

Saeed Al-Muharrami

Asma Al-Zaidi

## LARGE PROJECTS IN LIGHT OF OMAN'S DIVERSIFICATION STRATEGY: THE CASE OF SPECIAL ECONOMIC ZONE IN DUQM

**Abstract:** The Special Economic Zone Duqm (SEZD) in Oman is the largest special economic zone in the Middle East and North Africa Region allowing it to host various big projects. To ensure that the area is fit for a wide number of business activities to meet the needs of investors, area is divided into eight main areas: the heavy-medium and light industries complex, the port, the ship dry dock, the oil refinery, the tourism area, the logistic services area, the regional airport, and the residential/commercial area. SEZD has many competitive advantages to be a logistic and marine hub for Arab countries outside Strait of Hormuz. It is a hub for advanced petrochemical industry, manufacturing industry, fish industry and aquaculture projects, logistics services, educational institutions and tourism. For those seeking peace of mind and tranquility, Duqm is an ideal destination where it combines the natural beauty of the region and the modest climate around the year. SEZD provides many incentives for investors such as: exemption from profit tax for up to 30 years and renewable for similar period, 100% freehold by foreigners, easy recruitment of manpower, and imports of raw materials into the zone are tax-free. These facilities and incentives give SEZD a competitive advantage. SEZD is an ideal example of an integrated economic development zone. Government of Oman is trying to achieve the following national objectives from establishing such economic zone: first, economic diversification; second, sustainable economic growth; third, securing job opportunities; fourth, balancing Oman's regional development; finally, increase private sector contribution to GDP.

**Keywords:** Economic zone; big projects; economic diversification; national objectives; Oman.

### I. Introduction

The establishment of SEZD on 26<sup>th</sup> October 2011 reflects the excellent efforts made by Government of Oman to find new sources of income. The government established SEZD in a total area of 2,000 km<sup>2</sup>. It allows the establishment of different big projects and ensures that the zone is ready to host a wide number of business activities to meet the expectations of investors. SEZD is divided into eight main zones which include the oil refinery, the port, the regional airport, the ship dry dock, the heavy-medium and light industries complex, the logistics service area, tourism area, in addition to residential/commercial area. While preparing the design of SEZD, necessary measures have been taken to ensure ecological balance to allow residents and their families to live and work in a safe environment<sup>1</sup>.

SEZD has many competitive advantages to be a logistic and marine hub for Arab countries outside Strait of Hormuz. The zone hosts an advanced petrochemical industries complex that will use secured oil and natural gas supplies. In addition, it has an integrated manufacturing industry area that utilizes the available natural resources. Moreover, SEZD is qualified to become a hub for fish processing industries and aquaculture projects as it has abundant fish resources<sup>2</sup>. With 70 km of coastline along the Arabian Sea and a total land area of 2,000 km<sup>2</sup>, SEZD is considered to be the largest economic zone in the Middle East and North Africa and it is ranked among the largest zones in the world.

<sup>1</sup> According information from official Special Economic Zone Authority Duqm (SEZAD) site: <https://www.devex.com/organizations/special-economic-zone-authority-duqm-sezad-69929>, last visited: 20.06.2019

<sup>2</sup> According information from official Special Economic Zone Authority Duqm (SEZAD) site: <https://www.devex.com/organizations/special-economic-zone-authority-duqm-sezad-69929>, last visited: 20.06.2019

