

Euro-Mediterranean Dimension of the New European Policies

# Applying Europe's Digital Agenda in Mediterranean Partner Countries: Opportunities and Pitfalls

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When the EU launched its new digital agenda in February 2020 and announced its determination to make this Europe's "Digital Decade," it also proclaimed its ambition (EC, 2020) to promote its human-centric European model around the world, particularly in its neighbourhood. A key instrument in this regard is the Digital for Development (D4D) Hub, launched in December 2020 with the aim of coordinating digital initiatives by EU Member States.

This goal is particularly relevant in the EU's Mediterranean Partner Countries, which are part of the Southern Neighbourhood, as the European Commission in February 2021 established a new Agenda for the Mediterranean (EC, HR/VP, 2021), which lists harnessing the digital transition as one of its key policy areas. With the exception of Israel, all of the Southern Neighbourhood countries suffer from high levels of youth unemployment and brain drain. Like other parts of the Middle East and North Africa (MENA) region, the EU's Mediterranean Partner Countries experienced an economic downturn due to the Covid-19 pandemic, which highlighted the need for a more inclusive digital transformation that creates economic opportunities.

This paper will explore how Europe's Digital for Development agenda can help push forward the digital transformation process in Mediterranean Partner Countries, analysing opportunities for the EU and partner countries and highlighting potential pitfalls.

## The Challenges in Digital Transformation in Mediterranean Partner Countries

The EU's digital agenda and focus on digital development in its foreign policy can play a crucial role in ensuring that the digital transformation process in Mediterranean Partner Countries is inclusive and does not widen existing inequalities.

The ten partner countries in the EU's Southern Neighbourhood Partnership – cooperation with the Syrian authorities remains suspended – are at different stages of digital development, but have over the past few years managed to improve connectivity, albeit often in unequal terms. According to the telecommunications industry organization GSMA (2020), in the entire Middle East and North Africa region, the number of mobile internet connections reached 260 million in 2019. However, improvements to connectivity have occurred unevenly, and a significant urban-rural gap persists (see Chart 12). With the exception of Lebanon and Israel-Palestine, all Southern Neighbourhood countries have significant mobile internet coverage gaps, particularly a problem in geographically large countries like Algeria, Libya and to a lesser extent Egypt. The fact that a steady connection to high-speed internet is not available outside of major population centres negatively impacts the ability of rural populations to gain the necessary digital skills to participate in the region's growing digital economy.

Another significant challenge the EU can help address is the growing digital gender gap, as girls and women over the past years have become less likely to be able to use the Internet than men, according to GSMA data (see Table 6). While 47% of the female population was using the Internet in 2019, in the

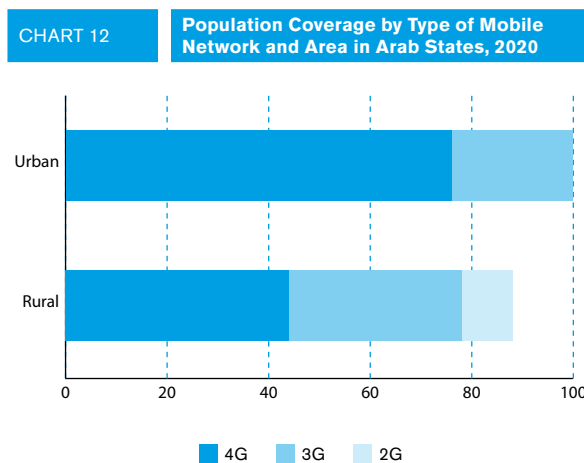
same year 61% of the male population did so in Arab states, according to the International Telecommunications Union (ITU, 2020). This gap in part stems from women in the region having, on average, less disposable income (UN/ESCWA, 2020), and male family members in patriarchal societies having preference for using the family computer or mobile phone. According to the Mobile Gender Gap Report 2021 (GSMA, 2021), 63 million women in the MENA region did not use mobile internet in 2020 and 23 million women did not own a mobile phone.<sup>1</sup>

