



Woman entrepreneur's merchandise on display at IFC's *Women Get the Business Edge* Workshop (May 2005)

## Gender Entrepreneurship Markets (GEM)

International Finance Corporation (IFC)

### GEM Country Brief — OMAN 2005

This Gender Entrepreneurship Markets (GEM) Country Brief series is intended to provide an overview of the status of women's entrepreneurship in countries of the Middle East and North Africa (MENA) region. The focus of IFC's PEP-MENA GEM Program is to expand women's participation in the private sector by providing support to growth-oriented small and medium enterprises and by expanding women's employment opportunities.

#### Labor Force Participation

Since the 1970s Oman's educational system has undergone a phenomenal transformation with increasing numbers of women being educated. Despite these significant gains in women's education, the participation rate of women in the labor force in Oman remains low. In 2000, such rate was 13% compared to a rate of 58.8% for men. It is estimated that more than 70% of female high school graduates and women with higher education are employed in the public and private sectors. The unemployment rate, at 70% is high for females with secondary school degrees, compared to an unemployment rate of 3.7% for female university graduates.

The Omani population was estimated by the Population Reference Bureau of the Arab World to double within 14 years from 1996, which is much faster than in any other nation in the Gulf, the Arab world on average, or the developing world as a whole. Consequently, considerable additional efforts are required in the near future to meet the jobs gap in Oman if both the new entrants and some of the unemployed are to find jobs. In light of these statistics, women's entrepreneurship emerges as an important vehicle for promoting economic growth in Oman.<sup>1</sup>

In Oman, with the exception of the oil sector and the major establishments (such as Oman Mobile and Nawras), both men and women tend to prefer government sector jobs over private sector employment given the opportunities for career advancement, higher pay, pension schemes, and generous fringe benefits offered by government jobs. Approximately 56% of Omani nationals are employed in the government sector (80% "Omanized",<sup>2</sup> 20% expatriates)

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<sup>1</sup> According to the International Labour Organization, Fact Finding Mission Report, Oman 2003, the magnitude of Oman's employment challenge is immense. While the Government seeks to reduce employment in the public sector, demographic pressure translates into a world record labor force growth of 4.9% per annum in the present planning period (2001-2005), amounting to about 40,000 new entrants into the labor market every year. The Omani population skyrocketed from 0.9 million in 1975 to 2.5 million in 2001 (including 630,000 foreigners) and is projected to rise to 3.9 million in 2015 and approximately 5 million by 2030. The annual average population growth rate between 1975 and 2001 was 4.1%. It is projected to come down to 2.7% in the period from 2001 to 2015. While population growth is expected to decline, the figures are nonetheless staggering. Seen worldwide, Oman's current population growth rate is exceeded only by the Occupied Palestinian Territories, Yemen and the 9 poorest countries in sub-Saharan Africa.

In the period of the Fifth Five-Year Plan (1996-2000), the average annual employment growth rate in Oman was 2.3%. The rate projected for the present Five-Year Plan period (2001-05) is 3%, which amounts to 109,235 jobs. This target of job growth falls considerably short of the rate at which the labor force is projected to increase.

<sup>2</sup> Omanization is the program toward replacing expatriates with trained Omani manpower. It has been operational since 1988, and has high priority on the Government's agenda.

compared to 44% in the private sector (only 10% Omanized).<sup>3</sup> Of the total female labor force, 66% work in the public sector and 34% in the private sector.<sup>4</sup>

- Similar to the private sector, the majority of women in the public sector have at least a high school degree or higher. Thirty-seven percent (37%) are secondary school graduates and 44% university graduates.
- Since 2002, the public sector has increased the recruitment of female university graduates over primary and secondary school graduates.
- In 2000, the female labor participation rate was 29% compared to a meager 6.3% in 1980.

Female participation in the private sector is low; the figure in 2003 was 18%. Women work mainly in administrative jobs, 39% and only 11% are specialists. Many employers believe that women will leave work once they get married or have children, so they invest minimally in training their female staff. The problem is further exacerbated as men are still considered the main breadwinners of the family, thus are prioritized over women when seeking a job. Furthermore, women's lack of technical skills as well as inadequate education becomes a barrier to their participation in the labor market—confining them in most case to low level, low paid jobs.

