

The year 1390 was considered as the first year in the course of the 5<sup>th</sup> FYDP. The Budget Law for this year was formulated in light of achievements of the 4<sup>th</sup> FYDP Law, aiming at attaining the objectives stipulated in the Constitution, the 20-Year Vision Plan, and the General Policies of the Islamic Republic of Iran, particularly the major policies of the 5<sup>th</sup> FYDP Law, for the fulfillment of the following:

- Raising national awareness on the 20-Year Vision Plan and paving the way for its accomplishment by strengthening the public belief in this regard;
- Setting the ground for the formulation of an Islamic-Iranian pattern of progress;
- Productivity enhancement of factors of production including labor, capital, and energy;
- Improvement of business environment, promotion of competition, and support of private sector;
- Financial and fiscal discipline, balance between government non-oil revenues and current expenditures, and allocation of proceeds acquired from oil exports for productive investments;
- Strengthening the rule of law, social discipline, working values, self-belief, social

networks, innovation, honesty, frugality, avoidance of extravagance, as well as quality enhancement of production;

- Revisiting the national and provincial authorities' mission aiming at reduction of direct intervention of government central agencies;
- Removing the shortcomings of the administrative and judicial systems to boost efficiency, downsizing the government, decentralizing administrative and executive bodies, encouraging accountability, showing respect as well as rendering better services to the public, improving living standards of civil servants, employing trustworthy managers and judges and raising their job security standards, avoiding parallel leadership, combating corruption in organizations, and formulating the relevant rules and regulations;
- Gradual elimination of the reliance of government current expenditures on oil and gas revenue by the end of the 5<sup>th</sup> FYDP Plan;
- Building appropriate infrastructures for the fulfillment of government major functions on issues like regulation, governance, and supervision;
- Preparing the ground for the formulation of government budget based on the operational principles;

- Formulating the annual budget laws in light of the 5<sup>th</sup> FYDP, with the aim of the qualitative and quantitative improvement in budget performance with regard to transparency and oversight standards;

- Advancement of cultural environment, development of awareness and moral virtues, and strengthening of national unity and identity based on Islam, strengthening the cultural and social virtues, and supporting the non-public sector;

- Strengthening family values, and promotion of women's position in social, economic and cultural spheres;

- Higher efficiency of educational system for the training and provision of the required human resources;

- Emphasizing the utilization of all the plausible privatization methods at hand, such as the transferring of managerial tasks to the private sector with the aim of reducing government's undertakings;

- Elimination of government control from the activities outside the framework of Article 44 of the Constitution in all forms of ownership, partnership, investment, and management.

### Budgetary Performance

The price of crude oil was set at \$81.5 per barrel in the Budget Law of 1390, compared with \$65 in 1389 and \$37.5 in 1388. The preparation of the Budget Law for 1390 was based on the exchange rate for US dollar at Rls. 10,500. The Budget Law for 1389 had been formulated on the basis of the exchange rate for US dollar at Rls. 9,850. Moreover, based on Paragraph 1, Single Article of the Budget Law for 1390, the Ministry of Petroleum and the affiliated state-owned companies were required to directly deposit the receipts from the exports of

crude oil and natural gas condensate to the Treasury General accounts with the Central Bank on a provisional payment basis, upon deduction of oil debt repayments under the buy-back contracts. Then, following the approval of the relevant Working Group, the Treasury General was required to finalize transactions with the Ministry of Petroleum, through the relevant affiliated public companies, every three months. Furthermore, the Central Bank was obligated to deposit 14.5 percent of the received funds to the Ministry of Petroleum's account and 20 percent to the National Development Fund of Iran on a monthly basis, through the relevant affiliated public companies and after calculation of repayments under buy-back contracts. Upon the realization of the target set for the share of the government's general revenue in the Budget, the Central Bank would be required to sell foreign exchange (\$53 billion) at the daily exchange rate as stipulated in Table 5 of the Budget Law under Budgetary Item 210101, allocate 2 percent of the funds received from crude oil sales as subject of Article 132 of the 5<sup>th</sup> FYDP Law under the Budgetary Item 210109 and, after financing the uses defined under Paragraph 2 of the Budget Law and implementing its Notes, deposit the excess foreign currency thereby received to the Oil Stabilization Fund.

Based on the tables of the 1390 Budget Law, revenues, disposal of non-financial assets, and disposal of financial assets (approved) totaled Rls. 1,545,870.1 billion. Total expenses, acquisition of non-financial assets, and acquisition of financial assets were also set at Rls. 1,545,870.1 billion<sup>1</sup>.

