

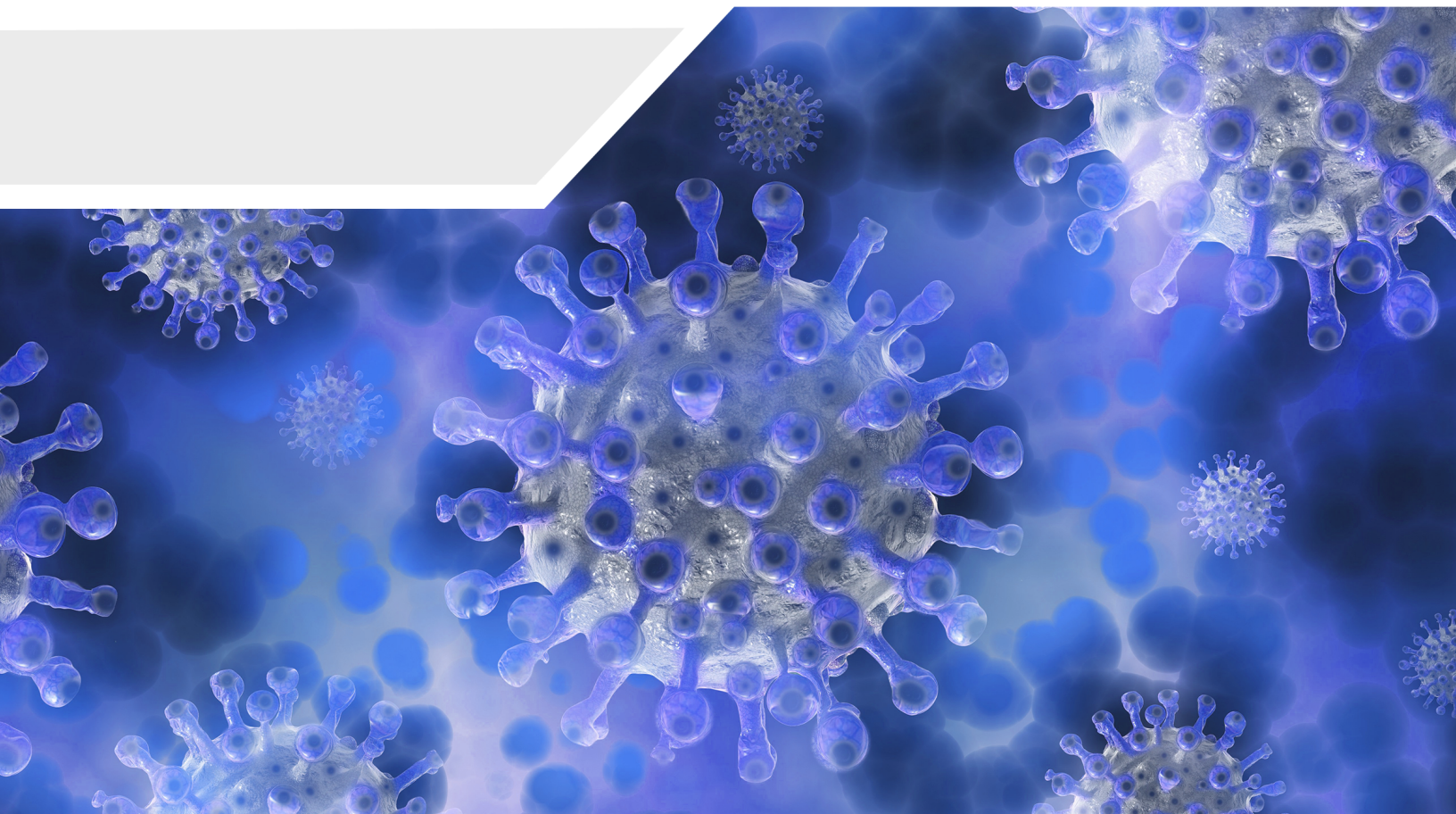
SMEs Digital Transformation in the EaP countries in COVID-19 Time: Challenges and Digital Solutions

EaP CSF **COVID-19** POLICY PAPER

#PrepareEaP4Health

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List of abbreviations

AI	artificial intelligence
B2B	business to business
B2C	business to customer
C2C	customer to customer
CEPT	Conférence Européenne des Administrations des Postes et des Télécommunications
COVID-19	Coronavirus disease 2019 (COVID-19), SARS-CoV-2
CRM	Customer Relationship Management
CSOs	Civil society organisations
CSR	Corporate social responsibility
EaP	Eastern Partnership
EBRD	European Bank for Reconstruction and Development
EC	European Commission
ERP	Enterprise Resource Planning
EU	European Union
G2G	Government to government
ICT	information and communication technologies
IMT	Integrated Media Technologies
IoT	Internet of Things
IT	Information technology
ITU	International Telecommunication Union
NRA	national regulatory authority
ODIMM	Organizația pentru Dezvoltarea Sectorului IMM
OECD	Organisation for Economic Co-operation and Development
RSA	Regional Spectrum Agreement
SEWG	Software Entitlement Working Group
SME	Small and medium-sized Enterprises
UN	United Nations

Executive summary

Digital transformation roadmaps, spanning decades, have been compressed into days and weeks to respond to life's new realities. Regardless of the sector they work in, economic actors had to swiftly figure out how to engage with their customers – consumers, patients, students, businesses – or even with their employees, due to the fast pace at which the pandemic transformed the economic environment. In contrast, previous waves of digital transformation have provided much more room for experimentation based on scalable, but carefully planned pilot projects.

Currently, after many months of living in a pandemic, there is a clear understanding that without a comprehensive strategy that will encourage and stimulate small and medium sized enterprises (SMEs) in the Eastern Partnership (EaP) countries to implement digital technologies in a more consistent way, the economic recovery will not be sustainable. “Digital recovery”, seen as a top priority in a broader context, is becoming vital for SMEs.

The SME sector in the EaP countries is extremely diverse. It brings together a significant number of enterprises with varying degrees of exposure to digital transformation. On the one hand, the COVID-19 crisis has negatively impacted the SME sector in the EaP region, with many businesses losing up to 80% of their turnover. On the other hand, it highlighted the differences between different segments of the SME sector in terms of their ability to adapt to changing business conditions. COVID-19 has prompted governments and SMEs to increase their online operations. The pandemic has triggered dramatic changes that prompt companies to embrace digital technology more widely in times of pressure.

The various challenges faced by SMEs include declining customer purchasing power, limited interaction and working hours, shortages of raw materials, cancellation of orders, difficulties with cash flow, and supply chain disruptions.

The situation is direr in emerging countries with market economy, where available government resources to help small businesses are limited. Speed is essential to provide the necessary support during a crisis; therefore, the use of digital technologies is proving critical in helping SMEs in these unprecedented times. There are challenges that limit the full potential of digitalisation to expand access to finance for SMEs, and risks associated with the use of digital financial products to consider. Some of these challenges and risks, while affecting the wider availability of financial services, have both direct and indirect effects on SMEs. These include low levels of financial and business literacy, limited Internet connectivity and use, unreliable (corporate) identity systems, current regulatory frameworks, lack of adequate data protection, and cybersecurity risks.

The EaP SMEs need more support from the EU across all the dimensions of digital transformation: telecom infrastructure, access to finance, technologies and expertise for digital transformation, innovation, skills, institutional environment, internationalisation and integration into global value chains.

The main barrier is the lack of knowledge on how to make use of the available digital tools in business-related activities. SMEs, unlike big businesses, do not have the opportunity to hire specialists who would implement and ensure the use of digital tools. SMEs cannot redirect financial and human resources towards digitalisation in most cases.

One of the key recommendations for SMEs is to approach digital transformation systemically, by keeping track of all elements that can be subject to change, including not only the introduction of complementary and interoperable digital technologies, but also the revision of business processes and governance structures as well as investing in the digital skills and competencies of their staff. Another important recommendation for SMEs is to seek participation in professional networks (associations) that offer learning opportunities to acquire digital skills, encourage participation into peer-to-peer learning schemes and joint digital solutions pilot projects.

Digitalisation can increase risks of human rights violations. While in the EU, these risks are considered not only from the point of view of state obligations, but also from the point of view of corporate responsibility to respect human rights (what policies should be adopted by companies to minimize these risks, what procedures should be applied at the level of companies, even the smallest ones, to prevent violations of human rights), in the EaP countries, there is no or limited understanding of the role of business itself in minimizing such risks; corporate responsibility towards respecting human and labour rights is extremely low.

Digitalisation contributes to responsible business conduct. COVID-19 has demonstrated that digital tools can be effectively used to track the behaviour of a business in its supply chain, in relation to its employees and suppliers, to consumers and customers, and to the communities where the business operates.

However, digitalisation by itself cannot contribute to an increase in responsible business conduct because of a number of factors: lack of awareness at the level of state institutions, academic community, non-governmental organizations and businesses regarding the necessary standards and initiatives on responsible business conduct, including the standards existing at the EU level; unappropriated economic conditions, in particular low level of income affecting individual motivations and priorities; risks and challenges associated with the absence of strong democratic traditions, weak civil society, lack of the rule of law, high level of corruption in public and private sectors, and as a result low levels of trust from the people conjoined with an absence of request for new social contract; extremely strong ties linking business and state; weak state institutions able to provide effective protection of labour rights.

Many objectives of the EaP 2020 deliverables have not been achieved because human mobility has been blocked, hampering peer learning and development of cross border expert networks. EaP and EU stakeholders have redirected their efforts and revised priorities in favour of combating COVID-19 instead of working towards EaP goals. In some cases, economic problems triggered by COVID-19 were addressed by governments in an inappropriate way, in some other instances, they have contributed to political disagreements. At the same time, EU support to EaP countries was increasingly channelled towards healthcare and civil rights issues. However, the relief and support scheme opened to EU-based SMEs was not replicated for EaP SMEs – neither at the level of current assets, nor at the level of innovative solutions or capacity building of individual SMEs or business support organisations.

Introduction

Digitalisation involves the use of digital technologies and data to transform the current business model, reshape the way work is done, as well as to give another dimension to interactions with customers, contractors, government agencies and create new opportunities for generating revenue and creating products (International Bank for Reconstruction and Development, 2021; Li, F., 2018). Digital technology has capabilities that we could not have even imagined just a few years ago. Notable examples include 5G, artificial intelligence or 3D printing (Dubey, R., 2019).

The digital transformation of SMEs allows them to reduce operating costs and improve productivity, which in turn could lead to greater transparency and better access to finance. Digitalisation also allows new products and services to be brought to the market, broadens the inclusion of SMEs in the formal economy, thus opening up additional opportunities for financing. Expanding market access and new business models for SMEs through e-commerce and the sharing economy, together with data-driven business opportunities from the exchange of data across open banking structures, are key drivers of digitalisation. These processes are interlinked significantly with Deliverable 4 “Improve the Investment and business environment and unlock Small and Medium-sized Enterprises’ growth potential” and Deliverable 7 “Harmonise digital markets” (Eastern Partnership – 20 Deliverables for 2020, 2017).

One of the implications of the COVID-19 crisis for businesses has been a surge in the use of digital technology to reduce face-to-face communication and protect the health and well-being of customers and employees. These digitally enabled tools for business operation include consumer-centric applications such as grocery and food delivery services, cross-enterprise e-commerce applications, and applications such as video conferencing, which seem to have permeated the world of consumers, businesses and non-profit organizations forever (Digital transformation, 2021). Starting from its onset, the pandemic has shown a clear link between digital preparedness and business resilience (Cliff Justice, Phil Fersht, 2021). It has significantly accelerated the digital transformation, and today the survival of SMEs often depends on whether entrepreneurs are able to reconsider their relationships with customers, find the necessary digital solutions and automate business processes (World Economic Forum, 2021).

“Digital recovery”, seen as a top priority in a broader context, (Eufordigital, 2021) is becoming vital for SMEs. Evidence shows that it would help both SMEs and governments to better cope with the impact of the pandemic at both the macro and micro levels (Weforum, 2021).

At the same time, digital transformation roadmaps, spanning decades, have been compressed into days and weeks to better match the current situation. Regardless of the sector they conduct work in, economic actors had to swiftly figure out how to engage with their customers – consumers, patients, students, businesses – or even with their employees, due to how fast the pandemic transformed the economic environment. It happened, in fact, in the blink of an eye (Twilio, 2021). Companies had to react with extraordinary speed and energy (Sein, M.K., 2020). In contrast, previous waves of digital transformation have provided much more room for experimentation based on scalable, but carefully planned pilot projects.

But currently, after many months of living in a pandemic, there is a clear understanding that without a comprehensive strategy that will encourage and facilitate SMEs in the Eastern Partnership countries to

implement digital technologies in a more consistent way, the economic recovery will not be sustainable (Solarnews, 2021).

Digital transformation of business models has long been viewed as one of the strategies used to respond to disruptive changes in the globalising business environment. For this reason, digital technology came as a timely and congruent solution to the disruptive changes caused by the COVID-19 pandemic. Of course, the impact of a pandemic is significantly different and more dramatic than traditional forms of transformation. In the current environment, companies are focusing more on how to save firms from bankruptcy than on creating sustainable competitive advantage (Sund, K.J.; Bogers, M.; Villarroel, J.A.; Foss, N., 2016). However, digital technologies can no longer be understood as auxiliary; instead, they have become a fundamental part of the company's business innovation strategy. (Remane, G.; Hanelt, A.; Nickerson, R.C.; Kolbe, L.M., 2021).

This publication aims to:

I. Compare the dynamics regarding the digitalisation of SMEs across the EaP region and assess whether digitalisation contributed to the survival of SMEs during the COVID-19 times;

II. Review how the crisis triggered by COVID-19 influenced the digitalisation of SMEs in the EaP countries; reflect on the effects of COVID-19 impact on the implementation of the EaP 2020 deliverables;

- i. Review the obstacles tackled by SMEs;
- ii. Identify the opportunities the crisis opened up in terms of digitalisation of SMEs, as well as basic barriers and obstacles to digitalisation that have become tougher during the crisis;

III. Review the benefits of digitalisation for SMEs especially during the COVID-19 times, and reflect based on examples of good practices of promoting digital tools to support SMEs.

IV. Reflect the risks accompanying digitalisation in COVID-19 times.

In the conclusions, we provide recommendations to governments, business sector, civil society, media and academia on how to better support SMEs' digitalisation in EaP region during and beyond COVID-19 times.

