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Is Iran's Economy Growing? An Assessment of the IMF's 2011 Report on Iran

Prof. Nader Habibi

In August 2011, the International Monetary Fund (IMF) published an assessment of Iran's economy that projected a relatively positive economic future. This report followed another optimistic IMF report on Iran's subsidy reform program that had been released only a month earlier.¹ Both reports were based on the findings of the IMF team's June 2011 visit to Iran and its follow-up contacts with government officials in the Ministry of Economy and the Central Bank. The IMF regularly releases similar economic assessment reports for all member states (commonly referred to as Article IV reports), but these reports rarely attract media attention or provoke strong political reactions. The above-mentioned reports on the Islamic Republic of Iran, however, were exceptions.² Immediately after its release, the August report was criticized in a *Wall Street Journal* article, followed by a series of commentaries by analysts inside and outside of Iran who were critical of the report's assumptions and conclusions. The common concern expressed by these critics was that the new IMF projections of Iran's growth prospects were too optimistic. Some critics questioned the report's impartiality, while others doubted the accuracy of the economic data used by IMF analysts to generate their optimistic assessments.

The attention that these IMF reports have received is a result of the ongoing tensions between Iran and Western powers over Iran's nuclear program. The United States and its European allies have implemented several rounds of unilateral economic sanctions on Iran with the stated goal of imposing economic pressure on the ruling Islamic regime until it agrees to stop its alleged nuclear weapons program. Political leaders and policy makers on both sides of this conflict are closely monitoring the impact of the sanctions on Iran's economy. For its part, the Iranian government is interested in demonstrating that despite economic sanctions, its domestic economy has remained strong and has continued to grow. Sanctions advocates in the United States and elsewhere, on the other hand, are looking for signs—such as slower economic growth—that the sanctions are imposing serious economic constraints on the Iranian economy.³ Thus, the IMF projections of 3% to 4% economic growth in the near future, if they are realized, would be an indication that the sanctions were not working.

Against this backdrop, this Brief critically examines the IMF's August 2011 report on the Iranian economy. It first evaluates the two main factors that account for the report's positive assessment of Iran's economy: the prospects of Iran's non-oil sectors and the supposed success of the 2010 subsidy removal reforms. It then discusses the report in relation to the current sanctions against Iran, as well as with respect to Iran's problems of domestic governance, on the one hand, and the resilient aspects of Iran's economy, on the other.

Economic Growth Prospects

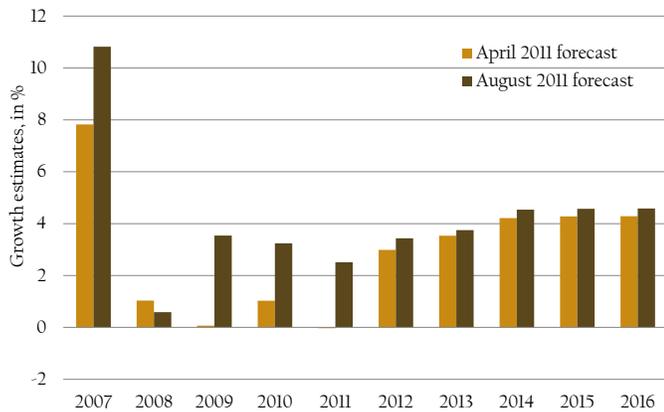
The International Monetary Fund August 2011 report's analysis of the Iranian economy has two distinct components: a) an evaluation of current macroeconomic conditions and of the medium-term outlook for Iran, and b) an assessment of Iran's ongoing economic reform policies, with a special emphasis on the subsidy reform program (which was addressed in more detail in the July report). These are followed by a set of economic policy recommendations that reflect the core values of the IMF: recommendations that are often known as the Washington Consensus and are prescribed by the IMF to most member states. They include exchange rate and financial deregulation, creation of a business-friendly economic climate, liberal trade policies, a balanced fiscal budget, and a conservative monetary policy to assure price stability.

