

The year 2018/19 was the second 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 Circulars.

Budgetary Performance

According to Paragraph (A), Note 1, Budget Law for 2018/19, the share of the National Iranian Oil Company (NIOC) in total foreign exchange earnings received from the exports of crude oil, natural gas condensate, and natural gas was determined at 14.5 percent. The NDFI and the government had shares of respectively 32.0 and 53.5 percent in receipts from the exports of crude oil, natural gas condensate, and natural gas (including the share of oil-producing and less-developed regions).

Based on the Budget Law, the sources of the government general budget were approved at Rls. 3,867.9 trillion. Accordingly, the uses were also approved at Rls. 3,867.9 trillion. Approved revenues, including taxes and other revenues (excluding special revenues), totaled Rls. 2,161.9 trillion and approved expenses (excluding special expenditures) amounted to Rls. 2,939.9 trillion. Therefore, the operating balance was projected to post a deficit of Rls. 778.1 trillion in 2018/19.

Approved sources out of the disposal of non-financial assets (excluding special revenues) were set at Rls. 1,075.6 trillion and approved payments out of the acquisition of non-financial assets (excluding special expenditures) were set at Rls. 620.0 trillion. Therefore, the approved operating and non-financial balance (sum of the approved operating balance and the net disposal of non-financial assets) was projected to record a deficit of Rls. 322.5 trillion in 2018/19. This was to be financed out of the net disposal of financial assets, which was to be mainly received from the sales of Islamic financial instruments.

The composition of the sources of the approved government budget in 2018/19 (excluding special revenues) constituted 55.9 percent receipts from revenues, 27.8 percent receipts from disposal of non-financial assets, and 16.3 percent receipts from disposal of financial assets. The uses of the approved government budget (excluding special expenditures) comprised expenses by 76.0 percent, acquisition of non-financial assets by 16.0 percent, and acquisition of financial assets by 8.0 percent.

Reviewing the data related to the Budget performance¹ of 2018/19 reveals that the general budget sources (excluding special revenues) were financed out of revenues by

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

47.2 percent, disposal of non-financial assets by 28.5 percent, and disposal of financial assets by 24.4 percent. Budget uses, excluding special expenditures, indicated allocation of 71.2 percent for current expenses, 13.5 percent for acquisition of non-financial assets, and 15.3 percent for acquisition of financial assets.

Government revenues, including taxes and other revenues (excluding special revenues), amounted to Rls. 1,838.4 trillion, indicating 9.7 percent increase compared with 2017/18 and 85.0 percent realization compared with the approved figure. Out of total revenues, Rls. 1,264.3 trillion was received from taxes and Rls. 574.0 trillion from other revenues.

In 2018/19, government expenses (current expenditures, excluding special expenditures) grew by 14.3 percent compared with the year before to reach Rls. 2,776.2 trillion. This was 5.6 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. 937.9 trillion. Receipts from disposal of non-financial assets, including sales of crude oil and oil products, sales of movable and immovable assets, and the disposal of projects related to the acquisition of non-financial assets, increased by 20.2 percent to reach Rls. 1,109.2 trillion. This was 3.1 percent higher than the approved figure.

Figure 10.1. Composition of government budget sources

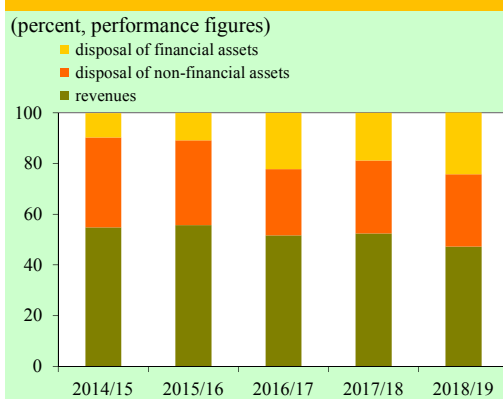


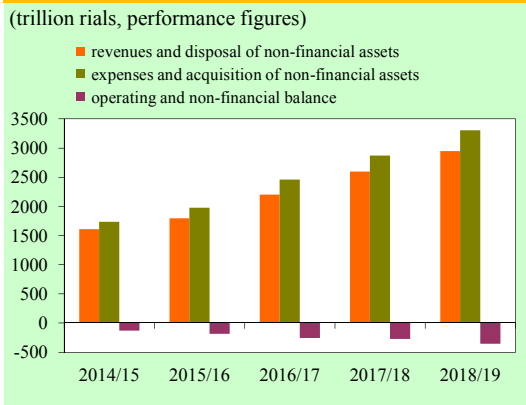
Table 10.1. Sources and Uses of Government General Budget¹ (trillion rials-percent)

