



Sultanate of Oman
Ministry of National Economy

Speech
of His Excellency Ahmed Abdul Nabi Macki
Minister of National Economy
Deputy Chairman of Financial Affairs and Energy
Resources
on the Occasion of Ratification of the Eighth
Five-Year Development Plan
(2011-2015)
& General Budget for the year 2011

January 2011



His Majesty Sultan Qaboos Bin Said

Royal Decree No (1/2011)
Ratification of the Eighth Five-Year
Development Plan
(2011-2015)

Royal Decree No (1/2011)
Ratification of the Eighth Five-Year Development Plan
(2011-2015)

We Qaboos bin Said, Sultan of Oman

Having reviewed:

- The State's Administrative Organization issued as per Royal Decree No (101/96)
- The Economic Development Law for the year 1975
- The Royal Decree No (1/80) establishing the State General Reserve Fund and its amendments
- The Royal Decree No (1/96) ratifying the Fifth Five-Year Development Plan and the basic dimensions of Oman's Economy
- And in keeping with the keenness to establish the basic foundation for the sustainability of development through continuance of the development work within the framework of the long-term development strategy (1996-2020)
- And in order to emphasize the necessity of awarding greater attention to development of social areas and human resources development.
- And to enhance the pace of economic diversification.
- And to further the private sector role in the development process and participation in its programme.
- And in light of the Council of Ministers' deliberations as well as other units that participated in formulation of the Plan in this respect.

And in accordance with the exigencies of the public interest

We decreed as follows:

Article 1 : Ratification of the Eighth Five-Year Development Plan (2011-2015) and its objectives delineated in the attached annexure No. (1)

Article 2 : The basic principles of the Plan's fiscal framework delineated in the attached annexure No. (2) must be adhered to in implementation of the Plan.

Article 3 : Ministry of National Economy shall publish the details of the Eighth Five-Year Development Plan in special reports to be issued for this purpose.

Article 4: All ministries and government units shall implement the aforementioned Eighth Five-Year Development Plan without prejudice to the financial law and tender law.

Article 5: The Supreme Committee of the Five-Year Development Plans shall conduct an annual assessment of the Plan taking into account the economic changes that occur in both domestic and foreign realms.

Article 6 : The Decree shall be published in the Official Gazette and shall take effect as of January 1st , 2011.

Qaboos bin Said

Sultan of Oman

Annexure No (1)

Objectives of the Eighth Five-Year Development Plan 2011-2015

- 1- Promoting economic growth by striving to realize annual growth rates of not less than (3%) at constant prices for the Plan period. This is through stimulating domestic demand, development of exports, encouragement of investment, formulation of a strategy to increase productivity, optimal exploitation of the natural wealth, production capacities and the established infrastructure.
- 2- Strive to realize low inflation rates throughout the Plan period by developing market monitoring means, awareness of consumers and encouraging importers to diversify and expand their imports of goods.
- 3- Observance to social fields taking in consideration the balance among the various Governorates and Regions through continuing efforts to improve life of the citizens by widening the domain of the basic social services, the cultural and sport services as commensurate with available resources.
- 4- Expansion in provision of new work opportunities for the national workforce. To be attained through encouraging private sector investment in sectors of high labour-intensity particularly outside Muscat Governorate; and continuance of Omanization and replacement policy, upgrading it and work to improve degree of harmony between education outputs and labour market needs.
- 5- Striving to realize full enrollment rates in general education, raising intake capacity of higher education with focusing on specialties required by labour market, attaining and upgrading quality and its sustainability in accordance to international criteria in each stage taking in account the government fiscal capabilities. Also, necessity of studying new directives that assist in diversifying funding sources of education at its various stages and areas as well as encouraging more private sector investment.
- 6- Ensuring continuance of awarding priority in government expenditure allocations to provide social services in terms of health, general education,

housing, water and sanitary drainage services as well as development of oil and gas sectors. In addition, programming expenditure to serve the objectives of the fiscal policy as a prime mechanism to stimulate domestic demand without prejudice to conditions and requirements of sustainability of public finance statuses in medium term.

- 7- Completion of the projects of the development programme for civil ministries carried forward from the Seventh Plan. Focusing on allocating the appropriations for the new projects of the Eighth Plan to social sectors, infrastructure and projects of economic feasibility and those that achieve the Plan's objectives.
- 8- Intensifying and furthering coordination between monetary and fiscal policy to ensure realizing economic stability and growth. Stimulating banking sector to increase the banking credit size particularly to production sectors and encouraging saving. Oman Central Bank shall adopt new mechanisms that serve this. In addition to promote confidence in financial sector through support, development of its monitoring means and more observance to granting loans to SME.
- 9- More attention to the regional dimension of development to define needs of Governorates and Regions in terms of social services and production projects and seeking to establishing them within the available fiscal resources.
- 10- Pursuance to develop water resources and reduce the gap between supply and demand through increasing production of desalinized water, boring of wells and rationalizing usage. This in light of the main plan of water resources.
- 11- Continuance in adopting policies aiming to increase oil and gas production rates , expansion in exploration to increase reserves, adoption of reviewing the current reserves policies, usage of advanced means in extraction, exploration and assessment of reserves. This is beside urging operating companies to adopt production means that characterized by effectiveness to lower cost , and follow-up and evaluation of efforts of these companies in this respect.
- 12- Adopting the proposed alternatives and policies of the energy strategy to manage deficit in energy supply particularly the demand on gas management

alternative to achieve balance between supply and demand. This through abundance to gas amounts allocated for projects in accordance to the current concluded agreements and revising this in light of the results of studies to increase reserves , its assessment and efforts exerted to gas import from abroad. Also, raising the gas use efficiency particularly in the energy sector and work to production of electricity by renewable energy.

