Statement on State’s General Budget for Fiscal Year 2020
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Introduction

Ministry of Finance (MOF) is pleased to issue, in coordination with the Supreme Council for Planning (SCP), the statement on State’s General Budget for FY 2020. This statement presents key financial and economic indicators for FY 2020, and the preliminary results of FY 2019. This is in order to ensure transparency and to inform the citizens, investors, domestic and international institutions of Oman’s fiscal policy for FY 2020.

The State’s General Budget is the main economic instrument which reflects the Government’s policies and objectives. It can also be defined as a financial program prepared for the upcoming financial year with the aim to achieve specific objectives within the framework of an approved development plan. The Budget sets out the estimated total revenue and spending on social and economic development.

The 2020 Budget represents the final year of the Ninth Five-Year Development Plan (2016-2020), and also reflects the last year of Oman Vision 2020. Therefore, the Budget complements previous budgets and comes to pave the way for Oman Vision 2040 and Tenth Five-Year Development Plan (2021-2025).
First:

Executive Summary
First: Executive Summary

The 2020 Budget framework aims at achieving a set of objectives and priorities, notably fiscal sustainability so as to enable the national economy in achieving economic growth targets, a diversified economy, and targeted rates of domestic investment and foreign direct investment (FDI). In addition to enable the private sector to play a greater role in the development projects and to create more job opportunities.
Second:

Global & National Economic Developments
Second: Global & National Economic Developments

A- Global Economy

Several international institutions projected the persistence of uncertainty surrounding global economy caused by trade tensions, mounting geopolitical risks, weakening business confidence, and unprecedented high level of global indebtedness. All these factors adversely affecting global economic growth prospects, and thus leading to growing risks over global financial stability, interest rates and financial markets. International Monetary Fund (IMF) has, therefore, recently revised for the third time its global growth forecast downward in 2019, from 3.3% to 3%. However, according to IMF World Economic Outlook (October, 2019), the global economic performance is expected to recover by 3.4% in 2020.

Various international institutions projections, on global economic growth in 2020, ranged between 2.8% and 3.4%.
B- National Economy

The current year is the final year of the Ninth Five-Year Plan (2016-2020), which focused on the five promising sectors with the aim to uplift economic diversification efforts.

The outcomes show that the contribution rate of these sectors to gross domestic production (GDP) in 2018 is very close to the targeted figures planned to be achieved by the end of 2020.
It is worth noting that the Ninth Five-Year Development Plan targeted a real growth rate of 2.8%, while the real growth rate during the first three years (2016-2018) of the plan averaged 2.4%.

Furthermore, the Ninth Five-Year Development Plan also targeted a real growth rate of 4.3% in non-hydrocarbon activities as compared with a rate of 0.2% for hydrocarbon activities. However, the average of real growth rate registered 3.4% over the first three years of the plan, reflecting the positive impact of implementing the National Program for Enhancing Economic Diversification (Tanfeedh). The contribution of non-hydrocarbon sectors to GDP during the first three years of the plan averaged at 63% while hydrocarbon sectors recorded 37%.

Investments, in the first three years of the Ninth Five-Year Development Plan, estimated to be around RO 22.8 billion i.e. 55.9% out of total investment targeted in the same plan. The investment rate to GDP averaged 29.2% over the period as compared with the targeted investments rate in the Ninth Five-Year Development Plan of 28%, and as against actual investment rate of 27.2% during the Eighth Five-Year Development Plan.

Efforts made towards improving investment climate will lead to attract more domestic investment and FDI especially after enacting new laws related to foreign direct investment, privatization, public-private partnership, and bankruptcy.

