Product Market Regulation

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Outline

- Why PMR matters
- OECD PMR methodology: indicator construction and interpretation
- Hands-on activity: creating a PMR indicator – Governance of SOEs
- Official results: benchmarks, reform priorities and policy uptake
- Developing PMR indicators for your country: process and resources

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Why PMR matters

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What is PMR

PMR refers to the set of laws, regulations, and administrative procedures that shape competition in product markets

Broadly speaking, PMR influences market outcomes through two types of policy intervention:

- State involvement in economic activity
- Administrative restrictions

State involvement includes:

- Public ownership and control of firms
- Government intervention in business operations
- Regulatory arrangements that may affect competitive neutrality

Administrative restrictions include:

- Restrictions on entry and expansion
- Constraints on trade and foreign investment
- Sector-specific regulations in network and service industries

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POTENTIAL OUTPUT GROWTH

Multi-Factor Productivity | **Investment** | **Employment**

Innovation and diffusion

Allocative efficiency

Expanded capacity

Experimentation with new ideas

Contest for scarce capital & labour

Erosion of market power and rents

Input-output structure

Young firms

Incumbent firms

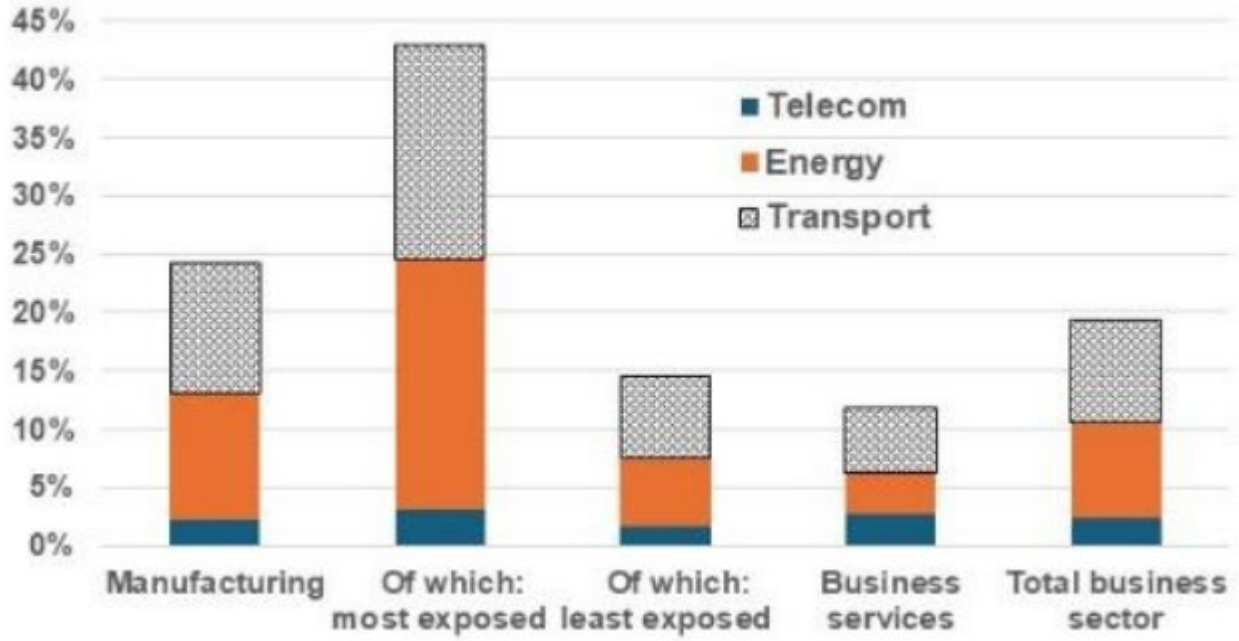
Administrative burdens on new firms | Licenses & Permits | Network Regulation | Regulation of Professions & Retail | Lobbying regulation | Governance of SOEs | Barriers to Trade & FDI

