

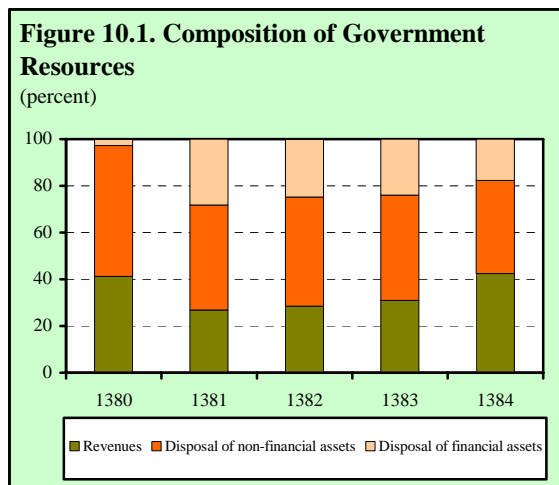
Budget Law for 1384, as the first budget law in the 4th FYDP (1384-88) was designed within the framework of the mentioned Plan and without borrowing from the banking system. This was based on the basic strategies stipulated in the 4th FYDP. According to the Circular of the 1384 Budget, budget requirements were as follows: Preparing the ground for rapid economic growth; active interaction with global economy and economic competitiveness; knowledge-based development; sustainable development and regional balance; health, human security and social health; cultural development; national security and judicial affairs; as well as reorganization of government and improvement of governance through downsizing the government and decentralization of executive bodies.

Implementation of the Budget (in general):

Price of crude oil export was set prudentially at \$28 per barrel, against \$21 in 1382-83. In accordance with the 4th FYDP Law, the above-budget oil revenue was transferred to the OSF in the review year as in the 3rd FYDP to offset possible fluctuations in oil revenue arising from oil price movements and to prevent the expansionary effects of the mentioned funds on the budget.

Total budget was designed on the basis of the exchange rate parity of Rls. 9,095 per one U.S. dollar. However, foreign exchange receipts and payments were calculated according to the exchange rate in the interbank market at Rls. 8,926.6 per one U.S. dollar and deposited into the Treasury-General during 1384.

According to the 1384 Budget and the Supplements thereto, revenues ⁽¹⁾ (including taxes and other revenues) and expenses reached Rls. 469,045.3 and 613,061.7 billion, respectively. Therefore, the operating balance (approved) ran a deficit of Rls. 144,016.4 billion. Furthermore, approved receipts and



(1) Excluding special revenues and expenditures and including approved figure for transparency in the price of energy bearers.

payments out of disposal and acquisition of non-financial assets (excluding special receipts and payments) amounted to Rls. 197,313.4 and 138,409.0 billion, respectively. Therefore, the total sum of operating balance and net disposal of non-financial assets ran a deficit of Rls. 85,112.0 billion, which was largely financed from the OSF and privatization proceeds.

The composition of sources of the approved budget including approved figure for transparency in the price of energy bearers consisted of 59.1 percent receipts from revenues, 24.9 percent from disposal of non-financial and 14.6 percent from disposal of financial assets. Composition of uses of the government budget (including approved figure for subsidy on energy bearers) consisted of 77.3 percent payments for expenses, 17.4 percent for the acquisition of non-financial assets and 5.3 percent for the acquisition of financial assets.

SOURCES AND USES OF GOVERNMENT GENERAL BUDGET (1) (billion rials-percent)

