

Restarting growth in Central & Eastern Europe: Drivers and barriers

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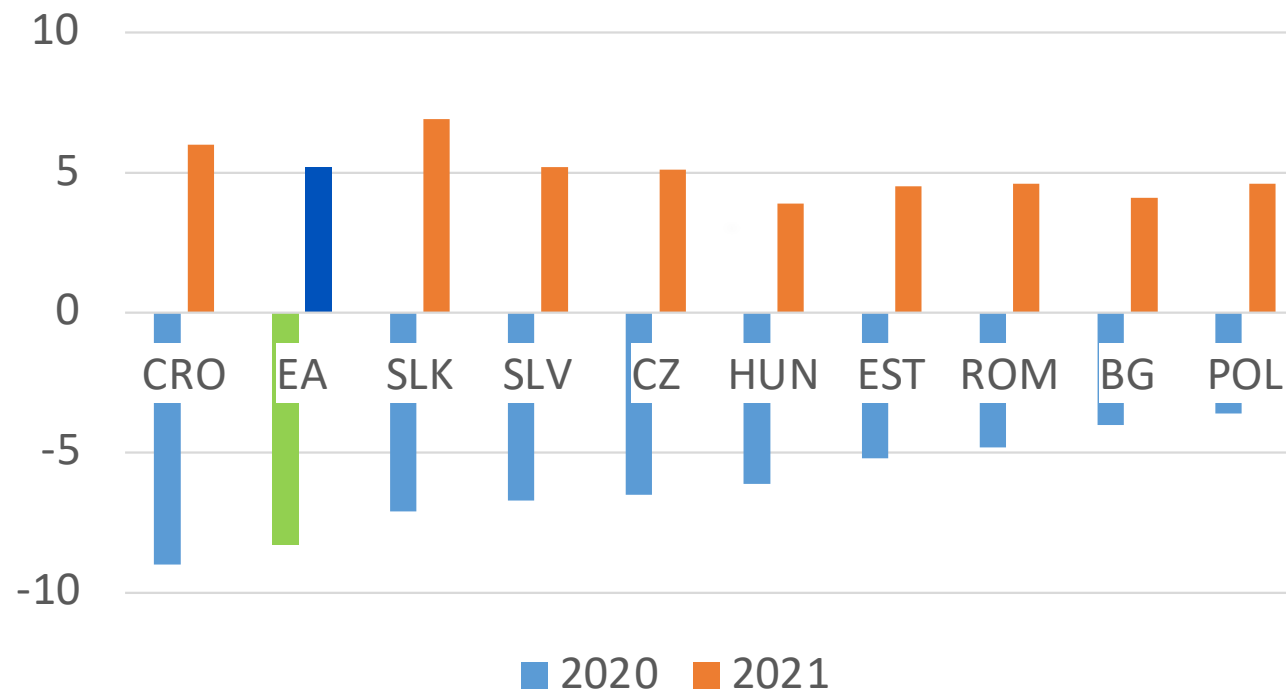
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27 NOVEMBER, 2020



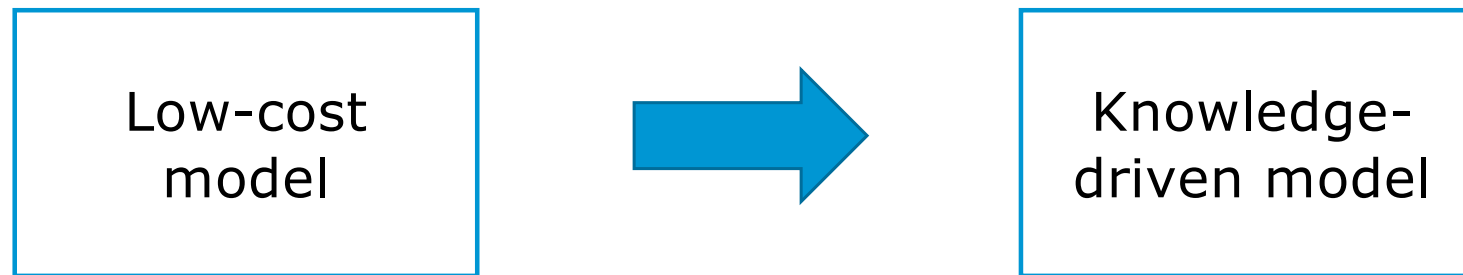
Economic downturn in CEE smaller than in Western Europe

