

The year 2017/18 was the first year in the course of the sixth FYDP. The Budget Law for this year was formulated in light of the Vision Plan, the General Policies of the Islamic Republic of Iran, the major policies of the 6th FYDP, and the Budget Circular.

Budgetary Performance

According to Paragraph (A), Note 1, Single Article of Budget Law for 2017/18, the share of the Ministry of Petroleum in total foreign exchange earnings received from the exports of crude oil and natural gas condensate was determined at 14.5 percent for 2017/18. The NDFI and the government had shares of respectively 30.0 and 55.5 percent in receipts from the exports of crude oil, net natural gas, and natural gas condensate (including the share of oil-producing and less-developed regions).

Based on the Budget Law, the sources and uses of government general budget were approved at Rls. 3,467.5 trillion. Approved revenues, including taxes and other revenues (excluding special revenues), totaled Rls. 1,741.0 trillion and approved expenses (excluding special expenditures) amounted to Rls. 2,538.2 trillion. Therefore, the operating balance was projected to have a deficit of Rls. 797.2 trillion in 2017/18.

Approved sources out of disposal of non-financial assets (excluding special revenues) were Rls. 1,189.5 trillion and approved payments out of acquisition of non-financial assets (excluding special expenditures) were Rls. 713.7 trillion. Therefore, the approved operating and non-financial balance (sum of approved operating balance and net disposal of non-financial assets) for 2017/18 was projected to post a deficit of Rls. 321.4 trillion. This was to be financed out of net disposal of financial assets, which was mainly received from sales of Islamic financial instruments in this year.

The composition of the sources of the approved government budget in 2017/18 (excluding special revenues) constituted 50.2 percent receipts from revenues, 34.3 percent receipts from disposal of non-financial assets, and 15.5 percent receipts from disposal of financial assets.

In 2017/18, the uses of the approved government budget (excluding special expenditures) comprised expenses by 73.2 percent, acquisition of non-financial assets by 20.6 percent, and acquisition of financial assets by 6.2 percent.

Reviewing the data related to the Budget performance¹ in 2017/18 revealed that general budget sources (excluding special revenues)

¹ Wherever "approved" is not specified, figures refer to the government's performance.

Chapter 10 FISCAL POLICY AND PERFORMANCE

were financed out of revenues by 52.4 percent, from disposal of non-financial assets by 28.8 percent, and from disposal of financial assets by 18.8 percent. Budget uses (excluding special expenditures) indicated allocation of 75.9 percent for current expenses, 13.8 percent for acquisition of non-financial assets, and 10.3 percent for acquisition of financial assets.

Government revenues, including taxes and other revenues (excluding special revenues), amounted to Rls. 1,676.0 trillion, indicating 14.7 percent increase compared with 2016/17 and 96.3 percent realization compared with the approved figure. Out of total revenues, Rls. 1,158.4 trillion was received from taxes and Rls. 517.7 trillion from other revenues.

In 2017/18, government expenses (current expenditures, excluding special expenditures) grew by 17.2 percent compared with the year before to reach Rls. 2,429.4 trillion. This was 4.3 percent lower than the figure approved in the budget. Thus, based on the performance of government revenues and

expenses, the operating balance ran a deficit of Rls. 753.3 trillion. Receipts from disposal of non-financial assets, including sales of crude oil and oil products, movable and immovable assets, and disposal of projects related to acquisition of non-financial assets, rose 24.2 percent compared with 2016/17 to reach Rls. 922.9 trillion in 2017/18. This was 22.4 percent lower than the approved figure.

Figure 10.1. Composition of government budget sources

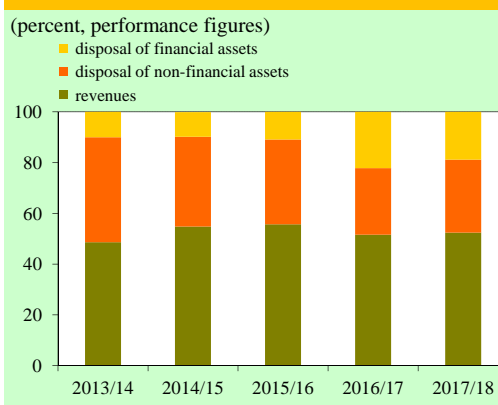
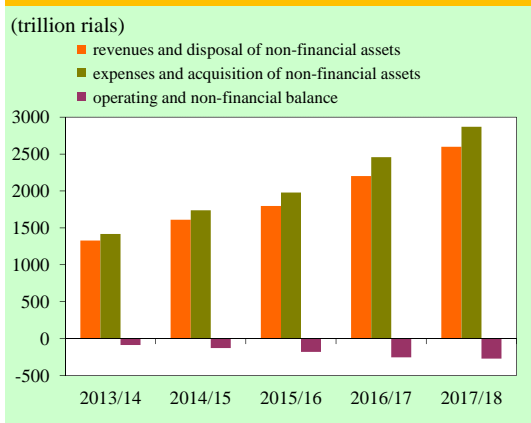


