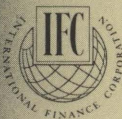


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THE World Bank Group IN IRAN

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL FINANCE CORPORATION
INTERNATIONAL DEVELOPMENT ASSOCIATION

January 1967

BASIC STATISTICS

AREA: 628,000 square miles

POPULATION (1966 est.) 25.5 million; rate of growth: 3 percent per annum

GROSS NATIONAL PRODUCT, 1965/66 (*estimate*): \$5.99 billion

Growth rate: 1955/56–1960/61: 6 percent per annum

1960/61–1965/66: 6.4 percent per annum

Per capita: \$248

CONTRIBUTION TO GROSS DOMESTIC PRODUCT

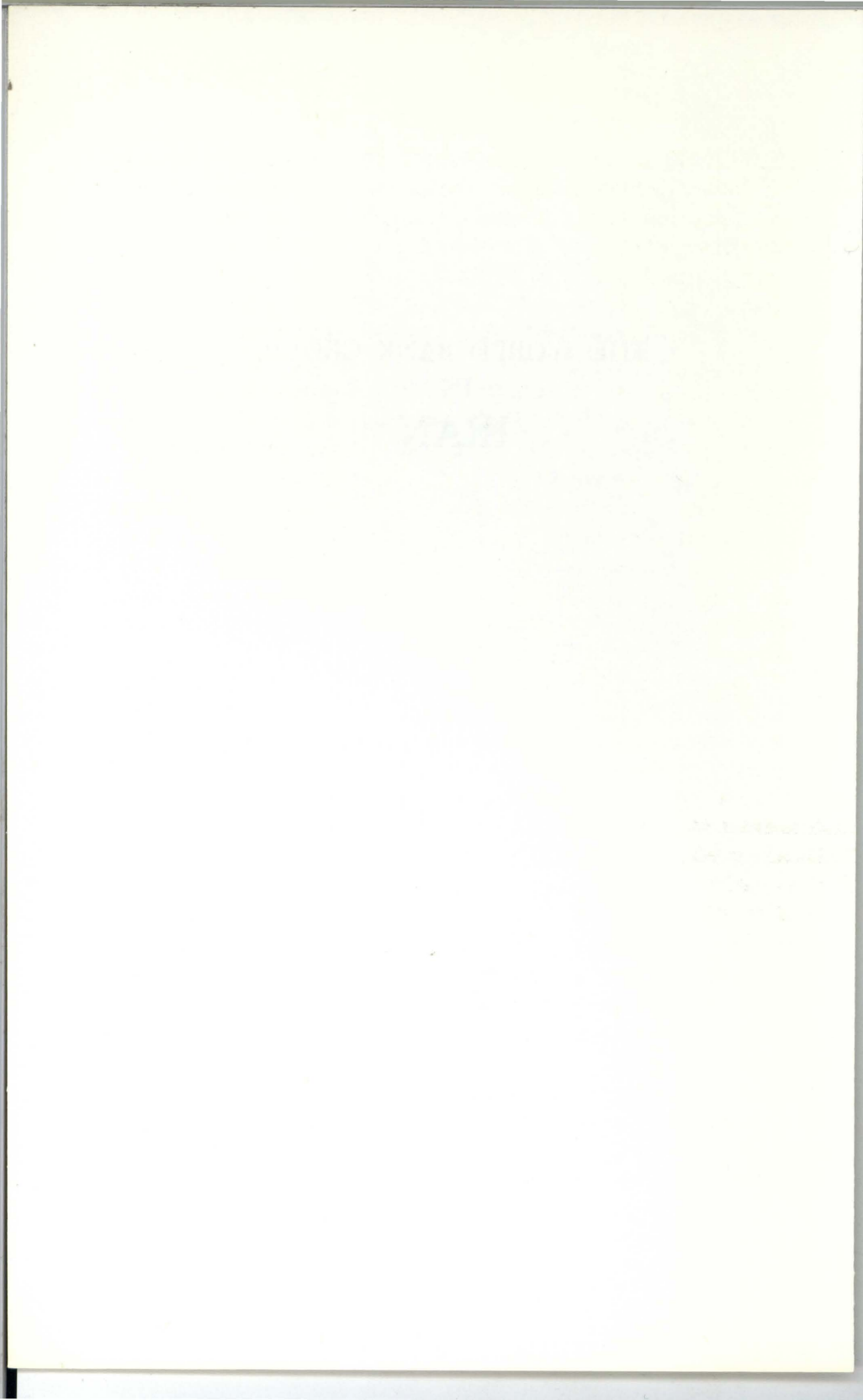
(1965/66 *estimates*)

