

IT-market

6,853 companies work in the IT-industry of Belarus

140 residents of HTP

According to the portal dev.by, generally there are more than 853 companies in the industry "Computer and information services", of which the state companies are only 18 (2.1%) of the total number of companies. IT-companies are mainly located in Minsk (92%). 140 companies work in the HTP.

The volume of production of IT-services by companies in Belarus is 993 mln USD

The volume of production of IT-services by organizations within the HTP of Belarus, according to official statistics, in 2013, amounted to 470 mln USD. The volume of the entire IT sector in Belarus, according to national statistics, is 993 mln USD (2013, estimate).

90% of IT-companies in Belarus have been developing custom software

In 2013, more than 90% of companies have developed custom software in Belarus that confirms the absolute advantage of this type of activity in the Belarusian IT-market. At the same time, only 32.7% of all companies are positioned as a purely "service".

Domestic consumption of IT-services amounted to 453 mln USD in 2013 (estimate)

Total consumption of IT-services is 453 mln USD in 2013. And domestic consumption of modern IT-services is low – 65 mln USD in 2013 (estimate).

Exports of computer services at 2013 year-end amounted to 552 mln USD

Exports of computer services at 2013 year-end amounted to 552 mln USD. Exports of IT-services has increased more than 50 times for eleven years. Belarusian import is also significantly inferior in terms of exports. By the end of 2013 it amounted to 72 mln USD. An increase of exports of IT-services to 24-28% per year is expected in 2014-2015. The growth rate of imports is expected to be 5-7%.

FDI flows on a net basis in the HTP is 70 mln USD in 2013

The volume of foreign direct investment on a net basis in the company HTP amounted to 70 mln USD at 2013 year-end, which amounts 5% of the total volume of foreign direct investment on a net basis.

Foreign companies from 17 countries have assets in the Belarusian IT-companies

Foreign investment geography in the Belarusian IT-sector is quite wide - foreign participants from 17 countries have a stake in the Belarusian enterprises. In this TOP-3 countries which investments come from are the United States (19%), Russia (18%) and the Netherlands (11%).

HTP creates a special mode of operation of IT-companies in Belarus

Established in 2005, Hi-Tech Park offers its residents many advantages. Relationship of the residents of HTP, as well as the rules of entry are governed by Decree No12 "About Hi-Tech Park."

7 Belarusian companies are among the top 500 global providers of IT-services

According to one of the largest IT-publications Software Magazine, in 2013, seven companies were included in the **Software 500** top global providers of IT-services. The prestigious top includes EPAM Systems (140th place, +20 positions), PROGNOZ (254th place, +38 positions), IBA Group (286th place, +2 positions), Ericpol Telecom (299th place, +13 positions), Sam Solutions (393th place, +13 positions), Intetics (440th place, +33 points), SoftClub (441th place, +19 positions).

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The size of the industry

The volume of production of IT-services by organizations in the Republic of Belarus amounts about 900 mln USD at 2013 year-end (the growth rate amounted 136%). CAGR amounts just over 30% over the past 5 years.

The production indicator of IT-services, according to national statistics, includes software publishing, software development, and consulting in this area, the data processing, activities associated with databases. This indicator also includes the costs of organizations to develop their own IT-products and services for internal use.

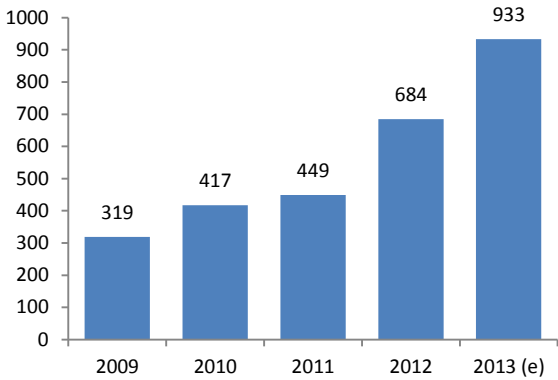
The main part of the volume of production of IT-products and services constitutes a software development and consulting in this area (86.2%). The highest rates of growth in production, according to preliminary data in 2013, accounted for the data processing and activities related to the data processing (150%) that confirms the expectations and predictions of experts on the most promising areas for growth. As well, experts note that the growth in these segments will occur due to developments in areas such as big data processing and information receiving systems Business intelligence (programs designed to improve taking of business decisions using systems based on business data).

IT-products and services according to national statistics are divided into:

- Software publishing
- Software development and consulting in this area
- Processing data
- Activities related to databases

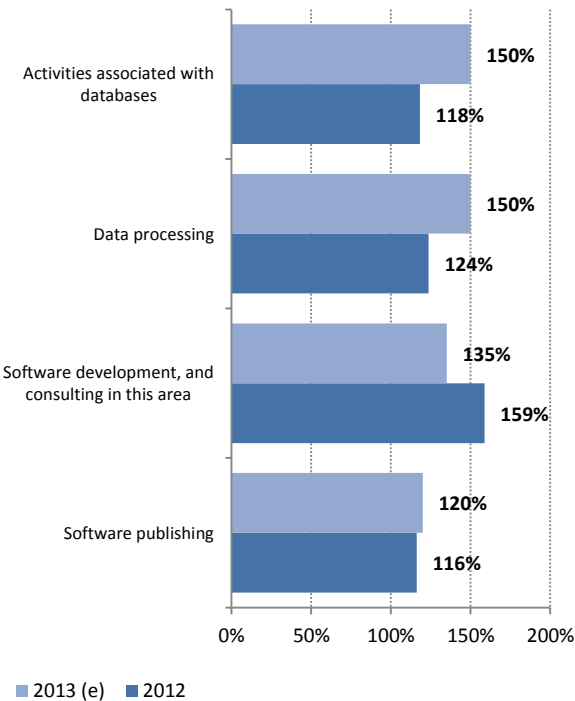
The indicator of the volume of production of IT-services also includes production of IT-services by companies for their own needs (for example, automated control systems, and so on).

The volume of production of IT-products, mln USD



Source: Belstat, UNITER's estimate

The growth rate of production of IT-products by sectors, %



Source: Belstat, UNITER's estimate

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The resource base of the industry

The most significant factors affecting the competitiveness of the Belarusian IT-industry:

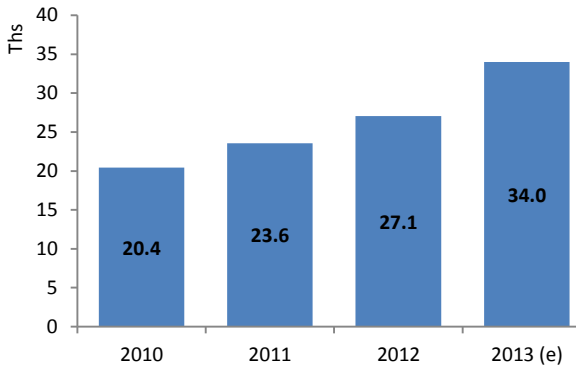
- Geographical and cultural proximity of Belarus to Europe. Belarusian features of business ethics are very similar to European and American features, so the Belarusian IT is not often seen as offshoring, but acts as a nearshoring.
- Well-developed infrastructure. Belarus since the Soviet Union was a center of high technology. In Soviet times, it accounted for a significant amount of investment in infrastructure, high-tech manufacturing and research-and-development activity. Belarus has managed to maintain and upgrade this infrastructure base.
- High level of education. The system of technical education formed during the Soviet Union is one of the best in the world to this day. This contributes to the fact that the Belarusian IT-specialists are among the most highly skilled in the region. About 34,000 people work in the IT-sector in Belarus according to preliminary data of 2013. The number of staff in Hi-Tech Park (hereinafter - HTP) is 18,000 people (2013).
- Significant tax preferences. It should be noted the stability and predictability of government policy in this area. So, HTP has operated with a certain mode of benefits for IT-companies since 2005 in Belarus.

