



Strengthening CESEE Competitiveness: The Role of Innovation



European
Investment Bank

Jochen Schanz (with Matteo Ferrazzi and Marcin Wolski)

Economics Department, EIB – September 2024

Overview

I. Common elements of innovation across EU-CESEE

Focus:

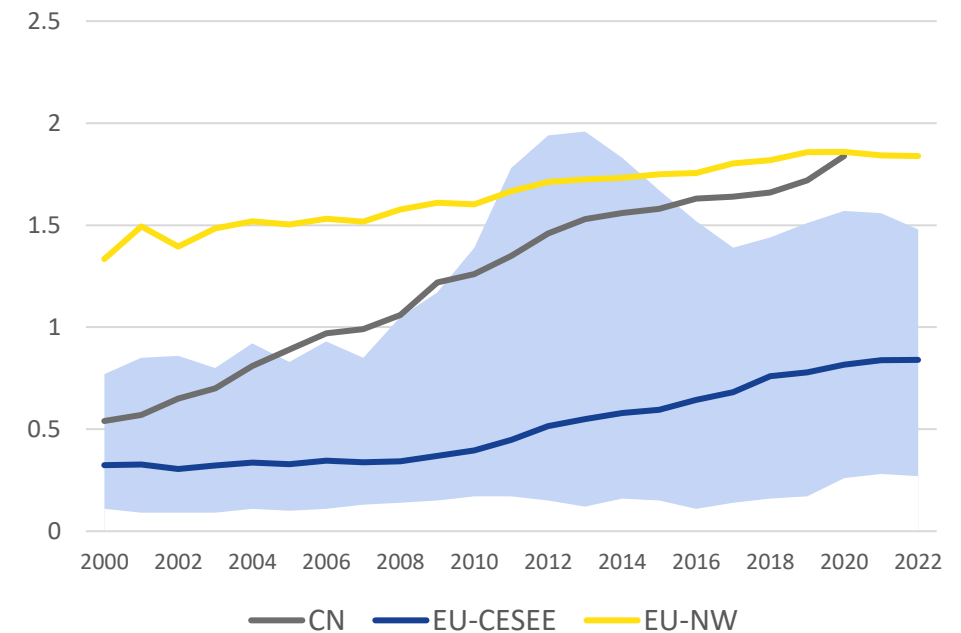
- Foreign-owned firms
- Skills shortage
- Transforming innovative ideas into marketable products and services

II. Country dashboards

- Convergence, top R&D sectors, sectors with highest growth contributions
- Institutions and funding, Knowledge and skills, Innovation outcomes

Business R&D

% of GDP

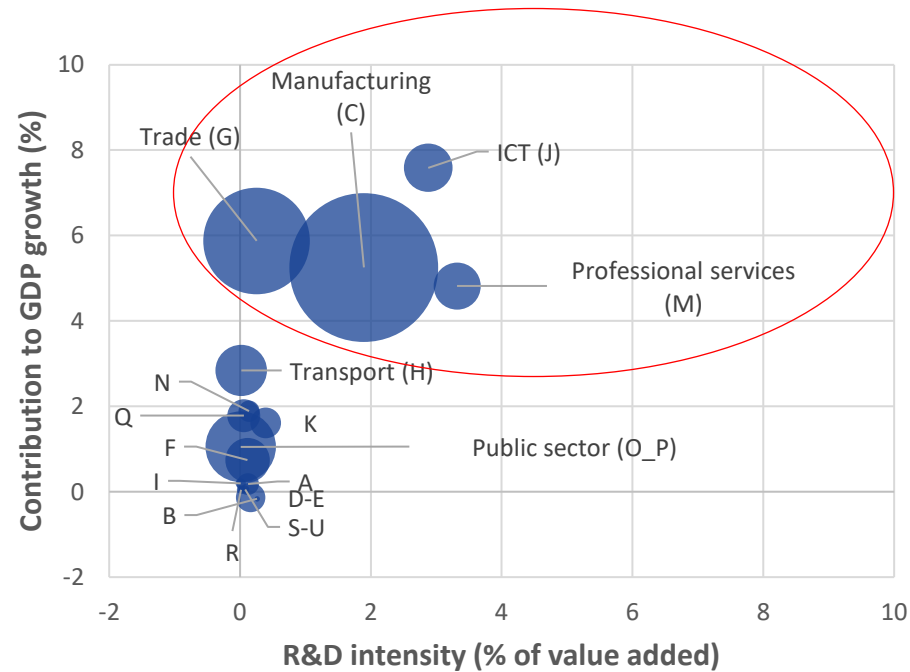


Source: EIB based on Eurostat.

