

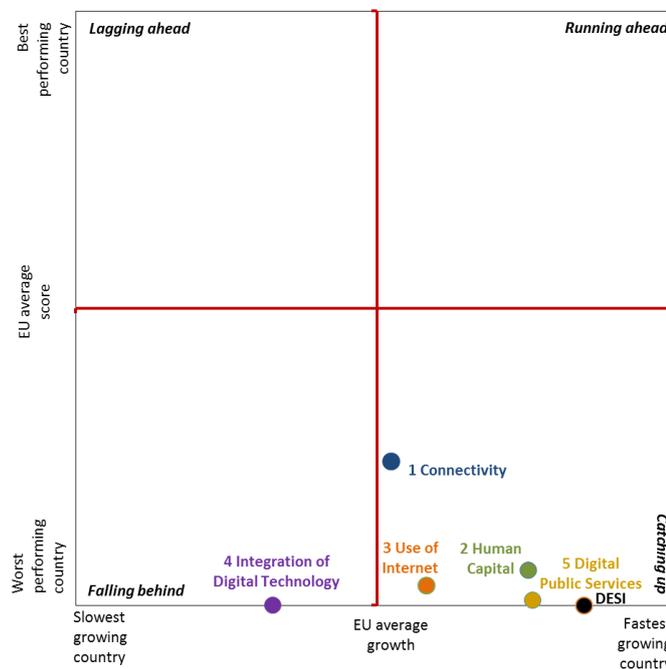
# Europe's Digital Progress Report (EDPR) 2016

A report complementing the Digital Economy and Society Index (DESI)<sup>1</sup> country profile

## ROMANIA

Romania ranks 28<sup>th</sup> out of the 28 EU Member States in the European Commission Digital Economy and Society Index (DESI) 2016<sup>2</sup>. However Romania is part of the **catching up**<sup>3</sup> cluster of countries: although it has performed below EU average, it has progressed faster than average over the last year. The dimensions driving the strongest growth are human capital and digital public services. Romania has made good progress but since it is the lowest performing state in the EU, it has significant unexplored potential for growth.

The Romanian government adopted the National Strategy for Romanian Digital Agenda 2020<sup>4</sup> last year. The strategy sets out the following targets for 2020: at least 80% of broadband coverage (with speeds of more than 30Mbps); at least 60% of Romanians using the Internet regularly; at least 30% of Romanians trading on line and at least 35% of Romanian citizens using e-Government systems.



Romania's performance in the five DESI dimensions relative to other EU countries

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### 1 – Connectivity

In Connectivity, Romania's performance is below the EU average but it's making average progress. Romania retains its ranking for fixed broadband coverage of households, still amongst the lowest (26th) in the EU (89% of households are covered compared with the EU average of 97%). Coverage of next generation access (NGA) network (with speeds of more than 30Mbps) however is at 72% of homes covered, similar to the EU average. In terms of take-up, the number of subscriptions to fast broadband is among the highest in the EU (63% of fixed broadband subscriptions are above 30Mbps as opposed to only 30% in the EU). Moreover, in view of the high level of infrastructure competition, Romania decided to deregulate markets 3a and 3b of the 2014 Recommendation (Wholesale local access and Wholesale central access), a first in the EU. In terms of the take-up of fixed broadband subscriptions, despite progress, Romania is still among the lowest in the EU. The reasons for the low take-up might be the low levels of digital skills of the population and the broadband subscription

<sup>1</sup> The Digital Economy and Society Index (DESI) is a composite index developed by the European Commission (DG CNECT) to assess the development of EU countries towards a digital economy and society. It aggregates a set of relevant indicators structured around 5 dimensions: Connectivity, Human Capital, Use of Internet, Integration of Digital Technology and Digital Public Services. It clusters countries in four groups: Running ahead, Lagging ahead, Catching up and Falling behind. For more information about the DESI please refer to <https://ec.europa.eu/digital-single-market/en/desi>

<sup>2</sup> DESI Country Profile for Romania: <https://ec.europa.eu/digital-single-market/en/scoreboard/romania>

<sup>3</sup> Other catching-up countries are Cyprus, Croatia, Italy, Latvia and Slovenia

<sup>4</sup> "Strategia Națională privind Agenda Digitală pentru România"

price which, although low in absolute terms, is one of the highest in the EU relative to the income of a Romanian citizen. Another reason might be the low level of development of digital public services. Access to ICT services consequently remains uneven among the population with big gaps especially in rural areas. Mobile broadband take-up is also below the EU average (59 as opposed to 75 subscribers/100 people).

