

Public-Private Partnerships in Oman: Legal Framework and Comparative Perspectives

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ABSTRACT

This article provides a comprehensive legal analysis of Public-Private Partnership Projects (PPP) projects within the Sultanate of Oman, focusing on the existing legal and regulatory framework that governs these initiatives [3]. The paper will critically examine Oman's PPP identification and approval process, evaluating its effectiveness against established legal standards. However, in addition to the legal framework in the Sultanate of Oman, the analysis will also showcase the best practices in certain legal frameworks from two more jurisdictions: the United Kingdom and the People's Republic of China [11]. This showcasing will highlight both the strengths and weaknesses of Oman's legal architecture in relation to global best practices. Essentially, the article employs a theoretical perspective to identify essential elements that should be included in an effective PPP legal framework. A case study of a successful PPP project in Oman is provided, illustrating the practical application of the discussed legal principles [6]. This analysis aims to contribute meaningful insights to the discourse on PPP, aiding policymakers and legal scholars in enhancing the effectiveness of PPP legislation in Oman [4].

Keywords: PPP ("Public Private Projects"); PAPP ("Public Authority for Privatization and Partnership") CPPPC ("China Public Private Projects Center"); PUK ("Partnerships of UK"); IUK ("Infrastructure of UK") MoF ("Ministry of Finance") Oman ("Sultanate of Oman") UK ("United Kingdom")

INTRODUCTION

PPP projects are considered among the most effective contractual mechanisms for delivering public infrastructure and services, particularly in sectors such as utilities [4]. This article explores the legal framework governing PPP in the Sultanate of Oman, focusing on both current practices and prospective developments [2]. To achieve this objective, the paper includes insights from two specific jurisdictions: the United Kingdom and China, which are considered among the best practices in PPP applications globally in recent decades [5]. Furthermore, the paper assesses several key elements currently guiding Oman's PPP framework and examines practical insights from the referenced jurisdictions that may benefit local advancements [3]. Moreover, the article will assess certain factors that the current Oman's PPP legal framework follows and examine applied practices from the aforementioned jurisdictions [11].

LITERATURE REVIEW

Background

Oman, as an oil-dependent economy, began implementing the PPP initiative in the early years of the 21st century [12]. It is recognized as one of the first economies in the region to adopt PPP models in utility sectors such as electricity generation and water desalination [13]. Consequently, Oman has established a legal framework that aligns with the country's transformation over the past two decades [8].

Nevertheless, further advancements are necessary to meet future needs in the PPP field [4]. A more agile and responsive framework would enhance Oman's PPP market competitiveness within the region, increase employment opportunities, and bolster national economic growth [7].

The primary objectives of a legal framework for PPP include attracting private equity investment, ensuring efficient service delivery to end-users, and implementing effective risk allocation measures. In Oman, the PPP legal framework is governed in various royal decrees and ministerial resolutions [9]. Primarily, four major legislative instruments constitute the backbone of PPP regulation in Oman:

1. Foreign Capital Investment Law (Royal Decree No. 50/2019) which defines the scope of foreign investment and outlines incentives for foreign investors, particularly in the PPP sector [14].
2. Public-Private Partnership Law (Royal Decree No. 52/2019 that Establishes the foundation of PPP governance in Oman, detailing the types of partnerships and execution mechanisms [16].
3. Tender Law (Royal Decree No. 36/2008): governs public procurement procedures, ensuring transparency and equal opportunity in project awards [12].
4. Public Authority for Privatization and Partnership “PAPP” (Royal Decree No. 54/2019: It is originally created to develop the PPP protectives in Oman. In 2020, this authority was dissolved, and its functions were transferred to the Ministry of Finance [15].

However, there are additional executive regulations that complement the core framework of PPP. These include:

1. Executive Regulation of the Foreign Capital Investment Law (Resolution No. 72/2020), which specifies the procedural requirements for foreign investors;
2. Executive Regulation of the PPP Law (Resolution No. 03/2020), which outlines the implementation procedures for PPP projects;
3. Standard FIDIC Contracts: this serves as general guidelines for public projects, including those under the PPP model;
4. Executive Regulation of the Tender Law (Resolution No. 29/2010), which covers diverse procurement and contracting procedures [21].

