

## **A guide to the finance support to the private sector in economical and service sector**

### **FIRST : LOAN TERMS:**

The award of a government loan to industry, Tourism, Education, Higher Education, Health and Handicraft following conditions:

- 1- The project shall be within the above mentioned economical service sectors.
- 2- The project shall have fulfilled the registration and licensing or approval procedures prevailing in the sultanate.
- 3- The requisite capital shall have been fully paid in at the time of the loan application.
- 4- The project shall have a special subsidiary budget no intervening in the other activities of the company if such a company is of diverse activities.
- 5- 51% of the project capital shall be owned by Omanis throughout the loan period.

### **SECOND : LOAN AIMS**

The Ministry shall provide loans for both the new and existing projects for the following purposes :

- 1- for the new projects, loans are granted to assist in the financing of establishing new project. A new project shall mean any project that has obtained a license or approval from the concerned Ministry but has not started production or services yet.
- 2- For the existing projects, loans are granted for either of two purposes :
  - a) To assist in purchasing the machinery and equipment, or services facilities necessary for the expansion and improvement of the project production capacity or improvement of services.
  - b) To support the existing project which is faced by production or services problems subject to the following conditions

-Between one to three years shall have lapsed since the registration of or approval of the project provided the project presents an audited budget for the latest financial year.

The project shall prove to the committee for the financial support that the difficulties that the project are not due to inefficiency in the project management.

-It shall be indicated by studies that the project shall attain its economic feasibility on getting the loan.

An existing project shall mean every project that has started production or services and obtained a certificate of registration or approval from the concerned Ministry. Both the new and the existing project which are involved in expansion works shall undertake to use the loan amount in financing the establishment and equipment contract. The owner of the project shall undertake to submit to the Ministry, at least, two price quotations for the required works from two different sources so that the contracting shall not take place before the Ministry approval to the finally chosen quotations.

**THIRD:** The Procedures Of Granting The Loan For Projects Which Its Total Cost Above R.O 250.000

1. The individual projects or those which take the status of general or limited partnership, limited liabilities companies or individual establishments ( companies other than the joint stock companies )

The maximum loan shall be R.O 500.000 provided that the loan does not exceed 150% of the paid up capital in Muscat governorate and 250% of the paid up capital if the project outside Muscat governorate .

2. The project that take the form of Omani joint stock companies or owned by such companies and have covered not less than 40% of the capital by public subscription.

-The maximum loan for such project does not exceed 150% of the paid up capital if they are in Muscat govern orate and 250% of the paid up capital if they are outside Muscat or Wilayat of Qurat an d with a maximum loan of R.O 5 million.

Granting a loan to a project shall be once; nevertheless in exigent cases, another loan my be granted by a decision of the competent Ministerial Committee. But it should be observed that the maximum loan shall be reduced by the balance of any government loan the project might have obtained before. Consequently, the number of loans a project may get throughout its duration shall be only two loans and within the limits of the company paid up capital.

#### **FORTH** : The Payment Of The Loan

The decision of the Ministry of National Economy regarding granting the loan after it issue in accordance with the provision of this rule, shall be referred to the Ministry of the National Economy to conclude the agreement with borrower on the behalf of the government for the value of the loan and according to its terms.

The Ministry of the National Economy shall then send a copy of the agreement to the Ministry of Commerce and Industry which shall remain responsible for taking the necessary action for the collection of the loan value and in doing so, it shall have the right to entrust any of specialized and authorized banks in the Sultanate with administration and control of the loan under the Ministry's supervision and its expense.

The payment of the loan shall be in installments against documents that prove that the loan is being used in the purpose it is appropriated for. The borrower shall undertake to present the documents that indicate the fulfillment of the conditions specified in the rule or its executive regulations. The borrower shall also undertake to repay the amounts paid to him if it has been proved that he has used them in other purposes.

**FIFTH** : Repayment Of The Loan

The loan granted according to the provisions of this rule shall be 3% interested rate and reparable in 10 annual installments which begin as follow:

After the lapse of the maximum of 5-years grace period from the date of signing loan agreement with the Government Represented by Ministry of National Economy.

**SIXTH** : The Procedures Of Applying For And Concluding Loan Agreement:

1. Loan application complying with the conditions shall be made on the on the special form available in the Ministry of Commerce and Industry ( the technical secretanat of the financial support committee ).  
The application shall be submitted to the Director General of the Industry with document mentioned at the end of this guide.
2. The technical secretariat shall collect the applications that comply with the terms of support and all required documents and information so as to refer them to the committee for the financial support of the study them and recommend the support amounts to be paid to each project bearing in mind the priorities prescribed in Article ( 10 ) of the Royal Decree 17/97.
3. The minister shall decide the granting of the loan, and the approval of the Ministerial Committee shall be obtained prior to the issue of the Minister's decision.
4. The loan applicant shall be notified of the decision pertaining to his application within a maximum period of 30 days from the date of the completion of the required data and documents.  
The applicant may complain to the Minister of National Economy aforementioned decision within one month from the date of his notification of such a decision.

5. The Ministry Of Commerce and Industry shall notify the Ministry of Finance and National Economy (FINANCE AFFAIRS ) of the Ministry's of decision with regard to the granting of the loans and the Ministry of Finance and National Economy shall, on behalf of the government, conclude the loan agreement with the project representative.