Projected GDP changes
(in percent, 2020-21)



IMF, WEO Autumn 2020

From a low-cost economic model to a knowledge-driven one



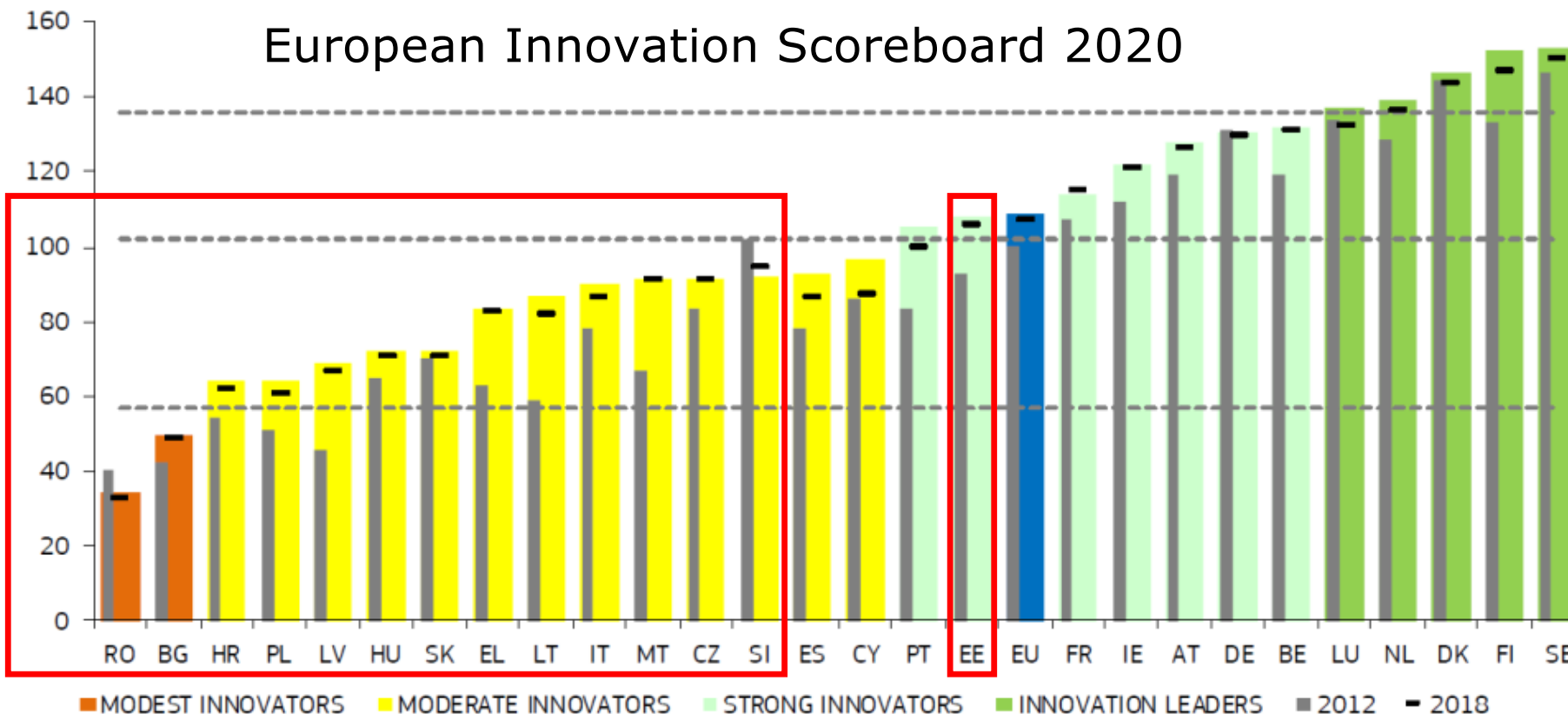
Low-cost
model