WAGES

A key criterion in the assessment of IT-market is wages and rates of specialists. The level of wages in Belarus in the IT-sector is above the average level of wages in the country in 3 - 4 times. The average salary in the IT-sector at the beginning of 2014, according to dev.by, is 1,550 USD (18% by the beginning of 2012) and are among the highest in the country. Nevertheless, in comparison with many countries exporting IT-services salary of Belarusian IT-specialists is quite low, which is the main competitive advantage of Belarus.

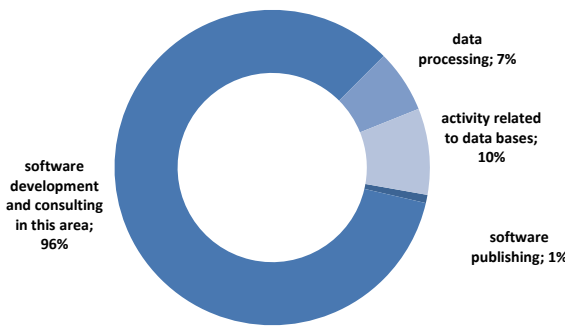
The labor market in the IT-sector is characterized by high demand for specialists. Range of wages of specialists in each category in the IT-sector is quite broad. Wages in each case depends on the company, its turnover. Major players in the market have a higher level of wages. On average, the management staff earn from 1,300 to 5,000 USD per month. The lowest wages in the support staff is 300-800 USD per month.

The average number of IT-specialists, pers.



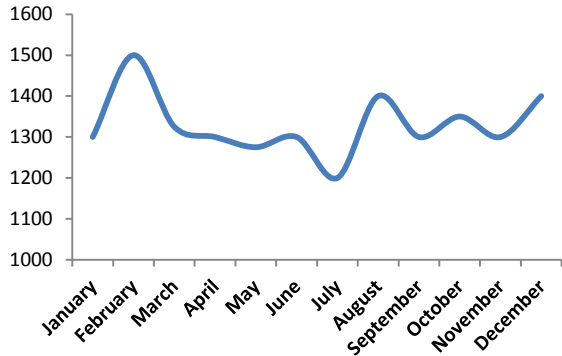
Source: Belstat

The distribution of IT-specialists in the areas of activity, in % of the total number of IT-specialists



Source: Belstat

Salaries for 2013, USD/month



Source: dev.by

IT-market

The structure of the industry

In the analysis of the IT-market segments of Belarus two main business models were made out:

Custom (service) model. In this model, the company develops custom Software (hereinafter - Software) for the customers. All intellectual property, created as a result of implementation of the contract, is the property of the customer. According to preliminary data and experts estimates, more than 90% of companies developed custom Software in 2013 in Belarus that confirms the absolute advantage of this type of activity in the Belarusian IT-market. At the same time, only 32.7% of all companies is positioned as a purely "service".

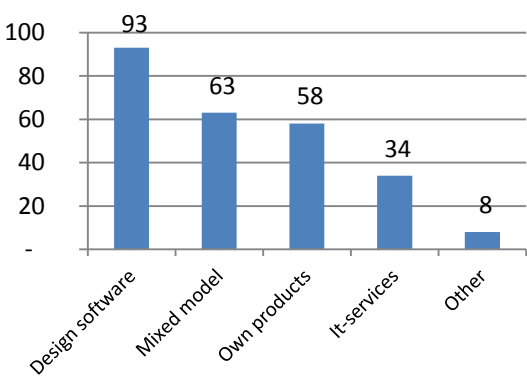
Product model. Under this model a company is engaged in production and licensing of technology and/or software product as a whole, and as part of a software product. The customers of companies of this type are either creators of the software, or company-licensors. In Belarus, 58% of companies offer their own "products". 8% companies of the market are involved exclusively in developing their own software.

It is important to note that most of the companies are working on a **mixed model**. In Belarus, more than 60% of the companies combine custom and product models. In practice, the share of custom development of even the largest companies, the market leaders, in the implementation may exceed 50%. At the same time, there are "service" companies that use their pre-existing "software assets" in the development of specific solutions for the customer, while not claiming any "direct" compensation for these investments. Also, many companies supply their "products" according to the "service" model. As a result, the market is increasingly offered solutions as a combination of "product" (or many "products"), custom development, and efforts to integrate them.

In addition to these three models, usually there's another fourth model, it is **Business Process Outsourcing (or BPO)**. Under the BPO is considered as services to implement the routine business operations (filling statistical forms, maps, etc.) to customers. Business Process Outsourcing (BPO) is not a typical model for the Belarusian market of IT-services and products.

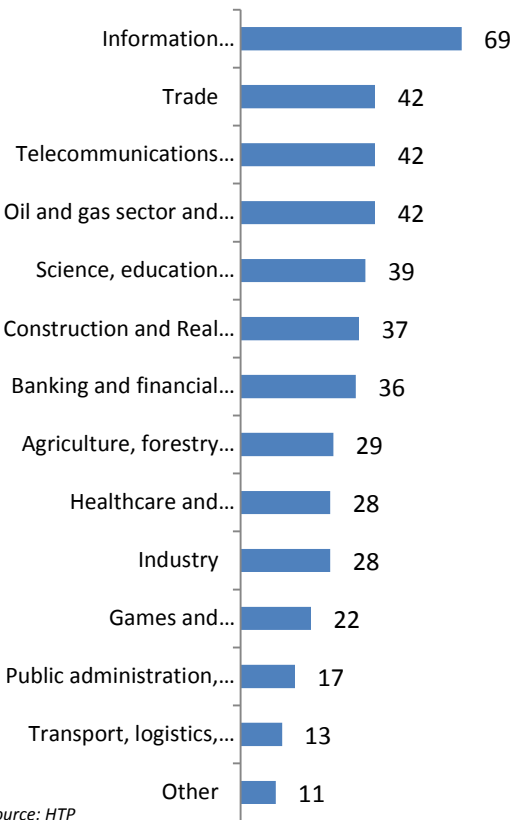
The most common outsourcing solutions are applications (88.7% of companies are involved in the development process of them). They are followed by software for developing and deploying of applications (47.2%) and system infrastructure software (23.6%). More than half of companies engaged in the development of their own software, offer application software (52.9%). Nearly a quarter of all companies offers system software products.

Segmentation of the offshore software development industry according to used business models,%



Source: HTP

Implementation areas of It-products produced (works, services), % of the total number of IT-companies



Source: HTP

IT-market

The structure of the industry

In general, the "computer and information services" industry, according to the portal dev.by, amounts more than 850 companies (+200 companies), of which state companies are only 18 (2.1%). In this case, at the beginning of 2013 140 companies were residents of the HTP. Basically, IT-companies are located in Minsk (92.4% as in the previous year the ratio remained almost unchanged). At the same time a large number of IT-companies use outsourcing staff.

Belarusian IT-market is relatively young - more than 50% of Belarusian companies have been in the market for over 5 years. 31% is "experienced players" which operate in the market from 6 to 10 years. The pioneers of the market, with experience in the industry for over 11 years, amount 17% of the companies.

The greatest number of IT-companies are medium in size - from 50 to 200 employees. The share of such companies in the total number is 41% (the share of small companies rose in 2013). In addition to small and medium-sized companies in the market, there are big players. Among the main large companies of the export-oriented programming market of Belarus experts identify 7: Gamestream, Sam-Solutions, ScienceSoft, EPAM, Belhard, IBA, Belsoft. For example, EPAM, where more than 4 thsd employees work in Belarus, is the largest IT-company in Belarus.

