

Sultanate of Oman
Ministry of Finance



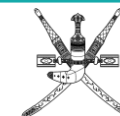
The Sultanate of Oman
Investor Update - September 2021

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Covid-19 Update

COVID-19 Recovery

The Government continues its timely and supportive measures to limit the impact of the COVID-19 pandemic, with the national vaccination plan targeting 70% of the population by the end of 2021.

Strong Vaccination Plans Support Re-Opening the Economy

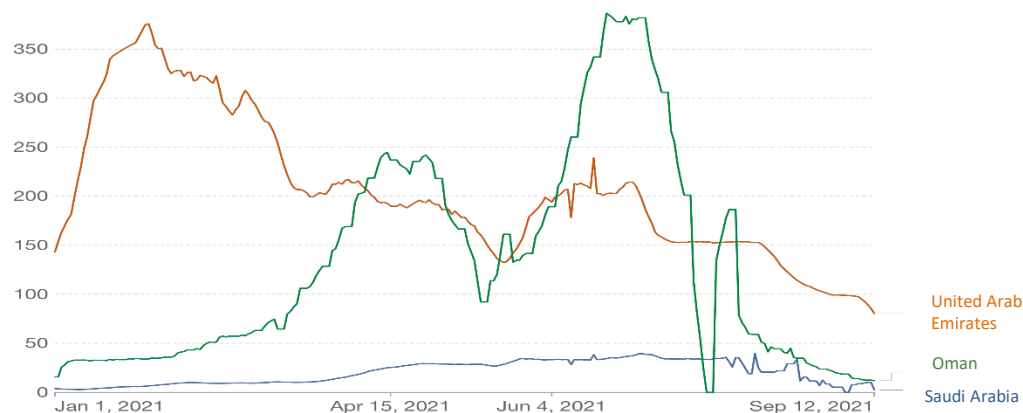
- The Ministry of Health has developed a National Campaign for immunization against COVID-19 to cover 70% of the population, including all the targeted groups who are 12 years and above by year end
- As of September 20th, 80% of the targeted group have received at least one dose, while 52% have received two doses
- Oman currently has 155 vaccine centres with a target to vaccinate 950,000 per month with the daily target increasing from current 30,500 to 43,000
- Based on the vaccine procurement agreements with Astra Zeneca, Gavi, Johnson & Johnson and Pfizer, Oman is on track to receive 7.8 million doses in 2021

Vaccine Centres by Province

Province	No of Centres
Batinah	45
Shariqiya	29
Dhofar	27
Dhakhliya	24
Al Wusta	11
Dhahira and Buraimi	7
Muscat	6
Musandum	6

Government Taking Action to Contain the Spread

(7-day rolling average of COVID-19 new daily confirmed cases per million people)



June 2nd, 2021

The Supreme Committee announced several measures including re-opening travel between GCC countries

August 16th

The Ministry of Health reduces the gap between the required two doses of vaccines from 8 to 6 weeks

August 23rd

Oman's Civil Aviation Authority announces that two-way air travel with more than 20 countries will be re-opened starting 1st of September

September 8th

Oman's situation improves significantly where positive cases have declined sharply to 1% of all tests from an earlier average of 25%

August 3rd

Cooperation between the Ministries of Health and Education to vaccinate school students of the age group 12 to 18 years starting August 3

August 19th

The Supreme Committee announced that vaccinations will be required to enter government buildings and private businesses, starting September 1st

August 31st

The Supreme Committee announces that all travelers must be fully vaccinated prior to arrival in the Sultanate

September 19th

The Ministry of Endowments and Religious Affairs announces reopening of mosques for Friday prayers, with 50% capacity.

Source: Data by WHO and Johns Hopkins Coronavirus Resource Centre



Economic Stimulus Plan in Response to COVID-19

In March 2021, the Government announced an Economic Stimulus Plan to counter the economic impact of the COVID-19 pandemic. The Government presented the plan, targeting five key areas with prudent temporary measures, as outlined below.

Taxes and Fees

- Five-year tax exemption for new businesses who operate in diverse economic sectors
- Waiver of 1% of taxes paid in 2021 on 2020 activities
- Exemption from municipal and tourism taxes for tourist establishments until end of 2021
- Further suspension of withholding tax on dividends and interest for five years from 2020

Business Environment and Investment Climate

- Permit business to obtain provisional licence
- Reduction of commercial registration fees
- Automatic granting of permits for recruiting expat workers
- Funding scheme by Oman Development Bank to boost exports of local products and services

Small and Medium-Sized Enterprises

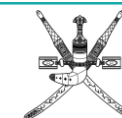
- Reduction of corporate tax rate from 15% to 12% for 2020 and 2021 tax years
- Postponement of payment of loan instalments by SMEs to AI RaffdFund until end 2021
- Limit Government purchasing contracts worth less than OMR 10,000 to SMEs whose owners hold a RIYADA card

Banking Sector

- Extending postponement of loan instalment payments by Omani employees who lost their jobs or whose salaries have been reduced
- Urge banks to postpone instalment payments of all borrowers affected by COVID-19
- Maintain credit-related incentive packages
- Rescheduling of loans to match borrowers' cash flows

Labour Market and Employment

- Allocated OMR 20 million in the 2021 budget to train job-seekers
- Reduce fees for expat workforce recruitment permits





Reform Overview

A Reminder on Key Policy Reforms Delivered

The government has enacted a broad range of policy reforms focused on mobilizing and optimising the government's capacities, with fiscal sustainability as the key priority to assure sustainable growth, economic diversification and social equity.

Political Reforms

- The new Basic Law of the State established (2021):
 - A succession plan
 - A mechanism for appointing the crown prince and explaining his duties and powers
- HM devolved the roles of foreign minister, finance minister, and chairman of the Central Bank (2020)
- Reduced the number of Ministries from 26 to 19 (2020)
- Formation of the Council of Ministers, responsible for shaping and implementing policy (2020)
- Accountability mechanism for those in leadership roles (2020)

Institutional Reforms

- Established the following:
 - Energy Development Oman (2020)
 - Oman Investment Authority (2020)
 - Oman Vision 2040 Implementation Follow Up Unit (2020)
 - National Centre for Employment (2018)
 - Oman Credit and Financial Information Centre (2016)
 - Public Authority for Special Economic and Free Zones (2011)
 - Public Authority for Small and Medium Enterprise Development (PASMED)
 - National Centre for Statistics and Information (NCSI)
 - Tax Authority
- Promulgating the Employment Security Fund (2020)
- Restructuring the Defence Council and National Security Council (2021)

Commercial Reforms

- Bankruptcy Law (July 2020)
- Foreign Capital Investment Law (January 2020)
- Commercial Companies Law (April 2019)
- Mining Law (February 2019)

Public Finance Reforms

- VAT law (April 2021)
- Tawazun Program (September 2020)
- Privatization Law (July 2019)
- PPP Law (July 2019)
- Excise tax law (June 2019)



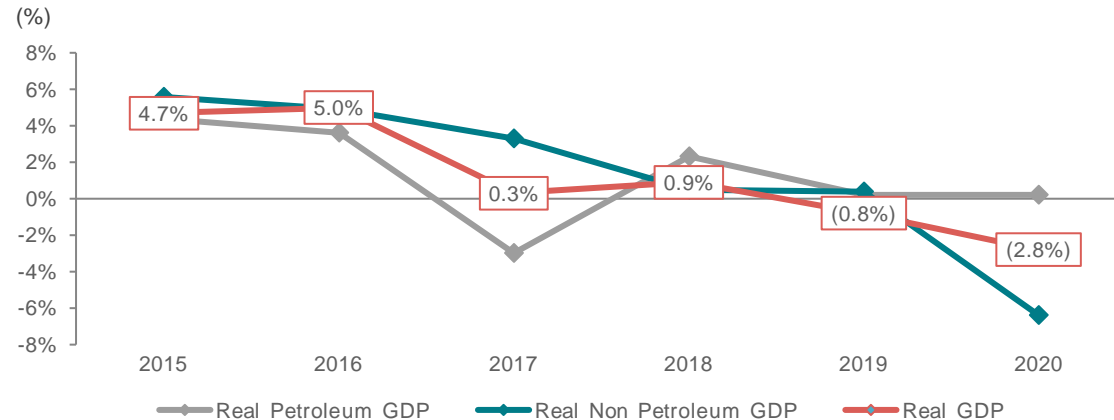


Growth Prospects and Vision 2040

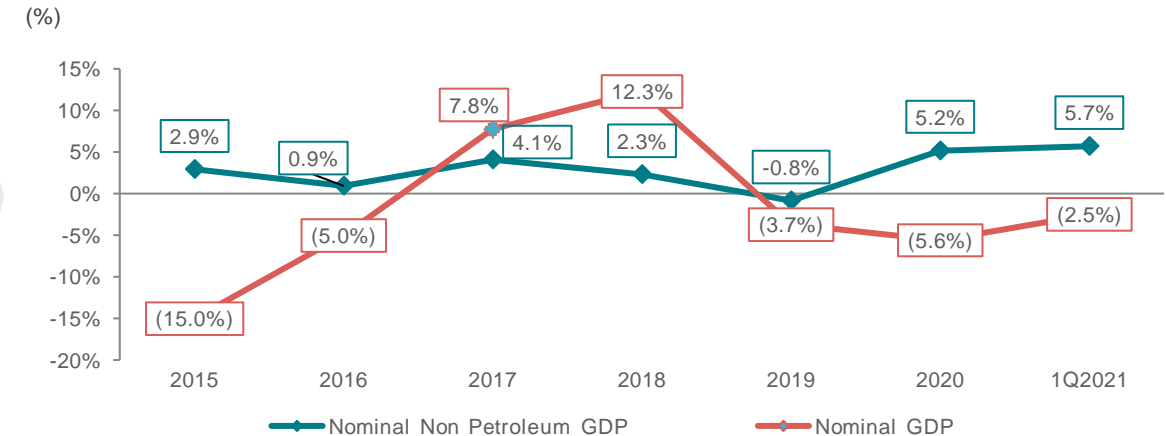
Ongoing Recovery and Strong Growth Prospects

The Omani economy has been strengthened by greater diversification and reform momentum, while the deepened energy sector value chain and rising hydrocarbon production support the growth outlook.