- Import of technology
- Imitation
- Export-oriented
- FDI friendly

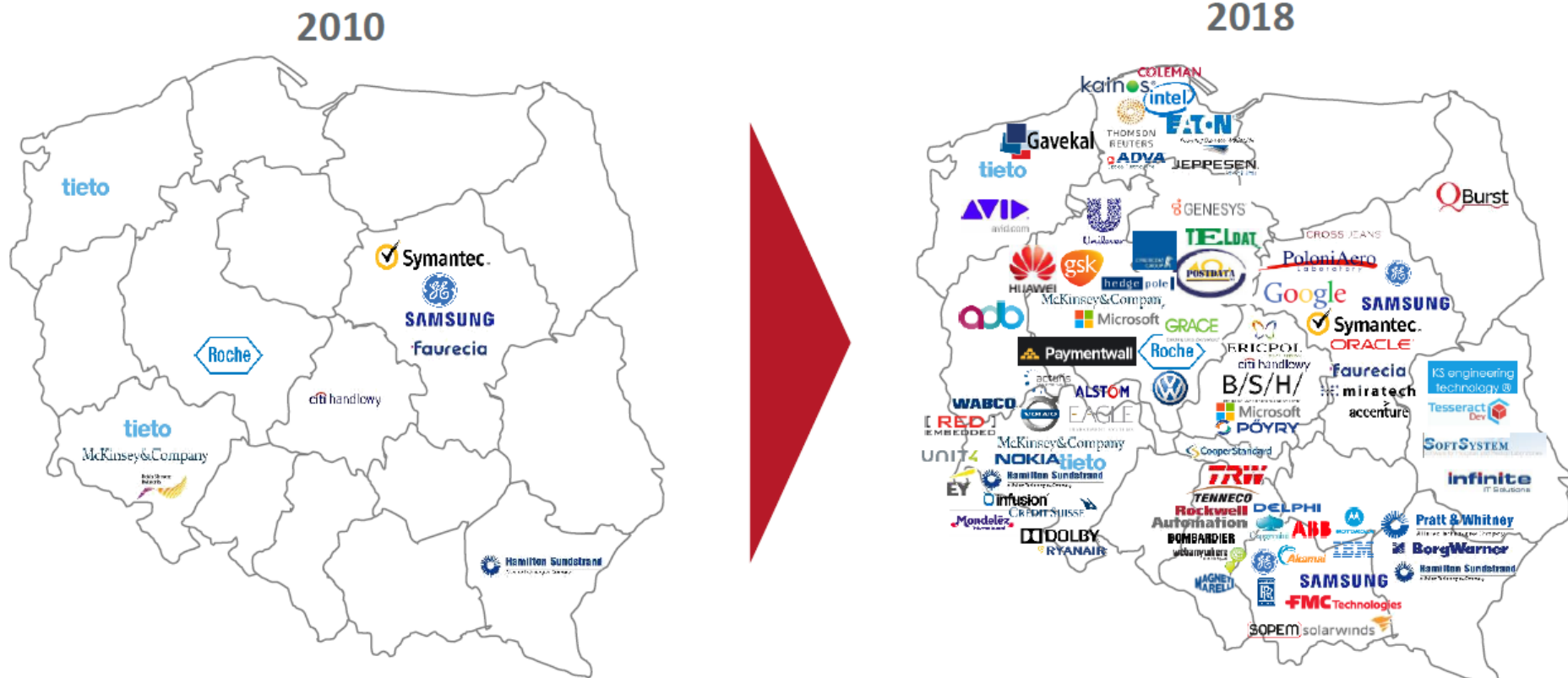
Knowledge-
driven model

- Innovation
- Digitalization
- Internationalization
of local firms

