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Convergence with the best performing countries has resumed over the past decade, but – contrary to per capita GDP – labour productivity is still relatively low.

Policy priorities

Reduce producer support to agriculture

Challenge and recommendations: To shift resources to higher-productivity activities and ease the burden on consumers and taxpayers, it was recommended that the very high levels of agricultural support be reduced and that market access be facilitated.

Actions taken: In order to reduce prices, excise taxes on imported food (other than sugar and sweets) were abolished, and the general import tariff on imported meat products was lowered significantly as from March 2007.

Improve upper-secondary education attainment

Challenge and recommendations: To avoid a weakening in core competencies while taking measures aimed at reducing dropout rates, it was recommended that a reduction in the length of upper-secondary education be matched by increasing effective teaching time and adjusting curricula.

Actions taken: A reduction in the duration of upper-secondary education, which is long by international comparison, is still being prepared.

Lower barriers to entry for domestic and foreign firms

Challenge and recommendations: In order to boost competition and productivity, it was recommended that foreign ownership restrictions in fisheries and the energy sector be reduced and that consideration be given to privatising the generation activities of the National Power Company.

Actions taken: While the sale of government assets continues, the authorities have ruled out a privatisation of the National Power Company.

Reduce government support to housing

Challenge and recommendations: To reduce distortions in the mortgage market, it was recommended that the Housing Financing Fund be charged a fee reflecting the benefits of a government guarantee.

Actions taken: No action taken.

Accelerate public sector reform

Challenge and recommendations: With a view to enhancing efficiency and curbing spending creep, it was recommended that outcome-based budgeting be introduced, and that performance measurement and management reforms in the public sector be accelerated.

Actions taken: No action taken.