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INTERNATIONAL FINANCE CORPORATION  
INTERNATIONAL DEVELOPMENT ASSOCIATION  
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MULTILATERAL INVESTMENT GUARANTEE AGENCY

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Statement by the Hon. **BOŽO JAŠOVIČ**,  
Alternate Governor of the Fund for **THE REPUBLIC OF SLOVENIA**,  
at the Joint Annual Discussion



**Statement by the Hon. Božo Jašovič,  
Alternate Governor of the Fund for the Republic of Slovenia,  
at the Joint Annual Discussion**

Dear Ladies and Gentlemen!

It is my pleasure and honor to address the 2006 Joint Annual Meetings on behalf of the Republic of Slovenia. Singapore's multicultural setting at the crossroad of cultures and its remarkable economic achievements make it an ideal venue for holding such meetings. There is another reason why Singapore is especially a good place to meet. Singapore tops the most recent World Bank ranking as a most friendly business environment. We came here to learn from Singapore's insight, to exchange our recent experience, as well as to discuss together the avenues for the future.

Looking ahead, the prospects for the world economy remain robust. For the fourth consecutive year the global growth has exceeded four percent. But, as the Malayan proverb goes, "Do not think there are no crocodiles because the water is calm." The downside risks are important and include volatile oil prices, accelerating inflation, large global current account imbalances, and tightening financial market conditions.

All economies have a shared interest for a stable global economy. Macroeconomic stability, sound financial systems, flexibility and sound institutions are all the most necessary ingredients for securing its continued smooth ride. There is no universal recipe about how these ingredients should be applied in a given place at a given time. But it is important that countries, when they pursue their own reform agenda, take into consideration a global context, for their own sake and for the benefit of us all. Or, as Indians would say, drops join to make a stream.

We learned immensely about how economies function and we have a good understanding about how economic policies should be designed. But the shift from the elegant ease of theory to the harsh reality of practice is not always straightforward. Achieving the right policy mix requires learning from experience; it also requires responding flexibly to new challenges. Without exception, experience is a long journey, or, as Chinese would put it, three feet of ice does not result from one day of freezing water.

Today, I would also like to share with you the lessons Slovenia has learned on its path of transition. Slovenia's economy expanded at 3.6 percent in average over the past 4 years. Unemployment is low, at 6 percent. Macroeconomic stability has been maintained and the structural agenda kept determined at all times. The efforts paid off. In 2004, Slovenia

graduated from the Bank's loans and became a Part I country. It also joined the EU union. This year, Slovenia fulfilled all Maastricht convergence criteria and will adopt euro on January 1, 2007.

Several important lessons from this journey stand out:

First and foremost, fiscal prudence and sound monetary policy are of crucial importance. As Slovenians would say, if the roots are strong, then the branches are strong too. Slovenia maintained a low fiscal deficit and the public debt below 30 percent of GDP. Inflation was brought down in a smooth way.

Second is the lesson of taking prudent but continuing steps in the reform. Closely related is the need for social consensus. Reforms are done for and by the people. Their pace should, therefore, be ambitious but also realistic to generate the necessary public support.

Third is the importance of institutional strength and capacity building. Slovenia owes much to the technical assistance it has received from the Bank and from the Fund. Both proved as strong partners throughout the transition period.

Yet another lesson has to do with the recognition that only a strong financial sector can support growth. After financial soundness, the question of ownership comes second.

Last, but not least, a bit of luck is also needed.

Let me briefly conclude. The twenty-first century offers great opportunities for the world economy but presents it with important macroeconomic and social challenges. There is a wealth of experience and wisdom about how to address them. All we need to do is to be willing to work together and be able to adapt to time. After all, this is for the benefit of this and further generations.