CHAPTER 11

FISCAL POLICY AND PERFORMANCE

The year 2021/22 was the fifth year in the course of the 6th FYDP. The Budget Law for this year was formulated in light of the Vision Plan and the General Policies of the Islamic Republic of Iran, the major policies of the 6th FYDP, and the Budget Circulars.

11.1. Budget Highlights

Based on Paragraph (A), Note (1), Budget Law for 2021/22, the share of the National Iranian Oil Company (NIOC) in the exports of oil (crude oil, natural gas condensate, and net exports of natural gas) was approved at 14.5 percent. Moreover, the share of the NDFI in receipts from oil exports and natural gas condensate, up to one million barrels per day, and the net exports of natural gas was set at 20.0 percent and that in the exports of crude oil and natural gas condensate of more than one million barrels per day, at 38 percent. In addition, the share of the government (including the share of oil-producing and less-developed regions) in receipts from oil exports up to one million barrels per day was determined at 65.5 percent.

Based on the Budget Law for 2021/22, the sources of the government general budget (excluding special revenues) were approved at Rls. 12,779.2 trillion and the uses of the government budget (excluding special expenses) were also approved at Rls. 12,779.2 trillion. The approved revenues, including taxes and other revenues, totaled Rls. 4,549.0 trillion, and the approved expenses came to Rls. 9,189.2 trillion in 2021/22. Thus, the operating balance would record a deficit of Rls. 4,640.2 trillion. The approved sources out of the disposal of the non-financial assets were set at Rls. 3,955.5 trillion and the approved payments out of the acquisition of non-financial assets were set at Rls. 1,762.6 trillion. Therefore, the approved operating and non-financial balance (the sum of the approved operating balance and the net disposal of the non-financial assets) would run a deficit of Rls. 2,447.3 trillion in 2021/22. This was to be financed out of the net disposal of financial (excess) assets, which was to be mainly received from the sales of Islamic financial instruments, as well as the utilization of the NDFI resources.

The sources of the approved government budget in 2021/22 constituted 35.6 percent of receipts from the revenues, 31.0 percent of receipts from the disposal of the non-financial assets, and 33.5 percent receipts from the disposal of the financial assets. The uses of the approved government budget in 2021/22 comprised the expenses by 71.9 percent, the acquisition of the non-financial assets by 13.8 percent, and the acquisition of the financial assets by 14.3 percent.

Data related to the budget performance for 2021/22 indicate that the general sources of the budget were financed out of the revenues by 45.0 percent, out of the disposal of the non-financial assets by 21.7 percent, and out of the disposal of the financial assets by 33.3 percent. The general uses of the budget in the year under review indicated the allocation of 73.3 percent for the current expenses, 12.8 percent for the acquisition of the non-financial assets, and 14.0 percent for the acquisition of the financial assets.

Figure 11.1. Composition of Budget Sources

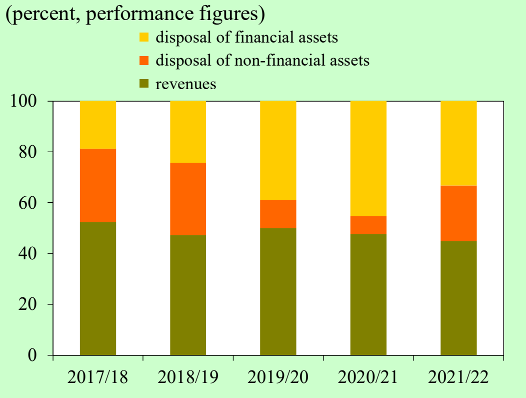
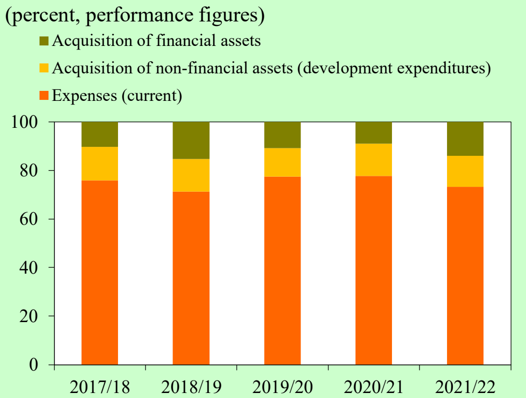


