

Sultan's Landmark Speech to the Majlis Oman: A Window into Oman's Economic Reforms

by [Jonathan Campbell-James \(/experts/jonathan-campbell-james\)](#)

Nov 27, 2023

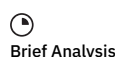
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ABOUT THE AUTHORS

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Jonathan Campbell-James served in Lebanon, Saudi Arabia, and Oman with the British Army's Intelligence Corps, and finally as Deputy C2 at Headquarters Multinational Force-Iraq in Baghdad. He then worked for financial firms in Dubai and Riyadh, and now runs his own Gulf-focused political risk and due diligence consultancy.



Haitham spoke both as a sovereign and as a prime minister accounting for progress.

As he approaches the third anniversary of his ascension to the throne in Oman, on November 14 Sultan Haitham addressed the opening of the 8th session of the Majlis Oman, a parliament that combines both the appointed Majlis ad-Dawla and the wholly elected Majlis al-Shura. This was the first occasion at which Sultan Haitham had made such a speech since assuming the throne, a formal stock-take of the progress he has made in implementing his vision for Oman.

Unlike, for example, the King's speech to the combined U.K. Houses of Parliament, where the government of the day writes the speech which the King merely reads, on this occasion the Sultan owned this [speech \(https://fm.gov.om/his-majestys-speech-opening-8th-session-of-the-council-of-oman/\)](https://fm.gov.om/his-majestys-speech-opening-8th-session-of-the-council-of-oman/) himself[1]. It outlined both what as sovereign he had set out to achieve, and what as prime minister he had delivered.

On display when he gave his speech, Haitham's presentation is calm and understated, authoritative but less effervescent and more managerial than the style of his predecessor Sultan Qaboos. But nonetheless, he sketched out remarkable progress achieved over the last three years.

When he came to the throne, Sultan Haitham clearly set his priority on maintaining continuity with the stability achieved and progress made under Sultan Qaboos. But he set out a particular focus on delivering economic growth, and diversification away from reliance on Oman's oil and gas reserves—which unlike elsewhere in the Gulf are finite. The security and stability element of his mandate was represented by the front row presence of the service commanders and his senior British defense advisor [but did not feature prominently in the speech itself 0](#).

In 2020, the Sultanate was facing a fiscal crisis. Government debt had expanded to an estimated 69.7% of GDP in 2020, fueled by debt-financed government over-expenditure. Under Haitham's [Medium Term Financial Plan \(https://www.mof.gov.om/MediumTermFiscalPlan\)](https://www.mof.gov.om/MediumTermFiscalPlan) (the MTFP or the Tawazon programme, covering 2020-2024), the fiscal deficit was cut by about half in 2021, became a surplus of \$3.64 billion [i 0 \[2\] \(# msocom 2\)](#) in 2022 and had already achieved this same surplus in the first four months of 2023. National debt, projected prior to the MTFP to be \$108 billion by year-end 2023, was \$46 billion at the end of 2022, and has fallen by a further \$3.5 billion in the first four months of this year. This represents an extraordinary reduction of far more than half of the total projected national debt in less than three years.

[During its recent completed 0 Article IV Mission \(https://www.imf.org/en/News/Articles/2023/11/15/pr23393-2023-article-iv-mission-to-the-sultanate-of-oman?cid=em-COM-123-47466\)](https://www.imf.org/en/News/Articles/2023/11/15/pr23393-2023-article-iv-mission-to-the-sultanate-of-oman?cid=em-COM-123-47466), the IMF complemented the Sultanate on this fiscal progress and registered economic growth in the Sultanate of 4.3% in 2022 (with non-hydrocarbon growth from 1.2% in 2022 to 2.7% in 1H23). The IMF noted Oman's sovereign credit rating had been rising steadily, and Omani officials interviewed last week hoped that they would achieve a final rise to investment grade by the end of 2023. According to officials running the Oman Vision 2040 strategic plan, the long-term target of getting debt down to less than 40% of GDP has already been met.

While record oil and gas production and high prices have been a major contributor to this turnaround, in his speech Sultan Haitham also credited the contribution of the Tawazon program in re-establishing financial discipline. The Sultan maintains close personal oversight of the program both through a beefed-up Financial and Economic cabinet steering committee and through a Performance Measurement Unit, which acts as a private internal auditor reporting directly to him.

