

Oman

RISK & COMPLIANCE

DATE: March 2018

Executive Summary - Oman

Sanctions:	None
FAFT list of AML Deficient Countries	No
Higher Risk Areas:	Not on EU White list equivalent jurisdictions
Medium Risk Areas:	<p>Compliance with FATF 40 + 9 Recommendations</p> <p>Weakness in Government Legislation to combat Money Laundering</p> <p>Corruption Index (Transparency International & W.G.I.)</p> <p>World Governance Indicators (Average score)</p> <p>Failed States Index (Political)(Average score)</p>
<p>Major Investment Areas:</p> <p>Agriculture - products:</p> <p>dates, limes, bananas, alfalfa, vegetables; camels, cattle; fish</p> <p>Industries:</p> <p>crude oil production and refining, natural and liquefied natural gas (LNG) production; construction, cement, copper, steel, chemicals, optic fiber</p> <p>Exports - commodities:</p> <p>petroleum, re-exports, fish, metals, textiles</p> <p>Exports - partners:</p> <p>China 31.9%, Japan 12.9%, UAE 10.1%, South Korea 10%, Thailand 4.4%, Singapore 4.4% (2012)</p> <p>Imports - commodities:</p> <p>machinery and transport equipment, manufactured goods, food, livestock, lubricants</p> <p>Imports - partners:</p> <p>UAE 23.6%, Japan 12.6%, India 8.5%, China 6.4%, US 6.1% (2012)</p>	

Investment Restrictions:

Oman actively seeks foreign investment and is in the process of improving the framework to encourage such investments. Oman promotes higher education, manufacturing, healthcare, aquaculture, renewable energy, ICT, and tourism as areas for investment. Investors transferring technology, developing management expertise, and providing training for Omanis are particularly welcome..

Contents

Section 1 - Background	5
Section 2 - Anti – Money Laundering / Terrorist Financing	6
FATF Status.....	6
Compliance with FATF Recommendations.....	6
Key Findings from latest Mutual Evaluation Report (2011):	6
US Department of State Money Laundering assessment (INCSR)	8
Key Findings from other US State Department Reports:.....	11
International Sanctions.....	14
Bribery & Corruption.....	15
Section 3 - Economy	18
Section 4 - Investment Climate	19
Section 5 - Government	39
Section 6 - Tax	40
Methodology and Sources	42

Section 1 - Background

The inhabitants of the area of Oman have long prospered on Indian Ocean trade. In the late 18th century, a newly established sultanate in Muscat signed the first in a series of friendship treaties with Britain. Over time, Oman's dependence on British political and military advisors increased, but it never became a British colony. In 1970, QABOOS bin Said Al-Said overthrew his father, and he has since ruled as sultan. His extensive modernization program has opened the country to the outside world while preserving the longstanding close ties with the UK. Oman's moderate, independent foreign policy has sought to maintain good relations with all Middle Eastern countries. Inspired by the popular uprisings that swept the Middle East and North Africa beginning in January 2011, Omanis began staging marches and demonstrations to demand economic benefits, an end to corruption, and greater political rights. In response to protester demands, QABOOS in 2011 pledged to implement economic and political reforms, such as granting legislative and regulatory powers to the Majlis al-Shura and introducing unemployment benefits. In August 2012, the Sultan announced a royal directive mandating the speedy implementation of a national job creation plan for thousands of public and private sector jobs. As part of the government's efforts to decentralize authority and allow greater citizen participation in local governance, Oman successfully conducted its first municipal council elections in December 2012. Announced by the Sultan in 2011, the municipal councils will have the power to advise the Royal Court on the needs of local districts across Oman's 11 governorates.



Section 2 - Anti - Money Laundering / Terrorist Financing

FATF Status

Oman is not currently identified by FATF as having substantial money laundering and terrorist financing (ML/TF) risks or having strategic AML/CFT deficiencies

Compliance with FATF Recommendations

The last Mutual Evaluation Report relating to the implementation of anti-money laundering and counter-terrorist financing standards in Oman was undertaken by the Financial Action Task Force (FATF) in 2011. According to that Evaluation, Oman was deemed Compliant for 3 and Largely Compliant for 24 of the FATF 40 + 9 Recommendations. It was Partially Compliant or Non-Compliant for 1 out of 6 of the Core Recommendations.

Key Findings from latest Mutual Evaluation Report (2011):

The Sultanate of Oman has set up an AML/CFT system that is essentially in line with the international standards.

The new AML/CFT law, enacted in July of 2010, was concluded by the assessment team to be robust. While this new AML/CFT law has been in force since last year, the 2004 Executive Regulations are still in force as Oman currently finalizes the new draft of the Executive Regulations to correspond to the new law. This pending legal update has caused some gaps in the legal framework for preventive measures. Notwithstanding the remaining shortcomings, the overall legal compliance with the FATF Recommendations is high. However, the effectiveness of the legal system and the related institutional law enforcement framework was noted to be lacking in some areas.

Legal framework

Oman has criminalized money laundering, to a large extent in line with the requirements under the Vienna and Palermo Conventions. However, the money laundering offense does not cover "the concealment or disguise of the disposition of property" and the criminal liability for ML does not extend to all legal persons. Moreover, questions can be raised in regard to effective implementation due to the extremely low number of convictions for money laundering.

Oman's legislation provides for most of the elements needed to criminalize terrorist financing. However, the terrorist financing offence does not cover the financing of an individual terrorist, and the definition of terrorist act is not fully consistent with the Terrorist Financing Convention. Effectiveness could not be established since there has been no investigations, prosecutions or convictions relating to terrorist financing.

Oman has in place a robust legal framework that provides for a wide range of confiscation, seizure and provisional measures. However, the low number of confiscations indicates that the effectiveness of the framework is still insufficient. As for the freezing of terrorist assets in relation to the relevant UN Security Council Resolutions, Oman has no laws and procedures in place to implement UNSCR 1373, and although names of designated persons under UNSCR 1267 are circulated to concerned parties, there are gaps in the legal framework and no procedures are in place to implement most of UNSCR 1267 and successor resolutions.

Law enforcement

The Financial Intelligence Unit (FIU) and its predecessors within the Royal Oman Police have been receiving suspicious transaction reports (STRs) since 2002. The FIU has been in existence for several years, and has only recently made progress in functioning in an effective manner, shown by considerably more disseminations of STRs in 2010 than in the previous 3 years. Yet, the time spent by the FIU on analyzing STRs should be improved as several investigations have shown to take a long time. The FIU should continue the positive improvements by further enhancing its capacity and experience in analyzing STRs to expedite the time between the reporting and dissemination of an STR.

The Royal Omani Police and the Public Prosecution Office are empowered to conduct money laundering and terrorist financing investigations. Both are sufficiently resourced to perform their tasks and have adequate powers.

Financial Institutions (FIs) and Designated Non-Financial Businesses and Professions (DNFBPs)

Both the Central Bank of Oman and Capital Markets Authority have sufficient powers and financial resources to conduct their supervisory activities. While the assessment team commends the authorities' strong efforts in overseeing their reporting entities, it also noticed very low levels of corrective measures applied by both supervisory agencies. Only one administrative penalty has been imposed so far for an AML/CFT violation. Both authorities need to utilize its full sanctioning powers for violation of AML/CFT requirements.

The pending update of the Executive Regulation causes some gaps in the legal framework for preventive measures for FIs, especially regarding customer due diligence measures. Oman should expeditiously finalise the drafting of the Executive Regulation to address the remaining shortcomings in the preventive area.

Deficiencies identified in FIs' obligations apply equally to the DNFBS sectors. The effectiveness of the framework for DNFBS is generally rather limited, mainly due to the recent enactment of the AML/CFT Law, and low money laundering/terrorist financing risk perception by the businesses that are covered.

US Department of State Money Laundering assessment (INCSR)

Oman was deemed a "Monitored" Jurisdiction (Lower Risk) by the US Department of State 2016 International Narcotics Control Strategy Report (INCSR).

Key Findings from the report are as follows: -

Perceived Risks:

Oman is not a regional or offshore financial center and does not have significant money laundering or terrorism financing concerns. Due to its location on the tip of the Strait of Hormuz, Oman is home to a small number of smugglers operating between Musandam, the northernmost exclave of Oman, and Iran. Omani authorities are aware that growing Iranian overtures toward Oman for increased trade and engagement, particularly in light of potential sanctions relief, may create conditions for money laundering/terrorism financing activity. Trade is generally financed with small amounts of cash and mostly comprises consumer goods. Oman is a regional transit point for narcotics from Afghanistan, Pakistan, Iran, and Tanzania, although the government is proactive in tracking and prosecuting drug traffickers. Sources of illegal proceeds are generally limited and derived from smuggling or drug trafficking activities. Smugglers and drug traffickers are generally expatriates.