PRO-COMPETITIVE PRODUCT MARKET REGULATIONS

ADB

Anti-competitive network sector regulation has implications for downstream sectors via input-output linkages

Downstream sectors reliance on network sector for intermediate inputs



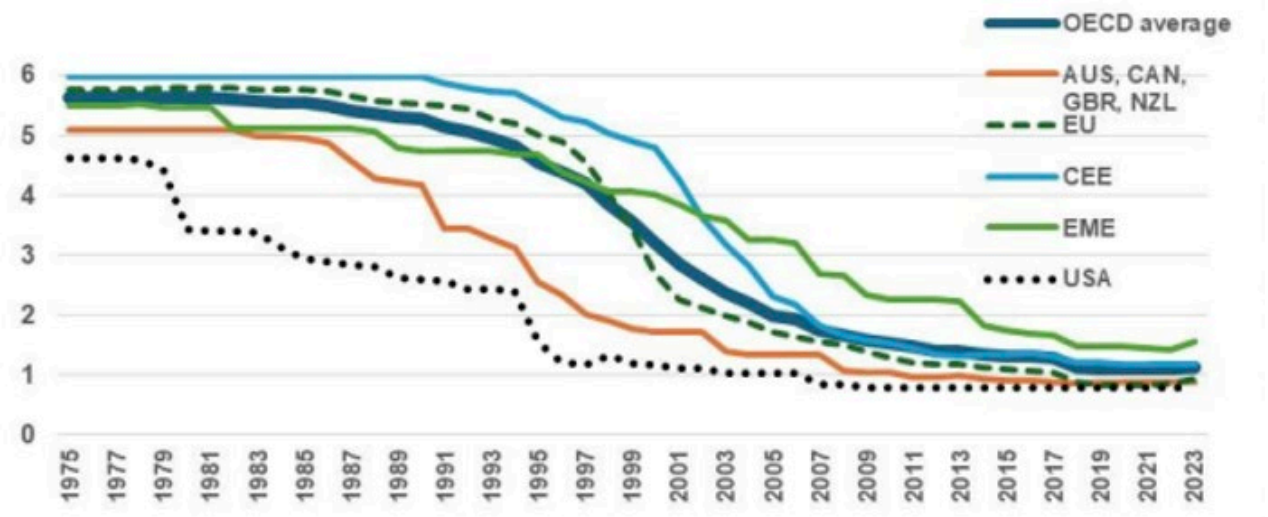
- Source: Andrews, D. et al. (2025), "Regulation and Growth: Lessons from nearly 50 years of product market reforms", OECD Economics Department Working Papers, No. 1835, OECD Publishing, Paris, https://doi.org/10.1787/3b3285df-en.

