

OMAN

A Safe Haven



Its mountains may not be permanently snow-capped and there are more goat herder huts than ski lifts on its slopes, but for economic and political reasons Oman has earned itself the reputation as the Switzerland of the Middle East. Thanks mostly to the diplomatic efforts and vision of its long-term ruler Sultan Qaboos bin Said, this old sea-trading empire has become a haven in a frequently turbulent part of the world.

Oman is also reaping the rewards of its strategically significant location on the maritime route of China's Belt and Road initiative, President Xi Jinping's dream of resurrecting the ancient Silk Road trade routes between Asia and Europe.

The importance of Oman to that vision is already becoming evident at Duqm, a previously unremarkable fishing village on the country's remote southern coast. Today, its tranquility is

routinely disturbed by an army of heavy construction vehicles as they level a vast expanse of desert, part of an investment of billions of dollars to transform Duqm into an industrial center that will help Sultan Qaboos realize his own dream – the diversification of the Omani economy away from its dependence on oil and gas.

Duqm is part of a much larger initiative that will see the berths at all of Oman's eight ports substantially deepened as the authorities in Muscat bid to position the sultanate as a regional logistic leader in an increasingly globalized world economy. The international investment community is buying into the Sultan's dream, and not just at Duqm, as foreign direct investment has been growing by as much as 30% year-on-year in some recent months.

Oman's diversification is definitely on course.

AL MADINA – PERFECT PARTNERS

At its peak in the 19th century, the maritime empire of Oman held sway throughout the Persian Gulf and along the coast of Africa to Tanzania's border with Mozambique.

Although those glory days are in the past, Oman has retained an international perspective and a strong sense of duty to the prosperity and security of its citizens and non-indigenous inhabitants alike. And thanks to the judicious 49-year rule of its Sultan Qaboos bin Said al Said, Oman is one of the most desirable locations on the Arabian Peninsula to live and work.

Sheila Hopper Jamal would agree. Having arrived in Muscat, Oman's capital, 20 years ago with her family, she was so impressed by the quality of life and the opportunities available to women that she elected to stay and raise her children

and grow her business. It is a testament to both the Sultan and Omani society that she has been able to build her Al Madina Group into a successful company that contributes to Oman's stability and security by helping develop the country's IT infrastructure. Additionally, Al Madina's Security Printing Press subsidiary has established itself as an international security printer of ePassports, fiduciary documents and ID cards, and customized checkbooks.

Sheila is currently concerned with the digitalization of Oman's government systems. "The main challenge is e-government and getting everything online," Sheila explains.

“WHEN EVERYTHING IS ELECTRONIC THERE IS ALWAYS A SET OF REPORTS, DASHBOARDS AND ANALYTICS THAT LET PEOPLE SEARCH AND ANALYZE THINGS AT THE CLICK OF A BUTTON. IN THE FUTURE, EVERYTHING IS GOING TO BE MORE DEPENDENT ON MOBILE DEVICES AND APPS RATHER THAN PAPER.”



While being a proud Omani company, Al Madina has international aspirations that have already seen the company secure contracts across the Middle East and Africa where, Sheila believes, there is considerable potential for expansion with the right partners.



NATIONAL BANK OF OMAN – PREPARING FOR THE FUTURE BY BUILDING ON THE PAST

Each year on July 23, the citizens of Oman celebrate Renaissance Day, the anniversary of the date in 1970 when His Majesty Sultan Qaboos bin Said acceded to the country's throne. In the 45 years since, this so-called sleepy state on the southern coast of the Arabian Peninsula -- which in 1970 possessed only six miles of paved roads and three primary schools (boys only) -- has been transformed into a haven of financial stability and opportunity for both its male and female citizens, a transformation that has made it the envy of the region.

A keystone supporting the structure of modern-day Oman is its banking sector. Under the watchful eye of its central bank and thanks to the introduction of stringent loan-loss impairment requirements, the regulatory capital of its top eight banks rose last year by over 12% to \$11.2 billion. Meanwhile, the average capital adequacy ratio (CAR) now stands at 16.9%, well above the required threshold of 13.25%. Developments in technology, artificial intelligence, regulation, and the new value-added tax legislation will have a significant impact on the future of the banking sector and will increase competition as players jockey for position.

