

State's Final Account for Fiscal Year 2020



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Introduction

The State's Final Account for Fiscal Year 2020 presents the final account data, and key economic and financial performance indicators. This comes as a commitment from the Ministry of Finance towards the principle of transparency in presenting financial statements.

The 2020 Budget has experienced many variables due to several challenges faced by Oman and the entire world. These challenges are reflected by the low oil price and COVID-19 pandemic. In order to mitigate the consequences of such challenges, Oman has taken a set of measures to rationalize public spending and reprioritize its fiscal resources.

The State's Final Account also presents the differences between the budget estimates and actual figures of FY 2020, in terms of revenue, spending, deficit and financing means.



The challenges posed by the recent situation prevailing in the world led a number of governments to put in place several measures to mitigate the consequences of COVID-19 pandemic and low oil prices, so as to maintain economic, social and health stability.

In 2020, Oman faced a double challenge posed by the low oil price environment and implications of COVID-19 pandemic. This has led to increased challenges surrounding the fiscal sustainability.

In order to rationalize public spending and put deficit under control, the Government has introduced several initiatives which included spending cut, and medium-term fiscal plan (2020-2024). In addition to corporate governance of state-owned enterprises (SOEs). All these measures aim to maintain fiscal sustainability.

In 2020, public revenue declined by 20.5% over the budgeted figures, and public spending also saw a reduction by 2.1% as compared with the budget estimates. The actual deficit increased by 77% compared to 2020 budget deficit.

We value the efforts exerted by all entities to maintain financial stability despite the challenges facing Oman. We also call for a concerted effort of all public and private sector entities to achieve national priorities set by Oman Vision 2040 for economic diversification.

Sultan Salim Said Al Habsi
Minister of Finance

- ▶ **State's General Budget:** is a document prepared annually by the government as per the provisions stipulated by the Financial Law and its bylaws. Such document presents revenue and spending estimates for the subsequent fiscal year.

- ▶ **Spending:** refers to all expenses incurred by the Government units for the public interests and service delivery.
 - **Capital Expenditure:** is an amount spent to acquire or significantly improve the capacity or capabilities of a long-term asset.
 - **Current Expenditure:** is consumed within the current year and would have to be renewed if needed in the following year.
 - **Development Expenditure:** refers to the expenditure of the Government to establish approved development projects.

- ▶ **Revenue:** is the money received by government from various sources in order to cover public spending and achieve economic and social balance.

- ▶ **Public Debt:** represents the total outstanding debt (bonds, Sukuk, direct loans ...etc.) borrowed by the government.
 - **Bonds:** a fixed income instrument that represents a loan made by an investor to a borrower.
 - **Sukuk:** sharia-compliant bonds that provide an investor with a temporary ownership in an underlying asset, wherein the investor gets profits within a specific time.

- ▶ **Budget Deficit:** is the difference between revenue and spending, occurs when spending exceeds revenue.

- ▶ **Budget Surplus:** is the difference between revenue and spending, occurs when revenue exceeds spending .

- ▶ **Final Account:** is a financial statement on the actual revenue and spending for the previous fiscal year.

- ▶ **Inflation:** a statistical indicator that measures changes in the prices of goods and services that falls within the household consumer spending basket in the "comparison period" vis-à-vis the "base period".

- ▶ **Value Added Tax (VAT):** is an indirect tax on most goods and is levied on the value-added of business operations, which is the difference between the final price of a commodity and the cost of materials and services.

- ▶ **Excise Tax:** is imposed on specific goods at different rates which are typically harmful to human health or the environment.

- ▶ **Credit Rating:** is an opinion of a particular credit agency regarding the ability and willingness of an entity (government, business, or individual) to fulfill its financial obligations in completeness and within the established due dates.

Executive Summary

Oman has taken a set of fiscal and economic measures with the aim of rationalizing spending and easing the burden on public spending caused by the implications of low oil prices and COVID-19 pandemic.

