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Statement by the Hon. **DAVOUD DANESH JA'FARI**,
Governor of the Bank for the **ISLAMIC REPUBLIC OF IRAN**,
at the Joint Annual Discussion

"In the name of God the Compassioned the Merciful"

Statement by H.E. Dr. Danesh Jafari, Minister of Economic Affairs and Finance and Governor of the World Bank for the Islamic Republic of Iran at the 2005 Joint Annual Meeting of the IMF and the World Bank Group

Mr. Chairman, Distinguished Governors, Ladies and Gentlemen

At the outset, on behalf of the people and the government of the Islamic Republic of Iran, I wish to express my deepest sorrow and regret on the tragic event of Hurricane Katrina. Let me hereby express my heartfelt condolences to the family of victims of this sad event.

I should avail the opportunity to welcome and congratulate Mr. Wolfowitz for his election as the World Bank Group President. In fact this critical responsibility acquire more focus on poverty reduction, economic development of member countries with the special attention to environmental standards, good governance, transparency and accountability. There is no doubt that the framework of the corporate policies of the institution would assist the World Bank management in paving the ground for accomplishing the Bank ultimate mission and assisting the developing countries to achieve Millennium Development Goals.

Let me also express my highest gratitude for Mr. Wolfensohn relentless efforts during his ten year term in the office in fighting global

poverty and assisting the world's poor to forge better lives. In fact under his wise leadership some considerable achievements and reforms were implemented to help the Bank to accomplish its mission.

He put more emphasize on some major areas including corruption, , debt relief, the environment and gender. He also made the developing countries more engaged in the decision – making process and activities of the Bank during his tenure as the World Bank President. I wish him all success and hope that these significant approaches and results will be more attended and strengthened.

Mr. Chairman , my fellow Governors

Although the world economy has witnessed high average GDP growth during the past recent years, as an evidence to economic improvement in most of developing countries, still the poor nations that desperately need new job and business opportunities, are falling even further behind the developed countries. Therefore, enacting more efficient and tailored macroeconomic and social policies along with applying structural and regulatory reforms is required by all nations especially the developing countries to ensure the sustainable growth.

It seems that despite the availability of the incentives and stability in the macroeconomic condition, there are still some major barriers and obstacles in the area of investment climate and strengthening the private sector as the key factors for economic development. This is a

field in which the international financial institutions such as the World Bank can play an important role by rendering more targeted technical and financial assistance as well as improving the accessibility of developing countries to the global market. There is no doubt that promotion of the private sector in member countries will have a large impact on sustained development and poverty reduction in these countries. In this context the role of IFC as an important member of the World Bank Group is significant. Particularly the MENA region seeking domestic and foreign investment in the region's private sector which is with no doubt the driving force for growth and development.

Therefore, I once again, urge the more serious and active presence of the IFC in the region.

Ladies and Gentlemen,

I would like to take this opportunity to touch another important issue concerning the cooperation between the Bank and the borrower countries on the projects financed by the World Bank. The articles of agreement of the Bank make specific arrangement to ensure appropriate utilization of the loan and transparency and efficiency in the project implementation process. Although these criteria and guidelines are somehow envisaged in the member countries internal rules and regulations for project procurement, there are still major obstacles in regard with effective and timely disbursement and implementation of World Bank financed projects. Therefore in order to tackle the problem, conducting a diagnosis study for concerned

member countries is required to identify the bottlenecks in public procurement regime, legal and regulatory framework and procedures and mechanisms on one hand, and extending efforts to show flexibility in the Bank's procurement guidelines as far as possible on the other hand.

MR. Chairman

I would like to point out two issues which have recently been discussed among World Bank members:

1- The positive impact of trade and market access for goods and services supplied by developing countries on the employment, welfare and growth of the economies are apparent. For years the developed countries insisted that the developing countries should lift tariff and non-tariff barriers to trade in order to help their countries as well as economies of partner countries grow faster to the benefit of all parties. Unfortunately we observe that the developed economies have not completely implemented what they have preached for many years. High levels of tariff especially on the agricultural products in developed countries are great impediment to access the market for the products of developing countries which adversely affect the economic situation and aggregate poverty in many developing countries especially African countries. Therefore we urge the developed countries to eradicate the barriers to the export of the developing country's products. This will be a vital policy reform towards sustainable poverty reduction.