The research methodology is based on:

- i. Analysing official state documents (legislation, state policy acts, jurisprudence, official recommendations and reports, statistical reports), including EU regulations;
- ii. Analysing the reports of monitoring missions, as well as regional, national and local civil society organizations reports, international expert reports and white papers, scientific research papers etc.;
- iii. Analysing news, media materials and other open access information;
- iv. Analysing business annual reports
- v. Reflecting on business practices and recommendations offered by the international, national, regional and local expert groups and initiatives;
- vi. Developing and conducting surveys among SMEs representatives from the EaP region as well as CSOs, academia, state bodies and business associations;

- vii. Developing and conducting deep interviews with digital experts, human rights experts and business leadership;

The interviews and online survey were conducted from the 25th of December, 2020 until 15th of January, 2021. In total, 26 interviews with representatives of all EaP countries, as well as an online survey (43 responses) were conducted. The proposed methodology had encountered some limitations:

- i. The lack of interest and availability of SMEs representatives, digital experts, human rights experts, CEOs of SMEs from the EaP region to participate in the survey and to be interviewed. To minimize these risks, an already existing network of contacts was used. To enhance these efforts, we communicated with UN Global Compact Networks in the EaP region, European Business Association, National Contacts Points and other regional hubs
- ii. Language barriers and the availability of expert reading materials in local languages across the EaP countries (other than Russian, English and Ukrainian).

I. General patterns of SMEs digitalisation in EaP countries

In this chapter, we reflected on general patterns of SMEs' digitalisation in the EaP countries. We took into account the context of the SME ecosystem development and the support provided by governments and other stakeholders. With this purpose in mind, we identified common indicators that feature the dynamics of digitalisation and allow us to identify gaps. Based on this, we tried to understand the priorities in the development of policies to support SMEs' digitalisation.

In this chapter, we will follow the following structure:

- i. COVID-19 as enhancing factor for digitalisation;
- ii. The methodology to measure digital transformation
- iii. EaP countries dimensions: supply conditions, demand conditions, institutional environment, innovation and change.

i. COVID-19 as enhancing factor for digitalisation.

Even before COVID-19 emerged around the world, the digitalisation of businesses and their operating models was already considered as one of the strongest trends reshaping the global economy (Kotarba Marcin, 2017). Since the early 2000s, information and communications technologies (ICTs) have continued to advance, and their growing connection speeds have supported the emergence of cloud and mobile platforms that are transforming how organizations use computing resources and exploit data. The use of digital technologies has the potential to increase the efficiency and effectivity of production processes (Digitalisation in Austria, 2019). The drive to digitize processes is fuelled by a strong assumption of achieving higher overall organizational performance and building competitive advantages, equally important for both survival and growth (Peppard, J., 2016).

COVID-19 only accelerated these already existing trends. The pandemic has been challenging companies in various sectors of activity. Many of these businesses have been forced to adopt new internal working practices and felt a strong pressure to offer their products or services through digital channels. Companies have experienced profound changes and in a short time implemented solutions based on digital technologies (Almeida Fernando, Duarte Santos Jose, Augusto Jose, 2020).

These dramatic changes are especially noticeable in those regions that were not sufficiently prepared, due to various factors, for such a rapid digitalisation of everyday life. EaP region is one of them.

Even in the EU countries and in more stable times, smaller firms struggled with the adaptation of their business models, products and services, business practices and processes to the requirements and opportunities of the digital world (Digitalisation in Austria, 2019).

Although the pandemic has affected every corner of the world, the economic earthquake unleashed by COVID-19 does not affect everyone in the same way. With ‘fewer resources to ride out the storm’, SMEs that play a crucial role in the EaP countries’ economy have been particularly vulnerable to the repercussions of the crisis (Intracem, 2020).

Digital transformation is characterized by the fusion of advanced technologies and the integration of physical and digital systems. Innovative business models, new production processes, and the creation of knowledge-based products and services prevail (Verhoef P.C., 2021).

For SMEs, digital transformation entails the elaboration of a customer centric business strategy with the goal to transform internal operations using digital technologies, such as cloud, mobility, social, augmented/virtual reality, IoT, and analytics or artificial intelligence (AI), for better engagement with customers, partners, and employees (Cisco, 2021). Digitisation requires restructuring processes, making the company more agile, investing in more organic structures, reinforcing standardisation and automation, in order to optimize the response capacity to customers.

COVID-19 has brought difficult and uncertain times while accelerating the process of digital transformation. Equipping SMEs with digital tools is not sufficient and needs appropriate legislative and technological incentives available at the country and / or regional level.

ii. Methodology to measure digital transformation.

There are several methodologies that could be applied to measure the existing or the potential levels of digital transformation for SMEs. A relevant tool for our analysis is the scorecard developed by Bhaskar Chakravorti, Ravi Shankar Chaturvedi, Christina Filipovic, and Griffin Brewer to map the progress of national economies in terms of digitalisation (Digital in The Time of COVID, 2020). This scorecard takes into account the indicators of supply conditions, demand conditions, institutional environment innovation and change and evaluates the economy according to two parameters: the current state of digitalisation in the country and the pace of digitalisation over time. As shown in the figure below, the resulting digital planet atlas divides economies into four distinct zones: Stall Out, Stand Out, Break Out and Watch Out.

Framework of the scorecard to map the progress of national economies in digitalisation by Bhaskar Chakravorti, Ravi Shankar Chaturvedi, Christina Filipovic, and Griffin Brewer (2020)

Source: Digital in The Time of COVID. Trust in the Digital Economy and Its Evolution Across 90 Economies as the Planet Paused for a Pandemic (Chakravorti B., Bhalla A., Chaturvedi R.S., 2020).

1) Stall Out – high levels of existing digitalisation and strong momentum in continuing to advance their digital capabilities:

- a) Expanding adoption of digital consumer tools (e-commerce, digital payments, entertainment, etc.);
- b) Attracting, training, and retaining digital talent;
- c) Fostering digital entrepreneurial ventures;
- d) Providing fast, universal, terrestrial (e.g. fiber optics) and mobile broadband internet access;
- e) Specializing in the export of digital goods, services, or media;
- f) Coordinating innovation between universities, businesses, and digital authorities;

2) Stand Out – economies – many of which are in the European Union – that have mature digital landscapes, but which exhibit less momentum for continued advancement. Partially this is due to the natural slowing of growth that accompanies maturity. These countries should prioritize:

- a) Safeguarding against “digital plateaus” by continuing to invest in robust institutional foundations, regulatory environments, and capital markets to support ongoing innovation;
- b) Continuing to use policy tools and regulation to ensure inclusive access to digital capabilities and to protect all consumers from privacy violations, cyberattacks, and other threats (while still keeping data accessible for new digital applications);
- c) Attracting, training, and retaining professionals with digital skills, often through reforming immigration policies;
- d) Identifying new technological niches and fostering environments friendly to innovation in those areas;

3) Break Out – economies with limited existing digital infrastructure, but which are rapidly digitalizing. These economies prioritize:

- a) Improving mobile internet access, affordability, and quality to foster more widespread adoption;
- b) Strengthening institutional environments and developing digital regulations;
- c) Generating investment in digital enterprises, funding digital research and development R&D, training digital talent, and leveraging digital applications to create jobs;
- d) Taking steps to reduce inequities in access to digital tools across gender, class, ethnicity, and geographic boundaries (though many access gaps still remain);

4) Watch Out zone is characterized by shortcomings in both existing digital capabilities and momentum for future development. Watch Out economies should prioritize:

- a) Making long-term investments to address basic infrastructure gaps;

- b) Creating an institutional environment that supports safe, widespread consumer adoption of digital products and services, especially those that enable productivity and job creation;
- c) Promoting initiatives (particularly through public-private cooperation) that invest in digital access to historically disadvantaged segments of the population;
- d) Promoting applications that solve pressing needs and could therefore act as catalysts for widespread adoption of digital tools (such as mobile payment platforms).

Box 1. Framework of the scorecard to map the progress of national economies in digitalisation by Bhaskar Chakravorti, Ravi Shankar Chaturvedi, Christina Filipovic, and Griffin Brewer (2020)

Within this framework, evidence shows that EaP countries are performing mostly as break out economies. Below, we review empirical evidence from EaP economies, to illustrate the progress made in each dimension, including the **Good practice** s that can be used by the other countries, and "bottlenecks" to which pay attention to develop our recommendations.

iii. EaP countries Good practices and bottlenecks: Supply Conditions, Demand Conditions, Institutional Environment, Innovation and Change.

This section does not intend to measure the extent of the EaP countries' digital transformation. It serves to illustrate the current state-of-the-art in EaP countries in the context of four basic dimensions.

Dimension 1. Supply Conditions

Internet coverage ranges between 63% of the population in Georgia and Ukraine and 80% in Azerbaijan. The share of fixed broadband is below the OECD average in all EaP countries, with the exception of Belarus. Prices for fixed broadband and mobile cellular in EaP countries are generally lower than the OECD average.

Good practice. The Independent Regulators and Broadband Expert Working Group's (IRB EWG) of the EaPeReg Network (Eastern Partnership Electronic Communications Regulators Network) has adopted the Methodology for the Assessment of the independence of national regulatory authority (NRAs) for the EaP countries - an instrument, created for the Eastern partner countries under the EU4Digital program. The objective is to establish an independent NRAs for electronic communications where such a body is not in place, or to assess the independence of the existing NRAs, which will serve as guidelines for a self-assessment of the independence of the NRA every time such an evaluation is needed. Recognizing the global changes and vitality of enhanced broadband infrastructure for EaP countries, the IRB EWG launched a study on broadband mapping that will help the EaP countries assess the already existing infrastructure and the potential of its development, as well as the investments in new, secure and very high capacity Gigabit broadband infrastructure in the region. As a model, EaP countries will also rely on EU best practices on building their national broadband mapping (Global Symposium for Regulators, 2020).

Good practice. In 2018, the Ukrainian authorities began issuing 4G licenses, which significantly expanded and improved the Internet infrastructure.

Bottlenecks. The Regional Spectrum Agreement (RSA) that promotes a harmonized usage of second digital dividend and implementation of intelligency Manual Transmission iMT technology in 3.4-3.6GHz and 3.6-3.8GHz frequency ranges in EaP region was drafted by experts, but not signed yet. This document envisages a coordinated usage of land mobile networks in the region based on the International Telecommuniaction Union (ITU), European Conference of Postal and Telecommunications Administrations (CEPT) and European Commission (EC) recommendations. The signing of RSA is preliminarily envisioned for December 2020. There are some major steps and stream actions already outlined by the Expert Group on Radio Frequency Spectrum (SEWVG) to focus on further, such as extension of European 5G corridors towards Eastern Partnership countries, technical framework on improvement and control of iMT networks, emission control issues and cross border coordination to ensure symmetrical, non-discriminable usage of radio spectrum.

Bottlenecks. Citizens across the EaP countries - where data on access to internet is available - suggest that they cannot afford the high cost of access to internet, either the monthly fee or the initial setup costs, as one of their major reasons for using internet. For example, almost 60% of Moldovans who are not connected to internet report that the high costs of devices (such as computers) is one of the main impediment that prevents them from using internet services (Raja S., Leuca S., 2020).

Dimension 2. Demand Conditions

Good practice. In 2018, in Azerbaijan, the Center for Analysis of Economic Reforms and Communications launched the Baku E-Commerce Academy programs aiming at providing SMEs with educational services containing information on registration and business principles of major e-commerce platforms such as Amazon and Alibaba.

Good practice. In Georgia, Enterprise Georgia and AITG are proposing targeted programs to increase the willingness of SMEs to use e-commerce as a distribution channel.

Good practice. In Moldova, to support business activities and enhance sales during the COVID-19 pandemic several initiatives were launched: an e-commerce programme facilitated by the Moldovan Organization for small and medium enterprises development (ODIMM), a virtual academy for entrepreneurs with the support of the EU, and an SME digitalisation programme approved with ODIMM to access business development services and small-scale technology investments. Moldova also plans to launch an early warning mechanism based on EU practice (OECD Eurasia Webinars, 2020).

Bottlenecks. Although 96% of households and 83% of SMEs have access to internet in EaP countries, some gaps remain in how this access is actually used. There is still a huge untapped market for online services, and evidence shows that many people and businesses are leaving digital opportunities on the table (Raja S., Malumyan G., 2020).

For example, in Armenia, only 13% of internet users had engaged in online shopping in the preceding three months, only 5% had used internet banking, about a third had sought health-related information, and only a sixth had accessed e-government services. For some specific practices, such as seeking health information, utilizing internet banking, or finding a job, Armenia's numbers are lower than in the

European Union but also than in neighbouring Georgia, which has a similarly high rural population (Индекс экономической политики в сфере МСП, 2020).

Bottlenecks. The most common barriers to e-commerce among SMEs are inadequate IT skills, outdated technology and SMEs' reluctance to embrace digital technology. In addition, institutions providing SME and export support services in EaP countries often do not provide any programs or advisory services to address these barriers (Индекс экономической политики в сфере МСП, 2020).

Bottlenecks. Armenia, Belarus, Moldova and Ukraine do not have any programs focused on raising awareness of SMEs about the benefits of e-commerce or building the capacity of SMEs to take advantage of the opportunities offered by e-commerce. For example, small businesses in Armenia also do not seem to be taking advantage of digital opportunities. Although 43% use IT in sales and a third in customer relations management, only a fifth make payments to suppliers digitally and just a third pay their taxes online. In addition, the awareness of advanced technologies is at a low level among companies. Less than one-third of SMEs have heard of such basic enterprise management solutions as ERP, CRM, or electronic invoicing systems. Awareness of even more advanced technologies, such as IOT, artificial intelligence (AI), blockchain, 3D printing, and others, is, unsurprisingly, even lower. This indicates that there is a substantial awareness gap regarding the available technological possibilities (Raja S., Malumyan G., 2020).

Dimension 3. Institutional Environment

All EaP countries recognize the importance of SMEs in the emerging digital economy.

According to the studies conducted by the OECD, the level of development of electronic services in the EaP countries differs significantly from country to country.

Electronic government services are available in all EaP countries, although the list and quality of services vary from country to country.

All EaP countries have developed multi-year strategies and short-term action plans aimed at developing e-services. E-government development index (UN E-Government Surveys, 2020) assesses the willingness and ability of national institutions to use ICT to deliver public services. Belarus takes a leading position in the context of using digitalisation to provide public services; followed by Georgia, Armenia and Ukraine. E-participation index (UN E-Government Surveys, 2020) assesses the degree of accessibility of information online, public discussion online, as well as citizen participation in decision-making processes. The leaders in terms of civic engagement and participatory governance using ICTs are Ukraine and Moldova, as shown by the high values of the Electronic Participation Index. The low index values shown in the case of Azerbaijan and Georgia indicate the need to increase citizen participation in decision-making and service delivery using ICT.

Georgia performs well in all sub-areas, while Azerbaijan and Belarus have improved their business registration procedures and made further improvements in how SMEs interact with digital government services. For example, as a result of the implementation of the State Program for the Development of ICT and the creation of the Center for the Development of Electronic Government in 2018, a new single portal for all e-government services was launched in Azerbaijan.

However, none of the EaP countries have yet achieved the high level of interoperability required for the transition to full digitalisation. In addition, effective delivery of e-government services requires narrowing the digital divide among SMEs and helping small businesses, especially those in the traditional service sector, improve their ICT skills and IT infrastructure. Armenia is the only country that has lower indicators in this area; this is mainly due to the fact that the implementation of reforms in the field of government regulation was suspended during the political reforms in 2018–2019. Moldova and Ukraine have made significant improvements in the Business Licenses and Permits sub-area.

