

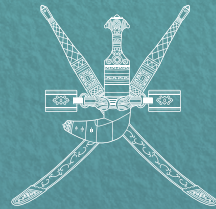
State's Final Account for the Fiscal Year 2023

الشفافية في الميزانية
Transparency in Budgeting
with Confidence



وزارة المالية
Ministry of Finance





STATE'S
GENERAL
BUDGET

20
23

His Majesty

Sultan Haitham bin Tarik



“By the grace and guidance of Allah the Almighty, our country has successfully attained notable results and significant accomplishments across social and economic sectors, as well as in fiscal performance, in spite of the global economic challenges. These challenges have notably impacted our economy and national programmes. Our plans, intricately crafted with specific objectives, strive to address the exigencies of the present and aim for sustainable development through effective resource management, ultimately seeking to diminish public debt burdens. A portion of our fiscal surplus has been judiciously allocated to invigorate social sectors and stimulate economic growth.”

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Introduction

As per transparency and access to information, the Ministry of Finance issues a Guide to the State's Final Account which reflects the actual fiscal performance of the previous fiscal year, which ended on 2023/12/31. Furthermore, the guide measures how the Government committed to the approved budget and helps in preparing the general budget for the next fiscal year, thereby improving the State's financial and economic planning processes.

This guide presents detailed financial statements related to the fiscal performance of the State's general budget for fiscal year 2023 and compares public revenue, public spending, and deficit estimated in the 2023 Budget and actual fiscal performance by the end of 2023. Additionally, it illustrates financing means and public debt.

The preparation of the State's final account goes through various stages as per the Royal Decree No. (1998/47) promulgating the Financial Law, as follows:

1. Issuance of a circular by MOF to ministries and Government units to prepare their final accounts.
2. Ministries and Government units submit their final accounts.
3. MOF prepares the State's final account.
4. The State Audit Institution reviews the State's final account.
5. MOF finalizes the State's final account and submits it to the Council of Ministers.
6. Presenting the State's final account to His Majesty after considering all comments and feedback.
7. A Ministerial decision is issued to publish the State's final account.



Foreword

The concerted efforts of various government entities to rationalize financial spending and adhere to procedures introduced to enhance spending efficiency and bolster non-hydrocarbon revenue, coupled with the rise in oil prices, yielded a positive impact on the actual performance for the fiscal year 2023. The State's general budget for fiscal year 2023 witnessed additional financial revenues, which were directed towards managing financial obligations, reducing public debt, enhancing social spending, and stimulating economic growth.

As a result of these endeavors, the Ministry of Finance successfully reduced the public debt-to-GDP ratio to 36.5% by the end of 2023, compared to 40% at the end of 2022. This achievement played a significant role in fortifying public finance indicators, enhancing Oman's credit rating, and adjusting its outlook for 2023.

The Ministry of Finance remains committed to assessing financial performance, adhering to the medium-term fiscal plan, and formulating financial framework scenarios based on oil price fluctuations and geopolitical events. In collaboration with other government entities, the Ministry also contributes to the preparation of the Medium-Term Financial Framework and the Eleventh Five-Year Development Plan.

With the hope of achieving even greater success, the Ministry of Finance anticipates improved fiscal performance in the current year.

01

Glossary



Glossary

- **State's General Budget:** is a document prepared annually by the Government in accordance with the rules and regulations specified by the Financial Law and its Executive Bylaws, to present the estimates of public revenue and expenditure for the upcoming fiscal year.
- **Final Account:** is a financial statement on the actual revenue and spending for the previous fiscal year.
- **Revenue:** is the money received by the Government from various sources of income to cover public spending and achieve economic and social balance.
- **Hydrocarbon Revenue:** consists of oil and gas revenues
- **Non-hydrocarbon Revenue:** consists of income corporate tax, customs taxes (duties), VAT, dividends on government investment, fees on government services, repayments, and capital revenue.
- **Current Revenue:** consists of tax and non-tax revenues.
- **Tax Revenue:** such revenue generated from corporate income taxes, customs taxes (duties), excise tax, and value-added tax.
- **Non-Tax Revenue:** refers to dividends, surplus of public authorities, telecommunication and airports revenue, passports and immigration fees, and fines and penalties.
- **Capital Revenue:** refers to the revenue that generated from the sale of government real estates and lands, social houses, and affordable housing loans.