FDI totalled RO 1.37 billion during the first half of 2019, reaching RO 11.65 billion. Oil and gas extraction activity represents the larger proportion of FDI, accounting for 57% of total FDI.
According to National Centre for Statistics and Information (NCSI), the GDP grew by 1.3% at constant prices by the end of June-2019, and non-hydrocarbon activities rose by 2.8%. It is expected that GDP will grow to no less than 2% in 2019, and will continue to grow to 3% in 2020. This comes in line with the targeted growth rates in the Ninth Five-Year Development Plan.
The inflation rate stands as low as 0.2% over the period from January to November 2019. The inflation is projected to remain at low level during the period between 2019 and 2020.

For the banking sector, the financial statements issued by Central Bank of Oman (CBO) show a rise in foreign exchange reserves by 2.8%, reaching RO 6.3 billion by the end of October 2019 as compared with RO 6.1 billion during the same period in 2018. The rates of loans and deposits increased by 3.9% reaching RO 25.9 billion, and 3.1% reaching RO 23.2 billion, respectively, by the end of October 2019 as compared with the same period in 2018.

Oman trade balance showed a surplus of RO 4.3 billion as at the end of September 2019 as against RO 4.1 billion over the same period in 2018, with a growth rate of 5%. On the other hand, total imports amounted to RO 6.8 billion as compared with RO 7.5 billion over the same period in 2018. The volume of exports and re-exports reached RO 11.1 billion as against RO 11.6 billion achieved in 2018.

By the end of 2019, Muscat Securities Market (MSM) index closed at 3981.190 points. The market value amounted to RO 18.77 billion, higher by 3.25% than the amount of RO 18.2 billion recorded in 2018.
Third:

Preliminary results of 2019 Budget
Third: Preliminary results of 2019 Budget

As part of the government’s efforts to achieve financial sustainability, spending has been prioritized in harmony with the available financial resources, and in a way that ensures deficit reduction.

On the other hand, budget preparation process has taken into account the need to spur the economy through expanding the participation of private sector, while keeping the levels of investment spending, particularly in the productive sectors. In order to develop small and medium enterprises (SMEs), the SMEs have also been provided with the necessary support, and thus development loans continued to be offered by both Al Ruffd Fund and Oman Development Bank.

The preliminary results of 2019 Budget experienced some improvements in revenue and deficit rates as compared with the approved budgetary figures. Total projected revenue amounted to RO 11.1 billion as against RO 10.1 billion approved in the budget, whereas public spending expected to amount to RO 13.7 billion, up by 6% as compared with approved spending for 2019. The primary deficit declined by 7% as compared to the estimated deficit for FY 2019, down by RO 200 million.
2019 Budget has targeted the following objectives:

Controlling the deficit and maintaining its downward trend.

Actual deficit is expected to decline by 7% as compared with budgeted deficit, decreasing to RO 2.6 billion from RO 2.8 billion.

Enhancing non-hydrocarbon revenue

Total non-hydrocarbon revenue increased by 26% compared with 2018, and increased by 13% than what was estimated in 2019 budget.

Enhancing public-private partnership

Enacting several laws aiming at strengthening business environment, including partnership and privatization laws, foreign investment law and bankruptcy law.

Investment spending

The development spending for Government entities and State-owned enterprises (SOEs) has exceeded the approved amount in the 2019 budget by 13%, rising to RO 1.5 billion compared with RO 1.3 billion. This represents an increase of 11% over the actual spending in 2018.

Social spending

- Health Care
- Education
- Social Welfare
- Housing
The preliminary results of 2019 Budget:

<table>
<thead>
<tr>
<th>Approved 2018 Budget</th>
<th>2019 BUDGET</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Approved Budget</td>
</tr>
<tr>
<td>Average Oil Price ($)</td>
<td>58</td>
</tr>
<tr>
<td>Average of Daily Oil production (000 bbl)</td>
<td>970</td>
</tr>
<tr>
<td>Total Public Revenue</td>
<td>10100</td>
</tr>
<tr>
<td>Oil Revenue</td>
<td>5465</td>
</tr>
<tr>
<td>Gas Revenue</td>
<td>1980</td>
</tr>
<tr>
<td>Non-oil Revenue</td>
<td>2655</td>
</tr>
<tr>
<td>Tax &amp; Fees Revenue</td>
<td>2350</td>
</tr>
<tr>
<td>Capital Revenue &amp; Repayments</td>
<td>305</td>
</tr>
<tr>
<td>Total Expenditure</td>
<td>12900</td>
</tr>
<tr>
<td>Civil Ministries Expenditure</td>
<td>4490</td>
</tr>
<tr>
<td>Defense &amp; Security Expenditure</td>
<td>3450</td>
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<tr>
<td>Cost of Oil &amp; Gas production</td>
<td>2230</td>
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<tr>
<td>Development Expenditure</td>
<td>1325</td>
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<tr>
<td>Electricity Subsidies</td>
<td>485</td>
</tr>
<tr>
<td>Debt Service (interests)</td>
<td>630</td>
</tr>
<tr>
<td>Other Expenditure</td>
<td>290</td>
</tr>
<tr>
<td>Total Budget Deficit</td>
<td>(2800)</td>
</tr>
</tbody>
</table>

Million RO
Public Revenue

The fiscal consolidation measures, taken to improve revenue structure, have contributed considerably to non-hydrocarbon revenue, where total non-hydrocarbon revenue climbed by 30% as compared with the results of FY 2018.

The preliminary results show tax revenue increased to around RO 1.5 billion as compared with RO 1.3 billion achieved in 2018. This is attributed to improve Oman economic performance and its positive impact on the performance of private sector entities. The excise tax introduced in mid-2019 also has enhanced the aggregate tax revenue.

The precautionary approach, adopted by MOF while preparing the budget and assuming the oil price at US$ 58 per barrel, helped to increase the actual oil revenue. This is as a result of higher oil price as compared with the oil price assumed in the budget.


<table>
<thead>
<tr>
<th>Year</th>
<th>Hydrocarbon Revenue</th>
<th>Non-hydrocarbon Revenue</th>
<th>Total Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>5.2</td>
<td>2.4</td>
<td>7.6</td>
</tr>
<tr>
<td>2017</td>
<td>6.2</td>
<td>2.3</td>
<td>8.5</td>
</tr>
<tr>
<td>2018</td>
<td>8.6</td>
<td>2.3</td>
<td>10.9</td>
</tr>
<tr>
<td>2019</td>
<td>8.1</td>
<td>3</td>
<td>11.1</td>
</tr>
</tbody>
</table>
Public Spending

According to the preliminary outcomes, overall public spending totaled RO 13.7 billion in 2019 as compared with a budgeted figure of RO 12.9 billion, a 6% increase. This is mainly attributed to the rise in purchase costs of gas, high cost of public debt servicing, high subsidy cost of electricity sector, and investment spending to finalize development projects. This is in addition to increased expenditures of some government units to meet necessary and urgent needs, and cost of promoting the 2010 batch of Omani government employees.

Deficit

As the efforts are ongoing to control the annual deficit through sustained fiscal consolidation, the 2019 Budget deficit is projected to reach nearly RO 2.6 billion, lower than the estimated deficit for 2019 Budget by 7%. 

Trend of Public Spending (2016-2019)

<table>
<thead>
<tr>
<th>Year</th>
<th>Billion RO</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>12.9</td>
</tr>
<tr>
<td>2017</td>
<td>12.3</td>
</tr>
<tr>
<td>2018</td>
<td>13.6</td>
</tr>
<tr>
<td>2019</td>
<td>13.7</td>
</tr>
</tbody>
</table>

Trends in Deficit (2016-2019)

<table>
<thead>
<tr>
<th>Year</th>
<th>Billion RO</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>5.3</td>
</tr>
<tr>
<td>2017</td>
<td>3.8</td>
</tr>
<tr>
<td>2018</td>
<td>2.7</td>
</tr>
<tr>
<td>2019</td>
<td>2.6</td>
</tr>
</tbody>
</table>

51%
Fourth:
State’s General Budget for FY 2020
Fourth: State’s General Budget for FY 2020

2020 Budget estimates have been prepared in accordance with the economic indicators and global economic developments. In addition to, the needs to maintain fiscal sustainability, lower public debt and achieve higher economic growth that would help in sustaining employment creation, and stabilizing the inflation rate. The 2020 Budget is a bridge to Oman Vision 2040 and Tenth Five-Year Development Plan (2021-2025).

