

SPEECH BY THE PRIME MINISTER OF THE REPUBLIC OF SLOVENIA
AT THE ANNUAL BANK CONFERENCE ON DEVELOPMENT
ECONOMICS

Bled, 17 May 2007

Dear Participants,

I would like to welcome you to the Annual Bank Conference on Development Economics, and it gives us great pleasure that it is being held in Slovenia this time. The role of the private sector is indeed more to the point and topical than it has ever been before.

Hunger and shortage of drinking water, underdevelopment, poverty, backwardness, lack of privilege, corruption and illiteracy are still the cruel reality of the 21st century. Sadly, the vast majority of people still live in poverty. According to the available information 2.8 billion people still live on less than 2 dollars a day while 1.2 billion inhabitants of our planet spend even less than one dollar a day. Child labour is unfortunately still common practice in many parts of the world. Climate change threatens the ecological balance and calls for serious and concerted action of us all, in order that we prevent the consequences that may be fatal for the entire planet.

Ladies and Gentlemen,

The self-evident question is: How to improve the standard of living of people in developing and undeveloped countries? Development economics is the branch of economics that has tried to find an answer to this question. Since 1950, when the first model of development economics was formulated, until today, we have seen many theories and models of development economics that have been changing, developing and improving. Development economics has become increasingly interdisciplinary over time. Today it links economic, sociological, anthropological, political, socio-psychological, medical, geographical and other sciences. The modern development economics seeks an answer to the question as to which are the most important factors in ensuring faster economic growth and improvement of the standard of living chiefly in developing and undeveloped countries. Is it food, health system, primary and higher education, efficient legal system, fair trade, just distribution of income and, last but not least, the right economic policies and development strategies?

The economists Michael Todaro and Stephen Smith described development economics as coordination of human yearning and endeavours.

The essence of development economics is, time and again, to move from theory to practice and to turn words into deeds. A former president of the World Bank Lewis Preston said: “Development theory by itself has little value unless it is applied, unless it translates into results, and unless it improves people’s lives.” This, in other words, means that the findings of a science are successful if they help developing and undeveloped countries towards faster progress and economic growth. We can nevertheless say that the World Bank is the very driving force behind the development of economics in the field of development economics on the one hand, and at the same time the main source of financing and expert assistance to developing and undeveloped countries, on the other. Although the needs are great and assistance is almost always insufficient, the achievements of the World Bank – since its establishment in 1944 until today – speak for themselves. The organisation, which today has 184 member countries, has contributed to the great extent to the alleviation of problems around the world. The very establishment of the World Bank that is owned by the member countries is a project that has brought together the nations of the world. The World Bank, which was established with a noble objective, provides financing to those countries that have no access to international markets. It provides interest-free credit to undeveloped countries and low-interest loans to developing countries, with a longer repayment term. It also offers expert and technical support to projects that are important for the improvement of poor living conditions and for sustainable development. In the budget year from June 2005 to June 2006, the World Bank thus made available almost 24 billion US dollars in loans and donations for 279 projects.

Ladies and Gentlemen,

We set ourselves an ambitious goal in the Millennium Declaration in 2000. We pledged to reduce poverty by half by 2015. We pledged to help member countries to overcome extreme poverty and hunger, to help to ensure education for children, rights for women, to reduce child mortality, improve health of pregnant women, to ensure protection against lethal diseases such as AIDS, malaria, tuberculosis; we pledged to protect nature and natural resources, and to develop an international partnership for development.

Ladies and Gentlemen,

The Annual Bank Conference on Development Economics is an opportunity for numerous development economists to outline their views on the problems of sustainable development of today’s world. The choice of Bled as the conference

venue is of symbolic importance for us and we are delighted that by being chosen to host the conference we stand side by side with Brussels, Amsterdam and Tokyo – capitals that have hosted this conference in the past three years. Slovenia is a young state that started its path of independence and democratic change in 1991. The path we have travelled in these 16 years has not been easy. Slovenian companies lost 80% of their market practically overnight. Employment dropped by 10% in 1992 and 1993 alone, real imports declined sharply. These were moments of uncertainty and the Slovenian economy had to find new opportunities in the demanding markets of the European Community. It has taken a great deal of hard work and courage to achieve the visible results of today. Exports – of key importance for the small, open Slovenian economy – thus increased from 51% to 69% between 1996 and 2006. The private sector was given a better opportunity and increased its share of GDP from 30% to 65% in the period from 1992 to 2006.

Today, Slovenia is in the best ever economic situation in its history. As the only new European Union Member State we adopted the euro as our own currency very successfully at the beginning of this year. This success is even greater if we consider the fact that we have succeeded in maintaining economic balance and low inflation. Other economic and public finance indicators are also good. In 2006, economic growth was 5.2% and it reached almost 84% of the average EU GDP, measured by purchasing power. Employment according to the ILO methodology increased by 1.3% in 2006, while unemployment now amounts to less than 6.0%. In 2006, growth in added value was 5.3%, and labour productivity 4.0%.