Corruption, primarily in the form of cronyism or insider operations, remains a concern. Since 2013, the government has been taking legal action against senior officials in the housing sector and senior executives of partially state-owned enterprises accused of corrupt practices in the oil and gas sector.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes

Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: NO Domestic: NO KYC covered entities: Banks; foreign exchange companies; investment and credit companies; insurance

companies; companies and individuals providing financial services; stock and securities brokers; real estate brokers; dealers in precious metals and stones; notaries public; lawyers; and accountants

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

STR covered entities: Banks; foreign exchange companies; investment and credit companies; insurance companies; companies and individuals providing financial services; stock and securities brokers; real estate brokers; dealers in precious metals and stones; notaries public; lawyers; and accountants

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO Other mechanism: NO

With other governments/jurisdictions: YES

Oman is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a FATF-style regional body.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In response to corruption issues, the Government of Oman empowered the State Financial and Administrative Audit Institution (SFAAI) with greater investigatory power. Oman's crackdown on corruption led to several high-profile convictions in early 2014. Subsequent to convictions on charges of bribery, prominent businessmen and high-level government employees within the Ministry of Finance and the partially government-owned Petroleum Development of Oman were given heavy fines and prison sentences. There have been no high profile arrests or convictions to date in 2015.

In 2015, Oman issued a series of recommendations for advancing its AML legislation and developing additional training for the Royal Oman Police's Financial Intelligence Unit (FIU), particularly in the area of risk management. The Omani government is exploring additional legislation to strengthen KYC regulations. A new draft of the existing Law of Anti-Money Laundering and Combatting of Terrorism Financing (No. 79/2010) is expected in 2016.

The FIU has access to daily transaction flows via the Central Bank of Oman database, which monitors all banks operating in Oman. The FIU lacks sufficient cooperation mechanisms with other government financial or law enforcement entities involved in AML/CFT activities, but the National Committee on Anti-Money Laundering continues to examine opportunities to increase information sharing and coordination among government agencies. The FIU recognizes its lack of capacity in forensic analysis, compromising its ability to analyze financial data and seriously pursue AML cases.

Oman has a declaration system for bulk cash, bearer negotiable financial instruments, and precious metals and stones; however, Omani authorities have no central database to track declarations. There are more than 70 databases with no current capacity to share or transfer information.

To enhance their operational capabilities, the Omani authorities should fully empower the FIU and law enforcement authorities. Oman should take action to improve analytical and investigatory capacity. The government should enhance and integrate its databases to ensure access by the relevant Omani authorities to pertinent information, and strengthen cooperation and capacity between the FIU and the Royal Oman Police Customs Directorate to interdict illicit cross-border financial transactions and identify trade-based value transfer schemes. The Government of Oman should require enhanced due diligence procedures for politically exposed persons (PEPs). The government should release timely statistics on the number of financial intelligence reports filed and money laundering prosecutions and convictions so as to better gauge the effectiveness of its AML/CFT regime.

EU White list of Equivalent Jurisdictions

Oman is not currently on the EU White list of Equivalent Jurisdictions

World Governance indicators

[To view historic Governance Indicators Ctrl + Click here and then select country](#)

Failed States Index

[To view Failed States Index Ctrl + Click here](#)

Offshore Financial Centre

Oman is not considered to be an Offshore Financial Centre

Trafficking in Persons

Oman is classified a Tier 2 (Watch List) country - A country whose governments does not fully comply with the Trafficking Victims Protection Act's minimum standards, but are making significant efforts to bring themselves into compliance with those standards

Oman is a destination and transit country for men and women, primarily from South Asia and East Africa, subjected to forced labor and, to a lesser extent, sex trafficking. Migrants to Oman travel willingly and legally with the expectation of employment in domestic service or as workers in the construction, agricultural, and service sectors; some are subjected to forced labor, including excessive working hours, passport confiscation, and physical and mental abuse. The approximately 600,000 Bangladeshi working low-wage jobs in Oman are particularly vulnerable to exploitation. Unscrupulous labor recruitment agencies, their sub-agents in South Asia, and labor brokers in United Arab Emirates (UAE) and Oman deceive some workers into accepting work that constitutes forced labor. Such unscrupulous agencies provide false contracts with fictitious employers or wages and charge workers high recruitment fees with exorbitant interest rates, leaving workers vulnerable to trafficking. Some Omani employers obtain foreign domestic workers at the border crossing between Buraimi, Oman and Al Ain, UAE. Female domestic workers from countries without a diplomatic presence in Oman, such as Ethiopia and Vietnam, are especially vulnerable to forced labor. Domestic workers who flee their employers are also susceptible to forced prostitution. Male Pakistani laborers and other workers from India, Bangladesh, Sri Lanka, and East Asia transit Oman en route to UAE, where some are subjected to forced labor. Oman is a destination and transit country for some women from parts of South Asia, North Africa, and East Africa exploited in sex trafficking, often by nationals of their own countries.

The Government of Oman does not fully meet the minimum standards for the elimination of trafficking; however, it is making significant efforts to do so. Despite these measures, the government did not demonstrate evidence of overall increasing efforts to address human trafficking during the previous reporting period; therefore, Oman is placed on Tier 2 Watch List. The government decreased investigations and prosecutions of trafficking offenses compared to the previous reporting period and did not convict any traffickers. The government treated potential labor trafficking cases as mediation disputes, handled in labor courts. Victim identification efforts remained weak, as authorities did not employ formal procedures to identify trafficking victims among vulnerable groups; authorities relied on victims to voluntarily identify themselves and report abuses. The government identified five sex trafficking victims, compared with 10 the previous reporting period. The government shelter accepts victims on referral from the public prosecutor. The government conducted awareness campaigns through the media and distributed pamphlets advising migrant workers on their rights, including contact information to report abuses. It provided training to law enforcement, private sector employers, labor unions

and inspectors, and social service officials, including workshops on interviewing victims and referring them to protective services. The inter-ministerial anti-trafficking committee met twice during the reporting period.

Terrorist Financing 2016:

Overview: Oman is an important regional counterterrorism partner that actively worked in 2016 to prevent terrorists from conducting attacks or using the country as a safe haven. The Omani government remains concerned about the conflict in Yemen and the expansion of safe haven there by al-Qa'ida in the Arabian Peninsula and ISIS in Yemen, which present potential threats to Oman's border. Omani officials regularly engaged with U.S. officials on the need to counter violent extremism and terrorism, but rarely publicly broadcast their counterterrorism efforts. The Government of Oman sought training and equipment from the United States and from other countries to support its efforts to control Omani land, air, and maritime borders. Oman also used U.S. security assistance to improve its counterterrorism tactics, techniques, and procedures. A member of the Global Coalition to Defeat ISIS, Oman issued a series of official statements condemning terrorist attacks in 2016.

Legislation, Law Enforcement, and Border Security: Royal Decree 8/2007 outlines specific penalties, including the death penalty and life imprisonment, for various terrorist acts, including establishment or leadership of a terrorist group, attempts to join a terrorist group, attempts to recruit for a terrorist group, development of an explosive or weapon, or takeover of any mode of transportation for purposes of terrorism.

Counterterrorism investigations, crisis response, and border security capabilities were limited by local capacity and a challenging operating environment due to Oman's extensive coastline and its long and remote borders with Saudi Arabia and Yemen. Nevertheless, Oman's many agencies with counterterrorism jurisdiction communicated and coordinated daily. The Sultan's Special Forces and the Royal Oman Police (ROP) Special Task Force are Oman's primary counterterrorism response forces. The Omani Internal Security Service and Royal Office also play key roles in securing Oman from terrorist threats.

The Government of Oman recognized the need to improve its capabilities and took advantage of U.S. counterterrorism and law enforcement training and assistance. In 2016, the ROP, the Ministry of Defense, the Ministry of Foreign Affairs, the Ministry of Legal Affairs, the Ministry of Transportation and Communication, and the Ministry of Commerce and Industry participated in the State Department's Export Control and Related Border Security (EXBS) program, designed to assist Omani personnel to enhance interdiction capabilities at official ports of entry on land and at sea. Prominent in the EXBS training program were 10 weeks of training for the ROP Coast Guard on visit, board, search, and seizure operations, and the development of six ROP Coast Guard instructors to lead future iterations of the course.

Oman also participated in the Department of State's Antiterrorism Assistance program, which included training on airport security management, border security, interdicting terrorist activities,

and instructor development for Omani security officials representing the Royal Oman Police and a number of civilian agencies.

The major deterrents to more effective law enforcement and border security are limited resources, nascent interagency coordination, and the need for continued training to develop advanced law enforcement skills. Oman's border with Yemen features rugged, mountainous terrain, which further challenges border security efforts. Omani authorities continued to make progress on construction of a fence along the border with Yemen to prevent illegal entry into Oman. The Omani and U.S. governments continued to engage in frequent border-security related training endeavors.

Countering the Financing of Terrorism: Oman is a member of the Middle East and North Africa Financial Action Task Force, a Financial Action Task Force (FATF)-style regional body. Oman revised its countering the financing of terrorism (CFT) law with Royal Decree 30/2016 in 2016. The revised CFT law requires financial institutions, private industry, and non-profit organizations to screen transactions for money laundering or terrorist financing and requires the collection of Know Your Customer data for wire transfers. The revised CFT law also consolidated CFT authority within the National Center for Financial Information and established the center as an independent government entity. While progress has been made, a number of gaps remain, including issuing a decision on mechanisms for implementing the UN Security Council ISIL (Da'esh) and al-Qa'ida sanctions regime, issuing anti-money laundering/countering the financing of terrorism regulations to the sectors identified in the law, and designating wire transfer amounts for customer due diligence procedures.

