Manual of Terms & Conditions for Granting Facilities

(V. 6-4-1391)

Enacted on 26 June 2012, by the National Development Fund's
Operating Board of Directors

With reference to Article 84 of the Fifth National Development Plan of the Islamic Republic of Iran and the Budget Law for the current Iranian calendar month (started 21 March 2012), and the delegation of authority described in the Minutes of the meeting of the Board of Trustees, dated 04 May 2012, the Manual of Terms and Conditions For Granting Facilities from the resources of the National Development Fund with an emphasis on the National Production and Support for the Iranian labor and Capital is described as below in 12 parts, 72 paragraphs and 25 notes:

Part one: Definitions and Concepts:

Line	**Word**	**Definition**
A.	Act	The Fifth Economic Development Act of the Islamic Republic of Iran
B.	Fund	National Development Fund
C.	Board of Trustees	Board of Trustees of Fund - subject of paragraph C of the article 84 of the Act
D.	Bank	Central Bank of the Islamic Republic of Iran
E.	Agent Bank	Any private or governmental banks
F.	Operating Board of Directors	Operating Board of Directors of the National Development Fund – subject of paragraph D of the article 84 of the Act
G.	Manual	Manual of terms and conditions for granting facilities

H.	Agency Agreement	It is a contract made between the Operating Board of Directors and agent bank in accordance with the provisions of Article 84 and the Manual and the resources of the Fund to provide agent banks with facilities.

Part Two – General Terms and Conditions

A- As per the request of the Operating Board of Directors, within one week from the time the manual is approved, the agent bank shall take necessary measures to open accounts required by the Fund.

B- The resources, subject of paragraphs one through (H) of article 84 of the Fifth Economic Development Act of the Islamic Republic of Iran, must be deposited into the Fund by the Bank, as prescribed by the Act.

Note 1: Principle and interest of the facilities must be re-deposited by the agent bank into the Fund account for the purpose of re using them for the same purpose.

Note 2: The Bank is required to pay interest- on a daily basis – on respective currency deposits – the interest rate is determined on basis of median interest rate paid on deposits by foreign banks – the interest will be added to accounts every three months.

C- Pursuant to the agency contract that the Operating Board of Directors will sign with the agent banks, with due regard to the manual provisions, the funds will become available to those applicants who are willing to make investment in the private sector, cooperatives, and enterprises that are owned either by the public or private institutions, as described in detail in the 5th part of this manual.

D- Public and private banks, approved by the Bank or sponsored by the Investment Development Plan in Agricultural Sector (only with regards to water and agriculture plans), within the framework of this manual, may grant facilities to applicant for water and agricultural plans only.

E- Bank shall take necessary measures to issue Certificate of Blockage of Currency for those group of enacted or approved plans in the agent banks

F- Acceptance of plans by agent banks, in provinces, after confirmation of Province Investment and Entrepreneurship and in the center by confirmation of concerned highest level technical and executive body, or authorized officer will take place.

Part Three – Currency and Unit of Calculation

A- Currency used id U.S. Dollar

B- The funds will be paid out in accordance with the project's need in U.S. Dollar or any other currency that will be announced by the Bank.

Note 1: The facilities must be repaid in the same currency that was paid out.
Note 2: If it becomes necessary, exchange rate will be in accordance with the current international exchange rate announced by the Bank.

Part Four – Acceptable Activities in Divisions and Sub–divisions

A- Investment in the following projects is acceptable:
Investment in production plans - Investment in industrial production plans - Investment in mine exploration, oil, gas, petrochemical, water, electricity, energy, housing, agricultural, natural resources, environmental protection, transportation, communication and information technology, export of goods or services, export of technical services, engineering, plans relying on technology, tourism, hotel management, health and treatment training programs.

B- Investment for enhancing existing capacities (for example: purchase of machinery and equipment) – cost of their installation, cost of training associated with those new machinery and equipment, commissioning, purchase of technology in conjunction with production and investment plans.

C- Investment in projects that result in renovation and energy optimization

D- Investment in projects that within the framework of the afore-mentioned paragraphs, economically and technically is justified (regardless of whether it is export or non export oriented).

E- Granting facilities for export of engineering and technical services (such as bank guarantee bonds) to the Iranian companies that won international tenders – after receiving appropriate guarantees.

F- Foreign Investment Plans (in accordance with article 40 of the Constitution) – and joint foreign investment with private sector within the framework of the Incentive for Foreign Investment Act, enacted on March 10, 2002, by the Islamic Consultative Assembly and its later amendments.

G- Granting facilities to those people who are interested in buying Iranian products and services in targeted export markets.

