

TOURISM DEVELOPMENT PLAN IN OMAN

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Abstract

Tourism is considered world's largest industry that plays an important role in economic development. Oman, as part of its economic diversification goal, is keen to move away from its dependency on oil revenues. The government has realized the important role of tourism sector; therefore, it has started to develop its own sustainable development strategy of tourism sector. The authorities have developed and promoted programs related to tourism sector. Today tourism has been given a very careful thought in order to make Oman as target for visitors from all over the world.

Keywords: Tourism, Oman, Sustainable.

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1.0 Introduction

According to Travel & Tourism report that is issued by World Travel & Tourism Council of 2016, the total contribution of travel and tourism to GDP in the world (including wider effects from investment, the supply chain and induced income impact) was USD 7,170 bn in 2015 that is 9.8% of the GDP. This is expected to grow by 3.5% to USD 7,420 bn in 2016. On the other hand, money generated USD 1,308 bn in visitor exports in 2016, this is expected to grow by 3%, and the world is expected to attract 1,237,470,000 international tourist arrivals. WTTC generated 107,833,000 jobs directly in 2015 (3.6% of total employment) and this is forecasted to grow by 1.9% in 2016. This include employment by hotels, travel agents, airlines and other passenger transportation

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services. This also include the activities of restaurant and leisure industries directly supported by tourists. (WTTC, 2016). “The contribution of Travel and Tourism to the global economy was USD 580.9bn (9.8% of GDP) in 2014 which rose to 3.7% in 2015, and is expected to rise by 2.0 % pa to USD 11,381.9bn (10.5% of GDP) in 2025. Tourism industry is growing faster in comparison to other industries such as financial services, retail and supply chains, manufacturing and transport, etc. “ (Haque, Patnaik, & et al, 2016).

Sultanate's strategy aims to improve the rate of local GDP in four main sectors (industry, logistics, tourism and labor market & employment) to achieve an income of RO3 6.6 bn by 2020, with a growth rate of 34.7% if compared to 2015. Thus, it is possible, therefore to calculate the increase in income in tourism sector to reach RO 1.1 bn, which means a growth rate of 37.5%. This will make the country achieve an annual growth rate estimated by 7% during the period 2016 to 2020. It is worth to note that the annual growth rates in both sectors, industry and logistics, for the same period, would be 6% and 5%, respectively.” The Sultanate’s oil wealth has been a traditional pillar for growth of the economy which approximates to 90% of government revenues and accounts for more than 50% of GDP; however, the Government has been actively making efforts to diversify its reliance on oil sector and focus on a development plan of diversification, tourism, industrialization and privatization” (Strolla & Peri, 2016).

Table 1: Economic Indicators

Indicator	2014	2015e	2016p	2017p
Real GDP Growth (%)	2.9	3.3	1.6	1.9
Inflation rate (%)	1.0	0.1	2.3	3.0

(WB, 2016)

Oman acquires nearly 3% of tourism aimed at the Gulf Cooperation Council (GCC) ratios. The strategy refers to establishing special tourism communities in targeted areas with provision of many activities to suit each geographical area. The indicators shows that Oman is capable of increasing and suggests indicators that he could Oman increased tourist activity 8-12 times according to certain scenarios. This scenario will provide employment and hiring human cadres by 2040, estimated at about 500,000 jobs. This means the mobilization of investments for such

³ One Omani Rial (RO)= USD \$2.6

period at an estimated figure of RO 19 bn. Therefore, tourism share in GDP will be expected to increase by 6-10% by 2040. This have a positive impact and boosting economic investment and promoting business environment creating small and medium enterprises.

1.1 Research Problem

Despite the initiatives of the government to develop tourism sector due to many changes that it has to face such as the fluctuation of oil prices. This is important for economic diversification purpose. Although there are many aspects of tourism attractions but generating revenues to complete the infrastructure require for tourism industry is essential. The current available programs have given good boost on the level of strategies and plan for the development of tourism sector; nevertheless, these need to be put into action by the government. The challenges on the aspect of revenues and putting plans into action are two major aspects that require real effort to show real results.