- 13- Promoting opportunities of sustainable tourism development to achieve economic and social development through conservation of environment, its natural resources and the cultural and natural heritage. More efforts to encourage internal tourism, intensifying abroad touristy promotion specially in neighboring countries, expansion its domain to include emerging markets, ensure the quality of the tourist product so as to efficiently address challenges imposed by the severe competition in global market particularly in light of the current deflation of the global economy.
- 14- Implementation of the industrial strategy specially that related to development of IT, software, e-business of intensive knowledge, petrochemicals , free-zones trade, assembly and re-export industry and touristy industries .This through improving the institutional frameworks , encouraging investment, provision of the qualified cadre and encouraging scientific research in these areas
- 15- Special observance to the development of the sectors of agriculture and fisheries to promote food security and provide work opportunities for national workforce in rural areas.
- 16- Stimulating the domestic private sector to investment and furthering the national economy competitiveness to attract foreign investment under its global declining flow. This through introducing more improvements in the regulatory, legal and tax frameworks related to private sector work. Also, urging private sector interest in social responsibility particularly that related to provision of work opportunities to national workforce, its training and realizing social solidarity and development of societies within its operation domain.
- 17- Intensifying efforts related to development of SME through development

of approved mechanisms, encouraging mega companies to further their link with these establishments by increasing their demand for SME products and services.

- 18- Implementation of the scientific research strategy through special attention to areas of scientific research of priority particularly those of enhanced oil and gas recovery, treatment and desalination of water, rationalizing energy consumption, development of renewable alternatives, conserving environment and development of CIT systems.
- 19- Accelerating the pace to implement Oman Digital Society , completion of IT villages and scientific incubators, supporting industry of software and other computer services, and access to outputs of the scientific base and IT to those concerned, researchers, businessmen and investors.
- 20- Observance to the environmental aspects of development particularly the repercussions of climate change
- 21- Development and raising efficiency of the State's Administrative Apparatus and befitting from the new developments in domestic and global fields to improve employees' performance . Special focusing on realizing maximum benefit from the technical development in CIT to facilitate procedures and complete deals
- 22- Upgrading statistical work through development of statistics capabilities, furthering quality of statistic product, upgrading statistic publishing and beneficiaries services as well as increasing awareness to the important role of statistic data and information in planning and decision making in various fields
- 23- Directing media activity to serve the development pace and encouraging private sector to invest in the various media areas.

Annexure No. (2)

The Basic Principles of the Fiscal Framework of the Eighth Five-Year Development Plan (2011-2015)

- 1- Stimulating domestic demand in support of growth without prejudice to the conditions and requirements of the sustainability of public finance statuses in the medium term.
- 2- Awarding priority in allocating government expenditure to provision of social services in terms of health, general education, housing, water and sanitary drainage services beside development of oil and gas sectors.
- 3- Intensifying and strengthening the coordination between fiscal and monetary policies to ensure stability of economy and stimulate growth.
- 4- Daily transference of (15) thousand barrel value to oil reserve fund at market price and excluding any other transfers to the State General Reserve Fund from the Plan's estimates.
- 5- Striving to increase non-oil revenues.
- 6- Financing the budget deficit through withdrawal from emergency and borrowing fund
- 7- Directing any surplus in the actual oil revenues during the Plan period as result of increase in oil prices and production rates to finance the actual deficit of the budget and transfer of surplus to the State General Reserve Fund.

**The Fiscal Framework of the Eighth Five-Year Development Plan
Government Revenue and Expenditure Estimates
during the Eighth Five-Year Development Plan (2011-2015)**

(R.O Million)

Detail	Eighth Five-Year Development Plan					Total
	2011	2012	2013	2014	2015	
Daily average oil production (000 barrel)	896	892	892	881	924	4485
Average price (US\$)	58	58	58	60	60	294
First : Revenue						
Oil revenue	5078	4983	4902	5072	5463	25498
Minus						
Transfer to the Oil Reserve Fund	122	122	122	126	126	618
1. Net oil revenue	4956	4861	4780	4946	5337	24880
2. Natural gas revenue	920	935	957	979	979	4770
3. Other current revenue	1340	1400	1500	1600	1725	7565
4. Capital revenue	48	40	34	25	24	171
5. Capital recoveries	16	14	9	35	35	109
Total revenue	7280	7250	7280	7585	8100	37495
Second: Expenditure						
a) Current expenditure						
6. Defense and national security	1650	1680	1715	1715	1750	8510
7. Civil ministries	2750	2950	3150	3350	3600	15800
8. Oil production expenditure	225	241	261	268	279	1274
9. Gas production expenditure	80	89	76	82	85	412
10. Interest on loans	75	75	75	75	75	375
Total current expenditure	4780	5035	5277	5490	5789	26371
b) Investment expenditure						
11. Development expenditure for civil ministries	1200	1200	1200	1200	1200	6000
12. Oil production expenditure	718	640	558	592	692	3200
13. Gas production expenditure	594	765	735	706	607	3407
Total investment expenditure	2512	2605	2493	2498	2499	12607
c) Participation and other expenditure						
14. Subsidy for housing loans interests	24	25	26	27	27	129
15. Contributions to local, regional and international organizations	615	587	502	343	317	2364
16. Subsidy for electricity sector	199	238	262	272	268	1239
Total participation and other expenditure	838	850	790	642	612	3732
Total public expenditure	8130	8490	8560	8630	8900	42710
Deficit	850	1240	1280	1045	800	5215

**Speech
of His Excellency
the Minister of National Economy
on the Occasion of Ratification of the Eighth
Five-Year Development Plan
(2011-2015)
& General Budget for the year 2011**

On the occasion of promulgation of the Royal Decree No. (1/2011) ratifying the Eighth Five-Year Development Plan (2011-2015) and the Royal Decree No. (2/2011) ratifying the State General Budget for the year 2011, it is my pleasure to meet with you and review the main achievements of the Seventh Five-Year Development Plan and the objectives of the Eighth Five-Year Development Plan and the State General Budget for the year 2011.

