

Productivity Conference

Globally, 28 MICs have become HICs since 1990

- **Bulgaria***
- **Croatia**
- **Czech Republic**
- **Estonia**
- **Greece**
- **Hungary**
- **Latvia**
- **Lithuania**
- **Malta**
- **Poland**
- **Portugal**
- **Romania**
- **Slovak Republic**
- **Slovenia**

EU

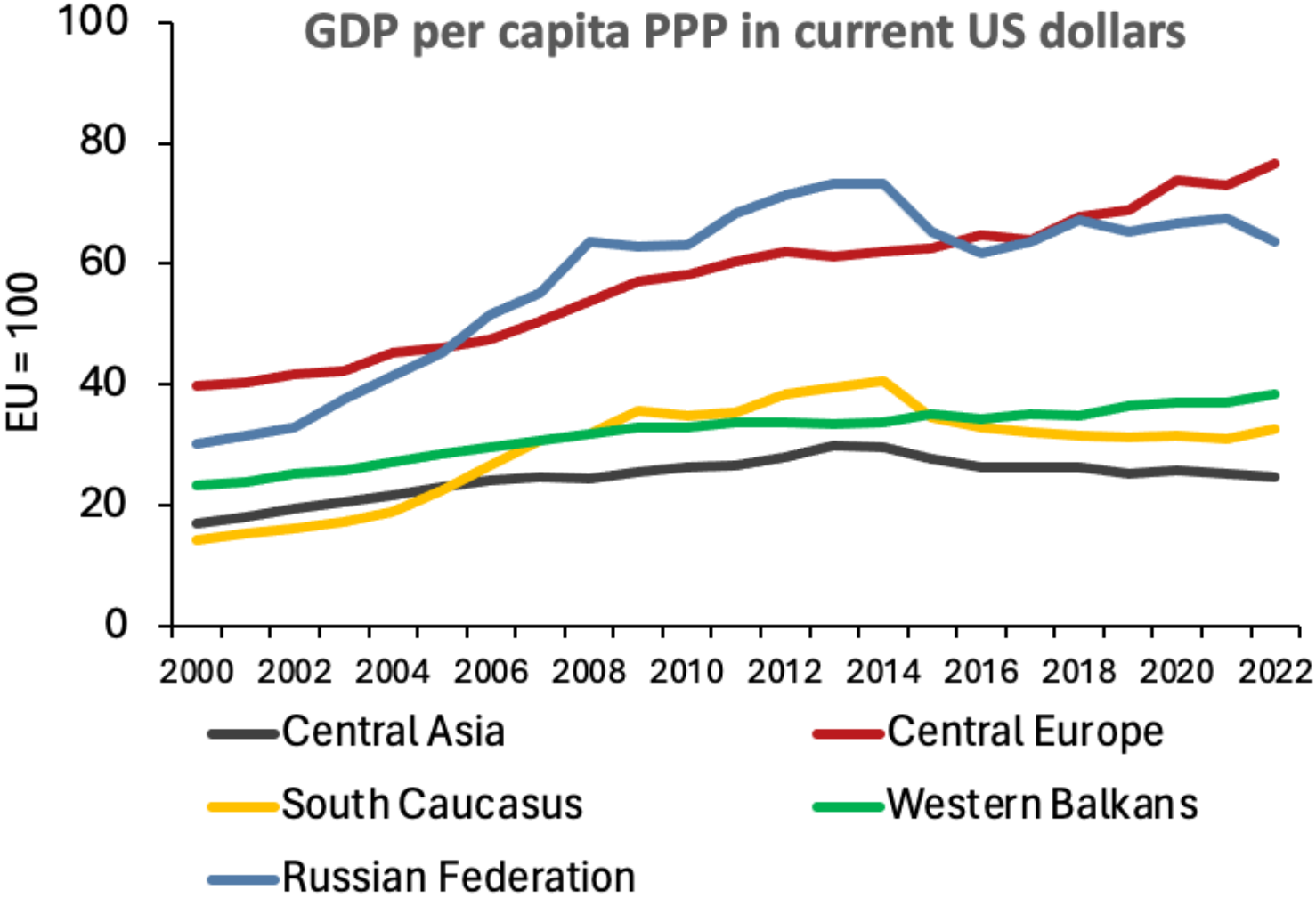
- **Bahrain**
- **Chile**
- **Guyana**
- **Oman**
- **Saudi Arabia**

- **Antigua and Barbuda**
- **Barbados**
- **Panama**
- **Seychelles**
- **St Kitts and Nevis**
- **Trinidad and Tobago**

- **Panama**
- **South Korea**
- **Uruguay**

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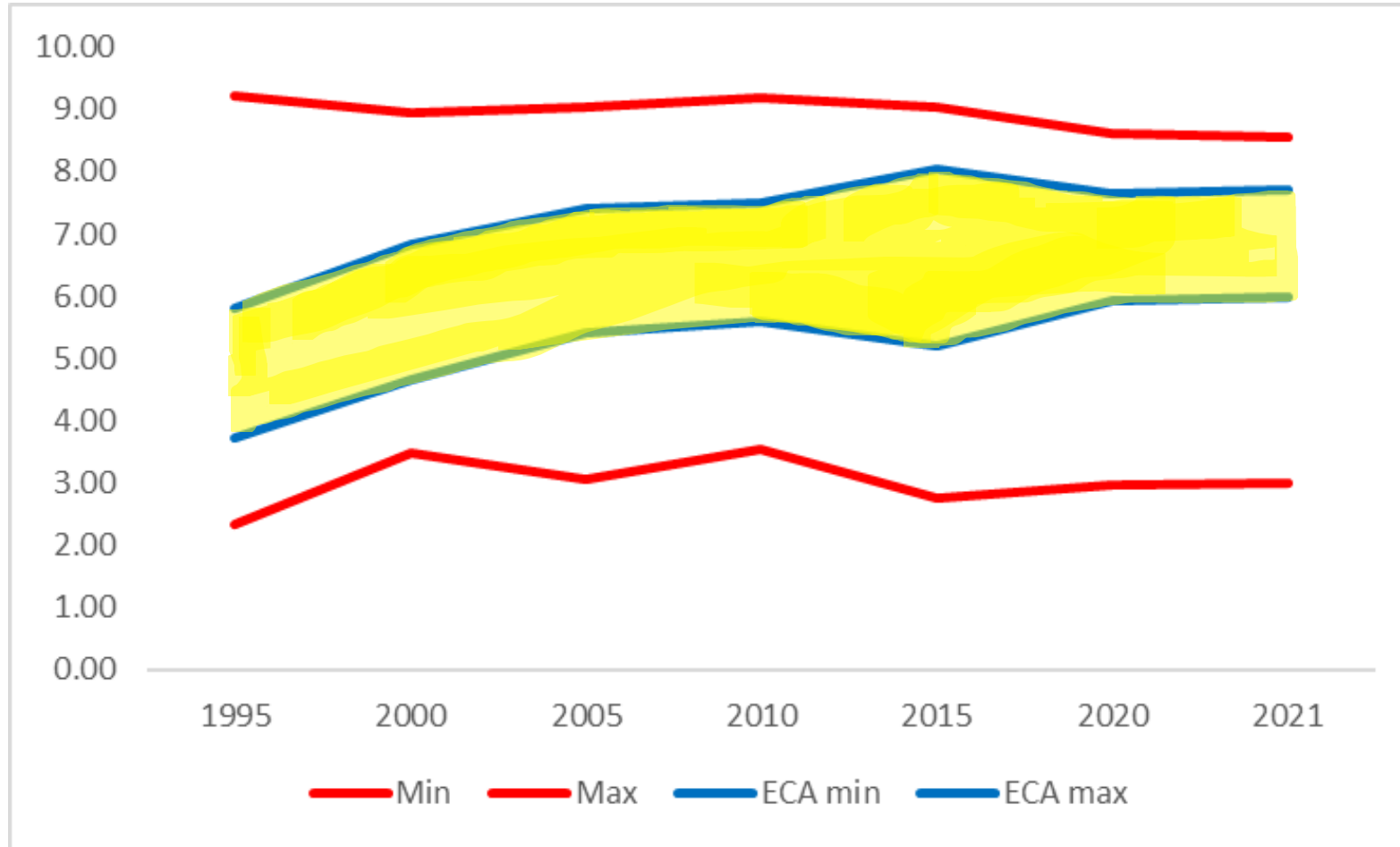
Convergence: Central Europe strongly, Western Balkans slowly



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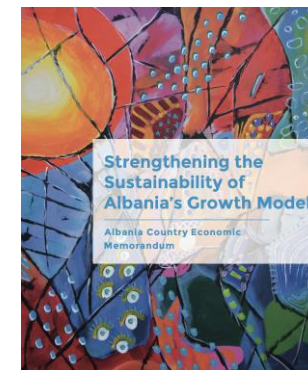
Source: World Bank WDI.

