البنك المركزي العُماني
Central Bank of Oman

ANALYSIS OF OMAN'S STATE BUDGET DURING THE PERIOD 2015-2022

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Abstract

This policy paper provides a comprehensive analysis of Oman's State Budget during 2015-2022, maintaining a distinction between the hydrocarbon and non-hydrocarbon (NHC) budget items. It also assesses the fiscal performance during this period, using that of 2013 as a benchmark, and evaluates the degree of commitment to the approved budgets. The analysis confirms that lower oil prices are the major, but not the only, cause of the elevated fiscal deficits during 2015-2020, and highlights other factors that fueled these deficits. The paper shows that the pace of needed fiscal reforms was initially slow, but it started to accelerate in 2019 and became more effective and credible since 2020. Accordingly, fiscal management has been most effective in 2020 and 2021 despite the repercussions of the dual shock. In addition, the analysis reveals that (i) State Budgets in recent years exhibited several favorable developments that are consistent with the Oman Vision 2040; (ii) Oman's tax structure became dominated by indirect taxes since 2021; (iii) the relative weight of current expenditures has been rising in recent years; and (iv) the insufficient commitment to the approved budgets prevailed during the entire period. Finally, the paper provides some policy recommendations to maintain fiscal sustainability, including setting annual fiscal targets that are independent of oil prices, establishing special counter-cyclical buffers, boosting taxation efficiency, and enhancing the commitment to approved budget by enforcing specific legally-mandated criteria for effective fiscal management.

مُلخّص

تقدم هذه الورقة تحليلاً شاملاً للميزانية العامة للدولة بسلطنة عُمان خلال الفترة ٢٠١٥-٢٠٢٢م، مع التمييز بين بنود الميزانية النفطية وغير النفطية. كما تقدم تقييماً تفصيلياً لأداء الميزانية العامة خلال هذه الفترة، باستخدام الميزانية العامة لعام ٢٠١٣م كمعيار مرجعي، فضلاً عن درجة الالتزام بالميزانيات المعتمدة. ويؤكد التحليل أن انخفاض أسعار النفط هو السبب الرئيسي، ولكن ليس الوحيد، وراء ارتفاع العجز المالي خلال الفترة ٢٠١٥-٢٠٢٠م، ويسلط الضوء على مجموعة من العوامل التي ساهمت في تغذية هذا العجز. كما توضح الورقة أن تنفيذ الإصلاحات المالية المطلوبة لم يكن بالسرعة الكافية في بداية الفترة، ولكنه بدأ في التسارع في عام ٢٠١٩م واكتسبت هذه الإصلاحات مزيداً من الفعالية والمصداقية منذ عام ٢٠٢٠م. ونتيجة لذلك، فإن إدارة المالية العامة خلال عامي ٢٠٢٠م و ٢٠٢١م كانت الأكثر كفاءة خلال الفترة المذكورة على الرغم من التداعيات التي ترتبت على الصدمة المزدوجة. كما يكشف التحليل ما يلي: (١) شهدت الميزانيات العامة خلال السنوات الأخيرة عديداً من التطورات الإيجابية المتسقة مع أهداف رؤية عُمان ٢٠٤٠م؛ (٢) سيطرت الضرائب غير المباشرة على الهيكل الضريبي بالسلطنة منذ عام ٢٠٢١م؛ (٣) التزايد المستمر للوزن النسبي للنفقات الجارية خلال الأعوام الأخيرة؛ (٤) عدم كفاية الالتزام بالميزانيات المعتمدة خلال الفترة بأكملها. وفي الختام، طرحت الورقة عدداً من التوصيات تهدف إلى تحقيق الاستدامة المالية، وأهمها تحديد مستهدفات سنوية للسياسة المالية لا تتأثر بأسعار النفط، وإنشاء احتياطيات خاصة معاكسة للدورات الاقتصادية، وتعزيز كفاءة المنظومة الضريبية، إلى جانب زيادة درجة الالتزام بالميزانيات المعتمدة عن طريق فرض معايير محددة وملزمة قانونياً لفعالية الإدارة المالية.

ANALYSIS OF OMAN'S STATE BUDGET DURING THE PERIOD 2015-2022[1]

AHMED OWEIS[2]

This paper attempts to analyze the performance of Oman's state budget,[3] while maintaining a distinction between hydrocarbon (HC) and non-hydrocarbon (NHC)[4] budget items. It focuses mainly on the period 2015-2021, with highlights for 2022 as revealed in the approved Budget, but the analysis frequently extends to earlier periods to provide relevant historical context. The paper tracks and analyzes the performance of fiscal balance (Section1), public revenues (Section 2), and public expenditures (Section 3), under external shocks and various fiscal measures. It also attempts to assess fiscal performance in Oman (Section 4) and the government's commitment to approved budgets (Section 5). Finally, (Section 6) concludes and provides some policy implications .

1.OMAN'S FISCAL BALANCE IN A HISTORICAL CONTEXT

Fiscal deficit has become a serious issue in Oman since 2015, when its ratio to GDP jumped to the two-digit territory for the first time since 1994 due to the sharp drop in oil prices as well as the persistent increase in public expenditure during the preceding few years. From the turn of the new millennium until 2014, Oman's state budget never had a deficit larger than 5 percent of GDP. Over these fifteen years, it witnessed a moderate deficit (around 3-5 percent of GDP) only in 2000, 2001, 2009, and 2014. In all other years, the state budget was nearly balanced with a minor deficit of less than 0.5 percent of GDP (2010-2013) or recorded a surplus (2002-2008). In fact, except for 2009, annual fiscal deficits prior to 2014 resulted merely from the allocations to reserve funds[5] , i.e. total gross public revenue[6] exceeded total public expenditure in those years. Thus, since 2000, Oman's state budget recorded a de facto fiscal deficit only in 2009 and the period 2014-2021.

[1] All views represented in this paper are the author's, and do not necessarily represent the views of the Central Bank of Oman. The usual disclaimers apply.

[2] Ahmed A. Oweis, Ph.D., CFA; Economist, Financial Stability Sector, Central Bank of Oman.

[3] Throughout this paper, all fiscal figures up to 2021 are based on the final accounts, while those for 2022 are the estimates in the approved Budget. Moreover, the term "budget" may be used to refer to final accounts.

[4] Throughout this paper, hydrocarbon revenues are public revenues from oil and natural gas. Similarly, hydrocarbon expenditures are those related to exploration, production, purchase, sale, and transport of oil and natural gas. All other revenues and expenditures are considered non-hydrocarbon (NHC). The NHC fiscal balance is calculated as total net NHC revenue minus total NHC expenditure.

[5] Since 2000, the list of these funds included the State General Reserve Fund (SGRF); the Oman Investment Fund; the Emergency Reserve Fund; the Infrastructure Projects Fund; the Fiscal Surplus Fund; and the Petroleum Reserve Fund (PRF). During 2018-2020, allocation to reserves from gross oil revenues went only to the PRF. It is also worth noting that the Ministry of Finance (MoF) did not make any allocations to reserve funds during the period 2015-2017.

[6] Recorded fiscal balances are calculated using net oil revenues, which are gross oil revenues after deducting allocations to the reserve fund(s), if any. The total value of these allocations is the difference between gross and net values of oil revenue, hydrocarbon revenue, and total public revenue.

