

Budget Law for 1386, as the third 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 Twenty-Year Vision Plan and the 4th Plan. Basic strategies in the Budget Law for 1386 were as follows:

- Improvement of life quality and soundness;
- National security;
- Improvement of human security and social justice;
- Active interaction with global economy;
- Knowledge, ethic, and culture-based development;
- Judicial development;
- Government restructuring and strengthening of governance;
- Improvement of business climate for strengthening growth potential;
- Regional balance growth and spatial planning;
- Cultural development;
- Competitiveness in economy; and
- Environment preservation.

Implementation of the Budget (in general):

In the Budget Law for 1386, price of crude oil export was set at \$45 per barrel, against respectively \$28 and \$40 in 1384 and 1385. According to the 4th Plan, the above-budget oil revenue was transferred to the OSF in 1386 as in the previous year and the 3rd 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. 8,900 per one U.S. dollar. However, foreign exchange receipts and payments were calculated according to the exchange rate in the interbank market at Rls. 9,285 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 carriers is excluded from the approved and performance figures in the 1386 Budget. For 1382-84, this figure appeared under other revenues (receipts from government ownership) in sources side and under expenses in uses side.

Based on the Budget Law for 1386 and the Supplements thereto, revenues (including taxes and other revenues and excluding special revenues) and expenses (excluding special expenditures) reached Rls. 277,508.4 and 425,199.7 billion, respectively. Therefore, the operating balance (approved) ran a deficit of Rls. 147,691.3 billion. Moreover,

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the approved receipts and payments out of disposal and acquisition of non-financial assets (excluding special receipts and payments) totaled Rls. 175,725.1 and 168,137.8 billion, respectively. Thus, sum of operating balance and net disposal of non-financial assets ran a deficit of Rls. 140,104.1 billion, which was largely financed out of the OSF.

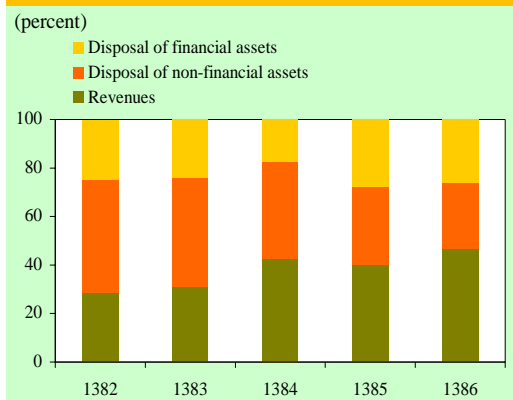
The composition of sources of the approved budget (excluding special revenues) consisted of 42.8 percent receipts from revenues, 27.1 percent from disposal of non-financial and 30.1 percent from disposal of financial assets. Composition of uses of the government budget (excluding special expenditures) consisted of 65.5 percent for payments of expenses, 25.9 percent for the acquisition of non-financial assets and 8.6 percent for the acquisition of financial assets.

Review of the figures related to budget performance in 1386 signifies that general budget sources (excluding special revenues) were financed out of revenues by 46.7 percent, from disposal of non-financial assets by 27.3 percent, and from disposal of financial assets by 26 percent. Budget uses (excluding special expenditures) point to realization of 65.9 percent from expenses, 24.6 percent from

acquisition of non-financial, and 9.5 percent from acquisition of financial assets.

Government revenues, including taxes and other revenues (excluding special revenues) increased by 29 percent to Rls. 298,203.1 billion compared with 1385, indicating 7.5 percent excess realization against the approved figure. Out of total revenues, Rls. 191,815.3 billion (64.3 percent) was received from taxes and Rls. 106,387.8 billion (35.7 percent) from other revenues, as compared with 65.6 and 34.4 percent in the preceding year, respectively.

Figure 9.1. Composition of government resources



Sources and Uses of Government General Budget⁽¹⁾ (billion rials-percent)

	Approved ⁽²⁾		Percentage change	Share in total		Performance		Percentage change	Share in total	
	1385	1386		1385	1386	1385	1386		1385	1386
Sources	597,716.5	648,951.7	8.6	100.0	100.0	574,989.2	639,109.0	11.2	100.0	100.0
Revenues	244,455.3	277,508.4	13.5	40.9	42.8	231,130.8	298,203.1	29.0	40.2	46.7
Disposal of non-financial assets	183,253.2	175,725.1	-4.1	30.7	27.1	182,797.2	174,791.8	-4.4	31.8	27.3
Disposal of financial assets	170,008.0	195,718.2	15.1	28.4	30.1	161,061.2	166,114.0	3.1	28.0	26.0
Uses	597,716.5	648,951.7	8.6	100.0	100.0	574,989.2	639,109.0	11.2	100.0	100.0
Expenditures	407,511.9	425,199.7	4.3	68.2	65.5	415,788.1	421,334.1	1.3	72.3	65.9
Acquisition of non-financial assets	176,120.2	168,137.8	-4.5	29.5	25.9	145,571.0	157,215.8	8.0	25.3	24.6
Acquisition of financial assets	14,084.4	55,614.1	294.9	2.3	8.6	13,630.0	60,559.2	344.3	2.4	9.5

(1) Excluding special revenues and expenditures

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

Government expenses (current expenditures, excluding special expenditures) rose by 1.3 percent to Rls. 421,334.1 billion against the previous year, registering 99.1 percent realization compared with the approved figure

in the budget. Thus, based on the performance of government revenues and expenditures, the operating balance ran a deficit of Rls. 123,131 billion.

