

Chapter 4

Renewing policy initiatives to strengthen product market competition

While general economic regulation does not create substantial impediments to competition, making sector-specific regulation in the network industries and in the liberal professions more competition-friendly could make a significant contribution to boosting consumer welfare and productivity growth as well as raise the share of labour earnings in GDP. In the energy industry, discrimination of market entrants needs to be more effectively prevented and the national market more closely integrated with neighbouring countries. In telecommunications measures to foster the entry of new market participants need to be taken more quickly and the independence of the regulator should be strengthened. In the liberal professions price regulation and entry barriers need to be removed including through abolition of compulsory chamber membership. Public sector reform could help reap the benefits from competitive product markets, by reducing administrative burdens on enterprises, strengthening contract enforcement through reform of the judicial system and encourage competition in public procurement.

The Slovak Republic has developed a relatively competition-friendly framework of economic regulation for product markets, reflected in relatively favourable OECD product market regulation indicator values in 2003, and reforms in this area have continued until 2005, including progress in privatisation, partial liberalisation of professional services and steps to open up network industries to competition (see the 2005 *Economic Survey of the Slovak Republic*). However, competition in network industries has not developed to the extent seen in OECD countries where aggressive policies to promote competition in this sector have been implemented, although the telecom, energy and rail network industries have, in principle, been opened to market entry. The government has emphasised that it intends to improve framework conditions for competition, notably in the energy sector, where it has noted that prices remain high relative to production costs. Scope also remains to improve regulatory policy in the telecommunications industry and preconditions for competition to arise in the railways sector are not yet in place. Where framework conditions for competition are in place privatisation would enhance the benefits of competition. Moreover, entry barriers for businesses need to be reduced, lowering administrative burdens on enterprises and reducing entry costs in the liberal professions. Policy initiatives are needed in all of these areas.

The competition-friendly policy stance towards economic regulation has contributed to the strong productivity growth in the Slovak Republic.¹ Contributions to productivity growth have, however, been relatively modest in the retailing and the energy sectors. In the retailing sector, large surface outlets – which have made a significant contribution to productivity gains in OECD countries where such outlets are not restrictively regulated, such as in the neighbouring Czech Republic, – developed relatively late, from about 2000 onwards. The contribution of these outlets to productivity growth is thus not yet visible in trend productivity growth. In 2005 the density of large-scale grocery retailing outlets approached the level of high income European countries.² Moreover, economic regulation of the retail industry – as reflected in the OECD indicator on regulation of the retailing industry – is not restrictive in international comparison. In the energy sector, significant scope remains to raise productivity performance and avoid excessively high prices through more intense competition, as discussed below.

Privatisation of government stakes in the business sector should resume

The government has halted privatisation of government stakes in the business sector and plans to maintain government ownership in those sectors that it considers to be strategic for the Slovak economy. While no decision has yet been reached over which sectors will be deemed strategic, no major privatisation is currently planned. Government ownership is still substantial in all network industries. The government retains a share of 34% in the main electricity producer (*Slovenské Elektrárne, SE*). The government also owns majority shares of 51% in the 3 regional electricity distribution and retailing companies, although it relinquished managerial control to the private minority owners. It also owns a