Equally impressive has been the radical overhaul of the management of sovereign wealth under the newly-formed Oman Investment Authority (OIA). The investment vehicle, previously known as the State General Reserve Fund, is no longer raided to help meet current account deficits, and now has a broader investment remit.

Government-owned companies have revitalized boards, are now subject to common strategy, In-Country Value and corporate governance policies; three IPOs—of Abraaj, OQGN, and the Real Estate Fund—have been executed and 30 more divestments are planned. Financial engineering has been introduced to make better use of loan and debt structures. The OIA is particularly pleased with the rates achieved in the long-term liquid natural gas (LNG) contracts

signed earlier this year.

Interviews with stakeholders confirm the impact of these reforms. The key success of the economic diversification program of which the Sultan spoke has been the first bidding round for new energy projects, in which six privately-led consortia have signed up for solar and wind production of hydrogen, with output to be exported or used in three green steel production facilities in the [Duqm special economic zone \(https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&ved=2ahUKEWjyKl7J4tWCAxVXRzABHSWuBZsQFnoECBYQAQ&url=https://opaz.gov.om/en/zones/special-economic-zone-at-duqm&usg=AOvVaw3PVLb-zIAQ-tKEV2tZdAzP&opi=89978449\)](https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&ved=2ahUKEWjyKl7J4tWCAxVXRzABHSWuBZsQFnoECBYQAQ&url=https://opaz.gov.om/en/zones/special-economic-zone-at-duqm&usg=AOvVaw3PVLb-zIAQ-tKEV2tZdAzP&opi=89978449), a newly-built port and industrial area located on Oman's Arabian Sea coast.

The snowball effect is already emerging in Duqm; the green steel companies are encouraging those who normally buy their output to establish manufacturing units alongside them in the special economic zone. Much of the material needed to build the solar and winds generation fields will also be manufactured in Duqm. Moreover, the seaport's fishing industry has taken off: the Oman National Center for Statistics and Information valued the area's fish catch at US \$1.1 billion in 2022. Industry valuation is already up 19% this year, and a cold-chain logistic system is under development to retain more in-country value.

In the north, the Sohar mixed industrial free zone is nearly at capacity, a positive sign for international business interest in Oman. Reflecting the overall situation, foreign direct investment (FDI) into private sector-led projects was \$10.4 billion in the first quarter of 2023, already beating the 2023 FDI annual target of \$6.07 billion, the target being 5.62% of an estimated 2023 GDP of \$108 billion.

Two key reforms have been introduced to help build a better environment for economic diversification. [A new Labour Law has been introduced, introducing for the first time the concepts of redundancy and dismissal for under-performance, thereby encouraging employers to hire staff in the first instance 0 \[3\] \(#_msocom_3\)](#). A comprehensive Social Protection System, covering pensions and welfare payments, has also been introduced. These are both major steps forward in encouraging private sector development, even if there are still obstacles to resolve, [such as definition of the arbitration process 0 \[4\] \(#_msocom_4\)](#) should an employee wish to fight dismissal. Also [\[5\] \(#_msocom_5\)](#) important is the promise in the Sultan's speech of judicial reform in order to reduce the widely recognized arbitrariness and inefficiencies of current judicial administration.

Aside from an overall focus on economic issues and reforms in the country, the Sultan also made mention of the value of the family unit in Omani society. Some non-Omanis in his audience were puzzled over a blast against unspecified "challenges pervading our society and... their intolerable impacts on its ethical and cultural fabric", a statement of intent to reinforce traditional Omani social values.

Underlying the entire speech was the sense that the Sultan was setting out his own personal vision for the future - a development of but a vision distinct from that of his predecessor - but that he was also presenting himself as accountable for its delivery.

In this sense, the speech represented gentle progress in the direction of constitutional democracy, a notion likewise reinforced by the Sultan's undertaking to devolve more government responsibilities to elected Municipal Councils and his strengthening of the cabinet's role in government. In this, as with his economic reforms, Oman's Sultan is delivering substantial change with his own distinct stamp - but doing so without advertising the radical character of the transformation he is seeking to achieve. ❖

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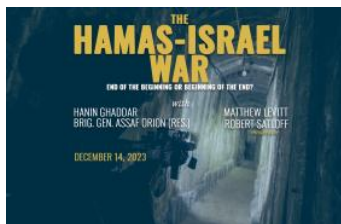
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