Little change in economic freedom in nearly a decade



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was more modest, strong domestic demand pushed down national savings, and **firm-level productivity was largely stagnant**. The reports recommended more

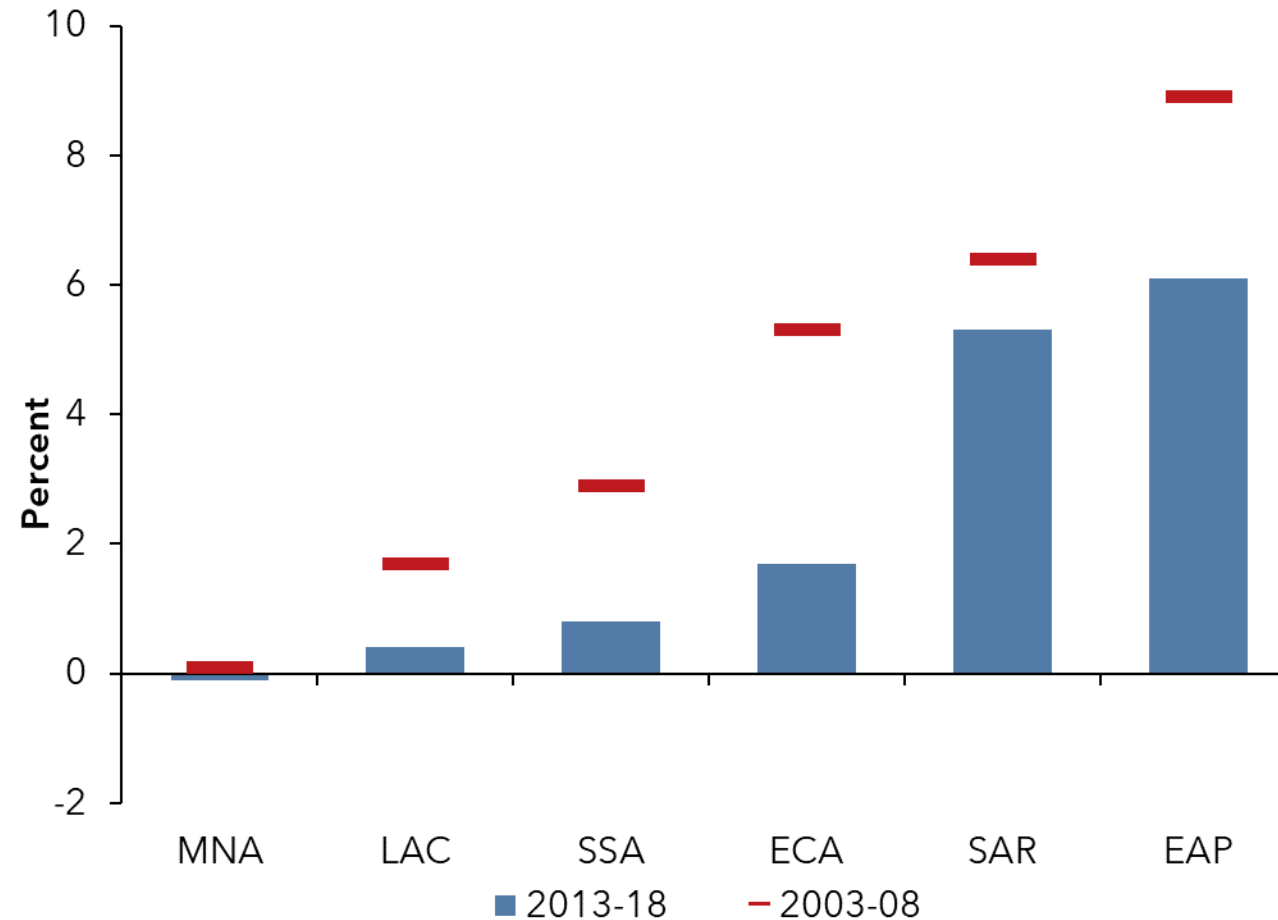


9. Albania's productivity trends are worsening, an indication that production inefficiencies could lead to lower levels of economic growth (or even stagnation) in the long run. Productivity growth was the main driver of the country's GDP growth between 2015 and 2019, and the country's level of productivity growth is the second highest among the countries in the Western Balkans. However, declining productivity trends could mean that Albania's growth may decelerate or even stagnate in the absence of productivity-enhancing structural reforms.

In Serbia productivity growth has been slow, which limits economic catch-up and creation of better-paid jobs. In 2017 the productivity of Serbian firms relative to Germany's was still where it was in 2006—there has been no catch-up. For Serbia to meet its ambitious target of 7 percent economic growth, it must at least double its rate of productivity growth—which is also necessary to create

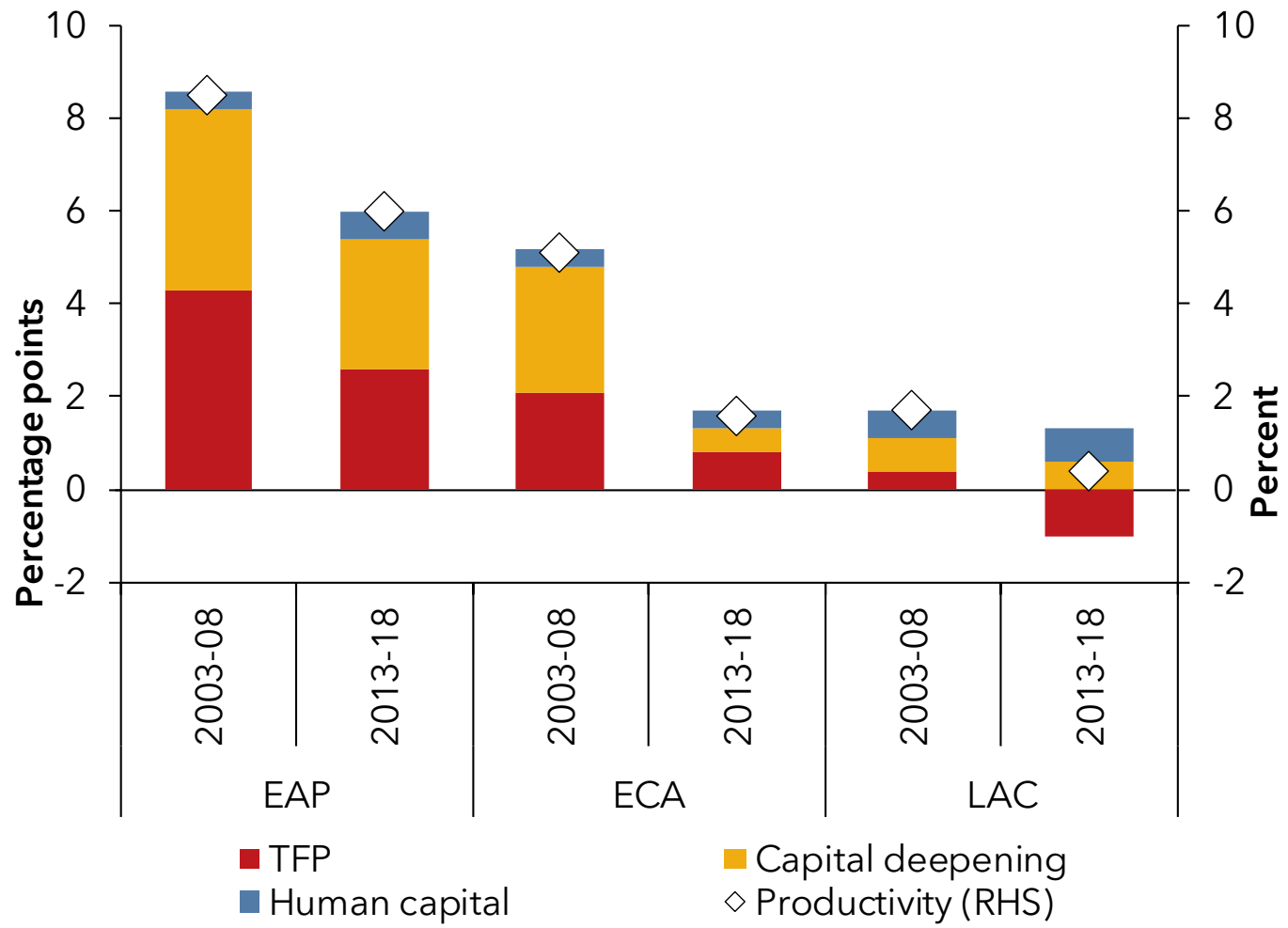
Kazakhstan's productivity growth has steadily fallen over the past two decades. Productivity was robust in the early 2000s, contributing about 6 percentage points to annual GDP growth. However, by the early 2010s, annual productivity growth had fallen to an average of less than 2 percent; **between 2014 and 2016 measured productivity growth turned negative, falling by 2-3 percentage points per year.**

