

The Approach of the Iranian Budgeting System to Non-Allocation Principle

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Abstract:

The Non-Allocation Principle is one of the most important budgetary economic-financial principles, which states that government institutions should not forecast their budget. The Budget Non-Allocation Principle is Principle 53 of the Constitution. According to the Budget Non-Allocation Principle, no expenditures should be raised from certain revenues before the start of the fiscal year and out of annual budgets. This paper seeks to answer the important question of what is the approach of the Iranian budgeting system to the Budget Non-Allocation Principle. While Principle 53 of the Constitution emphasizes the need for all government revenues to be centralized in the Treasury General Accounts, the forbiddance of exceptions to this principle, and the forbiddance of certain expenditures on resources before the start of the fiscal year and outside the annual budget according to Principle 52 of the Constitution, in budgetary laws and regulations, the annual budgets, and some of the general policies of the state, there are significant instances of violating the Budget Non-Allocation Principle. Hence, all government entities must consider the Budget Non-Allocation Principle when drafting and approving budgetary laws and regulations, so that they conform Principle 53 of the Constitution.

Keywords:

Budgetary Rules and Regulations, Budgeting, Dedicated Income, Non-Allocation Principle, Principle 53 of the I.R.I. Constitution.

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1. Introduction

The financial system and the financial budget are very important items in the public economy and finance. As the tools of economic and social policy, they play an important role in achieving both national and individuals' goals in society. Budget is the most important strategic management tool that a government can use to achieve its goals, improve efficiency, and control crisis. Budget is a plan to assign how scarce resources are allocated to a commercial unit or any other organizations. Considering that available resources are typically less than demand, it is necessary to systematically assess the project plans and budget proposals (Samiei, 1998: 195). On the other hand, budget is one of the most important financial documents in every country. The importance of a budget document is that it designs the government's work plan and its revenues and expenditures for the coming fiscal year. At the macroeconomic level, a document has a particular tendency, orientation, and justification (Karbassian, 1996: 75). From the time of preparation and compilation of a favorable budget bill until its approval, there are specific guidelines called budgeting principles. The importance of these principles is because they promote a successful budgeting process by improving the financial discipline among government bodies, efficiently using the country's resources, and increasing public welfare. These principles are used to provide rules and regulations for the feasibility and desirability of regulatory budget in identifying and controlling government revenues and expenditures.

Some of the above-mentioned principles are formulated in Principle 53 of the Constitution of the Islamic Republic of Iran, which is one of the most important principles of Chapter IV entitled as "Economy and Financial Affairs". Principle 53 holds: "All sums collected by the government will be deposited into the government accounts at the central treasury, and all disbursements, within the limits of allocations approved, shall be made in accordance with law." According to this principle, the governmental bodies should not have a dedicated budget. Instead, they should shall deposit all

sums collected by them on into the government accounts at the central treasury , and then claim their costs to the amount of their spending estimates as well as approved credits and under the law. On the other hand, according to Principle 52: “The total annual budget of the country will be drawn up by the government in the manner specified by law and submitted to the Islamic Consultative Assembly for discussion and approval. Any change in the figures contained in the budget will be in accordance with the procedure prescribed by law.” Thus, the authority of preparation of the budget bill has been left to the government. allocating the revenues of different bodies before the beginning of the fiscal year and apart from the annual budget document contradicts with the principle of budget Non-Allocation.

Emphasizing the Budget Non-Allocation Principle in the I.R.I. Constitution indicates the importance of Principle 53 in budget preparation and compilation. Despite the special status given to Principle 53 amongst the other economic-financial principles of the Constitution as well as the Budget Non-Allocation Principle which can be inferred from Principle 53, this principle has been taken for granted by economic and public finance experts in the budgetary system so that this neglect has been a serious obstacle to providing more adequate and comprehensive research studies in public law and economics. In general, no detailed studies have been made on the application of Budget Non-Allocation Principle in Iranian budgeting system; and financial lawyers and economic experts either briefly mentioned this principle or didn't addressed it at all. In this paper, we will have a deeper look at Budget Non-Allocation Principle, and hence we'll review the effects of this principle in budgetary laws and regulations.

The Remainder of this paper is organized as follows. Section 2 elaborates on the Budget Non-Allocation Principle. Section 3 defines Budget Non-Allocation Principle in budgetary rules and regulations, and reviews some laws that contradict this principle. Finally, Section 4 is the conclusion and giving suggestions.

