



2011  
ANNUAL MEETINGS  
World Bank Group  
International Monetary Fund  
Washington, D.C.

Governor Statement No. 16

September 23, 2011

Statement by the Hon. **SEYED SHAMSEDDIN HOSSEINI**,  
Governor of the Bank for the **ISLAMIC REPUBLIC OF IRAN**



**Statement by H. E. Dr. Seyed Shamseddin Hosseini,  
Minister of Economic Affairs and Finance of the Islamic Republic of Iran and  
Governor of the Bank for the Islamic Republic of Iran**

Subject: Necessity to Rethink the World Bank Behavior

**In the Name of Allah**

I am delighted to deliver my speech at the World Bank- IMF Annual Meetings, 2011.

These meetings are held at a juncture that we still see the negative consequences of the global crisis on the economic and financial environment. The debt of the United States Government has exceeded 14 trillion dollars and the impacts of downgrading US credit rating, as well as low economic growth and its negative prospect, has resulted in severe fluctuations in the money, commodities and capital markets.

The Euro Zone, too, faces three contradictory policy challenges, namely implementation of austerity economic measures, low growth rate, and incapability in repaying its debts and honoring financial obligations.

These problems root from the following :

1. The current architecture of the world's economy, due to inconsistency between the financial and the real sectors, creates unavoidable periodical instabilities. Settling this issue requires amending the current financial and monetary models, and shifting toward new models, such as Islamic finance, which are based on the balance between the financial and real sectors of the economy.
2. Political instability influences the economic performance. What is now happening in the MENA region, though appears to be political, doubtlessly

deepens the global economic crisis, if the political and military interventions are not avoided.

3. The management of the international monetary and financial institutions has been deviated from its original functions and pursues the political will of some certain shareholders.

Unfair sanctions imposed on countries, such as the Islamic Republic of Iran, and following the will of some certain countries by the World Bank, in drawing up its relations with Iran, is a proof to this point.

That the World Bank management, contrary to its Articles of Agreements, avoids approving the Country Assistance Strategy for Iran, and refrains from offering technical assistance to Iran, is another evidence of its deviation.

As the representative of a country which is a founding member of the World Bank, I would like to emphasize on the loyalty of the management of the World Bank to its Articles of Agreement as well as good and corporate governance, instead of biased governance.

Let me briefly inform you of our economic structural and institutional reforms and achievements in recent years:

Revising one of the Articles of Constitution improved the role of the private sector, the situation for non-governmental sector and doing business environment. Implementing the economic transformation plan, including targeting subsidies, amending customs, taxation and banking systems, goods and services distribution system as well as currency denomination reform and enhancing productivity are in our agenda.

The achievements of these plans are as per followings:

- 1- The Targeting Subsidy Plan, focusing on amending the energy carrier prices resulted in a 6 percent reduction in energy consumption. This policy reduced electricity consumption by 2 percent, while prior to implementation of the plan, there was an annual rate of growth of 8 percent.
- 2- Amending the flour price, reduced its consumption by 30 percent and prevented smuggling to neighboring countries. The savings strengthened the food security and also listed Iran among the exporters of wheat.
- 3- The revenues of targeting subsidies are redistributed. A cash payment of one and a half dollars a day to 73 million plus Iranian, who have applied for it, led to a sharp fall of Gini Coefficient in Iran.
- 4- The capital market is developed, and privatizing state-owned firms and issuing Sukuk Bond are done through the stock exchange and OTC. These efforts led to 146 percent growth of stock exchange index and 100 percent growth in market value of Tehran Stock Exchange in December 2010, comparing to the end of 2007
- 5- Foreign direct investment to the country during 2009 and 2010 experienced 120 percent growth.
- 6- The growth of non-oil exports in 2009 and 2010 was 24 and 31 percent respectively.

Thank you.