During the period 2015-2020, Oman's overall fiscal deficit averaged 12.8 percent of GDP, compared to only 0.6 percent of GDP during 2000-2014. It peaked in 2016 (Figure 1), scoring its highest level since 1986, due to the severe drop in oil prices.[7] In fact, the declining trend in oil prices started in Q4-2014, causing recorded fiscal deficit to exceed 1 percent of GDP in 2014 only for the second time since 2001, and to grow to a double-digit figure (15.3 percent) in 2015. Moderate recovery in oil prices during 2017-2019, relative to their 2016 levels, brought fiscal deficit within 8 percent of GDP in 2018 and 2019, despite higher public spending and immaterial rise in NHC revenues relative to their 2016 levels (Table 1).

FIGURE 1
FISCAL BALANCE (FB)

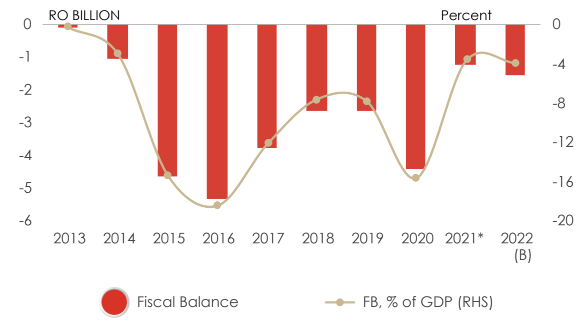
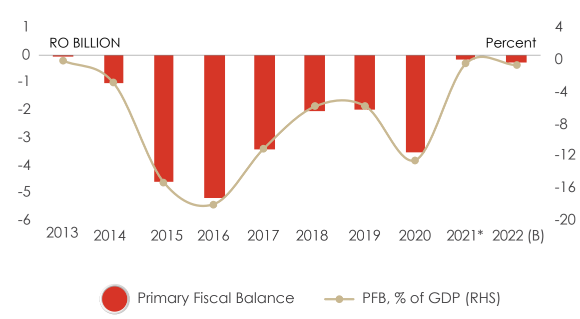


FIGURE 2
PRIMARY FISCAL BALANCE (PFB)



The dual shock[8] in the first half of 2020 seriously worsened Oman's state budget, leading the overall fiscal deficit in 2020 to jump by 69 percent, and its ratio to GDP to double, relative to 2019. This marked the largest annual deterioration in fiscal balance since 2015. Nevertheless, fiscal deficit was contained within levels below those initially anticipated at the onset of the crisis and, more interestingly, below those of 2016 despite tougher global and local economic circumstances in 2020. Well deserved credit for that goes to the government for its strict fiscal measures taken promptly in response to the dual shock[9] , but the gradual recovery in oil prices during the second half of 2020 was of critical support.

[7] The average price of Oman crude fell below $40 per barrel in 2016, 62-percent lower than its average during the period 2011-2014.
[8] The dual shock refers to the combination of the COVID-19 pandemic, that caused a gradual decline in oil prices starting January 2020, and the disagreement among major OPEC+ producers in March 2020 that triggered a significant over-supply of oil and a sharp collapse in its prices during March-April 2020.
[9] In response to the dual shock, the government took strict fiscal measures during the first half of 2020, including expenditure cuts by a minimum of 10 percent for government units; suspension of bonuses, training programs, and all unnecessary events in 2020; cutting allocated budgets for official missions and compensations for board members of state-owned enterprises (SOEs) by at least 50 percent; retiring all Omani employees older than 60 years in all SOEs and a minimum of 70 percent of Omani employees who served 30 years or more in all civil government entities; and suspending the renewal of at least 70 percent of the contracts of expatriate advisors in civil government entities.

The implementation of several fiscal reforms during 2020 and 2021, under the umbrella of the Medium-Term Fiscal Plan (MTFP)[10] , as well as a 35-percent recovery in the average oil price during 2021, resulted in a huge 72-percent increase in the 2021 fiscal balance. As a result, the deficit-to-GDP ratio dropped by 11.8 percentage points during 2021. The pro-cyclical contractionary fiscal measures implemented in 2020 and 2021 adversely impacted aggregate demand and real GDP growth, but they were necessary to control the deteriorating fiscal and external imbalances and take serious steps on the road to fiscal sustainability in the medium term.

In the meantime, the approved Budget 2022 shows continued commitment to the MTFP, with an estimated fiscal deficit of 3.9 percent of forecasted GDP . It relies on a conservative oil price assumption ($50 per barrel), well below the realized average oil price in 2021 ($64.3 per barrel)[12] and the average forecast for 2022 by globally recognized sources.[13] Given the significantly higher oil prices during the first half of 2022 and the updated oil price forecasts following the Russia-Ukraine conflict, it is very likely that the realized hydrocarbon revenue will significantly exceed its budgeted value in 2022[14] , leading to considerably higher fiscal balance, probably a surplus, and allocation for debt repayment.

Another remarkable result in 2021 is the sharp drop in the primary fiscal deficit[15] (Table 1 & Figure 2). This metric became of special importance since 2016 with rising public debt, mainly due to external borrowing, and the subsequent rise in the interest payments (Figure 3). Following a huge 82-percent increase in Oman's primary fiscal deficit during 2020, it dropped in 2021 to only 4.8 percent of its 2020 level to reach a modest 0.5 percent of GDP (the lowest since 2013), indicating that Oman nearly reached primary fiscal balance in 2021. Despite the slightly higher estimated primary fiscal deficit in 2022, it is strongly anticipated to realize a solid primary surplus due to the higher-than-assumed oil prices and the continued commitment to fiscal discipline.

[10] The government announced its Medium-Term Fiscal Plan (MTFP) in November 2020, prepared by the National Program for Fiscal Balance (Tawazun) that was constituted in September 2019. The MTFP is being implemented with other economic programs including the tenth 5-year development plan (2021-2025), all designed in accordance with the "Vision Oman 2040". The overarching objective of the MTFP is to achieve fiscal balance within 5 years. More precisely, the MTFP targets shrinking fiscal deficit to only 1.7% of GDP by 2024, which is a highly sustainable level. It also aims at containing the debt-to-GDP ratio, and to increase the share of NHC fiscal revenues in total fiscal revenue to 35 percent.

[11] GDP forecasts for 2022 are based on May 2022 projections of the Oxford Economics' Custom Model for Oman, whose GDP data sources are the National Center for Statistics & Information (NCSI) and Haver Analytics.

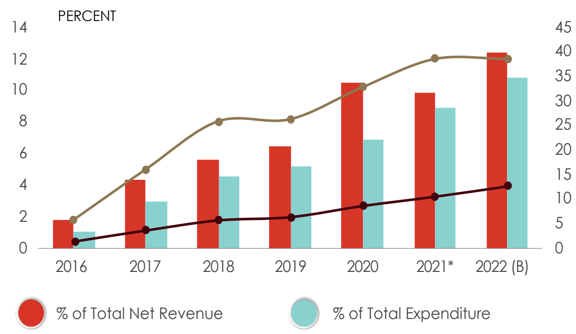
[12] According to NCSI Monthly Bulletin (January 2022). The MoF reported an average oil price of $61 per barrel for 2021. For consistency across all years, this paper uses NCSI data for the average prices of Oman Crude.

[13] The MoF compiled oil price forecasts for 2022 from seven globally reliable sources. The average of those forecasts is $63 per barrel, ranging from $53 per barrel to $84 per barrel. For more details please visit https://mof.gov.om/ar/YearlyBudget. Last accessed on May 10, 2022.

[14] According to the preliminary results, the State Budget realized a surplus of about RO 358 million during Q1-2022, compared to a deficit of RO 751 million during the same quarter in 2021. This provides an indication for the possibility of fiscal surplus in 2022 if oil prices remain as currently projected for the year.