The August report's evaluation of current economic conditions in Iran led it to offer a relatively positive assessment of the country's near- and medium-term economic prospects. Accordingly, the economic growth projections for Iran for 2009–2011 were revised upward in comparison with the IMF's April 2011 projections that had been released only a few months earlier. Based on the revised economic data, the annual growth estimate for 2009 was changed from 0.06% to 3.53%; the growth estimate for 2010 was also revised upward, from 1.02% to 3.24%. And the IMF revised its growth projection for the Iranian economy in 2011, from -.03% to 2.51%. These changes signified a visible change in the IMF's economic outlook for Iran. (See figure 1.) The report also predicts better growth prospects for 2012–16, with a projected average annual growth rate of 4.18%.⁴

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Figure 1: IMF Forecasts of Economic Growth for Iran

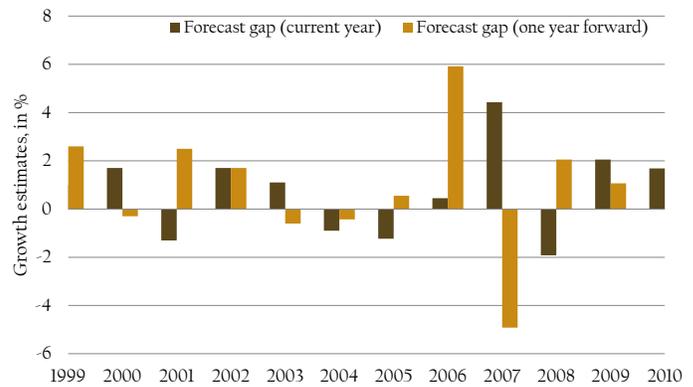


Source: Data from IMF, Islamic Republic of Iran: 2011 Article IV Consultation—Staff Report. (See footnote 2.)

Some commentators and Iran watchers have questioned the impartiality of IMF forecasts for Iran and have suggested a politically motivated bias in the August revisions, which sharply increased growth projections for 2010 and 2011. On the other hand, the government of Iran was angered by the low growth projections in the April 2011 forecast and accused the IMF of trying to appease the United States by forecasting weak economic growth prospects. In order to address the possibility of systematic and consistent bias in IMF growth forecasts for Iran, I have compared the IMF forecasts for the Iranian economy for the 1999–2010 period with realized growth rates. (See figure 2.) As shown in figure 2, IMF’s same-year growth estimates (e.g., the growth estimate for 2010 that was released during the same year) underestimated the actual growth rate in eight of the twelve years reported in this graph; and the one-year-forward forecasts (e.g., the 2010 forecast for the growth rate in 2011) underestimated actual growth in eight of the eleven years and overestimated it in the remaining three. These findings allow us to reject the possibility that the August IMF report resulted from a systemic positive bias in IMF reports on Iran’s economy. If anything, we see that in most years the IMF has underestimated Iran’s actual economic growth.

The IMF routinely generates economic forecasts for all of its members, and economists have used sophisticated statistical methods to search for bias in these forecasts. They have found that the underestimation (negative bias) in IMF forecasts for Iran reported above is in line with IMF forecasting behavior generally. Dreher, Marchesi, and Vreeland draw on a large database of IMF forecasts for all member countries and find that IMF forecasts for non-OECD countries⁵, such as those in the Middle East region, tend to be pessimistic in general: more likely to underestimate future growth rates than to overestimate them.⁶

Figure 2: Accuracy of IMF Growth Forecasts for Iran



Note: A positive value means actual growth rate was higher than the IMF forecast. Growth numbers reported in percentage.

Source: IMF, *World Economic Outlook Database* (Washington D.C., various years).

So if the IMF has exhibited a tendency to underestimate Iran’s growth performance, it has not singled out that country; rather, it is a systematic bias that affects IMF’s forecasts for many developing countries. But in light of this general tendency toward underestimation, what should we make of the August 2011 revisions to IMF’s April projections, which resulted in a more optimistic growth forecast? Is this positive forecast more accurate than the previous one, or is it *too* optimistic, as some critics have claimed? In my judgment, the August forecast was arrived at using a more up-to-date data set with respect to some aspects of Iran’s economy.⁷ In addition, the June 2011 visit to Iran by the IMF team gave it a chance to learn about the government’s economic reform plans in more detail and thereby generate a more accurate assessment of Iran’s potential to facilitate economic growth. Yet at the same time it appears that the August forecast was arrived at based on an inadequate assessment of the geopolitical risks to Iran’s economy, and as a result its growth predictions are, in fact, too optimistic.