Figure 11.2. Composition of Budget Uses



11.2. Budget Performance

Government revenues, including taxes and other revenues, increased by 77.9 percent compared with 2020/21 to reach Rls. 4,965.8 trillion in 2021/22, constituting 109.2 percent of the approved figure. Out of total revenues, a sum of Rls. 3,258.6 trillion was received from taxes, and Rls. 1,707.2 trillion was related to other revenues. Government current expenses indicated an increase of 78.0 percent, compared with the year before, to Rls. 8,091.8 trillion, constituting 88.1 percent of the approved figure. Therefore, based on the performance of the government revenues and expenses, the operating balance recorded a deficit of Rls. 3,126.0 trillion. Receipts from the disposal of the non-financial assets, including the sales of crude oil and natural gas condensate, the sales of the movable and immovable assets, and the transfer of the unfinished government projects to the private sector, rose by 496.3 percent compared with 2020/21, to amount to Rls. 2,400.3 trillion in 2021/22, constituting 60.7 percent of the approved figure. Meanwhile, the disbursements on the acquisition of the non-financial assets (development expenditures) increased by 81.9 percent compared with the year before, to reach Rls. 1,409.0 trillion in 2021/22. This was 20.1 percent lower than the approved figure. On this basis, the net disposal of the non-financial assets posted a surplus of Rls. 991.3 trillion in 2021/22, indicating a change of -366.4 percent compared with the deficit of the year before (Rls. -372.1 trillion).

Table 11.1. Sources and Uses of Government General Budget[1] (trillion rials-percent)

	Approved		Change (%)	Share in total		Performance		Change (%)	Share in total	
	2020/21	2021/22		2020/21	2021/22	2020/21	2021/22		2020/21	2021/22
Sources	**5,710.1**	**12,779.2**	**123.8**	**100.0**	**100.0**	**5,848.1**	**11,044.9**	**88.9**	**100.0**	**100.0**
Revenues	2,888.0	4,549.0	57.5	50.6	35.6	2,791.6	4,965.8	77.9	47.7	45.0
Disposal of non-financial assets	1,074.9	3,955.5	268.0	18.8	31.0	402.6	2,400.3	496.3	6.9	21.7
Disposal of financial assets	1,747.3	4,274.7	144.7	30.6	33.5	2,653.9	3,678.8	38.6	45.4	33.3
Uses	**5,710.1**	**12,779.2**	**123.8**	**100.0**	**100.0**	**5,848.1**	**11,044.9**	**88.9**	**100.0**	**100.0**
Expenses (current)	4,360.3	9,189.2	110.7	76.4	71.9	4,547.0	8,091.8	78.0	77.8	73.3
Acquisition of non-financial assets	879.8	1,762.6	100.3	15.4	13.8	774.7	1,409.0	81.9	13.2	12.8
Acquisition of financial assets	470.0	1,827.4	288.8	8.2	14.3	526.4	1,544.1	193.3	9.0	14.0

Source: Annual Budget Laws, Ministry of Economic Affairs and Finance
[1] Excludes special revenues and expenses.

Considering revenues and expenses as well as the disposal and acquisition of non-financial assets, the operating and non-financial balance (the sum of the operating balance and the net disposal of the non-financial assets) registered a deficit of Rls. 2,134.8 trillion, up by 0.3 percent. This was 12.8 percent lower than the figure approved in the Budget. The disposal of the financial assets amounted to Rls. 3,678.8 trillion and the acquisition of the financial assets totaled Rls. 1,544.1 trillion. Therefore, the net disposal of financial assets recorded a surplus of Rls. 2,134.8 trillion, which covered the deficit in the operating and non-financial balance.

Tax revenue, including direct and indirect taxes, increased by 57.6 percent compared with 2020/21, to amount to Rls. 3,258.6 trillion in 2021/22, accounting for 100.2 percent of the figure approved in the budget. Out of total tax revenue, Rls. 1,855.2 trillion (56.9 percent) was related to direct tax and Rls. 1,403.4 trillion (43.1 percent) was in the form of indirect tax. Direct and indirect taxes indicated increases of 59.5 and 55.1 percent, respectively. The other government revenues, including the revenues received from the "government ownership", "sales of goods and services", and "fines and penalties", as well as the "miscellaneous revenues" increased by 135.9 percent compared with the year before to Rls. 1,707.2 trillion in 2021/22, which was 31.7 percent higher than the approved budget. "Revenues received from government ownership" amounted to Rls. 721.4 trillion, which was 48.7 percent higher than the approved figure and indicated an increase of 94.8 percent compared with 2020/21. Miscellaneous revenues rose by 293.5 percent to Rls. 733.3 trillion, which was 32.0 percent higher than the approved figure. Revenues received from "sales of goods and services" and "fines and penalties" amounted to Rls. 158.2 trillion and Rls. 94.3 trillion, respectively.