- **Repayments:** refers to the repayments of loans and interests of loans provided by the Government to government entities and others outside the country.
- **Spending:** refers to all expenses incurred by Government units for public interest 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 Government expenditure to establish approved development projects.
- **Budget Surplus:** is the difference between revenue and spending and occurs when revenue exceeds spending.
- **Budget Deficit:** is the difference between revenue and spending and occurs when spending exceeds revenue
- **Public Debt:** represents the total outstanding debt (bonds, sukuk, direct loans ...etc.) borrowed by the government.
- **Credit Rating:** is an opinion of a particular credit agency regarding the ability and willingness of an entity (government, business, or individual) to fulfil its financial obligations in completeness and within the established due dates.

Executive Summary

The State's Final Account for the Fiscal Year 2023 indicates the public revenue amounted to RO 12,542 million, up by 25% compared to RO 10,050 million estimated in the 2023 Budget. This growth was primarily attributed to higher hydrocarbon and non-hydrocarbon revenues.

Meanwhile, the public Spending amounted to RO 11,606 million by the end of 2023, up by 2% compared to RO 11,350 million estimated in the 2023 Budget. This is a result of increased social spending, measures introduced to stimulate economic activity, including subsidies for oil products, and increased expenditure on development projects by around RO 263 million.

Despite the increase in actual spending compared to the figures estimated in the 2023 budget, the State's general budget for fiscal year 2023 achieved of RO 936 million.

Statement	2023 Budget	2023 Actual	Change %
Revenue	10,050	12,542	25%
Spending	11,350	11,606	2%
(Deficit) / Surplus	(1,300)	936	-

02

Global and National Economic Developments

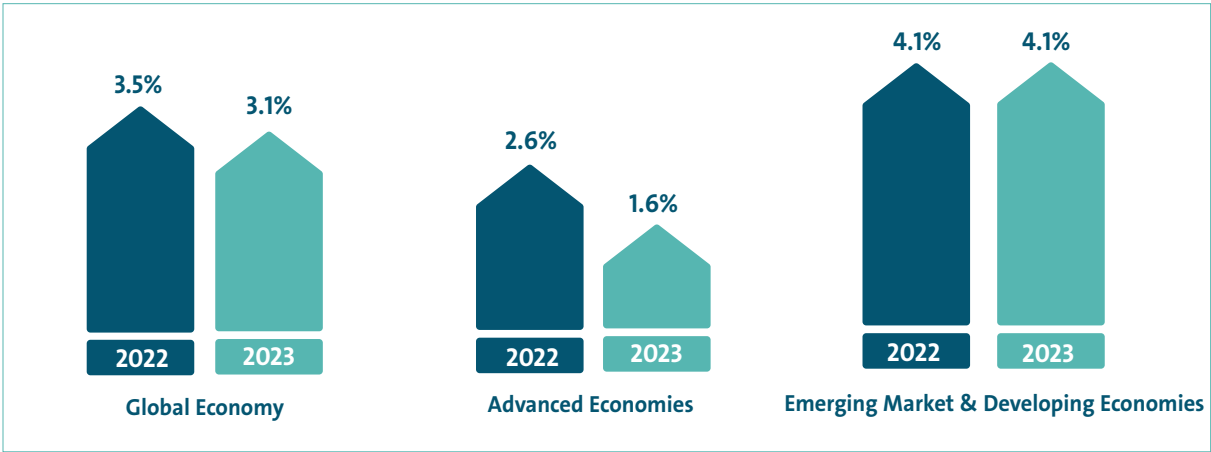


Global and National Economic Developments

1. Global Economic Developments

Global Economic Growth:

According to International Monetary Fund (IMF)'s Global Economic Outlook report (January, 2024), global economic growth had slowed to 3.1% in 2023. The growth rate in advanced economies reached about 1.6%, while the growth rate in emerging market countries and developing economies amounted to 4.1% in 2023.



