

Summary

In the first part of the paper we present the entrepreneurial activity and efficiency of entrepreneurial processes in Slovenia in 2002-2005, along with a comparison between Slovenia and selected other EU member states. The analysis is based on indicators of entrepreneurial activity published by the Global Entrepreneurship Monitor (GEM). The central part of the paper evaluates the efficiency of entrepreneurial processes in Slovenia by looking at how successfully enterprises evolve from their early stages of development to become established businesses in the market, and by analysing the ratio of opportunity to necessity entrepreneurship. The second part of the paper presents the main barriers to entrepreneurship in Slovenia, while the third part discusses selected government measures aimed at promoting entrepreneurship and assesses their results.

The entrepreneurial environment in Slovenia does not support the establishment and growth of enterprises. Financial indiscipline has been identified as the biggest barrier to entrepreneurship, followed by an inappropriate tax policy, an excessive administrative burden, inadequate employment legislation and a lack of qualified labour. The level of risk capital is negligible in Slovenia. There is also relatively little informal investment in firms, which is a key capital source in the early stages of the entrepreneurial process. Slovenia also scored poorly in the international comparison assessing the ease of doing business, based on the World Bank's data.

Given the unsupportive entrepreneurial environment, the initial stages of the entrepreneurial process are uneconomical in Slovenia due to the low proportion of early-stage entrepreneurial activity and the high mortality rate of emerging businesses. The transition from emerging to new businesses is comparatively among the least effective, although the situation is improving in those categories of enterprises that have been in operation for a longer period. According to the ratio of new to established businesses Slovenia thus recorded one of the most favourable results. 2005 saw a positive shift in the proportion of the entrepreneurially active population as the falling trend in the proportion of early-stage entrepreneurial activity observed in 2002-2004 came to a halt. The proportion of the population engaging in entrepreneurial processes to seize a perceived market opportunity is rising as well, which is favourable regarding the survival of businesses and the quality of the entrepreneurial process. Nevertheless, the total early-stage entrepreneurial activity in 2005 was still lower than in 2002, and positive results are still too scarce to indicate any long-term upward trend in entrepreneurial activity in Slovenia.

In previous years, Slovenia's enterprise policy was inconsistent and unpredictable which is also reflected in the analysis of the dynamics of state aid to micro, small- and medium-sized enterprises. The level of this aid generally fell in 2000-2004 in both absolute and relative terms, and the cuts were much bigger than in the European Union on average. Nevertheless, the measures taken by the government to facilitate the setting up of businesses and improve access to finance for entrepreneurs despite the relatively small budget are encouraging. The question is what kind of entrepreneurship Slovenia wants to promote. Entrepreneurship is important because of (self)employment but, as unemployment declines, this role is becoming less significant. As the Slovenian business sector lags behind the more advanced EU countries in terms of its development level, entrepreneurial promotion should focus on those sectors that require knowledge and generate high value added in order to speed up Slovenia's catching up with the most developed economies. Apart from simplifying the procedures for setting up a business and making them faster and

cheaper, Slovenia should also raise the level of business ethics and ensure more efficient debt recovery to reduce the negative consequences of financial indiscipline.

Key words: entrepreneurship, entrepreneurial activity, state aid, financial indiscipline, late payment, Global Entrepreneurship Monitor, micro, small- and medium-sized enterprises, mortality rate for firms, entrepreneurial process, informal investment, venture capital, setting up a business, Slovenian Enterprise Fund, self-employment, one-stop-shops.