As the Covid-19 pandemic-related school closures have shown, a large percentage of children of both genders in lower-income families suffer from a lack of access to end devices like computers or tablets and are not able to access the Internet. For example, a World Bank report (2021) estimated that around 60% of students in Lebanon do not have a computer or have to share it with at least three family members, and only 50% of students are connected to online learning. Southern Neighbourhood countries have implemented various measures to improve internet access for students, for example by increasing the amount of data that can be bought for a certain price, but affordability remains a key issue. This helps explain the persistent, significant usage gap of 47% in the MENA region, as people living in areas covered by mobile internet providers are not using the Internet.

### The teaching of digital skills in public education lags behind, due to the lack of resources - end devices and programmes - for training teachers in the latest IT-skills

Another issue that has a negative impact on digital transformation in the Southern Neighbourhood is the mismatch between the skills provided by the education system and the skills needed by employers. In particular, the teaching of digital skills in public education lags behind, due to the lack of resources – end devices and programmes – for training teach-

<sup>1</sup> GSMA defines mobile ownership as “having sole or main use of a SIM card (or a mobile phone that does not require a SIM), and using it at least once a month.” The numbers apply to adults aged 18+.



Source: ITU, 2020.

**TABLE 6** Gender Gap in Mobile Internet Use in Low- and Middle-Income Countries in the MENA Region

Proportion of women who use mobile internet	Number of women not using mobile internet	Gender gap in mobile internet use
50%	63 million	17%

Source: GSMA, 2021.

ers in the latest IT-skills. A lack of (advanced) digital and problem-solving skills due to a focus on memorization in the education system also hinders the promotion of innovation in science and business, which regional governments hope to rely on to boost their economies.

In relation to this, some Mediterranean Partner Countries have made progress in improving how easy it is to do business, as measured by the World Bank’s Doing Business Index (World Bank Group, 2019b), which evaluates business regulations. Tunisia, for example, ranks 19th out of 190 countries and territories when it comes to starting a business, while Jordan obtained 4th place in the category of getting credit. However, with the exception of Israel, Southern Neighbourhood countries overall rank poorly in the index, with Algeria, Egypt, Lebanon, Palestine and Syria ranking below 100th place, Israel (35) and Morocco (53) being the highest ranked. Many received poor results when it comes to the ease of starting a business – a key factor to turn in-

novation into economic growth – resolving insolvency and enforcing contracts.

These factors negatively impact the further development of entrepreneurship in the region and prevent digital transformation from fulfilling its full economic potential in Mediterranean Partner Countries. In this regard, the Joint Communication on the renewed partnership with the Southern Neighbourhood, establishing a new Agenda for the Mediterranean, lists a “renewed commitment to improving the business climate” as “essential” to attract investors and increase trade.

### **The EU’s Role in Supporting Digital Transformation in Mediterranean Partner Countries**

As part of its digital agenda and the D4D framework, the EU can help tackle the abovementioned issues in several ways, lending financial and advisory support in the fields of digital skills, internet access for vulnerable populations and regulation (see Chart 13). By channelling policies through the recently established D4D Hub, the EU can ensure that digital initiatives of European actors are carried out in a coordinated fashion. The Economic and Investment Plan for the Southern Neighbours, as proposed in the new Agenda for the Mediterranean, can be a key instrument to fund the initiatives outlined below. In the Joint Communication, the European Commission proposed mobilizing up to €30 billion in public and private investments in the Southern Neighbourhood, part of it under the Neighbourhood and Development and International Cooperation Instrument.

