

**Third Socio-Economic and Cultural  
Development Plan  
of  
The Islamic Republic of Iran  
2000-2004**

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# Communiqué of the Esteemed President of the Islamic Republic of Iran

No. 3026

Date: 23/4/2000

In The Name of Almighty God

TO: Plan and Budget Organization

Attached please find for implementation the Third Economic, Social and Cultural Development Plan Law as amended, enacted at the open session of the Islamic Consultative Assembly on 5/4/2000 (17/1/1379), ratified by the Guardian Council on the same date, and received through the communiqué No. 3703 of the Speaker of the Islamic Consultative Assembly, dated 16/4/2000.

This Plan has earnestly taken into consideration the issues and challenges of the future of our country including her very young population, the need for public participation, furtherance of economic growth, creation of employment opportunities in order to reduce unemployment rate, developing the country's resources, technology and potentials.

The Plan has been prepared on the basis of directives and guidelines expressed by the Leader of the Islamic Revolution, and through untiring efforts of the well-experienced responsible officials, experts, scientific authorities and assistance of the research institutions. The Plan could therefore be viewed as a manifestation of the national consensus as well as a workable instrument for guiding and directing the complex tasks of the country's development in an organized and orderly manner for the years to come.

Despite the fact that some of changes made in the Plan during the course of debate in the Islamic Consultative Assembly may cause tardiness in the achievement of the Plan's objectives, it is hoped that the infused shortcomings could be eliminated through the course of preparation of the country's annual budget bills.

It is further anticipated that our esteemed colleagues at the executive agencies who are responsible for implementing the Plan will take all the necessary measures to secure proper execution of the Plan's provisions and strategies of the Cabinet, as I have expressed on the occasion of submission of the Plan bill to the Islamic Consultative Assembly, so that, God Willing, our exalted nation will reap the benefits of the Plan's provisions.

Seyyed Mohammad Khatami

President,  
Islamic Republic of Iran

# **Communiqué of the Esteemed Speaker of the Islamic Consultative Assembly**

No. Q-3703

Date: 16/4/2000

His Eminence Seyyed Mohammad Khatami  
President of the Islamic Republic of Iran

In observation of Article 123 of the Constitution, I am pleased to remit to your kind attention the government Bill No. 33018 dated 15/9/1999 concerning the Third Economic, Social and Cultural Development Plan of the Islamic Republic of Iran as amended and enacted at the open session of the Islamic Consultative Assembly on 5/4/2000 (11/1/1379) and ratified by the Guardian Council.

Ali Akbar Nategh Noori  
Speaker  
Islamic Consultative Assembly

## **CHAPTER ONE:** **Administrative and Managerial**

### **Reform**

ARTICLE 1- In order to rectify reform and improve the country's administrative system, organization and structure; to reduce the non-sovereign undertakings of the government, and advance the systems, methods, management of human resources, and regulations (by-laws and directives), an Administrative High Council is set up with the following competencies, mandates and authority:

#### **A. MEMBERSHIP:**

- 1- The President or the Vice President (as the Chairman of the Council),
- 2- Three ministers (preferably from different sectors) to be nominated by the Cabinet,
- 3- Minister or the Head of the executive agency concerned,
- 4- Head of the Plan and Budget Organization, if the position has an incumbent appointed by the President,
- 5- Secretary-General of the State Administrative and Employment Affairs Organization, if the position has an incumbent appointed by the President,
- 6- Four learned individuals and experts on public administration and management, to be nominated by the President,
- 7- Two provincial governor-generals to be nominated by the President.
- 8- Two members of the Islamic Consultative Assembly as observers to be selected by the Islamic Consultative Assembly.

Decisions approved by the Council will be binding upon ratification by the President.

Note: Secretary-General of the State Administrative and Employment Affairs Organization will serve as the Secretary of the Council and will be charged with supervising the performance of its decisions.

#### **B. DUTIES AND AUTHORITIES**

1. To reform organizational structure of the country's executive agencies, except ministries, through merger, dissolution, and decentralization.
2. To restructure the internal set-up of the ministries, review duties and internal structure of organizations, state-owned enterprises and their subsidiary companies in order to create organizational cohesion, and to eliminate parallel, similar and duplicated functions.
3. To separate line duties from staff functions of the ministries and to limit the staff functions solely to sovereign undertakings and strategic affairs (policy making, planning and monitoring), and delegating line functions of ministries to the public agencies at the provincial and county levels.
4. To decide on merging provincial and county administrative units of any single ministry into one integrated unit.
5. To identify and delegate transferable functions and duties of the executive agencies to municipalities and non-public sector with the objective of releasing government from the burden of unnecessary undertakings; to determine and establish workable relationship

between the administrative system and local Islamic councils at rural, county and city levels.

6. To carry out reform and re-engineering activities in the systems, methods and operating procedures in practice throughout the country's executive agencies with the objective of simplifying the work procedures, and promoting automation, while minimizing direct contact between public employees and the clients of public agencies, securing clients' satisfaction, reducing the administrative costs and economizing the performance of public duties.

7. To approve necessary programs for enhancement of productivity and efficiency of manpower and management of the executive agencies.

8. To approve criteria and standards required to optimize the structure, composition and distribution of manpower in the public sector.

9. To approve criteria and standard operating procedures to deal with the manpower of those agencies which upon the decisions of the Administrative High Council, are merged, dissolved, divested, or whose functions are entrusted to other agencies.

10. To adopt criteria for optimal utilization of administrative space, relocation, and provision of administrative buildings.

11. To determine and propose resources required for realization of the programs for transformation of the administrative system, as well as other approved programs of the Council, which require new resources.

12. To identify and promulgate the agencies assigned to undertake programs related to the government activities concerning administrative system and executive affairs.

ARTICLE 2- In order to reduce the non-sovereign undertakings, to strengthen sovereignty and supervision affairs of government, to promote effective participation of people, private and cooperative sectors in public affairs, to clarify functions and mandates of the national and provincial units in planning and implementation and to lay the ground for proper realization of the targets and objectives of the Third Plan, government is required to carry out the structural reform in the government organizations taking into account the following criteria:

A- Taking note of the principles of interdependence, cohesiveness, integrity and homogeneity of the public duties and functions.

B- Integrating the processes relating to a distinct task within a single agency, and making the activities goal-oriented.

C- Eliminating unnecessary units, organizations, parallel duties and duplicated functions of public agencies.

D- Observing the principle of decentralization in distribution of national and provincial functions; delimiting functions and missions of the national and the staff units solely to exercise of sovereignty, policy-making, macro-planning, directing, supervising and monitoring; and delegating the executive affairs and functions to the provincial units.

E- Avoiding expansion of the government organization with emphasis on down-sizing the government bureaucracy from the bottom of the organizational pyramid up through consolidation of all related activities of any ministry (except autonomous enterprises) in a single provincial organization.

On the basis of the above criteria, appropriate measures shall be taken to consolidate all the relevant functions and duties of the following sectors into three ministries:

1. The energy affairs,
2. Agriculture, animal husbandry, and rural development affairs
3. Industry and mining affairs.

To realize the intent of this Article, government is required to clearly identify and redefine proper titles of the ministries and autonomous agencies that shall be charged with the above duties, and to stipulate the extent and limits of the missions, authorities; to enumerate the sovereign and non-sovereign undertakings of each agency within the framework of its specific functions; and to determine the manner by which their duties could be performed. Government is further charged with preparing a time table within one month henceforth and shall take all the necessary legal measures to implement this program.

#### ARTICLE 3-

A- To improve and optimize the composition of manpower of the executive agencies, and to proportionally distribute the manpower to various regions of the country, and to improve the delivery of the public services, the State Administrative and Employment Affairs Organization is required to prepare a comprehensive manpower program for the public sector within the first six months of the current Plan and submit it to the Cabinet for approval. In doing so, the following criteria shall be met:

1. Total government employees shall be reduced by five percent (5%) by the end of the Third Plan period relative to the beginning of the Plan.
2. Qualitative indices of the government manpower, specifically the proportion of the specialized employees to the total manpower as well as their educational composition shall be improved.
3. Total new employment in the public sector shall not exceed fifty percent (50 %) of the total number of employees who quit their jobs.

B. In order to reduce new employment and simultaneously meet the manpower requirements of those executive agencies whose activities must be further developed, the State Administrative and Employment Affairs Organization is required to determine the excess manpower of the down-sizing agencies and inform the agencies that are in need of new employees so that necessary measures could be taken for inter-agency transfers.

Any transfer made in the same city shall not require consent of the employees who are being transferred. But transfers from one city to another should be administered with the consent of the effected employee(s).

C- Ministries and government entities may redeem the services of the employees who volunteer to quit their job, through payment of incentives in addition to the lawful fringe payments and benefits.

D- Beginning with the Third Plan, government is required to reform regulations governing provision of salaries and fringe benefits which are the basis of retirement deduction, by taking into account the median monthly payment in the last two years prior to retirement for all retiring employees who meet the requirements of the retirement law.

E- Beginning with the Third Plan, government is required to pay severance to the retiring permanent and formal employees who are subject to the “Law of Harmonized System of Payment to the Government Employees and Academic Staff of Universities and Institutions of Higher Education”, a sum equivalent to one month per each year of employment, of the latest salary, allowances and the fringe benefits.

F- Government is required to adjust, during the term of the Third Plan, the number of personnel of the public sector within the framework provided in Appendix (1) of this Law.

G- During the term of the Third Plan and at the beginning of each year, government is required to increase salaries of all employees and wage-earners of all fields of activities - regardless of the nature of their employment contracts- proportionate to the inflation rate and at least equal to it. Should the growth of inflation exceed the salary increase in such a way that the totally adjusted receipts of the wage-earner be less than monthly inflation rate multiplied by the salary of the last month of the previous year plus twelve times the salary of the last month of that year, the balance then shall be paid to the employees within the first quarter of the next year. This Item also applies to all retirement pensions and annuitants.

The executive by-law of this Article including the incentive, and promotion measures and other employment benefits to be granted to the employees who will be transferred to other localities, as well as other criteria related to redemption incentive and other relevant matters shall be prepared by the State Administrative and Employment Affairs Organization, and to be approved by the Cabinet.

## **CHAPTER TWO: Reorganization of the State-Owned Enterprises**

ARTICLE 4- In order to reorganize and to restructure the state-owned enterprises and effectively utilize their resources and potentials, to enhance productivity and efficiency of those enterprises that deem necessary to remain in the public sector, and to facilitate transferring to the non-public sector those enterprises whose continued operation in the public sector is deemed unnecessary, government is authorized to take appropriate measures toward divestiture, dissolving, merging and reorganizing the state-owned enterprises; reforming and sanctioning their articles of association, and their transactional and financial by-laws, taking into consideration the current laws and regulations governing re-deployment and transfer of functions and manpower, assets and stocks of the state-owned enterprises and their subsidiary companies under the following frame of reference:

A- The state-owned enterprises shall be organized as specialized holding companies and shall be managed under the auspices of the related ministry and within the framework of their own articles of association.

B- Governance of the state-owned enterprises shall be autonomous and independent of the policy-making function of the concerned ministry, while the authoritative functions will be removed from the state-owned enterprises and devolved to the concerned ministry.

Note 1- State-owned enterprises may be formed and incorporated solely upon approval of the Islamic Consultative Assembly.

Note 2- Any joint-venture between the state-owned enterprises, except banks, insurance companies and credit institutions, within the context of this Article will require authorization of the Cabinet.

Note 3- Government is required to dissolve all representative and branch offices of the state-owned enterprises abroad. Otherwise, the matter shall be proposed jointly by the Ministry of Economic Affairs and Finance, the Plan and Budget Organization, and the State Administrative and Employment Affairs Organization, and shall receive approval of the Administrative High Council.

Note 4- In order for any state-owned enterprise to remain in the public sector and to justify its utilization of public capital, it must be engaged in one of the two activity areas listed below:

1- Activities that are monopolies by their nature.

2- Activities in which the non-governmental sector has no incentive and interest to invest.

C- The state-owned enterprises approved by the Cabinet for divestiture through tender or the stock exchange market shall be managed thereafter according to the commercial law, and no longer will they be subject to the general regulations governing the state-owned enterprises.

D- Assignment of employees of the state-owned enterprises and other companies stipulated in Item (C) above to ministries and public agencies is possible within the

framework of a by-law that will be approved by the Cabinet.

E- Any transfer of share in relation with implementation of this Article (as the result of merger, dissolution, or reorganization) shall be exempted from tax .

F- State-owned enterprises are prohibited from conducting any business transaction other than those stipulated in their articles of association.

G- Government is required to review the labor regulations and take appropriate measure within a maximum period of six months.

H- The by-law for implementation of this Article shall be proposed jointly by the Plan and Budget Organization, the State Administrative and Employment Affairs Organization and the Ministry of Economic Affairs and Finance, and to be approved by the Cabinet.

ARTICLE 5- Annual increase of prices of goods and services by public agencies and the state-owned enterprises beyond ten percent (10%) shall not be permissible. Pricing of goods and services, except for items that are subject to special regulations in this Law or in the annual budget law, shall be set within the framework of the criteria to be adopted by the Cabinet, taking into account the goal of raising productivity and lowering production costs. Should the government deem necessary for any reason to fix the price of goods and services of any state-owned enterprise at a level below the above rate, the difference between the calculated price and the imposed price shall be paid to the interested company through government general budget.

ARTICLE 6- In all cases where the authority for approval of the articles of association rests with government, any reform and revision of such articles shall jointly be proposed by the related agency and the State Administrative and Employment Affairs Organization and shall be approved by the Cabinet. Public agencies and corporations content of this Article include the state-owned enterprises and their affiliate entities, any entity whose subjection to this law necessitates mention of their name, and non-public agencies or entities.

ARTICLE 7- Government share holding representation at the general share holders meetings of the state-owned enterprises, assuring oddity of the number of members representing the share holders shall be entrusted to the minister-in-charge, Minister of Economic Affairs and Finance, Head of the Plan and Budget Organization, and two or more ministers selected by the Cabinet, or their representatives.

ARTICLE 8- All other regulations (by-laws and directives) which are inconsistent with the decisions of the Cabinet within the framework of authorities stipulated in this Chapter will be annulled.

## **CHAPTER THREE :**

### **Privatization and Management of the State-Owned Enterprises**

ARTICLE 9- In order to enhance efficiency and to raise productivity in utilization of the country's material and human resources, to streamline government in the area of policy making, and also in order to promote the role and scope of the private and cooperative sectors, the shares and stocks of the state-owned enterprises that are transferable and whose continued operation in the public sector seems to be unnecessary, shall be sold to the cooperative and private sectors on the basis of the regulations set forth by the law. Under equal conditions, priority shall be given to the War-veterans.

ARTICLE 10- Observation of the following points is mandatory in divestiture of the shares:

A- Divestiture shall be considered as a means of realization of the Plan objectives, and not as an end in itself.

B- Divestiture shall be undertaken in the context of the Constitution.

C- It shall not jeopardize national security or create any instability in the sovereignty of the Islamic Republic of Iran.

D- It shall not undermine the system's sovereignty or infringe upon people's right, or create any monopoly.

E- It shall result in a healthier and more efficient management.

F- It shall promote public participation to the widest possible extent.

ARTICLE 11- Shares belonged to the following entities are subject to the regulations of this Chapter: ministries, government agencies, state-owned enterprises stipulated in Article (4) of the State General Audit Law of 22/8/1987 (1/6/1366) as amended, profit making entities affiliated with government and other companies with more than fifty percent (50%) of their equity and/or their shares, in total or in part, owned by ministries, public entities, state-owned enterprises (except banks, credit institutions and insurance companies), other state-owned companies and profit-making entities affiliated with government whose subjection to public laws and regulations necessitates that their names be mentioned or stipulated, including National Iranian Oil Company, companies controlled by, or affiliated to the Ministry of Petroleum and their subsidiaries, Iran Industrial Development and Renovation Organization and its subsidiaries, and the Center for Procurement and Distribution of Goods; also shares owned by the above-mentioned entities in non-public enterprises and companies that are subject to special law.

Note 1- Shares owned by the entities stipulated in this Article, either possessed through donation, unchangeable conveyance or any other contract, are also subject to regulations of this Chapter.

Note 2- Any partnership, and investment by the state banks, insurance companies and credit institutions in the corporate sector shall be exempted from regulations of this Chapter.

ARTICLE 12- In order to coordinate, supervise and control the process of divestiture and to secure proper execution of the regulations of this Law, the "High Commission of Divestiture" shall be set up under the chairmanship of the Minister of Economic Affairs and Finance.

Secretariat of the Commission shall be housed in the Ministry of Economic Affairs and Finance.

ARTICLE 13- The High Commission of Divestiture shall consist of the following seven members:

A- Minister of Economic Affairs and Finance (Chairman of the Commission),

B- Head of the Plan and Budget Organization,

C- Governor of the Central Bank of the Islamic Republic of Iran,

D- The relevant minister,

E- Minister of Justice,

F- Representatives of the Parliamentary Commissions of “Economic Affairs, Finance and Cooperative” and “Plan and Budget” (one representative from each) selected by the Islamic Consultative Assembly.

ARTICLE 14- Mandates and powers of the High Commission of Divestiture are as follows:

A- To confirm list of companies to be sold, dissolved or merged, submitted by the relevant ministries or Ministry of Economic Affairs and Finance , and to present it to the Cabinet for approval. The report shall include a specific time-table for each case and an explanation of the method of ceding in light of the market conditions.

B- To prepare an annual program of sales, dissolution, or merging of companies within the framework of the approbation of the Cabinet, including formulation of the necessary executive policies and strategies.

C- To monitor the divestiture process and to present semi-annual progress reports to the Speaker of the Islamic Consultative Assembly. The report shall include an analysis of the strength and weakness of the program, the process feedback and headway strategies.

D- To organize cultural and publicity activities in order to promote divestiture.

E- To propose to the Cabinet the draft of a by-law for a part payment plan in cases of necessity.

F- To exercise methods of share pricing, allowances, and to determine modes of payments by the buyers in the context of the by-law approved by the Cabinet.

G- To approve directives establishing priorities in sales of the shares of transferable companies, as proposed by the Secretariat.

H- To approve directives for preparation of the sales of shares and divestiture contracts, proposed by the Secretariat.

I- To approve criteria for collection of the proceeds of the sales or goods subject of Article (18) of this Law, proposed by the Secretariat.

J- To approve criteria for evaluation of the capacity, credit worthiness, obligations of the buyer, and the guarantee requirements in order to facilitate selection of the buyers, proposed by the Secretariat.

ARTICLE 15- Government shall set up an organization for privatization by modifying the articles of association of the Organization for Promotion of Ownership of Production Units. Shares of the companies that are appraised, and their modes of sales and the time-table determined by the High Commission of Divestiture, shall be given in trust by their holding companies to this organization to process the divestiture..

The executive by-law of this Article and revision of the articles of association of the said organization shall be proposed by the Ministry of Economic Affairs and Finance and the Plan and Budget Organization to the Cabinet for approval.

ARTICLE 16- The following criteria shall be observed in selling the shares of the companies content of this Law:

A- Shares of small companies shall be sold to entrepreneurs of high managerial caliber.

B- Shares of medium-size companies shall be sold to specialized commercial groups, cooperatives and entities, accordingly.

C- Shares of the large corporation shall be sold to the general public, while the controlling shares are preserved for the management.

Note- Employees of would-be privatized companies shall be granted privileged status in acquiring the preferred shares. All conditions being equal, priority shall be given to the War-veterans and government employees.

The executive by-law of this Article shall be proposed by the High Commission of Divestiture to the Cabinet for approval.

ARTICLE 17- Directives for preparation of contracts of ceding, management, rent, and mode of revocation of these contracts shall be approved by the High Commission of Divestiture. In preparation of the said directives, the Commission shall take the following measures:

A- To determine the extent of the buyers' commitments toward employment, production program, new investment, special activities to protect the environment, and avoidance of certain restrictive commercial engagements, etc. .

B- To determine the manner of discounting in the share valuation by government in lieu of commitments on the part of the buyers, taking into account the by-laws of Item (F) of Article (14) of this Law.

C- To assess the impact of tax obligations in the share pricing and valuation.

D- To determine conditions for revocation of the contract by both parties.

E- To assess capacities, credit worthiness, obligations, and guarantee requirements of the buyers.

ARTICLE 18- In observation of Articles forty three (43) and forty four (44) of the Constitution, government may rent out through tender to cooperative companies and/or to the private sector, the industrial, agricultural and service companies and public properties held in its possession, against cash or kind, while retaining the ownership rights. In doing so the following conditions shall prevail:

A- On the basis of the rental contract, government shall be entitled to receive annually, certain amount in cash or kind against depreciation, renovation, maintenance, or expansion of the rented companies.

B- In the course of divestiture of state-owned enterprises or other properties specified in this Article, the party to the contract shall be charged with observing certain regulations and government policies with regard to pricing, production planning, distribution, and securing public interests.

C- Entrusting management of the state-owned enterprises to non-public sectors shall be

permissible on the sole condition that the real or legal person to whom the management shall be assigned will perform the obligations and duties in person during the term of the contract. As such, the contract shall not be transferable to any other company or entity. Breach of violation of this condition will result in revocation of the divestiture agreement and conviction of the violator on the ground of unlawful possession of the government properties.

D- In the process of divestiture of the companies or other properties specified in this Article, and in screening the candidates, should the qualified employees of any of these entities set up a cooperative, this cooperative company will entertain preference over other candidates.

Note: Method of computing the compensation in cash or kind shall be determined within the framework of the criteria to be approved and promulgated by the High Commission of Divestiture.

ARTICLE 19- Revenues from sales of the companies' shares, sales of properties, rental contracts and all other contracts content of this Chapter within the given fiscal period and after being transferred to the Treasury shall be spent as follows:

A- Fifty (50) percent for restructuring salable companies, rehabilitation and preparation of other companies for sale, as well as promoting industrial development, with preference given to paying off the salable companies' debt. The amount shall be paid to the account of the holding companies.

B- Forty eight percent (48%) to support the country's Treasury.

C- Two percent (2%) to support Bassij (Mobilization) Forces.

ARTICLE 20- Dispute settlement pertaining to claims made by real or legal persons against any of the decisions on the matter of divestiture is entrusted to the Arbitration Commission. This subject shall be included in the divestiture contracts and shall be endorsed by both parties.

ARTICLE 21- The Arbitration Commission subject of Article (20) of this 1- Five experts in economics, finance, commerce, technical and legal Law is composed of the following members:

1- fields to be jointly nominated by the Ministers of Economic Affairs and Finance, Justice, and the Head of the "Plan and Budget Organization", and to be approved by the Cabinet. The appointments shall be made for a period of six years.

2- Head of the Chamber of Cooperatives.

3- President of the Chamber of Commerce, Industries and Mines of the Islamic Republic of Iran.

The Arbitration Commission shall review the claims and disputes and make decision pertaining to the divestiture. The procedures governing meetings of the Commission and methods of decision making shall be formulated in a by-law to be approved by the Cabinet.

ARTICLE 22- A quorum of the Arbitration Commission will be reached by presence of at least five members; and decision will be made by the majority votes of the participants. (Opinion of the minorities must be recorded in a process verbal and endorsed.)

ARTICLE 23- Decisions of the Arbitration Commission shall be binding ten days after notification to the parties. Should any of the parties raise any objection, the party may put its

objection in writing within the above grace period, or thereafter in case there is definite reason for delay, and submit it to the competent court. The Chief Justice shall refer the case to a special tribunal which will review the case extraordinarily and rule a judgment. The court ruling is final and binding.

ARTICLE 24-Government is required to insure at its own expense all the officials who individually or collectively are engaged in carrying out the divestiture operation, against any possible penal or financial conviction, that could be bought off and any indemnifying conviction, emanating from unintentional misconduct in connection with divestiture. The insurance coverage shall be such as to enable the insurer to compensate for whatever cost to be borne by the convicted official(s).

ARTICLE 25- Beginning with the date of sales of the shares, the holding company shall be liable for payment of any compensation in connection with losses incurred prior to the sales of shares of the nationalized or expropriated companies to the private or cooperative sector.

Note: The divested company shall remain liable for payment of any other debt.

ARTICLE 26- Shares sold according to this Law, as well as shares transferred between the executive agencies in enforcing this Law are exempted from transaction tax. Also, government or the concerned executive agency shall remain liable for payment of corporate income tax - finalized or not finalized - of the divested companies whose total (100%) shares belong to government (ministries and other public agencies) and state-owned enterprises, up to the end of the fiscal year prior to the sales

ARTICLE 27- Employees of the state-owned enterprises who are subject to the special pension funds affiliated to ministries, public agencies or the state-owned enterprises, and whose employment with the divested company will be terminated upon the sales of the shares to the private and cooperative sectors, may, upon reinstatement of their employment with the same company, continue to stay with the same pension fund , provided that they observe the regulations of the pension scheme in the payment of the insured and employer's premiums.

