Software Piracy in the Arab Region – Status, Impact and the Way Ahead

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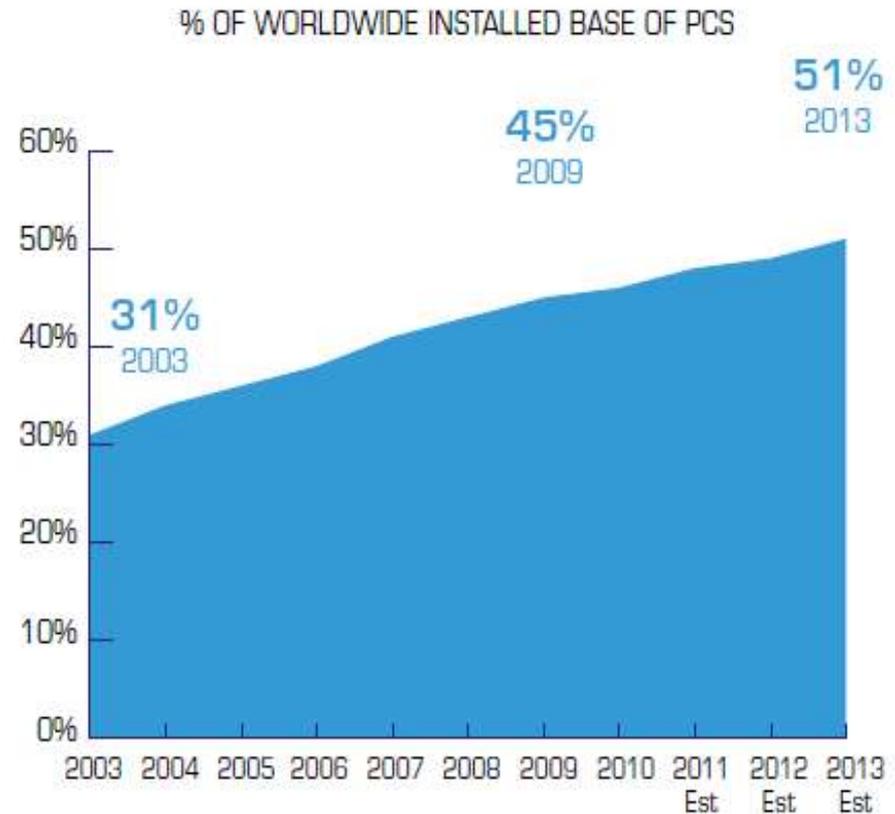
STATUS OF SOFTWARE PIRACY AT THE GLOBAL AND REGIONAL LEVELS

What is Software Piracy?

- Software piracy (SP) is the illegal use and/or distribution of software protected under intellectual property laws (Business Software Alliance - BSA)
- SP could be intentional or unintentional, carried out by an individual or an institution
- SP increases with the increase in the number of PCs in developing countries, particularly emerging economies
- SP is higher on old PCs than on newly installed PCs and is more frequent on consumer PCs than on institutional PCs
- Cloud computing and software-as-a-service (SaaS) have currently little effect on SP, but this may change with the increase in volume

Emerging* market growth

- Increase of number of PCs is becoming higher in developing countries where markets are growing