Percentage

Agriculture, forestry, fisheries	30.0
Industry and mining	11.7
Oil (including oil exploration)	16.5
Power, transport, communications	7.1
Construction and rental	10.0
Trade and services	14.7
Government	10.0

THE WORLD BANK GROUP
IN
IRAN

January 1967



OVER 90 percent of Iran's land area of 628,000 square miles (which is larger than Spain, Great Britain, France and Italy combined) is infertile. Cultivation of food grains, like wheat and barley, and commercial crops like sugar-beets, tobacco and cotton is carried out over an area of only 23,500 square miles. More than two-thirds of Iran's population of 25.5 million depends on agriculture for its livelihood and is scattered in some 45,000 villages which are separated from each other by vast stretches of arid and mountainous country.

About 16.5 percent of Iran's gross domestic product and 50 percent of its revenue is attributable to the oil industry; oil also accounts for 75 percent of the country's exports by value.

In recent years, however, Iran's small industrial sector has been growing at a rapid pace; the index of industrial production stood at 130 in 1965 compared to the base year 1962. The production of chemicals, tires, television and radio sets, refrigerators and assembled automobiles has increased considerably.

Iran's Second 7-year Development Plan, a comprehensive program for economic development, was launched in 1955. Drawn up on the assumption that it would be largely paid for by the earnings of the country's oil industry, it encountered financing difficulties because oil exports could only gradually be restored after the cessation of output that followed the industry's nationalization in 1951.

To cover the shortfall of revenues in the early years of the Plan, the World Bank lent \$75 million to Iran in January 1957 to finance imports of equipment needed for development. This enabled Iran to anticipate future oil revenues, and thus to proceed with projects that would otherwise have had to be delayed. In reflection of the short-term nature of the problem it solved, the loan was made for a period of five years only, and has since been fully repaid.

Including this loan, the Bank had to December 31, 1966 made nine loans to Iran totaling the equivalent of \$288.2 million. Four of these loans totaling \$131 million were for



highway construction. One of \$42 million was to assist in the construction of the Dez multipurpose project; and three totaling \$40.2 million were made to the Industrial and Mining Development Bank of Iran (IMDBI), a privately owned development finance company, for re-lending to private industrial and other productive enterprises.