One of the leading lights of the sector is the National Bank of Oman (NBO). Founded in 1973, NBO was the country's first local bank and has been instrumental in helping the sultanate realize its social and economic potential from the very start. NBO has grown into one of Oman's largest banks and has paid-up capital of \$422 million and regulatory capital of \$1.44 billion.

NBO has established itself as a solid business and financial partner driven by innovation. It was the first bank to have branches outside of Muscat, to offer customers credit and debit cards, access to ATMs, the first to introduce internet banking and, most recently, contactless cards.

"Innovation is deeply rooted into the culture and operational capabilities of the bank, which helps us create and deliver superior customer experiences," says acting CEO Al Sayyid Wasfi Jamshid Al Said.

In 2013, NBO launched its Muzn Islamic Banking window, which now provides a range of Shariah-compliant financial products to a customer base of more than 6,000 clients. The bank is proud of its history and remains committed to contributing to Oman's long-term economic diversity. It seeks to facilitate trade and investment flows as well as support cross-border banking to capitalize on Oman's long-term ascendancy as a regional logistics and trading hub.

“OVER THE LAST FIVE YEARS COMBINED, WE HAVE PROVIDED THE HIGHEST RETURNS FOR OUR INVESTORS IN THE LOCAL MARKET,” SAYS AL SAID. “THE BANK’S STRATEGY AND BUSINESS MODELS ARE DESIGNED TO GIVE THE HIGHEST RETURN ON EQUITY. WE HAVE BEEN THE LEADING BANK IN CREATING HIGHER VALUE FOR SHAREHOLDERS.

When we talk about disruption, we mean radically finding new ways of doing something that already exists -- a new answer to an old problem.”

NBO's CEO goes on to explain that, "this impacts all industries, but banking is lagging behind. Our industry has a choice of either being part of this journey of disruption,



or the industry will be disrupted. We prefer to be part of the journey.”

As a result, NBO has made sure that its online services merit comparison with the best in terms of technology and fluidity. "Everything is changing everywhere all the time," notes Al Said. "If you take a narrow view of things, you will end up being blindsided. Some of our favorite brands disappeared because they simply did not innovate.”

Management has also ensured that the bank's B2B operations have moved with the times, particularly in regard to the changing needs of the country's small and medium-sized enterprise (SME) sector. Though the bank takes great pride in its pioneering work in the field of SME financing, NBO goes beyond providing financial support and technical assistance. Specifically, the bank has taken on a strong advisory role with its Tijariti SME Speakers Series, through which it conducts mentoring programs and provides accessibility to dedicated SME hubs across the country. Launched last year, the Tijariti initiative is the first of its kind. It hosts a quarterly panel discussion with successful entrepreneurs and leaders within the SME community, giving them an opportunity to share their stories and know-how in developing their businesses within Oman's SME ecosystem.

When it comes to local talent, Al Said says, "the success or failure of a company comes down to its people and how their energy is harnessed and directed. Our people are the foundation of our growth. We have built a market-leading workforce, a team that consistently goes above and beyond. We are a bank that provides opportunities for people with the right attitude, and we are invested in creating a pipeline of world-class bankers to take this nation forward.”



MOHSIN HAIDER DARWISH LLC – OMANI MARKET MAKERS

When His Majesty Sultan Qaboos bin Said came to power in 1970, the GDP per capita of the average Omani citizen was just \$354.

His Majesty Sultan Qaboos bin Said has made Oman into the country it is today. Under his wise and visionary leadership, the developments in every sector of the economy – including, health, society, education, and tourism -- have been spectacular. In 2016, GDP per capita peaked at over \$24,000 and, despite the economy experiencing a temporary dip since then, GDP is now back on track and is forecast to grow by between 2.5% and 5% over the course of 2019.