	Approved			Change (%)	Share in total		Performance			Change (%)	Share in total	
	2017/18	2018/19			2017/18	2018/19	2017/18	2018/19			2017/18	2018/19
Sources	3,467.5	3,867.9	11.5	100.0	100.0	3,200.3	3,898.2	21.8	100.0	100.0		
Revenues	1,741.0	2,161.9	24.2	50.2	55.9	1,676.0	1,838.4	9.7	52.4	47.2		
Disposal of non-financial assets	1,189.5	1,075.6	-9.6	34.3	27.8	922.9	1,109.2	20.2	28.8	28.5		
Disposal of financial assets	537.0	630.4	17.4	15.5	16.3	601.4	950.7	58.1	18.8	24.4		
Uses	3,467.5	3,867.9	11.5	100.0	100.0	3,200.3	3,898.2	21.8	100.0	100.0		
Expenses	2,538.2	2,939.9	15.8	73.2	76.0	2,429.4	2,776.2	14.3	75.9	71.2		
Acquisition of non-financial assets	713.7	620.0	-13.1	20.6	16.0	441.8	525.9	19.0	13.8	13.5		
Acquisition of financial assets	215.7	307.9	42.8	6.2	8.0	329.1	596.1	81.1	10.3	15.3		

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 19.0 percent to Rls. 525.9 trillion, 15.2 percent lower compared with the approved

figure. Thus, the net disposal of non-financial assets posted a surplus of Rls. 583.2 trillion in 2018/19.

Considering revenues and expenses as well as disposal and acquisition of non-financial assets, the operating and non-financial balance (sum of the operating balance and the net disposal of non-financial assets) registered a deficit of Rls. 354.6 trillion in 2018/19, indicating 30.2 percent increase compared with 2017/18. This was 10.0 percent higher than the figure approved in the Budget.

Disposal of financial assets amounted to Rls. 950.7 trillion and acquisition of financial assets totaled Rls. 596.1 trillion. Therefore, the net disposal of financial assets recorded Rls. 354.6 trillion surplus, which covered the deficit in the operating and non-financial balance.

Table 10.2. Government Fiscal Position¹

	(trillion rials)				
				Percentage change	
	2016/17	2017/18	2018/19	2017/18	2018/19
Revenues	1,460.7	1,676.0	1,838.4	14.7	9.7
Tax revenue	1,014.7	1,158.4	1,264.3	14.2	9.1
Other government revenues	446.0	517.7	574.0	16.1	10.9
Expenses (current)	2,072.3	2,429.4	2,776.2	17.2	14.3
Operating balance	-611.7	-753.3	-937.9	23.2	24.5
Disposal of non-financial assets	742.8	922.9	1,109.2	24.2	20.2
Acquisition of non-financial assets (development expenditures)	386.6	441.8	525.9	14.3	19.0
Net disposal of non-financial assets	356.2	481.1	583.2	35.1	21.2
Operating and non-financial balance	-255.5	-272.3	-354.6	6.6	30.2

Ratio to GDP (at current prices)

	Percent			Change (percentage points)	
				2017/18	2018/19
	2016/17	2017/18	2018/19		
Revenues	11.5	11.3	9.9	-0.2	-1.4
Tax revenue	8.0	7.8	6.8	-0.2	-1.0
Other government revenues	3.5	3.5	3.1	*	-0.4
Expenses (current)	16.3	16.4	14.9	0.1	-1.5
Operating balance	-4.8	-5.1	-5.0	-0.3	0.1
Disposal of non-financial assets	5.8	6.2	6.0	0.4	-0.3
Acquisition of non-financial assets (development expenditures)	3.0	3.0	2.8	-0.1	-0.2
Net disposal of non-financial assets	2.8	3.2	3.1	0.4	-0.1
Operating and non-financial balance	-2.0	-1.8	-1.9	0.2	-0.1

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

¹Excludes special revenues and expenditures.

Figure 10.3. Ratio of selected budget figures to GDP (at current prices)

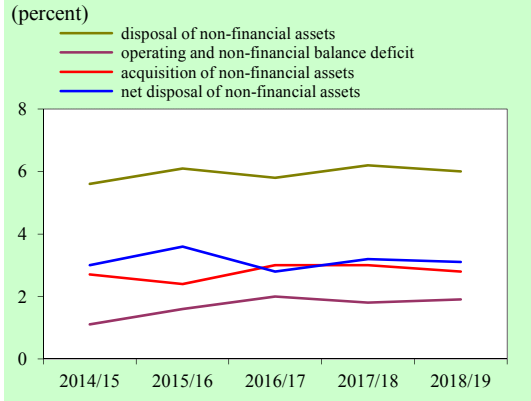


Figure 10.4. Ratio of selected budget figures to GDP (at current prices)

