



THE CATCHING UP PROCESS IN CESEE COUNTRIES: KEY OECD RECOMMENDATIONS

5 October 2017

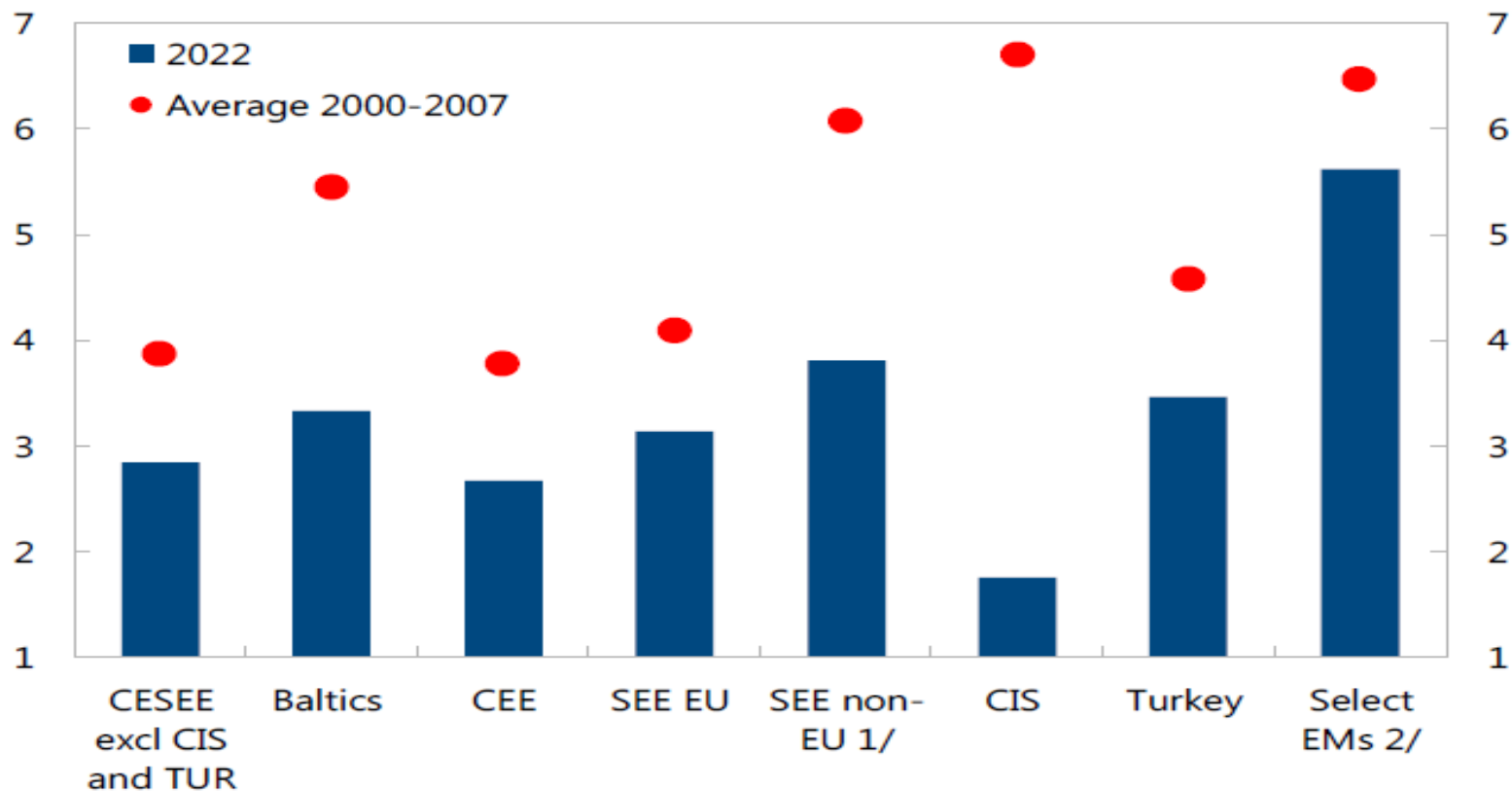
Mari Kiviniemi, OECD Deputy
Secretary General

7th ECB conference on central, eastern and
south-eastern European (CESEE) countries
Frankfurt am Main



Potential growth has fallen after the crisis, as a result of weaker productivity and investment