2. Concept Analysis of Non-Allocation Principle

In order to ensure that budget serves as an effective and applicable estimate of spending, a set of rules are adopted as “budget principles” (Dadgar Kermajani, 1999: 190). In fact, there are some fundamental principles through which the budgetary procedure, from drafting a budget bill by the government to its approval by parliamentarians, is carried out (Ebrahiminezhad et al., 2008: 33). These principles can be based on a country’s financial and accounting rules and regulations. In addition, financial policies and priorities of a government can affect the implementation of these principles (Abbasi, 2011: 33). These principles are provided for the basic soundness of regulations and formalities in organizing a useful and tangible regulatory budget to as well as identifying and controlling a government’s revenues and expenditures. Providing budget principles was first done by Leon Seh in 1885 (Rostami, 2014: 205).

The Budget Non-Allocation Principle is one of the most important economic and financial principles of the budgeting process. According to this principle, the budget law does not give way to allocating any revenues to a certain expenditure, and no expenses are financed from certain revenues, All sums collected by the government shall be deposited into the government accounts at the central treasury, and all government expenditures shall be financed from public revenues deposited into the treasury (Rostami, 2014: 220). In other words, any income from any kind of government institutions should be deposited into the government accounts at the central treasury, and all disbursements shall be made in accordance with law, under the supervision of the Plan and Budget Organization and the Ministry of Economic Affairs and Finance.

Principle 53 is discussed as a part of the Budget Universality Principle. In other words, the Budget Non-Allocation Principle in public finance is one of the main results of the Budget Universality Principle. In fact, the Budget Non-Allocation Principle represents the second concept of the

Budget Universality Principle. That is, the budget figures of governmental bodies must be grossly assigned, and the institutions responsible for preparing, compiling, and approving the budget are not permitted to adjust the resources and costs of governmental bodies. According to this principle, governmental bodies should not have a dedicated revenue and spend it on their own expenses (Abbasi, 2011: 58). So the Budget Non-Allocation Principle states that any governmental body who has an income needs to centralize it government accounts at the central treasury, and asks for any required budget to be approved.

Most economic and public finance resources introducing the Budget Non-Allocation Principle as one of the budgeting principles have provided the same definition of the Principle, its examples, and its violations (e.g. Moradi, 2013: 18). It is noteworthy that some of the most prominent public finance experts in their work, when dealing with budgeting, have not cited this principle as one of the principles of budget preparation and compilation (e.g. Emami, 2010).

From what was mentioned here, it can be concluded that most economic and public finance experts have a minimal idea of the Budget Non-Allocation Principle. In other words, in their point of view, violations of the Budget Non-Allocation Principle emerge only in the annual budgets. However, each time the legislator assigns a certain consumption for all or a percentage of the governmental bodies' receipts in laws and regulations outside the annual budget before the fiscal year begins, and makes the government insert it in the annual budget, they violate the Budget Non-Allocation Principle. It should be noted that in this paper, we use this notion to analyze and assess the Budget Non-Allocation Principle.

3. Reflections of Non-Allocation Principle in Budgetary Laws and Regulations

Budgeting in its process, from preparation to implementation and supervision, is directly associated with budgetary rules and regulations. So, compliance of some of these rules is vital.

1-3. Non-Allocation Principle in the I.R.I. Constitution

The Constitution is the most significant body of law in a country, and specifies general principles and policies related to the country's various aspects, including social, political, economic and cultural. Given the position of Constitution as the top norm in a country, other laws and regulations must be in accordance with its principles. The Constitution of a country specifies its public finance system in terms of general principles and fundamental policies, and mandates the constituents of the country, including the legislature and other powers, to move within the framework of policies and principles.

The Constitution is the main source of financial rights in Iran so that chapter IV is entitled as "Economic and financial affairs". Principles 52 and 53 of the Constitution are among the most important principles dedicated to budgeting.

According to Principle 52 of the Constitution:

"The total annual budget of the country will be drawn up by the government in the manner specified by law and submitted to the Islamic Consultative Assembly for discussion and approval. Any change in the figures contained in the budget will be in accordance with the procedure prescribed by law."

Three implications can be induced from this statement in terms of Budget Non-Allocation Principle:

First, given the annual budgeting, which is one of the political principles of budgeting, the policies of budgeting are prepared for a fiscal year, and no

specific spending can be assigned prior to the beginning of the fiscal year and apart from the annual budget. So forecasting 'dedicated income', 'income-cost', 'collective-expenditure', etc., according to which certain consumption is assigned for certain income (separately and before the annual budget), violate Principle 52 of the Constitution.

