

Digital Transformation in the Southern Neighbourhood

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The ongoing COVID-19 pandemic, what with the lockdowns and travel bans, has manifested in no uncertain terms the significance of digitalisation processes. While the digital transformation of economies has been recognised as one of the cornerstones of sustainable development for some time now, it was only last year when its importance for day-to-day functioning of societies became quite so obvious. In the southern neighbourhood region, in many ways this has been a painful lesson to learn.

Despite progress made over the past decade, digitalisation levels, as measured by the Network Readiness Index (NRI; Dutta & Lanvin [Eds.], 2020), have remained unsatisfactory in all countries in the European Union (EU)'s southern neighbourhood, with a notable exception of Israel, which – as an outlier – will not be covered in the present article. Ranked between 69th (Jordan) and 107th (Algeria) out of 134 countries surveyed, the states in the region are all positioned in the lower bottom of the NRI. Their performance is not homogenous, however. For instance, while throughout the southern neighbourhood relatively best results can be observed in the “People” pillar, in Algeria, Egypt, Morocco and Tunisia it is predominantly due to relatively good performance in the “Government” sub-pillar, but in Jordan the highest rank was achieved in “Businesses” and in Lebanon in “Individuals”.

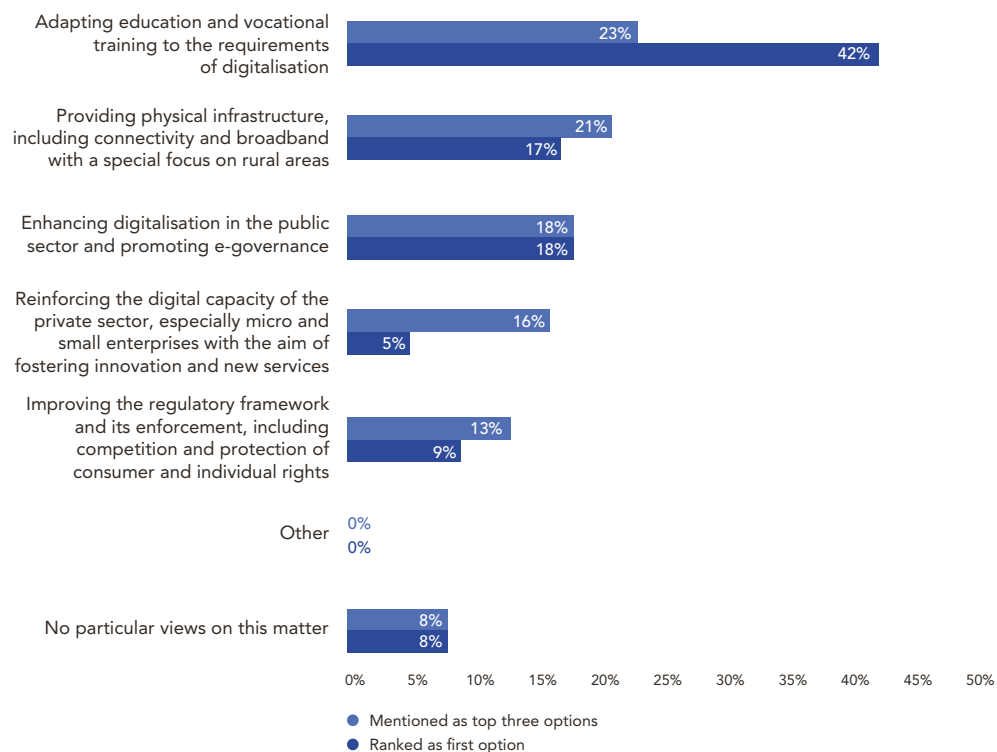
Despite progress made over the past decade, digitalisation has remained unsatisfactory in all countries of the European Union's southern neighbourhood.

Obstacles to Digitalisation Processes

As noted by the respondents to the EuroMeSCo Euromed Survey, in order to improve this situation and accelerate the digitalisation agenda in the region, it is crucial to strengthen the southern neighbourhood countries' performance in a number of fields, including education (a top priority for the plurality of respondents), e-governance, infrastructure, regulatory framework, and private sector preparedness levels.

