

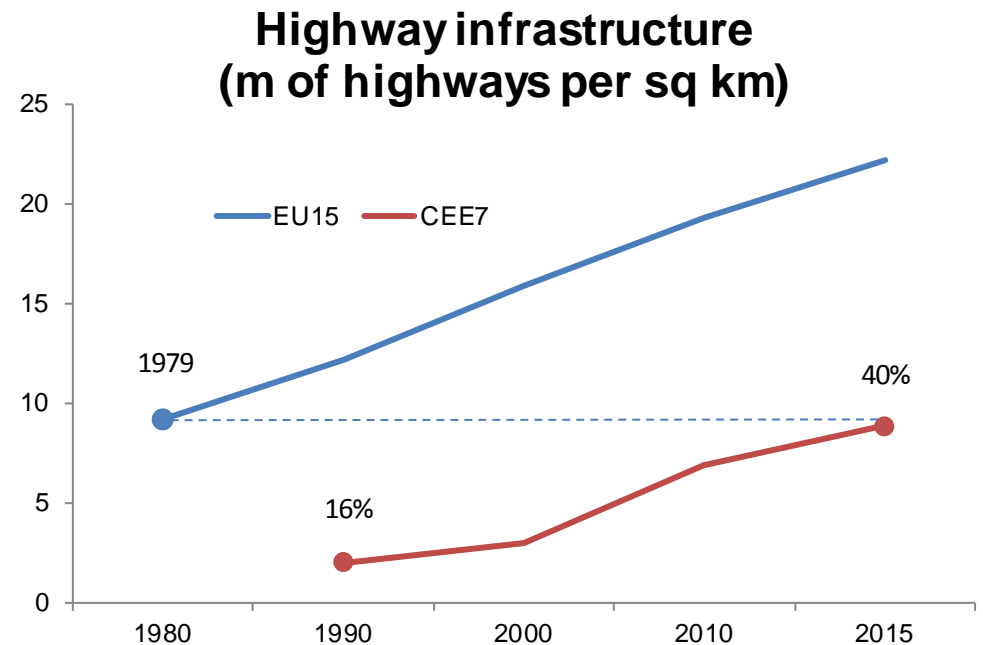
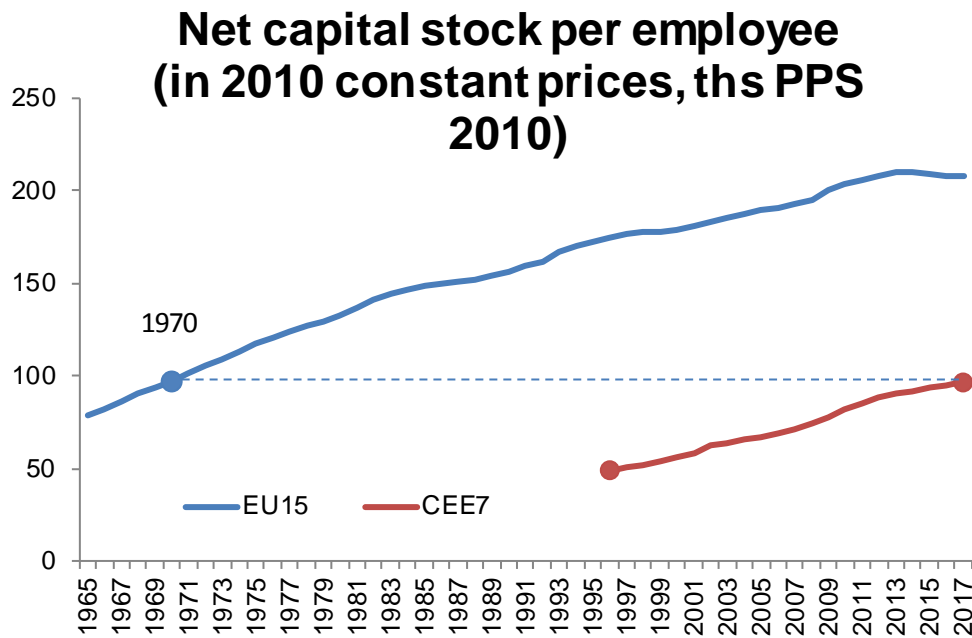
CEE taking digital path to prosperity