Secondly, having the legal authority to prepare a budget bill, the government prepares and compiles the budget each year, taking into account the country's revenue sources and annual spending. Thus, the restrictions imposed by the adoption of different laws and regulations apart from the budget bill undermine the government's authority in the initiative when submitting the budget bill. Therefore, the Assembly is not permitted to violate the government's authority in forecasting revenues and costs through adopting rules and allocating revenues to certain expenditures.

The third impression is that, according to the statement "The 'total' annual budget of the country will be drawn up by the government in the manner specified by law ...", the budget is attributed to the government, and the government must submit the budget of all bodies to the Assembly. In other words, by determining a portion of the budget, prior to the fiscal year, based on laws and regulations outside the annual budget, it is induced that the government has not prepared and compiled the 'total' budget of the country. Because a part of the budget has been determined before the beginning of the fiscal year. Therefore, in this condition, the logic of annual and integrated budget have been violated.

On the other hand, according to Principle 53 of the Constitution:

"All sums collected by the government will be deposited into the government accounts at the central treasury, and all disbursements, within the limits of allocations approved, shall be made in accordance with law."

According to the details of Assembly's final review of the 1979 on the aforementioned principle, this principle does not catch any exceptions. As one

parliamentarian (Beheshti) put it bluntly, “The reason for approving the Budget Non-Allocation Principle is that the oil revenue and some other economic revenues were not deposited into the government accounts at the central treasury. This principle is approved to ensure that in the future, all revenues, whether taxes or revenues from industry or any investments by the government, will go to the central treasury accounts, and all payments will be made from there.”

According to the detailed discussion on Principle 53 of the Constitution, the philosophy of adopting this principle was to centralize all government collections to the central treasury accounts, which were not opposed by the constituents in the final constitutional review. The drafters of the Constitution adopted the Budget Non-Allocation Principle to centralize all the country’s revenues in one account, and allocate it for legal purposes due to Iran’s integrity affairs.

Fourthly, according to the Budget Non-Allocation Principle, ‘denial of clearing’ is approved in public law. According to the logic of the Budget Non-Allocation Principle 3, it is not possible to clear the government’s debt before happening and revenue before being received. Because in this case, the demands are not deposited into the Treasury, and the debt is not paid out of the Treasury.

Principle 53 has been adopted in the final review of the Constitution. In fact, there is particular attention to the fact that when discussing Principle 53, all drafters were aware of the importance of its adoption. The majority of them did not contradict to the totality of the principle, and the only disagreement was over the details. It can be argued that one of the most important reasons for this principle is the explicit emphasis of the constitutionalists on oil revenues as the major source of income in the country. There are generally two interpretations of the principle 53 of the Constitution. First, this principle has sought to create financial order in the country’s revenue and expenditure system and its sole purpose was to focus all

government revenues on the country's treasury.

The effect of such a perception is that on different occasions, different accounts are created in the treasury with special conditions.

But the second interpretation, which seems to be more consistent with the basis for such a focus, is that the constitution, with the approval of this principle, is designed to collect all the country's revenues into one account, and given the integration of the country's affairs, Allocate qualifications and priorities to these revenues for legal purposes) Review of the Principle 53, 2018: 7).

Considering the most important budgetary principles in the I.R.I Constitution, it is induced that they support the Budget Non-Allocation Principle. Principle 52 implicitly and Principle 53 explicitly confirm the budget Non-Allocation Principle. Principle 53 does not deal with the exceptions to the Budget Non-Allocation Principle. In the present study, all laws and regulations are reviewed and assessed using this argument. In fact, in this paper, Principles 52 and 53 of the Constitution are the cornerstones of the analysis of the relevant laws and regulations.

2-3. The General Policies of the State in terms of Non-Allocation principle

Based on paragraph 1 of Principle 110 of the Constitution, "Delineation of the general policies of the Islamic Republic of Iran after consultation with the Expediency Discernment Council" is among the duties and powers given to the supreme leader. The general policies of the state set out the frameworks for adopting and implementing law by the state powers that are obligatory due to their contents. That is, according to the contents of these policies, powers and governmental entities are supposed to make them happen (Esmaili et al., 2008: 124). The supreme leader has determined the overall policies of the state in many subjects and issues. Accord-

ing to Article 2 of the provisional regulations on the implementation of the Administrative policies – approved 2005/06/11 with the supreme leader’s reforms at 2013 – “the rules and regulations, particularly the annual planning and budget, must be regulated within the framework of the general policies. Laws and regulations shall contradict no general policies of the state.” In addition, Article 7 of the same regulations mentions the task of the Expediency Discernment Council Commission to review the compliance of plans and bills with the state’s general policies with respect to the development plan law, the budget act, and their future changes. This article examines the contents of the above-mentioned plans and bills with the general policies and reports them to the Expediency Discernment Council Commission if they contradict the general policies of the state. However, in some of the general policies of the state, there are cases of violation of the Budget Non-Allocation Principle that we will briefly review below.