[15] The primary fiscal balance is the overall fiscal balance after excluding interest payments on public debt.

FIGURE 3
INTEREST PAYMENT ON PUBLIC DEBT



On the other hand, the ongoing efforts to diversify the economy away from the hydrocarbon sector in line with the Vision "Oman 2040" makes it crucial to monitor the developments in Oman's NHC Budget (Table 2). Historically, Oman's NHC fiscal balance (Figure 4) tends to be negatively correlated to oil prices. In the absence of a reliable fiscal anchor and a clear plan to sustain fiscal balance, higher oil prices raise the share of hydrocarbon revenue in total revenue, increase the incentive for more public spending, reduce the incentive to boost NHC revenues, and therefore tend to be associated with higher NHC fiscal deficits. As a result, the average ratio of NHC fiscal deficit to the NHC GDP[16] dropped from 49 percent during the period 2011-2014 to about 37 percent during the period 2015-2021 when the average oil price almost halved. This correlation, however, has been weakening over time as diversification efforts progress, especially with increased fiscal discipline in recent years. For example, even with the significant recovery in oil prices during 2021, both NHC fiscal deficit and NHC primary fiscal deficit decreased by 2.3 percent and 5 percent, respectively, relative to their levels in 2020 (Figures 4 & 5), to reach their lowest levels since 2010.

Despite the recent improvement, NHC fiscal deficit is still elevated from a fiscal sustainability standpoint, highlighting the need for continued commitment to fiscal discipline, enhancing the efficiency of the tax system and public spending allocation, and deeper economic diversification.

FIGURE 4
NON-HYDROCARBON FISCAL BALANCE (NHCFB)

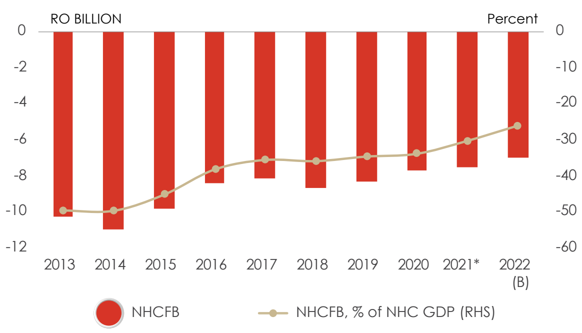
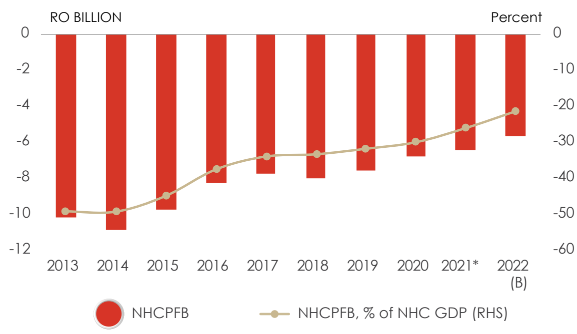


FIGURE 5
NON-HYDROCARBON PRIMARY FISCAL BALANCE (NHCPFB)



[16] Throughout this paper, NHC GDP is calculated by excluding the output of petroleum, natural gas, and manufacturing of refined petroleum products from GDP at producer prices.

2. ANALYSIS OF PUBLIC REVENUES

PUBLIC REVENUES AND OIL PRICES

As an oil-exporting economy, Oman's gross public revenue has historically been strongly correlated to oil prices. This correlation, however, becomes much weaker when total gross revenue is expressed as a ratio to GDP as oil prices affect both public revenues and GDP positively. If the impact on both is near-symmetric, oil-price fluctuations are expected to have relatively lower impact on the revenue-to-GDP ratio. This is particularly the case when public spending is almost solely revenue-funded, i.e. when fiscal surplus/deficit is sufficiently small. In such cases, net government financing[17] is not an important channel for the state budget's impact on GDP, and therefore the revenue-to-GDP ratio could be a good proxy for assessing the government size in the economy. This was clearly the situation for most of the period 2000-2014, when low levels of net government financing (averaged 0.6 percent of GDP) resulted in near-zero correlation between oil prices and the revenue-to-GDP ratio. On the contrary, the relatively large fiscal deficits during the period 2015-2020 resulted in high positive correlation between oil prices and revenue-to-GDP ratio (Figure 6). Accommodating counter-cyclical changes in net government financing represented an important source of funding public spending and a key channel for the state budget's impact on GDP. This lessened the impact of lower oil prices on GDP but magnified their impact on the revenue-to-GDP ratio which dropped to 30.1 percent, on average, during this period compared to 42.5 percent during 2000-2014.

FIGURE 6
PUBLIC REVENUE (% of GDP)

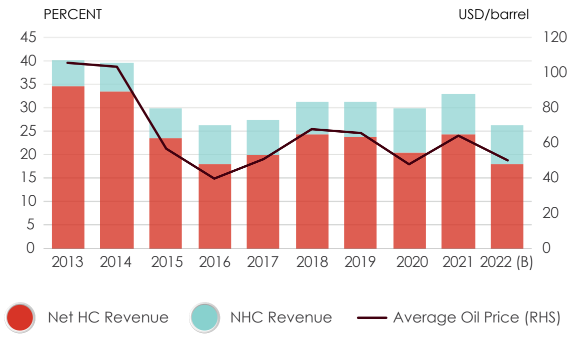
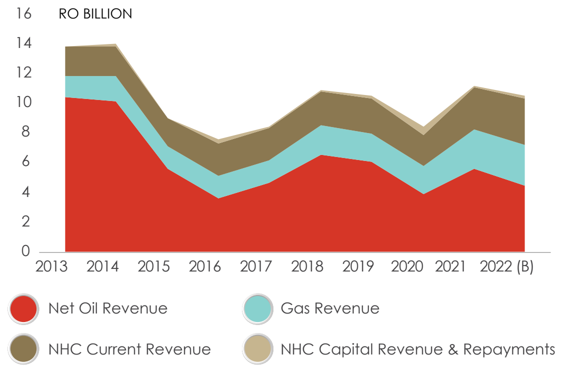


FIGURE 7
PUBLIC REVENUE: Main Categories

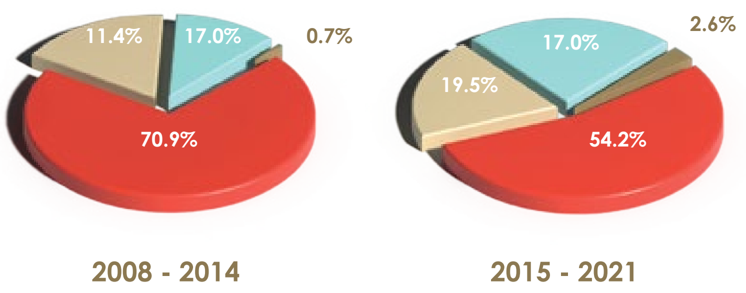


[17] Net government financing (positive or negative) takes the form of net borrowing and/or withdrawal from sovereign reserves (positive financing) in cases of fiscal deficit, or net repayment of public debt and/or adding to sovereign reserves (negative financing) in cases of fiscal surplus.

DEVELOPMENTS IN PUBLIC REVENUE'S MAIN CATEGORIES

Oman's public revenue is divided into hydrocarbon (oil and gas) revenue and NHC revenue, where the latter consists of current NHC revenue[18] and capital revenues and repayments (Figure 7). Over the period 2000-2020, on average, net oil revenues contributed about 65.3 percent of total net revenue, followed by NHC current revenues (21 percent), and gas revenues (12.2 percent), while NHC capital revenues and repayments had the smallest contribution (1.5 percent).

