

**B**udget Law for 1385, as the second budget law in the 4<sup>th</sup> 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 4<sup>th</sup> Plan. According to the Circular of the 1385 Budget, budget requirements were as follows: developing human security and social justice; preparing the ground for rapid economic growth and economic competitiveness; reorganizing government and improving governance through downsizing the government and decentralizing executive bodies; preserving the environment, regional balance and decentralization; knowledge-based development; cultural development; promoting health and quality of life; as well as national security and developing judicial affairs.

#### **Implementation of the Budget (in general):**

In the Budget Law for 1385, price of crude oil export was set at \$40 per barrel, against respectively \$21 and \$28 in 1383 and 1384. In accordance with the 4<sup>th</sup> FYDP Law, the above-budget oil revenue was transferred to the OSF in the review year as in 1384 and the 3<sup>rd</sup> Plan 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 formulated on the basis of the exchange rate parity of Rls. 8,950 per one U.S. dollar. However,

foreign exchange receipts and payments were calculated according to the exchange rate in the interbank market at Rls. 9,120.6 per one U.S. dollar and deposited into the Treasury-General during the review year.

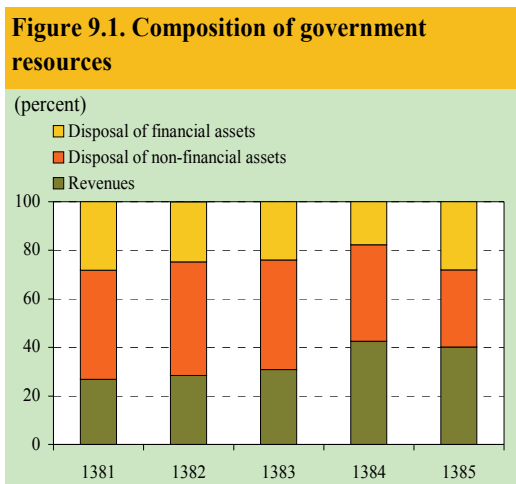
The figure for transparency in the price (subsidy) of energy bearers is excluded from the approved and performance figures in the 1385 Budget. For 1382-84, this figure appeared under other revenues (receipts from government ownership) in sources side and under expenses in uses side. According to the 1385 Budget Law and the Supplements thereto, revenues (including taxes and other revenues and excluding special revenues) and expenses (excluding special expenditures) reached Rls. 244,455.3 and 407,511.9 billion, respectively. Therefore, the operating balance (approved) ran a deficit of Rls. 163,056.6 billion. Moreover, the approved receipts and payments out of disposal and acquisition of non-financial assets (excluding special receipts and payments) totaled Rls. 183,253.2 and 176,120.2 billion, respectively. Thus, sum of operating balance and net disposal of non-financial assets ran a deficit of Rls. 155,923.6 billion, which was largely financed out of the OSF.

The composition of sources of the approved budget (excluding special revenues) consisted of 40.9 percent receipts from revenues, 30.7 percent from disposal of non-financial and 28.4 percent from disposal of financial assets. Composition of uses of

the government budget (excluding special expenditures) comprised 68.2 percent for payments of expenses, 29.5 percent for the acquisition of non-financial assets and 2.3 percent for the acquisition of financial assets.

Review of the figures related to budget performance in 1385 indicates that general budget sources (excluding special revenues) were financed out of revenues by 40.2 percent, from disposal of non-financial assets by 31.8 percent, and from disposal of financial assets by 28 percent. Budget uses (excluding special expenditures) point to realization of 72.3 percent from expenses, 25.3 percent from acquisition of non-

financial, and 2.4 percent from acquisition of financial assets.