Research-intensive sectors are contributing to growth

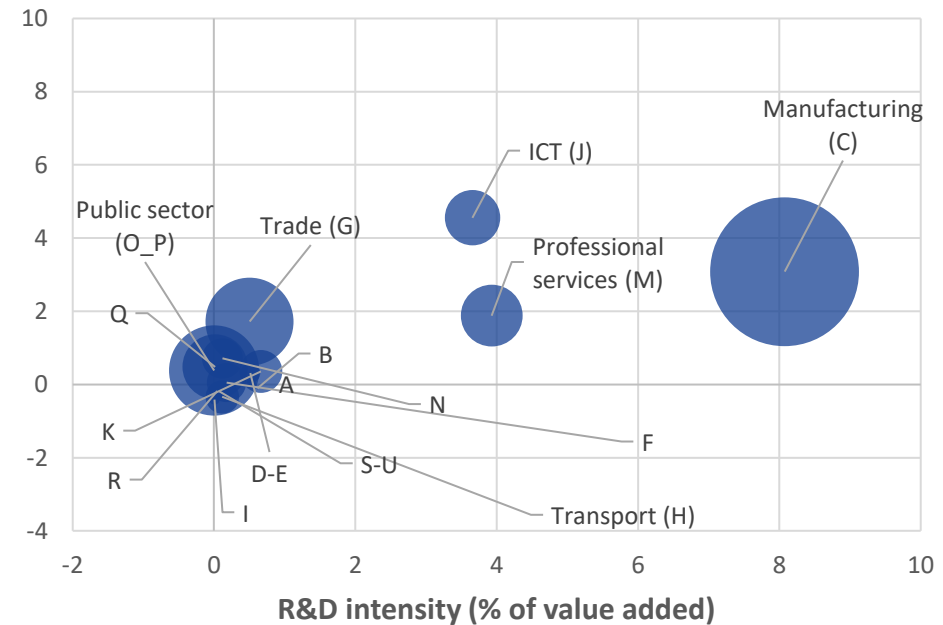
EU-CESEE

2011-21



North and West of the EU

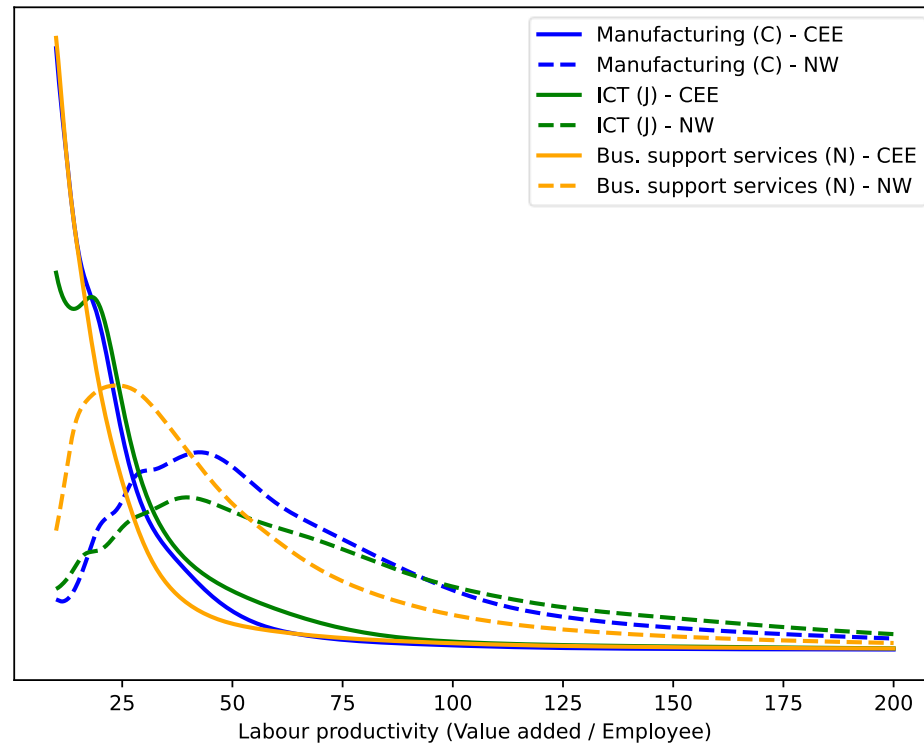
2011-21



Most firms have relatively low productivity but the profile of innovations is similar to the North and West of the EU