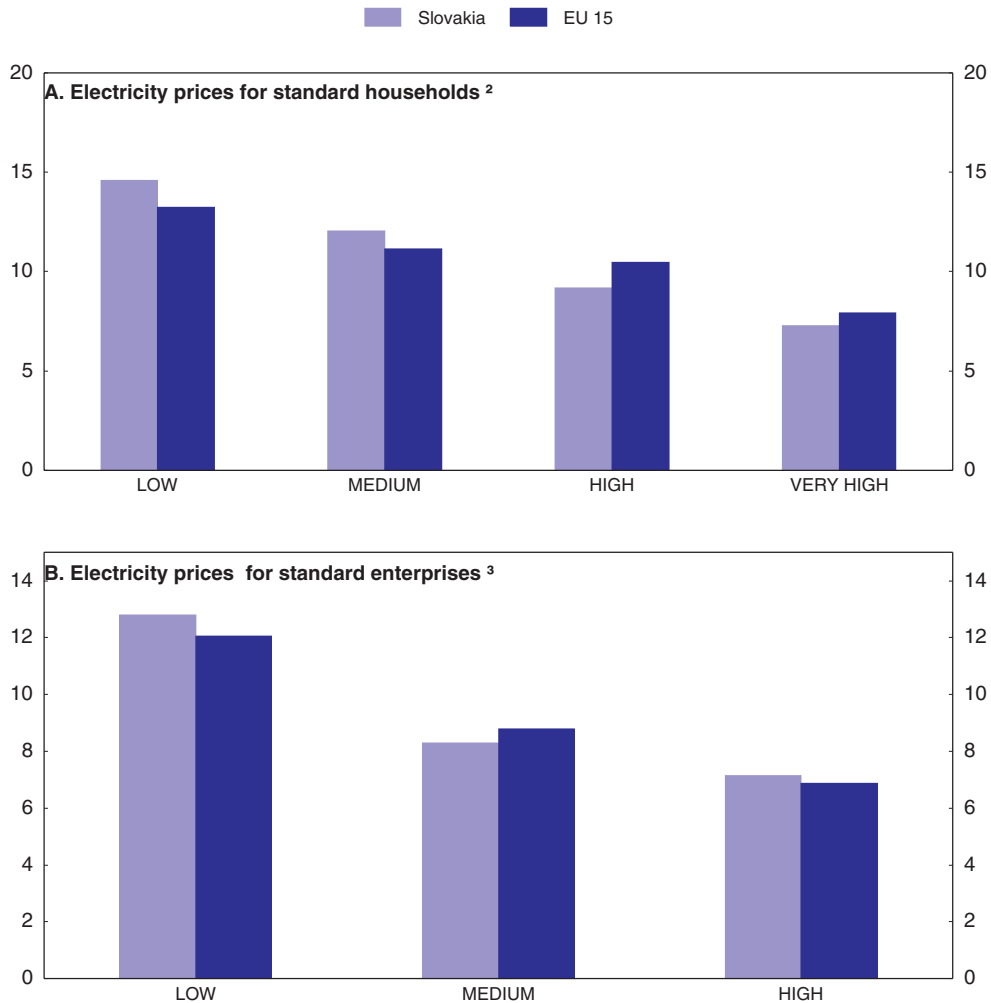
51% share in the national gas distribution monopolist and a 49% share in the fixed line telephony incumbent, which in turn owns the largest mobile telephone operator.

To strengthen economic performance, privatisation is desirable in all sectors in which competition is established or can be established through an adequate regulatory framework. Moreover, government ownership of vertically integrated companies offering services in network industries generate perceptions of conflict of interest which can reduce the willingness of new firms to enter the market. Conflicts of interest can arise because access of new market entrants to the networks needs to be ensured in the regulatory framework provided by the government, while access of private sector enterprises to the network may reduce profits of the state-owned incumbent. These arguments suggest that privatisation of the telecommunications incumbent should proceed. Privatisation of remaining government shares in companies active in electricity generation and trade as well as in gas trade should be pursued as part of a strategy to strengthen framework conditions for competition (see below). If the framework conditions for competition are not in place, increasing private ownership would increase the risks of abuse of market power. Moreover, privatisation of companies with monopoly power would result in the transfer of monopoly rents from the government to the private sector, so that the resulting reduction in government revenue shortfall would, in principle, need to be offset through distortionary taxation. The prerequisites for competition are not in place in railway transport services, especially with regard to passenger transport. Thus, privatisation decisions concerning the railways can be postponed until framework conditions have sufficiently improved, at least in passenger transport services. Moreover, no consensus has yet emerged as to the degree of vertical integration of network and transport services that is desirable in the railways.³

Competition in energy markets is still weak

The Slovak Republic implemented wide-ranging reforms to introduce competition in energy markets in recent years. Managerial separation has been put in place in both the gas and electricity transport networks. Legal unbundling of companies operating gas and electricity network is virtually complete, with legal unbundling of electricity distribution networks to be finalized by July 2007, in line with the deadlines set in European Union legislation. Moreover, ownership of the electricity transmission network was legally unbundled from ownership of electricity generation assets before the partial privatisation of the incumbent company owning most generation capacity (SE), which allows ownership separation to be achieved in electricity transmission. Indeed, experience from other OECD countries has shown that ownership separation of electricity transmission from generation is a prerequisite for effective competition to arise in electricity generation.⁴ A network regulator, introduced in 2002, is in charge of regulating network access conditions. Retail prices for electricity and gas for business customers have been market-determined since 2004, whereas retail prices for private households are still set by the network regulator.

Unregulated electricity prices for business customers were mostly above the average of European Union countries in 2006 (Figure 4.1), although the impact of relatively high oil and gas prices on the cost of electricity generation across EU countries was less pronounced in the Slovak Republic, owing to the relatively large share of nuclear and hydroelectric energy in electricity generation.⁵ Competition in both the electricity and gas industries has not arisen to a significant extent. Very few industrial customers have

Figure 4.1. **Electricity prices excluding taxes**Euros per 100 kWh, 2006¹

1. Taxes are excluded. Arithmetic average of half-yearly 2006 data.

2. The selected standard households are classified "Low" with an annual consumption of 1.2 MWh, "Medium" with 3.5MWh, "High" with 7.5MWh and "Very high" with 20 MWh.

