

why it is wise to

INVEST IN KERMAN



Shahzadeh Garden, Mahan, Kerman



Kerman Chamber of Commerce, Industries, Mines and Agriculture

Title: Why it is Wise to Invest in the Province of Kerman

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Preface



Capital provision and investment within regulations and procedures framework, moreover to attain prioritized goals of the country, achievement of economic goals and provision of employment climate will create growth opportunities and economic flourishing.

Kerman province as the largest province in the country has spectacular capabilities and unique investment grounds in various sectors such as agriculture, tourism, industry, mining, medical science, knowledge – based activities, etc.

On account of domestic and international investment development, Kerman Chamber of commerce, Industries, Mines, and Agriculture strives hard in cooperation with both state and private sector managers and authorities under current regulations and procedures to obtain proper segment to attract and implement capital as well as domestic and international investors. This pamphlet is provided to let investors conceptualize various sectors and economic potentials of Kerman province.

We all hope this togetherness and collaboration with long- standing determination will promote us into this achievement.

This is the last but no longer the least to kindly appreciate Mr. Irani Kermani to provide us valuable contribution, assistance and none-stop support in provision of this pamphlet.

Seyed Mehdi Tabibzadeh

President of Kerman, Chamber of commerce, Industries, Mines and Agriculture

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Introduction:

After introducing Kerman chamber of Commerce, Industries, Mines and Agriculture we briefly outline geographical features of the province of Kerman, and then we present a synoptic account of tourism and infrastructure statistics in order to convey a tangible picture of the amenities, services and state of development of the province.

We then proceed to the backbone of economic structure of the province namely agriculture and mining.

Laws governing foreign investment, organizations responsible to promote investment and special economic zones follow. Finally upon preceding information we summarize our conclusions, hoping to have helped potential investors.

1 - KCCIMA

Kerman Chamber of Commerce, Industries, Mines and Agriculture is an association of entrepreneurs, individuals or firms active in trade, industry, mining, agriculture and animal husbandry, mostly from private sector. Ten years ago, coincided with the centenary of this chamber, and therefore it is one the oldest chambers in the country. Kerman has been situated along the oldest trade road and thus it has had long history of trade between The Indian Subcontinent, China and other East Asian countries, Arab States of the Persian Gulf and Mediterranean littorals.

In modern times and from an economic perspective, the private sector plays a dominant role in the province.

With the exception of few large state owned mining and industrial complexes like Sarcheshmeh Copper Mines, Gole-Gohar Iron Ore Mines and Coal Mines in Zarand and Ravar, which are earmarked for privatization thorough Tehran Stock-Exchange, private sector is very active and its share in creating real, tangible income and wealth is paramount. If circumstances permit, it would welcome and seize

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any opportunity for expansion, development, investment and partnership and KCCIMA is the linchpin of such ventures.

Kerman Chamber, as a promoter of economic development and protector of private sector interests has 8 active and operating commissions:

- Improvement of Business Environment
- Agriculture & Water Governance
- Industry and Mine
- Infrastructures & Investment
- Trade
- Tourism
- Carpet and Handicraft
- Banking, Insurance and Taxation Affairs



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KCCIMA has about 1200 members and as a long-standing institution with eminent members from Kerman business community, commands respect and authority in all circles, civil or governmental.

Non-stop endeavor to identify business obstacles in mentioned realms and true consultation to parliament and government are one of the most important responsibilities of the chamber. Kerman chamber has employed proficient consultants to help the merchants in the fields of taxation, insurance, arbitration affairs, commerce, international relationships and issuance of Trade card.

Inviting foreign delegation to Kerman and sending Iranian delegations to foreign countries in order to sign economic MOUs, giving advice to both foreign and Iranian investors and holding topping-up training courses with up-to-date experts in many fields are some of the duties of Kerman chamber in order to improve the growth of Iran's economy. Kerman chamber helps to solve the problems and disagreement between businesspersons from private sector and public sector. Another responsibility of the chamber is issuance of the certificate of origin for international trade. It also participates in charity affairs to fulfill its responsibilities towards society. The duty of educating and transferring the experiences of business people to those who are interested in business is another responsibility of Kerman chamber. To enhance knowledge and awareness level of chamber associations about the state of macro-economy of Iran, Kerman chamber has exclusive programs to reinforce and support the associations. Another crucial role of the chamber is holding regular meetings between private sector business people and government authorities to ameliorate business environment, facilitates business contacts, and solving their problems. The chamber, in arbitration sector, by establishing the Arbitration Center of Kerman Chamber has taken essential steps to solve disputes between business community and governmental sectors.

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2 -Geography

Kerman province, as the largest province of Iran, covers more than 11.5 % area of Iran and has a surface area of 183297. The province is located between 54° 21' to 59° 34' Eastern Longitude and 26°29' to 31° 58' Northern Latitude. Kerman is surrounded in the north by South Khorasan and Yazd, in the south by Hormozgan, in the east by Sistan-Balouchestan and in the west by Fars province. According to official statistics, the population of the province is estimated to be around 3 million.

The province is located between the intersections of Zagros range of Mountains and Central Mountains with the length of almost 160 km. These two ranges criss-cross the province with snowcapped peaks of more than 4000 meters and the province is literally a plateau with an average altitude of around 1500 meters, but in the southern regions of the province there are semi-tropical fertile depressions of Jiroft, Rudbar and Orzoo and yet another depression in the East at Shahdad bordering on the great Lut Desert. These natural features give rise to extraordinary climatological diversity and hence to varied natural landscapes and agricultural and horticultural activities. This exceptional intersection between high-low altitude, mountains-deserts and tropical-cold areas has created a unique natural environment which can rarely be seen in Iran plateau. These mountains have divided Kerman province into two distinct climatological regions; arid and temperate. These two regions have formed three sub regions; which are I) desert, II) hot-cold and III) mountainous sub regions.

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3 - Tourism

The province of Kerman is a favorite tourist destination on account of its archaeological sites, historical monuments, ecological systems and natural landscapes. Some people refer to it as “a small Iran”. The Bronze Age site of Konar Sandal in Jiroft together with remains of a lost culture in the form of an indigenous architecture, tablets with scripts of unknown nature, diverse artifact; 10,000 years old village of Maymand with its hand-dug houses amid the rocks is believed to be a primary human residence in the Iranian Plateau, ancient centers of civilizations in Tall-e-Eblis near Bardsir dating back to 7000 years ago and Tepe Yahya in Soghan where remain of human habitation spans 6th to 2nd millennia BC, are but few examples of archaeological sites.

As for historical structures and monuments it suffices to mention Arg-e-Bam, the greatest mud brick citadel in the world, Shazdeh Garden in Mahan, Ganjalikhan Complex belonging to Safavid period, Ibrahim Khan and Vakil Complexes both belonging to Qajar period, Malek mosque dating back to Seljuk period and literally hundreds of others.