A better understanding of IMF’s positive assessments of 2011 and 2012 growth prospects can be acquired by looking at its projections for the performance of the oil and non-oil sectors of Iran’s economy separately. While the high price of oil has benefited the Iranian economy in many ways, the output of the oil sector has remained relatively stagnant in recent years when measured in real terms. The economic weakness of the 2008 fiscal year (see figure 1) was mostly the result of a 2% decline in the output of the oil and gas sector. The non-oil sector of the economy registered a negligible growth of 0.9%, which was a sharp decline in comparison with its 10.5% growth in the previous fiscal year.⁸ The August 2011 IMF report argues that the relatively better economic growth rates of the last two fiscal years (2009/10 and 2010/11) were driven entirely

by the non-oil sector, while the output of the oil and gas sector suffered another 3.7% decline (as reported in Table 2 of the Article IV report). The report further projects that in the next fiscal year (2011/12), the non-oil sector will continue to grow at a faster pace than the oil sector. The report is particularly optimistic about the positive impact of recent economic reforms. But it appears that the report has underestimated the impact of several risk factors on the performance of the non-oil sector, particularly manufacturing.

Growth Projections for the Non-Oil Sector

The non-oil sector includes all industrial activity other than oil and gas, along with agriculture and services. The Article IV report argues that Iran's non-oil sector will be supported by the injection of large oil revenues into the economy as well as by improved output on the part of the agricultural sector. It further argues that the current economic reforms, including deregulation, will play an important role in energizing the non-oil sector and improving its growth prospects for the next five years. If Iran's economy were operating in a normal geopolitical environment, these projections might have been reasonable. But the international and domestic environment that currently surrounds Iran is anything but normal—with the result that the non-oil sector is vulnerable to several political and diplomatic risks that should be taken into account.

To begin with, the manufacturing sector of the economy is highly dependent on imports of machinery and intermediate inputs, both of which have become more difficult to acquire as a result of the worsening sanctions. The escalating sanctions of the past three years have forced manufacturers to shift from European suppliers to Asian suppliers—and transactions with these new suppliers have also become more difficult. Since Western governments are moving in the direction of more restrictive economic sanctions, the manufacturing sector might face even greater difficulties in the future.

In addition, domestic manufacturing has come under pressure from the sharp increase in the flow of Chinese imports. These imports are tolerated by the government in part as a reward for China's willingness to buy oil from Iran and invest in some joint ventures inside Iran despite pressure from the United States. U.S. financial sanctions, however, are also forcing Iran to engage in barter trade with China, whereby Chinese goods are accepted as payment for some of its oil exports to that country.⁹ The abundance of inexpensive Chinese products has resulted in market losses for many domestic textile and light manufacturing units.

The abundance of Chinese imports is also a reflection of President Ahmadinejad's populist economic priorities. Appeasing consumers and preserving their purchasing power through cheap imports is one of several populist economic policies that he has implemented in the past six years. This liberal imports policy probably also enjoys broad support within the regime as a mechanism for reducing the risk of urban unrest and social protests that might be brought on by economic discontent—but it comes at the expense of domestic firms in many industries such as textiles, shoes, and machine-made carpets, which cannot compete with these cheap imports. Since this approach is likely to continue over the next two years, Iran's domestic non-oil industries will remain under pressure.

Industrial units have also been harmed by the haphazard way in which the price liberalization and subsidy removal reforms have been implemented. The subsidy removal plan that was finally introduced in December 2010, after several months of hesitation and delay, called for allocating a portion of the government's savings on subsidy costs to industrial units, in order to offset the higher costs of fuel and other goods that would no longer be subsidized. Fuel prices indeed increased substantially after the removal of subsidies, but the Iranian government has reneged on its promise of direct cash assistance to manufacturers. Instead, it has given in to populist pressure and distributed all of these subsidy savings to consumers, as per capita monthly cash payments. These cash payments amounted to 400,000 rials (equivalent to \$40 in December 2010 per person per month and were offered to all citizens as automatic monthly deposits into their bank accounts.¹⁰

The cost of these cash payments soon exceeded the allotted 50% of subsidy removal savings, but the government continued to finance them, at the expense of the 20% that was designated for assistance to producers and enterprises. Soon after the reforms were introduced, trade unions and industry representatives complained about the delay in the delivery of promised subsidies. It was not until September 2011, nearly ten months after the implementation of this program, that the government agreed to fulfill its commitment to producers. Yet it is not clear that it can follow through with this promise, because the cash transfers to consumers have proven very costly.