Also, I would like to acknowledge that the Eighth Five-Year Development Plan is a result of efforts of various government units, specialized councils and the coordination among them. At the beginning of 2010, the Ministry of National Economy started the formulation of the Eighth Five-Year Development Plan and raised the initial perceptions regarding its objectives, fiscal framework and the development programme to the Supreme Committee for the Development Plans which approved the Plan after introduction of some amendments. In light of this, the amended general framework is presented to the Honourable Council of Ministers and on approval raised to the Honourable Majlis A'Shura. The Majlis suggested valuable comments which are taken in consideration in formulation of the final Plan's framework

First: The Preliminary Evaluation of the Seventh Five-Year Development Plan (2006-2010)

The most important objectives of the Seventh Plan to improve the standard of living of citizens were : maintaining stability of prices, upgrading education, expanding higher education enrollment opportunities, striving to provide more job opportunities for citizens, observance to issues related to people and social welfare, accelerating the pace of diversification of economy and encouraging domestic and foreign private sectors' investments.

It could be inferred from the annual follow-up and evaluation reports of the performance of the Seventh Plan, that the Plan's performance was good. In spite of the unfavorable external conditions embodied in the global financial crisis and its repercussions, the national economy continued its growth. The preliminary outlook indicated its growth during the Plan period by an average annual rate of (13.1%) at current prices and (6.3%) at constant prices compared to planned estimate of (2.4%) and (3%) consecutively.

The good performance was a result of many factors that include: the increase in oil prices where its annual average for the Plan period was expected to reach US\$(72)

per barrel compared to the planned estimate of US\$ (30) per barrel, expansion in production capacities of the non-oil activities, improvement in competitiveness of the non-oil exports, the expansionary fiscal policies adopted by the government to stimulate domestic demand and the rational economic and monetary policies adopted to encourage domestic and foreign private sectors' investment.

As result of the above cited fiscal, economical and monetary policies a marked increase was witnessed in the total domestic investment. Its size for the period (2006-2009) amounted to R.O (21.3) billion compared to the planned for the whole Plan period estimated at R.O (14.1) billion and to the actual investment size for the Sixth Plan which was R.O (9.8) billion. Accordingly, the average investment rate relative to GDP at current prices for the period (2006-2009) increased to (29.5%) compared to (21.4%) for The Sixth Plan.

As a result of the increase in the actual oil prices compared to the planned, the expansion in export capacities related to non-oil exports and the improvement in exports' competitiveness, the current account of the balance of payment realized surpluses that their annual average for the Plan period expected to amount to (7.2%) of GDP compared to planned deficit estimated an at annual average of (0.2%) of GDP.

The first three years of the Plan witnessed a steady increase in inflation rates reaching (12.4%) in 2008. The increase, particularly in 2008, could be attributed mainly to external factors that included the decline in US\$ exchange rate relative to other main currencies, increased commodities' prices in the global market as result of the increased global demand resulting from the strong growth of the global economy. The inflation rates declined markedly during 2009 and 2010 where the rate in 2010 was expected to be about (3.5%). This was due to the fiscal and monetary policies adopted to confront inflation, the procedures undertaken to monitor and control markets, activation of consumer protection events and increase awareness beside the fall back in commodities' prices in global market.

The Plan's fiscal performance was the most prominent among other achievements. The Plan period witnessed a marked increase in the actual revenues compared to the planned as result of the increase in oil prices beside the improvement in the other revenues. The increase in revenue led to:

- Enable adoption of an expansionary fiscal policy under which the actual annual average of public expenditure for the Plan period scaled to (58%) compared to the planned. This policy stimulated domestic demand which enhanced the growth of the national economy.

- Realizing overall surpluses estimated at an annual average of (6.5%) of GDP for the Plan period compared to the planned deficit of (1.4%).

The surpluses were directed to strengthen the government financial reserve and reduce the public debt. It was reduced from (8.6%) of GDP in 2005 to (5.1%) of GDP in 2010. Accordingly, the fiscal status of the government was promoted and the credit worthiness rating of the national economy improved. According to Moodys credit rating agency, the Sultanate rank in 2010 was promoted from (A2) to (A1) while most countries and leading global financial institutions were suffering a decline in credit worthiness rating due to the repercussions of the global financial crisis.

The pace of the diversification of the production base of our national economy accelerated during the Plan period. Non-oil activities recorded strong growth rate estimated at an annual average of (14.6%) at current prices and (8.2%) at constant prices. This formed a strong base on which the growth of national economy was accomplished.

As indicated in Table No (1), most of the non-oil activities recorded growth rates that exceeded the planned. The average annual growth rate of the basic chemicals industry, which is considered as the mainstay of the economic diversification, was expected to increase at an average annual of (20.2%) at current prices for the Plan period relative to the planned of (13.1%) as result of expansion in production capacities and increase in oil prices. Tourism, another pillar for economic diversification, witnessed high growth rate estimated at an average annual of (14%) during the Plan period compared to the planned growth of (7%). The Tourism Satellite Account (TSA) estimates indicated that the share of tourism sector in its broad sense in GDP at current prices increased from (2.51%) in 2005 to (2.86%) in 2009. The good performance of the tourism activity was due to the efforts exerted to promote the Sultanate touristy, expansion in the tourism activity capacities and its infrastructure. The lodging facilities increased from (153) in 2005 to (219) in 2009. Number of rooms increased from (8.1) thousand to (10.4) thousand during the same period. The construction and building activity demonstrated noticeable revival due to the expansionary fiscal policy that focused on investment spending, the large increase in private sector investments and the boom of the real estate activities. The average annual growth rate of the construction and building sector was expected to reach (22.7%) at current prices compared to planned decline at (1.5%).