In the area of skills development, through the D4D Hub and the Economic and Investment Plan, the EU can mobilize resources to help address the digital gender gap. This can be done by financially and logistically supporting digital skills workshops aimed at girls and women, as well as other vulnerable groups, helping to provide them with a safe learning environment. EU funding can help scale existing smaller digital skills development initiatives by providing funding that can be used to offer free classes and transport for people living in remote areas, where a fee-based funding model is not suitable. Similar support can also be used to help bridge the urban-rural divide when it comes to internet access

and digital skills. Beyond training sessions, funding by the EU and other international donors can be used to support low-cost or free internet cafes and co-working spaces that host digital skills sessions. Such initiatives present great opportunities for partnering with the private sector, as the establishment of the Orange Digital Centre, jointly set up by German development organization GIZ and telecommunications company Orange Middle East & Africa, has shown. At the time of writing, Orange Digital Centres were operating (GIZ, 2021) in Tunisia, Ethiopia and Senegal and are scheduled to open in at least two more Southern Neighbourhood countries, Jordan and Morocco, before the end of 2021. The centres aim to give at least 20,000 young people digital skills free of charge, which boost their employment prospects. By supporting similar public-private partnership projects, the EU can play a crucial role in addressing the skills mismatch and support the creation of employment opportunities for the southern Mediterranean’s large youth population.

To aid skills development, the EU should initiate more partnerships to establish vocational training sites, which could offer short- and medium-term courses in digital upskilling, particularly for young people, thus countering the currently high levels of brain drain. The EU should also support Southern Neighbourhood countries in their efforts to more closely align their qualification frameworks with the European Qualifications Framework (EQF) in order to boost cross-border mobility. A pilot programme is currently underway with Morocco.

In order to boost the nascent digital economy and innovation in Mediterranean Partner Countries, the EU should support setting up innovation hubs that are linked with partner organizations in Europe, including private sector companies. These innovation hubs can host start-ups and provide training programmes for the local population. EU funding, coupled with specific targets on gender equality, for example via the European Innovation Council, can also be used to address the fact that female entrepreneurs in the Southern Neighbourhood have less access to funding than their male counterparts (Atlantic Council, 2021).

To foster innovation, knowledge exchange between the EU and the Southern Neighbourhood needs to be improved, for example, by establishing more centres where academia and private sector actors from

both shores can work together and exchange ideas. In a similar vein, enabling more exchange programmes for researchers and digital startup entrepreneurs in Mediterranean Partner Countries can strengthen the North-South knowledge exchange and thus aid the growth of the southern Mediterranean's digital economy. As noted in the new Agenda for the Mediterranean, diaspora communities should be used "more actively, in order to transfer competencies, know-how and technologies and contribute to the creation of business links between the EU and southern partners." Increased access to the Internet provides a range of new opportunities to engage the diaspora and allows them to transfer competencies more easily while being abroad.

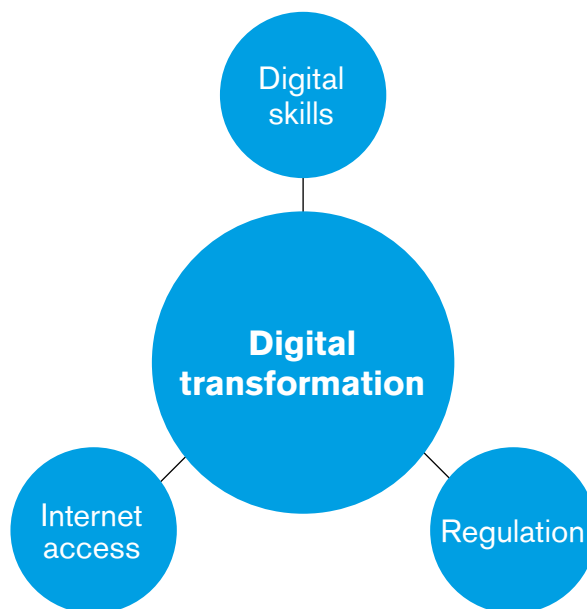
In order for innovation to have a direct positive impact on economic growth in the Southern Neighbourhood, regulation needs to be more directly tailored to enabling the establishment and growth of SMEs and digital start-ups, starting with a quick process to register a new business. The EU can lend its regulatory expertise to help initiate reforms in this area.

