



The Omani Economic Association Statement

Addressed by

Sh. Mohamed bin Abdullah bin Hamed Al-Harthy
Chairman of the Omani Economic Association

To the delegates attending the Opening Ceremony of the Conference on
Governance, Competitiveness and the Future

Muscat, Oman - March 24 - 25, 2007

In the name of Allah the Most Gracious, the Most Merciful

Co-operation and participation are the basis of governance in the Sultanate. Initially our plan is to build our country and provide its entire people with a decent living and well-being. This objective cannot be achieved without the participation of our citizens by shouldering the responsibility and burden of raising the nation. We have expanded all opportunities to our citizens to achieve this objective. We will strive to establish fair and democratic rule in our country in the context of our Omani Arabic realities and in honour of our traditions and customs, while always being guided by the Islamic teachings that light us to the proper path.

(Extract from His Majesty's address in the first National Day).

Your Excellency Sh. Abdullah bin Ali Al Qatabi, President of Majlis A'Shura, the auspice of the conference

Your Excellencies, brothers and sisters,

A'Salam Alaikum Wa Rahmat Allah Wa Barakatuh,

We are delighted to welcome you to the Omani Economic Association's second conference and hope that the Association's activities will contribute towards enriching discussions and debates in different economic challenges of crucial importance to our society through the rapid changes taking place in the world. These matters often occur as acute urgencies, imposing themselves as challenges to man's mind and testing ambitions to build a better future.

Your Excellency, the auspice of the conference,

There is a strong link between governance (management of society and state affairs) and human development. Well-founded human development cannot be achieved in the absence of well-grounded governance. Governance is of little good if it fails to achieve decorous rates of human development or to provide the conditions necessary for its sustainability. Good governance cannot be achieved without building and improving capabilities in all institutions of state and society. And of course, this is the core of human development.

Governance focuses on building or improving capacities at the levels of legislative, executive and judicial authorities, local governance, civil society organisations, public and private sectors. Characteristics of good governance include:

- 1- **Participation:** All people must have a say in the running of the affairs of their communities and state, and outcomes evaluation.
- 2- **Transparency:** The free flow and access of information provided, showing that such information is true, accurate and sufficient.
- 3- **Accountability:** Public officials being accountable for their actions, accept responsibility (albeit partially) for inadequacy, deficiency and deceit and respond positively to constructive criticism.
- 4- **Rule of Law:** Meaning that law is above all, and all are equal before the law. The law should be enforced fairly and impartially.
- 5- **Effectiveness:** Efficient utilisation and allocation of resources, in accordance with the needs of society.

- 6- **Equity:** Equal treatment guaranteed for all members of society in addition to equal distribution of development gains and burdens.
- 7- **Independence:** Governance is no good if it is subjected to a foreign will and if foreign pressures or interests encroach upon people's freedom and will.

All these formative agents of good governance are interlinked, only guaranteed by the healthy integration and interaction of such fundamentals.

Your Excellency, the auspice of the conference,

This Perspective on Good Governance, as quoted from chapter ten of “*Good Governance of Societal and State Affairs*”, is a prerequisite for the success of human development as stated in The Omani Report on Human Development, issued by the Ministry of National Economy in 2003, which also recommends the review of previous strides, re-evaluation of alternative options and to rearrange priorities with improved methods of doing things.

This report defined the critical factors facing current and future problems and challenges, in order to enlarge the chances of survival and growth in the era of globalisation. An important factor to achieve these was defined as the encouragement of the tripartite forces of governance and expansion of the framework of participation. The main question that presents itself here is how to stimulate the role of the private sector and civil society, while at the same time maintaining the leading role of government and preparing for its gradual withdrawal from direct activities in the tasks of production and development. The encouragement of these tripartite forces of governance may possibly entail the reinforcement of legislative and regulatory roles of the Majlis A'shura. It may also be appropriate to consider extending the scope of voluntary work and its institutions progressively, particularly after having recently been buoyed up from social care activities to crystallizing the interests of professional bodies. It is evident that the ultimate objective is to involve citizens to face the challenges to Omani society and encourage each individual to contribute towards building the nation and the country and furthering advancement.

