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CONVERTING BLACK GOLD TO HUMAN GOLD

Intensive development of the energy complex in Azerbaijan has sustained rapid growth in other spheres, with the petroleum industry being an active catalyst of national economic progress and information and communication technologies (ICT) becoming the nation's second fastest-growing industry.

Since 2003, the ICT sector has caught up with the petroleum industry in terms of annual growth rates (approximately 32%). Following the 1994 investment boom in Azerbaijan's energy industry, the ICT sector has come second to it in investor appeal. The amount of investment into telecommunications has topped \$538 million in the past decade. In 2005 alone, about \$142 million were invested in it.

The shift of emphasis to information and pioneering hi-tech R&D efforts for further progress is widely seen as a welcome alternative to the national economy's excessive dependence on oil stock. Although the ICT sphere accounts for about 2.7% of the country's GDP (5-7% in EU countries), this sector is considered to be a universal catalyst of further economic and social development.

The government has succeeded in implementing major regional transportation and energy projects thanks to which the country has strengthened its geostrategic position as a junction of many East-West and North-South transport routes and communication channels. Drawing upon this positive experience, the government has mapped out an ambitious plan to turn the country into the regional ICT system integrator of the Caspian basin.

Within the framework of strategic international North-South and Europe-Caucasus-Asia (TRACECA) transport corridors a fibre optic communication cable has been laid along the main railways and put into service.

In pursuance of another strategic international project, TransAsia-Europe (TAE), an 1,161-km fibre optic cable has been extended to Azerbaijan, and a network of fibre optic communication lines has been put into operation, making modern communication technologies available to the region's residents.

Azerbaijan is a small country, and its internal ICT market is narrow, so the government's policy is to give the national ICT industry every support with a view to making it the region's leading exporter of hardware, software and services. Some of the Azeri ICT majors, such as AzEurotel, AzerSat, RISK and some others, have already achieved this goal. The government has put support for ICT high on its list of priorities.

Addressing the 2003 Geneva Summit on the Information Society, President Ilham Aliyev of Azerbaijan keynoted his speech by the slogan "Let's Convert Black Gold Into Human Gold" and stressed that the creation of the Information Society was in line with national priorities and that the government would follow through with this idea. He expressed his personal commitment to promoting ICT "as a way to modernize Azerbaijan." He insisted that effective introduction of ICT called for unanimous and systematic efforts on the part of all government officials set on enhancing the efficiency of the government machinery.

A number of important decisions made by the authorities over the past few years show that the country is firmly following its policy towards balanced development, introduction of e-governance and integration into the world information society. ICT have found rewarding uses in various spheres, and this process is steadily going on.

ICT are seen as a major development driver and given priority treatment in Azerbaijan. Setting the stage for an information-intensive society is one of policy objectives of the Azeri government.

No government controls are currently imposed on Internet content, and the majority of on-line media enjoy a high degree of freedom.

It was crucial to develop national e-strategies and create a regulatory environment enabling local entrepreneurship and private investment. On 17 February 2003, the President of Azerbaijan gave a green light to the National ICT Development Strategy for 2003-2012 (NICTS). The document enshrines the government's policy of transition to an information civil society, laying the legal groundwork for ICT advancement and expediting the country's integration into the European and global information space.

The NICTS offers individual citizens and public institutions every opportunity to obtain, disseminate and use information; to ensure effectiveness, transparency and accountability of central government agencies and local self-government bodies; to promote e-governance and electronic commerce; to build up the country's economic, social, and intellectual potential; to promote a competitive economy; to establish and develop an information and knowledge market; to work for the country's integration into the international information society; to eliminate the “*digital divide*” in the country, etc. A series of important steps aimed at introducing ICT have been undertaken. These technologies are already being successfully applied in diverse spheres and figure prominently among the priorities provided for under the nation's economic policy.

On 21 October 2005, a Government Program of ICT Development in Azerbaijan for 2005-2008 (Electronic Azerbaijan) was ratified to give a new impetus to the country's development. Its main objective is to lay the foundations of an information society. The program has become the logical extension of the National Strategy (NICTS) and provides for making the most of ICT's current potential; promoting the modernization, restructuring and legislative regulation; carrying out institutional reforms; asserting the principles of a free market economy and healthy competition; and implementing other measures to speed up the nation's transition to an information society.

In June 2004, the Ministry of Communication and Information Technologies (MCIT) launched, with UNDP support, the National e-Governance Network Initiative aimed promoting an e-governance system in government agencies. The project pursues four objectives: establishment of an efficient national e-governance network; creation of government information portals and free public access centres for effective citizen-government interaction; training civil servants; drawing up provisions for the National Civil Service Code to regulate the legal aspects of e-governance.

On 15 August 2004, a Government Program for Equipping Secondary Schools with ICT Systems was launched. This three-year program aims at computerizing 4,521 secondary schools in three stages. In 2004, only 1,570 computers – that is, one PC per 1,063 students – were installed in the secondary education system to begin with. By the end of 2007,

there will be one PC per 33 students. Financed from the national budget, this \$20-million program also provides for building a school computer assembling factory.

However, despite a number of sweeping nationwide programs and projects being realized in the ICT sphere with remarkable success, overall situation leaves much to be desired.