### The EU should also support Southern Neighbourhood countries in their efforts to more closely align their qualification frameworks with the European Qualifications Framework in order to boost cross-border mobility

A key tool in the EU's Digital for Development strategy is the African-European Digital Innovation Bridge (AEDIB), which aims to establish Digital Innovation Hubs (DIH) in every country in the region and promote intercontinental dialogue between African and European innovators and policymakers. An example at Member State level, which could serve as a model, is Germany's Make-IT in Africa initiative, centred around strengthening Africa's digital ecosystem in collaboration with European private sector companies by creating better access to markets, skills and finance for African entrepreneurs.

While monitoring AEDIB's progress, the EU should consider establishing similar linkages with non-African Southern Neighbourhood countries to allow entrepreneurs and researchers there to profit from a continuous knowledge exchange with their European peers.

CHART 13 Key Areas in Which the EU Can Offer Support



### What Can the EU Gain from Promoting Its Digital Agenda in Med Partner Countries?

The EU has not only touted the new digital agenda as a way to bolster digitalization at home, but also as a means to promote its human-centric and rights-oriented approach to digital development globally. This is especially important in the Southern Neighbourhood where digital rights are increasingly under threat by the authorities, as several countries have used digital surveillance tools to control and suppress the population. By promoting its digital agenda in Mediterranean Partner Countries, the EU can increasingly establish itself as a major actor in the digital development space, countering China's efforts to promote its restrictive internet governance model in the Southern Neighbourhood and beyond.

Supporting the digital transformation process in Southern Neighbourhood countries, as outlined above, also corresponds with the EU's goal to improve the quality of life for people in the region and ensure that the post-Covid-19 economic recovery leaves no one behind, as outlined in the new Agenda for the Mediterranean. It is also connected to the EU's support for the United Nations' Sustainable Development Goals, in whose attainment the ICT sector will play a crucial role.

Increased access to the Internet and a nascent digital economy in Southern Neighbourhood countries hold great economic potential. The Covid-19 pandemic heightened this potential and highlighted the urgent need to upgrade the region's digital infrastructure. A 2018 World Bank study (WB, 2018), for example, concluded that improving broadband access in the MENA region had a short-term positive effect on job creation. Another recent study (Internet Society, 2020) estimated that a one-percent increase in fixed broadband increased GDP by 0.08 percent and a one-percent increase in mobile broadband increased GDP by 0.15 percent. While the digital economy in the Southern Neighbourhood will not be able to provide enough jobs to absorb the large number of people currently – and in the future – seeking jobs, the digital startup ecosystem can provide high-quality private sector jobs, which are often lacking in partner countries where the state remains the main employer. By supporting a growing digital economy, the EU can thus help address the issue of high youth unemployment, especially among graduates, and counter the brain drain that has resulted from a lack of economic opportunities. Furthermore, by providing financial, logistical and regulatory support to the digital ecosystem in partner countries, the EU is contributing to the growth of the private sector in the southern Mediterranean, which in turn could bolster private sector job creation and ease the burden of the state in dealing with mass unemployment.

In the medium and long term, support for digital skills development and the digital economy could also bring benefits for EU-based companies, as they could hire more IT workers based in Southern Neighbourhood countries, for example to outsource certain back-end IT processes. Support for the digital startup ecosystem in partner countries can spur innovation on both sides of the Mediterranean.

## Through its support for digital transformation in the Southern Neighbourhood, the EU can help reset the power imbalance between North and South that has held back deeper economic and political integration, as exemplified by a failure to forge Deep and Comprehensive Free Trade Area agreements

A focus on creating economic opportunities is also linked to the issue of migration, as many of the region's youth, more than ten years after the start of the Arab uprisings, do not see a future in their country. According to the Annual ASDA/A BCW Arab Youth Survey, 42% of interviewees have considered emigrating to another country, naming economic reasons as the key factor. The dire economic situation as a result of the Covid-19 pandemic will add to the migration pressure. In its Joint Communication on the renewed partnership with the Southern Neighbourhood, the European Commission stresses that its Economic and Investment Plan for the Southern Neighbours is aimed at creating jobs and opportunities, and “will contribute to reducing factors that lead to irregular migration.”