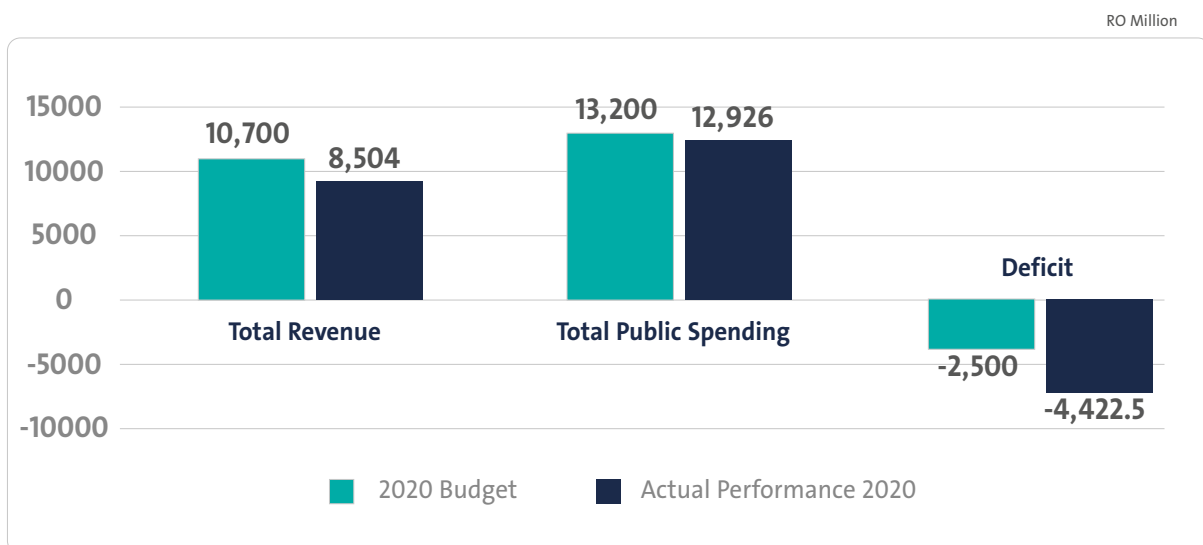
In light of the challenges faced by Oman during 2020, total public revenue decreased by 20.5% over the budgeted figures. This reduction is mainly attributed to a decline in oil and gas revenue by RO 1,902 million as a result of low oil prices which averaged US\$ 47.6 per barrel in 2020 compared to US\$ 58 per barrel assumed in 2020 Budget. Moreover, non-oil revenue dropped by 9.8% over the budgeted figures.

Public spending decreased slightly by 2.1% compared to budget estimates, as a result of precautionary measures taken to rationalize public spending. This is despite strengthening some sectors' finances to meet exceptional needs such as the health sector.

By the end of 2020, the actual deficit amounted to RO 4,422.5 million i.e., 17.8% of gross domestic product (GDP) versus 2020 budget deficit of RO 2,500 million.

Furthermore, total financing obtained in 2020 amounted to RO 4,422.5 million, up by 76.9% compared to RO 2,500 million estimated in 2020 Budget. An amount of RO 3,034.7 million was obtained through external and local borrowings, while RO 500 million was received from the State General Reserve Fund. In addition to an amount of RO 1,960.7 million obtained through various means. The total amount repaid for external and local borrowings stand at RO 1,072.9 million.