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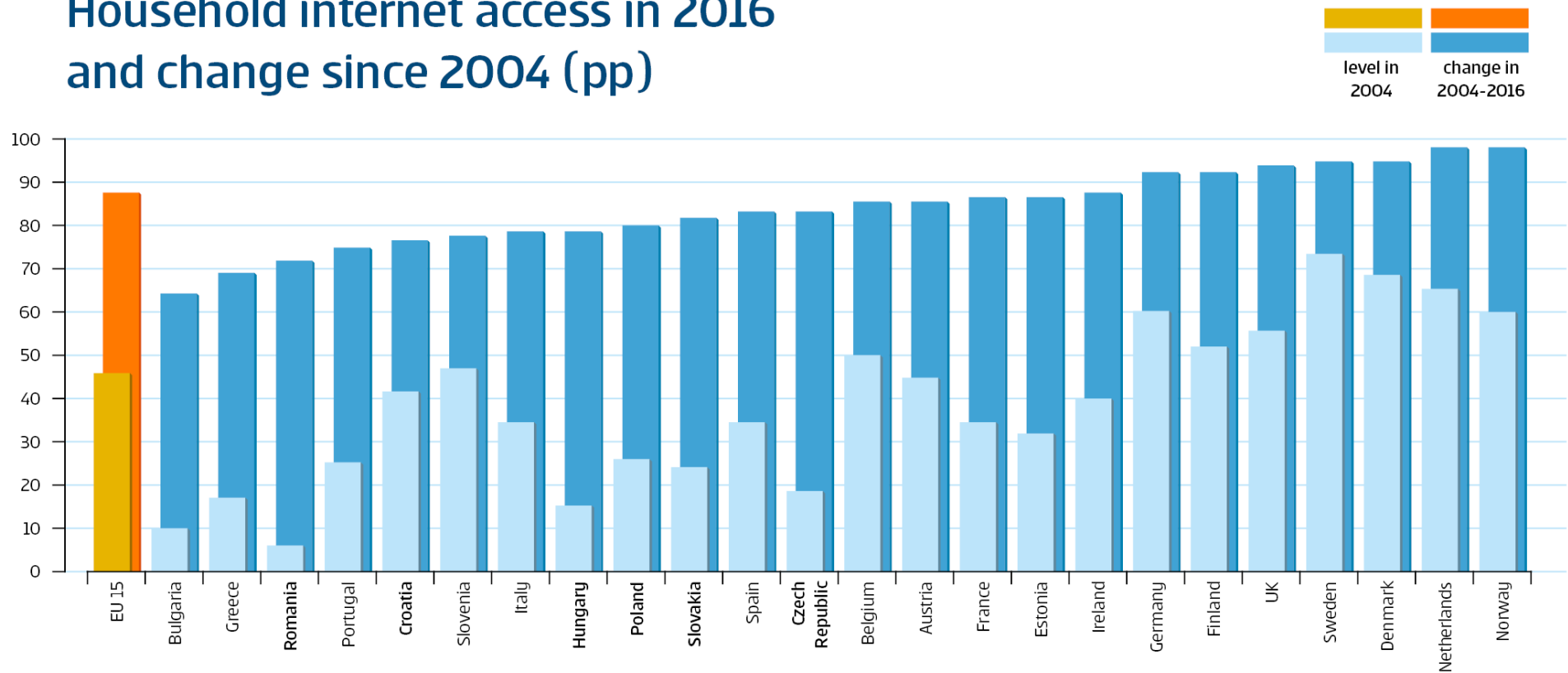
Convergence in areas that require a lot of physical capital is taking much longer



Source: AMECO, Eurostat, Erste Group Research

In digital connectivity, CEE countries have been doing well and gaps are closing rapidly