Table 10.1. Sources and Uses of Government General Budget¹ (trillion rials-percent)

	Approved			Share in total	Performance			Share in total		
	2016/17	2017/18	Change (%)		2016/17	2017/18	Change (%)			
Sources	2,943.9	3,467.5	17.8	100.0	100.0	2,831.6	3,200.3	13.0	100.0	100.0
Revenues	1,573.8	1,741.0	10.6	53.5	50.2	1,460.7	1,676.0	14.7	51.6	52.4
Disposal of non-financial assets	790.5	1,189.5	50.5	26.9	34.3	742.8	922.9	24.2	26.2	28.8
Disposal of financial assets	579.6	537.0	-7.3	19.7	15.5	628.1	601.4	-4.3	22.2	18.8
Uses	2,943.9	3,467.5	17.8	100.0	100.0	2,831.6	3,200.3	13.0	100.0	100.0
Expenses	2,137.6	2,538.2	18.7	72.6	73.2	2,072.3	2,429.4	17.2	73.2	75.9
Acquisition of non-financial assets	574.8	713.7	24.2	19.5	20.6	386.6	441.8	14.3	13.7	13.8
Acquisition of financial assets	231.5	215.7	-6.8	7.9	6.2	372.7	329.1	-11.7	13.2	10.3

Source: Annual Budget Laws, Ministry of Economic Affairs and Finance.

¹Excludes special revenues and expenditures.

Figure 10.2. Government fiscal position

Disbursements on the acquisition of non-financial assets (development expenditures) rose 14.3 percent to Rls. 441.8 trillion, signifying 61.9 percent realization compared

with the approved figure. Therefore, net disposal of non-financial assets posted a surplus of Rls. 481.1 trillion in 2017/18.

Considering revenues and expenses as well as disposal and acquisition of non-financial assets, the operating and non-financial balance (sum of operating balance and net disposal of non-financial assets) registered a deficit of Rls. 272.3 trillion in 2017/18, indicating 6.6 percent increase compared with the year before. This was 15.3 percent lower than the figure approved in the Budget.

Disposal of financial assets amounted to Rls. 601.4 trillion and acquisition of financial assets totaled Rls. 329.1 trillion. Therefore, net disposal of financial assets recorded Rls. 272.3 trillion surplus, which covered the deficit in the operating and non-financial balance.

Table 10.2. Government Fiscal Position¹

	(trillion rials)				
				Percentage change	
	2015/16	2016/17	2017/18	2016/17	2017/18
Revenues	1,123.7	1,460.7	1,676.0	30.0	14.7
Tax revenue	791.9	1,014.7	1,158.4	28.1	14.2
Other government revenues	331.9	446.0	517.7	34.4	16.1
Expenses (current)	1,706.9	2,072.3	2,429.4	21.4	17.2
Operating balance	-583.1	-611.7	-753.3	4.9	23.2
Disposal of non-financial assets	673.6	742.8	922.9	10.3	24.2
Acquisition of non-financial assets (development expenditures)	272.0	386.6	441.8	42.1	14.3
Net disposal of non-financial assets	401.6	356.2	481.1	-11.3	35.1
Operating and non-financial balance	-181.6	-255.5	-272.3	40.7	6.6
Ratio to GDP (current prices)					
	Percent			Change (percentage points)	
				2016/17	2017/18
	2015/16	2016/17	2017/18		
Revenues	10.1	11.5	11.3	1.4	-0.2
Tax revenue	7.1	8.0	7.8	0.9	-0.2
Other government revenues	3.0	3.5	3.5	0.5	*
Expenses (current)	15.3	16.3	16.4	1.0	0.1
Operating balance	-5.2	-4.8	-5.1	0.4	-0.3
Disposal of non-financial assets	6.1	5.8	6.2	-0.2	0.4
Acquisition of non-financial assets (development expenditures)	2.4	3.0	3.0	0.6	*
Net disposal of non-financial assets	3.6	2.8	3.2	-0.8	0.4
Operating and non-financial balance	-1.6	-2.0	-1.8	-0.4	0.2

Source: Ministry of Economic Affairs and Finance.

¹Excludes special revenues and expenditures.

Figure 10.3. Ratio of selected budget figures to GDP

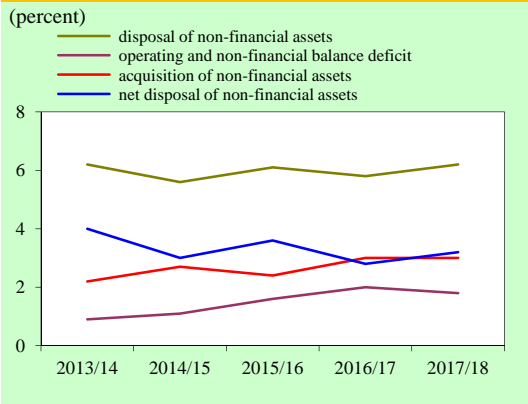


Figure 10.4. Ratio of selected budget figures to GDP