Qanat, an ingenious Persian invention, is a gently sloping underground channel to transport water from a water well to surface, is recognized as an outstanding world heritage by UNESCO. You can see one of the best and certainly the richest qanat in Qanbarabad in Bam. One could visit kavir-e-Lute depression, East of Shahdad, to personally witness the hottest spot on earth, alongside the Kalouts, the most beautiful natural phenomena carved by extreme wind and water erosion. You may also like to visit Dalfard valley starting at 600 meters above sea level where palm trees are in abundance, climbing along an arduous winding roads to a height of 2800 meters where only Persian walnut and poplar trees grow or Hanza valley where you sit under the shadow of 1500 years old walnut trees covering a 15 kilometer stretch.

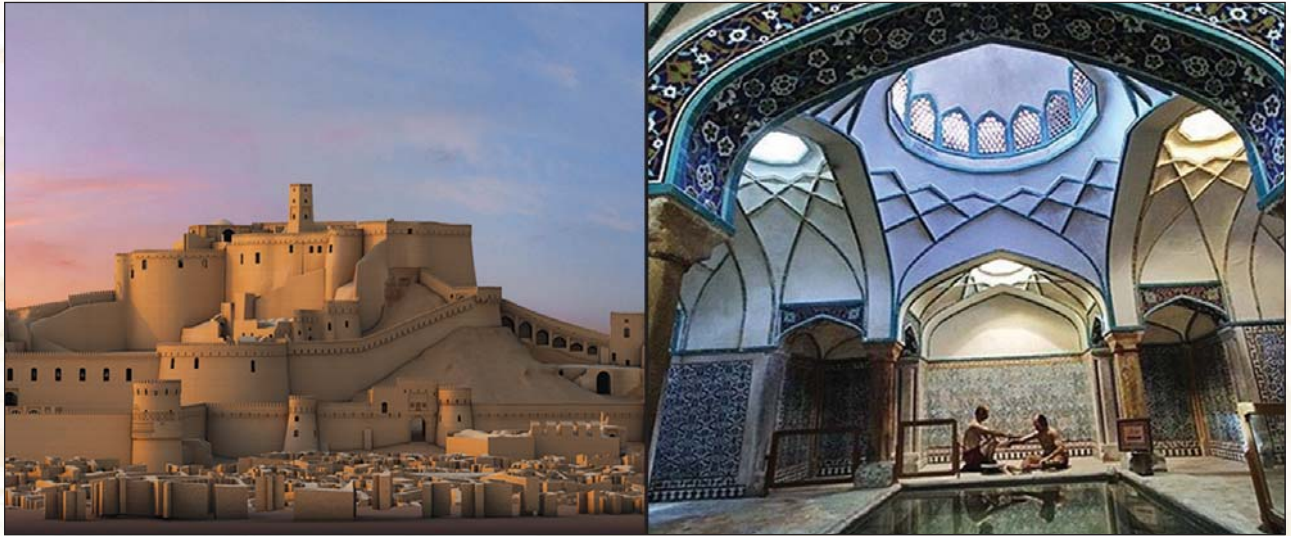
Considering the actual touristic attractions, traditional festivities like Sadeh, Nowouz, Nimeh

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Shaban or spectacular religious ceremonies, hospitality and good natured temperament of Kermani people, tourism Industry in the province is drastically under-developed. We hope, with improvement of politico/economic environment rewarding investment in tourism industry would be further facilitated.



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4-Infrastructures

4-1 -Medical Services

We have over 123,000 university students at all levels, from Bachelors to Masters, PhDs and MDs in our institutions of higher learning and medical schools, in diverse disciplines such as hard sciences, social sciences, humanities, engineering, arts, medicine, etc.



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Kerman Medical universities, with a total of 26 university hospitals, 1235 specialists and post-specialists in general medicine, pharmacy, dentistry, public health, etc. is a pioneer in several branches such as internal diseases, pediatrics, digestive diseases, ENT, dental diseases and also in pharmacy. Kerman University of Medical Sciences in cooperation with Rafsanjan, Jiroft and Bam universities is responsible for health and hygiene of the province. It is the biggest university of south-east of Iran. It has 22 research centers such as: Cancer Research center, Central lab, Center of Health-Technology Growth, the first institute of future studies in health and the first and only center of Breeding Lab Animals in the country. This university has the highest number of science board members in south-east of the country amongst all medical universities of Iran. It covers a wide spectrum of education in both special and post-special medical doctorates as well as dentistry faculty which trains residents in 8 specialized fields of study. This university, with 2011 active hospital beds, is known as a unique university in organ transplantation of heart, liver, kidney and cochlear. It is also known as a pediatric center. 26 university hospitals with 3433 beds and 14 non-university hospitals with 1465 beds are active in the province. There are also several especial treatment centers such as kidney transplantation with 8 beds, bone marrow transplantation center with 4 beds, liver transplantation center with 3 beds and cornea transplantation center with 2 beds. Due to the growth in need to expand the medical and health services, this university is willing to have participation with well-known companies listed as follows:

- Building and supplying new specialized hospitals for public and private sectors
- Building and supplying clinical and Para clinical centers (MRI, radiotherapy, angiography etc.)
- Establishing companies for producing insulin and new-combination vaccines
- Establishing a center of industrial catering

With existing hardware and software facilities and with prospective developments, Kerman is

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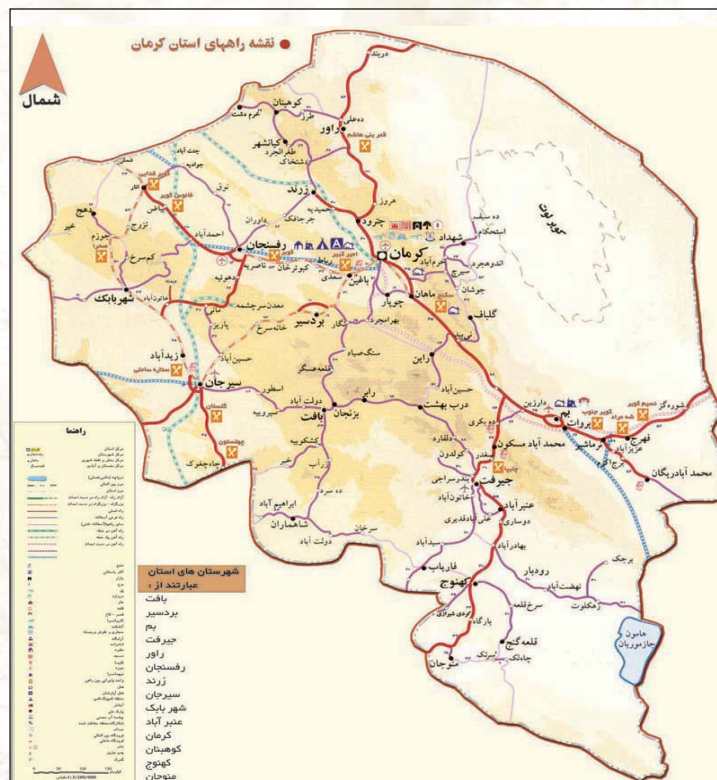
becoming a hub of medical tourism and thus would welcome potential investors in building specialized hospitals, chemical and Para-clinical centers (MRI, radiotherapy, angiography, etc.)



