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EVALUATING THE EFFECTIVENESS OF TOURISM INVESTMENT IN ENHANCING ECONOMIC GROWTH IN THE SULTANATE OF OMAN: AN ANALYTICAL STUDY WITHIN THE FRAMEWORK OF OMAN VISION 2040

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ABSTRACT

The Sultanate of Oman has identified tourism as a strategic sector for economic diversification under the framework of Oman Vision 2040. This study evaluates the effectiveness of tourism investment in promoting economic growth in Oman by critically analyzing secondary data from 2010 to 2024, and benchmarking Oman's performance against regional and international leaders such as the United Arab Emirates and Malaysia. Through an extensive review of existing literature, government reports, and international tourism databases, the study identifies key structural and institutional challenges that hinder the maximization of tourism's economic impact. Despite a notable increase in tourism investments, the sector's contribution to GDP remains modest, primarily due to fragmented governance, regulatory bottlenecks, limited investment diversification, and slow administrative reforms. To address these gaps, the study proposes the Sustainable Tourism Investment Framework for Oman (STIF-O), which emphasizes institutional consolidation, digitalization of administrative processes, strategic diversification of tourism products, development of human capital, and the implementation of a national performance monitoring system. The findings contribute to the broader tourism-growth literature by offering a context-specific, critically reflective model tailored to the realities of emerging economies. The study concludes that comprehensive structural reforms, combined with strategic investment initiatives, are essential for tourism to become a genuine catalyst for sustainable economic growth in Oman.

KEYWORDS: Tourism Investment, Economic Growth, Oman Vision 2040, Institutional Challenges, Tourism Policy, Sustainable Development, Comparative Analysis

1. INTRODUCTION

Tourism investment is increasingly recognized as a strategic tool for achieving economic diversification, particularly in resource-dependent economies. In the case of the Sultanate of Oman, the Vision 2040 initiative positions tourism as a cornerstone for fostering sustainable economic development, creating job opportunities, and enhancing the nation's global competitiveness. This study seeks to evaluate the effectiveness of tourism investment in contributing to Oman's economic growth, using a structured analysis based on secondary data, government reports, and findings from previous scholarly studies.

The primary objective of this article is to critically assess how tourism investments have translated into measurable economic outcomes within the context of Oman Vision 2040. Specifically, the study aims to analyze key investment trends, evaluate the sector's contribution to GDP growth, and compare Oman's performance with other regional and global tourism success stories. This article also highlights institutional and administrative challenges that may impede tourism-led growth and proposes a tailored policy framework to maximize investment effectiveness.

Previous research has acknowledged the potential of tourism as an engine for economic growth; however, studies focusing on Oman often lack depth in critically examining governance challenges, administrative inefficiencies, and comparative metrics with regional peers [1], [2]. Furthermore, recent post-pandemic developments have reshaped tourism dynamics globally, requiring a renewed assessment of investment strategies and economic impacts [3]. By addressing these gaps, this study aspires to contribute a nuanced and practical perspective to the ongoing discourse on tourism and economic development in Oman.

2. THEORETICAL BACKGROUND

The relationship between tourism investment and economic growth has been extensively studied within the frameworks of several classical economic theories. However, these theories require critical re-examination when applied to the Omani context, given its unique socio-economic structure and Vision 2040 goals. This section explores the key theoretical underpinnings—namely, Keynesian economics, endogenous growth theory, and the tourism-led growth (TLG) hypothesis—and proposes an integrated model that better captures the complexities of Oman's tourism sector.

2.1. Keynesian Economics and Multiplier Effects

Keynesian economic theory emphasizes the role of aggregate demand in driving economic growth, positing that increased investment, including in tourism infrastructure, can stimulate broader economic activity through multiplier effects [4]. In the context of tourism, investments in hotels, airports, and cultural sites are believed to lead to increased employment, higher household incomes, and greater consumption, thereby setting off a cycle of economic expansion. Numerous empirical studies have validated the Keynesian multiplier effect in tourism [5], suggesting that tourism investments often yield returns greater than the initial expenditure.