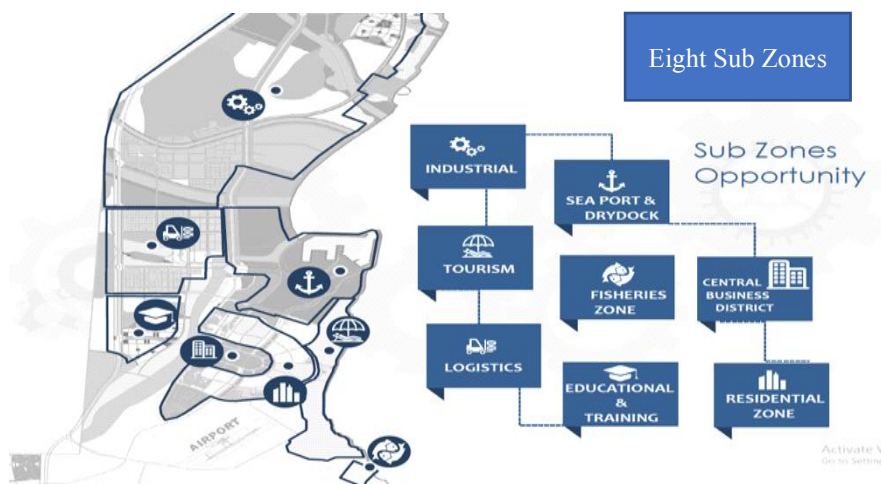
In addition to national economy diversification and job creation for Omanis, SEZD has long been projected as the place that balances regional development in Oman by reviving Al-Wusta governorate. Government of Oman established SEZD and it is trying to achieve the following national objectives from establishing such economic zone: first, economic diversification; second, sustainable economic growth; third, securing job opportunities; fourth, balancing Oman’s regional development; finally, increase private sector contribution to GDP.

Attracting investments requires promoting a wide spectrum of economic activities; therefore, SEZD is managed and supervised by Duqm Special Economic Zone Authority (SEZAD). It develops and regulates all economic activities in SEZD in specific and in Duqm in general. SEZAD also plans, designs, and implements strategies for developing the infrastructure. Besides that, SEZAD maintains environment protection to ensure that Duqm is the right place to visit, live, work, and invest.

The paper is structured to cover five sections. Section Two shows the eight sections of SEZD, while Section Three illustrates the investment’s opportunities and incentives. Section Four demonstrates the national objectives, and Section Five concludes the paper.

## II. SEZD Eight Sections

SEZD is an excellent model of an integrated economic development zone where it consists of the following zones and areas: Industrial Areas, Tourism Area and Spas, Logistics Services, The Sea Port and The Dry Dock, Fishing Port and Fisheries Industries, Educational and Training Town, Central Business District, and Residential Zone. Figure 1 demonstrates the layout of SEZD.



**Figure 1.** The Layout of the Eight Sections of SEZD  
Source: SEZAD (2018)

### 1. Industrial investments

The volume of industrial investments in SEZD is illustrated in Table 1. Refinery and Petrochemical Complex, and China-Oman (Duqm) Industrial Park are the biggest in total investments. Since most of the existing investments in these two main industrial projects, then it sensible to comment on these two projects briefly.

**Table 1.** The Volume of Industrial Investments in SEZD

No.	Name of the Project	Total Investment (OMR)
1	Refinery and Petrochemical Complex	6,541,617,000
2	China-Oman (Duqm) Industrial Park	4,117,402,800
3	Various Industrial Projects up to 85 Projects	534,235,360
Total		11,193,255,160

Source: SEZAD (2018)

### • Refinery and Petrochemical Complex

One of the growth engines of SEZD is the Refinery and Petrochemical Industries Company which is a Joint Venture between Kuwait Petroleum International and Oman Oil Company. The project will have the capacity to process 230,000 barrels of crude oil per day. The main products of the company are: Diesel, Jet Fuel, Naphtha, and LPG<sup>3</sup>.

Refinery and Petrochemical Industries Company will provide development opportunities for new projects that will interface with the refinery. These projects will benefit from the refinery's products and in return they will provide different logistic services to the refinery. The company will adhere to the international standards and therefore giving Duqm a name and brand as a major player in the field of Petrochemical industries <sup>4</sup>.



**Figure 2.** The Planned Industries in China-Oman (Duqm) Industrial Park

### • China-Oman (Duqm) Industrial Park

With a total investment of 10.7 Billion US\$, in a land area of 1,172 hectares, with 12,000 employees are few statistics about China-Oman (Duqm) Industrial Park. Figure 2 and Figure 3 are representing the planned industries in China-Oman (Duqm) Industrial Park, and the first 10 Projects of China-Oman (Duqm) Industrial Park respectively<sup>5</sup>.

