

OMAN

A promising prospect



The Al Bustan Palace InterContinental Muscat offers state-of-the-art business and conference facilities on the banks of the Arabian Sea

Much has changed in Oman since Sultan Qaboos took charge of the country in 1970. Almost immediately, it shifted from being a factional and isolated country to one embracing both change and growth. Although the much-loved but heirless Sultan has deferred talk of a succession plan until after his death, his 35-year anniversary has prompted the country to reflect on its many achievements and think about the direction in which it is headed.



H.E. Yousef Bin Alawi
Bin Abdullah
Minister of Foreign Affairs



H.E. Maqbool
Ali Sultan
Minister of Commerce

"I promise you to proceed forthwith in the process of creating a modern government. My first act will be the immediate abolition of all the unnecessary restrictions on your lives and activities." These welcome words heralded Sultan Qaboos's ascendency to power 35 years ago, at a time when Oman had virtually no health care and when schools

were being built at an average rate of one every 19 years.

On the border of three seas, Oman was historically a seafaring nation, but the discovery of oil in 1967 recast the country as a globally important fuel trading power and its fortunes were bound to its oil reserves for almost three decades.

In 1995, however, The Vision Conference: Oman 2020 proposed a more diverse economy, realizing that being shackled to falling oil reserves would be economic folly; a prediction that was glimpsed all too starkly in 1998 when oil prices dropped to U.S.\$11 a barrel and the economy plummeted. Although the current oil climate is aiding the economy, with trading of U.S.\$40 a barrel against a budgeted price of U.S.\$21, Oman has made great strides to diversify into tourism and Liquefied Natural Gas (LNG). In response to the country's high unemployment, the government also created a program of positive discrimination, or



Bank Dhofar, technologically advanced

Omanization, which seeks to redress the dependence on foreign workers and, in the long term, ensure jobs for all Omanis. Through *Omanization* and the Vision 2020 program, Oman is looking towards a stable and prosperous future and it is evident that the changes set in motion at the conference 10 years ago are now bearing fruit.

Coming to Fruition

Someone ideally placed to see how the aims of Vision 2020 are already being met is Yousef Bin Alawi Bin Abdullah of the Ministry of Foreign Affairs. As he says, "We launched Vision 2020 as a reaction to being tied to a single resource, but it is now less about response and more about focused and controlled growth for our economy. We have boosted our tourism considerably, increased the capacity and number of our ports, and begun 14 large-scale industrial projects. We are trading through the World Trade Organisation (WTO) and, through LNG, are looking to trade with China and Asia, two huge, emergent markets."

Hamed Bin Mohammed Al Rashdi, Minister of Information says: "We are looking to move forward with our e-government plans, whereby we are totally visible online. We have launched Oman Radio online as well, and are

Muscat Eye Laser Center—Looking at the Future Today

Laser vision correction has become one of the most frequently performed procedures in recent years, but all providers of this advanced and in-demand surgery were not created equal.

At the Muscat Eye Laser Center (MELC) in Oman, however, patients can be assured that they are in the safest hands. **Dr Maria Arbelaez is the leader and expert in the latest wavefront technology and, as the Center's Medical Director, she has performed more than 28,000 operations and is a world-class leader in corneal surgery.** Dr Arbelaez's dedication to her field and expertise are well recognized. In the last two years alone, she has been honored with the following awards: **American Academy of Ophthalmology's Achievement Award 2003; Best Paper of Session, American Society of Cataract and Refractive Surgery Meeting, San Diego, May 2004; and Consultant for International Society of Refractive Surgery, Sultanate of Oman, 2005.**

The MELC prides itself on a quality service. An experienced clinical team and network of doctors and professionals provide the highest standards of care using cutting-edge technology. **The Center's Managing Director, Mr Sameer Al Awam** says: "Every member of



Dr Maria Arbelaez
Medical Director



Mr Sameer Al Awam
Managing Director

our medical team undergoes extensive and ongoing training, and our consultants have access to a worldwide network of other refractive surgery experts. This ensures we keep abreast of the latest developments and maintain optimum standards." It is no surprise that the MELC is widely-regarded as a center of excellence. One of its particular strengths is in LASIK surgery.

