

CHAPTER TEN

FISCAL POLICY AND PERFORMANCE

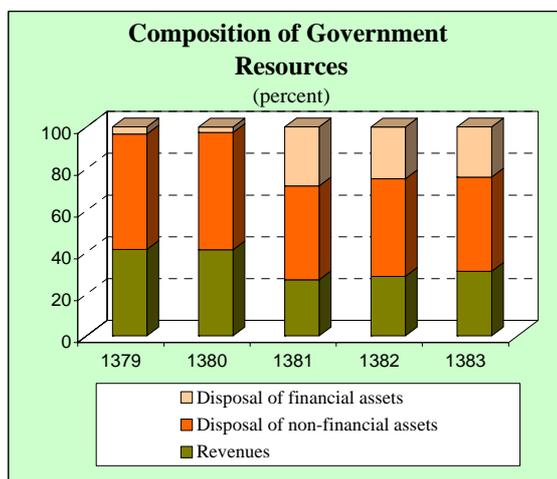
Budget Law for 1383, as the last year of the 3rd FYDP and base year of the 4th FYDP, was designed in the framework of the 3rd FYDP, without borrowing from the banking system, as it was during 1379-1382. In accordance with the 3rd Plan Law and amendments thereto, the above-budget oil revenue was transferred to the Oil Stabilization Fund (OSF) in the review year as in the past three years. This was done in order to offset possible fluctuations in oil revenue, resulting from oil price movements, and to prevent the expansionary effects of the mentioned funds on the budget.

In 1383, the total budget was formulated based on the exchange rate parity of Rls. 8,350 per one U.S. dollar. However, foreign exchange receipts and payments were calculated on the basis of the exchange rate in the interbank market during this year.

In the review year, the Tax Affairs Organization took measures to enhance the efficiency of the organization and to improve the labor productivity. Encouraging tax payers to submit their tax return and to pay tax on due time, on the basis of self-declaration plan, implementing the tentative software for the project of tax accounting system, and creating tax counseling units in the tax affairs offices are among the important measures taken by this organization.

On the basis of the Budget Law for 1383, revenues⁽¹⁾ (including taxes and other revenues) and expenses⁽¹⁾ amounted to Rls. 222,665.8 and 326,339.7 billion, respectively. As a result, the operating balance (approved) ran a deficit of Rls. 103,673.9 billion. Moreover, approved receipts and payments out of disposal and acquisition of non-financial assets (excluding special receipts and payments) reached Rls. 150,833.7 and 107,466 billion, respectively. Thus, the sum of operating balance and net disposal of non-financial assets ran a deficit of Rls. 60,306.3 billion, which was mainly financed through withdrawal from the OSF and privatization revenues.

The composition of sources of the approved budget (including approved figure for transparency in the price of energy bearers) consisted of 46.7 percent receipts from revenues,



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

31.6 percent from disposal of non-financial assets and 21.7 percent from disposal of financial assets. Composition of uses of the government budget (including approved figure for subsidy on energy bearers) consisted of 68.4 percent payments for expenses, 22.5 percent for the acquisition of non-financial assets, and 9.1 percent for the acquisition of financial assets.

Review of the figures related to budget performance in the review year shows that general budget resources (including the figure for transparency in the price of energy bearers) were financed through revenues by 52.0 percent, disposal of non-financial assets by 31.3 percent, and disposal of financial assets by 16.7 percent. The composition of budget uses (including the figure for subsidy on energy bearers) indicates realization of 78.6 percent from expenses, 14.9 percent from acquisition of non-financial assets, and about 6.5 percent from acquisition of financial assets.

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

	Approved		%	Share of total		Performance		%	Share of total	
	1382	1383		change	1382	1383	1382▲		1383	change
Sources	415,526.3	476,967.7	14.8	100.0	100.0	393,477.9	483,775.0	22.9	100.0	100.0
Revenues	204,508.4	222,665.8	8.9	49.2	46.7	196,122.6	251,668.3	28.3	49.8	52.0
Transparency in the price of energy bearers	103,886.0	104,000.0	0.1	25.0	21.8	117,286.0	148,081.0	26.3	29.8	30.6
Disposal of non-financial assets	126,851.8	150,833.7	18.9	30.5	31.6	129,030.8	151,413.0	17.3	32.8	31.3
Disposal of financial assets	84,166.1	103,468.2	22.9	20.3	21.7	68,324.4	80,693.7	18.1	17.4	16.7
Uses	415,526.3	476,967.7	14.8	100.0	100.0	393,477.9	483,775.0	22.9	100.0	100.0
Expenditures	285,236.1	326,339.7	14.4	68.6	68.4	295,541.2	380,004.1	28.6	75.1	78.6
Subsidy on energy bearers	103,886.0	104,000.0	0.1	25.0	21.8	117,286.0	148,081.0	26.3	29.8	30.6
Acquisition of non-financial assets	94,736.6	107,466.0	13.4	22.8	22.5	73,799.7	72,306.3	-2.0	18.8	14.9
Acquisition of financial assets	35,553.7	43,161.9	21.4	8.6	9.1	24,136.9	31,464.6	30.4	6.1	6.5