3. The selected standard industries are classified "Low" with an annual consumption of 30 MWh, "Medium" with 1.25 GWh and "High" with 24 GWh.

Source: Eurostat and OECD calculations.

switched suppliers and the three regional electricity utilities have hardly engaged in the retailing business outside their regional distribution networks. However, competition may begin to intensify, as recently a large car manufacturer switched to a supplier of electricity which does not own the distribution network in the region concerned.

Steps need to be taken to overcome the adverse effects of geographic market segmentation...

The geographic segmentation of energy markets contributes to the lack of competition. Indeed the energy market in the Slovak Republic is relatively small, reducing the number of potential market players. The conditions for integrating markets across national borders are not yet in place. High concentration aggravates the consequences of

geographic segmentation. The electricity generation incumbent was privatised as a monopolist without prior partial divestiture of its generation assets and currently owns 80% of generation capacity. The remaining electricity generation capacity is mostly owned by the regional electricity utilities and is thus vertically integrated with the distribution network, giving the major purchasers of wholesale electricity incentives to discriminate against entrants in electricity generation. The gas retail business is entirely held by the incumbent company owning the distribution network.

While the interconnection capacity of the electricity grid is abundant on the border with the Czech Republic, some bottlenecks still exist along the Hungarian and Polish borders and interconnection is weak with Austria. Moreover, the electricity transmission network on which balancing energy⁶ is supplied is confined to the national borders of the Slovak Republic, which tends to strengthen the monopoly position of the electricity generation incumbent. Widening the transmission network over which electricity demand and supply are balanced would allow more suppliers of balancing energy to compete with the electricity generation incumbent. Moreover, establishing a short-term trading facility would encourage the emergence of a liquid spot market for electricity. To obtain a sufficient market size, it would be necessary to set up such a trading facility with the Czech Republic, as pointed out in the report by the International Energy Agency.⁷ In the gas industry, all gas imports are sourced from Russia. A further option to strengthen competition in electricity generation would be to require divestiture of assets by the electricity generation incumbent, in particular, if international market integration does not bring about sufficient competition. Consideration should be given to requiring regional electricity distribution companies to divest their electricity generation capacity.

... as well as measures to strengthen the regulatory framework

In response to weak competition in energy markets the government plans to extend regulation of gas and electricity retail prices paid by private households by 5 years and to reintroduce regulation of retail prices paid by business customers as well as regulation of wholesale prices of electricity for a period of 3 years. Subjecting wholesale and retail prices to regulation entails risks. Extending price regulation may delay the development of competitive market structures, for example, by deterring the entry of new firms to the market. These considerations apply particularly to the electricity market, where gains from competition are likely to be larger, and conditions are more conducive to competition.⁸ Moreover, extending electricity price regulation could potentially give rise to risks of an energy supply crisis if the margin between costs and prices is squeezed, especially if political considerations were to influence regulated prices. An alternative to extending price regulation is to ensure that market-dominating operators are subject to investigation for abuse of market power if there are suspicions for such abuse.

The government has modified the institutional framework of energy market regulation. In particular, the government has split the regulator into two separate units, creating a separate Regulatory Board, which is independent from the Regulatory Office for Network Industries (RONI). The Regulatory Board is in charge of developing guidelines on regulation policy within the existing legislative framework and takes decisions on price regulation rules, while RONI is in charge of implementing rules set by the Regulatory Board. However, economies of scope between determining network access rules and their implementation are likely to be significant. Indeed, it has been recommended – for example in Germany – to reduce the extent to which details of the regulation process are

prescribed to the energy market regulators so as to enable regulators to learn from regulatory practice. At the same time, it will need to be ensured that independence of the Regulatory Board from the government is safeguarded. The European Commission has voiced concerns that the independence of regulation from the government might be compromised. The institutional setup of energy should ensure that economies of scope between designing and implementing network access rules are safeguarded.