Real GDP growth

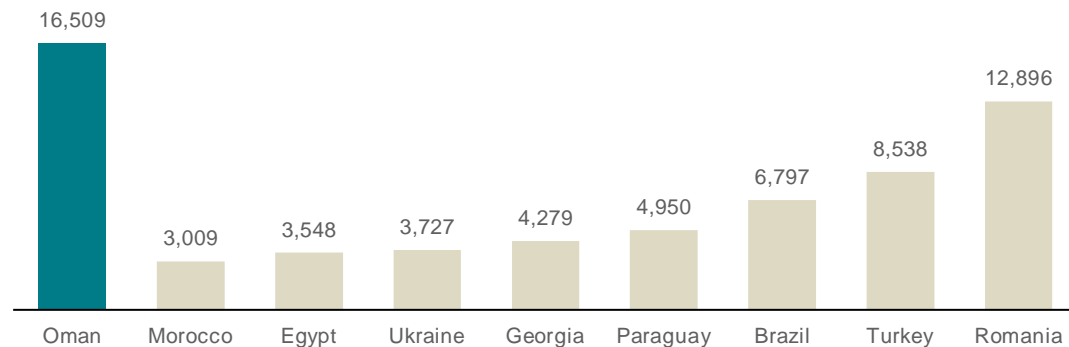


Nominal GDP growth



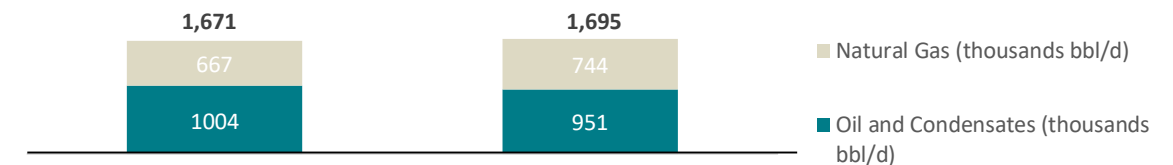
GDP Per Capita vs Peers

(USD, 2019)

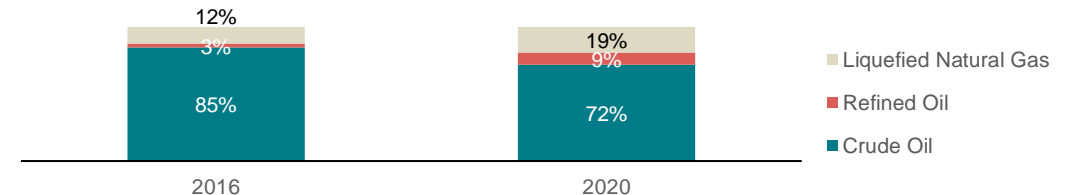


Hydrocarbon Production and Exports

Hydrocarbon Production (thousands bbl/d)



Hydrocarbon Exports (% of Hydrocarbon Exports)



Sectoral Diversification Strategy

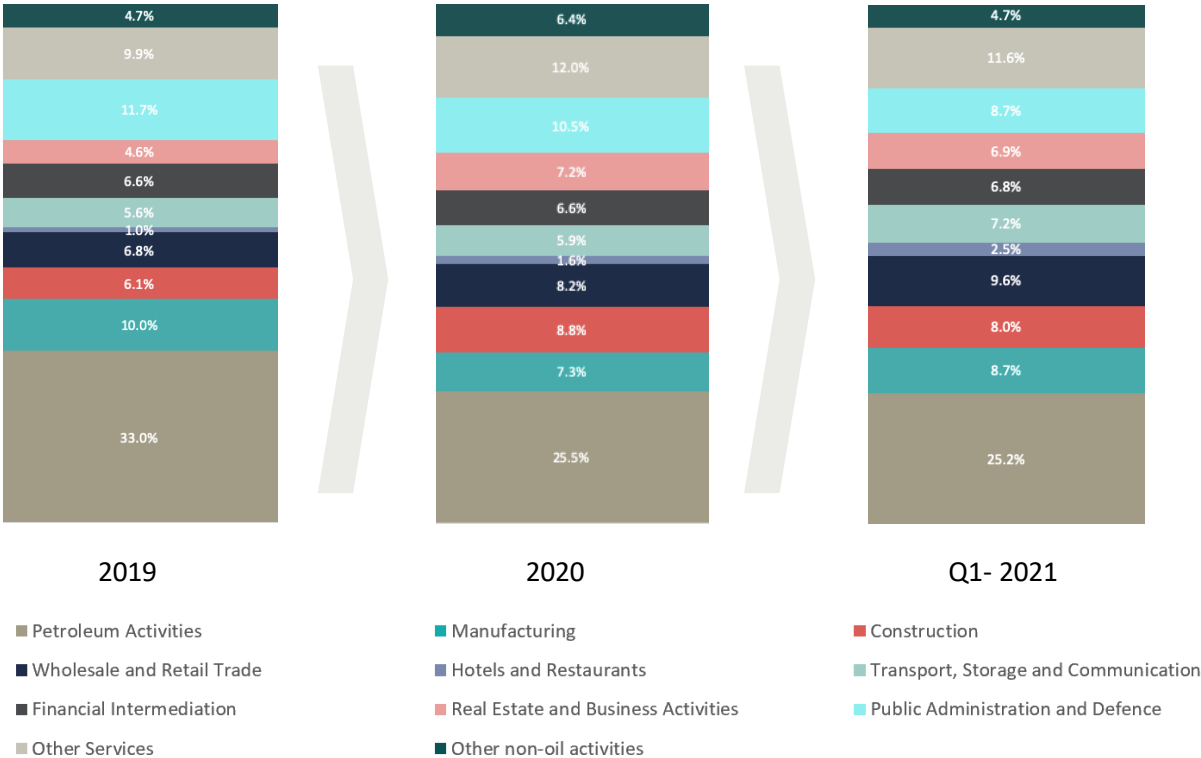
Oman’s diversification strategy promotes sustainable growth, leading to a more resilient economy, as supported by the stimulus plan designed to drive recovery from the pandemic.

Vision 2040: Five Key Sectors

Oman has identified five key sectors to advance its diversification agenda



Sectoral Contribution to Growth (% of Total)