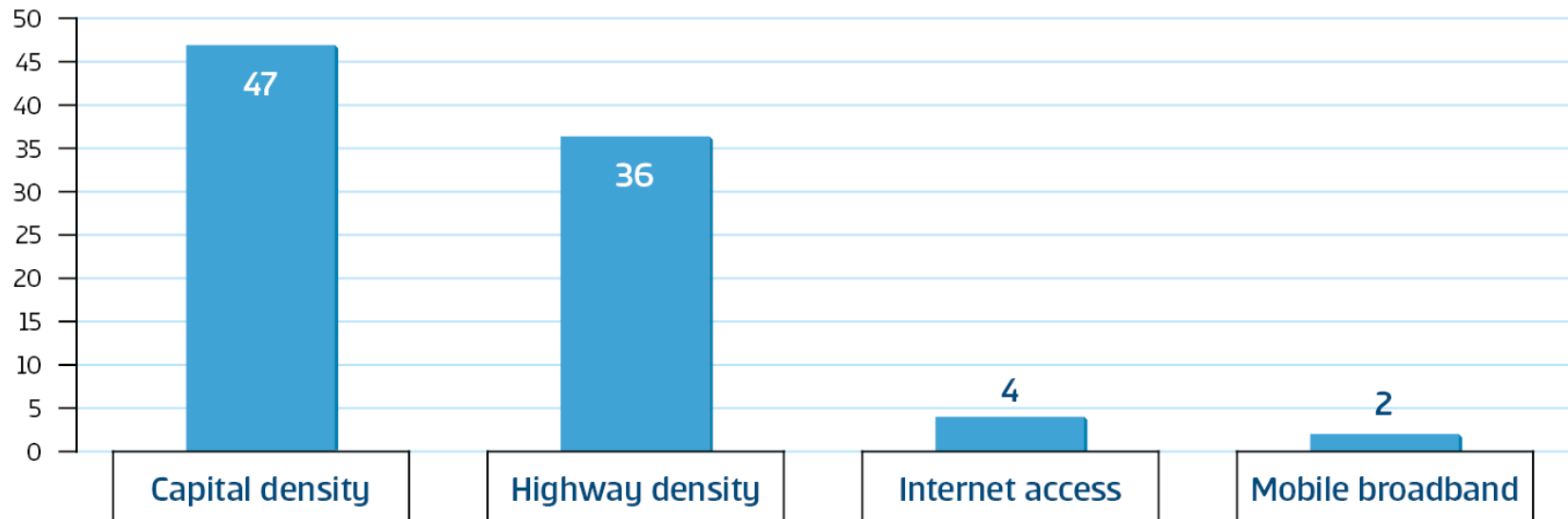
Household internet access in 2016 and change since 2004 (pp)