Adapting education to digitalisation requirements is seen as a priority to accelerate digitalisation.

Graph 1: Q.16 Most effective ways to support a digitalisation agenda in the southern neighbourhood countries (all respondents)



Source: Compiled by the IEMed based on the results of the EuroMeSCo Euromed Survey

Digital Divide

There are noticeable disparities in usage rates of internet along socioeconomic, demographic and geographical lines.

On an individual level, in 2019 the share of population using internet across the region ranged from 57% in Egypt and 60% in Algeria, through 67% in Jordan and Tunisia, up to 71% in West Bank and Gaza, 74% in Morocco, and 78% in Lebanon – compared to 82% in the EU (2018) and 47% in middle income countries on average (World Bank, 2020). At the same time, there are noticeable disparities in usage rates along socioeconomic, demographic and geographical lines.

For instance, while on average 58.5% of men in the Arab states use internet (in line with the global average of 58%), the same is true for just 44.2% of women (below the global average of 48%; ITU, 2020). In a worrying trend, the gender internet penetration gap widened between 2013 and 2019 by 5.2 percentage points (by way of comparison, in Europe it decreased by 4.1 percentage points over the same period). Even more noticeable is the digital divide between youth and older adults. The internet usage gap between those aged 18-29 and 60+ stood at 47% in Lebanon, 62% in Palestine, and a whopping 81% in Egypt (Raz, 2020). Less severe but nevertheless pronounced divergences also exist along educational and urban/rural

lines; for instance, the gap between urban and rural internet usage varies from as little as 3% in Lebanon up to 21% in Morocco (Sidfo et al., 2020; Raz, 2020).

Infrastructure

The above discussed differences result from a number of factors, lack of adequate infrastructure being one of the more significant ones. While 91% of the population in Arab countries is covered by some kind of a mobile network (predominantly LTE or higher; ITU, 2020), the fixed broadband coverage remains more limited, and so overall the internet connection in the southern neighbourhood remains relatively expensive and slow.

