We welcome the discussion on the Country Assistance Strategy Progress Report of Slovenia. We compliment the Staff for this excellent presentation and congratulate the Government and people of Slovenia for their impressive macro-economic performance.

Slovenia today stands as a unique example among the transition countries for having achieved a quick and remarkable turn-around of the economy. The policies and principles adopted by Slovenia form a strong basis to be replicated in the region. In this connection we very much welcome the initiative taken by the Slovenia authorities in collaboration with the Bank, the Fund and the US Treasury to establish a Public Finance Management Center in Ljubljana. This is a step in the right direction in disseminating the recently gained experience.

Though Slovenia has stabilized its economy and is growing steadily, the competition posed by its neighbors is to be dealt with appropriately. Unless steps are taken in liberalizing the financial as well as labor markets, the danger of losing competitiveness in the EU as well as in global market will become a reality.

Another area of concern is the growing current account deficit. We would like to know from the Staff as to what steps have been taken to promote export and reduce the deficit. Though there is no reason to be alarmed about Slovenia’s economic stability, the Government need to press on with privatization, enterprise restructuring and institutional
reform in order to promote foreign investment and improve competitiveness. The progress made so far in the Banking Sector, as well as in Insurance domain are very slow. Since the consensus, on privatization and liberalization of labour market among the major stakeholders in Slovenia is eluding we would like to know how these crucial aspects are going to be tackled in the days to come.

In para 12, it has been mentioned that the Government has adopted a program to encourage FDI. However in para 46 (page 14) it has been mentioned that “MIGA has not issued any contracts for investment in Slovenia and really views Slovenia more as a investor country”. We find there is an element of contradiction. If Slovenia is an investor country, will still there be a hope for net flow of foreign capital? We feel if the Government is encouraging FDI, then there is a definite role for MIGA to play a complementary role. We would like to have clarification from the Staff on this issue.

Another welcome feature in Slovenia is the positive role being played by the corporate sector. We appreciate the establishment of Competitiveness Center purely at their initiative even without the help of the World Bank or the Government of Slovenia. However, corporate governance is still a matter to be fine-tuned and improved. We would like to know about increase in productivity of labor in recent years and methods employed in this behalf.

To sum up, Slovenia has clearly demonstrated that through judicious mix of prudent economic policies with cautious monetary and exchange rate policies and with the consensus of all stakeholders, can make transition to the market economy, both painless and pleasant. We are sure that Slovenia can manage its remaining development challenges successfully and will continue to demonstrate that it has got the wherewithal and institutional capacity to ensure the sustainability of its economic gains. We wish the Government of Slovenia and its people fruitful relationship with the EU and the World Bank as a crucial partner.