According to the Budget Law for 1390, approved revenues, including taxes and other

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<sup>1</sup> As the Budget Law for 1390 was not approved and declared in due time, general sources and uses of the government during months Farvardin and Ordibehesht 1390 were managed based on "Law on Authorization of Government Receipts and Payments" and in the framework of the Budget Law for 1389.

revenues (excluding special revenues), totaled Rls. 609,989.6 billion and approved expenses (excluding special expenditures) totaled Rls. 897,920.7 billion. Therefore, the projected deficit of the operating balance would be Rls. 287,931.1 billion. Moreover, approved receipts and payments out of disposal and acquisition of non-financial assets (excluding special revenues and expenditures) were Rls. 590,711.3 billion and Rls. 349,749.4 billion, respectively. Thus, approved operating and non-financial balance (sum of approved operating balance and net disposal of non-financial assets) posted Rls. 46,969.2 billion deficit, which was to be mostly financed out of net disposal of financial assets, arising from privatization revenues.

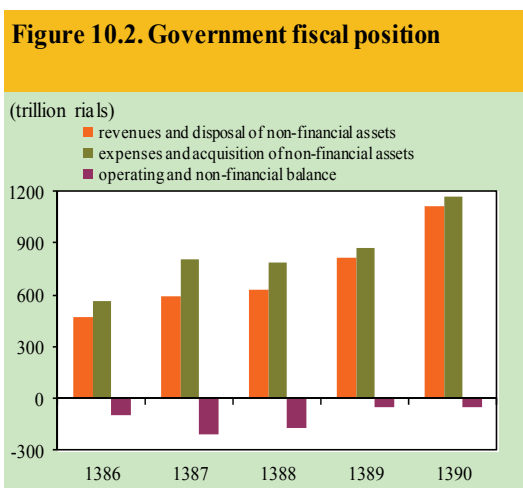
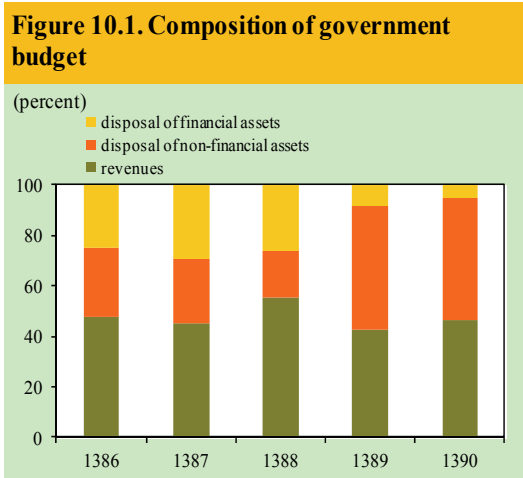
The composition of sources of the approved government budget in 1390 (excluding special revenues) constituted 39.5 percent receipts from revenues, 38.2 percent from disposal of non-financial assets, and 22.3 percent from disposal of financial assets. Uses of the approved government budget (excluding special expenditures) comprised expenses by 58.1 percent, acquisition of non-financial assets by 22.6 percent, and acquisition of financial assets by 19.3 percent.

Review of the figures related to the Budget performance in 1390 reveals that general budget sources (excluding special revenues) were financed out of revenues by 46.3 percent, from disposal of non-financial assets by 48.5 percent, and from disposal of financial assets by 5.2 percent. Budget uses (excluding special expenditures) indicate allocation of 74.7 percent for current expenses, 24.6 percent for acquisition of non-financial assets, and 0.7 percent for acquisition of financial assets.

Government revenues, including taxes and other revenues (excluding special revenues), amounted to Rls. 544,470.4 billion, representing 41.7 percent increase compared with 1389 and 89.3 percent realization compared

