1. We commend the staff for a well-articulated CAS, the Bank’s first assistance strategy for Slovenia. The document provides an interesting profile of a newly-independent country that has moved quickly and successfully to achieve macroeconomic stability, ensure a smooth and productive transition to a market-based economy and develop its relationship with the international financial community. While the economy has benefited from the successful implementation of a stabilization program implemented in 1991, systemic structural weaknesses persist in Slovenia.

2. The Government authorities are to be commended for their sense of urgency and determination in dealing with the country’s unfinished development agenda which focuses on restructuring public finance and increasing domestic savings, completing the systemic transformation of the economy, securing social sustainability and achieving environmentally sustainable growth. We especially appreciate the Government’s clarity of purpose in seeking partnership with the Bank by focusing on areas where they consider the Bank to have a comparative advantage, and explicitly delineating those where they do not see the need for any Bank involvement. The Government authorities have made their needs clear and the CAS provides a good example of a client-oriented and demand-driven assistance package that is tailor-made for Slovenia’s current development requirements.

3. We endorse the CAS strategy under the base case scenario. In particular, we consider appropriate the Bank Group’s involvement in selective lending in Slovenia as these relate to social and environmental sustainability and promoting private investment. The establishment of a Trust Fund of US$1 million as part of the cost-sharing arrangement is a welcome indication of the Government’s unrestrained commitment to pursue a productive development partnership with the Bank Group.

4. The focus of Bank assistance in the design of sectoral strategies during the EU pre-accession period is a critical dimension of the Bank’s assistance in Slovenia. EU accession presents a challenge and an opportunity -- the task may not be easy and the road ahead may not be smooth, especially since divergent views have emerged concerning the pace of accession and the nature of economic policies that may declared during the pre-accession period. In this regard, we would like the staff to elaborate on the prevailing social situation as described in

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page 3, para 12. We are particularly interested in knowing how the concerns of reform-resistant farmers are being addressed.

5. Given Slovenia’s economic standing relative to other transition economies (highest per capita income level of US$9,160) as well as to other developing countries, we are somewhat puzzled by the provision of grant assistance — from the IDF for the State asset management and privatization program (page 12, para 49a) and the GEF to support biodiversity (page 14, para 53). We would appreciate staff reaction on this.