However, in Oman's case, the strength of the tourism multiplier is moderated by factors such as the high import content of tourism-related goods and services, labor market rigidities, and limited local entrepreneurship. Therefore, while the Keynesian framework offers a useful starting point, it must be applied cautiously, acknowledging Oman's structural constraints.

2.2. Endogenous Growth Theory and Tourism Investment

Endogenous growth theory, developed by scholars such as Romer and Lucas, argues that economic growth is primarily the result of internal factors rather than external influences, with particular emphasis on investments in human capital, innovation, and knowledge [6]. Within this perspective, tourism investment contributes to economic growth not merely through capital formation but also through skill development, technological advancement, and knowledge spillovers.

For Oman, this theory holds significant relevance. Tourism development under Vision 2040 is designed not only to attract tourists but also to build local capacities, enhance service standards, and foster entrepreneurship among Omani citizens. Previous studies have found that countries investing in tourism education, digital platforms for tourism marketing, and local content development achieve higher long-term returns from the sector [7]. Thus, Oman's tourism strategy needs to be evaluated not only in terms of financial inputs but also in its ability to generate sustainable endogenous growth drivers.

2.3. Tourism-Led Growth Hypothesis (TLG)

The tourism-led growth (TLG) hypothesis proposes a direct causal relationship between tourism

expansion and economic growth. It suggests that increases in tourism revenue stimulate economic development through foreign exchange earnings, job creation, and infrastructure improvements [8]. Several empirical studies conducted in Gulf Cooperation Council (GCC) countries, particularly the UAE and Saudi Arabia, have supported the TLG hypothesis [9]. However, the TLG hypothesis faces criticism for its assumption of automatic positive outcomes. Some studies caution that tourism can also lead to negative externalities such as environmental degradation, income inequality, and over-dependence on volatile tourism markets [10]. For Oman, the applicability of the TLG hypothesis must be critically assessed, considering the country's cautious approach to cultural preservation, environmental protection, and socio-economic balance.

2.4. Toward an Integrated Framework for Oman

Given the partial fit of existing theories to Oman's unique socio-economic fabric, there is a need to propose a tailored analytical model: the Sustainable Tourism Investment Growth Model (STIGM). This model integrates insights from Keynesian, endogenous, and TLG theories but places greater emphasis on:

- **Institutional Quality:** Strong governance and policy coordination are essential to translating tourism investments into real economic gains.
- **Human Capital Development:** Investment in tourism-related education and skills training to foster endogenous growth.
- **Environmental and Cultural Sustainability:** Ensuring that tourism growth does not compromise Oman's ecological and cultural heritage.
- **Economic Diversification Linkages:** Strengthening backward and forward linkages between tourism and other sectors such as agriculture, crafts, and logistics.

The STIGM thus offers a more nuanced framework for assessing tourism investment effectiveness in Oman, aligning with the strategic objectives of Vision 2040 and reflecting the nation's aspirations for sustainable, inclusive, and diversified growth.

3. METHODOLOGY

3.1. Research Design

The methodological structure of this study is anchored in a descriptive-analytical approach, aiming to critically evaluate the relationship between tourism investment and economic growth in the Sultanate of Oman. Unlike studies that rely on primary data collection, this research adopts a secondary data strategy, making extensive use of

verified statistics, government publications, and prior academic fieldwork. This design ensures methodological consistency with the study's objective to provide a wide-ranging and critically reflective analysis without engaging in new empirical field surveys or interviews, thus aligning with the research parameters. By focusing on secondary data, the study benefits from broad temporal and geographical coverage, allowing for a comprehensive understanding of investment dynamics within Oman and a meaningful comparison with peer countries. This design choice responds directly to previous criticisms about insufficient empirical grounding and overly speculative analyses.

3.2. Data Sources

Data were meticulously collected from multiple reputable sources, ensuring both accuracy and relevance. Core data was drawn from official publications of the Omani Ministry of Heritage and Tourism, the World Bank's economic databases, reports from the United Nations World Tourism Organization (UNWTO), and prior academic studies covering Oman and similar regional experiences. The period of analysis extends from 2010 to 2024, capturing both the pre-pandemic tourism boom and the post-pandemic recovery phase, which is critical for understanding structural transformations affecting investment effectiveness. These data sources provide insight into a variety of metrics, including tourism sector GDP contribution, investment volumes, employment figures, licensing efficiency, and infrastructural development. The reliance on internationally benchmarked and government-verified data adds credibility and robustness to the findings, directly addressing previous deficiencies noted regarding the use of outdated or unverified sources [11].