2020 Actual Performance vs. 2020 Budget



Economic Indicators

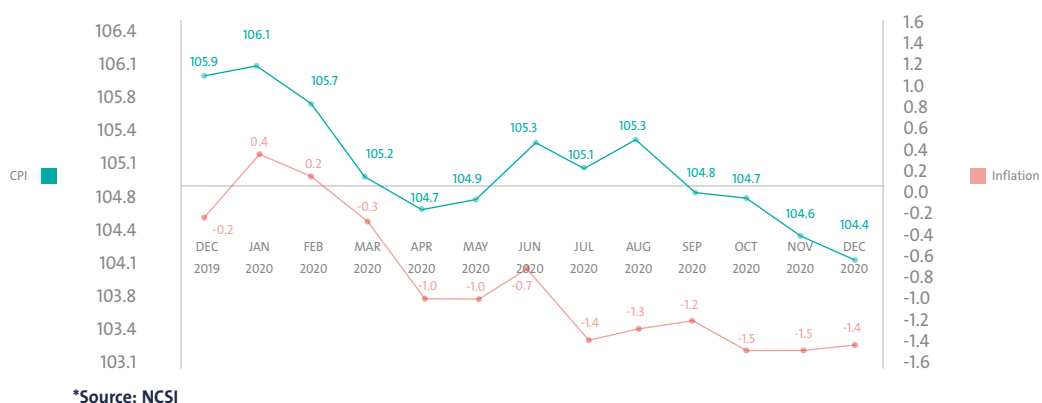
Several sectors in Oman were explicitly affected by the COVID-19 pandemic. GDP shrunk by -15.3% at current prices in 2020, reaching RO 24,857 million compared to 2019 figures. Oil activities registered a decline by 23.4% in 2020 compared to the previous year. This decline was caused by the drop in oil prices and lower oil demand. Furthermore, the value added of non-oil activities has seen a reduction by 10.5% over the same period, as a result of a sharp drop in industrial activities and services activities by 24% and 6.1%, respectively. This is attributable to a decrease in the activities of hotel and restaurant sector which registered a decline by 40% during the lockdowns and closure of several businesses. The sectors of transport and logistics, wholesale and retail, and real-estates have also experienced a drop in their activities by 21.2%, 12.8% and 9.7%, respectively.

Comparison of Quarterly GDP at Current Prices (2019 - 2020)