**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	
	1384 <sup>(3)</sup>	1385		1384	1385	1384 <sup>(3)</sup>	1385		1384	1385
<b>Sources</b>	<b>526,646.0</b>	<b>597,716.5</b>	<b>13.5</b>	<b>100.0</b>	<b>100.0</b>	<b>470,990.1</b>	<b>574,989.2</b>	<b>22.1</b>	<b>100.0</b>	<b>100.0</b>
Revenues	202,169.6	244,455.3	20.9	38.4	40.9	200,374.9	231,130.8	15.3	42.5	40.2
Disposal of non-financial assets	197,313.4	183,253.2	-7.1	37.4	30.7	187,294.5	182,797.2	-2.4	39.8	31.8
Disposal of financial assets	115,603.5	170,008.0	47.1	22.0	28.4	83,320.7	161,061.2	93.3	17.7	28.0
Economization during budget performance	11,559.5	0	-100.0	2.2	0	0	0	0	0	0
<b>Uses</b>	<b>526,646.0</b>	<b>597,716.5</b>	<b>13.5</b>	<b>100.0</b>	<b>100.0</b>	<b>470,990.1</b>	<b>574,989.2</b>	<b>22.1</b>	<b>100.0</b>	<b>100.0</b>
Expenditures	346,186.0	407,511.9	17.7	65.7	68.2	330,884.1	415,788.1	25.7	70.2	72.3
Acquisition of non-financial assets	138,409.0	176,120.2	27.2	26.3	29.5	117,638.7	145,571.0	23.7	25.0	25.3
Acquisition of financial assets	42,051.0	14,084.4	-66.5	8.0	2.3	22,467.3	13,630.0	-39.3	4.8	2.4

(1) Excluding special revenues and expenditures

(2) Revised on the basis of the Amendments of Budget and the Supplements thereto

(3) Excluding the figure for transparency in the price (subsidy) of energy bearers

Government revenues, including taxes and other revenues, (excluding special revenues) went up by 15.3 percent to Rls. 231,130.8 billion compared with 1384, representing 94.5 percent realization in comparison with the approved figure. Out of total revenues,

Rls. 151,620.9 billion (65.6 percent) was received from taxes and Rls. 79,509.9 billion (34.4 percent) from other revenues, against 67.2 and 32.8 percent in the previous year, respectively.

Government expenses (current expenditures, excluding special expenditures) rose by 25.7 percent to Rls. 415,788.1 billion compared with the preceding year, indicating 102 percent realization against the approved figure in the budget. This figure is calculated

on the basis of the Budget Law for 1385 as amended. Therefore, according to the performance of government revenues and expenditures, the operating balance ran a deficit of Rls. 184,657.3 billion.

**GOVERNMENT FISCAL POSITION <sup>(1)</sup>**

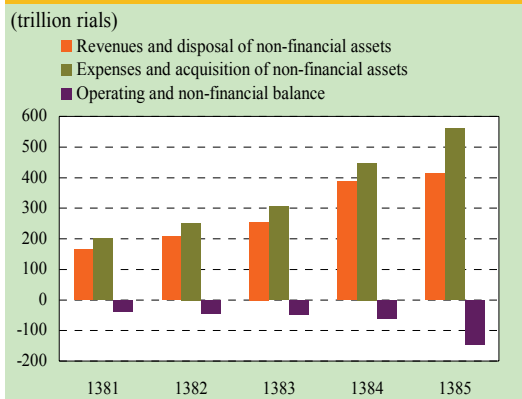
(billion rials)

	1383 <sup>(2)</sup>	1384 <sup>(2)</sup>	1385	Percentage change	
				1384	1385
<b>Revenues</b>	<b>103,587.3</b>	<b>200,374.9</b>	<b>231,130.8</b>	<b>93.4</b>	<b>15.3</b>
Taxes	84,421.1	134,574.4	151,620.9	59.4	12.7
Others	19,166.2	65,800.5	79,509.9	243.3	20.8
<b>Expenses (current)</b>	<b>231,923.1</b>	<b>330,884.1</b>	<b>415,788.1</b>	<b>42.7</b>	<b>25.7</b>
<b>Operating balance</b>	<b>-128,335.8</b>	<b>-130,509.2</b>	<b>-184,657.3</b>	<b>1.7</b>	<b>41.5</b>
Disposal of non-financial assets	151,413.0	187,294.5	182,797.2	23.7	-2.4
Acquisition of non-financial assets (development expenditures)	72,306.3	117,638.7	145,571.0	62.7	23.7
<b>Net disposal of non-financial assets</b>	<b>79,106.7</b>	<b>69,655.9</b>	<b>37,226.2</b>	<b>-11.9</b>	<b>-46.6</b>
<b>Operating and non-financial balance</b>	<b>-49,229.2</b>	<b>-60,853.4</b>	<b>-147,431.2</b>	<b>23.6</b>	<b>142.3</b>
<b>in percent of GDP</b>					
<b>Revenues</b>	<b>7.5</b>	<b>11.9</b>	<b>11.3</b>	<b>58.7</b>	<b>-4.5</b>
Taxes	6.1	8.0	7.4	30.8	-6.7
Others	1.4	3.9	3.9	181.7	0.1
<b>Expenses (current)</b>	<b>16.7</b>	<b>19.6</b>	<b>20.4</b>	<b>17.1</b>	<b>4.1</b>
<b>Operating balance</b>	<b>-9.3</b>	<b>-7.7</b>	<b>-9.1</b>	<b>-16.6</b>	<b>17.2</b>
Disposal of non-financial assets	10.9	11.1	9.0	1.5	-19.2
Acquisition of non-financial assets (development expenditures)	5.2	7.0	7.1	33.5	2.5
<b>Net disposal of non-financial assets</b>	<b>5.7</b>	<b>4.1</b>	<b>1.8</b>	<b>-27.8</b>	<b>-55.7</b>
<b>Operating and non-financial balance</b>	<b>-3.6</b>	<b>-3.6</b>	<b>-7.2</b>	<b>1.4</b>	<b>100.6</b>