Source: Eurostat, Erste Group Research

Bringing digitization to the EU level has proven to be much faster and cheaper

Number of years CEE7 is lagging behind the EU15

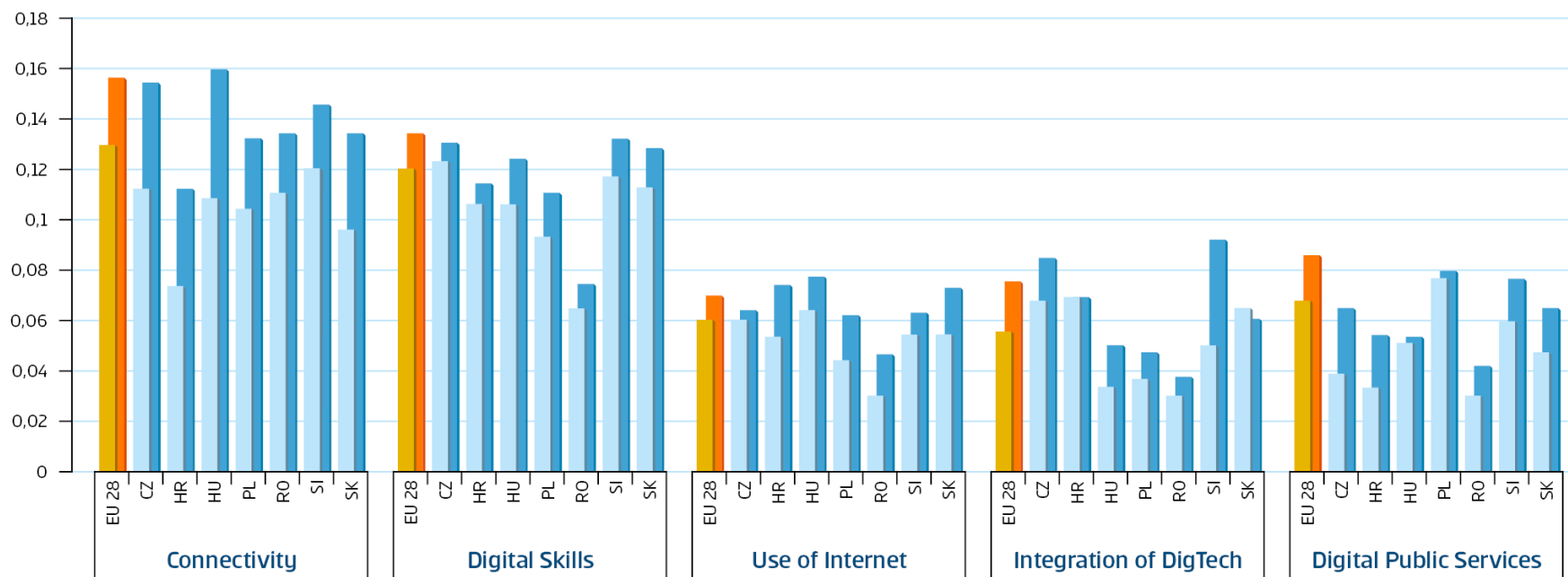


Source: AMECO, Eurostat, Erste Group Research

CEE making progress in digitalization, but lags behind in digital public services

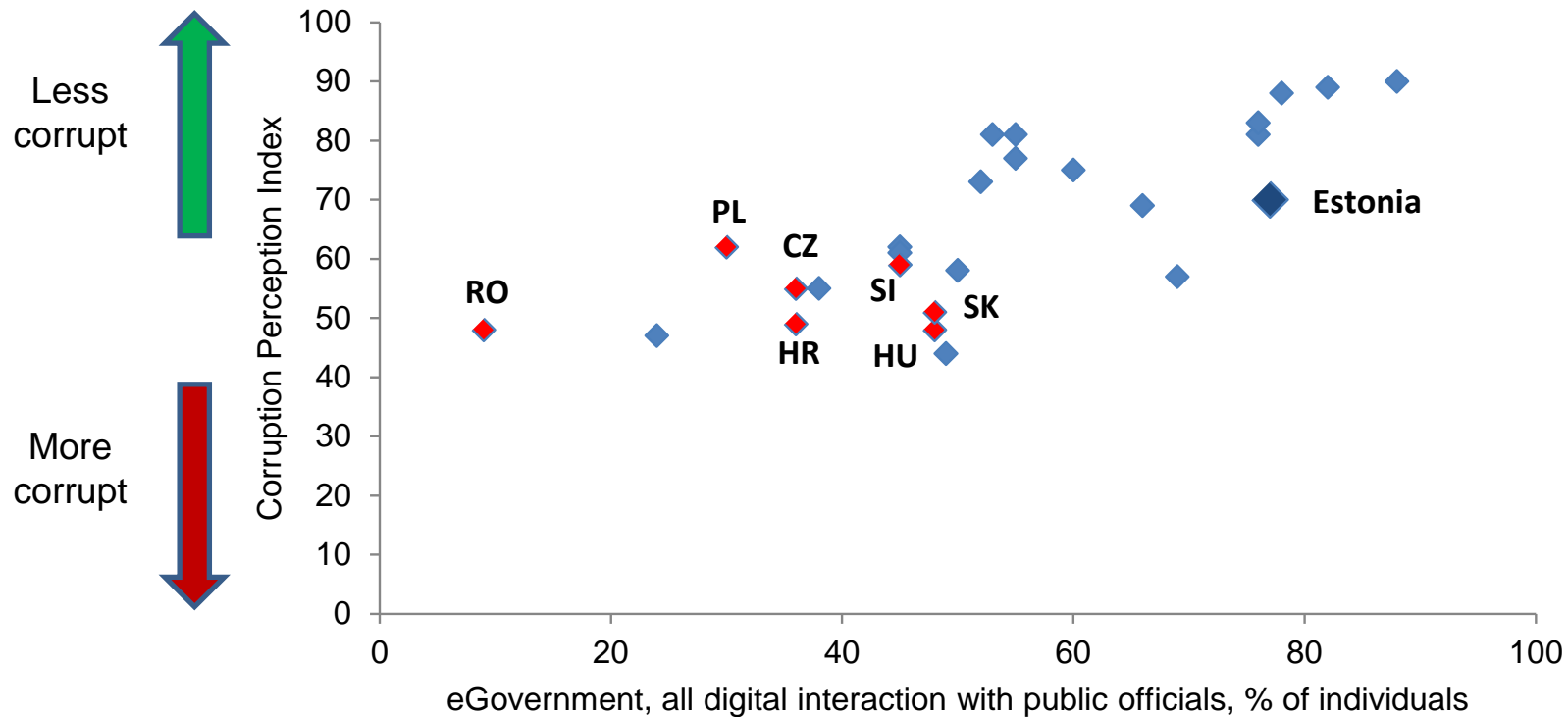
Digital Economy and Society Index (DESI)
of the European Commission, scores