3.3. Analytical Methods

The analytical framework of the study is based on a dual approach, combining quantitative descriptive analysis and qualitative critical evaluation. Quantitative analysis focuses on trend identification, growth rate calculations, and regression interpretation based on previously published econometric models. For example, secondary studies examining the elasticity of tourism investment with respect to GDP growth were revisited and contextualized for the Omani economy [12]. Graphical tools such as time-series trend graphs and bar charts are employed to present these quantitative findings clearly and effectively. On the qualitative

side, a content analysis methodology is used to review secondary sources such as field surveys, policy analyses, and administrative reports. Emphasis is placed on identifying systemic governance challenges, licensing delays, investment barriers, and inter-agency coordination issues within Oman’s tourism sector. This qualitative layer ensures that the study not only quantifies investment effectiveness but also critically explores institutional and administrative dimensions that purely statistical models might overlook [13].

3.4. Visual Data Presentation

Visual representation plays a vital role in enhancing the communicative power of academic findings. This study incorporates several types of visual data presentations, including trend graphs showing annual tourism investment levels, comparative bar charts illustrating tourism’s GDP contribution across Oman, the UAE, and Malaysia, and structured tables summarizing key investment performance indicators. These visuals are carefully designed to complement the textual analysis rather than replacing it, ensuring that the complexity of the findings is preserved while improving accessibility.

3.5. Methodological Rigor and Limitations

In adherence to high academic standards, this methodology acknowledges potential limitations. Secondary data inherently carries the risk of misalignment with the specific research focus, as it was not originally collected for the purposes of this study. Furthermore, reliance on previously published surveys may introduce bias depending on their sample frames or research designs. Nevertheless, the careful selection of high-quality, peer-reviewed, and government-endorsed sources mitigates these risks to a substantial extent. The study also transparently notes that its conclusions are based on patterns and correlations observable within secondary data, rather than on causality demonstrated through primary data experiments. Overall, this multi-layered methodology grounded in robust secondary data analysis, enriched by qualitative critical review, and visually supported—represents a significant advancement over earlier research efforts. It addresses the twin criticisms of limited empirical depth and insufficient socio-political contextualization that have historically weakened studies in this field.

3.6. Comparative Analysis

3.6.1. Rationale for Comparative Analysis

Comparative analysis is an essential tool for

benchmarking national strategies, particularly in sectors as dynamic and competitive as tourism. In the context of Oman’s Vision 2040 objectives, comparing the effectiveness of tourism investment against regional and global leaders like the United Arab Emirates (UAE) and Malaysia offers crucial insights. These countries were selected due to their demonstrated success in leveraging tourism as a pillar of economic growth, albeit under different governance structures and socio-economic contexts. The purpose of this comparison is not merely descriptive but critically analytical: to highlight best practices, expose institutional gaps, and contextualize Oman’s progress relative to attainable international standards.

3.6.2. Key Comparative Metrics

The comparison is structured around three principal indicators: tourism’s contribution to GDP, tourism investment levels, and efficiency of administrative processes related to tourism development (such as licensing speed and infrastructure development timelines). Table 2 below summarizes these core metrics based on available secondary data from the World Bank, UNWTO, and national tourism reports [14][15].

Table 1: Comparative Tourism Investment Performance Metrics (based on secondary sources).

Indicator	Oman (2023)	UAE (2023)	Malaysia (2023)
Tourism’s contribution to GDP (%)	2.5%	11.6%	14.2%
Total tourism investment (USD Billion)	2.1	22.5	12.7
Average time to issue tourism license (days)	90	30	45
International tourist arrivals (Million)	3.5	22.7	26.1

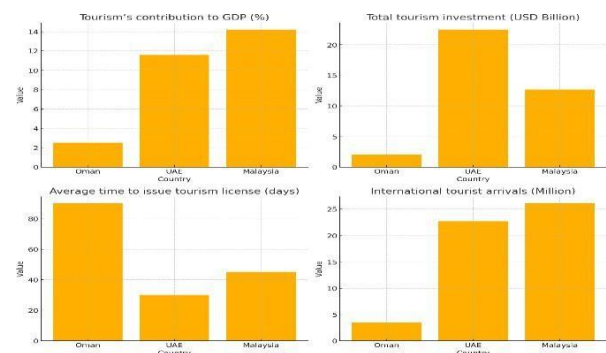


Figure 1: Comparative Tourism Investment Performance Metrics (based on secondary sources).

