

On The Eve of New Reforms - ICT and Telecom regulation initiatives

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recent activities

By the recent Presidential decrees the Government has been tasked to develop:

- “Smart City” and “Smart Village” Concept
- to draft the Digital Transformation Concept
- In January 2021 Centre for Analysis and Coordination of the Fourth Industrial Revolution was established under the Ministry of Economy with major aim to coordinate efforts related to adoption of the Fourth Industrial Revolution technologies and digital economy in Azerbaijan.

What we do?

- Assessment of current environment
- Consolidation and liberalisation
- New Regulatory Framework
- Designing Regulatory Authorities
 - Regulator for Communication and ICT
 - Digital Technologies and Innovative Governance
- Digital Transformation and Transition
- Key Enablers
- Development of Public – Private Partnership Models Telecom
- Internet penetration and rural areas
- Data-driven Governance Concept
- Agile Transformation Concept

Latest Regulatory Reforms

In February 2021 “Azerbaijan 2030: National Priorities on Socio-Economic Development” Strategy was endorsed, which includes five main directions, namely:

- sustainably growing competitive economy;
- dynamic and inclusive society based on social justice;
- competitive human capital and land for modern innovations;
- great return to the liberated territories;
- clean environment and “green growth” country

Key pillars of digital strategies

- Develop telecommunications infrastructure (e.g. access to broadband and telecommunication services) and preserve an open Internet.
 - Promote the ICT sector, including its internationalisation (encouraging international trade of ICT services).
 - Strengthen e-government services, including enhanced access to public sector information (PSI), services and data (i.e. open government data).
 - Strengthen trust (digital identities, privacy and security).
 - Encourage the adoption of ICTs by businesses and SMEs in particular, with a focus on key sectors such as i) health care; ii) transport; and iii) education.
 - Advance e-inclusion, with a focus on the ageing population and disadvantaged social groups.
 - Promote ICT-related skills and competencies, including basic ICT skills and ICT specialist skills.
- Tackle global challenges such as Internet governance, climate change and development co-operation.

Source: OECD (2015), Digital Economy Outlook, <http://dx.doi.org/10.1787/9789264232440-en>.

Agile Transformation Concept

- | Organizational | Legal |
|--|----------------------------|
| • Agile organisation | • Basic Laws |
| • Innovative Business Model | • Secondary Laws |
| • Consumer Centric Design | • Regulations |
| • Holding Strategy | • Develop Regulatory Tools |
| • Data-driven Management | |
| • Digitally savviness (technology, people, regulation) | |

Regulatory frameworks

- Regular assessment of the goals of the regulatory framework
- general principles of competition ensure predictability
- set of tools for assessing if a regulatory framework is sound is by collecting information and preparing key indicators, such as
 - the level of prices
 - Competition
 - Investment
 - Infrastructure deployment.
- publish regular reports to inform stakeholders and let them provide feedback and any proposals for changes
- Regular public consultations on the effectiveness and adequacy of the regulatory framework to correct existing problems.
- Well-designed public consultations allow for feedback from all stakeholders and anticipate potential issues before enacting new regulations.
- Regular benchmarking with reference countries.
- Peer and third-party independent reviews are useful for providing comprehensive external views of areas where the regulatory framework can be improved

The Iterative Process Statement

1. **Framework.** Develop the framework based on the stated objective.
2. **Concept.** Identify the relevant concepts that fit the framework.
3. **KPIs.** Identify potential indicators that capture those concepts.
4. **Implementation.** For each considered indicator, assess coverage, methodological soundness, quality of data, and explanatory power.
5. Based on this assessment, revisit the framework, concepts, and/or indicators (steps 1-4) if necessary.
6. Identify and treat any outliers and missing data.
7. Define normalization and aggregation methods.
8. Calculate the index.
9. Analyse results and index statistical sensitivity and robustness.
10. Based on the results of the sensitivity analysis, revisit steps 1-8 if necessary.