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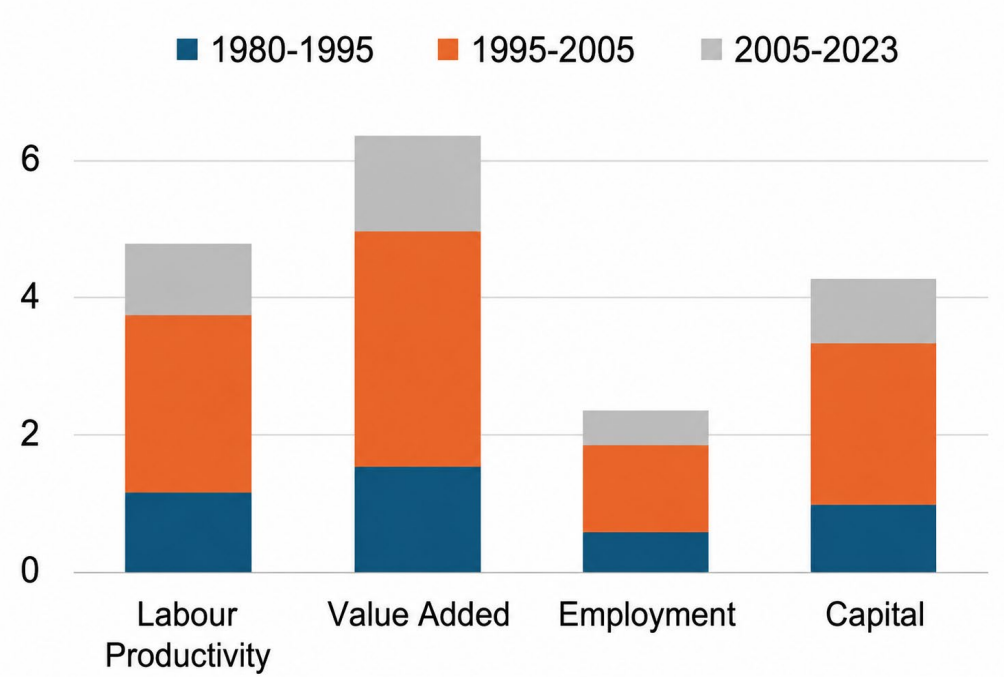
Better network sector regulation propelled growth downstream in OECD countries

Network sector PMR index

6 = least competition-friendly regulation
0 = most competition-friendly regulation



Aggregate gains from better network sector regulation (OECD average; cumulative % change)



- Source: Andrews, D. et al. (2025), "Regulation and Growth: Lessons from nearly 50 years of product market reforms", OECD Economics Department Working Papers, No. 1835, OECD Publishing, Paris, https://doi.org/10.1787/3b3285df-en.

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Some Other Key Findings from the Literature

- Lower entry barriers encourage **firm creation and competition**, supporting long-term growth (Conway, Janod & Nicoletti, 2005; Égert, 2017).

- Restrictive PMR discourages **domestic and foreign investment**, while regulatory reforms improve the business environment and attract FDI (Nicoletti et al., 2003; OECD, 2015).

- Competition-friendly regulation stimulates **innovation**, particularly among firms near the technological frontier (Aghion et al., 2005; Aghion et al., 2009).

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OECD PMR methodology

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Origin and rationale of OECD PMR framework

- OECD PMR framework developed in late 1990s and updated every 5 years
  - **From regulation to numbers**
    - ✓ Cross-country comparison of regulatory frameworks
  - Measures (mainly) *de jure* regulatory situation
    - ✓ **Not based on "subjective" assessment**
    - ✓ Laws and regulations in force at given point in time

- Usage:
  - ❖ Identify reform priorities
  - ❖ Monitor progress over time
  - ❖ Analyze relationship between regulation and economic performance

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Data collection and construction of indicators

- PMR indicators based on detailed information collected through a **comprehensive questionnaire** (1500+ questions)
  - Covering legal, regulatory, and institutional framework governing product markets
  - Responses filled in by national legal expert and validated by OECD experts

- Each question associated with a predefined **coding methodology** that translates qualitative information into quantitative scores

- Individual quantitative scores aggregated through hierarchical structure to construct increasingly broad indicators

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Building the PMR indicators: a year-long process

Data collection	Data verification	Data coding	Data aggregation	Validation
Questionnaire is sent to consultants Data is collected from other OECD databases where relevant and available	Answers to the questionnaire and underlying legal sources are verified **Consistency** of answers across countries and over time is checked	**Numerical values** are assigned to qualitative information (0 to 6) Quantitative information is divided into classes using thresholds and assign values	Coded data are aggregated into **two sets of indicators**: • *Economy wide PMR indicator* • *Sector PMR indicators*	Indicator scores and underlying database are presented to **national authorities** before publishing

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Data aggregation: Economy wide PMR

The economy-wide indicator is built by aggregating the coded information into a set of indicators that are progressively averaged following a pyramidal structure

