



Project Report

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Title Updated Report about the National ICT Sector in Azerbaijan
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PP	Restricted to other programme participants (including the Commission)	
RE	Restricted to a group defined by the consortium (including the Commission)	
CO	Confidential, only for members of the consortium (including the Commission)	

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Abstract : This document presents the national ICT Sector in Azerbaijan. It's an update of an older document created under EXTEND project.
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The National ICT sector in Azerbaijan

Information technologies and telecommunications sector in Azerbaijan develops rapidly along with other areas of the economy. As the records of many international organizations show, Azerbaijan is one of the top10 on the dynamics of ICT development in the last 5-7 years. According to these reports, as well as data from the State Statistical Committee and according to many experts, revenue from ICT sector in 2020-2025 will be able to catch up with the oil sector revenues.

The average annual growth rate of revenue in ICT sector in 2004-2010 is roughly 2.5-3 times higher than the global average. Full digitization of fixed-line network in Azerbaijan has been completed for the first time among CIS countries. This indicator is observed now in developed countries and in a few developing countries. The number of cities, where services are organized on the basis of broadband technology, was 51 in 2009. At the present moment, any settlement in Azerbaijan has access to high speed broadband.

At present, digital television covers about 85 % of the territory of Azerbaijan. Azerbaijan will fully switch to digital television by the end of 2012.

There are 5 mobile phone operators in Azerbaijan. Three of them function as GSM mobile phone operators: "Azercell Telecom MMM" JV,"Bakcell LTD" Company and "AZERFON" LLC. Two of them are CDMA mobile phone operators: "CATEL" Caspian American Telecom LLC and Aztrank LLC. There are local phone communication operators 'AzEuroTel', 'Catel' and 'Ultel' JVs as well.

In addition to wired technologies providing high-speed digital subscriber access via telephone line, wireless broadband is also developing in Azerbaijan, and Azerbaijani companies provide their services based on Wi-Fi, iBurst, WiMax and CDMA technologies. Azerbaijan launched 3G technology in 2009.

Main activity in the mobile network was carried out in the direction of providing new services and expanding user network. Today, there are 110 mobile phones for every 100 persons in Azerbaijan, which is higher than the global average by almost 30 percent and reaches the level of developed countries. During the first half of 2011, prices of mobile phone services were reduced by 30 percent, while prices for roaming services by 20-50 percent, depending on the direction. Now the prices for mobile services in Azerbaijan are nearly at the level of Eastern European countries.

Internet services are expanding rapidly as well. At the moment, there are 40 Internet providers in Azerbaijan. Service of 'BakInternet' and 'Aztelecomnet' state Internet provider's supplies all regions of republic with Internet access. Aztelekom and BTPA telephone operators are actively installing new equipment to provide the population with high-speed Internet opportunities.

Currently according to estimations of the Ministry of Communication and Information Technologies (MCIT), the main regulatory institution in ICT field in Azerbaijan, the number of Internet users in Azerbaijan is 65 percent of the population; half of them are broadband internet users, which is 2 times higher than world average.

Broadband internet access in the country gave strong impetus to the development of Internet business, e-commerce. With the introduction of such kind of connection, web radio stations, online games, video conferencing have developed and increased volume of transmitted information. Moreover, Internet television (IPTV) is expanding its scope of penetration.

The government of Azerbaijan pays special attention to the development of space industry in Azerbaijan. Order of the President of the Republic of Azerbaijan "On creation of the Space industry in the Republic of Azerbaijan and launching telecommunication satellites on the orbit" signed on November 4, 2008 has opened new prospects for our country. Existence of national artificial satellite enables the country to arrange qualitative and reliable communication, telecasting, as well as to increase the number of communication channels. "AzerSpace" satellite will cover territory of both Asia and Europe enabling the country to act as a transit between the continents. In addition, launching of own national satellite to the orbit will be the first step in transformation of Azerbaijan into a space industry country. Today, work is being continued on plan schedule for placing the first telecommunication satellite of the country into the orbit in the IV quarter of 2012. Moreover, according to the plan, work is carried out for creating a primary and backup ground control center and the possibility of external interference in the time of the failure, training of personnel, building a carrier rocket by the French company Ariospace etc. In order to strengthen and sustain Azerbaijan's position in space markets, in accordance with the State Program, the MCIT and other organizations continue joint work on the development of a second telecommunications satellite, as well as the creation of low-orbiting satellites to monitor and study the earth's surface. Financial and organizational issues of the program are carried out under the supervision of the Cabinet of Ministers, Finance Minister and the Space Council set by the President order.