Table No (1)

The Preliminary Forecasts of Rates of Growth of GDP at current prices during the Seventh Five-Year Development Plan Compared to Planned

Planned average annual growth rate (2006-2010) (%)	Detail	Actual average annual growth rate (2006-2010) (%)
-4.8	1-Total oil activities	11.2
-5.6	1-1: Crude oil	11.3
4.1	1-2: Natural gas	10.9
7.8	2- Total non-oil activities	14.6
2.7	2-1: Agriculture & fisheries	7.2
11.0	2-2: Industrial activities	18.4
8.4	a- Mining & quarrying	26.6
14.3	b- Manufacturing	18.4
20.8	- Manufacturing of refined oil products	23.2
13.1	- Manufacturing of chemicals and chemical products	20.2
15.2	- Other manufacturing	14.6
6.6	c- Electricity & water supplies	3.6
-1.0	d- Constructions	22.7
6.9	2-3: Service activities	13.3
9.0	e- Wholesale and retail trade	17.3
7.0	f- Hotels & restaurants	14.0
10.0	g- Transportation , storage and communication	13.9
8.0	h- Financial intermediation	14.3
2.0	i- Real estate , leasing and business activities	13.3
1.6	j- Public administration and defense	8.9
8.0	k- other services	12.2
8.0	Indirectly measured financial intermediation services	16.4
2.1	Plus : Imports taxes	-193.8
2.4	GDP at market price	13.1

The non-oil exports, including re-exports operations, proceeds recorded a steady increase during the Plan period as result of increase of export capacities and improvement of commodity and service exports' competitiveness. The annual average growth rate for the Plan period was expected to amount to (21.5%) compared to the planned of (14.6%).

The private sector grew at accelerated pace and its activity domain widened. The sector's value added at current prices was expected to grow by an annual average of (14.9%) compared to the planned estimate of (8.8%). The private sector activity related to foreign trade demonstrated a good performance specially that related to non-oil exports.

The foreign direct investment registered a steady increase during the Plan Period. It increased from R.O (929) million in 2003 to R.O (2199) million in 2006 and then to R.O (5029) million in 2009.

Under the supporting monetary policy for private sector through the provision of liquidity and other, the banking credit volume of commercial banks to private sector(not including personal loans) rose from R.O (3.7) billion in 2005 to R.O (9.2) billion in 2009 i.e an average annual rate increase of (25.9%) for the period (2006-2009).

In light of the expansion in the capacities and domain of private sector activity, the employment level in the sector increased to levels that highly exceeded the planned. The sector provided about (148.5) thousand additional work opportunities for the national workforce during (2006-2009) thus became the prime employer of the national workforce.

To support the private sector development, a number of improvements were introduced in the regulatory and legal frameworks that organize its work. The most important were those related to the one-stop shop, tax laws and establishment of a General Directorate for development of small establishments at the Ministry of Commerce and Industry.

A number of steps were taken in privatization domain in order to implement its planned programme for the Plan period. The most important of these steps included the establishment of the Oman holding company for environmental services, preparation of a study concerning the re-structuring of the sanitary drainage and water sectors, re-structuring of Oman national transport company, selling of

Al Russail Power Company, privatization of Sur desalination plant and selling of the full share of the government in the national company for pharmaceutical industries. Further, to encourage competition in the sector, the communications regulation authority issued a number of licenses for provision of communications' services. It is worth mentioning that the repercussions of the global financial crisis on financial markets and flow of capitals and liquidity created a non-conducive environment for implementation of the privatization program as planned for the Plan period.

The Plan performance related to human resources development was good .The most outstanding positive performance was related to labour and Omanization sector. The total additional work opportunities provided to the national workforce during 2006-2009 reached (177) thousand. The marked increase in employment could be ascribed to the increase in size of investments implemented and the resulted expansion in construction and building activity.

The Plan awarded special attention to the development of the social sectors. This was embodied in the steady increase in the volume of the government expenditure on these sectors. The actual expenditure on education sector in the Plan period at end of October 2010 increased to R.O (4002) million compared to the planned R.O (2399) million i.e increase of (67%); health sector to R.O (1361) million compared to the planned (883) million during the same period i.e increase at (54%). This led to marked improvement in social indicators.

In area of education, the number of students in the general education rose from (624) thousand in the academic year (2005-2006) to (628) thousand in the academic year (2009-2010). As for the higher education, the number of students enrolled during the same period increased from (68.8) thousand to (99.5) thousand. The Plan period witnessed an improvement in the education quality indicators at all its stages and courses.

The health sector witnessed expansion in the number of health institutions and workforce and consequently an improvement in many health indicators. The infant mortality rate declined as well as the infectious and endemic diseases indicators.

In the Information Technology sector many issues were executed that included the issuance of the e-transactions law, expansion of the e-government network, upgrading

the e-services portal, launch of the e-payment portal as well as establishment of the center of innovation and support. The sector achievements were culminated by the Royal Grant on the occasion of the celebration of the 40th anniversary of the National Day through provision of computers for about (113) thousand sons and daughters of the social security families and other at a cost of R.O (20) million.

The Plan's positives related to the human resources development dimension included: the positive developments in the justice sector manifested in the provision of the infrastructure to judiciary, establishment of courts in the Wilayats and Regions and expansion of judicial cadre, approval of the scientific research strategy, establishment of the Royal Opera House and the carrying out of the General Census of Population, Housing and Establishments during 12-21 of December 2010.

The Development Programme of the Seventh Five-Year Development Plan (2006-2010)

The Seventh Plan was characterized by an unprecedented high appropriations for the development programme. The amended appropriations at the end of the Plan period were estimated at R.O (12) billion compared to R.O (3) billion approved appropriations at the beginning of the Plan. The programme's appropriations for the Plan exceeded the total appropriations allocated in the previous six plans. Its performance formed one of the prominent successes of the Seventh Plan where the commitment rate reached (79%) and rate of actual expenditure (50.7%) which are considered good ratios compared to size of the amended appropriations for the programme from one side and the rates of commitment and spending in previous plans on the other.