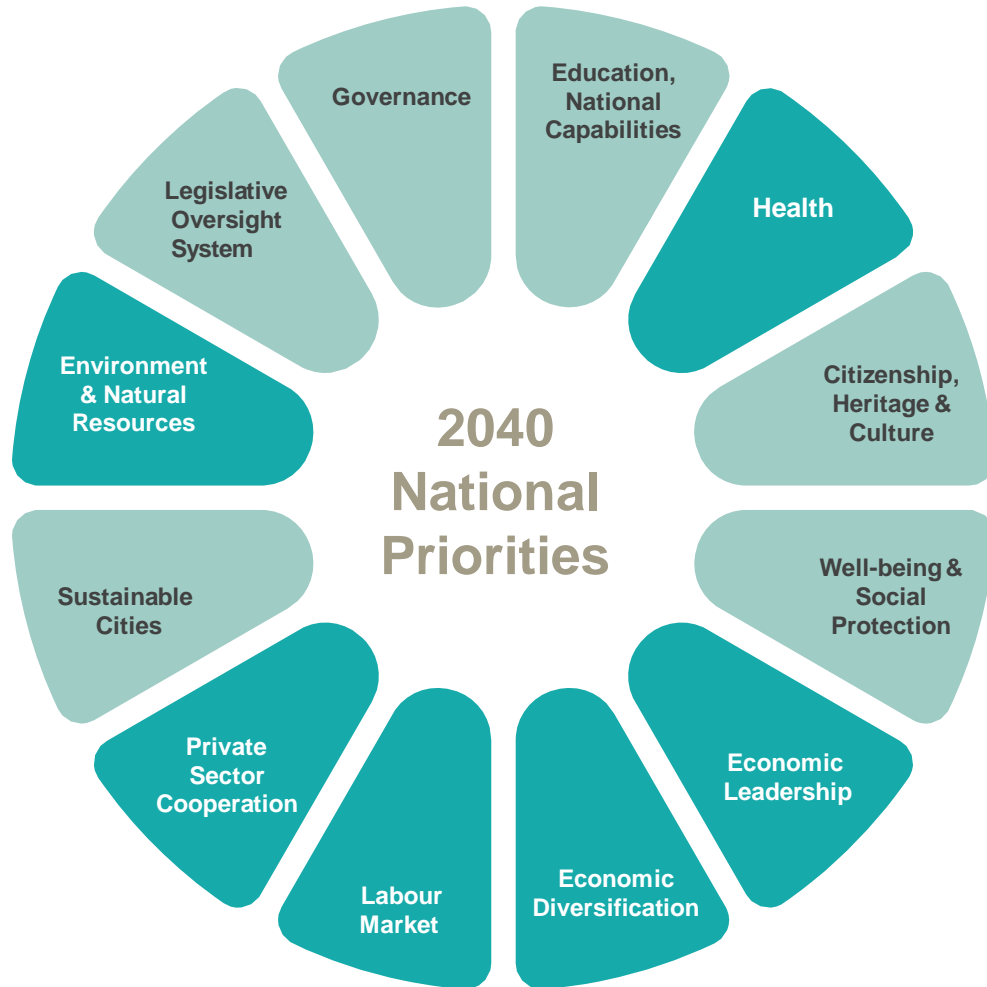


Source: National Center for Statistics & Information
Numbers may not add up due to rounding

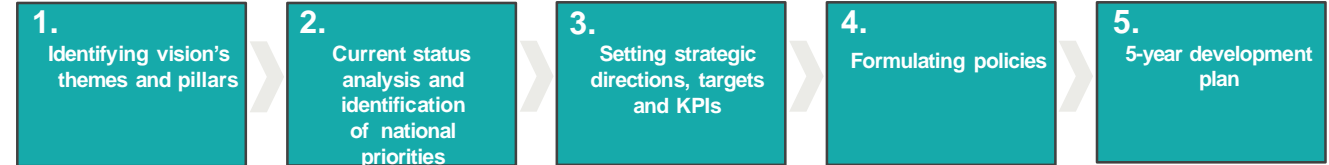


Overview of Vision 2040

Oman Vision 2040 is the Sultanate's long-term plan to deliver economic growth, becoming more flexible in line with international developments and creating opportunities to deliver on its goals.



Steps to Forming the Vision



Main Objectives of the Vision

- Build a productive and diversified economy driven by the private sector and founded on innovation and integration, leveraging Oman's competitive advantages and geographic position
- Ensure financial sustainability and diversify public finances
- Develop a knowledge- and innovation-based economy

Main Targets by 2040

Measure	Current Rank	Target
Global Competitiveness Rank	53 out of 141	Top 20 Countries
Economic Complexity Rank	83 out of 126	Top 10 Countries
Ease of Doing Business Rank	68 out of 190	Top 10 Countries
Regulatory Quality World Governance Indicators	64 th Percentile <i>(the closer to 100 the better)</i>	Top 20 Countries
Voice and Accountability World Governance Indicators	17 th Percentile <i>(the closer to 100 the better)</i>	Top 30 Countries
GDP Per Unit of Energy Use	97 out of 130	Top 10 Countries

KPIs by 2040*

KPI	Target
Real GDP Growth	5% annual
Real GDP per Capita	90% increase
Non-Oil Share of GDP	91.6%
FDI Net Inflow of GDP	10%
Share of Omanis in created jobs in the private sector	40%
Labor Productivity Growth Ratio	2-3%

* Target by year end



10th Five-Year Development Plan (FDP)

The 10th FDP represents the executive plan to implement Vision 2040. The plan provides the roadmap for achieving fiscal sustainability and economic growth, focused on arranging spending priorities to ensure high economic growth rates.

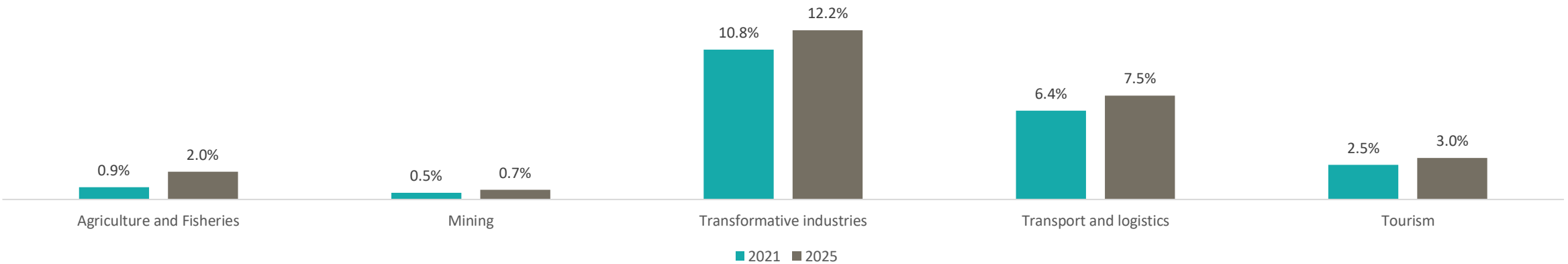
Objectives of the 10th FDP

- Promote sustainable human development and build human capital capacity
- Stimulate economic activity in partnership with the private sector and support small and medium enterprises
- Achieve a balanced development within the country and increase private incomes
- Expand the base of economic diversification and develop productive mechanisms and programs
- Foster more macroeconomic growth and achieve financial sustainability

Sectors Targeted for Economic Diversification

- The plan focuses on economic diversification mechanisms and programs to increase the contribution of non-oil sectors and activities
- It sets a target for GDP growth of non-oil activities, by focusing on:
 - agriculture and fisheries & food processing,
 - manufacturing industries with high technological content,
 - storage and logistics,
 - tourism, and
 - transport

Expected Targeted Sectoral Contribution to GDP by 2025 (% of Total)



Source: 10th Development Plan



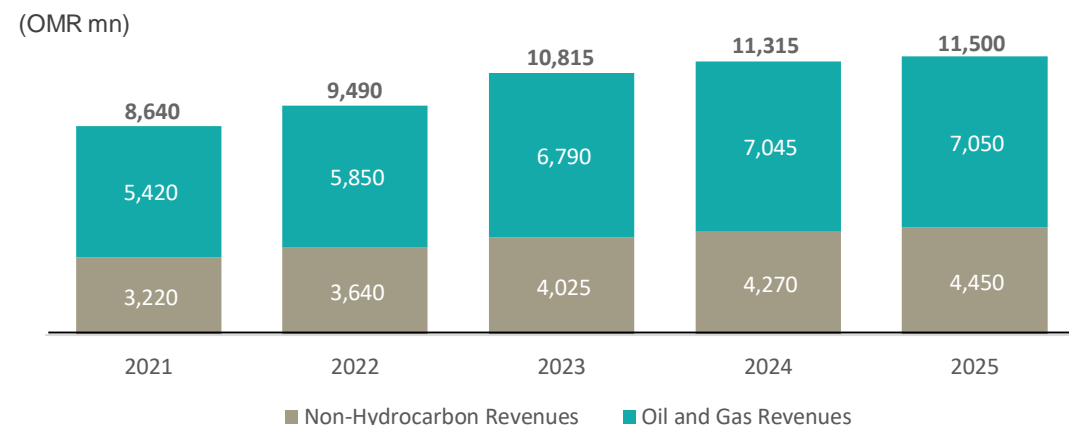


Public Finances

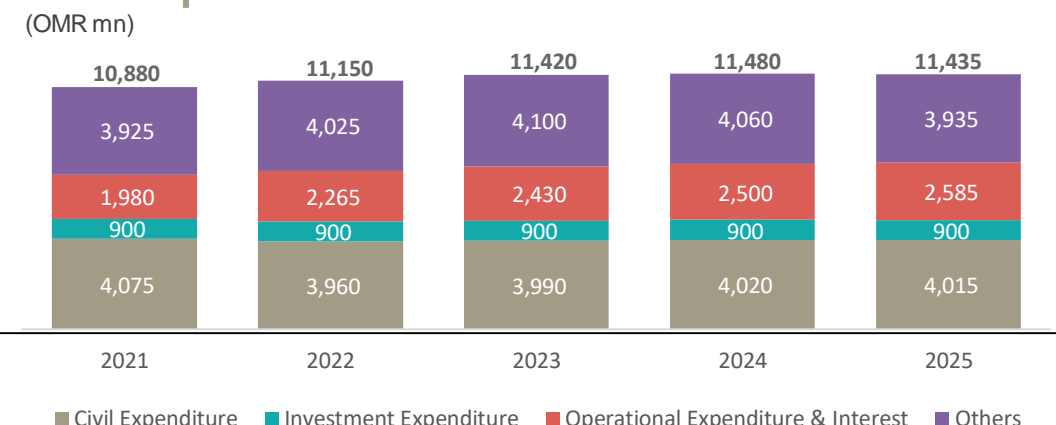
Fiscal Adjustment Under MTFP

The Government is targeting a balanced budget by 2025, leading to reduced borrowing needs and structural improvement in fiscal accounts. The MTFP target is based on an oil price assumption of US\$45/bbl in 2021 and 2022 and US\$50/bbl over the remaining period.