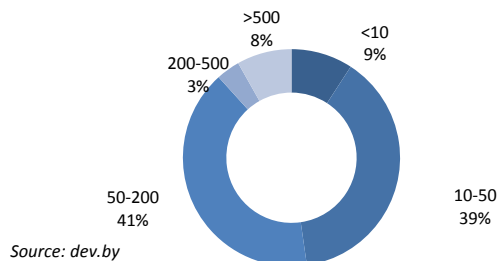
In any event there is outside capital in more than half of the companies in the Belarusian IT-market. In this case, common forms of enterprises are joint ventures and foreign enterprises (but outside capital in most cases is related to the Belarusians, who left earlier abroad). Purely Belarusian companies account for 46% of the market.

The founders of 25% of all foreign IT-companies are residents of a foreign country.

In 2005, the Hi-Tech Park was created, which currently includes 140 companies (+22 companies in 2013). They employ about 18 thsd programmers who implement high-tech projects for customers from 55 countries. HTP occupies about 80% of the industry. Their share of exports in total exports of computer services had made 85% by the end of 2013 (of which 40% is supplied in the USA and Canada, 44% in Europe, the rest of the CIS countries and Asia).

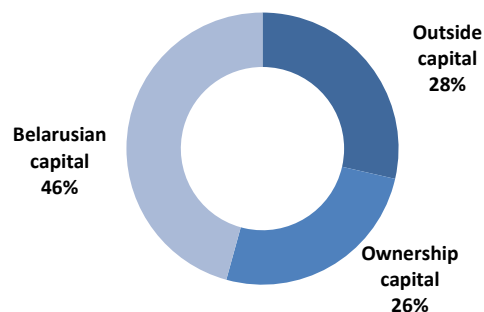
The largest residents of HTP are EPAM Systems, Sberbank Technology, Itransition, Game stream and others. Largest companies, non-HTP, are IBA, SaM Solutions, ST Group, AGAT-management system, OAO INTEGRAL and others.

Companies according to the number of workers from the total number of companies in 2013,%

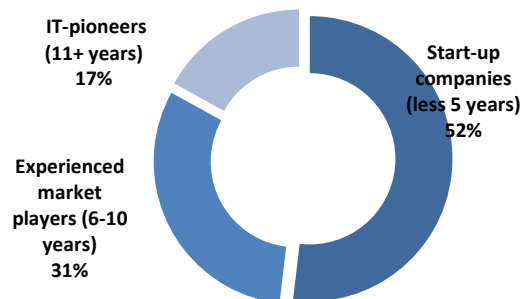


Source: dev.by

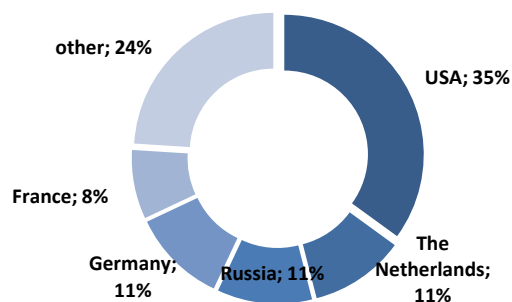
Ownership Structure of IT-companies (% of total number of companies), 2013



The age of companies in the HTP, for 2013



The structure of foreign companies (founders-residents of one state), 2012-2013



Source: HTP

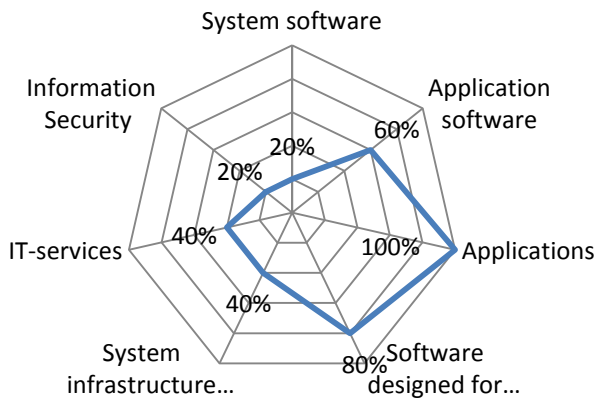
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Consumption

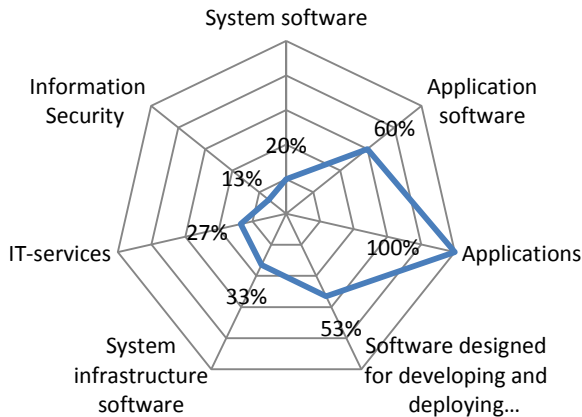
Domestic consumption of IT-services in the Republic of Belarus is, according to preliminary data 2013, about 450 mln USD. This figure includes the consumption of IT-services developed by companies for their own needs. The consumption of IT-services, excluding developments of companies for their own use is much lower. The indicator amounted to only 65 mln USD (+35%) at 2013 year-end. The main consumers of software are government agencies and large private companies such as banks, companies in the sector of information and communication technologies (telecom operators), and so on.

At the moment, IT-services industry is export-oriented. The main customers are companies from Russia, USA, Germany, and the UK. Applications and application software are the main products consumed in the CIS countries, Europe and North America.

Distribution of major IT-products consumed in Russia

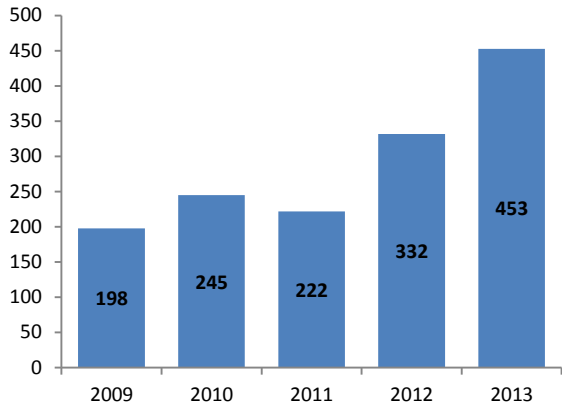


Distribution of major IT-products consumed in the United States



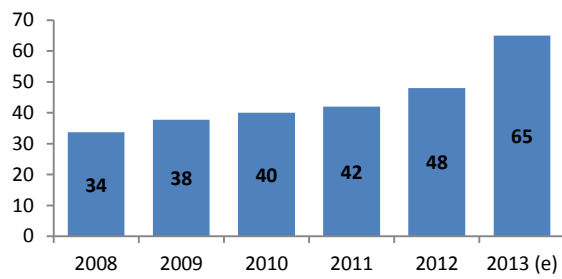
Source: HTT

The total volume of domestic consumption of IT-services, mln USD



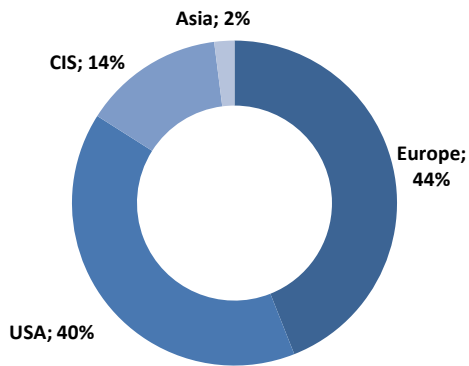
Source: Belstat

Domestic consumption of IT-services, excluding IT-products developed for their own needs, mln USD



Source: UNITER

Geography of foreign consumers of IT-services residents of HTP according to regions in 2013



Source: HTP

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Foreign trade

Exports of IT-services of Republic of Belarus has increased steadily for many years. It has grown to more than 3.5 times for 5 years that is certainly an outstanding result, not only within the domestic economy, but even on a global scale. In addition to the growth of the absolute indicators, relative export figures are rising too. So the share of exports of computer services in the structure of exports of services of Belarus increased from 1.27% in 2005 to 7.6% in 2013.