Many of the Center's patients are from overseas and seize the opportunity to take advantage of Oman's tranquil setting and beauty to combine their eye treatment with a holiday. LASIK surgery, for example, can be carried out over two days, or in some cases, the pre-treatment, and the actual seven minute operation, can be performed the same day. As most of the operation is painless, patients can spend the rest of their trip relaxing in Muscat, one of the region's most beautiful and unspoilt capitals.

also keen to liberalize radio and TV broadcasting for private investors."

The increase in flexibility of visas to certain key partner countries, such as the U.K., means more people can experience Oman first-hand, something seen as key to the growth of the tourism industry.

Minister of Tourism Rajiha Abdul Ameer Ali recognizes this as a principal development in terms of the aim to increase tourism through a variety of target markets. He says: "Europe, especially the U.K., France and Germany, is

our key market and we are aiming to enhance our offering through luxury hotel projects, a new directive for youth hostels and greater spending on infrastructure. We are working closely with airlines and generally attracting tourists to sample our culture and heritage."

Attracting Investment

Maqbool Ali Sultan, Minister of Commerce and Industry is also happy to see tourism and Vision 2020 developing. He says: "There was a dip in tourism after 2001, but we are back

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on track now and working closely with our neighbors. By opening universities and colleges to educate Omanis, we are seeing more nationals employed in the private sector and more private investors, both local and foreign, interested in investing here."

Much of the organization for this influx is being handled by Salem Said Al Ghattami and his team at the Oman Chamber of Commerce (www.omanchamber.com) which acts as a link between private sector investors and the government. The Chamber of Commerce is complemented by the Omani Center for Investment Promotion and Export Development which promotes and helps facilitate investment in Oman.

The Oman International Exhibition Centre (OIEC) in Muscat plays host to many national and international events, and was chosen to host the International Book Fair this year. Situated just minutes from the airport, OIEC is well facilitated and undergoing an important expansion program. Once complete, OIEC's general manager, Mohamed H. Al Hosni has plans to promote OIEC on a regional scale. He says: "We believe that with the development of tourism and the other sectors which are playing an important role in our economy, the facilities of conference centers will develop accordingly."

Talking about the future he adds, "We are very interested in the further development of e-commerce, as any exhibition center must have online exposure. We hope e-commerce will be a principal tool in the services that we provide."



John Carlough
CEO, OIB



A. Antonio Zamora
GM, Al Bustan Palace

Five-star Treatment for Oman's Tourism Economy

Oman's tourism industry is benefiting from a recent boom as Business Outlook found when talking to Antonio Zamora, Director of Operations at the five-star Al Bustan Palace InterContinental in Muscat. He says: "The work done by the government in the last five years is paying off and their encouragement of further private sector investment means Oman is a hot destination. The turnaround is incredible."

Mr Zamora is well placed to see the change in Oman's tourist fortunes. The luxurious Al Bustan, a regular winner of the Top Hotel in the Arabian Peninsula, is a barometer of this new-found prosperity: "We get a mixture of guests; about 25% are business clients and the rest are tourists taking advantage of the hotel's 250 palatial rooms, tennis courts and gardens."

Al Bustan Palace, a True Five-Star Experience

Government initiatives, the growth of the EU, Russia's affluence and strong ties with Oman Air have all swelled the hotel's guest list. "We are a five-star hotel offering all the quality assurance that entails. We have excellent conference facilities and are nestled in a beautiful cove, with a private beach, just eight miles from the downtown business district. When the tourists started to flood in again, we were at the forefront."

It's hard to disagree when you note that the hotel hosts the region's finest and most comprehensive sporting and leisure facilities, and offers a selection of restaurants with a range of international gourmet cuisine to keep the visitors flocking through this tourist upsurge.

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Oman Banks on Success

The economic development of Oman has been closely mirrored by the development of Oman International Bank (OIB), which has a policy of opening branches where there is a need. Twenty-one years ago, as the Sultanate's first full bank, OIB branches were opened in remote areas that now show significant development.