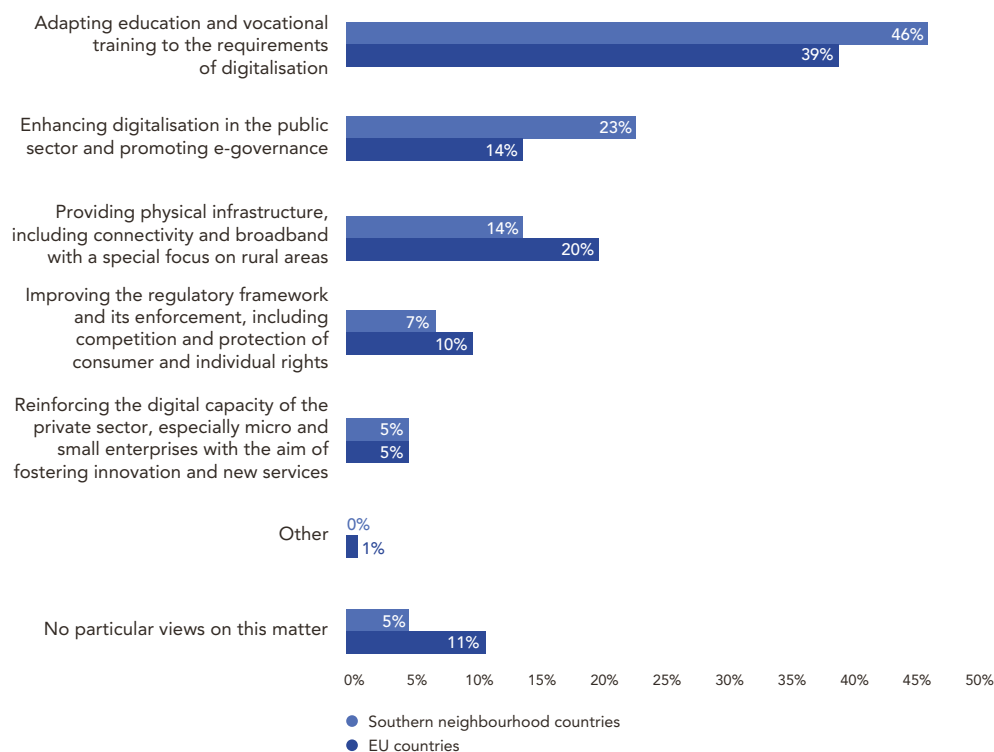
Digital Literacy

An at least equally if not more critical barrier to embracing new technologies among populations of the southern neighbourhood countries is lack of digital skills. Indeed, the respondents to the EuroMeSCo Euromed Survey (especially those hailing from the southern neighbourhood) unilaterally emphasised adapting education and vocational training to the requirements of digitalisation as the most effective way to support the digitalisation agenda in the southern neighbourhood.

Pronounced divergences also exist along educational and urban/rural lines.

Adapting education and vocational training to overcome lack of digital skills is seen as the most effective way to support the digitalisation agenda.

Graph 2: Q.16 Most effective ways to support a digitalisation agenda in the southern neighbourhood countries (Ranked as first option)



Source: Compiled by the IEMed based on the results of the EuroMeSCo Euromed Survey

The data available supports their observations. According to the International Telecommunication Union, basic digital skills, such as writing and receiving e-mails, are held by fewer than one in four persons in Algeria and Tunisia, and 50-75% in Morocco, Egypt and Lebanon (no data available for Jordan; ITU, 2020). Between 15-35% of the population in Algeria, Lebanon and Tunisia, and 35-55% in Morocco and Egypt are in possession of standard skills, e.g. using basic formulas in spreadsheet, while just 5-10% of society in Morocco, Algeria, Egypt and Lebanon, and 10-15% in Tunisia, have advanced ICT skills. Once again, the situation across the region is far from homogenous, however. The aforementioned NRI places countries in the southern neighbourhood between 23rd (Lebanon) and 88th (Morocco) out of 141 countries surveyed in terms of level of digital skills among active population. This poor performance is one of the reasons why, outside of Jordan and Lebanon, employees have serious difficulties finding employees with adequate skill sets (Schwab [Ed.], 2019).

Regulatory Framework

While not seen as the top concern, the need to improve the regulatory framework and its enforcement, including competition and protection of consumer and individual rights, was demarcated as one of the top three priorities by 13% of all respondents (see graph 1). The NRI ranking confirms that the ICT regulatory environment in the southern neighbourhood is still underdeveloped and governments in the region are not fast enough in adapting legislation for emerging technologies. Jordan, which scored highest on this measure among all the countries in the region, ranked 46th (out of 127 countries ranked), while the worst performer was Morocco – 90th. Indeed, although all countries in the southern neighbourhood already have in place some kind of regulations allowing for use of e-documents and (save for Jordan) have some kind of online consumer protection laws in place, an adequate legislative framework for data protection and cyber security is yet to be developed in the region (Jaller & Molinuevo, 2020).

Improvement of the regulatory framework, promotion of e-government and adoption of digital applications for key business management functions are the main obstacles to be faced.

E-governance

There is also a serious need for governments, as noted by one in five respondents to the EuroMeSCo Euromed Survey, to enhance digitalisation in the public sector and promote e-governance (see graph 1). The quality of e-government platforms, for instance, more often than not leaves much to be desired. Indeed, under one of the NRI measures assessing the quality of a government's delivery of online services (on a 0-1 scale where 1 indicates best performance) the best performer among the southern neighbourhood countries scored 0.62 (ranking 81st out of 133) and the worst, Algeria, 0.28 (ranking 127th).