Creating the appropriate framework conditions for competition to work should therefore be priority. Network access prices are not high in international comparison,⁹ suggesting that non-price discrimination of competitors by integrated distribution network owners plays the most important role in explaining the low propensity to switch suppliers. Nonetheless some further room exists to lower electricity distribution network access prices. At present, network access price regulation is based on price caps set for a period of three years, based on the assessment of operating costs of each operator. In electricity distribution, further scope for reducing network access prices could be exploited by determining access prices on the basis of the costs of the most efficient regional electricity distribution network operator. Observers have also noted that the regulated cost of balancing energy is kept high by high allowances for administrative costs of the electricity generation incumbent.¹⁰ Consideration should be given to using cost benchmarks, in addition to price-caps, in the regulation of the regional distribution networks. The effectiveness of cost benchmarks could be raised further by seeking to take into account distribution networks in neighbouring countries.

Significant scope exists to reduce non-price discrimination. For example, ensuring that network owners make information on access conditions available to potential market entrants is crucial for competition to arise, as vertically integrated owners of networks would otherwise have an information advantage over market entrants. A recent report from the European Commission has highlighted that electricity market participants in the Slovak Republic have less access to information concerning network access conditions than in most other EU countries, for example, concerning access prices and available capacity on networks and international interconnections.¹¹ Indeed, the government has recognised the need to strengthen transparency. Imposing more specific obligations on network operators could also help prevent non-price discrimination. For example, there are no rules imposed *ex ante* as to the reasons for which network operators can cancel contracts with their clients, which is a potential source of discrimination. In addition, there appear to be no rules in place relating to the allocation of connection costs between network operator and market entrants.¹² Authorisation procedures for new power plants appear complex, especially with regard to public enquiries, and the perceived neutrality of authorisation procedures may suffer from the fact that decisions are taken by the government rather than by the network regulator.¹³ In sum, measures to prevent non-price discrimination should be strengthened. The network regulator should oblige market participants to make information on network access conditions widely available. The regulator should impose more specific obligations on gas and electricity network operators. For example network operators should only be allowed to cancel contracts for reasons specified *ex-ante* by the regulator. Rules on the sharing of network connection costs should be set. Authorisation procedures for the construction of new power plants should be streamlined. Permission for construction of power plants should be granted by the network regulator, as recommended by the IEA.

The benefits of a regulatory framework that is conducive to competition would be enhanced by further privatisation in the energy industry, notably in the electricity industry. However, care should be taken to avoid cross-ownership between companies operating the gas distribution network and companies engaged in electricity generation, as gas-fired power plants have been a preferred means of market entry in electricity generation in a number of OECD countries.

Auctioning carbon dioxide permits would lower the cost of achieving pollution abatement

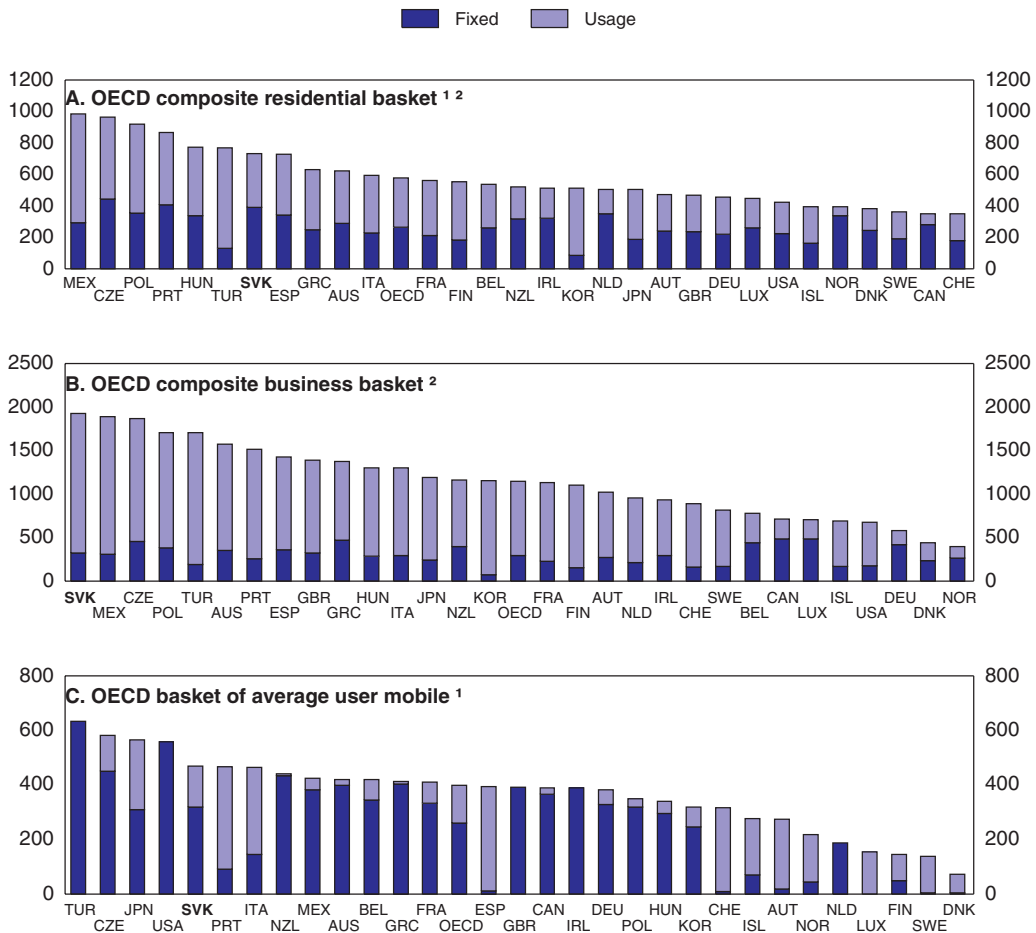
The government has decided to allocate permits for carbon dioxide emissions for free to existing enterprises in the sectors participating in the EU carbon-dioxide (CO₂) permit trading scheme, which are mostly electricity generation companies.¹⁴ Pollution permits are allocated on the basis of past pollution records. Selling CO₂ emissions through an auction mechanism instead would help attain environmental targets at lower efficiency cost to the economy, for two reasons. First, potential incentive problems in grandfathering schemes could be avoided. In particular, to the extent that agents can anticipate future grandfathering rules, incentives to abate pollution may be reduced and non-viable incumbent firms may have incentives to stay in business to receive free pollution permits. Second, selling pollution permits through an auction mechanism would help reduce government debt without resorting to distortionary taxation. Moreover, auctioning pollution permits would not raise electricity prices above the level that is reached with free pollution permits. Indeed, the introduction of CO₂ permits generates marginal opportunity costs in the production of electricity, and therefore increases electricity prices, regardless of whether the permits are auctioned or allocated for free. Moreover, since free allocation of permits is only available to existing companies, auctioning would not increase the costs of entry. Grandfathering of pollution permits should be phased out. CO₂ pollution permits should subsequently be sold through auctions to the extent permitted by EU legislation.

