage industries | — | — | 0.2 | 0.1 | 0.6 | 0.3 | 0.5 | 0.2 | 0.9 | 0.4 |
| All others | 2.0 | 1.4 | 7.8 | 3.8 | 9.7 | 4.2 | 10.8 | 4.8 | 23.4 | 9.9 |
| Total | 147.1 | 100 | 208.3 | 100 | 229.6 | 100 | 225 | 100 | 235.2 | 100 |

CHAPTER 6

Balance of Payments and Foreign Trade

Current transactions in the Balance of Payments were estimated to account for a surplus amounting to R.O. 124.3 million in 1979 compared with a deficit of R.O. 12.8 million in 1975. This was a result of the large surplus in the Balance of Trade which amounted to R.O. 294.2 million in 1979 compared to R.O. 140.8 million in 1975. Alternatively, the deficit in the invisible transactions became greater reaching R.O. 169.9 million in 1979 compared to R.O. 153.6 million in 1975.

One of the most important features revealed by the Balance of Payments figures was the decline in business profit remittances to R.O. 46.5 million in 1979 from R.O. 76.0 million in 1975. This item includes remittances of P.D.(O) and other contracting companies and foreign establishments operating in the Sultanate. Alternatively, private remittances of the expatriate labour force working in the Sultanate increased to R.O. 97 million in 1979 from R.O. 62 million in 1975.

Net loans and grants has declined to about R.O. 58 million in 1979 compared to R.O. 124 million in 1975. The amount of grants has declined to about R.O. 62 million in 1979 from R.O. 72 million in 1975 while net loans were only R.O. (-3.8) million compared to R.O. 52 million in 1975.

The final surplus in the Balance of Payments was estimated at R.O. 112 million in 1979 compared to a deficit of R.O. 1.5 million in 1975. The surplus in the Balance of Payments for 1979 resulted in an increase of R.O. 91.5 million in the foreign assets held by the monetary authorities, and in an increase of about R.O. 21 million in the foreign assets held by commercial banks.

The Balance of Payments table shows that during the four-year period covered by this report, a deficit in current transactions occurred in 1976 and 1978, and a surplus in 1977 and 1979.

Table 16

Balance of Payments during the period 1975 - 1979

(Million Rials Omani)

| Description | 1975 | 1976 | 1977 | 1978 | 1979 |
|---------------------------------------|---------|---------|---------|---------|---------|
| Visible transactions | | | | | |
| Exports and re-exports | 489.2 | 551.2 | 559.4 | 552.0 | 787.4 |
| Imports | 348.4 | 383.8 | 392.9 | 438.3 | 493.2 |
| a) TRADE BALANCE | + 140.8 | + 167.4 | + 166.5 | + 113.7 | + 294.2 |
| Invisible transactions | | | | | |
| Profit, remittances | - 76.0 | - 73.9 | - 51.8 | - 39.7 | - 46.5 |
| Private remittances | - 62.2 | - 75.9 | - 76.6 | - 83.3 | - 97.2 |
| Net returns from investment | + 3.3 | + 1.9 | - 1.8 | + 1.6 | + 5.6 |
| Net other services | - 18.7 | - 22.7 | - 24.1 | - 22.9 | - 31.8 |
| b) Total invisible transactions | - 153.6 | - 170.6 | - 154.3 | - 144.3 | - 169.9 |
| c) Total current trans. (a+b) | - 12.8 | - 3.1 | + 12.2 | - 30.6 | + 124.3 |
| d) Net loans and grants | + 124.0 | + 65.8 | + 122.8 | - 1.2 | + 58.1 |
| Grants | 71.6 | 18.0 | 92.7 | 7.0 | 61.9 |
| Net Loans | + 52.4 | + 47.8 | + 30.1 | - 8.2 | - 3.8 |
| e) Capital assets of oil sector (net) | - 26.5 | + 35.7 | + 13.7 | + 15.6 | + 8.7 |
| f) SDR allocations | - | - | - | - | 0.9 |
| g) Errors and omissions | - 86.2 | - 102.8 | - 72.9 | - 17.3 | - 79.6 |
| Overall balance (c + d + e + f) | - 1.5 | - 4.4 | + 75.8 | - 33.5 | + 112.4 |
| Monetary movements (net) | + 1.5 | + 4.4 | - 75.8 | + 33.5 | - 112.4 |
| Monetary authorities | - 13.8 | - 21.3 | - 35.4 | + 35.2 | - 91.5 |
| Commercial banks | + 15.3 | + 25.7 | - 40.4 | - 1.7 | - 20.9 |

During the period covered, value of recorded imports was R.O. 430.5 million in 1979 compared to R.O. 264 million in 1975 i.e. at a rate of increase amounting to 63%. The rise in the value of imports was accounted for by a rise in all groups of items. Imports of consumer goods have increased by 94%, intermediate goods by about 35% and capital goods by about 51%.

Table 17

Classification of imports by end use 1975 - 1979

(Million Rials Omani)

| Description | 1975 | | 1976 | | 1977 | | 1978 | | 1979 | |
|--------------------|-------|------|-------|------|-------|------|-------|------|-------|------|
| | Value | % | Value | % | Value | % | Value | % | Value | % |
| Consumer goods | 101.5 | 38.4 | 110.3 | 44.0 | 136.8 | 45.3 | 158.6 | 48.5 | 203.9 | 47.4 |
| Intermediate goods | 74.2 | 28.1 | 59.8 | 23.9 | 71.8 | 23.7 | 81.1 | 24.8 | 93.2 | 21.6 |
| Capital goods | 88.6 | 33.5 | 80.4 | 32.1 | 93.5 | 31.0 | 87.5 | 26.7 | 133.4 | 31.0 |
| Total imports | 264.3 | 100 | 250.5 | 100 | 302.1 | 100 | 327.2 | 100 | 430.5 | 100 |

Recorded imports include imports via Salalah. Classification was based on estimates for 1975 and on an actual basis for the period 1976-1979. Classification into consumer goods, intermediate goods and capital goods was in accordance with actual use. Imports used to satisfy consumer demand are classified as consumer goods. Imports used in intermediate consumption are classified as intermediate goods and those which meet the demand for investment are classified as capital goods.