The subsequent sections will analyze the existing laws, institutional frameworks, and project identification and approval processes in detail.

Oman’s PPP Laws and Regulations

This section examines the core legal instruments governing Public-Private Partnerships in the Sultanate of Oman [9]. The aim is to identify the legal elements emphasized in these instruments and the existing gaps that must be addressed to meet PPP objectives. These laws regulate the pre-contracting, construction, and operational stages of PPP projects [14].

1. Public-Private Partnership Law (Royal Decree No.52/2019):

This law delineates PPP projects from other forms of public procurement [15]. As a royal decree, it stands as the highest authority for regulating PPP in Oman. It defines partnership models as regular PPP and “special nature” PPP projects, lays out the obligations of the parties, supervisory roles, and contractual terms [15]. While the law objects to streamline PPP, gaps remain. Notably, it lacks dedicated procurement processes for PPP and does not mandate financial incentives to attract private investors [7].

2. Public Authority for Privatization and Partnership (Royal Decree No. 54/2019):

This decree established the PAPP to oversee PPP development in collaboration with both public and private sectors. Its objectives include enhancing economic development, increasing employment, and boosting investment. The law also classifies PPP into general, privatization-based, and special nature projects [11]. However, the authority was dissolved in 2020, and its responsibilities were transferred to the Ministry of Finance. The absence of a specialized agency has since hindered PPP efficiency [9].

3. Tender Law (Royal Decree No. 36/2008):

This law governs public procurement and emphasizes transparency and equal opportunity. Although

applicable to PPP in certain stages, it was not designed with PPP in mind, resulting in procedural misalignments. The lack of a dedicated PPP procurement framework is a significant shortfall [19].

4. Foreign Capital Investment Law (Royal Decree No. 50/2019):

This law governs the participation of foreign investors, a key component in PPP implementation. It outlines investment conditions but does not integrate with other PPP-specific incentives. Inconsistencies between this and other PPP-related regulations may deter foreign investment [17].

5. Executive Regulation of the PPP Law (Ministerial Resolution No. 03/2020):

This regulation operationalizes the PPP Law and provides detailed guidance on implementation, including idea submission, consultant engagement, proposal evaluation, and company formation. However, it lacks a bespoke procurement procedure and incentives tailored to PPP contexts [15].

6. Executive Regulation of the Tender Law (Ministerial Resolution No. 29/2010):

This outlines the procurement procedures for all government projects. It specifies the rules and tools to encourage PPP projects, such as accelerating payments and resolving investors' uncertainty [18].

7. Executive Regulation of the Foreign Investment Law (Ministerial Resolution No. 72/2020):

This expands on the Foreign Investment Law by detailing investor licensing, benefits, and real estate rights. However, contradictions with other PPP-related laws and a lack of targeted incentives persist.

8. Standard FIDIC Contracts:

These standard contracts, updated by the Ministry of Finance, were designed for traditional public projects. As they are not customized to the unique nature of PPP, they require adaptation to be effectively applied in this context and in a global wise, as explicated below [19].

The above instruments form the core legal framework for PPP in Oman but require refinement to ensure consistency, investor protection, and project efficiency.

Institutional Framework

Effective PPP implementation requires strong institutional oversight from project planning to final delivery [13]. Globally, many jurisdictions assign an independent regulatory body to safeguard investors' interests and ensure consumers' affordability [13]. Initially, Oman established the Public Authority for Privatization and Partnership (PAPP) under Royal Decree No. 54/2019 as the primary regulator [18]. However, in 2020, PAPP was dissolved under Royal Decree 110/2020, and its responsibilities were transferred to the Ministry of Finance and the Fiscal Balance Program "Tawazun" in accordance with Royal Decree 91/2022 determining the competences of the MOF and Adopting its Organizational Structure[19].

However, Ministry of Finance can not be the regulator for such type of projects as the ministry is the funding party which be responsible for procurements and manage government's shares in any PPP projects. In China and the UK, the regulator of PPP projects is established independently and not under any relevant party[6]. For instance, CPPPC in China "China PPP Center" plays the PPP overseeing role across the country, also PUK "Partnership of UK" in the UK plays the same role to ensure an independent and transparent measurement is these projects [5].