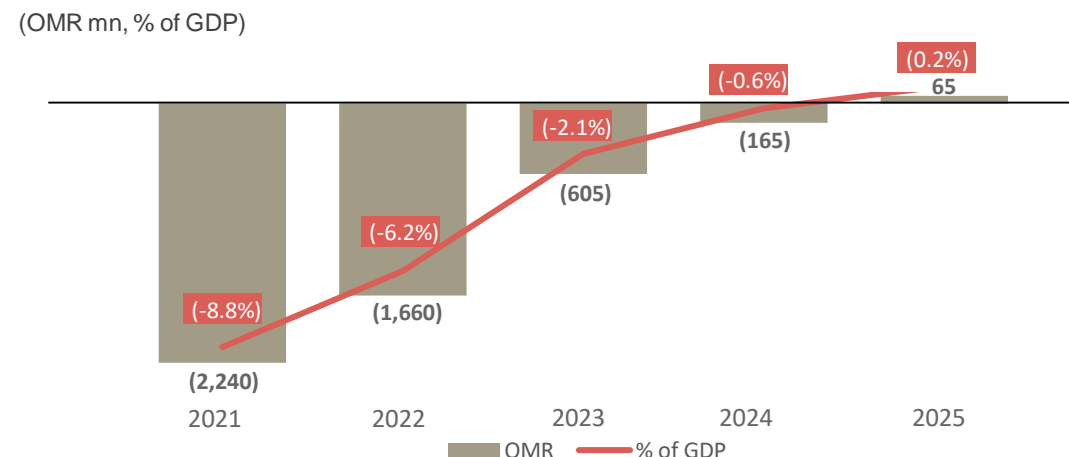
Total Revenues Forecast



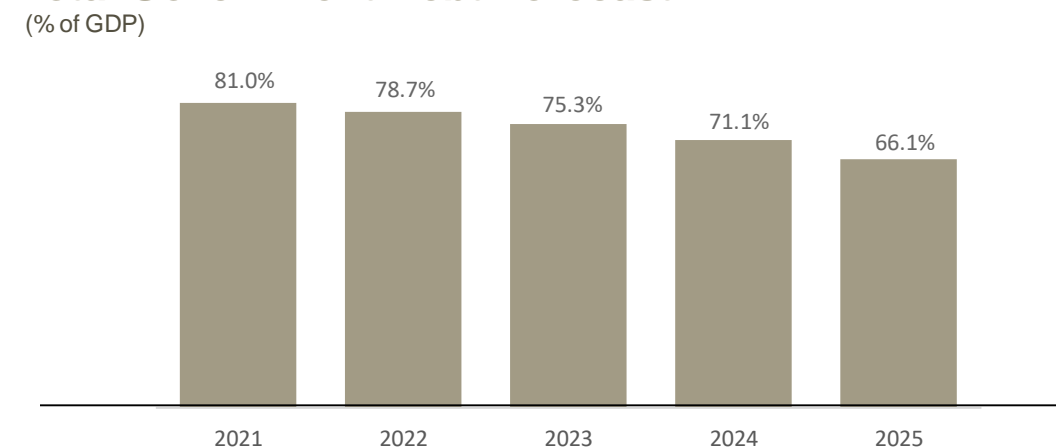
Total Expenditure Forecast



Fiscal Balance Forecast



Total Government Debt Forecast

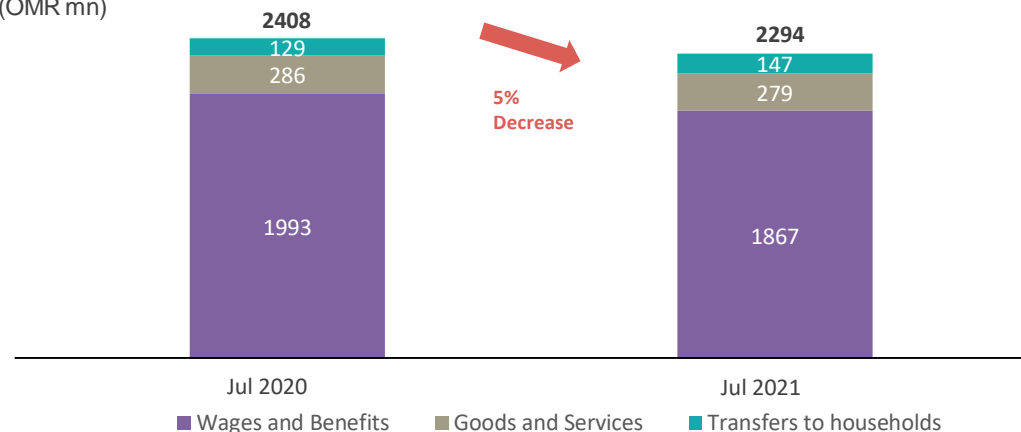


Fiscal Performance – July 2021

Increased oil prices, continued spending restraint and relief measures to support economic activity are boosting public finances. The 2021 fiscal performance is expected to outperform budget.

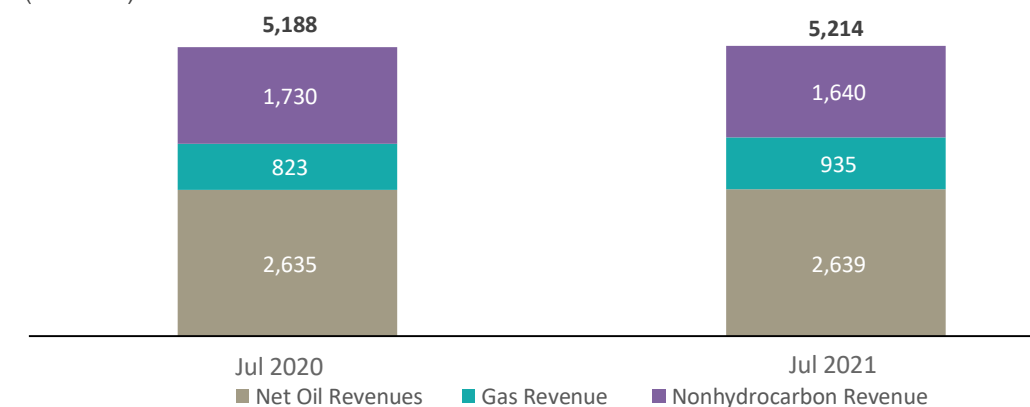
Total Civil Expenditure Breakdown

(OMR mn)



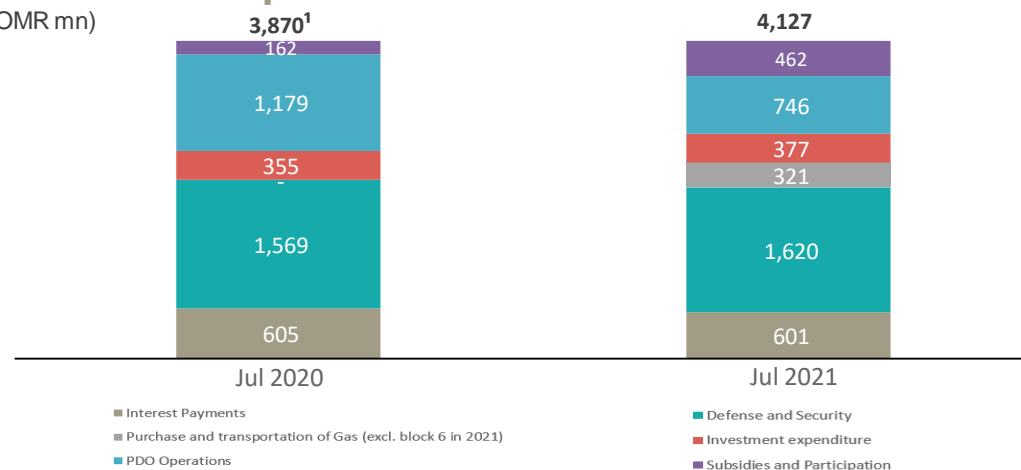
Total Revenues

(OMR mn)



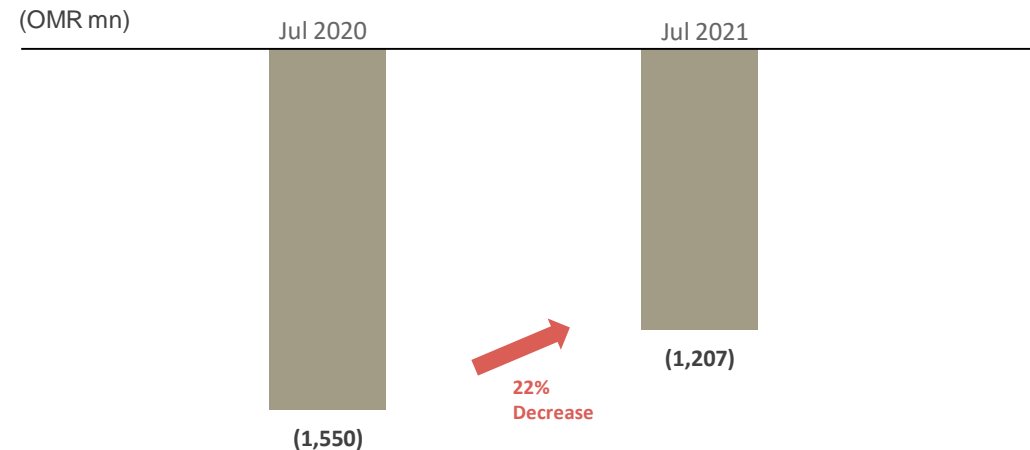
Total Other Expenditure Breakdown

(OMR mn)