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4 - 2 - Roads, Railroads & Airports

Kerman province has more than 12 % of Iran's roads including 56 Km freeways, 1951 km highways, 1488 main roads and almost 3000 km rustic roads which make Kerman an important strategic location. Kerman province has more than 1457 km railroads (main, industrial). Kerman-Zahedan railroads connect Iran's railroads to its eastern neighbors. At present thousands of tons of freight cargo is being transported from Bandar Abbas, the largest port in the country to CIS (ex-Soviet Union) countries via Kerman.



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There are 5 active airports in Jiroft, Sirjan, Rafsanjan, Kerman and Bam. Air corridors of Kerman have made this province to have a unique connective position in terms of domestic and international flights. There are more than 3 daily flights between Kerman and Tehran on average.



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4-3 -Electricity

Annual per capita consumption of electricity in the province is 3400 kWh leading to a total consumption of 10.8 TWh. 10.5 TWh is generated within the province and the rest is provided by national grid through high voltage transmission lines. Some dams of Kerman province such as Jiroft with 336,000,000 m³, Tangoeeye Sirjan with 39,200,000m³, Baft with 40,000,000m³ and Nesa in Bam with 168,000,000m³ capacities are, at present, operating and two dams of Ghadroni with 42,000,000m³ and Safarood with 77,000,000m³ capacities are being constructed.



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4-4 -Accomodation Facilities

The province has 30 hotels of various grades, 30 hostels (3264 beds and 1307 rooms), 319 eco-tourism accommodation and 5 pensions.



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4 - 5 -Telecommunication

There are more than 700,000 fixed telephone lines and 3,740,000 mobile phones. Kerman has 4740 km optical fiber network and the 502.5 Gbps entering bandwidth. Kerman has access to the national data center, the transmission network with the capacity of 582 Gbps, high speed internet of 4G in 71 cities and the coverage of all cities with the high speed internet of 3G. The internet users across the province are almost 2,144,000.



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4 - 6 -Industrial Development in the Provice

There are 40 industrial estates and districts in the province. 4572 hectares of land are devoted to manufacturing, service and other business complexes in the form of industrial eststes around suburban areas of the city of Kerman, Sirjan and Bam. The total number of industrial enterprises with more than 10 workers and employees are around 1695 with a total workforce of 29,000.



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Some of the major industries of Kerman province are:

- Sarcheshme Copper Complex
- Khaton-Abad Copper Factory
- Golgohar Mining and Industrial Co.
- Shahid Bahonar Copper Complex
- Golnaz vegetable oil refinery Co.
- Hezar Aluminum Industries Co.
- Kerman Tablo Co.
- Kerman Steel Co.
- Barez Industrial Group
- Kerman Momtazan Cement Co.
- Kerman Cement Industries Group
- Kerman Motor Co.
- Modiran Khodro Co.
- Rayen Khodro Co.
- Zarand Iranian Steel Co.
- Sirjan Iranian Steel Co.
- Sirjan Jahan Steel Complex
- Kerman Metal & Rolling Complex

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The most important manufactured products of Kerman are cathode copper, iron concentrate, iron pellets, aluminum foil, rebar, sponge iron (DRI), coal tar and coke.

The main export products of Kerman province in mine and industry sectors are cathode copper, copper artifacts, iron ore, chromite and various ornamented stones such as: ceramic and tile, cement, molybdenum rock and consternate.

Metal mines of Kerman province are: iron ore, copper, titanium and ferroalloy with a yearly extraction of 30 million tons, 3032 million tons of proven reserve with the investment of 46635 billion Rials.

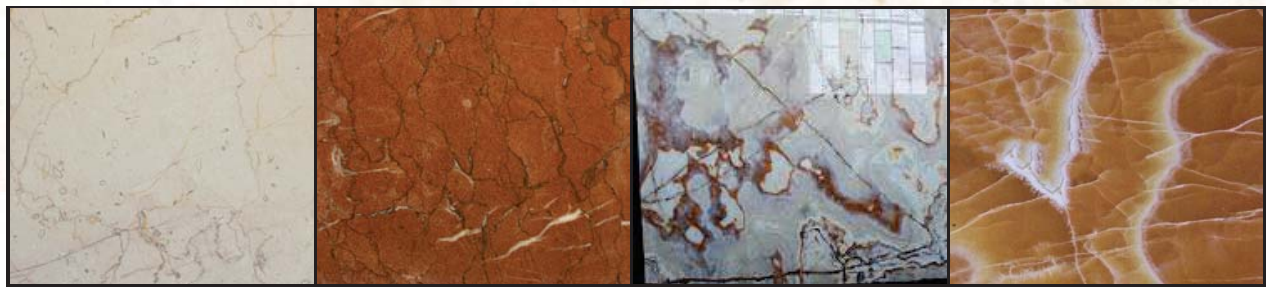
Non-metal mines of Kerman province are: lime and limestone, barite, bentonite, travertine, travonix, industrial soil, dolomite, coal, silica pellets, sand, plaster, marble, calcite, conglomerate with the yearly minimum extraction of 11 million tons, 625 thousand tons of proven reserve and the investment of 4277 billion Rials.



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Iran is one of the most important producers of minerals, ranked 12th in the world. Iran has 68 types of minerals, 37 billion tons of discovered mineral resources. Kerman province produces 40 % of minerals in the country and it is the largest producer. The province has top seat in extraction of various types of minerals in the country. Its discovered mineral resources are nearly 5.8 billion tons.

The most important mines of Iran are copper, iron ore, coal, lead and zinc. Kerman province has various kinds of metal minerals and non-metal minerals (more than 40 kinds of known minerals). Minerals such as coal, copper, iron, chrome, zinc, titanium and decorative stone are the suppliers of raw materials for industry and conversion and complementary industries. Chromite mines of Baft, Jiroft and Kahnoj are amongst the most important Chromite mines of Iran. The titanium mine of Kahnoj is the largest in the country.



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some stone processed products

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Kerman province has become the largest producer and exporter of cathode copper in Iran due to its large copper mines, copper production industry and industrial products. Iron supplies of Kerman province in Gol-e-Gohar and Jalalabad regions have paved the way for completing the value chain up to 10 million tons of steel bullion till 2025. Some of the merits of investing in the mines of Kerman province are: the remarkable resources of lime, coal, and mineral resources of bentonite for producing iron pellets, various types of cement, casting and well drilling, establishing new factories of processing quartz and an access to Khalij Fars's ports, particularly the ones in Bandar Abbas.