<sup>3</sup> Duqm Refinery official site, <https://www.duqmrefinery.om/company-profile/>, last visited: 20.06.2019

<sup>4</sup> Duqm Refinery official site, <https://www.duqmrefinery.om/company-profile/>, last visited: 20.06.2019

<sup>5</sup> China-Oman (Duqm) Industrial park, 2016, <https://www.portofduqm.om/userfiles/7-%20Oman%20Wangfang.pdf>, last visited: 20.06.2019



**Figure 3.** The first 10 Projects of China-Oman (Duqm) Industrial Park  
Source: SEZAD (2018)

## 2. Tourism

With a natural beauty of the region and modest climate in winter and summer, Duqm is an ideal working destination for the workers and their families. In order to make Duqm an attractive tourist destination, there is a special attention to preserve the clean beaches with their migrant birds and its historic antiquities. The pre-historic Rock Garden is one such attraction<sup>6</sup>.

The allocated tourist zone occupies 24 km<sup>2</sup> and includes an 18 km long of beach along the Indian Ocean. The three hotel resorts which are ready: Crowne Plaza Duqm Hotel, Park Inn Duqm Hotel, and City Hotel. Crowne Plaza Duqm Hotel is built to meet the needs of both business and recreational visitors' facilities. The second resort is Park Inn Duqm Hotel which is a five-star hotel with a private beach and features a golf course and leisure facilities. SEZAD plans to include a large public beach area which includes a variety of water sports to meet the workers and their families' recreational interests<sup>7</sup>.

## 3. Logistics Zone

Duqm strategic location on a busy trade route with an airport, seaport and first-class infrastructure creates a unique logistical supply gateway to Gulf Cooperation Council (GCC) countries. For example, Duqm Airport is designed to accommodate all types of aircraft and to serve 500,000 travelers per year. It also has a cargo terminal with an initial 50,000 ton capacity. This state-of-the-art Airport will further boost Duqm tourism and bring the region closer to the world. Therefore, it plays a key role in Duqm's transport system. The airport connects Duqm nationally as well as internationally.

## 4. The Sea Port and Dry-dock

Port of Duqm is becoming an important port in the Middle East Region. The port is managed by a joined venture company. The company has been established between the government of Oman and the Consortium Antwerp of Belgium. To enhance efficiency and reduce operation costs, a special attention is being paid towards designing and constructing outstanding facilities relying on latest technologies, including IT systems<sup>8</sup>.

<sup>6</sup> Duqm Special Economic Zone Authority official site, Hotels & Resorts, <https://duqm.gov.om/duqm-sez/projects/hotels-resorts>, last visited: 20.06.2019

<sup>7</sup> Duqm Special Economic Zone Authority official site, Hotels & Resorts, <https://duqm.gov.om/duqm-sez/projects/hotels-resorts>, last visited: 20.06.2019

<sup>8</sup> Duqm Special Economic Zone Authority official site, Port of Duqm, <https://www.duqm.gov.om/duqm-sez/projects/port-of-duqm>, last visited: 20.06.2019

The Dry Dock at Duqm is the second largest in the Middle East and North Africa (MENA) Region. The Government of Oman established Oman Dry Dock Company (ODC) to manage and operate the Dry Dock facility. The Dry Dock consists of two docks: the first dock is 410 meter by 95 meter, while the second is 410 meter by 80 meter that includes quays for additional ships to be repaired. The dry dock comprises of hull processing, painting, machining, and pipefitting in addition to number of shops.

#### **5. Fisheries Zone**

The Arabian Sea is rich with varieties of fisheries including shellfish which are in high demand from neighboring countries, Asia, as well as Europe. Government efforts are to bring Duqm into a recognized place of a fishing sector. The fisheries zone will include a harbor that accommodates different size of boats, fish and shrimp farming, land area for fish industry, and retail, wholesale and export markets.

To exploit the comparative advantage of the Fisheries Zone in SEZD, a marine research center is established. In addition, the zone will include a training center. The Fisheries Zone will apply the international standards of quality assurance for fish processing and exports.