Accordingly, we accept to take the responsibility stated in the report and, at the same time, demand widening circulation of this report, making it accessible to the public and to draw up a work programme with the participation of all concerned parties, headed by the Majlis A'Shura to implement it, in order to pave the way for a successful future.

On the other hand, a World Bank Report on Development in the Middle East and North Africa stated that the Region of the Middle East and North Africa is following a vulnerable path of development. No country in the Region was said to be capable of establishing a sustainable developmental path despite the enormous oil revenues of some countries, though this wealth might be partially responsible for this. Moreover, the development gap, combined with the gap between expectations and reality, threatens the possibility of development within the Region.

We are facing many challenges in this age of globalisation, where dramatic changes have been witnessed on the intellectual level of citizens and their expectations, including the impact of Satellite TV Channels. The public exigency requires us to acknowledge these changes so that everyone can work on challenging them. As a matter of point, we would like also to mention something that was previously referred to in our first conference; that among the key challenges we would encounter in the following phase are:

- How to utilise the recent rapid increase in oil prices witnessed by our economies to shift from traditional planning methods to planning which focuses on a knowledge based economy, and the assurance of compliance between planning and implementation, where means and budgeting must be correlated to achieve set goals.
- Finding a mechanism to improve institutional functions that can overrule an individual's efforts.

The main objective of our plans should be to achieve growth and tackle the unemployment problem, and how to gear our fiscal policies towards providing job opportunities for those without work, especially if we know that current population growth may requires the securing of more than 750,000 new jobs with the advent of 2020, as well as handling the inflation problem which deceases our standard of living. Such inflation has been aggravated by external factors as well as internal ones and which are tightly related to how we manage our economic policy both on macro and micro levels. Accumulated decisions issued during previous periods started with manpower issues, increase of ports charges leading to the increase in the price of Diesel, which affected the price of transportation and the management of the Gas policy, resulting in the crisis of cement which in turn affected the construction sector, and so on. In this respect we desire to find a solution to these problems, but believe there is only one way to do so ... through our Monetary and Fiscal policies. It is known that fiscal policies are not limited to the allocation of revenue to various governmental institutions, rather they expand their Influence to all aspects of life; among these, the main aims of these policies lay in their impact on taxation and expenditure. We urge our officials to concentrate on economic policies and legislative matters and to enact an anti-trust law after issuing the bylaws of Consumer Protection for which we are still waiting as promulgated by the Royal Decree in 2002, to ensure the protection of all categories of society.

H.E., the patron of this event

It is essential to reconsider our investment policies and the nature of government investment in some internal projects and foreign investment that we hear of in the international press which reminds us of the type of investments in the 1980's such as the Gas pipeline projects to India and the Middle Asia investments programme of which we paid considerably to overcome their consequences. Although we appreciate efforts exerted by the government in investment to diversify income, the issue still requires more transparency to ensure the viability of these projects and the necessity of implementing the governance code on all government companies; otherwise we shall pay, along with the generation to come, a valuable price.

Corporate governance has never been absent in our legal and administrative environment. There is a highly developed system of quality regulation implemented by the Capital Market Authority and Central Bank of Oman. These two important Institutions exert great efforts to ensure the correctness of the Country's economy and we should praise such efforts and bring them forthwith. These efforts include developing and updating legislations, instructions and follow up control and organisation procedures in accordance with sound clear and transparent criteria. These procedures reinforce the governance of sectors which exercise their activities under the supervision of these Institutions. However, they are only linked by a coordinative and consultative frame and it is appropriate to have a national referential frame of corporate governance in the form of Corporate Governance Authority which would shoulder the responsibility of both government and private firms governance, predominantly the larger private institutions which dominate the Country's economy with their turnover exceeding those listed in the Securities Market.

We assure the necessity of giving state owned companies governance an extreme importance as such governance is considered an important prerequisite for the development of the investment environment. Implementing governance codes on them guarantees that they will not diverge from the appropriate administrative and economic track and will assist them to avoid sudden collapse and achieve credibility, hence attracting more investment which, in the end, will serve the national economy.