### **Women-owned Businesses in Oman**

Although all businesses have to register with the Chamber of Commerce, there is a lack of gender disaggregated data on business ownership. Information for the IFC Oman GEM Study (May-June 2005) was obtained through interviews and discussions with the Ministry of Commerce and Industry as well as the Chamber of Commerce and Industry. There are about 120,000 registered businesses, of these, it is estimated that only 75-80,000 are active businesses. The number of women-owned and operated establishments is approximately 4000. The number of businesses owned and operated by women could be much smaller than 4000, as a lot of male-owned businesses are registered in the wife's name. In addition, some women are sponsors of small enterprises run by expatriates. The majority of female operated SMEs is small in size and operates with 1 to 2 workers. They are mainly classified as "fourth class enterprises" with a starting capital of less than RO 25,000 (US \$65,000).<sup>5</sup>

IFC GEM research with stakeholders and businesswomen found 70% of female entrepreneurs are concentrated in the service sector with 30% concentrated in education and child care. Businesswomen in Oman can be grouped roughly into 4 categories:

1. The first category is characterized by daughters of wealthy businessmen who run large family enterprises. These large enterprises have grown into successful, established "conglomerates". These started out as small businesses set up in the mid-70s and 80s. There are five to six leading families, whose enterprises operate in oil & gas, manufacturing, exports, banking, as well as in the service sector. They operate mainly as agents and distributors of multinational companies.
2. The second group of women SME owners is comprised of highly educated women, with university and post-graduate degrees. They have specialized agencies offering audit and engineering consultancies, events management, human resource development and recruitment agencies, as well as private schools. This group of women SME owners has been in the market from 3 to 10 years.

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<sup>3</sup> Ministry of National Economy, Statistics

<sup>4</sup> Nawab, Nabil, Developing and Increasing Women's Participation in SMEs, ESCWA Report.

<sup>5</sup> Information obtained from Interviews with officials from the Chamber of Commerce and Industry and the Ministry of Commerce and Industry.

3. The third category consists of secondary school graduates who cannot find public sector employment and opt for establishing their own small enterprises. They are concentrated in the service and retail sectors, and are also engaged in operating nurseries and kindergartens, hairdresser and beauty salons. The majority of these enterprises have been in the market for 3 years, and some have been in the market for less than 2 years.
4. The fourth group consists of primary school dropouts, especially in the governorates, who are unemployed as they have no adequate skills for the labor market. Many of these young women have opened religious schools in the governorates, mainly out of Muscat. Some also opt to open small shops for the sale of ready made garments, groceries and tailoring ateliers.

### **Opportunities and Obstacles to Women's Enterprises and Business Expansion**

IFC research found a number of constraints to the start-up and expansion of women-owned businesses in Oman. Women interviewed cited the lack of start-up capital and expansion funds, as well as cash flow (liquidity) as major constraints. Other obstacles identified were a lack of business skills among female entrepreneurs, a shortage of business development services, a lack of businesswomen's associations as well as opportunities to network. In addition, women's role as primary caregivers and their domestic roles, means they have less time than men to seek finance, networks, navigate bureaucracy and invest in their training to develop businesses. These issues combined, make it more difficult for women to expand their businesses.

**a) Access to Finance.** Women SME owners find it difficult to access institutional finance in Oman for start-ups and for business expansion. There are 6 leading commercial local banks but none has financial instruments specifically targeting women SME owners.<sup>6</sup> The main institutions providing SME lending to both women and men entrepreneurs, include: the Oman Development Bank (ODB), the government Self-Employment and National Autonomous Development (SANAD) Program, and a private Fund for Development of Youth Projects.<sup>7</sup>

Most of the businesswomen interviewed for the GEM Assessment mission started their businesses through personal savings, family finance, or a combination of the two. Women tended to avoid commercial bank loans due to the high collateral requirement and guarantees required, as well as the perceived high annual interest rates charged. The annual interest rate on personal loans is approximately 9%. Many of the women

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<sup>6</sup> The six commercial leading local banks are: Bank Muscat, Oman International Bank (OIB), National Bank of Oman (NBO), Bank Dhofar, Oman Arab Bank (OAB) and the Oman Development Bank (ODB).