1.2 Research Objectives

The purpose of this report is to assess the importance of tourism sector in Oman and suggest some ideas for improvement. Such improvement will have positive impact on the economy, employment and opportunities for more investment in the private sector. The paper will point to the important role of tourism sector in Oman. The potential is to utilize tourism plans to support limited income resources generated from oil in Oman to achieve positive economic development. It is well noticed that the government is keen to make such tourism programs work and succeed because it will part of economic diversification.

1.3 Limitation of The Study

The study will be limited, as it will not include all parameters that are related to the development of tourism sector such as the effectiveness of the measures applied by the government. In addition, it will not deal with private sector who is one of the key player in the process of spending and implementation. The information provided should solve part of tourism aspect, as tourism is associated with cooperation among community, corporate and the government agencies. Many parameters share in the development of tourism sector such as land, desert, water & sea, animals and heritage attractions. However, the study will not incorporate all these types of tourism aspects in the process of tourism development.

1.4 Literature Review

Oman is trying hard to minimize the role of oil revenues as major player in economic development process. The improvement in this regard has been successful in some aspects of the economy and among those is tourism sector. “In a mid-sized, open economy in which the biggest driver of growth so far had been oil, managing the transition to a more diversified economy is challenging. At the same time, the declining oil prices have compressed the Government’s revenue base” (Strolla & Peri, 2016). “Non-hydrocarbon GDP is estimated to have grown by 3 % in 2015. The central bank enacted expansionary monetary policy by reducing lending rates to support economic growth” “Hydrocarbon revenue fell by 45 % in 2015, which stymied government spending hindering potential economic growth and decreasing tax receipts. Approximately half of the deficit in 2015 was financed by drawing on reserves, and the remainder by borrowing from domestic and external sources” (WB, 2016). The government has stressed on the important role of the private sector as major player, especially on increasing the number employment opportunities. “Oman Vision 2020 has laid out plans to boost industrialization within the Sultanate and to encourage the private sector to take a more active role in the economy and generate employment opportunities, both of which are measured as key drivers for growth” (Strolla & Peri, 2016). Both the government and the private sector have agreed to become partners in the process of development; therefore, one can notice the continuous invitations the private sector and its representatives receive from the government to participate in many economic related activities. “In order to productively increase youth employment and sustain its momentum, matching jobs with established skill-sets is imperative to create an enabling work environment. Moreover, job satisfaction for young Omanis, who represent a large pool of national talent, is critical as they can help foster and build more competitive and sustainable economies for the Sultanate” (Benchiba-Savenius, Mogielnicki, & et al, 2016) “The government will continue to prioritize infrastructure investment, including in tourism, airports, railways and ports. A new mining law is expected to streamline and centralize licensing processes, to improve the industry’s efficiency” (WB, 2016).

“The Tanfeedh (Implementation) Program Open Day to be held in Muscat, the capital of Oman on 28 November 2016 to witness the outcomes of the work they have done in Oman over the first two important steps of the BFR methodology (Big, Fast, Results) that was used to transform the