CEE countries have to improve their innovation performance

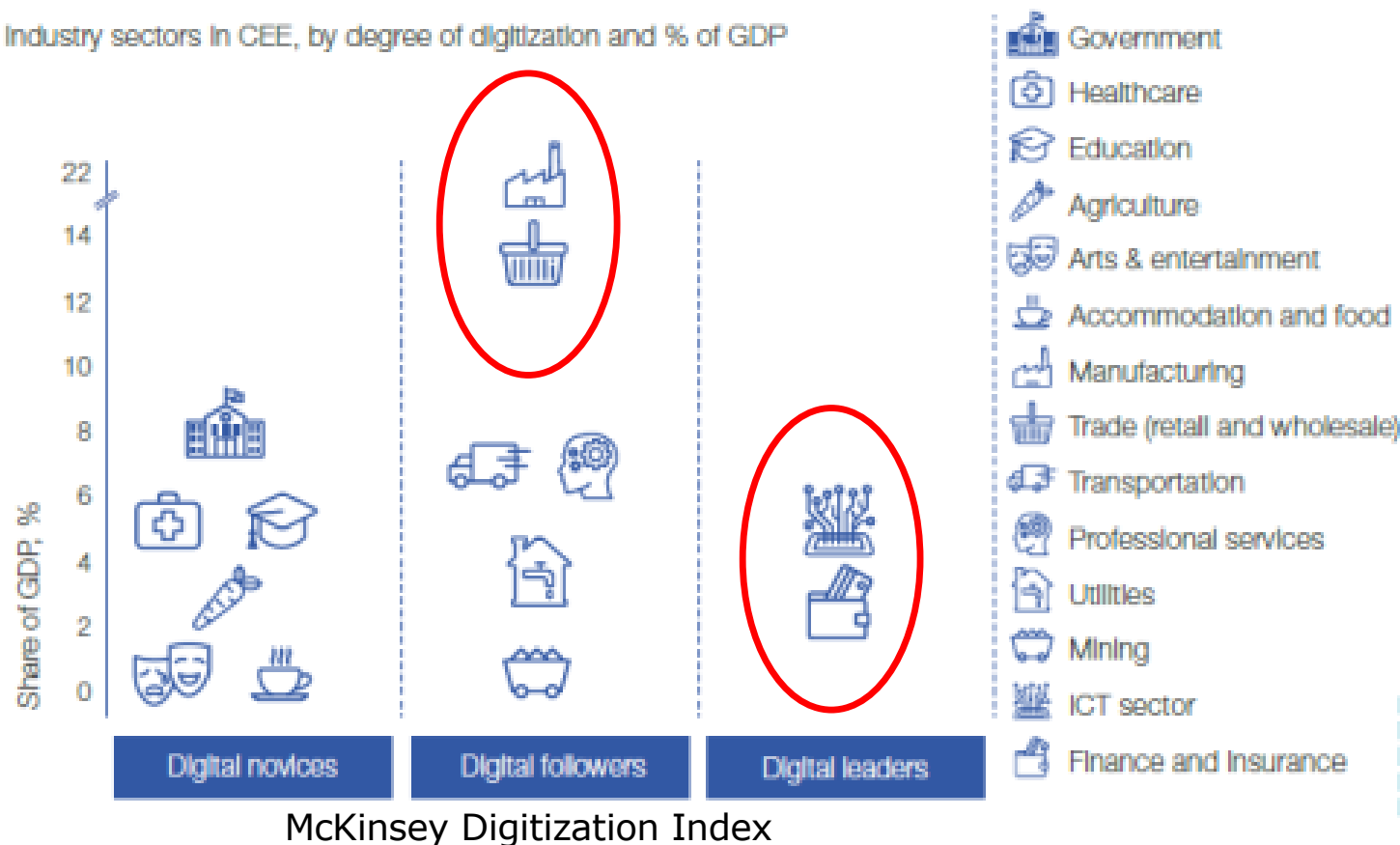


But the trend is going in the right direction: Increase of R&D centers in Poland