Potential GDP growth, per cent

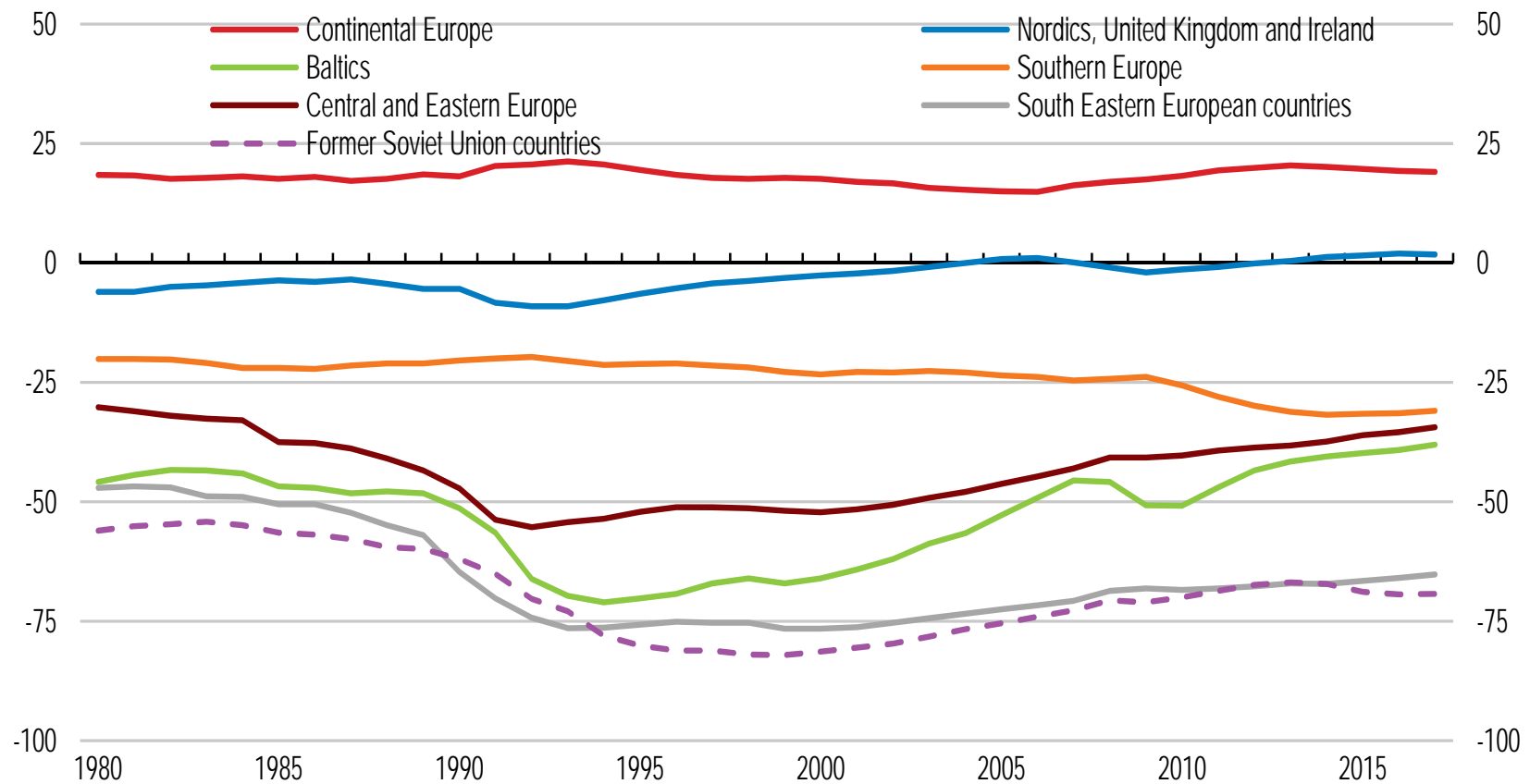


Source: IMF, Regional Economic Issues, Central, Eastern and South-eastern Europe (2017)