Fiscal Deficit

(OMR mn)



Source: Ministry of Finance

^{1/} does not include expenditure yet to be allocated of OMR 460mn

Numbers may not add up due to rounding





Public Debt Management

Public Debt Management and Borrowing Plan

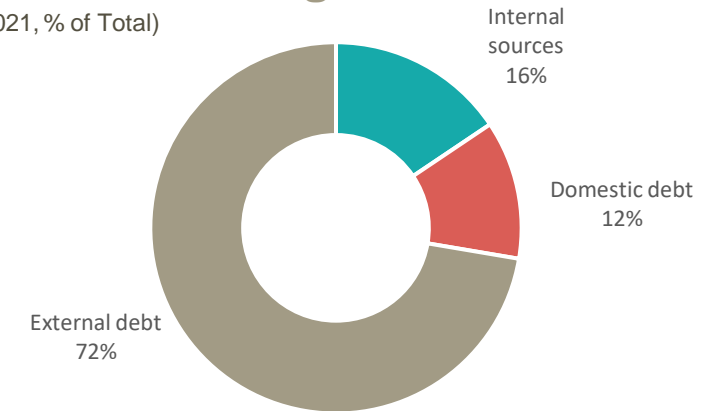
Oman's debt management strategy is to ensure the government's financing needs and payment obligations are met at the lowest possible cost over the medium to long term, consistent with a prudent degree of risk. As of 30th June, Oman had completed its 2021 external funding plan.

2021 Borrowing Plan

	OMR mn	USD mn	Completed Funding (OMR mn) ¹
Budgeted Fiscal Deficit in 2021	2,240	5,826	-
Debt Amortization and Maturities	1,990	5,176	-
Total Borrowing Requirement	4,230	11,002	-
Total Funding from Internal Sources	750	1,951	516
Total Domestic Debt ²	900	2,341	400
Total External Debt	2,580	6,710	2,395
Total Borrowing and Funding	4,230	11,002	3,311

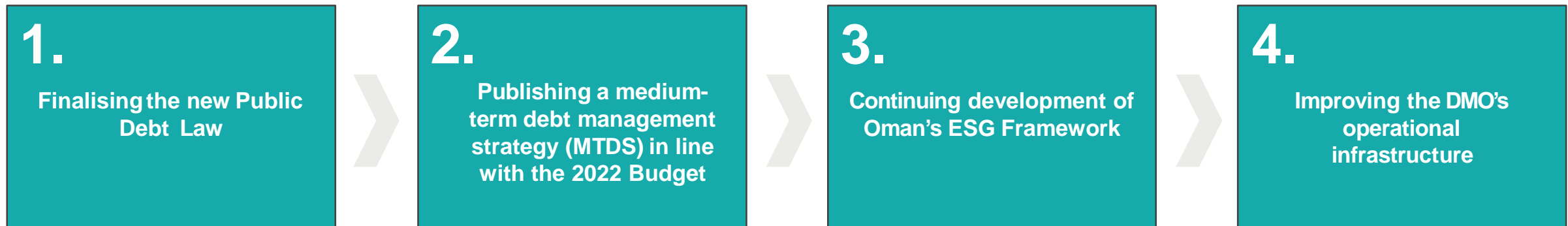
Sources of Borrowing 2021 YTD

(As at August 2021, % of Total)



Strategic Initiatives

The DMO remains focused on a range of strategic development initiatives, including:



Source: Debt Management Office

¹Up to end of August 2021

²/ Does not include tbills and overdraft

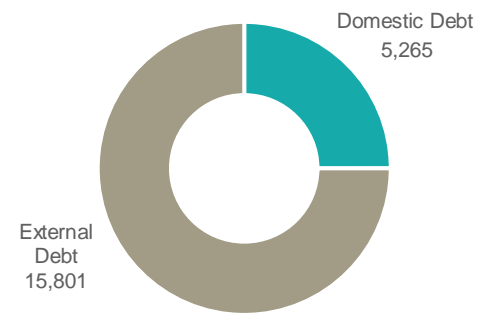


Government Debt Position

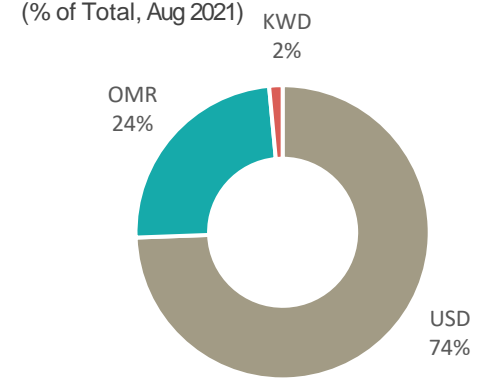
The DMO monitors, evaluates and works to mitigate the potential risks embedded within the central government debt portfolio. Oman remains conservative yet proactive in its debt management operations, working to reduce refinancing risks and developing a broader investor base.

Government Debt

(OMR mn, Aug 2021)

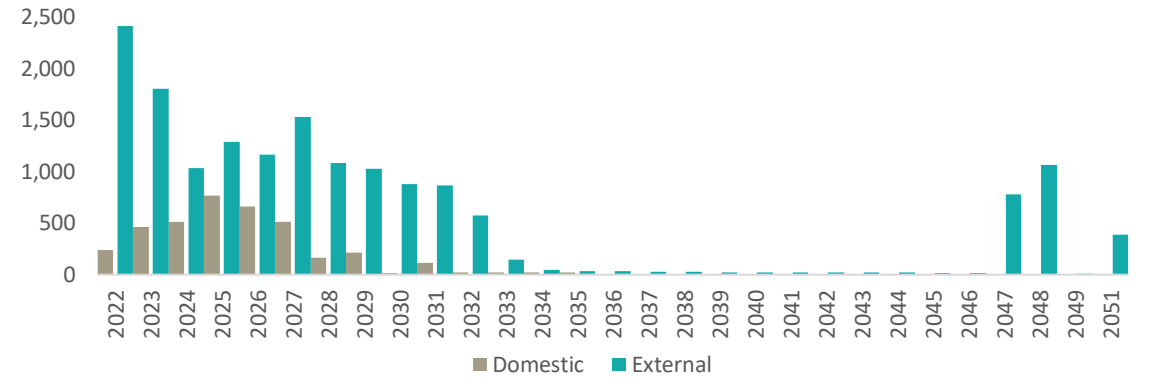


(% of Total, Aug 2021)



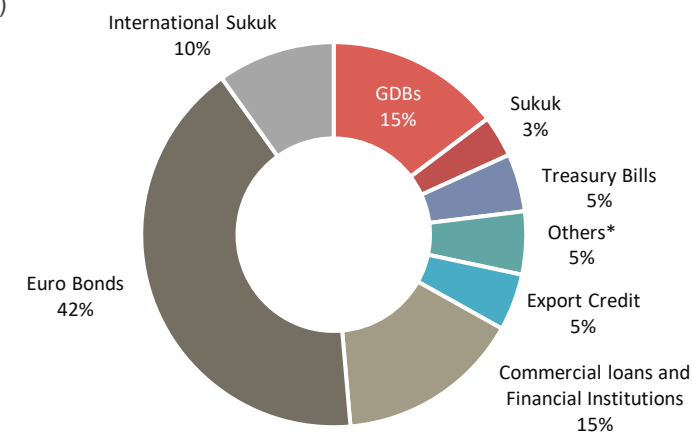
Government Debt Maturity Profile

(OMR mn, Aug 2021)



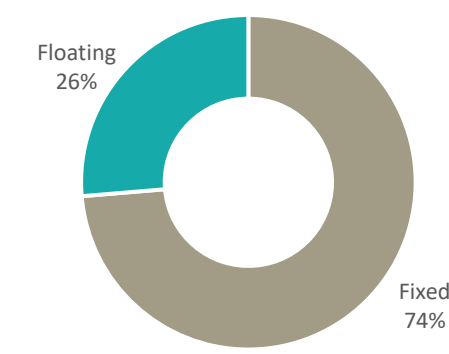
Total Debt Instruments

(% of Total, Aug 2021)



Government Interest Rate Exposure

(% of Total, Aug 2021)



Source: Ministry of Finance
* Others includes CBO overdraft, loans from development institutions and private placement with a domestic pension fund

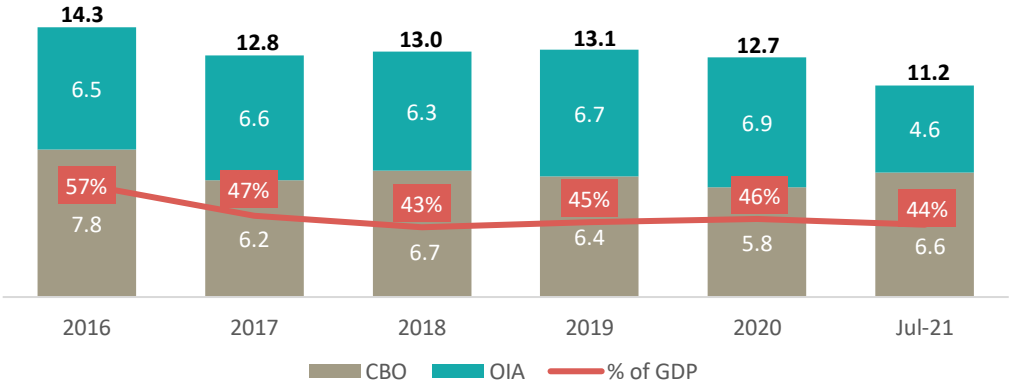


Government Assets Provide Substantial Buffers

Oman has strong asset buffers, thanks to proactive and prudent management of its oil wealth over the years.