H- Granting facilities to those who intend to invest in international capital and financial markets – subject to confirmation by the Fund's Board of Trustee

I: With respect to the above mentioned plans, priority will be given to the following projects:

- projects which fall within international sanctions
- projects which will result in supporting the Iranian labor and capital
- projects to optimize energy consumption
- projects to develop current capacities
- joint venture projects (between Iran and a foreign party)
- exporting Iranian goods and services to target markets
- projects in which the applicant has more shares and will result in more job opportunities (except for less developed areas and the water and agriculture sectors)

Part Five – Eligible Applicants:
The following people are eligible to apply for the Fund's facilities:

A- Iranian natural entities who are engaged in activities enumerated in part four of this manual and posses all respective licenses from concerned authorities.

B- Iranian legal entities in private sector- Iranian Cooperatives, and enterprises affiliated with non governmental institutions that in accordance with their article of association are engaged in activities enumerated in part four.

Note 1: If 20% of members of the Operating Board of Directors of a legal entity, or enterprise is chosen by the government, regardless of their type of ownership, that legal entity or enterprise won't be eligible to apply and receive facilities from the Fund.

Note 2: An institution or a company is regarded as a non governmental entity, when at least 80% of its stocks or capital is provided directly by natural entities, or provided by natural entities via legal entities.

Note 3: With respect to those institutions and companies that their majority of shares is owned by public or non profit institutions, such as endowment organizations, insurance and retirement funds, and non profit organizations, they are regarded as institutions and companies that are associated with non governmental public entities.

D- Joint investment of Iranian and foreign companies in the framework of the Incentive for Foreign Investment Act, enacted on March 10, 2002, by the Islamic Consultative Assembly.

Note: With respect to joint ventures mentioned above, at least 30% of the joint venture capital must be provided by the foreign company.

E- Foreign purchasers of Iranian goods and services in the export target markets

Note: The facilities shall be provided solely for the purpose of purchasing Iranian goods and services.

F- Foreign investors who carry out their business activities within the framework of the Incentive for Foreign Investment Act, enacted on March 10, 2002, by the Islamic Consultative Assembly, if 30% of the investment capital needed for the plan is provided by the foreign investor, subject to observing provisions of article 80 of the Iranian Constitution.

Part Six – Expected Rate of Return

A- With respect to rate of return for manufacturing and investment plans, subject of Part Four of this manual, pursuant to resolution passed by the Fund's Board of Trustee, with respect to water and agricultural plans, rate of return will be at least 5% and with respect to plans in other categories and sub categories, the rate of return will be at least 10%.

Part Seven – Interest, Guarantee Bonds

Interest rate applicable to facilities granted for plans in private sector, cooperatives, enterprises affiliated with non governmental institutions, with due regard to the expected rate of return on the Fund's resources, and rate of return on manufacturing and investment plans, will be as follow:

A- For general facilities: 6% per year

B- With respect to investment plans in the provinces of Lorestan, Kordestan, Ilam, Sistan & Baluchestan, Bushehr, Hormozgan, Koh kolouyeh, Bouyer Ahmad, North Khorasan, South Khorasan, and other under developed cities, as enumerated on the attached list, the interest rate will be 1% less than the rate of general facilities.

Note: With regards to the less developed areas, subject to this paragraph, the base for judgement will the ratification no. H36095T/76354, approved by the Cabinet on 01 July 2009. Any further changes by the Cabinet about the mentioned list may be also applicable.

Also, in cases where the name of the town or district has been included in the respective list, it includes all districts, urban areas and villages located within the boundary of that town.

C- With respect to facilities granted for water and agricultural plan: 1% less than the rate of general facilities for all areas of the country

D- Guarantee bond (late payment penalty) 4% per year over the interest rate.

Note 1: If partial payment is made on the facilities, only the portion that is not paid is subject to late payment.

Note 2: the interest rates mentioned in this section are applicable to contracts made between applicants and agent bank in the Iranian calendar year 1391 (March 21, 2012 through March 20, 2013). New rates will be announced by the board of trustee or Operating Board of Directors to agent bank annually. Until the time the new rates are announced, the current rates will be effective.

Note 3: the date for calculating the interest of the facilities of the Fund with the agent bank shall be calculated based on the date when the facilities were first withdrawn from the account of the Fund with the bank.

Part Eight – Requirements

A- Maximum amount foreign currency facilities granted for a plan will be equivalent to foreign currency investment in the plan.

Note 1: Foreign currency investment in a plan, regardless of whether it is fixed capital or working capital, will be provided out of the Fund's resources – the facilities will be provided to applicant via agent bank within the framework of foreign currency needed for the plan, over the period the plan is carried out.

Note 2: Paying facilities from the resources of the Fund for importing raw material, spare parts and tools required for the current projects, is permitted with a maximum 10% of the ceiling of the agency agreement concluded with each agent bank.