Note: All laws and regulations pertaining to social insurance deductions and the authority of the Social Security Organization governing insurance charges, late payment /delinquent penalties including provisions of Article (49) and (50) of the Social Insurance Law of 1975 applicable to the above-mentioned individuals and funds shall remain in force.

## CHAPTER FOUR:

### Regulation of Monopolies and Promotion of Competition in Economic Activities

ARTICLE 28- In realization of Article forty three (43) of the Constitution and in consideration of the criteria and provisions of Article (124) of this Law, government is authorized to take appropriate measures to privatize the provision of postal and telecommunication services while preserving sovereignty aspects of post and telecommunication, and making certain that no monopoly will be created in the non-governmental sector, and that the continuity of the services is secured.

ARTICLE 29- Government is authorized to take appropriate measures to enable real and legal entities in the cooperative and private sectors to participate in the purchasing green tea, processing it into dry tea, packing and distribution activities in the tea industry. The necessary by-law shall be prepared by the Ministry of Agriculture and will be approved by the Cabinet.

ARTICLE 30- On the basis of a by-law proposed by the Ministry of Road and Transportation and approved by the Cabinet, government is authorized to permit the real and legal entities of the local cooperative and private sectors to engage in transport of goods and passengers by railroad and the related activities including construction, development and maintenance of the railroad lines and facilities, operating the facilities, undertaking studies and research and training the manpower. In this connection, the provision of Article (128) of this Law shall be observed.

ARTICLE 31- Ministry of Industry is required to prepare and submit to the relevant authorities, within six month henceforth, the necessary draft bills and draft regulations pertaining to production, distribution, import and export of tobacco products, taking into consideration the interests of the government. Monopoly of the tobacco products will be annulled after ratification of the said bills and regulations.

ARTICLE 32- Government is authorized, irrespective of the Law Concerning Distribution of Sugar Products by the Country's Factories enacted in 1974 and its amendment, to approve regulations concerning the standards for production, pricing, sales, distribution, export and import of sugar and hard sugar.

ARTICLE 33- Policy making and planning in the areas of discovery, exploitation as well as production of crude oil and refining the petroleum products and by-products shall remain as the state monopoly. Government, within the framework of this Law and a by-law to be prepared by the Ministry of Petroleum and to be approved by the Cabinet, entrust the undertaking of activities pertaining to refining, distribution and transportation of petroleum products and by-products to the domestic real persons and legal entities in a manner that it will not create any monopoly in the non-public sector while authority and sovereignty of the government as well as continuity of the services are guaranteed.

ARTICLE 34- Monopolistic provision of insurance services by Iran Insurance Company to state executive agencies subject to Article (30) of Iranian Central Insurance and Insurance Provision Law of 1971 shall be discontinued. Executive agencies are henceforth

authorized to enter into insurance contract with the domestic insurance companies of their choice.

The executive criteria for implementation of this Article will be proposed by the Ministry of Economic Affairs and Finance and will be approved by the Cabinet.

ARTICLE 35- Government is required to abolish, within one year, all the monopolies established by executive directives and regulations or by granting concessions.

In assignment of contracts and undertaking of transaction by government and public sector, no discrimination shall be permitted amongst the state executive agencies , public enterprises, and the cooperative and private sectors.

Within one year from the ratification of the Third Plan, government is required to take legal actions to relinquish monopolies and monopolistic practices.

## CHAPTER FIVE: Social Security and Subsidy Programs

ARTICLE 36- In realization of Article (29) of the Constitution and promotion of social justice, social security is considered as a human right aimed at protecting various classes of the society against economic, social and natural calamities and their consequences from the standpoint of retirement, unemployment, aging, disability, orphanage, homelessness, accidents; physical, mental and psychological retardation; and the need for health and medical care via insurance and other means (direct protection and relief). Government is required, in compliance with prevailing laws, to provide the above-mentioned services and financial support to every citizen of the country out of public funds and through the revenue derived from people's financial participation.

ARTICLE 37- Insurance activities shall be performed in two categories of general and supplementary. Obligations and services of each category are determined on the basis of the following criteria:

A- General insurance services that are financed via participation of the insured, employer (where applicable), and government (according to its lawful mandates) including medical, retirement, disablement, survivors, and unemployment insurance shall cover all the eligible individuals. The coverage of these services will be determined proportionately by the insurance premium received, financial ability of the insuring agencies and the extent of the subsidy that will be decided and approved by the Cabinet.

Note: Services provided under the existing laws of the insuring agencies and the pension funds for all insured persons covered by those agencies and funds shall be counted as the general insurance services.

B- The supplementary portion of social insurance includes provision of higher level services as compared to the general insurance, or provision of new services at a higher cost. This category of insurance services shall be provided through contractual agreement between the insured and the insurer, and its cost shall be borne by the insured.

C- The entire financing of the cost of the general and supplementary insurance and special medical care of the War veterans (related to the war inflicted injuries) shall be the responsibility of the government.

D- the Law Enforcement Forces are required to:

1- Utilize supplementary insurance in order to meet the medical care needs of their personnel.

2- Take the necessary measures to provide mission-specific insurance for their operation personnel.

ARTICLE 38- In addition to the special services provided in the context of employment, housing and educational programs, provision for non-insurance protections consisting of preventive health care and rehabilitation shall constitute the following cases:

1- Protecting all individuals against social hazards, physical and mental disabilities.

2- Financing the per capita cost of medical care insurance premiums within the framework of

general insurance provisions.

3- Provision of facilities for individuals in need of support and guardianship and preparing the ground for their rehabilitation and self-reliance.

4- Payment of annuity and disability benefits to the eligible individuals.

Note: All the needy persons unable to maintain a living and unable to work shall be eligible for receiving supportive services provided by the Imam Khomeini Relief Committee, based on the criteria approved by government and the Islamic Consultative Assembly.

ARTICLE 39- The following actions shall be taken in order to enhance the level of services provided to the insured, and at the same time to prevent any financial crisis in the insurance organizations, and to strengthen their financial position:

A- Government, in addition to paying off its annual obligations to the insurance agencies and avoiding new liability, is required to settle fifty percent (50%) of its outstanding debt to the said organizations through mutual consent, as well as divestiture of the government shares of the state-owned enterprises, selling off public properties and assets, including selected incomplete projects.

B- Should the rate of increase of the workers' wages for the last two years of tenure as reported by the employers, be more than the normal rate of growth of the wages, and the reported increase is not due to the job promotion, the Social Security Organization shall charge the employer the combined contributions of the employer and worker according to the difference of the reported wage and the actual wage for the previous years. The by-law pertaining to the losses incurred by the Organization shall be jointly prepared by the Ministries of "Labor and Social Affairs", "Health, Medicare and Medical Education", and approved by the Cabinet.

C- During the Third Plan period, Note 3 under Section 3 of the Social Security Law enacted by the Islamic Consultative Assembly on 19/10/1997 shall be amended as follow:

1- In the case of death of an insured person with a record of ten to twenty years of payment of insurance premium, the survivors shall be entitled to receive a life pension based on the number of years of payment of the premium, and irrespective of the limitations specified in the Article (11) of the Social Security Law as well as the shares stipulated in Article (83) of the same law.

2- Should an insured with a record of payment of premium from one to ten years dies after the inception of this law, the survivors shall be entitled to receive a one-time fixed severance equal to one month of minimum wage of an unskilled labor per each year of paying the premium and proportionate to the share stipulated in Article (83) of the Social Security Law.

ARTICLE 40- In order to execute the mandates of this Chapter, an appropriate organizational structure for the social security system shall be drawn up jointly by the Plan and Budget Organization and the State Administrative and Employment Affairs Organization with due consideration of the following principles, and shall be submitted to the Islamic Consultative Assembly for enacting:

A- Abatement of overlapping functions of the existing agencies and elimination or integration of parallel entities, as the case may require.

B- Provision of a comprehensive social insurance system to cover the entire population.

C- Enhancing efficiency and effectiveness of the relevant agencies, and reducing administrative and supportive costs of the whole system of the social security.

D- Provision of a mechanism necessary for establishing coordination among relevant agencies and unifying policy-making at the highest executive decision-making level.

E- Effective utilization of the resources of charity organizations , people's contributions, and Endowments (Vaqf), and also those of the urban and rural Islamic councils and religious centers.

F- Full utilization of existing agencies, and abstention from creating new agencies.

ARTICLE 41-In order to increase the return on investments and to reduce the current expenditures, the insurance agencies are obliged to take the following actions:

A- New investments by insurance agencies shall have technical and economical justification and bear a desirable return. In the case of unsatisfactory return, the agencies are obliged to either undertake to improve the structure of the investment or to divest the assets content of this Item.

B- The extent of employment posts and manpower of the insurance agencies and the administrative and overhead expenditures shall be determined on the basis of the criteria and in proportion to the insured persons and their respective distribution. These criteria shall be approved by the Cabinet.

ARTICLE 42- All the insured persons (except personnel of the Armed Forces and Ministry of Intelligence) may change the insurer agency. Transfer of insurance premium and insurance deductions among the insurance funds shall be made on the basis of the criteria to be prepared within a maximum period of six months by the State Administrative and Employment Affairs Organization, Ministry of Health, Medicare and Medical Education, on the proper actuarial basis, and shall be approved by the Cabinet.

ARTICLE 43-In order to improve the arrangement and the provision of the services to the War veterans ( the honored families of the war martyrs, missing devotees, prisoners of the war, liberated ex-prisoners of the war, and disabled combatants) a comprehensive plan for provision of the services including a system of payment of life pension and salary to the War veterans shall be drawn up by the Plan and Budget Organization, the State Administrative and Employment Affairs Organization and the related institutions, and shall be implemented upon approval of the Cabinet, using internal resources of the institutions and the related entities and the general budget.

Note 1- To improve the arrangement and the provision of services to the deprived and vulnerable, and reorganize delivery of the services in an integrated manner, all the supportive services to the deprived and vulnerable shall be provided by the Imam Khomeini Relief Committee, whereas all the rehabilitation services to the disabled shall be provided by the Welfare Organization.

Note 2- Application of the provisions of this Article to the institutions under the auspices of the Supreme Leader will require his confirmation.

ARTICLE 44- In order to prevent and alleviate impacts of the natural disasters, to create

necessary public preparedness, to determine the proper role and mandates of the executive bodies to withstand, and counteract to, natural events and disasters, the Red Crescent Society of the Islamic Republic of Iran is required to prepare a comprehensive relief and rescue plan in collaboration with Ministry of the Interior, Resistance Mobilization Forces, and in cooperation with other relevant agencies during the first year of the Plan and have it approved by the Cabinet. This plan shall include:

Crisis management, training and public preparedness, manner of participation of the executive agencies, the role of the Islamic Republic of Iran Broadcasting Organization, the mass media operational activities, financial and procurement resources , etc.

Note: The Bassij Resistance Forces shall henceforth be appointed as a member of the State Corps of Unexpected Events.

ARTICLE 45- All commercial insurance companies are authorized to offer general and supplementary social insurance services.

ARTICLE 46-

A- The subsidy program implemented within the Second Plan period for the primary goods consisting of the number of coupons, quantities and prices of wheat, rice, vegetable oil, sugar, cheese, medicine and dry milk, shall be continued during the Third Plan.

Government is required to include in the annual budget, in form of local currency, the per capita subsidy payments for the primary goods as implemented in the Second Plan.

B- The Organization for Protection of the Producers and the Consumers is charged with establishing differentials of the imported goods that have considerable advantages, as declared by Ministry of Commerce and upon necessary computation, and transfer the accrued revenue to the Treasury. Government may , upon proposal by the Ministry of Commerce and approval of the Economic Council, utilize one hundred percent (100%) of the collected hold back pays to finance the subsidy payment for goods and services that require public subsidy.

ARTICLE 47- Subsidies of the agricultural input such as fertilizer, pesticides, and seeds, will continue to be paid. Government is required to determine the guaranteed prices of the primary commodities in a manner that by the end of the Third Plan the guaranteed purchase prices equal the cost of importing the same commodities.

## CHAPTER SIX: Employment Policies

ARTICLE 48- Ministry of the Interior is required to take appropriate measures to identify within the first year of the Third Five-year Economic, Social and Cultural Development Plan of the Islamic Republic of Iran all foreign nationals who do not possess the permit to work in Iran and deport them to their country of origin, provided that their lives will not be jeopardized. Otherwise they should be confined to live in the refugee camps.

The final judgment as to the existence of such a condition rests with Ministry of Foreign Affairs.

The executive by-law for this Item shall be prepared jointly by Ministry of the Interior and Ministry of Foreign Affairs, and shall be approved by the Cabinet.

ARTICLE 49-In order to encourage employers of industrial establishments and factories to employ new work-force, government is required to offer the following privileges to those employers who employ new labor force through the Employment Service Centers of the Ministry of Labor and Social Affairs:

A- To rebate the employer's contribution to the social insurance premium, and provide the necessary funds in the country's budget,

B- To reduce tax obligations of the employers of these industrial establishments up to an amount equivalent to the taxes charged on the salary of the newly employed work-force.

The executive by-law of this Article shall be prepared within a maximum period of three months from the date of enactment of this Law, jointly by Ministry of Labor and Social Affairs, Ministry of Health, Medicare and Medical Education and the Plan and Budget Organization, and shall be approved by the Cabinet.

Note: New industrial establishments reaching their operational stage during the Plan period will be entitled to the privileges provided in this Article for the employment in excess of the work-force envisaged in the feasibility report of the project and the establishment permit.

ARTICLE 50- In order to create employment opportunities in the least developed regions, government is authorized to:

A- provide exemptions to the investors who make investment in these regions during the Plan period with respect to the government duties and charges. The by-law governing such an arrangement shall be prepared jointly by the Ministry of Economic Affairs and Finance, Ministry of Industries, Ministry of Labor and Social Affairs, and Plan and Budget Organization, and shall be approved by the Cabinet

B- pay part of the profit accruing to the credit facilities granted to the investors of the private and cooperative sectors including producer, services cooperatives, rural and nomadic production cooperatives, as well as interest payable to the credit facilities extended to the activities related to exploitation of natural resources and self-employed projects.

C- allocate the facilities envisaged within the annual budgets and their executive by-laws,

with preference given to the least developed regions and in proportion to their unemployment so that a balance of employment could be reached throughout the country by the end of the Plan period.

ARTICLE 51- To develop both the quality and quantity of the technical and vocational skills of the labor force and to lay the ground for the provision of appropriate training programs, government is required to take necessary measures to establish a special fund in order to subsidize interest accruing on the credit and facilities granted to the investors of the private and cooperative sectors who set up technical and vocational schools.

ARTICLE 52- To rationalize the cost of electricity, gas, telephone, water and sewer, and also to rationalize the preferential rates in order to protect the production sectors (as compared to other economic sectors), a committee consisting of representatives of the ministries governing production and infrastructure affairs (as the case may be) shall determine the criteria for the tariffs and subscriptions on an annual basis and in a way consistent with the above objectives and shall propose them to the Economic Council. The subscription costs of the above infrastructures for the production, industrial, mining, and agricultural units plus the cost of drilling operation for the preparation of wells, the land price and the charges for the building permit used in non-public production units which apply for subscription during the Third Plan period shall be collected by the relevant agency in five year installments from the date of operationalization of the unit.

Ministries of "Energy", "Petroleum", "Post-Telegraph-and Telephone", and "Road and Transportation" are required to supply the needed water, electricity, gas, telephone and access roads (up to the entrance of the industrial towns and industrial zones) as specified by the Ministry of Industries.

ARTICLE 53-The activities pertaining to the planning, directing, supervision, and also provision of the necessary laws and regulations governing dispatch of the labor force to other countries shall be entrusted to a committee consisting of the Ministries of "Foreign affairs", "Labor and Social Affairs", "Economic Affairs and Finance", and the Governor of the Central Bank of the Islamic Republic of Iran. The executive by-law of this Article including the manner of providing facilities and legal support for both the dispatched labor force and the dispatching agencies (private labor exchange agencies) and realization of the remittances of the dispatched persons shall be prepared by the committee and approved by the Cabinet.

ARTICLE 54-Government is authorized to provide, within the framework of the annual budget bills and through the administered funds, credit facilities to the investment applicants in the context of job-creating projects and also small scale industries in

proportion to their contribution in financing the projects. A portion of the interest <sup>\*</sup> and bank service charges accruing to the said credit will also be honored by the government within the framework of this Law. Moreover, a portion of the credit facilities of the banking system shall be appropriated to the promotion of small scale and employment-creating industries.

The executive by-law of this Article shall be approved by the Cabinet within a maximum

period of six months.

ARTICLE 55- Three percent (3%) of the banks' legal deposits with the Central Bank of the Islamic Republic of Iran, (on the basis of the percentage stipulated for the year 1378 (1999/00)) shall be entrusted to the Bank Keshavarzi (Agriculture Bank), Housing Bank, Industry and Mining Bank (1% for each bank) to finance agricultural, animal husbandry, building, and housing projects, and completion of industrial and mining projects in non-public employment-generating sectors.

The executive by-law of this Article shall be prepared by the Central Bank of the Islamic Republic of Iran in the context of the Usury-Free Banking operation and shall be approved by the Money and Credit Council.

ARTICLE 56- To implement Item (2) of Article forty three (43) of the Constitution, the country's banking system is required to undertake planning, and act in such a manner that after deducting the legal and prudential reserves accruing to interest-free (Gharzol-Hassanah) saving deposits that shall never exceed a maximum of twenty percent (20%) of the deposit, a minimum of seventy percent (70%) of the residual will be provided as loans to individuals incapable of acquiring tools and equipment needed for their work. The facility should be in the form of interest-free loan, the banking charges of which will be determined by the Money and Credit Council. Unemployed residents of the rural areas, jobless women heads of households, and also skilled individuals of technical and vocational fields of the public and non-governmental sectors shall entertain priority. The maximum amount of loan to each applicant shall be ten million (10,000,000) Rials. The Central Bank of the Islamic Republic of Iran is required to take appropriate measures on the basis of an executive by-law that will be prepared by the bank and shall be approved by the Cabinet, to contrive the most simple method of granting this one-time credit and repayment of the loan that must be based upon the principle of trust, realism, and be compatible with the economic condition of the borrower.

Islamic Republic of Iran Broadcasting Organization is obliged to prepare and launch, in cooperation with relevant organizations, ministries and agencies, an educational campaign to educate people through various media networks, on the ways and means of forming small scale business and occupations that would require limited capital. Emphasis of the educational campaign shall be on utilization of local resources, facilities, raw material as well as local markets.

Minister of Economic Affairs and Finance is required to submit semi-annual progress reports on the subject to the Islamic Consultative Assembly.

ARTICLE 57-The War-veterans shall entertain priority in all job-creating projects and in receiving facilities and privileges. Government is required to provide sufficient protection and take measures to assure the occupational stability of this group.

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\* The term "interest" used throughout this English version of the Law must be interpreted as the profit expected to be

realized from the investments and other activities undertaken by the bank on the basis of the Islamic Oquuds (=the Islamic financing contracts). (Translator)

## CHAPTER SEVEN: Taxation and Budgeting System

ARTICLE 58- All reductions, preferences, tax exemptions and customs duties of all agencies content of Article (11) of this Law- institutions, revolutionary, public and non-governmental entities excluding cultural institutions- and the exemptions granted on the basis of the international commercial conventions, as well as the exemptions granted in connection with import of pulp used in publication of educational text books shall be abandoned from 1379 (21 March, 2000)

Note 1: Enforcement of the provisions of this Article on the institutions that have been granted the permission by the late Imam Khomeini or the Supreme Leader shall require approval of the Supreme Leader.

Note 2: The main defense items procured from abroad by the Ministry of Defense and Logistics of the Armed Forces and other armed forces are not included in this Article.

ARTICLE 59- In the taxation system:

A- To enhance efficiency of the taxation system , to eliminate the existing organizational barriers, and to consolidate all the activities pertaining to tax collection, government is authorized to set up the “State Organization of Taxation Affairs” as a public agency and under the auspices of the Minister of Economic Affairs and Finance. Upon the establishment of this organization, all the existing authorities, functions, manpower, equipment and facilities at the disposal of the Ministry of Economic Affairs and Finance that are currently used by the Office of the Vice Minister for Taxation Affairs, and affiliated tax agencies, will be transferred to this organization.

The organizational structure of the said agency and the executive by-law of this Article shall be proposed jointly by the Ministry of Economic Affairs and Finance, and the State Administrative and Employment Affairs Organization and be approved by the Cabinet.

B- Ministry of Economic Affairs and Finance is required to design and operationalize within the first three year of the development Plan, a comprehensive tax information system, through collecting and processing information on economic activities of the tax payers in the nationwide networks, and to develop a procedure of self-declaration practice in taxation.

ARTICLE 60<sup>\*</sup> - To stabilize the foreign exchange earning from export of crude oil during the Third Plan , to convert the proceeds of oil revenue to other forms of financial instruments and assets, and to insure accomplishment of the activities envisaged in the Plan, government is required to undertake the following actions by opening a “Prudential Exchange Reserve Account”, and a corresponding “Rial Reserve Account”:

A-Effective from the year 1380 (2001/02) the foreign exchange revenue from the crude oil export exceeding the envisaged figures in table (2) of this Law shall be deposited in an account titled as the “Reserve Account for the Crude Oil Income” with the Central Bank of the Islamic Republic of Iran.

B- From the beginning of the third year of the Plan, in case the revenue from the crude oil export falls short of the envisaged figures in table (2) of this Law, government is authorized

to withdraw from the said reserve account, once in every six month interval. The Rial equivalent of the funds will be held with the government's general revenue account.

C- Part of the balance of the foreign exchange reserve subject to item (A) of this Article shall be exchanged at the prevailing market rate of exchange, the proceeds of which will be utilized to extend short term credit facilities in order to promote investment and business activities in accordance to the Third Development Plan priorities; and its Rial equivalent will be transferred to the "Rial Reserve Account" with the Central Bank of the Islamic Republic of Iran, upon assurance of the realization of the Rial income as projected in the annual budget law.

D- Utilization of the "Rial Reserve Account" to finance the government's general budget shall be permissible merely on the condition of decreasing foreign exchange income from the oil export, as compared with the envisaged figures and inadequacy of tax revenue as envisaged in Table (2) of this Law. Utilization of the said reserve account is forbidden in the case of reduction of the government's general revenue due to decline in the tax revenue.

E- The by-law of this Article to be proposed jointly by the Plan and Budget Organization, the Central Bank of the Islamic Republic of Iran and the Ministry of Economic Affairs and Finance within three months from the date of enforcement of this Law and will be approved by the Cabinet.

#### ARTICLE 61-

A- Exchange of the contract agreements for development projects categorized as research, profit-making and non-profit making projects shall be undertaken only once during the Plan period. Agreements exchanged for adjustment of annual project funds with the annual budget laws will be considered as amendments; they shall not cause any increase in the targets and number of the projects. Agreements concerning the exceptional cases leading to an increase in the volume of operations or the number of projects, shall be treated on the basis of the mechanism foreseen in the Item (B) of this Article.

B- Exchange of new agreement for profit-making and non-profit making development projects shall be permissible merely upon the following procedures:

- 1- Undertaking technical, economic, social and environmental feasibility studies.
- 2- Undertaking detailed design studies.
- 3- Making sure that there is sufficient funds and/or financing, taking into consideration other commitments regarding the on-going development projects of the concerned executive agency.

Exchange of contract agreements for development projects of exclusively military nature and in the defense sector shall be subject to a special by-law to be proposed jointly by the Staff-General of the Armed Forces, Ministry of Defense and Logistics of the Armed Forces and the Plan and Budget Organization; and it will be approved by the Cabinet.

C- Executive agencies are required to re-evaluate their on-going development projects, as proposed by the Plan and Budget Organization, in order to simplify and economize their execution, while observing the technical standards.

D- By the end of 1379 (20 march 2000), the Plan and Budget Organization, in cooperation with executive agencies, is required to set priorities of the ongoing development projects on the basis of the appropriated funds, and to determine their completion date, taking into account the extent of the work progress, and the target of economizing and accelerating their execution.

E- The executive by-law of this Article to be proposed by the Plan and Budget Organization and approved by the Cabinet.

ARTICLE 62-Once in the Plan period, government is authorized to re-assess the fixed assets of the state-owned enterprises whose one hundred percent (100%) shares belong to government and/or belong to the same public enterprise . The revised value of the appraised enterprise shall not be subject to income tax or any other tax, and the said amount shall be included in the capital gain account of the government or the pertaining state-owned enterprise in the said public corporation.