At the same time that the subsidies were removed, the government took another populist step at the expense of producers and industrial units: In order to reduce the risk of sharp price rises and high inflation rates after the removal of subsidies, it imposed a price freeze on a wide range of products produced by the private sector.¹¹ Many domestic producers were thereby unable to pass on their

higher fuel and utility costs to their customers by raising their prices, and as a result had to endure large losses—losses that forced many productive units to either cut back their activities or stop their operations altogether. The IMF's August 2011 report's expectation that the subsidy removals would result in efficiency gains in production and increased economic activity might as a consequence not be realized in the near term.

The Impact of Sanctions

The August 2011 IMF report's minimal coverage of the impact of sanctions on the Iranian economy underestimates the adverse impact of sanctions on likely economic growth during the coming years. Although sanctions are mentioned in several areas of the report (on pages 5, 8, 9, 10, 11, and 44), the analysis in each case is very limited. Yet these sanctions have become more intrusive and more disruptive since 2008, when the United States and major European governments introduced a series of unilateral financial sanctions, disrupting the international banking transactions between Iran and some of its trade partners. Since international trade is fully dependent on international financial institutions for the transfer and clearance of import and export payments, the refusal of some major international banks to do business with Iranian banks and Iranian businesses has caused costly disruptions in Iran's export and import flows. India, for example, faced difficulty paying for its oil purchases from Iran in the first half of 2011 because of banking sanctions.¹²

Aside from making international transactions more difficult, another noticeable impact of the sanctions is the discouragement of foreign investment in Iran's key industries, such as oil and gas. Beyond these obvious impacts, however, two other consequences of the sanctions, which have received less attention, are worth considering. First, the government is extremely concerned about the public discontent and political unrest that result from the economic hardships caused by the sanctions. The fear is that because of the widespread political discontent that surfaced in the 2009 post-election uprisings, any social unrest triggered by economic hardship could get out of hand and threaten the stability of the ruling regime. With this in mind, the government has resorted to populist economic policies to preserve the average consumer's purchasing power—devoting a large portion of the country's oil revenues, for example, to the importation of affordable-price consumer goods. As we explained earlier, the Ahmadinejad government's preoccupation with appeasing consumers has distorted the implementation of the subsidy reforms.

The second indirect consequence of the sanctions, and of the resulting ongoing tensions with the United States, is that they have served as an excuse for the Iranian government to expand its ownership and control over the economy at the same time that it has moved forward with economic reforms and privatization. The government has done this indirectly by increasing the economic reach of the Iranian Revolutionary Guards Corps (IRGC), and of various foundations that are affiliated with the ruling elite. In the past few years, the IRGC has purchased many industrial units that have suffered from financial stress on account of the sanctions or adverse market conditions or both. The IRGC and other semi-governmental enterprises have also purchased controlling shares in many of the government-owned enterprises that were offered to private investors in the stock market through the government's privatization program.¹³

While these purchases have extended the economic reach of the ruling regime, they limit the operations of the independent private sector and give rise to economic inefficiency. IRGC-owned companies often enjoy an advantage in bids for government contracts because of the IRGC's political power; as a result, government contracts are not necessarily awarded to the most efficient or most innovative firms, and the economy does not realize its full growth potential. Yet the government has invoked the sanctions to justify these decisions, as IRGC-affiliated companies have stepped in to invest in several domestic industrial projects that foreign contractors have avoided because of the sanctions.

The IRGC has also enhanced its economic power by using its influence to have former IRGC officers appointed to key positions in strategic government organizations, such as the oil ministry. It has also enhanced its control over Iran's imports, both directly and indirectly. While monetary gain is a strong motive behind these activities, the official rationale for these interventions is to facilitate the importation of needed goods (extending to smuggling strategic goods when necessary) that are hard to acquire because of the international sanctions.

