We endorse this Country Assistance Strategy and commend staff for a well written document which was prepared in consultation with the government of Slovenia and other stakeholders. Although the Slovenia economy experienced unfavorable economic and political conditions particularly during the last years of the former Federal Republic of Yugoslavia, the country has made significant progress since independence. With the launching of a program to systematically transform the economy, the government has been able to put the economy on the track of sustained and durable growth. It is gratifying to note that the country is now the most prosperous among the republics of the former Yugoslavia, enjoying the highest per capita income level among transition economies and having access to international capital markets at favorable terms. Notwithstanding these achievements, the country still faces some hurdles in meeting the requirements for membership in the European Union. These include a low growth due to the large share of the state in the economy and the low share of the private sector in manufacturing and infrastructure.

We are pleased to note that in line with the government's objectives, the CAS will focus on a limited set of lending and non-lending activities relying on both local and international expertise. In this connection, we welcome the willingness indicated by the government to contribute to the cost of the Bank's non-lending activities and we are encouraged that a Trust Fund has been established for this purpose. However, we find some inconsistency in paragraphs 3 and 37. Whereas the former notes that the Slovene authorities will pay for part of the cost of the non-lending activities to be rendered by the Bank, the later states that the government's Trust Fund is meant to pay the local experts. We would appreciate further clarification on this issue.

We concur that the private sector should be the main engine of growth, and that the government should accelerate its rate of reform. However, achieving this will require giving full consideration to the institutional capacity aspect in designing the reform programs. The pace and sequencing of reforms will accordingly be particularly important. We are therefore pleased to note the emphasis put by the CAS on developing the government's capacity to enable it to
effectively protect the groups at risk. We regard this as particularly important to ensure the participation of all socio economic groups in the formulation of the programs.

The government’s plans to restructure its public finances, in particular to reform the social security system, in order to increase domestic saving, are steps in the right direction and deserve strong support. Addressing the issue of high tax burden, which is indicated as a constraint to mobilization of domestic resources for investment in agriculture, manufacturing and housing, should be given special attention. The tax system should be reformed by broadening the tax base and reducing the rates. This, in our view, will encourage voluntary compliance and encourage domestic saving and investment.

The strategy for integrating the activities of the Bank Group is feasible to us. In this connection, we would like to see the active involvement of IFC and MIGA in mobilizing resources and developing the infrastructure, through the different instruments at their disposal.

With respect to the collaboration between the Bank Group and others development partners, while the CAS reflects the strong presence of EIB, EBRD in privatization exercise, the EU PHARE in non-lending activities and other several key bilateral donors in delivering specific non lending services, we note that no mention was made of the role of IMF in Slovenia. We would appreciate staff’s comments in this regard.

We support the strategy to decentralize the ECA region’s management of country assistance for the countries comprising Slovenia, Hungary, the Czech, and Slovak Republics and Moldova, to its regional hub in Budapest. This is in line with the Strategic Compact’s objectives; to increase front line activities and greater client focus. It will also forge a closer Bank Group partnership with the Slovene authorities and better collaboration with other development partners.

EU membership will no doubt provide significant opportunities for Slovenia, particularly in the areas of trade and investment. We hope that agreement on its accession will occur in the near future.

Finally, we wish the Slovene authorities success in their efforts to transform the economy, achieve European Union accession by the beginning of the next decade and graduate from the Bank borrowing.