

The year 1393 was the tenth year in the 20-Year Vision Plan Document and the fourth year in the course of the 5th 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 5th FYDP Law.

Budgetary Performance

The price of crude oil was set at \$100 per barrel in the Budget Law of 1393, compared with \$85 in 1391 and \$95 in 1392. Based on Note 2, Single Article of the Budget Law for 1393, the Ministry of Petroleum and its affiliated state-owned company were mandated to deposit the foreign exchange receipts from the exports of crude oil and natural gas condensate of 1393 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 Note and the corresponding Paragraphs of pre-1393 Budget Laws.

The Central Bank was obligated to deposit the share of the Ministry of Petroleum to accounts of the MOP affiliated company 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 the company's current

operation expenses and for submission as collateral for foreign financing contracts. Based on the Budget Law for 1393, the Central Bank is obligated to allocate, from the total monthly oil foreign exchange earnings, 14.5 percent of Ministry of Petroleum apportionment (buyback repayments included) to its affiliated company, 29.0 percent to National Development Fund (NDF), a 2.0 percent additional amount to NDF for government debt repayments related to Nowrooz of 1391 bonus payments to government employees, and the government general revenue allotments under Budgetary Measures 210101 and 210109 of Table 5 of this Law. The residual of foreign exchange oil export earnings plus the surplus revenue resulting from oil price and oil export quantity rises (crude oil and natural gas condensate) during the year, relative to current budget projection figures, after foreign exchange sales and conversion into rials and the allocation of 75 trillion rials to NDF, will be assigned to revenue account No. 210110 of Treasury under Table 5 of this Law. Accordingly, the Treasury General is obligated to pay 100 percent of this deposited amount to the accounts of the armed forces and affiliated organizations out of the Budgetary Measure 530000-119 related to General Staff of the Armed Forces.

Based on the 1393 Budget Law, total sources and uses of government general budget were approved at Rls. 2,118.7 trillion. Performance figures of sources and

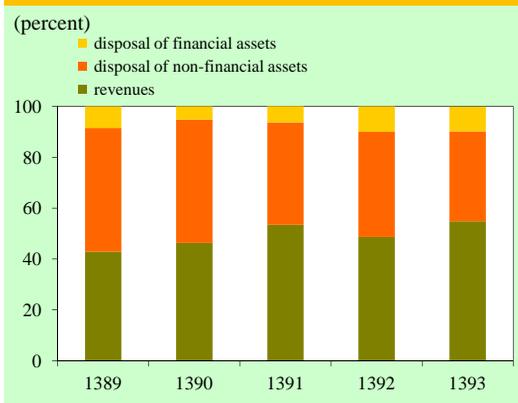
uses of budget were Rls. 1,783.2 trillion for the same year.

According to the Budget Law for 1393, approved revenues, including taxes and other revenues (excluding special revenues), totaled Rls. 1,010.5 trillion and approved expenses (excluding special expenditures) totaled Rls. 1,480.8 trillion. Therefore, the projected deficit of the operating balance would be Rls. 470.3 trillion. Moreover, approved receipts and payments out of disposal and acquisition of non-financial assets (excluding special revenues and expenditures) were Rls. 798.8 trillion and Rls. 439.7 trillion, respectively. Thus, approved operating and non-financial balance (sum of approved operating balance and net disposal of non-financial assets) posted Rls. 111.2 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 approved government budget in 1393 (excluding special revenues) constituted 47.7 percent receipts from revenues, 37.7 percent from disposal of non-financial assets, and 14.6 percent from disposal of financial assets. Uses of the approved government budget (excluding special expenditures) comprised expenses by 69.9 percent, acquisition of non-financial assets by 20.8 percent, and acquisition of financial assets by 9.4 percent.

Review of the figures related to the Budget performance in 1393 reveals that general budget sources (excluding special revenues) were financed out of revenues by 54.8 percent, from disposal of non-financial assets by 35.4 percent, and from disposal of financial assets by 9.7 percent. Budget uses (excluding special expenditures) indicate allocation of 80.7 percent for current expenses, 16.8 percent for acquisition of non-financial assets, and 2.5 percent for acquisition of financial assets.

Figure 10.1. Composition of government budget



Government revenues, including taxes and other revenues (excluding special revenues), amounted to Rls. 977.6 trillion, indicating 36.3 percent increase compared with 1392 and 96.7 percent realization compared with the approved figure. Out of total revenues, Rls. 709.7 trillion was received from taxes and Rls. 267.9 trillion from other revenues.

Government expenses (current expenditures, excluding special expenditures) grew by 20.1 percent compared with the year before, to Rls. 1,438.3 trillion, representing 97.1 percent realization compared with the figure approved in the budget. Thus, based on the performance of government revenues and expenses in 1393, operating balance ran a deficit of Rls. 460.7 trillion.

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. 631.9 trillion in 1393. This indicated 3.2 percent increase compared with the year before and 79.1 percent realization compared with the figure approved in the Budget Law. Disbursements on the acquisition of non-financial assets

(development expenditures) rose by 36.0 percent to Rls. 299.5 trillion, signifying 68.1 percent realization compared with the approved figure. Therefore, net disposal of non-financial assets posted a surplus of Rls. 332.4 trillion in 1393.

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. 128.3 trillion in 1393, up by 45.2 percent compared with the year before and showing 15.4 percent excess realization compared with the approved figure. Disposal of financial assets amounted to Rls. 173.7 trillion and acquisition of financial assets totaled Rls. 45.4 trillion. Therefore, net

disposal of financial assets posted a surplus of Rls. 128.3 trillion, covering the deficit in the operating and non-financial balance.

