

RELATIONS WITH INTERNATIONAL MONETARY AND FINANCIAL ORGANIZATIONS

In 1390, Iran continued collaborations and interactions with international financial institutions such as the International Monetary Fund, the World Bank, the Islamic Development Bank, the Asian Clearing Union, the Islamic Financial Services Board, the Developing 8, and the ECO Trade and Development Bank.

International Monetary Fund (IMF)

Discussions for the 1390 Article IV consultation were held in Iran to assess the monetary, financial, foreign exchange, Special Data Dissemination Standards, and policy-making, as well as macroeconomic trends. Accordingly, the IMF mission reviewed the recent economic developments and, based on discussions with the Iranian authorities, provided forecasts and recommendations regarding the macroeconomic policy issues.

The International Monetary Fund staff commended Iran's success in implementation of the Subsidy Reform Plan, and reiterated that distribution of cash transfers, from energy carriers' price increase, among Iranian households has reduced income inequality, enhanced living standards, boosted domestic demand, and reduced energy wastage. The IMF staff concluded that these accomplishments could raise the export revenue and economic competitiveness, help economy operate in its full capacity, and improve the medium-term economic outlook. The IMF staff emphasized the importance of

coordinated adoption and implementation of tight monetary and fiscal policies for the preservation of the outcome of subsidy reform and medium-term macroeconomic stability as well as the continuation of banking sector reforms within the framework of the 5th FYDP, aimed at improving the financial sector soundness.

World Bank

The World Bank Group's financing and technical assistance plans for Iran were in effect during the years prior to 1390. Thereafter, however, World Bank's cooperation with Iran was limited due to the imposed restrictions. The International Bank for Reconstruction and Development (IBRD), a member institution of the World Bank Group, has had cooperation with Iran in recent years. "Alborz Integrated Land and Water Management Project" is a currently underway project of IBRD in Iran, which aims at assisting the government in piloting a basin-wide Integrated Water Resources Management (IWRM) in Pasha Kola Dam Area of Mazandaran Province. By end-1390, a sum of \$48.9 million was disbursed for this project by the IBRD. The objectives of this project include reducing erosion and sedimentation in the upper watershed, restoring and protecting natural rangeland and forests, and increasing productivity and income of communities and forest cooperatives in the area. No new World Bank loans to Iran were approved in 1390.

In 1390, the World Bank cooperated with Iran in preparation of Country Assistance Strategy report approved by the Executive Directors' Steering Committee. Iran also actively participated in World Bank annual and spring meetings concerned with the World Bank's general capital increase and the enhancement of the governance structure of the World Bank through collaboration in increasing the share of developing and emerging markets in the World Bank's capital.

Islamic Development Bank (IDB)

In 1390, the IDB approved €173.5 million credits for the financing of long-term projects in Iran, negotiated new projects valued at €642 million, and extended approximately €37 million line of credit to the Iranian banks. Furthermore, the IDB awarded some of its well-known prizes to the qualified Iranians in this year. The following is a description of the IDB awards. Each year, Islamic Development Bank awards Merit Scholarship Programme for the promising students, scholars, and researchers from the IDB Member Countries to develop technically qualified human resources by providing PhD and Post-Doctoral study and research scholarships. The IDB Prizes for Science and Technology are also annually awarded to distinguished S&T institutions. Moreover, the Islamic Development Bank awards a special prize titled "IDB Prize for Women's Contribution to Development" plus an international prize every year to recognize creative efforts of outstanding merit in the field of Islamic Economics and Banking. In 1390, the International Islamic Trade Finance Corporation (ITFC), a subsidiary of the IDB, approved a sum of €52 million to be allocated to short-term credits, and €129 million to be allocated for effective projects. The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) started cooperation in reinsurance with the Export Guarantee Fund of Iran (EGFI), with the general aim of

encouraging exports from member countries and facilitating the flow of foreign direct investment to member countries. In 1390, the ICIEC insured investments worth approximately \$17 million in Iran.

In this year, a sum of \$61.6 million was paid for the financing of IDB projects in Iran through extending of credit lines by the CBI, Bank of Industry and Mine, Bank Keshavarzi Iran, Bank Mellat, Bank Melli Iran, Bank Sepah, Export Development Bank of Iran, and Tejarat Bank.

Asian Clearing Union (ACU)

In 2011, the total value of transactions within the ACU mechanism (one way plus accrued interest) declined by 29.5 percent, compared with 2010, and reached \$14,542.7 million. Furthermore, total transactions settled through the ACU¹ decreased by \$12,183.1 million to \$29,085.3 million in 2011 and 34.2 percent of total ACU transactions were cleared.