Global Inflation Rate:

The IMF data indicated a decline in global inflation rates to reach 6.8% in 2023, down from what it was in 2022. This is due to the tightening of monetary policy in addition to the decline in global prices of basic commodities.

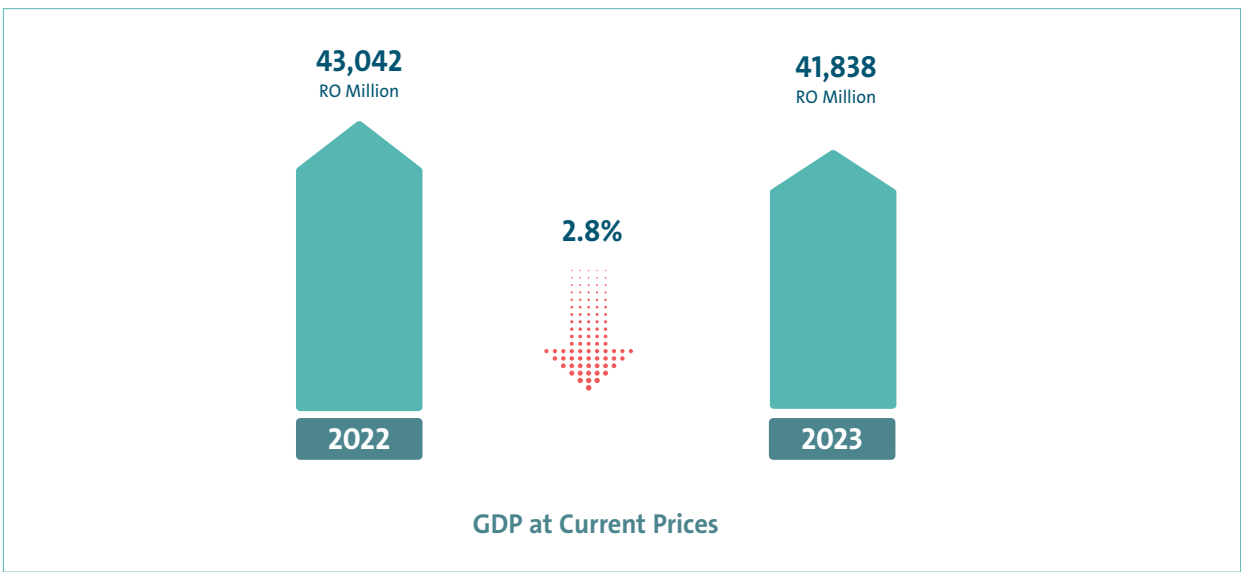
Global Oil Prices:

According to the IMF, the average oil prices amounted to US\$ 80.5 per barrel in 2023.

2. National Economic Developments

GDP at Current Prices:

Oman's GDP at current prices amounted to RO 41,838 million in 2023, down by 2.8% compared to RO 43,042 million registered in 2022.



Hydrocarbon Activities:

The value-added of oil activities at current prices amounted to RO 14,971 million in 2023, down by 11.9% compared to RO 16,994 million registered in 2022.

Non-hydrocarbon Activities:

The value-added of non-oil activities at current prices amounted to RO 28,154 million in 2023, up by 1.7% compared to RO 27,671 million registered in 2022.

Oman's Credit Ratings:

The Sultanate of Oman's initiatives to strengthen public finances, diminish public debt, and oversee the lending portfolio, coupled with the rebound in oil prices, have played a pivotal role in enhancing the State's fiscal performance. Consequently, there has been an elevation in the credit rating and outlook for the Sultanate of Oman, marking a notable reversal from the downturn observed in recent years. The credit rating agencies' assessments of Oman in 2023 unfolded as follows:

In its report issued in May 2023, **Moody's** upgraded Oman's credit rating from Ba3 to Ba2, with a positive outlook. Also, for the second time, Moody's upgraded Oman's credit rating from Ba2 to Ba1, with a stable outlook in its report issued in December.

In September 2023, **Fitch Ratings** upgraded Oman's credit rating from BB to BB+, with a stable outlook.