A - Objectives of 2020 Budget:

- Achieve Fiscal Sustainability
- Continue to Stimulate the National Economy
- Maintaining the level of Basic Services

1- Achieve Fiscal Sustainability

Striving to achieve fiscal balance over the medium term by maintaining fiscal discipline and keeping deficits under control.

Enhancing the contribution of non-hydrocarbon revenue to overall government revenue in a way that leads to reduce dependency on oil sector.

Continue to rationalize public spending while enhancing its efficiency. Furthermore, set spending ceiling for the Government units over the medium term.

Improving Government procurement system and relevant mechanisms.

Identifying innovative means of financing for some Government projects and services.
2- Continue to Stimulate the National Economy

The budget is the main driver of the national economy. This is reflected by the importance of the budget for the implementation of five-year development plans and for inclusive and sustainable development, by means of the following:

- Completion of infrastructure projects that will help incentivize economic growth.
- Giving priority to the implementation of high-priority projects that serve economic and social objectives, and postpone the implementation of low-priority projects. Moreover, giving high priority to operate the completed projects.
- Give special attention to e-transformation for approvals and license issuance.
- Maintain the allocations for the maintenance of government assets/facilities in order to ensure the effectiveness and sustainability of the development projects already accomplished.
- Promoting the efficiency of SOEs in order to enhance their contributions to the economy.
- Expanding the participation of private sector in implementing and managing some projects and facilities, and services delivery.
3- Maintaining the level of Basic Services

The government gives special emphasis on spending priorities that have social and economic returns. Therefore, the budget seeks to maintain the achievements already accomplished, through the following:

Social spending

The spending on basic services, such as education, health care, housing and social welfare, continues to rise, reaching 40% of public spending in 2020 Budget, which represents the largest portion of the budget. The following table shows the public spending on the aforesaid services during (2015-2020):

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>16%</td>
<td>16%</td>
<td>16%</td>
<td>17%</td>
<td>17%</td>
</tr>
<tr>
<td>Health</td>
<td>6%</td>
<td>7%</td>
<td>10%</td>
<td>10%</td>
<td>11%</td>
</tr>
<tr>
<td>Housing</td>
<td>7%</td>
<td>9%</td>
<td>7%</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Social Welfare</td>
<td>3%</td>
<td>4%</td>
<td>5%</td>
<td>7%</td>
<td>7%</td>
</tr>
<tr>
<td>% of overall public spending</td>
<td>32%</td>
<td>36%</td>
<td>38%</td>
<td>39%</td>
<td>40%</td>
</tr>
</tbody>
</table>
Recruitment

As part of the Government’s endeavours to regulate labour market and utilize youth capacity to spur growth and development, the Government has taken several measures and initiatives, including the following:

1- National Centre for Employment

In 2019, the National Centre for Employment has been established with the aim to employ the national manpower. This Centre would commence its operations on 1st of January, 2020 by focusing on the main job-generating sectors.

2- Training linked with Employment

In order to bridge the skills gap between education and job market needs through human capacity-building, and as part of the government’s policy to enhance the skills of Omani job-seekers, the National Training Fund has been established in 2017 pursuant to Royal Decree No. 48/2016. The Fund has since then provided 9110 job opportunities under Training linked with Employment Scheme. A number of 3310 trainees have already been graduated while 5800 trainees are still under training. The cost of the training, conducted by the Fund, amounted to RO 27.3 million by the end of 2019. According to the Fund’s plan, a number of 10000 persons will be trained during 2020-2021, with an amount of RO 26.8 million.