Efforts to boost national investments in broadband are continuing according to the “National Strategy for Romanian Digital Agenda 2020,” which sets the targets for 2020: 100% households fixed broadband coverage, 80% households over 30 Mbps broadband coverage and 45% households connected with subscriptions over 100 Mbps. In view of these targets the allocation of European Structural and Investment Funds for sustaining high-speed broadband networks covers only a relatively small part of the investment needed, estimated to be between €3.1 and 5.5 Billion. The Romanian Operational Programme Competitiveness (2014-2020) earmarked €100 Million from the European Regional Development Fund (ERDF) while the Operational Programme Rural Development (2014-2020) allocated €35 Million from the European Agricultural Fund for Rural Development (EAFRD). A decision should be taken by the Romanian authorities on more efficient investment models for broadband roll-out and a list of priority investments in this area should be established.

Meanwhile, the administrative capacity to prepare and deliver ICT projects under existing EU, national or regional strategies should be reinforced as well as horizontal and vertical cooperation between relevant authorities and stakeholders. The experience of the 2007-2013 programming period shows that only €15 Million was absorbed from €69 Million ERDF funds while €10 Million from EAFRD had to be reallocated for other purposes. In addition the Romanian authorisation system imposes a very cumbersome procedure that generates long delays in the deployment of broadband infrastructure for those operators who abide by it. Romania still has to transpose the Cost Reduction Directive<sup>5</sup> which could help to reduce the infrastructure gap and bring more clarity in this regulatory field.

## **2 – Human Capital**

In Human capital, Romania's performance is below the EU average but it's making good progress. Despite the existence of many skilled Romanian ICT specialists digital skills in the overall population and in the workforce are among the lowest in the EU. Half of Romanians are regular internet users (52%) compared with 76% in the EU and one third (32%) of Romanians have never used the internet at all (vs 16% in the EU). Digital skills in the population are the lowest in the EU with only 26% of Romanians possessing above basic levels of digital skills (vs 55% in the EU). Romania performs relatively well in terms of science, technology and mathematics (STEM) graduates, with 1.7% of Romanians aged 20-29 years old holding a STEM degree. While positive, this is not enough to compensate for Romania's digital skills deficit which is further increased by many ICT specialists leaving the country to work abroad.

Romania's digital strategy ("Strategia Națională privind Agenda Digitală pentru România") includes actions aimed at improving the digital skills of the population. A Romanian National Coalition for Digital Jobs was launched in the context of the Grand Coalition for Digital Jobs<sup>6</sup> initiative of the European Commission but with few stakeholders involved. Since 2007, there have been various projects funded by Structural Operational Programmes – mostly for human resource development (POS DRU), enabling ICT qualification improvement of persons occupied in various sectors, including

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<sup>55</sup> Directive 2014/61/EU of the European Parliament and of the Council of 15 May 2014 on measures to reduce the cost of deploying high-speed electronic communications networks (OJ L155, 23 May 2014, p. 1)

<sup>6</sup> <https://ec.europa.eu/digital-single-market/en/grand-coalition-digital-jobs>

administration, education, transport and agriculture. Using ICT in education and training has become a priority for teacher training programmes in Romania and a large-scale ICT infrastructure has been installed. Since 2012, ICT has been an optional subject in the national curriculum for primary education.

The involvement of more stakeholders and a more active role for government could strengthen the impact of the national coalition.

