

In the Name of God Almighty

*Central Bank of the Islamic Republic of Iran
Credit Department*

Participation Papers, from the Beginning up until Now

Participation papers are registered or bearer securities, which according to the Law for Issuance of Participation Papers, are issued with a specified nominal value for a specific period of time; and are assigned to the investors who intend to participate in implementation of profitable Government development projects, included in the Annual Budget law of the country, as well as in profitable productive, construction and services projects. Holders of such papers are entitled to their share of profit, resulted from implementation of the projects, which shall be proportionate to the nominal value and period of participation.

This instrument was utilized for the first time in 1373 for financing projects with necessary specifications, so as to direct small portions of available resources, in a targeted fashion, towards the concerned projects. Participation Papers, through years, have become a strong instrument responsible for collecting and channeling resources towards productive sectors; so it can be referred to as a successful initiative, welcomed by the public, which has proved to be profitable both for the issuers and the investors.

A – Participation Papers Issuance History

The very first series in the country which were published in 1373 by Tehran Municipality were aimed at renovation of Tehran old fabric and implementation of Navvab Highway Project, with the provisional profit rate of 20 percent.

Navvab Project Participation Papers were issued with the following specifications:

Provisional profit:	20 percent
Duration of Participation:	4 years
Date of Issue:	1373/07/01 (Sep.23, 1994)
Amount of Issue:	75 billion Rials
Realized Profit:	20/5 percent (.5 percent above the initial profit was paid)

Since 1373 up to the end of 1389, a total of 295 thousand billion Rials Participation Papers was publicly purchased, a great part of which was directed to electricity – water projects, profitable developmental projects, renovation of Tehran old fabric, petrochemicals, and development of gas fields.

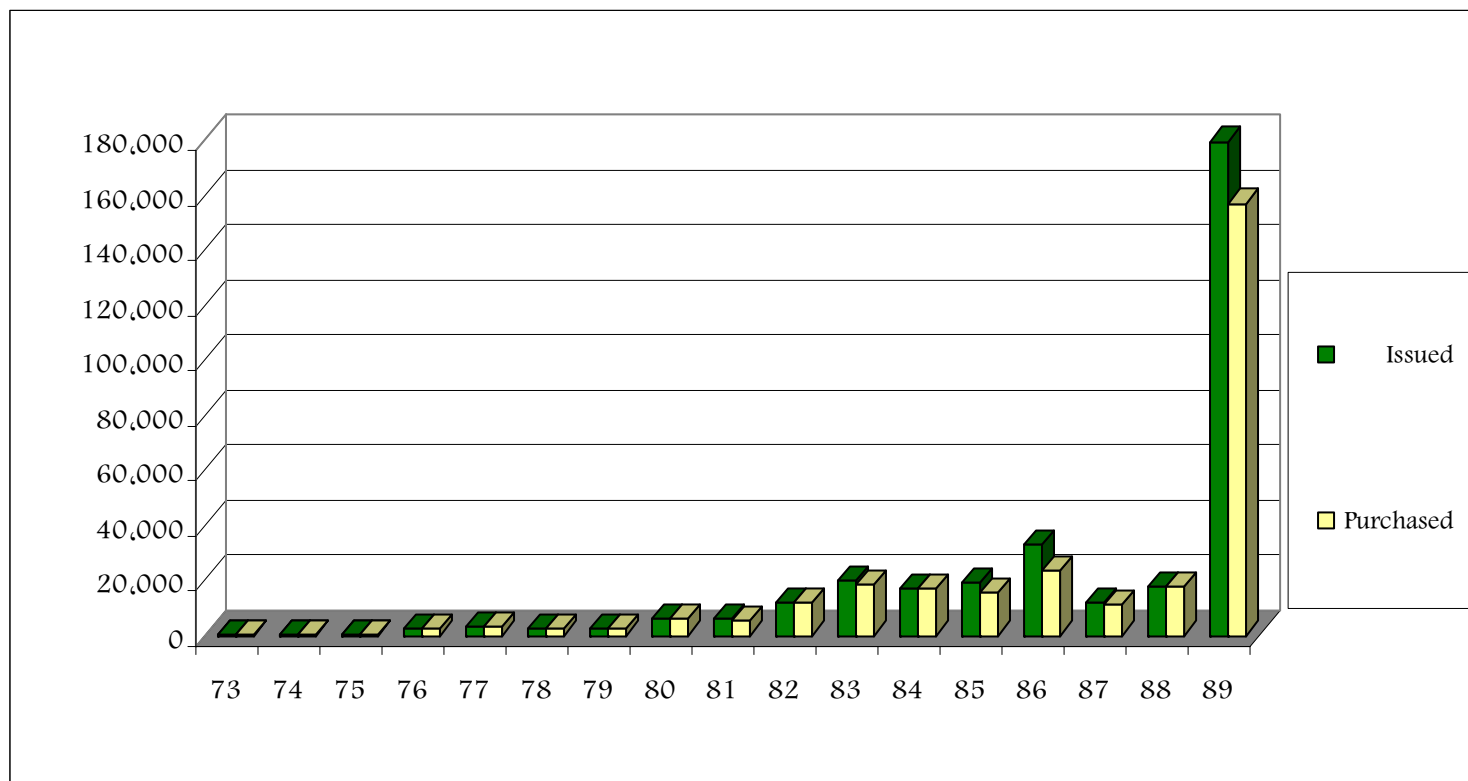
Table 1. Issue and Publicly Purchased Amount of Participation Bonds from 1389 up to the year-end.