This exponential growth is largely attributable to the re-evaluation of oil prices triggered by the 1973 OPEC crisis. But Oman’s reserves of hydrocarbon have always been relatively small. The country’s economic success is due as much to the Sultan’s diversification and industrialization policies, along with the indigenous business community’s support for and success in implementing them.

One of the Omani businessmen who was instrumental in this process was the late Mohsin Haider Darwish who, during the three decades before he passed away in 2018, tracked and helped drive Oman’s economic transformation through his eponymously named company, MHD LLC. Since its incorporation in 1974, MHD LLC has evolved into a highly successful business group involved in trading, contracting, project management and manufacturing, which has helped enrich Oman by sourcing some of the most reputable and desirable brands from across the world, making them available to the country’s consumers. With a population of just over 4.6 million, Oman is a relatively small country. So one of the keys to Mr.

Darwish’s success in growing MHD LLC into a company with more than 1,000 employees was to make both the B2C and B2B arenas his own. The range and diverse nature of the brands that MHD brought to the Omani people bear this out. They include the likes of Land Rover, Jaguar, Dell, Huawei, Michelin and KDK, to name a few on the consumer side. Its commercial clients rely on MHD to bring it the latest technology, products and materials from well-known companies that make the world go round, such as Winget, Terex Finlay, Sakai, Mitsubishi

other companies and recently entered the logistics space through a JV partner, with special focus on Duqm. The company is also a stakeholder in Salam Air, which is expanding to new destinations steadily. Education is another focus area where it has a stake -- in Muscat University. MHD LLC is also involved in the oil & gas sector through SOS (Special Oilfield Services), which is a JV between MHD LLC and a company from Abu Dhabi. SOS supplies oil products and provides consultancy services to oilfield companies.



Areej Darwish Chairperson MHD

Forklift, Ford Trucks, Ashok Leyland, MK, Came and Yale.

MHD’s activities are organized into eight divisions that reflect the breadth and depth of its operations: automotive, ICT, electrical and electronics, engineering products, gases, chemicals and medical equipment, tires and batteries, project management and building materials.

MHD LLC has also collaborated with

Mr. Darwish may have been the mastermind behind MHD’s achievements for the first 30 years of its existence, but his shoes are now being amply filled by his second daughter, Areej, who took over as chairperson at the beginning of 2018. Areej is now one of six Omani women to feature on Forbes Magazine’s list of the 100 most powerful Arab businesswomen. While Areej is quick to pay tribute to her father’s “relentless dedication and

attention to detail,” which she believes were keys to his success, she has a few ideas of her own when it comes to the direction and development of the company she has inherited.

“My role is to make sure that the company continues to be successful. We are always looking to identify and explore opportunities and new business ventures,” says Areej.

One of her immediate priorities is cross-marketing. Her instincts tell her that there is untapped potential to sell the products and services on offer in one division to customers in another.

Areej is also aiming to elevate the company’s profile and to increase the visibility of MHD brands among the general public and visitors arriving at Muscat International Airport. With the surge in passenger traffic, Muscat International Airport is becoming one of the fastest growing airports in the Middle East. Areej has taken the opportunity to showcase MHD brands to travelers at departure and arrival lounges. “If tourists are aware of us, they might buy some of our products,” she says. “And brand visibility also creates an awareness among the local and expatriate population of the products and services that we have to offer.”

Areej also plans to continue her father’s diversification policy. “We need to look at the sectors we aren’t covering as yet, as there exists potential for growth. Diversification not only helps MHD LLC but also contributes to the overall growth of the economy.” In a B2B capacity, logistics is high on Areej’s agenda, while the booming hospitality sector looks alluring as it has a huge potential from a B2C point of view.

Areej believes that tough times and challenges are part of any business, but with focus, determination and consistent efforts, one can definitely achieve one’s goals.



AL RAFFD FUND – GENERATING GROWTH SINCE 2014

As befits a nation with a long and proud sea-faring tradition, the bedrock of Oman’s economy has always been its legion of small and medium-sized trading companies. It is a tradition that continues to this day, with its SME sector currently accounting for around 90% of private-sector activity—but only a relatively modest 14% of GDP.