Labor productivity growth slowed dramatically; most in ECA



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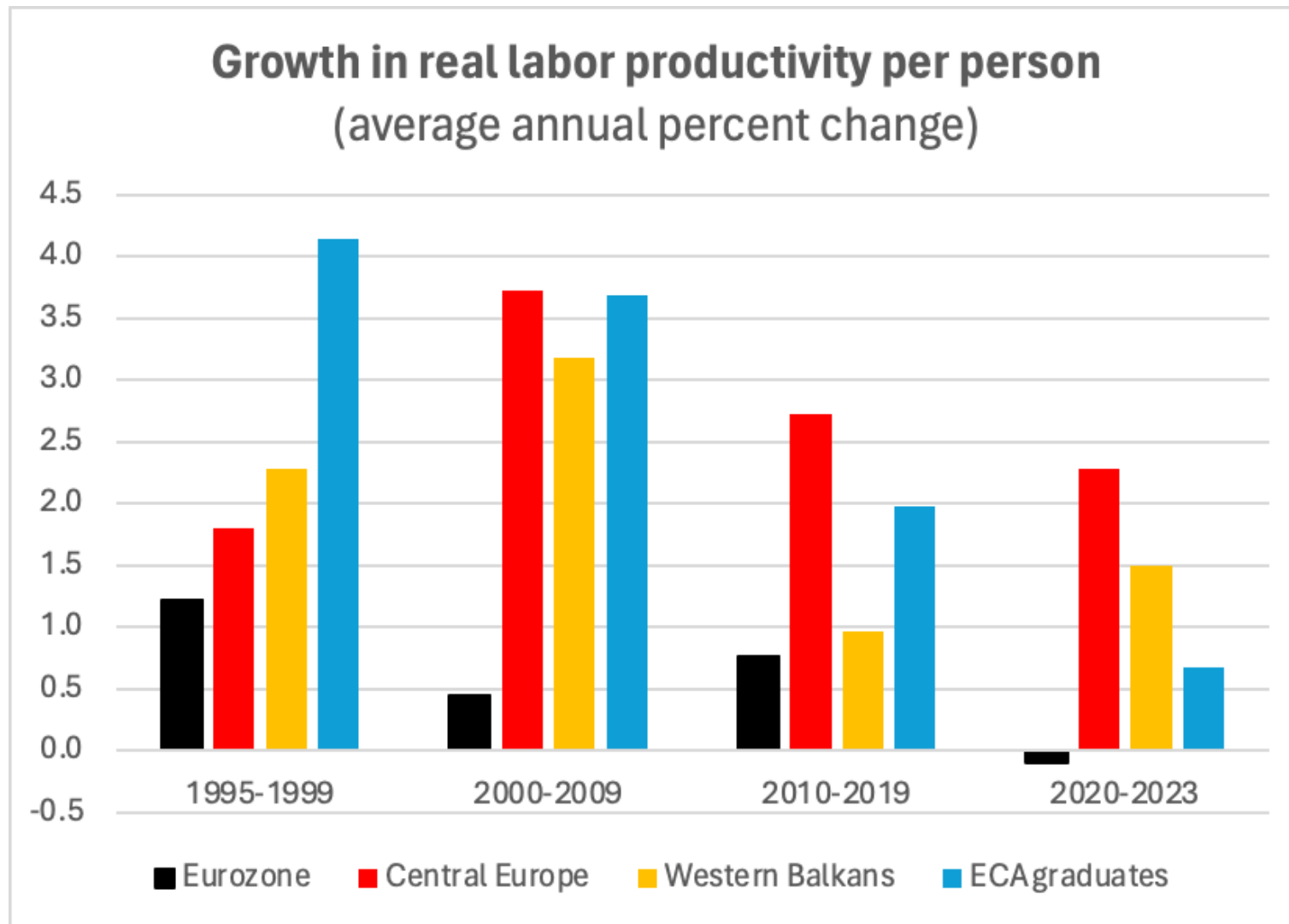
And so has TFP growth



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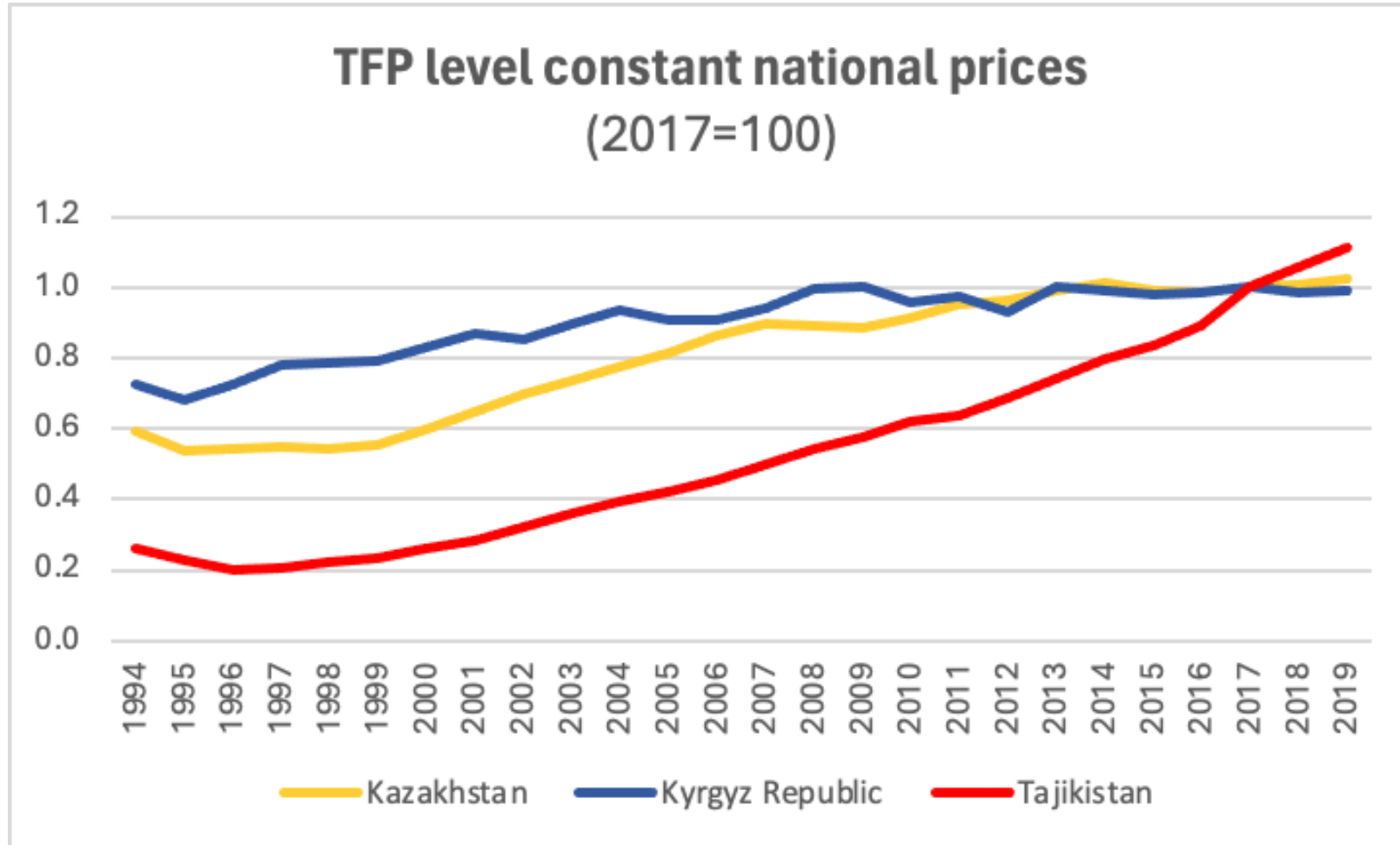
Source: World Bank GEP.

Slowdown of labor productivity growth in the EZ and ECA West

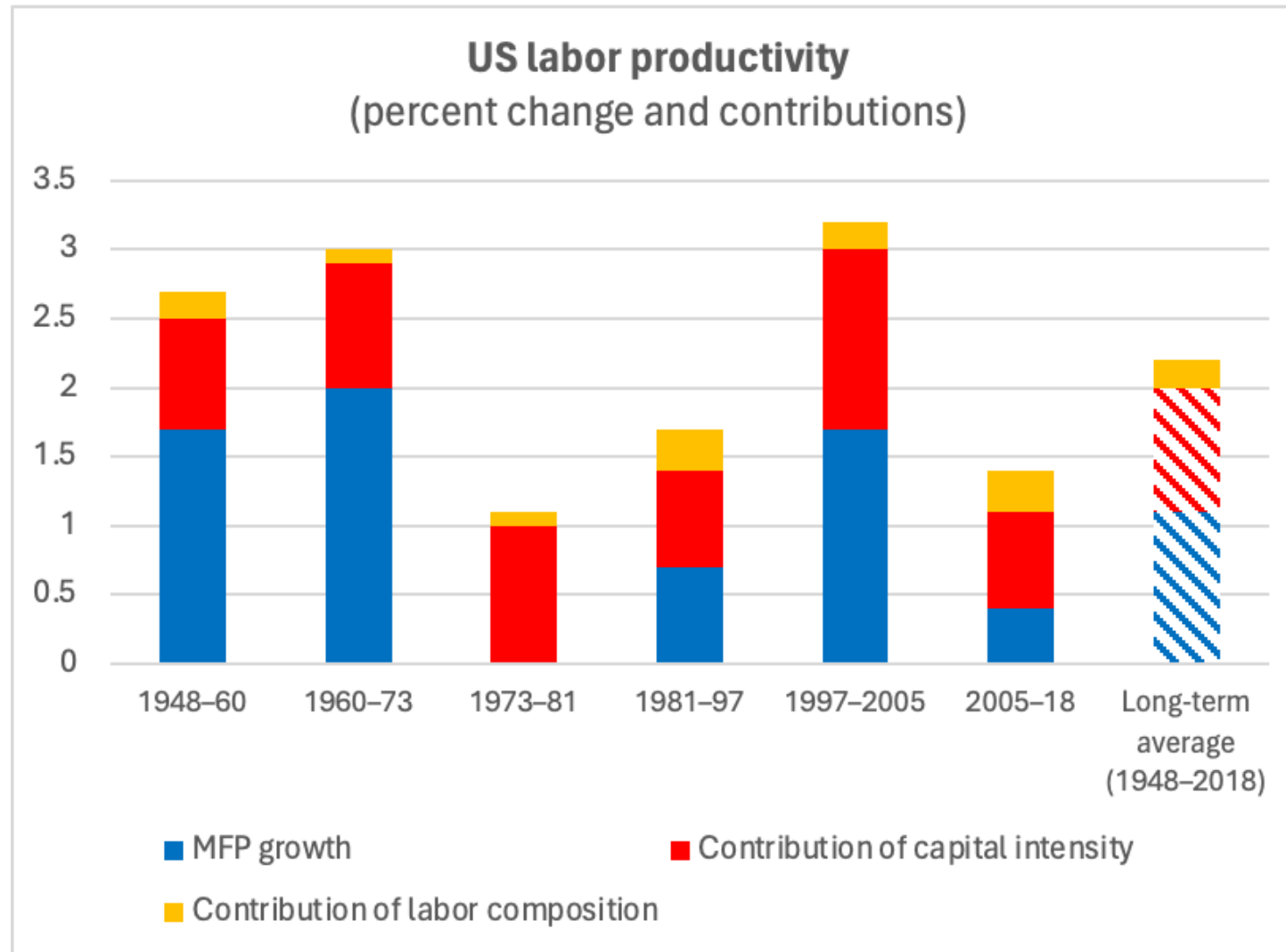


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The mixed picture of TFP in Central Asia