Convergence in per capita income is limited

GDP per capita gap to EU15=100, per cent¹



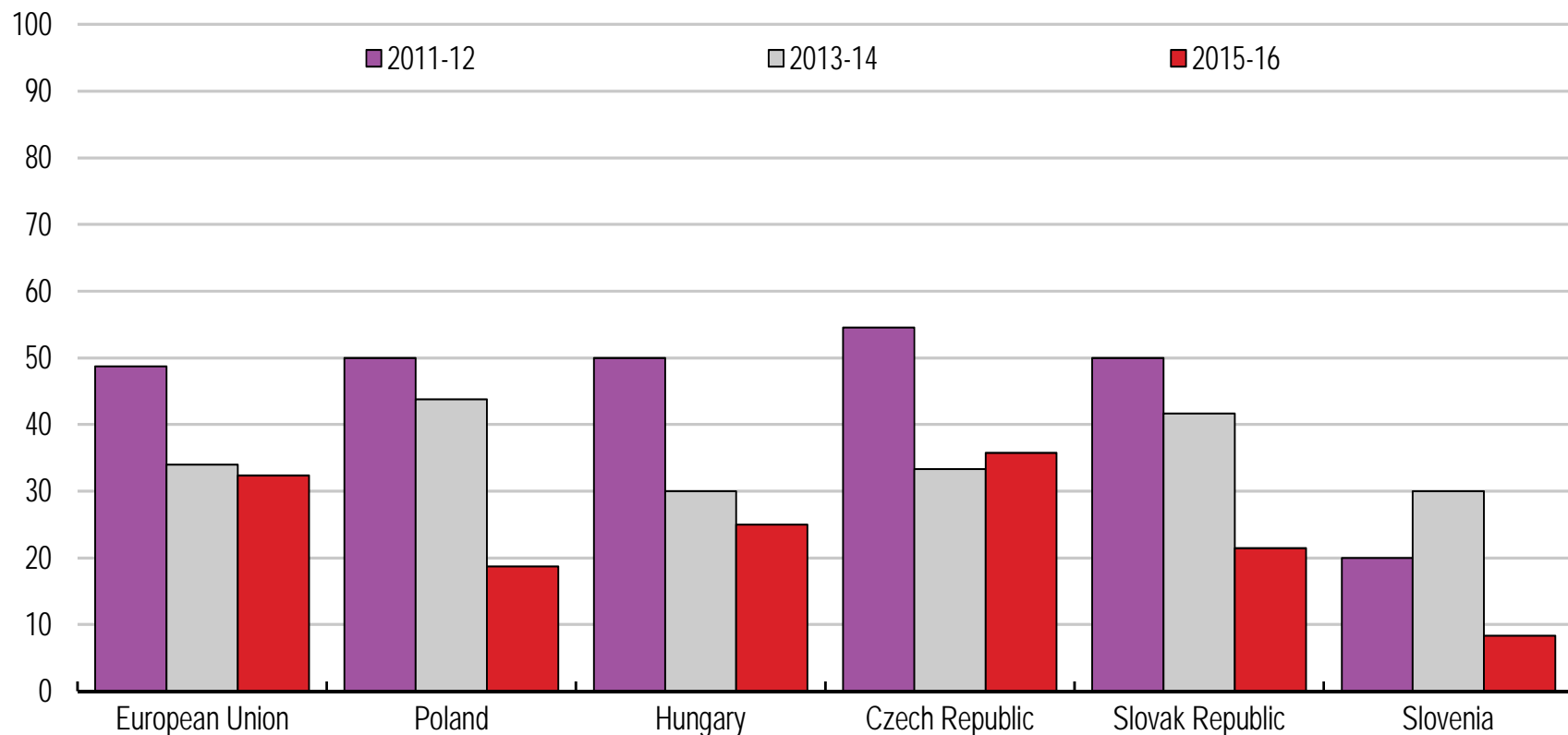
Source: The Conference Board (2017), The Conference Board Total Economy Database.



The pace of reforms has also slowed in Central Europe, in this case from a low level

Number of actions taken as a percent of total recommendations

Responsiveness rates



Source: Going for Growth (2017)



The importance of reform packaging: Most countries have scope to reform in key areas