Core design principles for collaborative regulation

- To achieve digital transformation, policy and regulation should be more holistic.**
 - Cross-sectoral collaboration along with revisited regulatory approaches such as co-regulation and self-regulation, can lead to new forms of collaborative regulation based on common goals such as social and economic good, and innovation.
- Policy and regulation should be consultation and collaboration based.**
 - In the same way digital cuts across economic sectors, markets and geographies, regulatory decision making should include the expectations, ideas and expertise of all direct stakeholders, market players, academia, civil society, consumer associations, data scientists, end users, and relevant government agencies from different sectors.
- Policy and regulation should be evidence-based:**
 - Evidence matters for creating a sound understanding of the issues at stake and identifying the options going forward, as well as their impact. Appropriate authoritative benchmarks and metrics can guide regulators in rule-making and enforcement, enhancing the quality of regulatory decisions.
- Policy and regulation should be outcome-based:**
 - Regulators need to address the most pressing issues, for example market barriers and enabling synergies. The rationale for any regulatory response to new technologies should be grounded in the impact on consumers, societies, market players and investment flows as well as on national development as a whole.
- Policy and regulation should be incentive-based:**
 - Collaborative regulation is driven by leadership, incentive and reward. Regulators should keep a wide array of investment incentives at hand to provide impetus for markets to innovate and transform while maximizing benefits to consumers.
- Policy and regulation should be adaptive, balanced and fit for purpose:**
 - Regulation-making is about flexibility – continuously improving, refining, and adjusting regulatory practices. The balance in regulatory treatment of new services is more delicate than ever. A close, continuous link to markets and consumers is important to get digital on the right glide path to achieving social and economic goals.
- Policy and regulation should focus on building trust and engagement:**
 - Collaborative regulation provides the space for co-creating win-win propositions, working towards regulatory objectives while increasing the engagement of industry. Trust becomes the foundation of the regulatory process, underpinning the growth of digital.

Following the Main clusters of Benchmarks

- Connectivity mapping:**
 - Tracking the deployment of the various kinds of digital infrastructure can inform the regulatory process and allow regulators to identify market gaps and market stakeholders – to turn them into opportunities for investment and growth.
- Metrics for market performance:**
 - Metrics allow regulators to assess the performance of market segments for digital services against social and economic goals and identify priority action areas for policy and regulation.
- Measuring regulatory maturity and levels of collaborative regulation:**
 - Regulatory benchmarks pinpoint the status of advancement of policy and regulatory frameworks for digital markets. They help track progress and identify trends and gaps in regulatory frameworks, making the case for further regulatory reform towards achieving vibrant and inclusive digital industries.
- Impact assessment:**
 - A combination of quantitative and qualitative econometric studies based on reliable data can enable regulators to explore, understand and quantify how digital technologies, market players or regulation can contribute economically to growing the larger digital ecosystem and making it more inclusive.
- Regulatory roadmaps**
 - based on established authoritative metrics can guide regulators towards achieving digital connectivity objectives in a faster and targeted way



Collaborative regulation strategy

Focus:

- Established sector or multi-sector government regulatory agencies for competition, consumer protection, finance, energy, broadcasting, spectrum management and Internet issues.
- Degree of regulatory collaboration between the ICT&Communications Regulator and other regulatory agencies.

Best-case scenario:

- Combines the greatest number of agencies collaborating with the highest official status of collaboration.



Conceptual approach

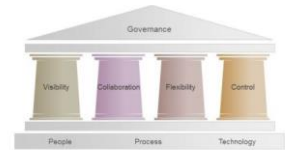
- Broadcasting
- Telecommunication
- Cyber Security
- Frequency Spectrum
- Postal And Courier
- Type Approval
- Numbering
- Interconnection
- Universal Access
- e-Commerce Development
- Consumer Right
- Research & Statistics

Perform Adequately and Agile

- Develop vision and mission
- Set out development objectives and priorities
- Identify performance outcomes and impacts
- Set appropriate performance indicators as yardsticks for measuring performance
- Set measurable targets
- Monitor performance
- Measure and review performance
- Improve performance
- Establish a process of regular reporting
- Draw lessons for the next round of planning process.

Follow e-Governance Imperatives

- **Process**
 - Simplicity
 - Efficiency
 - Citizen centricity
 - Sustainability
 - Cost-effectiveness
- **Technology**
 - Architecture
 - Open Standards
 - Reliability
 - Scalability
 - Security
- **People**
 - Vision
 - Leadership
 - Commitment
 - Competency
 - Change
- **Resources**
 - Holistic
 - Efficient
 - Service oriented
 - Sustained
 - Adequate



Vision & Mission

- **Vision**
 - Establishing communications that are competitive, efficient, and increasingly regulating, generating growth to meet Azerbaijan's economic and social needs.
 - **Mission**
- We are committed to:
- Promoting access to communications and ICT services;
 - Ensuring consumers enjoy choice and a satisfactory level of services at affordable prices;
 - Providing transparent regulatory processes to facilitate fair competition and efficiency in the Telecommunication and ICT industry;
 - Ensuring best use of spectrum and number resources;
 - Consulting regularly with consumers and service providers and facilitating industry and government collaboration