#### **6. Educational and Training Zone**

Currently, Duqm has several public educational facilities providing basic education in Arabic with a plan to provide in future private multi-lingual educational facilities. The educational facilities are to address the needs to provide education that meets international standards for Omanis and non-Omanis. In addition, higher education institutions and training, research and development centers will be established. Omani youth are currently trained in Duqm before they commence their higher education studies abroad<sup>9</sup>.

The main objective of the educational and training zone is to provide local with the required skills for the job market and industries. It also provides engineering and troubleshooting services. Advanced IT and communications, green technologies, marine sciences and business administration will be the main emphases of the zone.

#### **7. Central Business District**

The central business district is developed to be the backbone of SEZD. The zone includes a city with high profile facilities including administrative offices, public library, malls, park and a hospital. The district also includes mosques, a youth stadium and indoor-outdoor sport facilities. The total area of the central business district is 23 km<sup>2</sup>.

The new city is a model of contemporary urban plan with a sustainable community as special consideration is given to Omani culture. The government plans of the city consider the local environment and substance the expansion and commercialization of Al-Wusta Region.

#### **8. Residential Zone**

Renaissance Village Duqm has been built in the residential zone at SEZD. The village includes accommodation, medical clinics, retail outlets and other facilities. It is a modern attractive residency for staff comfort and convenience. The village has many benefits such as:

- International standard accommodation for all types of staff.
- Facilities and services for food, laundry, and utilities.
- Close to tourism zone, port, and major road.
- The charge of the accommodation as per the day used.
- Core business focus.
- Adds to In Country Value (ICV).

### **III. Investment's Opportunities and Incentives**

SEZAD has prepared a comprehensive plan to accommodate a variety of investment opportunities in SEZD. The plan is prepared for both investor's orientation and needs. There are many investment opportunities in SEZD as per the eight zones discussed earlier. There are many incentives and advantages to invest in SEZD. The subsections below illustrate these incentives and advantages.

#### **• Incentives and Exemptions**

In order to attract investors in SEZD as part of national economy diversification, SEZAD provides investors with an integrated package of facilities and incentives. In fact, the package has been tailored to

<sup>9</sup> **Oman Observer.** (2018). *First batch of students complete training programme in China.* [online] Available at: <http://www.omanoobserver.om/first-batch-of-students-complete-training-programme-in-china/> [Accessed 28 Jan. 2019]

meet the needs of major investors. The package has also been benchmarked with similar economic zones. The incentives as per (Duqm.gov.om, 2019) include:

1. Exemption from profit tax for 30 years and renewable for similar period.
2. No personal income tax.
3. Up to 100% foreign ownership.
4. Exemption from customs tax on goods imported to and exported from SEZD.
5. Exemption from minimum capital requirement.
6. Exemption from procuring, trading, and exchange of foreign currencies.
7. No tax for transferring capital and profits outside Oman.
8. Exemption from the application of the Commercial Agency Law.
9. 10% only is the Omanization of the total workforce.
10. No restrictions to transfer any amount of funds outside Oman.
11. Usufruct right of the land up to 50 years renewable for similar periods.
12. Freedom to import all kinds of goods without prior approval or permit.
13. Imported goods have no restrictions related to the retention period in the zone.
14. Finished products in SEZD are treated as locally produced products.
15. The enterprises have the right to open representation office inside the custom jurisdiction
16. Speedy and efficient processing of manpower applications.
17. The custom system ensures speedy processing of goods and transactions.

**• Advantages of Investing in SEZD**

There are many advantages that investors can gain by investing in SEZD, the points below summarizes these advantages:

1. Strategic geographical location which is close to consumers in Asia, Africa, and Middle East markets
2. largest economic zone in the Middle East and North Africa with an area of 2000 km<sup>2</sup>,
3. The Diversity of the eight zones in SEZD will ensure complementary investment opportunities.
4. Through one-stop station, investors can obtain all the required permits, licenses, approvals and visas as well as registration of companies.
5. Political stability of Oman and its outstanding relations with all countries.
6. Ease of linking SEZD to different international markets.
7. Presence of a Labor Department in SEZD to issue the necessary permits for the workforce.
8. Presence of the customs administration system to ensure quick and effective customs inspection.

