AZERBAIJAN’s ICT Sector: Dynamic and Growing

Prof. Dr. Ali M. ABBASOV
Minister of Communications and Information Technologies of the Republic of Azerbaijan
AZERBAIJAN’s ICT Sector

- **ICT Sector: Turning Black Gold into Human Gold**
- Network, Regulatory and Legal Overview
- National Priorities and Projects, and Areas for Investment and Collaboration
Azerbaijan: One of the World’s Fastest Growing Economies

Source: Economist Intelligence Unit (2005)
Azerbaijan’s revenues from these four projects were estimated at $107B over a ten year cycle – assuming oil prices were $30 per barrel.

At the current level of $50 per barrel, the ten year revenue stream increases to an unprecedented $178 B.
The ICT Sector: Over the Long Term – Even more Opportunities than Oil!

Ministry of Communications and Information Technologies of the Republic of Azerbaijan, 2007, USA
New Ministry leadership in 2004 with vision, resources and an action plan to build a modern ICT sector – and a merger of communications and IT

Ongoing participation in major global ICT events, including:
- GAID, Davos 2007, Tunis 2005, Geneva 2003, BakuTel, others
- Visits to and with numerous stakeholders for partnership and investment dialogues including USA, Russia, Dubai, Iran, South Korea, Japan; over 30 in total

Established new partnerships, 33 inter-governmental agreements and MOUs, and received ICT sector-related grants from:
- US Trade and Development Agency and UNDP
- ICT MOU with US Department of State
- World Bank - $30M project loan
- South Korea e-government loan
- Other private agreements

Commitments to sector reform, including investment, collaboration, and better use of national technology resources (human and capital) to improve domestic development and capabilities, and to boost regional and global trade and investment.
Azerbaijan’s Government: Supporting the ICT Sector’s Growth

- State support for developing non-oil sectors; profits from oil & gas allocated to the next priority sector: ICT
- Strategy in place to reshape the economy towards high-tech & knowledge
- Plans in place to leverage Azerbaijan’s strategic location as a crossroad of international transport corridors
- State policy to develop the national transportation network
State Priorities in ICT

Source: The world Economic Forum, 2005

Ministry of Communications and Information Technologies of the Republic of Azerbaijan, 2007, USA
Opportunities Await!
Azerbaijan is heading up the scale…

Source: The Global Information Technology Report 2005
Ministry of Communications and Information Technologies of the Republic of Azerbaijan, 2007, USA
Quality of Azerbaijan’s Scientific Education

Source: The World Economic Forum, 2005
R&D Expenditures in Azerbaijan

We would like to collaborate to improve this percentage…

R&D expenditures as a share of GDP (2002, in %)

Source: UNESCO Institute of Statistics, 2007
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## Subscriber Growth: Double Digit in Key Areas!

<table>
<thead>
<tr>
<th>(per 100 citizens)</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>PSTN subscribers</td>
<td>10.7</td>
<td>11.4</td>
<td>11.5</td>
<td>12.4</td>
<td>13.3</td>
<td>14.1</td>
</tr>
<tr>
<td>Mobile subscribers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2001</td>
<td>7.9</td>
<td>9.7</td>
<td>12.8</td>
<td>18.03</td>
<td>27.0</td>
<td>38.7</td>
</tr>
<tr>
<td>Internet users</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2001</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>8</td>
<td>10</td>
</tr>
</tbody>
</table>

Source: Pyramid Research; Economist Intelligence Unit.
Investments in PSTN and Mobile Networks (1997-2006)

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**Azerbaijan’s ICT Imports:**

*Export Opportunities!*

<table>
<thead>
<tr>
<th>Name</th>
<th>Value (US $000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Telecommunications equipments</td>
<td>136,155</td>
</tr>
<tr>
<td>Computer and computer equipments</td>
<td>35,047</td>
</tr>
<tr>
<td>Electronic equipments</td>
<td>7,806</td>
</tr>
<tr>
<td>Audio and video equipments</td>
<td>12,323</td>
</tr>
<tr>
<td>Other ICT goods</td>
<td>46,268</td>
</tr>
</tbody>
</table>

In US $000, 2005
Main Reform Directions in the ICT sector

Our goal is to provide and sustain a fair, transparent and competitive marketplace.