Share of total priorities by main areas



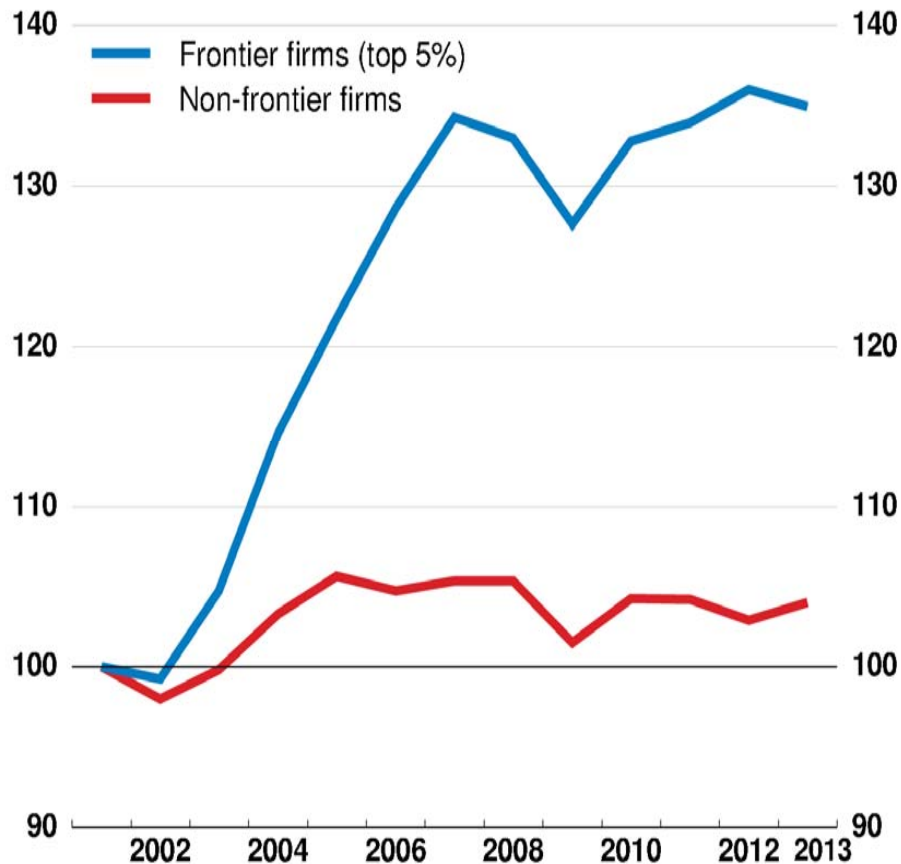
Source: Going for Growth (2017)



Productivity gaps have widened, and wage inequality is increasing in OECD countries