All that is changing thanks to Al Raffd Fund, the state-run organization that coordinates several financing programs set up at the initiative of His Majesty Sultan Qaboos bin Said. The aim of Al Raffd Fund is to offer financing for young Omani men and women who want to engage in businesses that will diversify the economy. According to government projections, the growth of sectors such as tourism, fisheries, and logistics should result in a decline in the contribution of oil to Oman’s GDP from 44% in 2011-2015 to 30% by 2020.

The team responsible for achieving Al Raffd Fund’s vision works under the supervision of CEO Tariq Al Farsi, who joined the fund in 2013, after 15 years of managerial experience in the banking sector in UAE and Oman. “SMEs are the backbone of almost all successful economies,” Al Farsi explains, “but because banks are not allowed to extend loans to would-be entrepreneurs unless they either have collateral or a job, His Majesty’s vision was to set up a fund that could give them the financial support that they needed.”

The impetus for the fund came from an SME symposium in 2013 in Sayh-Asamikhath. Three days of brainstorming led to a framework for the sector’s development and resulted in the ratification of several key decisions.

Perhaps two of the most important were those to allocate 10% of state bids for SMEs and, secondly, allocating plots of land for industrial and tourism use.

Al Raffd Fund launched its first four financial programs at the beginning of 2014: Mawred, for applicants in receipt of a social security segment; Tasees, for job seekers looking to start their own businesses; Riyadh, for entrepreneurs, rural women, craftsmen, and business incubator beneficiaries; and Tazeez, as a top-up for those who had already benefited from Al Raffd.

Last year, the fund focused on industrial activities, tourism and logistics, sectors will that will add value to the national economy. Al Raffd Fund unveiled three funding programs created to meet urgent funding needs within these various types of businesses. Specifically, the fund created new financial programs for developing industrial projects, with loan amounts up to about \$520,000. And another two special programs offer funding of about \$260,000 to \$385,000 for establishing franchising businesses and developing the tourism business in Oman.

The Al Raffd Fund is now ISO 9001 certified. Moreover, the fund has third-party institutions training young Omani entrepreneurs and developing their projects. Al Raffd Fund also provides marketing support to SMEs, with regular



Tariq Al Farsi, CEO, Al Raffd Fund

advertisements on Oman TV and outdoor billboard signs and on the back of buses in Oman.

THE FUND HAS A MANDATE TO EXTEND LOANS OF UP TO \$520,000 FOR CERTAIN SEGMENTS, WHILE THE MAXIMUM ADMINISTRATION CHARGE IMPOSED ON ANY OF THE PROGRAMS IS CAPPED AT 2%.

As defined by royal decree, it is 2% in other sectors, apart from job seekers where it is 1.5%, 0.5% for rural women, and 0% for the social security segment.

The money on offer and the terms of the loans may be generous, but the application process is rigorous. “We don’t give out money to anyone, of course,” Al Farsi says. “First there is an assessment of every applicant’s business plan. It is picked over by a team of analysts. Once they have given their approval, the beneficiary interviews with the main committee, half of whose members are bankers. They make absolutely sure that the money goes to the right people and beneficiaries.”

The financial discipline that this approach brings to the process is balanced by a genuine desire to help startup businesses put down their roots and grow. One job seeker who applied now employs more than 20 engineers, while some street sellers now run their own fully equipped shops and are opening second branches. Al Farsi estimates that he and his team have already helped more than 2,200 such cases over the past four years.

Under Al Farsi’s continued guidance, the fund is maintaining a growing focus on its own internal marketing, skills and media to reach the point where it will become a virtually paperless organization.

“Al Raffd’s success and achievement is a consequence of the strategic directives, with the guidance of the fund’s board’s reflecting the directions of His Majesty and the concerted collaborative efforts of our working team” Al Farsi declares.