Oman is not currently subject to any International Sanctions

Arab League Sanctions

The Arab League (comprising 22 Arab member states), of which Lebanon is a member, has approved imposing sanctions on Syria. These include: -

- Cutting off transactions with the Syrian central bank
- Halting funding by Arab governments for projects in Syria
- A ban on senior Syrian officials travelling to other Arab countries
- A freeze on assets related to President Bashar al-Assad's government

The declaration also calls on Arab central banks to monitor transfers to Syria, with the exception of remittances from Syrians abroad.

It should be noted that Lebanon, and Iraq, have refused to impose the sanctions.

The Arab League also imposes various financial sanctions on Israel.

There are three tiers to the boycott. The primary boycott prohibits the importation of Israeli-origin goods and services into boycotting countries. The secondary boycott prohibits individuals, as well as private and public sector firms and organizations, in member countries from engaging in business with any entity that does business in Israel. The Arab League maintains a blacklist of such firms. The tertiary boycott prohibits any entity in a member country from doing business with a company or individual that has business dealings with U.S. or other firms on the Arab League blacklist

Bribery & Corruption

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	44
World Governance Indicator – Control of Corruption	66

Corruption is generally not an obstacle for businesses in Oman. Nonetheless, risks are higher when dealing with the elite as nepotism is widespread in the higher echelons of the government. The intertwined business interests of the political elite have resulted in perceived widespread political corruption. Businesses face a high corruption risk when operating in the public procurement sector. However, petty corruption does not constitute a barrier for business, and the practice of bribery is not common in Oman. Efforts to curb corruption among government officials have led to the prosecution of several high-ranking officials for crimes of corruption and abuse of office in recent years. The Omani Penal Code and the Law for the Protection of Public Funds and Avoidance of Conflicts of Interest constitute the legal framework to tackle corruption, and the government generally implements these laws effectively. Gifts that are intended to influence the acts of public officials are criminalized in Oman. **Information provided by GAN Integrity.**

Extract from US State Department Report

Most major contracts are awarded through a slow and rigorous tender process governed by Oman's Tender Board. Pursuant to the U.S.-Oman FTA, Oman advertises most tenders in the local press, international periodicals, and on the Tender Board's website, although a few sensitive projects are not publicized and not subject to FTA "non-discrimination" obligations. Bidders are requested to be present at the opening of bids, local media typically report on announcements of shortlists and contract awards, and interested parties may view the process on the Tender Board's website. Disputes arising from the tendering process are reviewed domestically.

Ministers are not allowed to hold offices in public shareholding companies or serve as chairperson of a closely held company, though they do sit on boards of state-owned enterprises such as the national carrier Oman Air. However, many influential figures in government such as directors and undersecretaries maintain private business interests and some are also involved in private-public projects. Senior government officials are required to file annual financial disclosure reports. These activities either create or have the potential to create conflicts of interest. In 2011, the Tender Law was updated to preclude Tender Board officials from adjudicating projects involving interested relatives to "the second degree of kinship."

The Omani government vigorously prosecuted in 2013 and 2014 cases of bribery involving company officials of parastatal corporations in Oman's oil and gas sector. Both Omanis and expatriates have been sentenced to lengthy prison terms and heavy fines, demonstrating the seriousness of the government's efforts to eradicate corrupt practices in the oil and gas sector. Sultan Qaboos has dismissed several ministers and senior government officials for corruption during his reign. In one of Oman's biggest corruption scandals in several years, over 30 government and private sector employees, including the Under Secretary of the Ministry of Housing, Electricity, and Water, were convicted in October 2005 on counts of bribery and forgery, among others. There was also a major Cabinet reshuffle after the protests in early 2011 and the State Audit Institution, renamed the "State Financial and Administrative Audit Institution" (SFAAI) was granted expanded powers under Royal Decree 27/2011. In 2013 and 2014, multiple convictions of expatriates and Omanis followed investigations into public tenders granted after bribes were given to officials and members of the Tender Board.

The institution's mandates now encompass the following:

To secure public funds, provide a framework for efficient management of such funds, and ensure their efficient and optimal utilization;

To detect financial and administrative irregularities and identify inherent deficiencies in the relevant financial and administrative laws;

To identify the causes of, and assign responsibility for, any deficient performances; and

To ensure transparency in financial and administrative transactions, and make recommendations for the avoidance of conflicts of interest and for the prevention of financial and/or administrative irregularities.

In 2012, 30 cases involving financial irregularities and misuse of influence in awarding of government contracts were referred to the Public Prosecutor by the State Financial and Administrative Audit Institution. SFAAI Chairman Shaikh Nasser bin Hilal al Ma'awali said May 27, 2013, that the number of entities thus far under audit is 160 government units, with 25 percent audited in 2011 and plans to reach 80 percent by 2015.

The Omani Government has in place a number of laws targeting bribery and corruption, specifically in the public sector. Gifts and considerations in this respect would fall under the purview of anti-bribery and anti-corruption laws. Although the definition of a "gift" is not provided by the Omani legislature, nor does it define at what value a gift would be considered a "bribe," the Omani Penal Code offers a short illustration of what constitutes bribery: "Any person who accepts a bribe for himself or for another person, be it in cash or a present or a promise or any other benefit for performing a lawful act of his duties, or for forbearing to do it or delaying its execution."

In the attempt to prevent and eradicate corruption in the Sultanate of Oman, Sultan Qaboos issued Royal Decree 64/2013 ratifying the Sultanate in joining the United Nations Convention Against Corruption (the "UNCAC"). The Royal Decree was published in the Official Gazette and

is effective from November 20, 2013. The UNCAC is known as the first global legally binding international anti-corruption instrument and it comprises 71 Articles divided into 8 Chapters. The UNCAC requires member countries such as Oman to implement several anti-corruption measures in the public, private and judiciary spheres.

The Sultanate has the following national legislation in place to deal with corruption in public and private sectors:

The Law for the Protection of Public Funds and Avoidance of Conflicts of Interest (the "Anti-Corruption Law") (promulgated by Royal Decree 112/2011); and

The Omani Penal Code (promulgated by Royal Decree 7/1974).

The Anti-Corruption Law predominantly concerns employees working within the public sector. It is also applicable to private sector companies if the Government holds at least 40% shares in the company or in situations where the private sector company has punishable dealings with Government bodies and officials. The Omani Penal Code is the other key legislation which defines and penalizes bribery and targets corruption in the private sector.

A lack of domestic whistleblowers legislation in Oman has resulted in the private sector taking the lead in enacting internal anti-bribery and whistleblowing programs. Omani and international companies doing business in Oman that plan on implementing anti-corruption measures will likely find it difficult to do so without also putting in place an effective whistleblowing program and a culture of zero tolerance.

In 2013, the State Financial and Administrative Audit Institution (SFAAI) introduced several whistleblowing approaches, including the ability to directly report complaints by visiting SFAAI headquarters in Muscat or any of its branches in the governorates; a toll-free hotline at 80000008; or through its electronic complaint window (<http://www.sai.gov.om/en/Complain.aspx>) and smartphone applications.

Section 3 - Economy

Oman is heavily dependent on its dwindling oil resources, which generate 84% of government revenue. In 2015, low global oil prices drove Oman's budget deficit to \$6.5 billion, or nearly 11% of GDP. Oman has limited foreign assets and is issuing debt to cover its deficit.

Oman is using enhanced oil recovery techniques to boost production and has actively pursued a development plan that focuses on diversification, industrialization, and privatization, with the objective of reducing the oil sector's contribution to GDP from 46% at present to 9% by 2020. Tourism and gas-based industries are key components of the government's diversification strategy.

Muscat also is focused on creating more jobs to employ the rising number of Omanis entering the workforce. Increases in social welfare benefits, however, particularly since the Arab Spring, dating to 2011, have challenged the government's ability to effectively balance its budget, as oil prices decline. Omani officials intend to reduce social entitlements to cut the deficit but have faced stiff public opposition to spending cuts, hindering their implementation.

Agriculture - products:

dates, limes, bananas, alfalfa, vegetables; camels, cattle; fish

Industries:

crude oil production and refining, natural and liquefied natural gas (LNG) production; construction, cement, copper, steel, chemicals, optic fibre

Exports - commodities:

petroleum, reexports, fish, metals, textiles

Exports - partners:

China 35.4%, UAE 15.3%, South Korea 6.8%, Saudi Arabia 5.8%, Pakistan 4.2% (2015)

Imports - commodities:

machinery and transport equipment, manufactured goods, food, livestock, lubricants

Imports - partners:

UAE 29.7%, Japan 10.2%, US 7.5%, China 6.7%, India 6.3% (2015)

Banking

Oman's banking sector consists of 17 licensed local and foreign commercial banks and two specialized banks. Some local banks have significant foreign shareholders, with expatriates in senior positions. The banks are subject to close supervision by the Central Bank of Oman (CBO), which regulates and licenses private banks, monitors interest rates, and issues development

bonds and notes. The CBO raised its minimum capital requirements in recent years, forcing several bank mergers. Foreign banks find CBO requirements to maintain a 12 percent level of capital adequacy and restrict consumer lending to 40 percent of the bank's overall loan portfolio to be onerous.