FIGURE 8
PUBLIC REVENUE: Recent Shifts in the Shares of Main Categories



A snapshot comparison between the average shares of various revenue categories shows that oil revenue lost 16.7 percentage points of its average share to the other three categories between the periods 2008-2014 and 2015-2021 (Figure 8). This is partly attributable to a 40-percent drop in the average oil price between the two periods, but it is also caused by significant rises in other revenue categories. The average share of gas revenues realized the biggest increase (8 percent) mainly due to the operationalization of new gas fields (especially Khazzan-Makarem and Ghazeer). Meanwhile, the average share of NHC current revenues rose by 6.8 percent due to the 3-percent increase in the standard corporate income tax rate in February 2017, the establishment of the Tax Authority in October 2019, and the introduction of both the excise tax in June 2019 and the value added tax (VAT) in April 2021.

It is worth noting that introducing VAT coincided with a significant drop in the corporate income tax revenue during 2020 and 2021 as a consequence of the pandemic[19], which made Oman's tax structure dominated by indirect taxes for the first time. Indirect taxes accounted for 57 percent of total taxes in 2021, compared to an average of 37.4 percent during 2014-2020. This share is estimated to rise to 63 percent in 2022.

In sum, the recent changes over the past few years reduced the share of net hydrocarbon revenue in total revenue from 82.3 percent during 2008-2014 to 73.6 percent during 2015-2021, which is a welcome development on the path of economic diversification and sustainable growth.

[18] It mainly includes revenue from taxes and fees, investment returns of Oman Investment Authority (OIA), and other non-tax revenues.

[19] In 2020, the annual revenue from corporate income tax dropped by 25 percent from its 2019 level. It further dropped by 5 percent year-on-year in 2021, reaching only about 71 percent of its 2019 value.

3. ANALYSIS OF OMAN'S PUBLIC EXPENDITURES

PUBLIC EXPENDITURE RIGIDITY

Over the past two decades, total public expenditure exhibited relative rigidity against fluctuations in oil prices, leading to a weaker correlation with oil prices than is the case for public revenues. During the period 2000-2014, this rigidity was mostly downward, which led to a strong positive correlation between total public expenditure and the generally rising oil prices. During the period 2015-2021, however, total public expenditure showed both upward rigidity, i.e. it became less sensitive to rises in oil prices, and relative downward rigidity due to the expenditure cuts and fiscal discipline measures, leading to a weaker correlation with oil prices.

PUBLIC EXPENDITURE CATEGORIES

Oman's public expenditure comprises three main categories: current expenditures, development (investment) expenditures, and participation and support expenditures, where the last category mainly includes subsidies. Both current and development expenditures can be divided further into hydrocarbon and NHC expenditures (Figure 9). Over the period 2000-2021, NHC expenditures represented 85 percent of total expenditure, and this share is estimated to increase to 86.8 percent in 2022. Starting 2021, hydrocarbon development expenditures have been moved to Energy Development Oman (EDO)[20], which will further shrink the share of hydrocarbon expenditures in the future. Therefore, analysis in this paper focuses mainly on NHC expenditures.

FIGURE 9
PUBLIC EXPENDITURE: Main Categories

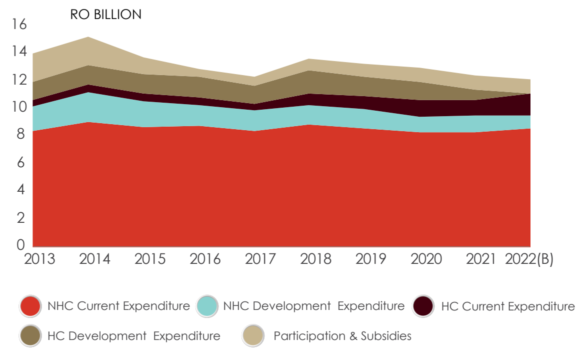
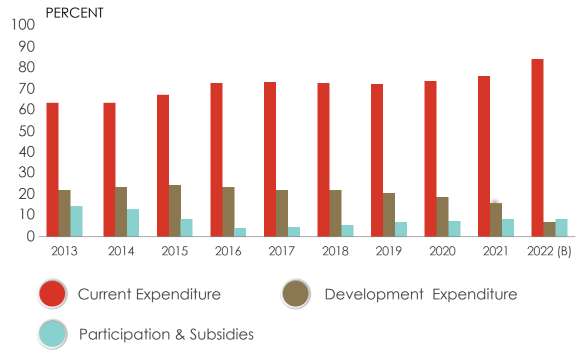


FIGURE 10
CURRENT, DEVELOPMENT & SUPPORT EXPENDITURES (% SHARES)



[20] It is worth noting that the government continued to cover EDO's operational expenses in 2021 until it completes its legal and administrative procedures. Therefore, the final fiscal account of 2021 shows about RO 780 million of hydrocarbon development expenditures.

Among the three main public expenditure categories, current expenditure is the dominant one, with an average share of 69 percent of total public spending over the period 2000-2021, followed by development expenditures (24 percent). During the period 2015-2021, the share of current expenditure has increased further at the expense of the shares of the other two categories (Figure 10).

The trends shown in Figure 10 could be explained by three main factors: the rigidity of current expenditures; the government's prioritization of development expenditures and rationalization of subsidies; as well as the Royal Decrees that established the OIA and EDO in 2020 and the resulting reporting changes in the state budget. First, current expenditure is the most rigid category of public spending, which led its average share to rise from 62 percent during 2011-2014 to 72.1 percent during 2015-2021. With the recent cuts in development expenditures and subsidies rationalization, the share of current expenditure has risen further to 75.6 percent in 2021 and is estimated to reach 83.7 percent in 2022.

Second, spending rationalization since 2015 caused the average share of 'participation and support expenditures' to drop significantly to 6.7 percent during 2015-2021 from 14.3 percent during 2011-2014, but it remained relatively stable since 2019. Most notably, the sharp drop in oil prices in 2015 followed by the fuel subsidy cuts in January 2016 had an enormous impact on the size of this expenditure category since 2016. On the other hand, the share of development expenditures has also dropped to 19.5 percent during 2015-2021, compared to 23.7 percent during 2011-2014. Most of this drop occurred in 2020 and 2021 due to moving development expenditures for government companies to the OIA since mid-2020 and those of oil and gas to the EDO starting 2021. In fact, the drop in 'development expenditures for civil ministries' between 2014 and 2021 represents only 41 percent of the drop in 'total development expenditures', implying that about 60 percent of the drop in the government's development expenditure merely reflects accounting changes with negligible macroeconomic impact.

AN ANALYSIS OF PUBLIC SPENDING ALLOCATION

The government's allocation of public funds among different uses reveals the relative financial burden of meeting different obligations as well as the relative importance the government places on achieving various social and economic objectives. Therefore, altering spending allocations typically reflects a rearrangement of the government's priorities due to changing circumstances and/or in response to external shocks, such as sharp changes in terms of trade caused by the oil prices turmoil and the COVID-19 pandemic. Figures 11 & 12 compare the average percentage allocations of public spending during the periods 2015-2019 and 2020-2022 in order to shed some light on the impacts of the dual shock from 2020 onward. Clearly, NHC current expenditures is the dominant expenditure category, receiving about two-thirds of total public spending, which justifies a deeper a look at the allocation of public funds within this category.