**• Land lease rates**

Varieties of economic activities are allowed in SEZD regardless the type (industrial, commercial services, logistics, or tourism) or the size (small, medium, or large) of the project. The Zone presents a group of features including land utilization. All types of lands in SEZD are based on long-term rent contracts; therefore, investors do not need to purchase a land. Table 2 illustrates the different prices according to sectors.

**Table 2.** Different Rent Prices According to Sectors

Sector	Heavy Industry	Medium Industry	Light Industry	Warehouse & Stores	Commercial Lands	Residential Complexes	Tourism Lands	Tourism (Beach Lands)	Clean Energy
<b>Lease pricing RO / m<sup>2</sup> / year</b>	0.5	0.85	1	1	1	1	0.75	1.5	0.1

Source: SEZAD (2018)

#### IV. Achieving The National Objectives

Establishing SEZD is one of Government of Oman's plans to diversify the country's economy. SEZD is also expected to generate sustainable employment opportunities for Omani youths. SEZAD effort is to attract quality projects and investments that would help the country transition to post-oil economy. The following are the national objectives from establishing SEZD: first, economic diversification; second sustainable economic growth; third, securing job opportunities; fourth, balancing regional development; finally, increase private sector contribution to GDP.

##### a. Economic Diversification

To diversify the economy, Government of Oman is attracting many international companies to invest in Duqm's projects<sup>10</sup>. The government is also working on finishing the entire key infrastructure project to attract more investments<sup>11</sup>. SEZAD also is committed to support small and medium enterprises (SMEs) in projects established in SEZD. A special registrar has been established for registering and creating database for SMEs and shares their names with companies starting projects in SEZD. Government-owned companies and government projects at SEZD are obligated to allocate at least 10% of their total purchases and tenders for SMEs<sup>12</sup>. The aim is to enhance skills and capabilities of SMEs to contribute to the economic diversification.

Tourism sector is also considered to contribute to economic diversification. Little India and SEZAD signed an agreement to develop Integrated Tourism Complex (ITC) with an investment of 288 million Omani Rials. The project will include integrated residential complex, five-star hotel, resort, commercial space and yacht marina<sup>13</sup>.

##### b. Securing Job Opportunities

Generating sustainable employment opportunities is one of the main outcomes of SEZD establishment. SEZD projects are expected to create up to 20,000 job opportunities for young Omanis. SEZAD has a partnership of joint venture with China to build the China-Oman Industrial Park that will create up to 12,000 jobs<sup>14</sup>. There is an agreement of sending 1,000 Omanis to China to be trained with the required skills then to be recruited in the Industrial Park (Oman Observer, 2017 and Oman Observer, 2018). 3,000 more job opportunities will be created in the construction projects in addition to 2,000 jobs in Duqm Dry-dock. SEZD also has signed an agreement with Al Shomookh Mining Industries Company to implement seven industrial projects that is expected to create 2000 jobs for Omanis (Muscat Daily, 2018)<sup>15</sup>.

Petroleum Development of Oman (PDO) and SEZAD have also signed a Memorandum of Understanding (MoU) in 2017 to qualify young Omanis to get job opportunities in SEZD projects (Muscat Daily, 2017)<sup>16</sup>. PDO will be providing financial support for Omani youths in coordination with SEZAD. Such initiatives will link the education and training system with the skills required to the job market.

##### c. Sustainable Economic Growth

According to SEZAD, it is expected that SEZD will contribute % to the GDP at the initial stage. The contribution will grow annually. Table 3 illustrates the investment's growth in SEZD during the period from 2012 to 2016. Table 3 shows that the total investment 3.145 Billion US\$.

<sup>10</sup> Times of Oman. (2018 a). *Sezad invites US businesses to Duqm*. [online] Available at: <https://timesofoman.com/article/250497> [Accessed 27 Jan. 2019]

<sup>11</sup> Times of Oman. (2018 b). *Study highlights Oman's transition to post-oil economy*. [online] Available at: <https://timesofoman.com/article/141398> [Accessed 29 Jan. 2019].