Stock Exchange

There are no restrictions in Oman on the flow of capital and the repatriation of profits. Foreigners may invest in the [Muscat Securities Market \(MSM\)](#) so long as they do so through an authorized broker. Access to Oman's limited commercial credit resources is open to Omani firms with some foreign participation. At this time there is not sufficient liquidity in the market to allow for the entry and exit of sizeable amounts of capital. Joint stock companies with capital in excess of \$5.2 million must be listed on the MSM. According to the recently amended Commercial Companies Law, companies must have been in existence for at least two years before being floated for public trading. Private, publicly traded firms in Oman are still a relatively new phenomenon (the Muscat Securities Market was founded in 1988). Publicly traded firms remain a minority of businesses, and the majority of businesses remain family enterprises. Therefore, private firms have not developed sophisticated defence mechanisms to prevent hostile takeovers.

Section 4 - Investment Climate

Executive Summary

Overall, Oman's investment climate is conducive to U.S. investment. Omani officials and businesspeople generally value U.S. technology, skills and expertise in a wide range of fields, count on U.S. firms' reputation for reliable, transparent business practices, and are keen to leverage U.S. business models, corporate values, and entrepreneurial culture in order to take fuller advantage of the United States-Oman Free Trade Agreement (FTA). U.S. firms enjoy special privileges due to the FTA, namely duty exemptions, national treatment, and non-discrimination in government procurement. However, lack of Omani Customs' compliance with FTA Article 4 regarding duty exemption for eligible U.S. goods transshipped via Dubai exists in some cases, as well as the imposition of a the "In-Country Value" program promoting local sourcing, marred the generally positive outlook for U.S. investors. In addition, Omanization mandates, compelling companies to hire Omani employees, and scarcity of gas for new manufacturing projects posed challenges for U.S. investors.

Advantages of investing in Oman include:

- Oman's business-friendly environment, including the United States-Oman Free Trade Agreement; a modern business law framework; respect for free markets, contract sanctity and property rights; relatively low taxes; and a one-stop-shop at the Ministry of Commerce and Industry for business registration;

- The educated and largely bilingual Omani work force;
- The excellent quality of life: Oman is a modern, friendly, and scenic country, with outstanding international schools, widely-available consumer goods, modern infrastructure, and a convenient and growing transportation network;
- Oman’s geographic location, just outside the Persian Gulf and the Strait of Hormuz, along busy shipping lanes carrying a significant share of the world’s maritime commercial traffic, with convenient access and connections to the Gulf, Africa, and the subcontinent;
- The steady and ambitious investment by the Government of Oman (GoO) in the country’s infrastructure, including manufacturing free zones, seaports, airports, rail, and roads, as well as in its health care and educational systems and facilities.

Foreign investment is increasing in Oman as international firms recognize the growing opportunities related to the Sultanate’s massive infrastructure investment program as well as increased efforts to diversify away from oil and gas, particularly with low world oil prices in late 2014 and 2015. Non-oil economic growth stood at 8 percent in 2014, reflecting major infrastructure-related activity and the Sultanate’s success in promoting downstream manufacturing in its free zones. According to Oman’s National Centre for Statistics and Information, nominal GDP grew by 4.63 percent in 2014, but contracted by 14.2 percent in 2015 (calculated using data through September 2015 on a year-on-year basis). Contraction in 2015 was largely driven by low oil prices, which pulled down growth despite a 4.7 percent nominal growth in the non-oil sector, according to Oman’s National Centre for Information and Statistics. The government’s diversification ambitions, which focus on the logistics, mining, tourism, manufacturing, and fishing sectors, have generally not yet had an impact on the economy as a whole. Despite this, the Omani government remains committed to continuing spending on existing infrastructure projects and other investments, despite continued depressed world oil prices.

Table 1: The following chart summarizes several well-regarded indices and rankings.

Measure	Year	Index or Rank	Website Address
TI Corruption Perceptions index	2015	60 of 175	transparency.org/cpi2014/results
World Bank’s Doing Business Report “Ease of Doing Business”	2015	70 of 189	doingbusiness.org/rankings
Global Innovation Index	2015	0.51%	globalinnovationindex.org/content/page/data-analysis
U.S. FDI in partner country (\$M USD, stock positions)	2014	USD 55M	BEA/Host government - MOCI

World Bank GNI per capita	2014	USD 16,870	data.worldbank.org/indicator/NY.GNP.PCAP.CD
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1. Openness To, and Restrictions Upon, Foreign Investment

Attitude toward Foreign Direct Investment

Oman actively seeks foreign investment and is in the process of improving the regulatory framework to encourage such investments. The Public Authority for Investment Promotion and Export Development (known as "Ithraa") is tasked with attracting foreign investors and smoothing the path for business formation and private sector development. Ithraa also provides prospective foreign investors with information on government regulations, which are not always transparent and sometimes inconsistent. Although the Ministry of Commerce and Industry (MOCI) has established a "One-Stop Shop" (business.gov.om) for government clearances, the approval process for establishing a business can still be slow, particularly with respect to environmental permitting and expatriate worker visa approvals.

"In-country value" (ICV) is the GoO's policy effort to incentivize companies, both Omani and foreign, to invest in Oman through their procurement of local goods and services and training of Omanis. The GoO includes bidders' demonstration of support for ICV as one factor in government tender awards. While ICV was first conceived primarily for oil and gas contracts, the principle is now embedded in government tenders in all sectors, including transportation and tourism. This GoO policy aims to increase economic diversification and local capacity building in the long run, but new-to-market foreign companies, including U.S. firms, may find the bid requirements related to ICV prohibitive.

Other Investment Policy Reviews

Oman conducted a WTO Trade Policy Review in April 2014, which concluded that Oman's economic performance since its last report in 2008 had been positive, with robust real GDP growth, low inflation, a solid fiscal position, and strong external accounts. Growth had been sustained by high oil prices, growing oil production, and an open and transparent foreign trade regime. Due to low oil prices, Oman's balance of payments was negative in 2015, despite a surplus in trade. Foreign investment is concentrated in the oil and gas sector. (Link to 2014 report: https://www.wto.org/english/tratop_e/tpr_e/s295_e.pdf.)

Laws/Regulations on Foreign Direct Investment

The Foreign Capital Investment Law (Royal Decree No. 102/94) provides the legal framework for non-U.S. and non-GCC foreign investors. Oman amended this law in 2000 as part of its WTO accession and in 2009 to implement the United States-Oman FTA. For most investments (apart from those covered by the FTA) the law requires that there be at least 30 percent Omani ownership, and more frequently requires a majority stake. There are exceptions; notably wholly foreign-owned branches of foreign banks are allowed to enter the market. Non-U.S. investors

may also obtain approval by the Council of Ministers to allow a 100 percent foreign-owned business entity if the investment is in the national interest.

The MOCI is in the final stage of drafting a new foreign capital investment law with assistance from the World Bank. The law, in its third and final draft, would (among other things) remove the 30 percent Omani ownership requirement for all investors. (U.S. investors are not currently subject to that restriction, due to the FTA.) The proposed law is still in draft form and has not yet been ratified or passed. It will only become effective after all due legal and governmental processes are completed. It is expected that these processes will be complete during 2016.

Industrial establishments must be licensed by the MOCI. In addition, a foreign firm interested in establishing a company in Oman must obtain relevant approvals and permits from other ministries, such as the Ministry of Environment and Climate Affairs and organizations such as the Oman Chamber of Commerce and Industry. Foreign workers must obtain work permits and residency permits from the Ministry of Manpower and the Royal Oman Police's Immigration Directorate. To speed the approval process, MOCI houses a "One-Stop-Shop" where representatives from relevant ministries are present to receive inquiries, forms, and applications. However, local businesses complain that the One-Stop-Shop has not appreciably sped these processes.

The current process for registering a business in Oman is laid out in the Foreign Investment Law (promulgated by Royal Decree No. 102/94), and can mostly take place online at <https://www.business.gov.om>. This website, run by the Ministry of Commerce, outlines necessary steps to start a business, manage a business, invest in existing businesses, and other commercial actions for both foreign and domestic investors.

While the FTA does not address taxation, duty and tax exemptions are granted for renewable five year periods for investments in manufacturing, mining, agriculture, aquaculture, tourism, locally manufactured exports, education, and healthcare. There are no taxes on personal income, sales, capital gains, or inheritance. Foreign airlines and shipping companies are completely exempt from taxation based upon reciprocal treatment by foreign governments. Higher education institutes, private sector schools, training institutes, and private hospitals are also tax exempt.

Business Registration

Starting a business in Oman can be a cumbersome and time consuming process. Prior to the development of the InvestEasy online business registration system, all paperwork had to be done manually, there was no integration among government agencies and the officials were only able to process low volumes of applications.

The One-Stop-Shop (OSS) for Company Registration was set up early in 2000s, when the customer service functions of different government agencies were co-located to provide customers with a faster service and eliminate the need to physically travel between different locations.