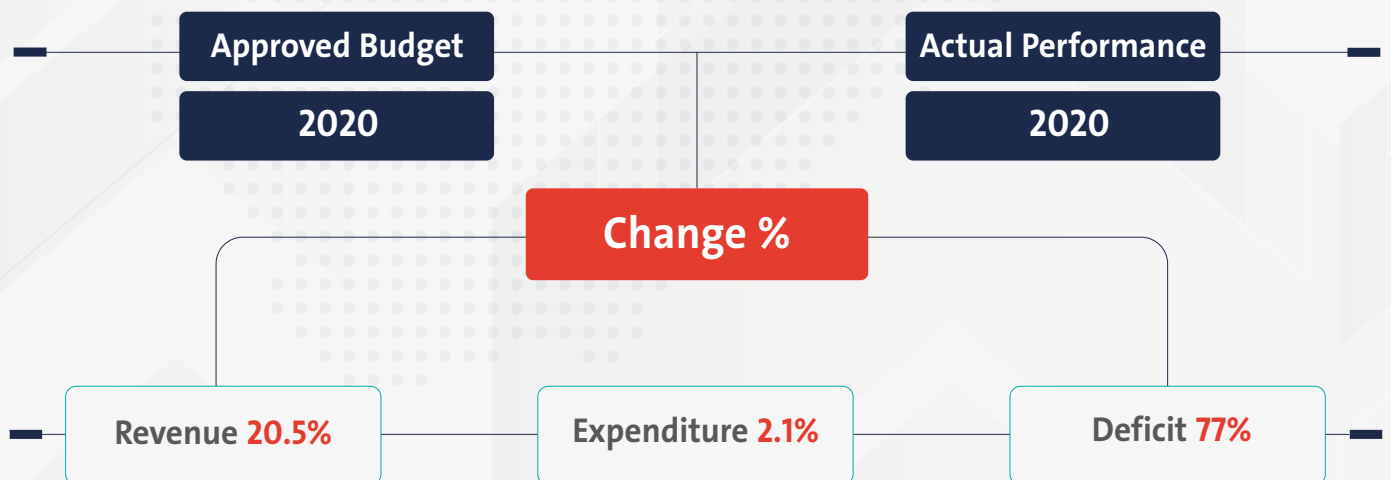
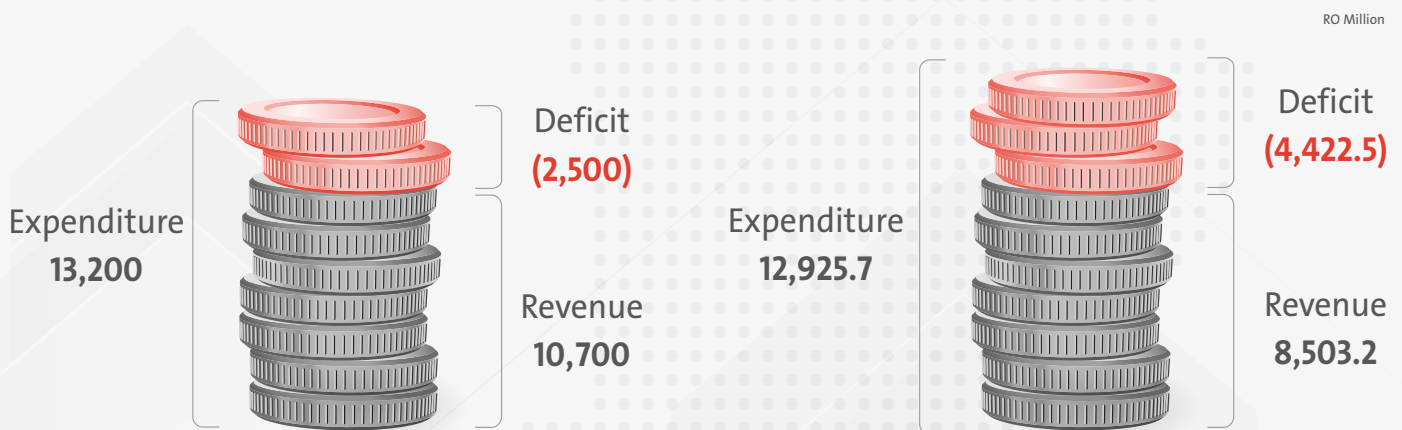
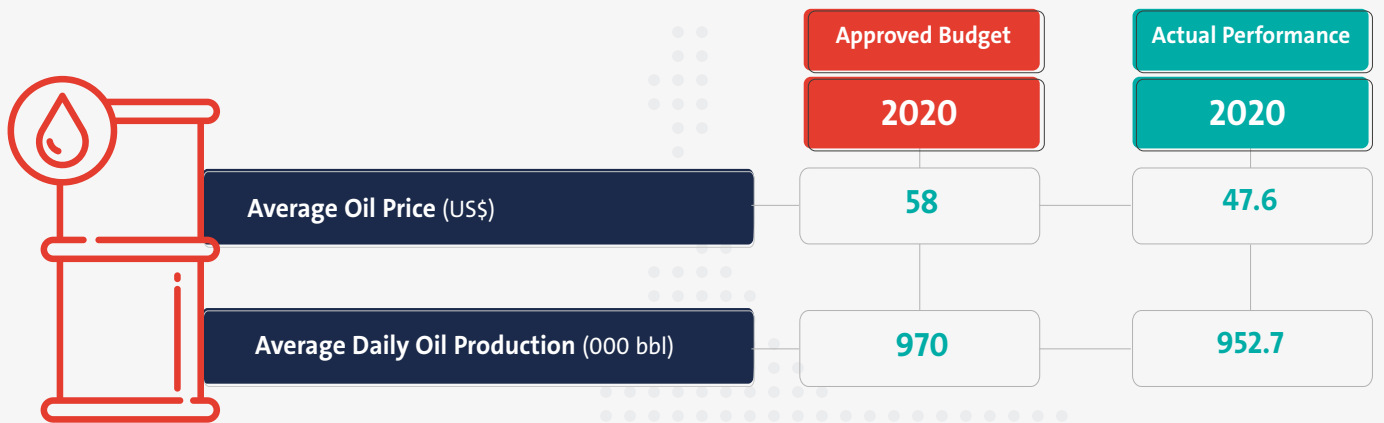


Oman's price levels continued to decline during 2020, with consumer price inflation at about -0.8% in the same year. This is due to the decrease in household expenditure on housing, water, electricity, gas and other fuels (which accounted for 26.5% of consumer basket) by 0.47%. In addition to a decline in transport (which represented 19.2% of consumer basket) by 5.2%. However, household expenditure on food and non-alcoholic beverages (which accounted for 23.9% of consumer basket) increased by 1.3%, and also tobacco (which represented 0.13% of consumer basket) by 31.6%. This is attributable to excise tax reforms carried out in 2020. In overall, the global prices of oil and foods affected Oman's price levels considerably.

