

Slovenia

In BEEPS V, the top three business environment obstacles identified by Slovenian firms were political instability; tax administration; and access to finance (Chart 1). Labour regulations were among the top obstacles for young, large and manufacturing firms. The latter were also concerned about corruption. In BEEPS IV, the top three obstacles were access to finance; competitors' practices in the informal sector; and electricity issues.

Labour regulations continue to be an obstacle, despite some reforms

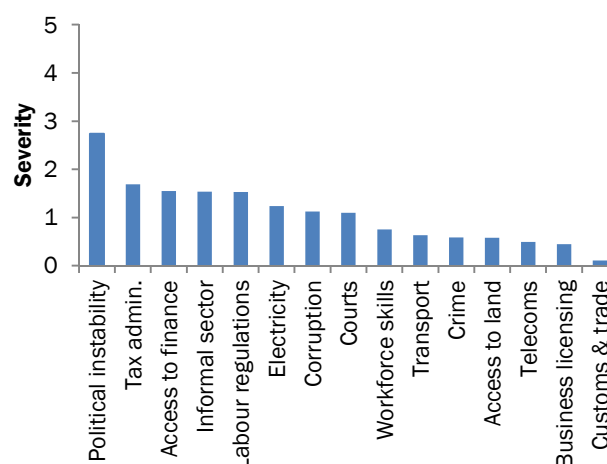
Unsurprisingly, **political instability** was considered to be the most severe obstacle for Slovenian firms. The end of 2012 witnessed massive anti-government protests fuelled by accumulated popular frustrations over a difficult economic situation in the country. At the beginning of 2013 a controversy related to the publication of a report of the anti-corruption commission containing allegations against the head of government led to a political crisis, culminating in a no-confidence vote in the parliament on 27 February 2013.

Tax administration was considered to be the second-most severe obstacle. Although the share of the firms visited or inspected decreased and was relatively low compared with the CEB average, the number of inspections by or meetings with tax officials in those that were examined increased from 1.8 times in BEEPS IV to 2.8 times in BEEPS V, exceeding the central Europe and the Baltic states (CEB) average of 2.2 inspections or meetings (Chart 2).

Access to finance remained among the top three obstacles. Firms financed more than three-quarters of fixed-asset purchases from internal funds or retained earnings. The share of firms with a loan or a line of credit decreased to 65.6%, but was still well above the CEB average of 40.5% (Chart 3). Just over a quarter of the firms applied for a loan and almost 95% of them received it. While the share of credit-constrained firms (those that needed a loan but were either discouraged from applying or rejected when they did) was below the CEB average; it increased by just over 20 percentage points compared with BEEPS IV.

Labour regulations were among the top three obstacles for young, large and manufacturing firms. The labour market in Slovenia is considered to hamper competitiveness and economic adjustment due to the rigidity of permanent labour contracts and complicated administrative procedures. A positive step towards reform was made in March 2013 with the passing of the new employment act which simplifies the process of hiring and firing employees.

Chart 1. Business environment obstacles



Estimated for a hypothetical "average" firm. Higher values correspond to a weaker business environment.

Chart 2. Tax official inspections/meetings

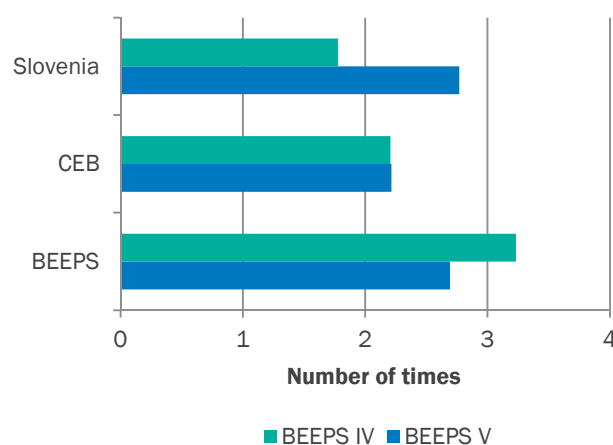


Chart 3. Firms with a loan or a line of credit