Nepal and Pakistan were at the top in terms of clearing payments through the ACU by 77.5 and 47.3 percent, respectively, in 2011. The largest creditors were India and Iran and the largest debtors included Bangladesh, Sri Lanka, and India.

Based on the ACU Secretariat, India, accounting for \$11,792.1 million of total transactions settled through the ACU, had the highest positive balance (creditor) in 2011. Iran, with \$4,182.6 million, and Bhutan, with \$21.1 million, enjoyed a positive balance too while other countries had a negative balance. In 2011, Iran's credit transactions (exports) totaled \$4,558.5 million and its debit transactions (imports) reached \$375.9 million, 8.3 percent of which were cleared and the remaining were settled in foreign exchange.

¹Includes total debit and credit transactions as well as accrued interest.

Table 13.1. Currently Underway Projects of IDB in Iran

Project	Manager	Loan amount	Implementation deadline for projects
Neyshabur Dam	Khorasan Razavi Regional Water Authority	€23.7 million	30.07.1386
Bandar Abbas Shipyard	Azim Gostaresh Hormoz Shipbuilding Company	\$37.7 million	21.03.1386
Faculty of Engineering, University of Tehran	University of Tehran	\$36.4 million	30.05.1385
Water Supply to Dasht-e Abbas	Ilam Regional Water Company	€36.3 million	23.12.1384
Abadan Combined Cycle Power Plant	Iran Power Resources Development Company	€77.2 million	12.11.1387
Altimor and Khin-e Arab Wastewater Treatment Plants	Mashhad Water and Wastewater Company	€52.8 million	12.05.1387
Mashhad Urban Railway	Mashhad Urban and Suburban Railway Company	\$3.4 million	14.01.1388
Tehran Regional Electric Company	Tehran Regional Electric Company	€57.3 million	04.09.1386
Galvard Dam	Mazandaran Regional Water Company	\$46.5 million	23.12.1384
Water Supply from Kochery Dam to Qom	Qom Regional Water Authority	€91.9 million	05.12.1388
Kahir Storage Dam	Sistan and Baluchistan Regional Water Company	€69.2 million	26.10.1388
Qom Wastewater Treatment Plant	Qom Water and Wastewater Company	€70.4 million	16.11.1389
Kashan Wastewater Treatment Plant	Kashan Water and Wastewater Company	€62.7 million	25.11.1389
Rural Wastewater Systems	National Water and Wastewater Engineering Company	€194.6 million	28.09.1390
Construction of East Tehran Grain Silo	Ministry of Jihad-e Agriculture	€19.0 million	13.10.1390
Grants-in-aid for the study of biomarkers	Pasteur Institute of Iran	€0.3 million	14.09.1387

Source: Organization for Investment, Economic and Technical Assistance of Iran (OIETAI)

Table 13.2. Value of Transactions within the ACU Mechanism in 2011¹ (million dollars)

	Credit transactions	Debit transactions	Balance	Cleared (percent)	Settled in foreign exchange (percent)
Bangladesh	329.9	5,401.7	-5,071.9	6.1	93.9
Bhutan	21.1	0.0	21.1	0.0	100.0
India	8,578.1	3,213.9	5,364.2	37.5	62.5
Iran	4,558.5	375.9	4,182.6	8.3	91.8
Maldives	0.1	10.5	-10.5	0.5	99.5
Myanmar	0.6	3.8	-3.2	15.6	84.4
Nepal	30.5	39.4	-8.8	77.5	22.5
Pakistan	676.9	1,432.5	-755.5	47.3	52.7
Sri Lanka	347.0	4,065.0	-3,717.9	8.5	91.5
Total	14,542.7	14,542.7	±9,567.9²	34.2	65.8

Source: The ACU Secretariat, report for 2011

¹ Includes one way transactions plus accrued interest, as well as transactions in US dollar and euro.

² The ± symbol indicates net debit/credit transactions.

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Iran's exports to the ACU member countries in 1390 comprised bitumen and its derivatives, oil products, chemicals and petrochemical products, coal, benzene, and chemical

fertilizers. Moreover, Iran's imports from the ACU member countries included yarn, burlap, oilseeds, fruit, rice, tea (flavored and unflavored) and meat.