Consumer Price Index & Inflation (December 2019 – December 2020)



Fiscal Performance for FY 2020 (Final Account)



Fiscal Performance for FY 2020 (Final Account)

Public Revenue

Total actual revenue amounted to RO 8,503,2 million in 2020, down by RO 2,196 million i.e. 20.5% as compared with 2020 Budget. This reduction is mainly due to a decline in oil and gas revenue by RO 1,902 million i.e. 24.7% as a result of lower average crude oil price (US\$ 47.6 per barrel) over the assumed price of US\$ 58 per barrel in 2020 Budget.

RO Million				
Statement	Actual 2019	2020 Budget	Actual 2020	Change %
Oil Price	65.2	58	47.6	17.9%
Net Oil Revenue	6,098.5	5,500	3,937.5	28.4%
Gas Revenue	1,900.5	2,200	1,860.2	15.5%
Non-oil Revenue	2,590	3,000	2,705.5	9.8%
Total Revenue	10,588.7	10,700	8,503.2	20.5%

Oil Price and Production

In 2020, the average crude oil price was US\$ 47.6 per barrel, compared to US\$ 58 per barrel in 2020 Budget, down by US\$ 10.4 per barrel. On the other hand, the crude oil price in 2019 averaged US\$ 65.24 per barrel.

The actual oil production reached 952.7 thousand barrels per day, down by 1.8% compared to 970 thousand barrels per day set in the Budget.

Statement	2016	2017	2018	2019	2020
Average Oil Price (US\$)	39.9	50.8	67.6	65.2	47.6
Average Oil Production (Thousand barrel per day)	1,005	973	978	973	952.7

1 Hydrocarbon Revenue:

Actual total hydrocarbon revenue reached about RO 5,797.7 million in 2020, dropped by RO 1,902.3 million i.e. 24.7% compared to 2020 Budget estimates. This is attributable to a decline in oil prices.

Oil Revenue:

The net oil revenue, after transfer to the Oil Reserve Fund, amounted to RO 3937.5 million, down by RO 2,161 million as compared to an amount of RO 6,098.5 million registered in 2019.

Gas Revenue:

The decline in oil prices also reflected in gas revenue which amounted to RO 1,860.2 million by the end of 2020, down by RO 339.8 million compared to 2020 Budget. This is due to a number of reasons, as follow:

- ▶ Low global oil prices, which have led to the fall of LNG sales price in the global market from US\$ 4.28 to US\$ 3.70.
- ▶ Decline in gas sales in the local and global markets from 1,459 trillion BTU to 1,297 trillion BTU.

2 Non-oil Revenue:

The non-oil revenue amounted to RO 2,705.5 million at the end of 2020, down by RO 294.5 million i.e., 9.8% compared to the approved budget estimates. The decline is attributed to the reduction in Government services during the COVID-19 pandemic and the drop in economic and business activities, which all led to lower fees and tax as compared to the budgeted figures.

Non-oil revenue consists of corporate tax revenue, customs and excise tax revenue, dividends, fees, and capital revenue and repayments.

The current revenue represents 97% of total non-oil revenue as follows:

Tax and Fees Revenue:

The tax revenue stands at RO 1,199.2 million by the end of 2020, down by RO 373.8 million i.e., 23.8% compared to budget estimates. The decline is reflected in the expatriate recruitment licensing fee, which generated RO 113.8 million. This comes within the facilities provided by the Government to the private sector, whereby the renewal fee of expatriate resident cards was reduced from RO 301 to RO 201.

The customs revenue amounted to RO 185.7 in 2020, decreased by RO 94 million due to lower imports in 2020. Corporate income tax revenue stood at RO 468.4 million in 2020, dropped by RO 81.6 million as a result of exemptions granted to a category of taxpayers affected by COVID-19 pandemic. This included payment of tax on installment basis and waiving 1% of payable tax.