### **3 – Use of Internet**

In the use of Internet services Romania's performance is below the EU average but it's making progress as more and more Romanians are using Internet services. The use of social networks has shown the highest increase but Romanian Internet users are reluctant to make on-line transactions, like on-line banking (10%) and online shopping (18%), suggesting distrust of the online environment. Having said that, the share of Internet users engaging in online shopping is increasing.

To tackle these challenges, the Ministry of Communications and for Information Society has initiated an EU-funded project<sup>7</sup> that aims in particular to develop and streamline eCommerce by analysing the current normative framework and propose improvements. The main concerns addressed through this project are: distrust in online services, the lack of a proper legal framework to manage potential legal conflicts between companies and consumers, and other concerns related to encrypted communications and payments.

### **4 – Integration of Digital Technology**

In Integration of digital technologies by businesses Romania's performance is below the EU average and its progress is limited. Consumer and retailer confidence in domestic online transactions is low and thus the potential of online transactions (such as eCommerce) is still largely untapped.

Romania has since 2001 offered a fiscal incentive for ICT specialists. This policy has attracted many IT companies to invest in Romania and retained ICT specialists to stay in the country and start their own companies. There are hopes for a new generation of entrepreneurs. A strong culture of programming, innovation and incubation is emerging. Universities in Bucharest, Timișoara, Cluj-Napoca, Iași and Constanța provide a regular source of talented people and drive tech innovation. The Romanian start-up ecosystem now boasts numerous incubators, co-working spaces and dedicated events to help emerging entrepreneurs<sup>8</sup>.

Strengthening the enforcement capacity of consumer protection authorities would ensure that rules are better enforced, also in the digital world, and thus increase trust in online transactions. National start-up figures are modest, but growing. However there are barriers to business growth including a lack of start-up funding, bank lending and equity investment, as well as a relatively small domestic consumer market.

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<sup>7</sup> <http://www.comunicatii.gov.ro/proiectul-ecom/>

<sup>8</sup> Startup Manifesto Policy Tracker, Track progress in Romania <http://www.europeandigitalforum.eu/startup-manifesto-policy-tracker/country/RO>

## 5 – Digital Public Services

In Digital public services, Romania's performance is below the EU average but it's making good progress. Romania has progressed mainly on the supply side by promoting an Open Data policy; but the use of eGovernment services remains the lowest in EU28 with only 8% of users interacting with the public authorities by returning filled forms.

In Romania, digitisation of public administration has been slow and fragmented. There is room for improvement in re-using information across administrations to make life easier for citizens. A positive sign is that the Government made one of its priorities to support interoperability and provision of better digital services at national level. An important project<sup>9</sup> is in progress until July 2016 and will recommend a strategy to align and integrate ICT resources within the Romanian government and provide the policy and technical recommendations to adopt a Romanian Government Enterprise Architecture and Interoperability Framework. Another initiative launched this year is an on-line platform to consult with citizens and businesses on how to simplify interaction with the public administration ("Comisia de tăiat hârtii" <http://maisimplu.gov.ro/>). This initiative will help identify ways to simplify the administration and to devise user friendly solutions together with users. Another positive sign is that Romania has at its disposal for eGovernment projects an allocated sum of €213 Million in the 2016-2020 Programming Period.

Using various platforms and funding mechanisms, the EU contributes to the sharing of best practices between EU Member States. For instance through the Joinup platform <https://joinup.ec.europa.eu/> the ISA programme: <http://ec.europa.eu/isa/> and the Connecting Europe Facility (CEF) <https://ec.europa.eu/cefdigital>.

### **Highlight: The special committee designed to cut red tape ("Comisia de tăiat hârtii")**

The Romanian Government launched on 24 February 2016 an initiative aimed at identifying ways of reducing bureaucracy in the public administration through suggestions from the general public via an on-line platform (<http://maisimplu.gov.ro/>). The government wants an institution to ask only once for information from a citizen and to make public institutions capable of electronically transferring information between themselves. The initiative is also looking to remove cumbersome documents and procedures. The initiative has attracted thousands of suggestions for simplification.

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<sup>9</sup> Romania's Enterprise Architecture and Interoperability Framework Technical Assistance (RGEAIF)