Good practice. Azerbaijan is a good example of how an EaP country has succeeded in forming an e-government system in a relatively short period of time, s. Azerbaijan launched the "National Strategy for the Development of the Information Society in the Republic of Azerbaijan for 2014-2020", aimed at removing legal obstacles to the introduction of digital services. In March 2018, the e-Government Development Center was established by Presidential Decree under the supervision of the State Agency for the Provision of Services to Citizens and Social Innovation, whose mandate is to coordinate the implementation of e-government services, improve the management of publicly available information and raise awareness of the availability of e-services. As a result of these joint efforts, in 2018 Azerbaijan launched a new single portal for all e-government services (www.digital.gov.az), which includes more than 440 different digital services that are currently available to all segments of the population - both legal and physical persons.

Similar approaches have been adopted by other EaP countries to accelerate the implementation of e-government as part of a broader public administration reform process.

The region is delivering some accomplishments in this sector, among others, the adoption of a number of national strategies on cyber security (Moldova, Georgia, Ukraine), the establishment of cybersecurity departments in government authorities and the first steps to implement an EU directive on the security of network and information systems (Belarus, Georgia and Ukraine lead the way).

Good practice. Since digital transformation is one of the key priorities of the UNDP strategy for responding to COVID-19, it was proposed to develop a digital toolkit to adjust the business and its processes in the context of COVID-19 based on the needs of SMEs (Digital toolkit, 2020). To support digital literacy of entrepreneurs and the level of business digitalisation, the United Nations Development Program has released a “Digital Solutions Guide for Small and Medium Enterprises” (Руководство для малого и среднего бизнеса, 2020), available as a free download. The guide is aimed at small and medium enterprises and entrepreneurs who are just starting to use online services and programs to support their business (Разработано практическое руководство по цифровизации бизнеса, 2020).

Dimension 4. Innovation and Change

While SMEs account for the majority of job creation in Armenia, Georgia, Moldova and Ukraine, they are less likely to participate in workforce development and provide 50% less training than large enterprises, which puts at risk their productivity and competitiveness.

Good practice. EU4Digital Initiative aims to support the implementation of EaP Deliverables related to innovation (Roadmap for EU, 2018). It aims to bring Eastern European countries closer to the EU by

providing a forum for dialogue and exchange. The EaP includes activities which seek to closer cooperation on research and innovation with the EU and Eastern partner countries. In particular, the EU4Digital Initiative (EU4Digital Initiative, 2020) aims to extend the European Union's Digital Single Market (Shaping Europe's digital future, 2020) to the Eastern Partner states, developing the potential of the digital economy and society, in order to bring economic growth, generate more jobs, improve people's lives and help businesses. The EU4Digital Facility supports (ICT Innovation, 2020) reforms and actions to favour the development of ICT research, start-ups & innovation ecosystems across the Eastern Partnership region, drawing from EU experience and best practices (Innovation Ecosystem Building in Eastern Partnership, 2020).

Good practice. Ukraine is considering the establishment of a wide national network of 24 EU|BICs (Certified Business Innovation Centres) and included this programme in the Government Priority Action Plan of Economic Recovery 2020-2022. The initiative will allow to form a system of comprehensive support for ICT innovation and digitalisation of SMEs, providing access to knowledge, markets, infrastructure and sources of funding, which will contribute to the achievement of target quantitative and qualitative (Denys Shmyhal, 2020).

In 2019, the government launched the National Startup Fund of Ukraine, a public initiative to support innovative projects. The fund's resources amounted to about \$ 14 million to distribute grants from \$25,000 to \$75,000 among promising Ukrainian startups. In subsequent stages, the most successful startups were eligible for concessional loans. In addition, in December 2019, the Ministry of Digital Transformation launched a hotline for entrepreneurs (<https://thedigital.gov.ua/hotline>) (Моніторинг реалізації Стратегії розвитку МСП, 2020).

Good practice. In Armenia, the Digital Transformation Agenda 2018-2030 has put digital technologies at the heart of its economy. In 2019 the National Venture Fund was launched - a public-private partnership with the aim of investing \$100 million over 5-7 years. Finally, significant investments have been made in education, in particular through the Model for Creative Education in New Technologies (TUMO). Armenia's Digital Transformation Agenda 2018-2030 is a structure introduced by the government with six priority areas to enhance Armenia's international competitiveness through digital transformation: - smart government; - creative digital workforce; - highly efficient, reliable and affordable infrastructure; - safe and resilient cyberspace; - an internationally competitive private sector; - interconnected, collaborative and functional institutional structure.

In 2019, the government created the National Venture Fund of Armenia, a public-private partnership set up in 2019 to invest \$100 million over 5-7 years. Many investments are made in education, for example through the Creative New Technology Education Model (TUMO), which offers free programming lessons to nearly 7,000 Armenians aged 12 to 18.

Good practice. In Belarus, Decree No. 8 "On the Development of the Digital Economy" was adopted in 2017. The main goal of decree is to create conditions for attracting world IT companies to the country through the creation and development of the High Technology Park - a special economic zone that allows the development of science-intensive sectors of the Belarusian economy. Decree No. 8 also covers new innovative directions for the development of the digital sphere: blockchain and cryptocurrencies.

Good practice. Positive signs of corporate involvement in start-up ecosystems have come recently from Ukraine: • At Unit City, the capital’s largest innovation hub, open innovation activity is developing fast, involving both international corporations and such local ones as domestic corporations DTech (energy) and Kyiv Star (telecom). Corporate innovation teams account already for more than one third of Unit City’s residents. • The Platform of Innovation Partnership (YEP), with support from Cisco, recently announced the launch of a network of business incubators in four universities in Kyiv and Donetsk. • At Kyiv Polytechnic Institute, the Kyivska Polytechnika science park has partnerships with a variety of domestic and international corporations (EU4Digital, Final report, 2020).

Bottlenecks. As for the start-up ecosystems in EaP countries, they are at an early or embryonic stage of development, private investment provides the required support neither quantitatively nor qualitatively. This market failure may be summarized as follows: • Pre-seed stage funding is scarce due to the lack of funds, the tiny numbers of individual investors, and widespread inadequate perceptions of technology investment. • Seed stage capital may be more accessible in certain countries (Ukraine and, to a certain extent, Belarus and Armenia) as well as through international accelerators -- but this accessibility is only relative. • Starting from Seed and Series A, the best start-ups strive to find funding abroad as part of their international expansion and/or relocation strategies, offering an indirect demonstration of the lack of funding opportunities in their home countries (EU4Digital, Final report, 2020).

Bottlenecks. The information gap and lack of market appeal and legal red flags are considered as key obstacles why foreign investors don’t support the start-ups in EaP countries (EU4Digital, Final report, 2020).

Good practices of developing state digital services and e-Government in EaP countries

Global experience has shown that many governments, responding to the challenges of COVID-19, have created multiple portals, including job portals, as talent pools and portals where businesses can apply for tax breaks (PWCCN, 2020). E-business initiatives include online applications for businesses to apply for financial support, free website creation services for small businesses, and more. Individual governments have taken initiatives to support small grocery stores with online delivery systems, have created e-business directories or helped them with technical know-how on how to use digital resources for their business activities. Supported by e-government portals and online platforms, e-business has become an important resource for sustaining productivity across industries and protecting vulnerable SMEs and their workers during the COVID-19 pandemic (Public administration, 2020).

Reflecting on the experience of EaP countries:

- In *Armenia*, the range of electronic public services includes online filing of tax returns and payment of social security contributions. It is possible to apply online for benefits designed to offset the economic impact of the coronavirus. A series of training sessions were organized entitled “Developing Entrepreneurship Through Digitalisation”; Their aim was to support SMEs in their efforts to cope with the impact of the COVID-19 pandemic.
- *Azerbaijan* has achieved success in creating a well-organized e-government system in a relatively short time. In response to the COVID-19 pandemic crisis, the government has created a website that

aims to inform citizens about quarantine measures and ensure access to e-services (e-education, e-health and entertainment). In 2016, changes were made to the labour law to apply for amendments to the employment contract and its termination online. In 2018, reforms made it easier to start and run a business: starting a business online - in 0.5 instead of 3.5 days and for free. Favourable tax schemes such as social security contributions have been reduced to 15% from 22%.

The Azerbaijan Digital HUB program (<https://dth.az/>), implemented jointly with AzerTelecom, aims to export innovations and digital services under the Made in Azerbaijan brand to neighbouring regions. The Digital Trade Hub of Azerbaijan is an all-in-one e-trade and e-commerce portal guaranteed by the government. It offers a wide range of useful cross-border e-services for trade facilitation including B2B and B2G services, customs operations between DTH partner countries, online company registration, online bank accounts etc. The Azerbaijan Digital Hub program and various projects related to this program create favourable conditions for the digitalisation of the economy in Azerbaijan and the creation of a stable technological infrastructure for the digital economy, attracting large content providers (Facebook, Google, Netflix, Amazon, Alibaba, Tencent, etc.) to the country, ensuring the demand of Asian countries in data traffic through Azerbaijan and as a result of the country's transformation into a digital centre (Коронавирус COVID-19 – переход на цифровую экономику, 2020).

In 2018, the government created the Innovation Agency that assists local business entities in acquiring modern technologies and technological solutions, organizes their transfer, supports innovation-oriented scientific research and encourages innovative projects, including startups by funding them through grants, concessional loans and venture capital fund. The Agency also has a Business Incubation and Acceleration Centre to support the ideas of young people, to form a base of innovative ideas, as well as to develop and improve innovative products and high technologies. The Business Incubation operates 24 hours a day, 7 days a week. A laboratory has also been set up in the Innovation Agency to support the development of initial prototypes. The Agency provides trainings in engineering and programming, data analytics and accounting (Innovation Agency, 2020).

- In *Belarus*, e-government services include filing tax and social insurance documents, payment of pension and social contributions. The country is developing an online platform through which every citizen possessing an electronic digital signature can receive information from state registries and perform administrative procedures. Nationwide automated information system is a national information system designed to integrate national information resources, implement administrative procedures in electronic form and other electronic services through the Unified Electronic Services Portal (Nationwide automated information system, 2020).

- In *Georgia*, the e-government platform serves as a “one-stop-shop” for providing a wide range of services aimed at supporting businesses. There are online platforms in the country that coordinate prevention and support activities during the COVID-19 crisis (for example, a civic platform where citizens can register as volunteers to provide various assistance).

- In *Moldova*, it is possible to pay taxes and fees online; also the country has a transparent system of electronic public procurement. The government has expanded its support for women's entrepreneurship and digitalisation by providing subsidies for the acquisition of technology equipment, software, and consulting. 80.7% of households have access to the Internet, and less than

17% of SMEs have successfully integrated digital technologies into their activities. This represents an untapped potential for SMEs in the Republic of Moldova and therefore there is an urgent need to start applying digitization expertise (ODIMM, 2020).

- In *Ukraine*, the government launched an action plan for the development of e-government for 2018-2020 and organized the Ministry of Digital Transformation, which is engaged in the development and implementation of state policy in the field of digitalisation. The government regulates and monitors emergency procurement using open contract data available in the ProZorro e-government procurement system.

Starting March 2020, entrepreneurs have had the opportunity to receive training as part of the online series of events put in place by the Entrepreneurship Information Support Centres and the Merezha online platform. In addition, the State Employment Service has moved most of its services to online platforms and simplified administrative procedures by introducing deferred formal registration and online registration in unemployment and part-time programs. In addition, from September 2021, Ukraine plans to stop filing paper documents with government agencies, and its Diia mobile application will serve as the main channel of digital communication between the government and the citizens of the country. In September 2020, the Cabinet of Ministers presented the Strategy for the digital transformation of the social sphere (В Уряді презентували Стратегію, 2020).

Information for businesses regarding restrictions, government support and other emergency measures is posted on the website www.sme.gov.ua (OECD: the COVID-19 crisis in Ukraine, 2020). There is a SME Development Office - a permanent consulting and advisory body under the Ministry of Economy. The task of the SME Development Office is to develop small and medium business support programs, in particular, to facilitate access to finance and to develop SME support infrastructure in the regions. The office works with the financial support of the EU within the framework of the FORBIZ project and the EU4Business Initiative (Офіс розвитку МСП, 2020).

Also of note is the EBRD's initiative to support SMEs as they face the challenges of COVID-19. The EBRD has created an online training and information hub on crisis management issues - Academy of Know-how: Free business advice, business tools, including digital, training (EBRD Know How Academy, 2020).

Box 2. Good practices of developing state digital services and e-Government in EaP countries

Summing up, the indicators of supply conditions, demand conditions, institutional environment, innovation and change can be considered as a good base for analysis of the current situation in the EaP region regarding the policy in support of SMEs' digitalisation and provide insights for further development of such policy in the times of COVID-19. EaP countries' economies have limited existing digital infrastructure but are rapidly digitalizing. They prioritize improving mobile internet access, affordability, and quality to foster more widespread adoption, and strengthening institutional environments and developing digital regulations.

However, the main obstacles are still relevant for all countries of the region. There are the following: lack of investments in digital enterprises, lack of international and local funding of digital research and development, lack of training for digital talent. The efforts which the EaP countries take to reduce

inequities in access to digital tools across gender, class, ethnicity, and geographic boundaries could be considered as not effective enough. Many access gaps still remain.

II. The effects of COVID-19 on the EaP SMEs

The key focus of this chapter is to overview the results of interviews and online survey of the SMEs representatives from the EaP region as well as CSOs, academia, state bodies and business associations.

The vulnerabilities of SMEs in times of COVID-19. Although both large companies and SMEs have been affected by the crisis caused by COVID-19, recent reviews (Balla-Elliott, D., Cullen, Z., Glaeser, E. L., Luca, M., Stanton, C., 2020; Bartik, A., Cullen, Z., Bertrand, M., Glaeser, E. L., Luca, M., Stanton, C., 2020; Dua, A., Ellingrud, K., Mahajan, D., Silberg, J., 2020) acknowledge that its effects are greater on SMEs. According to current literature on the matter, the reasons why SMEs are more vulnerable to the crisis are as follow:

- i. the SMEs are overrepresented in sectors which were directly hit by the effects of the pandemic, e.g., tourism, retail trade, and transportation;
- ii. compared to large companies, SMEs in general have less cash in reserve, and thus, are more affected by human resource and capital underutilization;
- iii. SMEs are more dependent on global and national supply chains, which were disrupted by the crisis (Bartik, A., Cullen, Z., Bertrand, M., Glaeser, E. L., Luca, M., Stanton, C., 2020; Barua, S., 2020).

SMEs often have a more limited number of suppliers. In the long term, many SMEs can find it difficult to reconnect with former networks if supply chains are disrupted and former partners have entered into new alliances and business contracts. Prevention costs, as well as required workflow changes such as telecommuting, can be relatively higher for SMEs due to their smaller size, but also, in many cases, low levels of digitalisation and difficulties in accessing and implementing technologies. If production declines, the cost of underutilised labour and capital is borne more by SMEs than by larger firms.