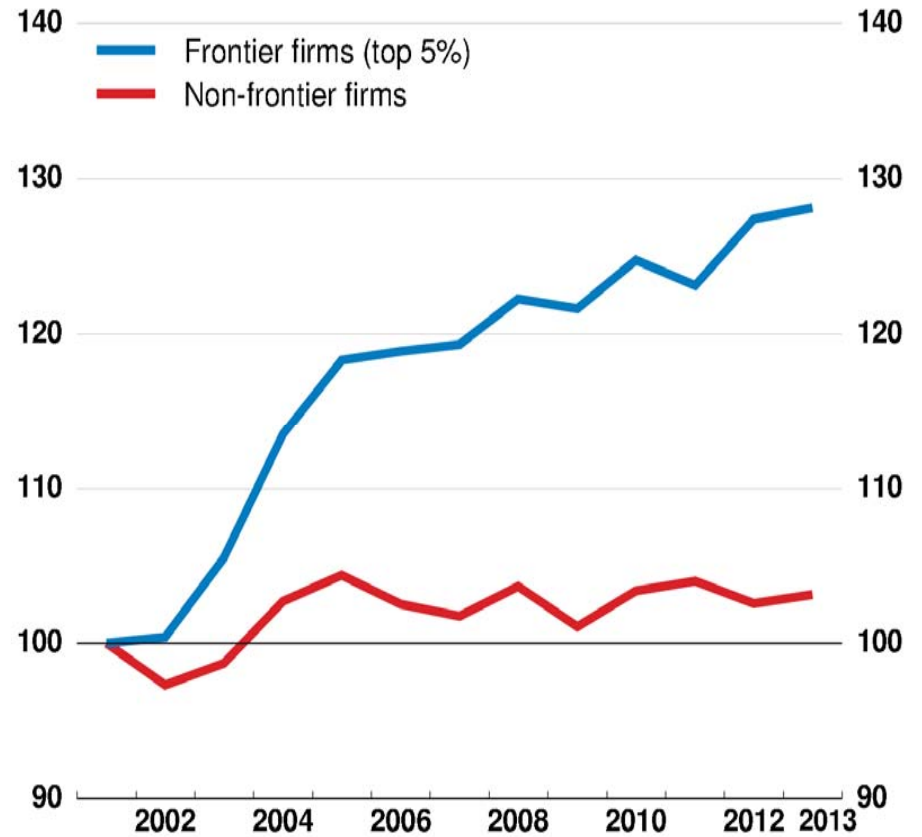
Labour productivity

Index, 2001 = 100



Real compensation per worker

Index, 2001 = 100

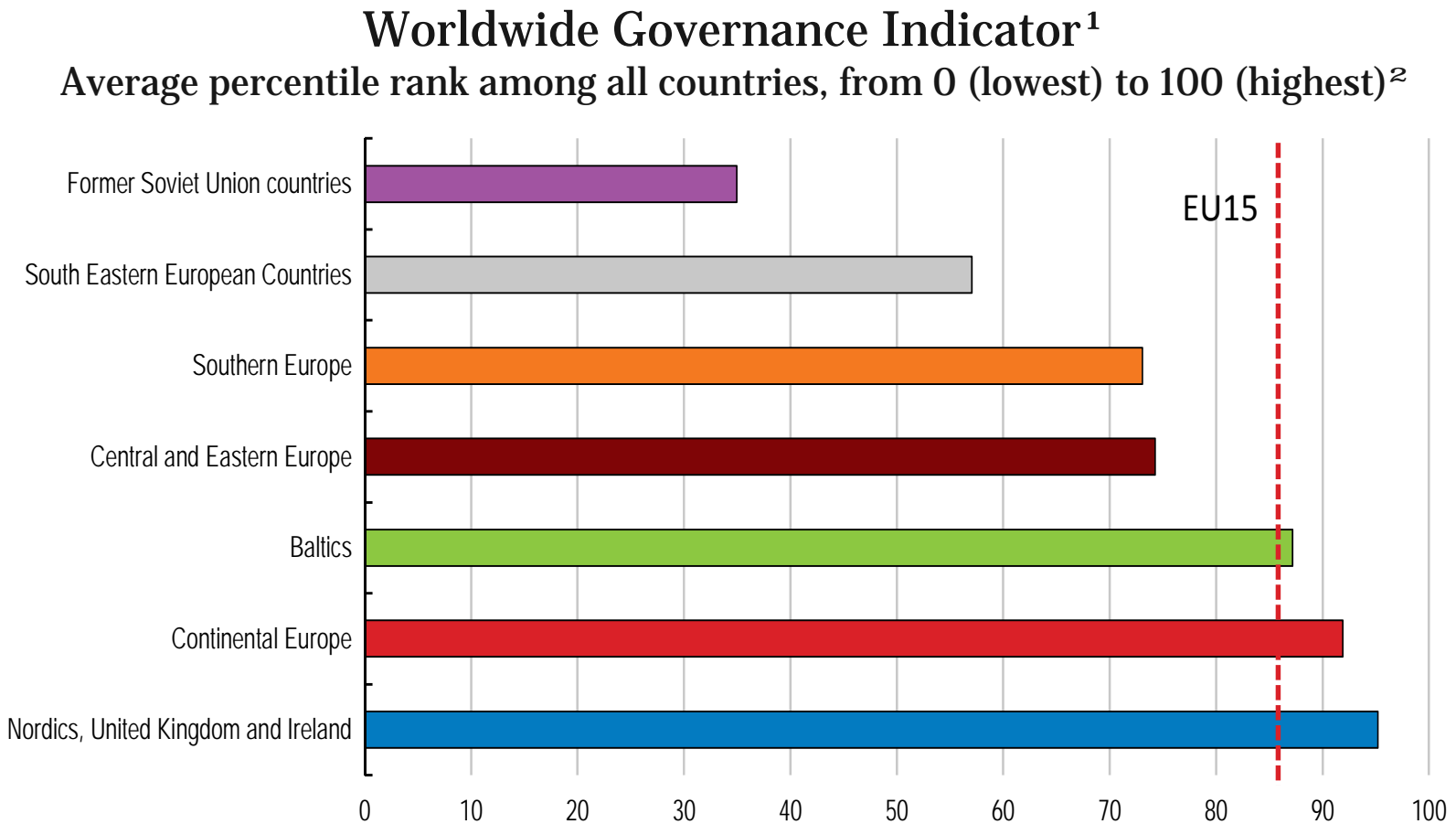


Note: Frontier firms are the 5% of firms with the highest labour productivity by year and sector. Industries included are manufacturing and business services, excluding the financial sector, for firms with at least 20 employees.