Government Foreign Reserves

(OMR bn, %GDP)

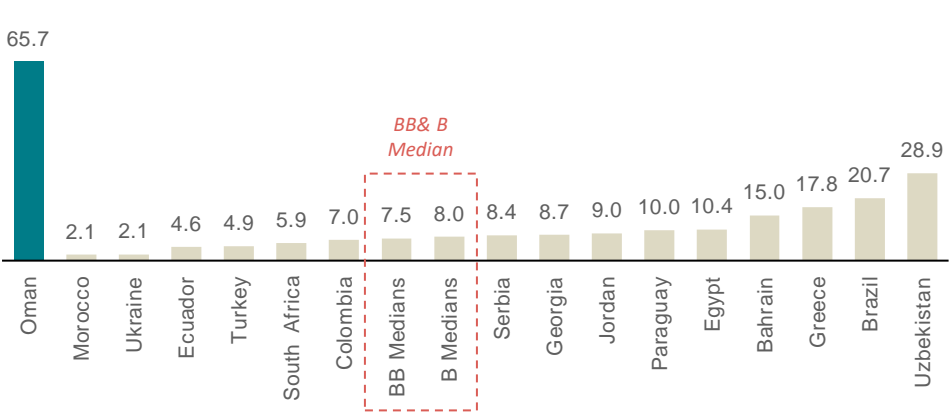


Government Financial Assets

July 31 st 2021	OMR (mn)	USD (mn)
Central Bank of Oman (comprised of FX reserves and PRF)	6,619	17,192
OIA Assets	16,002	41,564
Of which: OIA Liquid External Assets	4,601	11,951
Infrastructure Project Finance Account	8	21
Government deposits in the domestic banking sector	5,729	14,881
Total Assets	28,358	73,658

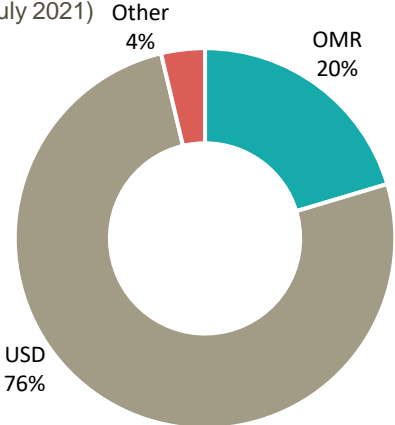
High Liquid Assets to GDP Ratio

(% of GDP, 2020)



Composition of OIA Liquid Assets

(% of Total Liquid Assets, 31 July 2021)



Source: Ministry of Finance, Central Bank of Oman and S&P
Note: Historical Foreign Reserves Data from 2015 to 2020 based on SGRF, then OIA



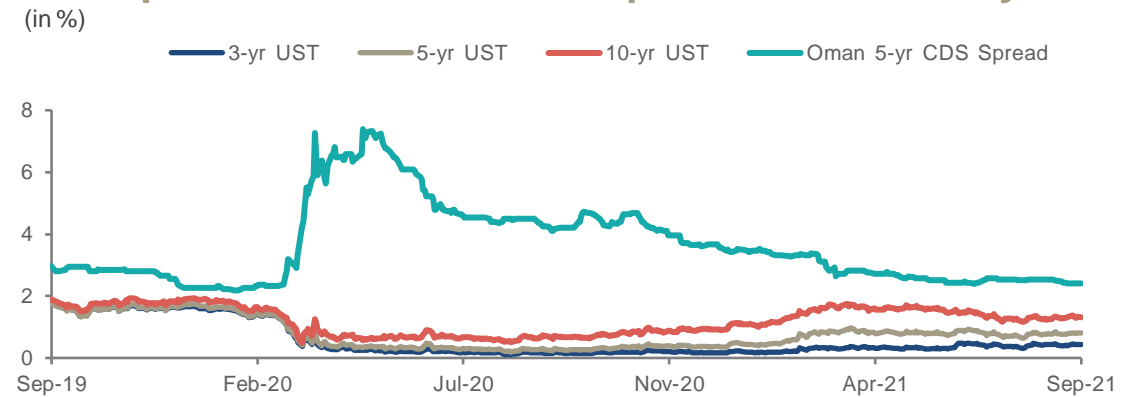
Broad Capital Markets Access

Public bond issues provided the majority of the Sultanate’s annual funding needs, delivered a more diverse international investor base and extended the Sultanate’s maturity profile, thus lowering refinancing risk.

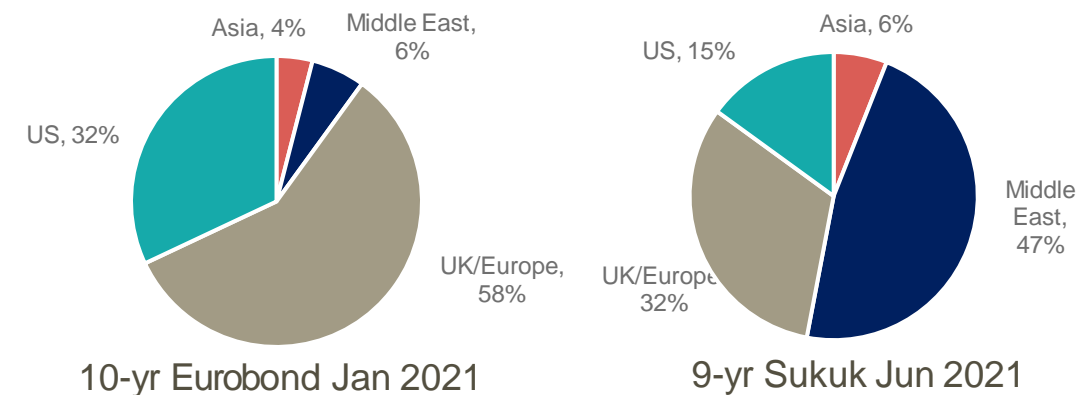
2021 Public International Bond Issuances

Format	Pricing	Currency	Size	Tenor	Coupon
Reg S/144a Sukuk	8 June	USD	1.75 bn	9 years (due 2030)	4.875%
Reg S/144a Eurobond	14 January	USD	500 mn (tap)	5 years (due 2025)	4.45%
		USD	1.75 bn	10 years (due 2031)	6.25%
		USD	1 bn	30 years (due 2051)	7.25%

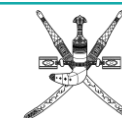
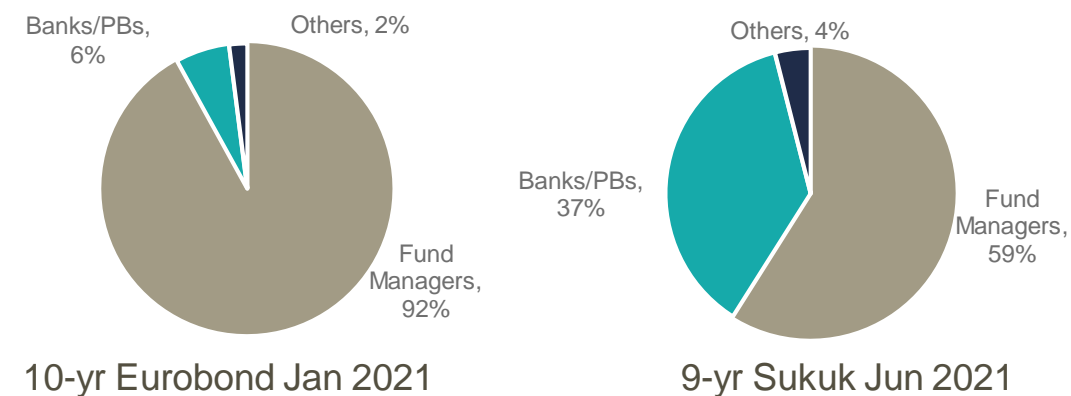
Perceptions of Omani Risk Improve Considerably



Diverse International Investor Base



Banks bought 37% of Sukuk Issuance in June





Update on SOEs

Management of State-Owned Entities (SOE) Funding Needs

The DMO was granted oversight of SOE funding strategies by Financial Decision of 2020. This ensures high standards of suitability and sustainability are applied to all new funding proposals and provides scope for a more balanced access to the public capital markets.