Fintech + ICT sector are digital leaders followed by manufacturing + retailing

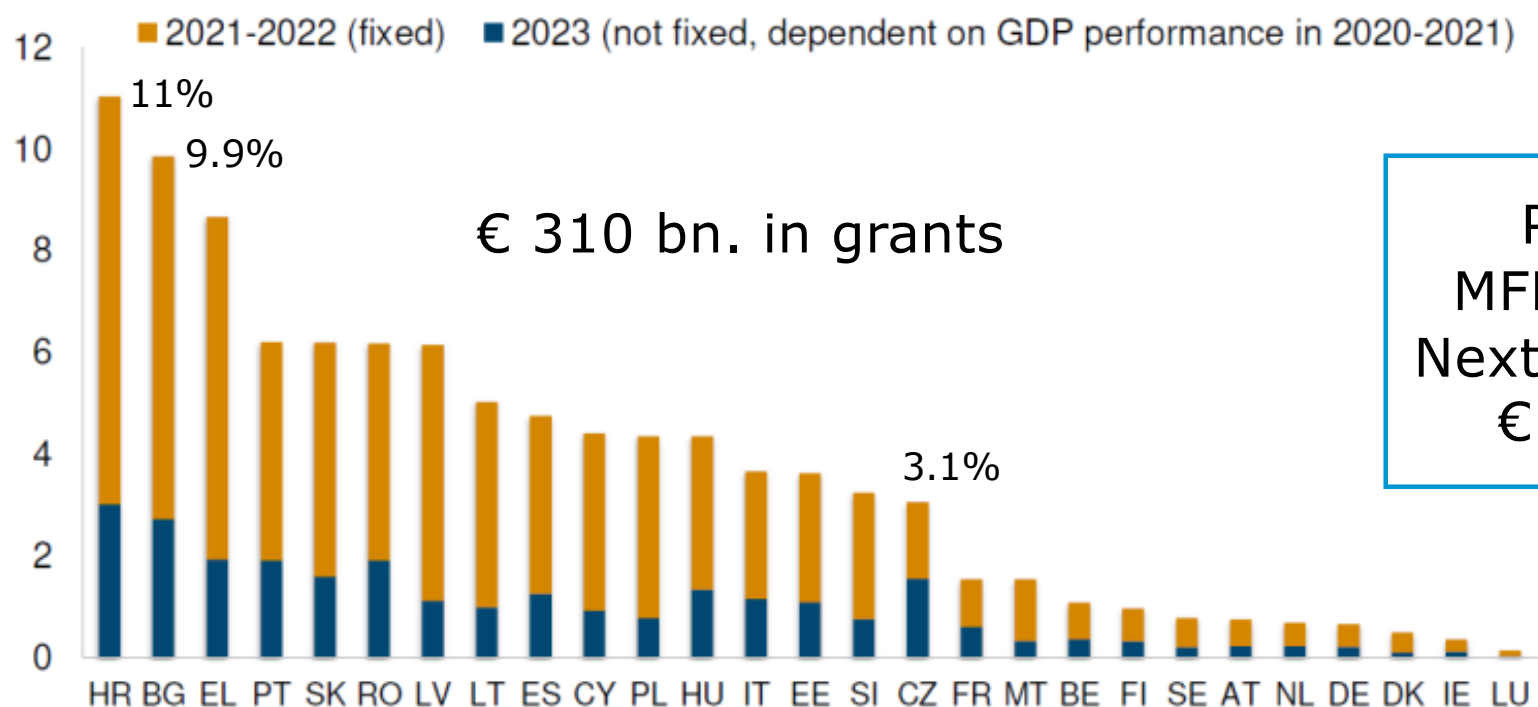
Industry sectors in CEE, by degree of digitization and % of GDP