4-7 -Renewable Energy

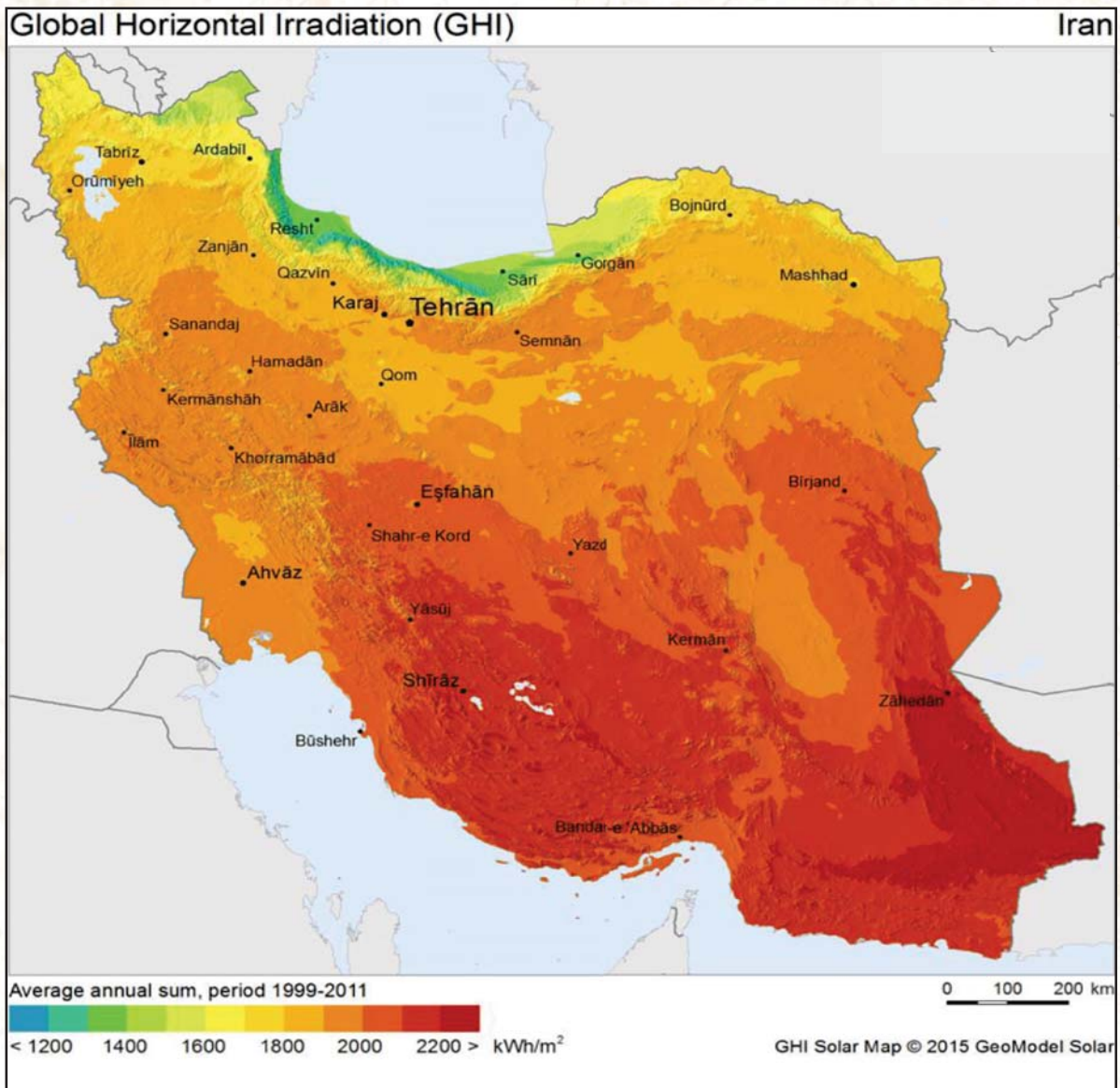
As you see in the insolation Atlas, Kerman Province receives more than 5 Kwh/m² solar radiation per day. The added advantage of the province is that the average altitude is 1500 meters above sea level which means, despite abundant sun rays, it has lower temperature and cooler climate leading to higher efficiency in solar panels. Static mounted systems of photo-voltaic (PV) farms would have a performance of one Mwh of electrical power per hectare. Therefore if only 0.1 percent of the total surface area of the province is allocated to PV farms something close to 180,000 Mwh of clean, renewable energy could be produced and exported. At present the total investment for a PV farm is around 1USD per watt and at current prices the invested sun is recuperated within 4 years.



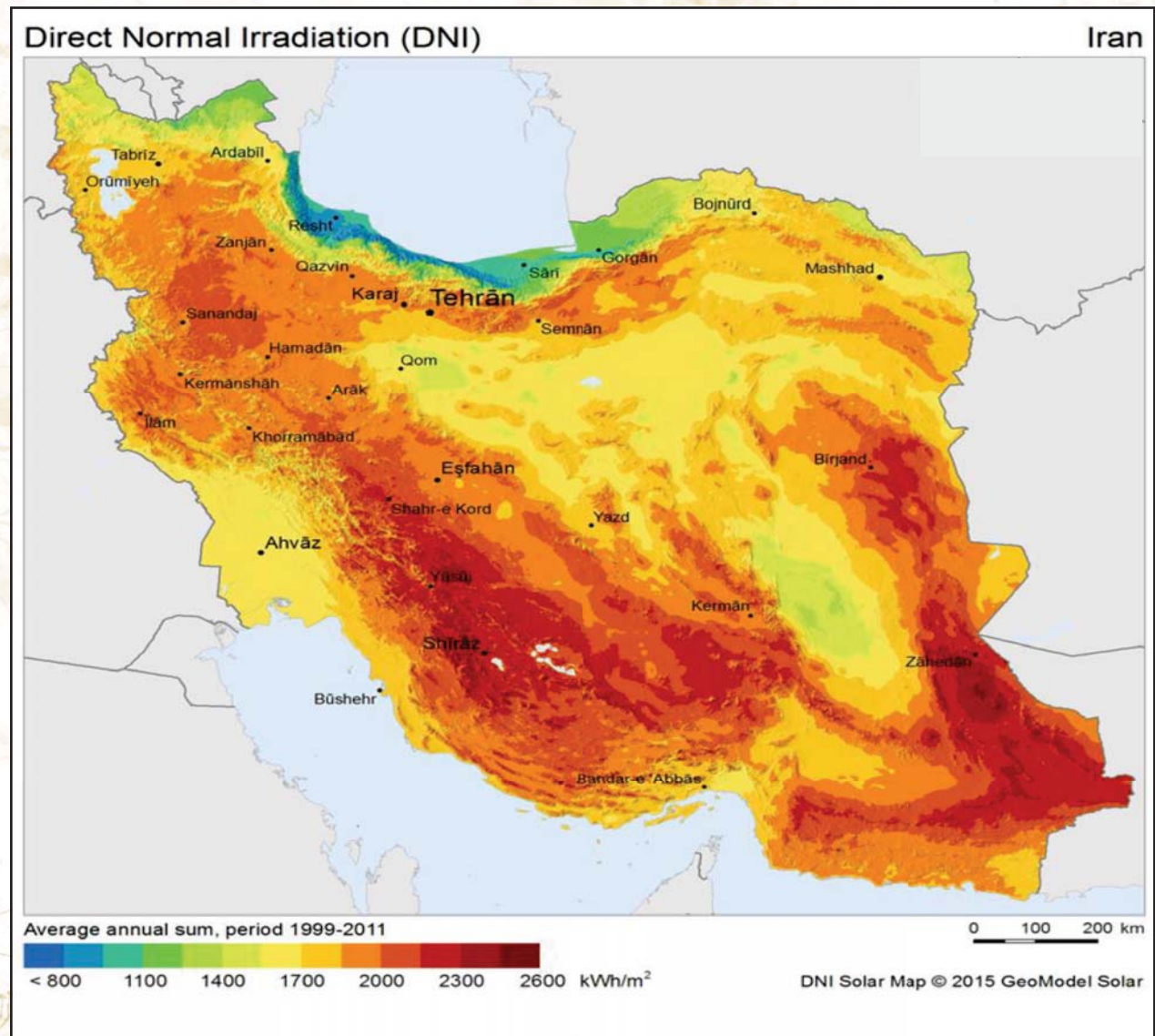
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4 - 8 -Special Economic Zones