CEO John Carlough continues, "We believe we have the best branch representation countrywide and also have branches in India and Pakistan as a significant proportion of the people in Oman come from these countries." This customer-focused approach has paid dividends and OIB continues to be the leader in both private development and the retail market. Added to this, along with creating loans for education and other basic community needs, and having the largest plastic-card base in the country, they are involved in project funding and support all major government projects.

New developments are also key to the bank's strategy and, combined with the imminent announcement of a new insurance product and development of a new broker system, they offer a bespoke Internet banking solution. Mr Carlough explains, "We are focusing on software-based transaction banking which best suits the region and offers multi-tiered security."

Naturally OIB's success is attracting overseas custom, as Mr Carlough says, "We work with a number of international corporations and, thanks to our structure and inextricable links with Oman, we are a preferred partner. I believe it is our commitment to establishing and serving our customers' needs that in turn serves us so well."

On a different note, one company with a strong allegiance to Oman is Amouage Worldwide, which has a 2000-year heritage and has developed a perfume that conjures up the exoticism of the region in a luxury product. Present in 27 countries, the company has plans to open in Turkey and Russia, although it is keen to retain the specialized niche it currently enjoys. Chandra Lahiri, managing director says: "We are very unusual in that we are the only prestige brand made entirely by hand. We are completely customized and personalized."

At the Ministry of National Economy, Undersecretary of Economic Affairs Abdulmalik A. Al Hinai says: "Oman is determined to be a free economy. The government is giving incentives, which include tax exemption for five and perhaps even 10 years."

In 2000, Oman joined the WTO which has brought the benefit of globalization. While it is not looking to compete with India's call-center revolution, Oman is certainly looking at growing that market and Gulf Air is one entity to have already opened a call center here. The software sector is also picking up. The e-Games Conference, sponsored by the Oman Economic Review, attracted a great of interest in May this year for example. The dual increases in tourism and private sector investment have also led to rapid progress in the country's infrastructure, overseen in part by the Minister of Transportation and Communications Sheikh Mohammed Bin Abdullah Bin Isa Al Harthy.

"The growing demands on our country are leading to rapid developments in many areas," he says. "We are currently expanding

the airport, which will act as a barometer for the increasing fortunes of Oman. For example, in 2003, we took three million passengers; in 2004 this increased by 20%."

The privately-owned Port of Sultan Qaboos, the largest in Oman, is also being expanded to become the transshipment hub for the region. The Port Sohar development has just passed Phase One of its infrastructure project and there are plans to expand Port Hasan in the north. The Ministry is also working with Omantel to improve the country's technological infrastructure.

Sustaining Growth

The ability for a country to grow, as Oman has in recent years, can only be securely sustained with the aid of the financial institutions and, in Oman, these are overseen by the Central Bank of Oman (CBO).

In recent years, the CBO has seen a rise in personal credit as people seek to improve their lifestyles and banks offer low-risk investment products. To manage this, the CBO has advised banks to adopt prudent internal control policies, as well as placing a cap on the interest on personal loans (currently 9%) and a quantitative cap on the extent of credit allowed for personal loans (currently at 42.5%). These preventative moves were introduced to check worries about the young population—42% of whom are under 18—falling into debt and the pressure on balance of payments through higher imports.

Through such vigilance, the CBO acts as a guardian of the future of Oman's successful and sustained growth. Certainly risk management is a key tenet of the CBO. "A sound banking system holds the key to macroeconomic stability," says Hamood Sangour Al-Zadjali, executive president of the CBO. "We are committed to risk management. Next year, we are implementing the New Basel Capital Accord to replace the existing broad-brush 1988 Capital Accord, and to aid this transition, have issued comprehensive guidelines on risk management which broadly conform to international best practices and procedures."

Such prudence has placed Oman on the world stage in terms of standards. In 2003, Oman's financial system was comprehensively assessed by the IMF and World Bank under the Financial Sector Assessment Program. It was concluded that the country's supervisory and regulatory systems compare well with international standards.