Moreover, in September 2023, **S&P Global Ratings** upgraded Oman's credit rating from BB to BB+, with a stable outlook.



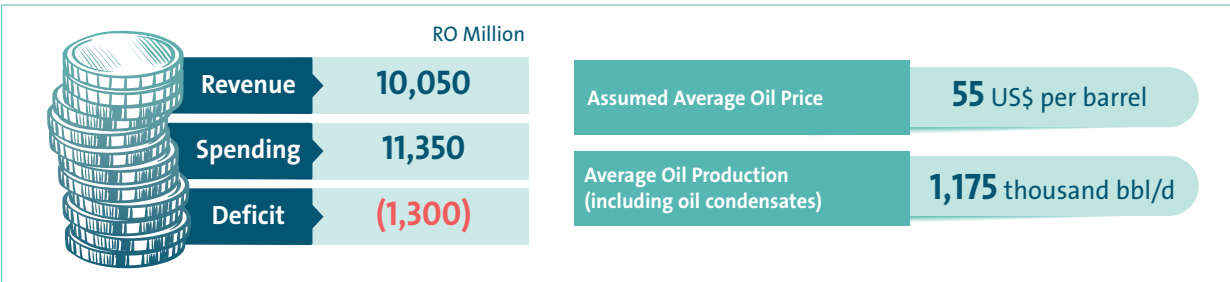
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Overview of the 2023 Budget Estimates