There are 3 Special Economic Zones in Sirjan, Rafsanjan and Bam (Arg-E-Jadid), where all required utilities and public services are provided while no charge is levied as excise or custom or anything imported, be it raw materials or whole factories. It is worth to say that Jazmoriyan Special Economic Zone is in the process of construction too.



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4-9 -Handicrafts

Once upon a time Kerman rugs and carpets were the most reputable in the world, because of their requisite designs, steadfastness of natural dyes, the strength of their warp and woof and most of all for their sheer beauty and durability. Kerman carpets are known for the fineness of their weave and for their elegantly drawn designs of classical derivation, both in allover and central medallion formats. The palettes of Kerman rugs are extremely varied and it ranges from examples which emphasize ivory, blue, and magenta rug tones to those with a more golden, saffron cast. Antique Kerman rugs are easily recognizable with curvilinear graceful floral designs in a brilliant assortment of colors.

Hand woven carpet industry in the province has suffered a relative decline in recent years but fortunately a new generation of entrepreneurs has come to the arena and is determined to bring back the glorious days of Kermani rugs and carpets.

Galeems, like Sharikipeech in Sirjan, tapestries like Pate and Termeh in and around the city of Kerman, copper utensils are other major handicrafts production of the province.

After 1920, the designs became simpler, with a less varied, pastel palette, thicker pile and a lower knot count. In the last forty years, however, there has been a return to the classic Kerman made around 1900 and earlier, once again utilizing a richer, more varied range of color, more traditional Safavid designs, and the finer weaving technique appropriate to the intricate detail of classic Kerman.

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5- Agriculture

Almost 70 kinds of agricultural products in an area of 275585 hectares with the yield of 4 million tons and 54 types of horticultural production in an area of 398197 hectares with the production of 1.7 million tons are being cultivated due to diversity of climates in Kerman province. More than 15 % of orchards in the country are situated in this province and from this point of view the province ranks as number one. We do not know anywhere on earth that within a mere distance of 30 kilometers you could start with semi-tropical vegetation like fruit bearing date palms, papaya, mango and other evergreen trees and as you proceed and ascend the mild slope of the valley, passing citrus plantations, going through deciduous fruit tree orchards like apples, pears and cherries and eventually reaching vast expanses of Persian walnut groves which grow and yield fruit in relatively cold climates. Annual precipitation in the province is around 110 mm.

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5- 1 -Pistachio

Around 212,000 hectares are pistachio orchards producing nearly 22,000 tons of pistachios. It is known that Iranian Pistachio is the most delicious in the world because of high altitude and low humidity. The livelihood of over one million people depends on pistachio industry. Its export value is over one billion USD.



5 - 2 -Date

Around 58,500 hectares of date palm groves, producing nearly 378,500 tons of dates. Now although the province is the largest producer of dates in the country (and by the way the country is one of the largest in the world) we are behind other larger producers in processing and packaging. National and international know-how, collaborations and investments are very welcome in this underdeveloped and highly remunerative sector, to process and pack dates; to produce syrups and beverages from date fruit itself and pulp and paper from its leaves.

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5-3 -Citrus

Around 43,000 hectares of citrus plantations are producing in excess of nearly 660,000 tons of fruit. Ruby red grapefruits are amongst these and are very sought after items in overseas markets.



5 - 4 -Medicinal Herbs

We have a saying in the Persian language which says: «take cumin-seeds to Kerman»; this expression is very similar to the English saying «Take coal to Newcastle» implying that taking cumin seeds to Kerman, where the best quality and the most aromatic seeds are produced in wild is preposterous. Why is this? Why whatever we produce in the province from pistachios to medicinal herbs from ordinary vegetables to damask roses are so aromatic and tasty? Well, as we pointed out earlier, Kerman is a lofty plateau with a dry climate, making it ideal to produce such items as damask roses from which not only the best rose water is extracted but such an incredible essential oil is produced, in Lalezar valley for instance, that for a period of time some perfume makers in Europe did not believe that the oil was naturally produced, they thought it was synthetically manufactured. At present we have around 4000 hectares of mostly organic damask rose plantation with 6430 tons yield and therefore there is ample room for expansion and development of this particular agro-industry in mountainous and high altitude terrains of Kerman This province has the appropriate conditions of growing medicinal plants which are more than 300 kinds in an under cultivation area of 7156 hectares and the yield of 41425 tons. The most important of these medicinal plants are: borage, bee balm, peppermint, descurainia, jujube, tarragon, lavender, coriander, fennel, cumin, henna, woad, mallow, willow, dog rose, thyme, hibiscus tea, lemon bee brush, barberry, mint, oregano, rosemary, rose water, chicory and saffron.

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5- 5 -Greenhouse Products

Low lands of Jiroft, Rudbar and Orzoo produce approximately 420000 tons of off-season and also greenhouse products including tomatoes, cucumbers, peppers, aubergines, courgettes, watermelons, strawberries, onions, garlic and other vegetables. Sorting and packing facilities are not adequate and therefore a great deal of the products is wasted. Here again there is utmost capacity for production as well as good investment opportunities in sorting and packing stations. With Jiroft airport at hand, short distance between these low-land regions and Bandar Abbas, the gateway to the Arab States of the Persian Gulf, good roads between these regions and CIS countries (ex-Soviet Union) where almost nothing grows for more than six months in a year because of the cold, there is potentially no insurmountable problems in transporting the products to profitable markets.

Some agricultural products of Kerman province are: apple, pear, strawberry, raspberry, tangerine, sour orange, nectarine, white mulberry, tamarind, guava, quince, sour cherry, cherry, tomato, plum, peach, apricot, grapes, pistachio, date, walnut, almond, sea-buckthorn, orange, lemon, grapefruit, fig, banana, olive, pomegranate and persimmon. The cultivated productions are: wheat, grain, corn, peas, lentil, haricot bean, cotton, potato, tomato, watermelon, cucumber and melon.



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6 -Mineral resources

Iran possesses enormous mineral resources, including coal, copper, iron, zinc and gold. This has spawned a number of processing, particularly steel. Iran is already the third largest producer of copper in the world.

Mining in Iran is under-developed. Yet the country is an important mineral producer in the world, ranked 15th among major mineral rich countries, holding some 68 types of minerals, 37 billion tons of proven reserves and more than 57 billion tons of potential deposits. Mineral production contributes only 1.1 percent to the country GDP. With favorable attitude to mining and mining-related industries, these figures would certainly change.