Fiscal Performance for FY 2020 (Final Account)

RO Million

Statement	2020 Budget	Actual Performance 2020	The Difference
A: Taxes Revenue			
Income Tax on Companies & Establishment	550	468.4	81.6
Fees on Non-Omani Labour Licenses	280	166.2	113.8
Excise Tax	100	72.0	28.0
Domestic Miscellaneous Fees	28	17.4	10.6
Municipality Fees on Property Renting Contracts	49.8	35.8	14.0
Customs Duties	280	185.7	94.3
Fees on Real Estate Transactions	62	51.5	10.5
Fees on Hotels & Other Facilities	33	13.8	19.2
Transportation Licenses	65	69.7	4.7
Telecommunications Services License Fees	75	73.7	1.3
Other Miscellaneous Tax Revenue	50.2	44.813	5.4
Total Tax Revenue:	1,573	1,199.2	373.8
B: Non-tax Revenue			
Sale of Water Revenue	12.2	20.9	8.7
Airport & Ports Revenue	81	41.7	39.2
Telecommunications Facility Revenue	80	73.7	6.3
Investment Returns	200	237.5	37.6
Miscellaneous Administrative Fees & Charges	63	50.1	12.9
Medical Revenue	117.5	123.9	6.4
Medical Revenue	45	15.1	29.9
Other Non-tax Revenue	228.2	324.9	96.7
Total Non-tax Revenue	827.0	887.9	61.0
C: Reserve	50	-	-
Total Current Revenue	2,450.0	2,087.1	362.8

Other Revenue:

Airports and seaports revenue declined by 48.5% compared to the approved budget due to the consequences triggered by COVID-19 pandemic. Travel movements were restricted and this led to the closure of airports for long periods during 2020. Moreover, medical revenue dropped by 66.4% compared to 2020 Budget.

Furthermore, government dividends increased by RO 37.6 million i.e., 18.7% compared to the budget. Total dividends received during the year amounted to RO 237.5 million.

RO Million

Public Spending

Total public spending amounted to RO 12,925.7 million in 2020, down by RO 274 million i.e. 2.1% as compared to the approved budget. Moreover, total public spending in 2020 declined by 2.2% compared to the previous year.

Statement	Actual 2019	2020 Budget	Actual 2020	Change %
Current Revenue *	9,515.7	9,830	9,466.8	3.7%
Investment Expenditure	2,747.6	2,600	2,453.6	5.6%
Other Contributions & Expenditure	947.9	770	1,005.3	30.6%
Total Public Revenue	13,211.2	13,200	12,925.7	2.1%

* Includes Capital Expenditure of Civil Ministries

Fiscal Performance for FY 2020 (Final Account)

1 Current Expenditure

The current total expenditure amounted to RO 9,467 million in 2020, down by RO 363 million. This decline has occurred as a result of precautionary measures to combat COVID-19 pandemic and persistent low oil price.

Defense and Security Expenditure:

Actual spending on defense and security decreased by RO 615 million i.e. 17.8% compared to the approved budget.

RO Million

Statement	Actual 2019	2020 Budget	Actual 2020	Change %
Defense & Security Expenditure	3,358.5	3,450	2,834.8	17.8%
Civil Ministries Expenditure	4,496.2	4,590	4,580.6	0.03%
Oil Production Expenditure	407.2	360	424.4	17.9%
Gas Production Expenditure	570.2	570	727.2	27.6%
Interest on Loan - Debt Service	683.6	860	891.9	3.7%
Total Current Expenditure	9,515.7	9,830	9,466.8	3.7%

Civil Ministries Expenditure:

The civil ministries expenditure amounted to RO 4,588.5 million same as budget estimates. The 10% cut from the approved civil ministries has been reallocated to meet highly needed requirements and particularly to combat COVID-19 pandemic.

