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THE DIGITAL ECONOMY AND SOCIETY IN THE BASQUE COUNTRY. DESI 2024

EXECUTIVE SUMMARY

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With almost 20 years of experience and knowledge, Orkestra-Basque Institute of Competitiveness (Deusto Foundation) is a leading research centre in Europe in regional competitiveness. Its mission is to promote competitiveness at the service of inclusive and sustainable wellbeing in the Basque Country. To this end, the institute works on a daily basis on transformative research projects with local and international stakeholders and provides rigorous analysis for decision making.

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Executive summary

In these times of rapid technological change, digital transformation poses critical challenges for both companies and societies as a whole. The digitalisation of industry and advanced industry-related services is particularly important, as the capacity to generate high levels of wellbeing depends on a highly productive and internationally competitive industry.

Both European industrial policy and the Basque Government's new Industry Plan - Euskadi 2030 give significant weight to digital transformation. The European Commission has established a specific monitoring system within the framework of the Digital Decade, which measures, among others, the Digital Economy and Society (DESI) of the 27 Member States through a panel of *key performance indicators* (KPIs) structured in four dimensions: i) Digital skills, ii) Digital infrastructures, iii) Digital transformation of companies and iv) Digitalisation of public services.

Orkestra has been producing a DESI Report of the Basque Country since 2017 to contribute to the monitoring, analysis and improvement of policies around digital transformation. This new 2024 edition reaffirms the firmness of the territory in terms of the state of its digitalisation, with 74% of the indicators analysed among the top ten positions in the European ranking, ten of which are among the top five. In the comparison with the previous year, the trend is positive (83% of the indicators have grown), and if we look at the performance of the territory with respect to the Member States, the result is also remarkable, with 71% of them maintaining or improving their positions.

In terms of dimensions, the following conclusions can be drawn:

- **Digital skills**

The levels presented by the Basque Country in terms of its human capital and how prepared it is to operate in the digital world are high. The territory offers a positive outlook in the European comparison, as it is above the average in all indicators, and this has been the case over time. Even so, it has some limitations when more specific aspects are studied, such as digital content creation skills or ICT graduates, where the positions are intermediate. From the solidity shown by the ACBC in this first fundamental pillar on which the digitalisation of the territory is based, it faces the challenge of remaining competitive with respect to its European neighbours. The drop in positions in i) Digital skills above basic level, ii) Digital content creation skills and iii) ICT specialists, reflects the faster progress being made in the EU-27.

- **Digital infrastructures**

The Basque digital infrastructures represent its great strength in terms of digitalisation, being the second essential pillar on which this phenomenon is based. The ACBC is at the top of the European ranking in terms of Fibre to the Premises (FTTP) coverage and mobile broadband deployment. In three other indicators (Internet Deployment, Very High Capacity Fixed Network Coverage (VHCN) and 5G Coverage in the 3.4-3.8 GHz band) the positions are among the top five. Not only are all indicators growing (with the exception of one that has not been updated), but all are gaining or maintaining positions (except for 5G Spectrum, for which the value is that of Spain). If the territory maintains its current growth trajectory, it can be expected to meet the targets set for 2030, thus consolidating its leadership.

- **Digital transformation of companies**

Basque companies continue to perform well in their digitalisation process, but with key areas identified for strengthening. All indicators (with the exception of Unicorns) are growing and most of them are gaining or maintaining positions. However, there is a duality in the type of technologies used, with a much more widespread use of those that can be considered basic, such as Electronic Information

Exchange or Social Media. The incorporation of other more complex technologies with greater potential (Data Analytics, Cloud Computing Services or Artificial Intelligence) shows good results in relation to the European average, but without exceeding 50% of the total number of companies. Another point to note is that e-commerce among SMEs has not reached European levels, although the proportion of their turnover has improved notably in the last year.

- **Digitalisation of public services**

The assessment of the digitalisation of the Basque public administration is based on only two indicators. Their analysis reflects paradoxical situations that occur frequently; on the one hand, an indicator that decreases, such as Users of e-government, but maintains its position and, on the other hand, an indicator that, despite growing, loses positions, as is the case with Access to electronic medical records. In these cases it seems more interesting to focus on the individual evolution of each of them, paying attention to the fact that the percentage of eGovernment Users has decreased in the last year while in Access to electronic health records, the right path is being followed to try to reach the 2030 target.

Recognising the importance of continuing to strengthen infrastructures, where the Basque Country is a leader in several areas, and capacities, where there are specific aspects to strengthen within a robust general scenario, the most significant challenges that emerge from the analysis of the Report refer to the digital transformation of companies. More specifically, **recommendations** are identified in three key areas:

1. **Advanced digital infrastructures:** In light of the Basque Country's clear strengths in the infrastructure dimension, the challenge is to remain at the forefront through investments that anticipate the introduction of new advanced digital infrastructures and thus maintain leadership positioning.
2. **Digital talent:** Taking advantage of the good general positioning of the Basque Country in terms of skills, continuous training actions for internal talent and attracting external talent must be strengthened in order to: (i) maintain the pace of evolution in general skills so as to ensure a more involved, participative and prepared society in the face of new developments in all areas of digitalisation and (ii) tackle the lack of ICT graduates and specialists in the territory.
3. **Business adoption of new technologies:** Building on the good use of basic digital technologies in Basque companies, it will be crucial to support them in making the necessary leaps in the adoption of more sophisticated technologies. These technologies, such as data analytics, cloud computing services, AI or cybersecurity, are evolving at high speed and are critical to maintaining the productivity and international competitiveness of Basque industry.



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