Through its support for digital transformation in the Southern Neighbourhood the EU can help reset the power imbalance between North and South that has held back deeper economic and political integration, as exemplified by a failure to forge Deep and Comprehensive Free Trade Area (DCFTA) agreements with countries like Tunisia. However, such a reset can only be realized with a focus on co-ownership and the full support of Mediterranean Partner Countries.

### Potential Pitfalls and Challenges Ahead

There are several potential pitfalls and challenges ahead when it comes to applying the EU's digital agenda in Mediterranean Partner Countries.

A major challenge relates to the democratic deficits in several Mediterranean Partner Countries, as gov-

ernments view digitalization predominantly through the lens of security and surveillance instead of democratization, human rights and economic development. According to the Freedom on the Net 2020 report (Freedom House, 2020), none of the Mediterranean Partner Countries ranked by Freedom House – Algeria, Israel and Palestine were not included – were ranked as free, with most of them classified as partly free. Tunisia scored the highest with 64 out of 100 points. Egypt was ranked as not free with a score of 26 points, being named as one of the countries with the biggest five-year declines in internet freedom.

In light of these developments, there is a danger that EU support for digital development could allow certain partner governments to increase the suppression and surveillance of their populations. In its engagements with Southern Neighbourhood governments, the EU needs to not only promote its human- and rights-centric approach, but continuously monitor how its financial, logistical and regulatory support for digital transformation affects people's rights on- and offline.

Another key issue concerns the need for wider reform in Mediterranean Partner Countries. While partner governments have, to varying degrees, laid out digital transformation plans, it is key for both sides to ensure that this transformation process goes beyond digitalizing government services or improving internet access. In order for digitalization in the Southern Neighbourhood to realize its full potential in terms of driving economic growth, there needs to be a deeper transformation that involves reforms in the education sector, better regulations for starting and running a business (crucially involving a reform of bankruptcy laws), and a new commitment by private sector actors in Southern Neighbourhood countries to invest in skills development in order to address the skills mismatch.

In order for the EU-Southern Neighbourhood Partnership to succeed, this cooperation cannot be guided by a top-down approach led and imposed by the EU, which would only cement pre-existing inequalities between North and South in the digital realm. Despite the EU's large economic clout, this new partnership and digital transformation process needs to be jointly led and have the full support from Mediterranean partner governments as well as civil society, the private sector and the general population. One of the ways this can be achieved is through

joint ownership of projects that are co-financed and through the use of forums like the Union for the Mediterranean (UfM).

What is more, close coordination is required between EU policies and those of Member States supporting digital transformation in the region, e.g. through Team Europe Initiatives and collaboration with the UfM. Beyond the provision of funds, Member States should be continuously briefed on the European Commission's dialogues with Mediterranean Partner Countries, and should be able to observe meetings that would enable them to more efficiently coordinate national policies.

## Conclusion

The application of the EU's digital agenda in Mediterranean Partner Countries can be an important tool to drive the socio-economic recovery process in the Southern Neighbourhood, especially as the Covid-19 pandemic has accelerated digital transformation plans in the region. As part of its new Agenda for the Mediterranean, the EU should use a large part of the funds in the Economic and Investment Plan for the Southern Neighbours to invest in the digital transformation process.

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Going forward, it is key that cooperation with Southern Neighbourhood countries is based on an equal partnership, characterized by co-ownership of key initiatives. An important aspect of a successful partnership is a collaborative multi-stakeholder approach that allows all participants to have a say. Equally im-

portant is that the application of the EU's digital agenda in Mediterranean Partner Countries simultaneously focuses on short-term measures and wider, long-term reforms in skills development and business regulation.

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