Domestic Governance Problems in Iran

Finally, the August 2011 IMF report carefully avoids any discussion of important governance issues that have affected the country on an ongoing basis. Two specific issues that often impose a heavy cost on the Iranian economy are corruption and factional divisions within the ruling regime. The report makes no mention of these institutional weaknesses because of the official IMF policy of staying clear of domestic political issues in its economic assessments of member countries.¹⁴

Resilience in the Iranian Economy

While corruption and nepotism affect many sectors of Iran's economy, they are most evident in the banking system, which has had to deal with several large-scale embezzlements in recent years. The latest corruption scandal in the banking system was reported in August 2011, when the factions opposed to President Ahmadinejad exposed the embezzlement of more than \$3 billion from two banks through falsification of line-of-credit documents. The investigation of this matter is still going on, but several managers of state-owned banks and prominent businessmen with political ties to government officials have already been charged. In previous years, political intervention in the lending policies of banks has led to an increase in nonperforming loans (mostly defaults on large-scale loans for industrial projects, yielding money that has been wasted or abused by politically connected borrowers) throughout the banking system. The prevalence of corruption and political intervention in the economy is likely to have an adverse effect on economic growth and the implementation of reforms in Iran over the next few years.

The second governance issue that is ignored in the IMF report but has a bearing on the Iranian economy is excessive divisions and rivalries among various factions within the ruling regime. In recent months, the deepest rivalries have set the President and his supporters against conservative ruling clerics and their supporters in the Parliament.¹⁵ As a result, the level of cooperation and coordination between the Parliament and the President—which, according to Iran's presidential system, operate independently of each other—has diminished, and the ongoing feud has had an adverse impact on the direction and consistency of Iranian economic policy.

In recent months the balance of power in the Parliament has tilted against Ahmadinejad's faction, and this trend might continue after the 2012 parliamentary elections—in which case the Parliament is likely to exert greater influence over the implementation of subsidy removal reforms and other economic policies. The resulting power struggle between a defiant Ahmadinejad and a more assertive Parliament could lead to policy uncertainty and inconsistency, both of which will likely be harmful to economic growth prospects.

Based on the factors discussed above, it is doubtful that Iran can achieve even moderate economic growth in the near term. Yet at the same time, it is incorrect to assume that because of these weaknesses, the Iranian economy is near collapse. As I will demonstrate in the next section, some economic institutions have enhanced the resilience of Iran's economy and its resistance to external economic pressures and domestic political mismanagement.

Iran's economy does have some points of strength that allow it to absorb the impact of sanctions and other adverse stresses without collapsing. Ever since the exchange rate crisis of 1994, successive Iranian governments have been very cautious about incurring foreign debt, and the government has managed, both because of windfall oil revenues and by exercising tight control over imports, to reduce its external debt to very low levels that have practically eliminated the risks of default and insolvency.¹⁶ The financial sanctions have also had the unintended consequence of preventing a rapid increase in import flows and hence keeping Iran's import bill under control. As a result, oil revenues have consistently exceeded import expenses, even in more recent years in which the government has tried to win popular support by flooding the domestic market with cheap imports. Hence, Iran has enjoyed sizeable current account surpluses since 2000, which has enabled it to increase its foreign currency reserves. By 2011 the country's reserves of hard currency exceeded \$90 billion.

Another unique feature of the Iranian economy that might prove helpful against unexpected economic and geopolitical pressures is the extensive direct and indirect government control over economic activity. The Revolutionary Guards and the extended families of ruling politicians control large quantities of industrial and commercial entities. Not only do these enterprises help channel income and wealth to supporters of the regime, but they also extend the government's reach into the economy, as they can easily be persuaded to follow the commands of the government and adhere to its policies. For example, if faced with a shortage of strategic products because of the sanctions, the government can utilize this vast informal network to purchase the needed imports through indirect channels and smuggling.

During the past two decades, the government and major industrial units have gradually learned to cope with the sanctions and with international pressures. While the sanctions have increased the costs of production and deprived Iran of best-quality brands of imported materials for domestic industries, they have not resulted in a complete production stoppage in any industry, even if many industries operate with lower efficiency and below full capacity. The sanctions have also motivated domestic production of many products that would otherwise have been imported.

The large pool of skilled and educated workers is another source of resilience and flexibility in the Iranian economy. Iran has one of the highest rates of brain drain among developing countries, and each year, thousands of highly

qualified young professionals leave the country. Yet, the system of higher education is graduating new specialists and professionals in larger numbers. While the quality of those who stay is often lower than that of those who manage to emigrate, the pool of skilled professionals is large enough to meet the needs of many domestic industries.

