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2014 Report on e-communications and information society in Enlargement countries

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This is the final monitoring report in a series of four on the electronic communications and information society sectors in the nine countries that have been taking part in an ongoing process of the enlargement of the EU: Croatia, Iceland, the former Yugoslav Republic of Macedonia, Montenegro, Serbia, Turkey, Albania, Bosnia & Herzegovina and Kosovo*. The report covers the key market and regulatory developments between May 2013 and January 2014. It also assesses progress in these countries in aligning national ICT policies with the goals and priorities of the Digital Agenda for Europe (DAE). The main analytical report is complemented by an annex on the cross-country data.

Highlights:

- The total value of the electronic communications market in the nine countries in 2012 was €17.15bn. This represents a year-on-year increase of 4.2%, sustaining the trend seen in 2011. There was growth in all sectors except fixed voice telephony, which accounted for less than 20% of the total revenue share in 2012, down from 24% in 2011, as a result of fixed-to-mobile substitution. Broadband services remain the engine of growth, with revenues rising almost 20% year-on-year.
- The fixed broadband market grew by 4.6% in 2012 measured by number of active connections, which was less than half of the 10% growth rate recorded in 2011. At the end of 2012 the total number of fixed broadband lines in the nine countries was 11.08 million, equivalent to an average penetration rate of 11.3%. The slowdown can be attributed partly to a stagnation of the DSL market in Turkey, as mobile broadband became an increasingly competitive alternative. Albania, Serbia and the former Yugoslav Republic of Macedonia (fYROM), in contrast, all recorded strong growth in fixed broadband, with the total in Serbia exceeding 1 million connections for the first time. Broadband line speeds are steadily improving in all countries, with growth observed especially in the 2-4 Mbps and 4-8 Mbps broadband packages.
- Spectrum policy is the area where most of the enlargement countries are still lagging behind the EU. Only Croatia, Iceland and fYROM have completed digital terrestrial switchover and assigned the entire digital dividend spectrum in the 800 MHz band to mobile broadband. Four countries have allowed both 3G and 4G services along with GSM in the 900 MHz and 1800 MHz bands: Croatia, Macedonia, Montenegro and Kosovo*.
- Mobile broadband is the fastest growing and most dynamic segment of the market. Growth in the penetration rate of dedicated 3G mobile datacards slowed in 2012, however, as access via smartphones and tablets increasingly offered an alternative. In Serbia and Croatia, the mobile

broadband penetration, measured for all devices including smartphones, exceeded 50%, being close to the EU average of 54%.

- Electronic communications legislation based on the EU 2009 regulatory framework in the area is now in place in four countries: Croatia, Albania, Kosovo* and Montenegro. FYROM also adopted new law in February 2014 that aims to align with the EU 2009 framework.
- Despite the progress, the current institutional frameworks in these countries often fall short of ensuring an adequate level of the financial and operational independence of the national telecoms regulators. Also the administrative capacities of the policy making bodies in most of the countries remain limited.
- National statistics on the key information society indicators based on Eurostat methodology are regularly collected in six of the monitored countries: Croatia, Iceland, FYROM, Montenegro, Serbia and Turkey. With broadband access becoming increasingly widespread and affordable, a steady progress has been reported over the past four years in the South-East Europe countries, which however has not been sufficient to reduce the disparities in ICT take up.
- The proportion of regular internet users varied among the countries, ranging from 95% in Iceland, which is well above the EU average of 69%, to below 40% in Turkey. Large digital divides also remain when looking at the share of the population who never used the internet.
- Rapidly growing online services and the increasing role of ICT in the society also create a wide range of new human rights challenges and ethical dilemmas for policy makers and the industry alike, especially when it comes to the need to protect the right to privacy, freedom of expression and access to information.

*) This designation is without prejudice to positions on status, and is in line with UNSC 1244 and the ICJ Opinion on the Kosovo declaration of independence.

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