Government Fiscal Position ⁽¹⁾

(billion rials)

	1384 ⁽²⁾	1385	1386	Percentage change	
				1385	1386
Revenues	200,374.9	231,130.8	298,203.1	15.3	29.0
Taxes	134,574.4	151,620.9	191,815.3	12.7	26.5
Others	65,800.5	79,509.9	106,387.8	20.8	33.8
Expenses (current)	330,884.1	415,788.1	421,334.1	25.7	1.3
Operating balance	-130,509.2	-184,657.3	-123,131.0	41.5	-33.3
Disposal of non-financial assets	187,294.5	182,797.2	174,791.8	-2.4	-4.4
Acquisition of non-financial assets (development expenditures)	117,638.7	145,571.0	157,215.8	23.7	8.0
Net disposal of non-financial assets	69,655.9	37,226.2	17,576.1	-46.6	-52.8
Operating and non-financial balance	-60,853.4	-147,431.2	-105,554.9	142.3	-28.4
in percent of GDP					
Revenues	10.8	10.2	10.3	-5.4	0.9
Taxes	7.3	6.7	6.6	-7.6	-1.1
Others	3.5	3.5	3.7	-0.9	4.6
Expenses (current)	17.8	18.4	14.6	3.1	-20.7
Operating balance	-7.0	-8.2	-4.3	16.1	-47.8
Disposal of non-financial assets	10.1	8.1	6.0	-19.9	-25.2
Acquisition of non-financial assets (development expenditures)	6.3	6.4	5.4	1.5	-15.5
Net disposal of non-financial assets	3.8	1.6	0.6	-56.2	-63.1
Operating and non-financial balance	-3.3	-6.5	-3.7	98.8	-44.0

(1) It excludes special revenues and expenditures.

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

Figure 9.2. Government fiscal position

(trillion rials)

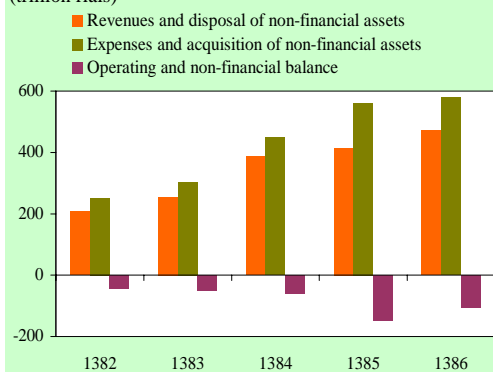
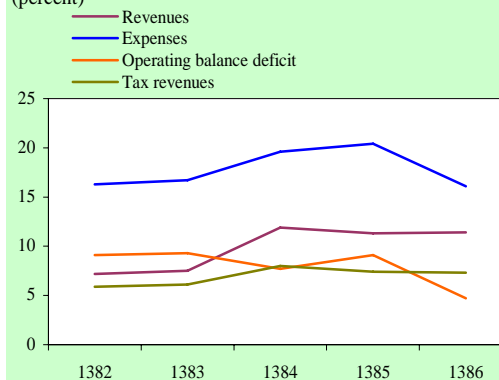


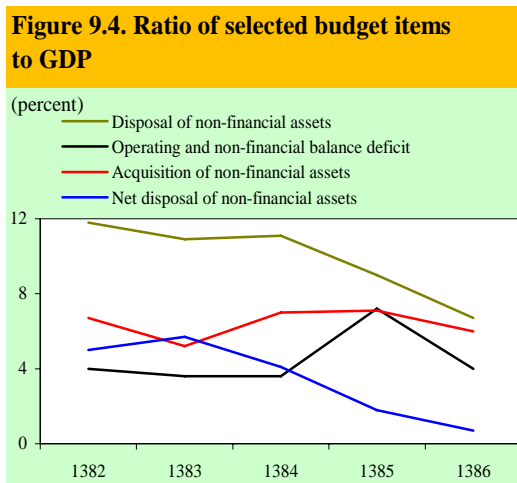
Figure 9.3. Ratio of selected budget items to GDP

(percent)



Receipts from disposal of non-financial assets including sale of crude oil as well as movable and immovable assets declined by 4.4 percent to Rls. 174,791.8 billion compared with the year before, representing realization of 99.5 percent against the approved figure. Acquisition of non-financial assets (development expenditures) went up by 8 percent to Rls. 157,215.8 billion compared with the preceding year, indicating 93.5 percent realization against the approved figure. Therefore, net disposal of non-financial assets reached Rls. 17,576.1 billion in the review year.

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. 105,554.9 billion, showing 28.4 percent decline as compared with the figure for 1385 and an under-realization of 24.7 percent against the approved figure. This figure, budget deficit, was financed out of net disposal of financial



assets. Disposal and acquisition of financial assets totaled Rls. 166,114 and 60,559.2 billion, respectively, in 1386.

Outstanding balance of foreign exchange obligations account rose by Rls. 746 million, against Rls. 10.6 billion in the previous year. Total outstanding balance of this account reached Rls. 36,131.6 billion in 1386 year-end.