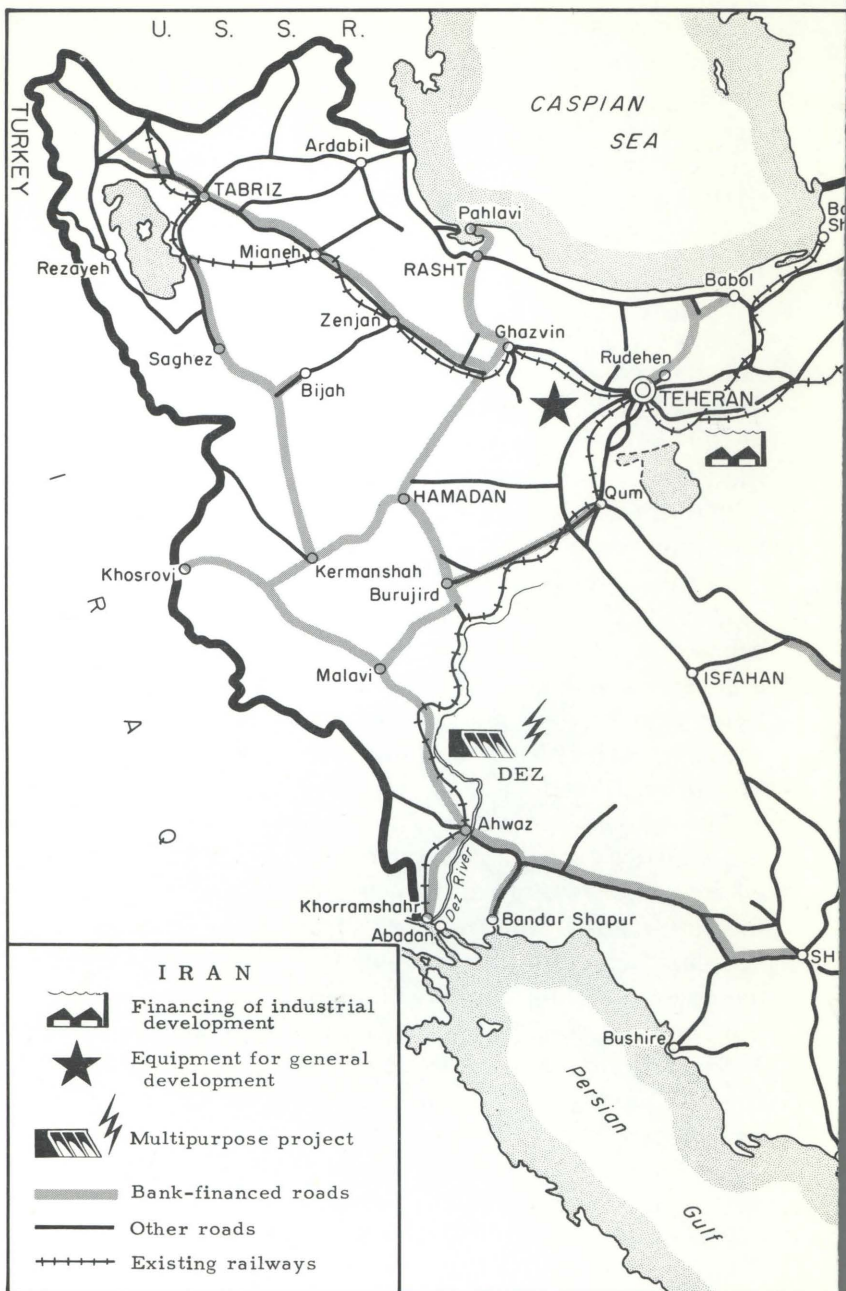
ROADS

Because of its terrain and scattered population, transportation in Iran is both costly and difficult. The agricultural belt in Iran lies in the north and is separated by the entire width of the country from the oil complex which is centered around the Persian Gulf ports in the south. The need for a good road system linking these areas is made even more essential by the fact that nearly all imports have to be moved northwards.

In 1957 the Bank was asked to participate in financing a road program in Iran. A comprehensive program for road development was worked out by the Iranian Plan Organization, a government body charged with the responsibility of formulating development plans in the country and supervising their execution. To help toward the financing of this program, the World Bank made a loan of \$72 million to Iran in 1959.