3.6.3. Analysis of Tourism’s Contribution to GDP

In terms of GDP contribution, Oman remains

significantly behind both the UAE and Malaysia. While tourism accounts for only 2.5% of Oman's GDP as of 2023, the corresponding figures are 11.6% for the UAE and 14.2% for Malaysia. This disparity indicates that despite significant investment efforts under Vision 2040, Oman's tourism sector has not yet achieved the multiplier effects anticipated in classical economic models like Keynesian or TLG theories. Critical factors include the limited scale of tourism infrastructure, a narrower range of tourist offerings (fewer theme parks, world-class events), and weaker international marketing initiatives compared to its peers [16].

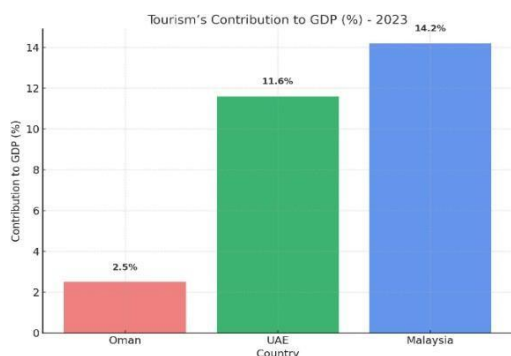


Figure 2: Tourism's Contribution to GDP, Oman vs UAE vs Malaysia, 2023.

3.6.4. Analysis of Tourism Investment Levels

Investment levels reveal a similar trend of disparity. In 2023, Oman's tourism sector attracted approximately USD 2.1 billion in investments, compared to USD 22.5 billion in the UAE and USD 12.7 billion in Malaysia. It is important to note that the UAE's tourism investment success is linked to diversified strategies, including mega-events (Expo 2020), luxury brand integration, and aggressive global marketing campaigns. In contrast, Oman's strategy remains relatively conservative, focusing on niche markets such as eco-tourism and heritage tourism, which, while sustainable, offer slower capital returns [17]. Additionally, foreign direct investment (FDI) incentives for tourism projects are more aggressively structured in the UAE and Malaysia, offering streamlined visa services, tax exemptions, and rapid business setup facilities—advantages Oman is still gradually developing under Vision 2040 reforms.

3.6.5. Administrative Efficiency and Licensing Speed

Administrative bottlenecks constitute a significant obstacle for Oman's tourism sector competitiveness. According to secondary studies, the average time to issue a tourism business license in

Oman is around 90 days, compared to 30 days in the UAE and 45 days in Malaysia. Such delays discourage potential investors and increase the cost of doing business, ultimately undermining the impact of public sector tourism investment initiatives [18]. A major factor behind these delays is fragmented institutional responsibility, where overlapping mandates between different government entities complicate procedures. In contrast, the UAE has established dedicated tourism development authorities (such as the Department of Tourism and Commerce Marketing in Dubai) that consolidate licensing, promotion, and investor support functions under one roof—a model Oman could emulate to improve performance.

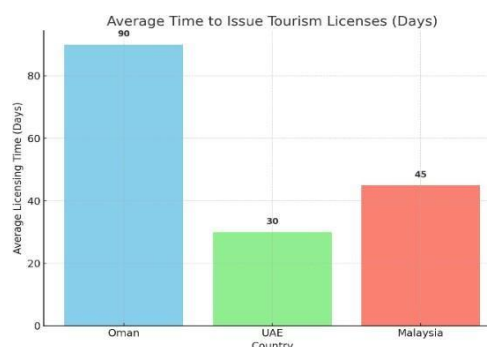


Figure 3: Average Time to Issue Tourism License: Oman vs UAE vs Malaysia, 2023).