Exports of computer services at 2013 year-end amounted to 552 mln USD (35%). In terms of exports of computer and information services per capita the Republic of Belarus is among the leaders - with USD 5/person in 2005 to USD 60/person in 2013 (+36.45% compared to 2012 the previous year).

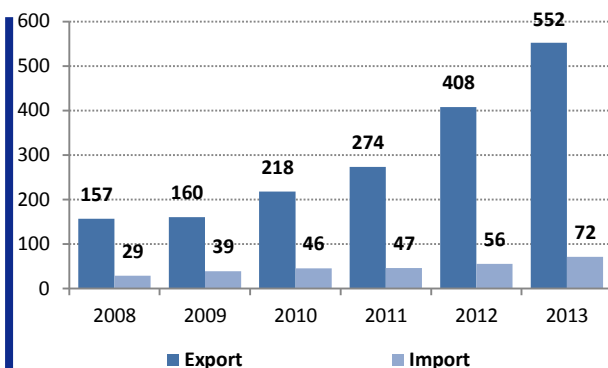
The volume of software and services exports by the companies of HTP in 2013 amounted to 446.7 mln USD (35%). Customers of Hi-Tech Park are companies from 55 countries. 40% of products produced are delivered in the United States and Canada, 44% - in Europe, 14% - in Russia and the CIS countries, and 2% - in Asia).

According to one of the largest IT-publications Software Magazine, seven companies were included in the **Software 500** top global providers of IT-services in 2013. The prestigious top included the following companies: EPAM Systems (140 place, +20 positions), PROGNOZ (254 place, +38 positions), IBA Group (286 place, +2 positions), Ericpol Telecom (299 seats, +13 positions), Sam Solutions (393 place, +13 positions), Intetics (440 place, +33 points), SoftClub (441 place, +19 positions). Almost half of the products is delivered to North America and Europe. 10-15% of total exports fall at CIS countries.

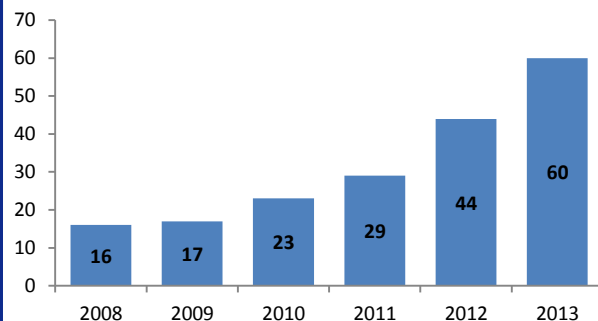
More than 20 companies who are residents of HTP export their services to the Russian market. About 70% of total exports fall at 5 largest exporters of them. Applications and software designed for developing and deploying applications have the greatest demand. Software in the field of information security and system software has the lowest demand. 12 companies, the residents of HTP, export their services in Germany. The share of 8 largest exporters is up to 90%, with the share of the largest exporter is 36%.

Belarusian imports is also significantly inferior in terms of exports. It amounted to 72 mln USD at 2013 year-end and increased by 28.6%. The import includes licensed software (Oracle, Microsoft, Adobe and others). The main importers are the IT-companies and other legal entities and individuals.

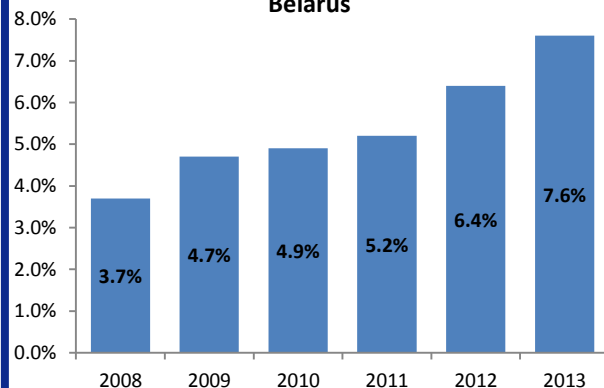
Foreign trade in computer services, mln USD



Exports of computer services per capita, USD per capita









The share of exports of computer services in the structure of exports of services of the Republic of Belarus



Source: Belstat, The National Bank of the Republic of Belarus

IT-market

Key players

 EPAM SYSTEMS Foreign private unitary production and trade company The year of establishment is 1993 The number of employees is 8,495 (in Belarus – 4,300) The property is foreign capital Areas of activity: <ul style="list-style-type: none"> • Testing • IT-outsourcing, IT-services • Development of embedded software • Development of custom software • Development and implementation of software solutions Revenue (2013) is 555.2 mln USD (up 28%) Market capitalization is 1.57 mln USD	Outsourcing company
 LLC Game Stream (Wargaming.net) Type is a private company The year of establishment is 1998 The number of employees is about 3,000 people (in Belarus – 1,600) Location: United Kingdom, Belarus, Ukraine Products: Computer Games Revenue (2013) is 372 mln USD (up 30%)	Product company
 SaM Solutions Foreign Private Unitary Research and Production Enterprise The year of establishment is 1993 The number of employees is 500 Areas of activity: <ul style="list-style-type: none"> • Testing • Business Process Outsourcing • IT-outsourcing, IT-services • Development of embedded software • Development of custom software • Development and implementation of software solutions • Software development Revenue (2013) is 28 mln USD (+12%)	Outsourcing company
 International Business Alliance Closed Joint Stock Company The year of establishment is 1993 The number of employees is 2,500 Software services: <ul style="list-style-type: none"> • Software outsourcing • IP on platform Delphi/Oracle/MS SQL • Platform 1C: Enterprise, IBM Cognos Platform, IBM Lotus Platform, IBM FileNet Platform, SAP Platform • Web-design studio • Software testing • CREO, Windchill, Arbortext, Mathcad • ERP II MS Dynamics AX • Linux on System z • z/OS и OS/390 Revenue (2012) is 85 mln USD **	Outsourcing company
 InteticsBel Joint Limited Liability Company "Intetics Bel" The year of establishment is 1995 The number of employees is 350-400 Areas of activity: <ul style="list-style-type: none"> • Testing • Business Process Outsourcing • IT-outsourcing, IT-services • Development of custom software Revenue (2013) is 15 mln USD (+25%)	Outsourcing company
 itransition Closed Joint Stock Company The year of establishment is 1998 The number of employees is 750 Areas of activity: <ul style="list-style-type: none"> • Testing • Business Process Outsourcing • IT-outsourcing, IT-services • Development of embedded software • Development of custom software • Development and implementation of software solutions • Software development Revenue (2013) is 32 mln USD (+28%).	Outsourcing company

IT-market

Assessment

NEW STAGE: attracting large foreign players

Belarusian IT-market largely affected the economy of the country during its existence, particularly in the distribution of highly qualified specialists. In the future, the role and importance of IT-market will only increase.

Since its inception (1991-2005) and formation (2005-2013) the emphasis in the IT development was placed on the creation of maximum favorable conditions for the development of companies and the support of national players.

According to experts, the Belarusian IT-market will develop in the direction of creating favorable conditions for logging into it transnational players.

COMING OF VENTURE COMPANIES

In 2013, the arrival of at least 2 major international companies, as well as two venture capital funds specializing in IT from the United States is expected in the Belarusian market, however, these companies have not been registered. Nevertheless, the arrival of these companies will take place and is expected.

Thus, the experts agree that the Belarusian IT-market will develop quite rapidly, not only due to national companies that are planning to significantly increase its staff, but also due to the arrival of new foreign players.