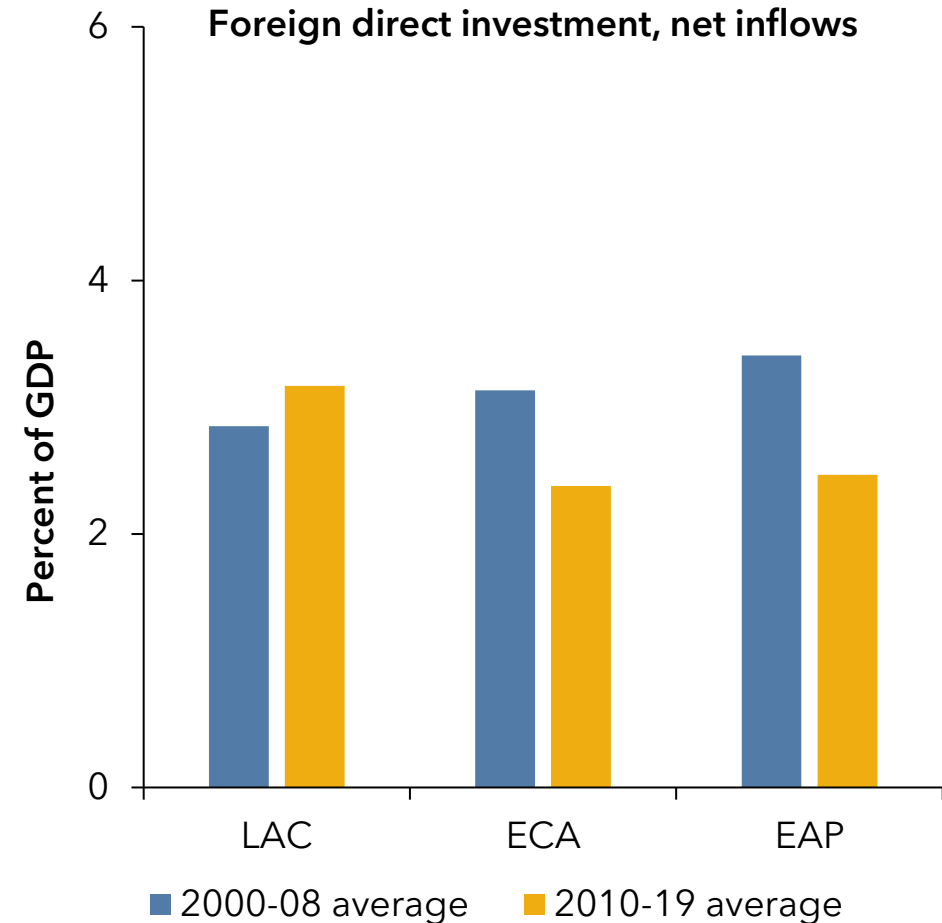
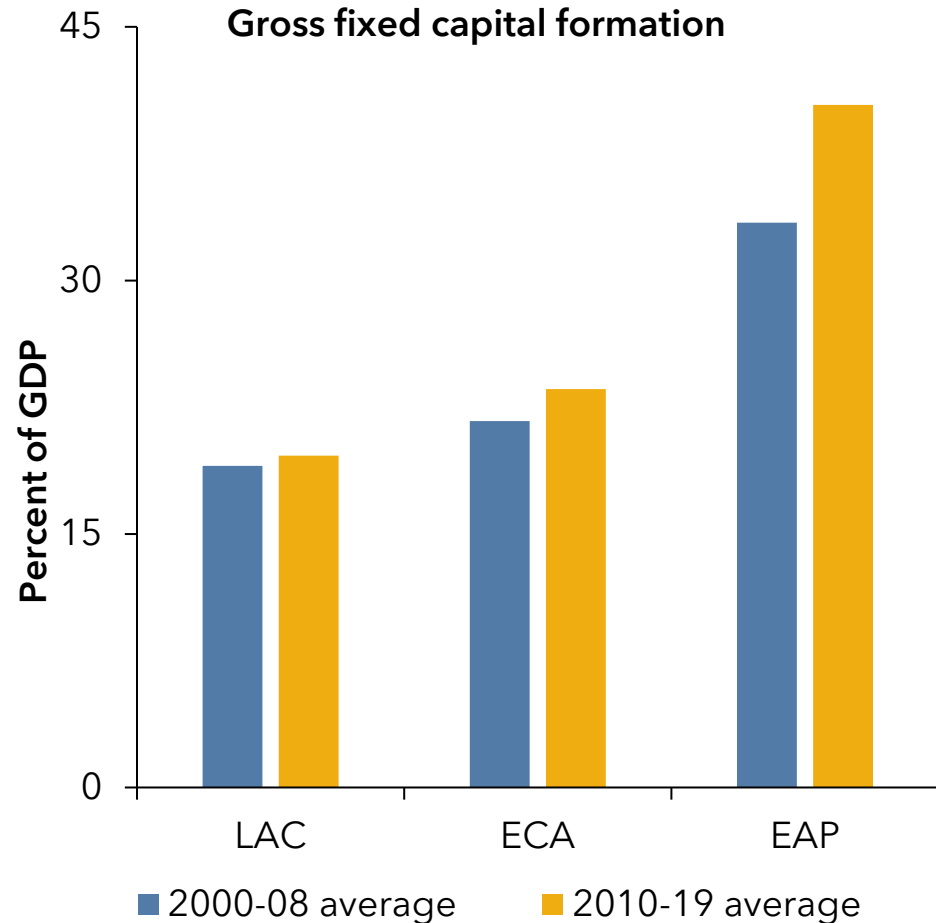


The slowdown in advanced economies started earlier



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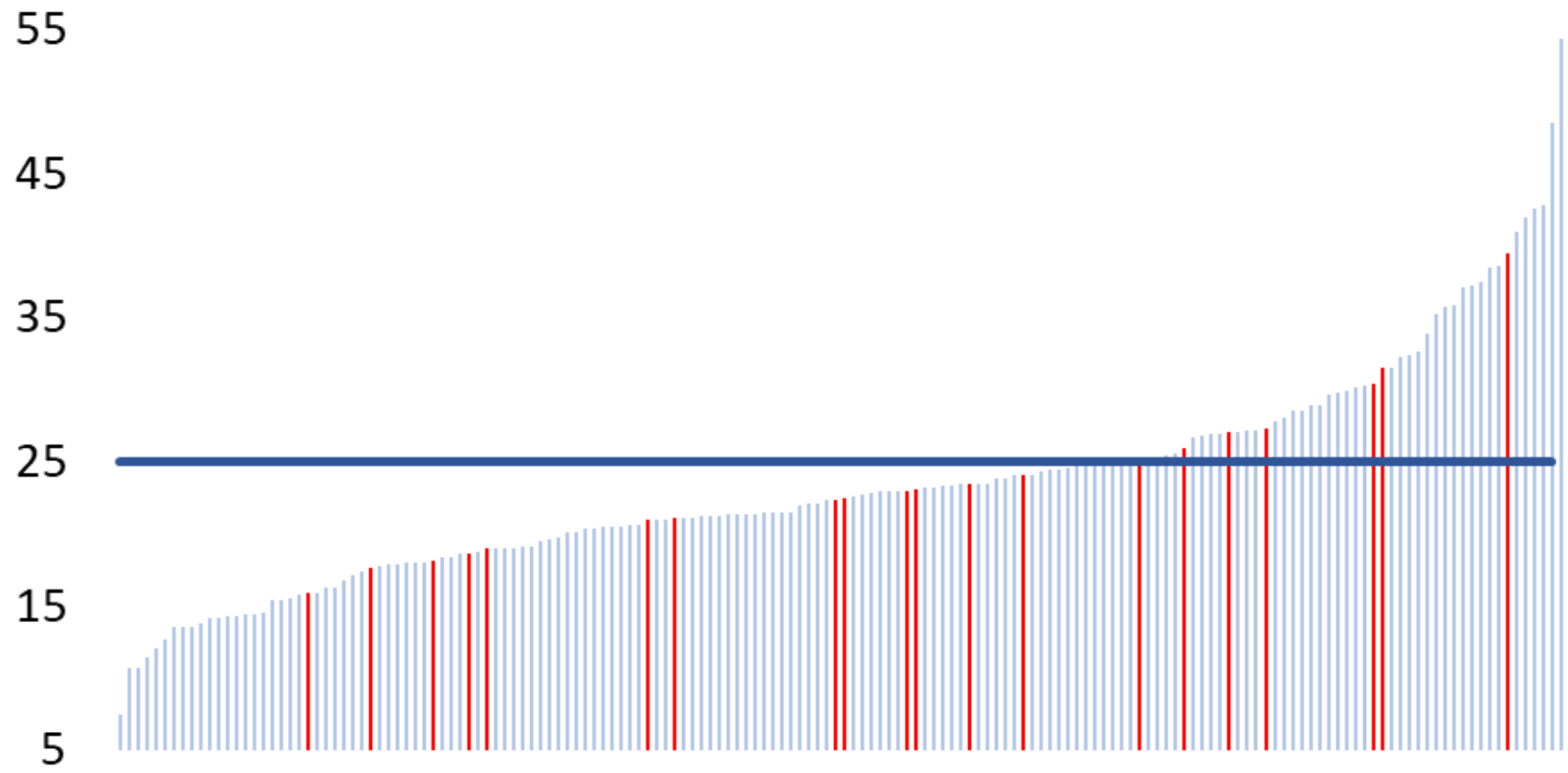
Fixed investment has not picked up and FDI inflows have dropped



Source: World Bank WDI.