The most important mines in Iran include coal, metallic minerals, sand and gravel, chemical minerals and salt. Other large deposits which mostly remain underdeveloped are zinc (world's largest), copper (world's second largest), iron (world's ninth largest) and lead (world's eleventh largest). Iran with roughly 1% of the world's population holds more than 7 % of the world's total minerals.



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6 - 1 -Kerman mineral resource potentials

Kerman province has an interesting diversity in rock sequence types, which have recovered a long history of various structural events. These two interesting aspects resulted in its mineral resource diversity. Following are some brief notes on the mineral resources of this province:

6-1-1 - The rock structure in the province, formed in Paleozoic-Mesozoic geological periods (between 200 to 500 million years ago), is characterized by the large lead-zinc, iron, copper, barite, fluorite and bauxite deposits. Barez range being part of larger Urumiyeh-Dokhtar volcanic belt is characterized by large Mo-Cu deposits like Sarcheshmeh and Meiduk deposits. Many promising areas for similar type of mineralization are under investigation for Copper, Gold and Molybdenum mineralization.



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6 - 1 - 2 - Sanandaj_Sirjan metamorphic complexes are very reputed for its large iron deposits like Gol-e-Gohar. Many magmatic geophysical anomalies have been detected, on which detailed exploration would have been done. Lead, zinc and gold mineralization are known from this zone. High quality china marbles and other ornamental stones are discovered and exploited in Sanandaj - Sirjan zone. There are several non-metallic minerals like garnet, wollastonite, sillimanite, andalusite, talc and dolomites with considerable economic resources. Some occurrences of gold mineralization have been discovered in this metamorphic belt west of Jiroft.

6 - 1 - 3 - Chromite deposits are one of the most important mineral deposits associated with ultramafic complexes in Abdasht, Sikhoran, Soghan and Baft areas. Copper, manganese and titanium are found in the ophiolite complexes of Kahnuj, Dolatabad and Jiroft.

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7 - Trade

Chart1. Kerman Province Exports and Imports 2014 - 2018



Chart2. Kerman Province Trade Balance 2014-2018



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Chart 3. Kerman Province Customs Export 2017 - 2018

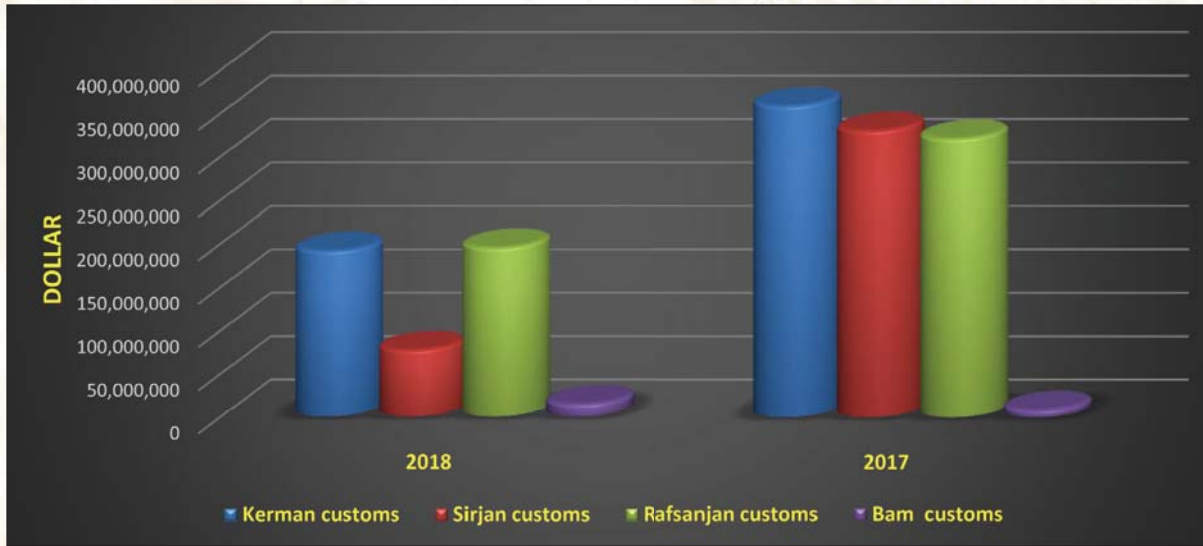
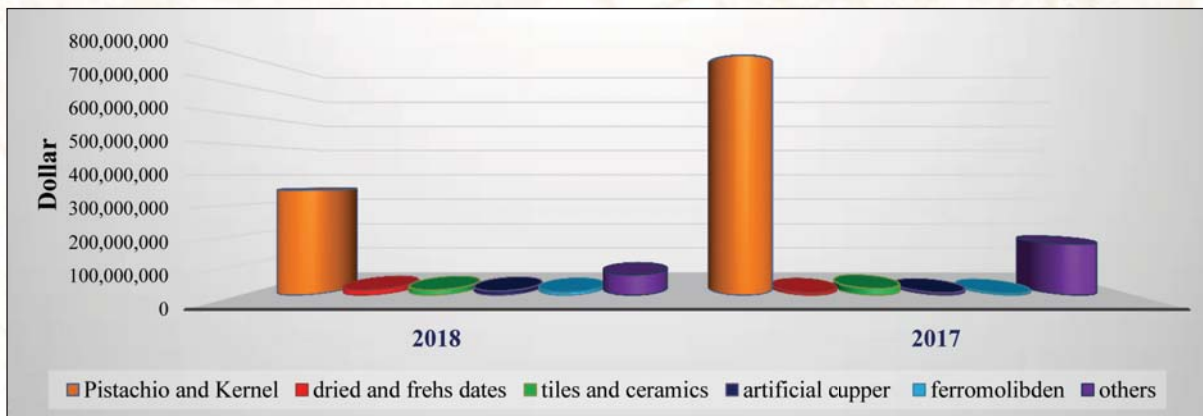


Chart 4. Principle Export Products of Kerman Province 2017 - 2018



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Chart 5. The Share of Principle Export Products of Kerman Province, 2018