According to paragraph(d) part 2 of “Law on Implementation of General Policies of Principle (44) of the constitution approved 2004/12/11 on the consumptions resulting from assignment, the sum of assigning the shares of government-owned enterprises shall be deposited into a certain account in the central treasury accounts. It then goes on to indicate a certain consumption for the deposited funds. In one of the cases, in relation to consumption resulting from assignment of government-owned enterprises’ shares, part 2 states: “2-2 allocating 30% of the proceeds of assignment to pervasive national cooperatives for poverty alleviation.” In the form of an upstream document, this part of Principle 44 sets forth a certain percentage of government-owned enterprises’ income, limiting the government’s authority in planning all revenues in the annual budgets to 70% by mentioning “it is consumed in the form of approved plans and budgets as follows.” Hence, the remaining 30% is pre-assigned by this document, which contradicts the Budget Non-Allocation Principle.

The peculiar situation of Iran’s political economy and the difficulties im-

posed by extensive comprehensive sanctions on the management of the country's economy have rendered academic knowledge and usual economic thought insufficient to describe the conditions and to provide effective solutions to control and guide the macroeconomic environment. In other words, well-known doctrines of economics are ineffective due to some bottlenecks considering the lack of access to usual financial and economic tools (Zahabi, 2015: 109). The Supreme Leader stated: "If Islamic Iran follows an indigenous scientific economic model that follows the Islamic revolutionary culture, which is the resistive economy, it will overcome all economic problems, and will defeat the enemy that has lined up against this great nation by imposing a full-scale economic war. By preserving the country's achievements in various fields, progress continuation, and fulfilling the ideals and principles of the Constitution and the document of twenty-year future perspective, it will also succeed in a world where the risks and uncertainties resulted by out-of-control evolutions, such as the financial, economic, and political crises, are increasing. It can thus realize a justice-oriented endogenous extroverted economy based on science and technology that is dynamic and forward-looking, and provide an inspiring model of Islam's economic system."

In paragraph 10 of the resistive economics' general policies, approved on 2014/02/18, one of the objectives is stated as follows: "a purposeful comprehensive support for the export of value-added net-positive export of goods and services by using the adjustment mechanism to facilitate trade if needed."

According to Article 264, Clause 5 of the Civil Code, adjustment is one of the ways to terminate obligations. In addition, based on Article 294 of the Civil Code, when two people are indebted to each other, their debts are adjusted. For this reason, adjustment in the specific sense of Article 295 is called automatic adjustment. But in public law, including financial and tax law, it is forbidden (Rostami, 2014: 213).

The forbiddance of adjustment in financial law has several reasons. The first reason is because of the financial aspect, that is the Treasury General Accounts requires revenues from government transactions, taxes, etc. and, by adjustment, cash is not available to the Treasury. The second reason is budgetary. In other words, the contradiction of adjustment forbiddance rule with gross budget is the logical result of implementing the Budget Non-Allocation Principle. According to this principle, all public revenues must be budgeted grossly at no cost, and all expenditures must be made exactly in accordance with the credits concerned. Therefore, no governmental body is permitted to adjust its own revenue and expenditure figures and insert its net in the budget (Rostami, 2014: 213). The third reason is the contradiction of adjustment with one of the most important fundamental principles of public law that is the forbiddance of exercising power against the government. Because only the government has the public power, and is considered to be the premier authority. Thus, the government as a premier power should be debtor to no governmental bodies.

According to what was mentioned, it is inferred that this paragraph violates Principle 53 of the resistive economics' general policies, which authorizes the use of adjustment mechanism to facilitate trade, if necessary. Because it actually ignores Principle 53 of the Constitution, which states that all government revenues must be deposited into the Treasury General Account. In other words, as explicitly stated, it is induced from the beginning of the above-mentioned paragraph that the purpose of this paragraph is a net positive valuation through the items it has named. Now that the foreign exchange is targeted, it is necessary to centralize resources on transfers, as the other government revenues, in the Treasury General Accounts, rather than using the adjustment mechanism to provide no funds to the Treasury. It should be borne in mind that the above-mentioned paragraph only permits the use of adjustment if necessary, and is not applied to all circumstances. To answer this, two arguments are put forward: First, there is no