3- Investment spending

The spending on investment projects, particularly job creation projects that have economic returns, is expected to reach RO 5.3 billion, out of which RO 2.7 billion will be paid by SOEs for service and industrial projects, whereas an amount of RO 1.3 billion will be spent by various government entities for infrastructure projects. In addition to an amount of RO 1.3 billion will be allocated for oil and gas production. These projects will eventually help in generating more job opportunities.
Housing Aid, Social Housing Scheme, and Housing loans

Housing loans provided by Oman Housing Bank is set to increase to 1587 housing loans by the end of 2020, with a total amount of RO 80 million as compared with 1375 housing loans offered in 2019 in the amount of RO 60 million.

Fuel subsidy

The number of citizens registered in National Subsidy System (NSS) increased to 352000 citizens by the end of 2019 from 325000 citizens in 2018, increasing by 8%.
### B- Estimates of 2020 Budget

<table>
<thead>
<tr>
<th>2019 Budget</th>
<th>2020 Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>10100</strong></td>
<td><strong>10700</strong></td>
</tr>
<tr>
<td>Total Public Revenue</td>
<td>Total Public Revenue</td>
</tr>
<tr>
<td><strong>5465</strong></td>
<td><strong>5500</strong></td>
</tr>
<tr>
<td>Oil Revenue</td>
<td>Oil Revenue</td>
</tr>
<tr>
<td><strong>1980</strong></td>
<td><strong>2200</strong></td>
</tr>
<tr>
<td>Gas Revenue</td>
<td>Gas Revenue</td>
</tr>
<tr>
<td><strong>2655</strong></td>
<td><strong>3000</strong></td>
</tr>
<tr>
<td>Non-oil Revenue</td>
<td>Non-oil Revenue</td>
</tr>
<tr>
<td><strong>2350</strong></td>
<td><strong>2450</strong></td>
</tr>
<tr>
<td>Tax &amp; Fees Revenue</td>
<td>Tax &amp; Fees Revenue</td>
</tr>
<tr>
<td><strong>305</strong></td>
<td><strong>550</strong></td>
</tr>
<tr>
<td>Capital Revenue &amp; Repayments</td>
<td>Capital Revenue &amp; Repayments</td>
</tr>
<tr>
<td><strong>12900</strong></td>
<td><strong>13200</strong></td>
</tr>
<tr>
<td>Total Expenditure</td>
<td>Total Expenditure</td>
</tr>
<tr>
<td><strong>4490</strong></td>
<td><strong>4590</strong></td>
</tr>
<tr>
<td>Civil Ministries Expenditure</td>
<td>Civil Ministries Expenditure</td>
</tr>
<tr>
<td><strong>3450</strong></td>
<td><strong>3450</strong></td>
</tr>
<tr>
<td><strong>930</strong></td>
<td><strong>930</strong></td>
</tr>
<tr>
<td>Cost of Oil &amp; Gas production</td>
<td>Cost of Oil &amp; Gas production</td>
</tr>
<tr>
<td><strong>1325</strong></td>
<td><strong>1300</strong></td>
</tr>
<tr>
<td>Development Expenditure</td>
<td>Development Expenditure</td>
</tr>
<tr>
<td><strong>485</strong></td>
<td><strong>500</strong></td>
</tr>
<tr>
<td>Electricity Subsidies</td>
<td>Electricity Subsidies</td>
</tr>
<tr>
<td><strong>630</strong></td>
<td><strong>860</strong></td>
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<tr>
<td>Debt Service (Interests)</td>
<td>Debt Service (Interests)</td>
</tr>
<tr>
<td><strong>290</strong></td>
<td><strong>270</strong></td>
</tr>
<tr>
<td>Other Expenditure</td>
<td>Other Expenditure</td>
</tr>
<tr>
<td><strong>(2800)</strong></td>
<td><strong>(2500)</strong></td>
</tr>
<tr>
<td>Total Budget Deficit</td>
<td>Total Budget Deficit</td>
</tr>
</tbody>
</table>