DUQM SEZ – AN IDEAL HOME

Last November, a group of four leading French investors and technology providers announced that they were planning to develop a state-of-the-art industrial complex in the Special Economic Zone (SEZ) at Duqm, the brand new city rising out of the desert 300 miles south of the Omani capital of Muscat.

The syndicate includes energy giant EDF’s Renewables subsidiary and the multinational container transportation and shipping company CMA CGM Group. They are the latest in a long line of blue-chip businesses seeking to capitalize on the potential of this enormous SEZ which, since 2011, has been transforming what was once a sleepy fishing village into a bustling, industrial metropolis. On completion, the seaport that is at the heart of the new city’s master plan is expected to attract several industrial

zones, a large refinery, a new airport and a tourist district, as well as the schools and housing that its growing population is going to need.

With His Majesty Sultan Qaboos Al Said on a mission to diversify Oman’s economy away from its dependency on oil, Duqm is not the only new city to be currently emerging from Omani’s sands and coastal strips, but its progress to date is certainly among the most impressive. An airport, a dry dock, and a handful of hotels have either already been built or are under construction, while the ink is



just beginning to dry on a contract for the development of the refinery.

Yahya Al Jabri, chairman of the Special Economic Zone Authority of Duqm (SEZAD), believes this is largely thanks to a combination of two factors: Duqm’s strategic location as a regional gateway to the GCC states, which makes Duqm a maritime hub on major shipping lines traversing the Indian Ocean, and the exceptionally friendly investment environment it has to offer.

“We are ideally placed for anybody wanting to trade with Asia,” says Al Jabri, “and they can also set up their manufacturing facilities here. Land isn’t expensive, and we are offering

investors 50-year leases with the option of extending them for another 50.” Many companies setting up businesses in Duqm are also eligible for up to a 30-year tax holiday, pay no tariffs if they need to import their raw materials and are under no obligation to take on a local partner.

Duqm’s potential is immense. “SEZ at Duqm covers 2,000 square kilometers,” Al Jabri says. “That’s bigger than some countries.”

Explore more through www.duqm.gov.om



ITHRAA – FROM OMAN TO THE WORLD

Oman is undoubtedly one of the Middle East’s most impressive success stories. Not only has it remained an oasis of peace in a turbulent region, but the monarch’s success in diversifying the economy away from hydrocarbons has been outstanding, as has the regeneration of Oman’s export sector.

One organization playing a significant role in an export boom that in January 2018 saw non-oil exports surge more than 34.8% year-on-year to reach a total of \$8 billion is Ithraa, Oman’s award-winning investment and export development agency. Established in 1996, Ithraa has helped attract almost \$20 billion in FDI since 2014. It has also persuaded a whole range of multinationals to establish a presence in the country, including Huawei, Carrefour and Lulu, along with oil and mining giants BP and Rio Tinto. Ithraa has

also made a concerted effort to raise the international profile of Oman’s indigenous industries and provide them with the expertise and tools they need to compete on the global stage.

In the second half of 2018, Ithraa hosted trade delegations from countries as diverse as Iran, Japan and China. It organized trade missions to the United Kingdom, Canada, Tanzania and Qatar, and ran workshops aimed at informing local businesses about the opportunities in a number of sectors, including healthcare and agriculture. The agency’s aim is to raise the awareness

of these entities to the opportunities in Oman arising from the country’s changing demographics and technological innovation.

Thanks to these efforts, Oman’s re-emergence as a regional economic power is very much a two-way street, with ongoing investment in a network of ports and of Special Economic Zones encouraging FDI and driving exports.

The diversification process is also well under way, with the mineral, chemical, metals and livestock sectors all putting in strong performances. Oman’s geographical reach is also spreading. While GCC



countries remain the largest recipients of Omani goods and raw materials, the United States, Yemen, India and China are also now emerging as increasingly important customers.

Oman’s presence on the global stage is only just beginning. Get in touch and find out what Oman can do for your business by emailing: info@ithraa.om



OMAN DRYDOCK COMPANY – HARBORING HUGE AMBITION

Since 2013, when Chinese President Xi Jinping announced his intention to revive the New Silk Road between Asia and Europe, investment in the ports along its southern maritime trade routes has been gathering pace. The race is on to accommodate the growing number of container ships expected to make the journey between the two continents.