3.6.6. Strategic Lessons for Oman

The comparative analysis underscores several strategic lessons for Oman. Firstly, while Oman's cautious, heritage-focused approach to tourism development is valuable for cultural sustainability, it must be complemented by broader investment strategies targeting mass-market tourism segments. Secondly, administrative reforms must be accelerated, particularly in licensing and infrastructure development, to enhance investor confidence. Finally, international marketing efforts need to be substantially expanded if Oman is to position itself competitively on the global tourism map. Incorporating these strategic elements would not merely replicate the UAE or Malaysia's models but adapt successful principles to the unique socio-cultural and environmental landscape of Oman—aligning with the objectives of Oman Vision 2040.

3.7. Institutional and Administrative Challenges

3.7.1. Introduction to Institutional Challenges in Tourism Development

Institutional and administrative frameworks play a pivotal role in determining the effectiveness of

tourism investment. A well-functioning governance system facilitates investor confidence, accelerates project implementation, and ensures the sustainability of tourism growth. In contrast, fragmented institutions, bureaucratic delays, and poor policy coordination can severely undermine the returns on tourism investments, even where financial inputs are substantial. For the Sultanate of Oman, addressing these institutional challenges is essential if the country is to fully realize the ambitious objectives outlined in Oman Vision 2040.

3.7.2. Fragmentation of Institutional Responsibilities

One of the most significant obstacles identified through secondary research [19] is the fragmentation of tourism governance across multiple agencies. Although the Ministry of Heritage and Tourism serves as the primary regulatory body, many critical aspects—such as land allocation, environmental approvals, licensing, and infrastructural development—fall under the jurisdiction of other ministries and municipal councils. This dispersion of authority often leads to coordination failures, prolonged approval timelines, and conflicting policy priorities.

Unlike the United Arab Emirates, which has consolidated tourism governance under unified authorities like the Department of Tourism and Commerce Marketing (DTCM), Oman's multi-agency approach has created bureaucratic overlaps that deter investors and slow down project execution. As a result, even well-funded tourism initiatives experience significant implementation delays.

3.7.3. Licensing and Regulatory Bottlenecks

Administrative inefficiencies are particularly evident in the area of business licensing. As highlighted earlier, the average time to obtain a tourism license in Oman remains approximately 90 days, substantially higher than in comparator countries such as the UAE (30 days) and Malaysia (45 days) [18]. Beyond delays, licensing procedures often involve multiple, redundant steps, requiring clearances from different authorities without a streamlined digital platform.

Furthermore, investors frequently report a lack of transparency in licensing requirements, frequent procedural changes, and inconsistent application of regulations across different governorates. This unpredictability increases operational risks and discourages potential tourism-related investment.

A summary of key administrative challenges affecting tourism investment is presented in Table 2.

Table 2: Institutional and Administrative Challenges Based on Secondary Sources [19].

Challenge	Description	Impact on Investment
Fragmented Institutional Responsibilities	Multiple agencies involved without clear leadership.	Delays in approvals; investor confusion.
Licensing Delays and Complexity	Long wait times; non-transparent procedures.	Increased transaction costs; lost investment opportunities.
Weak Inter-Agency Coordination	Lack of shared databases or unified procedures.	Duplicated efforts; contradictory regulations.
Limited Digitalization	Paper-based processes dominate licensing and approvals.	Slower processing; lower efficiency compared to UAE.
Policy Inconsistency across Regions	Different licensing practices among governorates.	Difficulty scaling tourism projects nationally.

3.7.4. Lack of Investor Support Mechanisms

Another critical institutional weakness is the limited availability of structured support mechanisms for tourism investors. Unlike Malaysia, where the Malaysian Investment Development Authority (MIDA) offers dedicated assistance for tourism and hospitality projects—including site identification, regulatory facilitation, and post-approval support—Oman lacks a comparable agency specifically targeting tourism investors. Although Oman has established general investment facilitation bodies like "Invest Oman," these are broader in scope and not customized to the unique requirements of tourism development. Consequently, investors often encounter significant barriers during project implementation phases, ranging from land acquisition difficulties to infrastructural bottlenecks in electricity, water, and road connectivity.