For over a decade, since 1995 when the Internet made its debut in Azerbaijan and until 2002, it was restricted to commercial and amateur users mostly. From 2002 on, the government began giving more attention to the ICT sphere and as a result, mid-2005 became a turning point in the history of the Internet in Azerbaijan. It was the year when Internet penetration rate in Azerbaijan topped 4% for the first time ever. What followed proved the truth of the empirical observation that upon reaching its critical mass – 4% of the population – the Internet-users' community becomes, in itself, a catalyst of national Internet penetration rate growth.

Indeed, in less than a year, i.e. at the beginning of 2006, this indicator went up 2% to reach the 6% mark. However, it stands no comparison with the average European level.

Though the telecommunication infrastructure of Azerbaijan is quite well developed even by European standards, its potential cannot be made the most of due to the telecommunication market's regulatory environment being unprepared for the expansion of the Internet coverage area.

The process of laying the legal basis for the emergent Internet services has livened up recently in Azerbaijan, and laws on e-Signature and e-Document Circulation, Legal Protection for Information Gathering, e-Commerce, Free access to Public Information, On Telecommunications, etc. have been adopted.

Despite the headway made in building up and reforming the institutional and regulatory system of Azerbaijan, this process has not been completed yet and further Internet penetration comes up against restrictions posed by the legal and regulatory environment currently surrounding the national ICT segment.

From the regulatory angle, the following problems have to be dealt with in the first place:

- Insufficient competitiveness of the fixed-line services and facilities provided inevitably results in high telecom tariffs and cost of services. Though the world's leading telecom companies are represented in the Azerbaijan market by joint ventures, most fixed and cable (both fibre and copper) lines and switches still belong to the government or joint ventures many of which are partially owned by the former Ministry of Communications (MC).
- With limited exceptions, the government-owned Aztelecom company is practically the monopoly provider (www.aztelecom.net) of international and intercity telecommunication services all over the country's territory, Internet access, data and cable transmission lines (including intercity and international channels available for lease). It puts through long-distance and international calls. Other five major joint fixed-line service providers (AzEuroTel, Catel, Ultel, etc.) operate in Baku and the Apsheron peninsula for the most part.

The main task now is for all operators to install, with minimum paperwork and at minimum cost, physical network elements in order to make the provision of alternative infrastructures possible.

Telecom development was hindered, above all, by the absence of an independent regulatory agency. The former MC had a dual role to play in the ICT sector being both the regulatory authority and the owner/operator of the main telecom networks in Azerbaijan. The MC exercised government regulation in the ICT sphere and supervision over it. The licensing of services, such as international, intercity, cellular and satellite communications, paging, radio-trunking, and subscriber television installation, were regulated by the MC which was also responsible for setting up joint ventures (JV) in the ICT sphere.

The time is ripe for carrying out legal, regulatory and institutional reforms, for vesting the MC – now in charge of commercial affairs in the ICT sector – with regulatory powers. The ministry must be relieved from all commercial chores in the ICT sector and other areas which fall under its authority. It should concentrate on the overall promotion of the ICT sector's development, the creation of a favourable regulatory environment and monitoring the implementation of nationwide ICT projects.

Actually, the MC was a co-founder of more than 20 JVs operating in the ICT sphere and the owner or co-owner of government-run telecom companies and networks. In pursuance of the President's Decree of 29 March 2001, the Ministry of Economic Development was assigned to map out a privatization policy in respect of government-run telecom companies and government participation in JV. For some reason, however, the process of privatization and liberalization in the national telecom segment has stalled.

There is now a pressing need for ways to accelerate privatization and liberalization processes. Privatization priorities should be established, and the MC must withdraw from the companies in which it has any participating interest.

The major impediment to the development of the ICT sector in Azerbaijan is the high level of tariffs and charges. With the exception of local telephone calls, which are free, these costs are substantially higher than those normally charged in international practice.

The National ICT Strategy emphasizes the provision of a level playing field for all ICT companies as essential to the development of a vibrant and productive ICT sector in Azerbaijan and its capacity to export its products to other Caspian states. The optimal levels of tariffs for government and natural monopolies, including tariffs for all basic telecom services, and penalties imposed on defaulters should be established by the Interdepartmental Tariff Commission.

The key concern is to improve regulations and government tariff policy so that the level of tariffs and charges be brought into line with normal international practice and, at least, not exceed that in the other CIS member-states.

In February 2004, the President of Azerbaijan announced his intention to liquidate the Ministry of Communications and establish the Ministry of Communication and Information Technologies (MCIT) instead. The new ministry www.mincom.gov.az will be vested with purely regulatory functions (as distinct from its predecessor) and gradually relieved from responsibility over the commercial activities in the ICT sector. The move is seen as part of the government's reform package intended to streamline the ICT sector to make the most of immense human potential. The first steps taken by the MCIT

demonstrate its flexibility and ability to adapt to the demands of the globally evolving ICT sector, to expedite the market-oriented reforms in the ICT sphere, and to open up the sector to broader private participation. It is noteworthy that the establishment of the new government agency in charge of the ICT sector is a major precondition for Azerbaijan's harnessing ICT potential.

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