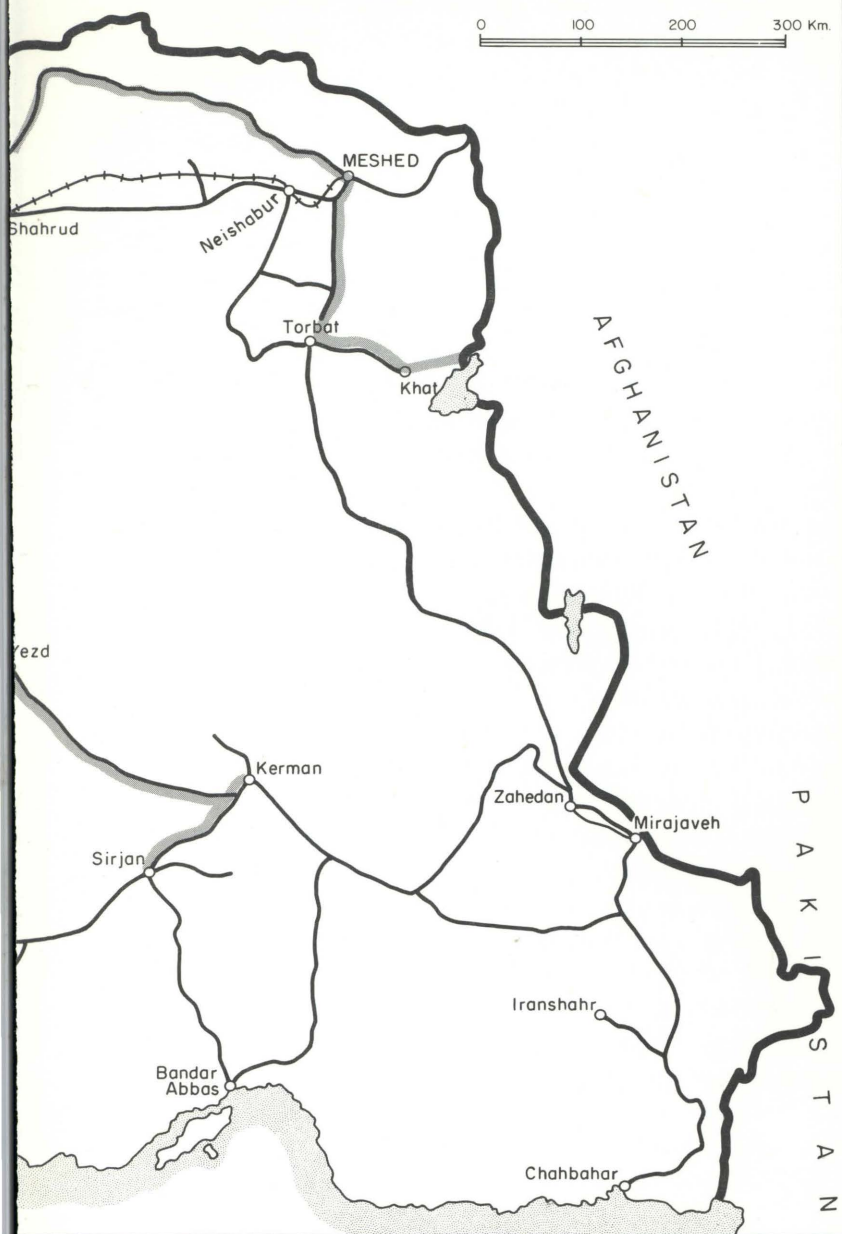
The project for which this loan was granted consisted of the construction and reconstruction of approximately 2,470 kilometers of main roads in western and southern Iran, including the Trans-Iranian highway from the Persian Gulf to the Caspian Sea, and the improvement of part of the 440 kilometers of road linking Shiraz to the ports of Khorramshahr and Bandar Shapur. This project was completed by the fall of 1964 at a total cost of \$217 million. Part of the proceeds of the 1959 loan also went to help meet the costs of the design and engineering of Iran's next road program.

In June 1964 the Bank made another loan equivalent to \$18.5 million for a further road project. This loan is being used to improve 680 kilometers of high priority roads and for a survey and preliminary engineering of roads selected for



U. S. S. R.

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future improvement. Five major roads are involved in the project, which will substantially shorten the distance of the previous routes through realignments or short cuts. The work is scheduled for completion in 1967 at a total cost estimated at the equivalent of \$44.2 million.