3.7.5. Governance and Strategic Planning Weaknesses

The governance landscape in Oman's tourism sector is further complicated by weaknesses in strategic planning and monitoring. While Oman Vision 2040 articulates broad goals for tourism's contribution to economic diversification, the absence of detailed sector-specific operational plans with measurable KPIs (Key Performance Indicators) has hindered effective monitoring and accountability.

By contrast, the UAE's "Dubai Tourism Strategy 2025" and Malaysia's "Tourism National Key Economic Area (NKEA)" provide granular roadmaps with annual targets, performance indicators, and responsible agencies clearly outlined. The absence of such detailed strategic frameworks in Oman results in a lack of clarity regarding responsibility assignment and project prioritization.

3.7.6. Need for Institutional Reforms

To address these challenges, significant institutional reforms are required. These include the consolidation of tourism governance under a single, empowered authority; the digitalization of all licensing and approval processes; the establishment of specialized investor support offices for the tourism sector; and the development of a detailed, KPI-driven national tourism strategy aligned with Oman Vision 2040. Without such reforms, tourism investment will continue to face administrative friction, undermining the sector’s potential to drive broader economic growth.

4. RESULTS AND DISCUSSION

4.1. Overview of Findings

The analysis of secondary data, combined with a critical review of prior studies, reveals a complex picture regarding the effectiveness of tourism investment in enhancing economic growth in Oman. On the one hand, there is clear evidence of steady improvement in terms of tourism infrastructure development, international arrivals, and sectoral policy attention post-2015. On the other hand, compared to regional and global benchmarks such as the UAE and Malaysia, Oman’s tourism sector still faces significant structural and administrative barriers that dampen investment returns and slow the pace of economic impact.

4.2. Trends in Tourism Investment and Economic Growth

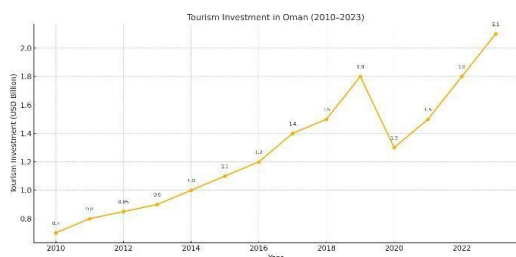


Figure 1 Growth of Tourism Investment in Oman (2010–2023).

Over the period from 2010 to 2024, Oman has recorded a gradual increase in tourism investment flows, particularly following the formal announcement of Oman Vision 2040. According to Ministry of Heritage and Tourism data, tourism investment rose from approximately USD 700 million in 2010 to USD 2.1 billion in 2023, reflecting a compound annual growth rate (CAGR) of roughly 8.7%. Despite this growth, the contribution of tourism to GDP has remained relatively modest, increasing

from 1.8% in 2010 to 2.5% in 2023, significantly lower than the corresponding figures for UAE and Malaysia. This suggests that while investment inputs have grown, their economic multiplier effect remains limited. A visual representation of investment growth over time is shown in Figure 4.

4.3. Sectoral Weaknesses Identified

The modest GDP contribution despite growing investment levels indicates several underlying weaknesses:

1. **Low Investment Efficiency:** Tourism investments in Oman have not always been directed toward high-impact projects. Many developments focus on luxury hotels and resorts catering to niche markets, limiting mass tourism potential [20].
2. **Weak Backward Linkages:** There is limited integration between tourism and other sectors such as agriculture, crafts, and transportation, which restricts the broader economic impact that tourism could generate [21].
3. **Administrative Delays:** As analyzed earlier, licensing delays and regulatory complexity significantly slow down project implementation, extending the time it takes for investments to translate into operational businesses and economic returns [19].
4. **Conservative Marketing Strategies:** Oman’s relatively cautious international tourism marketing campaigns have limited its global visibility compared to aggressive branding initiatives undertaken by the UAE (“Visit Dubai”) and Malaysia (“Malaysia Truly Asia”).

These factors collectively dilute the potential of tourism investment to act as a powerful engine of economic growth, as classical theories like Keynesian and TLG models would predict.