Million RO
**Public Revenue**

Revenue estimates are based on the following considerations:

- 2020 Budget assumes oil price of US$ **58** per barrel.
- Oman’s commitment to cut oil production in line with OPEC’s decision to reduce production volumes.
- Growth of gas revenue by **11%**.
- Revenue generated from Privatization Scheme.
- Improving efficiency of tax and fees collection.

Aggregate revenue is estimated at RO **10.7** billion, increasing by **6%** as compared with estimated revenue for 2019 and accounting for **33%** of GDP. Such revenue consists of oil and gas revenue of RO **7.7** billion, representing **72%** of total revenue. Non-hydrocarbon revenue is estimated at RO **3** billion i.e. **28%** of total revenue.
Oil revenue projected to amount to RO 5.5 billion, representing 51% of total revenue as against 54% in 2019.

Estimated gas revenue in 2020 Budget increased by 11% as compared with budgeted figures of 2019, reaching RO 2.2 billion. This is attributed to an increase in natural gas volume by 5%, and a rise in local gas sales by 3%.

The non-hydrocarbon revenue projected to stand at RO 3 billion, up by 13% as compared with 2019 Budget. This increase is due to higher tax revenue by 9% and non-tax revenue by 18% as compared with what have been achieved in 2019. This comes in line with Government’s efforts to diversify the sources of income and enhance non-hydrocarbon revenue. The recent establishment of Tax Authority will help to improve the efficiency of tax collection.
Public Spending:

Total public spending is budgeted at about RO 13.2 billion, increasing by RO 300 million i.e. 2% as compared with the budgeted figures of 2019 Budget, as follow:

Current Expenditures of Ministries and Government Units:

These expenditures are estimated at RO 4.6 billion. The salaries, annual allowance and entitlements account for 76% of total current expenditures of ministries and government units, with an amount of RO 3.5 billion.
Development Expenditures

Spending on development projects is estimated at RO 1.3 billion in 2020 Budget, representing the estimated amount to be paid during the year as per the actual work in progress for the projects. Spending on development projects will not be cut to ensure the completion of all ongoing projects without delay, and also to ensure that the relevant payments will be made on time.

- Construction of hospitals in Salalah, Khasab, and Suwaiq.
- Rehabilitation of hospitals in Khasab and Samail.
- Completion of implementing a number of health centres in some provinces (wilayat).
- Water networks projects in a number of provinces (wilayat).
- Completion of implementing a number of underground recharge and flood protection dams in some provinces.
- Construction of water transmission pipeline projects such as Sohar-Ibri, Sohar-Barka, and Gubrah-Seeb pipeline projects.
- Completion of implementing water transmission network from Qurayyat Desalination Plant.
- Construction of hospitals in Salalah, Khasab, and Suwaiq.
- Rehabilitation of hospitals in Khasab and Samail.
- Completion of implementing a number of health centres in some provinces (wilayat).
- Construction of a number of schools, and implementation of additional facilities for some existing schools.

Transport
- Completion of implementing air cargo terminals and aircraft maintenance hangars at Muscat International Airport and Salalah Airport.
- Completion of Sharqiyah Expressway Project
- Paving of internal roads in various provinces (wilayat).
- Completion of Adam-Thumriat Road Dualization Project.
- Sinaw-Mahout-Duqm Road Project.
- Completion of Barka-Nakhal Road Dualization Project.
- Ibri-Yangul Road Dualization Project.

Water
- Water networks projects in a number of provinces (wilayat).
- Completion of implementing a number of underground recharge and flood protection dams in some provinces.
- Construction of water transmission pipeline projects such as Sohar-Ibri, Sohar-Barka, and Gubrah-Seeb pipeline projects.
- Completion of implementing water transmission network from Qurayyat Desalination Plant.