Established Policies and Governance

- OIA has established policies to govern the SOEs and set out clear processes, oversight measures and accountability
- These policies include the Treasury management policy, which guides all aspects of treasury operations, including debt management
- OIA has been building resources and capacity in the debt management function to ensure effective execution of key policies
- There is continued oversight of the debt stock, through quarterly reviews of debt positions and any planned debt issuances
- OIA's Business Planning process will ensure that new debt taken on is prudent and sustainable, given industry and business model

Debt Management Committee (DMC)

- The DMC is actively engaged in supporting more professional debt management practices across the SOE community, building on best-practice strategies currently in place in the DMO

Active Monitoring

- In partnership with the DMO, OIA is actively monitoring SOE performance and their individual funding needs
- During 2021, there was limited support granted to SOEs. Support has primarily been extended in the form of guarantees.
- Going forward, all new projects and divestment plans will be prioritized according to a pre-set criteria derived from national & OIA priorities. This process will ensure growth initiatives are synchronized with priority sectors and the net impact maintains public sector debt at sustainable levels.



An Overview of EDO (Energy Development Oman)

Energy Development Oman SAOC (EDO) has been set up as an Omani joint stock holding company that owns the Government's 60% shareholding in Petroleum Development Oman (PDO), the largest producer of crude oil and natural gas in Oman.

Four Key Principles Guiding Establishment and Management of EDO



Government Oversight

Set up as a **lean holding company**, receiving directions from the Government (in particular from the MoF and Ministry of Energy and Minerals (MEM)), through a **Government-nominated Board of Directors**



Cash Neutrality

Ensure the **same amount of cash flows to Government** as could be expected from PDO, in the form of royalties, dividends and taxes



Unlocked Value

Focus on **unlocking value creation**, through **greater management and operating efficiencies** and/or **new growth**, to generate more cash for the Government and improve the Omani oil & gas sector



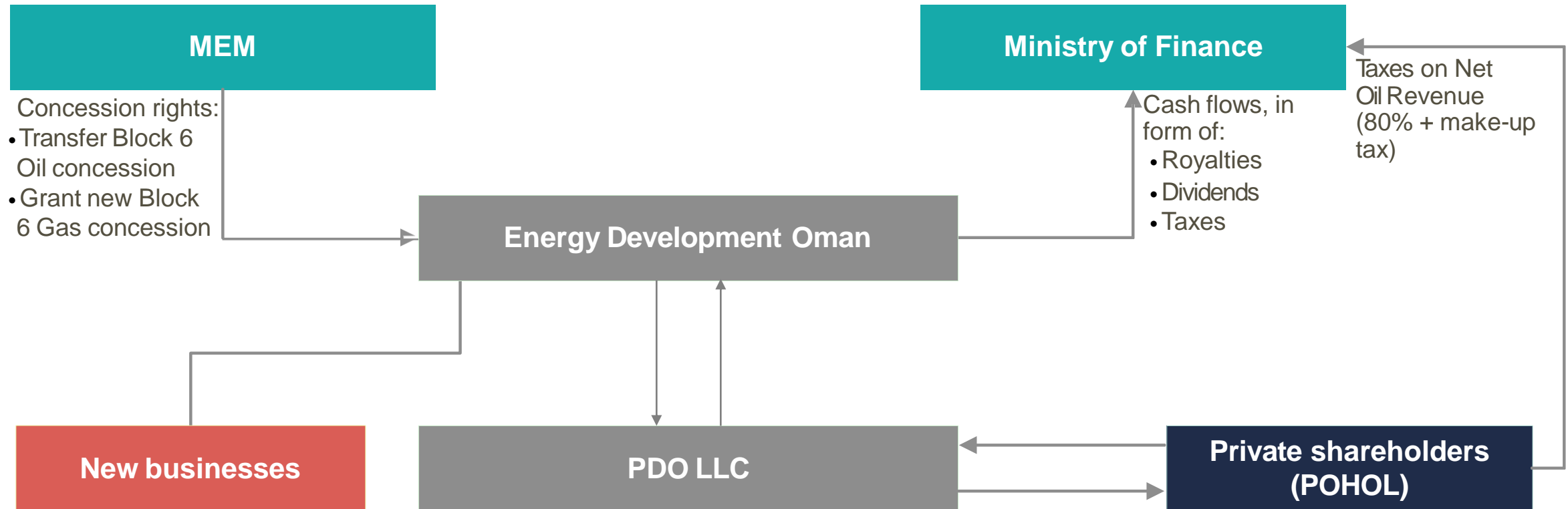
Self-Sufficiency

Be **self-sufficient** in covering Capex and Opex for core operations. New debt should be raised to **fund value-added projects** and must follow a **governance framework pre-agreed** with the MoF



EDO Interface between PDO and Government

The holding company EDO now acts as the key interface between PDO and the Government, a management structure in line with best-practice.





Summary

Credit Strengths – Oman Remains Flexible and Resilient

Fiscal Discipline Throughout the Cycle

- Oman remains committed to the principles of fiscal consolidation under the MTFP
- Progress on VAT implementation and tax collection upgrades will support revenues. Outperformance of oil & gas revenues will be used to reduce deficit
- Growth in expenditures will remain contained through 2025. Ongoing expenditures measures include efforts to restrain wage bill and continued reforms to subsidies

Funding and Liquidity

- Market access remains favourable and declining fiscal deficits will lower future funding needs
- Successful US\$3.25 billion conventional Eurobond and US\$1.75 Sukuk fulfils 2021 external funding requirement
- Government assets will remain sizeable throughout the adjustment period, an outlier among single-B-rated peers

Strong Near-Term Growth Prospects

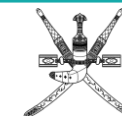
- Higher-than-expected oil prices and the global economic recovery tilt growth prospects upwards
- Oman is on track to fully vaccinate 70% of the population in 2021. The gradual resumption of global tourism this year is a further upside to growth
- Continued investment in oil & gas sector will drive stable production volumes

Long-Term Growth Prospects

- Economic reforms and fiscal consolidation strategies underpin long-term growth target of 5%, in line with Vision 2040
- Private sector non-hydrocarbon growth to be driven by improved investment conditions for Manufacturing, Tourism and Transportation/Logistics
- 10th Five-Year Plan provides sound near-term implementation framework

Governance, Transparency

- Oman's publication of the recent IMF Article IV report is a new milestone for transparency
- Oman's governance performance assessed by third parties remains a positive outlier in the region and among peers
- Oman continues to develop an ESG Framework, in line with Vision 2040



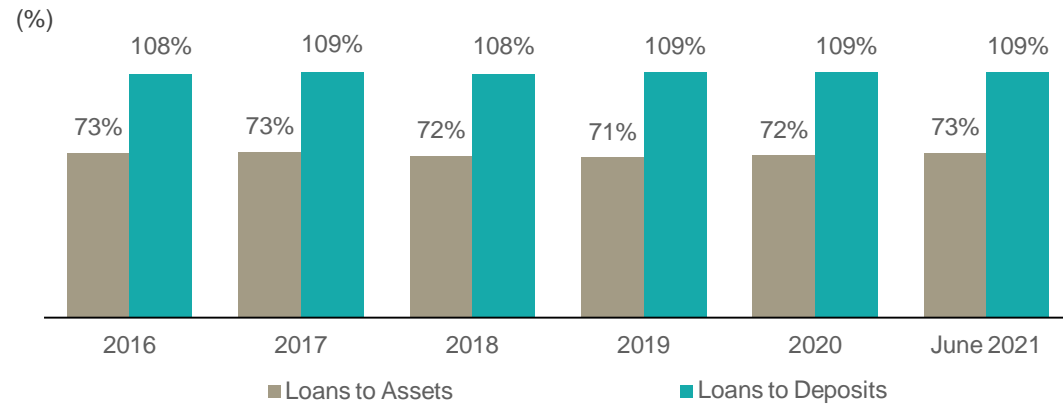


Appendices

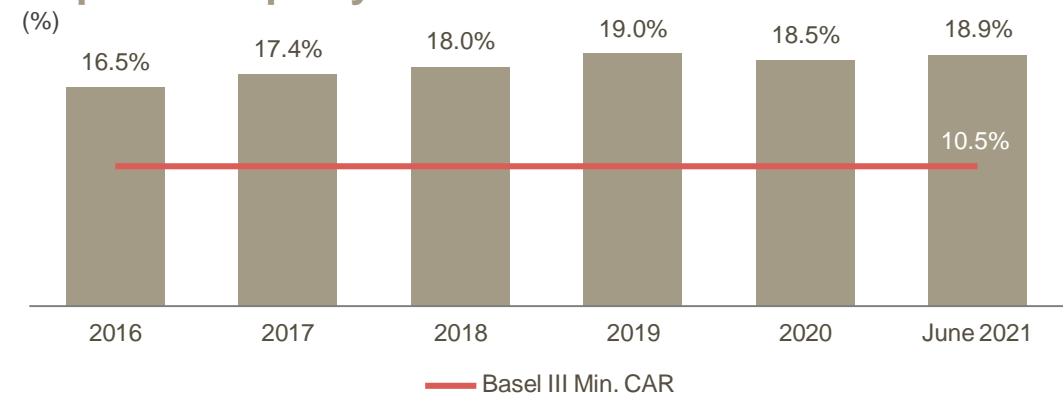
Banking System Remains Strong

Banks have a sound and liquid position. The confidence in the sector remains and has resulted in a steady accumulation of assets, providing a cushion against shocks