As the volume of traffic increases, so too does demand for dry dock facilities where vessels can be repaired and refitted. Among the largest and most modern is the one run by the Oman Drydock Company (ODC) at Duqm on the Arabian Peninsula’s southeast corner. Initially operated and developed with the help of South Korea’s Daewoo Shipbuilding & Marine Engineering Co. (DSME), its dry dock is among the biggest ship repair yards in the world, with the capacity to handle some of the largest vessels in service today.

To date, ODC has already dry-docked a number of ultra low-cost carriers (ULCC) and ore-bulk-oil (OBO) carriers and series of other large tankers. It has also serviced a wide array of vessel types, including container ships, chemical tankers, dredgers and general cargo vessels. In December 2017, the giant ore carrier Saham Max became the 500th vessel to be pulled out of the dock by ODC’s tugs.

The official alliance with DSME came to an end in 2016 and, while the two organizations continue to collaborate, ODC is now under the sole stewardship of its new CEO Said Al Mawali. With 21 years of experience earned at some of Oman’s most successful oil and aluminum companies, Al Malawi has been tasked with developing and diversifying the ODC portfolio.

It is a challenge he is tackling with relish and confidence. Like many other

seasoned observers, he believes that international trade would be on an upward curve with or without China’s Belt and Road initiative thanks to the growing affluence of the world’s population—and ODC’s market share will follow suit thanks to the company’s ability to win over new clients.

“WE HAVE SEEN A HUGE IMPROVEMENT IN CUSTOMER FLOWS FROM INDIA AND THE MIDDLE EAST,” HE SAYS, “AND NEXT YEAR WE WILL ALSO BE TARGETING HONG KONG AND SINGAPORE. ORDERS IN THE PIPELINE FROM OUR TRADITIONAL EUROPEAN MARKETS ARE ALSO PICKING UP.”

The company’s financial performance bears this confidence out, with 2018 revenues up 25% and profits up 40%, year on year.

In addition to favorable macroeconomic conditions and the new impetus that Al Mawali has injected into the company’s sales and marketing operations, there is another very important reason that ODC is enjoying this run of success, namely,

the sheer quality and range of the services that the company has to offer. Along with its considerable size (its yard stretches over 1.277 million square meters of land and 1.139 million square meters of water surface, not to mention 2.8 million of quayside berthage for alongside repairs), ODC guarantees its customers some of the best IT and technical support to be found anywhere in the world, specifically designed around their needs, either as a fully managed service or as back-up to third-party service providers.

Another reason for the CEO’s optimism for the future is the company’s affiliation since 2016 with the Oman Global Logistics Group ASYAD. This state-owned entity is an end-to-end comprehensive logistics solutions provider in the Middle East that connects Oman to the world and the world to Oman, covering ports, free zones and multimodal transportation. Set up at the same time that ODC parted company with its South Korean partner DSME, ASYAD aims to maximize the economic and financial returns from the Omani Government investments in ports, free zones, land and sea transport, and logistic services.

Being affiliated to ASYAD makes ODC a key player, not just in Oman’s diversification plans, but also in the parallel initiative to maximize profits



Said Al Mawali
CEO Oman Drydock Company

from its existing oil industry. With a new oil refinery about to be built in the Special Economic Zone at Duqm, Al Mawali is looking to diversify the company’s own operations to offer its services to oil and gas companies both domestically and globally.

“WE HAVE THE RIGHT SKILLS AND ASSETS,” HE POINTS OUT.

ODC mirrors Oman’s wider diversification drive in other ways too. Al Mawali is looking for partners to help the company branch out into, among other things, the construction of super-yachts and other specialized vessels on the one hand and the conversion of the waste from the tankers anchored off nearby Fujairah into oil on the other. “In 10 years’ time, I predict that we will be six or seven times bigger than we are today.”

Watch this space.