Note: ECA = Europe and Central Asia; LAC = Latin America and Caribbean; EAP = East Asia and Pacific.

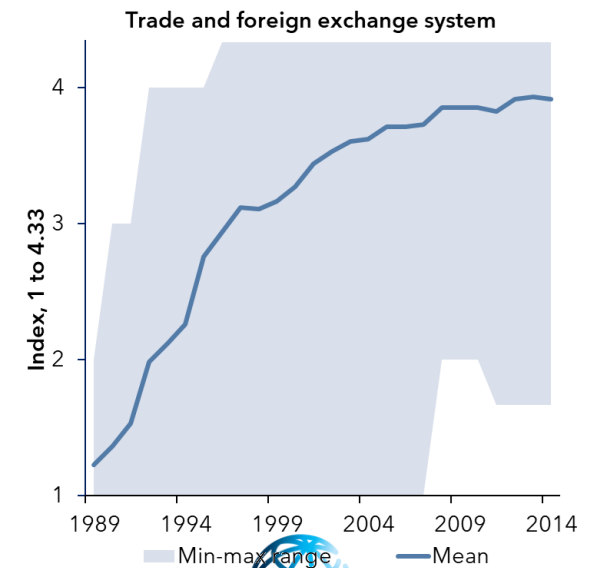
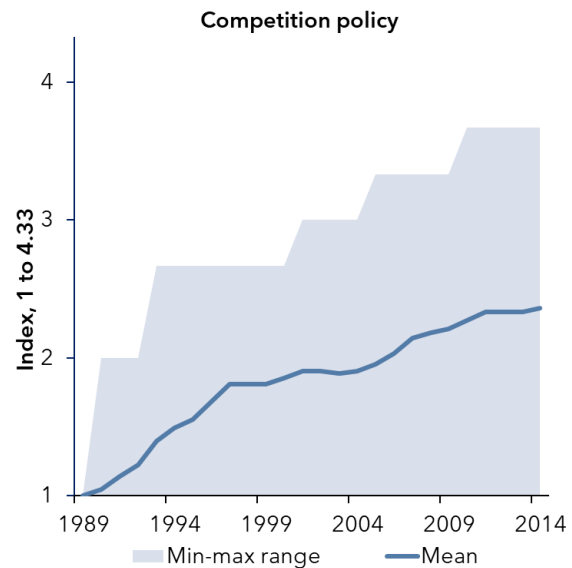
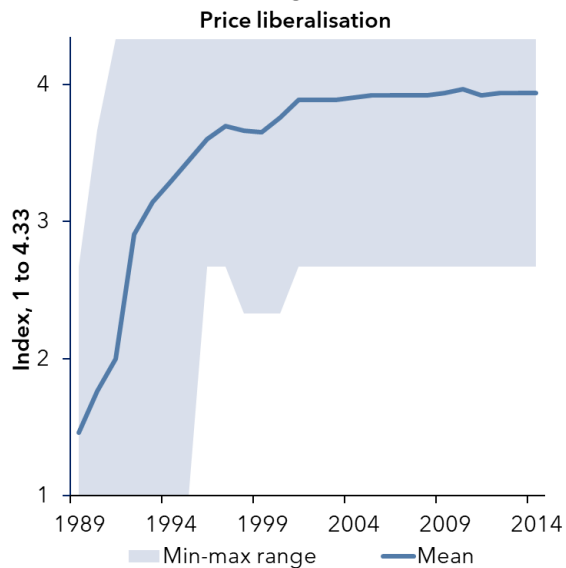
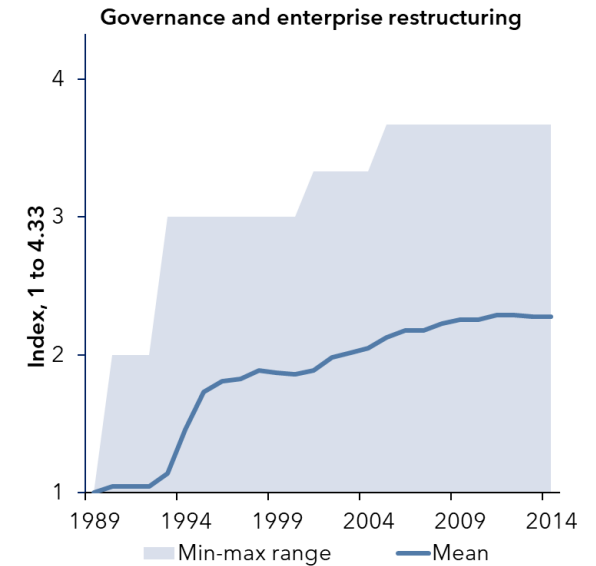
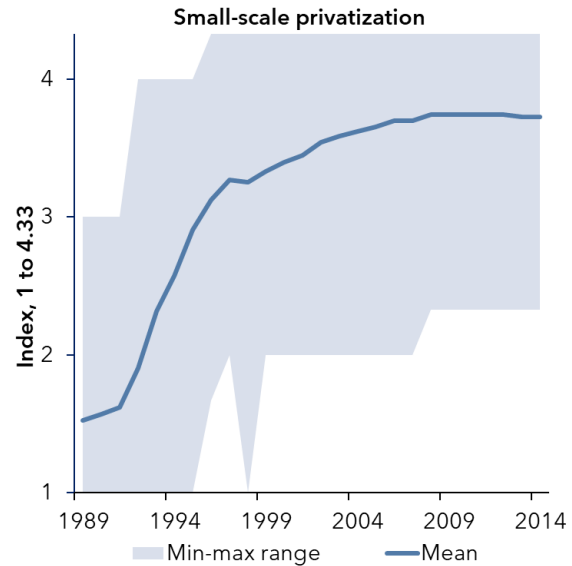
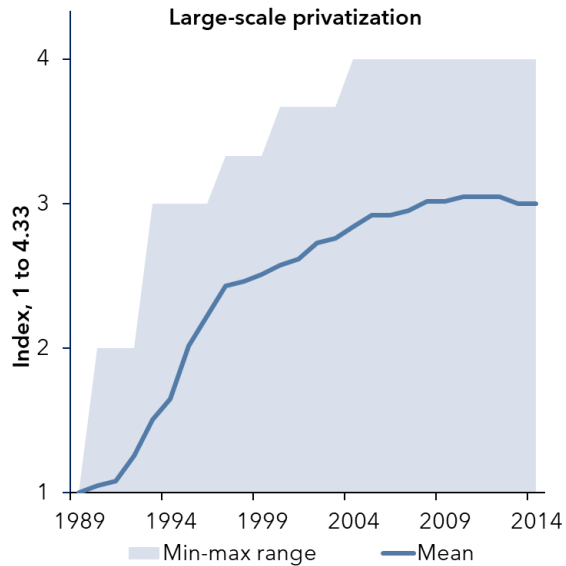
Investment is higher than 25% GDP only in Central Asia