Some skilled college graduates who are unable to find jobs or to emigrate have been forced to become self-employed entrepreneurs and to develop their own small businesses in manufacturing, agribusiness, and professional services. These small enterprises are showing considerable strength in spite of the inhospitable economic environment of the country. In recent years, many college-educated Iranian women, who as a group suffer from high unemployment in the labor market, have turned to entrepreneurship and self-employment sector as well, predominantly in the service sector. This path has become particularly popular among educated urban women in Tehran and other large cities.¹⁷

Demographic transition and a reduction in extreme poverty have also been beneficial for the Iranian economy. Iran's population growth rate has declined considerably in recent decades (from 3.9% in 1986 to 1.3% in 2009) as a result of successful family planning policies and cultural changes. Young couples now prefer to have fewer children than their parent's generation so that they can invest more in each child's education and well being. Smaller families with fewer dependent children enable households to save a larger portion of their incomes and thereby be more resilient during periods of hardship.

Finally, effective income support programs, along with increased government investment in rural development, have helped reduce the incidence of severe poverty in Iran—and that is another source of economic resilience. While in some cases lower poverty rates have come about at the expense of long-term investment and economic growth, they nevertheless translate into improved living conditions for low-income households and greater political support for the regime among low-income social groups. This support will contribute to social stability and enhance the regime's ability to contain urban middle-class discontent, which might intensify as a result of sanctions and rising political expectations.

Final Thoughts

The Iranian economy will be under considerable external stress in the coming years as a result of its ongoing geopolitical tensions with the United States and Europe. Sanctions are likely to get tougher and put more pressure on the economy in the near term. While the stated

objective of Western sanctions is to put pressure on the ruling regime to give up its nuclear weapons program, the entire Iranian economy has been affected by them, and ordinary citizens have not been able to escape their impact. Domestic economic mismanagement and inefficient economic policies have further weakened the economy. At the same time, high oil prices and some of the structural strengths mentioned above will likely serve as a cushion and help soften the impact of the sanctions.

The scope and intensity of the sanctions, and the countermeasures taken against them by the Iranian government, will play a crucial role in the performance of the Iranian economy in the coming years. In light of the recent allegations of an Iranian terror plot against a Saudi official in Washington, D.C., and the latest IAEA report on Iran's nuclear activities, the United States and European countries will push for more severe sanctions in the next few months. One of the potential new steps under consideration is a proposal to sanction the Central Bank of Iran (ICB).¹⁸ While many of Iran's commercial banks are currently subject to financial sanctions, the government is still able to conduct its international financial transactions, especially the sale of crude oil, through the ICB. If financial sanctions also target the ICB, the Iranian government will have difficulty with the financial transactions related to its crude oil exports, and as a result its oil revenues might decline or their transfer to domestic banks will face long delays.

For all the reasons enumerated in this Brief, the IMF's August 2011 economic growth projections for Iran seem too optimistic. The IMF forecast underestimates the political and geopolitical threats facing Iran; it also underestimates the adverse effects of governance issues and factional politics on the successful implementation of economic reforms that are crucial for Iran's economic growth.

A more likely scenario is that Iran's economy will remain stagnant, with very low growth or no growth at all in the next two years. Nonetheless, as long as Iran can avoid a comprehensive oil embargo or a military confrontation with the West, the likelihood of a severe economic collapse remains small. Much uncertainty currently surrounds these varying predictions; in the end, the performance of the Iranian economy will be conditional on specific political and geopolitical scenarios.

