

**T**he year 1392 was the ninth year in the 20-Year Vision Plan Document and the third year in the course of the 5<sup>th</sup> FYDP. The Budget Law for this year was formulated in light of the 20-Year Vision Plan, the General Policies of the Islamic Republic of Iran, and the major policies of the 5<sup>th</sup> FYDP Law.

### **Budgetary Performance**

The price of crude oil was set at \$95 per barrel in the Budget Law of 1392, compared with \$81.5 in 1390 and \$85 in 1391. The Budget Law for 1392 did not stipulate the exchange rate. Based on Paragraph 2, Single Article of 1392 Budget, Central Bank was obligated to set the exchange rate for accounts settlement between CBI, Ministry of Petroleum, and the Treasury General. The estimated figure of exchange rate of the Budget Law for 1392 for the mentioned settlement purpose was primarily based on the then prevalent transactional rate. The Budget Law for 1391 had been formulated on the basis of the exchange rate for US dollar at Rls. 12,260. Moreover, based on Paragraph 3, Single Article of the Budget Law for 1392, the Ministry of Petroleum and its affiliated state-owned companies were mandated to directly deposit the foreign exchange receipts from the exports of crude oil and natural gas condensate of 1392 exports and the years before, into Treasury General accounts through the Central Bank,

on a provisional payment basis and upon deduction of debt repayments under buy-back contracts, subject of this Paragraph and the corresponding Paragraphs of pre-1392 Budget Laws. The Central Bank was obligated to deposit the share of the Ministry of Petroleum to accounts of MOP affiliated companies in Iran as approved by the Treasury General and the foreign exchange share to accounts held abroad as approved by CBI, for payment to contractors, manufacturers, and suppliers of the equipment of oil contracts and Ministry of Petroleum current operation expenses and for submission as collateral for foreign financing contracts.

The Treasury General, upon approval of the Minister of Economic Affairs and Finance, would settle the accounts with the Ministry of Petroleum through its affiliated public companies. Based on the Budget Law for 1392, out of the total oil and gas export receipts, Central Bank should assign and deposit 14.5 percent share of the Ministry of Petroleum through its affiliated relevant companies (including the debt repayments under the buy-back contracts), 26.0 percent share of the National Development Fund (NDF), and 2.0 percent share related to the repayment of withdrawals from the NDF (used for payment of Nowrouz benefits in 1391) to the relevant accounts, on a monthly basis. Under the same law, Central Bank is also obligated to convert the remaining 57.5 percent of oil and gas export

receipts at the unified rate of that bank to local currency for budgetary uses, upon the approval of the Treasury General and observance of CBI Laws and Article 81 of the 5<sup>th</sup> FYDP Law, up to the ceilings set in the budgetary measures 210101 and 210109 in Table 5 of this Law. The excess receipts of oil and gas exports over and above budgetary ceilings should be allocated to the foreign exchange reserve account after the observance of allocation of \$7 billion for the Ministry of Petroleum and its affiliated companies, under Section (3-1) of this Law for the realization of Article 229 of the 5<sup>th</sup> FYDP. However, based on Note 2, Law on Amendment of the Budget Law for 1392, after combination of Note 4 with Section 3-2 of this Law, the share of NDF should be reduced to 20.0 percent as of Azar 1, 1392. Receipts from the difference (26.0 and 20.0 percent) would be deposited to the government's account to provide for its share in project financing. Based on Note 2, Section 3-2 of the Single Article of the Budget Law for 1392, the percentages mentioned earlier (26.0, 2.0, and 57.5) are revised as 20.0, 2.0, and 63.5 percent, respectively.

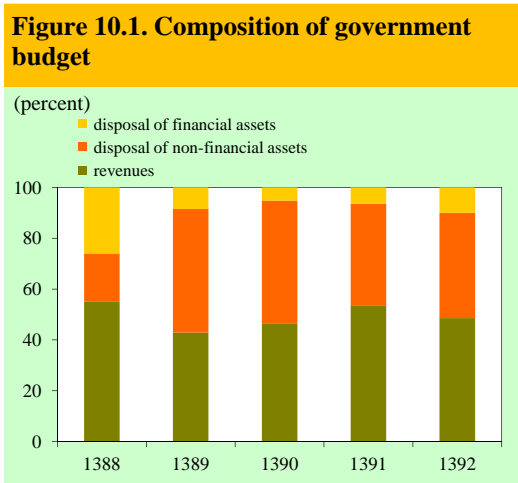
Based on the Amendment to the 1392 Budget Law, revenues, disposal of non-financial assets, and disposal of financial assets (approved) totaled Rls. 1,714 trillion. Total expenses, acquisition of non-financial assets, and acquisition of financial assets were also set at Rls. 1,714 trillion<sup>1</sup>.