2014 2017



Source: European Commission, Erste Group Research

Use of digital public services highly correlates with perceived lack of corruption in a country

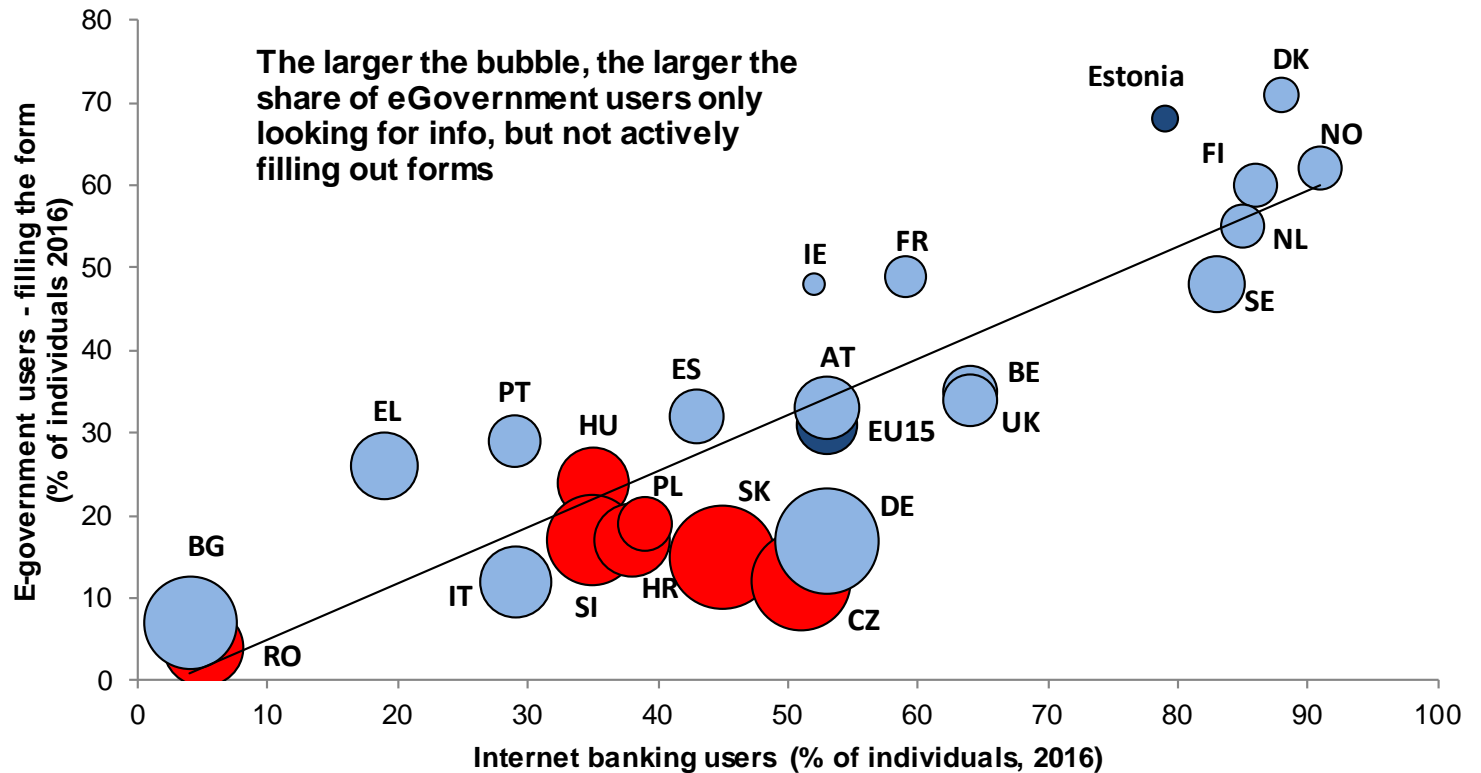
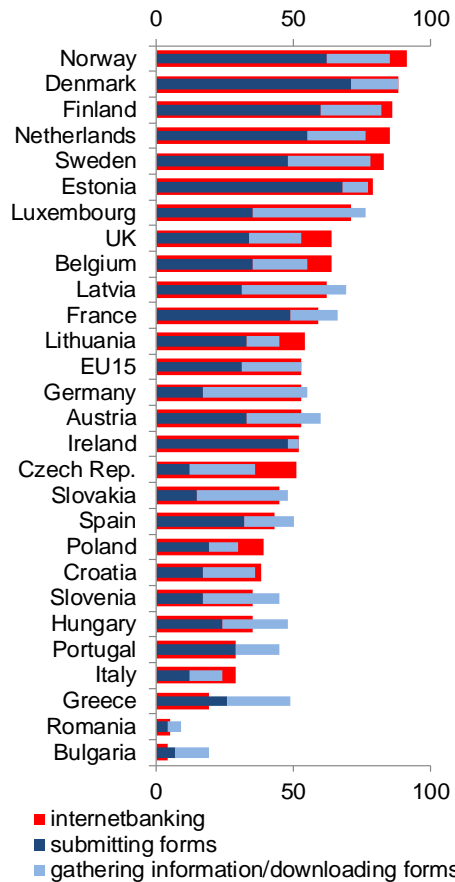