- **Privatization** of state owned enterprises
- **Liberalization** of market
- Create an independent **Regulator** and well functioning regulatory processes
- **Improve legislation** to modern standards

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The following laws have been adopted:

- E-signature and e-document
- Postal services
- Communications
- Telecommunication
- E-commerce
Planned Commitments by Azerbaijan to the WTO for the Telecommunications Sector

We are working towards meeting the following WTO requirements:

- Market liberalization
- Privatization of state-owned communication enterprises
- Creation of the sound competitive environment; Prevention of anti-competitive practices
- Establishment of the independent regulatory body
- 3 years after admittance to the WTO, allowing other operators into the international communication service market
- Transparency of interconnection arrangements
- Public availability of the procedures for interconnection negotiations
- Public availability of licensing criteria
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Azerbaijan’s ICT Sector: Ten Key Features

1. The Azerbaijan market is small -- but quickly evolving and serves as a vital link to regional ICT opportunities.

2. The IT market for telecom equipment is growing fast.

3. Mobile telephony is growing rapidly; introduction of third cellular operator has been initiated.

4. Growing demand for systems and software application.

5. Growth potential for main wholesalers and distributors.

6. Opportunities for application development – e.g., registry, I-cards, customs automation, election systems, student enrollments, tax administration and e-banking.

7. Long-expected privatization of the monopoly service provider is taking place – leading to related telecom sector development and overall market growth.
Azerbaijan’s ICT Sector: Key Opportunities and Trends

• Software companies are rapidly developing...
  • Azerbaijan is seeking collaborations and investors to supplement the software capabilities that exist
  • Azeri language software – opportunities for growth

• Computers are being assembled based on imported sub-assemblies

• Telecom manufacturing focusing towards specialized segments

Market Potential:
  • Content creation and IT enabled services
  • Replication of Azeri computer systems, applications and IT services

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Current ICT State Programs

- “State Program on provision of secondary and primary schools with the information and communications technologies” (2005-2007)
- “State Program on poverty reduction and development”
"National E-Governance Network Initiative" Project

The July 2004 initiation of this Project is the outcome of the Republic of Azerbaijan’s commitment e-government development combined with strong support from the United Nations Development Programme.

**Project Activities include:**

- **National Backbone Network – AzDATACOM:** The network is a crucial piece of the country’s infrastructure; when completed, the network will provide high-speed interconnectivity for the regions and the capital city, Baku.

- **Support development of national e-governance,** serving as an agent for change, coordinating relevant activities, developing central e-government infrastructure, supporting policy development, and initiating new projects in the areas of **G2G, G2B,** with the special focus on **G2C.**
Regional Innovation Zone (RIZ) in Azerbaijan

There are fundamental motivations – and opportunities -- for developing a RIZ in Azerbaijan

- The region has a big gap in the ICT industry;
- During Soviet times, and through today, Azerbaijan possesses distinctive intellectual/scientific human capacities;
- The BTC pipeline – and its secure and proven international contracting methodologies - is only the start!
  - Azerbaijan is now working to create and sustain a technology platform, business development environment, physical and information infrastructure, and related regulatory, legal and tax planning other initiatives that will provide an attractive, consistent and secure investment and operating environment; MCIT General Advisor and Booz Allen Hamilton Study Team at work with recommendations forthcoming in the Spring
- The Azerbaijan government is ready to share the investment risk.

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Ministry Opportunities: Regional Innovation Zone

Currently in the evaluation and planning stage, with assistance from a major global technology consulting firm, the RIZ has five core objectives:

S: Stimulate technology innovation via small and middle scale entrepreneurs;

H: Develop human resources, particularly in IT and high technology areas;

I: Create an international data transit center;

N: Provide a hospitable, innovative and collaborative environment for new and established domestic, regional and global technology organizations to invest and expand operations in Azerbaijan;

E: Establish an innovative environment that supports and enhances production and regional exports of electronic equipment and software products and services.

Visit www.mincom.gov.az for updates about this important project.
Azerbaijan is a strategic location for Caspian investment and regional operations...
We welcome you to Azerbaijan…

And thank you for joining us -- and look forward to working together.

33, Azerbaijan ave., Baku Azerbaijan
E-mail: abbasov@mincom.gov.az; minister@mincom.gov.az
www.mincom.gov.az
Phone: +994 12 493 00 04