The executive by-law of this Item and the manner of depreciation of the appraised and depreciable fixed assets shall be proposed by the Ministry of Economic Affairs and Finance and approved by the Cabinet.

ARTICLE 63-The ceiling of public transactions ((subject matter of articles (80), (86),and (87) of the State Audit Act)) on the basis of the CPI Consumer Price Index for 1378(1999) shall be adjusted annually on the suggestion of the Ministry of Economic Affairs and Finance and approval of the Cabinet.

ARTICLE 64- The current and development credits of this Law shall be allocated among different sectors for inclusion into the country's annual general budget, taking into account the principles and classification of the government functions as stated in this Article and by observing the following priorities to be proposed by the Plan and Budget Organization. The programs for each sector will be formulated in proportion to the envisaged appropriations in the general revenue and the non-public sector.

A- Performance of the functions concerning the government sovereignty will be financed through the government revenue. These functions would be beneficial to all segments of the society, utilization of these services by some will not limit their use by others, and their realization will strengthen the government authority. These functions include national management and administration of the state affairs, enactment of law and regulations, securing social order, establishment of social justice, defending the country's borders; and promoting Bassij Forces (People' Army of Volunteers).

Allocation of the budget for these functions will be commensurate with the efficiency level of the agencies concerned.

B- Functions related to social undertakings whose social benefits are superior to the individual interest and will improve quality of life of the people , including general education, technical and vocational training programs, health and medicare, physical education; cultural and artistic activities and religious propagation.

The funds required to perform these functions will be financed through the general budget resources and participation of the non-public sector. The relevant public agencies are

required to prepare an appropriate environment for the development of non- public sector and divest part of the government ongoing undertakings to private sector.

One hundred(100%) of the proceeds of divesting such kind of activities to the non- public sector shall be utilized to expand the government contribution in the regions where the non- public sector is reluctant to invest. Enhancing quality of the present public services is also considered as part of this program.

C -The funds required for the implementation of the non-profit development projects, that will strengthen the socio-economic infrastructures in which no investment by the private sector is expected shall be financed through the government general budget.

D- Public functions related to economic undertakings in the productive and infrastructure sectors shall be financed through resources of the state-owned enterprises and/or enterprises and profit-making entities affiliated with the government and or/ other resources not affiliated with the government general budget, except in cases where the government involvement is justified on the ground of immensity of the investment needed and other considerations. Approval of the Cabinet will be necessary in these cases. In the fields of infrastructure investment, in addition to the investment by the state-owned enterprises that are responsible for development of the infrastructures, using their own resources, should the state-owned or non- public industrial and mining enterprises make investment in these fields to meet their own needs, the aforesaid expenditures will be tax deductible.

Part of the government functions in this sector will be gradually entrusted to the non- public sector.

ARTICLE 65- In designing the annual budget bills, government is authorized to include in the administered funds or through other customary methods, payment of a portion of the funds for the profit making development projects in the framework of the facilities and financial and technical assistance through specialized and developmental banks. The return from the profit-making projects subject of Article (32) of the Plan and Budget Law enacted in 1972 shall be appropriated to other profit making projects with the same mechanism.

ARTICLE 66- The state-owned enterprises content of Article (11) of this Law and the Islamic Republic of Iran Broadcasting Organization, observing the related regulations, is authorized to take measures to sell the assets in excess of their own need, except vehicles, through tender, and invest equivalent of one hundred percent (100%) of the sales proceeds in the framework of the approved budget. The investment funds equivalent to the margin of the nominal book value of the sold assets and the proceeds of the sales shall be exempted from income tax.

ARTICLE 67- Ministries of “Industries”, “Mines and Metals”, “Energy”, and “Petroleum” are authorized to promote investment and to grant financial and technical assistance to the approved projects in the related sectors for enhancing the design level, equipment manufacturing engineering, mining and exploratory reconnaissance, provide credit facilities from the general budget and in the form of the administered funds entrusted to the banks and pay the interest rate differentials.. The amount of the said administered funds including the credit for payment of the interest rate differentials will be determined in the annual

budget law.

In case of necessity, a portion of the credit required for the said projects that are financed by the general budget can be considered as gratuitous aid. This aid and the interest subsidy to the projects will be determined by a committee composed of the ministries concerned and the Plan and Budget Organization.

The revenues from repayment of the facilities financed through the general budget will be re-used through the above-mentioned method. The balance of the above-mentioned funds at the end of the Plan period plus the received installments of the said facilities after the termination of the Plan will be utilized to recapitalize the specialized banks, the equivalent of which will be deducted from the government debt to the banking sector.

ARTICLE 68- In order to grant financial and technical assistance aimed at enhancing the design capabilities, engineering, and manufacturing of equipment, for development of prototypes for manufacturing machinery, research and exploratory operations, authorization is given to the subordinate enterprises of the Ministries of "Post-Telegraph-and Telephone," "Industries", "Mines and Metals", "Energy", and "Petroleum", to finance the projects approved by the general assemblies within the corporation's internal resources in the form of funds administered by banks and pay the interest rate differentials out of the corporation's internal reserve. The amount of the said administered funds as well as the payment of the interest rate differentials are to be provided in the annual budget of the said enterprises.

ARTICLE 69- Government is required to formulate the annual budget bills in such a way that any likely budget deficits shall not be financed through borrowing from the Central Bank and the banking system.

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\* This Article has been amended. Please see appendix II for the amended version.

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## **CHAPTER EIGHT:** **Provincial Income-Expenditure System**

ARTICLE 70- The Council of Planning and Development will be established in every province under the chairmanship of the provincial governor-general in order to make decision, direct, approve, coordinate and supervise planning and development of the province in the framework of the country's macro plans, policies and strategies.

Note 1 : To achieve the goals and perform the mandates of the provincial councils of planning and development, specialized committees will be established composing of the directors and heads of the directorate-generals, offices, branches and representative offices of the government organizations, non- public entities and institutions in the province that are included in the provincial budget or are in charge of a segment of the provincial development functions (provincial executive agencies). The by-law of the provincial Council of Planning and Development and the specialized committees shall be prepared by the Plan and Budget Organization and approved by the Cabinet.

Note 2: Upon establishing the specialized committees specified in this Article, other existing councils, committees, ad their related staff functions in the province shall be terminated and their duties will be restructured and reorganized in the light of the functions of these new committees.

Note 3: Functions of the Secretariat of the Provincial Planning and Development Council will be entrusted to the Provincial Plan and Budget Organization.

ARTICLE 71- The Provincial Planning and Development Council is charged with the following mandates:

A- To review and approve the provincial long-term development plans including the provincial design of the long-term provincial development within the framework of the country's planning system and in the direction of the country's long-term orientation and the National Spatial Plan (Amenagement du territoire).

B- To review and approve the province's medium-term plan including its targets and objectives, policies and strategies for socio-economic and cultural development and investment priorities in development of the province. The provincial medium term plan will be prepared for the same period specified for the national medium term plan and on the basis of the general guidelines, macro policies, sectoral policies , and in harmony with the national medium term plan.

C- Approval of development projects as well as organization of the urban and rural services within the context of the provincial development plan, taking into consideration the policies adopted by the High Council of Architecture and Urban Planning.

D- Taking necessary measures for the realization of that portion of the government general and earmarked revenue (provincial income) that are collected in the province by the provincial executive agencies and settled with the Provincial Treasury , and proposing ways and means of acquiring new sources of income within the framework of the approved government policies.

E- To take necessary measures to economize the expenses and to propose ways of economizing the expenditures in the light of the government approved policies.

F- To review and approve the proposed provincial annual budget, including the necessary financial resources from the province's income, the contribution of the national resources and the current and developmental funds of the provincial executive agencies from the public revenues in the framework of the circulars and directives for the preparation and formulation of the country's general budget, for presentation to the Plan and Budget Organization.

G- To review and distribute the approved provincial development funds amongst different sectors' programs and development projects as well as the provincial executive entities, (as broken down by county ), on the basis of the proposal made by the Provincial Plan and Budget Organization.

H- To review and distribute the recurrent budget of the provincial line agencies by program and expenditure chapters on the basis of the proposal made by the Provincial Plan and Budget Organization.

I- To review the promotion policy on provincial non-oil export, and if necessary, to propose strategies for operation of the cross-border transactions including the border markets and cooperatives of marchers within the framework of the country's overall foreign trade policies.

J- To review the annual and medium-term plans for administrative reform which are commensurate with the approved development plans, and proposing the same to the concerned authorities.

K- To evaluate relative potentials and comparative advantages of the province, and to set up adequate facilities to promote and develop private investments in the economic and social fields.

L- To restructure assistance and to promote public participation in initiating development activities of public utility.

M- Exploring ways to mobilize private saving with a view to utilize these savings in the development of the province within the framework of the government development policies.

N- To propose a plan for promoting participation of women and youth, in particular the Bassiji Forces, in the socio-economic and cultural activities of the province, to the competent authorities and to design related executive policies.

O- To propose a plan for developing human resources, to the competent authorities, and to design the related executive policies.

P- To propose a plan for establishing national social security system in provinces, to the competent authorities, and to design the related executive policies.

Q- To review the employment status at the provincial level and to consider ways and means of encouraging investment in employment-generating activities.

R- To propose programs and resources for fostering provincial Bassij Forces.

ARTICLE 72- In order to reorganize the provincial decentralized income-expenditure system, a Provincial Auxiliary Treasury shall be established in affiliation with the Treasury General and shall function under the auspices of the directorate-general of the Economic

Affairs and Finance at the provincial level.

ARTICLE 73-The Treasury-General is required to open a treasury general account as Provincial Auxiliary Treasury at the center of each province. from the beginning of 1379 (21 March 2000), the Provincial Auxiliary Treasury shall replace the Treasury representative in the province.

ARTICLE 74- The Provincial Auxiliary Treasury shall perform the following functions:

A- Functions of recording and receiving all the provincial incomes within the framework of the relevant laws and regulations.

B- Functions concerning contribution to and receipt from the national budget according to the country's financial rules and regulations.

C- Functions related to disbursement of the revolving fund to executive agencies in provinces according to the country's ongoing directives and laws.

D- Functions concerning opening the government accounts with the banks in the province for all the provincial agencies (regardless of whether the entity has a provincial or national budget bearing).

E- Functions related to the disbursement of recurrent and capital budget on the basis of the decisions of the Provincial Funds Appropriation Committee.

F- To present quarterly financial reports on the performance of the provincial income and the current and development credits to the Secretariat of the Provincial Income and Resource Mobilization Committee, and the Secretariat of the Provincial Fund Appropriation Committee.

Note 1: All other duties entrusted to the Treasury representative on the basis of the existing laws and regulations will be delegated to the Provincial Auxiliary Treasury.

Note 2: The Provincial Auxiliary Treasury, in addition to its own provincial functions, shall also act whenever necessary and by discretion of the Minister of Economic Affairs and Finance, as representative of the Treasury General in the province.

ARTICLE 75- The province's budget prepared in line with the approved plans, including provincial income, the share of the national income, the province's current and development under the country's annual budget will be submitted to the Islamic Consultative Assembly.

Note: During the Plan period, the provinces' annual capital appropriation shall be made in such a way that the percentage of the provincial development budget as percentage of total development budget shall increase by six percent per annum so that the ratio will rise from twenty six percent (26%) in the first year of the Third Plan to at least fifty percent(50%) in the final year of the Plan.

ARTICLE 76- A certain percentage of the province's revenues deposited with the Province's Auxiliary Treasury will be allocated to finance the development expenditure of the same province, and all or part of the current expenditure of each province, included in the annual budget law, shall be appropriated through the remaining funds of the province's treasury incomes. The said proportions, commensurating with the income and expenditure of each province, will be determined by the Cabinet upon suggestion of the Plan and Budget Organization.

Note: Should the province's income exceed the incomes envisaged in the approved budge,

the excess income, upon settlement with the Treasury in the framework of the budget law of the same year or the year after, will be given to the province in order to complete the development projects, to improve the quality of rendering service, and to reform technical, economic and administrative structures of the province, on the basis of a by-law to be proposed by the Plan and Budget Organization and approved by the Cabinet.

ARTICLE 77- The provincial Credit Appropriation Committee will be set up and will be composed of the provincial deputy governor-general for development, the Head of the province's Plan and Budget Organization, and the province's director-general of the Economic Affairs and Finance, to determine the ceiling of the current appropriation of the province's executive agencies, or the capital appropriation according to the chapters of the budget.

Note: Functions of the Secretariat of the Provincial Credit Appropriation Committee are entrusted to the province's Plan and Budget Organization.

ARTICLE 78- Titles of the development programs and that group of the government functions whose performance are confined to the province (provincial functions) and should be financed through the provincial budget, shall be proposed by the Plan and Budget Organization and approved by the Cabinet.

Note: The required authority to undertake provincial functions content of this Article will be determined by the State Administrative and Employment Affairs Organization through coordination with related executive agencies prior to preparation of the annual budget draft bills, and will be conveyed to the provincial executive agencies as their new job assignment.

ARTICLE 79- Within three months after enactment of this Law, headings of the provincial incomes will be determined jointly by the Plan and Budget Organization and Ministry of Economic Affairs and Finance, and will be conveyed to provincial authorities upon approval of the Cabinet.

Note: The revenue items and authorization to collect the new provincial revenue that has no previous record of collection will be included in the country's annual general budget bills for approval of the Islamic Consultative Assembly.

ARTICLE 80- The provincial proceeds in each province that has to be settled with the Provincial Auxiliary Treasury will be included in the annual budget and submitted to the Islamic Consultative Assembly for approval.

Note: The provincial revenue collecting entities are required to settle all of the revenues that are lawfully collected with the provincial Auxiliary Treasury.

ARTICLE 81- In order to reorganize the province's incomes and to continually improve the methods of acquiring provincial income and recognizing new revenue sources, the Provincial Income and Resource Mobilization Committee composed of the following members is set up in each province under the chairmanship of the provincial governor-general:

A- Provincial governor-general.

B- The province's Head of the Plan and Budget Organization.

C- The province's director-general of the Economic Affairs and Finance.

- D- One of the province's MPs selected by the Islamic Consultative Assembly (as observer).
- E- One expert in the field of economy and finance (to be appointed by the governor-general).
- F- The Head of the Province Auxiliary Treasury.
- G- The Head of the province's Islamic Council ( the head of the Islamic Council of the central city of the province will act as a substitute until the province's Islamic Council members are elected).

Note 1: In cases where the subject under consideration in the Revenue Committee is related to a specific sector, the person in-charge of that executive entity shall participate in the meeting with the voting right.

Note 2: The mandates of the Secretariat of the Income and Resource Mobilization Committee shall be entrusted to the directorate-general of the Economic Affairs and Finance of the province.

ARTICLE 82- The Income and Resource Mobilization Committee of the province will be charged with the following mandates:

- A- To estimate the province's revenue resources for the coming year in the light of the revenue capacities of the province , and propose it to the provincial Planning and Development Council simultaneous with the preparation of the province's budget.
- B- To review and propose to the province's Planning and Development Council new sources of revenue for the province, for inclusion in the country's annual general budget bills.
- C- To propose improvement in the methods of acquiring income in the province within the framework of the existing laws and regulations, for presentation to the provincial Planning and Development Council.
- D- To review and express opinion on the report of the Provincial Auxiliary Treasury on the province's revenue receipts.
- E- To approve executive policies for the collection of income, and to monitor the collection by the responsible executive agencies, and follow up actions that are taken, making certain that the obstacles are removed.

## **CHAPTER NINE: Monetary and Foreign Exchange Policies**

ARTICLE 83- Composition of members of the Money and Credit Council will be modified as follows:

- A- Minister of Economic Affairs and Finance.
- B- Governor of the Central Bank of the Islamic Republic of Iran.
- C- Head of the Plan and Budget Organization or his Deputy for Economic Affairs.
- D- Two ministers selected by the Cabinet
- E- Minister of Commerce.
- F- Two monetary and banking experts, nominated by the Governor of the Central Bank of the Islamic Republic of Iran, and confirmed by the President.
- G- Attorney General or his deputy.
- H- President of the Chamber of Commerce, Industries and Mines
- 1- Head of the Chamber of Cooperative.
- J- One representative from each of the parliamentary “Plan and Budget”, “Economic Affairs and Finance and Cooperative” Commissions selected by the embly, to act as observers.

Note 1: The executive by-law of this Article, including procedures for holding meetings of the Council and decision making processes shall be proposed by the Governor of the Central Bank of the Islamic Republic of Iran, and will be enforced upon approval of the Money and Credit Council.

Note 2: The council will be chaired by the Minister of Economic Affairs and Finance, and by the Governor of the Central Bank of Islamic Republic of Iran in the Minister’s absence.

ARTICLE 84-

A- Increase in the balance of “scheduled facilities” will be reduced by ten (10) percent per year during the term of the Third Plan, as compared to the figures approved for 1378 (1999-00)

B- Government supports in allocating credits facilities to various sectors and activities will be done in the form of subsidized loans, priority credit allocations, and acceptance of repayment guarantee in the framework of the annual budget.

ARTICLE 85-

A- To regulate foreign exchange obligations of the country, the Central Bank of the Islamic Republic of Iran, ministries, agencies and state-owned enterprises content of Article (11) of this Law are required to observe the following terms:

1- To perform their foreign exchange operations and transactions through foreign exchange accounts with domestic or foreign banks with prior approval of the Central Bank of the Islamic Republic of Iran. Iranian agent banks are obliged to render services to the above mentioned agencies, according to the international standards.

2- To declare to the Central Bank of the Islamic Republic of Iran within three months after

the approval of this Law all of their foreign exchange accounts abroad. Continuation of these accounts will henceforth required prior confirmation of the Central Bank.

B- Government is authorized to receive or guarantee foreign finance in the framework of the budget bills, taking the following terms into consideration:

1- The timing of repayment of short-and medium-term foreign loans and obligations shall be made in a way that the annual repayment of such loans and obligations - excluding buy-back obligations- do not exceed thirty percent (30%) of the foreign exchange revenues upon termination of the Third Plan period. Priority shall be given to long term foreign finance.

2- Government is required to schedule the stock of foreign debts and obligations in a way that the current value of the country's debts and obligations (the differentials of the present value of the country's debts, obligations and foreign exchange reserves of the Central Bank of the Islamic Republic of Iran) shall not exceed twenty five billion (\$ 25,000,000,000) dollars in the last year of the Plan.

C- To execute public projects utilizing foreign finance, the executive agencies are required to observe the following conditions:

1- All projects under the responsibility of the concerned minister and/or the highest ranking executive official of the agency, must be confirmed by the Economic Council, and be technically, economically and financially justifiable. The aggregate expenditures for execution of these projects shall not exceed the determined ceiling. Receiving and repayment scheduling of the facilities for each project, the extent of utilization of the locally manufactured components- taking into account the local capacities, resources and capabilities- and in due consideration of the Law of "Maximization of use of Country's Technical, Engineering, Production, Industrial and Executive Capabilities and Facilitating the Export of Technical and Engineering Services" enacted on March 3, 1996 (12/12/1375), and also the criteria for observation of the environmental factors in execution of each project should be approved by the " Economic Council ".

2- To present technical and economic feasibility study to the Plan and Budget Organization prior to contracting.

3- Any foreign transaction or contract with a value of one million dollars (\$1,000,000) and more shall be made through limited or international tender (by advertising notice of the tender in domestic and foreign widely circulated newspapers).

In all tenders the right to control, qualitative and quantitative inspection, and process control for all imported goods and projects are reserved for the buyer. The minister or the highest ranking official of the concerned entity is responsible for the good performance of the above subject.

D- Government is required to present tables related to the foreign exchange receipts and payments for the remaining year of the Plan simultaneous with the presentation of the annual budget bills.

E- Government is required to present buy-back projects and projects of the entities content of Article (11) of this Law, and non-governmental public institutions and banks simultaneous with the presentation of the annual budget bills, and execute these projects upon enactment by the

Islamic Consultative Assembly.

F- The executive by-law of this Article shall be proposed jointly by the Plan and Budget Organization, Ministry of Economic Affairs and Finance , and the Central Bank of the Islamic Republic of Iran, and to be approved by the Cabinet.

ARTICLE 86- To regulate and create equilibrium in the foreign exchange market and to promote domestically produced goods and services, a committee shall be established, chaired by the President, and membership of the Ministers of Economic and Financial Affairs, Commerce, Foreign Affairs, the Governor of the Central Bank of the Islamic Republic of Iran, the Head of the Plan and Budget Organization, and two other ministers selected by the Cabinet.

Note 1- Three members of the Islamic Consultative Assembly from the “Commerce”, “Economic and Financial Affairs, and Cooperative” Commissions, selected by the Assembly will attend the above-mentioned committee as observers.

The Secretariat of the Committee is required to prepare and present quarterly performance reports to the above-mentioned parliamentary Commissions.

The Secretariat of the Committee shall be located in the Central Bank of the Islamic Republic of Iran.

Note 2: Ministry of Commerce is the responsible authority for regulating the balance of payment of the country. All ministries are required to cooperate with Ministry of Commerce in preparation of operational plan and division of the quantitative and qualitative targets, regulating and prioritizing the country’s balance of payment.

Note: The government foreign exchange policy must be formulated in a manner as to safeguard the value of the national currency.

ARTICLE 87- To support domestic products, government is authorized to procure, if possible, part of the essential but imported goods at official rate from domestic producers, and sell the economized foreign exchange at import certificate rate (variz-nameh), and transfer the accrued revenues to the Treasury.

To finance the purchase of domestically produced substitute goods and to pay whole or part of profits on facilities being invested to raise production of the above-mentioned goods, equivalent of the funds transferred to the Treasury will be allocated to the related executive agencies in the framework of the annual budget bills.

The executive by-law of this Article including the manner of decision-making for domestic purchase, transferring the differential to the Treasury, the mechanism of payment to the relevant executive agencies, issuance of purchase guarantee to producers, as well as mechanisms for regulating the market for the said goods shall be proposed jointly by the Ministry of Commerce, the Central Bank of the Islamic Republic of Iran, and the Plan and Budget Organization, and to be approved by the Cabinet.

ARTICLE 88- To maximize utilization of the technical and engineering, production, industrial and executive potentials of the country, the executive agencies content of this Law are required to invite Iranian manufacturers and contractors to participate, in the framework of the Plan and Budget Organization’s qualification criteria, and in the light of the “Law of

Maximization of Use of the Country's Technical and Engineering Abilities", and provide domestic and foreign contractors, consultants and manufacturers with equal terms of foreign exchange and rial.

ARTICLE 89- To support production and exports, all the executive agencies who use foreign exchange for the purchase of goods or for the execution of projects are required to pay a minimum of ten percent (10%) of the price of the goods or foreign exchange expenses of the project execution through delivery of domestically manufactured goods.

Exceptional cases shall be treated with the prior confirmation of the Economic Council or the related Minister.

## CHAPTER TEN: Reorganization of the Financial Market

ARTICLE 90- Government is authorized to approve and execute, within a maximum period of six months with effect from the date of the enactment of this Law, the administrative, recruitment, and disciplinary by-laws and directives peculiar to the banking system within the framework of the articles of associations of the banks with a view of developing and improving the quality of banking services and enhancing competition in banking activities on the basis of the joint proposal of the banks' general assemblies and the State Administrative and Employment Affairs Organization.

ARTICLE 91- Authorization is given to the Central Bank of the Islamic Republic of Iran to use its Partnership Bonds upon the approval of the Money and Credit Council in addition to cases mandated by clause 5 of the Article (20) of the Usury-Free Banking Operation Law enacted on 30/8/1983 (8/6/1362), provided that it will not contradict the Usury-Free Banking Law.

ARTICLE 92- In order to enhance the competitive environment for banking activities and expand the financial market and promote domestic saving, the Central Bank of the Islamic Republic of Iran is required to create the ground for authorized operation of various non-bank (non-governmental) credit institutions; and to exercise the necessary supervision over their practices and prevent unauthorized entities from entering into such activities. Conditions pertaining to the establishment of the non-banking (non-governmental) credit institutions, the scope of their operation and their insolvency and bankruptcy are subject to criteria applied to the non-bank credit institutions specified in the State Monetary and Banking Law enacted in 1972, and refrain from the practice that, in the opinion of the Money and Credit Council, must be exclusively performed by the banks.

The Central Bank of the Islamic Republic of Iran is required to supervise the proper performance of the banks and non-bank (non-governmental) credit institutions in line with the approved criteria.