Regulation could be more competition-friendly in the telecommunications sector

Prices of fixed line telephony are relatively high, and roll-out of high-speed internet services has been limited, including through ADSL (Figures 4.2 and 4.3). Regulatory remedies to ensure competition in service provision on the fixed-line network were taken later than in other European countries, allowing the incumbent operator to enjoy large market shares. For example, cost-based regulation of call termination in the fixed telephone network was only introduced in December 2005, later than in almost all other EU countries. The first reference offer for access to the unbundled local loop was introduced in August 2005 only after intervention of the National Competition Authority, following a decision that the absence of such a reference offer constituted abuse of the dominant market position of the incumbent. The costs for competitors to access the unbundled local loop were considerably higher than in other EU countries thereafter, although prices were lowered in August 2006. Delays in the introduction of remedies to foster competition in fixed line telephony services should be reduced.

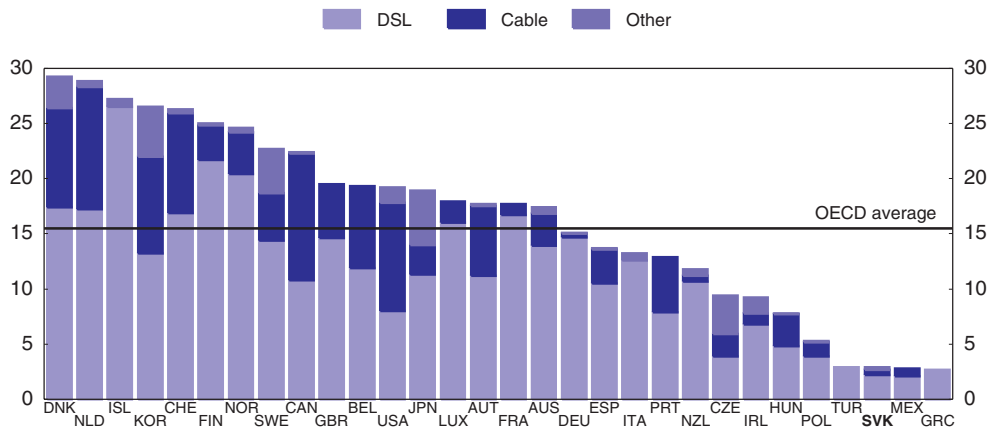
The perceptions of conflict of interest resulting from government ownership of the telecommunications incumbent are raised further by the lack of budgetary independence, as the telecommunication regulator's budget is included in the budget of the Ministry of Transport, which is also in charge of drafting government legislation on

Figure 4.2. **Telecommunication tariffs**
in August 2006, USD PPP



1. VAT included.
2. Refers to fixed network. Calls to Mobile Networks and international calls included.
Source: OECD and Teligen T. Baskets, August 2006.