Private Sector Preparedness Levels

The private sector in the region, especially micro, small and medium enterprises (SMEs), has also been finding it hard to keep up with the global digitalisation trends. Before the outbreak of the pandemic, relatively few SMEs in the southern neighbourhood possessed a website or a Facebook page, or offered digital payments. The level of adoption of digital applications for key business management functions in the southern neighbourhood was also lower on average than in other middle-income countries on average (for more details on obstacles to digitalisation of SMEs in the region, see Sidlo et al., 2020). That said, progress has been made, at least in the realm of appreciation of the importance of digitalisation. Indeed, since 2017 (when this indicator began) one of the largest improvements in terms of the perception of entrepreneurs on digital skills globally has been made in Egypt (Schwab & Zahidi, 2020).

Indicators such as e-payments, online shopping and video streaming show that the pandemic has accelerated the speed of digitalisation in the region.

Impact of the COVID-19 Pandemic

As has already been mentioned, the way in which the ongoing COVID-19 pandemic prevented normal functioning of societies and economies underlined how important the use of modern technologies is, and – as anecdotal data already shows – accelerated the speed of digitalisation processes around the world. One discernible example illustrating the pace of change is the increase in the use of e-payments across the region. In Jordan, the number of e-wallets opened within the Jordan Mobile Payment (JoMoPay) system increased between January 2020 – just before the outbreak of the pandemic in the region – and January 2021 more than twofold, from JOD 642,356 (around €745 thousand) up to JOD 1.32 million (around €1.54 million; JoPACC, 2020; JoPACC, 2021). Over the same period, the number of transactions conducted in the country with the use of e-wallets went up from JOD 374,400 to 1.39 million and their value from JOD 27.5 million up to JOD 114 million (around €32 million and €133 million, respectively). When the first national lockdown was imposed in the country in March 2020, that very month Jordanians made more e-payments than during the preceding three years combined. Increasing use of e-wallets was also noted in Palestine and Egypt as well; in the latter, the number of e-payments went up by 15-20% just between March and August 2020 (Moslem, 2020).

Another confirmation of the trend can be found in the results of the latest wave of the Arab Youth Survey (2021), which show that during the pandemic young people in the Arab world not only use the internet ever more often to entertain themselves, e.g. by streaming videos (increased by 67%), but also more frequently shopping online (50%) and making contactless payments (49%).

Going Forward: Main Opportunities and Threats

The digitalisation agenda in the southern neighbourhood (and beyond) should be undertaken with caution: enforcing adequate data privacy, and providing physical infrastructure, with a due focus on rural areas (as well as smaller cities).

The pandemic-induced acceleration of digitalisation processes in the southern neighbourhood region is on many accounts a positive development and a step towards more sustainable economies and inclusive societies. However, there are also a number of pitfalls to avoid. For instance, a shift to telework could on the one hand open up opportunities for women in the southern neighbourhood, who as of 2019 made up only one fifth of the region's labour force but, on the other, keep women within households and slow down their integration into the male-dominated world of paid work even after the pandemic ends and working from home is no longer a necessity. Similarly, the digital divide – not just between women and men but also poorer/more affluent, urban/rural and more/less educated segments of population – may broaden even further if properly designed policies are not put in place.

Another threat is that of digital authoritarianism, as pointed out by some of the respondents to the EuroMeSCo Euromed Survey and half of the experts polled by the PEW Research Center, who feared that the accelerated pace with which new technologies are used will “weaken democracy between now and 2030 due to the speed and scope of reality distortion, the decline of journalism and the impact of surveillance capitalism” (Anderson & Rainie, 2020).

Supporting the digitalisation agenda in the southern neighbourhood (and beyond) should therefore be undertaken with caution. Enhancement of digitalisation in the public sector and promotion of e-governance – yes, but as long as adequate data privacy and protection legislation is enforced. Providing physical infrastructure, including connectivity and broadband – absolutely, but as pointed out in the Survey itself, with a due focus on rural areas (as well as smaller cities). Adapting education and vocational training to the requirements of digitalisation – by all means, as long as it does not entail exclusion of students who will not be able to participate because of limited access to broadband and/or computers. To paraphrase a popular pandemic-time saying, “the cure cannot be worse than the problem”.

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