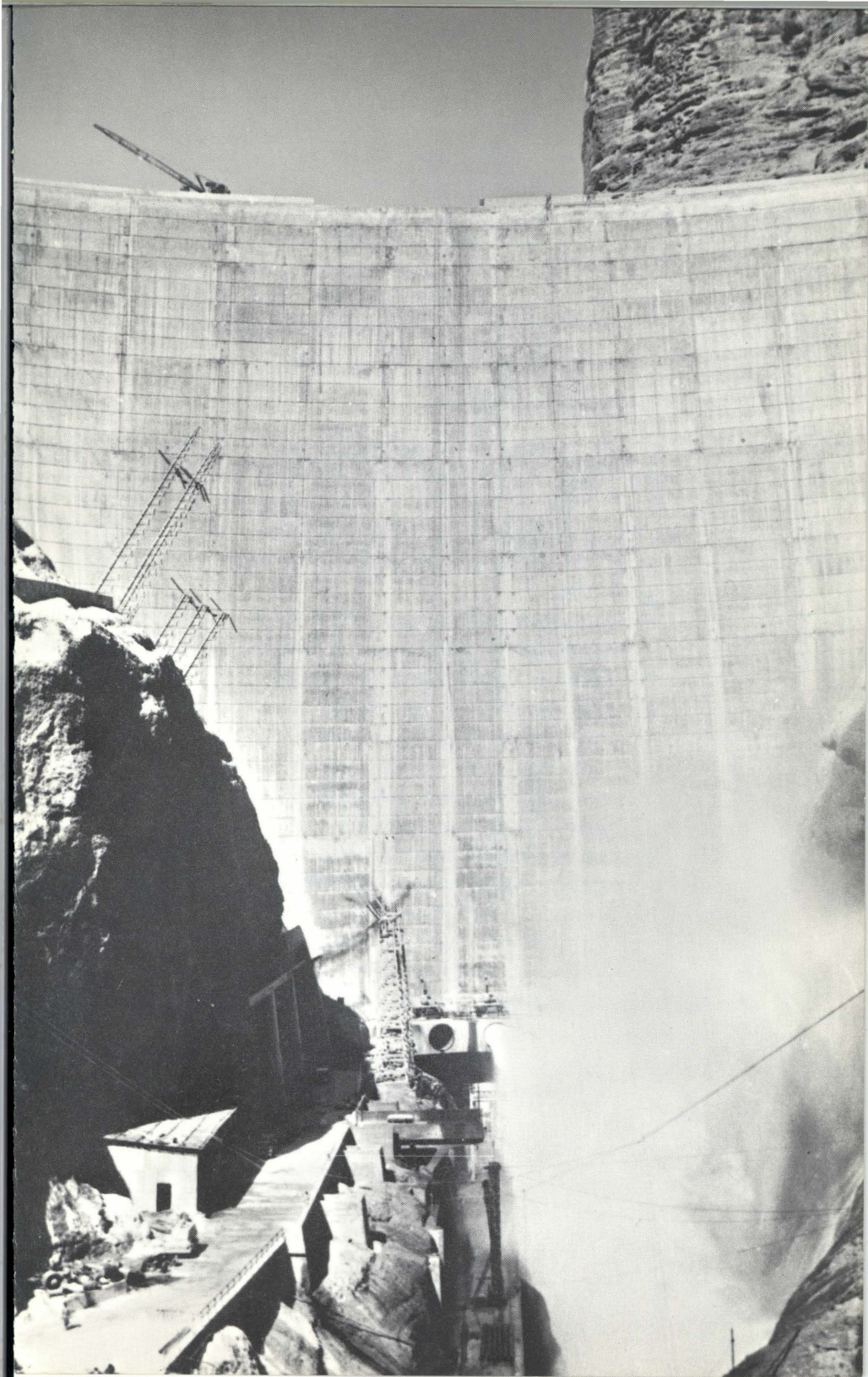
In April 1965 the Bank made two more loans totaling \$40.5 million for the road development program. A loan of \$32 million was made for the construction or improvement of 1,680 kilometers of highways, extending the main highway network toward the northeast to the Afghanistan border and from the center of the country southeastward through Kerman toward the new port of Bandar Abbas.

The second loan of \$8.5 million was to help finance the construction of some 1,500 kilometers of feeder roads to connect six agriculturally productive areas with Iran's main highway system.

The extensive road improvement program which the Iranian Government has undertaken since 1959 has already had a favorable impact on the economy. The volume of traffic has doubled, with commercial vehicles—trucks and buses—accounting for about 60 per cent of its total. The level of charges by public carriers has been reduced, and productive activities have grown in the areas served by the roads.

Another benefit has been the development of a local road construction industry. In 1959 there were few local contractors in Iran capable of undertaking road construction of the magnitude required. Today there are a number of competent and well equipped firms.

The feeder road project designed to connect the agricultural areas to the main highway network is of great significance to the country. The agricultural sector in Iran is now going through a period of transformation from traditional subsistence farming to modern agriculture. This development is only possible in areas with easy access to markets; in areas without roads practically all farm to market transportation is still provided by the farmers themselves using animal transport.



Adequate road transport into agricultural areas will enable the farmers to sell their products for higher prices at more distant markets and to devote more time and energy to farm activities. It will facilitate and improve the efficiency of the Government's extension services, and will lower the price of farm requisites such as fertilizers and insecticides. These factors should lead to expanded areas of cultivation, more intensive use of existing farm areas, and should encourage the growing of more profitable cash crops.

MULTIPURPOSE PROGRAM

Both electric power and irrigation are provided by the Dez multipurpose project, for which the Bank lent \$42 million to Iran in 1960. The centerpiece of this project is the 620 foot high Dez Dam, completed in 1963, which has been built in a narrow gorge of the Dez River in Khuzestan Province in southwestern Iran.