ARTICLE 93- In order to strengthen the initial capital requirement of the banks, and their capability to compete in the international banking operation, government is authorized to issue special partnership bonds up to a maximum amount of five thousand billion (5,000,000,000,000) Rials during the Third Plan period. Equivalent to the total amount of the bonds transferred to the Treasury account will be refunded to the banks for inclusion into the banks' capital as the increased share of government. Until complete settlement of the principal and profit of the said partnership bonds, the banks annual profit before tax deduction shall be distributed according to the following mechanisms:

A- Proportion of outstanding bonds to the bank's total capital will be used as a coefficient to determine profits on special partnership bonds to be paid to each bank.

B- The remaining annual profit of each bank will be utilized to settle part of the principal of the special partnership bonds.

The executive by-law of this Article shall be proposed within three months with effect from

the enactment of this Law by the Central Bank of the Islamic Republic of Iran and Ministry of Economic Affairs and Finance, and shall be approved by the Cabinet.

ARTICLE 94- A computerized network for the capital market of Iran will be set up by the Stock Exchange Council in order to perform electronic transactions of the securities at the national level and provide information service coverage at the national and international levels, upon a comprehensive review of the information system and electronic exchange, and in coordination with the action already taken under Note (26) of the Second Five-year Economic, Social and Cultural Development Plan of the Islamic Republic of Iran enacted on 12/12/1994. The Stock Exchange Council is required to approve within a maximum period of six months with effect from the enactment of this law, the necessary regulations pertaining to the type of information, the dissemination method and coordination with the country's banking network. The executive criteria for the electronic transaction and the ways to treat the violators and security of the business transactions shall be proposed by the government and approved by the Islamic Consultative Assembly.

ARTICLE 95- The Stock Exchange Council is authorized :

A- to take measure in respect of establishing a nation-wide regional stock-exchange within the framework of the Stock Exchange Law.

B- to take appropriate legal measures in order to make other financial instruments negotiable in the Tehran Stock Exchange (TSE), in addition to the implementation of the provisions of Item (2) of the Article (1) of the Law of Establishment of Tehran Stock Exchange enacted on 28/5/1966.

C- to take action in regard to setting up a commodity stock exchange in cooperation with other relevant organizations.

ARTICLE 96- Government is authorized to approve and implement special financial, administrative, employment and disciplinary by-laws and criteria for the insurance industry, proposed jointly by the State Administrative and Employment Affairs Organization, general assemblies of the insurance companies and the Central Insurance of Iran, under their articles of association aiming at development and improvement of the quality of the services rendered by, and competitiveness in the insurance industry.,

ARTICLE 97- Authorization is given to the Bank San'at Va Ma'dan (Industry and Mine Bank), Agriculture Bank, and Export Development Bank to finance through foreign financial resources the non-governmental projects that have technical, economical and financial justification, and guarantee the repayments. Neither government nor the Central Bank of the Islamic Republic of Iran will be liable or will guarantee repayment of the above funds. In any case observation of Item (6) of the Article (85) of this Law is mandatory.

ARTICLE 98- In order to promote competitiveness in the financial market, encourage saving and investment, prepare the ground for the country's economic development and prevent any loss to the society; and with due consideration of the Note under Article forty four (44) of the Constitution; and also in the framework of the following criteria, authority, and conditions determined for the establishment of bank by the non-public sector, permission will be granted to the real and legal entities of the non-public sector to

establish bank:

A- Policy making in the areas of monetary, credit and foreign exchange; bank note printing, coinage, maintaining the foreign exchange funds, supervision over other banks; issuance of permission for banking operation will remain under the authority of government in order to exercise the government sovereignty.

B- Criteria related to the operation practices of the banks such as maintaining the financial ratios aiming at preserving a sound financial structure , and the type of contracts and operations of the bank will be determined on the basis of the country's Monetary and Banking law of 1972 and the Usury-Free Banking Law.

C- Government may grant permission to real and legal entities to set up banks under the following terms and conditions:

- 1- Having adequate experience and knowledge of banking operation and practices,
- 2- Having the ability to secure the required capital and to perform the work,
- 3- Possessing clear financial and ethical record.

## **CHAPTER ELEVEN: Development of Science and Technology**

ARTICLE 99- In order to consolidate the policy making and executive mandates of the country's scientific system, from the inception of the country's Third Development Plan, the Ministry of Culture and Higher Education will be renamed as "Ministry of Science, Research and Technology", and the functions of planning, support, evaluation and supervision, review and drawing up the policies and strategies in the areas of research and technology will be added to the mandates of this ministry.

Government is required to revise the goals, objectives, targets and functions of the said ministry within six months from the enactment of this Law, and present it to the Islamic Consultative Assembly.

ARTICLE 100- In order to lay the ground for participation of, and investment by, the non-public sector in the fields of research and technology and to provide qualitative and quantitative support to the research and technological undertakings, particularly in the areas of applied R & D, government is authorized to participate in setting up the non-public funds, strengthen the existing public funds, and take appropriate measures to enable these funds to enjoy the subsidy on the profit of the financial facilities during the period of the Plan implementation.

The articles of association of the newly established funds and the by-law of the participation procedure of the public sector, the banking system and the non-public sector to meet the required financial needs of these funds; the organizational set up, and the objectives and mandates of these funds shall be proposed jointly by the Plan and Budget Organization, the State Administrative and Employment Affairs Organization, and the Ministry of Science, Research and Technology within a maximum period of one year with effect from the enactment of this Law, and to be approved by the Cabinet.

ARTICLE 101- In order to provide assistance and support to the quantitative and qualitative expansion of the activities of the non-public research centers during the Plan period, government is required to earmark financial facilities and compensatory insurance in the pertinent law and regulations and carry these provisions into effect.

ARTICLE 102-

A- To support the research projects ordered by the ministries and other executive agencies to the public and non-public universities and research centers which will bear a minimum of forty percent (40%) of their expenditure, government is authorized to finance the required funds through the annual budget bills in order to continue these projects.

The research works performed by the executive agencies through their affiliated research centers and units, where the grantor and the grantee are the same entity, are not entitled to receive the facilities indicated in this Article.

B- Proportion of the research expenditure as a percentage of the Gross Domestic Product during the term of the five-year Plan will increase constantly in such a way that it shall reach to one percent in the public sector in the terminating year of the Plan, and to be borne by the

general budget of the executive agencies; and half percent (0.5%) of the Gross Domestic Product in the private sector, the state-owned companies and the banks. Government is required to spend fifteen percent (15%) of these funds to finance basic research and the research works leading to attraction and production of the new technology.

C- The Plan and Budget Organization, in cooperation with the State Scientific Research Council, is required to determine the share of the research department of each of the executive agencies and the state-owned enterprises for inclusion in a separate and independent budget line. Construction, purchase, and rent of the administrative building, purchase of equipment that are irrelevant to the research work, and purchase of vehicles and payment of any other expense not related to the research work are prohibited and cannot be included as research cost. Government is required to support research in the private sector. The executive by-law of this Item shall be prepared by the State Scientific Research Council and the Plan and Budget Organization, and to be approved by the Cabinet.

The executive by-law of this Article shall be proposed by the Plan and Budget Organization, The State Scientific Research Council, Ministry of Science, Research and Technology; and the Islamic Azad University, and shall be approved by the Cabinet.

ARTICLE 103- Government is required to acquire necessary instruments and facilities needed to get easy access to the internal and external information and secure the linkage facilities to the world webs, to improve the services and to promote use of the new technology through the following provisions:

A- Creation of the required communications infrastructures and information super-highways, sufficient and wide band width through the Ministry of Post and Telegraph and Telephone; and provision of the required facilities for use of the students and the academia.

B- Separation of the functions of the "Information Provider" from the "Service Provider" and the "Communications Provider".

## CHAPTER TWELVE: Environmental Policies

ARTICLE 104- In order to protect the environment and to secure sustainable exploitation of the country's natural resources the following tasks are to be performed:

A- Exploitation of the country's natural resources must be undertaken on the basis of their potentialities. To this end, government is required to take appropriate measures in order to preserve the balance of the environment through implementation of certain programs such as "Balancing Domesticated Animals and the Pasture", "Purging Domesticated Animals from the Forests", "Provision of Feed and Fuel For Foresters, the Tribal and Rural Inhabitants", "Preservation and Conservation of the Basic Resources, and Genetic Reserves"; "Coordinating Integrated Management of the Basic Resources", and "Institutionalization of Public Participation in Planning, Decision-Making, and Plan Implementation", while maintaining the productive processes and providing for sustainable exploitation of the natural resources. The executive by-law of this Item including pertinent environmental criteria shall be proposed jointly by the Department of the Environment and Ministries of "Agriculture" and "Construction Jihad", and be approved by the Cabinet.

B- In order to strengthen and secure "the non- public organization supporting the environment and natural resources" the financial assistance donated by the real and legal entities to these agents will be considered as tax deductible expenses. The donations which are to be paid to a special account with the Treasury shall be withdrawn and granted to these institutions according to a by-law to be proposed by the Plan and Budget Organization and the Department of the Environment to the Cabinet for approval, and shall include the maximum amount of the contributions and the terms of granting.

C- To reduce the environmental polluting agents, specially those polluting the country's natural and water resources, the manufacturing units are obliged to take measures to conform their technical specifications with the environmental criteria, and to reduce the extent of the pollution. To this end, the performance expenditure shall be considered as tax deductible costs for these units.

The units not complying with these provision and whose operations cause pollution and destruction of the environment shall be charged a compensatory fine commensurate with the extent of the inflicted damage; and the proceeds will be settled with the general revenue account and will be spent to implement the environmental rehabilitation programs according to the annual budget bills. The by-law of this Item including the rate of the charges and their collection and spending procedures shall be prepared by the Department of the Environment and approved by the Cabinet.

D- During the Third Plan, government is required to take appropriate actions in order to reduce the air pollution in cities of Tehran, Mashad, Tabriz, Ahwaz, Arak, Shiraz and Isfahan, to the standards of the World Health Organization. The executive by-law of this Item is the same by-law of the Note (82) of the Second Economic, Social and Cultural Development of the Islamic Republic of Iran enacted on 12/1/1995.

E- In order to prevent pollution and to improve the marine environment of the Caspian Sea shoreline, government is required to clear the sea's buffer zone.

F- The following measures shall be taken in order to induce relocation of the production and industrial units, presently located within the limits of the country's urban areas:

1- Change of land-use and superstructure-use of the factories in conformity with the municipalities' criteria. This objective shall be attained through mutual agreement with the proprietors.

2- Ministries of "Petroleum", "Energy" and "Post-Telegraph and Telephone" are required to redeem the royalty, subscription right and other concession license and permits related to the subscription of gas, water, electricity and telephone lines of the units which are to be relocated at just and market values and/or cede the same right to the substituting applicant introduced by the original proprietor, without imposing any new charges.

G- To reduce air pollution in the Greater Tehran Area, the following measures will be taken during the first year of the Third Plan:

1- All ministries, agencies, the state-owned enterprises and other executive entities that in one way or the other use the general budget are required to take appropriate action aiming at fixing or replacing all defective parts of their polluting vehicles.

2- The Municipality of Tehran is required to repair and fix its defective vehicles and buses having defective fuel-consuming components.

3- Renewal of the driving permit for taxis and minibuses shall be permissible on the condition that these vehicles are defect-free with regard to pollution.

4 - A sum of twenty billion (20,000,000,000) Rials will be allocated each year to the Department of the Environment in order to exclusively provide financial aid to the needy vehicle and motor bike owners in order to assist them with repairing technically defective and polluting parts of their vehicles.

5- Beginning with the second year of the Third Plan, pollution caused by motorbikes and any other vehicle (of any type) will be considered as an offense, and the violator (the driver) will be convicted and charged a cash penalty of five hundred thousand (500,000) Rials for each time of violation. The grace period between two violations by the same vehicle will be one week.

ARTICLE 105- All the large production and service providing projects must, in the process of the feasibility study and before execution, be assessed from the standpoint of their impact on the environment, on the basis of the criteria that will be proposed by the High Council of the Environment and approved by the Cabinet. The persons in charge of execution of the projects are required to observe findings of the assessment. The Plan and Budget Organization is responsible to monitor proper performance of this Article.

Note: The Department of the Environment is required to draw up and provide practical and executive guidelines for proper and timely execution of the development and employment-generating projects in the conservation regions in the line with consideration of the environmental protection criteria.



## CHAPTER THIRTEEN: Water and Agriculture

ARTICLE 106- Government is authorized:

A- to provide necessary funds in the annual budget, and devolve it upon the Agriculture Bank, in order to attract more financial resources toward investment and accelerating executions of development projects in the areas of water resources, agricultural soil, main and tributary irrigation and drainage networks, small water schemes, restoration of Ghanats (subterranean canals) and springs, animal husbandry, poultry, veterinary and fisheries, natural resources (forest, pasture, and desert), watershed management, silkworm harvesting, cultivation, and gardening. The amount paid to the Agriculture Bank will be included in the shut-down cost. The Agriculture Bank is required to grant facilities for investment through technically and economically justifiable projects in the framework of the pertinent regulations by consolidating the said funds with the credit input of the banking system and the resources acquiesced as the result of partnership of the producers and entrepreneurs in the agriculture sector.

When necessary, part of the financial needs of the said projects that are financed through the government's general budget can be treated as gratuitous assistance. A committee composed of the relevant ministries and the Plan and Budget Organization shall determine the headings and the government contributions in the form of gratuitous assistance and the expected interest subsidy in the projects eligible for assistance. The amount received from repayment of the installments of the facilities financed from the general budget will be re-utilized by the aforesaid procedures.

B- to entrust part of its own resources to be specified in the annual budget to the non-governmental fund for agricultural development in the form of assistance through the relevant agencies, and/or in the form of the administered funds to the said fund and the Agriculture Bank.

C- to allocate during the years of the Third Plan, a minimum of twenty five percent (25%) of the granted facilities of all the country's banking system to the water and agricultural sector through coordination with the concerned executive agencies.

D- to give priority to the provision of budget funds for the water and agricultural sector; and allocate one hundred percent (100%) of the funds and pay it off through the Treasury irrespective of the estimated receivable income.

E- to enhance employment and to economize foreign exchange by importing oil seed or oil cake instead of vegetable oil.

Note 1: In order to enhance the foreign exchange generating capacity of production, government is required to take necessary measures and actions during the Plan period to conform the crop pattern in different regions with the water resource potentials and capabilities and economic efficiency of water use through allocating water to products with higher economic return and with less water requirement.

The executive by-law of this Note entailing the targets, the manner of organizing, provision of

the resources and coordination of the executive agencies in the first year of the Plan, shall be prepared by the Ministry of Energy with participation of the Ministries of Agriculture and Construction Jihad, and the Plan and Budget Organization, and approved by the Cabinet.

Note 2: In order to preserve and restructure the utilization regimes of the country's water resources, The Ministry of Energy is required to perform the following infrastructure activities during the Plan period:

- 1- To develop and equip a surveying network to measure the quality and quantity of the country's water resources.
- 2- To establish and develop networks to survey sources of water pollution, and to enhance the principles of water quality management.
- 3- To strengthen the local water market.
- 4- To establish and develop networks for measuring water consumption in the agriculture sector.
- 5- To strengthen the legal basis of water commensurate with the management and technological changes.
- 6- To lay down the necessary foundations in order to establish an appropriate system for utilization of water resources in line with strengthening local water management.

The by-law of this Article including conditions and criteria of the gratuitous assistance and payment of the interest subsidy and banking charges shall be prepared by the relevant ministries, the Plan and Budget Organization, Ministry of Economic Affairs and Finance and the Central Bank of the Islamic Republic of Iran; and it shall be approved by the Cabinet.

ARTICLE 107- In order to implement policies of economizing and guiding the consumers of the agricultural water toward optimal utilization of stream water, irrigation networks, pumping stations and deep and semi-deep wells on the basis of optimal pattern of agricultural water use, government is authorized to take measure in designing and executing a proper utilization system through participation of the non-public sector (water right-holders and proprietors), forming organizations for utilization of water and soil, pricing and delivering water, according to the Law of Stabilizing Irrigation Fee.

Note- In order to utilize water in a systematic and methodological way, preserve its real value, and facilitate its conduction, government is required to prepare and issue water deed documents to the water title holder and proprietors.

ARTICLE 108-

A- To utilize the skilled forces and entrepreneurs in the water and agricultural sector, giving priority to the rural inhabitants, government is authorized to cede to these people large parcels of lands of the economic scale in the areas of natural resources capable of reclamation and restoration for agricultural uses at reasonable conditions, build the required infrastructures and provide financial facilities.

Government is required to appraise, in advance of divesting, that section of the public land, idle lands and other government-owned lands subject to divestiture which will be used by the real and legal persons for various types of investments; and collect the installments of the proceeds within a maximum period of five years. The added value emanating from the improvement of these lands will belong to the users, and government is not authorized to

reap the benefit.

B- In order to release the natural resource spaces, and to exercise optimum exploitation management, government is charged with ceding to the tribal and animal husbandry license holders, or the common exploiters and economic enterprises, the cultivable land under its possession, or the land situated in the tribal ecosystem (the summer and winter quarters) to be used for agricultural purposes; or in case of the pasture, to implement related projects including feed production (which receives priority) in such a way as to secure a level of livelihood above the poverty line. The remaining part of the land will be allocated to investment on the basis of the applicable criteria.

ARTICLE 109- In order for the water and agricultural sector to achieve the maximum growth as envisaged in the Third Development Plan, the following priorities shall be given to the factors and resources that will contribute to this growth:

A- Provision of agricultural machinery and equipment and improving management of the same until the present mechanization crisis is over.

B- Enhancement of the irrigation, efficiency of water utilization, and expansion of irrigated farming.

Note: Government is required to prevent by all possible means the flow of water out of the country by assigning priority to water containing projects and:

- 1- Construction of numerous small dams,
- 2-Construction of large reservoir dams,
- 3- Regulating water flow through construction of diversion tunnels and proper distribution networks,
- 4- Installation of pumping stations designed according to the technical and engineering principles.

so that by the end of the Third Plan containment of water in the border rivers shall reach its maximum stage, with a minimum outflow of the water.

C- To Integrate management of domesticated animal and the pasture, and reorganize settlement of the tribal communities.

D- To increase feed production specially production of maize, soybeans and fish powder in order to reduce dependency on imported feed; and to protect and support local producers of fertilizers and pesticides aiming at reduction of import of the same.

E- To support the establishment of agricultural production cooperatives and formation of entities for water, soil and natural resources utilization. In this endeavor, priority will be given to the War veterans

F- To enhance the quantity and quality of agricultural and aquatic products aiming at provision of food security and development of export. Priority in this area will be given to the oil seeds, olive and fruit production.

G- Government is required to take appropriate measures within the period of two five-year plans, beginning with the inception of the Third Plan, to reorganize the settlement pattern of the nomadic tribes from the economic, subsistence, and occupational standpoints, while

preserving their productive potentialities, and providing them with housing, infrastructure facilities, welfare and social services.

Contribution of the Third Plan in achieving the above objective shall be at least forty percent (40%), and the speed of implementation shall be commensurate with the change of use of the pasture and the pace of its divestiture. The pasture license holders and the traditional users will receive priority.

## **CHAPTER FOURTEEN:** **Industry, Mining and Commerce**

ARTICLE 110- Should the guilds located in cities move out to the industrial towns, they shall, in addition to taking advantage of special facilities including term payment for the land sold to them in the industrial town, enjoy financial facilities and support, the type and extent of which will be determined by government.

Note: In order to reorganize and legalize the business units which have been established in the country prior to 1378 (1999), operating without official permit, but possessing deed of ownership, lease contract, purchase contract, or contract agreement to transfer the property or the interests of the property to other real or legal entities, institutions and organizations, Ministry of Commerce is authorize to issue temporary business permits to these units through the country's professional guilds and upon receipt of the certificate of payment of the annual municipal charges and a certificate of tax clearance.

The temporary business permit will be valid for three years from the date of issue, and the professional guilds are charged with taking measures to change the temporary permit into permanent license.

The manner of issuing temporary permits and the conditions for changing of the same to permanent license and other necessary considerations shall be determined in a by-law to be prepared and proposed by the Ministry of Commerce to the Cabinet for approval.

ARTICLE 111- In order to activate the Bank San'at Va Ma'dan with the objective of mobilizing financial resources for the industry and mining sector, to promote and guide the non-public sector to invest in industry and mining, develop entrepreneurship, and to contribute to transfer of technology; the following actions must be taken:

A- Within the first two years of the Plan, the Bank San'at Va Ma'dan shall divest the entire stocks of the companies under its control to the local cooperative and private sector.

B- Within the mandate of the said bank and in the process of its internal reorganization, a new development credit line will be created in order to support small industries .

C- Bank San'at Va Ma'dan is authorized to set up special deposit funds for certain fields or projects and utilize facilities of the domestic and foreign financial markets in line with the objectives indicated in its articles of association and emphasized in this Law.

D- During the period of the Third Plan, a portion of the resources of the Bank San'at Va Ma'dan shall be provided through the industry and mining chapters of the annual budget or through the inter-bank facilities in order to enable the bank to spend the same toward achievement of the said objectives or other targets as determined by government.

ARTICLE 112- In order to safeguard the national interest and secure the basic military and non-military electronic needs domestically, government is required to strengthen and reorganize during the Plan period, the existing electronic industries (electronics, telecommunications, automation and optics) in different sectors through consolidated and coordinated policy-making mechanism and investments.

The by-law of this Article shall be prepared by the Ministries of Industry, Defense and

Logistique of Armed Forces, "Post-Telegraph and Telephone," and will be approved by the Cabinet.

ARTICLE 113- In order to achieve an export take-off during the country's Third Economic, Social and Cultural Development Plan period:

A- the customs duties and trade tariff of the raw material, intermediate and imported goods used in production of exportable goods shall be refunded upon export of the products on the basis of a by-law that will be prepared on the recommendation of the Ministry of Commerce and will be approved by the Cabinet.

B- the exported goods and services shall not be subject to any tax or charge.

C- export of goods and services shall be exempted from any permit except the mandatory standards and the usual certificate in the international trade (as the buyer may require).

D- all the incentives and privileges that exist for export of goods shall also be applicable to export of services.

E- the non-governmental funds established for export development will be supported by government.

F- in order to support export of non-oil goods, technical and engineering services, from the year 1379 (21 march 2000) on, a portion of the local and foreign exchange resources out of the surplus income of the oil export proportional to the increase in non-oil export of technical and engineering services will be devolved with the Export Development Bank as the government contribution to raise the capital of the export Development Bank at a rate compatible with the objectives indicated in this Law for each year and for the terminating year of the Plan.

The by-law including the manner of granting the credit and its conditions shall be prepared jointly by the Ministry of Economic Affairs and Finance, the Plan of Budget Organization, and with cooperation of the Central Bank of the Islamic Republic of Iran, and will be approved by the Cabinet.

G- The Export Development Bank is required to collect by the end of the Third Plan, at the latest, the unclaimed balance of the foreign exchange revolving fund for export content of Item (E) of Note (25) of the Second Five-year Economic, Social and Cultural Development Plan Law enacted on 12/1/1995. The collected sum will be settled with the bank as the government contribution to the bank's capital. Using this funds, financing facilities shall be given to exporters. The manner of settlement of all the said foreign exchange revolving funds and the applied profit rate shall be determined by the Cabinet within three months from enactment of the Law and shall be conveyed to the Export Development Bank.

H- All ministries, agencies, the government-owned enterprises, institutions and non-governmental public entities, also the real and legal residents of Iran are obliged to coordinate their programs with the Iran Export Development Center prior to organizing any international trade/industrial fair domestically and/or out of the country, or participating in any international trade fair, and have their plans confirmed by the said center.

ARTICLE 114-Regulating domestic market will not prohibit export. Export of all goods and services, with the exception of the following items, is permissible:

A- Antiques and objects of cultural heritage.

B- Animal, plant and vegetable items that are considered to be of genetic reserve or environmental protection significance.

C- Export of goods subsidized by government will be authorized upon proposal by the relevant agency and approval of the Economic Council.

Note: In order to regulate the domestic market and off set the emerging scarcity, the Ministry of Commerce is authorized upon its findings to satisfy the domestic needs by importing the required commodities without any foreign exchange transfer.

ARTICLE 115- In order for the foreign trade to flourish, government is required to remove the non-tariff and non-technical trade barriers while observing the religious prohibitions, and take necessary action in order to prepare the timing schedule for reforming the par exchange tariff rate, and announce it in the form of notice, and to determine the customs tariffs.

ARTICLE 116- To strengthen the competitive potentiality of the country's exportable goods in the international markets:

A- All ministries and government production and service agencies connected with export are required to take necessary measures to set in motion their information center by the end of the first year of the Plan in the framework of the country's comprehensive trade information network plan, and provide information services to the local and foreign clients. Ministry of Post-Telegraph and Telephone is required to provide necessary facilities in order to strengthen the said network.

B- Ministry of Commerce is charged with taking measure to put into operation the country's comprehensive trade information network (domestic and international) by the end of the second year of the Plan.

