

Oman State Budget – 2021

Set in the context of Oman's 10th 5 year plan and 2040 Vision.

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30 January 2021

Budget – 2021

| | RO' million | |
|--------------------|---------------|-----------------|
| | 2021 | 2020 (Estimate) |
| Income | | |
| Oil | 3,550 | 4,364 |
| Gas | 1,870 | 1,700 |
| Taxes | 3,000 | 1,800 |
| Capital revenue | 220 | 600 |
| Total | 8,640 | 8,464 |
| Expenditure | | |
| Civil ministries | 4,075 | 4,350 |
| Defence & security | 2,965 | 3,125 |
| Oil & Gas | - | 2,400 |
| Development | 900 | 1,130 |
| Investment | 1,200 | 860 |
| Subsidies & others | 960 | 755 |
| Total | 10,880 | 12,660 |
| Deficit | 2,240 | 4,196 |

Financial Position challenges



Lower oil price



High deficit



Public debt

Five Pillars of fiscal plan



Economic growth



Enhancing efficiency of public financial management



Enhancing social security net



Improving public spending efficiency



Revitalising & diversifying sources of Government revenue.

Key highlights

1. **Oil budgeted at \$45 per barrel (Actual 2020: \$48). Production 96,000 barrels per day (974,000: 2020).**
2. **Deficit covered by borrowing RO 1.6 billion & withdrawal of reserves of RO 0.6 billion. Public Debt is projected to reach RO 21.7 billion and 79% of GDP by Dec.21.**
3. **Revenue from VAT RO 300 million, investments RO195 million, Excise tax RO20 million and Income taxes RO50 million.**
4. **Debt service: RO 1.2 billion.**
5. **Investment spending RO 5.1 billion. Govt: RO 0.9 billion, OIA: RO 2.9 billion, EDO: RO 1.3 billion.**
6. **Subsidies raised to RO 800 million.**

New initiatives

- 1. Two pension funds only - Civil & Private and Defense & Security.
Minimum year of service raised to 30 years.**
- 2. 70% of Government employee who exceed 30 years of service to retire.**
- 3. Redirecting electricity & water subsidy to the vulnerable household.**
- 4. EDO – expenses of PDO removed from State Budget.**
- 5. Job security system, set up with RO10 million – contribution:
employees 1%, insured 1%, 5% added to fee of expat manpower fee.
Launched in November 2020. 2,901 beneficiaries & RO 760,000 paid
to date.**

New initiatives

- 6. 100% Excise Tax on tobacco and its derivatives, energy drinks, alcoholic beverage and pork – 50% on carbonated drinks.**
- 7. Value Added Tax – 5% on good & services from April 2021, exemption education & health sector and some basic commodities.**
- 8. Allowance & Benefits – equalizing non basic allowance and benefits.**

Key words used in the budget 2021

1. Paves way to Oman **Vision 2024**.
2. Achieve fiscal **sustainability**.
3. Higher **non-oil revenues**.
4. **Optimal level** of public spending.
5. **Diversified** economy.
6. Increase **domestic & foreign investment**.
7. **Private sector** role in **economic growth & job creation opportunities**.

Oman Vision 2040 – national priorities

1. **Education, learning, scientific research, and national talents.**
2. **Health.**
3. **Citizenship, identity, national heritage and culture.**
4. **Welfare and social protection.**
5. **Economic leadership and management.**
6. **Economic diversification and fiscal sustainability.**
7. **Labour market and employment.**
8. **Private sector, investments and international cooperation.**
9. **Sustainable development in Governorates and cities.**
10. **National resources and environment sustainability.**
11. **Legislative, judicial and audit system.**
12. **Partnership and integration of roles.**
13. **Governance of administration apparatus, resources and projects.**

Key sector for growth under PPP

Sea ports



Education



Environment



Transport



Health care



Municipalities



**Government
service**



Contribution to GDP – 2021-25

| | Current | Target |
|----------------------|----------------|---------------|
| Manufacturing | 10.8% | 12.2% |
| Logistics | 6.4% | 7.5% |
| Tourism | 2.5% | 3% |
| Fisheries | 0.9% | 2% |
| Mining | 0.5% | 0.7% |
| Education | 4.9% | 6.2% |

Deficit Trend

| | RO' Billion |
|-------------|--------------------|
| 2018 | 2.7 |
| 2019 | 2.6 |
| 2020 | 4.2 |
| 2021 | 2.2 |
| 2022 | 1.7 |
| 2023 | 0.6 |
| 2024 | 0.2 |
| 2025 | +0.1 |

Fitch forecasts

- **Slow recovery in Oman, real GDP – 3% in 2021 – 3.4% in 2020 & 2.9% in 2023.**
- **Weaker business and consumer sentiments in 2021.**
- **Fiscal deficit wider from 9% of GDP in 2019 to 19.7% in 2020 and 14.1% in 2021.**

Economic challenges for business in Oman

Budget deficit

**Borrowings
and debt
service**

**Employment
of youth**

**Expansion of
the SME
Sector**

**Cash flows -
delayed
payments**

**Poor
performance
of MSM**

**Ease of
business**

**Regional geo -
political
landscape**

**Economic
Recovery
from Covid –
V or U curve**

The X factor

Focus area for businesses

**Create wealth –
Production**

**Competitiveness –
Productivity
increase**

**Conserve cash –
Protect local
industry**

”In this journey we should not be afraid of failure. Failure of companies in a free market, is not a defect of the system, it is an indispensable aspect of any evolutionary process.”

Thank you