According to the Amendment to the Budget Law for 1392, approved revenues, including taxes and other revenues (excluding special revenues), totaled Rls. 822.0 trillion

<sup>1</sup>As the Budget Law for 1392 was approved and declared in month Khordad, general sources and uses of the government for Q1 were managed based on Three-Twelfth Law of 1392 Budget and in line with the Budget Law for 1391 and for the last four months of the year, based on the Amendment to the Budget Law for 1392.

and approved expenses (excluding special expenditures) totaled Rls. 1,205.9 trillion. Therefore, the projected deficit of the operating balance would be Rls. 383.9 trillion. Moreover, approved receipts and payments out of disposal and acquisition of non-financial assets (excluding special revenues and expenditures) were Rls. 642.3 trillion and Rls. 386.5 trillion, respectively. Thus, approved operating and non-financial balance (sum of approved operating balance and net disposal of non-financial assets) posted Rls. 128.1 trillion deficit, which was to be financed out of net disposal of financial assets, received out of privatization of public companies.

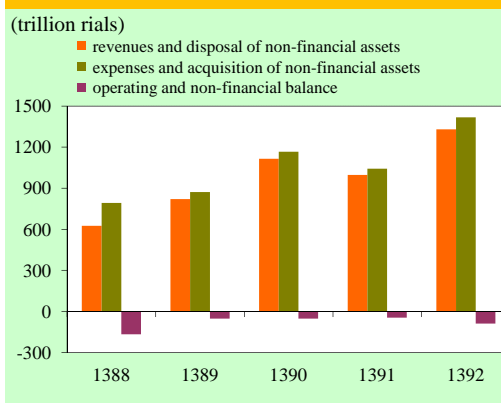
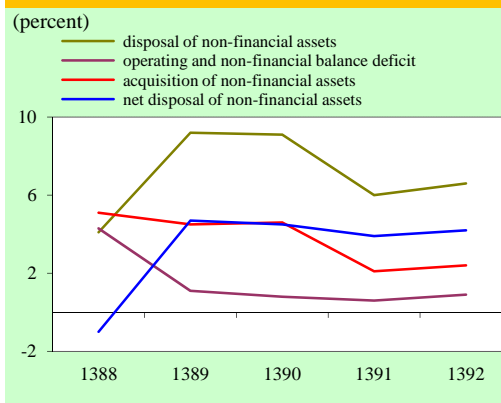
The composition of sources of the approved amended government budget in 1392 (excluding special revenues) constituted 48.0 percent receipts from revenues, 37.5 percent from disposal of non-financial assets, and 14.5 percent from disposal of financial assets. Uses of the approved government budget (excluding special expenditures) comprised expenses by 70.4 percent, acquisition of non-financial assets by 22.5 percent, and acquisition of financial assets by 7.1 percent.



Review of the figures related to the Budget performance in 1392 reveals that general budget sources (excluding special revenues) were financed out of revenues by 48.6 percent, from disposal of non-financial assets by 41.4 percent, and from disposal of financial assets by 10.0 percent. Budget uses (excluding special expenditures) indicate allocation of 81.1 percent for current expenses, 14.9 percent for acquisition of non-financial assets, and 4.0 percent for acquisition of financial assets.

Government revenues, including taxes and other revenues (excluding special revenues), amounted to Rls. 717.4 trillion, representing 26.3 percent increase compared with 1391 and 87.3 percent realization compared with the approved figure. Out of total revenues, Rls. 494.2 trillion was received from taxes and Rls. 223.1 trillion from other revenues.

Government expenses (current expenditures, excluding special expenditures) grew by 34.6 percent compared with the year before, to Rls. 1,197.6 trillion, representing 99.3 percent realization compared with the figure approved in the budget. Thus, based on the performance of government revenues and expenses in 1392, operating balance ran a deficit of Rls. 480.3 trillion.

**Figure 10.2. Government fiscal position**

**Figure 10.3. Ratio of selected budget figures to GDP**

**Table 10.1. Sources and Uses of Government General Budget<sup>1</sup>**

(trillion rials-percent)

	Approved <sup>2</sup>		Percentage change	Share in total		Performance		Percentage change	Share in total	
	1391	1392		1391	1392	1391	1392		1391	1392
<b>Sources</b>	<b>1,442.7</b>	<b>1,714.0</b>	<b>18.8</b>	<b>100.0</b>	<b>100.0</b>	<b>1,064.4</b>	<b>1,476.8</b>	<b>38.7</b>	<b>100.0</b>	<b>100.0</b>
Revenues	653.3	822.0	25.8	45.3	48.0	568.2	717.4	26.3	53.4	48.6
Disposal of non-financial assets	698.8	642.3	-8.1	48.4	37.5	428.5	612.1	42.8	40.2	41.4
Disposal of financial assets	90.6	249.7	175.4	6.3	14.5	67.7	147.3	117.6	6.4	10.0
<b>Uses</b>	<b>1,442.7</b>	<b>1,714.0</b>	<b>18.8</b>	<b>100.0</b>	<b>100.0</b>	<b>1,064.4</b>	<b>1,476.8</b>	<b>38.7</b>	<b>100.0</b>	<b>100.0</b>
Expenses	1,010.7	1,205.9	19.3	70.1	70.4	890.0	1,197.6	34.6	83.6	81.1
Acquisition of non-financial assets	397.5	386.5	-2.8	27.5	22.5	152.3	220.2	44.6	14.3	14.9
Acquisition of financial assets	34.5	121.6	252.1	2.4	7.1	22.2	59.0	166.2	2.1	4.0

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

<sup>2</sup>Approved figures are revised based on Budget Amendments.