McKinsey, Digital
Challengers, 2019

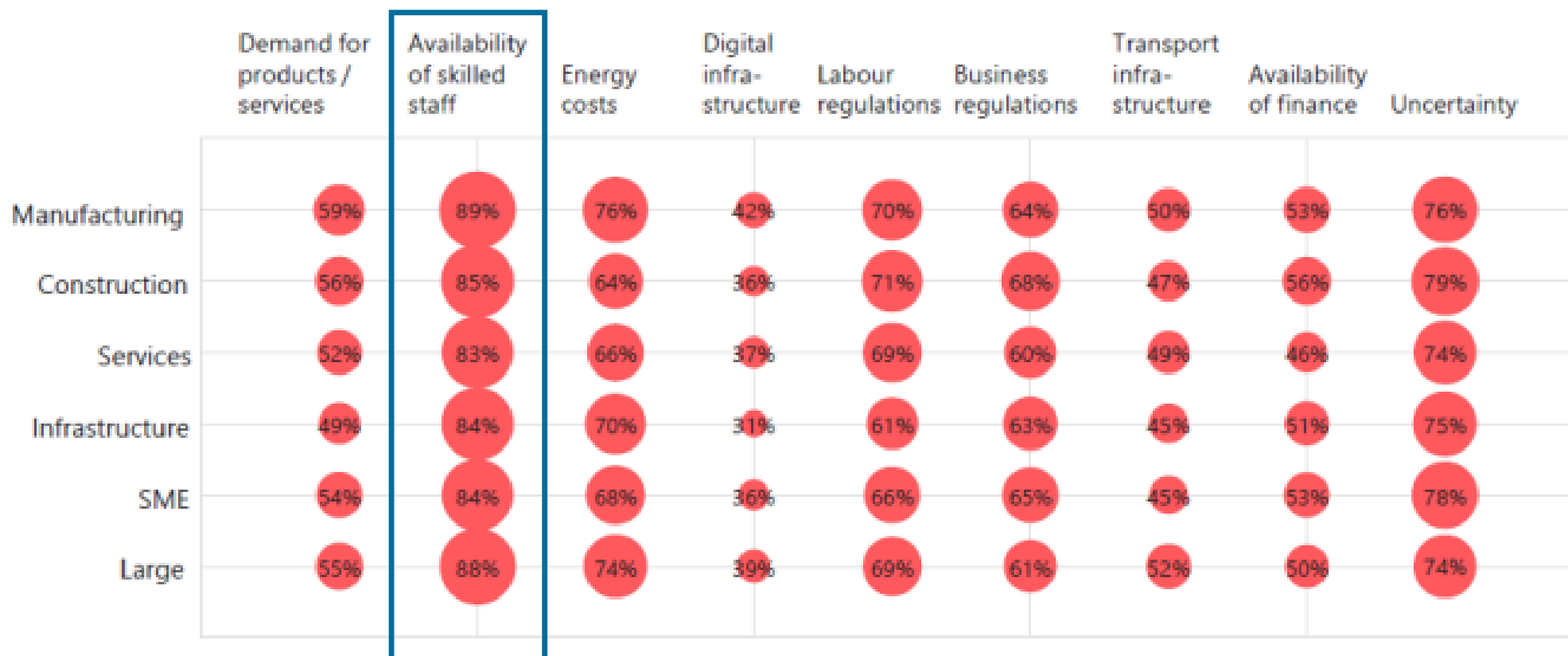
EU transfers are substantial for CEE

Grants – EU Recovery + Resilience Facility (2021-23, in % of GDP 2019)