Therefore, we suggest the launching of the Sultan Qaboos Cup Award in the field of Corporate Governance. This award shall be awarded annually to the best public shareholding company, with another to the best state owned company, and a third to the best private company in implementing governance codes. This Award shall encourage competitiveness to implement specific criteria which will ensure the success of business and contribute to the rationalisation of decisions, incorporating them through the basis of integrity, transparency, organisation and qualification of their human resources, while at the same time avoid personal interest and limit unjustifiable privileges while securing the rights of share holders, thus contributing to the development of the national economy. We at the Economic Association are ready to adopt the project if it is approved by the concerned authorities.

H.E. - Distinguished guests

History will record that the reign of Sultan Qaboos is the reign of building a modern Oman. Under his reign the country has enjoyed an unprecedented stability in its modern history. People can travel throughout the country in security and peace. The country has also witnessed dramatic change manifested through the elevation of standards of education and health services, with life expectancy increasing and citizens living in their country in dignity. Moreover, the country has witnessed architectural developments in all spheres, a blessing that we should thank Allah for bestowing upon us

The preservation of previous years' achievements is one of the challenges in the next phase where the national economy still depends basically on royalty economy and is far from transferring to a productive competitive economy. Although the Omani Economic Vision: Oman 2020 stipulated that the developmental trend of the government aims primarily at ensuring the stability of per capita income on its current levels as minimum and to work on doubling it with the real value by 2020 through utilising its oil and gas revenues to achieve permanent and renewed economic diversification, after 10 years of its initiation we find that the achievement is far from the target. The vision aimed at achieving a 69% share of non oil revenues in GNP in 2000. However, the achievement during (2000-2005) was only 46%. The non oil exports share contribution to total exports did not exceed 7% during this period, a very modest share when compared to the expected target of the vision. Our country deserves from us a better performance than the current one and there is no doubt that it is capable of achieving this if we enhance our systematic and institutional framework of work.

H.E., the patron of the event

Throughout the depth of our work to prepare and organise this conference during the short time span of this Association's existence - this being the first economic conference to be held in Oman to discuss these issues - we have completed the requirements of establishing activities which will be achieved in the Sultanate;

By encouraging applied economic researches and to present proposals for future development in Oman, we hope that we will be able by the next year to offer research prizes.

To measure the perceptions of Business Leaders in Oman in the current economic environment, the Association has completed the setting up of a Business Confidence Index (BCI) through which we hope will help us identify points of weakness as seen by the business sector, and to use its results as a bridge to cure any weakness within the system and attain transparency.

Finally, we give your Excellency great thanks and gratefulness for your Patronage of our conference and an apology for the length of this speech.

Thanks to our partners in this conference, the Gulf Economic Association, and a welcome to our colleagues from UAE, Bahrain, Saudi Arabia, Qatar and Kuwait Economic Association, and to H.E. Dr. Nasser Saidi, Executive Director, Hawkamah Institute, ex-Minister of Economy in Lebanon, for his support in organising the agenda of the conference.

Thank you to all official bodies who accepted to make presentations to the conference:

Majles A'Shura (Consultative Council) & its Economic Committee

Central Bank of Oman

Capital Market Authority

State Audit Institution

Omani Centre for Investment Promotion and Export Development (OCIPEP)

Also, Shell representative office in Oman

Thanks to our dear guests who took the effort to travel and join us:

Dr. Ibrahim Akoum, Arab Monetary Fund

Mr. Abdessalam Aboudrar, CDG- Morocco

Mr. Tawfik Diab the Egyptian Junior Business Association

Dr. Khalid Al-Kurdi, Structural Consultant, Jordan

Gaelle Kibranian- Programme manager - Lebanese Transparency Association- Lebanon

Sanya Reid Smith, Third World Network, Australia.

Special thanks to our colleague Mr. Majid Toki from The Omani Lawyers Association with hearty congratulations for the formation of their association after long waiting.

Thank you to our colleagues in the Association

Dr. Hatem Al-Shanfary, OEA

H.E. Dr. Mohamed Al- Hijry

And to all members of the Association who dedicated a lot of their time to the preparations for this conference

We also thank the Official Sponsors of the Conference

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Thanks to our Media Sponsors

Oman , Oman Observer and Oman Economic Review

And to all participants of this conference - wishing for the conference all success and meeting its targets.

A'salam Alaikum wa Rahmat Allah Wa Barkatuh