<sup>7</sup> The following are the main SME lenders:

- The Oman Development Bank (ODB) is a commercial bank that provides entrepreneurs with soft loans. The loans disbursed to entrepreneurs go up to RO 250,000 (US\$ 650,000) with generous repayment terms and a 3% annual interest rate. The ODB encourages projects in the manufacturing sector. There is no particular program targeting women entrepreneurs, both genders are encouraged to set-up SMEs. The five other banks give out loans to entrepreneurs but as small businesses are considered high risk factors, both the collaterals and the annual interest rates tend to be ranging between 8% and 13%.
- The SANAD program was set up in 2001 by the government to help promote and foster the development of small scale enterprises in Oman. Young men and women from 18 – 40 years of age are encouraged to start their own business and are given a maximum loan of RO 5,000 (approximately US\$ 13,000). The loan repayment is over a period of 7 years with an annual interest of 2%. Forty per cent of the SANAD beneficiaries are women.
- The Fund for Development of Youth Projects (YF) is a private initiative to support young Omani men and women in starting small and medium enterprises. It provides equity financing starting from RO 20,000 (US \$52,000). The investment agreement gives the entrepreneur the flexibility to buy back the equity in his or her enterprise at market value during a period of 5 years. The beneficiaries are exempted from taxes for about 5 years. The YF has not been able to attract women as entrepreneurs.

complained of high interest rates on the personal loans, however, they found personal loans more affordable than the commercial loans. Some of the businesswomen were able to secure personal loans from banks, which they used to finance their small enterprises. Usually, these women were able to access personal loans because they held public or private sector positions and thus had regular incomes.

**b) Access to Markets.** Access to markets is one of the key constraints identified by women business owners. Women interviewed identified product quality, export know-how as impediments to their businesses and accessing other markets. Businesswomen's associations in Oman could play an important role in assisting their members learn about and access export markets.

**c) Access to Networks.** Women entrepreneurs interviewed identified weak access to networks as a hurdle to their businesses growth. A significant disadvantage related of Omani women entrepreneurs is that most of them are concentrated in the service sector and are typically small in size. There is a lack of networks and forums where women can share their learning and exchange information. The development of an effective business association in Oman could do much to expand the capabilities of women-owned SMEs by linking them with other businesses to share knowledge, exchange goods and services and develop joint-ventures. In addition, the business association can help fill the gap in the large demand for business skills training and affordable consultancies. Women interviewed identified consultancy needs in a number of areas including conducting feasibility studies, business planning, accounting, production, quality control and marketing.

### **Country Policy and the Promotion of Women-owned Businesses**

The Government of Oman appears to recognize the importance of women's economic contribution. His Majesty Sultan Qaboos has called upon female citizens to lend their full support to the continuing development of their country, describing them as representing "half of Oman's potential". The Government also identified the role of privatization and liberalization of its policies to accelerate the rate of economic growth. It encouraged men and women equally to participate in the process of Oman's economic development. The country's fifth five year plan (1996-2000) emphasized the role of economic diversification and private sector development, and highlighted the importance of participation by Omani women and men in private sector development. To date, however, there is no articulated policy on women and SME development.<sup>8</sup> Information available on SMEs is limited, and financial as well as non-financial support to SMEs in general is weak.

There is no separate policy framework drawn up for SMEs, however the importance of SMEs is acknowledged as it figures in the sixth five year plan, (2001-2005) which is currently being implemented. As a step in the development of SMEs, the Ministry of Manpower set up, in 2001, the SANAD program. Though not specifically targeted to women, according to the Ministry of Manpower, during the period from 2002-2004, the SANAD program has benefited 8581 entrepreneurs, of which 37% of the funds were provided to women. In theory, the SANAD program is mainly lending to micro-enterprises. However, in Oman the abbreviation "SME" is used to refer to small and micro enterprises in contrast to the more commonly accepted international use of the abbreviation for small and medium enterprises.<sup>9</sup>

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<sup>8</sup> It is interesting to note that Oman is the first Arab country to appoint a woman as its overseas ambassador and currently three women hold positions on the Council of Ministers, with a fourth one holding an equivalent role as the President of the Public Authority for Crafts Industries. There are also two women undersecretaries in the government.