C- In order for the Iranian companies and technical and engineering firms including both the contractors and consultants to actively participate in the world market and to export technical and engineering services, government is required to provide the following facilities and continually monitor their proper performance:

- 1- To provide the ground for insuring the bank guarantees with minimum required deposit.
- 2- Create the possibility of dispatching the machinery needed to execute the projects without any security pledge.
- 3- Provision of insurance and banking services with minimum cost and charge.
- 4- Setting up a system of granting export credit to development projects in the form of buyer-supplier credit.
- 5- To project and determine a special quota in the banking system's credit allocation.
- 6- To provide necessary funds for inclusion in the country's annual budget for the government participation in financing these types of export credits.
- 7- To prepare the ground for export and supply of the partnership bonds by the exporters of technical and engineering services as one source of financing their projects.

The above-mentioned applicants must be pre-qualified by the Plan and Budget Organization and possess the proper rating.

ARTICLE 117- In order to formulate the country's export strategies, determine assistance

and facilities to render to the export sector, eliminate the obstacles, and implement the adopted policies of the Third Plan, the High Council of the Non-oil Export Development will be established under chairmanship of the President or the Vice President, with the membership composing of the Ministers of Commerce, Industries, Mines and Metals, Cooperative, Foreign Affairs, Petroleum, Economic Affairs and Finance, Agriculture, Construction Jihad, Governor of the Central Bank of the Islamic Republic of Iran, Managing Director of the Export Development Bank and the heads of the Iran Export Development Center, the Customs of the Islamic Republic of Iran, Chamber of Commerce, Industries and Mines; and Chamber of Cooperative. The secretariat of the said council will be housed in the Ministry of Commerce. The decision of the council shall be binding upon ratification by the Cabinet and within the framework of the pertinent laws in connection with provision of the export facilities for all ministries, entities and the government-owned enterprises, non-governmental public entities and institutions, and also the private real and legal persons. Three members of the Islamic Consultative Assembly from the Commissions of "Commerce and Distribution Affairs", the "Plan and Budget Affairs", "Economic Affairs and Finance, and Cooperative" participate in the meetings of the High Council of Non-Oil Export Development as observers. The Secretariat of the said council is charged with submitting quarterly progress reports of the council's performance to the said commissions.

The provincial Export Development Committee will be chaired by the provincial Governor-General, and will consist of the Directors-General of the Commerce, the Customs, the Plan and Budget Organization, and other relevant directors, as the case may be, and the Managing Director of the province's Export Bank. Duties of the secretariat of the province's Export Development Committee will be entrusted to the provincial Director-General of the Commerce.

ARTICLE 118- Duties and authority of the Ministry of Commerce subject to the Law of the Manner of Management of the Urban and Rural Consumption Cooperative enacted on 2/3/75 concerning formation of the Urban and Rural Commercial Corporation, as well as implementation of the other provisions of the same law will be extended for the first two years of the country' Third Development Plan.

## CHAPTER FIFTEEN: Energy

ARTICLE 119- Government is authorized to present to the Parliament in the annual budget bill the domestic sales prices of the energy carriers (electricity, natural gas, kerosene, gasoline, gas-oil, and fuel oil) as recommended jointly by the Ministry of Petroleum and Ministry of Energy.

ARTICLE 120- A- Income received from export of oil products, gas, liquefied gas and electricity, as the case may be, shall constitute income of the National Iranian Oil Company, National Iranian Gas Company, and Tavanir Company respectively; and will be spent to finance the foreign exchange costs of the current operation (including import of oil products and natural gas) and to implement capital investment projects approved by the Islamic Consultative Assembly.

The amount of the above investment shall be regarded as acceptable expenses for tax purposes and shall be included as the increased share of the government capital or that of the National Iranian Oil Company as the case may be.

B- A percentage of the foreign exchange income received from the export of oil, whose rate will be determined in the annual budget laws, will be entrusted to the National Iranian Oil Company within the framework of a mechanism to be approved by the Cabinet, and will be used in realization of the Plan's objectives and in conformity with the current laws and regulations.

C- Export of oil products is permissible upon satisfaction of the domestic needs. The responsibility for securing the country's needs and regulating the domestic market rests with the Ministry of Petroleum.

D- In order to reform the organizational structure of the state-owned companies affiliated to the Ministry of Petroleum and Ministry of Energy in line with the government policy to reduce government's undertakings and to enhance economic and technical efficiency of these companies, and with due respect for the royalty of the oil and gas consumed domestically as the national capital, government is required to draw up the necessary draft bill during the first year of the Plan and submit it to the Islamic Consultative Assembly for approval.

ARTICLE 121- In order to economize and rationalize the consumption of energy and to protect the environment, government is required to take the following measures:

A- To prepare and codify the standards and technical specifications pertaining to the consumption of energy in equipment, processes, and the energy consuming systems in such a way that all the consumers, producers and importers of these equipment, processes and systems be required to comply with the said specifications and standards. The said standards will be drawn up by a committee consisting of the representatives of the Ministry of Energy, Ministry of Petroleum, the Iran Standards and Industrial Research Institute, the Department of the Environment, and the relevant ministries.

The manner of approval of these standards shall be determined by the Cabinet.

B- To prepare a by-law governing the working hours of the guilds during the year specially in the peak seasons of electricity consumption, by Ministry of Commerce in cooperation with Ministry of Energy and Ministry of the Interior.

C- To regulate the seasonal working schedule of factories and industries by the concerned ministries in such a way as to reduce the use of energy and electricity during the months of peak consumption, and to exercise incentive policies for the users during the non-peak hours.

Note: In the case of electricity black out that may cause damage, the consumers will be exempted from payment of "demand" and other relevant charges.

D- A committee composed of representatives of the Ministry of Housing and Urban Planning, Ministry of the Interior, Ministry of Petroleum, Ministry of Industries, Ministry of Energy, the Plan and Budget Organization, and State Engineering Order, shall draw up regulations and criteria for observing the energy consumption standards in design and construction of buildings in the governmental and non-public sectors, aiming at avoiding waste of energy, and to regulate and execute incentive methods for the existing buildings to use the energy consumption standards.

Note: The units whose annual consumption of fuel exceeds five thousand (5000) cubic meter equivalent of the fuel oil, or their utilized power is over five (5) megawatts, and they do not comply with the standards, criteria and the approved by-laws stipulated in this Article within a reasonable grace period, are obliged to pay a higher price for the energy they consume.

The executive by-law of this Article shall be prepared by the Plan and Budget Organization and the relevant executive agencies and approved by the Cabinet.

#### ARTICLE 122-

A- Ministry of Petroleum is authorized to issue permit to build refinery and production units for other products related to the oil industry, to the cooperative or private sector applicants , individually or through joint venture, who could demonstrate that they possess sufficient financial means to undertake the work and their projects are technically, economically and environmentally justifiable. The said ministry is required to take necessary action in the frame of a contract agreement to supply their required material and to purchase their products at the international prices (whenever necessary), and also to issue export permit for the products in excess of domestic consumption.

B- Ministry of Energy is authorized to issue permit for building power plant and production of electricity to the applicants of the cooperative or private sector individually or through joint venture with a foreign party possessing sufficient financial means and having projects from the technical, economic and environmental standpoints; and to determine the conditions including facilities to convert the income to foreign exchange and to issue purchase guarantee for the electricity produced by these units.

C- In order to encourage other domestic entities to enter into production of electric power through the power plants that are not managed or supervised by Ministry of Energy, Ministry of Energy is required to determine and promulgate on yearly basis the conditions and the guaranteed prices of electricity.

D- Ministry of Energy is authorized to divest part of the installations at the distribution voltage and properties of the regional power companies and the Khuzestan Water and Power Company to the electric power distribution companies. Equivalent to the value of the divested properties and shares of the electricity power distribution companies shall belong to the regional power and the Khuzestan Water and Electricity Company.

ARTICLE 123- Government is authorized to approve and convey for execution, the financial and employment regulation of the Atomic Energy Organization on the basis of the by-laws which will be prepared by the Atomic Energy Organization, the State Administrative and Employment Affairs Organization, and Ministry of Economic Affairs and Finance, irrespective of the Public Audit Law, the State Employment Law and other public regulations.

## **CHAPTER SIXTEEN: Post and Telecommunications**

### ARTICLE 124-

A- In realization of the government sovereignty, establishment and protection of the parent telecommunication networks, regulating the country's frequency space, and securing continuation of the postal and telecommunication services remain as government responsibility. In view of the Note of the Article forty four(44) of the Constitution, and in order to prevent economic loss to the society while realizing the country's economic development objectives, the non-public sector shall be permitted to engage in the following postal and communication services within the domain of the non-parent telecommunication sector through parallel and independent postal and telecommunication, upon authorization of the Cabinet:

- 1- Mobile telephone network
- 2- Paging network
- 3- Low capacity telephone centers of up to five thousand numbers
- 4- Data transfer network
- 5- Value added service provision network
- 6- Postal network
- 7- Postal courier network

B- To contribute to the economic growth and development, the public telecommunication companies are authorized to divest part of their activities in the area of maintenance of operation, design, engineering installation and commissioning, testing and delivery of equipment and networks to the cooperative and private sectors, with due consideration of the provisions of Item (A) and the government strategies.

Note: The non-public undertaking authorization in the said field indicated in this Article is granted upon the assurance that no monopoly will be created in the non- public sector and the service will be continually provided, through a by-law to be prepared on the joint recommendations of the Plan and Budget Organization and the Ministry of Post, Telegraph and Telephone, and to be approved by the Cabinet.

ARTICLE 125- To safeguard the national interest, realize social justice, develop the communication services in the disadvantaged areas, enhance the national return and the sector's return, promote economic transparency and improve the social welfare, government is required to undertake the following tasks:

A- Authorizing transfer of revenue and funds among the national and provincial telecommunication companies with the goal of providing assistance to the disadvantaged provinces upon confirmation of the Ministry of Post, Telegraph and Telephone and in line with the government contribution.

B- The entire invested funds in the approved projects of the telecommunication companies (provincial and national) and postal and other institutions and the companies affiliated to the Ministry of Post, Telegraph and Telephone, will be considered as tax deductible expenses,

and will be included as the government's share in the capital structure of the said companies and/or the Telecommunication company of Iran (as the case may be) and is not subject to Article (32) of the Plan and Budget Law enacted in 1972.

## CHAPTER SEVENTEEN: Transportation

ARTICLE 126- In order to provide regional, transit, and multi-modal transportation services, the Islamic Republic of Iran Railway Company is authorized to establish international transportation companies in partnership with the ECO member-countries.

ARTICLE 127- The Ministry of Road and Transportation is authorized:

A- To sell or rent out to the qualified contractors and cooperative road maintenance companies part of the machinery, equipment and dwellings that are considered to be in excess of the needs, aiming at realization of the privatization policies, and on the basis of a by-law to be prepared by the Ministries of “Economic Affairs and Finance”, “Road and Transportation”, the Plan and Budget Organization; and to be approved by the Cabinet.

B- To take measures to reduce, and make adjustment in, the manpower of this sector on the basis of a by-law to be recommended by the said ministry and the Administrative and Employment Affairs Organization and to be approved by the Cabinet. The required financial resources to reform the manpower structure aiming at reduction of the said undertakings will be provided through Item (B) of this Article and within the framework of the annual budget bills.

ARTICLE 128- On the conditions that the government proprietorship of the railroads is persevered, the country’s comprehensive and coordinated rail transportation policy is exercised, creation of monopoly in the non-public sector is avoided, and continuity of the service provision is secured, the Ministry of Road and Transportation is authorized to cede to the domestic real and legal persons of the non-public sector part of its undertakings pertaining to transportation of cargo and passengers, repair, maintenance and renovation of the network and the rail transportation fleet; and , in the case of necessity, to support privatization through joint venture between the non- public sector and the Railways of the Islamic Republic of Iran, and providing them with necessary facilities. The criteria and regulations of this Article shall be approved by the Cabinet.

ARTICLE 129- In consideration of the policy that aviation and air transportation (including aeronavigation, landing, take-off) is exclusive responsibility of government and must remain under full control of the State Aviation Organization, and in anticipation that no monopoly will be created in the non-public sector, and provision of the service will be continually guaranteed, government is authorized:

A- To take measure to cede to the cooperative and private sector the government share in the airline companies of the Islamic Republic of Iran: Iran Air (up to a maximum of 49%), Asseman Air Lines, Payam Air Lines, Naft Air Transportation, the Helicopter Services (Sakheh), Shipping Lines of the Islamic Republic of Iran, and its controlled companies, and the National Iranian Oil Tankers Company.

B- To revise the articles of association of the country’s air line companies (Asseman, Payam, Naft Air Transportation, and the Helicopter Services) through joint proposal of the State Aviation High Council, and the relevant executive agencies. Changes in the articles of association of the Islamic Republic of Iran Air Lines shall be approved by the Islamic Consultative Assembly.

ARTICLE 130- With preservation of the government sovereignty over the aviation and air

transportation affairs (including aeronavigation, landing and take-off) and in observation of the upper part of the Article (129), the State Aviation Organization is authorized:

A- To take measures in order to complete and execute the airport and flight projects and develop the air fleet by attracting domestic and foreign investment and through joint-venture contracts, forward sales of the airport and flight services and settling the relevant obligations.

B- To collect two percent (2%) of the proceeds of the ticket sales of domestic-flight passengers, aimed at financing the execution of maintenance, improvement, flight security programs and development of the infrastructures at the airports, and also to utilize new airports, aviation and security equipment and systems upon approval of the State Aviation High Council.

ARTICLE 131- In order to provide assistance for procurement of the inter-city road transportation fleet and building passenger, cargo terminals and roadside convenience facilities by the non-public sector, with the priority given to the cooperatives and the War-veterans, the State Road Transportation and Terminal Organization is authorized to provide banking credit facilities, using domestic resources, in the frame of the administered funds with the banks and pay the differentials of the interest rate through its own internal resources. The amount of the said administered funds including the funds pertaining to the payment of the interest rate differentials will be determined in the annual budget of the said organization.

ARTICLE 132- In order to secure the financing required for developing, maintaining, and operation of the road transportation affairs, the State Road Transportation and Terminal Organization is authorized:

A- To collect tolls from movement of goods and passengers through the country's roads on the basis of ton/kilometer and man/kilometer. The rate of this toll will be proposed annually by the General Assembly of the State Road Transportation and Terminals Organization and will be approved by the Economic Council.

B- To collect a maximum toll of fifty (50) Rials per ton-kilometer of the goods transported within the country from the international transportation companies undertaking transit transport, upon confirmation of the Minister of Road and Transportation, and through the frontier posts.

C- To collect one hundred percent (100%) of the damages inflicted to the technical buildings and the infrastructure installations, except the loss incurred as the result of unexpected natural events and calamities that the government, depending on its ability to pay, is responsible for their compensation.

D- Upon the collection, all the proceeds subject to this Article will be transferred to the State Road Transportation and Terminals Organization's account with the Treasury General to be spent according to the agency's annual budget.

## CHAPTER EIGHTEEN: Urban and Rural Development

### ARTICLE 133-

A- Government is authorized to transfer the proprietorship of the water and sewer installations installed prior or after the establishment of the water and sewer companies, as discerned by the Ministry of Energy, to these companies.

B- All the sovereignty mandates pertaining to Ministry of Energy currently performed by the water and sewer companies are to be separated and transferred to Ministry of Energy.

C- The water surcharges, connection charges, and the cost of waste-water disposal are to be determined on the basis of the recommendations of the water and sewer company in the framework of the criteria and the ceiling approved by the Economic Council as well as the city Islamic council. The new towns without the city council are subject to the rates adopted by the nearest city.

ARTICLE 134- Issuance of any permit for exploitation of the surface or underground water and using the city's water supply network for large production, industrial, animal husbandry and service units and other uses that generate large quantity of waste-water, and also the continued use of the previously issued permits will be subject to provision of sewage collection installation and hygienic collection of the sewage and hygienic treatment of the waste-water. Until the proper installations are built, the contaminating water users will be fined according to the type and intensity of the contamination caused by their operation, and on the basis of a by-law and the rate approved by government. The proceeds will be settled with the Treasury, equivalent of which will be granted to the Department of the Environment through a special credit line to be provided in the annual budget law in order to finance programs in the areas of qualitative conservation of water resources and hygienic treatment and disposal of the waste-water. The executive by-law of this Article shall be prepared by Ministry of Energy in cooperation with the Department of the Environment and other concerned agencies and presented to the Cabinet for approval.

ARTICLE 135- Authorization is granted to all ministries and government agencies possessing cultural, art, sport, health, medical care, rehabilitation, educational, administrative and military centers that are subject to change of use according to the adopted city plans, to sell off the said centers through tender and settle the proceeds with the Treasury, and use equivalent of these funds according to the annual budget laws, to replace, complete, and renovate similar centers; and also for repair and maintenance purposes.

ARTICLE 136- Taking into account the capabilities of the municipalities, government is authorized to delegate to municipalities those functions of the executive agencies pertaining to the municipal administration as deemed necessary and recommended jointly by Ministry of the Interior and the State Administrative and Employment Affairs Organization, together with the required financial resources.

### ARTICLE 137-

A- In order to accelerate development of rural areas in general, and to improve the means

of subsistence of the rural inhabitants in particular, government is required to undertake the following measures during the Plan period:

1- To determine the role and jurisdiction of the mandates and relationships between the agencies and entities connected with rural development, aiming at reorganization of these functions and elimination of the parallel and similar activities.

2- To delegate part of duties of the public executive agencies to the Islamic councils and local bodies and non-public institutions and enterprises.

3- To determine criteria for the infrastructure services in the rural environment, structuring, zoning and provision of services, ordering and equipping the country's rural areas on the basis of the adopted development plans.

4- To support the non-governmental institutions that mobilize the micro-credit (funds) such as the rural development funds in order to provide the rural inhabitants with the facilities needed for socio-economic and cultural activities.

5- To re-arrange the rural spaces and settlement pattern aimed at coordinated and harmonized agricultural, industrial and service activities through proper distribution of population and optimal dispersion of services in the rural environment, and to support their execution.

6- To promote private and popular investments in the rural environment through provision of the proper facilities particularly for the employment-generating investments and payment of a portion of the interest of the granted financial facilities in the undeveloped regions.

7- To organize and support settlement of the tribes as they may volunteer to do so.

B- In order to give identity to the form and the physical structure of the country's cities, towns and villages, conform the specifications of all residential and non-residential buildings of the country with the particular attributes of the Iranian/Islamic (indigenous) architecture and city building, observe the principles and criteria pertaining to the design and execution of the outward appearance of buildings, as well as urban and rural design; and to prevent destruction of the valuable buildings and facades in cities, the Ministry of Housing and Urban Planning is required to take progressive and gradual measures by the end of the Third Plan period, at the latest, in cooperation with the relevant agencies and authorities and upon performing studies and research on the subject, to prepare and determine the principles, criteria and regulations required to govern design of the physical appearance of all the country's buildings and structures and convey the said criteria to all municipalities and other pertinent entities as well as the country's engineering associations.

C- Government is required to provide for the special funds in the annual budget bills in such a way that upon termination of the Third Plan all the villages with a population over twenty households entertain proper road, school, hygienic potable water, electricity and telephone.

D- In order to create employment opportunity in the rural areas especially in underdeveloped regions, a special fund is established under the name of Gharzol- Hassaneh (interest-free) Fund for Development of Rural Employment, through investment by the government and the public. The Articles of Association of the said Fund will be proposed

jointly by the Ministry of Construction Jihad, Ministry of Agriculture, the Presidential Office of the Deprived Regions, and the Plan and Budget Organization, and it shall reach the Cabinet for approval within two months with effect from the enactment of this Law.

The by-law of this Article shall be proposed by the State Administrative and Employment Affairs Organization, the Plan and Budget Organization, and Ministry of Construction Jihad, Ministry of Housing and Urban Planning, and the Presidential Office of the Deprived Regions; and shall be approved by the Cabinet.

## CHAPTER NINETEEN :

### Housing

ARTICLE 138- In order to raise the proportion of mass production of housing to the total construction in the country and to promote production of small residential units, the builders (both in private and cooperative sectors) of the residential buildings of three units and more in the rural areas, five units and more in the cities of less than 250,000 population, and ten units and more in other cities are supported as follows:

A- The builders content to this Law will be exempted form tax in connection with the first peremptory transfer of the proprietorship of the units; and the taxable income of these units will be determined by Ministry of Economic Affairs and Finance proportionate to the floor areas of each units, irrespective of the number of the units.

B- Ministries of Energy and Petroleum, municipalities, as well as other competent authorities are required to formulate within the framework of approved density and based on the comprehensive/ master plan, the cost of providing, supplying and connecting charges of water, electricity, gas, and charges related to issuance of building permit in such a way that the per capita costs for each unit of the residential buildings subject to this Law will not exceed those of similar charges collected from the individual builders.

The rate and the manner of collecting the aforesaid subscription fees and charges for the excess density over the provisions of the adopted comprehensive plans shall be determined on the basis of a by-law to be proposed by the Ministry of Housing and Urban Planning and approved by the Cabinet.

C- The Social Security Organization is charged with collecting the insurance premium from the builders subject to this article and issue certificate of clearance on the basis of the following criteria:

- For the permanent employees: On the basis of the Social Security Law.
- For the seasonal workers: on the basis of the Law of Mandatory Insurance of the Construction Workers.

Ministry of Housing and Urban Planning is required to prepare the by-law of this Article in cooperation with the Plan and Budget Organization within three months with effect from the enactment of this Law and have it approved by the Cabinet.

ARTICLE 139- To support the housing applicants, to assist them financially, and to simplify utilization of the banking facilities for construction and/or purchase of housing units:

A- The monthly installments of the housing mortgage granted by banks are deducted from the taxable income of the mortgage holder and the balance of the income will be subject to tax computation. This is only a one-time privilege given to each family or the married individuals and applies only to the units with a maximum usable area of 120 square meters.

B- The insurance policy issued by the insurance agencies shall be accepted as collateral for the banking facilities.

C- As concerned the honorable families of the martyrs and the War-veterans with an intensity of twenty five percent (25%) disability or more, and the former Prisoners of the war

(Azadegan), the banking facilities needed either to purchase or to build housing units will be granted to these groups with minimum banking charges and long-term installments.

The executive by-law of this Article shall be prepared by the Ministries of Housing and Urban Planning, Economic Affairs and Finance, the Plan and Budget Organization, and the Central Bank of the Islamic Republic of Iran; and shall be approved by the Cabinet.

ARTICLE 140- In order to issue the ownership deed for the properties situated in the residential texture of the rural areas, Ministry of Housing and Urban Planning (The Housing Foundation of the Islamic Revolution) acting on behalf of the rural inhabitants is required to prepare during the period of the Third Economic, Social and Cultural Development Plan, the existing land-use/subdivision maps for all the villages of two hundred (200) families and more and the centers of the rural districts, and submit these maps to the Bureau of Property Deeds and Documentation Registration. These maps need not to be approved by any other authority; and the Bureaus of Property Deeds and Documentation Registration will take the following actions on the basis of these maps:

1- In the events that the areas under consideration have been delimited, the map should be checked and necessary adjustment be made on the basis of the factual information of the areas, taking into account the documents presented by the occupants; a process verbal should be drawn up by the representative and surveyors of the Registration Bureau to cover the land parcels and particulars of the occupants, and to be signed by the representative of the Housing Foundation and the village's Islamic council so that the deeds of the ownership could be issued in the name of the occupants whose documents substantiate their proprietorship.

2- In the cases where the occupants could not present any evidence to substantiate the proprietorship, or in the cases of disputes between the people in connection with the ownership of any particular property, and also in cases where the area at the issue has not been delimited or the land belongs to the government and public institutions, entities and agencies or the Owqaf (the Endowment Organization), the matter will be investigated by a commission composed of the province's director-general of the Bureau of Property Deeds and Documentation Registration and the head of the Housing Foundation of the Islamic Revolution and a Judge to be nominated by the Chief Justice to rule a proper decision.

During the investigation, the commission may take advantage of the registration experts and witnesses who will be called in for testimony. The local registration bureau will communicate the ruling to the parties. For the cases that no objection are raised by the parties within twenty days from the date of the communication of the decision, the Property Deeds and Documents Registration Bureaus and the Housing Foundation of the Islamic Revolution are required to execute the decision of the commission. In the event that an objection is filed, the matter will be referred to the court of law. Review of the case by the court shall be made extraordinarily.

3- Persons who fall under this Law will be exempted from all registration charges. The exemption shall not be applicable to the transfer of the title after the deed is issued.