Economy and Public Service Delivery in Malaysia, Tanzania and some states of India” (Shrestha & Ghimire, 2016). The program has focused on several aspects, as promising sectors for economic development, such as industry, logistics and tourism sector. “Further, the goals and objectives of tourism should be reflective of the desired results of development and they usually include aspects of socio-economic benefits, while minimizing associated environmental and socio-cultural impacts” (Inskeep, 1991). “Tourism is being developed as an important and sustainable socioeconomic sector of the Sultanate of Oman in a manner that reflects the Sultanate's history, cultural and natural heritage and spirit of traditional hospitality. Tourism will facilitate economic diversification, the preservation of cultural integrity and the protection of the environment of the Sultanate” (Strolla & Peri, 2016). The government has established a separate ministry for tourism in order to be better focused and achieve the targeted goals in this regard. The development of this sector will have its positive impact on many other aspects of the economy. “Tourism development should rarely be a target in itself; rather it is usually a means to achieve broader development objectives” (Ibrahim & Wall, 2011). “In the social terms, the immediate benefit of tourism industry is the ability to bring people out of the unemployment circle. In other words, it creates job opportunity and also caters for both skilled and unskilled employment and it is known to be a labor-intensive industry which provides job per unit of investment compared to any other industry” (Eruotor, 2014). ”With key objectives such as to build a non-oil economy, introduce cost efficiency on various project investments and expand on the various programs that were initiated, the Oman Government is formulating a new long-term economic strategy, provisionally known as Vision 2040 which is expected to build on the goals laid out in Vision 2020” (Strolla & Peri, 2016).

1.5 Research Method

This paper is based on academic research that will shed light on aspects related to tourism sector in Oman. The study is conceptual in nature and analytical method is used based on the secondary documentation, which is generated from different resources including government documentations. The method of cause and effect is used to compare data and extract the outcome results. The study has focused on quantitative analysis of the available data to extract results relate to tourism sector. This include data collection, gathered and analyzed from related available resources.

1.6 Analysis

1.6.1 Developments of Economic Activity

Oil prices and its revenues directly affect GDP growth rate. The growth rates, over the past period, are shown in table below. Also, it is worth to note that the drop in oil prices in the years 2009 and 2015 was the main reason which have led to the decline in the growth rates of the output.” Oman’s GDP chiefly rests on its oil and natural gas reserve. The Great Economic Recession gave a severe jolt to these two sectors too, consequently. As the world oil market witnessed slump, so did Oman’s economy” (Haque, Patnaik, & et al, 2016).

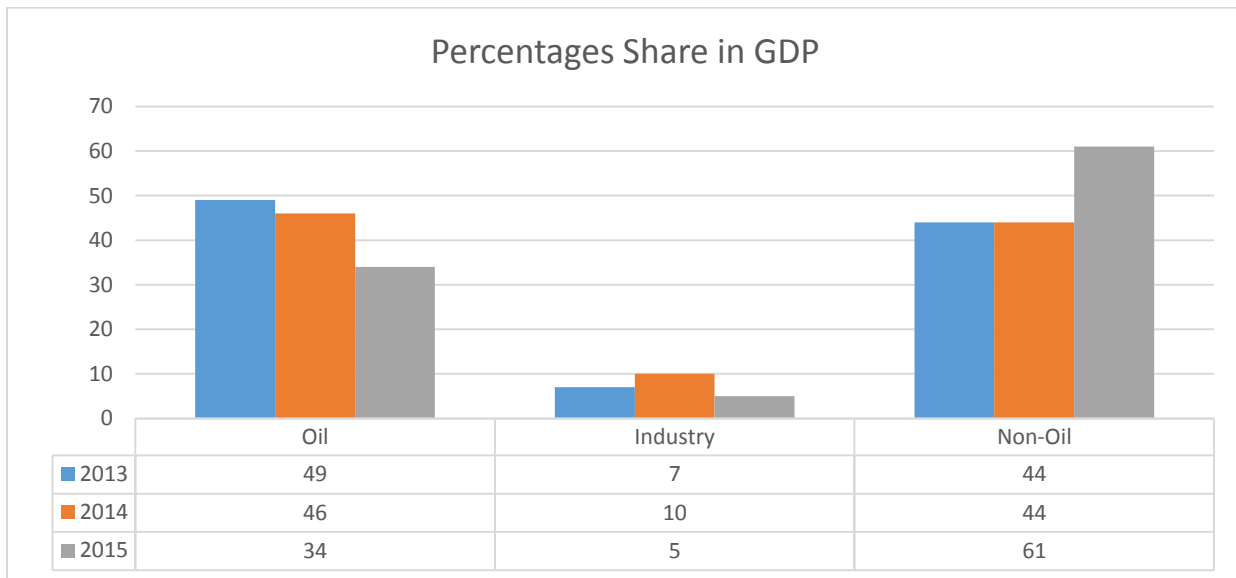
Table 2: GDP & Growth Rate

Years	2008	2009	2010	2011	2012	2013	2014	2015
GDP (Billion RO)	23.4	18.6	22.5	26.1	29.5	30.4	31.2	26.9
Annual Growth rate	-	-20.5	21	16	13	3	2.6	-13.8