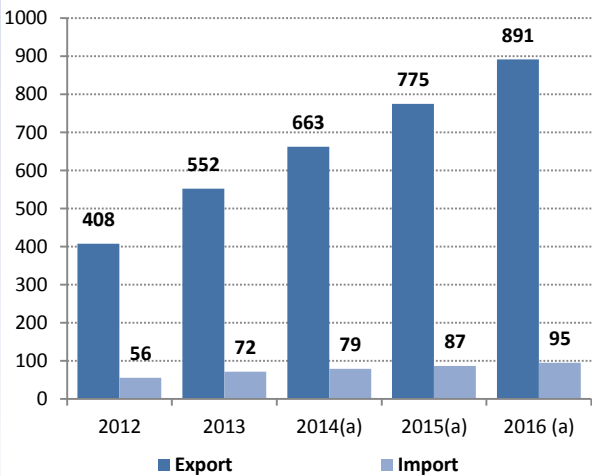
SHORTAGE OF PERSONNEL

However, experts note the presence of a very significant problem, which is connected with the lack of training in the industry. The peak of demographic hole, and, consequently, the peak of deficit of specialists in the industry, is projected for 2017. This situation will put pressure on wage rates in the industry.

THE GROWTH OF EXPORTS OF IT-SERVICES AT 24-28%

According to the assessments of both a national industry experts and international organizations, the exports of IT-services in Belarus will grow in the coming years to 24-28% per year and in 2017 could exceed 1 bln USD. While imports will remain at a fairly low level. The assessment of growth rates of imports is 5-7% per year.

Assessment of exports/imports of computer services, mln USD



Source: UNITER

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Investments in the sector

Neither the world nor the domestic economic crisis hardly affected the development of the Belarusian IT-sector, as it is evidenced by the successful projects and growing investor interest in the industry. The volume of foreign direct investment on a net basis in the company of HTP is 70 mln USD according to preliminary data in 2013 , which is 5% of the total volume of foreign direct investment on a net basis.

IT-services market in Belarus is characterized by high investment activity. Geography of foreign investment is quite wide - foreign participants from 17 countries have a stake in the Belarusian enterprises. The United States (19%), Russia (18%), and the Netherlands (11%) are among TOP-3 countries where investments come from. Also it should be noted the activity of the following European countries: Germany, Austria, France, Belgium, and Switzerland.

HTC Corp of Taiwan acquired software developer BLRSoft from French Abaxia SA Company in February 2011. Amount of the transaction is estimated at 13.17 mln USD. Playtech has bought a 20% stake of Viaden in 2012.

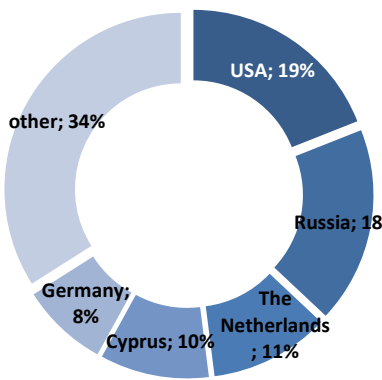
Also in 2011, "Sberbank of Russia" allocated its IT-department in the "Sberbank Technology" Company. In 2012, "Sberbank Technology" has opened an office in Minsk.

The most famous game-development company (development of computer games) of Belarus **Wargaming.net** closed a number of major deals in the gaming market by buying the Chicago game developer **Day 1 Studios** (the deal amounted to 20 mln USD), which will soon be renamed in **Wargaming West**. In August 2012, Wargaming.net acquired Australian company BigWorld, spending on it 45 mln USD. The deal was the biggest deal involving Belarusian IT-companies in 2012. In January 2013, the Company acquired the studio Day 1 (F.E.A.R. 3) for 20 mln USD, and in February, it acquired an almost bankrupt company for an undisclosed sum.

In July, Wargaming.net bought at Auction Atari the rights to Series Master of Orion and Total Annihilation. It has transpired in November that Wargaming.net bought 30% of shares for 40 mln EUR in the Bank of Cyprus, which is included in triple largest Credit Companies of Cyprus.

Additionally, Wargaming.net bought a high-rise building in Cyprus for 20 mln EUR.

Geography of foreign investments in the Belarusian IT-sector, 2012-2013



Resource: HTP



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Legal regulation

First manifestation of the state policy in IT-field was observed through the creation of the Concept of public policy in the field of information system development (approved by the Decree of the President of the Republic of Belarus of 06/04/1999, No195).

Currently, a number of basic documents in the IT-sphere can pointed out:

➤The law of the Republic of Belarus of 10/11/2008 "On Information, Information System Development, and Protection of Information" provides a definition of key terms, sets out regulation principles of relationships, defines the subjects of regulation, the scope, and regulates social relations.

➤The Resolution of the Council of Ministers of the Republic of Belarus of 26/12.2009 No673 "On some measures for the implementation of the Law of the Republic of Belarus "On Information, Information System Development, and Protection of Information" was accepted as a basis of the Law "On Information, Information System Development, and Protection of Information." The Resolution adopted a number of Provisions on the use of government information resources.

➤The Decree of the President of the Republic of Belarus of 01/02/2010 No60 "On Measures to Improve the Use of the National Segment of the Internet." The Decree is aimed at protecting the interests of the individual, society and the state in the information sphere, creating the conditions for further development of the national segment of the Internet global computer network, to improve the quality and accessibility of information about the activities of government agencies and other organizations and Internet services provided to citizens and legal entities.

Belarus has created a very favorable tax conditions for the IT-sector. The Republic of Belarus signed 65 international treaties on avoidance of double taxation (including the majority of the countries of Western Europe, the countries of the Baltic region, the CIS countries, China, Korea, and Japan).

Hi-Tech Park, established in 2005, for the development in the Republic of Belarus of software, information and communication and other new and high technology aimed at improving the competitiveness of the national economy, provides residents with a large number of advantages. Relationships of residents of HTP, as well as the rules of entry, are governed by the Decree No12 "About Hi-Tech Park."

Benefits of HTP residents	
Exempt from the payment of:	Income tax and VAT
	Land tax (under certain conditions)
	Property tax
	Offshore charges
	All corporate taxes
	Customs duties and VAT
	Mandatory sale of foreign currency from the sale of goods, works and services related to the activities of the HTP.
Rental rate:	Reduced by 50%
Income tax of employees – HTP residents	At the rate of 9%
Rate for the payment of tax on income earned by foreign entities	5 percent (according to the general rules - 10-15%), if more preferential treatment is not established by international treaties of the Republic of Belarus. (Under certain conditions)

Source: HTP

IT-market

International comparisons

On the world stage Belarus is known as one of the recognized centers of offshore programming. Belarus is among the leaders in terms of exports of computer and information services per capita. Thus, this indicator has grown from USD 5/person in 2005 to USD 60/person in 2013 (USD 44/person in 2012). The index of Belarus exceeds twice the identical index in Russia and Ukraine.

According to one of the largest IT-publications Software Magazine, in 2013, seven companies were included in the **Software 500** top global providers of IT-services. The prestigious top included EPAM Systems (140 place, +20 positions), PROGNOZ (254 place, +38 positions), IBA Group (286 place, +2 positions), Ericpol Telecom (299 seats, +13 positions), Sam Solutions (393 place, +13 positions), Intetics (440 place, +33 points), SoftClub (441 place, +19 positions). In percentage terms, the majority of companies in the top are from the United States and Canada - 37%, from India - 33%, from Europe and Latin America - 9% each, from China - 6%, from other Asian countries - 5%. Belarus came in twenty countries - leaders of outsourcing, taking 13th place in 2011.