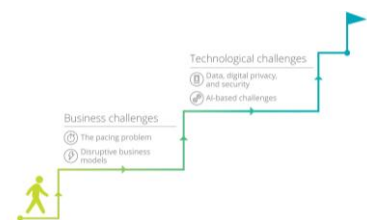
Complimenting roles

- **Digital Economic regulation**
Includes the promotion of competition and prohibition of anti-competitive conduct, as well as the development and enforcement of access codes and standards. It also includes licensing, enforcement of license conditions for network and application providers and ensuring compliance to rules and performance/service quality.
- **Technology Engagement and Technical regulation**
Includes efficient frequency spectrum assignment, the development and enforcement of technical codes and standards, and the administration of numbering and electronic addressing.
- **Consumer protection**
Emphasises the empowerment of consumers while at the same time ensures adequate protection measures in areas such as dispute resolution, affordability and availability of services.
- **Social regulation**
Includes the twin areas of content development as well as content regulation; the latter includes the prohibition of offensive content as well as public education on content-related issues
- **Postal regulation**
Includes safeguard the provision postal service and promote competition in the postal and courier market.
- **Certification Authority regulation**
Includes control of the Certification Authority's operation through licensing and audit mechanism to ensure its trustworthiness.

Our role

- Our role is to advise government on policy and deliver the policies of the government of the day. Under ministerial direction, this may involve:
- clarification and elaboration of the implications of government policy
 - application of policy to specific issues
 - research into particular issues and strategies for addressing them
 - consultation with stakeholders
 - development of legislation and subordinate legislation
 - implementation of legislation
 - advice on delivery of programmes and their costs
 - operational programme or service delivery; and
 - review of legislation, organisations and programmes.

Challenges to traditional regulation



Source: Deloitte Center for Government Insights analysis.

Deloitte Insights | deloitte.com/insights

Key policy objectives for the regulatory frameworks

- Encouraging the expansion of broadband services
- Lowering barriers for investment in broadband networks and services
- Encouraging public initiatives that complement private initiatives when necessary
- Upholding a consistent and effective policy framework for all market actors
- Ensuring independence of the Regulator

Five main clusters of benchmarks

- **Connectivity mapping**
 - Tracking the deployment of the various kinds of digital infrastructure can inform the regulatory process and allow regulators to identify market gaps and market stakeholders – to turn them into opportunities for investment and growth.
- **Metrics for market performance**
 - Metrics allow regulators to assess the performance of market segments for digital services against social and economic goals and identify priority action areas for policy and regulation.
- **Measuring regulatory maturity and levels of collaborative regulation**
 - Regulatory benchmarks pinpoint the status of advancement of policy and regulatory frameworks for digital markets. They help track progress and identify trends and gaps in regulatory frameworks, making the case for further regulatory reform towards achieving vibrant and inclusive digital industries.
- **Impact assessment**
 - A combination of quantitative and qualitative economic studies based on reliable data can enable regulators to explore, understand and quantify how digital technologies, market players or regulation can contribute economically to growing the larger digital ecosystem and making it more inclusive.
- **Regulatory roadmaps**
 - based on established authoritative metrics can guide regulators towards achieving digital connectivity objectives in a faster and targeted way. In order to leverage on these evidence-based instruments, the volume and quality of data accessible to regulators need to be increased, and their sources diversified.

Main roles

- Authorization, regulation, supervision, sanction
- Tariffs and settlement duties
- To support R&D and training activities
- Protection and provision of competition
- Development and protection of consumer rights
- Frequency, number planning and allocation / registration
- Auditing the compliance of the requests for determination of communication with the legislation
- Regulation and supervision of the postal sector
- Market surveillance and inspection
- National and International Collaboration



Sectoral Independence

	National Strategy and Policy Definition	Services	Authorization and Regulation	Spectrum Management	Tariff Regime and Interconnection	Quality Control	Numbering	Consumer Rights
Related Ministry	✓	✓	-	-	-	-	-	-
Regulatory Authority	-	-	✓	✓	✓	✓	✓	✓

Best Practice Principles

“Regulators, under unprecedented pressure, face a range of demands, often contradictory in nature:

- be less intrusive – but be more **effective**
- be **kinder and gentler** – but don’t let the bastards get away with anything
- focus your **efforts** – but be **consistent**
- process things **quicker** – and be more **careful** next time
- deal with **important** issues – but **do not stray** outside your statutory authority
- be more **responsive** to the regulated community – but **do not get captured** by industry”

• Malcolm K. Sparrow