4- The procedures of holding meetings, the authority of the commissions, the manner of

selecting the registration experts, preparation of the subdivision map, fees and the manner of spending the proceeds shall be determined in a by-law to be prepared within a maximum period of two months by the State Property Deeds and Documentation Registration Organization and Ministry of Housing and Urban Planning (the Housing Foundation of the Islamic Revolution) and shall be approved by the Cabinet.

5- Families under patronage of the Imam Khomeini Relief Committee and the Welfare Organization are exempted from the fees and taxes and any other charges.

#### ARTICLE 141-

A- In order to provide a certain portion of the credits needed to execute the Law of Promoting Building and Supply of the Residential Units for Rent or rent-with-the-option-to-buy, the National Land Organization and the Ministry of Housing and Urban Planning are authorized to sell the urban land properties under their own possession at the current market price through tender or mutual agreement provided that the agreed price will not be below the appraised market value.

B- Ministry of Housing and Urban Planning is authorized to divest during the Third Development Plan the lands allocated to the educational, cultural, sport and religious uses at the zone prices.

C- The National Land and Housing Organization is obliged not to demand and collect any other money from the real and legal persons with whom have developed contract of sales of land prior to the enactment of this law and have collected the proceeds according to the terms of the contract. The price of land is the same as indicated in the contract.

D- In order to support the families of the Martyrs and disabled War veterans applying for housing, and in the line to provide financial support to these families, government is required to take measures during the years of the implementation of the Third Five-year Plan in such a way as to solve the housing problems of the martyrs families and the families of the War-veterans with disability intensity of over twenty five (25%) , and the qualified ex-prisoners of the war by the end of the Third Plan.

E- In order to solve the problems of the lands whose owners are out of reach and the occupants possess the deed of ownership of the superstructure, the just market value of the land will be determined upon permission of Valayat-e Faghih, or by his authorized representative; the proceeds will be collected and deposited in trust in an account to be specified for this purpose, and the local registration bureau will issue the deed in the occupant's name; and money deposited as indicated above will be made available to be collected by land owner.

ARTICLE 142- The executive agencies are required to transfer all the revenues received from the rental public housing in possession of their employees to the Treasury. Equivalent of this amount will be spent for the costs of maintenance and other common services of the public housing. Also, arrangement should be made in such a way that the costs of water, electricity, telecommunication and fuel be paid by the tenants.

Note: In order to meet the costs of repair and maintenance of the public housing of the employees of the Armed Forces, government, upon deducting the costs of these housing

from the receivable of the employees, is required to deposit the proceeds in a special account with the Treasury; and provide the equivalent of this sum with the budget of the Armed Forces (military or disciplinary) for the following year.

## CHAPTER TWENTY: Education

### ARTICLE 143-

A- To regulate and reform the structure of the man-power of Ministry of Education and to deploy the manpower to the needy regions and especially to undeveloped or less-developed regions of the country, government is authorized to draw up and execute necessary regulations to promote transfer, redemption of the service, reduction of the working hours in undeveloped and less-developed regions, payment of overtime remuneration and take other necessary measures.

B- To secure the quality and quantity of the man-power, create educational space, and provide educational equipment and vehicles, government, in cooperation and coordination with the Plan and Budget Organization and the State Administrative and Employment Affairs Organization, is required to make plan and take measures in such a way as to eliminate disparities between urban and rural areas and to provide necessary facilities in order to enable students to attend schools from the elementary level through senior and high school levels.

C- To provide the necessary funds in the annual budget in order to cover the cost of meal for the students in the boarding schools, and a once-a-week transportation service to the villages and back to the school.

The cost of transportation of the male and female students from the small villages lacking junior and high school facilities to the villages that possess these facilities, provided that this cost is less than the cost of boarding school arrangement, should be provided in the budget. In the educational regions that the proportion of the junior and senior high school students to the elementary students is less than that of the national average, the quorum to form junior high school classes is ten and for the senior high school is fifteen.

The executive by-law of this Article shall be prepared jointly by the Plan and Budget Organization, the State Administrative and Employment Affairs Organization and Ministry of Education, and to be approved by the Cabinet.

### ARTICLE 144-

A- In the events that the non-governmental real and legal persons undertake to build, develop, complete and equip the spaces for educational, sport uses, as well as boarding rooms, restaurants, libraries, and dormitories for students of lower and higher education affiliated with Ministry of Education and institutions of higher education within the framework of the comprehensive plan and/or development plans, the costs of these undertakings will be accepted as tax deductible expenses.

B- The non-public real and legal persons who donate and transfer their properties such as building, residential dwelling, garden, land, and their share of inheritance for the educational purposes, and to the universities and institutions of higher education and the Bassij Resistance Forces ( including the lines) and theological schools, and the Islamic Azad University, as well as to the research centers affiliated with the universities and the Physical Education Organization, are exempted from any transfer tax or similar charges and duties.

C- Ministry of Education is authorized to spend up to ten percent (10%) of its annual development budget (national and provincial) to purchase land for creation of proper educational and sport spaces.

#### ARTICLE 145-

A- In order to mobilize the non-governmental resources for the educational sector, the rate of charges and revenues from the goods and service subject of Item (2) of Article (13) of the Law of Establishment of the Education Councils in the Provinces, Counties and Regions of the Country enacted on 15/01/1994 is raised to two percent (2%).

B- From the date of enactment of this Law, imported consumer goods will be added to the list of goods and services content of Item (2) of Article (13) of the Law of Establishment of the Education Councils in the Provinces, Counties and Regions of the Country, and will be charged at the rate of two percent (2%) as stipulated in the aforesaid Article of the Law.

C- Thirty percent (30%) of the revenue earned through the execution of the Items (A) and (B) of this Article will be allocated to Ministry of Education in order to create balance between provinces of the country.

ARTICLE 146- During the Third Plan period the educational units affiliated with Ministry of Education as well as the technical and vocational educational units are exempted from any municipal charges.

ARTICLE 147- In order to fully realize the targets of the Educational Employees Reserve Fund subject of Note (63) of the Law of the Second Five-Year Economic, Social and Cultural Development Plan enacted on 10/12/1994, secure maximum possible welfare and enhance the subsistence of the country's educational employees, government is required to undertake the following tasks:

A- Those employees of Ministry of Education who are or will be member of the Educational Employees Reserve Fund are required to deposit with the account of the said fund up to five percent of their salary and fringe benefits; and government is required to match equally the total contribution made by the members of the reserve fund through a special budgetary line in the annual budget of the relevant year.

B- Government is required to settle its debts to the Educational Employees Reserve Fund, accumulated up to the end of 1379 (20 March 1999) within three years through the annual budget bills.

C- Ministry of Education will be responsible before the Islamic Consultative Assembly for the performance of the Educational Employees Reserve Fund.

ARTICLE 148- From the date of enactment of this law the educational calendar of the schools will be drawn up in conformity with the atmospheric and geographic characteristics of each region. The calendar shall be approved by the High Council of Education.

#### ARTICLE 149-

A- Ministry of Education is authorized to rent out through contract, with priority given to the educational employees, the educational spaces and dwellings not in use by the Ministry for a certain period of time and collect the proceeds and spend it on the basis of the provisions of Item (B) of this Article. In this case, the educational employees shall not be subject to the

Law of Non-intervention of the Public Employees in the Governmental Transactions.

B- Authorization is given to Ministry of Education to deposit into the accounts to be opened by the Treasury for any of the national or provincial executive agencies the income collected on the basis of the approved laws. The deposited funds will be included in the special account of the relevant agency. Equivalent to one hundred percent (100%) of the deposited funds will be provided in the annual budget law of each year to be granted to the relevant agency.

C- The rents indicated in Item (A) of this Article in national executive agencies shall be proposed by the Ministry of Education and approved by the Cabinet. The rents for the relevant provincial executive agencies shall be adopted by the provincial education councils.

#### ARTICLE 150-

A- Authorization is given to the executive agencies to spend a percentage of their current and development credits for undertaking on-the-job training (outside of the country's higher education system) as described below:

1- Launching on-the-job training programs compatible with the employees incumbency in order to enhance their level of efficiency, particularly through short-term modular training.

2- Launching special management training for the managers.

B- All the executive agencies are required to prepare within six months from the date of enactment of this Law their annual educational programs for the Third Plan period and on yearly basis, including the educational subject matters, the procedures for implementing the programs, and also the manner of covering all the tenured employees; and submit these program to the State Administrative and Employment Affairs Organization for ratification.

C- The executive by-law of this Article including the rents and manner of spending the funds content of Item (A) of this Article and provision of necessities and lawful incentives will be proposed jointly by the Plan and Budget Organization and the State Administrative and Employment Affairs Organization to the Cabinet for approval.

ARTICLE 151- In order to coordinate policy-making decisions pertaining to the formal and informal technical and vocational education including skill and applied scientific training under the auspices of Ministry of Science, Research and Technology, and Ministry of Health-Medicare and Medical Education; the middle school technical and vocational training, the work-and-training administered by Ministry of Education, short-term technical and vocational training by Ministry of Labor and Social Affairs, on-the-job training of the government employees, and the specialized professional management training run by the State Administrative and Employment Affairs Organization, the High Council of Training (Articles (5) and (6) and (7) of the Training Law enacted in 1970 by the former Senate and the Consultative Assembly) and the High Council of Coordination of the Technical and Vocational Training in the Country (enacted in 1980 by the Revolution Council of the Islamic Republic of Iran) and the High Council of Scientific and Applied Education (enacted in 1990 by the High Council of the Cultural Revolution) are dissolved, and the Technical and Vocational Education Commission is established to be chaired by the First Vice President and membership of the Ministers of "Education", "Labor and Social Affairs", "Science-

Research and Technology”; “Health, Medicare and Medical Education”, “Agriculture”, “Construction Jihad”, the Head of Plan and Budget Organization, Secretary-General of the State Administrative and Employment Affairs Organization, and the Head of the Center for the Women Participation Affairs. Other ministers, as the case may call for, will be invited to attend the meetings. The Head of the Plan and Budget Organization will serve as the Secretary of the Commission. Other functions and mandates of the dissolved councils are delegated to the pertinent ministries. Upon approval of the Cabinet, the decisions of the Commission will be binding for all the ministries and councils concerned with the above mandates.

The by-law of this Article shall be approved by the Cabinet on the recommendation of the Commission within three months from the date of enactment of this Law.

ARTICLE 152- In order to properly meet the increasing demand for higher education, optimally utilize the existing capacity, and promote popular participation:

A- Authorization is granted to the executive agencies with higher educational units affiliated to them to admit students for the baccalaureate (Associate Degree) Level education for the capacity in excess of their own need, and by obtaining authorization from the Council of Development of Higher Education, collect the cost of such an education and deposit the proceeds with the Treasury. Equivalent to the deposited funds will be provided for in the country’s annual budget bills to be granted to the executive agencies administering the said educational programs in order to be allocated on the basis of the relevant regulations to these programs and to enhance the quality of the educational units.

In the cases that the education received by the students will be reciprocated through a service commitment on part of the applicant, the concerned entity must obtain the necessary authorization from the State Administrative and Employment Affairs Organization.

Administration of the educational programs at the bachelor level in the fields not available in other universities or where their administration would not be in the best interest of these universities and/or such programs are not economically justifiable, will be permissible in exceptional cases for which authorization must be obtained from the Council of Development of Higher Education.

B- Authorization is given to universities and institutions of higher education to launch evening and special educational programs and charge the applicants for the relevant costs upon confirmation by the Ministries of “Health, Medicare and Medical Education” and “Science, Research and Technology”, as the case may be, and deposit the proceeds with the Treasury. The deposited funds will be allocated to the concerned entities through the annual budget bills.

Commissioning special educational programs should not lead to granting academic degrees.

The War-veteran applicants with a disability of over twenty five (25%) percent will be totally exempted from payment of any tuition for the special and evening courses. The student under patronage of the Imam Khomeini Relief Committee and the Welfare Organization are exempted from payment of up to fifty percent (50%) of the said tuition.

C- Government is authorized to grant credit facilities in the form of long-term loan to the Students' Welfare Fund so that a segment of the students of the programs indicated in Item (B) of this Article and the students of universities and the public and non-public educational institutions and the Payam-e Noor University, with the exception of certain courses, who are unable to meet the tuition cost could take advantage of this loan and repay it gradually after graduation.

The students under patronage of the Imam Khomeini Relief Committee and the Welfare Organization and children of the disabled War-veterans with an intensity of twenty five percent (25%) and over, and the martyrs children and the children of the ex-prisoners of the War whose financial debility is certified by the concerned organizations will be exempted from paying any tuition.

The Islamic Azad University and the non-profit (non-public) institutions of higher education, Payam-e Noor University and the evening programs will receive tuition for these students through the funds provided for in the annual budget for this purpose.

D- Expenditure of the Payam-e Noor University will be financed through the tuition paid by the students, popular contributions and the funds allocated in the general budget.

E- Government is authorized to grant subsidy on the facilities extended by banks, through the general budget, for the investment projects of the private sector in the areas of establishing and developing units of higher education on the condition that these projects meet the criteria and policies of the country's higher education. Establishment of non-governmental and non-profit making schools for the purpose of developing scientific-applied programs at the baccalaureate level will receive priority in use of the said banking facilities.

F- All students of the Islamic Azad University units and the centers controlled by these units whose accreditation have been approved up to the end of the year 1378 ( 20 March 1999) by the Board of Trustees shall equally enjoy all the facilities granted to the students of other universities.

The units and the centers that will be approved by the Board of Trustees after 20 march 1999 must follow all the stages indicated in the university's charter.

ARTICLE 153- In order to improve the students' welfare conditions and facilities, payment of subsidy and the government assistance should be reorganized in favor of the lower income students. At the same time the government contribution to the Students' Welfare Funds and provision of welfare facilities to universities and institutions of higher education must be continued. In this connection:

A- A portion of the Rial equivalent of the welfare facilities granted by the university to the student is considered as long-term interest-free loan (Gharzol-Hassaneh) from the welfare funds; and the users of the said services are bound to repay this loan in the form of long-term installments upon graduation.

B- The proceeds of the above installments shall be used to bring about improvement in the welfare conditions and facilities such as dormitories for the qualified students.

C- Graduates of the daily programs of the public universities who intend to leave the country prior to the completion of their service obligations (subject of the Law of Provision

of Necessities and Facilities for Education of the Iranian Pupils and the Youth enacted on 20/07/1974 and amended on 21/10/1979 must, prior to their departure, pay off their educational expenses, or make necessary arrangement to repay the same. The out-of-the-country holders of scholarship from the government agencies who have given sufficient security pledge to return home are exempted from this provision.

The by-law of this Article shall be proposed jointly by the Ministry of Science, Research and Technology and Ministry of Health, Medicare and Medical Education, and shall be approved by the Cabinet.

ARTICLE 154- In order to facilitate the utilization of the specialized and technical capacity of the academic faculty of the universities and institutions of higher education, and to reorient the university research works toward the country's scientific and specialization needs:

A- Universities and institutions of higher education and research centers are authorized to take measures in compliance with the following premises to form public companies in order to render scientific, research and technical services under especial regulations and in conformity with the commercial code:

1- The services of these companies should be exclusively confined to the realm of research, scientific inquiries and technical services not undertaken by the enterprises and institutions of the non-public sector, and will not deviate the university's mandates from its main educational and research objectives.

2- A maximum of forty nine percent (49%) of the shares of these companies must be held by the academic staff, research experts, technicians and employees of the same university, institute of higher education and the research center. The shareholders and the relevant enterprises will be excluded from limitations imposed by the Law of Non-Intervention of the Ministers and the Members of the Parliament and the Government Employees from the State and Government Transactions, enacted on 16/01/1959.

A model articles of association for each of the above enterprises in any university and institution of higher education and research center will be drawn up and recommended by the Plan and Budget Organization and shall be approved by the Cabinet.

B- The manner of spending the current and special earmarked credits in the research programs of the universities and the research centers that are subject to the Law Concerning the Sanctions of the High Council of the Cultural Revolution in Connection with Composition of the Board of Trustees of the Universities and Institutions of Higher Education and Research enacted on 24/06/1997 and the Law of the Manner of Performing Financial and Transactional Duties of the Universities and Institutions of Higher Education and Research Centers enacted on 7/01/1991 will be merely subject to the said law and the pertinent by-laws, and are exempted from the provisions of the general laws and regulations of the governmental entities, barring article (31) of the Public Audit Law. The income derived as the result of the research services of the research centers will be accounted as the special revenue of the said centers.

## CHAPTER TWENTY ONE:

### Culture and Art, Mass Communications, and Physical Education

#### ARTICLE 155-

A- To promote social justice and to provide for the possibility of equitable enjoyment of different strata of the society of the cultural, sport and artistic goods and services aiming at creating balance and reducing disparities, authorization is granted:

1- To Ministry of Culture and Islamic Guidance, and the Physical Education Organization, as the case may be, to prepare no later than the end of the first year of Third Plan, indicators and standards pertaining to the enjoyment of different parts of the country of the sport and cultural spaces, and the extent of accessibility of the residents of different regions of the country to the cultural, art and physical education services and goods corresponding to the cultural, population and geographical characteristics of each region, and submit it to the Cabinet for approval concomitant with proper guidelines for creating the desired balance.

2- To the executive agencies in order to divest art, cultural, and sport facilities and buildings as well as incomplete projects and the lands owned by them in the urban areas, preferably in large cities, to the non-public sectors with priority given to the real and legal War-veterans with backgrounds in the fields of sport, culture and art; and to the municipalities in the form of rental, rent-with-the-option-to-buy, and sales contract; and deposit the proceeds with the Treasury. Equivalent to the deposited funds will be provided for in the annual budget law and will be allocated to the executive agencies content of this Article to finance building of cultural, art and sport spaces in undeveloped or less-developed regions within the framework of the policies of the Third Plan.

B- The Plan and Budget Organization is required to distribute the funds related to the culture and art, and sport and physical education in the annual budget bills for each year of the Third Plan period, taking into account the provisions of item (A) of this Article and in consideration of the quality and extent of utilization of the cultural, art and sport spaces in different regions of the country, in such a way as to reduce the existing disparities among the different parts of the country with respect to the cultural, sport and art facilities and space and accessibility of the inhabitants to these spaces and facilities.

The by-law of this Article including the manner of divesting cultural, art and sport facilities and spaces; as well as the lands and incomplete projects, also the procedures of using banking facilities and the manner of spending the revenue derived from the execution of the provisions of this Article shall be proposed jointly by the Plan and Budget Organization, the State Administrative and Employment Affairs Organization, Ministry of Culture and Islamic Guidance, and Physical Education Organization. The by-law shall be approved by the Cabinet.

Note 1: All entities subject of the Article (11) of this Law and the non-governmental public institutions and entities are required to observe the provisions of this Article.

Note 2: Execution of the provision of this Article in the case of entities and institutions that are administered under the auspices of the Supreme Leader will require his confirmation.

ARTICLE 156- In order to utilize the capabilities of the urban and rural Islamic Councils in administration of the religious and cultural affairs, these councils are required to perform, in addition to the mandates stipulated in the law of their formation, the following duties:

A- To examine the cultural, art, sport and educational problems and inadequacies and to make necessary recommendations to the concerned officials and authorities.

B- To contribute to, and participate in preservation and maintenance of the cultural buildings and the Martyrs' Rose Gardens (cemeteries of the War veterans), to enhance the utilization of the cultural and art and sport centers; and to promote people's cooperation in creating the needed facilities and spaces.

C- To cooperate in preservation of the historical and cultural buildings, relics, cultural and historical precincts and textures, and to prevent any change in their uses.

The executive by-law of this Article including the manner of participation and cooperation of the councils in performing the said duties shall be prepared jointly by the Ministry of Culture and Islamic Guidance, Ministry of the Interior, the Islamic Propagation Organization, and the Physical Education Organization; and it shall be approved by the Cabinet.

ARTICLE 157- In consideration of the special concerns and good offices of the Islamic Republic of Iran to solve the youth problems, and in order to enhance and promote the growth of the young generation of the country, and to make the optimum use of potentialities and capabilities of this beloved generation, the National Youth Center is transformed into the National Youth Organization aiming at making its structure and organization suitable for its mandates. The organization is charged with the following undertakings:

A- To prepare and draw up a national comprehensive plan in order to reorganize the country's youth affairs, taking into consideration the basic role and missions of different governmental and non-governmental entities concerned with the youth affairs such as the Bassij Resistance Forces, and with due respect for the needs of the young people in the cultural, social, political, occupational, scientific, educational, and leisure areas.

B- To identify, entrust, and follow up that set of the activities of the executive agencies that could be performed by the non-public youth agencies through careful preparation.

C- In order to meet the targets that require planning and preparation, the National Youth Organization will prepare the necessary plans and programs, as the case may be, to incorporate goals, organizational reform, financial facilities, and the executive support of the non-governmental organizations.

The executive by-law of this Article including the manner of cooperation between the National Youth Organization and the concerned executive agencies shall be approved by the Cabinet upon presentation of the joint recommendations of the National Youth Organization and the Plan and Budget Organization.

ARTICLE 158- The Presidential Center for the Women Participation Affairs is required to undertake the following activities aiming at preparing the ground for the women to perform a decent role in the country's development and in fostering the family bonds and institution:

A- To recognize the special educational, cultural and sport needs of the women based on the Islamic fundamentals and principles and in anticipation of the future transformation of the

society, and to prepare the proper plans, as the case may be, through the concerned executive agencies, and propose these plans to the competent authorities for approval.

B- To prepare necessary plans for promotion of employment opportunities for women and their occupational enhancement within the framework of the provisions of the law, entailing the required reforms in the administrative and legal matters, and submit these plans to the Cabinet for approval.

C- To prepare necessary plans in order to facilitate the women's legal and judicial affairs through organizing joint research activities with the responsible entities in the Judicial Power; and to follow up the matters, as the case may be, through the responsible agencies.

D- In order to enjoy various social services provided by the women in the financial, legal, counseling, educational and sport fields, prepare necessary plans to support formation of the non-public organizations, giving priority to self-guardian and guardianless women in undeveloped or less-developed regions and to the society's deprived groups, and present them, as the case may arise, to the concerned executive agencies or the Cabinet for approval and implementation.

E- To prepare and present to the Cabinet, annual progress reports on performance of the executive agencies in the areas anticipated in this Article.

ARTICLE 159- In order to dignify the religious and Koranic knowledge and to entertain the noble teachings of the late Imam Khomeini and the guidelines expressed by the Supreme Leader Ayatollah Khamnai in strengthening the fundamentals of the Islamic Revolution values and the culture of the Holy War and Martyrdom in the society particularly amongst the youth and the adolescents, Ministries of "Education", "Science, Research and Technology", "Health, Medicare and Medical Education", "Culture and Islamic Guidance", and the Islamic Republic of Iran Broadcasting Organization, the Bassij Resistance Forces, the Islamic Propagation Organization, the Islamic Propagation Office and other agencies using the public budget are required to undertake to following measures:

A- Appoint one of their research centers to perform continued and overall studies in the field of enjoyment of science and technologies and the religious art and teachings of Imam Khomeini, and provide the required resources in order to prepare the ground for participation of the post-graduate students in the relevant research works.

B- Broaden and deepen the effectiveness of the cultural and educational plans and activities through full utilization of the various arts and new sciences and technologies, and prepare the ground for attraction of the devoted and committed thinkers and creative innovators to these fields.

C- Mobilize one of their units in order to undertake continued investigation and assessment of the effectiveness of the existing and new cultural and educational activities and the manner of enhancing utilization of the existing resources in realization of the aforesaid objectives.

Inception of any new educational and cultural activities in the above fields shall be permissible upon proper presentation of the impact assessment and feasibility study of the project.

D- In order to promote the culture of sacrifice and martyrdom and to honor the commemoration of the Martyrs and to glorify the devotees (the War-veterans) and the Holy Defense Epic, and to grant special facilities to the honored Martyr families and the devotees, Ministry of Culture and Islamic Guidance is required to prepare a proper plan in cooperation with the Foundation of the Islamic Revolution Martyrs (Bonyad-e Shahid), the Mostazafan and the War-veteran Foundation of the Islamic Revolution, and the Foundation for Preservation of the Relics and Values of the Holy Defense; and present the said plan to the Cabinet.

E- In order to promote the noble culture and values of Islam and the Islamic Iran, and to use the religious thoughts and teachings of Imam Khomeini, the concerned agencies are charged with the following undertakings:

1- The State Administrative and Employment Affairs Organization is required to prepare a special program to expose the government managers to the theoretical foundations, the religious and political thoughts of Imam Khomeini.

2- The Islamic Republic of Iran Broadcasting Organization, Ministry of Education, Science and Technology, and Ministry of Health-Medicare and Medical Education are required to revise their educational and training programs in order to effectively accommodate in their programs the teaching of Imam Khomeini's personality and thoughts.