Health
- Construction of hospitals in Salalah, Khasab, and Suwaiq.
- Rehabilitation of hospitals in Khasab and Samail.
- Completion of implementing a number of health centres in some provinces (wilayat).

Education
- Construction of a number of schools, and implementation of additional facilities for some existing schools.
Agriculture

• Completion of implementing integrated pest management of Dubas Bug and Red Palm Weevil project.
• Completion of implementing national livestock vaccination project.

Manufacturing

• Expansion of Rusayl Industrial Estate (First Phase) and Sohar Industrial Estate.

Housing

• Completion of implementing infrastructure projects for Liwa City Housing Complex.
• Completion of implementing compensation scheme set for the people whose houses were affected by Batinah Coastal Road project.
• Completion of constructing alternative housing units for the people whose houses were affected by Batinah Coastal Road project.
• Providing housing assistance in a number of provinces (wilayas).
• Construction of 400 housing units in Khor Souly (Salalah).

Ports

• Bulk Liquid Berth at Duqm and Salalah Ports.
• Completion of implementing berths at Salalah Port.
• Completion of implementing Commercial Berth at Duqm Port.
• Completion of constructing Fishing Port and Fisheries Industrial Complex at Duqm.
• Development of Shinas Port.

Fisheries

• Development and rehabilitation of fishing ports (Sadah, Mussanah, Dibba, Shuwaymiyah, Muhut, Lima and Hallaniyat fishing ports).

Sports

• Completion of constructing Ibra and Mussanah sport stadiums.
Investment projects carried out by state-owned enterprises (SOEs)

2.7 Billion RO

- Food production projects
- Petrochemicals and refinery projects (Duqm Refinery Project & Liwa Plastics Industries Complex Project)
- Logistics services
- Environmental projects
- Tourism projects (hotels & tourist complexes)
- Electricity projects
Oil and Gas Production Expenditures

These expenditures are estimated at RO 2.2 billion in 2020 Budget, the same as for the 2019 Budget estimates. This includes the operational and capital costs of oil and gas production, and expenses required to maintain future oil and gas production, as well as enhance oil and gas reserves.

Subsidies

The appropriations allocated for subsidies are estimated at RO 755 million, slightly higher than the budgetary figures of 2019. This includes subsidies for oil products, housing and development loans, and operational support to SOEs.

Other Expenditures

These expenditures include: public debt service, development expenses of SOEs, and government cash contributions to the capitals of local and international companies and institutions. Allocations for such expenditures are estimated at RO 975 million, RO 190 million higher than 2019 Budget estimates. This is due to the increasing cost of public debt service by RO 230 million. On the other hand, development expenditures of SOEs, cash contributions of the government to the capitals of local and international companies and institutions, declined by RO 40 million.

Deficit

According to the preliminary results, the actual fiscal deficit for FY 2020 is projected to be around RO 2.5 billion i.e. 8% of GDP, lower than 2019 budgeted deficit. The deficit is trending downward from its level over the past three years. Any resultant increase in oil revenue will be utilized in financing the deficit.

The deficit will be financed through external and domestic borrowing by 80% i.e. RO 2 billion. The remaining deficit, estimated to nearly RO 500 million, will be covered by drawing on reserves.
Fifth:

Oman’s Economic Diversification Efforts
Fifth: Oman’s Economic Diversification Efforts:

Efforts are ongoing to achieve economic diversification through facilitating government process and enhancing business environment so as to attract more investments, in a way that leads to diversifying the sources of income and boosting GDP especially non-hydrocarbon GDP. In addition to enhance the contribution of the five targeted sectors identified by the Ninth Five-Year Development Plan, namely logistics, manufacturing, tourism, fisheries and mining sectors.