Endnotes

- 1 [International Monetary Fund, “Islamic Republic of Iran: 2011 Article IV Consultation—Staff Report; Public Information Notice on the Executive Board Discussion; and Statement by the Executive Director for Iran” \(IMF Country Report No. II/241, August 2011\).](#)*
- 2 Dominique Guillaume, Roman Zytek, and Mohammad Reza Farzin, 2011, “Iran: The Chronicles of the Subsidy Reform” (International Monetary Fund, IMF Working Paper No. 11/167, July 2011). The third author was the deputy minister of economy and finance and head of the subsidy reform program at the time the report was produced.
- 3 For a neoconservative response to the August 2011 IMF Article IV on Iran, see [Ilan Berman, “IMF Betrays West with Mullahs’ Malarky,” *Washington Times*, August 26, 2011.](#)*
- 4 Calculated by the author as a geometric average of the annual growth rates reported in Text Table 1 (page 10) in the August 2011 IMF report.
- 5 OECD: Organization of Economic Cooperation and Development.
- 6 [Axel Dreher, Silvia Marchesi, and James Raymond Vreeland, “The Politics of IMF Forecasts” \(CESIFO Working Paper No. 2129, October 2007\).](#)*
- 7 Some critics have raised concerns about the accuracy of the latest official economic statistics that the government made available to the IMF team. In the past two years, the Ahmadinejad government has frequently delayed the release of key economic indicators, such as the rate of economic growth and the rate of inflation. Several members of the Iranian Parliament have protested these delays and have claimed that the government is deliberately postponing the release of economic data to hide the poor economic performance of recent years.
- 8 This 10.5% growth estimate for the 2007/08 fiscal year has been disputed by some of Ahmadinejad’s critics. Ahmad Tavakoli, for one, a conservative Parliament representative and an outspoken critic of Ahmadinejad’s economic policies, has disputed this large growth rate. In recent years, the Central Bank has not released key economic statistics on growth and inflation in a consistent manner. Tavakoli has blamed these delays in the release of economic statistics on President Ahmadinejad and has accused him of deliberately trying to suppress vital economic statistics in order to cover up existing economic weaknesses. See http://www.bbc.co.uk/persian/business/2011/07/110724_ka_tavakoli_ahmadinejad_cbi.shtml, *BBC*, July 24, 2011 [in Arabic].
- 9 See [Mamta Badkar, “Iran and China Are Discussing an Oil Barter to Circumvent U.S. Sanctions,” *Business Insider*, July 25, 2011.](#)*
- 10 This payment method is highly regressive, because it offers the same amount of monthly assistance to all individuals regardless of income and wealth. If the Iranian government faces fiscal pressures in the future, it is likely to limit these payments to low-income households.
- 11 Iran’s dairy industry, for example, is highly dependent on direct government subsidies—but as of August 2011, dairy producers had not received the promised subsidy for more than ten months, and many were unable to pay the salaries of their employees. See <http://www.melliun.org/hambast/hall/08/24bikari.htm>.
- 12 [Najmeh Bozorgmehr and Anna Fifield, “Western Sanctions Create India-Iran Impasse,” *Financial Times*, July 20, 2011.](#)*
- 13 These political interventions in the privatization reform have also led to considerable nepotism and corruption, which have reduced the efficiency benefits that are generally expected from privatization programs.
- 14 This policy is formally stated in IMF’s code of conduct for its staff and experts: “You should not, without authorization, provide to the news media, publish, or make public statements relating to the policies or activities of the IMF or to any national political question. You are free to publish and speak about other subjects, but you should avoid any public communication not in keeping with your position as an international civil servant, which calls for reserve and tact.” [The IMF Code of Conduct for Staff, Ch. IV. Use and Disclosure of Information; Press relations, public statements and publications, #21, *imf.org* \(July 31, 1998\).](#)*
- 15 For a detailed account of this factional feud, see [Naghmeh Sohrabi, “The Power Struggle in Iran: A Centrist Comeback?” *Middle East Brief*, No. 53 \(Brandeis University: Crown Center for Middle East Studies, July 2011\).](#)* It should be noted, however, that these factional power struggles have arisen many times since the 1979 Islamic revolution, and though they sometimes have led to decision-making chaos and policy paralysis, they have never threatened the survival of the Islamic regime; in critical moments they have been contained by the intervention of the Supreme Leader.
- 16 In FY 2009/10, Iran’s long-term and short-term external debts were each less than 3% of GDP, while official hard currency reserves stood at 15% of GDP.
- 17 For an overview of Iranian women’s employment and occupational choices over the past three decades, see Roksana Bahramitash and Hadi Salehi Esfahani, “Nimble Fingers No Longer! Women’s Employment in Iran,” Ch. 3 in *Contemporary Iran: Economy, Society, Politics*, ed. Ali Gheissari (New York: Oxford University Press, 2009).
- 18 [Jay Solomon, “Senators Press Obama on Iran’s Central Bank,” *Wall Street Journal*, August 8, 2011.](#)*

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