

## The New Privatization Drive

On July 2, 2006, the Leader of the Islamic Republic of Iran Ayatollah Sayyid Ali Khamenei imparted policies on Clause C Of Article 44 of the Iranian Constitution regarding relinquishing the ownership of state-run entities. The executive order which was conveyed to the heads of the three government branches and the chairman of the Expediency Council, assigned the government to allocate 80 percent of ownership of the major state-owned entities to the private and cooperative sector.

The state-owned entities subject to this order are the major companies, industries, banks, insurance companies and other entities referred to in Article 44 of the Iranian Constitution which are currently owned by the state. This order was in support of the targets envisioned by the 20-Year Strategy for Economic Social and Cultural Development.

The privatization process envisaged in the Leader's guidelines will help reinforce the private sector and cooperatives

in national economy and support them to enter into competition in the international markets. The guidelines base the privatization process on the following principles:

1) Changing the government's role from direct involvement in ownership and running the large companies to supervisory and guidance of different sectors of the economy: Implementation of this rule will prevent the government from establishing and expanding state-owned factories and business and will lead to transfer of ownership and control of the existing state-owned entities.

2) Reinforcement of the private sector and cooperatives in national economy and support them to enter into competition in the international markets: A direct and undeniable result of this policy would be amendment of laws and regulations creating obstacles for production of competitive products, diminishing the government's involvement in pricing policies and implementation of regulations

providing necessary support and protection to private investors.

3) Gradual preparation of the private sector in order to meet the regulations of the World Trade Organization (WTO): By means of gradual elimination of tariff and non-tariff obstacles currently existing in the Iranian market, Iran will be one step closer to WTO membership.

4) Training the country's needed specialized workforce and human resources: This specific policy reiterates the need of development of public and specialized knowledge, dissemination of information and renovation of the country's education system in order to prevent migration of specialized workforce.

5) Development and improvement of national standards for the purpose of elevating the level of national quality valuation methods to international standard levels: Raising the level of national standards and emphasizing on international competitiveness will undeniably enhance the quality of Iranian products and will result in

the Iranian consumers' access to better and more economic products.

Based on the Supreme Leader's order, the downstream oil and gas sectors will undergo privatization but the upstream oil and gas industry, National Iranian Oil Company (NIOC), the state companies involved in explorations and production of crude oil and gas are excluded from the privatization drive.

The executive order called for hand-over of all the banks except for Central Bank of Iran (CBI), Bank Melli of Iran (BMI), Sepah Bank of Iran, Bank of Industry and Mines, Bank of Agriculture, Housing Bank (Bank Maskan) and the Export Development Bank of Iran (EDBI).

All insurance companies excluding the policy making Central Insurance of Iran and Insurance of Iran should also be privatized. Similarly, the order requires all airlines companies except for Civil Aviation Organization as well as Ports and Shipping Organization to be ceded to the people.

Lastly, the industries affiliated to national defense and security sectors shall be conceded to the private and cooperative

sector based on the discretion of the Commander-in-Chief of the Armed Forces.

As part of the implementation plan and delegation conditions, it is specified in the order that share prices shall be determined by the Tehran Stock Exchange market; public notices will be made to invite the entire nation to participate in the share transfer and provide equal opportunity for people to benefit from this plan; all necessary actions will be taken to ensure attraction of competent and qualified workforce for management of the delegated companies; only five percent of the shares can be ceded to workers and staff of the companies on installment.

Part of the enterprises enjoying advanced technology and deemed necessary to remain under administration of national sovereignty are excluded from privatization.

Pursuant to the Leader's order, the Parliament appointed a special commission comprised of 15 members of the Parliament to be responsible for review and enactment of executive by-laws and requisites for implementation of the Supreme Leaders' order and the Expediency Council

will be responsible for overseeing the implementation of the general policies of Article 44. As part of the implementation procedure, the Parliament may have to make necessary amendments to the Stock Exchange Law.

## Proposed Amendments to the Labor Law

After many years of silence about amending the Iranian labor law, finally the Ministry of Labor and Social Affairs in reliance to the requirements of the Fourth Five Year Plan which holds the government responsible for amending the Labor Law took the initiative and proposed amendments to the existing Law. Although, the proposed amendments are not yet approved by the government and have not been presented to the Parliament, the proposed changes are worth to note.

The proposed amendments account for greater job security for contractual workers and provides employers' obligation to pay all legal benefits to temporary contractual workers including payment of a one-month salary (based on last salary) for every year of service. Although, such law exists in the current law but its scope of coverage only extends to permanent contractual employees. Based on the proposed

amendments, all employments contract made for a period of longer than 30 days shall be in writing.

The proposed amendments also extend the applicability of unemployment payments to both temporary and permanent employees.

In support of employers and to alleviate the exiting restrictions regarding termination of employment, the proposed regulation allows for termination of an at-fault employee pursuant to giving two prior written notices and settlement of due payments with the employee.

## Miscellanies Regulations

### Regulation on Improvement of Public Transportation

The executive by-law of article 13 of the Iranian Budget Law of Fiscal Year 1385 (March 21, 2006 to March 20, 2007), provides for implementation of policies in support of enhancement of public transportation. Based on this regulation, the Ministry of State is authorized to purchase 6,500 buses and minibuses. In addition, the necessary budget will be allocated to the said ministry for payment of

financial facilities to be obtained by the same for the purpose of purchasing 30,000 units of dual-fuel engine taxis, 15,000 units of minivans and 12,500 units of mini busses. It is specified by the regulation that foreign purchases can only be conducted through holding tenders.

In order to support and encourage manufacturing and importation of low gas mileage cars, the regulation anticipates a 5% discount on the commercial interest taxes payable for importation of low gas mileage cars and parts used in manufacturing of the same.

### Manner of Ceding Sites Necessary for Operation of the Ministry of Telecommunication

Based on the Council of Minister's decree dated June 21, 2006, all government organization, state-owned companies, quasi governmental entities and other similar organizations that are specified by the regulation are obligated to cede to the Ministry of Telecommunications the sites required by that ministry for installation of telecommunication devices and micro stations, provided that the total area of such sites does not exceed 25 square meters. The organizations referenced in this

regulation are also required to allow for full access of the ministry and its personnel to such site. The costs for maintenance and operation of these sites shall be paid by the Ministry of Telecommunications.

## Recent Treaties between Iran and Other Countries

On June 12, 2006, Iran entered into a Trade Treaty with Pakistan, facilitating for further trade opportunities between the two countries.

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