(Shrestha & Ghimire, 2016)

The contributions of other sector in the economy in the year 2015 can be noticed clearly. Such economic sectors would be, the oil sector, which contributed by 34%, followed by the industrial sector by 5%. The non-oil sector has contributed by 61%. This represents a positive result in the case of non-hydrocarbon sector, as its share has increased from 44% in 2014. This results of course shows negative development on the part on industry where its contribution has shrunk by 50 if results are compared with the period 2014. The strategy will depend on attracting wealthy people of high class by 5% and rich people at a rate of 15% and the remaining other category of people will be around 80%. In a better scenario the percentage of wealthy people would be around 10-15%, the rich around 25-40% and the ordinary would be the remaining percentage. However, under extraordinary plan the wealthy people percentage will increase 13-30%, the rich 35-50 and the ordinary 20-50%.

Chart 1: Contribution of Economic Sector to GDP



(Oman Arab Bank, 2016)

1.6.2 Graduates and Employment

During the Ninth Five-Year Plan (2016-2020) it is expected that the number of graduates from universities to reach 25,000. “the key goals; to achieve an average annual GDP growth rate of 3%, to reduce the contribution of oil in GDP at current price from 44% in 8th five year plan to 26%” (Oman Arab Bank, 2016). This is the exactly same number or persons who are going to search for jobs. This does not include the number of graduates from other educational levels, the dropouts, who are going to look for job as well. Note that the number of employees in the private sector for the year 2015 has reached to 1.6 million for expatriates and 200,000 as Omanis. “Oman Tourism industry created 111,500 jobs during 2015 (5.7 % of total employment). This is expected to increase by 4.4% in 2016 (116,500 jobs) and rise by 3.5 pa to 164,000 jobs in 2026 (7.9% of total). Travel and tourism were recorded as OMR 245.5mn (3.1% of total investment)” (Haque, Patnaik, & et al, 2016). Oman is blessed with natural and heritage cultural sites therefore many tourists have interest in such type of site seeing. Many of those attractions are located in inhabited communities, which would be considered as internal source of generating employment and revenue. Those individuals can gain the skills and knowledge that is required which will turn into direct benefits for tourism industry. Some others can invest in producing items directly linked to

the culture and heritage of these ancient villages and towns such as handicrafts, sculptures and souvenirs. All these ideas will have a positive effect on creating job opportunities for the population.

1.6.3 Hotels and Tourism Sector

Occupancy rate in the capital Muscat has reached 61.7% with total hotels, which has reached to 123 hotels. According to 2014 statistics, there are only seven hotels of five stars, 14-hour star and 11 as three stars. The percentage of national working in this sector has reached 11.6% only which can accommodate almost 127 thousand persons according to 2015 figures most of them are in the sectors of transportation and as receptionists. Of ratios Works (shelter), the highest in the capital Muscat by 61.7% the number of hotels has 123 hotels 7 of them five-star hotel, 12 are four-star .11 of them three-star The majority of it, it is located in a two star box one and the star of this according Statistics in 2014. The proportion of Omanis in the sector, only 11.6%, which accommodates 126,857 people, according to statistics in 2015, mostly in transportation services and reception at rates of respectively 65.4%, 69.7%. Therefore, creating basic infrastructure in this aspect will facilitate the more occupancy at the hotels and thus more revenue. People in those small towns can start establishing small, average quality of hotels to accommodate the visitors. Other items from the top of the menu can become an attractive aspect that attract tourists, and add to that the type of accommodations of traditional and desert type of style. In addition, the hotels that are located on the coastal line and the beautiful clean beaches would be another aspect that attract the tourists.