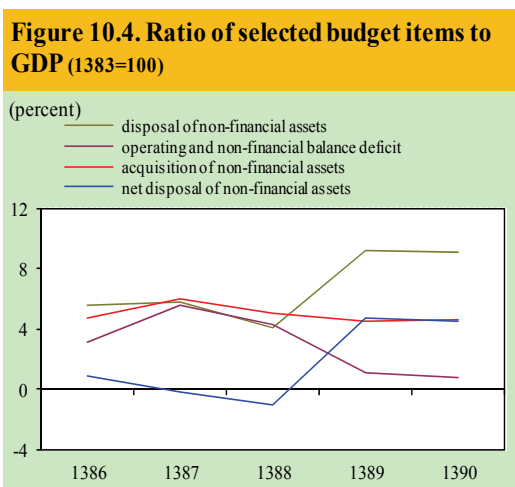
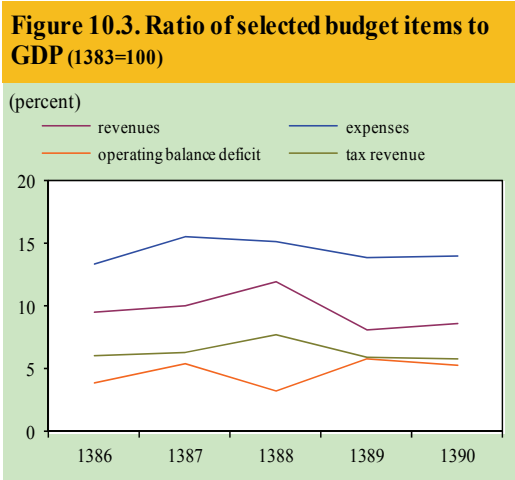
with the approved figure. Out of total revenues, Rls. 359,451.5 billion (66.0 percent) was received from taxes and Rls. 185,018.9 billion (34.0 percent) from other revenues, compared with respectively 74.0 and 26.0 percent in 1389.

Government expenses (current expenditures, excluding special expenditures) grew by 33.1 percent compared with the year before, to Rls. 877,701.9 billion, representing 97.7 percent realization compared with the figure approved in the budget. Thus, based on the performance of government revenues and expenses in 1390, operating balance ran a deficit of Rls. 333,231.5 billion.



Receipts from disposal of non-financial assets, including sale of crude oil and oil products as well as movable and immovable assets, amounted to Rls. 569,908.7 billion in 1390. This indicated 30.8 percent increase compared with the year before and 96.5 percent realization compared with the figure approved in the Budget Law. Disbursements on the acquisition of non-financial assets (development expenditures) went up by 35.8 percent to Rls. 289,001 billion, signifying 82.6 percent realization compared with the approved figure. Therefore, net disposal of non-financial assets posted a surplus of Rls. 280,907.6 billion in 1390.

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) ran a deficit of Rls. 52,323.8 billion in 1390, showing an increase of 0.4 percent compared with the year before and a realization of 111.4 percent compared with the approved figure. In this year, disposal of financial assets amounted to Rls. 60,906.4 billion and acquisition of financial assets totaled Rls. 8,582.6 billion. Therefore, net disposal of financial assets posted a surplus of Rls. 52,323.8 billion, out of which the deficit in the operating and non-financial balance was financed.



**Table 10.1. Sources and Uses of Government General Budget<sup>1</sup>** (billion rials-percent)

|                                     | Approved <sup>2</sup> |                    | Percentage change | Share in total |              | Performance      |                    | Percentage change | Share in total |              |
|-------------------------------------|-----------------------|--------------------|-------------------|----------------|--------------|------------------|--------------------|-------------------|----------------|--------------|
|                                     | 1389                  | 1390               |                   | 1389           | 1390         | 1389             | 1390               |                   | 1389           | 1390         |
| <b>Sources</b>                      | <b>1,176,897.6</b>    | <b>1,545,870.1</b> | <b>31.4</b>       | <b>100.0</b>   | <b>100.0</b> | <b>896,073.8</b> | <b>1,175,285.5</b> | <b>31.2</b>       | <b>100.0</b>   | <b>100.0</b> |
| Revenues                            | 502,269.2             | 609,989.6          | 21.4              | 42.7           | 39.5         | 384,288.0        | 544,470.4          | 41.7              | 42.9           | 46.3         |
| Disposal of non-financial assets    | 456,174.0             | 590,711.3          | 29.5              | 38.8           | 38.2         | 435,780.2        | 569,908.7          | 30.8              | 48.6           | 48.5         |
| Disposal of financial assets        | 218,454.5             | 345,169.2          | 58.0              | 18.6           | 22.3         | 76,005.7         | 60,906.4           | -19.9             | 8.5            | 5.2          |
| <b>Uses</b>                         | <b>1,176,897.6</b>    | <b>1,545,870.1</b> | <b>31.4</b>       | <b>100.0</b>   | <b>100.0</b> | <b>896,073.8</b> | <b>1,175,285.5</b> | <b>31.2</b>       | <b>100.0</b>   | <b>100.0</b> |
| Expenses                            | 729,879.9             | 897,920.7          | 23.0              | 62.0           | 58.1         | 659,341.5        | 877,701.9          | 33.1              | 73.6           | 74.7         |
| Acquisition of non-financial assets | 316,929.5             | 349,749.4          | 10.4              | 26.9           | 22.6         | 212,845.0        | 289,001.0          | 35.8              | 23.7           | 24.6         |
| Acquisition of financial assets     | 130,088.3             | 298,200.0          | 129.2             | 11.1           | 19.3         | 23,887.4         | 8,582.6            | -64.1             | 2.7            | 0.7          |

<sup>1</sup> Excluding special revenues and expenditures

<sup>2</sup> Approved figures are revised based on budget amendments.