Businesses that rely on physical space (such as supermarkets, traditional food markets, restaurants, car dealers, cinemas, fitness) suffer losses, in contrast to online markets. In a situation like COVID-19, the use of technology is the best solution to keep the sustainability of SMEs. Some SMEs do not know about digital skills that are relevant to business, so this condition forces them to learn online business. The crisis due to the COVID-19 pandemic has become the right moment for SMEs to improve the quality of their products or services and to develop various strategies for offering goods or services based on their business' concern.

The observations above have served as the basis for hypotheses on the dual (both economically negative and innovation positive) impact of COVID-19 on SMEs in EaP countries.

The results of the interviews and the online survey.

For testing these hypothesis, 26 deep interviews and an online survey were conducted. The survey was answered by 43 respondents from the 6 EaP countries, active in different spheres of activity, including civil society, business, academia as well as the state bodies.



Figure 1 - Sectors represented by respondents

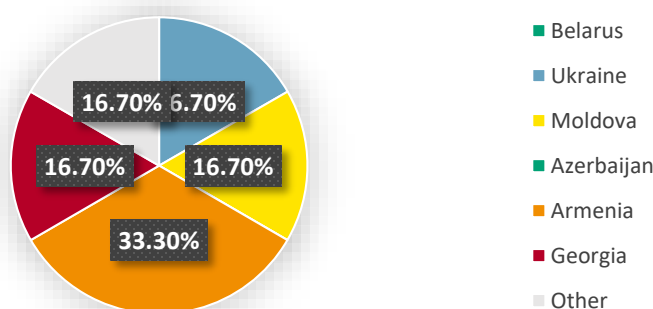


Figure 2 - Countries where respondents mainly operate.

The selection of respondents was made based on social and professional networks, including via the Eastern Partnership Civil Society Forum. Interviews were conducted via online communication channels (Zoom, Skype). The online survey was conducted using Google form. Below we analyse both the questions and responses.

Question 1. Do you agree that small and medium-sized businesses (SMEs) are especially vulnerable to the challenges, in particular the economic ones, caused by COVID-19, compared to big business?



Figure 3 - answers to Q1

The overwhelming majority of respondents agreed that SMEs are more vulnerable in times of crisis compared to big business (87,5%). However, some people see the factors of such vulnerability in the

absence of a financial safety cushion in SMEs, while others - in the absence of leverage over power that large business has. The experts who took part in the interview also paid attention to these factors. They cited examples when in the EaP countries large companies received work permits during a lockdown, while small businesses were completely closed. The merger of big business with the state as a whole as a deterrent to economic development was named as a characteristic feature of the region.

‘Major victims of COVID-19 outbreak are the micro, small & medium-sized enterprises (SMEs) because SMEs, in comparison to large enterprises, usually do not possess sufficient resources, especially financial and managerial, and are not prepared for such disruptions likely to go longer than expected. SMEs are the backbone of many economies worldwide. Many SMEs are facing significant reductions in customer demand and disruption to their supply chain because of COVID-19. SMEs are most vulnerable compared to other business’.

Gayane Poghosyan, Foundation for Small and Medium Businesses, Armenia

‘SMEs are more vulnerable compared to big corporations and they are much more dependent on regular (though smaller) revenues. They often lack internal processes to help them overcoming crises which makes them less resilient to shakes and unpredictable situations. Many of them are family businesses and during COVID-19 pandemic it means, that the whole family remains without income, which may have strong influence on many other things (including the social system of the state, etc.)’.

Laura Dittel, Carpathian Foundation

‘Under conditions of strict quarantine, SMEs lose part or all of their income, and several types of expenses have to be borne, for example, payment for renting an office (production premises, premises where services are provided, etc.), salary payments, etc. Typically, SMEs have no financial cushion’.

Sabit Bagirov, Entrepreneurship Development Foundation, Azerbaijan

‘The financial cushion as “airbag” is key and rebuilding a business is not easy’.

Maksim Podberezkin, UN Global Compact Network, Belarus

‘When quarantine was introduced, there was no money to keep employees. Many began to develop websites, but the money was either taken out of another business, or borrowed from friends. The money paid by the state will not be enough to reconfigure the business. They won’t even be enough to pay for advertising’.

Darya Nagaivska, SMEs consultant, CSO “Modern Woman”, Ukraine

All respondents agreed that small companies tend to be vulnerable during an economic crisis, in part because they have fewer resources with which to adapt to a changing context (Intracen, 2020). The respondents from Ukraine and Armenia especially emphasized that small and medium-sized businesses have limited access to financial resources. Banks are extremely reluctant to provide them with financial instruments. Respondents from Belarus noted that the state, on the contrary, has tightened financial

discipline, including actively using leverage on business to ensure timely payment of taxes, regardless of the criticality of the situation. On the contrary, respondents from Moldova and Georgia pointed to the availability of financial instruments for small and medium-sized businesses, including during the COVID-19 times. Respondents from Azerbaijan found it difficult to answer.

Additionally, all representatives from Armenia especially emphasized the influence of military actions on the development of Armenia, the factor of war (44 days of hostilities in 2020), simultaneously with the crisis caused by COVID-19 and intensified political instability, impacted significantly and reduced the positive dynamics of digital transformation which could be possible in the country.

Question 2. Do you agree that in the context of COVID-19, it is easier for SMEs to survive in large cities than in regions?

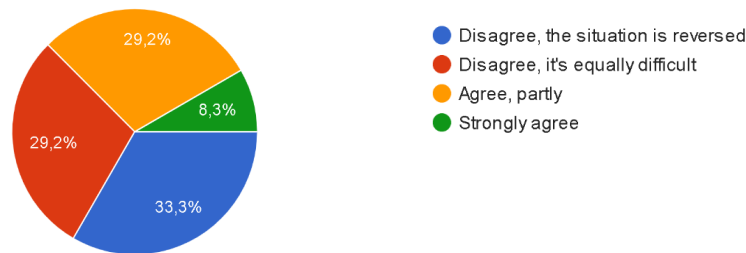


Figure 4 - answers to Q2

The overwhelming majority of respondents noted that it is easier for businesses to survive and develop in large cities, including in terms of digitalisation (62.5%). This trend is observed in all EaP countries. During the interviews, the respondents noted that this is largely due to such factors common to all countries in the region: lower digital literacy in the regions, a lower standard of living (which, in particular, means limited resources for using the Internet and a limited number in one household either a complete absence of gadgets), lack or insufficient development of infrastructure that would allow residents of the regions to use digital tools; an unformed culture of using digital tools in everyday life. These factors were also associated with the fact that in the regions, on average, the age of the population is higher (young people tend to leave for big cities), and this, as a rule, means a significantly lower level of proficiency in digital tools.

At the same time, businesses located in the regions have benefitted from factors that SMEs in large cities did not. During the interviews, the respondents noted that in the regions there was less strict control over the observance of anti-epidemic measures, less strict social distancing and self-isolation. Also, several respondents noted that in the regions, business for survival in the conditions of COVID-19 was focused not so much on digital solutions, but on the loyalty of customers and counterparties, since personal ties in the regions are stronger.

‘Large cities have more opportunities to apply flexible marketing strategies, on the other hand, smaller cities have higher customer loyalty and lower competition’.

Yulia Shevtsova, Head of the Law Office, Ukraine

‘We don't have a culture of using gadgets to meet our daily household needs. This is especially true in the regions’.

Dilara Efendieva, Head of the Center at Association for the Protection of Women’s Rights, Azerbaijan

‘Digitalisation makes it possible to attract potential customers through information technologies. Unfortunately, access to the creation and maintenance of a site, for example, still depends on financial capabilities and the availability of skills due to age, remoteness from large cities, availability of the Internet and services, etc.’.

Yulia Shevtsova, Head of the Law Office, Ukraine

Question 3. Has digitalisation helped SMEs survive in the COVID-19 time?

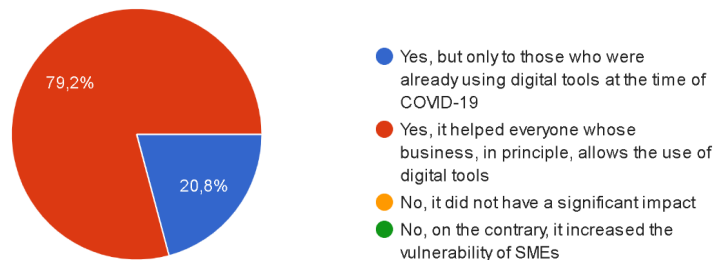


Figure 5 - answers to Q3

In general, all respondents, regardless of their country of residence and the area in which they work, agreed that digitalisation helps SMEs survive in the conditions of COVID-19 (100% of respondents). However, a large part of the respondents (20.8% among those who completed the online survey and about the same part of those who participated in the interview) noted that those who had already used them before the crisis could start using online tools to transform their business faster. Only a few were able to quickly "reconfigure" the business in a situation where the business model was not focused on the use of digital resources. This may be because transformation, especially operational, requires the investment of certain financial and, which may be even a higher constraint, time resources.

‘We passed into another reality; we will live differently. First, it's convenient.

Saving time. This works when the game goes both ways. Minimization of time loss for reporting. Digital technology is about our life’.

Natallia Harbuz, Expert in the field of Foreign Trade, Transport and Logistics, Belarus

‘Small business representatives most often do not have the resources, either financial or human, to quickly change the organization of their activities. If a person, for example, makes purchases himself, trades himself, does the accounting himself, he will not be able to quickly switch to Internet trading, simply because this will mean that he himself must now also become an expert in Internet trading’.

Nina Mehrabian, Corporate Coach and Trainer at Digitain Armenia, Armenia

An important factor in the vulnerability of SMEs during the crisis was noted by Daria Nagaivskaya (SMEs business consultant, Ukraine), who drew attention to the fact that COVID-19 deprived, first, SMEs of venues where they could get new face to face contacts, attract customers and partners (exhibitions, fairs, etc.). Digital tools have not come to replace this communication format.

Question 4. Does digitalisation contribute to integration into European markets?

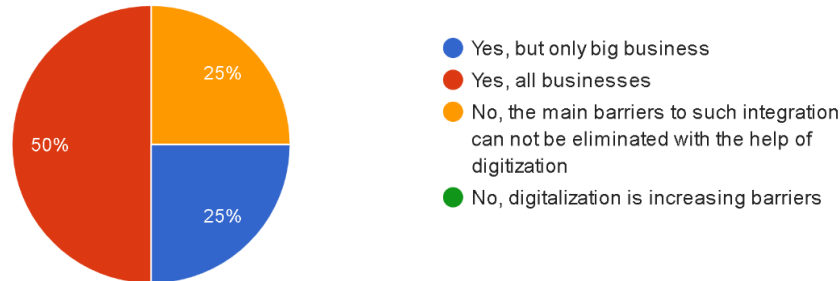


Figure 6 - answers to Q4

50% of respondents agreed that digitalisation contributes to the integration of businesses in the EaP countries into European markets.

At the same time, there are some factors that impede such integration due to more elaborated regulatory requirements related to data. During the interviews, business representatives and experts noted that the main barrier to such integration, including the use of digital resources, is the low knowledge of businesses of EU requirements, about the protection of personal data. This is the most restrictive factor.

Another barrier to digitalisation, which has a more general significance, is the reluctance of a part of the business (this is especially typical for SMEs) to use digital resources that increase and / or require more transparency in business activities and operations. But some businesses prefer to remain hidden. An example of this is the opposition of individuals - entrepreneurs in Ukraine to the expansion of the use of electronic cash registers.

In addition, some of the respondents noted that because of digitalisation, European companies gain greater access to consumers in the Eastern Partnership countries, which means they create more competition for SMEs within the EaP region.

Question 5. Do SMEs need help / assistance from the state in order to adapt to digitalisation?

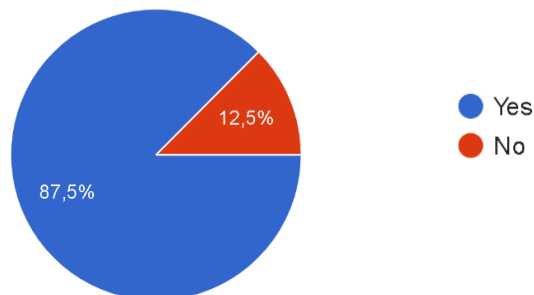


Figure 7 - answers to Q5

The overwhelming majority of respondents (87.5%) believe that SMEs need help from the state to adapt to digitalisation. Those respondents who are sceptical about such assistance from the state indicate that it often comes with tedious bureaucratic procedures, which make it nearly impossible to obtain. In addition, Belarus is characterized by a low level of trust in the state, especially when it comes to digitalisation. The respondents also expressed that a more effective form of assistance to a business in its adaptation to digitalisation is the public-private partnership, as well as the participation of civil society in such endeavours (conducting trainings, developing policies in the field of digitalisation, business development plans, etc.). However, on this point, different and to a certain extent contradictory points of view were mentioned by the experts. While some are in favour, some experts are categorically against public organizations taking on the functions of the state.

The respondents also noted that the level of trust in business associations and networks is higher than the level of trust in the state. Businesses would more likely take advantage of the assistance of such associations and networks which could provide support in the form of experience exchange, networking, information campaigns, awareness-raising events and capacity building on digitalisation issues. In this regard, the lack of business associations and networks of SMEs, or their weak nature and low involvement of the SMEs in participating in such associations and networks, was noted.

Question 6. What kind of help / assistance can we talk about:

- Tax breaks for businesses that use digital tools;
- Government subsidies, preferential loans;
- Benefits in public procurement procedures;
- State training programs;
- State digital services;
- Others?

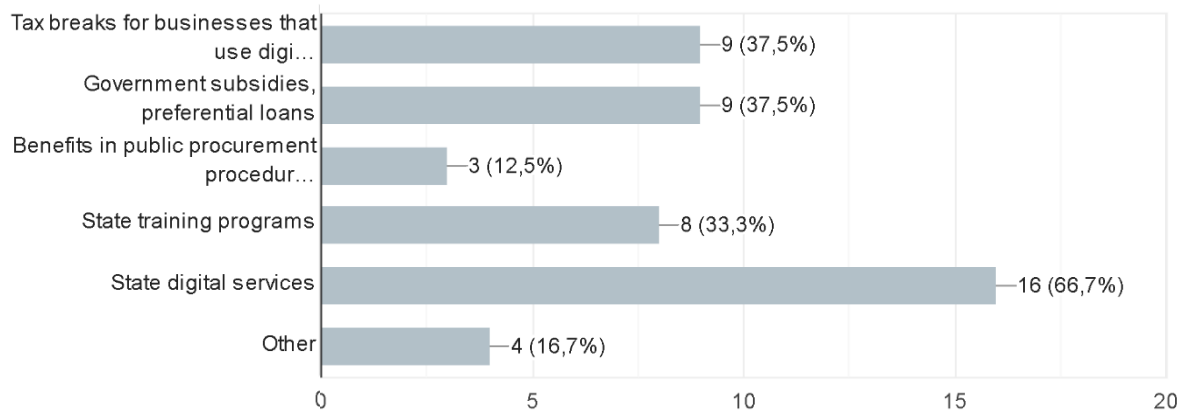


Figure 8 - answers to Q6

The highest level of interest was raised by the possibility of assistance from the state in form of digital services.