4.4. Comparative Economic Performance

A comparative analysis based on GDP contribution, licensing efficiency, and investment volumes shows Oman lagging behind regional competitors.

Table 3: Comparative Tourism Sector Performance in Oman, UAE, and Malaysia (based on secondary sources [14][15]).

Indicator	Oman	UAE	Malaysia
Tourism GDP Contribution (%)	2.5%	11.6%	14.2%
Average Licensing Time (Days)	90	30	45
Total Tourism Investment (USD Billion)	2.1	22.5	12.7
International Tourist Arrivals (Million)	3.5	22.7	26.1

- **Investment vs Return:** UAE and Malaysia have not only attracted larger investment volumes but also achieved much higher returns in terms of GDP contribution and tourist arrivals.

- **Administrative Efficiency:** Faster licensing processes in UAE and Malaysia directly correlate with higher investment inflows and quicker project execution.
- **Policy Effectiveness:** Targeted strategies in Malaysia (e.g., eco-tourism diversification) and UAE (e.g., global event hosting) have amplified tourism's economic impact more effectively than Oman's conservative positioning.

4.5. Post-COVID-19 Recovery and Future Prospects

The global tourism sector faced severe disruption during the COVID-19 pandemic, but recovery patterns differ significantly between countries. Data indicates that the UAE and Malaysia rebounded faster, aided by aggressive digital marketing, quick reopening strategies, and targeted support packages for tourism businesses. Oman's recovery has been more gradual, reflecting both a cautious approach to pandemic management and underlying institutional bottlenecks. However, initiatives such as the "Oman Tourism Strategy 2040" and greater attention to digitalization offer promising signs for future acceleration if reforms are implemented effectively.

4.6. Critical Reflection on Theoretical Models

The findings partially validate the Keynesian multiplier and tourism-led growth hypotheses but also reveal their limitations in the Omani context. The expected automatic relationship between increased investment and economic growth is mediated by institutional quality, administrative efficiency, and strategic marketing. Therefore, the Sustainable Tourism Investment Growth Model (STIGM) proposed earlier emphasizing institutional reform, human capital development, and policy coherence is critical for achieving the desired economic outcomes.

4.7. Policy Recommendations:

4.7.1. Introduction: The Need for a Strategic Framework

The findings of this study clearly demonstrate that while Oman has made commendable strides in enhancing tourism investment, persistent institutional, administrative, and strategic weaknesses continue to undermine the sector's full economic potential. In light of these challenges and drawing lessons from international best practices this study proposes the development of a Sustainable Tourism Investment Framework for Oman (STIF-O). The proposed framework aims to guide policymakers, investors, and administrators toward achieving

sustainable, inclusive, and growth-oriented tourism development in alignment with Oman Vision 2040.

4.8. Core Pillars of the Sustainable Tourism Investment Framework (STIF-O)

The STIF-O is based on five integrated pillars, each addressing a specific weakness identified in the current system:

4.8.1. Institutional Consolidation and Governance Reform

At the heart of the STIF-O is the need for streamlined institutional structures. Oman should establish a Unified Tourism Investment Authority (UTIA) responsible for licensing, investor support, promotion, and inter-agency coordination. This would replace the fragmented system that currently disperses responsibilities among multiple ministries and municipalities. Clear governance structures with single-window facilitation mechanisms have been instrumental in the success of UAE's and Malaysia's tourism sectors.

4.8.2. Digitalization and Licensing Streamlining

Building on global best practices, Oman must digitize all licensing and approval processes related to tourism projects. An integrated, fully online licensing portal with transparent timelines, digital document submission, and automated status tracking would drastically reduce the average licensing time, enhancing the ease of doing business. Specific performance targets—such as issuing all standard tourism licenses within 30 days—should be embedded into agency KPIs.

4.8.3. Strategic Investment Diversification

Rather than concentrating investments predominantly in luxury segments, Oman must diversify tourism investment across eco-tourism, adventure tourism, heritage tourism, medical tourism, and community-based rural tourism. Sectoral diversification not only spreads risk but also aligns better with Oman's cultural and environmental strengths, offering more inclusive economic benefits to local populations. Moreover, investment incentives (e.g., tax breaks, land grants) should be recalibrated to prioritize projects that promote sustainability, local employment generation, and integration with other sectors like agriculture, transport, and handicrafts.