precise definition or criterion for the word “necessary” in the above-mentioned paragraph, and depending on the circumstances, the term might be a little biased and different interpretations may arise. In other words, for various reasons, due to the above-mentioned part of paragraph 10, the adjustment mechanism may be applied even if there is no real need. Secondly, Principle 53 of the Constitution and the budgetary principles derived from it, such as the Budget Non-Allocation Principle, the Universality Principle, the Centralization Principle, and the rule of forbiddance of adjustment in public law, are all opposed to the use of adjustment in any circumstances. As noted at the outset, expressing the need for monitoring the implementation of the general policies of the state, the Supreme Leader has emphasized the need for non-contradiction of the annual planning and budget laws with the said policies. Yet, as explained in detail, there is a violation of the Budget Non-Allocation Principle in some of the policies.

3-3. Normal Laws and Regulations in Terms of the Non-Allocation Principle

In the budget laws and regulations, there are several institutions that violate the Budget Non-Allocation Principle, among which we will briefly review some instances.

1-3-3. General Public Accounting Law

In the Persian Constitution of 1906 and its supplement, one of the important financial laws was approved that directly dealt with public finance and budget affairs. The first General public Accounting Law of Iran was adopted in 141 articles in 1910. Until 1933, the General public Accounting Law of 1910 was implemented. In 1933, with approving the Accounting Law, the law of 1910 was repealed. The contents of this law changed and were reformed several times over the years, and finally on 1971/01/05, another Accounting Law was approved and implemented in 98 articles and 27

notes.

Following the adjustment of laws and regulations to the I.R.I. Constitution and economic, social, cultural, and moral conditions after the Islamic Revolution on the one hand, and urgent appeals of the governmental bodies to repeal the Accounting Law of 1970 on the other hand, a new Accounting Law containing 120 articles and 67 notes was approved at 1987/08/23. The role, importance, and position of the Accounting Law are elaborated in several sections including: budget definitions, financial terms, the process of preparation and approval of budget, how to calculate revenues and expenditures, how to report to the Assembly and Supreme Audit Court, etc. According to Article 14 of the General Accounting Law, “dedicated income is the income that is allocated by law to specific consumption or expenditure in the entire national budget as dedicated income.” After 1970, when dedicated income was first defined in the General Accounting Law of the country, the most important thing happened was the approval of legal bill on dedicated income by the Council of the Islamic Revolution. As stated in the article approved on 1979/12/05, “all dedicated income of ministries and governmental institutions, except for the revenues excluded in note 28 of the budget law of 1979, must be transferred to public revenues. The dedicated revenues of government institutions, whose inclusion needs their names to be mentioned, are subject to this statement.”

It is further stated in Note 1 that “the dedicated income of ministries and governmental institutions that have been licensed to receive or use their income after the approval of the Budget Law of 1979 are also subject to this law.” Although some of the notes of the above-mentioned article were repealed by the budget law of 1980, they impacted on the definition of the dedicated income in the Accounting Law of 1987. So that as provided in the last part of Article 14, the dedicated income shall be eliminated within

three years from the approval of this law. This indicates that the legislator, knowing that the dedicated income contradicted the budgeting principles, has temporarily approved it for a period of three years. But despite the fact that the above-mentioned article forecasted that the dedicated income shall be repealed three years later, in 1994, with the approval of Article 92 of the law of collecting some of the government's revenues and using it in certain cases, the last part of the article was removed, and this temporary policy became permanent.

Another important fact that has led to the violation of the Budget Non-Allocation Principle is Article 39 of the Public Accounting Law. According to Article 39, "the funds raised from the proceeds and other sources of financing intended for the entire national budget, as well as the proceeds of government-owned enterprises, excluding banks, credit institutions, and insurance corporations, shall be deposited into the Treasury accounts at the I.R.I. Central Bank. The Treasury is required to provide a condition for government-owned enterprises to use their funds within the approved budget." Most public finance experts and economists who define the Budget Non-Allocation Principle in their works consider Article 39 to be a supporter of this principle (e.g. Rostami, 2014: 234; Ghaderi, 2007: 52). While in this article, the income of banks, credit institutions, and insurance corporations is excluded from being deposited into the Treasury, without any legal criteria. It is noteworthy that according to financial lawyers and economists, Article 39 does not only support the Budget Non-Allocation Principle, but also it violates this principle by excluding some entities. The legislator has not stated in Article 39 of the General Accounting Law their purpose of excluding the banks, credit institutions, and insurance corporations from depositing their income into the Treasury.