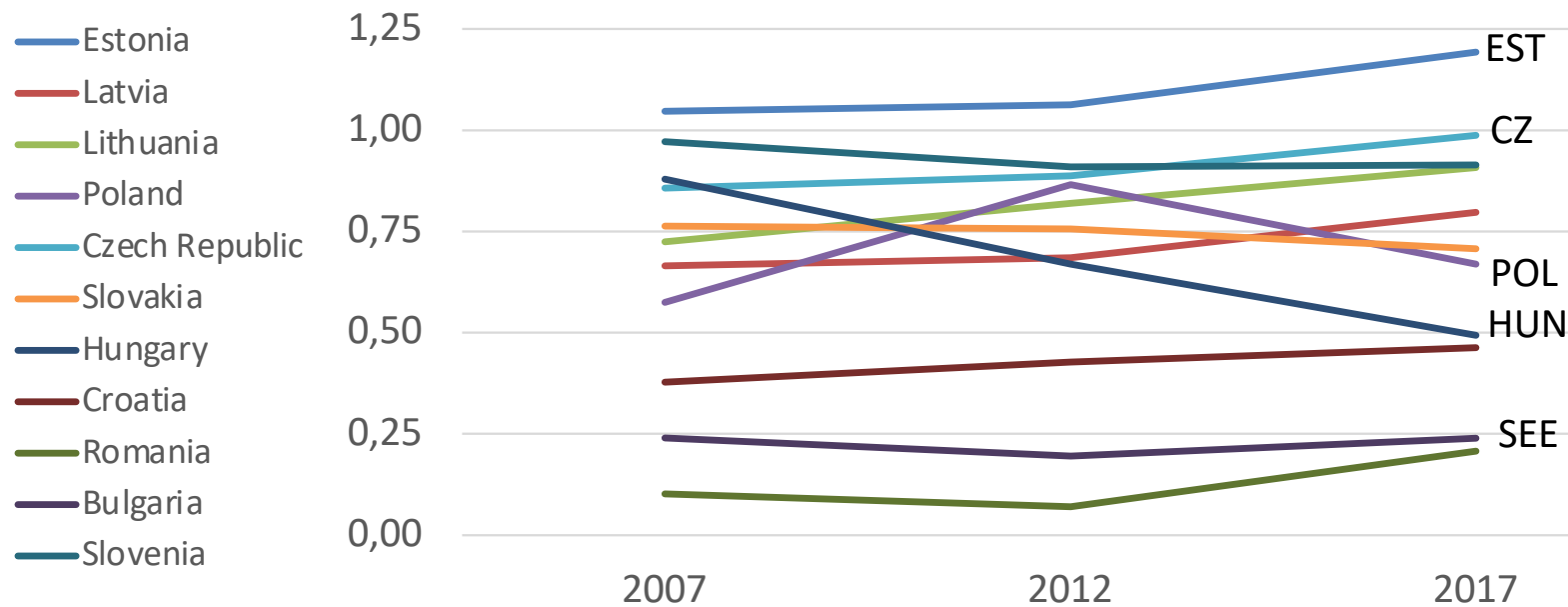
Part of the
MFF 2021-27 +
NextGenerationEU
€ 1.8 trillion

Lack of skilled staff is the main barrier to private investment in CESEE



Unfortunately, institutional convergence has slowed down or is even regressing

Average Governance Indicator Trend
(WGI, World Bank 2018)



Institutional quality drives economic development in the knowledge economy

The Worldwide Governance Indicators (WGI) cover six broad dimensions of governance: Voice and Accountability, Political Stability + Absence of Violence/Terrorism, Government Effectiveness, Regulatory Quality, Rule of Law + Control of Corruption. Estimates range from -2.5 (weak) to +2.5 (strong) governance performance. Source: <http://info.worldbank.org/governance/wgi>



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