Table 11.2. Government Fiscal Position (performance figures)[1] (trillion rials)

	2019/20	2020/21	2021/22	Percentage change 2020/21	Percentage change 2021/22
Revenues	**2,171.8**	**2,791.6**	**4,965.8**	**28.5**	**77.9**
Tax revenue	1,608.4	2,067.8	3,258.6	28.6	57.6
Other government revenues	563.4	723.8	1,707.2	28.5	135.9
Expenses (current)	**3,367.9**	**4,547.0**	**8,091.8**	**35.0**	**78.0**
Operating balance	**-1,196.0**	**-1,755.4**	**-3,126.0**	**46.8**	**78.1**
Disposal of non-financial assets	**475.6**	**402.6**	**2,400.3**	**-15.4**	**496.3**
Acquisition of non-financial assets (development expenditures)	**506.3**	**774.7**	**1,409.0**	**53.0**	**81.9**
Net disposal of non-financial assets	**-30.7**	**-372.1**	**991.3**	**#**	**-366.4**
Operating and non-financial balance	**-1,226.7**	**-2,127.5**	**-2,134.8**	**73.4**	**0.3**

Ratio to GDP (at current prices)[2] (base year 2016/17)

	Percent 2019/20	Percent 2020/21	Percent 2021/22	Change (percentage points) 2020/21	Change (percentage points) 2021/22
Revenues	**8.2**	**7.0**	**7.6**	**-1.2**	**0.6**
Tax revenue	6.1	5.2	5.0	-0.9	-0.2
Other government revenues	2.1	1.8	2.6	-0.3	0.8
Expenses (current)	**12.7**	**11.4**	**12.4**	**-1.3**	**1.0**
Operating balance deficit	**-4.5**	**-4.4**	**-4.8**	**0.1**	**-0.4**
Disposal of non-financial assets	**1.8**	**1.0**	**3.7**	**-0.8**	**2.7**
Acquisition of non-financial assets (development expenditures)	**1.9**	**1.9**	**2.2**	**0.0**	**0.2**
Net disposal of non-financial assets	**-0.1**	**-0.9**	**1.5**	**-0.8**	**2.5**
Operating and non-financial balance deficit	**-4.6**	**-5.3**	**-3.3**	**-0.7**	**2.1**

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

[1] Excludes special revenues and expenses.

[2] Calculated through dividing the performance figures by the GDP figures at current prices, multiplying the result by 100.

Considering the performance of the government revenues at Rls. 4,965.8 trillion and the expenses at Rls. 8,091.8 trillion, the deficit of the operating balance of the government budget rose by 78.1 percent compared with the year before, to amount to Rls. 3,126.0 trillion, 32.6 percent lower than the figure approved in the budget. The deficit of the operating and non-financial balance (the sum of the operating balance and the net disposal of the non-financial assets) at Rls. 2,134.8 trillion in 2021/22, constituted a share of -3.3 percent of the GDP at current prices. This indicated a change of about 2.1 percentage points compared with -5.3 percent in 2020/21.

Figure 11.3. Government Fiscal Position

(trillion rials, performance figures)

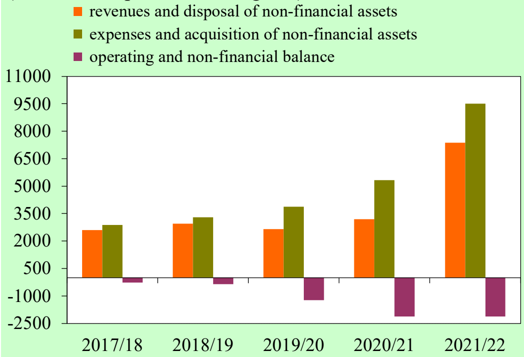


Figure 11.4. Ratio of Selected Budget Figures to GDP at Current Prices (base year 2016/17)

(percent, performance figures)

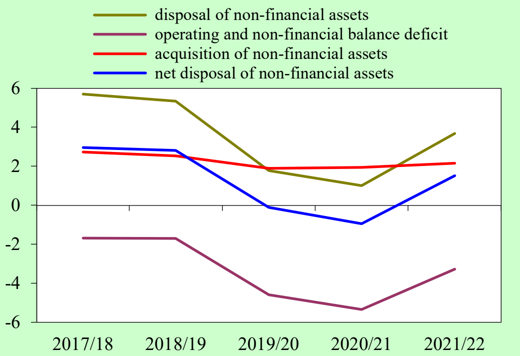


Figure 11.5. Ratio of Selected Budget Figures to GDP at Current Prices (base year 2016/17)

(percent, performance figures)