FIGURE 11
ALLOCATION OF PUBLIC SPENDING: 2015-2019

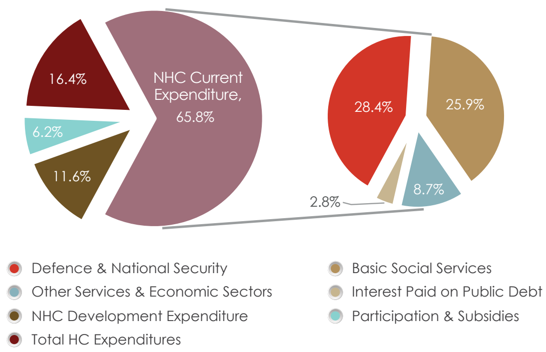
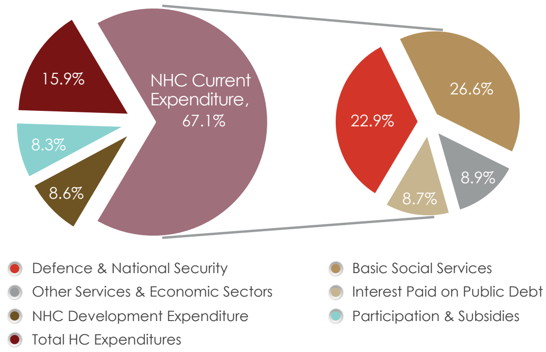


FIGURE 12
ALLOCATION OF PUBLIC SPENDING: 2020-2022(B)



During 2015-2019 (Figure 11), security spending[21] occupied the largest share of total public spending, while current spending on basic social services[22] received the second-largest share. Allocations to these two categories constituted 43.2 percent and 39.3 percent, respectively, of NHC current expenditure, while other civil public services[23] and economic sectors[24] received 13.2 percent of NHC current expenditures. The initially low levels of public debt during this period made interest payment a relatively light financial burden.

The dual shock imposed serious challenges on the Omani government in managing its finances. Under the severe pressure of the collapse in hydrocarbon revenues and the global recession, the pandemic necessitated additional expenditures on health and education, among other sectors, combined with a jump in financing needs that required additional borrowing and raised interest payments. The government responded to these challenges by adjusting its priorities, giving the top priority to the exceptional additional expenditures required to face the pandemic. Accordingly, current spending allocations in 2020 increased to health (by 31.1 percent), education (by 6.1 percent), domestic security and justice (by 5.9 percent), and economic sectors (by 4.5 percent), relative to their respective allocations in 2019. The government funded these additional expenses mainly by reducing allocations to security spending (by 15.6 percent), current spending on each of public services (by 6.2 percent), social welfare (by 37.8 percent), and housing (by 10.2 percent), as well as NHC development expenditures (by 20.6 percent). In fact, the larger allocations to health and education more than offset the reduced allocations to social welfare and housing, raising the share of basic social services in 2020.

[21] In Oman, security spending also includes spending on non-military items such as schools for different security entities, hospitals, uniforms, etc.

[22] Includes public spending on education; health; social welfare; and housing.

[23] Mainly includes spending on services provided by major public institutions (public services sector); domestic security and justice (public order); cultural, religious, and youth affairs; and other services.

[24] Mainly includes public spending on agricultural and fishing; transport & communication; mining, manufacturing, and constructions; energy; and other economic affairs.

This shift in priorities in 2020, coupled with the rising debt obligations, had some impact on the average spending allocations during 2020-2022 (Figure 12). The share of social welfare became higher than its pre-pandemic levels, mainly due to the increase in the government's share in pension payments, while the share of interest payment continued on its rising trajectory due to rising debt obligations. Meanwhile, other spending allocations remained below their 2019 levels, including those to security spending and current housing expenditures.

As a combined impact of these changes, the average allocation to basic social services is estimated to become the largest in 2020-2022, surpassing security spending. The combined spending allocation for these two categories represents more than half of total public spending during 2015-2022, highlighting the high priority the government assigns to performing two of its key functions: ensuring national security and providing basic social services. The allocation to the other public services and economic sectors is estimated to remain about the same, amounting to one-third of the allocation to basic social services. Finally, the jump in external borrowing in 2020 and 2021 tripled the estimated share of interest payment to 13 percent of NHC current expenditures during 2020-2022.

4. ASSESSMENT OF OMAN'S FISCAL PERFORMANCE IN RECENT YEARS

This section attempts to provide a deeper assessment of Oman's actual and estimated fiscal performance over the period 2014-2022, and to analyze its main drivers. To this end, an index has been generated for the state budgets during the period 2014-2022, using 2013 as the base year/benchmark, in which all revenues and expenses are set to 100 in 2013 then calculated in subsequent years as percentages of their respective 2013 values. The choice of 2013 as the benchmark is because it is the most recent year with a *de facto* small fiscal surplus, which makes its budget the closest to a balanced budget. By construction, this makes the 2013 budget artificially balanced. Any fiscal balance calculated in each subsequent year would then provide an indicator for the size of fiscal balance in that year, relative to the balanced budget in 2013, if all factors affecting the state budget have been applied from 2014 onward. This technique should highlight the impacts of the fiscal management efficiency, fiscal measures, and external shocks on state budgets since 2014, as it shows the disproportionate impact of those factors relative to 2013.

Applying the technique described above (Table 2) reveals some key facts. First, net hydrocarbon revenue (NHCR) remained well below its 2013 level since 2015, averaging only about half of that level during 2015-2021. It bottomed in 2016 with only about 43.5 percent of its 2013 value and reached only 69 percent of that benchmark value in 2021. This clearly shows that significantly lower hydrocarbon revenue is the major cause for fiscal deficits realized since 2015. Second, total NHC revenue has been continuously improving since 2017 due to the fiscal measures implemented. By 2021, it was 49 percent higher than its 2013 level, and is estimated to reach 68.4 percent higher than that benchmark value in 2022. This mitigated the serious drop in NHCR only partially. As a result, total net revenue remained below 81 percent of its 2013 value since 2015.

Third, if total expenditure remained at the same level since 2013, fiscal deficits in 2015 onward would have been materially worse. By 2021, the cumulative cuts in development and support expenditures reduced total expenditure to 89 percent of its 2013 value, despite the rise in current expenditures which remained above its 2013 level for the entire period. Fourth, NHC current expenditure remained highly stable and close to its 2013 level over the entire period, which confirms the high rigidity of most current NHC expenditure items, especially the wage bill.[25] This rigidity also reflects the government's commitment to maintaining its level of provision of basic social services as discussed earlier. In fact, the relative stability of NHC current expenditures during the period, and reaching levels slightly below their 2013 nominal levels in 2020 and 2021, should be viewed as a positive sign given the huge increase in interest payments. Fifth, hydrocarbon current expenditure has been above its 2013 level since 2014 and remained more than twice that level since 2018.[26] This made hydrocarbon expenditures solely responsible for the rise in total current expenditure between 2013 and 2021, as all other expenditure categories are smaller in 2021 than their respective 2013 values.

These developments caused the overall fiscal balance to drop to an indicator of -8.3 in 2021 relative to the balanced budget of 2013. Despite its negative value, it represents the best fiscal performance since 2014 and a significant improvement from 2020. On the other hand, the NHC fiscal balance indicator of +63.2 in 2021, which is estimated to rise to +82.5 in 2022, reflects a more remarkable improvement in the NHC budget relative to the balanced NHC budget in 2013.