Source: Andrews, D., Criscuolo C., and Gal P. (2016), "The Best versus the Rest: The Global Productivity Slowdown, Divergence across Firms and the Role of Public Policy", OECD Productivity Working Papers, No. 05; Orbis data of Bureau van Dijk; and OECD calculations.



The quality of institutions needs to be improved



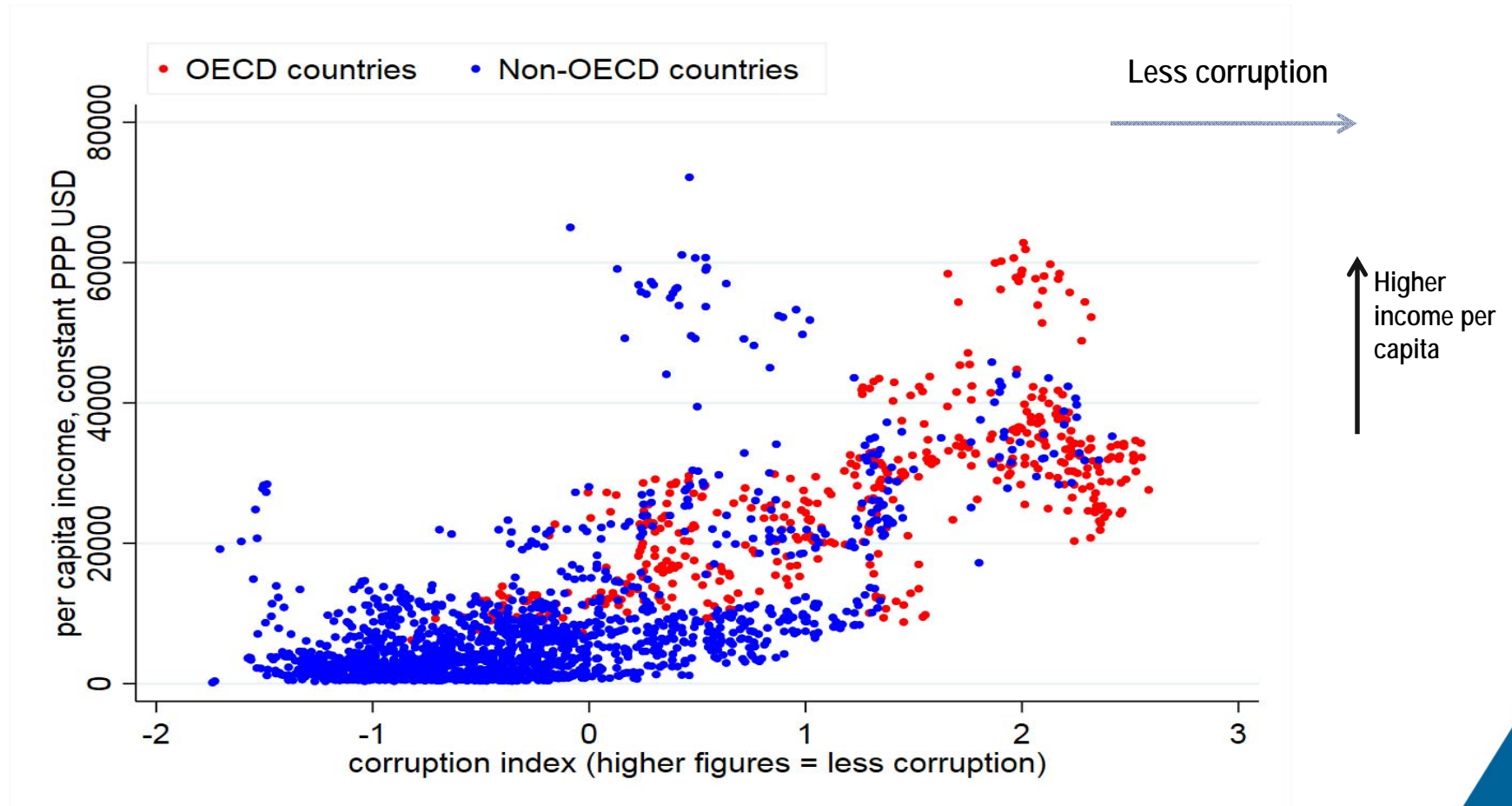
1. Simple average of aggregate indicators of the following six broad dimensions of governance: voice and accountability, political stability and absence of violence/terrorism, government effectiveness, regulatory quality, rule of law and control of corruption.