<sup>9</sup> There is no single definition of an SME in Oman. The definition of micro, small and medium enterprises in Oman is not consistent among the various government agencies. In addition, the terms micro and small are freely interchanged and no distinction is made between them. Entrepreneurs and stakeholders use the abbreviation "SME" to refer to "small and *micro* enterprises, in contrast to the more commonly accepted international use of the abbreviation for "small and medium enterprises." In Oman, there are two classifications—one according to the number of

Government regulations concerning commercial registration and licensing are not cumbersome in Oman. Both men and women have to go through the same registration procedure. Most of the approvals and permits for setting-up any type of business (except professional services companies) within the Muscat governorate can be obtained from the “One-Stop-Shop” (OSS) located at the Ministry of Commerce and Industry.

### **Businesswomen’s Associations**

Women entrepreneurs have articulated it as an urgent need to establish a businesswomen’s association. The Oman Women’s Business Association is in the process of being established.

### **Donor Activities for Assistance to Women Entrepreneurs**

There are many donors in Oman, embassies and few UN organizations, however none of them work with MSMEs. Some of the donors such as the American Embassy have small programs focusing on women training in Leadership Skills and provide capacity building for local groups, i.e. NGOs and the Women’s Association. There is a disproportionate gap in service provision delivery to growth-oriented women-owned and managed enterprises.

Another actor filling the gap in entrepreneurship training is Shell Oil Company. Through its *Intilaaqah* (Arabic for “rapid take-off”) program, started in 1995, it helps young entrepreneurs professionalize the operation of their start-up businesses by providing them with training, counseling and consultancy services.<sup>10</sup>

### **IFC PEP MENA GEM Program**

Through targeted technical assistance to women owned SMEs, the IFC GEM program seeks to address gender-based economic barriers and to develop the capacity of women entrepreneurs to contribute to economic growth and jobs creation in MENA region. Launched in September 2005, the GEM program has identified priority areas of intervention with high impact and has articulated regional and sectoral projects.

### **Engendering PEP-MENA’s Program**

The GEM Program also seeks to engender ongoing PEP-MENA technical assistance initiatives and programs. Current initiatives include working with the leasing program to develop a gender dimension. Work is also underway to develop a tool to assess the “gender-friendliness” of banking institutions. The intent is to enhance financial service institutions’ understanding of its women customer base in order to better meet the needs of women clients. In addition, the GEM program seeks to develop monitoring and evaluation indicators to track gender issues across its programs.

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employees and another according to the level of capital investment: The definition of SMEs according to the Free Trade Association is as follows: Small enterprise: Up to 10 employees; Medium enterprise: from 11-99 employees; Large enterprise: Above 99 employees. By contrast the definition of SMEs according to the common understanding of the Oman Tender Board is as follows: Small enterprise: Up to 15 employees/Turnover of 100,000 RO per year; Medium enterprises (Grade 2) —up to 100 employees/Turnover of up to 500,000 OR per year; Medium enterprises (Grade 1)—up to 250 employees/Turnover of up to 1,000,000 OR per year and Medium enterprises (Grade Excellent)—over 250 employees/Turnover of more than 1,000,000 OR per year.

<sup>10</sup> See <http://www.shell-livewire.com/new/reach/oman/>

## Sources

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The Oman GEM Fact Sheet is based on the following sources:

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## List of Useful Resources

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### IFC GEM Initiative

For more information on the IFC corporate-wide GEM initiative see: <http://www.ifc.org/GEM>

### Gender Enterprise Markets (GEM) Manual

The IFC GEM qualitative mapping methodology that has been codified into a practical manual "The Gender Entrepreneurship Markets Study." The manual, available in print and CD-ROM, provides a systematic framework, tools and guidelines to conduct gender entrepreneurship country assessments. The manual is designed to help program developers design targeted technical assistance to promote gender equality. Copies are available for internal IFC distribution through the GEM Program. Please contact the GEM Program at:

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### **List of Businesswomen's Associations**

The Women's Business Association (the association was in the process of being established at the time of the writing of the Oman GEM assessment report).

### **Other Women's Associations**

The Omani Women's Association (OWA) is a voluntary organization which was established in 1970. At the end of 2003 there were 39 local OWA groups, with 2, 738 members. The OWA has a branch in each governorate of Oman, and it has played a significant role in women's development in the country. OWA could play an instrumental role as a networking institution for women who are employed and who run their own businesses.

### **Government Agencies**

The General Directorate for Women and Children's Affairs was established in 1985. The directorate under the auspices of the Ministry of Social Affairs and Labor has set up a network of women development centers throughout the country. The Directorate seeks to address issues of motherhood and childcare, including the social, intellectual and entrepreneurial development of women