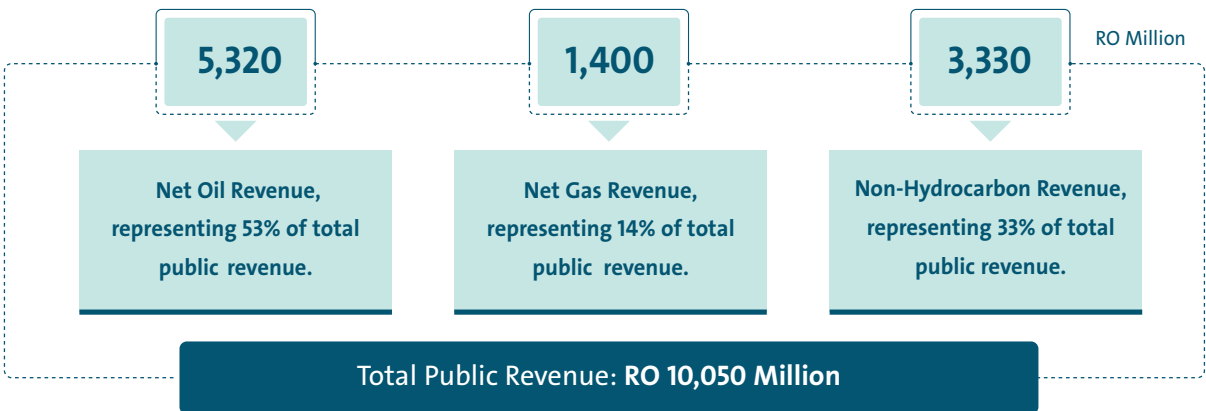


Overview of the 2023 Budget Estimates

Oil Price & Production



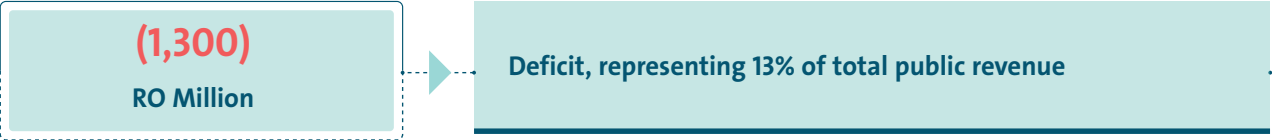
Public Revenue



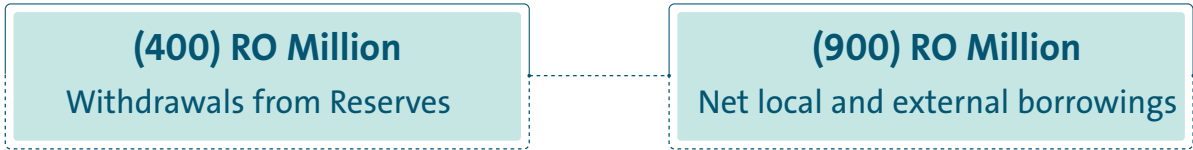
Public Spending



Deficit



Financing Means



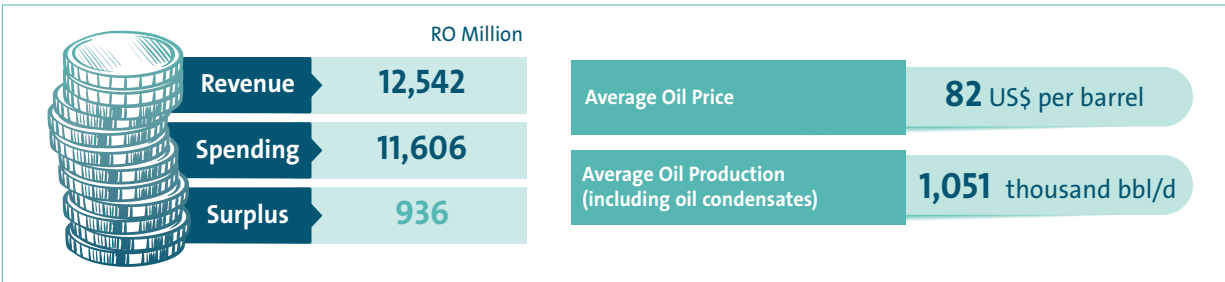
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Overview of the Actual Performance for the FY 2023 (Final Account)

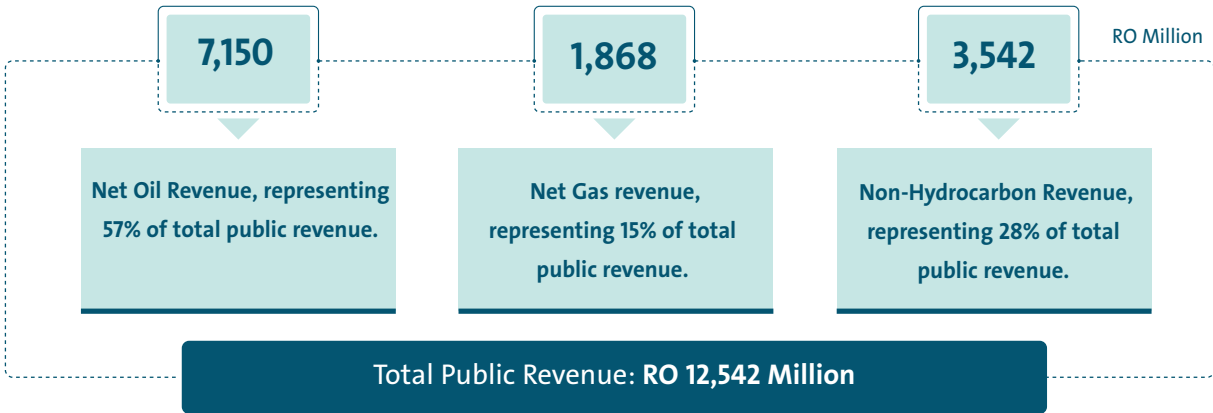


Overview of the Actual Performance for the FY 2023 (Final Account)

Oil Price & Production



Public Revenue



Public Spending



05

Actual Performance for the FY 2023 (Final Account)



Actual Performance for the FY 2023 (Final Account)

1. Public Revenue

Total public revenue amounted to RO 12,542 million in 2023, up by 25% compared to a budgeted amount of RO 10,050 million. This is due to an increase in hydrocarbon and non-hydrocarbon revenues.

RO Million

Statement	2023 Budget	2023 Actual	Change %
Net Oil Revenue	5,320	7,150	34%
Net Gas Revenue	1,400	1,868	33%
Non-Hydrocarbon Revenue	3,330	3,524	6%
Total	10,050	12,542	25%

Oil Price & Production

2023 Budget		2023 Actual	Change
55 US\$ per barrel	Average Oil Price	82 US\$ per barrel	27 US\$ per barrel
1,175 US\$ per barrel	Average Oil Production	1,051 US\$ per barrel	(124) thousand barrels per day

Crude oil prices averaged US\$ 82 per barrel in 2023, up by US\$ 27 per barrel compared to a budgeted amount of US\$ 55 per barrel. The increase was largely supported by improvements in the global oil market in 2023.