5. ASSESSMENT OF THE GOVERNMENT COMMITMENT TO THE APPROVED BUDGETS

Another aspect that may contribute to deteriorating fiscal balances is the inadequate fiscal marksmanship, i.e. relatively low accuracy of budgetary estimates, and/or insufficient commitment to the approved budgets, which would generate fiscal balances lower than the approved levels. This section compares fiscal results to the approved budget over the period 2015-2021 to analyze deviations from the approved budgets as well as the extent to which unanticipated changes in hydrocarbon revenues are responsible for these deviations.

If managing government finances is effective, the maximum undesired deviation from an approved fiscal balance would be the unforeseen deviation of the realized hydrocarbon revenue from its estimated level, which typically occurs if the realized average oil price falls below the budget assumption, as the hydrocarbon revenue should be the only exogenous item in the state budget. Effective fiscal management should facilitate neutralizing the indirect

[25] On average, the wage bill accounted for 74 percent of civil ministries' current expenditures and 39 percent of NHC current expenditures during 2015-2021.

[26] According to the MoF, the estimated huge increase in current hydrocarbon expenditure during 2022 is due to the rising costs of gas purchase and transport. Moreover, the government continued its coverage of EDO's operational expenses in 2021 until the company completes its legal and administrative procedures and becomes fully operational, which kept hydrocarbon expenditures relatively high in 2021.

impacts of oil-price shocks on NHC revenues and expenditures, as well as the unforeseen additional expenses imposed by external shocks, on fiscal balance through reallocation of spending among different uses and cutting certain expenditures that could be postponed. It also implies that if the realized hydrocarbon revenue exceeds the budgeted amount, the realized fiscal balance should be higher than its approved level by at least the additional unbudgeted hydrocarbon revenue.

Table 3 shows the deviations of main revenue and expenditure categories from their budgeted amounts in RO millions, while Table 4 displays these deviations as percentages of the budgeted values. On average, the realized overall fiscal balance fell below its approved level by 26.4 percent of the approved fiscal balance during the period 2015-2021. The largest of these undesired deviations occurred in 2015 and 2020, mainly due to the unexpected sharp drop in oil prices relative to their respective budget assumptions. A striking fact from Table 4 is that the percentage deviations of fiscal deficits from their approved levels have always been worse than the percentage deviations of realized oil prices from their respective budget assumptions during the period 2015-2020. Notably, the fiscal performance in 2021 is the only exception to this fact, which indicates that fiscal management prior to 2021 could have been more effective. On the other hand, the gap between percentage deviations of primary fiscal balances and those of overall fiscal balances has been widening over time due to rising interest payments on public debt.

As mentioned earlier, effective fiscal management should be able to control the adverse indirect impacts of deviations of oil prices on NHC revenues and expenses and take full advantage of their favorable indirect impacts. As shown in Tables 3 & 4, NHC fiscal balance exhibited negative deviations from its budgeted value in all years except 2020, with an average deviation of -6.6 percent. In 2020, the realized values of the two NHC fiscal balance metrics were 3-4 percent better than their respective budgeted values, indicating a highly effective fiscal management's response to the dual shock. This remarkable NHC fiscal performance in 2020 has been achieved despite the largest adverse percentage deviation of hydrocarbon revenue since 2015. Therefore, it implies that more effective fiscal management prior to 2020 could have made the performance of the NHC state budget significantly better.

Tables 3 & 4 also demonstrate two striking facts. First, the realized total NHC revenue has always been less than its budgeted values during the period 2015-2021, with an annual average deviation of -9.4 percent. This may reflect suboptimal fiscal marksmanship in the form of persistent over-optimism in the approved budgets' estimates, otherwise it would be a red flag highlighting the serious need to further enhance the efficiency of tax collection, government fees, investment returns, and other non-tax revenues. Second, the realized total expenditure exceeded its budgeted value in all years except 2015 and 2020, with an annual average deviation of 4.8 percent.

6. CONCLUSION AND POLICY IMPLICATIONS

Lower oil prices have been the major reason for elevated fiscal deficits in Oman during the period 2015-2020. These deficits, however, were also fueled by low degrees of fiscal discipline, slow progress of economic diversification, low efficiency of the taxation system, and suboptimal commitment to approved budgets. Most of these issues existed long before this period, but they were magnified due to massive expansion in public spending during 2011-2014 and the downward rigidity of this spending after oil prices collapsed in 2015 and 2016. The resulting rise in financing needs has made fiscal reforms necessary.

The pace of fiscal reforms, however, was initially slow due to several factors. The recent history of high oil prices reduced the incentive to implement measures that involve undesired social costs. Moreover, the initially high sovereign credit rating, very low levels of public debt, and the relatively high level of official foreign reserves widened Oman's fiscal space, reduced the cost of external borrowing, and made external borrowing and withdrawals from official reserves acceptable and low-cost policy options. As the twin (fiscal and external) deficits persisted, the situation just described started to reverse, sharply raising the economic cost of deficit financing. This increased the incentive to accelerate fiscal reforms, which started in 2019 and was given a big push from the hit of the dual shock in 2020. The prompt government's response to the pandemic and the serious steps taken on the path of fiscal reforms improved fiscal performance and enhanced the credibility of the government's commitment to fiscal sustainability.

The impact of these developments on fiscal performance is apparent. Over the period 2015-2021, non-oil revenues materially increased and gained bigger shares in total revenue, development and support expenditures were largely reduced, the correlation of both public revenues and expenditures with oil prices have undoubtedly weakened. Current expenditure, however, has been modestly rising, with increasing share in total expenditure, mainly reflecting its downward rigidity and the government's commitment to maintain sufficient spending on basic social services. Nevertheless, downward rigidity of current expenditure has softened, and signs of upward rigidity started to appear.

As a result, fiscal performance gradually improved over this period, with a minor setback in 2018. This caused the ratio of NHC fiscal deficit to NHC GDP to drop to 33 percent in 2021 compared to 50 percent in 2014. In the meantime, the ratio of NHC primary fiscal deficit to NHC GDP dropped to 28 percent in 2021 from 49 percent in 2014. Moreover, the IMF's estimate of the fiscal break-even oil price, i.e. the oil price needed to balance the state budget, for Oman dropped to $71.6 per barrel in 2021 from above $100 per barrel in both 2015 and 2016, and Oman almost reached primary fiscal balance in 2021. In addition, assessing the fiscal marksmanship and the government's commitment to approved budgets shows that fiscal management in Oman has been most effective in 2020 and 2021, despite the adverse consequences of the dual shock.

Some policy implications could be drawn from the analysis in this paper, including:

• Fiscal sustainability in Oman can only be achieved if fiscal deficit can be controlled despite oil price fluctuations. Accordingly, the appropriate targets for fiscal management should be some fiscal metrics that are least affected by the prevailing oil prices, and that could be achieved under the pressure of unexpected loss in oil revenues. Two measures are suggested for this purpose: (1) the non-hydrocarbon (primary) fiscal balance as a ratio to non-hydrocarbon GDP; and (2) the fiscal breakeven oil price for Oman. It is highly recommended to establish a methodology for calculating these metrics and start publishing their target and realized values along with comparable historical data.

• Commodity-exporting countries like Oman are advised to adopt counter-cyclical fiscal policies to achieve economic and social objectives during eras of relatively low commodity prices. Accordingly, it is highly recommended to establish a special buffer dedicated entirely to funding counter-cyclical public expenditures during times of unfavorable oil price movements. This will enable the government to support the most affected businesses and segments of the society and to maintain sufficient levels of spending on basic social services regardless of oil price fluctuations. Given the high oil prices during the first half of 2022, it could be a suitable time to adopt this initiative if the government achieves a sound fiscal position by the end of the year.