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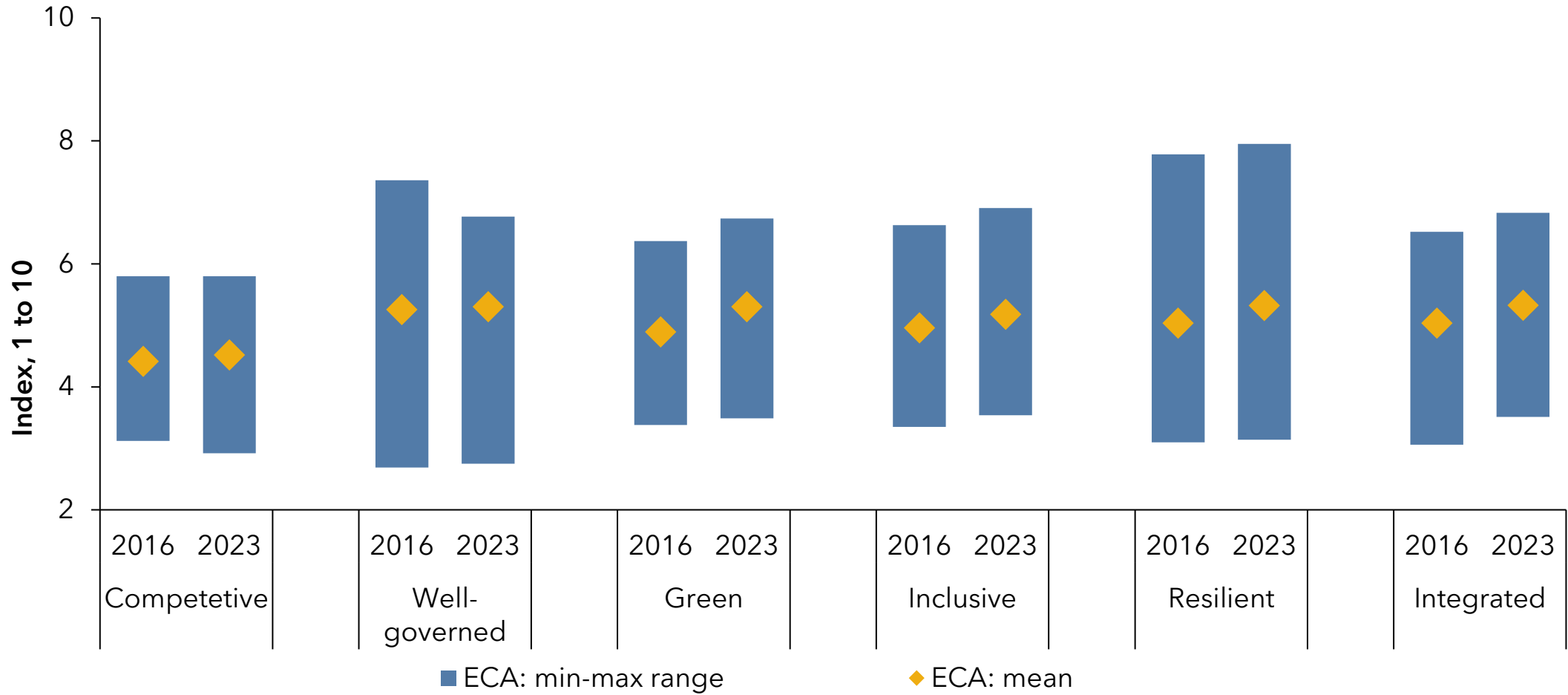
Source: World Bank WDI.
Notes: Fixed investment to GDP. ECA countries are colored in red.

Progress on the transition indicators moderated over 1990-2014



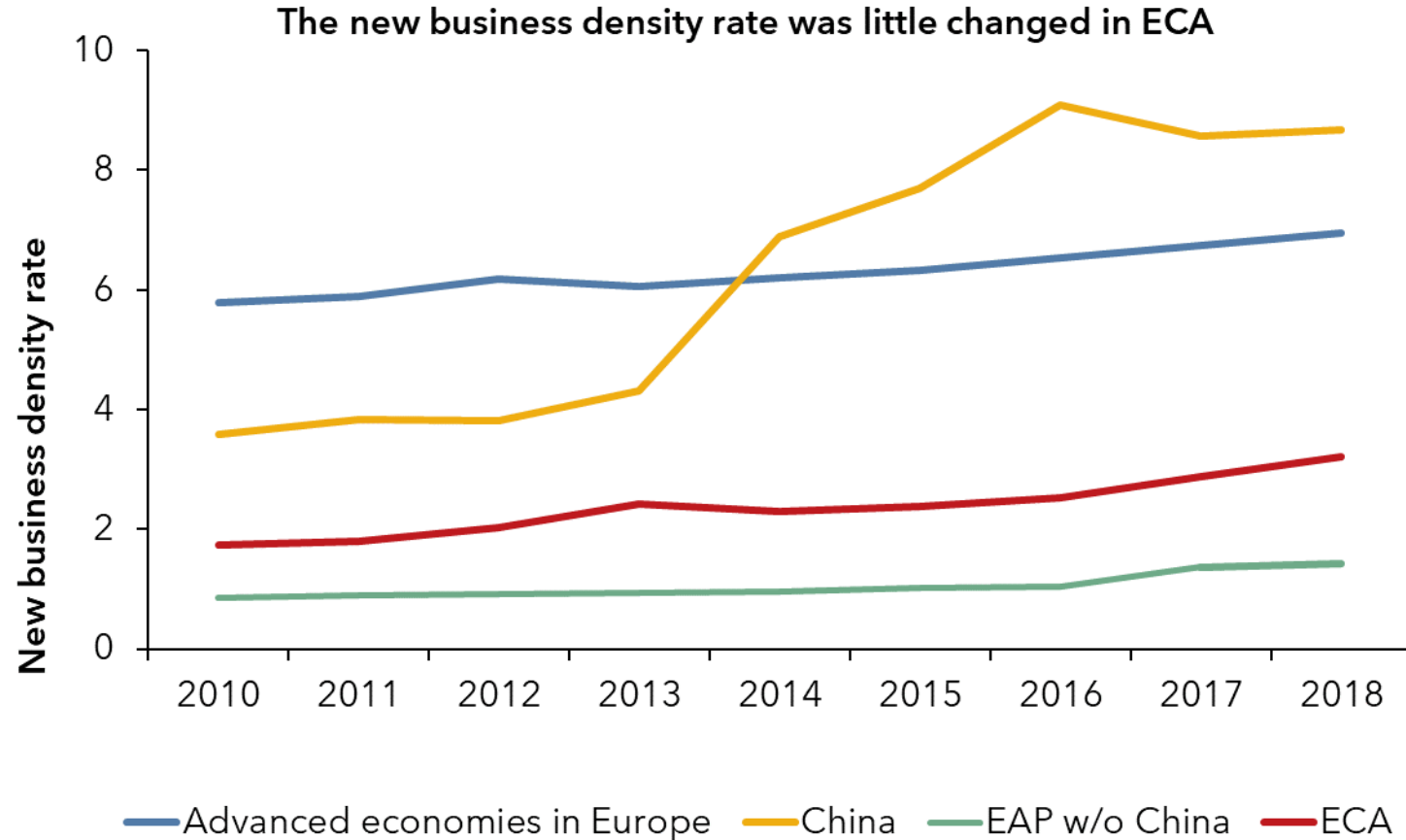
Source: EBRD transition indicators, 1989–2014 (latest year available).

Progress on the transition qualities has been modest since 2016



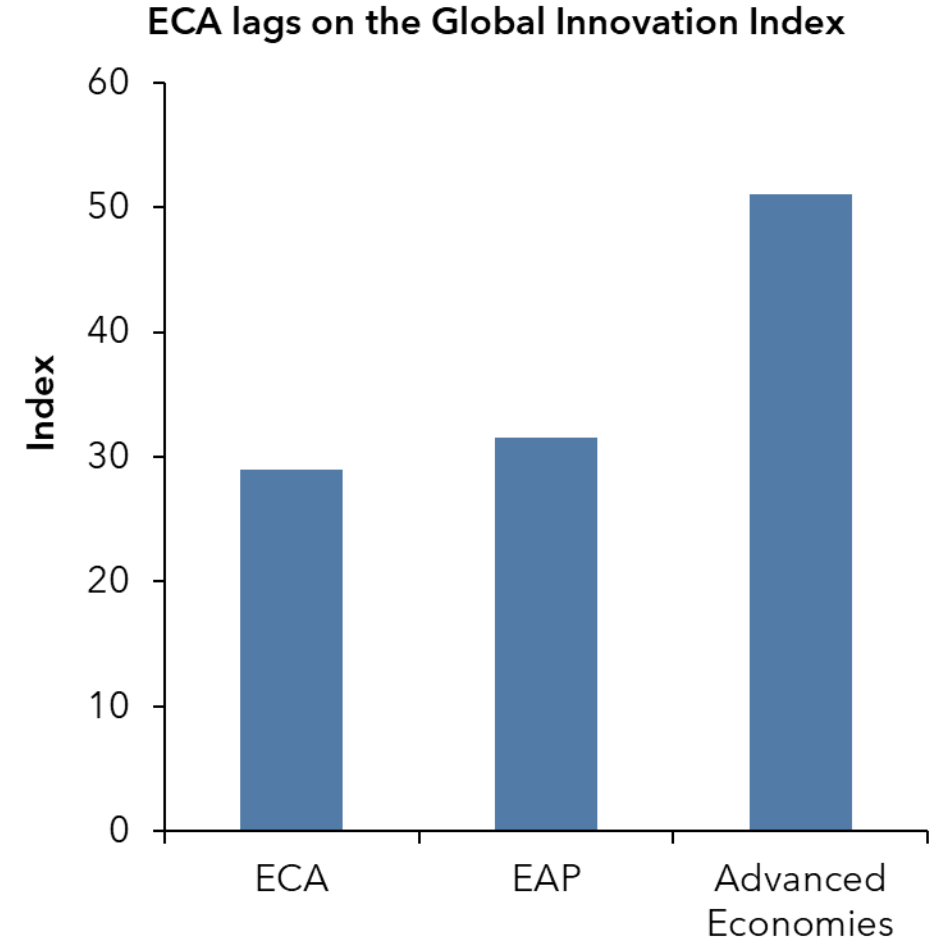
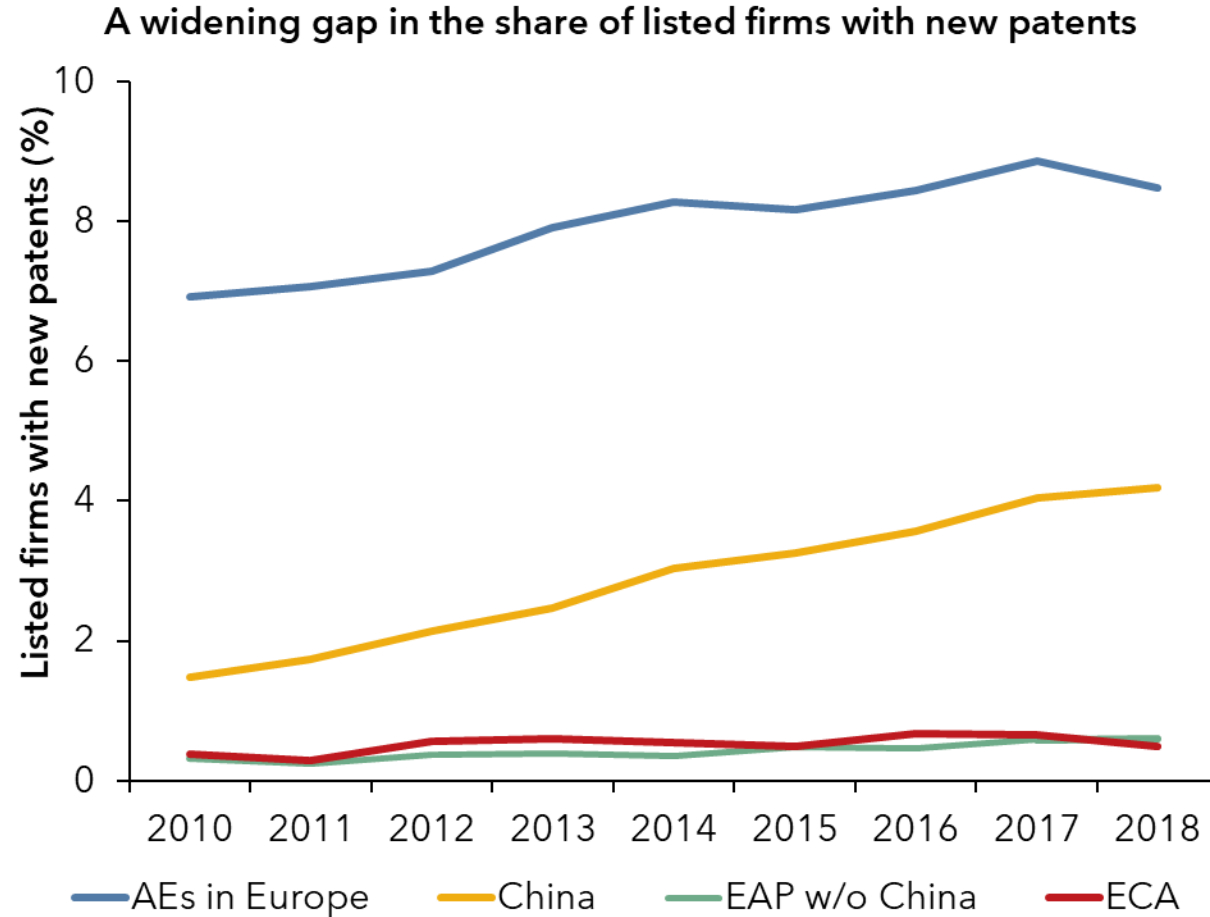
Source: EBRD, 2016 (first year available) to 2023.