<sup>12</sup> Anonymous, (2018). [online] Available at: [https://riyada.om/error\\_path/503.html?al\\_req\\_m\\_id=XF@r\\_lgofCEYAAIrBjyMAAAGh](https://riyada.om/error_path/503.html?al_req_m_id=XF@r_lgofCEYAAIrBjyMAAAGh) [Accessed 27 Jan. 2019]

<sup>13</sup> Ventures ONSITE. (2017). *SEZAD and Little India to develop ITC in Oman*. [online] Available at: <https://www.venturesonsite.com/news/sezad-and-little-india-to-develop-itc-in-oman> [Accessed 27 JAN. 2019]

<sup>14</sup> Viswanathan, G. (2018). *20,000 jobs for Duqm, Oman's supercity of the future*. [online] Times of Oman. Available at: <https://timesofoman.com/article/105451> [Accessed 27 Jan. 2019]

<sup>15</sup> See: <https://archive.muscatdaily.com/>

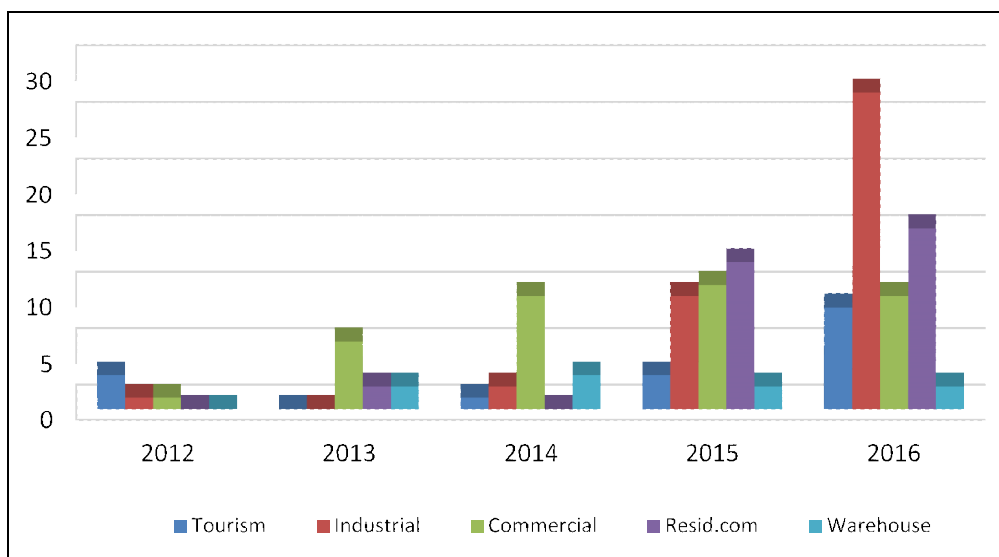
<sup>16</sup> See: <https://archive.muscatdaily.com/>

**Table 3.** Investment’s Growth in SEZD

Year	2012	2013	2014	2015	2016
Investment in million US\$	107	269	340	629	1800

Source: SEZAD (2018)

Figure 4 illustrates the structure of the investment in SEZD from 2012 to 2016. It can be noticed that most of the investments were in tourism, commercial and residential sectors; however, with the completion of most infrastructure within SEZD, most of the investment is directed into the industrial sector.



**Figure 4.** Investment’s Structure in SEZD

Source: SEZAD (2018)

#### d. Increase Private Sector Contribution to GDP

According to the World Bank (2017)<sup>17</sup> Oman’s GDP represent only 5% of the total GCC’s GDP. The size of the economy is considered the second smallest economy after Bahrain. In addition, 76% of the government revenue is coming from oil and gas, and non-oil revenue represents 24% only<sup>18</sup>. By hosting different types of companies in the eight sections of SEZD, it is expected that companies will be producing products and offering services. Therefore, this will lead to increase the size of the private sector as well as its contribution to GDP.