• It is also critical to enhance the fiscal marksmanship and commitment to approved budgets in Oman. Adverse external shocks, especially in oil prices, could impose lower fiscal balances than initially approved. A useful criterion for effective fiscal management is that the undesired deviations of the overall fiscal balance should not exceed the amount of the unforeseen adverse deviation of hydrocarbon revenue. If hydrocarbon revenue exceeds its budgeted value, the amount of this favorable deviation should be utilized to further improve the fiscal balance or, in case of fiscal surplus, to achieve a justifiable social or economic objective. It is even preferable to make this a legal mandate to enhance the government's accountability and credibility.

• Two more issues related to fiscal marksmanship and commitment to approved budgets are worth policymakers' attention. First, NHC revenue has always been less than its budgeted values during the period 2021-2015. Second, total expenditure has exceeded its budgeted value for most of this period. These continued undesired deviations from targeted values raise red flags that should be seriously considered to achieve fiscal sustainability. They would require further enhancements of the efficiency of the taxation system and fee structure – in terms of coverage, pricing, and collection – and more commitment to approved expenditures.

• Finally, Oman's tax structure became dominated by indirect taxes in 2021 and is estimated to remain so in 2022. This could reduce both the economic efficiency and the equity of the taxation system. Direct income taxes are more economically efficient, as they are less price-distortive, than indirect taxes. More importantly, they could also be more equitable if they (i) are based on a comprehensive database of incomes from all sources for all potential taxpayers; (ii) are priced at reasonable marginal tax rates; and (iii) apply a sufficiently high exemption limit. If these conditions are met, this could provide an additional compelling argument for the Personal Income Tax expected to be introduced in Oman in 2023.

Table 1: The State Budget Final Results [1]

RO Million, unless otherwise indicated	2013	2014	2015	2016	2017	2018	2019	2020	2021
Net HC Revenue	11,925	11,893	7,141	5,188	6,206	8,567	7,999	5,798	8,242
Net Oil Revenues	10,430	10,205w	5,656	3,651	4,682	6,536	6,099	3,938	5,613
Natural Gas Revenues	1,495	1,688	1,484	1,537	1,524	2,031	1,901	1,860	2,629
NHC Revenue	1,983	2,215	1,927	2,420	2,308	2,382	2,590	2,706	2,761
NHC Current Revenues	1,931	1,984	1,865	2,114	2,174	2,233	2,332	2,087	2,874
Capital Rev. & Rep.	52	231	62	307	134	149	258	618	79
Total Net Revenue	**13,908**	**14,108**	**9,068**	**7,608**	**8,514**	**10,950**	**10,589**	**8,503**	**11,195**
Current Expenditures	8,822	9,606	9,164	9,320	8,918	9,773	9,506	9,459	9,388
HC Current Expenditures	426	580	542	574	509	903	977	1,152	1,133
NHC Current Expenditures	8,396	9,026	8,622	8,746	8,409	8,871	8,529	8,307	8,255
Defense & Nat. Security	4,494	4,211	3,862	4,069	3,488	3,879	3,359	2,835	2,785
Civil Ministries	3,849	4,763	4,723	4,539	4,550	4,374	4,487	4,581	4,416
Interest on Public Debt	54	53	37	138	371	618	684	892	1,054
Development Expenditures	3,120	3,584	3,346	3,019	2,770	3,040	2,757	2,462	1,984
HC Development Exp.	1,315	1,419	1,445	1,527	1,310	1,677	1,340	1,337	780
NHC Development Exp.	1,805	2,166	1,901	1,492	1,460	1,363	1,417	1,125	1,204
Civil Ministries [2]	1,805	2,166	1,870	1,402	1,345	1,211	1,334	1,080	1,204
Gov. Companies	0	0	30	90	115	152	83	45	0
Participation & Support Exp.	2,048	1,981	1,189	569	586	786	948	1,005	1,046
Participation Exp.	452	465	248	203	83	116	78	73	8
Subsidies & Support Exp.	1,597	1,516	941	366	503	670	870	933	1,038
Total Public Expenditure	**13,990**	**15,172**	**13,699**	**12,908**	**12,274**	**13,599**	**13,211**	**12,926**	**12,418**
HC Expenditures	1,741	1,998	1,987	2,100	1,819	2,580	2,317	2,488	1,912
NHC Expenditures	12,250	13,173	11,712	10,808	10,455	11,020	10,894	10,437	10,505
Overall Fiscal Balance	**83-**	**1,064-**	**4,631-**	**5,300-**	**3,760-**	**2,650-**	**2,623-**	**4,422-**	**1,223-**
Percent of GDP (%)	0.2-	3.0-	15.3-	18.3-	12.1-	7.5-	7.7-	15.5-	3.7-
Primary Fiscal Balance	**29-**	**1,011-**	**4,594-**	**5,162-**	**3,388-**	**2,031-**	**1,939-**	**3,531-**	**168-**
Percent of GDP (%)	0.1-	2.8-	15.2-	17.9-	10.9-	5.8-	5.7-	12.4-	0.5-
NHC Fiscal Balance	**10,267-**	**10,959-**	**9,785-**	**8,388-**	**8,147-**	**8,637-**	**8,305-**	**7,732-**	**7,552-**
Percent of NHC GDP (%)	49.6-	49.7-	45.2-	38.3-	35.7-	36.0-	34.8-	36.3-	32.7-
NHC Primary Fiscal Balance	**10,213-**	**10,906-**	**9,748-**	**8,249-**	**7,775-**	**8,019-**	**7,621-**	**6,840-**	**6,498-**
Percent of NHC GDP (%)	49.3-	49.4-	45.1-	37.7-	34.1-	33.5-	31.9-	32.1-	28.1-

[1] Figures in Table 1 are based on fiscal final accounts for 2013-2021.
[2] Includes both development and capital expenditures of civil ministries.

Table 2: The State Budget Index (2014 – 2022) Relative to the Final Account of 2013 [1]

Index, using 2013 as the base year, unless otherwise indicated	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Net Hydrocarbon Revenue	100.0	99.7	59.9	43.5	52.0	71.8	67.1	48.6	69.1	59.0
NHC Revenue	100.0	111.7	97.2	122.1	116.4	120.2	130.6	136.4	148.9	168.4
Net Public Revenu	100.0	101.4	65.2	54.7	61.2	78.7	76.1	61.1	80.5	74.6
Current Expenditure	100.0	108.9	103.9	105.6	101.1	110.8	107.8	107.2	106.4	115.0
NHC Current Expenditure	100.0	107.5	102.7	104.2	100.2	105.6	101.6	98.9	98.3	101.8
HC Current Expenditure	100.0	136.2	127.3	134.8	119.6	212.1	229.6	270.5	266.1	375.9
Development Expenditure	**100.0**	**114.9**	**107.2**	**96.8**	**88.8**	**97.4**	**88.4**	**78.9**	**63.6**	**29.2**
NHC Development Expenditure	100.0	120.0	105.3	82.7	80.9	75.5	78.5	62.3	66.7	50.5
HC Development Expenditure	100.0	107.9	109.9	116.1	99.6	127.5	101.9	101.7	59.3	0.0
Participation & Subsidies	100.0	96.7	58.1	27.8	28.6	38.4	46.3	49.1	51.0	52.3
Total Public Expenditure	100.0	108.4	97.9	92.3	87.7	97.2	94.4	92.4	88.8	86.7
HC Expenditure	100.0	114.8	114.1	120.7	104.5	148.2	133.1	142.9	109.9	91.9
NHC Expenditure	100.0	107.5	95.6	88.2	85.3	90.0	88.9	85.2	85.8	86.0
Indicator for Surplus (+) / Deficit (-) [2]	0.0	7.0-	32.7-	37.6-	26.5-	18.5-	18.3-	31.2-	8.3-	12.1-
Indicator for NHC Surplus (+) / Deficit (-) [2]	0.0	4.2	1.6	33.8	31.1	30.2	41.7	51.2	63.2	82.5
Implied % Change Relative to 2013	–	%7-	%5	%18	%21	%16	%19	%25	%26	%30

[1] Figures in Table 2 are based on the fiscal final accounts for 2013-2021 and the estimates in the approved budget for 2022.
[2] The fiscal balance indicator in 2021 (-8.3) is the outcome of a 19.5 percent deterioration in net public revenue and a 11.2 percent drop in public expenditure, relative to their respective 2013 levels. Similarly, the NHC fiscal balance indicator (63.2) is the outcome of a 48.9 percent rise in NHC revenues and 14.2 percent drop in NHC expenditure, relative to their respective 2013 levels.