Furthermore, the average oil and condensate production amounted to 1,051 thousand barrels per day, down by 124 thousand barrels compared to 1,175 thousand barrels per day estimated in the 2023 budget. This is due to Oman’s commitment to the OPEC plus voluntary production cuts.

Hydrocarbon Revenue

At the end of 2023, the total hydrocarbon revenue increased by 34% compared to the 2023 Budget estimates, representing 72% of total public revenue:

- **Net Oil Revenue**

At the end of 2023, net oil revenue amounted to RO 7,150 million, up by 34% compared to RO 5,320 million estimated in the 2023 Budget. This is due to an increase in average oil prices from US\$ 55 per barrel to US\$ 82 per barrel.

- **Net Gas Revenue**

At the end of 2023, net gas revenue amounted to RO 1,868 million, up by 33% compared to a budgeted amount of RO 1,400 million estimated in the 2023 Budget.

Non-Hydrocarbon Revenue

At the end of 2023, total non-hydrocarbon revenue amounted to RO 3,524 million, down by RO 194 million, i.e., 6% compared to the approved budget estimates, representing 28% of total public revenue. This is due to higher corporate income tax and value-added tax (VAT) revenues.

RO Million

Statement	2023 Budget	2023 Actual	Change (%)
Current Revenue	3,280	3,500	7%
Capital Revenue	40	22	-
Capital Repayments	10	2	-
Total	3,330	3,524	6%

Current Revenue

At the end of 2023, current revenue amounted to RO 3,500 million, up by 7% compared to budgeted figures of RO 3,280 million.

- **Tax and Fees Revenue**

At the end of 2023, tax and fees revenue amounted to RO 2,054 million, up by 10% compared to RO 1,869 million estimated in the 2023 Budget. This is due to higher corporate income tax and VAT revenues by 36% and 12%, respectively, due to the recovery of economic activity.

- **Non-tax Revenue**

At the end of 2023, total non-tax revenue amounted to RO 1,446 million, up by 3% compared to budgeted figures of RO 1,401 million. This is due to higher dividends from Government investments, airports and ports revenue, and miscellaneous revenue. **The following table illustrates the items of current revenue:**

RO Million

Statement	2023 Budget	2023 Actual	Change
A- Tax & Fees Revenues			
Corporate Income Tax	560	747	187
Fees on Non-Omani Labour Licenses	219	177	(42)
Excise Tax	90	90	0
Value-Added Tax	500	570	70
Domestic Miscellaneous Fees	22	14	(8)
Municipality Fees on Property Renting Contracts	32	27	(5)
Customs Duties	220	216	(4)
Fees on Real Estate Transaction	51	48	(3)
Fees on Hotels & Other Facilities	25	35	10
Transportation Licenses	68	75	7
Communications Services License Fees	25	13	(12)
Other Tax Revenue	57	42	(15)
Total Tax & Fees Revenue	1,869	2,054	185
B- Non-Tax Revenue			
Airports & Ports Revenue	63	72	9
Communications Facility Revenue	80	69	(11)
Investment Revenue	800	805	5
Miscellaneous Administrative Fees	70	73	3
Compensations, Fines & Forfeitures	105	107	2
Medical Revenue	25	25	0
Other Revenue	258	295	37
Total Non-tax Revenue	1,401	1,446	45
C- Reserves	10	-	(10)
Total	3,280	3,500	220

2. Public Spending

Total public spending amounted to RO 11,606 million in 2023, up by RO 256 million compared to RO 11,350 million estimated in the 2023 budget. This is mainly due to an increase in oil product subsidy and additional allocations to cover necessary expenses of Government units. **The following table illustrates the items of public expenditure:**