Adoption of law on Special Economic Zones in 2009 and Order of the President of Azerbaijan "On Submission of State Program regarding implementation of National Strategy on the development of science in the Republic of Azerbaijan in 2009-2015" created very favorable conditions for the development of high technology sector. Implementation of "Regional Innovation Zone" project (creation of the country's regional innovation zone, which will manufacture high-tech products and services), which was developed in 2007, can be a new development stage in the economy of Azerbaijan. Creation of such zones will increase the share of ICT in the economy of the country.

Today people living in most of the Eurasian countries have limited opportunities to get qualitative Internet access at rational prices and consumers pay excessively high charges for connection in comparison with developed communities of the world. The region's weak provision with international connections and low level of the broadband services' coverage is an obvious manifestation of the "digital difference" existing in the world.

Taking these factors into account and having analyzed the available alternatives, Azerbaijan has initiated "The Trans-Eurasian Information Super Highway" project. The project envisages establishment of Highway between the Eurasian countries which will connect the two vast regions differing by high level of ICT development - Western Europe and Eastern Asia countries at the Pacific Ocean basin - covering approximately 20 countries.

The project concept was prepared by leading international consulting company "Booz&Co" and presented at the Regional Meeting of Ministers organized with the participation of representatives of UN, RCC, TAE consortium and high officials from 17 countries. Joint activities are being carried out currently together with the regional countries for implementation of the project. The government of Azerbaijan is also making efforts to have the said project be discussed and appropriate decision be adopted at the General Assembly of the UN for ensuring execution of the targets determined by the World Summit on the Information Society (WSIS), elimination of "digital difference" in the Eurasian region and deriving social and economic benefits from the said project in total by the countries participating in the project.

According to the experts' opinion, this project will give renewed impetus to the regional economic development, improve the quality of telecommunication connections, ensure increase in volume of the electronic services, reduce "digital difference" existing between the countries and provide with an incentive to reduce prices of services down to international levels.

The decree of The President of Azerbaijan issued in May 23, 2011 "On some measures in the sphere of provision of e-services by state bodies" plays an important role in establishing a relationship between the citizen and the state in a new context, to ensure transparency and increase confidence in government in terms of development of management mechanisms using modern information technologies. At the same time, use of electronic services creates conditions to prevent corruption and reduce bureaucracy. One of the major challenges is to ensure the rapid development of Internet, in particular provide citizens with access to broadband and electronic services. To this end, the "Strategy on the development of broadband services in Azerbaijan" was developed, which envisages the development of Internet in the country over the next few years.

Today the main issue is to strengthen the export potential of the ICT sector and promoting the participation of Azerbaijani companies in foreign markets. Azerbaijan is not so big country for its geographical and demographic size, despite the growing demand for ICT productions and services in the domestic market, however Azerbaijani companies' and our desire for further development finds no room in these sizes. The MCIT is preparing the package of proposals for a simplified regime of exports.

Annually the Ministry of Communication and Information Technologies of Azerbaijan holds the international telecommunications and IT exhibition and conference BAKUTEL, which is the most authoritative event in the Caspian region. In 2010 the exhibition was sponsored by Chinese company Huawei, and this year the exhibition is sponsored by Microsoft Corporation. This year the exhibition is expected to expand three times larger than a year ago.

The results achieved by Azerbaijan in ICT field were printed in the reports of various international organizations. It is a positive condition that it is specially mentioned in the "Global Information Technologies" report of Davos World Economic Forum for 2009-2010 as follows:

"Azerbaijan being in the 60th place with 7 stages development strengthened its dominant position among CIS in the environmental component and owing to determination of the ICT by the government as a priority, and arrangements made in the development and usage". In this report, our country left behind such countries as Poland, Bulgaria, Turkey, Philippines, Indonesia, Egypt, and Pakistan. At the same time, Azerbaijan is among the top 10 countries on its development dynamics for development level of ICT, according to the report of International Telecommunication Union in the last 5 years.

There is a huge potential for mobile applications, mobile and/or wireless broadband in Azerbaijan taking into consideration relatively mature market. But this particular area is insufficiently developed.