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GDP per capita has fallen relative to best performing countries, with a widening gap in productivity performance. Competition in product markets has been reinforced through a reform of the general competition law, but particular weaknesses remain in the following areas.

Priorities supported by indicators

Remove barriers to competition in network industries

Framework conditions limit room for entry of competitors, allowing vertically integrated incumbent operators to retain a dominant position in many segments of telecommunications, postal services, energy and rail transport markets. Network access price regulation generates insufficient incentives to reduce costs. Lack of competition and ineffective regulatory arrangements limit productivity advances.

Actions taken: The legislative process has been initiated to reform postal market regulation, which aims at strengthening the independence of the regulator, removing administrative privileges of the incumbent and phase out by 2011 the remaining legally protected monopoly over letter-delivery services.

Recommendations: Strengthen vertical separation in the electricity industry. Remove the legal restrictions on competitors' access to the incumbent's local loop network in telecommunications. In the railways, guarantee access of competitors to the rolling stock. Privatise remaining government stakes in telecommunications, electricity generation and the postal services. Strengthen the independence and powers of industry regulators and apply incentive regulation for the determination of network access prices.

Reduce producer support to agriculture

Domestic agricultural production is protected by tariff and non-tariff trade barriers, keeping consumer prices of agricultural products higher than world prices. Total support to agriculture was worth 1.1% of GDP in 2007 and farm-land regulation generate high costs to the taxpayer and contribute to misallocation of resources.

Actions taken: Legislation is being implemented to hold producer support payments constant in nominal terms until 2011, and to remove export subsidies and controls on the price of land.

Recommendations: Lower the border protection of domestic production. Accelerate the replacement of subsidies linked to production by targeted income support. Limit the level of support to incumbent farmers rather than to farming businesses, ensuring that it is phased out as the former retire. Remove regulations governing land use, which also bias inheritance decisions towards the continued use of land for agricultural production.

Facilitate full-time labour force participation for women

Limited availability of pre-school education makes it difficult to reconcile work with raising children. Marginal incomes taxes on secondary earners are still higher than for main earners, further discouraging full-time female labour market participation.

Actions taken: A reform of personal income taxation that came into force in 2008 reduced the difference in marginal tax rates on secondary workers relative to main earners. Central government co-funding for childcare facilities will end in 2011.

Recommendations: Enhance pre-school education services through better co-ordination of the provision of such services between different levels of government. Move from joint to individual tax assessment of each spouse's income.

Other key priorities

- **Health system efficiency.** Contain health-system costs by assigning hospital funding to insurers in full, allowing insurers more freedom to contract with individual providers and improving the system of transfers that compensates insurers for differences in risk characteristics among insurees.
- **Tertiary education.** Raise graduation rates from tertiary education by developing quality assessments of universities and introducing loans with income-contingent repayments while allowing universities to raise further resources through higher fees.

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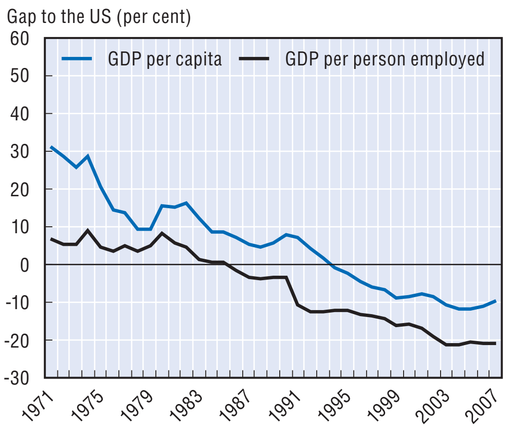
Structural indicators

Average annual trend growth rates, per cent

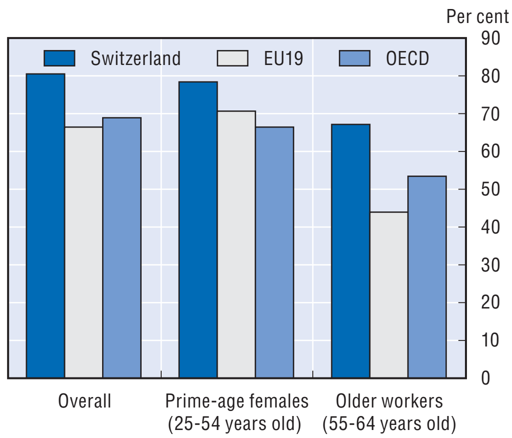
	1997-2007	1997-2002	2002-2007
GDP per capita	1.1	1.0	1.3
Labour utilisation	0.0	–0.3	0.3
of which: Employment rate	0.2	0.0	0.3
Average hours	–0.2	–0.3	–0.1
Labour productivity	1.2	1.2	1.1
of which: Capital intensity	0.8	0.9	0.7
Multifactor productivity	0.4	0.3	0.4

Source: Estimates based on *OECD Economic Outlook*, No. 84, Vol. 2008/2.

A. The divergence in GDP per capita has been arrested[1]

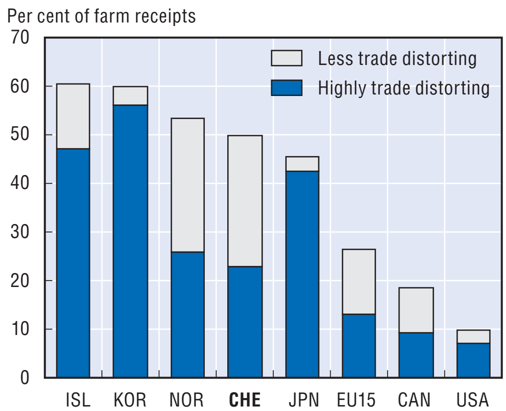


B. Employment rates are high, 2007

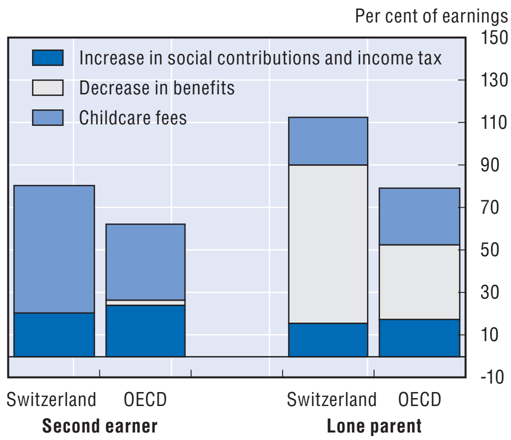


C. Agricultural support is very high, 2007

Producer support estimate



D. Disincentives to full-time work for women with children are high, 2004[2]



1. Percentage gap with respect to US GDP per capita and per person employed (in constant 2000 PPPs).
2. Based on implicit tax on returning to work, defined as the cost of childcare, reductions in income-related benefits and increases in social contributions and personal income taxes, all relative to earnings in the new job. Measured for second earners and for lone parent with income equal to two-thirds of average earnings.

Source: Chart A: OECD, *National Accounts Database*; Chart B: OECD, *Labour Force Statistics Database*; Chart C: OECD, *Producer and Consumer Support Estimates Database*; Chart D: OECD, *Benefits and Wages: OECD Indicators*.

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