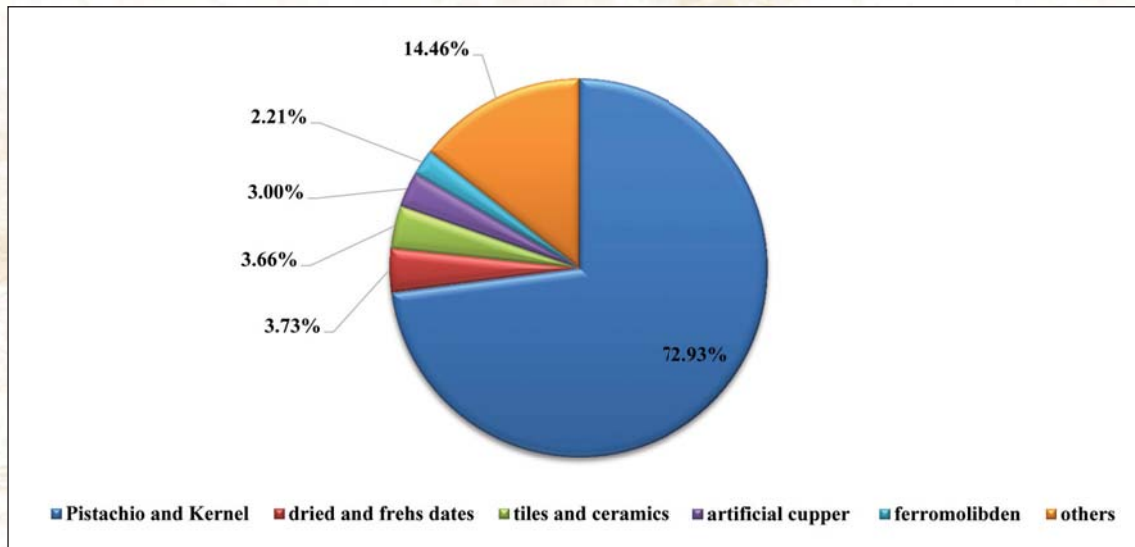
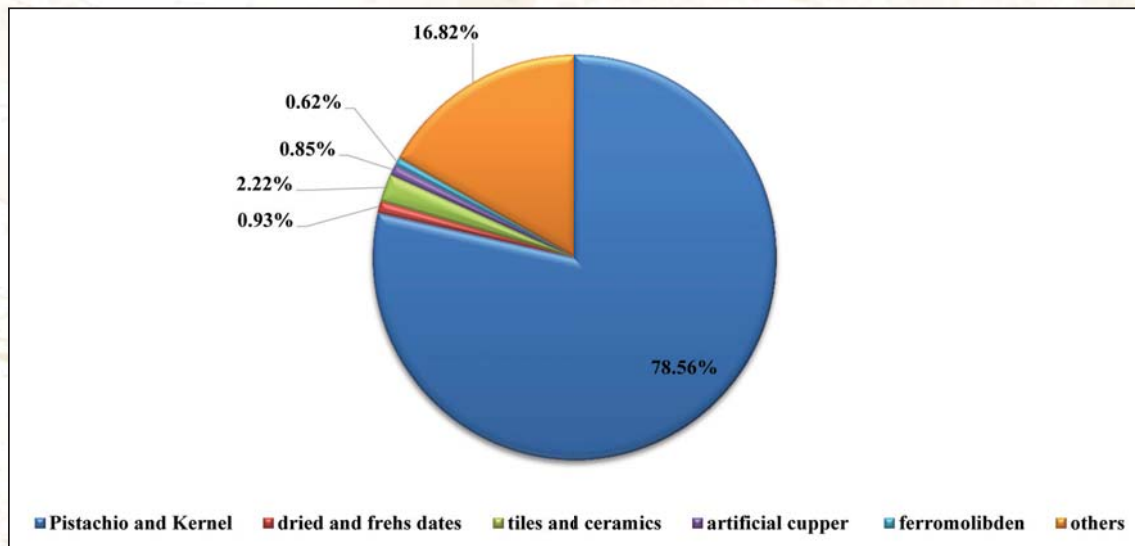


Chart 6. The Share of Principle Export Products of Kerman Province, 2017



8 -Laws Concerning Foreign Companies

8-1 -Generally speaking, Iran has two types of laws concerning foreign companies. The first are laws that address issues concerning foreign companies directly such as the Foreign Investment Promotion and Protection Act (FIPPA) and the second are general laws of which certain articles or by-laws address foreign companies, for instance the Taxation law and the labor law.

General laws and regulations regarding foreign business in Iran could be regrouped under the following categories:

- * Contract Work - A foreign company is allowed to be involved in contractual work in Iran. Such work may be performed either directly by the foreign company or through a registered branch in Iran.
- * Direct Sales - Most foreign companies are involved in direct sales to Iranian customer through letters of credit and, occasionally on the basis of Usance.
- * Investment - In accordance with the terms of the Foreign Investment Promotion And Protection Act (FIPPA), foreign companies may invest in newly established factories and industries. Foreign companies are allowed to own 100 percent of the businesses in the free economic zones.

8 - 2 -Investment by natural persons of foreign nationality

According to the Civil Code; foreign nationals will subject to the existence of a treaty on reciprocity, enjoy the same rights and privileges of Iranians. The companies formed by such foreign nationals will be of Iranian nationality and subject to the same laws which regulate the activities of foreign investment in the framework of the commercial code.

8-3 -Foreign nationals can, in the framework of the Commercial Code and subject to the observance of the relevant procedures, form and register companies in Iran. Iran's commercial code does not differentiate between Iranian and foreign stock holders of Iranian companies. In other word, there is no restriction regarding the nationality of those who want to establish companies in Iran. In this

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context, foreign exchange restriction are equally applied to Iranian and foreign investors. Such companies however do not enjoy the privileges set out in FIPPA.

8 - 4 -FIPPA

Chapter One: Definitions

Article (1): The terms and expressions used in this Law shall have the following meanings:

Law: The Law for the Promotion and Protection of Foreign Investments.

Foreign Investor: Non-Iranian natural and/or juridical persons or Iranians using capital of foreign source, who have obtained the investment license referred to in Article (6) .

Foreign Capital: All types of capital, being cash or non-cash, brought into the country by foreign investors and include the following:

- a) Cash funds in the form of convertible currency imported into the country through banking system or other methods of transfer, acceptable to the Central Bank of the Islamic Republic of Iran;
- b) Machinery and equipment;
- c) Tools and spares, CKD parts and raw, addable, and auxiliary materials;
- d) Patent rights, know-how, trade marks and names, and specialized services;
- e) Transferable dividends of foreign investors;
- f) Other permissible species approved by the Council of Ministers.

Foreign Investment: Application of foreign capital in a new or existing economic entity after obtaining the investment license.

Investment License: The license issued for every foreign investment in accordance with Article 6 of this Law.

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Organization: The Organization for Investment, Economic and Technical Assistance of Iran, subject matter of Article (5) of the Law establishing the Ministry of Economic Affairs and Finance ratified on July 1974 ,15.

High Council: The High Council for Investment, subject matter of Article (7) of the Charter of the Organization for Investment, Economic and Technical Assistance of Iran ratified on June 1975 ,2 .

Board: The Foreign Investment Board, subject matter of Article (6) of this Law.

Chapter Two: General Criteria for Admission of Foreign Investments

Article (2): Admission of foreign investment shall be made, in accordance with the provisions of this Law and with due observance of other prevailing laws and regulations of the country, subject to the following criteria:

- a. Help create economic growth, upgrade technology, enhance, development of the quality of products, increase employment opportunities, exports, and penetrate into international markets;
- b. Does not threaten the national security and public benefits, and deteriorate the environment; does not distort the country's economy and impose unfair implication on products based on local investments;
- c. Does not involve granting of concessions by the Government to foreign investors. The word concession as used herein means special rights which place the foreign investors in a monopolistic position.
- d. The ratio of the value of the goods and services produced by the foreign investments, subject matter of this Law, to the value of the goods and services supplied to the local market at the time of issuance of the investment license, shall not exceed 25 % in each economic sector and 35 % in each field (sub- sector). The fields and investment ceilings in each field shall be determined in the by-law to be approved by the Council of Ministers.