Table 10.2. Government Fiscal Position<sup>1</sup>

(billion rials)

|   | 1388              | 1389              | 1390              | Percentage change             |             |
|---|-------------------|-------------------|-------------------|-------------------------------|-------------|
|   |                   |                   |                   | 1389                          | 1390        |
| <b>Revenues</b>   | <b>466,546.1</b>  | <b>384,288.0</b>  | <b>544,470.4</b>  | <b>-17.6</b>                  | <b>41.7</b> |
| Tax revenue   | 300,035.5         | 284,527.9         | 359,451.5         | -5.2                          | 26.3        |
| Other government revenues   | 166,510.6         | 99,760.1          | 185,018.9         | -40.1                         | 85.5        |
| <b>Expenses (current)</b>   | <b>593,783.9</b>  | <b>659,341.5</b>  | <b>877,701.9</b>  | <b>11.0</b>                   | <b>33.1</b> |
| <b>Operating balance</b>  | <b>-127,237.8</b> | <b>-275,053.5</b> | <b>-333,231.5</b> | <b>116.2</b>                  | <b>21.2</b> |
| <b>Disposal of non-financial assets</b>                               | <b>158,613.3</b>  | <b>435,780.2</b>  | <b>569,908.7</b>  | <b>174.7</b>                  | <b>30.8</b> |
| <b>Acquisition of non-financial assets (development expenditures)</b> | <b>198,173.1</b>  | <b>212,845.0</b>  | <b>289,001.0</b>  | <b>7.4</b>                    | <b>35.8</b> |
| <b>Net disposal of non-financial assets</b>                           | <b>-39,559.8</b>  | <b>222,935.2</b>  | <b>280,907.6</b>  | <b>▣</b>                      | <b>26.0</b> |
| <b>Operating and non-financial balance</b>                            | <b>-166,797.6</b> | <b>-52,118.3</b>  | <b>-52,323.8</b>  | <b>-68.8</b>                  | <b>0.4</b>  |
| <b>Ratio to GDP<br/>(current prices)</b>                              |                   |                   |                   |                               |             |
|   | Percent           |                   |                   | Change<br>(percentage points) |             |
|   | 1388              | 1389              | 1390              | 1389                          | 1390        |
| <b>Revenues</b>   | <b>12.0</b>       | <b>8.1</b>        | <b>8.7</b>        | <b>-3.9</b>                   | <b>0.6</b>  |
| Tax revenue   | 7.7               | 6.0               | 5.8               | -1.7                          | -0.2        |
| Other government revenues   | 4.3               | 2.1               | 3.0               | -2.2                          | 0.9         |
| <b>Expenses (current)</b>   | <b>15.2</b>       | <b>13.9</b>       | <b>14.1</b>       | <b>-1.3</b>                   | <b>0.1</b>  |
| <b>Operating balance</b>  | <b>-3.3</b>       | <b>-5.8</b>       | <b>-5.3</b>       | <b>-2.5</b>                   | <b>0.5</b>  |
| <b>Disposal of non-financial assets</b>                               | <b>4.1</b>        | <b>9.2</b>        | <b>9.1</b>        | <b>5.1</b>                    | <b>-0.1</b> |
| <b>Acquisition of non-financial assets (development expenditures)</b> | <b>5.1</b>        | <b>4.5</b>        | <b>4.6</b>        | <b>-0.6</b>                   | <b>0.1</b>  |
| <b>Net disposal of non-financial assets</b>                           | <b>-1.0</b>       | <b>4.7</b>        | <b>4.5</b>        | <b>5.7</b>                    | <b>-0.2</b> |
| <b>Operating and non-financial balance</b>                            | <b>-4.3</b>       | <b>-1.1</b>       | <b>-0.8</b>       | <b>3.2</b>                    | <b>0.3</b>  |

<sup>1</sup>Excludes special revenues and expenditures.