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

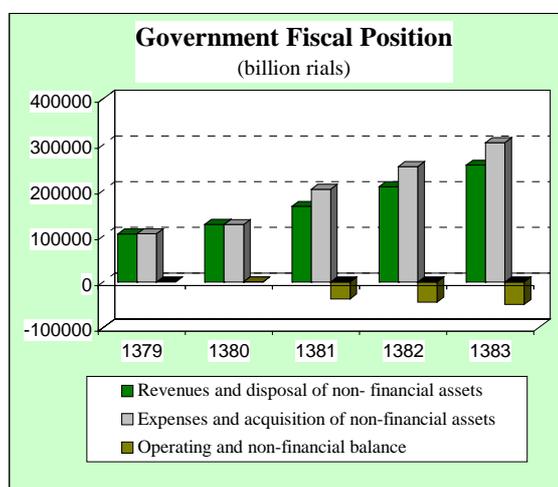
Transparency in Subsidy on Energy Bearers

For the purpose of creating transparency in subsidy on energy bearers, by virtue of the Budget Law for 1383, it was determined that the price of crude oil, non-refined natural gas, oil products, and gas and electricity at regional prices (Persian Gulf fob), after deducting their domestic selling price, be deposited into the general revenue account, on the one hand, and credits payment account, on the other.

In 1383, the government revenues including taxes and other revenues (excluding the figure for transparency in the price of energy bearers and special revenues) grew by 31.4 percent compared

to the previous year to reach Rls. 103,587.3 billion, showing 87.3 percent realization compared to the approved figure. Out of the total revenues, Rls. 84,421.1 billion (81.5 percent) was received from taxes and Rls. 19,166.2 billion (18.5 percent) from other revenues, against 82.6 and 17.4 percent in 1382, respectively. Government expenses increased by 30.1 percent compared to the previous year to Rls. 231,923.1 billion, indicating 4.3 percent excess 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. 128,335.8 billion.

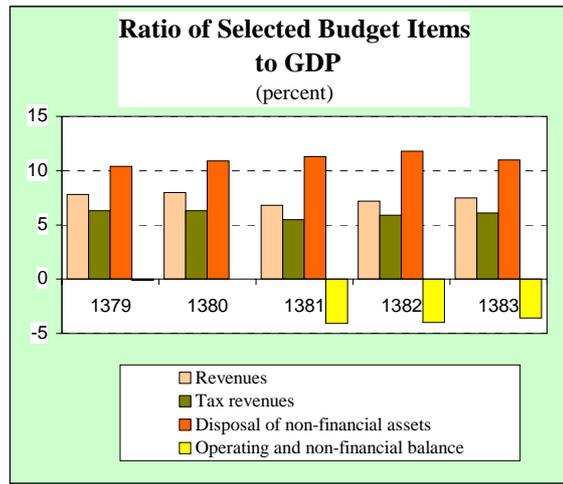
In the review year, receipts from disposal of non-financial assets including sale of crude oil and oil products and disposal of other non-financial assets amounted to 151,413 billion rials, showing 0.4 percent excess realization compared to the approved figure and 17.3 percent increase compared to the previous year. Acquisition of non-financial assets (development expenditures) decreased by 2.0 percent to Rls. 72,306.3 billion as compared with the year before, registering 67.3 percent realization only, compared to the approved figure. Therefore, net disposal of non-financial assets amounted to Rls. 79,106.7 billion in 1383.



GOVERNMENT FISCAL POSITION (1)			
	(billion rials)		
	1381 ▲	1382 ▲	1383
Revenues	61,973.9	78,836.6	103,587.3
Taxes	50,586.5	65,099.0	84,421.1
Others	11,387.4	13,737.6	19,166.2
Expenses (current)	147,572.3	178,255.2	231,923.1
Operating balance	-85,598.4	-99,418.6	-128,335.8
Disposal of non-financial assets	103,182.8	129,030.8	151,413.0
Acquisition of non-financial assets (development expenditures)	54,753.0	73,799.7	72,306.3
Net disposal of non-financial assets	48,429.8	55,231.1	79,106.7
Operating and non-financial balance	-37,168.6	-44,187.5	-49,229.2
in percent of GDP			
Revenues	6.8	7.2	7.5
Taxes	5.5	5.9	6.1
Others	1.2	1.3	1.4
Expenses (current)	16.1	16.3	16.7
Operating balance	-9.3	-9.1	-9.3
Disposal of non-financial assets	11.3	11.8	10.9
Acquisition of non-financial assets (development expenditures)	6.0	6.7	5.2
Net disposal of non-financial assets	5.3	5.0	5.7
Operating and non-financial balance	-4.1	-4.0	-3.6

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

Considering the performance of revenues and expenses, and disposal and acquisition of non-financial assets, total operating and non-financial balance ran a deficit of Rls. 49,229.2 billion, showing an increase of 11.4 percent compared to respective figure of the previous year and 18.4 percent under-realization compared to the approved figure. This figure, which is known as budget deficit, was financed through net disposal of financial assets. In the review year, disposal and acquisition of financial assets equaled Rls. 80,693.7 and 31,464.6 billion, respectively.



In 1383, outstanding balance of foreign exchange obligations account surged by Rls. 1,200.3 billion. The respective figure of the previous year was Rls. 3,652.7 billion. Total outstanding balance of this account was Rls. 35,955.7 billion at year-end, 1383.