However, the Ministry of Finance can still play the policy maker role, which supports government plans and strategies in PPP projects and end up with a proper implementation of such plans and strategies [4].

Public Authority for Privatization and Partnership (PAPP):

PAPP was established to regulate PPP projects and promote investment in this sector. The authority identified three PPP classifications: general jurisdiction projects, privatization projects, and special nature projects. Its guiding principles included encouraging public-private collaboration, enhancing economic and social outcomes, and improving the labor market. According to the Ministry of Finance, special nature projects include those that build national capabilities or support sectors like defense [21].

Ministry of Finance:

Following Royal Decree No. 110/2020, all PPP responsibilities previously regulated by PAPP were assigned to the Ministry of Finance. Under Royal Decree No. 91/2022 (clause 15), the ministry is tasked with establishing strategies and plans for implementing PPP and privatization initiatives in alignment with national priorities. The ministry also oversees all financial incentives, even for projects requiring technical expertise from other sectors [12].

Fiscal Balance Program “Tawazun”:

Tawazun serves as a financial sustainability initiative under the Cabinet of Ministers, helping implement fiscal policies and reduce reliance on government financing. Certain PPP responsibilities, especially those aimed at easing the public financial burden, are delegated to Tawazun [9].

Public Authority for Special Economic Zones and Free Zones (PASEFZ):

Established under Royal Decree No. 105/2020, PASEFZ governs economic and free zones, succeeding SEZAD “Special Economic Zone Authority of Duqm”. Although not a primary PPP regulator, PASEFZ plays a key role in negotiating PPP with foreign investors, particularly within designated zones [16]. Article 13 of the PASEFZ law empowers it to approve the formation and management of companies for developing strategic economic areas. However, this role may conflict with the Ministry of Finance’s oversight responsibilities under Royal Decree No. 91/2022, creating regulatory overlaps that risk project delays and reduced investment [10].

However, to enhance regulatory clarity, Oman should moderate its institutional mandates to prevent duplications and delays, particularly in foreign investor negotiations and zone-specific projects [8].

Comparative application of institutional function in China and the UK application

1) China Central PPP Center “CPPPC”

PPP unit – although not a pre-requisite, establishing a PPP unit within host governments to control PPP procurement may provide consistency of approach and build greater certainty of execution, while giving China a focus for its consultation and policy coordination activities [8]. In time, such a PPP unit could develop a clear process for procurement and drive the standardisation process to achieve [7]. The said unit helped China government to have; (a) focal point for PPPs expertise and to drive forward the PPP program and (b) sector specific PPP units in key ministries to disseminate it, (c) this unit has an influential location within government and with a clear and strong governance structure, is given sufficient powers and responsibilities to be able to effectively regulate the PPP program, is allowed to recruit and retain experts with commercial experience in PPPs, is set up for the long term so that it provides a permanent knowledge base and long term corporate memory for the PPP program, and is part of an overall institutional governance structure [3].

2) UK PPP Unit “IUK”

As China, the UK separates PPP initiatives in a centralized unit to guarantee proper handling and outputs under the unit called Infrastructure of the UK “IUK in 2010, which replaced Partnership of the UK “PUK” as it continues to run PPP projects in the UK for the period from 2000-2010 [4]. The chart below shows the timeline

of the entity that was leading PPP projects. IUK, which is considered a facilitator between HM Treasury and the private sector to deliver support to procuring authorities on PPPs [10]. In addition, IUK's current remit is to focus on the UK's long-term infrastructure priorities and facilitate private sector investment over the longer term, whether it is procured through PPPs or not [4]. Although this represents a much smaller part of its work, IUK still plays a central role in government in managing policy issues that arise in connection with PPPs. Below is a diagram elaborating the intuitional structure of PPPs units in UK.

