

**T**he year 1394 was the eleventh year in the 20-Year Vision Plan Document and the last 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**

According to Paragraph (A), Note 2, Single Article of Budget Law for 1394, the share of the public company affiliated to the Ministry of Petroleum in total foreign exchange earnings (subject of Paragraph (A), Article 1, Law of Annexing Articles to the Act on Adjustment of Part of Government Financial Regulations (2) approved on Esfand 4, 1393) is set at 14.5 percent, in which the government should have a zero share.

Based on Paragraph (B), Note 2, Single Article of Budget Law for 1394, the share of the NDF (Subject of Paragraph (B), Article 1, Law of Annexing Articles to the Act on Adjustment of Part of Government Financial Regulations (2)) is determined at 20 percent. In implementation of Section 1, Paragraph (H), Article 84 of the 5<sup>th</sup> FYDP Law, Central Bank is obligated to deposit 20 percent of the value of natural gas exports to the NDF, upon deduction of the value of imported natural gas.

Based on the 1394 Budget Law, total sources and uses of government general budget were approved at Rls. 2,200.4 trillion. Performance figures of sources and uses of budget were Rls. 2,017.1 trillion for the same year.

According to the Budget Law for 1394, approved revenues, including taxes and other revenues (excluding special revenues), totaled Rls. 1,288.5 trillion and approved expenses (excluding special expenditures) totaled Rls. 1,630.2 trillion. Therefore, the projected deficit of the operating balance would be Rls. 341.7 trillion. Moreover, approved receipts and payments out of disposal and acquisition of non-financial assets (excluding special revenues and expenditures) were Rls. 564.8 trillion and Rls. 473.9 trillion, respectively. Thus, approved operating and non-financial balance (sum of approved operating balance and net disposal of non-financial assets) posted Rls. 250.7 trillion deficit, which was to be financed out of net disposal of financial assets, mainly received from sales of Islamic financial instruments.

The composition of sources of the approved government budget in 1394 (excluding special revenues) constituted 58.6 percent receipts from revenues, 25.7 percent from disposal of non-financial assets, and 15.8 percent from disposal of financial assets. Uses of the approved government budget (excluding special expenditures) comprised expenses

by 74.1 percent, acquisition of non-financial assets by 21.5 percent, and acquisition of financial assets by 4.4 percent.

Review of the figures related to the Budget performance<sup>1</sup> in 1394 reveals that general budget sources (excluding special revenues) were financed out of revenues by 55.7 percent, from disposal of non-financial assets by 33.4 percent, and from disposal of financial assets by 10.9 percent. Budget uses (excluding special expenditures) indicate allocation of 84.6 percent for current expenses, 13.5 percent for acquisition of non-financial assets, and 1.9 percent for acquisition of financial assets.

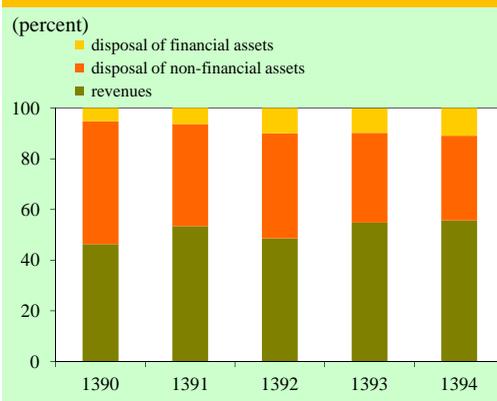
Government revenues, including taxes and other revenues (excluding special revenues), amounted to Rls. 1,123.7 trillion, indicating 15.0 percent increase compared with 1393 and 87.2 percent realization compared with the approved figure. Out of total revenues, Rls. 791.9 trillion was received from taxes and Rls. 331.9 trillion from other revenues.

Government expenses (current expenditures, excluding special expenditures) grew by 18.7 percent compared with the year before to reach Rls. 1,706.9 trillion. This was 4.7 percent higher than the figure approved in the budget. Thus, based on the performance of government revenues and expenses in 1394, operating balance ran a deficit of Rls. 583.1 trillion.