RO Million

Statement	Actual Figures 2019	2020 Budget	Actual Expenditure 2020
Public Service Sector	592.04	857.552	555.569
Public Order & Security Sector	131.631	128.058	139.19
Education Sector	1,708.256	1,620.946	1,812.915
Energy & Fuel Sector	5.115	4.569	4.7
Social Security & Welfare Sector	452.19	455.789	281.129
Health Sector	713.105	667.707	932.519
Housing Sector	478.321	458.017	429.655
Culture & Religious Sector	214.676	208.84	231.205
Transportation & Comm. Sector	61.48	56.803	55.476
Agriculture & Fisheries Sector	57.321	56.681	65.455
Other Economic Affairs	63.317	65.335	69.84
Specified Reserves	18.725	10	10.815
Total	4,496.2	4,590.0	4,855.5

Oil and Gas Production Expenditure:

These expenditures increased to RO 1,152 million, up by RO 222 million compared to 2020 Budget estimates.

Public Debt Service:

Servicing public debt reached RO 892 million in 2020, up by RO 208 thousand compared with the actual figures of 2019.

Fiscal Performance for FY 2020 (Final Account)

2 Investment Expenditure

Civil Ministries Development Expenditure:

Actual spending on development projects of civil ministries stand at RO 1,071.8 million, down by RO 128.2 million compared with 2020 Budget.

The following chart shows that the development expenditure of the infrastructure sector represents 43% of total investment expenditure. This is due to the fact that such sectors are associated to essential sectors such as roads, airports, and seaports. Moreover, the actual spending on social and services production sectors accounts for 25.5% each of total development expenditure.

Oil and Gas Expenditure:

The oil production investment expenditure increased by RO 106 million i.e. 13% compared to the approved budget estimates, while gas investment expenditure declined by RO 96 million.

3 Contributions and Other Expenses

In 2020, actual expenditure of contributions and other expenses totaled RO 1,005 million, up by RO 235 million i.e. 30.5% compared to budget estimates. An amount of RO 227.6 million has been allocated for electricity subsidy in 2020, and also to partially repay obligations of 2019.

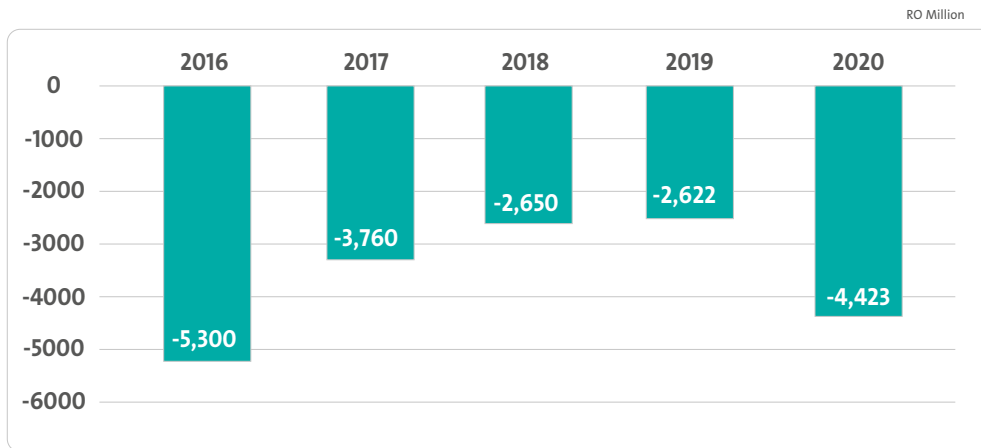
RO Million		
Statement	Actual 2019	Actual 2020
Infrastructure Sector (roads, airports, seaports, urban planning, government administration)	806.7	459.8
Services-producing Sector (housing, electricity, water, commerce, tourism)	268.3	273.6
Social Infrastructure Sector (education, health care, information, youth centers)	226.7	273.5
Goods-producing Sector (crude oil, Gas, mineral, agricultural, fisheries)	23.2	64.9
Total	1,324.9	1,071.8

Statement	Actual Figures 2019	2020 Budget	Actual 2020	Change %
Participation in Domestic, Regional & International Institutions	78.1	15	73	-
Development & Housing Loan Interests Subsidy	36.9	30	31	٪3.3
Electricity Subsidy	600	500	725	٪45
Basic Food Commodities Subsidy	2.9	0	2	-
State-owned Enterprises Operational Subsidy	190.1	185	151	18.4%
Oil Products Subsidy	39.9	40	23	42.5%
Total Participation & Other Expenses	948	770	1,005	٪30.5

Fiscal Performance for FY 2020 (Final Account)

Deficit

The actual deficit in 2020 increased to RO 4,422.5 million, up by 77% and 69% compared to the 2020 budget deficit of RO 2,500 million and 2019 actual deficit of RO 2,622.6 million, respectively.