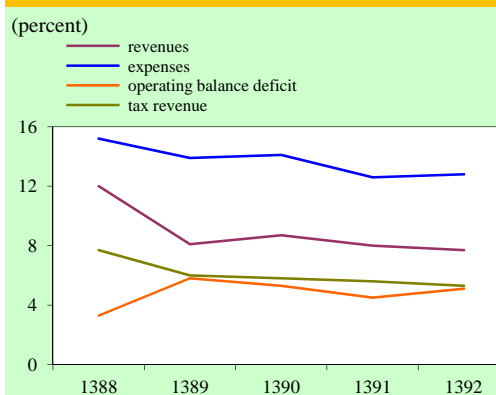
## Chapter 10 FISCAL POLICY AND PERFORMANCE

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. 612.1 trillion in 1392. This indicated 42.8 percent increase compared with the year before and 95.3 percent realization compared with the figure approved in the Budget Law. Disbursements on the acquisition of non-financial assets (development expenditures) rose by 44.6 percent to Rls. 220.2 trillion, signifying 57.0 percent realization compared with the approved figure. Therefore, net disposal of non-financial assets posted a surplus of Rls. 391.9 trillion in 1392.

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. 88.4 trillion in 1392, up by 94.0 percent compared with the year before and showing 69.0 percent realization compared

with the approved figure. Disposal of financial assets amounted to Rls. 147.3 trillion and acquisition of financial assets totaled Rls. 59.0 trillion. Therefore, net disposal of financial assets posted a surplus of Rls. 88.4 trillion, covering the deficit in the operating and non-financial balance.

**Figure 10.4. Ratio of selected budget figures to GDP**



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

				(trillion rials)	
	1390	1391	1392	Percentage change	
				1391	1392
<b>Revenues</b>	<b>544.5</b>	<b>568.2</b>	<b>717.4</b>	<b>4.4</b>	<b>26.3</b>
Tax revenue	359.5	395.2	494.2	9.9	25.1
Other government revenues	185.0	173.0	223.1	-6.5	29.0
<b>Expenses (current)</b>	<b>877.8</b>	<b>890.0</b>	<b>1,197.6</b>	<b>1.4</b>	<b>34.6</b>
<b>Operating balance</b>	<b>-333.2</b>	<b>-321.8</b>	<b>-480.3</b>	<b>-3.4</b>	<b>49.2</b>
<b>Disposal of non-financial assets</b>	<b>569.9</b>	<b>428.5</b>	<b>612.1</b>	<b>-24.8</b>	<b>42.8</b>
<b>Acquisition of non-financial assets (development expenditures)</b>	<b>289.0</b>	<b>152.3</b>	<b>220.2</b>	<b>-47.3</b>	<b>44.6</b>
<b>Net disposal of non-financial assets</b>	<b>280.9</b>	<b>276.2</b>	<b>391.9</b>	<b>-1.7</b>	<b>41.9</b>
<b>Operating and non-financial balance</b>	<b>-52.3</b>	<b>-45.5</b>	<b>-88.4</b>	<b>-13.0</b>	<b>94.0</b>
<b>Ratio to GDP (current prices)</b>					
	Percent			Change (percentage points)	
<b>Revenues</b>	<b>8.7</b>	<b>8.0</b>	<b>7.7</b>	<b>-0.7</b>	<b>-0.3</b>
Tax revenue	5.8	5.6	5.3	-0.2	-0.3
Other government revenues	3.0	2.4	2.4	-0.5	-0.1
<b>Expenses (current)</b>	<b>14.1</b>	<b>12.6</b>	<b>12.8</b>	<b>-1.5</b>	<b>0.3</b>
<b>Operating balance</b>	<b>-5.3</b>	<b>-4.5</b>	<b>-5.1</b>	<b>0.8</b>	<b>-0.6</b>
<b>Disposal of non-financial assets</b>	<b>9.1</b>	<b>6.0</b>	<b>6.6</b>	<b>-3.1</b>	<b>0.5</b>
<b>Acquisition of non-financial assets (development expenditures)</b>	<b>4.6</b>	<b>2.1</b>	<b>2.4</b>	<b>-2.5</b>	<b>0.2</b>
<b>Net disposal of non-financial assets</b>	<b>4.5</b>	<b>3.9</b>	<b>4.2</b>	<b>-0.6</b>	<b>0.3</b>
<b>Operating and non-financial balance</b>	<b>-0.8</b>	<b>-0.6</b>	<b>-0.9</b>	<b>0.2</b>	<b>-0.3</b>

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