Table 13.3. Total Transactions Settled through the ACU¹ (million dollars)

	2010	2011	Share (percent)		Change	Growth rate (percent)
			2010	2011		
Bangladesh	4,554.8	5,731.6	11.0	19.7	1,176.8	25.8
Bhutan	21.1	21.1	0.1	0.1	0.0	0.1
India	18,283.7	11,792.1	44.3	40.5	-6,491.6	-35.5
Iran	13,191.3	4,934.4	32.0	17.0	-8,256.9	-62.6
Maldives	13.8	10.6	*	*	-3.3	-23.5
Myanmar	6.8	4.4	*	*	-2.4	-35.3
Nepal	72.0	69.9	0.2	0.2	-2.1	-2.9
Pakistan	2,374.5	2,109.4	5.8	7.3	-265.1	-11.2
Sri Lanka	2,750.6	4,412.0	6.7	15.2	1,661.4	60.4
Total	41,268.4	29,085.3	100.0	100.0	-12,183.1	-29.5

Source: The ACU Secretariat, report for 2011

¹Includes total debit and credit transactions as well as accrued interest.

Table 13.4. ACU Transactions Matrix in 2011 (million dollars)

Debtors \ Creditors										Total
	Bangladesh	Bhutan	India	Iran	Maldives	Myanmar	Nepal	Pakistan	Sri Lanka	
Bangladesh	0.0	21.1	4,693.1	95.3	0.0	0.6	29.0	503.5	58.9	5,401.4
Bhutan	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
India	79.0	0.0	0.0	3,015.3	0.0	0.0	0.0	25.2	61.5	3,181.0
Iran	148.0	0.0	0.0	0.0	0.0	0.0	0.0	43.0	184.8	375.8
Maldives	0.0	0.0	5.0	0.0	0.0	0.0	0.0	0.0	5.5	10.5
Myanmar	3.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.8
Nepal	34.4	0.0	0.0	0.2	0.0	0.0	0.0	2.9	1.8	39.4
Pakistan	54.7	0.0	1,221.4	120.0	0.0	0.0	1.5	0.0	34.6	1,432.3
Sri Lanka	9.9	0.0	2,657.9	1,294.6	0.1	0.0	0.0	102.3	0.0	4,064.8
Total	329.8	21.1	8,577.5	4,525.4	0.1	0.6	30.5	676.9	347.0	14,508.8

Source: The ACU Secretariat, report for 2011

Islamic Financial Services Board (IFSB)

The 18th and 19th meetings of the Council of the Islamic Financial Services Board (IFSB) were held in 1390. The 18th meeting, hosted by the Central Bank of Jordan, and the 19th meeting, held in Kuala Lumpur, Malaysia, were attended by Governors of Central Banks and representatives of supervisory and regulatory authorities from among the IFSB member organizations. The 18th Council meeting was followed by the IFSB General Assembly and the 19th meeting admitted the International Islamic Liquidity Management Corporation¹ (IILM) as observer. Iran's Central Bank membership in this corporation is subject to the approval of Parliament. The 18th meeting of the Council approved the adoption of the Guidance Note in connection with the IFSB Capital Adequacy Standard which complements the IFSB Standard on Capital Adequacy for Institutions offering Islamic Financial Services (IIFS), which had been issued in December 2005.

The 8th IFSB Summit titled "Enhancing Global Financial Stability: Challenges and Opportunities for Islamic Finance" was

hosted by Banque Central du Luxembourg. Iran, as one of the main members of the IFSB, participated in the Fourth Islamic Financial Stability Forum held in Malaysia.

The Developing 8

The 2nd D-8 Agricultural Ministerial Meeting on Food Security was held in Iran in 1390. This Meeting included several working groups on the establishment of D-8 seed bank, animal feed, fertilizers, standards and trade issues, and marine and fisheries.

ECO Trade and Development Bank (ETDB)

Central Bank of the Islamic Republic of Iran, as a founding member of ECO Trade and Development Bank, made the 5th payment of its share in the subscribed capital of ETDB in 1390. Moreover, the Articles of Agreement for the membership of Azerbaijan in the ETDB was signed and the founding countries of the ETDB appointed Dr. Hossein Ghazavi as the Bank's new president for the next four years. ETDB's 31st and 32nd Board of Directors meetings were also held in 1390.

¹ The International Islamic Liquidity Management Corporation (IILM) was established in 2010, by a number of central banks, monetary agencies, and multilateral organizations. This international institution aims to facilitate effective cross-border liquidity management, investment flows, international linkages, and financial stability. The current shareholders are from the central banks and monetary agencies of Turkey, Malaysia, the United Arab Emirates, Kuwait, Indonesia, Mauritius, Nigeria, Qatar, Luxembourg, and the Islamic Development Bank.