



INFRASTRUCTURE

Building to grow

The government is steadily going about diversifying its revenue base. Srinivasan Iyer reports

With the economy on a roll, the thrust is on building the infrastructure. In the last few months several new projects have been announced and work on some highly anticipated projects has kicked off in earnest. With oil prices unlikely to come off their record highs anytime soon, the government is expected to reap the benefits and continue to use its surplus revenues in diversifying the revenue base. The focus is on downstream petrochemicals sector and tourism.

A high-level delegation led by Deputy Prime Minister Sayyid Fahd bin Mahmood al Said to India in late 2007 proved to be extremely fruitful, with Indian companies showing a keen desire to invest in the sultanate. Fertiliser major Kribhco plans to set up a urea plant in Oman with an annual production capacity of 2mn tonnes. The Indian government owned company signed a memorandum of understanding with Oman Oil Company (OOC) in this regard. Kribhco, along with IFFCO and OOC, already operates two facilities in the sultanate with an annual production capacity of 1.65mn tonnes. Takamul, OOC's investment arm, is also in talks with the Tata group to jointly set up industrial salt and soda ash plants in Oman even as it explores options of raising its stake in BPCL's Bina refinery project in Madhya Pradesh, India. In the meanwhile, Tata group company Tata Steel has already formed a joint venture with the Al Bahja Group for the exploration and development of Uyun limestone deposits in Salalah. Tata Steel will hold 70 per cent stake in Al Rimal Mining through its subsidiary TS Global Minerals Holdings. Al Rimal Mining will execute the project of developing and operating the Uyun mine. Says Joice Mathew, finance analyst, United Securities, "There is a conscious decision by the government to diversify the income stream, which is why we are seeing a lot of vertical integration on the petrochemicals front. The Salalah Methanol Plant, Sohar Aromatics Plant and Octal give you an idea of the government's intent." He adds that non-oil exports witnessed a 40 per cent growth in the first ten months of 2007, while mineral exports grew 150 per cent from June 2006 to June 2007. "The government is sitting on a huge cash surplus and is looking for avenues to invest overseas."

OOC, which has invested US\$20mn as equity in Bharat Oman Refineries, has chalked out its future plans. "Things have changed and we are very seriously looking at our project with BPCL. We are actively considering increasing our stake," OOC chief executive Ahmed Al Wahaibi told the media on his visit to India. Bharat Oman Refineries is a joint venture between Bharat Petroleum and OOC for setting up the refinery at a cost of US\$2.6bn by 2010. OOC has also had some talks with Reliance Industries for cooperation in energy and petrochemical ventures. There are no concrete proposals as of now, but something could develop in the future. Reliance is already involved in prospecting oil from a couple of blocks in Oman.

Tourism beckons

Things are beginning to look up on the tourism front too. While work is furiously proceeding on The Wave, Muscat, the developers of Al Madina al Zarqa in Al Sawadi and Jebel Sifah in Muscat, have started work on these projects in earnest. RCI, the world leader in timeshare holidays, has signed an agreement with Allied Oman to join in the Barka Resort. The 129,000sqm development, scheduled to be operational in 2009, consists of 65 units destined for the timeshare market with a further 131 residential units intended for rent. Accor Hospitality Middle East has also announced the signing of a new Sofitel hotel, the Sofitel Muscat & Spa. Scheduled for opening in January 2011, the Sofitel brand is venturing into the sultanate for the first time with over 230 rooms and will be situated on the Azaiba beachfront. The property will be

owned by Al Mashriq Hotels and Tourism and managed by Accor Hospitality Middle East. Also on the anvil is the signing of the Omagine project promoted by American investors and the Ministry of Tourism. The proposed multibillion-dollar project is scheduled to come up in Seeb.

Banking on banks

The banking sector has provided one of the brightest sparks to the economy in 2007. Joice, referring to figures released by the Central Bank of Oman, says total assets in the banking sector grew by 40 per cent in 2007 compared to 2006. "The banking sector is a proxy to the performance of the economy." International banks are looking at expanding their footprint in Oman, given the brisk growth and business opportunities. Qatar National Bank (QNB) opened its first branch in the sultanate towards the end of December 2007. QNB plans to add new branches this year. Says Saad al Jenaibi, CEO of QNB Oman, "We are here because we feel Oman is a fast-growing market with several new projects under implementation." Another bank, whose launch is eagerly awaited, is Oman Merchant Bank (OMB). If things go according to plan, OMB will commence operations in the first quarter. With an initial capital of RO50mn, the bank is planning to offer 40 per cent of its shares to the public through an initial public offering. OMB, which is promoted by Omani and GCC investors, will be the eighth locally incorporated commercial bank in the sultanate. Going by different economic forecasts and the government's estimates, the economy will continue to smoothly chug along this year. If a growth of 11.6 per cent for 2007 is any indication, the future only looks bright.