1.6.4 Future Development for Tourism Sector

Oman's strategy 2040 indicates that 5.3 million tourists will visit Oman each year. That tourist can be divided into different categories. Same day tourists will comprise 1.7 million, in addition to the 4.6 million local tourists. It is therefore the estimated growth rate in the period 2030 will reach 55% compared to 2020. In addition, the growth rate for the period in 2040 will reach 58.6%. Future strategy 2040 will be divided into two periods; the first with lies between 2016-2020 will provide 5620 additional hotel rooms that can employ more than 76 thousand persons and this will increase in the second phase of the strategy (2020 – 2030) to reach 15.5 thousand additional rooms with

127 thousands employment opportunity. The third strategy phase will 2030-2040 will provide almost 240 thousand job opportunity.

Table 3: Future Tourists

Category (Million tourists)	2020	2030	2040
International	1.905	3.191	5.328
One day visit	0.618	1.036	1.736
Locals	2.224	3.153	4.643
Total	4.747	7.38	11.707

(Shrestha & Ghimire, 2016)

Strategic figures for 2040 indicates that the first stage, which runs from 2016 to 2020, will provide a 5620 hotel rooms and accommodate labor is estimated at about 76 373 workers. Those numbers will increase in the second period of the plan, which runs from 2020 to 2030, bringing the number of rooms 15,419 and the number of workers to 126,902. Total contributions required for such investment, by both the public and private sector is expected to reach: RO 24.2 bn for the first phase, RO 25.4 bn for the second phase and RO 70.3 bn for the last phase with 87.3 contribution on the private sector.

1.6.5 Stages of the Strategy

With regard to tourism, which should contribute to the improvement of the Omani economic sector, will be based on four key phase factors:

- 1- Preparation stage: this stage is relates to undertake initiative of external analysis, configure a clear vision for the analysis and doing the internal analysis of the structure of preparation stage.
- 2- Configuration stage: this includes an integrated project of several stages as configuration of this sector.
- 3- Planning Stage: This include the creation of 26 initiatives through the development of an integrated tourism map strategy built on clear vision of planning. "As per ministry of tourism, tourism sector direct contribution to the GDP is expected to increase from around 2% to 5% by 2020. The benefit of the sector reached RO 724mn by the end of 2014, the same sources stated. The strategy for tourism is based on two foundations 1) a series of tourist facilities in one location, 2) the distinctive tourist experiences. It is expected that more than 100,000 jobs will be created within the sector by 2024" (Oman Arab Bank, 2016).

- 4- Implementation stage: It consists of three stages which is linked to the first phase period 2018-2020, followed by the second period 2021-2030 and finally at 2031-2040. During the three phases the expected results would include achieving the followings:
- a. This will show slight increase in the number of hotel rooms and creating more than 76 thousands of employment opportunities.
 - b. There would be substantial increase in the number of hotels and occupancy rate by 174% when compared with the first phase. The number of job opportunities will increase to almost 127 thousands, which represent a growth rate of 66% if compared with the first phase.
 - c. The third phase will witness an increase in the number of occupancy more than the previous phase by almost the double. The total number of direct job opportunities that is expected to create would be close to quarter a million. There would be more truism locations that would be added to the already planned for.

1.7 Tourism Cost and Benefits Assessment

1.7.1 Development of Facilities

Although tourism has positive impact on the economy due to the increase of revenues generated from the visitors but such revenues in some cases do not have direct impact on tourism attraction regions. These revenues are utilized for different objectives, in many cases neglecting the development of facilities of those attractive areas of tourism sector. Therefore, visitors will be surprised to find out that the infrastructure of many areas, they used to visit, have been neglected and left out without any maintenance. The maintenance sometimes will include the development of simple facilities such as picnic areas, restrooms and other open area facilities which are most used by the tourists. “As per the Ninth plan statement, total targeted investments at RO 41bn to be funded by 52% from private investments with the balance coming from public investments. The private investments shall be in commodities production activities (32.6%), services activities (37%) and 29% in infrastructures” (Oman Arab Bank, 2016).

