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



## **Speech by His Excellency**

**Dr. Seyed Shamseddin Hosseini**

**Minister of Economic Affairs and Finance of the Islamic republic of Iran**

In the name of God, the Compassionate, the Merciful

I am delighted to deliver my speech at the World Bank-IMF Annual Meetings, 2010.

Global Economy is still grappling with slowdown of growth and uncertainty about future.

Theoretical foundation of global economy and efficiency of the financial and monetary architecture and its institutions are being challenged.

Financial and monetary system, as the main artery for circulation of liquidity has obviously showed its vulnerability and instability and many of the elites in this field acknowledges the structural weakness of the system which ignores the relation and correlation between the real sector and economic activity with the financial sector. In contrast, the strong Islamic economic & banking system foundations, being based on the value of work and production, draws the attention of international banks and institutions, more than ever. Although this issue is in the agenda of Bretton-Woods institutions, the important point is to move in a way that financial products of WB and IMF, being more compatible with Islamic Finance and Banking, are made available to the country members in near future.

Islamic Republic of Iran a founding member of the World Bank and IMF supports the current Enhancing Voice Program, believing that the role and share of developing and emerging countries in drawing up the policies of the Bretton Woods institutions should be more pronounce than what has been envisaged the program, while we believe that the action taken by up to now, are steps in right direction. In fact that my country pronounced readiness in full participation in the

Voice structure by expressing willingness to be a donor to IDA16, is in this direction.

We believe the key issue is the role and function of the institutions such as WB and IMF, which seemingly, we are members of. You are all aware of the Articles of Agreement of IBRD and IMF and the aims of the establishment of these two institutions, but how much do we find their functions in line with Articles of Agreement, efficiency, fairness, equality and principals such as corporate governance? How much of the managerial direction is towards development and welfare and on the other side; how much is dominated by the policies of major shareholders. To what extent the rights of minority shareholders are exercised. What's the role of majority of countries in the management? Isn't it but the fact that the process of distribution of shares and capital is in a way that blocks any fair management.

Why the issue of enhancing their voting power of developing countries is so slow and erosive? And when does the time come that the managing director of IMF and president of WB be from countries other than US and Europe?

As the representative of my beloved nation and country, the Islamic republic of Iran, and also as a member country, I have objections against the discriminatory behavior of the WB management, which is contradictory to the Articles of Agreement.

Since 2005, negotiations with the management of the Bank for preparing our CAS have been postponed for non-technical reasons, which mean depriving a member country from developmental resources of the Bank.

The shocking point is that, based on enquiry made from the legal department of the WB, the developmental and humanitarian projects are excluded from the imposed sanctions on Iran while in no section of the legal opinion reasons can be found to reduce relations and not financing such new projects.

But the top management of the Bank, referring to the imposed sanctions by the Security Council and negative opinion of some countries, urges on not putting forward our CAS to the EDs Board, while the majority of seat holders in the

executive Board, in bilateral meetings with me, directly or indirectly, agree with submitting our CAS to the board.

My core question is whether these behavior is based upon good governance or political observations?

Based on clause 10 of section 4 of the Articles of Agreement, the Bank is forbidden to have any kind of interference with the political affairs of the member countries nor can be influenced by the political inclination of members countries, as well as the fact that based on clause 4 section 3 of the Articles of Agreement, neither of the terms and conditions for getting loans were breached by Iran.

What excuses can be made for so many contradictions of practices with the rules and regulations?

What are the bank's management answers to the questions of international community and great people of Iran?

On behalf of my government, I request the Bank management to openly put the issue of the CAS of Iran in the agenda to be discussed in the first session of executive directors meeting and to investigate our rightly requests which are based on Articles of Agreement and then announce the results to my respective government.

Concerning the existing projects, unfortunately I should call your attention to the issue that since 3 months ago, no response has been given from the Bank side, regarding withdrawal applications of the projects. The bank has actually stopped disbursement, so all the projects suffered loss, while the bank charges interest and other fees.

This issue solely, questions the banks developmental targets.

The story of UN Security Council resolutions against Iran's financial system is a painful story, which cannot be explained here. That a few states for keeping their monopoly in the science and new- technology, the base of economic progress in today and future, try to stop our nation from economic and scientific progress, by financial tightening, is quite obvious.

But that the management of the bank even exceeds the unjust resolutions and disregards the rights, is unfair, inappropriate and even more a damage to the Articles of Agreement of the Bank.

Islamic Republic of Iran is very seriously moving on the track of progress in science, technology and economy, having peace and justice on top of its agenda and following cleanness and justice on all dimensions, including monetary and financial aspects.

In Iran since several years ago based on Sharia' of Islam, money laundering has been regarded as a crime, and in recent years having approved and made effective money laundering law, completed by its bylaws, we fight more openly against these crimes. In order to complete previous attempts, the government submitted the bill for combating Financing Terrorism to the Parliament. Now the legal authority has been formed. Regarding what I said the pressure on the Iranian banks and financial institutions are politically nurtured, while our expectations from institutions such as WB and IMF is to remain loyal and faithful to the article of agreement and professional ethics.

Thank you all.