2- We also generally welcome the new initiatives to enhance debt relief for HIPC's. Any mechanism that reduce the debt burden of heavily indebted developing countries and help them get out of debt spiral worth supporting. However this new initiatives should be implemented in a way that ensure additional financial resources of IDA and other international institutions. It is also vital to take appropriate measures in order not to jeopardize the long term sustainability of IDA as the most important and effective vehicle of development aid to low income developing countries.,

Mr. Chairman, Distinguished Governors

Now let me bring to your kind attention the latest developments in my country. The Islamic Republic of Iran has pursued the economic and social and reform strategies within the framework of the country's Development Plans. In this regard a package of reform policies were implemented in the context of the third 5 year development plan during the period of 2000/04 and many considerable and significant results have been achieved.

The Islamic Republic of Iran has the second largest population in MENA region. Most of them are young with increasing expectations of a better life and future. There are also a large number of well – educated women seeking opportunities to partake in different areas of economic and social activities. Despite significant progress in the country's activities for poverty reduction and human development,

creating enough job opportunity to meet the new flows into labor market along with extensive reduction of unemployment is required. In order to overcome this problem, high and sustainable economic growth with enough employment opportunities should be ensured. We strongly believe that economic development can not be achieved unless, attractive investment climate and broader participation of private sector in the economy is provided and promoted. In the same line the strategic policies deduced from the article 44 of the constitution implying the boundaries and areas of performance of state-owned, cooperative and private entities were elaborated and specified by the government. In these new introduced policies, the ground is paved for more private sector involvement in different economic and financial activities, specially in those areas that previously was monopolized by the Government. Therefore the legislative framework for contribution of the private sector in different areas of activity such as heavy industry, banking, insurance, power supply, communications and transportation sector is provided.

Greater transparency in the macroeconomic regime, budget reforms, tax reforms, unification of foreign exchange rate, downsizing the government's role in economic activities through privatization of SOEs, dismantling of monopolies and promoting competitive market, reducing the non-tariff trade barriers, adopting smart and targeted subsidies, attracting foreign investments and protecting private sector

investment, establishing private commercial banks to pave the ground for privatization of state-owned banks and developing an effective social security system are the evidence to the Government of Iran's commitment to implement structural reforms within the framework of the third five year Development Plan. These employed reforms and programs together with strong macroeconomic performance, have caused an average t growth rate of around 5.5 percent during the period of the third development plan, which is the one the highest in the region. In addition the unemployment rate is dropping continuously reaching 10.3 percent last year.

By reaching the end of the third development plan in 2004, the fourth-five year development plan was ratified six months ago. In fact this Plan in compliance with the objectives set by Twenty Year Economic Vision Document of the country, draw the guidelines and specifies the framework for the new government policies and approaches. Achieving the continuous increasing and sustainable economic growth, providing the ground for the competitiveness of goods and services in local and foreign market, promoting non-oil exports, extending efforts for shifting the growth structure toward the knowledge economy are some of the major highlights of the economic approach of the fourth five year development plan.

I would like to emphasize that while the new government is very much committed, to the said 20 years Economic Vision Document and the Development Plan, one of the most important priority of the government is the issue of expansion of Equity in the society by economic and social

means, by providing for example, equal job opportunities, education, health and social activities, in order to reduce the Gini Index . Furthermore, anticorruption campaign will also be implemented more forcefully.

Mr. Chairman, Dear Governors Ladies and Gentlemen

At the end I should express my appreciation to the World Bank management and staff for their extraordinary work and commitment. There is no doubt that in case of my country with a growing portfolio, the dedication and relentless efforts of the Bank's management and staff have played a crucial and significant role. In fact we consider the World Bank as an important center for synthesis of expertise, views and experiences in a global scale to illuminate the development gateway.

Thank you.