Second: Objectives of the Eighth Five-Year Development Plan (2011-2015)

The Eighth Five-Year Development Plan (2011-2015) is the fourth ring within the framework of the long-term development strategy (1996-2020). Therefore, the formulation of its objectives is based on the long-term objectives and the main dimensions approved for the strategy. In addition, the follow-up and evaluation results of the performance of the Seventh Plan are also taken in consideration, together with prospective to the new developments that might occur during the Plan period and directions of the sectoral strategies which had been prepared during the Seventh Plan.

It is my pleasure to review with you the approved objectives of the Plan, which include the following:

- Realizing a growth rate of not less than (3%) and low inflation rates
- Observance to social areas to be awarded priority in allocating government expenditure
- Expansion in provision of new work opportunities for national workforce
- Achieving full enrolment rates in general education, raising intake capacity of higher education and upgrading education quality.
- Coordination between fiscal and monetary policies.
- More attention to the regional and environmental dimensions.
- Increasing production rates of oil and gas and their reserves and management of deficit in power resources.
- Development of the sectors of tourism, industry, agriculture, fisheries and water resources.
- Stimulating domestic and foreign private sectors to investment and development of small and medium establishments (SME)
- Implementing the strategies of scientific research and Oman Digital Society
- Developing and raising the efficiency of the State's administrative apparatus, upgrading the statistical work and directing media activity to serve the development process.

The preliminary forecasts of the Plan indicate GDP growth during its period at an annual average rate of (6%) at current prices and (5%) at constant prices. Also, the inflation rate is expected to remain at an average of (4%) for the Plan period.

To achieve the targeted growth rates of the national economy, the Plan seeks tangible increase in the total investments volume. The preliminary forecasts point to an increase in total investment size for the Plan period to R.O (30) billion compared to the (14.1) billion of the Seventh Plan i.e an increase of (113%).

The Plan's fiscal framework has been formulated with utmost care in order to serve the objectives of the Plan in general and supports the stability and growth of the national economy in particular. The basic dimensions of the fiscal framework

involve the following:

- Stimulating domestic demand in support of growth without prejudice to the conditions and requirements of the sustainability of public finance statuses in the medium term.
- Awarding priority in allocating government expenditure to provision of social services in terms of health, general education, housing, water and sanitary drainage services beside development of oil and gas sectors.
- Intensifying and strengthening the coordination between fiscal and monetary policies to ensure stability of economy and stimulate growth.
- Daily transference of (15) thousand barrel value to oil reserve fund at market price and excluding any other transfers to the State General Reserve Fund from the Plan's estimates.
- Striving to increase non-oil revenues.
- Financing the budget deficit through withdrawal from emergency and borrowing fund.
- Directing any surplus in the actual oil revenues during the Plan period as result of increase in oil prices and production rates to finance the actual deficit of the budget and transfer of surplus to the State General Reserve Fund.

Estimates of government revenues for the Plan period has been based on forecasted increase of the annual average of oil production rates to (897) thousand barrel per day compared to (775) barrel per day as actual average for the Seventh Plan, and US\$ (59) as average price per barrel . Accordingly, the annual average of total government revenues has been estimated at R.O (7499) million as indicated in [Table No \(2\)](#). Of these, R.O (4976) million as net oil revenues and R.O (2523) million as non-oil revenues.

The government expenditure for the Plan period has been estimated in such a way to ensure meeting the needs of the society within the resources available. In light of this, the annual average of the total public expenditure for the Plan period is estimated at R.O (8542) million. The expenditure shall be allocated among the main expenditure items in a manner that best serve the Plan's objectives and priorities.

In view of this, the annual average deficit of the General Budget for the Plan period is estimated to be R.O (1043) million and its ratio to total revenues at (13.9%).

Table No (2)
Fiscal Framework of the Eighth Five-Year Development Plan
(2011-2015)

(R.O Million)

Item	Annual average for Plan period
1. Total Revenue	7499
- Net oil revenue	4976
- Non-oil revenue	2523
2. Total Public Expenditure	8542
- Defense and national security expenditure	1702
- Current expenditure for civil ministries	3160
- Development expenditure for civil ministries	1200
- Oil production expenditure	895
- Gas production expenditure	764
- Other expenditure	821
3. Deficit	1043
4. Ratio of deficit to total revenue (%)	13.9

The Plan shall strive to enhance economic diversification process. To achieve this, the Plan adopts a set of sectoral objectives, policies and mechanisms. In view of this, the non-oil activities are expected to grow during the Plan period by an annual rate of about (10%) at current prices and (6%) at constant prices.

The Plan aims to continue furthering the private sector role in national economy by stimulating domestic and foreign private investments and hence raising the private sector's share in GDP and provision of new work opportunities particularly to national workforce.

The Plan seeks to achieve this through intensifying efforts related to the development of SME, developing the financial sector in a way to ensure provision of

profitable investment opportunities, financing the private sector, continuance in improving the investment environment and completion and development of infrastructure.

The Plan awards a special observance to the enhancing of the development of human resources. This is manifested in adopting priority of social services in allocation of government expenditure.

The total government expenditure on education is expected to increase to R.O (5928) million relative to the actual expenditure during the Seventh Plan estimated at R.O (4002) million at end of October 2010 i.e an increase at (48%); for health sector to R.O (2499) million compared to the actual expenditure in the Seventh Plan estimated at R.O (1361) million i.e increase of (84%).

The Plan strives to widen the provision of work opportunities for national workforce through increasing the investment volume, developing sectors of high labour-intensity, observance to development of SME, qualitative preparation of national workforce through provision of education chances, training youth, raising Omanization rates in the various sectors and providing vocational guidance and counseling services. The Plan is expected to provide between (200- 275) thousand new work opportunities during its period at (40-55) thousand opportunities as an annual average.

In the education sector, the Plan strives to achieve full enrollment rates in the general education, raising intake capacity in the higher education with special focus on specialties needed by labour market, improving quality of education, reducing rate of illiteracy to (50%) from the current rates beside raising the enrollment of children in age group (3.5-5.5) year in pre-school education to (50%).