3- Ministry of Science, Research and Technology in cooperation with the Institute of Arrangement and Publication of the Imam Khomeini's Works will draw up special programs in order to strengthen studies and research works pertaining to recognition of Imam Khomeini's thoughts. Using the capacities of the institutions and research centers and the theses and dissertations of the post-graduate students, the ground should be prepared for all the more recognition of the Imam's thoughts.

4- A council shall be formed within the framework of the by-law of this Article to implement, supervise and evaluate these programs.

F- In order to universalize the teaching of the noble Koran, the Islamic Propagation Organization is required to initiate a call for Koran Teaching (under the title of Koran Teaching Movement) throughout the country and in the deprived areas. In this direction, priority shall be given to the youth and adolescents. The said organization is authorized to take measures in order to set up the Koran teaching and Missionary Centers at the center of every province.

The executive by-law of this Article shall be prepared through cooperation of the Islamic Propagation Organization, the Endowment (Owqaf) and Charity Affairs Organization, and it shall be approved by the Cabinet in the first year of the Third Plan.

G- In order to coordinate dispatch of the missionaries particularly to the deprived regions and the village centers lacking clergy, for different occasions during the year, the Islamic Propagation Organization is required to prepare a comprehensive plan for identification, selection and short-term and long-term training and dispatching the missionaries concomitant with undertaking the needed field research and surveys aiming at determining the manner of religious propagation throughout the country, in the first year of the Third Plan, and see into it

that the plan is approved by the Cabinet.

H- In order to review and study the issues and religious problems arising in the religious culture of different strata of the society and the manner of responding to these issues in a rational and proper way, the Office of the Islamic Propagation of the Ghom Theological Academy is required to design strategies and devise applied projects and practical programs through cooperation with the religious research centers during the first year of the Third Plan and have it approved by the High Council of the Cultural Revolution.

The executive by-law of this Article including the manner of cooperation of the executive agencies shall be prepared by the Plan and Budget Organization and the said agencies within a maximum period of six months from the date of enactment of this Law and shall be approved by the Cabinet.

Note: Performance of the activities anticipated in this Article by the entities and institutions administered under the auspices of the Supreme Leader will depend upon his confirmation.

ARTICLE 160- The research reports, theses and dissertations, and multi-media software known as "work" are subject to the Law of Protection of the Rights of Writers, Authors and Artists enacted on 31/12/1969. Copyright registration of the multimedia software from the technical and computer standpoint is performed by the Secretariat of the High Council of Data Processing. The said high council is required to inquire the opinion of the Ministry of Culture and Islamic Guidance prior to the registration.

Note: The manner of registration of the literary, artistic and cinematic works and computer software for the copyright purposes by their proprietors shall be determined according to a by-law to be prepared by the Plan and Budget Organization and approved by the Cabinet.

ARTICLE 161- In order to renovate cinemas and cultural complexes and to build new movie halls, cultural complexes and theater halls in cities with over fifteen thousand (15000) population:

A- The country's municipalities may directly or through partnership with the real and legal persons utilize banking facilities in order to build and renovate movie buildings.

B- Allocation of the land suitable for building cinemas and cultural complexes in the newly built towns shall be the responsibility of Ministry of Housing and Urban Planning; and in the urban development plans the responsibility rests with the municipalities.

The lands indicated in this Item will be divested to the real and legal applicants at the zone price and in form of ten years installments.

C- The Municipalities of the said cities are authorized to divest to the real and legal persons the land suitable for building of cinemas and cultural complexes owned by the municipality in the form of twenty five (25) years lease contract, with a minimum charge for land and without transfer of the title.

D- As for renovation of the existing cinemas and cultural complexes or building new movies and theater halls, the municipalities are required to issue building permit free of any charge or cost; and in the case of need to coordinate the matter with the comprehensive city plan, the permit for commercial and service uses should be issued for a maximum floor areas of the show hall. The movies and cultural complexes built through these concessions will not be

permitted to change their use for ten years from the date of inception of the operation.

The executive by-law of this Article will be proposed jointly by the Ministry of Culture and Islamic Guidance, Ministry of the Interior, and the Plan and Budget Organization and shall be approved by the Cabinet.

ARTICLE 162- In order to identify the cultural transformation of the society and to enhance efficiency of the cultural agencies and to reorganize the complex activities that influence the common societal culture, and to continually monitor the cultural activities, the following tasks shall be performed:

A- Ministry of Culture and Islamic Guidance is required to take measures to define cultural indicators that are compatible with the goals and ideals of the Islamic Republic of Iran system and the cultural policies approved by the High Council of Cultural Revolution, through necessary studies and in order to specify the fundamental definitions and concepts of the cultural sector. Upon confirmation of the Council, the said indicators shall be used as the basis to produce information through cooperation with the Iran Statistical Center and measure changes in the said indicators during the years of the Third Plan as follow:

1- Determine biannually the transformation of the indicators related to the mental, intellectual and behavioral changes of the society, and present the findings to the relevant agencies and institutions.

2- Determine annual changes in the indicators as related to the rate of consumption of cultural goods and services in the country as a whole and in different regions.

3- Determine annual data and statistics and changes of the indicators related to the manpower, cultural spaces and equipment- public and non-governmental- in the country as a whole and as broken down by the provinces.

B- Government is required to determine by the end of the first year of the Third Plan the necessary legal actions that should be taken within the framework of the "Project for Reorganization of the Cultural Affairs" by the agencies in charge of cultural affairs both in the public agencies or in the non- public institutions and entities- aiming at clarification of the government mandates toward the cultural transformations, enhancement of the efficiency, elimination of the parallel activities, setting in motion financial discipline, variegation of financing methods, and preparing the ground for the public participation in the cultural affairs.

C- In order to make assessment of transformation of the public culture and the impact and effectiveness of the cultural activities rendered by educational and cultural institutions, media and other executive agencies, the "Monitoring and Assessment Committee" will be formed under the auspices of the High Council of Cultural Revolution to undertake the following duties:

1- To identify the foreseeable cultural crises emanating from expansion of the cultural communications and the alien cultural onslaught, by using the information and indicators content of Item (A) of this Article and upon necessary studies and research. The findings will be reported to the responsible agencies upon confirmation of the High Council of Cultural Revolution on a case by case basis.

2- To assess the extent and the manner of impact and effectiveness of the cultural,

educational and research activities of the various executive agencies in order to materialize the policies approved by the High Council of Cultural Revolution concerning the cultural issues, and the policies of the culture and art and mass communications and physical education sector envisaged in the Third Development Plan. The findings will be reported to the related authorities upon confirmation of the High Council of Cultural Revolution.

3- To assess and follow up through continued studies and research the process of realization of the visions of Imam Khomeini and the Supreme Leader in cultural areas in different institutions and agencies as well as in the common culture of the society, and to report the findings to the concerned authorities.

4- Upon determination of the basic indicators that show the mental, intellectual and behavioral transformations among different strata of the society particularly the adolescents and the youth, and upon confirmation of the findings by the High Council of Cultural Revolution, annual reports containing changes of the indicators and their causes, and the ways and means of improving these indicators shall be prepared and presented to the concerned authorities upon confirmation of the High Council of Cultural Revolution, so that the finding may be used in reforming activities and revising policies of the executive agencies

D- All the executive agencies and non-public institutions and organizations are required to revise or strengthen their activities in the light of the guidelines and findings of the reports of the committee. The Plan and Budget Organization will take into consideration the findings and reports published by the committee subject of Item (C) of this Article and draw up the annual budget accordingly and will provide for the necessary means for execution of the revised recommendations of the committee.

Note: Performing activities provided in this Item by the entities and institutions administered under the auspices of the Supreme Leader will depend upon his confirmation.

ARTICLE 163- In view of the importance of developing religious spaces and mosques simultaneously with preservation of the principle of reorganization of the building, restoration and equipping mosques through popular participation and by urban and rural councils, the executive agencies subject of this Article are required to take the following actions during the years of the Plan implementation:

A- Ministry of Housing and Urban Planning, municipalities and other organizations responsible for the design and implementation of the comprehensive plans, detailed plans and the guide plans for urban and rural areas are required to prepare the said plans on the basis of the concept of mosque-centered community.

B- Ministry of Housing and Urban Planning and municipalities are required to provide for suitable lands for building mosques and also for bases of the Bassij Resistance Forces. Upon preparation, the lands be divested free of charge to volunteers to build mosques and the Bassij Resistance bases, and the price of land be included in the cost of land preparation for the city.

C- Ministry of Road and Transportation and Ministry of Petroleum are required to take necessary measure in a coordinated manner in order to build mosque and/or praying houses in the passenger terminals and gas stations between cities, maintaining, and management of

the existing mosques and praying houses, aiming at facilitating accessibility of the passengers to religious centers.

D- Ministry of Economic Affairs and Finance is required to accept as tax deductible expenses all the funds paid by the real and legal persons in connection with building, repairing and equipping mosques and other religious spaces.

E- Municipalities and the Forests and Pasture Organization are required to allocate suitable spaces in the national and public parks for building mosques and prayer houses, as the case may require.

F- The following tasks will be performed during the Third Plan period aiming at enhancing the position of mosques and schools in the social and cultural activities of the neighborhoods, cities and villages; and coordinating the organized activities in the direction of fostering faith and moral values and flourishing scientific, cultural and artistic creativity amongst different groups of the society, particularly among the youth and adolescents:

1- To support applied research from the legal, financial and legislative stand points, aiming at identifying the executive strategies to enhance the position of mosque and school in the country's social and cultural activities.

2- To define the joint mosque-school educational, cultural and artistic activities in the by-laws and regulations governing education, culture, art, Islamic propagation, physical education and the sport sectors.

G- In order to reorganize the manner of allocation and use of the government funds in the areas of restoration and renovation of mosques, provision of assistance to the research centers of the religious academies, activities pertaining to the religious propagation aimed at fostering public participation and promoting people's contribution to finance these activities, the Islamic Propagation Organization is required to prepare a plan in the framework of the guidelines extended by the Supreme Leader and through consultation with the relevant authorities and performing necessary studies in cooperation with the State Administrative and Employment Affairs Organization and the Plan and Budget Organization and present it to the government. Upon review and approval of the plan by government, it will be used as the basis for projection and use of the government resources.

Note: In the rural areas where fifty percent (50%) of the costs of building mosques are provided by the self-help contribution of the inhabitants, the government will match the other fifty percent (50%) using the government funds.

ARTICLE 164- During the implementation period of the Third Plan, the Central Bank of the Islamic Republic of Iran will put into practice the regulations by which the country's banks could purchase foreign exchange from the incoming tourists at the air, sea, and land ports of entry, and hotels, and tourist service offices. The banking system may also sell to the returning tourist foreign exchanges upon presentation of the required documents.

The executive by-law of this Article including types of the documents required in using the facilities and other necessary requirements shall be proposed jointly by the Central Bank of the Islamic Republic of Iran, Ministry of Culture and Islamic Guidance, and the Plan and Budget Organization to the Cabinet for approval.

ARTICLE 165- In order to protect and preserve the country's cultural heritage, authorization is given to:

A- The State Cultural Heritage Organization to establish the State Cultural Heritage Guard Units under its own auspices and upon authorization of the Commander-in-Chief Staff of the Armed Forces.

B- The proceeds of all the fines collected in connection with unauthorized excavations and from the smugglers of the historical and cultural properties will be included in the public revenue of the general budget. A maximum sum equivalent to the provided funds shall be spent, within the framework of the annual budget bills and on the basis of a by-law to be proposed by Ministry of Culture and Islamic Guidance approved by the Cabinet, as follows:

1- Payment of remuneration and reward to the discoverers of the smuggled properties and to the real and legal persons cooperating in the matter.

2- Payment of expenses pertaining to reinforcing protection of the cultural heritage.

C- Returning the moveable historical and cultural relics that are brought into the country for research, repair and other necessary reasons will require presentation of the import certificate for the said objects issued by the Cultural Heritage Organization.

ARTICLE 166- In order to properly perform the provisions of the Law of the Articles of Association of the State Cultural Heritage Organization enacted on 20/04/1988 pertaining to repair and restoration of the historical/cultural textures and buildings the following tasks will be undertaken:

A- The Head of the State Cultural Heritage Organization becomes a member of the High Council of Urban Planning and Architecture, in Tehran; and representatives of the said organization in counties become member of the commissions specified in Article (5) of the Law of Establishment of the High Council of Urban Planning and Architecture enacted on 12/03/1972, as amended. .

B- In the cities having valuable historical texture whose limits have been or will be stipulated in Article (3) of the Law of the Articles of Association of the State Cultural Heritage Organization enacted on 20/04/1988, the organization of the municipalities will be revised in order to accommodate a proper mechanism to administer preservation of the cultural textures of these cities.

C- The city councils will allocate to the related department of the municipality a percentage of the municipality's income proportionate with the requirements of that city's historical texture in order to finance repair and maintenance of the historical buildings, complexes and textures under the supervision of the State Cultural Heritage Organization

Government is required to prepare by the end of the second year of the Third Plan the ground for utilization of the international financial resources and capitals and the credits from the international cultural organizations such as the UNESCO for the expansion of potentialities and preservation of the national relics and cultural heritage through the initial domestic investment.

The executive by-law of this Item to be proposed jointly by the State Cultural Heritage Organization, Ministry of the Interior and the Plan and Budget Organization, and shall be

approved by the Cabinet

D- In order to preserve the old and traditional texture of Jamaran District (the area bordering the Jamaran Hosseiniyyeh and the home of Imam Khomeini) according to the design and plan adopted by the High Council of Urban Planning and Architecture, and to take possession of the real properties located in the aforesaid district and converting it into a cultural and service complex for pilgrims, domestic and foreign visitors, the Municipality of Tehran is required to take appropriate measures; and upon taking over the properties, entrust them to the Institute of Arrangement and Publication of the Imam Khomeini's Works.

Ministry of Housing and Urban Planning will allocate to the Municipality a suitable land to be exchanged for the said properties free of charge or at the original purchase price.

Also, ministries, organizations, the state-owned enterprises and the revolutionary and public institutions are authorized to allocate their unwanted properties to this purpose and devote them to the execution of this project.

ARTICLE 167- In order to realize the essence of the guidelines expressed by the Supreme Leader of the Islamic Revolution about orienting the media toward the goal of creating a healthy environment and enhancing understanding and moral and ethical virtues and proper dissemination of information, as well as materializing the general policies of the country's Third Development Plan, the Islamic Republic Of Iran Broadcasting Organization is required to:

A- Take appropriate measures with the confirmation of the Plan and Budget Organization in order to make the new provincial, national and international news networks compatible with each other, and to complete the population and geographic coverage of the networks; and to utilize new technologies in the production and dissemination of information.

B- In order to disseminate information throughout the society in a proper and orderly manner, all the executive agencies shall provide the Islamic Republic of Iran Broadcasting Organization with the information deemed necessary in order to foster the culture of their particular sectors (which are also deemed necessary to be included directly or indirectly in the programs of the IRIB) to be incorporated into the programs. The Islamic Republic of Iran Broadcasting Organization will revert to these agencies annual report of its performance in connection with the agencies needs, and will submit an annual executive report to the heads of the Triple Powers ( Executive branch, Legislative branch, and Judicial branch).

C- That executive agencies whose performance of their mandates necessitates intellectual and practical contributions of a large segment of the society may prepare their own special radio and television programs in the framework of the criteria established by the Islamic Republic of Iran Broadcasting Organization and give these programs to the IRIB for broadcasting on proper times.

D- In order to promote accessibility of the society to the general, technical, vocational, and propagation education and higher education, the IRIB will prepare the required programs through cooperation with the pertinent agencies; and , using the existing network and by creating new educational networks and reciprocal relationship, will take measures in the light of its charter in order to develop and improve the quality of education in different fields. For

the purpose of scientific back up support for the educational programs, IRIB will form ad hoc committees together with each of the concerned executive agencies.

ARTICLE 168- All the importers and manufacturers of the colored TV receivers are obliged to pay certain charges to the general revenue commensurate with the dimensions of the picture bulbs of the receiver. The rate of these charges for domestic and imported receivers will be proposed by the Islamic Republic of Iran Broadcasting Organization, Ministry of Industry and Ministry of Commerce and will be approved by the Cabinet. Equivalent to the provided funds will be allocated to the IRI Broadcasting Organization through the annual budget bills in order to be used in production and provision of the television programs and development and operation of the television networks in the country's counties.

The television receivers imported through the Free Trade-Industrial Zones and the Special Economic Zones and by the travelers are subject to this Article. All the manufacturers of the television receivers are obliged to pay to the pertinent account with the Treasury the charges subject of this Article within a maximum period of three months from the date of sales, otherwise they will be liable to pay a late-payment charge of thirty percent (30%) per year.

The locally manufactured television receivers for export are exempted from the charges stipulated in this Article.

ARTICLE 169- In order to provide facilities, legal and financial support of general and championship sport activities during the year of the Third Plan, the funds spent by the real and legal persons to build and complete sport spaces, places, clubs, as well as for provision of the sport related services; and/or contributions made to the Physical Education Organization, the National Iranian Olympic Committee, sport federations, sport missions and associations, and the Physical Education of the Armed Forces will be accepted as tax deductible expenses upon confirmation by the Physical Education Organization.

The executive by-law of this Article shall be prepared by the Plan and Budget Organization and approved by the Cabinet.

ARTICLE 170- The Physical Education Organization's revenue earned from sport competitions, sales of ticket, and use of the sport spaces will be deposited with the general revenue, equivalent of which will be granted to the said organization within the framework of the annual budget bills.

The executive by-law of this Article shall be proposed jointly by the Physical Education Organization and the Plan and Budget Organization to the Cabinet for approval.

## **CHAPTER TWENTY TWO:**

### **Defense and Security Affairs**

ARTICLE 171- In order to secure the requirements of the Armed Forces particularly in the areas of new technology and strategic needs, and to acquire the necessary items, Ministry of Defense and Logistics of the Armed Forces is authorized to take necessary measures, upon approval of the Cabinet and authorization of the Honorable Commander-in-Chief of the Forces, to build new industrial and service towns through partnership with domestic and foreign entities.

ARTICLE 172- Ministry of Defense and Logistics of the Armed Forces is authorized to examine unwanted properties of the defense sector and the out-dated defense industries that lack high level technology and sell them off through tender upon authorization of the Honorable Commander-in-Chief of the Forces, and settle the proceeds with the Treasury.

The proceeds of the sales will be treated as one hundred percent earmarked and will be appropriated to satisfy the urgent needs of the defense sector within the framework of the annual budget laws.

ARTICLE 173- Ministry of Defense and Logistics of the Armed Forces is authorized to prepare a comprehensive plan to deploy the Armed Forces throughout the country on the basis of the opinion of the Staff-General of the Armed Forces commensurate with the magnitude and type of the threat and the environmental conditions, aiming at securing a certain dispersion in locating sensitive and vital installations and the defense industry; and also relocation of the garrisons and military centers and large factories from the large cities especially Tehran. The said plan must be approved by the Commander-in-Chief of the Forces.

Government is required to allocate banking credit facilities, divest the land, change the use, and create the buffer zone for the said installations. The funds received through the banking resources will be paid off by the proceeds of the sales of the said properties.

ARTICLE 174- Upon authorization from the Honorable Commander-in-Chief of the Forces and in order to streamline the social security system of the Armed Forces and economize the current expenditure, the Social Security Organization of the Armed Forces affiliated to the Ministry of Defense and Logistics of the Armed Forces will be established through merging the Insurance and Retirement Organization of the Army of the Islamic Republic of Iran, the Insurance and Retirement Organization of the Islamic Revolution Guards Corps, and the Insurance and Retirement of the Disciplinary Force of the Islamic Republic of Iran, and the Medical care Services Organization of the Armed Forces.

The executive procedures for revising the said organizations will be determined upon approval of the Honorable Commander-in-Chief of the Forces. The Articles of Association of the Social Security Organization of the Armed Forces and the executive by-law of this Article shall be proposed jointly by the Commander-General Staff of the Armed Forces and the State Administrative and Employment Affairs Organization, and to be approved by the Cabinet.

ARTICLE 175- In order to realize the ideals of Imam Khomeini and the guidelines and directives of the Supreme Leader and Commander-in-Chief of the Forces related to the Twenty Million Army, and in order to prepare the ground for proper participation of the adolescents and youth in the social, cultural and defense affairs, to promote the Bassij way of thinking, and to popularize the security and defense through qualitative and quantitative reinforcement of the Mastazafan Bassij:

A- The expenditure of the non-public real and legal persons for reinforcement and development of disciplinary force posts and the Twenty Million Army resistance bases, particularly the bases of the Resistance Bassij, will be acceptable as tax-deductible expenses. The executive by-law of this item will be prepared by the Ministries of "Defense and Logistics of the Armed Forces" and "Economic Affairs and Finance", and shall be approved by the Cabinet.

B- Government is required to provide for development of the Bassij with one percent (1%) of the gross profit of all the government-owned enterprises and their controlled subsidiary companies whose subjection to the law necessitates mention of their names such as the National Iranian Oil Company, the Iran Industrial Development and Renovation Organization, Iran Telecommunications Company, and the Islamic Republic of Iran Air Lines Corporation. The proceed will be deposited with the Treasury and will be allocated to the Bassij in a particular line provided in the country's annual budget. Up to thirty percent (30%) of the revenue from implementing this Item will be spent to develop the resistance lines of that entity; and the balance will be allocated in lump sum form to the Bassij Resistance Force for creating balance among the country's regions.

C- In order to materialize the fifty percent (50%) target of the plan for creation of the Twenty Million Army that has been approved by the Honorable Commander-in-Chief of the Forces, government is required to provide in the Third Plan relevant requirements and equipment.

D- Departments and factories are obliged to provide the equipment, credits, and other requirements for the current operation of their own Resistance Bassij Lines.

E- During the Third Plan, the Bassij Resistance Lines and cultural and sport centers in the newly completed buildings will be exempted from payment of the subscription charges for water, electricity, gas, and one telephone line.

ARTICLE 176- During the peace time and upon confirmation of the Staff-General of the Armed Forces, a segment of the government manpower needs will be provided through persons subject to the military service and upon completion of their military training period in such a way that it will not adversely affect their combat preparedness. The Staff-General will be notified of the government manpower requirements through Ministry of Defense and Logistics of the Armed Forces.

Expenditures related to the military training period will be borne by the Ministry of Defense and Logistics of the Armed Forces; the salary, fringe benefits and the merit rations during the service will be provided through the funds of the related agencies. The total amount received by such individuals should not exceed the limit specified in the laws of the Armed

Forces.

A minimum of fifty percent (50%) of the above manpower (the graduates of the universities) must render their services in the undeveloped or less-developed regions of the country.

The executive by-law of this Article will be prepared by the Ministry of Defense and Logistics of the Armed Forces in cooperation with the State Administrative and Employment Affairs Organization, and shall be approved by the Cabinet.

ARTICLE 177- Ministry of Defense and Logistics of the Armed Forces of the Islamic Republic of Iran and the state Armed Forces are required to take measures, upon authorization from the Honorable Commander-in-Chief of the Forces, to sell through tender the land and the superstructures of the garrisons and other properties in their ownership or under their legal possession located within the urban service limits (upon substantiation of their ownership and upon change of the uses of the said properties and subdividing the lands).

The State Property Deeds and Document Registration Organization is required to take measure in issuing the deed of ownership of the said land and the superstructure and collect only twenty percent (20%) of the lawful fees.

The commission subject of the Article (5) of the Law of Establishment of the High Council of Urban Planning and Architecture of Iran enacted on 12/03/1972 as amended, and the municipalities are required to take measures to change the land use of these properties to the proper uses according to the urban development plans; and also to issue building permits free of charge for change of the use.

The proceeds of sales of the above-mentioned properties will be settled with a special account provided in the annual budget law and will be accounted for as one hundred percent (100) earmarked and will be paid to the relevant organization in order to build replacement for the above properties as well as building public housing.

ARTICLE 178- In order to implement Article one hundred forty seven (147) of the Constitution of the Islamic Republic of Iran, and to utilize expertise and capabilities of the Armed Forces and those of the Ministry of Defense and Logistics of the Armed Forces in the process of rebuilding the country (taking into account the provisions of Articles (8) and (10) of the Law of Establishment of the Ministry of Defense and Logistics of the Armed Forces of the Islamic Republic of Iran enacted on 18/08/1989), authorization is granted to the above executive units to enter into contract agreements with the executive agencies for execution of the development projects and programs, in due consideration of the expertise and capabilities of the forces under their auspices.

All the proceeds of the said contracts will be settled with the income-expenditure line provided in the annual budget law; and equivalent of one hundred percent (100%) of the same funds will be appropriated to execute the said contracts, and for reinforcement of the relevant force and replacement of the depreciated machinery.