	Approved (2)		Percentage change	Share in total		Performance		Percentage change	Share in total	
	1383	1384		1383	1384	1383	1384		1383	1384
Sources	476,967.7	793,521.7	66.4	100.0	100.0	483,775.0	737,865.8	52.5	100.0	100.0
Revenues	222,665.8	469,045.3	110.6	46.7	59.1	251,668.3	467,250.6	85.7	52.0	63.3
Transparency in the price of energy bearers	104,000.0	266,875.7	156.6	21.8	33.6	148,081.0	266,875.7	80.2	30.6	36.2
Disposal of non-financial assets	150,833.7	197,313.4	30.8	31.6	24.9	151,413.0	187,294.5	23.7	31.3	25.4
Disposal of financial assets	103,468.2	115,603.5	11.7	21.7	14.6	80,693.7	83,320.7	3.3	16.7	11.3
Economization during budget performance	0	11,559.5	0	0	2.5	0	0	0	0	0
Uses	476,967.7	793,521.7	66.4	100.0	100.0	483,775.0	737,865.8	52.5	100.0	100.0
Expenditures	326,339.7	613,061.7	87.9	68.4	77.3	380,004.1	597,759.8	57.3	78.5	81.0
Subsidy on energy bearers	104,000.0	266,875.7	156.6	21.8	33.6	148,081.0	266,875.7	80.2	30.6	36.2
Acquisition of non-financial assets	107,466.0	138,409.0	28.8	22.5	17.4	72,306.3	117,638.7	62.7	14.9	15.9
Acquisition of financial assets	43,161.9	42,051.0	-2.6	9.0	5.3	31,464.6	22,467.3	-28.6	6.5	3.0

(1) Including the figure for transparency in subsidy on energy bearers, excluding special revenues and expenditures.

(2) Figures for 1384 are revised based on the first and the second Supplements to the 1384 Budget.

Review of the figures related to budget performance in 1384 reveals that general budget sources (including the figure for transparency in the price of energy bearers and excluding

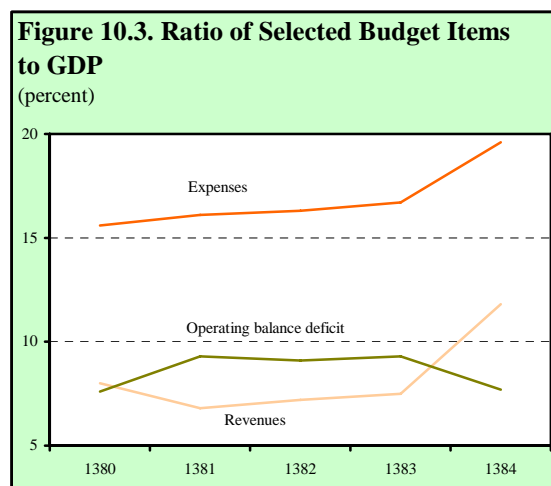
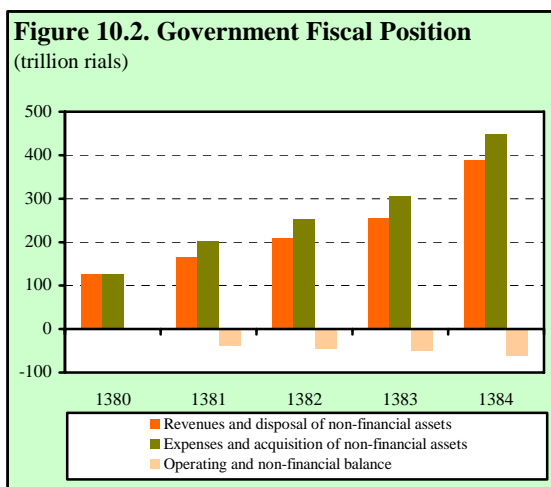
special revenues and expenditures) were financed out of revenues by 63.3 percent, from disposal of non-financial assets by 25.4 percent, and from disposal of financial assets by 11.3 percent. Budget uses (including the figure for subsidy on energy bearers) represents realization of 81.0 percent from expenses, 15.9 percent from acquisition of non-financial and 3.0 percent from acquisition of financial assets.

Government revenues including taxes and other revenues (excluding the figure for transparency in the price of energy bearers and special revenues) grew by 93.4 percent to Rls. 200,374.9 billion when compared with the previous year, indicating 99.1 percent realization as compared with the approved figure. Out of total revenues, Rls. 134,574.4 billion (67.2 percent) was received from taxes and Rls. 65,800.5 billion (32.8 percent) from other revenues, against 81.5 and 18.5 percent in the preceding year, respectively.