Technology transformation of OSS started in 2003 and the first version of OSS software went live in 2006. This was an improvement at the time, and the registration of companies increased significantly. In 2010 the OSS technology transformation project was initiated, and the system was upgraded to work on cloud services, allowing close to 24/7 system availability (<https://www.business.gov.om>)

Ithraa works closely with government organizations and businesses based in Oman and internationally to provide a comprehensive range of business support. Also Ithraa offers a comprehensive range of business investor advice geared exclusively to support international companies looking to invest in Oman, and this service is based on company-specific needs. (<https://ithraa.om>)

The MOCI has revised the definition of small and medium enterprises (SMEs) in the Sultanate, in an effort to improve the flow of credit and provide more efficient training and guidance to SMEs. Establishments with fewer than five workers and annual sales of less than \$65,000 are considered Micro Entities; small-entities are establishments with five to nine workers and annual sales of \$65,000 to \$650,000, while medium-sized entities are companies employing 10-99 workers and with annual sales of \$65,000 to \$3,900,000.

Industrial Promotion

Oman promotes manufacturing, mining, aquaculture, shipping and logistics, and tourism as areas for investment. Other key sectors include higher education, healthcare, renewable energy and information/communications technology. Investors transferring technology, developing management expertise, and providing training for Omanis are particularly welcome. U. S. - Oman FTA commitments have increased opportunities for U.S. financial service providers, as well as cross-border service providers in the areas of communications, express delivery, computer-related technologies, health care, and distribution, among others.

Government programs to attract investment are typically reported by the state-run Oman News Agency and then reported by English- and Arabic-language media sources. Occasionally, the Central Bank of Oman will disseminate information via official circular to banks operating in Oman if the investment programs include financial incentives.

Limits on Foreign Control and Right to Private Ownership and Establishment

With the implementation of the United States-Oman FTA on January 1, 2009, U.S. firms may establish and fully own a business in Oman without a local partner. In contrast, non-American service providers must be at least 30 percent (and in most cases at least 51%) owned by an Omani who is currently practicing in the specialized field with a relevant degree before MOCI will approve a license, though this requirement will be changed with the adoption of the new foreign capital investment law. Although U.S. investors are provided national treatment in most sectors, Oman has an exception in the FTA for legal services, limiting U.S.-ownership in a legal services firm to no more than 70 percent.

Privatization Program

The GoO has indicated that it hopes to reduce its budget deficits by privatizing or partially privatizing some government-owned companies. However, the plan for privatization is not publically available and it is unclear what sectors will be targeted. In past privatizations – the divestment of a portion of government ownership in Omantel, for example – stock was offered on the Muscat Securities Market, but only to Omani investors. Foreign investors are allowed to participate fully in some privatization programs, even in drafting public-private partnership frameworks. The most successful privatization program to-date has been the electricity and desalination privatization program. The telecommunications sector has also been increasingly privatized.

Screening of FDI

Aside from ensuring that the investor satisfies the legal requirements for entry into the market, Oman does not screen foreign investment. If a concern were raised regarding a particular investor's entry into the market, the MOCI would be the government body tasked with reviewing the proposed investor. In 2014, MOCI announced plans to review existing companies to ensure compliance with capitalization minimums and Omanization goals.

Competition Law

Currently, investments are not screened for competition considerations, and Oman does not have an active competition commission. The Competition and Anti-Monopoly Law, promulgated by Royal Decree 67/2014 in December 2014, aims to combat monopolistic practices by prohibiting anti-competitive agreements and price manipulation, and includes a reporting requirement for any activity, such as mergers and acquisitions, which results in a dominant market position for one firm

2. Conversion and Transfer Policies

Foreign Exchange

Oman does not have restrictions or reporting requirements on private capital movements into or out of the country. The Omani Rial is pegged at a rate of RO 0.3849 to the U.S. dollar, and there is no difficulty in obtaining exchange. All other currencies are first converted to dollars, then to the desired currency; national currency rates fluctuate, therefore, as the dollar fluctuates. The government has consistently publicly stated that it is committed to maintaining the current peg. The GoO has publicly stated it will not join a proposed GCC common currency. There is no delay in remitting investment returns or limitation on the inflow or outflow of funds for remittances of profits, debt service, capital, capital gains returns on intellectual property, or imported inputs.

Remittance Policies

Oman does not restrict the remittance abroad of equity or debt capital, interest, dividends, branch profits, royalties, management and service fees, and personal savings.

While the Majlis al-Shura – the consultative, elected branch of Oman's legislature – has twice proposed a 2% tax on foreign worker remittances, the Majlis al-Dawla, Council of Ministers, and

Ministry of Finance, have all actively opposed the proposals and the tax is unlikely to go forward. Because Oman's currency is pegged to the dollar, the GoO is unable to engage in currency manipulation tactics.

Investors can remit through legal parallel markets utilizing convertible, negotiable instruments. There are no surrender requirements for profits earned overseas.

The GCC, of which Oman is a member, is a member of FATF and the MENAFATF. The level of compliance with the FATF Recommendations for the anti-money laundering and counter-terrorist financing regime of the Sultanate of Oman, according to its 2011 Mutual Evaluation Report, is comparatively high for the region, and the legal framework is sound. However, the overall effectiveness was noted to be lacking in some areas. Statistics regarding suspicious transaction reports, investigations and convictions are not widely available.

3. Expropriation and Compensation

Oman's interest in increased foreign investment and technology transfer make expropriation or nationalization unlikely. In the event that a property must be nationalized, e.g., for a public building, Article 11 of the Basic Law of the State stipulates that the Government of Oman must provide prompt and fair compensation. There are no recent examples of expropriations, although on December 8, 2011, the first trade dispute under the United States-Oman FTA was submitted to formal arbitration at the World Bank's International Center for Settlement of Investment Disputes. (Under the United States-Oman FTA, Oman must follow international standards for expropriation and compensation cases, including access to international arbitration.) In practice, Oman compensates for any expropriations it makes, although at times the compensation can be incrementally paid. There are no laws forcing local ownership in any sector, though land ownership is limited to Omani and GCC nationals outside of special Integrated Tourism Complexes set aside for foreign residency. (The FTA does not address land ownership.)

4. Dispute Settlement

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

Business disputes within Oman are resolved through the Commercial Court. The Commercial Court has jurisdiction over most tax and labor cases, and can issue orders of enforcement of decisions. The Commercial Court can also accept cases against governmental bodies; however, the Court can only issue, and not enforce, rulings against the government. If the value of the case is less than \$26,000, the Commercial Court's decision is final. If the value exceeds \$26,000, the case may be taken up by a Court of Appeal. Parties may also appeal their case to the Supreme Court. Cases can only be reopened after judgment if new documents are discovered or irregularities (e.g., forgery, perjury) are found. There is no provision for the publication of decisions, apart from arbitrations carried out under the United States-Oman FTA, and the decisions do not carry precedent. U.S. firms should note that the Commercial Court is relatively new, replacing the Authority for Settlement of Commercial Disputes.

Oman maintains other judicial bodies to adjudicate various disputes. The Labor Welfare Board under the Ministry of Manpower hears disputes regarding severance pay, wages, benefits, etc. The Real Estate Committee hears tenant-landlord disputes, the Police Committee deals with traffic matters, and the Magistrate Court handles misdemeanors and criminal matters. All litigation and hearings are conducted in Arabic. The Oman Chamber of Commerce and Industry has an arbitration committee to which parties to a dispute may refer their case when the amounts in question are small. Local authorities, including 'walis' (district governors appointed by the central government), also handle minor disputes. Oman is a member of the GCC Arbitration Center, located in Bahrain. Separately, the Bahrain Center for Dispute Resolution, a member of the American Arbitration Association (AAA) in New York, is very active in the region.

Bankruptcy

Oman has written and consistently applied commercial and bankruptcy laws. However, insolvency laws currently allow only for complete dissolution rather than restructuring, and many businesses opt to simply shut their doors rather than go through the insolvency process, which can take up to four years. Omani law (Royal Decree 55/1990) also provides for arrest and imprisonment in many bankruptcy cases. According to the World Bank, it takes on average four years to resolve bankruptcy and investors can expect to recover 37.7cents on their dollar. However, the cost of resolving bankruptcy as a percentage of the estate is lower in Oman than the region.

Investment Disputes

Pursuant to the Conciliation and Settlement Law (Royal Decree No. 98 of 2005), parties may refer a dispute to the Committee for Conciliation and Settlement by submitting an application, free of charge, before a reference is made to the courts. The Committee shall attempt to settle the dispute within 60 days from the date of application to the Committee; however, this period may be extended for a further period of not more than 30 days upon the agreement of parties. If settlement is achieved, the Committee will prepare a report to be signed by all parties, which then can be enforced in the same manner as a final judgment of a court. Parties to a dispute are also free to explore mediation themselves, through the appointment of a professional mediator.

International Arbitration

Many corporate entities in Oman are increasingly turning to arbitration to resolve their disputes as it is considered to be a more efficient and reliable mechanism. An arbitral award is usually rendered in Oman within 12 months of the aggrieved party stating in writing that a dispute has arisen. In contrast, court processes can often be much lengthier, particularly where technically complex issues are involved. The fact that cases normally go through three tiers of justice (Primary, Appeal and Supreme) also naturally means a longer process.