B- In order to use Fund's resources, the facilities applicant must notify the agent bank as how resources of the plan in Iranian currency are procured.

Note: The agent bank is obligated to provide necessary Rial resources for the projects from its own resources and the asset of the applicant, in accordance to Parts 5-7 of the Budget Law for the current Iranian year (started March 2012).

C- Total facilities granted by agent banks, out of the Fund's resources, to enterprises that are affiliated to non governmental public institutions, should not exceed 20% of facilities allocated to an agent bank.

Note: If applications sent by an agent bank, in conjunction with an enterprise that is affiliated to a non governmental public institution, exceeds 20% of the facilities allocated to that agent bank, in order to comply with sub paragraph 4 of paragraph (Y) of the article 84 of the Act, the agent bank must coordinate its actions with the Fund and any action taken in that regard must be with the Fund's consent.

D- Pursuant to note # 2 under paragraph (T) , the facilities, subject of this manual , must be granted in foreign currency only. Applicants are not permitted to convert the foreign currency into Rial in the domestic market – this issue must be emphasized on the contracts made between applicants and agent banks. Proper enforcement guarantee must be obtained from the applicants in this regard.

E- Permitted amount of facilities for real and natural entities will be in accordance with the Bank regulations.

F- It is imperative for applicants to observe provisions of the "Maximum Use of State's Technical, Engineering, Industrial Manufacturing and Executive Capabilities Act, enacted on March 2, 1997". Provision of the law must be stipulated clearly on the contract signed between applicant and the agent bank.

G- Granting facilities to authorized companies is subject to the fact that ratio of stock holders' equity to total company's asset, at any time is not less than 20%.

Part Nine – Brought in Capital by the Applicant

A- Applicants' share, regardless of being natural or legal entity, in each plan must be equivalent of 25% of the total plan's cost in Rial and foreign currency (based on technical, financial and economical assessment of the agent bank).

Note: The applicant may not use loaned resources related to the project in order to bring capital.

B- With respect to projects in the cooperatives sector, the applicant's brought in share must be equivalent to 20% of the total Rial and foreign currency cost of the plan.

C- With respect to projects in the agriculture and water sectors, the applicant's brought in share must be equivalent to 20% of the total Rial and foreign currency cost of the plan.

D- With respect to projects that will be carried out in less developed provinces of Iran (attached list), the applicant's brought in share should be at least 15% of the total cost of the plan in Rial and foreign currency.

E- With respect to joint venture investments that take place between Iranian and foreign partners under provisions of the Incentive for Foreign Investment Act, the brought in share of applicants must be equivalent to 30% of the total plan's cost (in Rial and foreign currency) which shall be in monetary ad non monetary (such as machinery and equipment for the plan).

F- With respect to export plans, including goods, engineering and technical services, the brought in share of applicants must be equivalent to 20% of the total plan's cost (in Rial and foreign currency).

Part Ten – Duration of Facilities

A- Time required for investment up to trial operation of the plan will be maximum of 3 years- moratorium period will be maximum of 6 months – repayment period, including the investment, operation and moratorium periods, at the determination of the operative bank, will be maximum of 8 years.

Note 1: In special cases, when approved by the Operating Board of Directors, the operative bank will be allowed to add maximum of 12 months to the cooperation period and decrease the repayment period accordingly.

Note 2: With respect to facilities granted for projects to be carried out in less developed provinces of Iran, as enumerated on the attached list, the total repayment period will be 10 years and for the housing sector in all areas it will be 12 years, maximum.

Note 3: With respect to facilities granted to those who are interested in purchasing Iranian goods or services, subject of part 3 of paragraph (T) of article 84 of the Fifth Economic Development Plan of the Islamic Republic of Iran, total financing period will be at most two years, and for exporting goods and technical-engineering services subject of part 2 of paragraph (T) of article 84 of the Fifth Economic Development Plan of the Islamic Republic of Iran, total financing period will be at most eight years to be set by the agent bank depending on the quality of the project.

Note 4: the total period of financial procurement for granting facilities to capital in circulation subject to Note 2 of Paragraph A Part 8 of this manual is maximum two years.

Note 5: Payment (out of the Fund's resources), for approved plans, by the agent bank, must take place within the pillar (regulations) of the agent bank. It must be paid out gradually, step by step, and in accordance with actual physical progress of the plan.

B- With respect to repayment of the facilities, with due regard to the plan's conditions, the agent bank will have the option to determine the repayment method.