#### **SEVENTH : PREFERENCE IN GRANTING THE FINANCIAL SUPPORT FOR INDUSTRIAL PROJECTS**

The industrial projects which fulfil one of the following conditions shall enjoy preference in obtaining the Loans. Offered by the Ministry:

- 1- The project shall be aimed at exporting a share of its products provided that it presents to the Ministry a study that indicates at least 10% of the project total production shall be exported.
- 2- The project shall be a food products – producing one, whether such products are foodstuffs or beverages according to the classification specified in clauses 311, 312, 313, 314, of the International Industrial Classification Index by the U.N.
- 3- The project shall depend in production on local raw materials, whether by using such material as a main component in production, or by using a ratio of them whose value shall not be less than 20% of the total cost of the raw materials used in production.
- 4- The product shall be employing Omani manpower of more than 25% of the total manpower.
- 5- The joint stock companies which offer a ratio of more than 25% of its capital for public prescription.

( 2 ) PREFERING IN GRANTING FINANCIAL SUPPORT FOR THE TOURIST PROJECT

The projects shall enjoy special preferences in getting loans in the field of Tourism if they comply with the following requirement:

( a ) They shall be outside towns and contribute to the development of the area they are established in.

( b ) They shall provide unavailable services and create job opportunities for the national labour.

( c ) The ratio of the national labour shall not be less than 30% of the total manpower in the existing projects.

( d ) Their management shall be conducted by International companies which contribute to the transfer of administrative technology.

( e ) They shall participate in promoting and marketing of the local handicrafts and industries.

( 3 ) PREFERENCE IN GRANTING THE FINANCIAL SUPPORT FOR HEALTH PROJECTS :

- 1- Private hospitals: which provide comprehensive services especially gynecology, obstetrics, pediatrics and general medicine. Also, those visualize specialized clinics in these sections as well as others ie general surgery bones ...etc.
- 2- Diagnose Centers: such as CAT, MIR and laboratory diagnosis centers
- 3- Medical complex: which consists of specialized clinics without beds for admitted patients, such as gastrocopy, heart cardiology disease blood vessels,

psychology disease, ophthalmology, otolaryngology and small operations.

- 4- Gymnastic ( physical clinic ) with the capacity of scopy examination sports injuries.
- 5- Specialized clinics for orthodontic and jawbone disease
- 6- Qualification centers & physiotherapy : modern qualification centers will deferent physiotherapy forms.
- 7- Infirmary ( old age hospital ) : which will provide care to old aged people during day time. There could be some beds for admitted cases.
- 8- Drug industry and other medical necessities related to hospital.

#### ( 4 ) PREFERENCES IN GRANTING THE FINANCIAL SUPPORT FOR HIGHER EDUCATION

- Community Colleges :
- Existing and new private College
- Higher private Institutes

## The Document to be submitted with the Government Loan Application

- 1- The loan application covering letter addressed to the Director General of Industry, chairman of the preparation committee technical for the financial support for economic and services, written on the applicant headed papers.
- 2- The loan application form ( available at the Technical Secretariat of the Committee for Financial Support ), at the Incentive Development Department.
- 3- A copy of the Industrial register certificates or approval for the existing projects, together with the Ministry's approval to the increase of production capacity, if the project requires the loan for or approval such a purpose.
- 4- A copy of the license or approval certificate for the new projects.
- 5- A copy of the project commercial register certificate.
- 6- A copy of the computer papers issued by the Secretariat of the Commercial register indicating the registered capital of the project.
- 7- A copy of affiliation certificate to Oman Chamber of Commerce and industry and the affiliation forms.
- 8- The company's memorandum and articles of association ( for the joint stock company )
- 9- A certificate from the bank which has accepted the public issue if the company has issued a prospectus ( for the joint stock company )
- 10-The public notice published in the official gazette and the daily newspapers about the issue of the prospectus ( for the joint stock company ).

- 11-The public issue permit from the Ministry of Commerce & Industry ( for joint stock company )
- 12-A proof of the payment of the called up share of the capital ( for the new projects in the form of a joint stock company ).
- 13-A proof of the payment of the capital ( for the new non-joint stock companies ).
- 14-The ownership proof of the project land issued by the Ministry of Housing or the lease agreement. If the land is not mortgageable as part of the fixed assets, the value of the other fixed assets shall cover the loan value and the interest, if any, as guarantee of solvency.
- 15-The general budget of the project for last financial year provided it shall not fall short than 12 month and the final accounts shall be audited and certified by an auditing office accredited by the Ministry.
- 16-Two price quotations for the works and equipment to be financed by the government loan. The two quotations shall be presented by two different suppliers ( for the new projects and the projects that need expansion and improvement of production ).
- 17-The documents that ensure the difficulties that face the project ( for the project facing problem of continuity of production ).

18- An economic study that shows the development of the project since its establishment up to the time of the loan application and prove that the loan will help the project expand and improve its production capacity with the aim of promoting production and overcoming the obstacles that hinder the continuity of production. If the loan is aimed at the expansion and improvement of production, the economic study shall include a statement of the project investment cost, its profitability and the suggested withdrawal schedule of the loan. But if the loan is required to face production problems, study shall comprise a settlement of such problems, their reasons and the means of prevailing over them besides what proves the compliance of the project with the conditions provided in clause (2) if Article (3) of the regulations.