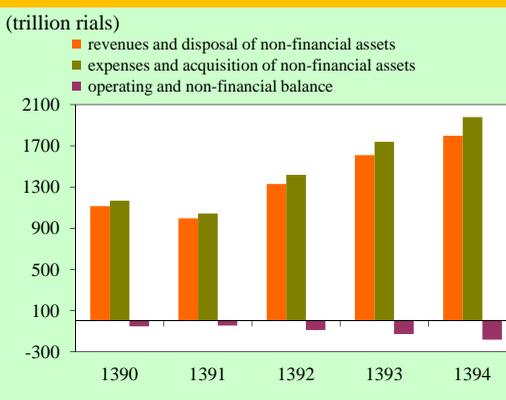
Receipts from disposal of non-financial assets, including sale of crude oil and oil products as well as movable and immovable assets, increased by 6.6 percent compared with the year before to reach Rls. 673.6 trillion in 1394. This was 19.3 percent

higher than the figure approved in the Budget. Disbursements on the acquisition of non-financial assets (development expenditures) fell by 9.2 percent to Rls. 272.0 trillion, signifying 57.4 percent realization compared with the approved figure. Therefore, net disposal of non-financial assets posted a surplus of Rls. 401.6 trillion in 1394.

**Figure 10.1. Composition of government budget**



**Figure 10.2. Government fiscal position**

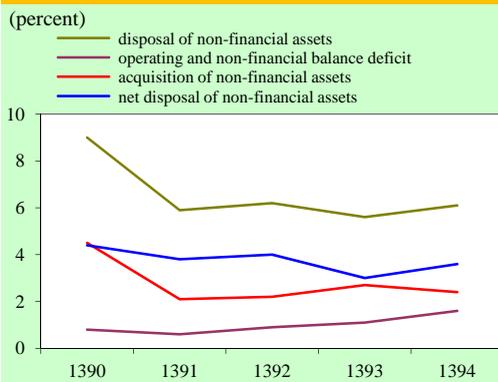


<sup>1</sup> Wherever "approved" is not specified, figures refer to the government's performance.

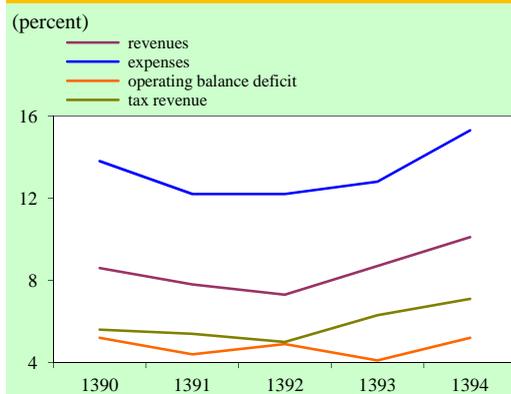
Considering revenues and expenses as well as disposal and acquisition of non-financial assets, the operating and non-financial balance (sum of operating balance and net disposal of non-financial assets) ran a deficit of Rls. 181.6 trillion in 1394, indicating 41.5 percent increase compared with the year before. This was 27.6 percent lower than

the figure approved in the Budget. Moreover, disposal of financial assets amounted to Rls. 219.8 trillion and acquisition of financial assets totaled Rls. 38.2 trillion. Therefore, net disposal of financial assets posted a surplus of Rls. 181.6 trillion, covering the deficit in the operating and non-financial balance.