During the interviews, participants emphasized the need for public-private partnerships especially. The respondents consider that the states or the regions do not have sufficient resources and sufficient

dynamism and flexibility to effectively respond to the challenges of COVID-19 and provide assistance to SMEs. They also noted the need to coordinate the efforts of different stakeholders providing assistance to businesses. Lack of coordination can have a negative impact.

Some respondents were very sceptical about the issue of state support to businesses. Their attitude can be explained by the following factors: low efficiency of government actions (receiving assistance from the government is associated with the need for businesses to go through complicated and / or lengthy procedures without a guarantee of a positive result); low confidence in the state, in particular, lack of confidence that assistance procedures will be transparent and protected from corruption; low level of predictability of the financial solvency of the state to provide assistance; low level of knowledge of representatives of authorized state bodies on SMEs’ digitalisation, which leads to low efficiency in determining the priorities of state support.

Question 7. What are the benefits of digitalisation for small and medium-sized businesses?

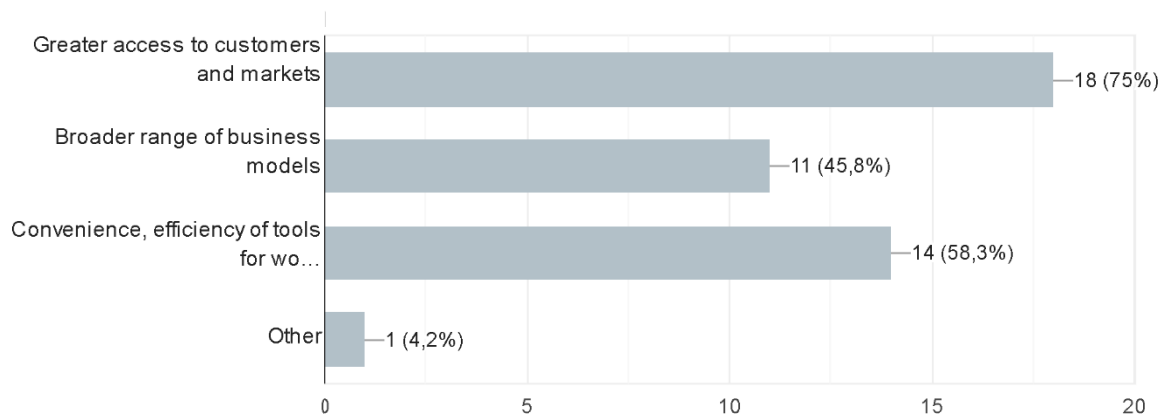


Figure 9 - answers to Q7

In general, respondents pointed out the overall benefits of digitalisation that are relevant to any business, regardless of its size: greater access to customers and markets, broader range of business models, convenience, efficiency of tools for work.

During the interviews, special attention was paid to the fact that digitalisation means significant savings in time, human and financial resources for businesses. For SMEs it could be crucial.

‘The use of digital technologies can significantly improve work efficiency, automate work processes, and ensure their accuracy. In addition, digitalisation enables the process of following more accurately logistics processes’.

Natallia Harbuz, Expert in the field of Foreign Trade, Transport and Logistics, Belarus

Respondents noted that a new model of organizing activities has emerged – work from home. Post COVID-19, some parts of this new way of working will remain. This allows SMEs to save on rental and transportation costs.

Question 8. What barriers to digitalisation do SMEs face:

- Insufficient level of knowledge in digitalisation issues
- The need for financial investments
- Distrust of the state, the lack of a clear development strategy
- Insufficient development of digital infrastructure
- Other?

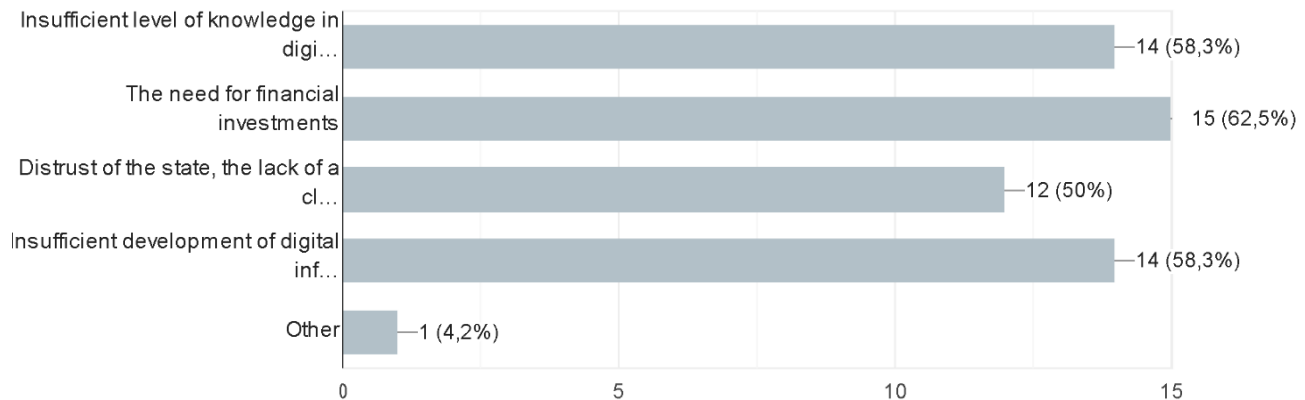


Figure 10 - answers to Q8

The main barrier, which was named by all respondents during interviews, is the lack of knowledge when it comes to digital tools and the possibility of using them in business activities. SMEs representatives, unlike big businesses, as a rule, do not have the opportunity to hire specialists who would ensure the use of digital tools, and cannot redistribute financial and human resources, redirecting them to the needs of digitalisation. They themselves do not have the necessary knowledge and digital literacy skills. In addition, knowledge in the field of digitalisation is not enough. The use of digital tools also requires a change of business models.

State decisions in times of COVID-19 in the EaP countries are perceived as chaotic and difficult to predict. The lack of a clear strategy and certainty in legal regulation to support digitalisation was a significant barrier which was pointed by respondents from Ukraine and Armenia.

It was also noted that digitalisation is more effective for businesses with a target audience aged under 45.

For the EaP countries, the low income of the population was also cited as a barrier. It becomes an obstacle for employees to acquire new skills. For consumers, the low income may cause non-availability of devices that allow using digital tools.

In general, the unpredictability of state policy during the pandemic was manifested in the fact that the states were unable to give clear guidelines to businesses on how they would act if the pandemic continued. Business representatives noted that they certainly understand that states are in a situation where planning is difficult. But they could provide guidance to the business in the form of, for example, three basic scenarios. For many business representatives, the chaotic nature of government actions, when decisions already made are cancelled or revised, including retroactively, has become an obstacle to decide on the steps for digitalisation.

Question 9. What are the main risks of digitalisation?

Figure 11 - answer to Q9

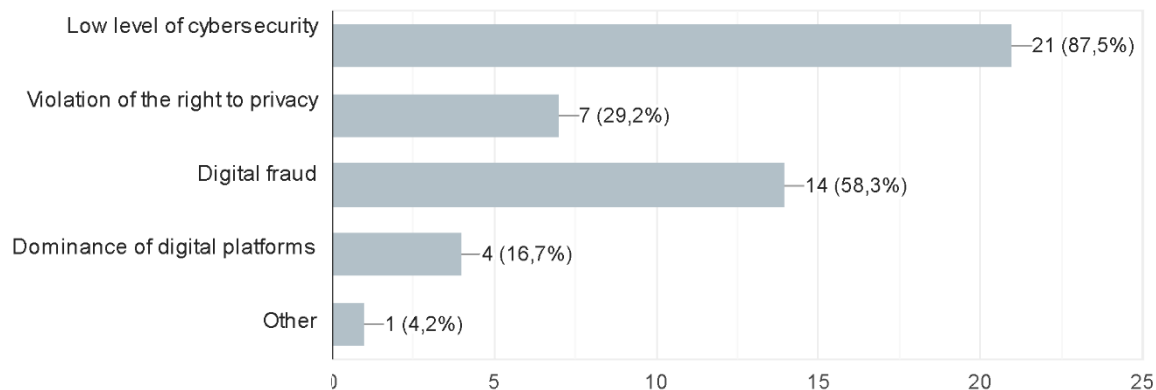


Figure 12 - answer to Q9

The respondents cited a low level of cybersecurity as the main risk emerging together with the wave of digitalisation (87.5%). The second place is taken by digital fraud (58.3%). Violation of the right to privacy is seen as a risk associated with digitalisation by only one third of those who took part in the survey. The dominance of digital platforms was cited as a risk by only 16.7% of respondents.

At the same time, during the interviews, respondents reacted more readily to the question of digital fraud, offered examples from their own lives or the lives of acquaintances related to various manifestations of digital fraud. Respondents attributed this to a high willingness to talk about digital fraud and a low willingness to talk about other risks, probably since other risks associated with the unfolding effects of digitalisation are either subtler or less known or acknowledged.

The respondents also noted that such risks pose an increased threat for SMEs since, unlike large businesses, SMEs do not have the resources to minimize these risks.

We should also note that if in the EU countries these risks are considered not only from the point of view of the state obligations (the question of what measures should be taken by the state in order to secure business and other participants of legal relations from these risks), but also from the point of view of corporate responsibility to respect human rights (what policies should be adopted by companies to minimize these risks, what procedures should be applied at the level of companies, even the smallest ones, to prevent violations of human rights), in the Eastern Partnership countries there is no understanding of the role of business itself in minimizing such risks; corporate responsibility to respect human rights is extremely low.

Question 10. Can digitalisation increase the vulnerability of certain social groups (women, older people, people with disabilities, etc.)?

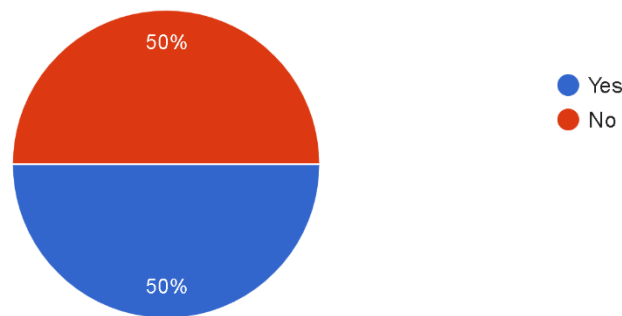


Figure 13 - answers to Q10

During the interviews, the respondents noted that for people with disabilities, as a vulnerable group, digitalisation presents both new opportunities for access to the labour market, integration into public life, and additional risks, in particular greater isolation in personal space and lack of social ties. In addition, those persons with disabilities who are unable to perform work functions using digital technologies, and training in these for them is complicated because of disability, are at higher risk to lose their jobs due to digitalisation of SMEs. In turn, in the EaP countries, there is no stable practice of conducting human rights risks assessment in the case of certain transformations.

The respondents also noted that older people are a vulnerable group, because they find it more difficult to learn digital skills.

Digitalisation can increase the risks of domestic violence if, for example, the workplace is at home. It is believed that victims of domestic violence could find help when they left home for work. Home working increases the vulnerability of victims of domestic violence.

Respondents also noted that digitalisation can exacerbate inequalities between different social groups. Benefits are given to those who have more skills, can quickly respond to changes in the labour market, have time to learn new skills, and can flexibly adapt to changes in business formats or work organization. Therefore, the gap will grow between such individuals and those who find themselves vulnerable in face of such changes (people with family responsibilities, older people, people with disabilities, and others).

The respondents also noticed that there are social businesses that work with vulnerable groups. The digital transformation of such businesses, even if it is generally possible (educational services, etc.), is complicated for these types of businesses.

It was also noted that people with lower incomes are held hostage by the situation when they are forced to find funds to purchase the devices necessary for using digital technologies.

Question 11. Can digitalisation help overcome the vulnerability of certain social groups?

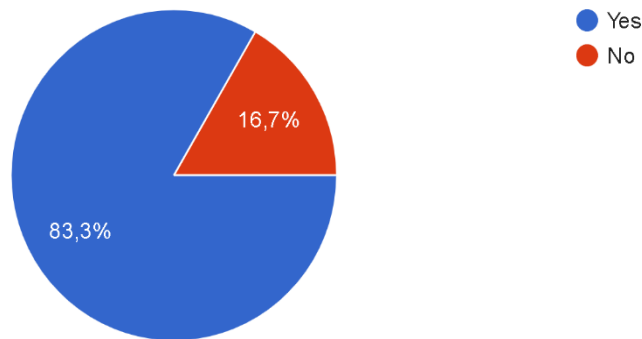


Figure 14 - answers to Q11

The overwhelming majority of respondents believe that digitalisation helps to overcome the vulnerability of certain population groups. In particular, we are talking about the fact that digitalisation provides access to services, which in general can be difficult due to the barriers that exist for certain groups of people. For example, ordering goods online makes it easier for people with disabilities to access goods. In addition, it empowers people with family responsibilities to provide a better work-family balance.

A number of services, which can be provided both offline and online, in their digital version are not only more accessible for people with disabilities or people from remote areas, but also are cheaper than their offline counterparts.

Digitalisation generally provides easier access to the labour market for people with disabilities, people from remote regions, people who face other barriers to employment.

Also, digitalisation contributes to greater accessibility of entrepreneurial activity, since it removes physical barriers in the passage of formal procedures.

‘The digitalisation is a good opportunity to overcome the vulnerability of social groups, and this tinkering should be used by the state, for example, in the field of education, employment, medicine, etc.’

Andrey Matat, Human Rights expert, Ukraine

Question 12. Check the statements you agree with: Digitalisation promotes more responsible conduct of...

- Big business in relation to small and medium
- Business as a whole in relation to its contractors
- Business in relation to its employees
- Business to customers
- Business in relation to ecology



Figure 15 - answers to Q12

In general, respondents support the hypothesis that digitalisation contributes to responsible business conduct. COVID-19 has demonstrated that digital tools can be effectively used to track the behaviour of a business in its supply chain, in relation to its employees and supplier workers, in relation to consumers and customers, in relation to the communities where the business operates.

However, all respondents noted that digitalisation in the current situation cannot by itself contribute to an increase in responsible business conduct because of several factors:

- i. Lack of awareness of state institutions, academic community, non-governmental organizations, business with the developed standards and initiatives on responsible business conduct, in particular at the EU level (one of them is the initiative to adopt mandatory human rights due diligence in 2021). Lack of understanding by the business sector and by the society that sustainable businesses need to be responsible, namely SMEs. Businesses and human rights are identified with charity within the framework of corporate social responsibility (CSR) very often.
- ii. Bad economic conditions, in particular low levels of income affect people's motivation. People link their expectations to states mostly.
- iii. Risks and challenges associated with the absence of strong democratic traditions, weak civil society, lack of the rule of law, high level of corruption in public and private sectors, and as a result low level of trust of people and absence of the request for new social contract from society. Maintaining a paternalistic approach to respect, protect and fulfil of human rights. The human rights sphere has traditionally been equated with state obligations.
- iv. Extremely strong ties linking business and state. Large public procurement system. Quasi-state sector of economy which leads to the lack of real competition and there is no incentive to run a responsible business conduct.
- v. Weak state institutions on effective protection of human rights.