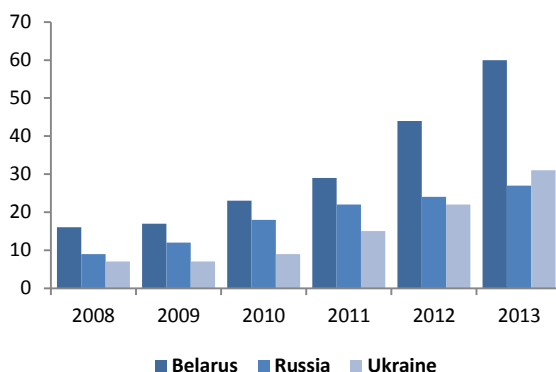
Personnel costs in the Belarusian IT-sector, on average, is 5-36% lower than in many outsourcing centers in Central and Eastern Europe, and are comparable to many Asian countries. The wages of a Belarusian IT-specialist is USD 9-22 per hour, which is much lower compared to other countries of the region's leaders. In this regard, there is a problem of emigration of highly skilled programmers from the Republic of Belarus to other countries with higher wages.

The rates, applicable to Belarus, correspond to the countries of Central and Eastern Europe. Thus we can say that the tariffs on IT-outsourcing in Belarus is much lower than in the Nordic countries and the United States and close to those of countries such as India and China.

The number of IT-specialists working in the HTP amounted to 18,000 et 2013 year-end. The share of IT-specialists per capita in Belarus is much higher than in other countries of Central and Eastern Europe.

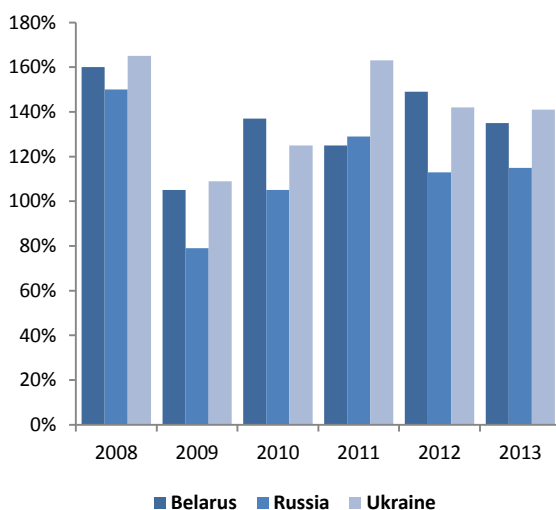
Export growth of the software during pre-crisis years was more than 150% in Eastern Europe, and including in Belarus. However, in 2009 the growth was hardly observed. Now there is a recovery from the crisis. The highest rate of recovery is in Ukraine. In Belarus, the figure in 2012 was 149%.

Exports of computer and information services per capita, USD/person



Source: Balance of payments in Belarus, Russia and Ukraine, Hi-Tech Park

The rate of growth of software export, %



Source: Balance of payments in Belarus, Russia and Ukraine, Hi-Tech Park

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International comparisons

In the report of the International Telecommunication Union, "Measuring the Information Society 2013", Belarus ranks 41st in the world by the Index of development of information and communication technologies (ICT) (IDI) and raised its place in the 5 position, while the rest of the neighboring countries remained largely in the same place.

This indicator is used to measure the availability to the public in terms of price as well as the level of development of the fixed and mobile telephony, fixed broadband Internet access. Yielding among CIS countries only to Russia, Moldova, Latvia, Estonia, and Poland, Belarus on this indicator is ahead of Ukraine, Kazakhstan, and Lithuania. The absolute value of the IDI has increased from 5.57 to 6.11 for the last 2 years allowing Belarus to enter the category of the ten most dynamic economies.

IPB index is used to monitor the affordability of ICT services across regions and time profile the ITU has developed a basket of prices for ICT services (IPB), a unique tool for benchmarking on a global scale, providing essential information on the cost and availability of fixed telephone, mobile cellular and fixed broadband. According to this indicator, Belarus is among the leaders, second in the CIS after Russia.

In the ranking of the United Nations on development of telecommunications infrastructure Belarus has risen from 84th to 48th place (36 positions) in 2011 compared to 2008. Also, the Republic of Belarus in the ranking in terms of the development of telecommunications infrastructure has risen from 84 to 48 place (36 positions up) in comparison with 2008. The Russian Federation has moved from 63th to 30th place (33 points up), Kazakhstan is from 91th on 78th place (13 positions up).

Among the countries of the Customs Union, the most rapid pace of development of the telecommunications infrastructure was observed in Belarus in the last two years.

	Global rating IDI (2011), position	Global rating IDI (2012), position	IDI 2011	IDI 2012
Russia	38	40	5.94	6.19
Belarus	46	41	5.57	6.11
Moldova	62	69	4.55	7.5
Ukraine	67	68	4.4	4.64
Kazakhstan	49	48	5.27	5.74
Lithuania	41	44	5.79	5.88
Latvia	37	35	6	6.36
Estonia	25	22	6.74	7.28
Poland	32	37	6.22	6.61

Source: International Telecommunication Union

	IPB 2011	IPB 2012
Russia	1.1	2
Belarus	1.9	1.4
Moldova	5.9	5.2
Ukraine	2.4	3.5
Kazakhstan	2	1
Estonia		0.7
Poland		2

Source: International Telecommunication Union

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SWOT-analysis

Strengths	Weaknesses and limitations
<ul style="list-style-type: none"> ✓ The good reputation of the Belarusian IT-companies. ✓ Geographical and cultural proximity of Belarus to Europe (nearshoring). ✓ Developed infrastructure. ✓ High level of education. ✓ Highly qualified personnel. ✓ Lower costs in the sector ✓ Significant tax preferences (their permanence and stability. HTP has operated since 2005) 	<ul style="list-style-type: none"> ✓ Limitations of skilled manpower in the field (not possible to cover the really big projects only by its own staff). ✓ Small capacity of the domestic market. ✓ The prevalence of outsourcing model. There are very little quantity of purely product companies. While the existence of its own products and development is very important for the investor. ✓ The low level of knowledge of the English language of developers and programmers. ✓ Low level of management qualification.
Opportunities	
<ul style="list-style-type: none"> ✓ Creating training and educational centers. ✓ Creation of a modern ICT infrastructure (only 1 data center of the Beltelekom operates in the Republic of Belarus). There is significant potential for growth of the industry related to IT services. ✓ Construction of modern business centers to meet the needs of IT-companies (size: more than 1,000 square meters, rent rates: 10-15 Euros). ✓ The possibility to retrain a large number of specialists with a technical education to the needs of IT-sector. 	<ul style="list-style-type: none"> ✓ There is a risk of limitation tax benefits.

IT-market

Recent changes in the industry (2013 Q4)

Exports of computer services in the fourth quarter of 2013, according to official statistics amounted to 172 mln USD (+22% compared to the fourth quarter of 2012).

In addition to the growth in exports of computer services, an increase in imports of computer services is also noted. In the fourth quarter of 2013, imports amounted to 22 mln USD, which is 16% more than in the same period last year.

The largest importing countries of Belarusian Computer Services are the following: United States, Russia, Germany, the UK, and Finland. This year, for the first time the countries of Western Europe have overtaken the countries of North America on import of services of HTP.

EPAM Systems, "Game Stream" and "IT Park" took the first three places in terms of production. In the same sequence, these companies shared the first-third places in the export of services. The leader in the supply of services for the Belarusian market are "System Technology", "SOFTCLUB-Development Center", and "Sberbank Technology" Companies.

The share of exports in total production of HTP in the fourth quarter of 2013 amounted to more than 85%.

As for the index of average salary in IT in the 4th quarter of 2013, mild fluctuations USD 1350 ± 50 were observed and the salary was 1,400 USD per month by the end of year.

Regionally, professionals working in companies of Brest and Minsk have the highest salaries (1450 and 1400 respectively). Programmers working in Gomel and Grodno have the lowest wages (925 and 975 respectively).