(billion Rials)

Year of Issue	Amount Issued	Amount Purchased by Public
1373	75	75
1374	225	225
1375	401	401
1376	2,548	2,472
1377	3,130	3,130
1378	2,450	2,377
1379	2,380	2,380
1380	6,100	6,099
1381	6,100	5,377
1382	11,885	11,796
1383	19,700	18,590
1384	17,000	17,000
1385	19,200	15,775
1386	33,050	23,510
1387	11,800	11,299
1388	17,700	17,697
1389	179,420	156,805
Total	333,164	295,008

Diagram 1: Trend in Offering and Purchase of Participation Papers from the Beginning

(billion Rials)



As seen from the diagram, the volume of Participation Papers issue and amount of purchase followed an increasing trend since 1373, except for 1387. In general, Participation Papers as a means of financing projects has almost always been attractive and welcomed by the public, specifically in recent years. Only in 1389, purchased Participation Papers amounted to 157 thousand billion Rials. This amount marks a record in the issuance of Participation Papers in the country.

Table 2.: Total Cumulative Sum of Purchased Participation Papers from 1373 to 1389

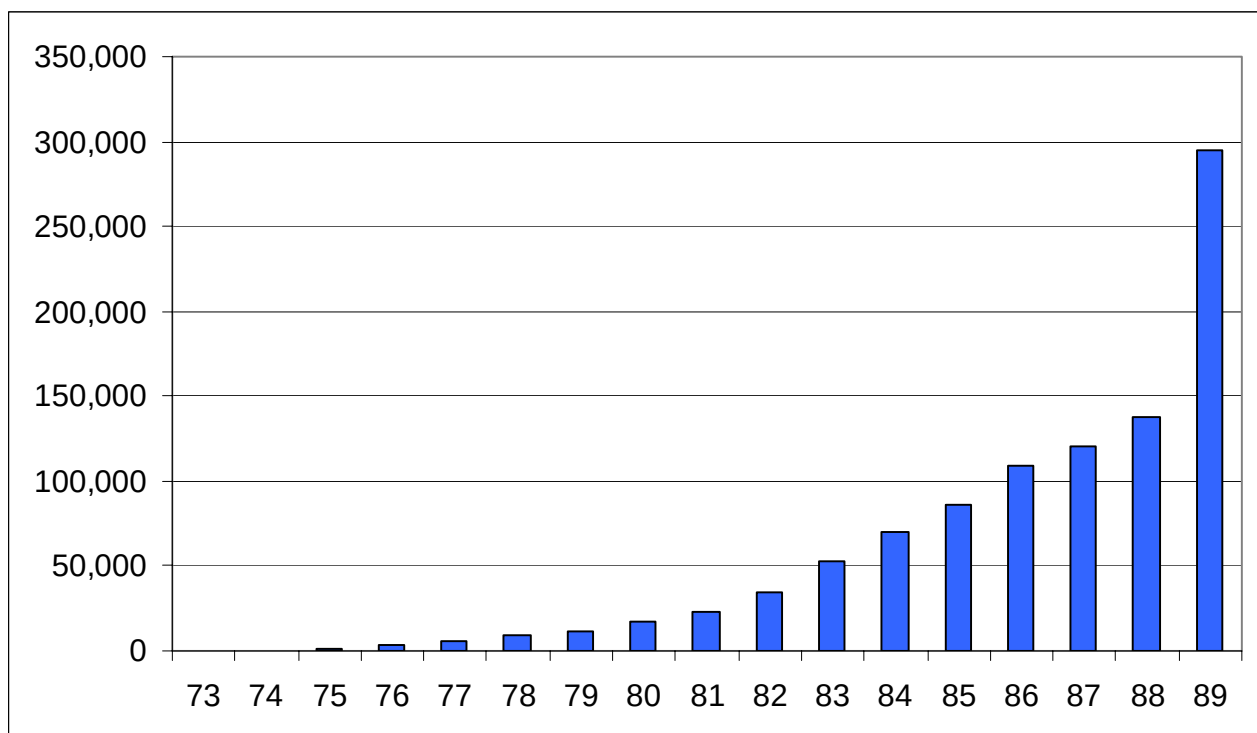
(billion Rials)