Article 10 of the General Accounting Law has introduced the shares of governmental enterprises as a part of a public income. Banks, insurers,

and credit institutions, as long as more than 50% of their shares are government owned, are governmental enterprises, and their income or receipts are required to be deposited into the Treasury General Accounts. Government-owned enterprises were defined in Article 4 of the General Accounting Law, and then they were redefined in Article 4 of the National Services Management Law approved on 2007/09/30 by the Islamic Consultative Assembly. Article 4 of the National Services Management Law refers to the government-owned enterprise as an entity created by law to undertake a part of government tasks, whose more than 50% of its share belongs to the government.

Article 2 of the General Policy Implementation Law of Principle 44 of the Constitution approved on 2008/01/28 by the Islamic Consultative Assembly has placed the Central Bank, Melli Bank, Sepah Bank, Bank of Industry and Mine, Export Development Bank, Agriculture Bank, Maskan Bank, and Tose'e Ta'avon Bank in the third category of economic activities, and according to Article 3, paragraph (c) of the same law, their investment, ownership, and management is exclusively at the disposal of the government.

Article 1 of the bill of nationalization of insurance and credit corporations, approved on 1979/10/24 by the Council of the Islamic Revolution, in order to protect the rights of insurers, develop insurance industry across the country, and assign insurance at people service has nationalized all insurance institutions in the country, while accepting the principle of conditional legitimate ownership. This is also mentioned in Article 2 of the Law on Insurance Corporations Affairs approved on 1988/12/04 by the Islamic Consultative Assembly. Moreover, Article 2 of the General Policy Implementation Law (Article 44 of the Constitution) places the Central Insurance of I.R.I and the Iranian Insurance Company in the third group that, according to Article 3, paragraph (c) of the same law, their investment, ownership, and management are owned by the government.

According to Article 17 of the Planning and Budget Law, “government-owned enterprises shall submit their next year investment plan to the Planning and Budget Organization, when adjusting the entire national budget, in order to integrate and coordinate with other government public works operations.” In implementing the Budget Non-Allocation Principle, since the beginning of the Second Five-Year Plan, all government-owned enterprises, banks, and government-run for-profit entities have been mandated to include their budget in the government budget. The income of government-owned enterprises in their budget that is referred to as the revenue of government-owned enterprises is derived from the sale of goods or services (Ghaderi, 2007: 75).

According to the above mentioned explanation, it can be inferred that banks, insurers, and credit institutions are government-owned enterprises as long as more than 50% of their shares are government-owned, and their sources of income and collections, which according to Principles 44 and 53 of the Constitution are in the possession of the government, are required to be deposited into the Treasury General Accounts.

Given the legal documentation cited above, it is interpreted that it is not lawful to exclude such entities as banks, credit institutions, and insurance corporations from the inclusion of government-owned enterprises’ revenue into the Treasury General Accounts. The viewpoints of the constituents of the Islamic Consultative Assembly¹, when discussing the aforementioned article, reveal that there is not a clear documented reason for these exceptions. Excluding these items from depositing into the Treasury General Accounts, the legislator exempts a considerable portion of the income of these governmental bodies from centralizing in the Treasury General Accounts each year. Furthermore, the government is not permitted to assign the income sources of these bodies when preparing and compiling

1. See the detailed negotiations of the Islamic Consultative Assembly, second period (1987/04/20: 7963).

the budget bill. This is because the legislature has been tasked with providing permanent laws and regulations for various governmental bodies' collection before the government prepares and compiles the budget. In fact, excluding the aforementioned governmental bodies, the legislature has created considerable restrictions on the government's use of the resources received from these governmental bodies and estimating various expenditures when preparing and compiling the budget bill.

2-3-3. Receiving Some of the Government's Revenues and Using It in Certain Cases

The law of receiving some of the government's revenues and using it in certain cases was approved on 1995/03/19 by the Islamic Consultative Assembly. The law was adopted under the terms of the last part of Article 14 of the General Accounting Law, considering the temporary appropriation of income, according to which "the government is required to eliminate the termination of the this article within a maximum of three years." While by approving the law and predicting various dedicated income and income-costing institutions for various governmental bodies, after 7 years of the approval of Article 14 of the General Accounting Law, not only did the legislator fulfill their promise to remove the article, but also at the ending of this law, approved Article 92 and, thus, took a major step towards violating the Budget Non-Allocation Principle.