RO Million

Statement	2023 Budget	2023 Actual	Change (%)
Current Expenditure	8,620	8,554	(1%)
Development Expenditure	1,100	1,363	24%
Contributions & Other Expenses	1,630	1,689	4%
Total	11,350	11,606	2%

Current Expenditure

At the end of 2023, current expenditure amounted to RO 8,554 million, down by 1% compared to a budgeted amount of RO 8,620 million. **The following table illustrates the items of current expenditure:**

RO Million

Statement	2023 Budget	2023 Actual	Change (%)
Defense & Security Expenditure	3,000	2,894	(4%)
Civil Ministries Expenditure	4,420	4,616	4%
Public Debt Service	1,200	1,044	(13%)
Total	8,620	8,554	(1%)

Defense and Security Expenditure

At the end of 2023, actual spending on defense and security amounted to RO 2,894 million, down by RO 106 million compared to the estimated figures in the 2023 budget.

Civil Ministries Expenditure

At the end of 2023, the current and capital expenditure of civil ministries totaled RO 4,616 million, up by 4% compared to a budgeted amount of RO 4,420 million. **This is due to increased spending in some sectors as illustrated in the following table:**

RO Million

Statement	2023 Budget	2023 Actual	Change (%)
Public Service Sector	480	552	15%
Public Order & Security Sector	117	115	(2%)
Education Sector	1,664	1,751	(5%)
Energy & Minerals Sector	7	6	(1%)
Social Security & Welfare Sector	540	616	14%
Health Sector	792	866	9%
Housing Sector	279	305	9%
Culture & Religious Affairs Sector	194	212	9%
Transport & Communications Sector	45	53	18%
Agriculture & Fisheries Wealth Sector	62	70	13%
Other Economic Affairs	67	70	5%
Other	173	-	-
Total	4,420	4,616	4%

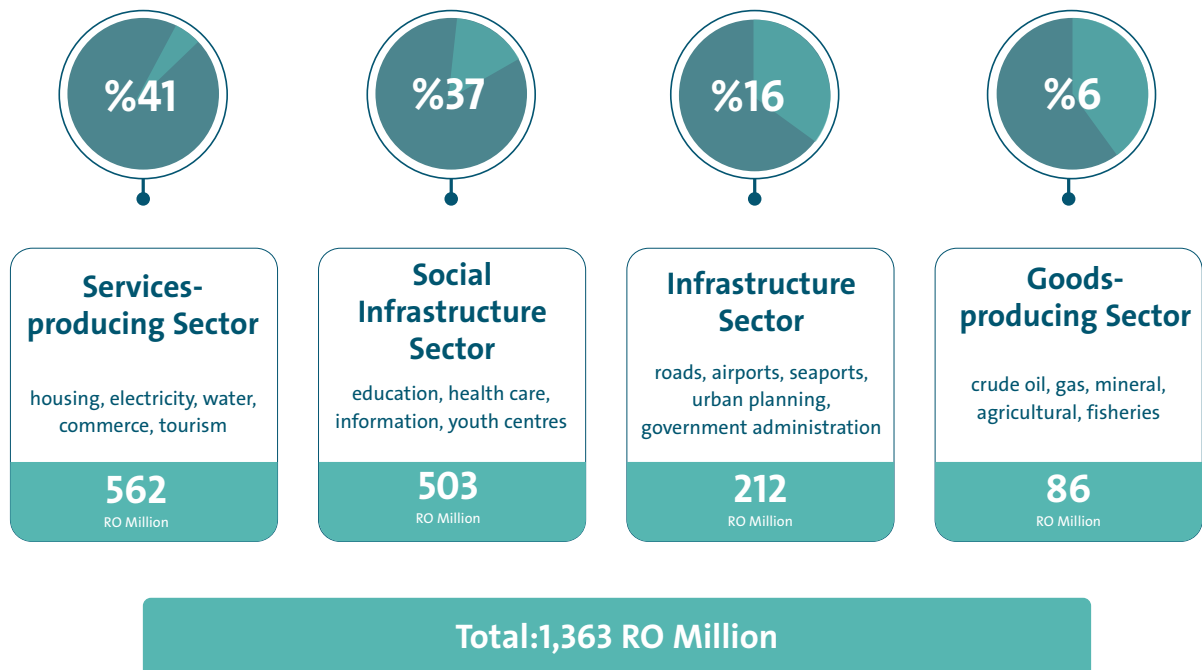
Public Debt Service

By the end of 2023, the public debt service totaled RO 1,044 million, down by 13% compared to an amount of RO 1,200 million approved in the 2023 budget.