High-level indicators are aggregated in a **single economy-wide indicator** using equal weights

Medium-level indicators are aggregated in **2 high level indicators** using equal weights

Low-level indicators are aggregated in **6 medium level indicators** using equal weights

Coded data is aggregated in **15 low level indicators** using weights shown in PMR Schemata

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Economy-wide PMR indicators

Product Market Regulation

Distortions Induced by State Involvement

- Distortions Induced by Public Ownership
- Involvement in Business Operations
- Regulations Impact Evaluation
- Quality and Scope of Public Ownership
- Governance of SOEs
- Retail Price Controls and Regulation
- Involvement in Business Oper. in Network Sectors
- Assessment of Impact on Competition
- Interaction with Stakeholders
- Involvement in Business Oper. in Services Sectors
- Public Procurement

Barriers to Domestic and Foreign Entry

- Admin. And Regulatory Burden
- Barriers in Service & Network Sectors
- Barriers to Trade and Investment
- Administrative Requirements for LLCs and POEs
- Communication and Simplification of Admin. and Regulatory Burden
- Barriers to entry in Service Sectors
- Barriers to entry in Network Sectors
- Barriers to FDI
- Barriers to Trade Facilitation
- Tariff Barriers

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Sector indicators

Network Sectors

- Quality and scope of public ownership
- Market structure and barriers to competition
- Retail price regulation
- Barriers to Foreign Entry
- New regulatory issues

- Energy
- Transport
- E-comm.

Professional Services

- Entry Regulation
- Conduct Regulation

- Lawyers
- Notaries
- Accountants
- Architects
- Civil engineers
- Estate agents

Retail Sector

- Establishing a retail outlet
- Regulation of B&M and online sales
- Regulation of opening hours

- General Retail Distribution
- Retail Sale of Medicines

Digital Markets

- Assessment of Competition Challenges
- Merger Control
- Fair Trading for Business Users
- Market Contestability
- Use and Access to Data

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Final output: Online PMR dataset (value)

		Overall Indicator	2 High level Indicators		6 Medium level Indicators						15 Low level Indicators									
	Economies	PMR (2023 methodology)	Distortions Induced by State Involvement	Barriers to Domestic and Foreign Entry	Distortions Induced by Public Ownership	Involvement in Business Operations	Regulations Impact Evaluation	Administrative and Regulatory Burden	Barriers in Service & Network sectors	Barriers to Trade and Investment	Distortions Induced by Public Ownership		Involvement in Business Operations				Regulations Impact Evaluation		Administrative / Burd	
											Quality and Scope of Public Ownership [5]	Governance of SOEs	Retail Price Controls and Regulation	Involvement in Business Operations in Network Sectors	Involvement in Business Operations in Service Sectors	Public Procurement	Assessment of Impact on Competition	Interaction with Stakeholders	Administrative Requirements for Limited Liability Companies and Personally-owned Enterprises [6]	
	OECD economies	**2023***																		
	Australia	**1.36**	1.15	1.56	1.27	0.87	1.31	2.31	1.65	0.72	0.36	2.18	0.76	1.11	0.84	0.77	0.22	2.40	2.03	
	Austria	**1.51**	1.47	1.55	1.30	1.40	1.73	2.33	1.82	0.49	0.60	2.00	1.39	0.56	2.78	0.87	0.20	3.25	2.66	
	Belgium	**1.48**	1.56	1.39	0.98	1.26	2.43	1.84	1.95	0.39	0.36	1.61	1.50	0.40	2.35	0.77	1.70	3.17	1.92	
	Canada	**1.49**	1.60	1.38	2.44	0.97	1.39	1.74	1.89	0.50	1.45	3.42	1.18	0.67	0.76	1.27	0.60	2.17	1.31	
	Chile	**1.35**	1.32	1.37	1.65	1.01	1.30	2.26	1.43	0.44	0.94	2.37	1.28	0.75	0.61	1.40	1.40	1.20	2.20	
	Colombia	**1.83**	1.93	1.73	1.69	1.50	2.61	2.38	1.89	0.92	0.69	2.68	2.08	2.06	0.69	1.17	2.38	2.85	1.84	
	Costa Rica	**2.07**	2.30	1.85	1.85	2.35	2.70	2.33	2.42	0.79	0.93	2.78	3.59	2.98	1.37	1.47	1.20	4.20	3.40	
	Czechia	**1.20**	1.30	1.09	1.28	1.00	1.61	1.57	1.23	0.48	0.43	2.13	1.22	1.00	1.19	0.60	0.22	3.00	2.41	
	Denmark	**1.05**	1.29	0.81	0.91	0.68	2.28	1.03	1.02	0.38	0.27	1.55	0.13	1.00	1.14	0.47	1.55	3.00	1.31	