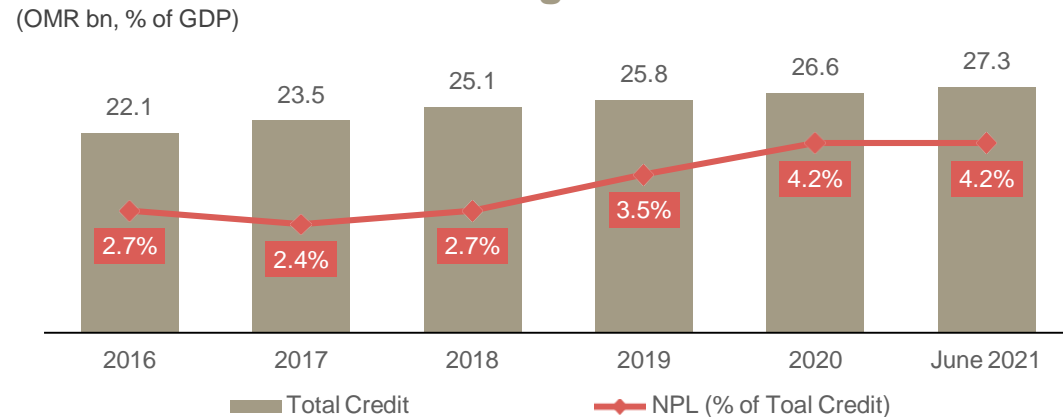
Balance Sheet Structure



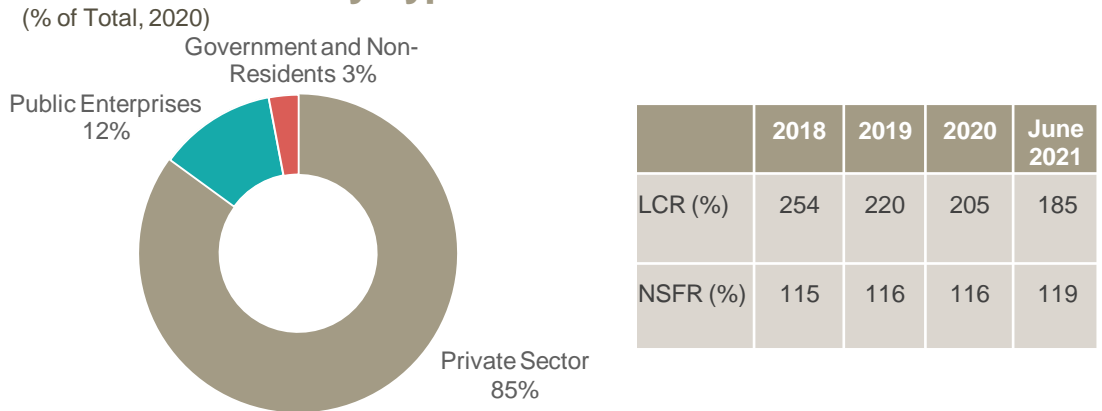
Capital Adequacy Ratio



Loans and Non-Performing Loans



Loan Portfolio by Type of Borrower

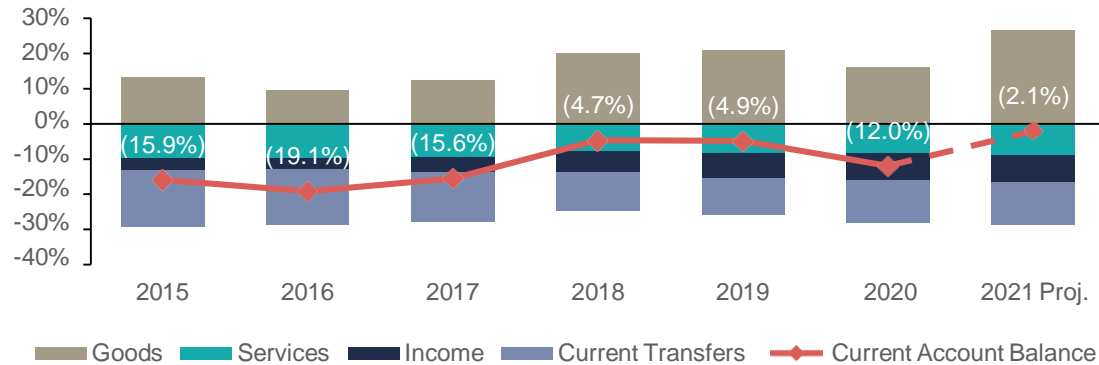


Robust External Balances

Oman's external position remains strong and continues to improve, reflecting the impact of reform initiatives. Oman has a long track record of withstanding exogenous shocks and its shift to a more diversified economic base will strengthen its resilience

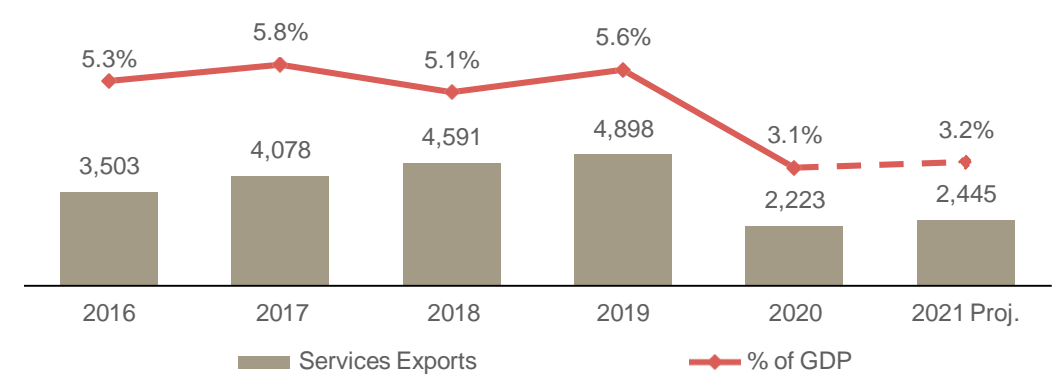
Current Account Balance

(% of GDP)



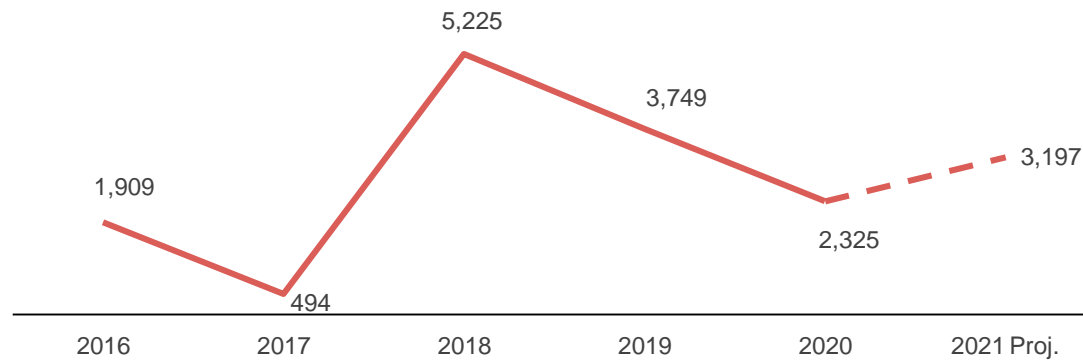
Service Exports

(USD million, % of GDP)



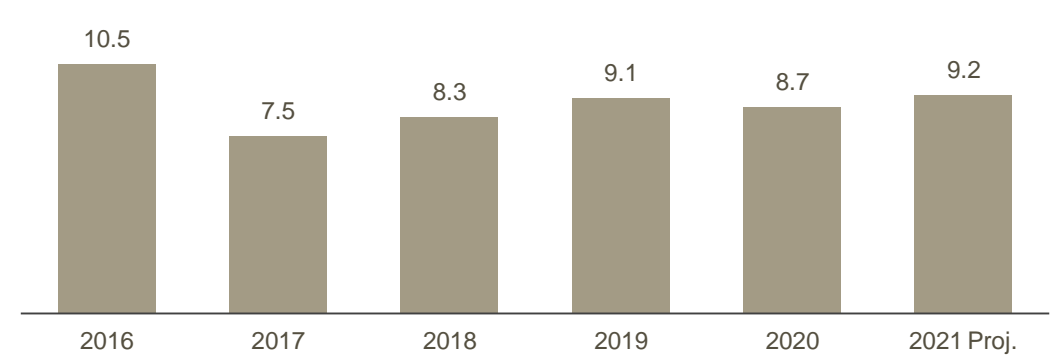
FDI Flow

(USD million)



CBO Gross Reserves

(Reserves Months of Import Cover)





Contact Details

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