Source: Transparency International, Eurostat, Erste Group Research

Advancing the usage of eGovernment would increase the prosperity of the region

- higher transparency, lower corruption
- empowering legal equality among citizens
- higher efficiency/faster processes
- better access to and improved quality of public services
- positive effect on digital skills, benefitting the private sector too
- ultimately, improved business environment

eGovernment services in CEE remain below their potential

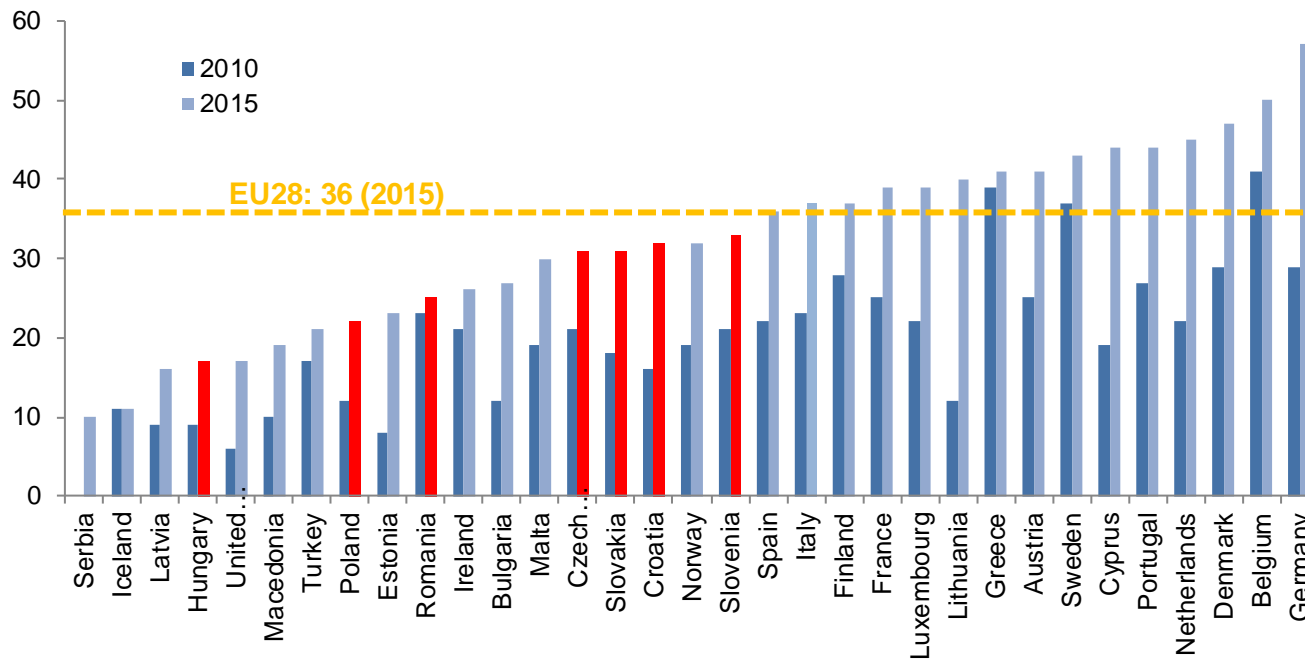


Is the low degree of eGovernment implementation in CEE a supply-driven problem? What can Estonia teach us?