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Final output: Online PMR database (underlying information)

Question code in PMR questionnai	Text of the question in the PMR questionnaire	Economy-wide indicator to which the question refers	Sector indicator to which the question refers	Kazakhstan
Q1a.2.11b	Please provide link to the regulation/law or regulatory authority's decision that allows certain groups of consumers to choose their retail electricity supplier	Information	Electricity	Rules for the organization and functioning of the retail electricity market. clause 22-1
Q1a.2.11c	If at least some consumers have the legal right to choose their supplier, what percentage of these consumers has switched their retail supplier?	Barriers to entry in Network Sectors	Electricity	not applicable
Q1a.2.11d	Please indicate the year and the type of consumers (e.g. domestic only) to which the data refers and the source. If the source is not provided, no verification will be possible and the OECD will have to automatically select the answer "We do not collect such data"	Information	Electricity	Year of reference= 2025 (regulatory change effective 1 January 2025)
Q1a.2.12	Are (at least some) consumers allowed to sell explicit demand response to a third party?	Involvement in Business Operations in Network Sectors	Electricity	no
Q1a.2.12a	If you have answered Yes to the Q above, which categories of consumer are able to do so?	Involvement in Business Operations in Network Sectors	Electricity	not applicable
Q1a.2.12b	Please provide link to the regulation/law or regulatory authority's decision that allows the sale of demand response	Information	Electricity	.
Q1a.2.12c	If (at least some) consumers are allowed to sell explicit demand response to a third party, do they need the consent of their retail supplier?	Involvement in Business Operations in Network Sectors	Electricity	not applicable
Q1a.2.12d	If (at least some) consumers are allowed to sell explicit demand response to a third party, what quantity was sold?	Information	Electricity	.

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Indicators interpretation

- The assessment reflects regulations at a given point in time
- Scores range from 0 to 6
  - A score of 0 indicates the least restrictive regulatory setting within the framework, while a score of 6 indicates the most restrictive setting
- Not a measure of market outcomes
  - They capture regulations on the books, but not directly competition intensity, prices, productivity, enforcement quality, or informal practices
- Not a beauty contest
  - International comparisons are useful for benchmarking, but should not be read as a simple ranking of “good” and “bad” systems

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Familiarize yourself with the PMR Indicators

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Activity: Build your own PMR indicators

This survey supports a rigorous PMR assessment of commercial SOEs (ownership, governance, and regulatory treatment currently in force)

- **Assess the DMC you are reviewing** => may differ from your country of nationality or residence.
- **Use primary evidence.** Answer to the best of your knowledge. Check laws, regulations and official documents as needed. If uncertain, select “Do not know”.
- **Work together where possible.** Discuss evidence and verify answers with a colleague assessing the same DMC.
- **Do not consult the PMR database.** Assess current arrangements independently. Use optional comment fields to note qualifications or sources.
- **Use AI only to support research.** AI may help locate documents or interpret source material. Do not ask it to answer survey questions or copy its conclusions.

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Thank you for your attention!

We look forward to your feedback

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