Moreover, SEZAD is still offering strategic partnership investment opportunities to the private sector to enter into Public-Private-Partnership (PPP) in the following areas:

1. Renewable energy: wind and solar
2. Power Generation and Desalination
3. Industrial and hazardous waste management
4. Air cargo facilities
5. New dry dock facilities
6. Education and training
7. New port facilities

#### Conclusion

Government of Oman established Duqm Special Economic Zone to achieve many national objectives including: economic diversification, sustainable economic growth, securing job opportunities for Omanis,

<sup>17</sup> World Bank (2017), Gross Domestic Product (GDP) [online] Available at: <https://data.worldbank.org/indicator/NY.GDPMKTP.CD>

<sup>18</sup> MoF (2019), Ministry of Finance 2019 Budget Report. Sultanate of Oman.



balancing Oman's regional development, and increasing private sector contribution to GDP. In order to achieve these objectives, the government highly invested in the infrastructure. In addition, it provides many incentives for foreign investors.

Strategically located close to many international markets, SEZD enjoys a set of comparative and competitive advantages. It is considered as one of the largest economic zones in the MENA Region with a total area of 2,000 km<sup>2</sup>. It is also classified as one of the largest economic zones in the world. SEZD is connected with a developed transport network including land, sea, and air transportation and rail roads<sup>19</sup>.

## REFERENCES

1. Anonymous, (2018). [online] Available at: [https://riyada.om/error\\_path/503.html?al\\_req\\_id=XF@r1gofCEYAAIrBjyMAAAGh](https://riyada.om/error_path/503.html?al_req_id=XF@r1gofCEYAAIrBjyMAAAGh) [Accessed 27 Jan. 2019].
2. Anonymous (2017). *SEZAD signs pacts for two projects worth RO133mn – Oman*. [online] Muscat Daily News. Available at: <https://m.muscatdaily.com/Archive/Oman/SEZAD-signs-pacts-for-two-projects-worth-RO133mn-5bvj> [Accessed 27 Jan. 2019].
3. Anonymous (2018). *SEZAD, PDO sign pact to train jobseekers – Oman*. [online] Muscat Daily News. Available at: <https://m.muscatdaily.com/Archive/Oman/SEZAD-PDO-sign-pact-to-train-jobseekers-4yy9> [Accessed 28 Jan. 2019].
4. Duqm.gov.om. (2019). *Duqm Special Economic Zone Authority – Invest – Incentives*. [online] Available at: <https://www.duqm.gov.om/invest-1/incentives> [Accessed 30 Jun. 2019].
5. MoF (2019), Ministry of Finance 2019 Budget Report. Sultanate of Oman.
6. Oman Observer. (2017). *SEZAD, Oman Wanfang send 88 Omanis for training in China*. [online] Available at: <http://www.omanobserver.om/sezad-oman-wanfang-send-88-omanis-training-china/> [Accessed 27 Jan. 2019].
7. Oman Observer. (2018). *First batch of students complete training programme in China*. [online] Available at: <http://www.omanobserver.om/first-batch-of-students-complete-training-programme-in-china/> [Accessed 28 Jan. 2019].
8. SEZAD (2018), SEZAD different publications, issued by Media and Awareness Dept., Special Economic Zone in Duqm Authority, Oman.
9. Times of Oman. (2018 a). *Sezad invites US businesses to Duqm*. [online] Available at: <https://timesofoman.com/article/250497> [Accessed 27 Jan. 2019].
10. Times of Oman. (2018 b). *Study highlights Oman's transition to post-oil economy*. [online] Available at: <https://timesofoman.com/article/141398> [Accessed 29 Jan. 2019].
11. Ventures ONSITE. (2017). *SEZAD and Little India to develop ITC in Oman*. [online] Available at: <https://www.venturesonsite.com/news/sezad-and-little-india-to-develop-itc-in-oman> [Accessed 27 JAN. 2019].
12. Viswanathan, G. (2018). *20,000 jobs for Duqm, Oman's supercity of the future*. [online] Times of Oman. Available at: <https://timesofoman.com/article/105451> [Accessed 27 Jan. 2019].
13. World Bank (2017), Gross Domestic Product (GDP) [online] Available at: <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD>.

<sup>19</sup> Duqm Special Economic Zone Authority official site, <https://duqm.gov.om/sezad/about-us/welcome-to-duqm>, last visited: 20.06.2019