The Omani Arbitration Law (Royal Decree 47/97, as amended) defines the term "Arbitration" as a dispute resolution mechanism agreed to by parties of their own volition. Usually, the parties will

state in their initial contract that any dispute will be resolved by arbitration pursuant to, for instance, Omani Arbitration Law. The Law mandates that an arbitration agreement should be in writing. Once a dispute has arisen, the parties can agree, in writing, to arbitration. In such cases, however, the agreement has to specify the underlying issues that the parties have agreed to resolve by arbitration.

Binding international arbitration of investment disputes between foreign investors and the Omani government is recognized. Omani courts recognize and enforce foreign arbitral awards, and international arbitration is accepted as a means to settle investment disputes between private parties. Oman's legal framework provides for the enforcement of international arbitration awards and most foreign companies elect for dispute resolution by arbitration. Arbitration is generally cheaper, quicker and easier than settling commercial disputes in the normal court system, where judges often lack expertise on technical commercial issues.

Additionally, there are specific dispute resolution mechanisms through the United States-Oman FTA that can assist Omani and U.S. companies in resolving disputes outside of the Omani legal system.

ICSID Convention and New York Convention

Oman is a party to the International Convention for the Settlement of Investment Disputes between States and Nationals of other States (ICSID) and the UN New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitral Awards.

Duration of Dispute Resolution – Local Courts

Although the judicial process is slow, business contracts are generally enforced. According to the 2015 World Bank Ease of Doing Business Report, it takes an average of 598 days and 51 separate procedures to enforce a business contract. However, the cost of enforcement is a smaller percentage of the claim, at 13.5 percent, lower than even OECD countries, which average 21 percent.

5. Performance Requirements and Investment Incentives

WTO/TRIMS

Oman is subject to trade related investment measures (TRIMs) obligations. At this time, there are no allegations that Oman maintains any measures that violate the WTO TRIM text.

In-Country Value (ICV) has become an important part of Omani economic policy, and is another effort to diversify away from oil rents by favoring tender bids that include procurement of local goods and services, and training of Omanis. This may favor local firms, who have established procurement and training relationships. However, ICV policy is not currently codified, and there are no established quotas. Additionally, foreign firms operating in Oman, including U.S. companies, must meet "Omanization" requirements, which require businesses to employ a percentage of Omani citizens, differing by sector, as determined by the Ministry of Manpower. In 2015, high-level Government of Oman officials issued several decisions aimed at stronger

implementation of the 2013 provision of the Tender Law requiring at least 10% of any project's value go to local SMEs, either through subcontracts or through capacity-building training.

Foreign investors have access to local and foreign exchange for export finance. Offsets on civilian government procurements are generally limited to procurements by the Ministry of Defense, Royal Oman Police, or Ministry of the Royal Office.

Investment Incentives

Oman offers several incentives to attract foreign investors. These include:

- A five-year renewable tax holiday;
- Subsidized plant facilities and utilities at industrial estates;
- Exemption from customs duties on equipment and raw materials during the first ten years of a project, with packaging materials exempted for five years;
- English as an accepted lingua franca for business contracts and operations;
- A low corporate tax rate, capped at 15 percent; and
- No personal income or capital gains tax.

Firms involved in agriculture and fishing, industry, education and training, healthcare, mining, export manufacturing, tourism, and public utilities are eligible for the renewable 5-year tax holiday and exemption from duties on capital goods and raw materials. Under the Industry Organization and Encouragement Law of 1978, incentives are available to licensed industrial installations on the recommendation of the Industrial Development Committee. "Industrial installations" include not only those for the conversion of raw materials and semi-finished parts into manufactured products, but also mechanized assembly and packaging operations.

Omani and U.S.-owned commercial enterprises, and foreign industrial producers in joint venture with local firms that produce goods locally, need to meet standard quality specifications. The government offers subsidies to offset the cost of feasibility and other studies if the proposed project is considered sufficiently important to the national economy. Only in the most general sense of business plan objectives does proprietary information have to be provided to qualify for incentives.

A full list of incentives is laid out in the Foreign Investment Law as follows:

- Interest-free loans by Government under Royal Decree No. 83/80 concerning the financial support to the private sector in agriculture, fisheries, industry, mining and quarrying and Royal Decree No. 40/87 of the financial support to the private sector in Industry and Tourism.
- Low interest loans to industrial firms from the Oman Development Bank.

- Exemption from customs duties on imports of equipment and raw materials required for production purposes. (Note: This has been legally challenged by U.S. and foreign competitors.)
- Tariff protection through imposition or increase of customs duties on imported goods similar to local products or to prohibit or restrict their importation, taking into consideration the quality and quantity of local production and the interest of the consumer. The list of products currently under protection includes some types of pipes, cement, cement-products, paints, polyurethane products, corrugated cartons, vegetable oil, detergents and chain-link fencing. (Note: Some of this support has been challenged by foreign competitors under WTO rules.)
- Exemption from corporate tax for a period of five years which can be renewed for another period of five years starting from the date of permission of registration of production commencement.
- Planned and serviced industrial plots for setting up factories.
- Recommendation to the Ministry of Electricity and Water for the reduction of utility charges for industrial purposes for those industries fulfilling the conditions for reduction.
- Survey of industrial investment opportunities and preparation of feasibility studies important to national economy.

Research and Development

U.S. and foreign firms are able to participate in government financed/subsidized research programs on a national treatment basis, and are at times solicited for specific expertise.

Performance Requirements

Since 1988, the GoO has had a labor market policy of “Omanization” – employment quotas for Omani nationals. These quota targets vary depending on the sector – they can be as low as 15% in some and 60% in others. Most government ministries have achieved Omanization rates at or near 100%.

Omanization targets are consistent throughout the private sector. In practice, each company in Oman is required to submit an Omanization plan to the Ministry of Manpower (MoM), which has the authority to reduce the requirements for some businesses and to adjust required Omanization percentages accordingly. Private companies report that the MoM enforces Omanization inconsistently.

Employers seeking to hire expatriate workers must seek a visa allotment from the MoM and Royal Oman Police. Specific visas allocations are scrutinized using sometimes opaque criteria. Foreign investors complain of the difficulty in hiring expatriates. Additionally, expatriate workers in Oman are required to leave Oman and remain outside the country for two years between changing

employers. Persons may seek exemption of this rule from the Royal Oman Police on a case-by-case basis.

The GoO, in particular the Ministry of Oil and Gas, launched an initiative in 2013 aimed at increasing the amount of in-country value (ICV) in GoO contracts and contracts in the oil-and-gas sector. The tenets of ICV include workforce development, increase of local sourcing of goods and services, as well as enhancement of the business environment to support local businesses.

Data Storage

Currently, Oman does not have any requirements for companies to turn over source code or to provide access to surveillance. However, the Telecommunications Regulatory Authority (TRA) requires service providers to house servers in Oman if they are to provide services in Oman. The TRA is the lead agency on establishing data quotas in Oman.

6. Protection of Property Rights

Real Property

Securitized interests in property, both moveable and real, are recognized and enforced in Oman. Mortgages and liens exist, and foreign nationals are able to obtain mortgages on land in designated Integrated Tourism Complexes. Individuals record their interest in property with the Land Registry at the Ministry of Housing. The legal system, in general, facilitates the acquisition and disposition of property rights.

There are lands reserved for tribal use and ownership, but there are not clear definitions or regulations. Coastal areas are reserved for specific tribal use, mostly for fishing; lands in Salalah and in the mountains near Dhofar are reserved for tribal interests and access is typically restricted, and tribes in the Empty Quarter and eastern desert areas own tracts of land that they then "permit" oil companies to operate on. These tribes legally own the land – as opposed to the government owning the land – and therefore control access and any commercial activities.

Intellectual Property Rights

While IPR legislation and regulations are strong, civil action against violators continues to be time-consuming and expensive, and MOCI acknowledged they currently do not have the human resources necessary to run an effective administrative enforcement regime. Additionally, the Omani system places a burden on the rights-holders to perform their own monitoring and enforcement.

Public Authority for Consumer Protection (PACP) officials have confirmed that they do not accept responsibility for complaints arising from brand-owners; they only take action on consumers' complaints. The Ministry of Legal Affairs also confirmed that the 2008 Copyright Law stipulates that the MOCI shall be responsible for IPR enforcement at the retail level, including inspections and seizures. As such, the U.S. government, along with a private sector working

group, in 2014 officially urged the Minister of Commerce to take steps to address the gap and stand up an administrative enforcement team within MOCI.

After revising its intellectual property and copyright laws to comply with its FTA obligations, Oman now offers increased IPR protection for copyrights, trademarks, trade secrets, geographical indications, and patents. FTA-related revisions to IPR protection in Oman build upon the existing intellectual property rights regime, already strengthened by the passage of WTO-consistent intellectual property laws on copyrights, trademarks, industrial secrets, geographical indications and integrated circuits. The FTA's chapter on IPR can be found at:
<http://oman.usembassy.gov/fta-texts.html>.

Oman is not listed in the Special 301 report, nor is it designated as a notorious market.

Oman is a member of the World Intellectual Property Organization (WIPO) and is registered as a signatory to the Madrid, Paris and Berne conventions on trademarks and intellectual property protection. Oman has also signed the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty. Oman is also a signatory to the International Convention for the Protection of New Varieties of Plants.