Then, in 1997, another law called "abolition of the consumption cases of Receiving Some of the Government's Revenues and Using It in Certain Cases" was approved by the Islamic Consultative Assembly, according to which abolished all proceeds from the income by various articles of collection law approved on 1995/03/19 by the Islamic Consultative Assembly and its subsequent amendments that were assigned for certain consumption or for certain purposes in the entire national budget. In fact, it is deduced from the above article and its note that the allocation of dedicated

income to certain expenditures is only permitted in the annual budget bill. As a matter of fact, despite the approval of the above article and abolishing certain consumptions for the governmental bodies, with regard to the approval of subsequent laws, including the law of adjusting part of the government's financial regulations, with subsequent amendments and additions approved by the Islamic Consultative Assembly (2001, 2005, 2014), and the laws of the Five-Year Development Plan, we see the law not being implemented.

3-3-3. Adjusting Part of the Government's Financial Regulations with Subsequent Amendments and Supplements

Adjusting part of the government's financial regulations with subsequent amendments and supplements is one of the fundamental laws of the country in relation to the determination of financial obligations, which was approved by the Islamic Consultative Assembly on 2002/02/16 to be implemented as a trial act for four years from 2002/03/21. According to this law, many laws and regulations on the government finance, including General Accounting Law, the law on the collection and consumption cases of government revenues, the law on planning and budgeting, the laws on Five-Year Development Plan and so on were modified or supplemented by some articles.

The aforementioned law was regulated according to Article 156 of the Fourth Development Plan approved on 2004/09/01 for the period of implementing the Fourth Plan (2004–2009), and then in accordance with "Part A, paragraph 9" of 2011 entire national budget approved on 2010/03/15 by the Islamic Consultative Assembly, was modified and supplemented in 2010 and finally, according to Article 224 of the Fifth Five-Year Development Plan (2011/01/05), the term of its implementation along with amendments and additions was approved. Some of the contents of the Sixth Development Plan also refer to some provisions of the law of adjusting

part of the government's financial regulations that appear to be obligatory. In the above law (Articles 14, 15, 22, 23, 24, 25, 26, 28, 29, 35, 67), governmental bodies such as the Ministry of Education, the Ministry of Defense and Armed Forces Logistics, Iranian red crescent society, the Ministry of Health and Medical Education, and the other aforementioned bodies are permitted to deposit collections from their activities into dedicated revenue accounts and, then, they shall make available the equivalent of a deposit or a percentage of that which will be annually assigned in the annual budget law to the relevant governmental body for the expenditure concerned. By assigning dedicated revenues for various governmental bodies through a law independent of the annual budget, the legislature has restricted the government's ability to draft and compile the budget. By assigning certain consumptions for the income of the above-mentioned bodies, we see that the government has been restricted to allocate these revenues to the other bodies.

In recent years, following the rise of the country's governmental bodies and increasing their credit needs, one of the efforts of governmental managers is to increase their budget flexibility by approving dedicated revenues for themselves. Although dedicated revenues are also subject to Public Accounting Law, governmental bodies tend to have more dedicated budgets, and are less dependent on the Treasury's credit allocation mechanism. Because under the heading of dedicated revenues, governmental bodies can spend part of their income out of the General Accounting Law and, thus, have more freedom to use that income. For this reason, getting license to collect dedicated revenues is one of the efforts and goals of government managers (Abbasi, 2002: 23).

The law for 'incorporation of articles into the law of compiling some government financial regulations' contains 69 articles and 5 notes approved on 2005/10/07 by the Islamic Consultative Assembly. Article 3 of the above law corresponds to the Budget Non-Allocation Principle. Because the ar-

ticle does not have a word of assigning all or a percentage of the sums received by HEC to the Council, and this is in line with the Budget Non-Allocation Principle.

According to Article 18 of the abovementioned Law, “universities and licensed higher education institutions must apply for students’ admission and, after receiving their tuition, deposit it into the dedicated income of universities and higher education institutions.” In this article, the deposit of higher education universities and institutions to the account of the dedicated income of these bodies contradicts the Budget Non-Allocation Principle. It is necessary to deposit the entire government funds into the government accounts at the central treasury, and then make it available to the governmental bodies according to the approved credits.

4-3-3. The Laws of the Five-Year Development Plan

The economic, social, and cultural development plans of the I.R.I. are a series of five-year mid-term plans that are compiled by the interim government, and approved by the Islamic Consultative Assembly. According to Part 3 of Article 1 of the Planning and Budget law, the Five-Year Development Plan is a comprehensive plan that is approved by the Assembly for a five-year period, in which the goals and policies of economic and social development over the same period are specified. This plan includes all government financial resources as well as resources spent by government-owned enterprises and the private sector on the one hand, and the government current and development credits and the public works expenditures of government and private sector on the other, to meet these goals. Six laws have been approved and implemented so far. Each plan has its own goals and perspectives, depending on the economic, social, cultural, and political condition of the country.

