

DIGITIZATION OF CEE COUNTRIES IN THE EU

Critical milestones have ranged from the upgrade of mobile connectivity (4G network), social media presence, boost of Big Data, Artificial Intelligence and the Cloud data management. These innovative technologies have made the economic growth consumer oriented. Rather than being limited to industrial companies and traditional value chains, the digital economy has brought the world closer together than ever before. However, this also brought the need to adapt public policies to the new environment.

SMES AT THE HEART OF DIGITALIZATION

Thanks to digital transformation, SMEs are becoming the center of a new transformation and the focus of many initiatives across the EU. The need for digital solutions became a priority through the pandemic. Digital technologies have become essential for the economic survival of all businesses. In 2022, companies need to be digitally present across all sectors, leading to a greater demand for cyber security and digital skills.

More than 9.9 million jobs in the region have been threatened by the pandemic and the lockdowns. This led to a doubling of the growth of the digital economy in the first half of 2020 (14.2%) compared to the

rate of 2017-2019 (7.9%). At the same time, the share of Internet service users grew by 25%, which means more than 12 million new customers in the digital economy in a few months.



A critical aspect of the region's future is its ability to plan its digital transformation with a specific vision and a set of defined goals.

QUALITIES OF DIGITAL LEADERS

The example of Estonia demonstrates that a small country can be a European leader in the field of digitization. Estonia is second across the EU in the field of digital public services. This is critical for public sector trust and motivating businesses to digital transformation. Lithuania and Estonia rank in the top ten in the EU, along with the leaders of Western Europe. As the

region can benefit from € 200 billion in value added by 2025, countries with a better starting position help their businesses significantly.

Other areas where Estonia and Lithuania lead include the transparency of public systems, service provision and data management. Public sector management improves the quality of the business environment and a strong position of the ICT sector. The leaders in this direction are, for example, Estonia, Bulgaria and the Czech Republic, whose ICT companies make up 5.6% and 5.5% of the country's GDP, respectively.

These changes lead to productivity gains among digitization leaders. Even before the onset of the pandemic, the difference between the leaders and followers was at the level of tens of euros per hour (€ 64 versus € 31). The problem of catching up is also deteriorated by a significant lack of capital in the region and the difference in capital stocks between leaders and followers.

It follows from these key strengths of leaders within the EU and, in particular, within our region, that there is a need to set priorities for the future. The EU has helped us in part to do this through investment priorities and objectives based on the Recovery and Development Plan. The current goal is to

Following the years of financial crises 2007 - 2010, the last decade has truly been a decade of digital disruption. The transformative nature of this decade was ignited by several innovations that had a compounded impact on how we live, work, study and spend our free time.

achieve a 90% benchmark of individual components of the DESI index by 2027, which would increase GDP per capita by 7.2%.

DIGITIZATION REQUIRES HONEST PREPARATION

Digital transformation is critical for the development of Slovakia's future economic growth. Its potential for Slovakia is estimated at more than € 16 billion. However, Slovakia lags behind the leaders in the region as well as in the entire EU. According to the latest edition of the DESI Index from the European Commission, Slovakia ranked 22nd in the field of digital competitiveness, just ahead of Hungary (23rd) and Poland (24th).

From the V4 countries, the Czech Republic ranked 18th, but the Baltic region is further ahead with Lithuania (14th) and Estonia (7th). It is these leaders that set the pace of digitization and Slovakia must follow. The key reason for Estonia's leadership stems from the successes in achieving digital public services that are beneficial for its citizens and businesses. Slovakia has focused its initiatives on the Smart Industry, digital transformation and AI, where it has been following strategic documents with actions. The initiatives aimed at improving critical services, such as the interaction with businesses,

or the improvement of talent, haven't been very effective.

REGION'S POLICY FOR THE FUTURE

A critical aspect of the region's future is its ability to plan its digital transformation with a specific vision and a set of defined goals. A correct identification of the essential areas is critical to establishing a healthy approach to the development of digitally advancing SMEs. The reform measures need to be all encompassing and focus not just on the digital legal framework or infrastructure but create an overhaul of the approach by the governments in the region. A starting point should be the completion of the e-government and e-services for SMEs that can help build the e-commerce and transition the SMEs to the online economy.

However, at the micro level, the change will take longer. Establishing the new channels for capital and alternative sources of funding for SMEs as well as building up talent and ICT capacities will be a long-term goal requiring coordination of partners in various sectors.