New business density trails the EU and China by a large margin



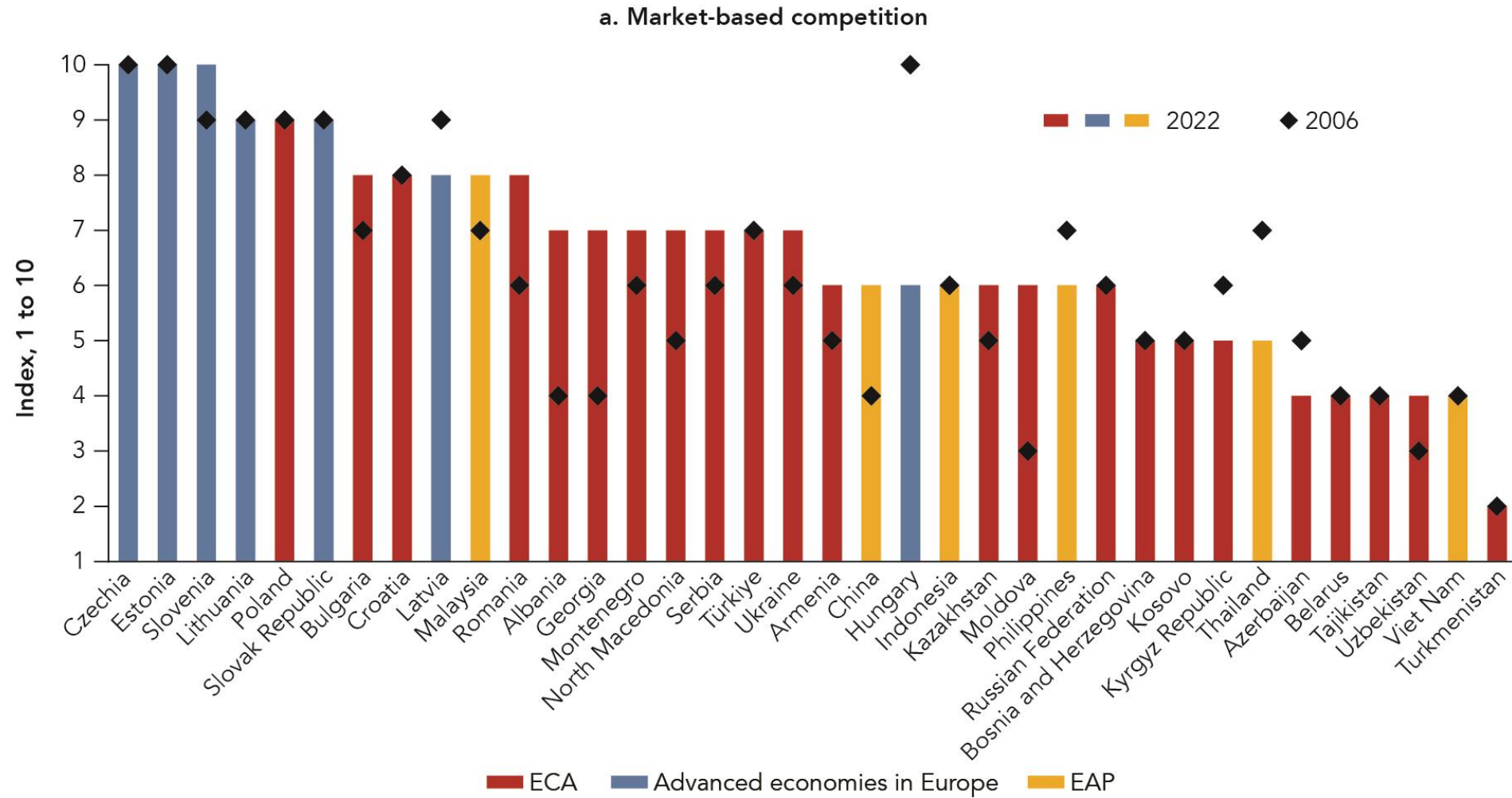
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Expectedly, innovation lags the advanced economies in the EU



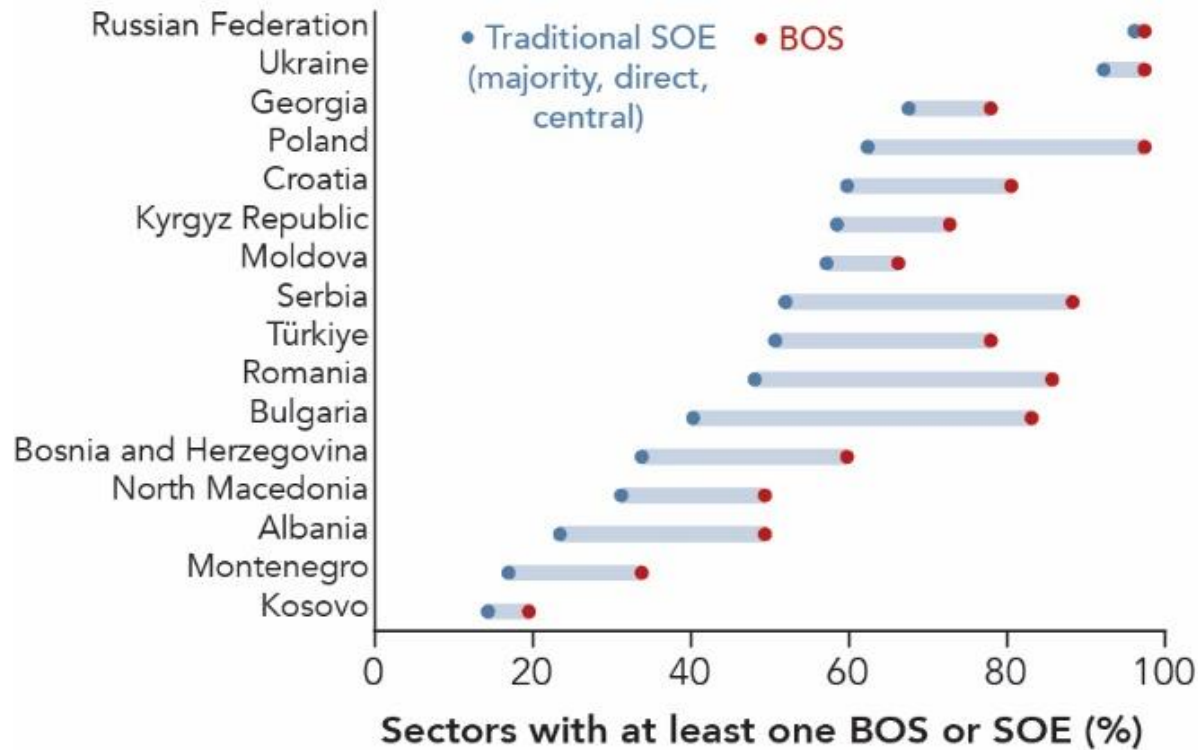
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Problematic competition environment

