Statement by Jiayi Zou, Executive Director for China  
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**Bulgaria: Country Partnership Strategy**

We thank the staff for the well written and detailed Country Partnership Strategy (CPS) paper for Bulgaria in 2007-2009. We support the CPS as it sets a comprehensive strategy with clear priorities, in line with the government’s efforts for integration and accession to the EU.

We are pleased to note that in the recent years, Bulgaria achieved impressive progress toward long-term stability and sustained growth, which laid a solid foundation for EU accession. However, Bulgaria still faces great challenges in terms of large income gaps with the EU criteria, regional imbalances and infrastructure modernization, thus more efforts are needed to improve the efficiency of the economy, rehabilitate infrastructure and provide more jobs to the society, especially the rural population. We believe that Bulgaria will achieve its ultimate goal of the scheduled EU accession with the reform agenda and donor support.

We agree with the basic framework of the CPS, a lending volume of up to $300 million each year, supporting the government’s unfinished reform agenda and facilitating Bulgaria’s EU integration process. We also support the three priority areas set in the CPS. The CPS reflects new features of Bank’s cooperation with solid middle income countries like Bulgaria: more country ownership, demand driven and flexible according to the country situations. The success of this dynamic approach in Bank’s country assistance strategy will be well exemplified by other middle income countries. Given the specific country conditions and the Bank’s comparative advantages, we support the Bank’s activities in the following areas:

**Promoting economic growth to reduce income gaps with the EU countries.**
To achieve this ultimate goal, Bank assistance needs to facilitate the on-going regulatory framework aiming at reducing cost of doing business and enhancing efficiency. This will also help improve the investment and business environment. Labour market reform is also an area Bank can provide assistance, including reforming the tax system to provide incentives for employment, introducing labor market program to increase labor force participation, upgrading the skills of the labor force through vocational education to ensure employment.

**Enhancing social inclusion and easing regional disparities.**
Bulgaria’s poverty concentrates in the rural areas. Poor infrastructure, high cost of health services and limited access to water and electricity lead to high unemployment rate and lower living standard. Bank assistance is important to finance poverty by improving the basic living
conditions, making roads, water and electricity accessible to the villagers.

**Strengthening donor coordination**
As Bulgaria receives aids from multilateral and bilateral donors, it is important to strengthen the public sector capacity so that donor funds are used in a most efficient and effective way and are allocated to the areas most in need. We wonder how the donor activities are being coordinated so that duplications of labor can be avoided. What is the Bank’s role in this regard?

To conclude, we wish the people and government of Bulgaria success in their efforts to promote economic growth and to implement the CPS and to gain EU membership as planned.