Year of Issue	Total Sum Purchased
1373	75
1374	300
1375	701
1376	3,173
1377	6,303
1378	8,680
1379	11,060
1380	17,159
1381	22,536
1382	34,332
1383	52,922
1384	69,922
1385	85,697
1386	109,207
1387	120,506
1388	138,203
1389	295,008

The increasing growth trend of purchase is more visible by looking at Table 2 and Diagram 2, which demonstrate the total cumulative sum purchased.

Diagram 2: Total Cumulative Sum of Participation Papers Purchased from the Beginning

(billion Rials)



B – 1389 Issue

Participation Papers offering process starts with receiving applications from the issuers. Upon collecting documents, which include Board of Ministers approval, and General Assembly approval for Government Corporations offering with no provision in the Budget law, the license is granted, subject to the related laws and regulations, and after receiving approval of the Credit Commission and BMJII Governor. Then it is notified to the operating bank.

In 1389, the resources resulted from the purchased participation papers, were utilized for financing projects such as renovation of Tehran old fabric, development of gas fields, power stations, irrigation and petrochemicals.

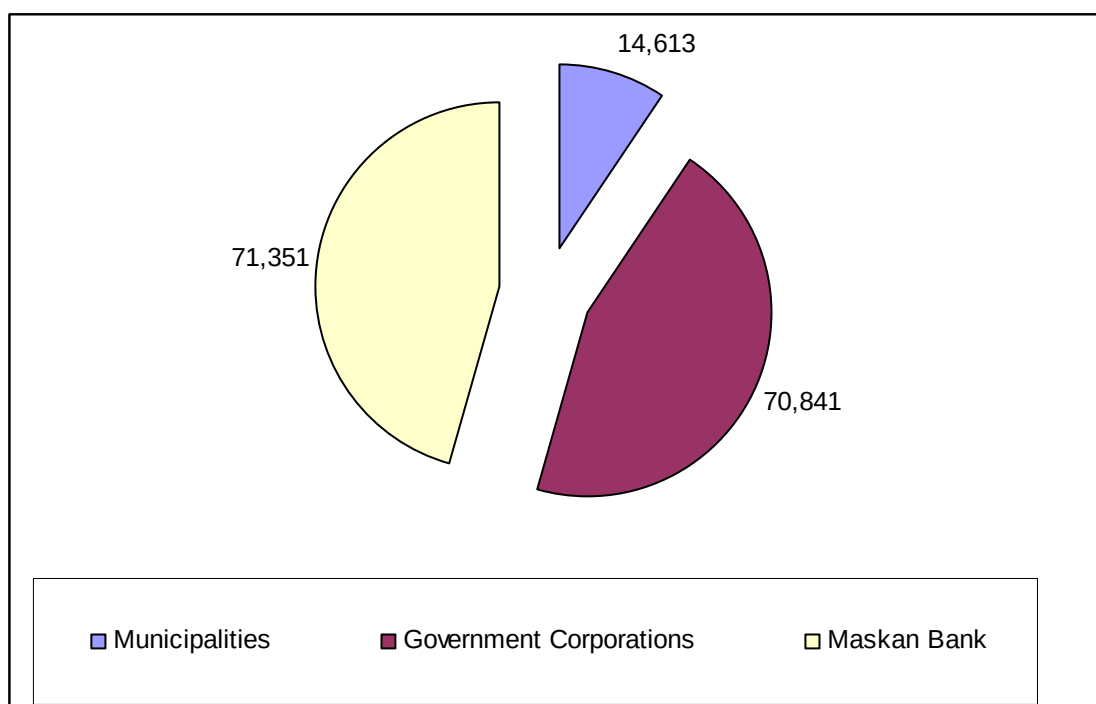
Publicly Purchased Participation Bonds by the Issuing Authority in 1389