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Foreign investment for the production of goods and services specifically for export purposes other than oil shall be exempted from the aforementioned ratios.

Note. The Law for the Ownership of Immovable Properties by Foreign Nationals ratified on June 6 ,1921 shall remain enforceable. Ownership of land of any type and at any scale in the name of foreign investors is not permissible within the framework of this Law.

Article (3): Foreign investments admitted in accordance with provisions of this Law shall enjoy the incentives and protections available under this Law. Such investments may be admitted under the following two categories:

- a) Foreign direct investment in areas where the activity of private sector is permissible;
- b) Foreign investments in all sectors within the framework of «civil participation», «buy-back» and «build-operate-transfer» arrangements where the return of capital and profits accrued is solely emanated from the economic performance of the project in which the investment is made, and such return of capital and profit shall not be dependent upon a guarantee by the Government, state-owned companies or banks.

For further information please visit the link below:

<http://www.investiniran.ir/>

8 - 5 -Potential approaches to the market

First and foremost, it is crucial to realize that Iranian authorities on a long term commitment and a transfer of technology as a requisite for getting a share in the market . foreign companies are therefore advised to adopt a medium - to long-term strategy for the Iranian market. Iran will almost never honor the interests of a company that does not show long-term commitment . Tenders are strictly required for government contracts for purchasing or projects .

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Currently there are three main routes that a foreign company can follow to establish a long-term presence in Iran :

8 - 5 - 1 -Joint Ventures

One possible strategy is for the foreign company to enter into a joint -venture agreement with a public or private Iranian partner. The existing level of technology and infrastructure makes many Iranian companies suitable for expansion and development in conjunction with foreign companies. Many Iranian companies, especially those in the private sector, are currently actively seeking joint-venture partners both to fill their technological as well as management gaps. Others are looking for a revival of their company through foreign capital.

Should a company decide to adopt this approach to the market, it is advisable to look for products and services that have both domestic demand as well as regional export potential. If a joint-venture company can earn hard currency through export of its goods, it will not be too dependent on the Iranian banking system for the repatriation of profits and dividends. It should be noted that some joint ventures consist purely of the transfer of technology to Iran by the foreign partner without any capital commitment.

Since Iranian authorities are very keen on the introduction of modern technologies, this path can prove very constructive. In August 2010, the 25 % ceiling set for joint venture companies in enjoying facilities from the foreign exchange reserve account has been eliminated. Industry and mine, agriculture, transport, services (such as tourism), IT and the export of goods and services are the sectors authorized to enjoy the new facilities from the foreign Exchange Reserve Account.

There are seven types of juridical entity or company which can be established under the Iranian Commercial Code. From among all these different types, joint Stock Company .in which the capital is divided by shares ,is the most common and acceptable type of company which can be recommended to foreign investors.

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For legal and tax purposes, opening a representative office in Iran, by itself, is not considered foreign direct investment. Further information, see the document titled «establishing a joint Stock Company in Iran» at: <http://www.iio.ir>

8-5-2 -Buy-Back

In February 2007 the government unveiled its new buyback-contract formula, which significantly extended the length of the contracts to as long as 20 years. The buy-back scheme is a formula used by the Iranian government to attract foreign investment. Following the end of the Iran-Iraq war in 1988, Iran faced a major problem: it needed foreign investment if it did not want to lose its vital income from the oil and gas industry, yet its revolutionary ideology and Constitution forbid granting «concessions».

A compromise solution was found in 1989 with the first five -year Economic, Social and Cultural Development Plan. Under Note 29 of the said plan, the Iranian government is allowed to employ «buybacks» in its effort to meet the industrial and mineral needs in connection with export, production and investment. Put in layman terms, a buy-back transaction is a method of trade where plants, machinery, production equipment and technology is supplied (by a domestic or foreign private firm), in exchange for the goods that will be produced directly or indirectly by means of such facilities.

Under this scheme, the foreign partner that makes the initial investment can repatriate the return on the investment (at a pre-agreed fixed rate) through goods and services produced by the project. While many foreign companies believe that this method is a mere financing instrument for Iran, it is more accurate to say that it is a compromise formula for foreign investment in the short -run. In the medium to long-term, more appropriate laws and regulation will probably replace the buy-back scheme.

In other words, once the constitutional concerns have been dealt with, the foreign partners of buy-back agreements can take over the projects that they are involved in, or they can enter into a joint venture with an Iranian partner. Further information: Buy -backs in Iran's oil industry.

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8 - 5 - 3 -**Built -Operate-Transfer (BOT)**

This is a rather new possibility in the Iranian market. Recent regulations have also introduced the Build-Operate-Transfer (BOT) scheme for Iranian projects. In this scheme, the foreign partner invests in one project, which is then operated for a certain period of time by the foreign investor before it is fully transferred to the Iranian government. Iranian authorities are showing some flexibility regarding the BOT, which could potentially pave the way for more foreign investment in the market.

8-5-4 -**Built-Own-Operate (BOO)**

A project delivery mechanism in which a government entity sells to a private sector party the right to construct a project according to agreed design specifications and to operate the project for a specified time. Unlike the build-own-operate-transfer (BOOT) or the build-operate-transfer (BOT) structure, the private sector party owns the project and does not have to transfer it to the government entity at the end of the term.

9 - **Special Economic Zones (SEZ) Advantages**

Free trade zones (FTZ) and special economic zones (SEZ) have been established to provide additional investment incentives such as:

- * 15 years tax-exemption;
- *No entry visa requirement;
- *100 % foreign ownership possible;
- * Flexible employment regulations;
- * Flexible monetary & banking services;
- * Extended legal guarantees & protection.

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10 - Conclusions

Now we are in a position to sum up the information presented here and arrive at the following conclusions:

10-1 -Foreign investment are protected by law.

10-2 -The Organization for Investment, Economic and Technical assistance of Iran (OIETAI) is committed not only to promote and safeguard foreign investment but to be at the service of potential and actual investors and remove any possible bureaucratic or otherwise obstacles.

10-3 -KCCIMA is the natural venue to seek advice, partners and /or joint ventures.

10-4 -We believe there are almost unlimited opportunities in mining and mine -related industries i.e. downstream complexes, semi-finished products and finishing factories, hybrid and/or renewable power generating stations (particularly photo-voltaic solar farms with clear and transparent facts and figures), treatment of sewage water for agricultural and industrial purposes ,growing out-of-season fruits and vegetables for nearby markets, extraction of syrup and beverages from dates and essential oil from damask rose etc. are but a few examples.

10-5 -Notwithstanding economic sanctions, embargos and political disaffections Iran and particularly the Province of Kerman has the necessary infrastructure, hospitable people, young and educated human resources and long history of honoring its commitments and therefore a desirable land to invest in.



Kerman Chamber of Commerce, Industries, Mines and Agriculture
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