Financing Means

By the end of 2020, total financing obtained stood at RO 4,422.5 million, up by 76.9% compared to RO 2,500 million estimated in 2020 Budget. The total amount obtained through external and local borrowing amounted to RO 3,034.7 million, while RO 500 million was received from the State General Reserve Fund*. In addition to an amount of RO 1,960.7 million obtained through withdrawals from government cash liquidity with various banks, short-term loans, and withdrawals from the Oil Reserve Fund. On the other hand, the Government has repaid some of external and local loans with an amount of RO 1,072.9 million in accordance to the approved repayment plan.

RO Million

Statement	Amount
Net External Borrowing	1,222.7
Net Local Borrowing	739.1
Net Total Borrowing	1,961.8
Withdrawals from the State General Reserve Fund*	500
The Movement in Net Government Accounts	1,960.7
Net Total Financing	4,422.5

* Oman Investment Authority

Fiscal Performance for FY 2020 (Final Account)

State's Final Account for Fiscal Year 2020

Actual Figures 2019	Statement (RO Million)	FY 2020	
		Approved Budget	Actual
	First: Public Revenue:		
6,098.5	Net Oil Revenue	5,500.0	3,937.5
1,900.5	Gas Revenue	2,200.0	1,860.2
2,331.5	Current Revenue	2,450.0	2,087.1
70.9	Capital Revenue	150.0	132.9
187.3	Capital Repayments	400.0	485.5
10,588.7	Total Public Revenue	1,070.0	8,503.2
	Second: Public Expenditure:		
	Current Expenditure:		
3,358.5	Defense & Security Expenditure	3,450.0	2,834.8
4,486.8	Civil Ministries Expenditure	4,590.0	4,580.6
407.2	Oil Production Expenditure	360.0	424.4
570.2	Gas Production Expenditure	570.0	727.2
683.6	Interest on Loan - Debt Service	860.0	891.9
9,506.3	Total Current Expenditure	9,830.0	9,458.9
	Investment Expenditure:		
1,324.9	Development Expenditure	1,200	1,071.8
83.1	Development Expenditure of State-owned Enterprises	100	45.1
9.4	Capital Expenditure of Civil Ministries	0	7.9
885.5	Oil Production Expenditure	800	905.9
454.1	Gas Production Expenditure	500	430.8
2,757.0	Total Investment Expenditure	2600	2,461.5
	Participation & Other Expenses:		
78.1	0.0 Participation in Domestic, Regional & International Institutions	15	72.8
600	Electricity Subsidy	500	725.3
190.1	State-owned Enterprises Operational Subsidy	185.0	151.2
36.9	Development & Housing Loan Interests Subsidy	30.0	31.1
39.9	Oil Products Subsidy	40.0	23.1
2.9	Basic Food Commodities Subsidy		1.8
947.9	Total Participation & Other Expenses	770.0	1,005.3
13,211.1	Total Public Expenditure	13,200	12,925.7
(2,622.5)	Third: Deficit (First - Second)	(2,500.0)	(4,422.5)
	Forth: Financing Means:		
	Net External Borrowing:		
1,808.3	Received Loans	1,970	1,665.6
(127.3)	Repaid Loans	(470)	(442.9)
1,681.0		1500	1,222.7
	Net Local Borrowing:		
400	Received Loans	1,130	1,369.1
(200)	Repaid Loans	(630)	(630.0)
200.0		500	739.1
400	Financing through the Reserves	500	500.0
341.5	The Movement in Net Government Accounts	0.0	1,960.7
2,622.5	Total Financing Means	2,500.0	4,422.5

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