

Euromed Summit 2020

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Hybrid format

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It's a real pleasure to be in a panel with Ms. **Felipe Lehtonen**, Ms. **Ayadi** and Mr. **Aragón** and thanks to organisers for inviting me to be part of this event.

I am very happy to see that Euromed Summit 2020 is, despite its online format due to pandemic, even richer in the content and that it is focused, among other topics, on Digitalisation and SMEs in the Mediterranean region, and I also congratulate you for organising such an important event in hybrid format because it is a challenging and not an easy task.

Although this session is namely oriented on the EESC information report on Digitalisation and SMEs in the Mediterranean region, I actually believe that it represents an excellent basis for comparing the development of digital transformation before and after Covid-19, bearing in mind that the report was published on the eve of the pandemic.

I will try to be short in my introduction and say that my presentation will focus on digital situation in Western Balkans (WB), also post-Covid situation, as well as RCC actions conducted during this period.

Across the Western Balkans and the EU as a whole, up to 99% of all enterprises are small or medium sized. We are aware that in every economy, SMEs and entrepreneurs are key drivers of inclusive and sustainable growth, social integration, skills development, innovation and most important, job creation.

According to the OECD Report, SMEs in the WB, together with Turkey, make up 99% of all firms, generate about 65% of the total value added of the business sector and make up 73% of the total number of employees in the business sector.

Creating a successful environment for SMEs is at the forefront of the policy agenda, and the further development of digital transformation contributes to their progress.

During the Covid-19 pandemic, we all relied on technology (governments, SMEs, citizens, entrepreneurs, without exception). By using digital devices and platforms, we were able to work, educate and live even though we were physically distant from each other. This situation has affected all of us and the digital transformation has allowed us to continue to function.

The extent to which digital technology is applied is shown by the figures that speak for themselves:

- The average amount of time a day users aged 16 to 64 spent on internet was 6 hours and 55 minutes versus watching TV with 3 hours and 29 minutes (according to the statistics from Wearesocial.com, published in October 2020);
- 60% of world's population uses internet (according to Wearesocial.com) – while in WB 69% of individuals use internet (Balkan Barometer 2020, annual survey of public opinion and business sentiments in six Western Balkan economies commissioned by the Regional Cooperation Council);
- Also, and according to the Wearesocial.com statistics, for the first time in July 2020 more than half of the world's population uses social media (51%).

And what is important is that these numbers constantly grow.

It is a fact that Covid-19 not only affected economic development, or digital transformation, but all target groups in different areas (young people, women, Roma, children, people with disabilities, older people), which are at particular risk of Covid-19 and its impacts when it comes not only to employability but also education and mental health.

We can all testify that the lockdown brought high unemployment rate rise, and in the WB that number is between 5 and more than 30%.

- Digital transformation in WB may bring an increase of 4% in productivity;
- More intensive digital transformation is associated with new job creation in WB manufacturing sector - 1% increase in the level of digital transformation roughly corresponds to a 1.16% increase in employment (Study prepared by the industry and presented at first WB Digital Summit in Skopje, 2018).

Covid-19 showed us where our biggest gaps are, and that further extensive work in WB is required to reduce the digital divide, ensure that digital infrastructure is up to the needs, equip citizens, public employees and businesses with adequate digital skills, and all other sectors that are mentioned in the Information Report on Digitalisation and SMEs.

Western Balkan economies are aware that by working together they can face many challenges. In the field of digital integration activities, the region marked the first anniversary of the entry into force of the **Regional Roaming Agreement**. Today we pay between 83% and 96% less roaming charges. It is a good sign that the preparation of Roam Like At Home regime in Western Balkans, which will apply on 1 July 2021, is already at an advanced stage.

The next step will be developing the Roadmap for lowering roaming charges between Western Balkans and the EU.

In the preceding period, and in order to support innovative solutions, RCC organised the first ever **Balkathon – “Smarten up the future”** in July 2020, a regional online competition for young people and digital start-ups to develop innovative and practical business solutions in the areas of smart tourism, digital learning and online payment solutions.

RCC co-organised the **3rd WB Digital Summit**, which is part of the MAP REA, in Hybrid Platform with virtual sessions held during 26-28 October 2020. WB economies once more agreed to work together and confirmed that they share the same ambitions and goals in the field of digital transformation, anchored in the EU Digital Single Market principles and best practices and inspired by values of solidarity, inclusiveness and togetherness.