Trademark laws in Oman are Trade Related Aspects of Intellectual Property Rights (TRIPs) compliant. Trademarks must be registered and noted in the Official Gazette through the Ministry of Commerce and Industry. Local law firms can assist companies with the registration of trademarks. Oman's copyright protection law extends protection to foreign copyrighted literary, technical, or scientific works; works of the graphic and plastic arts; and sound and video recordings. In order to receive protection, a foreign-copyrighted work must be registered with the Omani government by depositing a copy of the work with the government and paying a fee. Trademarks are valid for ten years while patents are generally protected for twenty years. As "literary works", software and audiovisual content is protected for fifty years.

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at <http://www.wipo.int/directory/en/>.

Resources for Rights Holders

Ministry of Commerce and Industry– Department of IPR Enforcement
Director of Intellectual Property
Ahmed al-Saidi Tel: +968- 9942-1551
Fax: +968-2481-2030
E-mail: saidy3916@yahoo.com
Web: <http://www.mocioman.gov.om/>

Ministry of Commerce and Industry – Directorate of Commerce
Director General of Commerce
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U.S. Patent & Trademark Office Regional IP Attaché

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7. Transparency of the Regulatory System

Because commercial registration and licensing decisions often require the approval of multiple ministries, the government decision-making process can be tedious and may be perceived as non-transparent. Obtaining licenses for some business activities, particularly expatriate labor approvals, and mining and environmental permits, can be time consuming and complicated for foreign companies, as the various ministries from which licensure is required do not widely disseminate their policies, quotas, and regulations.

The government occasionally publishes proposed laws and regulations for public comment, particularly laws that may affect the private sector, but there is not a formalized process for doing so, nor a legal requirement to do so. There has been a move in recent years towards greater transparency in telecommunications, securities, and corporate governance of publicly traded companies.

Oman has also improved the transparency of its securities markets and publicly traded companies largely through the work of the Capital Markets Authority (CMA), the regulatory body for such areas. The CMA requires all public companies to comply with a set of standards for disclosure. Under the requirements, holding companies must publish the accounts of their subsidiaries with the parent companies' accounts. Companies must fully disclose their investment portfolios, including details of the purchase cost and current market prices for investment holdings. The new initiatives also require publication of these financial statements in the local press. At the same time, the Central Bank has introduced new rules to limit the level of "related party transactions" (financial transactions involving families or subsidiary companies belonging to major shareholders or board members) in Oman's commercial banks.

8. Efficient Capital Markets and Portfolio Investment

There are no restrictions in Oman on the flow of capital and the repatriation of profits. Foreigners may invest in the Muscat Securities Market (MSM) so long as they do so through an authorized broker. Access to Oman's limited commercial credit and project financing resources is open to Omani firms with foreign participation. At this time, there is not sufficient liquidity in the market to allow for the entry and exit of sizeable amounts of capital. Joint stock companies with capital in excess of \$5.2 million must be listed on the MSM. According to the recently amended Commercial Companies Law, companies must have been in existence for at least two years before being floated for public trading. Publicly traded firms in Oman are still relatively rare phenomenon; the majority of businesses are private family enterprises.

Money and Banking System, Hostile Takeovers

The banking system is sound and well-capitalized with low levels of non-performing loans and generally high profits. Banks' portfolios are dominated by personal loans, perceived as safe as they are typically drawn directly from borrowers' government salaries. Foreign businesspeople must have a residence visa or an Omani commercial registration to open a local bank account.

The Central Bank of Oman is the central bank, and issues regulations and guidance to all banks operating within Oman's borders.

Bank Muscat, the largest domestic bank operating in Oman, has \$32.5 billion in assets.

9. Competition from State-Owned Enterprises

SOEs are active in many sectors in Oman, including oil and gas extraction, oil and gas services, oil refining, liquefied natural gas processing and export, manufacturing, telecommunications, aviation, infrastructure development and finance. The GoO does not have a standard definition of a state-owned enterprise, but tends to limit its working definition to companies wholly owned by the government and more frequently refers to companies with partial government ownership as joint ventures. The GoO also does not have a complete, published list of companies in which it owns a stake.

In general, private enterprises are allowed to compete with public enterprises under the same terms and conditions with access to markets, and other business operations, such as licenses and supplies. SOEs do purchase raw materials, goods, and services from private domestic and foreign enterprises. Public enterprises, however, have comparatively better access to credit. Board membership of SOEs is composed of various government officials, with a senior official, usually cabinet-level, serving as chairperson.

SOEs are given an operating budget, but, like budgets for ministries and other government entities, the budgets are flexible and not subject to hard constraints.

OECD Guidelines on Corporate Governance of SOEs

SOEs in Oman do not adhere to OECD Guidelines on Corporate Governance for SOEs. SOE senior management report to independent boards, and those boards have senior Government of Oman representation. Larger companies have higher-level official representation, while smaller or more niche market companies have working level representation from the Ministry of Finance.

Sovereign Wealth Funds

Oman has two main sovereign wealth funds; the State General Reserve Fund of the Sultanate of Oman, and the Oman Investment Fund. The majority of the Funds' assets are invested abroad, although their dealings and governance are extremely opaque. Omani sovereign wealth funds are not required by law to publish an annual report or submit their books for an independent audit. Many of the smaller wealth funds and pension funds actively invest in local projects.

10. Responsible Business Conduct

Responsible business conduct is generally referred to as corporate social responsibility (CSR) in Oman, where the term carries a different connotation than in other parts of the world. In Oman, CSR programs are organized, "extra-curricular" programs hosted and supported by the business entity to engender goodwill in the community and to provide a social benefit. Examples include: competitions in elementary and secondary schools for academic performance and artistic skill; and many sponsor charitable, academic and social events; entrepreneurship incubators; and women's or tribal empowerment.

Regulations promoting corporate social responsibility have not, in the past, been waived to attract foreign investment. The GoO is particularly sensitive to labor issues concerning Omani employees, and has actively intervened in labor disputes to enforce Omani labor regulations.

Labor and employment disputes and consumer rights violations (mostly the sale of expired food or counterfeit medicine or car parts) are widely covered in the press. There is a general culture of accountability, and a sense that companies who violate these tenants of corporate social responsibility will suffer in business and market share.

There are no independent NGOs promoting corporate social responsibilities, however many business associations including the Oman-American Business Council actively pursue CSR initiatives as a part of their annual activities.

While the GoO does not have specific guidance for companies, it does have an expectation that companies will generally follow OECD-comparable guidelines. Additionally, each ministry has a department dedicated to facilitating CSR compliance and initiatives.

11. Political Violence

Politically-motivated violence is rare in Oman. Incidents of violence were associated with Arab Spring-related demonstrations in 2011, including several demonstrations that resulted in blocked pedestrian and vehicle access to the Port of Sohar. Although most protests were peaceful, one demonstration which turned violent resulted in several injuries and one fatality. The government allows some peaceful demonstrations to occur.

12. Corruption

The Sultanate has the following national legislation in place to deal with corruption in public and private sectors:

1. The Law for the Protection of Public Funds and Avoidance of Conflicts of Interest (the "Anti-Corruption Law") (promulgated by Royal Decree 112/2011); and
2. The Omani Penal Code (promulgated by Royal Decree 7/1974).

The Anti-Corruption Law predominantly concerns employees working within the public sector. It is also applicable to private sector companies if the Government holds at least 40% shares in the company or in situations where the private sector company has punishable dealings with Government bodies and officials. The Omani Penal Code is the other key legislation which defines states " Any person who accepts a bribe for himself or for another person, be it in cash or a present or a promise or any other benefit for performing a lawful act of his duties, or for forbearing to do it or delaying its execution." The Penal Code targets corruption in the private sector.

A lack of domestic whistleblowers legislation in Oman has resulted in the private sector taking the lead in enacting internal anti-bribery and whistleblowing programs. Omani and international companies doing business in Oman that plan on implementing anti-corruption measures will

likely find it difficult to do so without also putting in place an effective whistleblowing program and a culture of zero tolerance.

Ministers are not allowed to hold offices in public shareholding companies or serve as chairperson of a closely held company. However, many influential figures in government maintain private business interests and some are also involved in private-public projects. These activities either create or have the potential to create conflicts of interest. In 2011, the Tender Law was updated to preclude Tender Board officials from adjudicating projects involving interested relatives to "the second degree of kinship".

Sultan Qaboos has dismissed several ministers and senior government officials for corruption during his reign. The "State Financial and Administrative Audit Institution" (SFAAI) was granted expanded powers under Royal Decree 27/2011, largely in response to public protests against the perception of corruption and nepotism at the highest levels of government.

U.S. businesses do not identify corruption as one of the top concerns of operating in Oman.

UN Anticorruption Convention, OECD Convention on Combatting Bribery

Sultan Qaboos issued Royal Decree 64/2013 ratifying the Sultanate in joining the United Nations Convention Against Corruption (the "UNCAC"). The Royal Decree was published in the Official Gazette and is effective from November 20, 2013.

Oman is not a party to the OECD Convention on Combating Bribery.