3) Table: UK Central Entity among years

1993	Private Finance Panel created
1997	Treasury Taskforce set up as the focal point for all PFI activity across government, with both policy and project arms
1999	First standard PFI contract launched
2000	Partnerships UK launched
2001	PUK established as a PPP, raising capital from the private sector Partnerships for Health launched
2003	"PFI: meeting the investment challenge" published
2004	Projects database launched Partnerships for Schools launched, the delivery vehicle for Building Schools for the Future

PPP IDENTIFICATION AND APPROVAL PROCESS

The structured identification and approval process is critical to the success of PPP initiatives. In Oman, the legal foundation for this process is primarily found in Royal Decree No. 52/2019, Royal Decree No. 54/2019, and the Executive Regulation of the PPP Law [20]. However, in the absence of an independent and proactive regulator and policymaker, such a written process will not end with productive PPP projects in the country [3]. Hence, it is recommended to reconsider the role of the current regulator to be assigned to an independent body as China and the UK jurisdictions have done [2].

Inductive PPP Selection Process:

Article 4 from the PPP Law requires that any partnership project must demonstrate social or economic returns and align with national development strategies. Royal Decree No. 91/2022 further emphasizes that the Ministry of Finance must design strategic frameworks for PPP selection in line with economic priorities [11].

However, overlapping responsibilities exist. For example, Article 13 of the PASEFZ Law gives the PASEFZ and Free Zones the power to approve company formation and development initiatives, including those under PPP models [17]. Additionally, Articles 10 and 11 of the Foreign Capital Investment Law grant the Council of Ministers authority over strategic investment approvals [14]. These overlapping mandates create ambiguity that may reduce investor confidence and delay project execution[11].

Technical Classification Steps:

Articles 3 and 6 of the Executive Regulation of the PPP Law specify that PPP project ideas must be accompanied by feasibility studies addressing legal, financial, technical, and social dimensions. Article 12 requires the competent authority to conduct a preliminary review and submit its recommendations to the Board for final approval [16].

The regulatory process also mandates the evaluation of project proposals based on their alignment with development priorities, return on investment, and proposed risk-sharing mechanisms [7]. Despite these measures, the fragmented authority structure creates bottlenecks in project selection and delays implementation [9].

To enhance PPP execution, it is recommended that Oman establish a centralized authority to oversee all PPP approvals and eliminate jurisdictional conflicts [2].

Dispute Resolution and Judicial Precedents

PPP projects, as a cornerstone of most essential utilities and main public interest projects, are highly important to have their own dispute resolution [6]. Consequently, PPP law in Oman grants such tools to be upon parties' agreement, which is also followed in best-practice jurisdictions such as China and the UK. Furthermore, recently, Oman has issued Act 35/2025, promulgating the Investment Court Law as an extraordinary instrument for commercial litigation matters [22]. Essentially, under Article 17 of the law PPP projects are a part of the court's jurisdiction, which assures Oman's government aims to incentivize this type of project [8].

CONCLUSION

This paper has critically examined the legal and institutional framework governing Public-Private Partnerships in Oman, drawing insights from practices in the United Kingdom and China [1]. The analysis reveals that Oman has laid a foundational legal structure through a series of royal decrees and ministerial regulations. However, significant opportunities for reform remain if Oman aims to leverage PPP as a sustainable development tool [5].

Four primary areas emerge as critical for future improvement: (1) the centralization of PPP regulatory authority, (2) the inclusion of compensation and exit clauses in PPP contracts, (3) greater investor security, and (4) cost and risk management mechanisms. The experiences of the UK and China demonstrate the importance of centralized oversight and investor confidence in achieving successful PPP implementation [5].

Such recommended rectification in the institutional side should be implemented in a short-term manner, "3-4 years", as a decrease on the volume of PPP projects was noticed in the recent few years.

The royal decree 91/2022 needs to be reconsidered in order to synergize the PPP projects' institutional responsibilities, and MoF can still play a significant role at the policy making and preparation stage for any PPP project the government decides to execute under the PPP scheme.

To enhance its PPP ecosystem, Oman must build institutional capacity, develop sector-specific policies, and establish a clear, coordinated approval and implementation framework. Further, targeted incentives and updated contract models, such as PPP-specific FIDIC terms, will attract foreign investment and enable efficient service delivery [9].

While Oman's legal framework aspires to encourage private-sector participation, its success is contingent on resolving regulatory overlaps, clarifying agency mandates, and empowering technically equipped regulators. Addressing these gaps will be vital to realizing the full potential of PPP as a strategic tool for national growth [16].

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