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Economic Committee Papers - R69-45 - Iran - Dez Irrigation Project - Stage 1

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**FOR
EXECUTIVE
DIRECTORS'
MEETING**

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For consideration
on March 18, 1969

R69-45

March 6, 1969

FROM: The Secretary

IRAN: Dez Irrigation Project - Stage I

1. Attached is the President's Report and Recommendation (P-677) on a proposed loan to Iran for an irrigation project.
2. Attached to the President's Report and Recommendation is a report entitled "Dez Irrigation Project - Stage I - Iran" (TO-687a).
3. A report entitled "The Fourth Development Plan and the Economic Prospects of Iran" (EMA-3a), in two volumes, is being distributed to the Executive Directors (R69-43).
4. A draft Loan Agreement, draft Supplementary Letter, the Statutory Committee Report and the text of a Resolution approving the proposed loan are being distributed as report R69-45-L.
5. Questions on these documents should be referred to Mr. Hartwich (extension 3571).

Distribution:

Executive Directors and Alternates
President
President's Council
Executive Vice President, IFC
Vice President, IFC
Department Heads, Bank and IFC

PART V - THE ECONOMY

18. An economic report entitled "The Fourth Development Plan and the Economic Prospects of Iran" dated February 25, 1969 is being distributed to the Executive Directors separately.

19. In recent years Iran has been able to combine economic expansion with monetary stability. These remarkable developments were brought about by deliberate policies aiming to speed up the investment rate and to lay the foundations of future growth. The objectives of the Fourth Plan for 1968 to 1973 with respect to investment, production and income are perhaps too ambitious but there is little doubt that recent favorable trends will be maintained if petroleum revenues continue to grow rapidly. The main constraints to future investment are likely to be of a financial nature. Even if fiscal policy is tightened and the rate of saving is substantially improved, Iran will have to rely heavily on foreign capital. Its foreign commitments will sharply increase from a comfortable position in 1968. The debt burden may rise to 18 percent of export earnings in 1972, but the main impact of future borrowing is likely to be felt in the period after 1972. Iran's creditworthiness depends, at least in part, on the prospects of the economy especially for the expansion of oil in the 1970's. While these prospects are uncertain at this stage, Iran is considered creditworthy for further borrowing, including the proposed loan.