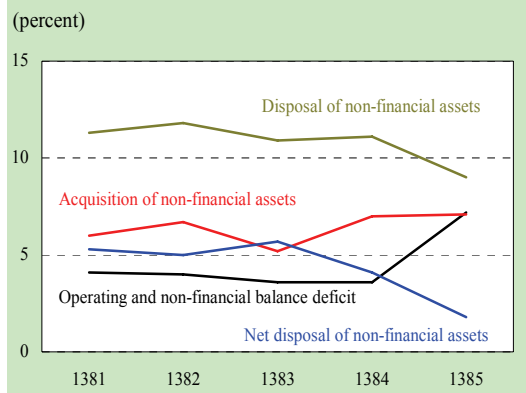
(1) It excludes special revenues and expenditures.

(2) Figures for 1383 and 1384 exclude the figure for transparency in the price (subsidy) of energy bearers.

**Figure 9.2. Government fiscal position**

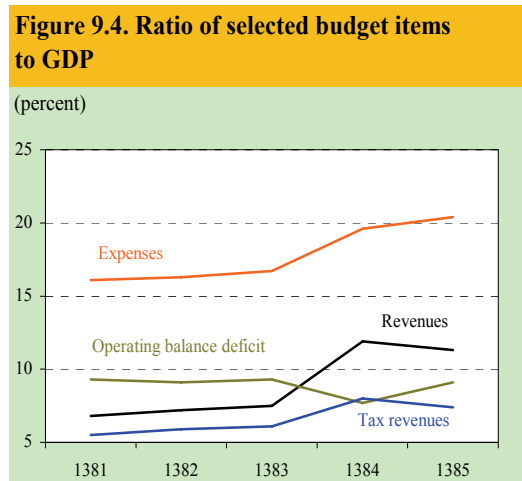


**Figure 9.3. Ratio of selected budget items to GDP**



Receipts from disposal of non-financial assets including sale of crude oil as well as movable and immovable assets reached Rls. 182,797.2 billion, registering realization of 99.8 percent compared with the approved figure and a fall of 2.4 percent as compared with the figure for the previous year. Acquisition of non-financial assets (development expenditures) grew by 23.7 percent to Rls. 145,571.0 billion as compared with the year before, representing 82.7 percent realization in comparison with the approved figure. Thus, net disposal of non-financial assets reached Rls. 37,226.2 billion in 1385.

Considering the performance of revenues and expenses, and disposal and acquisition of non-financial assets, sum of operating balance and net disposal of non-financial assets ran a deficit of Rls. 147,431.2 billion, indicating 142.3 percent rise compared with the figure for 1384 and an under-realization of 5.4 percent when compared with the approved figure. This figure, budget deficit, was financed out of net disposal of financial



assets. Disposal and acquisition of financial assets totaled Rls. 161,061.2 and 13,630.0 billion, respectively, in the review year.

Outstanding balance of foreign exchange obligations account increased by Rls. 10.6 billion, against Rls. 164.6 billion in the previous year. Total outstanding balance of this account amounted to Rls. 36,130.9 billion at end-1385.