Development Expenditure

Actual spending on development projects of civil ministries and Government units totaled RO 1,363 million, up by 24% compared to approved allocations in the 2023 Budget. This is due to increased allocations of the development budget of Governorates for 2023, in addition to repayment to the private sector for implementing development projects

The following statement indicates that the development expenditure for the infrastructure sector reached 41% of total development expenditure, while the social infrastructure sector amounted to 37% in 2023.



Contributions & Other Expenses

By the end of 2023, the total contributions and other expenses amounted to RO 1,689 million, up by 4% compared to RO 1,630 million approved in the 2023 Budget. This is due to an increase in fuel product subsidy of RO 370 million, as per the Royal Order to fix fuel prices, compared to RO 35 million approved in the 2023 Budget. **The following statement illustrates the items of contributions and other expenses:**

RO Million

Statement	2023 Budget	2023 Actual	Change
Contributions to Domestic, Regional & International Institutions	10	20	10
Development & Housing Loan Interests Subsidy	23	42	19
Allocation of Loans Repayment	400	400	0
Electricity Subsidy	485	500	15
Basic Food Commodities Subsidy	25	12	(13)
Oil Products Subsidy	39	370	331
Water Subsidy	75	91	16
Sewage Subsidy	60	67	7
Wastage Subsidy	45	66	21
Transport Sector Subsidy	84	100	16
Another Sectors Subsidy	0	21	21
Social Protection System	384	0	-
Total	1,630	1,689	59

Private Sector Repayment

The Ministry of Finance paid more than RO 1.4 billion to the private sector by the end of 2023. This reflects the payment vouchers received through the e-financial system, that have completed the documentary cycle.

3. Deficit/Surplus

At the end of 2023, the State’s General Budget registered a surplus of RO 936 million compared to a deficit of RO 1,300 million approved in the 2023 Budget. This is due to improvements in oil prices and higher hydrocarbon revenue.

The Government utilized the additional revenue to achieve several goals that helped improve Oman’s financial and economic indicators, credit rating, and fiscal position.

The additional revenue has been directed to the following:



Enhancing Social Spending



Stimulating Economic Growth



Liability Management Exercise & Public Debt Reduction

Enhancing Social Spending & Stimulating Economic Growth:

331 RO MILLION	Enhancing allocations for oil products and cooking gas subsidies.
19 RO MILLION	Enhancing allocations for subsidizing the interest of development and housing loans.
75 RO MILLION	Enhancing allocations for subsidizing the electricity, water, sewage, transport, and waste sectors.
19 RO MILLION	Enhancing social security and low-income household allocations, including a provision of school bags for targeted segments.
71 RO MILLION	Enhancing the budget for the health and education sectors to cover the expansion of service delivery to the community.



Exempting a number of SMEs from loans due for Development Bank and the Small and Medium Enterprises Development Authority (306 loans in 2023).



Increasing the students' international scholarship allocations by 25%, due to high global inflation.

Financing Means

By the end of 2023, total financing obtained stood at RO 2,298 million compared to RO 1,300 million estimated in the 2023 Budget.

The following table shows the financing means:

RO Million

Statement	2023 Budget	2023 Actual
External Borrowing		
Disbursements	1592	233
Repayments	(679)	(2,216)
Net External Borrowing	913	(1,983)
Local Borrowing		
Disbursements	450	144
Repayments	(463)	(459)
Net local Borrowing	(13)	(315)
Withdrawal from Reserves	400	0
* Total	1,300	(2,298)

* Does not include short-term loans (treasury bills)

Public Debt

By the end of 2023, total public debt amounted to RO 15,3 billion, down by RO 2,3 billion, compared to actual figures in 2022. This is as a result of repaying part of Government loans and obligations.