Royal decrees promulgated recently with respect to FDI, notably Foreign Capital Investment Law, Bankruptcy Law, and Public-Private Partnership Law, would create new horizons and more potential opportunities for investment. These laws have been promulgated with the aim to enhance public-private investments, and improve business environment and investment climate. This would result in the flow and stability of FDI.

The Government also seeks to enable the private sector to play a greater role so as to effectively contribute in accelerating economic growth. In addition to support the implementation and completion of strategic projects, the main ones being:

- Liwa Plastics Industries Complex Project
- Port sector projects
- Oman Food Investment Holding Company Projects
- Ras Markaz Crude Oil Storage Terminal Project
- Salalah Liquefied Petroleum Gas Project
- Salalah Ammonia Project
- Madinat Al-Irfan Project
- Khazaen Economic City Project
- Adam-Thumriat Road Dualization Project
- Mina Sultan Qaboos Waterfront Project
- Copper Mining Project in AL-Mudhaibi
- Liwa Plastics Industries Complex Project
- Port sector projects
- Oman Food Investment Holding Company Projects
- Ras Markaz Crude Oil Storage Terminal Project
- Salalah Liquefied Petroleum Gas Project
- Salalah Ammonia Project
- Madinat Al-Irfan Project
- Khazaen Economic City Project
- Adam-Thumriat Road Dualization Project
- Mina Sultan Qaboos Waterfront Project
- Copper Mining Project in AL-Mudhaibi
Furthermore, the Government gives greater attention to the development of Special Economic Zone of Duqm in order to become an industrial and logistical hub. Therefore, the Government has implemented several development projects in partnership with the private sector. The total investment spending on the development of this zone amounted to around RO 2.6 billion by the end of 2019. Investment in industrial projects amounted to nearly RO 4.3 billion, such projects include the following:

- **Duqm Refinery Project**
- **Marina Duqm Project**
- **Shomookh Complex for Mining Industries**
- **Little India Tourism Complex**
- **Centralized Utilities Project**
- **Sebacic Oman Bio-Refinery**
- **Cooking gas plant**
- **Fisheries Industrial Complex**

**KEY PROJECTS IN DUQM**
Sixth: Fiscal Planning and Discipline:

Despite the fact that deficit has been declining, the Government is keen to further strengthening fiscal consolidation and discipline. In order to achieve fiscal balance over the medium term, the government is carrying out the following:

- Developing a Multi-Year Budget Framework (2020-2024). This is to include medium-term estimates of revenue, expenditures, deficit/surplus, and financing. This framework would also take into account Oman Vision 2040 and Tenth Five-Year Development Plan (2021-2025).

- Accelerating the implementation of Government Financial Management Information System (GFMIS).

- Completing the application of Program and Performance Budget (PPB).

- Complete the activation of a single account for the treasury in order to help ensure effective management of liquidity and cash flow.

- Preparing a charter on corporate governance of SOEs.

- A study on drafting Public Debt Law.
Conclusion

The unfavorable global economic conditions are causing many uncertainties. Crude oil as strategic commodity faces numerous challenges because of the progress made in energy alternatives. This requires speeding up reducing dependency on oil revenue and increasing the efforts in diversifying the sources of income.

In spite of improvements experienced by oil markets in 2019, the State’s General Budget is still facing challenges posed by oil price fluctuations. This is due to the fact that oil revenue remains the main source of revenue for Oman. Therefore, any decline in oil prices will eventually have an impact on the 2020 Budget performance and national economy.

2020 Budget seeks to continue to spur the national economy by maintaining investment spending levels, and also supporting economic diversification policy through expanding the participation of private sector so as to play a greater role in the economy and create more job opportunities.

Lastly, the Ministry of Finance is honored to extend its best wishes to His Majesty the Sultan Qaboos bin Said on the occasion of New Year 2020, praying to Almighty Allah to bestow upon His Majesty with good health and long life. The Ministry also would like to congratulate the people of Oman on the New Year 2020.

Date: 1/1/2020