In the health sector domain, the Plan seeks to develop the health system basis, improve health services quality, reduce rates of morbidity and mortality by diseases and accidents to the lowest international levels, attention to health care services provided to mother and child and special attention to provision of sanitary drainage services throughout the Sultanate's Regions and Governorates.

The Plan aims to improve the standard of living of social security families in terms of economical, social and housing fields in addition to the building of Omani women capacities and developing their capabilities; and training , qualifying and care to those of special needs.

As for youth and sport sector, the Plan aims to expand the physical and sport exercises and development of sport establishments.

In the culture sector, the Plan aims to protect the Omani heritage, highlight its archaeological value and employing the heritage constituents to serve the national economy as well as activation of cultural life and care for the various arts.

The Plan aims to direct the media activity so that it serves the national development pace, building and development of the Omani citizen, upgrading the media work, support and development of media facilities.

To establish the knowledge society pillars, raising productivity and improving national economy competitiveness, the Plan awards a special observance to accelerate the pace of implementing the strategies of the Oman Digital Society and scientific research. For support of development in general, the Plan aims to develop and raise the efficiency of the State's administrative apparatus and upgrading the statistical work.

The Development Programme for the Civil Ministries and Government

Units in the Eighth Five-Year Development Plan (2011-2015)

The programme is formulated in light of a group of an objective and realistic standards and criteria in order to ensure serving the Plan's objectives and achieve harmony between the available resources for the programme during the Plan period from one side and the carried forward and proposed approbations on the other.

Accordingly, the approbations for the new projects are estimated at R.O (5.6) billion and the ongoing projects expected to be carried forward from the Seventh Plan at R.O (6.4) billion. Therefore, the total approbations for the programme (new and ongoing projects) will amount to R.O (12) billion compared to R.O (3) billion as actual approbations for the Seventh Plan. Tables No (3) and (4) illustrate the preliminary sectoral and regional distribution of the programme's approbations.

Table No (3)

**The Preliminary Distribution of Ongoing and New Approbations in the Eighth
Five-Year Development Plan at Sectoral Level
(R.O Million)**

Sector	Ongoing approbations expected to be carried forward from Seventh Plan	New approbations	Total approbations of the Eighth Plan	Relative share (%)
Commodity production	97.5	161.1	258.6	2.2%
Service production	750.1	968.5	1718.6	14.3%
Social infrastructure	866.9	1051.7	1918.6	16.0%
Infrastructure	4729.8	3390.3	8120.1	67.5%
Total	6444.3	5571.6	12015.9	100.0%

Table No (4)

**The Preliminary Distribution of Ongoing and New Approbations in the Eighth
Five-Year Development Plan at Regional Level
(R.O Million)**

Region/ Governorate	Ongoing approbations expected to be carried forward from Seventh Plan	New approbations	Total approbations of the Eighth Plan	Relative share (%)
Muscat	2395.9	788.4	3184.3	26.5%
Al Batinah	918.0	660.3	1578.3	13.1%
Musandam	47.5	35.8	83.3	0.7%
Al Buraymi	87.6	66.7	154.3	1.3%
Ad Dahirah	198.7	14.0	212.7	1.8%
Ad Dakhliyah	232.5	286.8	519.3	4.3%
As Sharqiyah	185.5	100.9	286.4	2.6%
Al Wusta	532.4	352.7	885.1	7.4%
Dhofar	862.8	430.2	1293.0	10.8%
National	908.2	2827.7	3735.9	31.1%
Outside Sultanate	75.2	8.1	83.3	0.7%
Total	6444.3	5571.6	12015.9	100.0%

Projects that will be implemented during the Eighth Plan include:

1- Education sector:

- Development of human resources programme for abroad specialized higher education for (1000) grants at cost of R.O (100) million.
- Construction of (32) new schools to cancel evening classes at cost of R.O (18.4) million.
- Construction of (15) new schools for total replacement at cost of R.O (8.8) million.
- Construction of (65) new schools to face the inevitable growth in number of students at cost of R.O (36) million.
- Various internal scholarships (social security, limited income, grants, general medicine) at cost of R.O (81.5) million.

2- Vocational training sector:

- Physical support of the national training projects at a cost of R.O (27.2) million.
- Projects of establishing, preparing, maintenance, development and replacement of national cadres in the technical colleges and vocational training centres at cost of R.O (26.9) million.

3- Health sector:

- Rehabilitation of Samail hospital at cost of R.O (10) million
- Al Muidhabi polyclinic at cost of R.O (2) million
- Muscat referral hospital at cost of R.O (140) million
- Salalah hospital at cost of R.O (48) million
- Construction of new hospitals in As Suwayq, Mahout, Sinaw, Dhalkut, Al Muziunah at cost of R.O (55.5) million

- Construction of new health centres at various Wilayats at cost of R.O **(8)** million
- Construction of polyclinics in Al Kamil, Liwa, Mutrah and Nakhal at cost R.O **(7.2)** million

4- Justice sector:

- Construction of courts' complexes in Khassab, Sur and A'Seeb at cost of R.O **(16)** million
- Construction of a number of first instance courts at different regions at cost of R.O **(26.5)** million

5- Housing sector:

- Housing supports in different regions in accordance to the Royal Grant at cost of R.O **(200)** million
- Housing loans projects in the different regions at cost of R.O **(48)** million
- Construction of the replacement houses for those affected by Al Batinah coastal road at cost of R.O **(200)** million.

6- Water sector:

- Establishment of water pipeline and distribution networks for the psychiatric hospital and networks for neighboring areas at cost of R.O **(95.2)** million.
- Water supply project from Wadi Dheqeh to Muscat and Quryat at cost of R.O **(48)** million.
- Water supply networks and accessories in various Wilayats in accordance to the water sector strategy at cost of R.O **(81.8)** million.
- Water supply networks and accessories in various Wilayats at total cost of R.O **(186.7)** million.
- Construction of emergency reservoirs in Muscat Governorate at cost of R.O **(40)** million.