Table 3: Deviations of Fiscal Results from Approved Budgets [1]

RO million, unless otherwise indicated	2015	2016	2017	2018	2019	2020	2021
Actual (Assumed) Average Oil Price (USD/ (.bbl	*56.5 (75)*	*39.9 (45)*	*50.8 (45)*	*67.6 (50)*	*65.2 (58)*	*47.6 (58)*	*64.3 (45)*
Total Net Revenues	**-2,533**	**-992**	**-186**	**1,450**	**489**	**-2,197**	**2,555**
Net HC Revenue	-2,019	-962	96	1,787	554	-1,902	2,822
Net Oil Revenues	-2,044	-909	232	1,666	634	-1,563	2,063
Natural Gas Revenues	24	-53	-136	121	-80	-340	759
NHC Revenue	-513	-30	-282	-338	-65	-295	-267
NHC Current Revenues	-515	-286	-376	-327	-19	-363	-126
Capital Revenues & Repayments	2	257	94	-11	-47	68	-141
Total Expenditure	**-401**	**1,008**	**574**	**1,099**	**311**	**-274**	**1,287**
Total HC Expenditures	-93	310	-1	480	87	258	1,132
Total NHC Expenditures	-308	698	575	619	224	-533	405
Current Expenditures	-412	640	418	795	6	-371	377
HC Current Expenditures	-18	84	-1	183	47	222	353
NHC Current Expenditures	-394	556	419	612	-41	-593	24
Defense & National Security	62	569	148	439	-92	-615	-180
Civil Ministries	-443	-61	165	35	-3	-9	349
Interest Paid on Loans	-13	48	106	138	54	32	-146
Development Expenditures	132	349	105	284	132	-139	1,076
HC Development Expenditures	-75	227	0	297	40	37	780
NHC Development Expenditures	207	122	105	-14	92	-175	296
Participation & Support Expenditures	-121	19	51	21	173	235	86
Participation Expenditures	48	53	-57	76	48	58	-3
Subsidies & Support Expenses	-169	-34	108	-55	125	178	88
Overall Fiscal Balance	**-2,131**	**-2,000**	**-760**	**350**	**178**	**-1,922**	**1,017**
(%) Percent of GDP	*-7.0*	*-6.9*	*-2.4*	*1.0*	*0.5*	*-6.8*	*3.1*
Primary Fiscal Balance	**-2,144**	**-1,952**	**-653**	**489**	**231**	**-1,891**	**872**
(%) Percent of GDP	*-7.1*	*-6.8*	*-2.1*	*1.4*	*0.7*	*-6.6*	*2.6*
NHC Fiscal Balance	**-205**	**-728**	**-857**	**-957**	**-290**	**238**	**-672**
(%) Percent of NHC GDP	*-0.9*	*-3.3*	*-3.8*	*-4.0*	*-1.2*	*1.1*	*-2.9*
NHC Primary Fiscal Balance	**-218**	**-679**	**-750**	**-819**	**-236**	**270**	**-818**
(%) Percent of NHC GDP	*-1.0*	*-3.1*	*-3.3*	*-3.4*	*-1.0*	*1.3*	*-3.5*

[1] Figures in Table 3 are calculated from fiscal final accounts and the approved budgets for 2015-2021.

Table 4: Percentage Deviations from Budgeted Values [1]

% of budgeted values, unless otherwise indicated	2015	2016	2017	2018	2019	2020	2021
Average Oil Price: Actual minus Assumed (% of (assumed oil price	*-24.7*	*-11.3*	*12.9*	*35.2*	*12.4*	*-17.9*	*42.9*
Total Net Revenues	**-21.8**	**-11.5**	**-2.1**	**15.3**	**4.8**	**-20.5**	**29.6**
Net HC Revenue	-22.0	-15.6	1.6	26.4	7.4	-24.7	52.1
Net Oil Revenue	-26.5	-19.9	5.2	34.2	11.6	-28.4	58.1
Natural Gas Revenue	1.7	-3.4	-8.2	6.3	-4.0	-15.4	40.6
NHC Revenue	-21.0	-1.2	-10.9	-12.4	-2.5	-9.8	-8.3
NHC Current Revenues	-21.6	-11.9	-14.8	-12.8	-0.8	-14.8	-4.2
Capital Revenues & Repayments	3.0	513.6	235.8	-6.8	-15.3	12.4	-64.0
Total Expenditure	**-2.8**	**8.5**	**4.9**	**8.8**	**2.4**	**-2.1**	**14.1**
Total HC Expenditures	-4.5	17.3	-0.1	22.8	3.9	11.6	145.2
Total NHC Expenditures	-2.6	6.9	5.8	6.0	2.1	-4.9	4.0
Current Expenditures	-4.3	7.4	4.9	8.9	0.1	-3.8	4.2
HC Current Expenditures	-3.2	17.1	-0.2	25.4	5.1	23.8	45.2
NHC Current Expenditures	-4.4	6.8	5.2	7.4	-0.5	-6.7	0.3
Defense & National Security	1.6	16.2	4.4	12.7	-2.7	-17.8	-6.1
Civil Ministries	-8.6	-1.3	3.8	0.8	-0.1	-0.2	8.6
Interest Paid on Loans	-25.4	53.8	40.2	28.8	8.5	3.7	-12.1
Development Expenditures	4.1	13.1	3.9	10.3	5.0	-5.3	118.4
HC Development Expenditures	-4.9	17.4	0.0	21.5	3.0	2.8	–
NHC Development Expenditures	12.2	8.9	7.8	-1.0	7.0	-13.5	32.6
Participation & Support Expenditures	-9.2	3.5	9.5	2.7	22.3	30.5	8.9
Participation Expenditures	24.1	35.6	-40.9	189.3	160.3	384.7	-25.0
Subsidies & Support Expenses	-15.2	-8.5	27.3	-7.6	16.8	23.5	9.3
Overall Fiscal Balance	**-85.3**	**-60.6**	**-25.3**	**11.7**	**6.3**	**-76.9**	**45.4**
Primary Fiscal Balance	**-87.5**	**-60.8**	**-23.9**	**19.4**	**10.6**	**-115.3**	**83.8**
NHC Fiscal Balance	**-2.1**	**-9.5**	**-11.8**	**-12.5**	**-3.6**	**3.0**	**-9.8**
NHC Primary Fiscal Balance	**-2.3**	**-9.0**	**-10.7**	**-11.4**	**-3.2**	**3.8**	**-14.4**

[1] Figures in Table 4 are calculated from fiscal final accounts and approved budgets for 2015-2021.