In each of the five-year development plans adopted so far, there are some breaches of the Budget Non-Allocation Principle, some of which we will

mention in the following.

Article 92 of the Fourth Development Law establishes a duty for the Ministry of Health and Medical Education to take immediate unconditional treatment of injured persons in traffic accidents. In order to provide the necessary resources for the services mentioned above, 10% of third-party, passenger, and surplus insurance premium are collected by commercial insurance corporations, and deposited into the dedicated income account of the Ministry of Health at Treasury. Finally, it indicates a specific cost location for these revenues. The allocation of a certain percentage of revenues received as dedicated income to certain expenses by insurance corporations is contrary to the Budget Non-Allocation Principle. The income sources of insurance corporations, according to Principle 44 of the Constitution, belong to the government. It's because of the fact that the beginning part of Principle 44 of the Constitution stipulates that the insurance is owned by the government. Thus, based on Principle 53 of the Constitution, the resources received must be centralized in the Treasury General Accounts, and that the payments must be allocated to the governmental bodies according to the approved funds.

According to Article 138 of the Fifth Development Plan, all organizations and companies subject to the Fifth Plan Law that obtain certification due to the reduction of pollutant emissions are permitted to surrender or sell the certification during the plan years. 70% of the proceeds will also be included in the internal revenues of the corporation, and the costs of obtaining the certificate will be payable from the same revenues. The remaining 30% is deposited into the Treasury General Accounts.

Article 138 clearly shows that the legislator violates Principle 53 of the Constitution by allocating 70% of the proceeds to the aforementioned bodies, without mentioning their centralization in the Treasury General Accounts and, thus, only the remaining 30% is required to be deposited into the

Treasury. The income of governmental bodies is a part of the government's revenues and, therefore, must be deposited into the Treasury General Accounts in accordance with Principle 53 of the Constitution.

paragraph (d) of Article 100 of the Sixth Five-Year Development Plan approved at 2017/03/04 has mandated the Ministry of Cultural Heritage, Tourism, and Handicrafts—that according to Article 5 of the Law on establishing the Ministry of Cultural Heritage, Tourism, and Handicrafts approved at 2003/12/24 are established and administered by a board of trustees—to deposit their entire dedicated income and public donations into the Treasury. Furthermore, 100% of the proceeds as well as the share of government donations dedicated to these places will be available to the Cultural Heritage, Handicrafts and Tourism Organization as annual budget to manage, develop, and repair these sites. By Article 100, the legislator dedicates all the dedicated income of the Cultural Heritage, Handicrafts and Tourism Organization from historic sites and museums in the form of annual budget to the same organization. In other words, by dedicating all the aforementioned income to the Cultural Heritage, Handicrafts and Tourism Organization, the legislator violates the Budget Non-Allocation Principle.

4. Conclusion

Violating the Budget Non-Allocation Principle means forecasting a specific source of revenue and consequently reducing or shrinking the government. The necessity and importance of this principle is due to the need for budgetary planning. One of the most important goals of public finance can be to match public revenues to public expenditures by means of a document known as budget. The entire national budget is the document in which all public expenditures and the revenues required are determined to meet public expenditures for a specific time period (one year). By disregarding the Budget Non-Allocation Principle, the power of government as the mastermind of the nation's administration is stripped, resulting in the govern-

ment's unaccountability. In this paper, we assessed the approach of the Iranian budgeting system to the Budget Non-Allocation Principle.

By studying the most important budgeting principles in the I.R.I. Constitution, it was revealed that the aforementioned principles emphasized the Budget Non-Allocation Principle. The beginning of Principle 53 of the Constitution explicitly endorses the Budget Non-Allocation Principle. In this study, we achieved significant results by analyzing and assessing budgetary rules and regulations. For example, in some general policies of the state, the Budget Non-Allocation Principle has been relatively observed. There were considerable violations of this principle in other budgetary laws and regulations.

Based on the results of this study, it is recommended that the budgetary rules and regulations are reformed in accordance with Principles 52 and 53 of the Constitution, and that these laws are reconciled with the Budget Non-Allocation Principle. In other words, the ordinary legislature does not have precision and diligence when drafting, compiling, and approving the laws of budgeting and the annual budget document so that they comply with Principle 53 of the Constitution. This undermines the government's exclusive authority to prepare and compile the entire national budget, which violates the Principle 52 in terms of Non-Allocation.

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