Resources to Report Corruption

State Audit Institution

<http://www.sai.gov.om/en/Complain.aspx>

Phone number: +968 8000 0008

13. Bilateral Investment Agreements

Bilateral Taxation Treaties

Oman is a member of the Gulf Cooperation Council, which has decided to negotiate trade agreements as a group rather than as individual nations. In September 2013, the FTA between the GCC and Singapore entered into force, and the GCC is in the process of finalizing Free Trade Agreements with the European Union and Malaysia.

Oman has bilateral investment treaties with: Algeria, Austria, Belarus, China, Croatia, Egypt, Finland, France, Germany, India, Iran, Italy, Republic of Korea, Lebanon, Morocco, Netherlands, Pakistan, Singapore, Sudan, Sweden, Switzerland, Tunisia, Turkey, United Kingdom, Uzbekistan, and Yemen.

Oman does not have a bilateral investment treaty with the United States. Oman does have an FTA with the United States which was signed in 2006 and came into force in 2009.

Oman does not have a bilateral taxation treaty with the United States. Omani tax authorities may allow relief for foreign taxes paid. Oman has signed double taxation treaties with many countries including: Algeria, Belarus, Belgium, Brunei, Canada, China, Croatia, Egypt, France, India, Iran, Italy, Mauritius, Morocco, Moldova, Netherlands, Pakistan, Russia, Seychelles, Singapore, South Africa, South Korea, Sudan, Syria, Tanzania, Thailand, Turkey, Tunisia, the United Kingdom, Uzbekistan, Vietnam, and Yemen.

14. Foreign Trade Zones/Free Ports/Trade Facilitation

The government has established free-trade zones to complement its port development projects investing heavily in the Duqm, Salalah, and Sohar Free Zones. These areas include strategically located ports and are well connected with modern infrastructure and facilities. An incentive package for investors includes a tax holiday, duty-free treatment of all imports and exports, and tax-free repatriation of profits. Additional benefits include streamlined business registration, processing of labor and immigration permits, assistance with utility connections, and lower Omanization requirements. Foreign-owned firms have the same investment opportunities as Omani entities.

15. Foreign Direct Investment and Foreign Portfolio Investment Statistics

According to the National Center for Statistics and Information (NCSI), the total volume of foreign direct investment (FDI) into Oman stood at RO6.48bn (USD 16.83bn) as of 2012, registering a growth of 9.6 per cent compared with RO5.9bn at the end of 2011. FDI flows into Oman surged 41 per cent in 2012 to RO570mn (USD1480.33bn) from RO404mn in 2011. Total FDI volume as a percentage of GDP in 2012 - at RO30bn (or USD 77.91bn) - was 21.6 per cent. The oil and gas exploration sector received FDI of RO3.07bn (USD7.97bn) as of 2012 and remained the largest beneficiary of investment flows into the country, accounting for 46.4 per cent of the total. With a share of 18.3 per cent, manufacturing was next in terms of attracting FDI, receiving RO1.34bn as of 2012. With total FDI of RO914mn, the financial intermediation sector stood third, accounting for 15.5 per cent of the total FDI. The UK was the largest contributor, injecting total FDI worth RO2.29bn (USD5.95bn) as of 2011, and accounting for a 38.7 per cent share. The UAE was the second biggest contributor, followed by the US and India. The UK and the U.S. dominated in terms of FDI flows into oil and gas exploration, while the manufacturing and construction sectors were dominated by UAE and India. GCC countries dominated FDI in the real estate and renting businesses.

Total foreign investment, including FDI, foreign portfolio investments (FPI), financial derivatives and other foreign investments, in the sultanate stood at RO12.71bn (USD33.01bn) at the end of 2011 against RO11.52bn (USD 29.92 bn)in 2010.

FDI accounted for 46.5 per cent of total foreign investment as of 2011, while other foreign investments and foreign project investment accounted for 49.7 per cent and 3.2 per cent, respectively.

Major foreign investors that have entered the Omani market within the last five years include BP (UK), Sembcorp (Singapore), Daewoo (Korea), LG (Korea), Veolia (France), Huawei (China), SinoHydro (China), and Vale (Brazil).

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

Economic Data	Host Country Statistical source*		USG or international statistical source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) (\$M USD)	2013	\$79.7	2014	\$81.8b	www.worldbank.org/en/country
Foreign Direct Investment	Host Country Statistical source*		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country (\$M USD, stock positions)	2014	\$143.4	NA	NA	http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm
Host country's FDI in the United States (\$M USD, stock positions)	NA	NA	NA	NA	http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm
Total inbound stock of FDI as % host GDP	NA	NA	NA	NA	NA

Table 3: Sources and Destination of FDI

Data not available.

Table 4: Sources of Portfolio Investment

Data not available.

Section 5 - Government

Chiefs of State and Cabinet Members:

For the current list of Chief of State and Cabinet Members, please access the following - [Central Intelligence Agency online directory of Chiefs of State and Cabinet Members of Foreign Governments](#)

International organization participation:

ABEDA, AFESD, AMF, CAEU, FAO, G-77, GCC, IAEA, IBRD, ICAO, ICC (NGOs), IDA, IDB, IFAD, IFC, IHO, ILO, IMF, IMO, IMSO, Interpol, IOC, IPU, ISO, ITSO, ITU, LAS, MIGA, NAM, OIC, OPCW, UN, UNCTAD, UNESCO, UNIDO, UNWTO, UPU, WCO, WFTU (NGOs), WHO, WIPO, WMO, WTO

Legal system:

Mixed legal system of Anglo-Saxon law and Islamic law

Exchange control

There are no exchange controls in any form on inward or outward investment or on repatriation of capital or profits, either by nationals or expatriates.

Foreign tax relief

Sultanate of Oman has entered into agreements for the avoidance of double taxation (DTA) and the prevention of avoiding income tax with France, India, Tunisia, United Kingdom, Mauritius, Italy, Pakistan, Algeria, Lebanon, China, Yemen, South Africa, Sudan, Seychelles, Iran, Canada, Turkey, Syria, Republic of South Korea, Singapore Thailand, Uzbekistan, Belarus, Brunei, Netherlands, Maldives, Vietnam, Belgium, Malaysia and Croatia.

Currently, most of the foreign airlines carrying on business through establishment in Oman are exempted from income tax either through comprehensive DTAs or through limited DTAs. The foreign airlines which earn income through establishment in Oman, and which do not have comprehensive DTAs or limited DTAs, would be exempted from tax effective from 1 January 2003 provided reciprocal tax exemption is granted in the airline's home country. The countries whose airlines have signed agreements for tax relief are India, Kuwait, Jordan, Netherlands, Tanzania, Sri Lanka, Iran, Singapore, Sweden and Switzerland.

Tax credit is unilaterally allowed by certain countries, e.g. the UK, USA and Germany in respect of tax paid by foreign business entities in Oman, on satisfaction of certain conditions.

Income earned overseas by a PE (permanent establishment) in Oman will be taxed in Oman. Corresponding tax credit in Oman will be given to the extent of Omani tax i.e. 12% or foreign tax paid on that income whichever is lower.

Treaty and non-treaty withholding tax rates

The following rates for royalties apply:

	Royalties (%)
Treaty countries	
Canada	10 ¹
China	10
France	0
India	10
Italy	10

Korea	8
Mauritius	0
Moldova	10
Pakistan	10
Seychelles	10
Singapore	8
South Africa	8
Thailand	10
United Kingdom	8

1 Copyright royalties are not subject to withholding tax under the provisions of this treaty.

Methodology and Sources

Section 1 - General Background Report and Map

(Source: [CIA World Factbook](#))

Section 2 - Anti - Money Laundering / Terrorist Financing

	Lower Risk	Medium Risk	Higher Risk
FATF List of Countries identified with strategic AML deficiencies	Not Listed	AML Deficient but Committed	High Risk
Compliance with FATF 40 + 9 recommendations	>69% Compliant or Fully Compliant	35 – 69% Compliant or Fully Compliant	<35% Compliant or Fully Compliant
US Dept of State Money Laundering assessment (INCSR)	Monitored	Concern	Primary Concern
INCSR - Weakness in Government Legislation	<2	2-4	5-20
US Sec of State supporter of / Safe Haven for International Terrorism	No	Safe Haven for Terrorism	State Supporter of Terrorism
EU White list equivalent jurisdictions	Yes		No
International Sanctions UN Sanctions / US Sanctions / EU Sanctions	None	Arab League / Other	UN , EU or US
Corruption Index (Transparency International) Control of corruption (WGI) Global Advice Network	>69%	35 – 69%	<35%
World government Indicators (Average)	>69%	35 – 69%	<35%
Failed States Index (Average)	>69%	35 – 69%	<35%
Offshore Finance Centre	No		Yes

Section 3 - Economy

General Information on the current economic climate in the country and information on imports, exports, main industries and trading partners.

(Source: [CIA World Factbook](#))

Section 4 - Foreign Investment

Information on the openness of foreign investment into the country and the foreign investment markets.

(Source: [US State Department](#))

Section 5 - Government

Names of Government Ministers and general information on political matters.

(Source: [CIA World Factbook](#) / <https://www.cia.gov/library/publications/world-leaders-1/index.html>)

Section 6 - Tax

Information on Tax Information Exchange Agreements entered into, Double Tax Agreements and Exchange Controls.

(Sources: [OECD Global Forum on Transparency and Exchange of Information for Tax Purposes](#)
[PKF International](#))

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