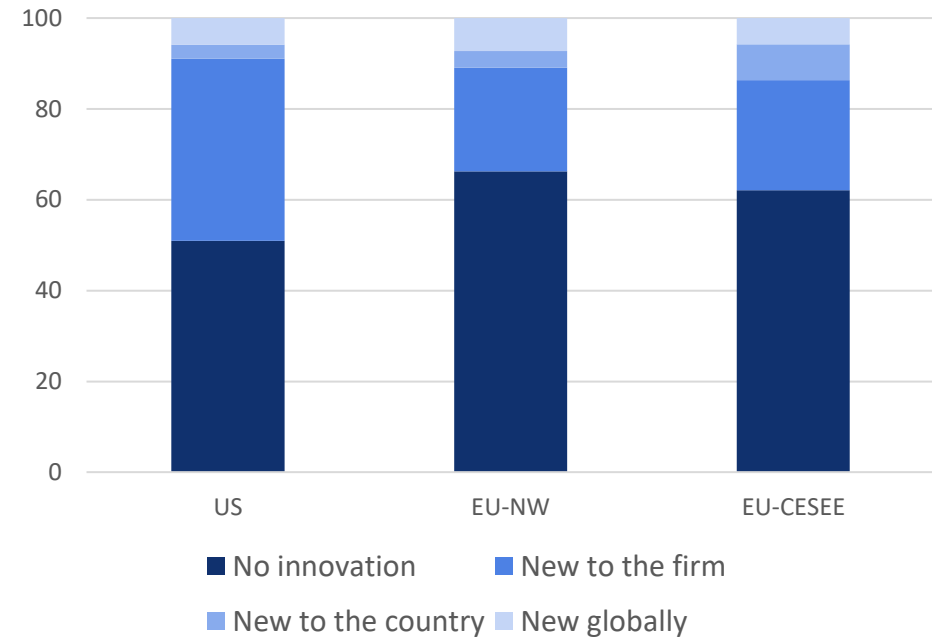
Labour productivity

Estimated frequencies, 2019. Excludes BG, PL, RO, SK, DE, FR.