The Dam impounds a reservoir of 2.7 million acre feet providing water to drive the turbines of a 130,000-kilowatt power station. Provision has been made for doubling and ultimately quadrupling the capacity of the station so that eventually the Dez project will have a capacity of more than half a million kilowatts. Power from this station will be carried by a system of transmission lines to the principal towns of Khuzestan including Khorramshahr and Abadan and to Teheran.

The Dez Reservoir also feeds a system of main and branch canals to irrigate a pilot area of 50,000 acres. The area was once highly productive but its soils have been depleted through centuries of cultivation without fertilization. Irrigation along with the adoption of modern farming methods offers good possibilities of restoring its fertility and of producing high value crops not possible under pre-project conditions. On the basis of the experience with the pilot scheme, the Government now plans to extend the irrigated area to a total of about 275,000 acres.

A third benefit of the project lies in its ability to regulate the flow of the Dez River itself. Storage capacity of the reser-

voir has made it possible to reduce flood damage that in past years occurred periodically along the lower reaches of the river.

INDUSTRY

Industry in Iran has made considerable progress in recent years. To assist industrial development, the Industrial and Mining Development Bank of Iran (IMDBI) was established in October 1959 with financial assistance from the World Bank. IMDBI makes medium and long-term loans to Iranian industry and also invests in share capital. The Bank has lent to IMDBI over \$40 million in foreign exchange for relending to private enterprises.

IMDBI was founded by private investors from Iran, the U.S., the United Kingdom, France, Germany, Italy, Belgium and the Netherlands to stimulate the growth of private industry in Iran. Iranians now own 80 percent of the share capital and since 1964 the management and staff have been entirely Iranian.

The first World Bank loan to IMDBI, of \$5.2 million, was made in November 1959 and a second, of \$10 million, was made in July 1965. The demand for IMDBI financing has risen so rapidly that by early 1966 the entire amount of the second loan had been committed or earmarked for specific industrial projects and a new Bank loan of \$25 million was made in July 1966. Up to the end of its last fiscal year, March 20, 1966, IMDBI had made 156 loans totaling some \$61 million. About 22 percent of the outstanding loans were in foreign exchange. Over 40 percent, both in number and in amount, have been for new enterprises.

The greater part of these loans has gone to the textile, metal products, cement, rubber products and food processing industries. IMDBI has also extended financial help to other industries such as transport equipment, electrical appliances, construction materials, wood and paper products, and chemicals. By March 1966 it had made 19 equity commitments amounting to \$5 million from its own funds and 15 other

commitments amounting to \$8.4 million from the Government's equity fund. IMDBI has been active in the promotion and preparation of industrial projects and expects to continue its efforts in this field in such industries as sugar, steel and machinery.

IMDBI's resources amount to the equivalent of \$75.9 million. In addition to the \$40.2 million provided by the World Bank, they comprise share capital of \$6.4 million, accumulated reserves and surpluses of \$900,000, loans of \$24.7 million from the Government and a loan of \$3.7 million from the United States Agency for International Development. The Government has provided an important supplement to IMDBI's loan resources by placing under its management local currency funds equivalent to \$33 million for loans to, and investments in, private industry in Iran.

Since 1962 the International Finance Corporation (IFC), an affiliate of the World Bank, has acted on behalf of the whole World Bank Group in the field of development finance companies. It is therefore now responsible for dealing for the Group in matters relating to IMDBI. IFC was established in 1956 to supplement the activities of the World Bank by encouraging the growth of productive private enterprises in member countries. The Corporation provides share as well as long-term loan capital in association with private investors and is prepared where necessary to seek the participation of private capital to supplement its own and its partners' investments in an enterprise. IFC is also prepared to participate in private offerings of securities and to enter into commitments for the subscription or purchase of securities being offered to the public.

WORLD BANK LOANS IN IRAN

As of December 31, 1966

PURPOSE	NUMBER	AMOUNT
GENERAL DEVELOPMENT	1	\$75,000
ROADS	4	131,000
INDUSTRY	3	40,200
MULTIPURPOSE	1	42,000
	—	—
TOTAL	9	\$288,200

Amounts expressed in thousands of U.S. Dollars

PHOTOGRAPHS

- Page* 2. An asphalt spreader and finisher in operation on a new road north of Malayir.
- Page* 7. The Mohammed Reza Shah Pahlavi Dam across the Dez River.

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