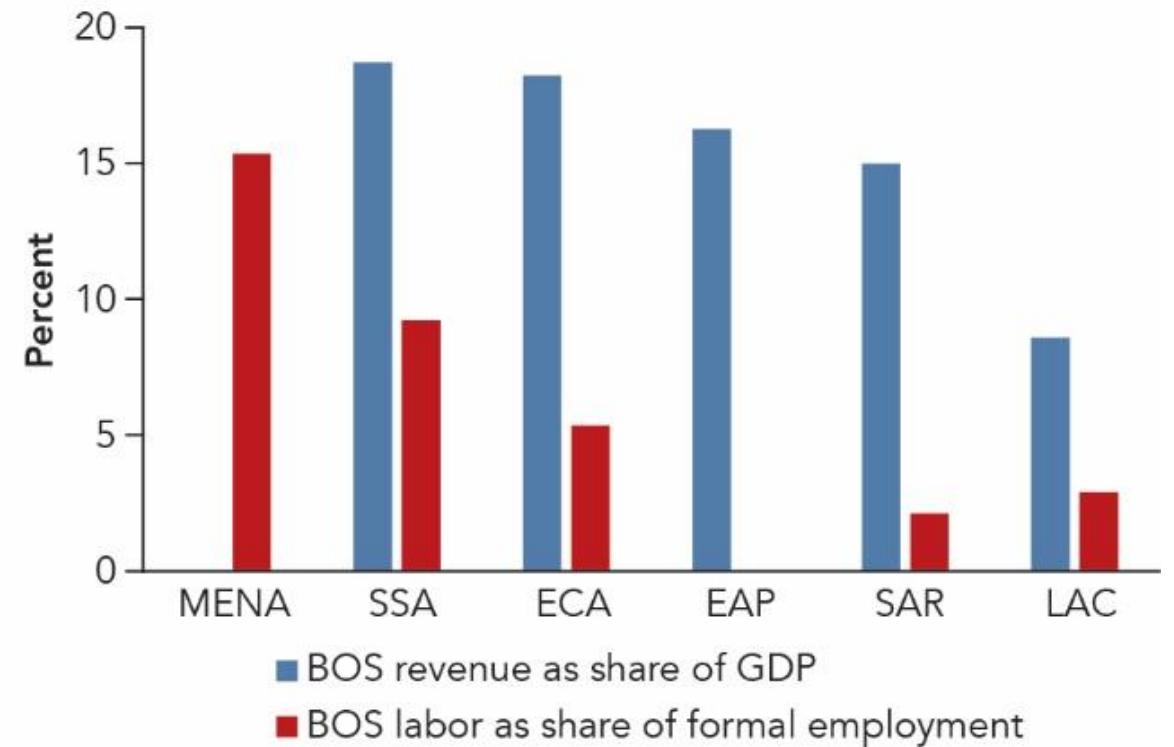


The role of the state in the economy is still substantial in ECA

a. The presence of BOS affects a significant proportion of economic sectors across ECA countries



b. ECA's BOS revenue as share of GDP and BOS labor as share of formal employment compared to other regions

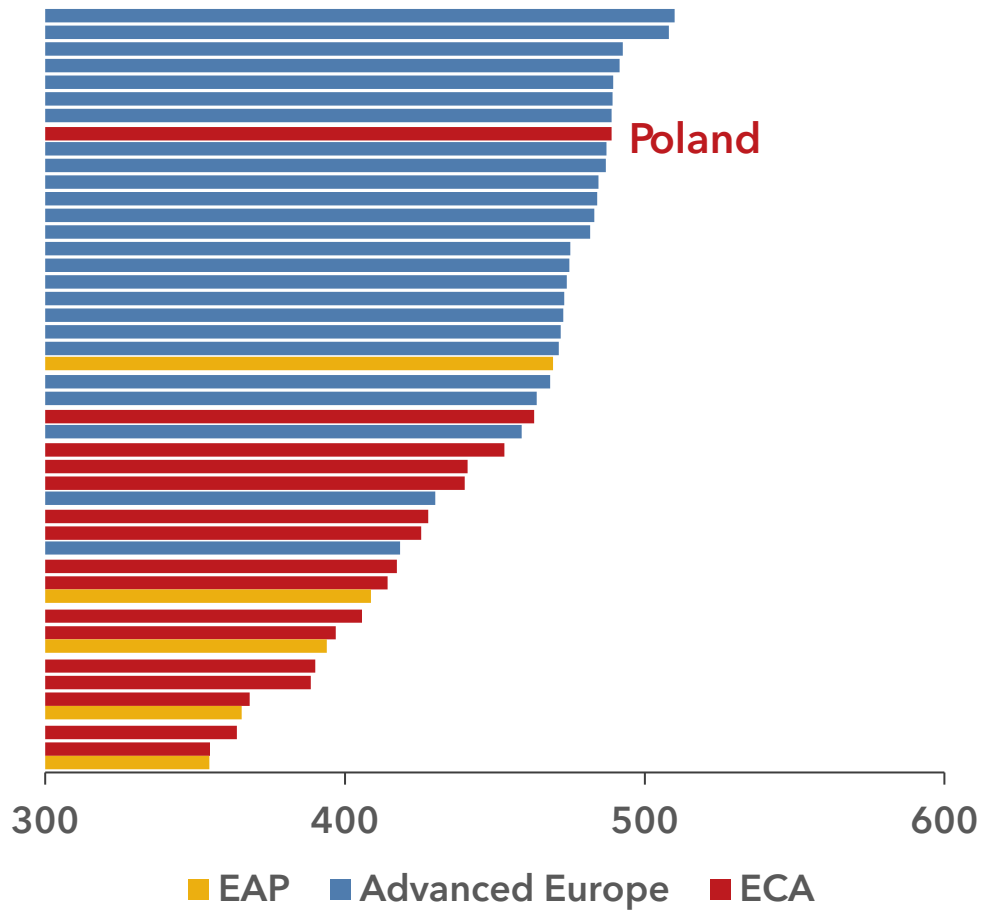


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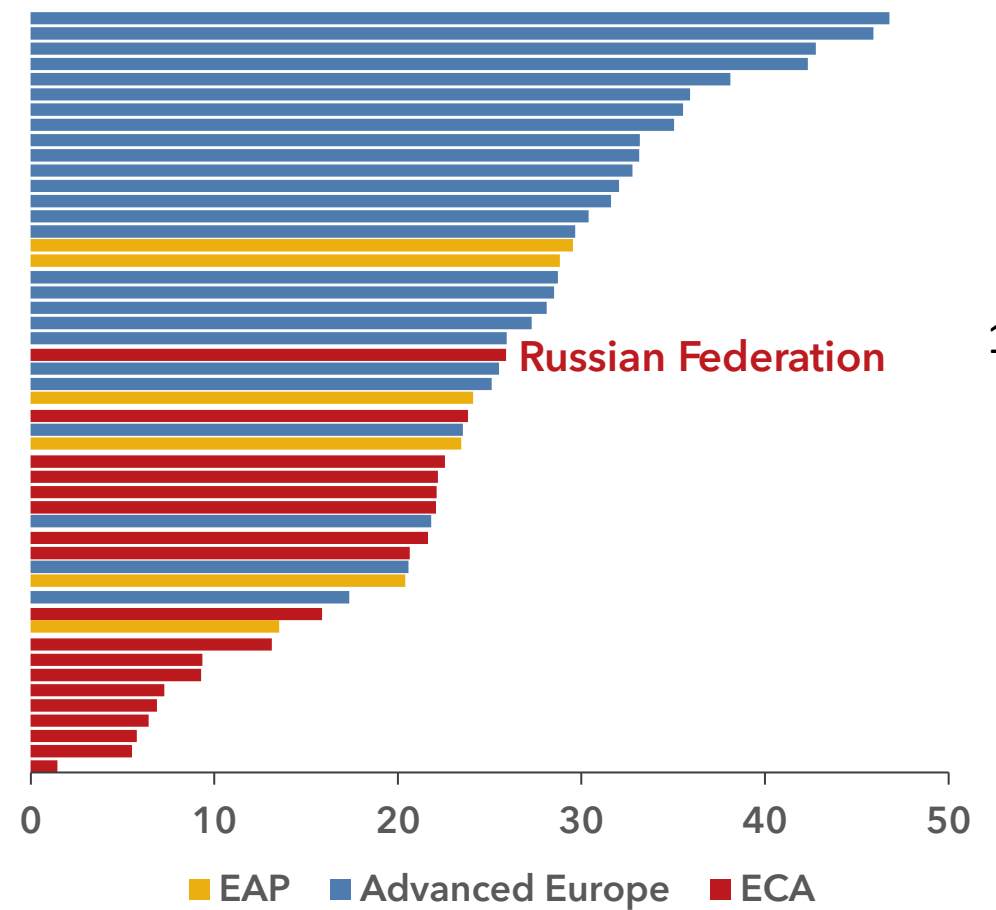
BOS: Business of the state

Low education quality

Quality of basic education (Pisa scale math average)



Quality of higher education



Source: OECD; World Bank.

Note: Calculations based on the OECD PISA (2022). Demircuc-Kunt and Torre (2022).