Two noteworthy banks are Bank Dhofar and the Oman Arab Bank. Both have helped set this international standard and are also a part of the ongoing success of Oman as a whole.

Bank Dhofar, the fourth largest in Oman, has a reputation for taking over failing branches and turning them around. As Ahmed Ali Al Shanfari, chief executive director notes: "We are committed to Oman's growth and have been involved in Salalah Port, Oman LNG and all the major diversification projects here. We are keen to compete in terms of service and have a training center. We also have a history of backing technology. We have 68 ATMs and 90% of our retail transactions are made through them, so I am

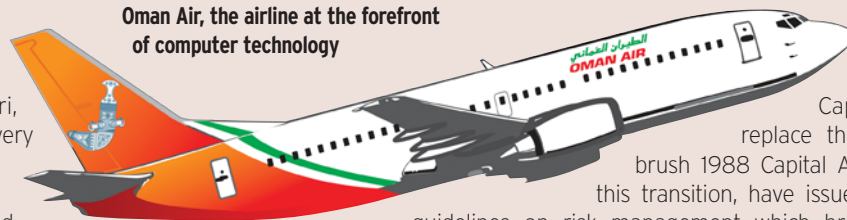


Abdul Rahman Al Busaidy
Former CEO, Oman Air



Chandra Lahiri
MD, Amouage

Oman Air, the airline at the forefront of computer technology





The exterior of Oman's International Exhibition Centre

convinced our commitment to e-commerce is the way forward."

Meanwhile, Oman Arab Bank was the first to achieve *Omanization* at 92% and the most active bank in project finance. It is now setting its sights on tourism. "We were the lead arranger for the Hyatt Regency Hotel and are currently involved in the Barr Al Jissa Resort and the Muscat Golf Course," says CEO Abdul Kader Askalan. "Banks can help the economy grow, and through our investment in Oman LNG, to take one example, this is what we are doing."

Oman LNG demonstrates how the country is already well on its way to achieving the goals of Vision 2020. As Nasser Khamis Ali Al-Jashmi, Undersecretary of the Ministry of Oil and Gas, and chairman of Oman LNG explains, "This moves us into the growth area of gas and away from oil. It helps investors and the government raise profits and it creates employment for Omanis."

Eng. Alfadhel Alharthy, chairman of Qalhat LNG agrees. "We have a need to move forward and build our economy without a reliance on oil, and LNG helps us to do that," he says. "Having three long-term contracts before we have begun is almost too good to be true."

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Oman Air Goes For IT Makeover

Airline purchases six software packages from Sabre to upgrade services

The Sultanate's national carrier, Oman Air, will initiate a major technological makeover of its services with the implementation of six advanced software applications customized for the aviation sector. This reinforces its commitment to provide the highest standard of service to air travelers.

Ahead of e-ticketing deadline

The company bought six software applications at a cost of more than U.S.\$3 million from Sabre Holding for the following systems: revenue management, introduction of a frequent flyer program, Internet booking, electronic ticketing, and automated scheduling, as well as a sophisticated planning system. All systems are scheduled to be completed by the end of the year.

Sabre Holding has pioneered many developments in the aviation sector,

including trailblazing online travel in the 1990s. Oman Air hopes to make a saving of U.S.\$2 million per annum over four years with the implementation of the new packages, the monetary outgo for which will be U.S.\$3 million during the same period, leading to a saving of U.S.\$5 million. Additionally, Oman Air will be ahead of International Air Transport Association's 2007 deadline for worldwide implementation of electronic ticketing. The airline has been introducing e-ticketing in phases from August 2005. Converting to e-ticketing saves around U.S.\$7 per passenger, per ticket.

While most airlines around the world are reducing their services, Oman Air is among the few airlines improving them. Abdul Rahman Al Busaidy, Oman Air's former chief executive officer says: "E-ticketing will enable us to improve the productivity of the employees and to substantially reduce costs, as currently 20% of airline ticket sales are given away to intermediaries."



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