Figure 4.3. **OECD Broadband penetration rate**
Subscribers per 100 inhabitants, June 2006



Source: OECD, www.oecd.org/sti/ict/broadband.

telecommunications. The independence of the telecommunications regulator should be strengthened by moving its budget out of the budget of the Ministry of Transport.

The preconditions for competition in the railway industry need to be put in place

The attractiveness of the railway network as a transport mode is at present diminished by relatively weak development of the infrastructure, which also reduces the scope for market entry in the provision of train services on the network. However, substantial upgrading of the network infrastructure is planned. It is therefore becoming increasingly important to design government policies towards the railways industry in such a way that they encourage efficiency in the incumbent network operator and allow competition to develop.

The government disburses subsidies to the railway industry directly to the government-owned incumbent transport operators – which are legally and managerially separated from the railway network operator – and the volume of these subsidies is subject to discretionary changes. For example, at the end of 2006 the government decided to increase subsidies to the passenger transport company in 2007 by 8% over the previously budgeted amount, to SKK 5.4 billion (0.3% of GDP) to ensure that transport services and employment would not be cut by the operator. However, discretion in funding decisions is likely to weaken incentives to achieve cost savings. Moreover, the direct disbursement of the subsidies to incumbent transport operators reduces scope for entry of competitors as they are subjected to a cost disadvantage. Railway network access prices, by contrast, aim at full average cost recovery.

Given increasing returns to scale in the use of the railway network, at least when the network is not congested, prices which aim at covering average cost and do not take marginal costs into account are likely to be inefficiently high and deter entry. Some OECD countries have also achieved substantial cost savings through the tendering of public service obligations – for example for railway commuting services – linked to fixed subsidy payments. For example, cost savings from such public tendering of public service obligations were estimated to amount to between 20 and 40% in Germany.¹⁵ Discretion in the allocation of subsidies to the railways industry should be avoided, for example, by fixing subsidy levels over several years. Subsidy payments to railway transport service operators should be redirected. Instead of disbursing subsidies to the incumbent transport service operator, the subsidies should be used to lower network access prices or be made contestable through the public tendering of public service obligations.

Denial of access to the incumbent's rolling stock is a significant hurdle to competition across OECD countries, as incumbents tend to have an effective monopoly on rolling stock. While the Slovak Republic has introduced a railway network regulator, in line with EU requirements, access to rolling stock is not regulated in the Slovak Republic. To make competition operational, it will be necessary to ensure that market entrants in the provision of transport services have access to the incumbent's rolling stock.

Professional services need to be deregulated further

Entry barriers as well as barriers to competition arise from compulsory registration in a chamber required to exercise professional services. To obtain authorization to establish a business, membership in a chamber is compulsory for architects, civil engineers, auditors, lawyers, notaries and tax advisers. Incumbent businesses have incentives and scope to use

chamber membership systematically to create barriers to competition. Costs from compulsory chamber membership arise, for example, because registration periods are long.¹⁶ In some professions, the professional governing bodies determine rules on, for example, advertising, and set compulsory price schedules in the case of architects. Barriers to competition in professional services are also created by law: for example, self-employed notaries have to be citizens of the Slovak Republic and the number of notary places is fixed by the Minister of Justice. The government also sets price schedules for notaries.¹⁷ The legal form of businesses is restricted for notaries, lawyers, auditors, tax advisers and pharmacists. For example, tax advisers are only allowed to create a limited liability company if they own 75% of the company's voting rights or capital.¹⁸ Moreover, professional workers face qualification requirements which apply when they open a business, which are tied to chamber membership. For example, entry into the architects' chamber includes – in addition to a postgraduate degree in architecture – professional experience and the passing of an entry exam.

Public sector reform can increase the benefits reaped from competitive product markets

A well-developed legal framework for contract enforcement is essential for the economy to reap the potential benefits of competition in product markets. The 2005 *Economic Survey* of the Slovak Republic concluded that the management capacity and accountability of the judicial sector needed to be strengthened. There appears to have been little progress with regard to the recommended reforms (see Table 1.A2).¹⁹ The reforms recommended in the 2005 *Economic Survey* on improving public sector accountability thus remain valid.

