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Statement by the Hon. **SEYYED SHAMS AL-DIN HOSSEINI**,
Governor of the Bank for the **ISLAMIC REPUBLIC OF IRAN**,
at the Joint Annual Discussion

**Statement by the Hon. Dr. Seyyed Shams Al-din Hosseini,
Governor of the Bank for the Islamic Republic of Iran,
at the Joint Annual Discussion**

In the Name of Allah, the Compassionate the Merciful

Mr. Chairman,

Distinguished Delegates,

It is my pleasure to address the 2008 Annual meetings of The World Bank Group and IMF.

The global economic outlook has continued to deteriorate with several advanced economies bordering on recession; in particular the recent turmoil in the United States financial market has impacted most of the markets worldwide. At the same time, developing and emerging market economies are struggling with rising costs and weakening of external demand, while low-income countries are suffering from high commodity prices. The financial outlook is now subject to greater uncertainty and despite some remedial measures recovery could not be expected soon. This is a great challenge that will have significant bearing on the world economy and which needs to be dealt with in a concerted and well- thought manner.

It is surprising that the IMF has not foreseen this tremendous financial turbulence in order to send an alerting signal in timely manner. This would have been particularly critical, given the extent of the crisis and its global spill over. Going forward, considering its mandate to overlook the global financial stability, the IMF needs to play a more effective

role in helping shape the policy response not only in the developing countries but also in advanced economies in order to safeguard emerging markets sustainable growth and financial soundness.

Mr. Chairman,

On the issue of the Voice and Representation of DTCs I believe that: First, the major source of income and knowledge of the World Bank is generated from cooperation with developing countries. Therefore, in order to enhance its legitimacy it should move according to a defined timetable toward the parity of voting power between DTCs and developed countries.

Second, we emphasize that in implementing an increase in the voting power of the DTCs, this increase should be formulated in a way that would not dilute the voting power of any single member of developing and transition countries. Third, we strongly support a selection process of IMF Managing Director and the President of the World Bank that should be fair, competitive, merit based and open to individuals from all member countries. We are also of the opinion that the Bank and the IMF should take more serious measures to enhance staff's diversity in both institutions, particularly at higher managerial levels from all member countries.

Finally, In order to enhance its image as an impartial and unbiased multilateral institution, the World Bank management should engage with all its developing country members through its country assistance strategy and investment in their development projects which must be considered solely on the basis of their economic merits. In this context the World Bank must restrain from being influenced politically which is against

the stipulations of its Article of Agreements. In this direction, we strongly urge the Board of the World Bank to follow up this matter as part of its governance mandate.

On the issue of climate change, the role of advanced economies that are mainly responsible for this phenomenon is highly significant. Therefore, they should justifiably bear the main costs and burden for the adaptation and mitigation to climate change in the developing countries which need to sustain their economic growth and development in order to reduce poverty, and which cannot afford additional high costs of new technologies. Therefore, developed countries that picked the fruit of development and prosperity at the expense of climate change should bear their differentiated responsibility in this process and provide the necessary additional financing and new technologies to developing countries at low cost. The neutrality of the supporting multilateral institutions is fundamental for the success of this process.

Mr. Chairman,

Next, I wish to touch briefly on the recent economic development in my country.

Growth continued to be strong despite some external constraints and unemployment declined in spite of the rapid growth of the labor force. Real GDP expanded by 7.6 percent in 2007.

In addition, privatization has gained momentum with a rapid increase in the purchasing shares by private investors. In this direction, following the reinterpretation of Article 44 of the Constitution, about 80 percent of state-owned enterprises will be privatized by 2010.

For the medium-term the government plans to implement a strategy that involves significant reforms, the most important of which is the reform aimed at better subsidy system

Thank you.