Figure 10.2. Government fiscal position

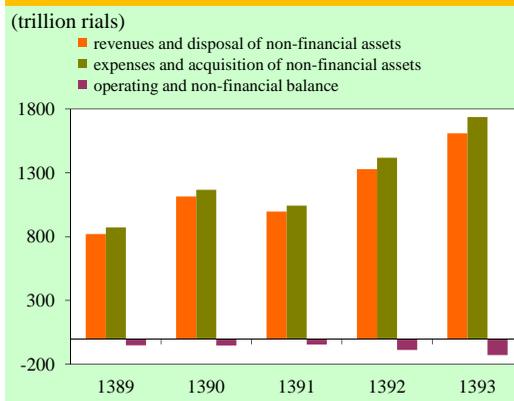


Table 10.1. Sources and Uses of Government General Budget¹

(trillion rials-percent)

	Approved ²			Share in total		Performance			Share in total	
	1392	1393	Percentage change	1392	1393	1392	1393	Percentage change	1392	1393
Sources	1,714.0	2,118.7	23.6	100.0	100.0	1,476.8	1,783.2	20.8	100.0	100.0
Revenues	822.0	1,010.5	22.9	48.0	47.7	717.4	977.6	36.3	48.6	54.8
Disposal of non-financial assets	642.3	798.8	24.4	37.5	37.7	612.1	631.9	3.2	41.4	35.4
Disposal of financial assets	249.7	309.4	23.9	14.5	14.6	147.3	173.7	17.9	10.0	9.7
Uses	1,714.0	2,118.7	23.6	100.0	100.0	1,476.8	1,783.2	20.8	100.0	100.0
Expenses	1,205.9	1,480.8	22.8	70.4	69.9	1,197.6	1,438.3	20.1	81.1	80.7
Acquisition of non-financial assets	386.5	439.7	13.8	22.5	20.8	220.2	299.5	36.0	14.9	16.8
Acquisition of financial assets	121.6	198.2	63.0	7.1	9.4	59.0	45.4	-23.0	4.0	2.5

¹Excludes special revenues and expenditures.

²Approved figures are revised based on Budget Amendments.

Figure 10.3. Ratio of selected budget figures to GDP

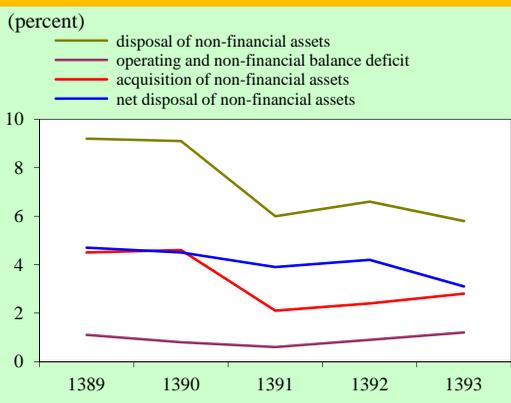


Figure 10.4. Ratio of selected budget figures to GDP

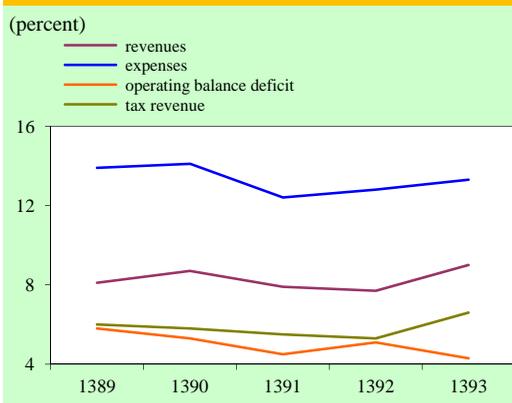


Table 10.2. Government Fiscal Position¹

(trillion rials)

	1391	1392	1393	Percentage change	
				1392	1393
Revenues	568.2	717.4	977.6	26.3	36.3
Tax revenue	395.2	494.2	709.7	25.1	43.6
Other government revenues	173.0	223.1	267.9	29.0	20.1
Expenses (current)	890.0	1,197.6	1,438.3	34.6	20.1
Operating balance	-321.8	-480.3	-460.7	49.2	-4.1
Disposal of non-financial assets	428.5	612.1	631.9	42.8	3.2
Acquisition of non-financial assets (development expenditures)	152.3	220.2	299.5	44.6	36.0
Net disposal of non-financial assets	276.2	391.9	332.4	41.9	-15.2
Operating and non-financial balance	-45.5	-88.4	-128.3	94.0	45.2
Ratio to GDP (current prices)					
	Percent			Change (percentage points)	
Revenues	8.0	7.7	9.0	-0.3	1.4
Tax revenue	5.6	5.3	6.6	-0.3	1.3
Other government revenues	2.4	2.4	2.5	-0.1	0.1
Expenses (current)	12.6	12.8	13.3	0.3	0.5
Operating balance	-4.5	-5.1	-4.3	-0.6	0.9
Disposal of non-financial assets	6.0	6.6	5.8	0.5	-0.7
Acquisition of non-financial assets (development expenditures)	2.1	2.4	2.8	0.2	0.4
Net disposal of non-financial assets	3.9	4.2	3.1	0.3	-1.1
Operating and non-financial balance	-0.6	-0.9	-1.2	-0.3	-0.2

¹Excludes special revenues and expenditures.