The executive by-law of this Article will be prepared by the Staff-General of the Armed Forces with cooperation of the Ministry of Defense and Logistics of the Armed Forces, Ministry of Economic Affairs and Finance, and the Plan and Budget Organization; and it will be presented to the Cabinet by the Ministry of Defense for approval.

ARTICLE 179- Institutions, organizations and ministries may set up security units upon the consent and authorization by the Staff-General of the Armed Forces. These units operate under the criteria of the Armed Forces from the standpoint of the use of arm and ammunitions, but shall serve under the auspices of the relevant agency; and they are required to meet the criteria of the Disciplinary Force.

The job description, duties, manner of organizing and arming the units, training, and their relationship with the Disciplinary Force, and the manner of supervising their performance shall be approved by the Staff-General of the Armed Forces.

## **CHAPTER TWENTY THREE:**

### **Public Affairs**

#### **(Domestic Policies and Foreign Relations)**

ARTICLE 180-In order to unify policy making as it affect the foreign nationals (the vagrants, refugees, immigrants, and the passport holding foreign subjects) in line with their arrival, settlement, deportation, employment, education, health and medical care, and the foreign relations, the Alien Subjects Coordination Council will be formed and chaired by Ministry of the Interior and membership of the Ministers of “Education”, “Intelligence”, “Foreign Affairs”, “Labor and Social Affairs”, “Health-Medicare and Medical Education”, the Head of the Plan and Budget Organization, the Secretary of the National Security Council, the Commander of Disciplinary Force, and the Chief of the Red Crescent Society. Decisions of this council will be binding upon confirmation of the Cabinet.

The executive by-law of this Article will be proposed jointly by the Ministry of Labor and Social Affairs, Ministry of the Interior, and Ministry of Intelligence, and shall be approved by the Cabinet.

#### ARTICLE 181-

A- Government is required to provide in the annual budget bill during the Third Plan period, necessary funds to prevent, provide relief assistance to, renovate and rebuild the areas damaged by unpredictable events. The funds will be allocated to the State Unpredictable Events Corps. A percentage of the above funds shall be spent for vulnerability studies in order to reduce the impact of the natural calamities, and execute projects aiming at prevention of the natural unexpected disasters such as flood, earthquake, drought, fire, storm and encroachment of the sea water.

B- Using the banking usury-free loans, or in the case of inadequacy of these funds or other banking resources, Ministry of the Interior may grant loan or the necessary banking facilities to the owners of the damaged residential, commercial, industrial, mining, and agricultural units in the affected areas. The differentials of the interest and charges of the granted facilities shall be provided for in the annual budget bills. Government is required to provide guarantee for repayment of the facilities granted by the banking system as specified in this Item.

C- In order to increase the contribution of the insurance industry in indemnifying the losses emanating from unpredictable events, government is authorized to provide the necessary conditions in such a way that a minimum of fifty percent (50%) of the agricultural and animal husbandry, handicraft, and fisheries products, public buildings, urban and rural installations; residential, commercial, and industrial buildings, be under the insurance coverage during the Third Plan period.

ARTICLE 182- Ministry of the Interior is required to prepare the plans for setting up and strengthening popular organizations ( guilds and specialized organizations), non-governmental and local organizations in the context of the law and aiming at preparing the ground for entrusting the government undertakings to these institutions; enhancing the

organized popular monitoring the activities of government; and implement these plans upon their approval by the Cabinet.

ARTICLE 183- In order to exercise the policies of the Islamic Republic of Iran in the foreign relations, and create a unity of procedures in this endeavor, Ministry of Foreign Affairs shall have supervision mandate over all matters related to the foreign relations; other agencies and units that in one way or the other are active out of the country or their operation and activities touch on the foreign relations, are required to execute the policies conveyed to them by the Ministry of Foreign Affairs. Moreover, the representative offices of these agencies in other countries are obliged to coordinate their activities with the political representative office of the Islamic Republic of Iran in those countries on the basis of a by-law that will be proposed by the Ministry of Foreign Affairs and will be approved by the Cabinet.

Note 1: In order to exercise the cultural policies of the Islamic Republic of Iran and to unify policy making and coordination of the cultural and promotional activities abroad, aiming at optimal utilization of the existing material and spiritual resources, all the cultural, propagation and artistic activities of the public and non-public sectors out of the country shall be the responsibility of the Islamic Culture and Communications Organization as stipulated in the articles of association of this agency and received confirmation of the Supreme Leader.

Note 2: Performance of all the activities provided in this Article in the case of agencies and institutions that are administered under the auspices of the Supreme Leader will depend upon his confirmation.

ARTICLE 184- In order to regulate the relations of the Islamic Republic of Iran with other countries of the world and the international assemblies and organizations; and on the basis of a comprehensive report to be prepared by the Ministry of Foreign Affairs on the extraterritorial activities of the executive agencies, their cooperation and membership in the international and regional organizations (including a review of the status quo, evaluation of the performance and the necessity or futility of their continued membership or their activities abroad and /or the possibility of lowering the level of contact and activities), government is required to decide on the continuation and/or termination of activities of the executive agencies abroad, the level of contact, and the position of the ministries, organizations, non-public enterprises and the revolutionary institutions in the regional and international assemblies.

All the entities content of Article (11) of this Law and the non-governmental public institutions- in the case they intend to continue their activities abroad- are required to reform their organization and the structure of their representations in other countries, as well as their membership status in the international assemblies on the basis of the decisions of the Cabinet.

Note: Performance of all the activities provided in this Article in the case of the entities and institutions that are administered under the auspices of the Supreme Leader will require his confirmation.

ARTICLE 185- Establishment of any new office, representation, branch and administrative

units and any other entity under similar titles out of the country by the agencies content of Article (11) of this Law and the non-governmental public institutions shall be subject to the recommendation of the relevant agency or the Ministry of Foreign Affairs and shall be approved by the Cabinet.

Note 1: Banks and insurance companies are exempted from the provisions of this Article.

Note 2: Performance of all the activities provided in this Article in the cases of the entities and institutions that are administered under the auspices of the Supreme Leader will require his confirmation.

ARTICLE 186- Ministry of Foreign Affairs is required to prepare guidelines and strategies for proper implementation of the following general policies, taking advantage of the opinion of all the related agencies, and present it during the first year of the Third Plan to the National Security Council for approval:

- 1- Development of bilateral regional and international cooperation,
- 2- Continuation of the policy of avoiding disturbance in the relationship with the non-hostile countries,
- 3- Taking advantage of the relations in order to enhance national capability,
- 4- To counteract hostilities of over-demanding countries,
- 5- To strive to get rid of the alien forces in the area,
- 6- To challenge the notion of unipolarity of the world,
- 7- To support Muslims and the oppressed nations,
- 8- To strive for more intimacy among the Islamic countries,
- 9- To strive to reform the structure of the United Nations.

## **CHAPTER TWENTY FOUR: The Judicial Affairs**

ARTICLE 187- In order to exercise necessary legal protection and facilitate public accessibility to the judicial services, and to protect the people' rights, the Judicial Power is authorized to take measure in pre-qualification of the graduates of the field of law in order to enable them to set up legal counseling firms.

Presence of the said councilors in the courts of law and offices and public and non-public organizations for the purpose of performing the lawyers duties shall be permissible. Pre-qualification of the official legal experts through the above process is also possible.

The executive by-law of this Article including rating the remuneration for the said legal experts shall be approved by the Chief Justice.

ARTICLE 188- The judicial power is required to take measures in specializing the courts of law on the basis of the volume of the operation, legal needs and expertise, and experience of the judges, in order to enhance the quality of the courts and increase their efficiency.

The circumstances and the manner of executing this Article shall be based upon a directive that will be prepared by the Ministry of Justice and approved by the Chief Justice.

ARTICLE 189- In order to reduce the people's recourse to the legal courts aiming at promoting popular participation, settlement of local disputes and issues of non-legal nature, or where their legal nature is less complicated, will be entrusted to the arbitration councils. The scope of the mandates and authority of the councils, their composition and the manner of nominating their members shall be based on the by-law to be proposed by Ministry of Justice and to be approved by the Cabinet and ratified by the Chief Justice.

ARTICLE 190- In order to improve the conditions of prisons and to create an environment conducive to rehabilitation and correction and retraining the prisoners in such a way as to enable them to return to a healthy social life, the following tasks shall be performed:

A- The Prison Organization is required to take measures in cooperation with the popular associations and institutions in order to activate associations patronizing families of the prisoners and the annihilated families and to create such associations in every center so that one hundred percent (100%) of all the needy families of the prisoners and the annihilated ones are covered by the associations' support by the end of the Plan.

B- Minister of Justice is required to take steps in order to prepare a by-law for the prisoners' work, giving priority to the proper vocational training in such a way that upon completion of the conviction period, they could receive certificate of employment and at the same time their records of the past could be removed, so that they could effectively return to the society.

ARTICLE 191- Government is required to allocate to the Judicial Power through the annual budget and in form of assistance, the equivalent of fifty percent (50%) of all revenues of all the courts of law and agencies affiliated to the Judicial Power, that are lawfully collected and are settled with the Treasury. Upon approval of the Chief Justice, the funds will be spent in the following cases in the Ministry of Justice and the organizations affiliated to the Judicial

Power:

1-To build, complete and purchase buildings for administrative purposes and public housing.

2- To equip the administrative buildings and to purchase necessities and vehicles

3- To pay merit rewards, and the fee for being on duty and commission.

4- To provide for the deficit of the urgent current expenses of the entities of the judicial power.

5- To pay the expected profit rate of the facilities of the housing for the judges and the employees.

6- Other urgent cases as discerned by the Chief Justice.

## CHAPTER TWENTY FIVE: Health and Medical Care

### ARTICLE 192-

A- The following measures shall be taken in order to enhance the efficiency of the medical care, to develop health and medical care services in the country, to facilitate accessibility of the public to these services, and also to determine the scope and extent of the government and non-public sectors' responsibility in these areas:

1- All the hygienic services in urban and rural areas will be rendered by government free of charge.

2- The outpatient medical care services for the rural population will be provided by government in the existing units. Development of the rural medical care centers in the regions where there is no incentive for the private and cooperative sectors to invest will also be made by government.

3- The urban outpatient medical care services in the existing health and medical care centers is the responsibility of the government, but further development of these services shall be made possible through participation of the private and cooperative sectors. Development of the public sector activities will be confined to the regions where the private sector finds no incentive to make investment.

4- Government will continue its undertakings in providing inpatient medical care in the undeveloped or less-developed regions and towns (of less than one hundred thousand population) and will provide educational beds proportionate with the number of students of the medical science universities. Development of the inpatient treatment centers in large cities (of over one hundred thousand population) shall be the responsibility of the non-public sectors. Moreover, in the large cities facilities will be provided to divest the existing inpatient treatment facilities and to set up new inpatient treatment center by the non-governmental sectors, with priority given to the medical cooperative groups.

5- The Welfare Organization is charged with taking action in preparation, design and execution of a plan for reorganizing and rehabilitating chronic mental patients and the aging people during the first year of the Plan.

The executive by-law of the above Item shall be prepared through cooperation of the Ministry of Health-Medicare and Medical Education, and the Plan and Budget Organization. The by-law shall be approved by the Cabinet.

B- In order to enhance efficiency and participation of the employees and the public in provision of the health, medical care, pharmaceutical and rehabilitation services, Ministry of Health-Medicare and Medical Education is authorized to take the following actions, taking into consideration the provisions of Item (A) of this Article:

1- To compensate the specified services rendered by its own employees according to the approved tariffs (service charge system instead of daily payment). The non-public sector may provide the same services likewise.

2- Payment of a portion of the proceeds of the services rendered by the employees in the

units under auspices of the government to them in the form of merit rewards aiming at enhancing the work efficiency of the employees.

To implement the provisions of Item (B) of this Article, the required funds will be provided in the annual budget bills. The proceeds of the same services in each province shall be appropriated within the framework of the annual budget in order to develop the quality and quantity of the health and medical care services in the same province.

The executive by-law of this Item including identification of the status of the active employees, the criteria for defining the services to be rendered, the manner of assigning the services, the manner of pricing the services, the mode of payment, and the manner of spending the proceeds, etc. will be prepared within a maximum period of six months from the date of enactment of this Law jointly by the Ministry of Health, Medicare and Medical Education and the Plan and Budget Organization for the Cabinet for approval.

ARTICLE 193- In order to secure and properly distribute the inpatient treatment services in proportion to the needs of different regions of the country, and in due consideration of two important factors of accessibility of the services to individual people and to prevent over-investment, classification and grading the inpatient treatment services while taking into account the compensation for the cost of patient transportation, and preserving the ratio of the dispatched patients from the lower levels by government, shall be performed according to the different specializations and their locations as broken down by county. The establishment, development, and equipping the country's inpatient treatment facilities, and also, allocating the manpower to provide the treatment services shall be done according to the organization and grading of the country's treatment services. The criteria and the grading program for the country's inpatient treatment services shall be prepared jointly within six months from the enactment of this law, by the Ministry of Health-Medicare and Medical Education and the Plan and Budget Organization, for approval by the Cabinet.

A- To achieve the goals of service grading, the Ministry of Health, Medicare and Medical Education is required to take necessary actions during the Third Plan period to eliminate inadequacies of the services and to reduce the possibilities of over-treatment in excess of need, including the excess manpower, equipment, replacing the outworn and dilapidated and substandard units, in order to make necessary adjustment in the existing inpatient treatment capacities and ordering the urgent medical services.

Note: In order to range the care-taking services of the accident victims and to improve the emergency care system, government is required to set up urgent care system (trauma centers) for these patients and convert sections in the medical care centers to these units (trauma centers), and establish new centers wherever needed in such a way that all the accident victims could receive the urgent care free of charge.

B- In order to adapt and harmonize the proper and needed capacities with the existing capacities, the whole set of the country's inpatient treatment facilities including those of the Ministry of Health, Medicare and Medical Education, the Social Security Organization, banks and the state-owned enterprises, Armed Forces, the charity and private organizations, and the like will be viewed as one integrated system and seen together as a whole regardless of

their proprietorship and management.

C- In order to enhance the quantity and quality level of the rehabilitation services and facilitate people's accessibility to these services aiming at equalizing the opportunities and enabling the disabled to actively participate in the society, proper preparation of the public facilities (private or public) will take place during the Third Plan. Moreover, during the Plan period, a certain number of sanitariums will be allocated to the war-injured female patients; the use of ambulance service for the war-injured with the intensity of above seventy percent (70%), spinal cord cut, neurological, psychological and chemical war victims shall be provided free of charge.

The executive by-law of this Item to be prepared through cooperation of the Ministry of Housing and Urban Planning, the State Administrative and Employment Affairs Organization and the Plan and Budget Organizations, and shall be approved by the Cabinet.

ARTICLE 194- All the centers of production and distribution of the food items, cosmetic and hygienic products and also all the centers rendering services related to the these areas must, in addition to complying with the hygienic criteria that will be set forth by the Ministry of Health-Medicare and Medical Education and other related agencies, obtain periodical certificate of inspection and compliance from the legal and real persons (public and private) whose qualification in the matter has been confirmed for a certain period of time by the aforesaid agencies. Ministry of Health, Medicare and Medical Education and other concerned agencies are required to monitor continually the services of the real and legal persons whose qualification has been confirmed. In case of any violation the qualification license must be revoked and the matter be reported to the competent authorities.

The by-law of this Article including the method of identification of the production, distribution and service units content of this Article, determining the period of validity of the hygienic certificate for any of the concerned centers, tariff rating, handling the violators either to charge them or to refer them to the court of law, the criteria for determining qualification of the real and legal supervisors, and other related matters will be prepared within a maximum period of six months from the date of enactment of this Law by the Ministry of Health, Medicare and Medical Education in cooperation with the relevant agencies and shall be approved by the Cabinet.

ARTICLE 195-Setting up and building any type of medical treatment unit by the entities content of Article (11) of this law and the non-public entities and institutions except Ministry of Health, Medicare and Medical Education and Ministry of Housing and Urban Planning (as the executor) and except for the cases authorized in Article (192) of the Law, is prohibited. Setting up and building medical care units by the aforesaid entities in urgent cases shall be permissible upon confirmation by the Ministry of Health, Medicare and Medical Education and ratification of the Cabinet. Special centers for treatment of the war-injured are excluded from this provision.

ARTICLE 196- The following measures will be taken in order to regulate the pharmaceutical market, to provide the required foreign exchange and import of the pharmaceutical raw material and medicine, to prevent irregular increase of price of the urgent hygienic drugs for

long term use, to support the insurance system and also to prevent the side effects and risks related to the use of drugs:

A- The list of authorized drugs will be published annually. Import, production, distribution and administration of the medicine, other than those listed officially, are prohibited.

B- Import of raw material for production of medicine and import of the subsidized drugs will take place at the official rate of exchange. In the event of change in the rate of foreign exchange, the differentials will be computed and provided for within the budget law in form of subsidy in local currency (Rial) .

C- The hygienic and necessary drugs for long term use and the drugs needed for refractory and the war-injured patients are entitled to receive subsidy in local currency (Rial) in addition to the facilities indicated in item (B) of this Article.

D- The Rial subsidy and the differentials indicated in items (B) and (C) of this Article shall be paid proportionate with the coverage of population by the insurance and through strengthening and expansion of the insurance system.

F- Supply of drug to the end-users out of the pharmacy system (with the exception of non-prescription pharmacies whose list will be made available by the Ministry of Health, Medicare and Medical Education) is prohibited.

G- In order to guarantee the quality of the drugs produced domestically, all factories producing medicine are required to control the quality of their products by setting up the quality control units and utilizing the service of the specialists in the field. To achieve this objective, the said factories are authorized , in coordination with the Ministry of Health, Medicare and Medical Education, to utilize up to fifty percent (50%) of the revenue content of the Law of Amending Item (2) and Note (2) of Article (5) of the Law of the Need for Re-training and Training of the Medical Society enacted on 5/09/1992, within the framework of the annual budget.

H- One hundred percent (100%) of the per capita share subject of the Law of the Universal Insurance of the Country's Medical Services enacted on 24/10/1994 for the war-injured patients, and also the doubled insurance of the war-injured patients with the intensity of fifty percent (50%) and over, provisions for import of drugs and medical and rehabilitation equipment for the war-injured patients will be paid through the foreign exchange at the official rate, and they will be exempted from charges, tax, customs fees and the trade tariffs.

The executive by-law of this Article shall be prepared by the Ministry of Health, Medicare and Medical Education, and shall be approved by the Cabinet.

ARTICLE 197- In order to institutionalize food security (accessibility of all the society to sufficient and healthy food), to improve people's diet, to reduce sickness emanating from malnutrition, and to promote the society's health, Ministry of Health, Medicare and Medical Education is required to determine, within a maximum period of one year, the desirable diet and nutritional basket. The following actions shall be taken in order to materialize the said basket:

A- The cultural and educational ministries and the Islamic Republic of Iran Broadcasting Organization are required to take measures to enhance awareness, to promote nutritional

culture and to provide people with necessary training in order to secure the desirable nutritional basket.

B- In allocating the financial resources in form of subsidy on food items and upon soliciting the opinion of the Ministry of Health, Medicare and Medical Education, the Economic Council shall prepare the ground for implementation of the policies of desirable nutritional basket.

C- In order to eliminate malnutrition amongst the low income families, the subsidies granted to the needy and rural inhabitants and residents of the less-developed area will be increased in proportion to the rest of the population.

D- In order to raise the level of public health, Iran Standard and Industrial Research Institute is required to prepare the whole set of the food safety standards no later than the end of the Third Plan, and advise the Ministry of Health, Medicare and Medical Education and other relevant agencies in order to enable them to impose quality control over the production and supply of the food items.

E- The proper structure and organization of food and nutritional safety at the national and provincial levels will be designed by the Ministry of Health, Medicare and Medical Education within six months from the date of enactment of this Law, and to be approved by the Cabinet upon confirmation of the State Administrative and Employment Affairs Organization.

## **CHAPTER TWENTY SIX: Implementation and Monitoring**

ARTICLE 198- To secure proper implementation of the Third Plan, the President will present to the Islamic Consultative Assembly an annual evaluative and supervisory progress report for each year of the Plan and no later than the month of Shahrivar (21 August) of the following year. The report shall cover the following subject matters:

- A- A review of performance of the provisions of the Plan as specified in the articles herein.
- B- A review of performance of the policies as specified in this Plan,
- C- A review of macro-economic and sectoral performance of the Plan in general, and in the areas of production, investment, foreign trade, the balance of payments, the budget, monetary sector and inflation, employment and unemployment, in particular
- D- An evaluation and appraisal of the performance and an analysis of the factors adversely affecting the realization of the Plan' targets..
- E- The policy recommendations directed towards improvement of the performance of the Plan.

Note: The executive agencies are required to prepare and submit to the Plan and Budget Organization progress reports on performance of the Third Plan according to a directive that will be conveyed to them by the Plan and Budget Organization.

ARTICLE 199- Enforcement of the laws and regulations which are contradictory to the provisions of this Law will be halted during the years of the Third Plan.

The above law comprising one hundred ninety nine articles and fifty six items was enacted by the Islamic Consultative Assembly on Wednesday, the fifth day of April of the year two thousand and ratified by the Guardian Council on 05/04/2000.

**Appendix I:  
Tabular Data**

**Table (1)  
Number of Government Employees- Civil and Military- excluding the government-owned  
companies, during the years of  
the Third Development Plan**

Year	Government Employees at the Beginning of the Year (1)	Natural Reduction of Employees During The Year	New Recruitment During the Year
2000	2,128,230	43,760	21,880
2001	2,106,350	43,200	21,600
2002	2,084,750	42,540	21,270
2003	2,063,480	41,900	20,950
2004	2,042,530	41,420	20,710
2005	2,021,820	-	-

(1) Including tenure, formal, permanent, by agreement, contractual employees, commissions, and labor.

**Table (2)<sup>\*</sup>  
Projection of Foreign Exchange Earning from Export of Crude Oil  
(In Million Dollar)**

Description	Year	1999	2000	2001	2002	2003	2004	Total
	2000	2000	2001	2002	2003	2004	2005	
Export Of Crude Oil		10951.5	11089.6	10864.8	11058	11578.8	12082.8	56674

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Table (2) has been amended. Please see Appendix II for the revised figures

<sup>\*</sup>

## Appendix II: Amendments

1- Article 60 of the Law was amended on 10/10/2000 at the open session of the Islamic Consultative Assembly as follow:

ARTICLE 60- To stabilize the foreign exchange revenue accrued from the export of crude oil during the Third Economic, Social and Cultural Development Plan of the Islamic Republic of Iran, to convert the proceeds of the said revenue to other forms of financial reserves and investments, and to prepare the ground in order to realize the activities envisaged in the Plan, government is required to undertake the following actions through creating a prudential foreign exchange reserve account for the revenue earned through the export of crude oil:

A- Effective from the year 1379 (March 21, 2000), the foreign exchange revenue from the crude oil export in excess of the envisaged figures in table (2) of this Law shall be deposited into a government reserve account with the Central Bank of the Islamic Republic of Iran, titled "Reserved Account for the Crude Oil Income".

B- During the years of the Plan, in cases that the revenue from the crude oil export falls short of the envisaged figures in Table (2) of this Law, government is authorized to withdraw from the said reserve account, once in every three months interval. The Rial equivalent of the deposited funds will be held with the government's general revenue account.

C- Government is authorized to utilize up to a maximum of fifty percent (50%) of the balance of the Foreign Exchange Reserve Account for investment and financing part of the credit requirements of production and job-creating industrial, mining, agricultural, transportation projects, and technical and engineering services provided by the non-public sector, whose justifiability is confirmed by the concerned specialized ministries, in form of sufficiently guaranteed facilities through the domestic banks and Iranian banking networks abroad.

D- Utilization of the "Foreign Exchange Reserve Account" to finance the government's general budget shall be permissible solely on the condition of decreasing foreign exchange income from export of the crude oil as compared with the approved figures and inadequacy of the revenues from tax and other sources as envisaged in Table (2) of this Law. Utilization of the said funds to offset deficit of the non-oil revenue of the government's general budget is prohibited.

E- The by-law of this Article to be proposed jointly by the Management and Planning Organization, the Central Bank of the Islamic Republic of Iran, and Ministry of Economic Affairs and Finance within a maximum period of three months with the effect from the date of enactment of this Law, and will be approved by the Cabinet.

2- Table (2) of the Law was amended on 10/10/2000 by the said Assembly as follow:

### **Table (2) of the Law of the Third Plan** (In Million Dollar)

Year	1999- 2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
Description						
Export Of Crude Oil	10951	11500	12864	11058	11578.8	12082.8