The impact of the international and regional human rights standards is partial and limited.

There is a strong need to raise awareness and build capacity of the business, civil society organizations, state bodies and academia on responsible business conduct framework, to create the digital platforms to exchange developments and good practices on responsible business conduct for the different groups of stakeholders – governmental bodies, businesses associations, SMEs, CSOs, academia, to ensure

communication and exchange with other regions to draw from the best examples, practices around the world, etc.

Summing up, we took note of the following key trends related to the SMEs digitalisation in times of COVID-19:

- i. SMEs are more vulnerable in times of crisis compared to big business. The factors of such vulnerability could be related as to the absence of a financial safety cushion in SMEs and to the absence of leverage over power that large business has as well.
- ii. It is easier for businesses to survive and develop in large cities, including in terms of digitalisation which could be explained by a lower digital literacy in the regions, a lower standard of living, lack or insufficient development of infrastructure that would allow residents of the regions to use digital tools; an unformed culture of using digital tools in everyday life.
- iii. The level of trust in business associations and networks is higher than the level of trust in the state. Businesses would be more likely to take advantage of the assistance of such associations and networks which could be in the form of experience exchange, networking, information campaigns, awareness-raising events and capacity building on digitalisation issues.
- iv. The main barrier is the lack of knowledge when it comes to the use of digital tools and the possibility of using them in business activities. SMEs representatives, unlike big businesses, do not have the opportunity to hire specialists who would implement and ensure the use of digital tools. SMEs cannot redirect financial and human resources towards digitalisation in most cases.
- v. Digitalisation can increase risks of human rights violations. In the EU, these risks are considered not only from the point of view of the state obligations, but also from the point of view of corporate responsibility to respect human rights (what policies should be adopted by companies to minimize these risks, what procedures should be applied at the level of companies, even the smallest ones, to prevent violations of human rights), whereas in the EaP countries there is no understanding of the role of business itself in minimizing such risks; corporate responsibility to respect human rights is extremely low.
- vi. There is a need to raise awareness and build capacity of the business, civil society organizations, state bodies and academia on responsible business conduct framework, to create the digital platforms to exchange developments and good practices on responsible business conduct for the different groups of stakeholders – governmental bodies, businesses associations, SMEs, CSOs, academia, to ensure communication and exchange with other regions to draw from the best examples, practices around the world, etc.

III. How digital solutions can support SMEs

In this chapter, we looked at the benefits brought by digitalisation to the economy in general and to SMEs in particular, and at the types of digital solutions that can support SMEs during the COVID-19 times. To support our hypothesis, we also provided examples of good practices for using digital tools to support SMEs during the COVID-19.

Numerous studies have revealed that the digital economy has a number of clear advantages at the macro level:

- i. new jobs in the field of digital services, primarily for highly skilled workers but also for routine jobs related to data;

- ii. new forms of work using digital technologies, including for less skilled workers;
- iii. new dimensions of competition;
- iv. efficiency of business models;
- v. expanding control over value chains;
- vi. new opportunities in the sharing economy;
- vii. potential of increased tax revenues as a result of increased economic activity and the transition of enterprises to the formal sector;
- viii. improvement of communication channels with customers and along the value chain;
- ix. better access to markets through digital platforms;
- x. reduction in operating costs (Піщупліна О., 2020).

At the micro level, efficiency improvements are expected across all dimensions, in particular at the level of:

- i. revenue generation (new clients, new sales, higher cross-sell ratio, and lower churn);
- ii. improved costs (automated processes, straight-through-processing, shorter processing times);
- iii. better risk management (improved scoring by using precise and timely data, less operational issues, advanced risk modelling) (Kotarba Marcin, 2017).

Among the characteristics of the “New Normal” that COVID-19 has brought about is the fact that digitalisation has become key to survival. According to the OECD, since the onset of the crisis, 75% of SMEs in the world have been forced to lay off their employees, while 70% have experienced a drop in income, and 40% have faced liquidity problems because of the pandemic. While the situation seems grim, small and medium-sized enterprises are encouraged to maximize their agility by leveraging digitalisation and cutting-edge technology to enable a comprehensive and sustainable recovery (OECD Policy Responses to Coronavirus, 2020).

Before the pandemic, many organizations seemingly distrusted their own technological capabilities and doubted the skills of their own workforces (IBM, 2020). But as it was mentioned, COVID-19 has significantly accelerated digitalisation:

- i. many businesses are trying to use remote work as much as possible, where possible;
- ii. commercial enterprises create online stores;
- iii. meetings are held on Zoom and other platforms;
- iv. there is a significant increase in digital payments and an increase in online orders;
- v. various resources are used for online education;
- vi. various areas of telehealth are developing, etc.

The rapid rise in online opportunities encouraged many businesses to use the lockdown to improve their digital capabilities. Businesses already operating online reinforced their ability to manage the surge in demand for goods, and brick and mortar shops shifted resources to e-commerce as consumers shifted to online shopping (Intracen, 2020). Conditions experienced during the COVID-19 lockdown may spur businesses to use big data analytics and artificial intelligence more in post-pandemic decision-making. These technologies can help companies deal with the kind of phenomena they struggled with during lockdown: rapidly shifting consumer demand and confidence, operational disruptions, uncertainty and redundancies in the workforce (Candelon, F., Reichert, T., Duranton, S., Charme di Carlo, R., De Bondt, M., 2020).

In the longer term, these digital tools and networks can unlock new opportunities. Businesses can become more productive, access new markets, and prepare for future growth. Individuals - as citizens, consumers of goods and services, and participants in the labour market - can connect to information, services, and markets and seek out new avenues for social and economic development (Siddhartha R., Gohar M., 2020).

Software solutions and digitalized processes supporting SME's functions and operations

Source: Ulas D., 2019.

FUNCTIONS OF OPERATIONS

Types of software solutions and digitalized processes

New Product Development and Design

Deductions to the customers' needs can be made by big data and analytic, comments and complaints on social media, topics searched in search engines, the watched videos

Customers can lead operations to develop products which they ask for

Use of 3D printer

Design preferences of customers can be detected by competitions and surveys

Computer-Aided Manufacturing (CAM)

Computer Aided Design (CAD)

Demand Forecasting

Big data and advanced analytic can be used

Personalized product orders can be taken

Fair support software

Supply and Logistics

Membership to B2B sites,

	<p>Using of integrated systems ensuring reciprocal data sharing with suppliers, spontaneous stock follow-up of storage, providing packaging with automatic machines.</p> <p>Software of Purchasing and payment systems</p> <p>Robotics systems in intercisternal transport</p> <p>(Manufacturing Execution System) softwares, PLC (programmable logic controller), ERP (Enterprise resource planning)</p> <p>Use of big data and analytic systems</p>
Manufacturing	<p>Benefitting from industrial robots</p> <p>Automatically quality controlling</p> <p>Automation</p> <p>Total quality management (TQM), Just in Time (JIT) manufacturing</p>
Human Resources	<p>Trainings of IT, increasing talent, adapt to changing work practices, digital skills of new employees, ongoing education, training, culture of collaboration,</p> <p>Human resources software</p> <p>Requirement of having multi-disciplinary information, knowledge and experience</p> <p>Use of robots in manufacturing</p> <p>Employees will be able to choose how, where and when to work</p> <p>New and flexible working patterns, mobile working, home working</p> <p>Online voice and video calling platforms in communication, such as Skype and blog sites, videos and social media platforms such as Facebook</p>
Marketing, Sale and Customer Management	<p>Use of CRM (Customer Relationship Management) programmes</p>

	<p>Use of virtual assistants containing artificial intelligence, such as big data, advanced analytic, chatbot, voice assistant</p> <p>Use of augmented reality</p> <p>Keeping of customers' information, making demand forecasting, quickly taking and answering of customers' opinions and complaints</p> <p>Following of real time purchasing activities of customer</p> <p>Customer's touch points</p> <p>Presenting of virtual guides and remote maintenance service for products</p> <p>Offering digital training for customers</p> <p>Making personal promotions and discount</p> <p>Using of integrated marketing methods, such as internet marketing, mobile marketing, omnichannel, viral marketing, social media, vloggers, bloggers, youtuber, direct marketing, brand ambassadors, influencer marketing, attending fairs.</p>
Payment	<p>Offering payment alternatives, such as paying with credit card in website, in store payment apps (a mobile device into a smartphone credit card reader), banking cards, mobile wallets, internet banking, digital currencies (such as Bitcoin), money transfer, virtual card, paying at the door.</p>

Box 3. Software solutions and digitalized processes supporting SME's functions and operations

Different sectors of activity are affected by digital technologies in different ways (Calvino, F., C. Criscuolo, L. Marcolin, and M. Squicciarini, 2018) because of the varying degree of maturity of digital technologies that are currently available on the market, but also due to the varying absorption capacity of different sectors of economy; both parameters may change with technological progress.

Probability of the sectors of economy to be digitalised

Source: Calvino, F., C. Criscuolo, L. Marcolin, and M. Squicciarini, A taxonomy of digital intensive sectors, OECD Science, Technology and Industry Working Paper No. 2018/14, OECD Publishing

Sectors	Probability to be digitalised
Agriculture, forestry, fishing	Low
Mining and quarrying	Low
Food products, beverages and tobacco	Low
Textiles, wearing apparel, leather	Medium-low
Wood and paper products, and printing 16-18	Medium-high
Coke and refined petroleum products	Medium-low
Chemicals and chemical products	Medium-low
Pharmaceutical products	Medium-low
Rubber and plastics products	Medium-low
Basic metals and fabricated metal products	Medium-low
Computer, electronic and optical products	Medium-high
Electrical equipment	Medium-high
Machinery and equipment	Medium-high
Transport equipment	High
Furniture; other manufacturing; repairs of computers	Medium-high
Electricity, gas, steam and air cond.	Low
Water supply; sewerage, waste management	Low
Construction	Low
Wholesale and retail trade, repair	Medium-high
Transportation and storage	Low
Accommodation and food service activities	Low
Publishing, audiovisual and broadcasting	Medium-high
Telecommunications	High

IT and other information services	High
Finance and insurance	High
Real estate	Low
Legal and accounting activities	High
Scientific research and development	High
Advertising and market research; other business services	High
Administrative and support service activities	High
Public administration and defence	Medium-high
Education	Medium-low
Human health activities	Medium-low
Residential care and social work activities	Medium-low
Arts, entertainment and recreation	Medium-high
Other service activities	High

Box 4. Probability of the sectors of economy to be digitalised

During COVID-19 times, digitalisation allows SMEs to operate or manage transactions at a distance, facilitates access to financial services, ensures prompt delivery of goods, and increases efficiency of interaction with new and existing clients.

Below we will review the types and benefits of various types of digital solutions for SMEs

Manage transactions at a distance. Benefits related to this challenge include, in particular:

- e-commerce tools, various services of mobile money and digital payments;
- B2B, B2C and C2C transactions through easy to set up online stores.

Promoting contactless transactions can optimize the transactions themselves, lower costs, and also reduce the risks of COVID-19 spread.

Good practice: launching a service that gives SMEs an easy way to accept payments from customers through their smartphones.

Prompt delivery of goods. The digitalisation of business logistics allows you to save money during lockdown periods and offer customers smart logistics services.

Good practice: digital food delivery platforms.

Facilitating access to financial services. One of the biggest challenges SMEs face during the crisis is getting paid for goods shipped and services rendered.

Providing mobile banking for rural entrepreneurs, unbanked individuals and communities with limited access to financial services is essential.

Good practice: A supply chain finance platform allows SMEs to share transaction details and verify invoices instantly. A good example: financial technology lending.

Interaction with new and existing clients. One of the biggest challenges for virtually all businesses during a pandemic is keeping in touch with customers and attracting new ones. Many B2C SMEs and a number of B2B businesses now have Facebook pages where they present their brands, products and services and interact effectively with customers. Platforms like Instagram are growing in popularity, where products can be advertised visually. Digital transformation is one of the EU's five long-term policy objectives for EaP. The EU is working with the EBRD to provide advice to SMEs and plans to dedicate €5 million to support SME digitalisation. Beyond technical assistance, technology should be used to transform the way businesses are managed (OECD Eurasia Webinars, 2020).

One project is DIH4CPS (dih4cps, 2020) – the initiative for Fostering DIHs for Embedding Interoperability in Cyber-Physical Systems of European SMEs – aims to support European SMEs in overcoming obstacles posed by innovative technology and through open calls to finance experiments in the area of cyber-physical systems. Digital Innovation Hubs (DIHs) can help ensure that every company, small or large, high-tech or not, can take advantage of digital opportunities (Future Financial Framework, 2020). DIH4CPS aims to develop a network of DIHs in the Embedded and Cyber Physical Systems domain, by identifying and materializing service-based collaboration processes among them. The project works in three main directions: *ecosystem services* (creating, nurturing, expanding and connecting the local SME constituency. For example, different roles need to be covered in the SMEs' digital transformation processes: technology providers, technology users, competence centres, education and training hubs, business and market development experts, regional development agencies and associations); *technology services* (following the whole lifecycle of Cyber Physical Systems technologies from conception to idea generation, from design to proof of concept); *business services* (identifying viable business models and compiling business) (Digital innovation hubs, 2020).

Good practice. The “Digital Solutions in times of COVID-19” collected an anti-COVID database of digital solutions (Digital Solutions in times of COVID-19, 2020).

Good practice. Smart Working, e-Learning, digital health and more. The fully search and filterable online catalogue at digitalsme.eu/solutions enables users to find a solution that fits their specific context. Smart working and e-learning tools make up the biggest part of the solutions. Video calls, content collaboration, full virtual conference solutions and digital signature tools enable businesses to keep communicating and working as a team and help students to keep learning.

But beyond that, many digital solutions allow employees to perform from their home what previously required an actual trip to a client's site. Digital health apps measure a patient's vitals remotely, AI

platforms help to speed up viral testing, smart streaming software relieves broadband connection: both challenges and solutions during COVID-19 are manifold.

Good practice. DIGITAL SME is in touch with many stakeholders from the European institutions and national bodies alike to promote it and look for possibilities to centralize similar efforts (Digitalsme, 2020).

Good practice. European digital SMEs are offering solutions to the crisis:

- i. Smart working solutions help you and your team stay connected and productive during social isolation.
- ii. eHealth solutions offer vital assistance to actors in the health sector.
- iii. Entertainment solutions keep you motivated and mentally strong in this challenging time.
- iv. 3D printing to produce life-saving parts for respiration machines,
- v. and many more digital solutions help businesses, citizens and public administrations to continue their work during social isolation (Digitalsme, 2020).

Good practice. In Azerbaijan, UNDP in partnership with the Ministry of Transport, Communications and High Technologies launched an online one-stop platform for all e-services available to citizens quarantine, and the Government and UNDP launched a WhatsApp bot to answer questions from the public about Coronavirus, and to give prompt, reliable and official information 24 hours a day (Eurasia UNDP, 2020).