The value of exports and re-exports rose significantly to R.O. 787 million in 1979 from R.O. 489 million in 1975, an increase of 61%. This rise was mainly accounted for by the increase in oil revenue especially during 1979. During that year the value of oil exports had increased by 53% over the 1975 level despite reduced production. Non-oil exports have increased by 327% in 1979 compared to 1975.

It is worth noting that the value of re-exports have increased progressively during the period and occupies an important position in Oman's foreign trade.

Table 18

Development of exports during the period 1975 — 1979

(Million Rials Omani)

| Description | 1975 | 1976 | 1977 | 1978 | 1979 |
|-----------------|-------|-------|-------|-------|-------|
| Oil exports | 488.1 | 543.8 | 545.9 | 521.8 | 745.7 |
| Non-oil exports | 1.1 | 1.4 | 1.5 | 3.3 | 4.7 |
| Re-exports | — | 6.0 | 12.0 | 26.9 | 37.0 |
| Total exports | 489.2 | 551.2 | 559.4 | 552.0 | 787.4 |

CHAPTER 7

Employment

As a consequence of increasing economic activity during the past years there was a rise in the number of persons employed in both the government and the private sectors. The number of persons employed in the government civil service have increased to about 36,000 in 1979 from 19,000 in 1975. Of these totals the number of Omanis has increased to 21,000 in 1979 from 15,000 in 1975 and the number of expatriates to 15,000 from 4000. As a result of the increase in the latter category the proportion of employed Omanis to the total number of employees in the government sector has decreased to 59.2% in 1979 from 79% in 1975.

Table 19

Number of government civil sector employees 1975 — 1979

| Year | Omani | Expatriate | Total | Ratio of Omani (%) |
|------|-------|------------|-------|--------------------|
| 1975 | 15000 | 4000 | 19000 | 79.0 |
| 1976 | 15688 | 6643 | 22311 | 70.3 |
| 1977 | 17269 | 9496 | 26765 | 64.5 |
| 1978 | 18466 | 11958 | 30424 | 60.7 |
| 1979 | 21372 | 14719 | 36091 | 59.2 |

The Ministry of Education employs the largest number of people in the government civil sector accounting for 23% of the total number of civil servants in 1979, followed by the Diwan (11.4%), the Ministry of Health (10.7%), the Ministry of State for Dhofar (7.6%), the Ministry of Land Affairs and Municipalities (7.2%), the Ministry of Communications (6.2%) and the Ministry of Electricity and Water (4.9%).

No accurate data is available at present concerning the number of Omanis employed in the private sector. The number of expatriates in this sector have increased to 113000 in 1979 from 87000 in 1976, i.e. their number has increased by about 26000 or by (30%) according to data derived from employment cards issued by the Directorate General of Labour. A classification by occupation reveals that in 1979 more than half of these persons were engaged in occupations or professions relating to the construction sector and contracting; builders and masons formed 23.4%, carpenters 10.3%, blacksmiths 9.3%, welders 3.6%, painters 2.4% and foremen 2.5%.

ANNEX

List of publications issued by the Development Council

| Title of book/pamphlet | Date of issue | |
|---|----------------|----------------|
| 1. Statistical Yearbook from 1972 | Annual | Arabic/English |
| 2. Oman, facts and figures from 1973 | Annual | Arabic/English |
| 3. Development in Oman 1970 — 1974 | November 1974 | Arabic/English |
| 4. Annual Employment Survey in the private sector from 1974. | Annual | Arabic/English |
| 5. Household Income and Expenditure Survey — June — September 1974 | March 1975 | Arabic/English |
| 6. Household Income and Expenditure Survey, July — August 1977 | February 1978 | Arabic/English |
| 7. Household Income and Expenditure Survey, January — March 1980 | September 1980 | Arabic/English |
| 8. Survey on child births in maternity centres, and family units in Oman (15 August — 31 December 1974) | December 1975 | Arabic/English |
| 9. Survey on child births in maternity centres, and family units in Oman (1 July — 31 December 1978) | December 1978 | Arabic/English |
| 10. Quarterly Bulletin of Main Economic Indicators from March 1977 | Quarterly | Arabic/English |
| 11. Statistical Study of Companies registered in the Sultanate | 1977 | Arabic/English |
| 12. Statistical Survey of Industrial Establishments in Oman — 1978 | June 1980 | Arabic/English |
| 13. Construction Survey in the Sultanate — 1978 | June 1980 | Arabic/English |
| 14. The Five-Year Development Plan 1976 — 1980 | 1976 | Arabic/English |
| 15. Follow-up Report of the Five-Year Development Plan from 1976 | Annual | Arabic |
| 16. A Study of traditional fishery sector in the Capital Area | April 1978 | Arabic |
| 17. A study of Agricultural sector in the Sultanate Part I | January 1980 | Arabic |
| 18. A study of Agricultural sector in the Sultanate Part II | January 1980 | English |
| 19. A study of Fishery Development in Oman. | July 1980 | English |

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