- creating a simple platform and infrastructure for protected data exchange, rather than building complex monolite systems
- do not request data which are already in the system; digitalisation also leads to a simplification of processes
- Estonia's private sector pushed for increased use of digital public services and assisted in trainings
- results: 95% of tax declarations filed online, 1/3rd of Estonians voted electronically in 2015 elections, almost 90% of households are equipped with computers, share of online bank transactions has reached 98%

Relying more on ICT solutions can help make CEE companies more effective

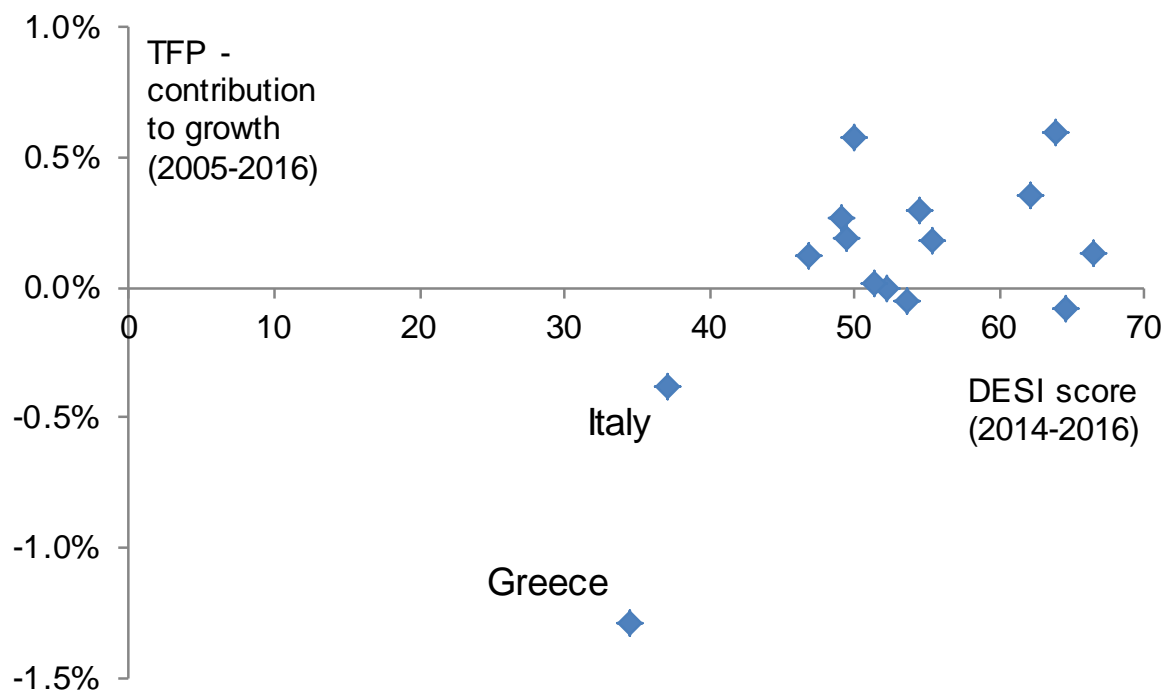
Enterprises sharing information between functional areas by using ERP software (% of companies that employ 10 or more and have computers; excl. financial sector)



Source: Eurostat, Erste Group Bank

Better scores in digitalization tends to foster growth in the longer term

Total Factor Productivity (TFP) contribution to GDP growth in 2005-2016 vs DESI average score in 2014-2016, Euro Area



Source: European Commission, AMECO, Erste Group Research

Summary

The fastest convergence of CEE towards Western Europe is happening in digitalization; the lag for this can be measured in a couple of years, rather than decades

CEE's digital infrastructure is relatively well developed, while the region is not fully reaping the benefits of digitization, especially in eGovernment services

Well-functioning eGovernment services could bring huge positive externalities to society and contribute to the prosperity of CEE countries

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