We welcome the discussion on the CAS Progress Report for Slovenia. The economic situation in Slovenia is positive, as Slovenians currently earn the highest per capita income of the transition economies, and Slovenia is well advanced in negotiations for accession to the European Union (EU).

The main message of the report is that Slovenia will graduate from IBRD lending. We agree, based on common sense, that the economic strength of the country justifies its graduation. At the same time, the Bank’s graduation policy is based on a Board decision of 1982 and uses two very broad concepts (access to external markets on reasonable terms; progress in establishing key institutions in economic and social development). These criteria could lead to arbitrary and “politically correct” graduation decisions. Our chair raised this issue in December 1993, when the Board discussed a project for Korea. Considering that some countries (including transition economies) will soon be in a position to graduate, and that the Bank presently is being accused of displacing private funds, it would be very useful to have a framework in place to ensure that transparent and fair standards are used in the process.

As Slovenia will be the first transition country to graduate from IBRD, we suggest that Management continue to closely monitor its economic, social and institutional development and to brief the Board on lessons learned after a specified period of time. This kind of monitoring is crucial for Slovenia, as it is a very small economy which faces an unfinished agenda in institutional capacity building, its slow pace of privatization, and persisting administrative obstacles for private sector investment. Such an evaluation would also be beneficial for other transition front runners in setting their own collaboration principles with the World Bank.

In addition to these general comments, we have three specific questions:
We would like to learn more from the document about Slovenia’s future role as a Part I country and its possible participation in the development community, including a possible role as advisor to less advanced transition economies. Can Management elaborate on this issue?

We think that the democratization process in Croatia will have a very positive impact on the Slovenian economy. Meanwhile, the document informs that the agreement between Slovenia and Croatia on border traffic and cooperation has not yet been signed. How does the Bank assess this situation? Are there any studies at the Bank of a potential boost for Slovenia as a result of the market-oriented reforms in Croatia?

We know from other sources that Slovenia was very reluctant about liberalizing energy prices. Are energy prices still administratively controlled? If so, many Slovenian labor- and material-intensive enterprises – which dominate in the economy – may find it difficult to survive when Slovenia becomes a member of the EU.

In conclusion, we endorse the presented CAS Progress Report and wish the Slovenian authorities all the best in their efforts to join the European Union.