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



**Figure 10.4. 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>					Performance				
	Approved		Percentage change	Share in total		Performance		Percentage change	Share in total	
	1393	1394		1393	1394	1393	1394		1393	1394
<b>Sources</b>	<b>2,118.7</b>	<b>2,200.4</b>	<b>3.9</b>	<b>100.0</b>	<b>100.0</b>	<b>1,783.2</b>	<b>2,017.1</b>	<b>13.1</b>	<b>100.0</b>	<b>100.0</b>
Revenues	1,010.5	1,288.5	27.5	47.7	58.6	977.6	1,123.7	15.0	54.8	55.7
Disposal of non-financial assets	798.8	564.8	-29.3	37.7	25.7	631.9	673.6	6.6	35.4	33.4
Disposal of financial assets	309.4	347.0	12.2	14.6	15.8	173.7	219.8	26.5	9.7	10.9
<b>Uses</b>	<b>2,118.7</b>	<b>2,200.4</b>	<b>3.9</b>	<b>100.0</b>	<b>100.0</b>	<b>1,783.2</b>	<b>2,017.1</b>	<b>13.1</b>	<b>100.0</b>	<b>100.0</b>
Expenses	1,480.8	1,630.2	10.1	69.9	74.1	1,438.3	1,706.9	18.7	80.7	84.6
Acquisition of non-financial assets	439.7	473.9	7.8	20.8	21.5	299.5	272.0	-9.2	16.8	13.5
Acquisition of financial assets	198.2	96.3	-51.4	9.4	4.4	45.4	38.2	-15.9	2.5	1.9

<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

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

(trillion rials)

				Percentage change	
	1392	1393	1394	1393	1394
<b>Revenues</b>	<b>717.4</b>	<b>977.6</b>	<b>1,123.7</b>	<b>36.3</b>	<b>15.0</b>
Tax revenue	494.2	709.7	791.9	43.6	11.6
Other government revenues	223.1	267.9	331.9	20.1	23.9
<b>Expenses (current)</b>	<b>1,197.6</b>	<b>1,438.3</b>	<b>1,706.9</b>	<b>20.1</b>	<b>18.7</b>
<b>Operating balance</b>	<b>-480.3</b>	<b>-460.7</b>	<b>-583.1</b>	<b>-4.1</b>	<b>26.6</b>
<b>Disposal of non-financial assets</b>	<b>612.1</b>	<b>631.9</b>	<b>673.6</b>	<b>3.2</b>	<b>6.6</b>
<b>Acquisition of non-financial assets (development expenditures)</b>	<b>220.2</b>	<b>299.5</b>	<b>272.0</b>	<b>36.0</b>	<b>-9.2</b>
<b>Net disposal of non-financial assets</b>	<b>391.9</b>	<b>332.4</b>	<b>401.6</b>	<b>-15.2</b>	<b>20.8</b>
<b>Operating and non-financial balance</b>	<b>-88.4</b>	<b>-128.3</b>	<b>-181.6</b>	<b>45.2</b>	<b>41.5</b>

	Ratio to GDP (current prices) <sup>2</sup>			(1390=100)	
	Percent			Change (percentage points)	
<b>Revenues</b>	<b>7.3</b>	<b>8.7</b>	<b>10.1</b>	<b>1.4</b>	<b>1.4</b>
Tax revenue	5.0	6.3	7.1	1.3	0.8
Other government revenues	2.3	2.4	3.0	0.1	0.6
<b>Expenses (current)</b>	<b>12.2</b>	<b>12.8</b>	<b>15.3</b>	<b>0.6</b>	<b>2.6</b>
<b>Operating balance</b>	<b>-4.9</b>	<b>-4.1</b>	<b>-5.2</b>	<b>0.8</b>	<b>-1.1</b>
<b>Disposal of non-financial assets</b>	<b>6.2</b>	<b>5.6</b>	<b>6.1</b>	<b>-0.6</b>	<b>0.4</b>
<b>Acquisition of non-financial assets (development expenditures)</b>	<b>2.2</b>	<b>2.7</b>	<b>2.4</b>	<b>0.4</b>	<b>-0.2</b>
<b>Net disposal of non-financial assets</b>	<b>4.0</b>	<b>3.0</b>	<b>3.6</b>	<b>-1.0</b>	<b>0.7</b>
<b>Operating and non-financial balance</b>	<b>-0.9</b>	<b>-1.1</b>	<b>-1.6</b>	<b>-0.2</b>	<b>-0.5</b>

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

<sup>2</sup>Figures are revised due to the change of base year from 1383 to 1390.