1.7.2 Cost and Effect Empowerment of Cultural Values

Tourism bring people together and facilitate cultural interaction. This is a positive perspective for the community to become introduced to other cultures for exchange of benefits and knowledge.

Nevertheless, such globalization in some cases causes negative anti-cultural behaviors where many aspects of other culture's negative behavior is transferred to another. This could include values, attitude and other ethics. Although this is not generally the case but the community should be reserving its values. On the other hand, there might be other types of negative impacts such as anti-social behaviors such as the spread of drugs, crime and diseases. The spread of such bad behavior will definitely will have negative consequences. "It is important to remember that money offers stability and security, and this is especially true in Oman's traditional social context. Money may bring social prestige but it also reflects great responsibility" (Benchiba-Savenius, Mogielnicki, & et al, 2016). In some rare cases, tourists help and protect the culture but sometimes also, they tend to destroy the original aspect of the culture through disrespect they show to the traditional way of life at some local communities. As it is known that tradition at most communities represents the simplicity of lifestyle of the people, which should be respected, and therefore the protected.

1.7.3 Impact on Environment

Tourism could generate some negative impact on the environment though increasing pollution. There could be undesirable effects on health and safety in many cases unless there are positive set of measurement that are taken by the authorities. The growing number of tourists could generate excess need for important facilities. Such mass tourist could generate more sewage problem. In addition, the pollution of natural resources such as springs and water flows in many areas. This will have compelling results for the authorities as to combat such negative effects produced as an outcome of tourism. There are other types of pollutions such as the one generated from traffic pollution, traffic congestions and destruction of natural resources. The safety issue would be added to this aspect and the need for further treatment and safety measures.

1.8 Findings and Recommendations

All these issues are associated with economic development. The improvement of tourism sector is very important but the authorities also should take the negative that results from such activities seriously. It is clear that the government has put strict measures on natural reserves to protect turtles, certain rare types of Arabian ghazals and birds. Such protection exist in Oman therefore, similar measures should be extended to protect human values, sanitations, and other safety measures related to emissions. "Using the tourism expenditures per capita as the development

stage variable, they checked how objective quality of life measures, such as population characteristics, economic, education, health, welfare status and crime rate, are different from development stages” (Kim, 2002). On the other hand, the participation of the private sector in the development process of tourism should be thoroughly studied because of the high share of investment that is required from their part. The government should keep the upper hand monitoring aspect of the sector as they are the main leader to secure employment, stability in the social life and the protection required for the environment. From the strategies and plans, it can be noticed that the estimated and projected figures are high. The potential to accomplish those targets should be justified so to make sense taking into account the surrounding region with its political confrontation. The challenges are many. Authorities should have the enough resources to be able to invest in the sector and make sure such investment is well managed and protected.

1.9 Conclusion

There is no doubt that tourism has positive effect on economic sector through the revenues it generates to support different components of the economy. The presence of good plans will help boost the infrastructure of the sector to develop quality of the facilities and services provided to the visitors. The government should focus on those communities that generated more wealth and have potential for future tourism development. The externalities that are produced due to improvement in the sector should be minimized through other targeted programs. The reservations of social, cultural and environmental life should have priority within tourism strategy. The economy figures should show a clear development in the GDP and employment as main aspects expected from the programs that are executed to boost tourism in the country “the key challenges are; volatility and low oil prices, creating jobs and acceleration of the diversification process” (Oman Arab Bank, 2016). The lack of infrastructure is one of the main reasons for inactive tourism activities. This is represented in good roads, bridges, tunnels, water supply, sewers, electrical grids and modern communication facilities.

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