2. The composition of country groups follows the one adopted in previous slides (N. 1 & 4)

Source: World Bank (2017), *Worldwide Governance Indicators Database*.



Lower corruption and higher development go together



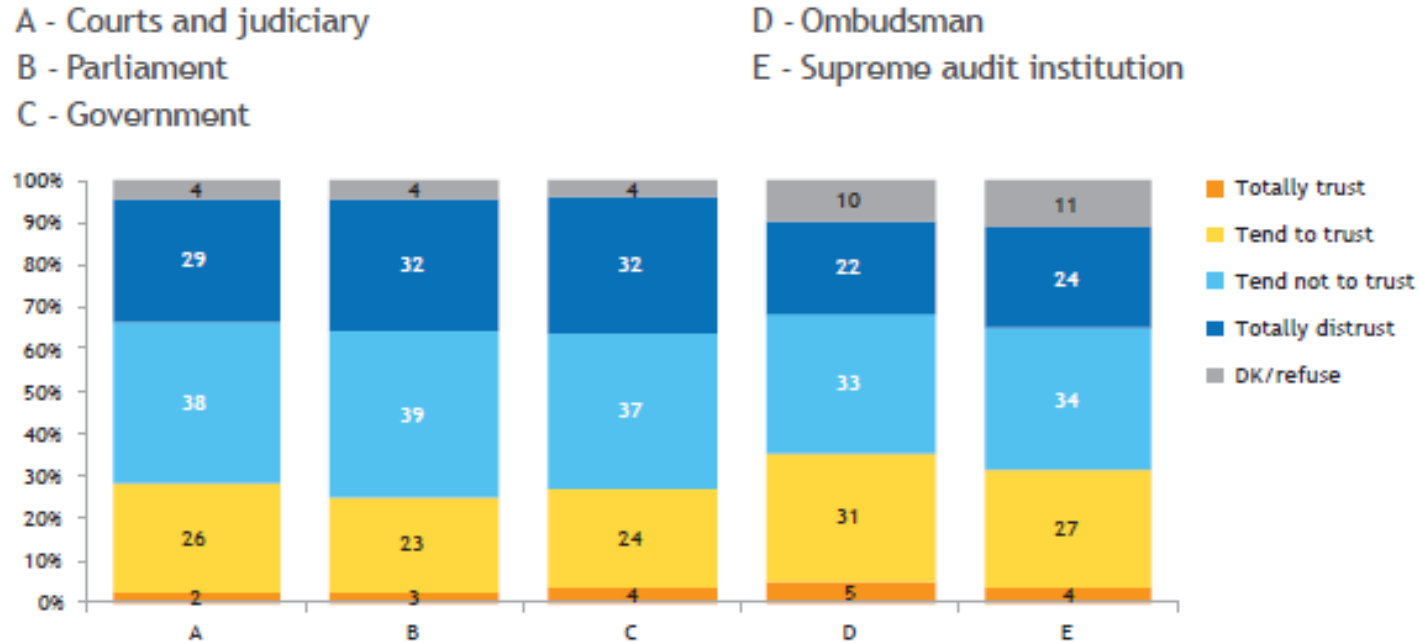
Source: Egert (2017), "The quantification of structural reforms: taking stock of the results for OECD and non-OECD countries", OECD Economic Department Working Paper, forthcoming



Low confidence in institutions is concerning

Figure 82: How much trust do you have in certain institutions? (SEE region)(NEW QUESTION)

(All respondents - N=7026, scale from 1 to 4, share of total, %)



Reference : 2017 Balkan Barometer 2017 : Public Opinion Survey, to be launched on 9 October 2017.

Countries covered: Albania, Bosnia and Herzegovina, Croatia, Kosovo, the former Yugoslav Republic of Macedonia, Montenegro and Serbia



Thank you!

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Read more about our work:

<http://www.oecd.org/going-for-growth/>

<http://www.oecd.org/eco/outlook/>

<http://www.sigmaweb.org>



SIGMA
Creating Change Together



A joint initiative of the OECD and the EU,
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