Summing up, the digitalisation brings a number of clear advantages at the microlevel, such as revenue generation (new clients, new sales, higher cross-sell ratio); optimised costs (automated processes, straight-through-processing, shorter processing times); better risk management (improved scoring by using precise and timely data, less operational issues, advanced risk modelling).

COVID-19 has significantly accelerated digitalisation. But the readiness of particular sectors to be digitalized should be scrutinized. There are sectors where a limited number of processes can be digitalized: agriculture, forestry, fishing; mining and quarrying, food products, beverages and tobacco; electricity, gas, steam and air conditioning; water supply; sewerage, waste management, construction; transportation and storage; accommodation and food service activities; real estate. The sectors with high absorption capacity for digital technologies include transport equipment; telecommunications; IT and other information services; finance and insurance; legal and accounting activities; scientific research and development; advertising and market research; other business services; administrative and support service activities.

The efforts to stimulate SMEs' digitalisation should be based on the understanding of different level of absorption capacity to digitalisation of the different sectors of economy.

IV. Risks associated with digitalisation during COVID-19 pandemic

In this chapter, we aim at providing an overview of the main risks associated with digitalisation including those that have been amplified by the pandemic, as well as approaches of stakeholders that can be recommended to mitigate these risks.

We will provide overview such risks associated with digital transformation cybersecurity and privacy threats; increased digital fraud; spreading disinformation online; unsafe working conditions; asymmetric market and others. Some aspects of these risks have increased especially in connection with the COVID-19 crisis and for some of them SMEs were unprepared.

The digitalisation of several core business operations raises several issues, especially for small businesses. While this shift to digital methods substantially increased the volume of data in the first half of 2020, it was not accompanied by a rise in the number of data centres or their wider geographical spread. SMEs operating in countries that do not have local data centres can face lack of availability and prohibitively high costs. In addition, data security is a significant challenge and is not guaranteed in all countries. As more businesses upload data, there is a greater threat of cyberattacks. Moreover, in countries where data privacy is not backed by strong institutional support and regulations, state measures for contact tracing, early warning surveillance and social control can be misused (Intracen, 2020).

They risk losing out to large businesses with greater access to capital to invest in technology. As a result, it is becoming urgent to help improve the quality and reliability of local internet connections in developing and transition economies, as well as to extend internet penetration rates and levels of computer literacy. Concerns about equitable treatment, meanwhile, arise regarding large international e-commerce platforms. These provide a way for SMEs to sell to global markets, but also control access to those markets. Platforms allow businesses to reduce costs through shared procurement, logistics and economies of scale, and to access new opportunities by sharing knowledge and resources.

However, market concentration among platforms and anti-competitive practices by some platforms can put developing countries' SMEs at a competitive disadvantage, reducing their profit margins and sometimes leading businesses to close. Appropriate regulation of such platforms, through policies on competition and data protection, would be beneficial. The European Commission needs to monitor and address anti-competitive behaviour and data protection rules are steps in the right direction. Topics discussed include rules on consumer protection, e-signatures and the protection of personal data. Adopting of fair, flexible, and clear e-commerce rules could create opportunities for developing countries to benefit from digital trade and help SMEs in developing countries to recover from the pandemic crisis.

As is often the case with crises, COVID-19 has put the spotlight on those who are economically disadvantaged, such as informal sector workers, migrants and people in SMEs. Many have been deprived of even subsistence level income during economic lockdowns and have faced health and sanitary crises. This underscores the fact that lack of basic social security benefits poses a risk for vulnerable individuals and the whole society. The same has been seen in developed countries around the gig economy. Although improved government safety nets are key, and cash transfers during the pandemic have been helpful, the most sustainable solution is improving access to good, secure jobs. Making economies more inclusive starts with decent jobs and social protection for all. SMEs, which

account for about 70% of jobs and half of economic activity worldwide, can be vital in providing employment. Small businesses employ a disproportionate share of disadvantaged groups, including less qualified workers, young people and women. Before the crisis began, SMEs were expected to generate 600 million new jobs by 2030. Without a strong SME sector, it will be impossible to get back on track to achieve the Sustainable Development Goals in 2030 (Intracen, 2020).

Safe working conditions. Working from home greatly minimizes the risk of COVID-19 infection for workers. At the same time, it creates other risks for workers' rights that should be addressed. Examples of these risks include the lack of proper telecommuting skills among elder people, the need to balance family and professional responsibilities when preschool and school institutions have suspended work, the lack of computer support or proper Internet connectivity in rural areas, and the lack of proper workplace equipment for people with disabilities, etc.

State institutions for equality and non-discrimination in individual states in the world have provided guidance to employers on how to ensure that the needs of individual workers in vulnerable situations are met. This requires:

- i. equip workplaces for working at home in accordance with the needs of workers;
- ii. update risk assessments to take into account the disproportionate impact of coronavirus (COVID-19) on certain groups, such as ethnic minorities, pregnant women, older people, and develop ways to reduce these risks;
- iii. introduce or expand flexible work options to meet the needs of workers, which include persons with parental or other care and concern obligations; people with disabilities and chronic diseases, including those with mental disorders (Coronavirus (COVID-19) guidance for employers, 2020).

Domestic Violence. Continuous pandemic health risks, economic crisis in some industries, limited social connections as well as significant changes in the daily routines and new professional and social obligations - these and other factors significantly increased the feeling of stress for people, which can provoke domestic violence. In some countries, governments have drawn the attention of employers to their specific role in countering and preventing domestic violence. In the UK, the Employers' Initiative on Domestic Violence (EIDA, 2020) is developing guidance for its members on how they can take action when they identify the risk of domestic violence against their workers during the COVID-19 crisis. Such measures range from keeping in touch with employees to providing information about helplines, mobile applications and other available support services.

In EU countries, authorized state bodies provide detailed guidelines regarding the amount of information on the health status of employees that the employer can collect, as well as on the procedure for storing and using such information. In virtually all EU countries, data protection authorities have issued guidelines on data protection during a pandemic (Kedzio M., 2020). They stressed that the right to health and the right to personal data protection should not be opposed. Any measure affecting the right to privacy and data protection must be based on law, necessary and commensurate. It is important that the state provides certainty in the protection of personal data, based on international human rights standards, in particular, the purposes and legal grounds for the processing of personal data by the employer related to symptoms or infection, if employees do not voluntarily provide such data of their own and do not agree to it. processing, as well as when processing information about the recent travel of employees, the period of storage of such data, etc.

Case of personal data treatment regime in Ukraine

For each category of personal data, special rules for their collection and processing are determined:

- data on "close contacts" with patients with COVID-19. It is enough to request information about the existence of such a contact, when it was last made, and whether the medical service worker was contacted with a message that he is the patient's "contact person". The collection of a wider range of information may be regarded as illegal collection of personal data;
- travel data. Both business trips and travel for personal purposes fall under this category. Therefore, it would be wise for the company to ask about the place of travel, as well as the date of return, without establishing any other details;
- data on the health status of employees. Health data refers to "sensitive" personal data, therefore, their collection and processing is carried out either by medical professionals and health care institutions, or on the basis of explicit voluntary consent, or in connection with the performance of the company of its duties in the field of labour relations.

Box 5. Case of personal data treatment regime in Ukraine

In the Eastern Partnership region, SMEs' operations can counter specific vulnerabilities and risks due to a number of reasons. Such vulnerabilities and risks come from:

o conflict and post-conflict situations. Situations of conflict and post-conflict situations are treated as "complex operating environments" (Working Group on the Issue of Human Rights and Transnational Corporations, 2014). Businesses have to not only assess the nature of the adverse impacts they themselves may directly cause or contribute to, but also evaluate how they may become linked with an economic structure which may serve to prolong the conflict and / or occupation regime, or uphold systemic discrimination and other serious human rights abuses. When such risks are high and immitigable, a business may need to conclude that operating within a certain context would be incompatible with its responsibilities under the responsible business conduct. For SMEs, this assessment of situation and decision-making could be even more difficult to implement;

o involvement in the global supply chains. Corporate responsibility to respect human rights requires that big companies should, first, assess the impact of the exercised business models that corporates exercise towards SMEs in their supply chains, especially in times of crises, and, second, stop working with SMEs that have committed human rights violations;

o lack of capacities of SMEs to operate digital tools. COVID 19 has demonstrated that digital technologies can help counter threats and keep people connected. At the same time, increasing people's dependence on digital technologies increases the vulnerability of certain categories of people. Older people are becoming even less competitive in the job market because they are often less fluent in digital tools for professional duties. This factor can also be a barrier for older people to access basic necessities through online platforms, provide communication in isolation, and so on. A significant increase in the time people spend on the Internet increases the risk of harassment on the Internet, as well as reduces the level of security. The rise of panic, disinformation, cybercrime, and violations of the right to privacy are all issues relevant during and beyond the COVID-19 pandemic. The lack of a workplace for people

with disabilities to work remotely creates additional barriers to employment. Rural residents are in a more vulnerable position compared to urban residents due to less availability of Internet services for them and lower quality Internet coverage. Businesses based on online platforms (Uber, Glovo, etc.) have been faced with the question of how social protection should be provided for their employees who do not formally work under an employment contract, and therefore have no guarantees in case of illness);

o special challenges of the gig-economy. Technology has driven the emergence of the gig economy, creating more seemingly flexible opportunities for people to earn income, such as ride-sharing services like Uber and Lyft, or freelance labour matching platforms. Within these new business models, unique business relationships have emerged which do not often fit traditional labour frameworks. For example, workers with tasks that resemble those of regular employees may be classified as “self-employed” individuals, “freelancers”, or “entrepreneurs”, without access to the same rights and benefits legally due to regular employees (Gig economy, 2020). Due to the lack of guarantees similar to those of official employees, gig workers put their customers’ and their own health at risk, because even if there are signs of disease, financial pressures may prevent them from staying home when ill. Employers of such workers often neither provide them with personal protective equipment and disinfectants, nor instruct on measures for protecting themselves and customers. In the region problem of informal employment is topical, COVID-19 could make it even more sensitive, especially in the context of using digital tech.

Summing up, there are numerous risks associated with digital transformation: cybersecurity and privacy threats; increased digital fraud; spreading disinformation online; unsafe working conditions; asymmetric market and others. Some aspects of these risks have increased especially in connection with the COVID-19 crisis and, for some of them, SMEs proved to be unprepared.

In the EaP region, SMEs’ operations can counter specific vulnerabilities and risks due to several reasons. Such vulnerabilities and risks come from: conflict and post-conflict situations; involvement in the global supply chains; lack of digital literacy to use digital tools; special challenges specific to gig-economy.

Conclusions

In this paper, the following aspects have been analysed: the level of SMEs’ digitalisation across the 6 EaP countries and the level to which digitalisation contributed to the survival of SMEs during the COVID-19 times, the opportunities opened up by the crisis in terms of digitalisation of SMEs, as well as the basic barriers and obstacles to digitalisation that have been worsened by the crisis; the impact of the pandemic on the implementation of the EaP 2020 deliverables and the obstacles tackled by SMEs, the benefits of digitalisation for SMEs especially during the COVID-19 times, and good practices in terms of SMEs’ digitalisation, risks accompanying digitalisation at COVID-19 times.

Based on that, we can summarise the main conclusions and draw recommendations on how the policy to support SMEs in the EaP countries could be improved.

1. The effects of COVID-19 for SMEs.

The SME sector in the EaP countries is extremely diverse. It brings together a significant number of enterprises with varying degrees of exposure to digital transformation. On the one hand, the COVID-19 crisis has negatively impacted the SME sector in the Eastern Partnership region, with many businesses

losing up to 80% of their turnover. On the other hand, it highlighted the differences between different segments of the SME sector in terms of their ability to adapt to changing business conditions. In any case, COVID-19 has prompted governments and SMEs to increase their online operations. The COVID-19 pandemic has triggered a dramatic change that is prompting companies to embrace digital technology more widely in times of pressure.

The various challenges faced by SMEs include declining customer purchasing power, limited interaction and working hours, shortages of raw materials, cancellation of orders, difficulties with cash flow, and supply chain disruptions.

2. The opportunities that the crisis opened up in terms of the digitalisation of SMEs.

In a situation like COVID-19, the use of technology is the best solution to keep SMEs afloat. Some SMEs do not know about digital skills that are relevant to business, so this condition forces them to learn online business. The crisis due to the COVID-19 pandemic has become the right moment for SMEs to improve the quality of their products or services and to develop various strategies for offering goods or services based on their business' concern.

3. The barriers / challenges for SMEs to digitizing despite the COVID-19 pressure.

The situation is direr in emerging, market-based countries, where government resources to help small businesses are limited. Speed is essential to provide the necessary support during a crisis; therefore, the use of digital technologies is proving critical in helping SMEs in these unprecedented times. There are challenges that limit the full potential of digitalisation to expand access to finance for SMEs, and risks associated with the use of digital financial products to consider. Some of these challenges and risks, while affecting the wider availability of financial services, have both direct and indirect effects on SMEs. These include low levels of financial and business literacy, limited Internet connectivity and use, unreliable (corporate) identity systems, current regulatory frameworks, lack of adequate data protection, and cybersecurity risks.

The main barrier is the lack of knowledge of digitalisation tools and the possibility of using them in business activities. SMEs representatives, unlike big businesses, do not have the opportunity to hire specialists who would implement and ensure the use of digital tools. SMEs cannot redirect financial and human resources towards digitalisation in most cases.

4. Risks for human rights associated with digitalisation.

Digitalisation can increase risks of human rights violations. In the EU, these risks are considered not only from the point of view of the state obligations, but also from the point of view of corporate responsibility to respect human rights (what policies should be adopted by companies to minimize these risks, what procedures should be applied at the level of companies, even the smallest ones, to prevent violations of human rights), whereas in the EaP countries there is no understanding of the role of business itself in minimizing such risks; corporate responsibility to respect human rights is extremely low.

5. Contribution of the digitalisation to responsible business conduct in times of COVID-19.

Digitalisation contributes to responsible business conduct. COVID-19 has demonstrated that digital tools can be effectively used to track the behaviour of a business in its supply chain, in relation to its employees and suppliers, to consumers and customers, and to the communities where the business operates.

However, digitalisation by itself cannot contribute to an increase in responsible business conduct because of a number of factors: lack of awareness of state institutions, academic community, non-governmental organizations and businesses on the developed standards and initiatives on responsible business conduct, in particular on the EU level; unappropriated economic conditions, in particular low level of income affecting individual motivation; risks and challenges associated with the absence of strong democratic traditions, weak civil society, lack of the rule of law, high level of corruption in public and private sectors, and as a result low levels of trust from the people conjoined with an absence of request for new social contract; extremely strong ties linking business and state; weak state institutions on effective protection of human rights.