Exports of computer services

4 Q. 2013, mln USD	4 Q. 2012, mln USD	Rate of change	% in total volume of export of services
172,1	140,6	22%	8,7

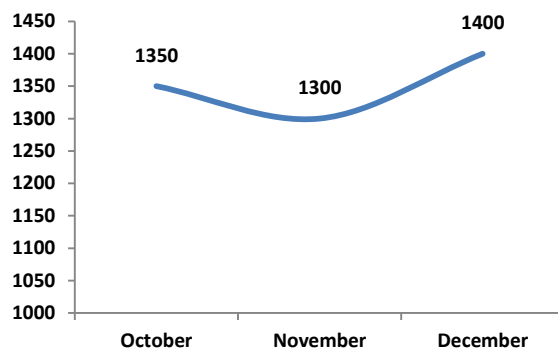
Source: Belstat

Imports of computer services

4 Q. 2013, mln USD	4 Q. 2012, mln USD	Rate of change	% in total volume of import of services
21,9	18,8	16%	1,9

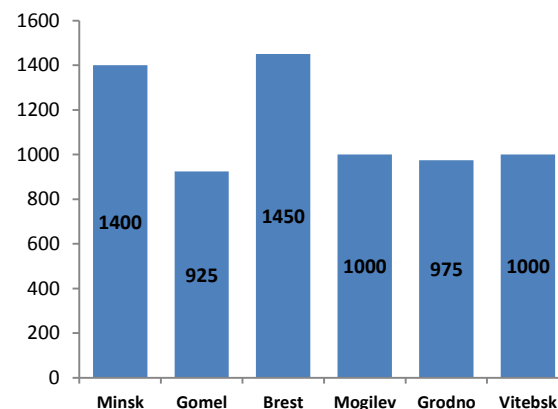
Source: Belstat

Salary in IT in Q4 of 2013



Source: dev.by

Salary in IT (ths USD per month) in Q4 of 2013, by city



Source: dev.by

IT-market

Recent changes in the industry (2013 Q4)

Wargaming.net is a recognized leader

Wargaming company reported that the shooter MMO World of Tanks won the Golden Joystick award for "Best Online Game". The top three winners also included projects League of Legends and Dota 2, second and third places respectively. At the end of 2013, 70 mln of users registered in the online game World of tanks.

In late 2013, an official release of a new project of the Wargaming company take place in conjunction with Ukrainian Persha Studia. At the end of 2013, there were no more than 5,000 members.

Ittransition opened a subsidiary in Mogilev

Company A1QA, being a part of a group of companies Ittransition and specializing in testing and quality control software, has opened a subsidiary in Mogilev

Office began its work with the search, selection and training of specialists in software testing. During the year, the number of employees in Mogilev office is planned to increase up to 50 people.

This year, the number of specialists of A1QA company has already increased to 350 employees.

A new round of demand in the labor market (the new professionals and education)

In the fourth quarter of 2013 a number of problems of the IT sector, was announced which are related primarily to the lack of specialists (including banking) and reserves of the industry as a whole.

Now on IT-technologies market there is a demand for professionals working with large amounts of data (annual growth of 30-40%, according to the experts). The boom in the IT-specialists, capable of working with large volumes, can begin in a couple of years. Experts in the field of computer 2D-and 3D-graphics are "deficient" too.

The new center of ideas and projects in Belarus

At the end of 2013 the center of innovative ideas and projects "Start-Up" was created and presented, created at the Belarusian State University.



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Recent changes in the industry (2013 Q4)

The results of HTP work

The volume of production of computer programs was 4.7 trln rubles and increased by **1.4** times compared to last year.

The volume of the introduction of the software developed in the Park for the Belarusian enterprises and organizations in 2013 increased by **1.7 times** and amounted to 710 bln rubles. Total work completed by the residents of HTP was about 9,000 projects for Belarusian customers.

Currently, Park registered **140 residents** and consists of 18 thsd people.

On the basis of the Belarusian-Indian training center in the field of ICT in 2013 more than 200 teachers and 700 students from 20 universities in the country improved their skills in the field of information technology.



HTP resident companies - the largest suppliers of software on the market of Belarus:

- JLLC System Technology
- SP AyBiEy AyTiPark
- CJSC SOFTCLUB-Development Center
- LLC Sberbank Technology
- FLLC EPAM Systems

The largest importing countries of HTP development :

- USA
- Russia
- Germany
- The UK
- Finland
- Israel
- The Netherlands
- Denmark

HTP resident companies - the leading exporters of software:

- FLLC EPAM Systems
- JLLC Game Stream
- CJSC Itransition
- SP AyBiEy AyTiPark
- FLLC Exadel

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Segment of game developers

Company name: TikGames, LLC

The year of establishment: 2002

Personnel: about 500 people

Segment: Video games

Headquartered: San Mateo, CA

Founder: Anatoliy Tizman

Site: <http://www.tikgames.com>

Platforms: Windows PC, Mac OS X, Xbox Live Arcade, PlayStation Network, cell phones



Company name: Nival

The year of establishment: 1996

Personnel: about 150 people

Segment: development and publication of computer and mobile games

Основатель: Sergey Orlovsky

Site: <http://www.nival.com>

Platforms: Windows PC, Mac OS X, iOS, Android



Company name: Viaden Media

The year of establishment: 2006

Персонал: about 150 people

Segment: mobile applications, online casino, poker tables, electronic commerce

Founder: Виктор Прокопенко

Site: <http://www.viaden.com>

Platforms: Windows PC, Mac OS X, iOS, Android



Company name: Synesis

The year of establishment: 2003

Personnel: about 150 people

Segment: development and publication of computer and mobile games, intelligent video surveillance

Founder: Nikolay Ptitsyn

Site: <http://synesis.ru>

Platforms: Windows PC, Mac OS X, iOS, Android



Company name: Belatragames

The year of establishment: 1993

Personnel: about 500 people

Segment: online casino, slot machines, casino system

Site: <http://www.belatragames.com>

Platforms: Windows PC



Company name: Melesta Games

The year of establishment: 2007

Personnel: about 100 people

Segment: development and publication of computer and mobile games

Founder: Aleksey Meleshkevich

Site: <http://www.melesta-games.com/>

Platforms: Mac, Android, iOS, Windows Phone, Symbian, MeeGo



Company name: Technogics Inc

Personnel: about 250 people

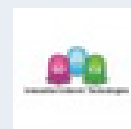
Segment: mobile applications and games, banking software, the development of e-commerce, web development.

Site: <http://www.technogics.com>

Platforms: Windows PC, Mac OS X, iOS, Android



Other companies:



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Statistical Annex

Key Economic Indicators

Indicator	Unit of measurement	2005	2006	2007	2008	2009	2010	2011	2012
Nominal GDP	BYR trln	65.07	79.27	97.17	129.79	137.44	164.48	274.28	527.39
Nominal GDP *	USD bln	30.2	37.0	45.3	60.8	49.2	55.2	47.3	63.1
Real GDP growth	% y/y	9.4	10.0	8.6	10.2	0.2	7.7	5.3	1.5
Industrial production	% y/y	10.5	11.4	8.7	11.5	-2.0	12.0	9.1	5.7
Agricultural production	% y/y	1.7	5.9	4.1	8.9	1.0	2.5	6.6	6.1
CPI	% y/y period average	10.4	7.0	8.4	14.8	13.0	7.7	52.3	67.5
CPI	% y/y eop	8.0	6.6	12.1	13.3	10.1	9.9	108.7	21.8
Price index of industrial producers	% y/y period average	12.1	8.3	16.3	14.8	15.0	13.5	69.2	90.5
Price index of industrial producers	% y/y eop	11.0	9.0	22.2	15.4	11.3	18.9	149.6	21.0
Exports of goods and services (USD)	% y/y	15.9	22.3	24.2	34.2	-32.9	20.3	54.2	11.4
Exports of goods and services (USD)	% y/y	3.8	33.2	28.0	37.0	-27.0	22.8	29.3	2.5
Current account	USD mln	436	-1,448	-3,040	-4,988	-6,178	-8,278	-5,775	-
Current account*	% GDP	1.4	-3.9	-6.7	-8.2	-12.6	-15.0	-12.2	-
FDI (net)	USD mln	303	351	1,790	2,150	1,782	1,352	3,928	-
International reserves	USD mln eop	1,297	1,383	4,182	3,061	5,653	5,031	7,916	8,095
Fiscal balance	% GDP	-0.7	1.4	0.4	1.4	-0.7	-2.6	2.4	0.5
Domestic public debt	% GDP eop	5.8	6.5	6.3	6.6	5.7	5.6	11.8	9.3
Gross External Debt*	% BBП eop	17.0	18.5	27.6	24.9	44.8	51.6	71.9	-
Monetary base	% y/y eop	74	20	38	12	-12	50	84	62
Exchange rate (National Bank of Belarus, official) **	BYR/USD period average	2,154	2,145	2,146	2,136	2,793	29,78	4,623	8,336
Exchange rate (National Bank of Belarus, official) **	BYR/USD eop	2,152	2,140	2,150	2,200	2,863	3,000	8,350	8,570
Exchange rate (National Bank of Belarus, official) **	BYR/EUR period average	2,681	2,692	2,937	3,135	3,885	3,950	6,432	10,712
Exchange rate (National Bank of Belarus, official) **	BYR/EUR period average	2,546	2,817	3,167	3,077	4,106	3,973	10,800	11,340

Source: IPM Research Center

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Statistical Annex

The main figures of financial-economic activity and social development of HTP residents, 2013

The production and sale of HTP products and services	USD 370.38 mln
Exports of software and services to the United States	USD 446.7 mln
the share of exports	87.4%
software and services import	USD 4.1 mln
Foreign direct investment on a net basis (excluding the debt to the direct investor for goods, works, and services)	USD 70 mln
Staff strength as at 01/01/2014	18,000
New jobs created	5,000
Average monthly salaries of employees for 2013	1,626

Source: HTP

Approximate hourly rates for IT-outsourcing in the world in 2011, USD

	India	Russia	The countries of Central and Eastern Europe	The Nordic countries	China	USA	Latin America
Program development	20-32	37	22	85	25	75	36
Testing and quality assurance	15-25	–	18	65	18	50	26
Web-development	18-30	32	20	70	20	75	30
Mobile applications development	20-25	–	20	85	25	80	30

Source: Central and Eastern European Outsourcing Association

Basic indicators of organizations which are Hi-Tech Park residents

	2009	2010	2011	2012	2013
Number of resident organizations, units	78	92	102	118	140
Staff strength on average per year, person	6,222	8,412	10,481	12,976	18,000
Revenue from sales of goods, products, works, and services, mln. USD	149.0	203.7	249.6	371.8	470.0
Taxes and fees included in the revenue from the sale of goods, works and services, mln. USD	0.3	0.3	0.2	0.1	
Cost of goods, products, works, and services, mln. USD	101.9	135.4	178.7	278.8	
Profit, loss (-) from the sale of goods, products, works, and services, mln. USD	46.6	68.0	70.8	92.8	
Profit, loss (-) from operating income and expenses, mln. USD	0.8	1.1	14.2		
Profit, loss (-) from non-operating income and expenses, mln. USD	-9.1	-15.5	30.1		
Profit, loss (-) before tax, mln. USD	38.3	53.6	115.0	86.5	
Taxes and fees, other costs and payments from profits, mln. USD	1.1	2.4	1.5	1.0	
Net income loss (-), mln. USD	36.7	51.2	113.5	85.5	
The number of unprofitable enterprises, units	8	9	4	14	

Source: Belstat

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Statistical Annex

Exports of services by organizations which are residents of Hi-Tech Park according to an individual country, thsd USD

	2009	2010	2011	2012
The USA	45380.4	74324.7	101263.6	146 242,8
Russia	23571.1	26938.5	27080.2	40 770,5
Germany	13569.1	15955.7	19143.4	23 092,3
The UK	5774	14957.9	18221	21 341,7
Cyprus	2406.4	6689.2	7887.6	43 845,9
The Czech Republic	3349.4	4811.3	6804.6	6 774,0
The Netherlands	1664.7	2206.1	2985.4	2 445,2
France	1669.8	1553.9	2905.1	3 402,6
Denmark	369.4	629.7	2838.1	5 249,7
Finland	598.1	895.7	2389.3	4 686,8
Poland	0	0	2342.6	3 291,4
Israel	68.7	1546.1	2093.1	2 544,9
Luxembourg	528.9	123.1	1874.3	3 076,9
Singapore	1846.6	1758.7	1810	1 822,4
Sweden	1153.5	748.9	1633.4	1 560,6
Bermudas	1253.8	902.6	1346.2	1 576,9
Ireland	413.2	550.5	1336.6	851,6
Latvia	200	71.8	1175.8	554,2
PRC	850.3	833.4	1103.2	467,7
Switzerland	301.5	486.8	1072.5	1 654,6
Kazakhstan	1920.9	761.9	966.9	1 817,8
Ukraine	91.4	740.8	848.6	848,1
Seychelles	205.5	424.5	837.6	86,3
British Virgin Islands	0	50.7	766.9	
Belgium	109.2	342.2	666.8	762,8
Azerbaijan	231.8	473.6	586.7	1 178,1
Canada	269.3	112.7	345.9	488,0
Republic of Korea	0	0	282.2	
Lithuania	114.6	279	260.5	451,0
Australia	215.8	245.2	202.7	356,7

Source: Belstat

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Statistical Annex

Rate (Rate) is the cost of one-hour duty of specialists in a particular technology

	2007	2008	2009	2010	2011	2012	2013
SAP							10.5
Ruby			4.1	6.8	7.4	8.0	10.2
Python			6.8	6.7	6.1	9.4	9.7
ObjectiveC/ MacOS/ Iphone				4.0	8.5	8.7	9.1
1C			4.7	4.7	3.7	4.8	9.1
C/C++	5.4	5.7	6.0	6.6	8.0	8.5	8.5
Java	6.5	7.4	5.7	6.8	6.8	8.2	8.5
.NET	6.3	6.8	5.7	6.3	7.4	8.4	8.5
PHP						7.4	8.5
Perl		8.5	6.5				8.3
Flash/ Flex/ Action Script	5.0	7.4	5.1	8.0	5.7	11.6	8.2
Oracle		8.2	4.4	4.8	4.8	8.4	8.2
BI							8.0
Android				8.4	9.1	8.5	7.4
HTML/ CSS/ JavaScript	2.7	4.1	4.2	5.7	6.3	6.8	6.8
ABAP/4		6.3	4.3		8.2	6.8	6.3
Delphi	4.7	6.8	4.5	4.1	5.1	6.5	5.7
MySQL				8.0	5.0		
VB Script / QTP				5.7	5.7		
Silverlight					10.2		

Source: dev.by, UNITER

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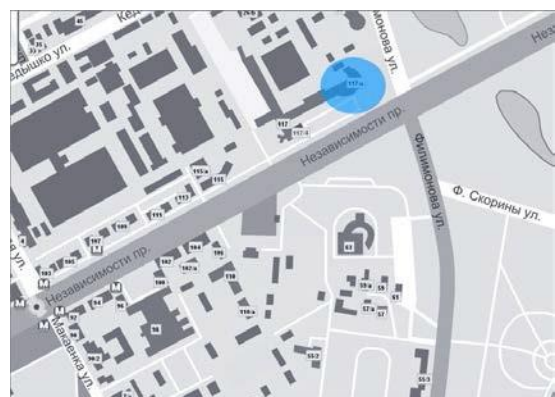
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