The *Economic Survey* also concluded that procedures to reduce corruption in public procurement were required, for example, through the international benchmarking of procurement costs. Indeed, the size of public procurement contracts is growing at a quick pace, reaching a volume equivalent to 7% of GDP in 2005.²⁰ Further growth is to be expected, notably in construction, given the inflow of EU funds which will in part be used in public sector construction. Transparent competitive tendering of contracts is therefore important. Legislation was passed making the requirement of such a contract notice more widely applicable in 2006. In a recent effort to strengthen awareness of competition issues in public procurement within the public sector, the Anti-Monopoly Office noted that public sector providers of procurement contracts supplied little information to the Office on suspicious behaviour of bidders.²¹ One way to uncover excessively high procurement prices would be to benchmark them internationally.

Administrative burdens create entry barriers

Notwithstanding progress in recent years, costs for enterprises related to public administrative procedures are still high. Administrative costs on businesses are likely to weigh particularly heavily on small enterprises, discouraging firm creation. According to business surveys, procedures for the payment of social security contributions are perceived as generating particularly high administrative costs. For example, different payment procedures are in place for the payment of various social security contributions, raising tax compliance costs. Consistent with this assessment, the *World Bank Doing Business* (2006) database has found high costs for tax compliance in the Slovak Republic in comparison to other OECD countries, in part on account of social security contributions. Similarly,

Box 4.1. Policy recommendations to strengthen product market competition

Resume the privatization process

The remaining government shares in the telecommunications incumbent should be privatised.

Further entry of private capital in companies active in electricity generation and trade as well as in gas trade should be pursued as part of a strategy to strengthen framework conditions for competition. In doing so, cross-ownership between companies operating the gas distribution network and companies engaged in electricity generation should be avoided.

Strengthen competition in energy markets

Market integration with neighbouring countries should be strengthened. To this end, cross-border interconnections of electricity transmission and gas pipeline networks should be expanded further. The transmission network over which energy demand and supply are balanced should be extended beyond national borders in co-operation with neighbouring countries. A short-term power trading facility should be established seeking co-operation with the Czech Republic.

Measures to make the domestic market structure more conducive to competition should be considered. Consideration should be given to requiring regional electricity distribution companies to divest their electricity generation capacity. If cross-border competition in wholesale electricity does not develop, a further option to strengthen competition in electricity generation would be to require divestiture of assets by the electricity generation incumbent.

Room to lower network access prices should be fully exploited. To this end, consideration should be given to using cost benchmarks, in addition to price-caps, in the regulation of the regional electricity distribution networks.

More steps to prevent non-price discrimination should be taken. To this end, the network regulator should oblige network operators to make information on network access conditions widely available to market entrants. Rules on the sharing of network connection costs should be set. Network operators should only be allowed to cancel contracts with customers for reasons specified ex-ante by the regulator.

Authorisation procedures for the construction of new power plants should be streamlined. Permission for construction of power plants should be granted by the network regulator, as recommended by the IEA.

Lower the costs of policies towards greenhouse gas emission abatement

Grandfathering of pollution permits should be phased out. CO₂ pollution permits should subsequently be sold through auctions to the extent permitted by EU legislation.

Strengthen competition in the telecommunications sector

Delays in the introduction of remedies to foster competition in fixed line telecommunications services should be reduced.

The independence of the telecommunications regulator should be strengthened by moving its budget out of the budget of the Ministry of Transport.

Make the disbursement of subsidies to the railways industry more conducive to competition

Discretion in the allocation of subsidies to the railways industry should be avoided, for example, by fixing subsidy levels over several years.

Subsidy payments to railway transport service operators should be redirected. Instead of disbursing subsidies to the incumbent transport service operator, the subsidies should be used to lower network access prices or be made contestable through the public tendering of public service obligations.

Box 4.1. Policy recommendations to strengthen product market competition (cont.)

Remove barriers to competition in the public sector

The share of public procurement contracts for which a contract notice is published should be raised. Procurement costs should be benchmarked internationally.

Management capacity and accountability of the judicial sector still needs to be strengthened. Public sector reform needs to continue to strengthen contract enforcement and further improve competition in public procurement.

The cost of obtaining permits to businesses should be reduced, for example, through the introduction of one-stop shops. Administrative costs of paying social security contributions should be reduced by unifying related administrative procedures.

Remove barriers to competition in the regulation of liberal professions

Compulsory chamber membership should be abolished. The chambers of the professions should not have powers to take decisions concerning the regulation of activities of professional enterprises. Entry requirements with regard to experience that are specific to setting up a business should be abolished. Restrictions on the legal form of business should be eased.

business associations report duplication of reporting requirements for different levels of administration. The cost of obtaining permits which are necessary to operate a business also still seem high. For example, while economic regulation of the retailing industry is not restrictive, procedures to obtain permits in the sector appear to be more onerous than in other countries.²² Costs of dealing with licenses also appear high in international comparison, according to the *World Bank Doing Business* database. One-stop shops could reduce the costs related to obtaining permits.

