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INTERNATIONAL FINANCE CORPORATION  
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Statement by the Hon. **MOHSEN NOURBAKHSH**,  
Governor of the Fund for the **ISLAMIC REPUBLIC OF IRAN**,  
at the Joint Annual Discussion



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

**Statement by the Hon. Mohsen Nourbakhsh,  
Governor of the Fund for the Islamic Republic of Iran,  
at the Joint Annual Discussion**

Ladies and gentlemen.

I join my fellow Governors in congratulating you on your assumption of the chairmanship of the 2000 Annual Meetings. I wish to welcome and congratulate Mr. Köhler on his appointment as the Managing Director of the International Monetary Fund. I would also like to congratulate Mr. Wolfensohn on his second-term appointment. I am pleased to support the ideas Mr. Köhler has presented in his vision of the IMF. I warmly welcome his expressed desire to strengthen the cooperative character of the Fund. This requires a greater role for the developing countries in the institution through a meaningful revision of the quota formula. I appreciate his understanding that the Fund must develop greater appreciation for political and cultural processes and institutions of developing countries. An important element of his vision is his recognition that for developing countries to grow, they must have better access to private capital markets as well as to the markets of the industrial countries for their exports.

We are also of the view that globalization must benefit all participants in the world economy. The Bretton Woods Institutions must do their utmost to mitigate the adverse impact of globalization on the economies of developing countries.

It is imperative that the IMF play its effective role in crisis prevention through the provision of contingent financing and technical assistance to strengthen the economic and financial system of member countries. I also emphasize the oversight role and the central responsibility of the IMF for the stability of the international financial system and the importance of symmetry of surveillance of developing and industrial countries.

I welcome the ongoing dialogue between the Bretton Woods Institutions and the NGOs. However, such contacts must not undermine the accountability and responsibility of governments to their own people or weaken the existing institutional framework of member countries.

Finally, the global economy continues to perform well with growth projected to strengthen in all major regions of the world. While these trends are reassuring, there is a risk that growing imbalances among the three major currency areas may have serious implications for the world economy if there is a disruptive re-adjustment of these imbalances. Therefore, the IMF must take a more proactive stance vis-à-vis closer policy coordination among the three major currency areas.

A word about the oil prices. We have always believed that stability in the oil market is crucial for consumers and producers. There is, however, something patently unfair about the present attempts to shift responsibility to oil producers. When the oil prices collapse, the producers are asked to adjust their economic policies to compensate for lower prices. At the same, the advanced countries increase the tax wedge rather than passthrough the lower oil prices to their domestic consumers. When prices recover, the industrial countries push quantity adjustment on producers rather than symmetrically adjusting their economic policies by, for example, reducing the size of the tax wedge. The question is why the IFIs acquiesce in this asymmetric stance.

Allow me to say a few words about the recent economic developments in my country. Before proceeding, however, I wish to express my gratitude to Mr. Wolfensohn for his efforts in strengthening the cooperation of the World Bank with its members.

Since the recovery of the world economy, the Islamic Republic of Iran has made substantial progress in addressing macroeconomic imbalances and underlying structural rigidities. Public finances have been placed on a sounder footing which together with improved confidence have contributed to economic recovery. The foreign exchange regime has been reformed aiming at emergence of a market-determined and unified exchange rate. The external debt has been reduced markedly, reserves have increased, and external vulnerability indicators have strengthened.

As of the beginning of the current year we have embarked on implementing the third Five-Year Development Plan that addresses remaining financial imbalances as well as structural weakness. Under the plan, the Government is committed to a balanced budget, reduced role of Government, trade reform, privatization, and major improvement of the environment for private sector participation in the economy. The Government is also committed to substantial reform and strengthening of the financial system. Within the Plan period, the framework of regulatory, prudential, and supervisory norms will be strengthened substantially. We have already implemented policies to enhance the private sector activities in the banking system. All these measures are aimed at increasing investment, expanding employment opportunities, and accelerating growth.

In conclusion, I take this opportunity to thank the Government and the People of the Czech Republic for their warm hospitality.