I am delighted to add that good economic indicators have been successfully translated into the lives of the people. In 2006 gross salaries in Slovenia increased nominally as well as in real terms. Public debt has been further reduced and is now as low as 27.8% of GDP. Public deficit has been further reduced to 1.4% of GDP. It is important also that favourable forecasts have been made by foreign and domestic institutions for 2007 and 2008.

Although we are proud of our achievements we are aware that there is a great deal of hard work still to be done in order to realise our long-term objectives. Or in the words of a former World Bank president James Wolfensohn: “Our primary development goal must be the reduction of inequality between nations and within nations ... the key development challenge of our time is the challenge of inclusion.” We wish to minimise, and eventually eradicate poverty also in Slovenia.

One of the first documents that the Government of the Republic of Slovenia adopted was Slovenia’s Development Strategy. It is a programme of economic

and social reforms that we have to carry out in order to ensure Slovenia's long-term achievement of these good economic results. We adopted tax laws as part of the economic reforms that significantly lessen the excessive tax burden on the economy and encourage the employment of highly educated workers that will be less costly for companies. Further privatisation of companies that are still chiefly in state ownership is underway and will be carried out in such a way as to ensure the best possible effects for the growth and development of the economy. Special attention is being paid to the privatisation of the banking and insurance sector where it is our duty to ensure the stability of the financial system. We have also adopted a number of other measures of economic and social reforms with which we wish to increase the competitiveness of the Slovenian economy. The negotiations with the social partners on the labour legislation are in the final stage. With this legislation we will ensure a higher flexibility of the labour market and thus create conditions for higher employment. We have adopted a new municipality financing act. Under preparation is legislation on provinces whose objective is a more harmonious regional development.

Ladies and Gentlemen,

On its path from a developing country to a developed one, Slovenia enjoyed the assistance and support of the developed countries in the world. The door to the European Union and the euro area was open for us. We are entering the Schengen system on 1 January 2008 when we will also take over the presidency of the European Union. In these days Slovenia has also received an official invitation to become a member of the Organisation for Economic Cooperation and Development (OECD). We are aware of the importance of our experience and knowledge. Today Slovenia is rightfully expected to help countries with finance, experience and knowledge. Slovenia was the first country in transition to conclude the World Bank's "graduation" procedure in 2004. We thus undertook the commitment to cease borrowing from the World Bank and using its free-of-charge technical assistance. Instead, we undertook the commitment to help other countries towards faster development. Here it is necessary to mention Slovenia's long donor tradition. Immediately on gaining independence Slovenia as a developing country allocated around 0.08 of GDP of development assistance to the countries of the Western Balkans. Today, of course, much more is expected of us. Under the auspices of the World Bank within the Multilateral Debt Relief Initiative (MDRI) Slovenia has been active in reducing the debts of the poorest countries of the world. We participate in the replenishments of the International Development Association and of the Global Environmental Facility. We have participated in the Fund to Combat HIV, Malaria and Tuberculosis and in the Programme for Combating River Blindness in Africa.

Slovenia has contributed funds to the International Finance Corporation for the Balkans. We are also the first transition country to contribute funds to the Western Balkans Fund of the European Bank for Reconstruction and Development (EBRD) between 2007 and 2010. Slovenia also helps undeveloped and developing countries with payments made into the EU budget and will be paying into the European Development Fund as well. We are very well aware that the needs are much greater than the money being collected in these funds today. It can therefore be rightfully expected that we shall devote even more attention to development topics and development finance. The objective is indeed to achieve 0.17% of GDP for development assistance by 2010.

Although donorship is noble and indispensable, other forms of assistance must also be used to combat poverty. Economic, social, political and institutional mechanisms are necessary for the sustainable development process and for rapid and extensive improvements of living conditions in undeveloped and developing countries. These mechanisms must include both the public and the private sectors. The role of the private sector has therefore become increasingly important in development. Here it is necessary to point out again that the private sector must respect the global rules of the United Nations by protecting the human rights, by not using forced or compulsory labour and child labour, and by respecting progressive standards of environmental protection.

Ladies and Gentlemen,

As early as 1776, Adam Smith said: "No society can surely be flourishing and happy of which the far greater part of the members are poor and miserable." It is our duty and moral obligation to jointly help people who cannot live in decent conditions and to minimise and finally eradicate poverty.

In conclusion, I wish this conference to be a resounding success and to contribute to the exchange of ideas leading in the future to effective solutions for providing assistance to the poorest and underprivileged inhabitants around the world. Words are useless if not followed by action.

I wish you every success in your work and a pleasant stay in Slovenia.