6. Impact COVID-19 had on the implementation of the EaP 2020 deliverables.

Many objectives of the EaP 2020 deliverables have not been achieved because human mobility has been blocked, hampering peer learning and development of cross border expert networks. EaP and EU stakeholders have redirected their efforts and revised priorities in favour of combating COVID-19 instead of working towards EaP goals. At the same time, EU support was increasingly channelled to health and civil rights issues in EaP countries. However, the scheme of COVID-19 relief of SMEs that the EU has opened to EU SMEs was not replicated for EaP SMEs – neither on the level of current assets, nor on the level of looking for innovative solutions or capacity building of individual SMEs or business support organisations.

Recommendations

The above-mentioned factors lead us to draw several recommendations to be embraced by EaP governments, business, civil societies:

To EaP governments:

1. To advance digital capabilities:
 - i. Expanding adoption of digital consumer tools (e-commerce, digital payments, entertainment, etc.);
 - ii. Attracting, training, and retaining digital talent;
 - iii. Fostering digital entrepreneurial ventures;
 - iv. Providing fast, universal, terrestrial (e.g. fibre optics) and mobile broadband internet access;
 - v. Specializing in the export of digital goods, services, or media;
 - vi. Support coordination between universities, businesses, and digital authorities;
 - vii. Continuing to use policy tools and regulation to ensure inclusive access to digital capabilities and to protect consumers from privacy violations,

- cyberattacks, and other threats (while still keeping data accessible for new digital applications);
- viii. Identifying new technological niches and fostering environments friendly to innovation in those areas;
 - ix. Generating investment in digital enterprises, funding digital research and development R&D, training digital talent, and leveraging digital applications to create jobs;
 - x. Creating an institutional environment that supports safe, widespread consumer adoption of digital products and services, especially those that enable productivity and job creation;
 - xi. Promoting initiatives (particularly through public-private cooperation) that invest in digital access to historically disadvantaged segments of the population.

2. Improving digital literacy.

Given the low levels of digital literacy in many of the sectors in which SMEs operate, training focused on developing online business skills will be critical in many sectors of the economy. In line with the response to COVID-19, online video and online learning can help drive digital literacy campaigns, it is recommended to consider ways to work with the private sector to facilitate the development of such materials.

3. Support access to mobile money and financial technology.

This should go hand in hand with digital literacy training - the introduction of mobile money and digital payment tools into firms that have yet to experiment with this technology. Partnerships with private sector mobile money and financial technology providers should be explored to develop strategies that will expand the use of these services in the short term.

4. Increase confidence in digital tools (in a number of EaP countries this task is complicated by the low level of trust of businesses and populations in the state itself).
5. Promote responsible conduct by SMEs from a human rights perspective.

Realizing the benefits of digital solutions requires a conscious effort on the part of various stakeholders to address many interrelated issues, including data protection and privacy, cybersecurity and protection against digital fraud, ensuring a safe working environment, and preventing discrimination. Failure to address any of these issues will negatively impact the trust that businesses and consumers have in digital solutions, regardless of their purpose. For example, in a cybersecurity context, strategies to help SMEs defend against cybercrimes should raise awareness of risks (for example, the need to exercise caution when entering into deals with suppliers and customers) and purposefully educate new users of digital services.

6. Strengthening public-private partnerships in promoting the digital transformation of SMEs.

For example, by working with private business partners in the financial and telecommunications sectors, policymakers can expand SMEs' access to better international payment processing tools that can help businesses better manage online transactions and cash flow needs. Partnerships with alternative lending institutions can help many entrepreneurs in the region's informal economy recover from the COVID-19 crisis and develop in new ways. However, the implementation of these measures should take place considering the following basic principles.

To businesses, regardless of company size and business:

1. Raise awareness of CEOs and employees of digital skills, to participate in awareness raising campaigns for consumers, contractors / suppliers, communities in which the company operates.
2. Participate in the initiatives of the state, non-governmental organizations, academic community to discuss challenges for the SMEs digitalisation.
3. Recognize commitment to human rights, particularly human rights of vulnerable individuals, groups, including IDPs, and communities.

To SMEs:

1. Approach digital transformation systemically, with account of all elements that can be subject to change, including not only introduction of complementary and interoperable digital technologies, but also the revision of business processes and governance structures as well as investing in digital skills and competencies of staff.
2. Seek for participation in professional networks (associations) that support digitalisation for peer learning and joint piloting of digital solutions.

To civil society organizations:

1. Raise awareness of civil society actors on SMEs digitalisation, to analyse the specific risks of the region for their activities in times of COVID-19.
2. Provide expert support to public authorities, businesses, investors upon their request for effective fulfilment of business obligations to respect human rights, especially in the situation of COVID-19.
3. Pay special attention to ensuring corporate responsibility to respect women's rights, rights of vulnerable individuals, groups and communities; to support victims of human rights business abuses, with particular attention to vulnerable individuals and groups.
4. Participate in dialogues with the participation of national and international stakeholders, to share their experiences.
5. Produce expert reports, analytics, recommendations, and other relevant materials on the topic of SMEs digitalisation jointly with experts in the area of digital technologies and economic issues (subject matter experts).

Recommendations: what the EU could do to support EaP SMEs

EaP SMEs need more support from the EU across several dimensions: Telecom Infrastructure – Access to Finance, Technologies and Expertise for digital transformation – Innovation – Skills – Institutional environment – Internationalisation and integration into global value chains.

It is crucial to create a common platform for the EaP countries for dialogue in the sphere of information security in the next few years, including the development of soft power tools. Ultimately, such a common platform could become a means for regular diplomatic consultation. The presence of EU as a mediator of an international level would be a prerequisite.

Technical and financial support for the EaP information sphere is vital to counteract hybrid threats and to help building a powerful tool to fight disinformation in the region. Moreover, such support should be directed to traditionally problematic (television) and potentially massive (new media and Internet media) information channels.

Moreover, digital skills and media literacy should become flagship issues when developing future digital policies for the EaP countries.

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Annex 1

Цифровая трансформация малых и средних предприятий во времена COVID-19: опросник на русском

Дорогие коллеги!

Я разрабатываю тематический программный документ «Цифровая трансформация малых и средних предприятий в странах Восточного партнерства во времена COVID-19: проблемы и цифровые решения» для Форума гражданского общества Восточного партнерства.

Ключевые вопросы документа:

✓ Как цифровые технологии могут способствовать выживанию МСП (в краткосрочной перспективе) и развитию (в долгосрочной перспективе)?

✓ Какие политики следует ввести в действие, чтобы облегчить этот процесс?

✓ Какие дополнительные риски для прав человека связаны с цифровой трансформацией МСП?

Этот опрос является важной частью моего исследования. Буду очень благодарна за Ваше участие.

Ваше имя и фамилия (по желанию)

Организация, которую Вы представляете (по желанию)

В какой стране Вы преимущественно осуществляете свою деятельность? *

- Азербайджан
- Армения
- Беларусь
- Грузия
- Молдова
- Украина
- Другая страна

Какой сектор Вы представляете? *

- Гражданское общество

- Бизнес
- Наука
- Государственный аппарат
- Другое

1. *Согласны ли Вы с тем, что малый и средний бизнес особенно уязвим по отношению к вызовам, в частности экономическим, обусловленным COVID-19, по сравнению с крупным бизнесом?*

- Да, потому что у малого и среднего бизнеса нет такой финансовой подушки безопасности, как у крупного
- Да, потому что малый и средний бизнес не имеет рычагов влияния на госвласть, как это может делать крупный бизнес
- Нет, потому что МСП являются более гибкими и могут оперативнее сменить бизнес-модель, чем крупный бизнес
- Другое

Прокомментируйте свой предыдущий ответ (по желанию)

2. *Согласны ли Вы с тем, что в условиях COVID-19 МСП легче выживать в крупных городах, чем в регионах?*

- Да, полностью
- Да, частично
- Нет, одинаково сложно
- Нет, ситуация обратная

Прокомментируйте свой предыдущий ответ (по желанию)

3. *Помогла ли цифровизация выживанию МСП в условиях COVID-19?*

- Да, но только тем, кто на момент COVID-19 уже использовал он-лайн инструменты
- Да, помогла всем, чей бизнес в принципе допускает использование он-лайн инструментов
- Нет, существенного влияния не оказала
- Нет, напротив, усилила уязвимость МСП

Прокомментируйте свой предыдущий ответ (по желанию)

4. *Способствует ли цифровизация интеграции в европейские рынки?*

- Да, но только крупного бизнеса
- Да, всех бизнесов
- Нет, основные барьеры для такой интеграции не могут быть устранены с помощью цифровизации
- Нет, цифровизация усиливает барьеры

Прокомментируйте свой предыдущий ответ (по желанию)

5. *Нуждается ли малый и средний бизнес в помощи / содействии со стороны государства для того, чтобы адаптироваться к цифровизации?*

- Да
- Нет

6. *Если на предыдущий вопрос Вы ответили положительно, то о какой помощи может идти речь?*

- Налоговые льготы для того бизнеса, который использует цифровые инструменты
- Государственные дотации, льготные кредиты
- Преимущества в процедурах госзакупок
- Программы обучения от государства
- Цифровые сервисы от государства
- Другое

Прокомментируйте свой предыдущий ответ (по желанию)

7. *Какие преимущества цифровизации для малого и среднего бизнеса?*

- БОльший доступ к клиентам и рынкам
- Более широкий выбор бизнес-моделей
- Удобство, оперативность инструментов для работы
- Другое

Прокомментируйте свой предыдущий ответ (по желанию)

8. *С какими барьерами для проведения цифровизации сталкиваются МСП?*

- Недостаточный уровень знаний в вопросах цифровизации
- Необходимость финансовых вложений
- Недоверие к государству, отсутствие четкой стратегии развития
- Недостаточная развитость цифровой инфраструктуры
- Другое

Прокомментируйте свой предыдущий ответ (по желанию)

9. *Какие основные риски цифровизации Вы видите?*

- Низкий уровень кибербезопасности
- Нарушение права на приватность
- Цифровое мошенничество
- Доминирование цифровых платформ
- Другое

Прокомментируйте свой предыдущий ответ (по желанию)

10. *Может ли цифровизация усилить уязвимость отдельных социальных групп (женщин, людей старшего возраста, людей с инвалидностью и др.)?*

- Да
- Нет

Прокомментируйте свой предыдущий ответ: для каких групп может усиливаться уязвимость и с чем это связано?

11. Может ли цифровизация способствовать преодолению уязвимости отдельных социальных групп?

- Да
- Нет

Прокомментируйте свой предыдущий ответ

12. Отметьте утверждения, с которыми Вы согласны: Цифровизация способствует более ответственному поведению...

- Крупного бизнеса в отношении малого и среднего
- Бизнеса в целом в отношении его подрядчиков
- Бизнеса по отношению к его сотрудникам
- Бизнеса в отношении клиентов
- Бизнеса в отношении экологии

Прокомментируйте свой предыдущий ответ

Annex 2

SMEs' digital transformation in COVID-19 times: Questionnaire in English

Dear colleagues,

I'm developing the thematic policy paper "SMEs digital transformation in the EaP countries in COVID-19 times: challenges and digital solutions" for Eastern Partnership Civil Society Forum.

Key questions of the paper are:

How digital technologies could contribute to the SME survival (in the short term) and development (in the long term)?

Could COVID-19 be a catalyst for SME digital transformation in the EaP countries?

What policies should be put in place to facilitate the process?

What additional risks for human rights are related to the SMEs digital transformation?

This survey is crucial part for my research. I would be thankful for your participation.

Your first and last name (optional)

Organization that you represent (optional)

In which country do you operate mainly?

- Armenia
- Azerbaijan
- Belarus
- Georgia
- Moldova
- Ukraine
- Other

What sector do you represent?

- Civil society organisation
- Business
- Academia
- State bodies
- Other

1. *Do you agree that small and medium-sized businesses (SMEs) are especially vulnerable to the challenges, in particular the economic ones, caused by COVID-19, compared to big business?*

- Yes, because SMEs do not have the same financial cushion as big business has
- Yes, because SMEs do not have leverage over the government, as big business has
- No, because SMEs are more flexible and can change their business model more quickly than a big business
- Other

Comment on your previous answer (optional)

2. *Do you agree that in the context of COVID-19, it is easier for SMEs to survive in large cities than in regions?*

- Disagree, the situation is reversed
- Disagree, it's equally difficult
- Agree, partly
- Strongly agree

Comment on your previous answer (optional)

3. *Has digitalisation helped SMEs survive in the COVID-19 time?*

- Yes, but only to those who were already using digital tools at the time of COVID-19
- Yes, it helped everyone whose business, in principle, allows the use of digital tools
- No, it did not have a significant impact
- No, on the contrary, it increased the vulnerability of SMEs

Comment on your previous answer (optional)

4. *Does digitalisation contribute to integration into European markets?*

- Yes, but only big business
- Yes, all businesses
- No, the main barriers to such integration cannot be eliminated with the help of digitization
- No, digitalisation is increasing barriers

Comment on your previous answer (optional)

5. *Do SMEs need help / assistance from the state in order to adapt to digitalisation?*

- Yes

- No

- 6. *If you answered yes to the previous question, what kind of help / assistance can we talk about?*
 - Tax breaks for businesses that use digital tools
 - Government subsidies, preferential loans
 - Benefits in public procurement procedures
 - State training programs
 - State digital services
 - Other

Comment on your previous answer (optional)

- 7. *What are the benefits of digitalisation for small and medium-sized businesses?*
 - Greater access to customers and markets
 - Broader range of business models
 - Convenience, efficiency of tools for work
 - Other

Comment on your previous answer (optional)

- 8. *What barriers to digitalisation do SMEs face?*
 - Insufficient level of knowledge in digitalisation issues
 - The need for financial investments
 - Distrust of the state, the lack of a clear development strategy
 - Insufficient development of digital infrastructure
 - Other

Comment on your previous answer (optional)

- 9. *What are the main risks of digitalisation?*
 - Low level of cybersecurity
 - Violation of the right to privacy
 - Digital fraud
 - Dominance of digital platforms
 - Other

Comment on your previous answer (optional)

- 10. *Can digitalisation increase the vulnerability of certain social groups (women, older people, people with disabilities, etc.)?*
 - Yes
 - No

Please comment on your previous answer: for which groups might vulnerability increase and what is the reason?

11. *Can digitalisation help overcome the vulnerability of certain social groups?* *

- Yes
- No

Comment on your previous answer (optional)

12. *Check the statements you agree with: Digitization promotes more responsible conduct of...*

- Big business in relation to small and medium
- Business as a whole in relation to its contractors
- Business in relation to its employees
- Business to customers
- Business in relation to ecology

Comment on your previous answer (optional)

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The Eastern Partnership Civil Society Forum (EaP CSF) is a unique multi-layered regional civil society platform aimed at promoting European integration, facilitating reforms and democratic transformations in the six Eastern Partnership countries - Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine. Serving as the civil society and people-to-people dimension of the Eastern Partnership, the EaP CSF strives to strengthen civil society in the region, boost pluralism in public discourse and policy making by promoting participatory democracy and fundamental freedoms. For more information, please visit the EaP CSF website at www.eap-csf.eu.

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