

# CHAPTER TWELVE

## RELATIONS WITH INTERNATIONAL MONETARY & FINANCIAL ORGANIZATIONS

The increasing convergence of world economy has paved the ground for further interaction with other economies in the framework of cooperation with international institutions and organizations. Thus, review of economic and financial relation with major international monetary and financial institutions is of great importance. Considering Iran membership in three major monetary and financial organizations, namely International Monetary Fund (IMF), World Bank and Islamic Development Bank (IDB), studying relations with the mentioned organizations is necessary.

### **International Monetary Fund (IMF)**

On the basis of the “Law on Iran’s participation in Regulations of Bretton Woods Conference” Iran became a member of IMF in 1324 (1945) with a quota of \$ 25 million. Since 1972, Iran represented a group of countries including Afghanistan, Algeria, Pakistan, Morocco, Tunisia and Ghana, and has had a member in the executive board of the IMF. According to the mentioned Law, Central Bank Governor represents Iran to the Fund. In 2002, having a quota of 1,497.2 million SDR and 15,222 votes of the total 51,793 votes of the mentioned group, Iran had a share of 29.4 percent in the total votes of the group of seven countries.

According to Article IV, IMF Articles of Agreement, one of the duties of the Fund is to review and oversee international monetary system and foreign exchange policies of member countries on a regular, special and complementary basis. To this end, IMF Article IV Mission consults with respective authorities on an annual basis about economic policies and activities of various countries and provides a report on the country’s economic policies.

On the basis of Article VIII, IMF Articles of Agreement, one of the obligations of member countries in regulating foreign exchange policies is to eliminate exchange control regulations. However, Article XIV has also projected transitional arrangements for members to set some foreign exchange limitations. A report is issued each year pertaining to these limitations namely Exchange Arrangements and Exchange Restrictions. During past years, IMF Mission has rendered technical and advisory assistance in the following fields to Iran: developing CBI supervision, anti-money laundering and combating the financing of terrorism, and special data dissemination standard (SDDS). Moreover, Iran economic and monetary mission participates in spring and autumn meetings of the Fund and economic experts and researchers participate in conferences, seminars and training courses conducted by the IMF in various monetary and financial fields.

## World Bank

Iran has been among the 44 countries participating in Bretton Woods Conference and founders of International Bank for Reconstruction and Development (IBRD). Iran, on the basis of a law approved in 1324, with a capital of \$ 24 million became a member of the World Bank. The Minister of Economic Affairs and Finance represents Iran to the Bank. The World Bank consists of International Bank for Reconstruction and Development and International Development Association (IDA). According to fiscal balance of IBRD in 2002, Iran with 23,686 shares (1.51 percent of the total subscription) valuing at \$ 2,857.4 million, has 23,936 votes of the total votes in IBRD, which is 1.48 percent of total votes of member countries in IBRD. Moreover, according to fiscal balance of IDA in 2002, Iran had 15,455 votes (12 percent) of the total votes and a guaranteed quota of \$ 5.7 million.

Prior to the Islamic Revolution, Iran had used a one billion dollar loan from the World Bank, while had extended two loans, valuing at \$ 350 million, with 8 percent interest rate to the mentioned bank. During 1977-1990 Iran did not use World Bank facilities, however, since 1990 the relation was strengthened and with the provision of comprehensive reports on Iran's economic condition, extending of facilities has been improved.

## Islamic Development Bank (IDB)

The Islamic Development Bank is one of the specialized financial institutions of the Organization of Islamic Conference which was established in 1975 by 22 Islamic countries, with an initial capital of 2 billion Islamic dinars. The purpose of IDB is to foster the economic and social developments of member countries and Moslem communities in non-Islamic countries. On the basis of the annual report of the Bank, in 2002 its member countries were 53. According to the report released by the Ministry of Economic Affairs and Finance of Iran, the mentioned Bank approved more than \$ 1.6 billion credit till Shahrivar 1381 in favor of various Iranian organizations. The Bank consists of a board of governors and a board of executive directors. The board of executive directors consists of 14 members, 7 of whom are appointed by 7 countries with the largest shareholding (consisting Iran). The remaining 7 members are elected by other members for 3 years. The mentioned board is vested with approval of operations and projects and leading the executive affairs of the Bank.

### PROJECTS APPROVED BY IDB

	Date of approval	Total cost (million dollars)	Approved amount (million dollars)
Hamedan sewage system	2001	74.3	34.0
Double track Tehran-Mashad railway	2001	106.9	35.0
Engineering design of Tabriz Underground	2002	2.0	1.3
Shahid Madani Dam and Watering Network (1 <sup>st</sup> phase)	2002	69.6	2.2
Post-flood aid for Golestan water resources	2002	28.2	14.5

Islamic Republic of Iran became a member of this Bank with 2.5 million Islamic dinars subscription and it increased its capital in two phases to 700 million Islamic dinars. Thus, it became the fourth major subscriber of the Bank. At the beginning of 1381, Iran's quota in IDB was \$ 325.8 million.