7- Roads sector:

- Duality of Ibri-Jibrin road at cost of R.O **(73)** million
- Duality of Nizwa-Thumrait road at cost of R.O **(250)** million
- Construction of the third lane of the intersection of Al Mualih-Bait Al Burka at cost of R.O **(32.4)** million
- Addressing traffic congestions in Al Burj road in Ruwi at cost of R.O **(25.5)** million
- Developing the roads' network in Muscat Governorate at cost of R.O **(24)** million
- Wadi Hyat (Al Hamra)-Wadi Bani Auwaf road (phase 2) at cost of R.O **(13.6)** million
- Duality of Bid Bid- Sur road (first and second phases) at cost of R.O **(240)** million
- Al Batinah express road at cost of R.O **(250)** million
- Raising efficiency of Sinaw-Mahout- Ad Duqum road at cost of R.O **(80)** million
- Al Batinah coastal road (phase3) at cost of R.O **(200)** million
- Internal roads paving in various Wilayats at cost of R.O **(44.8)** million.

8- Airports sector:

- Completion of projects of Muscat International Airport and Salalah airport at cost of R.O **(468.7)** million noting that the approved total amount till now for Muscat International Airport is R.O **(1.9)** billion. Of this R.O **(706.6)** million for the departure building and construction of Salalah airport at cost of R.O **(294)** million.
- Completion of the regional airports in Sohar, Adam, Ras Al Hadd and Ad Duqum at cost of R.O **(183.7)** million noting that the approved total amount till now for the regional airports is R.O **(196.7)** million.

9- Seaports sector:

- Commencing execution of the project of sea port with network of roads and floating dock in Guzer AL Halaniyat at cost of R.O **(39)** million.
- Completion of infrastructure projects, docks for liquid and bulk materials and works related to Ad Duqum port at cost of R.O **(216)** million.
- Constructions of quays (7,8,9) at Salalah port at cost of R.O **(184.1)** million.
- Construction of ports and facilities for the fast ferries in Salalah, Hasik, Al Shuaymiya , Halaniyat, Shna and Masirah at cost of R.O **(63)** million.

10- Agriculture sector:

- Integrated management of date palm trees pests at cost of R.O **(8.4)** million
- The national project for immunization of animal wealth at cost of R.O **(4.4)** million.
- The national strategy for date palm trees at cost of R.O **(3.2)** million.

11-Marine fishing ports sector:

- Construction of marine fishing ports in Wilayats Barka, Musanah, Muhout, Sadah, Al Shuiymia at cost of R.O **(25.6)** million.
- Development of infrastructure to raise quality of fisheries production and pisciculture at cost of R.O **(9.6)** million.
- Establishing facilities in a number of fisheries landing areas at cost of R.O **(8.6)** million.

12- Town planning and municipalities' services sector:

- Construction of central markets and sheds in the various Wilayats at cost of R.O **(12.8)** million.

- Compensations of Al Hafa area development project in Salalah at cost of R.O (27.2) million.
- The national strategy of urban development at cost of R.O (12) million.
- Compensations for properties affected by Al Batinah coastal road (phase2) at cost of R.O (120) million.

13- Sanitary drainage projects:

- Construction of sanitary drainage networks and plants in Barka and Musanah at cost of R.O (16.8) million.
- Construction of (4) sanitary drainage networks and plants in some Wilayats at cost of R.O (32) million.
- Extension of the sanitary drainage network to the central areas in Sohar at cost of R.O (16) million.
- Collection, transport and treatment of sanitary drainage water in Dhofar at cost of R.O (8) million.

14- Dams sector:

- Protection dam above Al Khauad in A'Seeb at cost of R.O (24) million.
- Construction of recharging dams in Izki, Al Mudabi , Ibra, Ibri and Nizwa at cost of R.O (14.4) million.

15- Information and culture sector:

- Digital ground television broadcasting at cost of R.O (20) million.
- Oman cultural complex at cost of R.O (32) million.

16- Youth and sport sector:

- Improvements in Sultan Qaboos sport complex in Bushar at cost of R.O (6) million.
- Improvements and rehabilitation of sports complexes and clubs at cost of R.O (5) million.
- Construction of new sport complexes in Ibra and Musanah at cost of R.O (13.6) million.

17- Communication and information technology sector:

- The national centre to ensure continuance of work by IT systems at cost of R.O (19.2) million.
- The national initiative to activate the e-government services at cost of R.O (13.2) million.
- The national centre for e-content and upgrading applications at cost of R.O (8) million.
- Support for implementation of IT incubators projects at cost of R.O (4) million.

In addition, for issues related to CIT , an amount of R.O (106) million is allocated within the current budget for the project of the infrastructure of optic fiber network executed by the Oman company for sewage services (Haya) as well as to the Royal Grant of R.O (20) million for provision of computers for social security families and the university first year students.

In addition, the Plan aims, as previously said, the completion of the carried forward projects from the Seventh Plan estimated at R.O (6.4) million as well as implementing a group of other service projects that include tourism projects, paving internal roads, lightening , maintenance of the established government assets and provision of the various basic services.

It is worth mentioning that the government funding for the new government projects for the Plan period will not be limited to the projects included in the civil ministries development programme but also include the financing of new projects for other sectors. The total cost of the government projects that the government will finance outside the framework of the civil ministries development programme is estimated at R.O (8.8) billion.

The government, during the Plan period, under the investment expenditure item in the State General Budget will fund projects at a total cost of R.O (6.6) billion. Of these R.O (3200) million as investment expenditure for oil production and R.O (3407) million as investment expenditure for gas production.

The total cost of the projects that will be financed by the government during the Plan period under the participations item in the State General Budget is estimated at R.O (2.2) billion. Of these, R.O (566) million for financing the projects of Oman company for tourism development , (800) million to finance the government energy companies working in electricity transport and water distribution and electricity supply, and (87) million to fund projects of the Oman sewage company and Salalah sewage company .