Notes

1. See Nicoletti et al. (2006) for evidence on the relationship between productivity growth and product market regulation.
2. Euromonitor International (2006) *Retailing in Slovakia*. www.euromonitor.com.
3. OECD (2006b).
4. See e.g. IEA (2001) and Hunt (2002).
5. On average over the year as a whole, prices were above the EU average (European Commission 2007b). Nuclear energy and hydroelectric power account for 74% of electricity generation while oil and gas accounted only for 11%. For the EU, the respective shares are 45% and 25%. Commission of the European Communities (2007).
6. Balancing energy refers to the adjustments of electricity supply needed to ensure supply matches demand on the transmission network in real time.
7. IEA (2006).
8. Productivity gains resulting from competition in the electricity industry are likely to be most significant in electricity generation rather than trade. See e.g. Hunt (2002). In the gas industry, competition is limited to trade.
9. European Commission (2006), on the basis of data from 2005.
10. Péter Kaderják (2005).
11. European Commission (2007c).
12. IEA (2006).

13. IEA (2006).
14. In addition, enterprises engaged in the production and processing of ferrous metals, the mineral industry and the pulp and paper industry for installations of a certain capacity participate in the scheme.
15. See OECD (2006a).
16. See Business Alliance of Slovakia, The Republic Union of Employers (2006), who report that the duration of chamber registration can amount to 3 months.
17. National Competition Authority of Slovakia (2005).
18. National Competition Authority of Slovakia (2005).
19. Public Procurement Office of the Slovak Republic (2006).
20. Public Procurement Office of the Slovak Republic (2006).
21. Anti-Monopoly Office of the Slovak Republic (2006) *Indications of anticompetitive conduct of entrepreneurs within public procurement*.
22. According to OECD data on retailing regulation.

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This Survey is published on the responsibility of the Economic and Development Review Committee (EDRC) of the OECD, which is charged with the examination of the economic situation of member countries.

The economic situation and policies of Slovak Republic were reviewed by the Committee on 12 March 2007. The draft report was then revised in the light of the discussions and given final approval as the agreed report of the whole Committee on 21 March 2007.

The Secretariat's draft report was prepared for the Committee by David Carey and Andres Fuentes under the supervision of Andreas Wörgötter.

The previous Survey of the Slovak Republic was issued in September 2005.

BASIC STATISTICS OF THE SLOVAK REPUBLIC (2005)

THE LAND

Area (km ²)	49 035	Inhabitants in major cities (end-2004)	
Agricultural area (km ²)	24 330	Bratislava	425 155
		Kosice	235 006
		Presov	163 743
		Nitra	163 764

THE PEOPLE

Population (thousands)	5 387
Inhabitants per km ²	110
Average annual population growth (1995-2005, per cent)	0.1
Infant mortality (per thousand live-births)	7.2
Life expectancy: Males	70.1
Females	77.9
Registered unemployment, per cent of the labour force	14.3
LFS unemployment, per cent of the labour force	16.2
Employment (thousands, <i>Labour Force Survey</i>)	2 216

PRODUCTION

GDP (billion SKK)	1 471
GDP per capita (in US\$, PPP exchange rate)	15 983
Gross capital formation (per cent of GDP)	29.2

THE GOVERNMENT

		Composition of the National Council of the Slovak Republic (June 2006)	
Per cent of GDP			Number of seats
General government revenue	33.9	Movement for a Democratic Slovakia (HZDS)	15
General government expenditure	37.1	Slovak Democratic and Christian Union (SOKU)	31
Gross public debt (Maastricht definition)	34.5	SMER	50
		Hungarian Coalition Party (SMK)	20
		Christian Democrat movement (KDH)	14
		Slovak National movement	20
		Total	150

FOREIGN TRADE

Exports of goods and services, % of GDP	77.3	Imports of goods and services, % of GDP	82.4
Main exports of goods (% of total):		Main imports of goods (% of total):	
Machinery and transport equipment	44.6	Machinery and transport equipment	37.7
Manufactured products	35.3	Manufactured products	28.6
Chemical products	5.8	Chemical products	9.6
Others	14.3	Others	24.1

THE CURRENCY

Monetary unit: Slovak koruna	
Currency units per US dollar (period average):	
Year 2006	29.7
February 2007	26.4
Currency units per euro (period average):	
Year 2006	37.2
February 2007	34.5