WB Digital Summit was concluded with the Ministerial meeting that contributed to the enhancement of regional cooperation, in particular driving regional cooperation on 5G networks, roaming, interoperability of data and services, digital upskilling and reskilling, etc. attesting region’s resilience and forward looking orientation amidst the most challenging of contexts induced by Covid-19.

Statistics show the necessity for organisations to start deploying new technologies for the coming Fourth Industrial Revolution. WB economies need to be prepared and equipped for the Fourth Industrial Revolution, hence more inclusive recovery requires equal mobilisation of women and men, in particular in STEM disciplines.

- The price of keeping women out of STEM fields is higher than ever before: 180 million predominantly “female” jobs have at least 70% probability of automation;
- 90% of the world’s future jobs will require STEM skills.

With its strong impact on the greater use of digital solutions, Covid-19 has provided a chance for further modernisation and digitalisation of production on the way to recovery. According to the latest statistics, we can expect that in the long run the use of robotics will increase and that specialised digital skills will be needed.

- 80% of businesses in WB consider digital skills as crucial for their business operations (Balkan Barometer 2020) while more than 90 million workers across Europe (about 40% of the total workforce) will have to develop significant new skills within their current roles in the next ten years (McKinsey report, June 2020).

When it comes to e-commerce, we can say that it is a digital solution for individuals and businesses created due to rapid technological change.

According to DESI Report 2019, the turnover from e-Commerce in WB economies lags behind the EU – of WB economies only Republic of Serbia exceeded the EU average with 19.9 percent, while people in WB shop online between 3% and 32% which is less than half of EU’s average of 68%.

What is important is that WB economies are aware of what to strive for and that working together will achieve the set digital goals.

That is why I want to highlight the Berlin Process which is an initiative aimed at stepping up regional cooperation in the Western Balkans and aiding the integration of these economies into the European Union. Within the Berlin Process, I want to highlight two things:

- ✓ The Leaders of Western Balkans endorsed the **Multi-annual Action Plan for a Regional Economic Area in the Western Balkans (MAP REA)**, at the Trieste Summit held on 12 July 2017.

The MAP REA, whose development was coordinated by the RCC upon request of the Western Balkans' Leaders and supported by the European Commission, aims to enable unobstructed flow of goods, services, capital and highly skilled labour, making the region more attractive for investment and trade, and thus bringing prosperity to Western Balkan citizens.

- ✓ Building on the achievements of MAP REA the Western Balkan economies endorsed the **Common Regional Market (CRM) Action Plan 2021-2024** at the Berlin Process Summit held on 10 November 2020 in Sofia. The CRM represents a steppingstone for WB economies to better integrate into the pan-European market, and consists of four key areas that have a transformative effect, starting with the four freedoms approach (free movement of goods, services, capital and people), increasing the attractiveness of the region for foreign investors, integrating the WB into the pan-European digital area and transforming the industrial base and innovation infrastructures.

As I mentioned, WB aims to integrate into the pan-European digital area, support strengthened digital infrastructure, enable digital upskilling and reskilling, remove obstacles to e-Commerce, improve access to e-services and facilitate cross-border interoperability of data and services, establish cyber resilient region, as well as focus on new activities related to Artificial Intelligence, smart cities, high-performance computing, etc.

Moreover, European Commission has recently adopted a comprehensive **Economic and Investment Plan for the Western Balkans** that sets out a substantial investment package mobilising up to **€9 billion of funding for the region**. The Plan aims to spur the long-term economic recovery of the region, support a green and digital transition, and foster regional integration.

In the end, it can be concluded that many activities have been worked on and will continue, especially now. The current pandemic has underlined the importance of the DAWB and its role, as well as the process of digital transformation. Acceleration of digital transformation is an essential component of the response to the economic crisis caused by COVID-19 hence much more ambitious and transformative agenda needs to be put forward, which is also important for the development of SMEs.

In addition to the progress already achieved, in the upcoming period WB should focus on efforts towards more operational, targeted and measurable regional actions in the field of



digital transformation, but also development of broadband infrastructure, deployment of 5G networks, enhancing digital skills and competencies, developing new and improving existing e-services, fostering cybersecurity in the region, data protection, etc.

Moreover, permanent monitoring of digital transformation has to be ensured, and therefore collection of statistical data needs to be addressed throughout the region, having in mind that for WB DESI 2018 and 2019, region's economies provided only 60% of the indicators.

To conclude, following the situation with Covid-19 and its impact on economic development, it can be expected that additional efforts will be made to further strengthen cooperation within the region and joint actions in the implementation of activities that will contribute to faster ICT development in the WB region, also having a positive impact on the development of SMEs.