Novelty of innovations

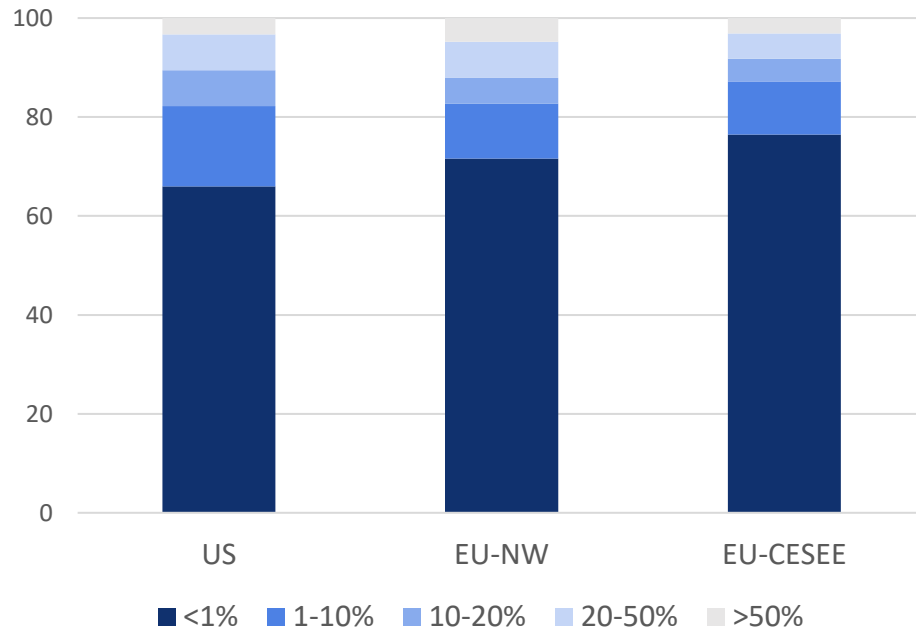
% of all firms



However, a large share of firms invests little in R&D and digital technologies

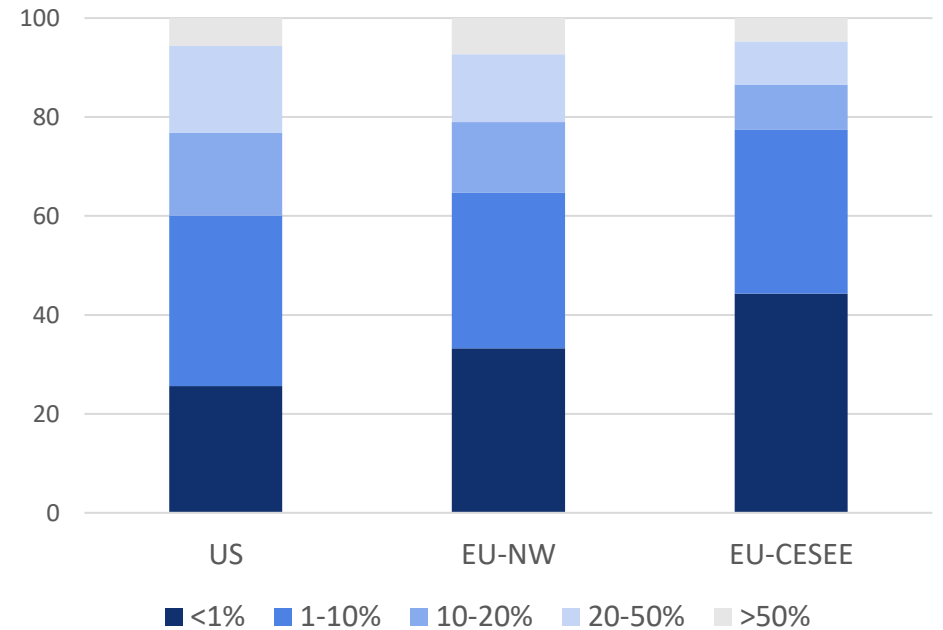
R&D investments

% of total investment expenditures



Digital investments

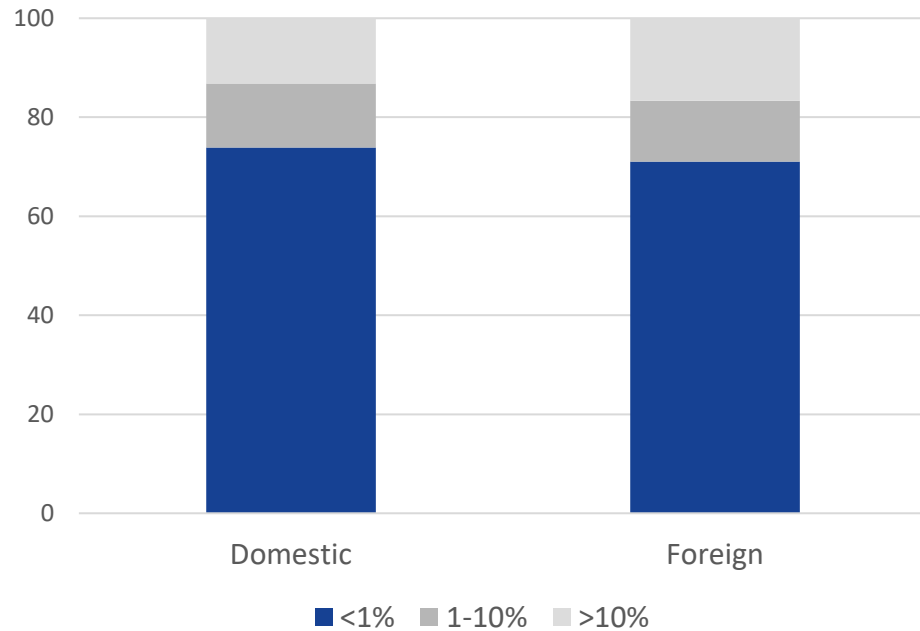
% of total investment expenditures



Foreign-owned firms appear more innovative...