4.8.4. Development of Human Capital and Local Entrepreneurship

Human capital development is crucial for creating

a sustainable tourism economy. Oman should launch a National Tourism Skills Development Program focusing on:

- Hospitality management
 - Tour guiding and cultural interpretation
 - Eco-tourism operations
 - Tourism entrepreneurship and digital marketing
- Incentives such as scholarships, startup grants, and incubation centers for tourism-related SMEs (small and medium enterprises) would further stimulate local innovation and reduce dependency on foreign labor.

4.8.5. Performance Measurement and Accountability

To ensure continuous improvement, the framework proposes the adoption of a National Tourism Investment Scorecard, monitored annually. The scorecard should include measurable KPIs such as:

- Annual growth rate of tourism sector GDP contribution
- Average licensing approval times
- Number of new tourism SMEs established
- Number of tourist arrivals
- Satisfaction ratings from investors and tourists

This system would allow for evidence-based policy adjustments, ensuring that tourism sector reforms remain dynamic and responsive to both domestic and international market trends.

4.8.6. Summary of the STIF-O Framework

The proposed framework is summarized in Table 4 below for clarity.

Table 4: Sustainable Tourism Investment Framework for Oman (STIF-O).

Pillar	Key Actions	Target Outcome
Institutional Consolidation	Establish Unified Tourism Investment Authority	Reduced fragmentation, faster approvals
Digitalization	Online licensing portal with 30-day processing targets	Increased ease of doing business
Strategic Investment Diversification	Incentivize eco-tourism, medical tourism, rural tourism	Broader economic impacts, risk spreading
Human Capital Development	Launch national skills program and SME support schemes	Higher local employment, entrepreneurship
Performance Measurement	Implement National Tourism Investment Scorecard	Continuous monitoring and adjustment

5. CONCLUSION

Tourism investment has become a crucial strategic lever for economic diversification in resource-

dependent economies, and the Sultanate of Oman is no exception. In alignment with Oman Vision 2040, substantial efforts have been directed toward enhancing the tourism sector’s contribution to economic growth. However, this study reveals that while investment flows have increased steadily, the corresponding economic returns—measured through GDP contribution and sectoral growth—remain modest compared to regional leaders such as the United Arab Emirates and Malaysia. The research, based on secondary data analysis and critical review of existing literature, highlights several structural weaknesses. Chief among these are fragmented institutional governance, prolonged licensing procedures, limited diversification of tourism offerings, and insufficient integration of tourism with other sectors of the economy. Administrative inefficiencies and the absence of a unified digitalized system for investor facilitation further exacerbate these challenges, leading to missed opportunities and reduced competitiveness in a fast-evolving global tourism market.

In response to these findings, this study proposed the Sustainable Tourism Investment Framework for Oman (STIF-O), a strategic model designed to address institutional, regulatory, and strategic gaps. The framework emphasizes five pillars: institutional consolidation, digitalization, strategic diversification of tourism investments, human capital development, and the establishment of a performance measurement and accountability system. By adopting this model, Oman can accelerate the realization of Vision 2040 goals, promote inclusive economic growth, and position itself as a sustainable and competitive tourism destination. Moreover, the study contributes to the academic literature by offering a context-specific analytical model that integrates classical economic theories with practical institutional reforms tailored to the realities of Oman. It moves beyond simplistic tourism-growth correlations to highlight the critical role of governance quality, administrative efficiency, and strategic planning in mediating investment outcomes. Future research could build on this foundation by conducting empirical field studies to assess the effectiveness of recently implemented tourism reforms, particularly the impact of digitalization initiatives and public-private partnerships in tourism development. Additionally, longitudinal studies examining the socio-cultural effects of expanded tourism activities on local communities in Oman would provide valuable insights to further refine investment strategies toward sustainable development. In conclusion,

while Oman's tourism sector holds significant untapped potential, realizing this promise requires bold reforms, integrated strategies, and a relentless focus on sustainability and inclusiveness. Only

through such a comprehensive and adaptive approach can tourism investment become a genuine engine of economic growth for Oman in the coming decades.

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