C- On facilities's due date, the agent bank must return the principle and interest of the facilities to the National Development Fund, in the same currency that it was paid out / letter of credit was opened for customer, within 10 working days. Otherwise, guarantee bond, subject of part seven of this manual, will be applicable to it. In case the applicant requested that the facilities to be repaid in a currency other than the currency that the facilities was paid out, the current rate of exchange will be applicable. But, in any case, the agent bank must return the money to the Fund in the same currency that was paid out.

Note: In case the agent bank is late in returning the installments to the Fund, pursuant to provisions of contract signed between the Bank and Agent bank, and pursuant to paragraph D of the manual, the Central Bank of Iran will be authorized to withdraw money from the resources of the agent bank for principle, interest and guarantee bond.

D- With respect to repayment schedule, the agent bank will be authorized to let the applicant repay the facilities in simple or adjustable installments, subject to signing a contract with the applicant. With respect to adjustable installments, the first installment may not be less than 30% of the last installment.

E- In case the facilities is combination of facilities from (domestic banks and Fund's resources), the contents of this manual will govern the portion of the facilities (principle, interest, brought in capital, repayment period, etc…) that is derived from the Fund. In this regard, the agent bank will be authorized to apply its own rules and regulations to the portion that is not derived from the Fund.

Part Eleven – Responsibilities of agent banks

A- The agent banks undertake to provide sufficient facilities in their branches in Tehran, and center of provinces, to accept application forms from investment applicants.

B- The agent banks undertake to hire sufficient skilled employees to review submitted application forms from technical, financial and economic point of view.

C- The agent banks undertake to evaluate worthiness of applicants and rank them with respect to their credit history.

D- The agent banks undertake to evaluate rate of return of the plans. The rate of return must not be less than the rate of return stipulated in part 6.

E- The agent banks undertake to evaluate feasibility study report of the plan with respect to technical, financial and economical aspects of the plan

F- The agent banks undertake to forward a summary of credit report concerning approved feasibility study report, on respective forms sent by the Fund, to the Operating Board of Directors.

G- The agent banks undertake to sign contract with applicant concerning the financing of the plan.

H- The agent banks undertake to ascertain that the needed capital (in Rial) is procured by the applicant, either through domestic resources of the agent bank or any other means.

I- The agent banks undertake to schedule precisely the financing period and repayment schedule and period of the facilities.

J- The agent banks undertake to precisely supervise the physical and financial progress of the plans – in this regard the agent bank must submit a progress report to the Operating Board of Directors, every three months.

K- Generally speaking, the agent bank undertakes to be responsible for general risks associated with the facilities. The agent bank accepts to be responsible for receiving installments from applicants and to be responsible for repayment of the facilities on its due date (principle and interest) to the Fund.

L- The agent banks undertake to observe rules and regulations promulgated by the Board of Trustees, or Operating Board of Directors of the Fund.

M- In order to prevent wastes and optimize the Fund's resources, the agent banks undertake to consult with experts concerning validity of prices indicated on proformas – In this regard agent banks must envision a provision in their contract with applicant concerning reimbursement of damages sustained by the agent bank if discrepancy is found and proven between the prices indicated on proforma and actual price of that product.

N- The agent banks undertake to inform customers, at the time of signing contract with them, as to how fluctuation in exchange rate can affect their financing – and what measures they can take to cover those risks.

Part Twelve – Other Provisions

A- With respect to purchase of technology and importation of new (stock) machinery & equipment, if information concerning those machinery and equipment conform to technical standards, and when such information is confirmed by concerned authorities - and when agent bank endorses such purchase – and when there is valid guarantee covering the machinery and equipment - it is OK to finance the transaction through the Fund.

B- With respect to facilities provided to exporters, the facilities will be provided on basis of transaction needs – on basis of credit worthiness of applicant (preferably on basis of exports made by the respective division in the past three years).

Note: Exporters who enter into contract with their own branch or representative, or branch or representative of those purchasers, who indeed are affiliated with them, are not eligible to receive facilities from the Fund.

C- With respect to facilities that are intended for export of Iranian goods, services, engineering and technical services, financing will be provided in foreign currency through letter of credit, transportation documents, or on basis of financing contracts, work status report, or transportation documents issued in the name of exporter, subject to confirmation by the agent bank.

D- With respect to currency rate exchange fluctuation, facilities applicants may cover themselves through Article 72 of the Fifth Economic Development Act of the Islamic Republic of Iran. If applicant fails to take advantage of such protection, he/she will be responsible for consequences.

E- The Operating Board of Directors, by observing regulations contained in this manual, will inform the public of availability of such facilities through publicizing it in highly circulated newspapers.

G- With respect to other issues not addressed in this manual, provisions of the Fund's articles of association, subject of article 84 of the Fifth Economic Development Act of the Islamic Republic of Iran, provisions of monetary and currency directives of the Bank, will be operative.