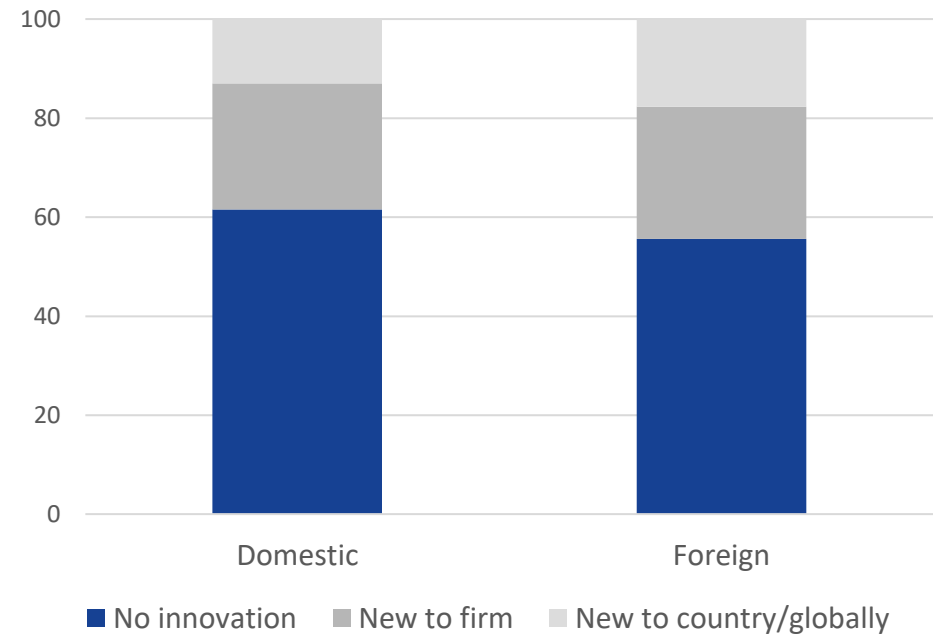
R&D investments

% of total investment expenditures, EU-CESEE, 2015-22



Novelty of innovations

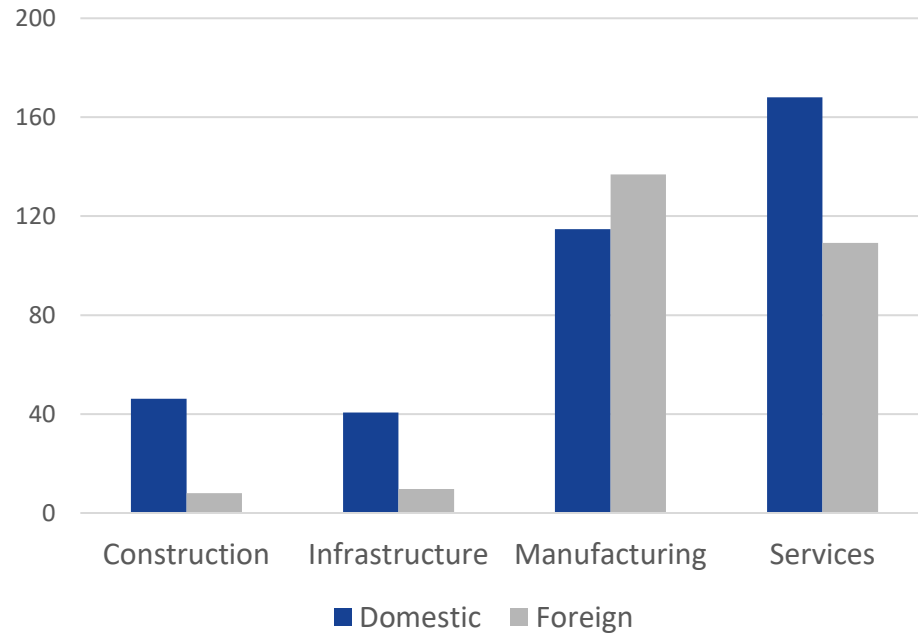
% of firms, EU-CESEE, 2015-22



... but this has less to do with ownership than with scale and sector

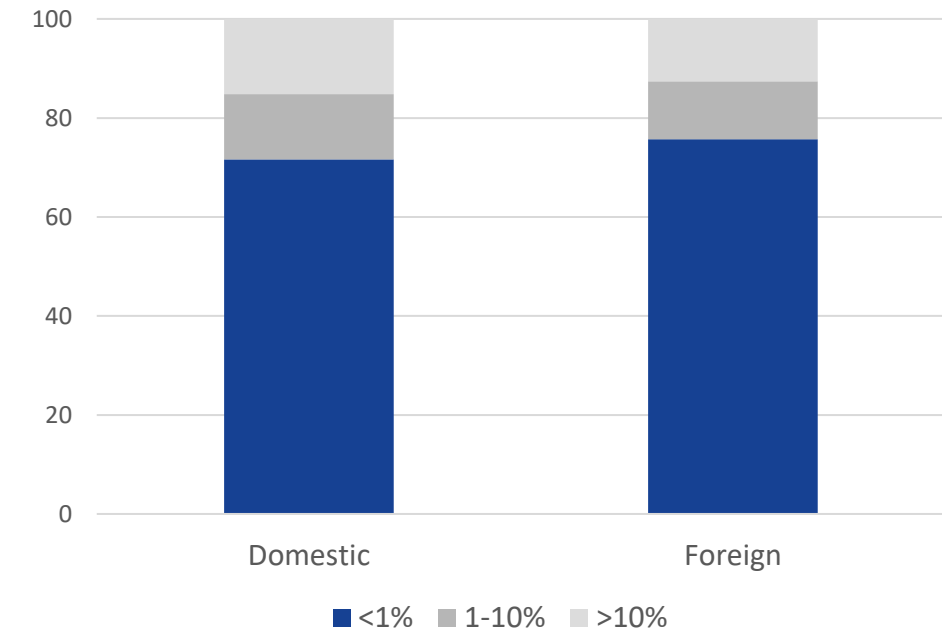
Firms' contribution to value added

EUR bn, EU-CESEE, 2021



R&D investments, comparing like-for-like

% of total investments, EU-CESEE. Controls for size, sector, age, year, country



Key obstacles to implementing innovations: Too few people, too little risk capital

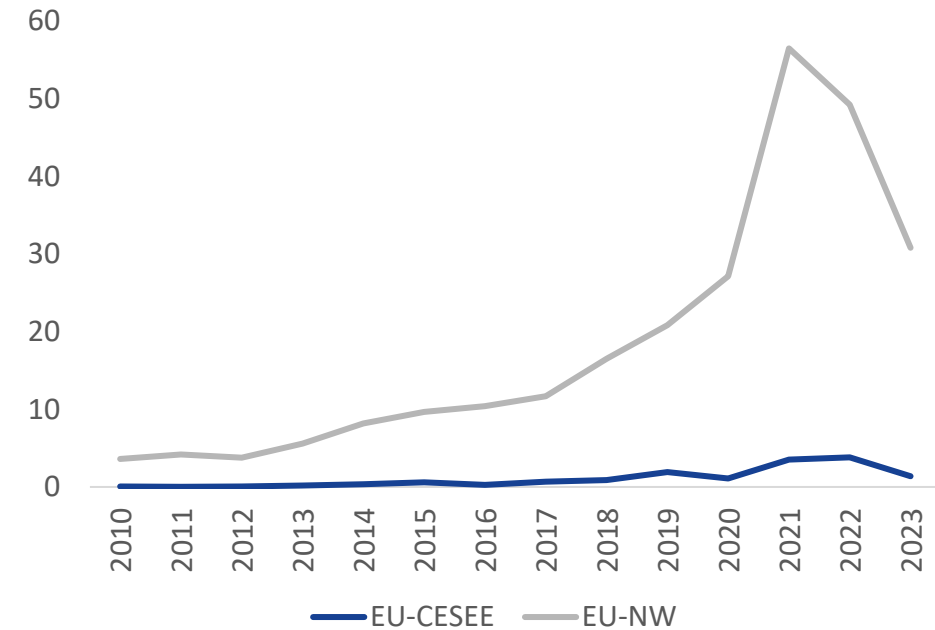
Top reasons for choosing host country

% of interviewees with at least post-secondary qualifications



Venture capital investments

EUR bn



Results

- **Foreign ownership: Key role in provision of finance but on average not more innovative than domestically owned firms.** Encourage greenfield investment.
- **Skills: pressure from emigration (and ageing) to continue.** Encourage labour supply, increase take-up of STEM subjects, incentivise academia to collaborate with businesses, make use of qualified immigration.
- **Risk finance: an issue throughout the EU: small scale, poor liquidity, and few diversification opportunities.** Develop markets with the help of public funds.
- **Overall: improve business environment, attract inward migration and reduce skilled emigration through investments in social infrastructure** (health, accommodation, schools)

THANK YOU

j.schanz@eib.org



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