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INTERNATIONAL FINANCE CORPORATION  
INTERNATIONAL DEVELOPMENT ASSOCIATION  
INTERNATIONAL CENTRE FOR SETTLEMENT OF INVESTMENT DISPUTES  
MULTILATERAL INVESTMENT GUARANTEE AGENCY

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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



***Speech***  
***of***

***H.E. Dr. Davood Danesh Jafari,***  
***Minister of Economic Affairs and***  
***Finance of the Islamic Republic of***  
***Iran,***

***World Bank/IMF Annual***  
***Meetings,***

***September 2006.***  
***Singapore***

***In the Name of God, the Compassionate, the Merciful***

***Mr. Chairman,***

***Distinguished Participants,***

***Ladies and Gentlemen,***

*It gives me a great pleasure to address this august gathering. At the outset I express my gratitude to the Government and people of Singapore for their very warm hospitality in this very beautiful city of Singapore.*

*At this juncture of time, the world is struggling through difficult challenges and we hope the collective efforts of the international community in this struggle will lead to a peaceful and secure world for all. Undoubtedly, a world free of poverty, ignorance and injustice can prevent many of the conflicts that we have witnessed especially after the turn of the millennium. It is therefore, incumbent upon all of us to redouble our efforts to meet these challenges. The World Bank Group is the largest source of official funding for middle income countries. Alleviating poverty at global level necessitates that the World Bank continues and enhances its financial assistance to the middle income countries which are the home for more than 70% of people living with the income of less than \$2 a day. Furthermore, financial sustainability of the Bank depends heavily on the operational income from the loans extended to the middle income countries. Therefore we urge this institution to boost its partnership activities with the middle income countries as well as to continue to provide them with its analytical and advisory assistance on no-fee basis in the future. We also encourage the management of the Bank to complete its study about the use of the country systems in its operation as soon as possible. This will certainly simplify and accelerate the smooth implementation of the projects leading effectively to the reduction of the costs.*

**Mr. Chairman,**

*There is no doubt that the issues of good governance and fighting corruption are important elements for economic efficiency, accelerating growth and poverty alleviation and the World Bank Group can play a constructive role in this regard.*

*However, in doing so, the Bank ought to be mindful to operate only within its economic mandate and in the framework of its Articles of Agreement. Nevertheless, these should be taken into account in a way not to hinder the provision of financial and technical assistance by the World Bank which are vital for the development and poverty reduction. In this direction all sorts of technical assistances can be helpful, provided that they are demand driven and does not add to the conditionalities and shall not slow down the flow of financial assistance in the anticipation of resolving first the corruption issue.*

*Moreover, since there is hesitation that such an initiative can be influenced by non-economic factors therefore it is important to note that the adverse effects of such strategy by the Bank shall undermine economic certainty and destabilize investment climate in developing countries rather than being in line with development process and poverty reduction strategy which are the main goals of this institution.*

**Mr. Chairman**

**Ladies and Gentlemen,**

*We welcome the progress report on Investment Framework on Clean Energy prepared at the request of the Development Committee last spring. This is in fact a very vital issue which needs to be dealt with seriously, considering the significant risk of climate change due to increased carbon emissions and other greenhouse gases.*

*Therefore, we urge the World Bank and other MDB's to furnish adequate financial and technical assistance to the developing countries so as to facilitate their access to the clean energy technologies without adverse impact on their economic growth and efforts to alleviate poverty.*

*In this direction, we believe that it is incumbent upon the developed economies, which have been the major source of carbon emissions on per capita basis to observe their differentiated responsibility in this regard and shoulder the major cost of development of clean energy technologies in developing countries. This will in end be beneficial for the people of the whole world.*

*We also urge the Bank and other MDB's to facilitate investment in all sorts of clean and low carbon energy technologies such as: greater use of natural gas; integrated combined cycle; advanced renewable energy; and nuclear energy.*

**Mr. Chairman,**

***Distinguished Delegates and Guests,***

*On the issue of the IMF reform, it is important to recall that the debate regarding the crisis of governance and legitimacy of the IMF has been centered on the necessity of enhancing the voice of developing countries in the decision-making process. The Monterrey consensus underlined the commitment of the international community to this objective. It is universally acknowledged that faulty quota formulas have been at the heart of this governance and legitimacy crisis. Thus the search for a less politically based and analytically defensible quota formula should have been the first step in any reform process designed to resolve this crisis. While we strongly support the ad hoc increase for the four countries involved, unfortunately, the Resolution on quota and voice takes a step backward in the governance reform process as it takes away from the relative shares of the developing countries to give ad hoc quota increases to only four countries in the first stage. This is not what the governance and*

*legitimacy crisis debate has been all about. The Resolution does not resolve the crisis. On the contrary, there is a strong chance that it may lead to further erosion of the already inadequate global share of the developing countries. A fair and judicious selection of an analytically defensible quota formula is needed which takes account of GDP at purchasing power parity, variability, and reserves held by developing countries against capital account crises. Otherwise, this Resolution may mean further weakening of the voice of the developing countries and the associated governance and legitimacy problems for this global institution, in which we all have invested so much. We, therefore, hope that through its time-honored tradition of consensus-based, decision-making and inclusiveness, the Executive Board could design an appropriate formula that would garner the support of all members of the IMF.*

**Mr. Chairman,**

***Distinguished Governors,***

*Another important point which I would like to refer to is manipulation and politicization of international trade and payment systems, in this regard ministers of the Group of 24 in their communiqué expressed their regret regarding “recent attempts at inappropriate political interference in the smooth functioning of the international trade, banking, and financial systems.” We hope that the international community and institutions would act against this kind of behavior that ultimately threatens the smooth operation and the stability of the international payment system, in which we all have shared responsibility.*

**Mr. Chairman,**

***Distinguished Delegates and Participants***

*I would like now to say few words about the new developments in the economic policies of my country. In early July 2006 a major step has been taken by the ratification of a new initiative in support of private sector development, whereby it is approved that up to 80% of the share of the large and strategic state owned industries*

*will be sold to private sector. This initiative will promote the economic efficiency and social equity of my country as well as reducing substantially the direct involvement of the government in economic activities.*

*Furthermore, promoting capital inflow particularly in terms of foreign investment in the country by offering necessary guarantees and facilities are duly implemented by the government. Extension of social and economic justice, expansion of the role of private sector, as well as decentralization are the main economic reforms undertaken. Creating appropriate ground for rapid economic growth, establishing proactive relation with the global economy, enhancing economic competitiveness, promoting the development of SMEs, improvement of living standards are among the main objectives of our Fourth Five – Year Development Plan which will provide Iran with a more active participation in the International Economy.*

*Thank you.*