Government expenses (current expenditures, excluding the figure for transparency in the price (subsidy) of energy bearers and special expenditures) rose by 42.7 percent compared to the previous year to Rls. 330,884.1 billion, representing 95.6 percent realization compared to the approved figure in the budget. Thus, based on the performance of government revenues and expenditures, the operating balance ran a deficit of Rls. 130,509.2 billion.

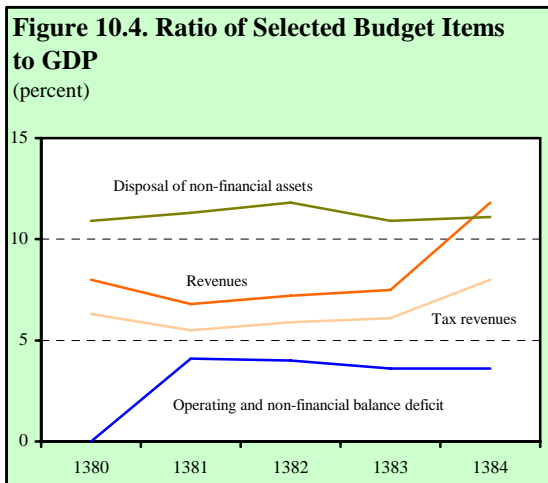
Receipts from disposal of non-financial assets including sale of crude oil and oil products as well as disposal of other non-financial assets reached Rls. 187,294.5 billion, showing realization of 94.9 percent compared with the approved figure and 23.7 percent rise as compared with the corresponding figure of the previous year. Acquisition of non-financial assets (development expenditures) increased by 62.7 percent to Rls. 117,638.7 billion as compared with the preceding year, indicating 85.0 percent realization in comparison with the approved figure. Thus, net disposal of non-financial assets equaled Rls. 69,655.9 billion in the review year.

Regarding the performance of revenues and expenses, and disposal and acquisition of non-financial assets, sum of operating and non-financial balance ran a deficit of Rls. 60,853.4 billion, representing a rise of 23.6 percent as compared with the same figure



of the previous year and an under-realization of 28.5 percent when compared with the approved figure. This figure, i.e. budget deficit, was financed through net disposal of financial assets. Disposal and acquisition of financial assets amounted to Rls. 83,320.7 and 22,467.3 billion, respectively, in 1384.

Outstanding balance of foreign exchange obligations account grew by Rls. 164.6 billion, against Rls. 1,200.3 billion in 1383. Total outstanding balance of this account reached Rls. 36,120.3 billion in 1384 year-end.



GOVERNMENT FISCAL POSITION (1)

(billion rials)

	1382	1383	1384	Percentage change	
				1383	1384
Revenues	78,836.6	103,587.3	200,374.9	31.4	93.4
Taxes	65,099.0	84,421.1	134,574.4	29.7	59.4
Others	13,737.6	19,166.2	65,800.5	39.5	243.3
Expenses (current)	178,255.2	231,923.1	330,884.1	30.1	42.7
Operating balance	-99,418.6	-128,335.8	-130,509.2	29.1	1.7
Disposal of non-financial assets	129,030.8	151,413.0	187,294.5	17.3	23.7
Acquisition of non-financial assets (development expenditures)	73,799.7	72,306.3	117,638.7	-2.0	62.7
Net disposal of non-financial assets	55,231.1	79,106.7	69,655.9	43.2	-11.9
Operating and non-financial balance	-44,187.5	-49,229.2	-60,853.4	11.4	23.6
in percent of GDP					
Revenues	7.2	7.5	11.8		
Taxes	5.9	6.1	8.0		
Others	1.3	1.4	3.9		
Expenses (current)	16.3	16.7	19.6		
Operating balance	-9.1	-9.3	-7.7		
Disposal of non-financial assets	11.8	10.9	11.1		
Acquisition of non-financial assets (development expenditures)	6.7	5.2	7.0		
Net disposal of non-financial assets	5.0	5.7	4.1		
Operating and non-financial balance	-4.0	-3.6	-3.6		

(1) Excluding special revenues and expenditures and figure for transparency in the price (subsidy) of energy bearers.