(billion Rials)

Issuer	Participation Papers Purchased	Percentage from the Total
Municipalities	14,613	9
Government Corporations	70,841	45
Maskan Bank	71,351	46
Total	156,805	

Diagram 3: Publicly Purchased Participation Bonds in 1389 by the Issuing Authority

(billion Rials)



Bank Maskan launched the greatest offering in 1389. BMJII, in the same year, by granting license to Bank Maskan, helped the bank to solve its circulating capital problem, so that could proceed with Maskan Mehr Project. Bank Maskan gained the Biggest Issuer title in 1389, by the purchased amount of 71 thousand billion Rials.

A few steps behind Bank Maskan, stand the Government Corporations (Iran Water & Power Resources Development Co., Iran Power Development Co., Oil, Gas & Petrochemical Companies) in second position. Municipalities also, by publicly purchased amount of 14,613 billion Rials of participation bonds had their share in 1389.

Diagram 4: Comparison of Amount Purchased in 1388 and 1389

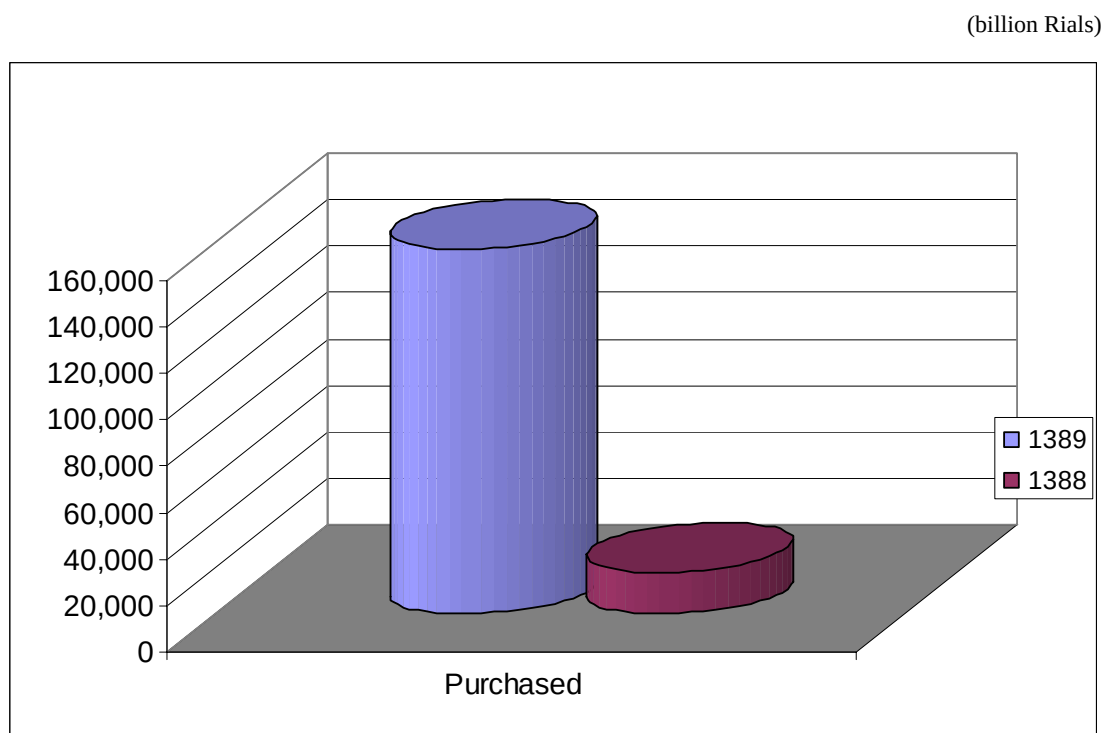


Diagram 4 depicts amount of Participation Papers purchased by the public in 1388 and 1389. The 1389 rate, with 139 thousand billion Rials increase, shows a 786 percent growth.