Third : The State General Budget for 2011:

Prior to reviewing the main features of the State General Budget (SGB) for 2011, I would like to review briefly the actual expected results of the fiscal year 2010

1) Actual Performance of Public Finance in 2010

The approved SGB for the fiscal year 2010 was as follows:

	R.O Million
- Total Revenue	6380
-Total Expenditure	<u>7180</u>
Deficit	<u>(800)</u>

Oil prices, for budget purposes, were assumed at US\$ (50) per barrel. In virtue of the actual oil price of US\$ (76) realized it is expected that most of the deficit estimated in the budget of R.O (800) million to be covered.

2) Main Features of the State General Budget for 2011:

The State General Budget for 2011 is approved in accordance to the objectives of the Eighth Five-Year Development Plan (2011-2015) and the estimates are consistent with the main directives and objectives of the Plan and within its macro-framework. The Budget for 2011 estimates are therefore within the fiscal framework of the Eighth Plan and as follows:

	R.O Million
- Total Revenue	7280
-Total Expenditure	<u>8130</u>
Deficit	<u>(850)</u>

First : Revenue:

The state's public revenue for the fiscal year 2011 are estimated to be about R.O **(7280)** million compared to R.O **(6380)** million in the 2010- budget ; an increase of R.O **(900)** million equivalent to **(14%)**. Oil and gas revenue constitute **(81%)** of total revenue, while the current and capital revenue constitute **(19%)**.

The oil revenue is computed on the basis of an average price of US\$(**58**) per barrel. Based on these assumptions, the oil revenue is expected to amount to R.O **(4956)** million with share in total revenue of **(68%)**. The gas revenue is estimated at R.O **(920)** million and its share in total revenue will reach **(13%)**. The current and capital revenue are estimated at R.O **(1404)** million constituting **(19%)** of total revenue

It is worth mentioning that oil and gas revenue share in financing public expenditure will be **(73%)** while non-oil revenue at **(17%)**

Second: Expenditure:

The total public expenditure for the fiscal year 2011 is estimated to be R.O **(8130)** million compared to R.O **(7180)** million for the fiscal year 2010 i.e increase of about R.O **(950)** million at **(13%)**. This will cover the following elements and components of expenditure:

- 1) The current expenditure estimated for civil ministries and government units amount to R.O **(2750)** million, an increase of R.O **(250)** million at **(10%)** above 2010 estimates. The current expenditure constitute **(34%)** of the total public expenditure. The allocations include covering the basic government services, operational expenditure of the ministries and government units, the growth in education and health services and the operational expenditure of the new projects.

Also, the allocations include the value of the periodic allowances to employees in January 2011, and to cover differences resulting from implementation of the new executive regulation of the civil service law and job description and classification system, and promotions due to employees during 2011 which will reach R.O **(34)** million. In observance to the social dimension, an amount of R.O **(39)** million is included for social security allocations disbursement for **(50707)** cases.

It is worth mentioning that an amount of about R.O **(30)** million is allocated to cover the operational expenditure of the new projects planned for operation in some ministries during 2011. This will result in provision of new job opportunities plus the expected economic growth as a result of the operation of these projects, leading to an increase in private sector investment and social development in areas of these projects.

The education and health sectors allocations amount to R.O **(1262)** million i.e increase of R.O **(94)** million from the approved allocations of the 2010 budget forming **(46%)** of total current expenditure as follows:

- a) The current allocations for education sector is R.O **(927)** million i.e **(34%)** of total current expenditure of civil ministries with an increase of R.O **(53)**

million and **(6%)** above the approved 2010 - budget. This in addition to the development expenditure allocations estimates for 2011.

- b)** The share of the health sector amounts to R.O **(335)** i.e **(12%)** of the total current expenditure of civil ministries with an increase of R.O **(41)** million and **(14%)** above the approved 2010- budget.
- 2)** The oil and gas production expenditure estimates amount to R.O **(1617)** million constituting **(20%)** of the total public expenditure i.e an increase of **(12%)** from the approved 2010- budget.
- 3)** The allocations estimated for the development budget reach R.O **(1200)** million at an increase of R.O **(250)** million and **(26%)** above the approved 2010- budget. This is to cover disbursement on the ongoing and new development projects included in the Eighth Plan in the various sectors.
- 4)** The budget estimates allocated for government participations in companies' capitals and to cover the subsidy of interests on development and housing loans, and support to energy sector are at R.O **(838)** million, an increase of R.O **(218)** million and **(35%)** above the approved estimates of 2010 as follows:

 - a)** The participations allocated in capitals of companies that the government owns or having shares amount to R.O **(615)** million to fund the projects.
 - b)** An amount of R.O **(199)** million is allocated to cover the subsidy granted to the energy sector for procurement of power from the electricity producing companies to cover the value of difference between purchased energy, transport and distribution and the expected return from sale of electricity. This in addition to the capital expenditure needed to cover expansion in energy services together with the support provided to the water sector (public authority of electricity and water) which amounts to R.O **(94)** million (representing difference between estimated revenue from water and the authority expenditure).
 - c)** An amount of R.O **(24)** million is allocated for interest subsidy to the development and housing loans granted by Oman Development Bank and the Oman Housing Bank to beneficiaries.

Third: The Deficit :

In light of the approved revenue and expenditure estimates of the General Budget , the estimated deficit for 2011 based on oil price of US\$ (58) will be about R.O (850) million , i.e (12%) relative to the revenue and (4%) of GDP according to the 2011 preliminary estimates. The deficit is within the limits of the previous 2010- budget. Though this deficit could be considered relatively high in terms of its absolute value, however, its rate to the GDP is within the economically safe and acceptable limits.

The R.O (850) million deficit will be financed from the budget surplus if any or from any other financing means approved in the budget.

In conclusion, we pray to Almighty Allah to grant prosperity and wellbeing to our beloved country and its loyal people under the prosperous era of His Majesty Sultan Qaboos bin Said, Sultan of Oman.