% OF WORLDWIDE INSTALLED BASE OF PCS

51% 2013

45% 2009

31% 2003

2003 2004 2005 2006 2007 2008 2009 2010 2011 Est 2012 Est 2013 Est

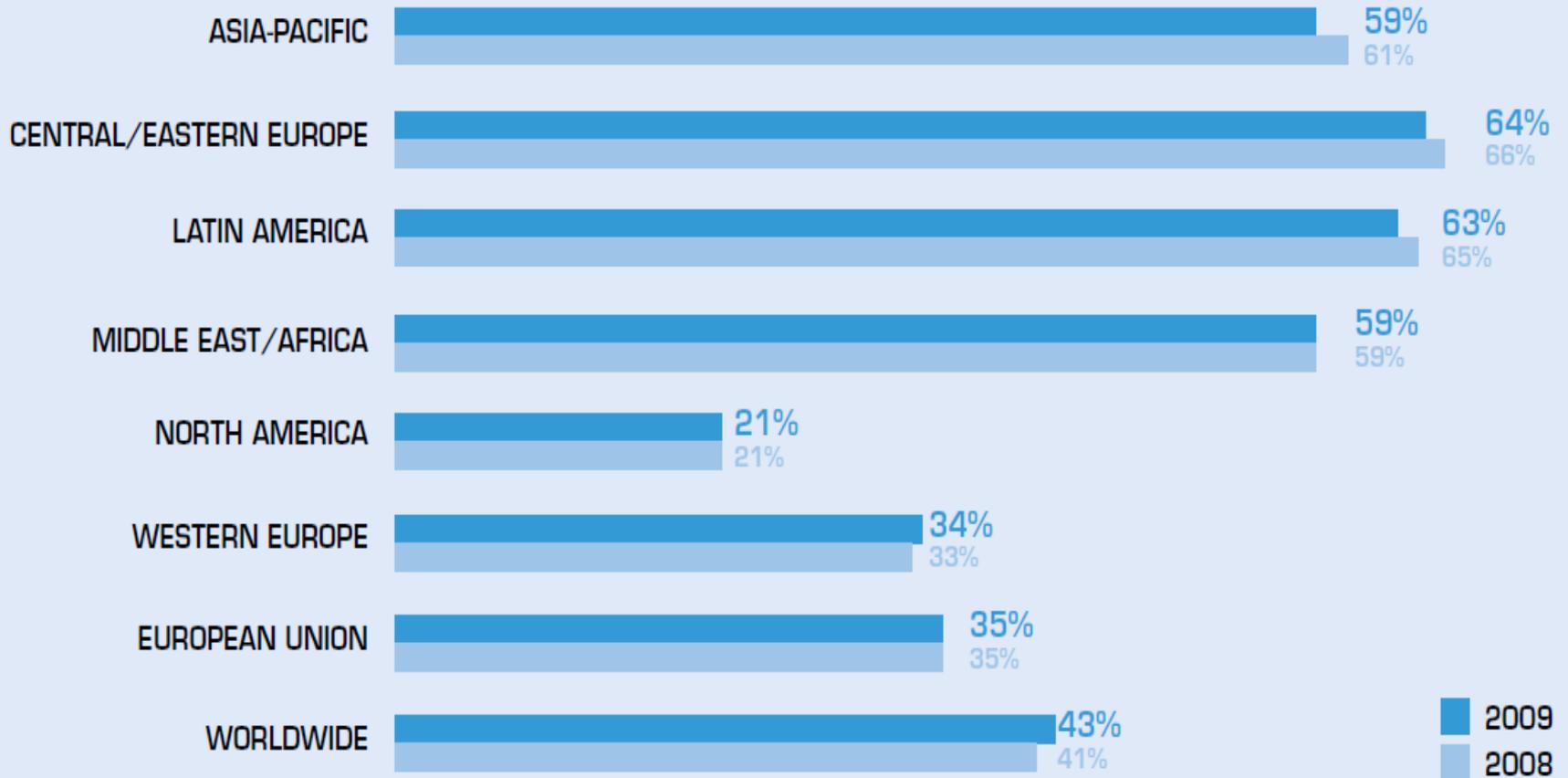* ALL COUNTRIES EXCEPT AUS, NZ, JP, US, CAN, AND WESTERN EUROPE

SOURCE: SEVENTH ANNUAL BSA/IDC GLOBAL SOFTWARE PIRACY STUDY, MAY 2010

Some global statistics for 2009*

- Unlicensed PC software use dropped in 49% of the economies studied, stayed the same in 34% and rose in 17%

- The global piracy rate increased from 41% in 2008 to 43% in 2009

- The value of unlicensed software hit $51.4 billion, a 3% decrease from 2008

- Economies with the lowest software piracy rates remain the United States, with a piracy rate of 20%, and Japan and Luxembourg, both with a piracy rate of 21%

- Economies with the highest piracy rates include Georgia, Bangladesh, Zimbabwe and Moldova, each with a rate above 90%

* Seventh Annual BSA/IDC Global Piracy Study, May 2010

Software piracy rates by region

Region	2009	2008
ASIA-PACIFIC	59%	61%
CENTRAL/EASTERN EUROPE	64%	66%
LATIN AMERICA	63%	65%
MIDDLE EAST/AFRICA	59%	59%
NORTH AMERICA	21%	21%
WESTERN EUROPE	34%	33%
EUROPEAN UNION	35%	35%
WORLDWIDE	43%	41%

Commercial value of pirated software

Region	2009	2008
ASIA-PACIFIC	$16,544	$15,261
CENTRAL/EASTERN EUROPE	$4,641	$7,003
LATIN AMERICA	$6,210	$4,311
MIDDLE EAST/AFRICA	$2,887	$2,999
NORTH AMERICA	$9,379	$10,401
WESTERN EUROPE	$11,750	$13,023
EUROPEAN UNION	$12,469	$13,981
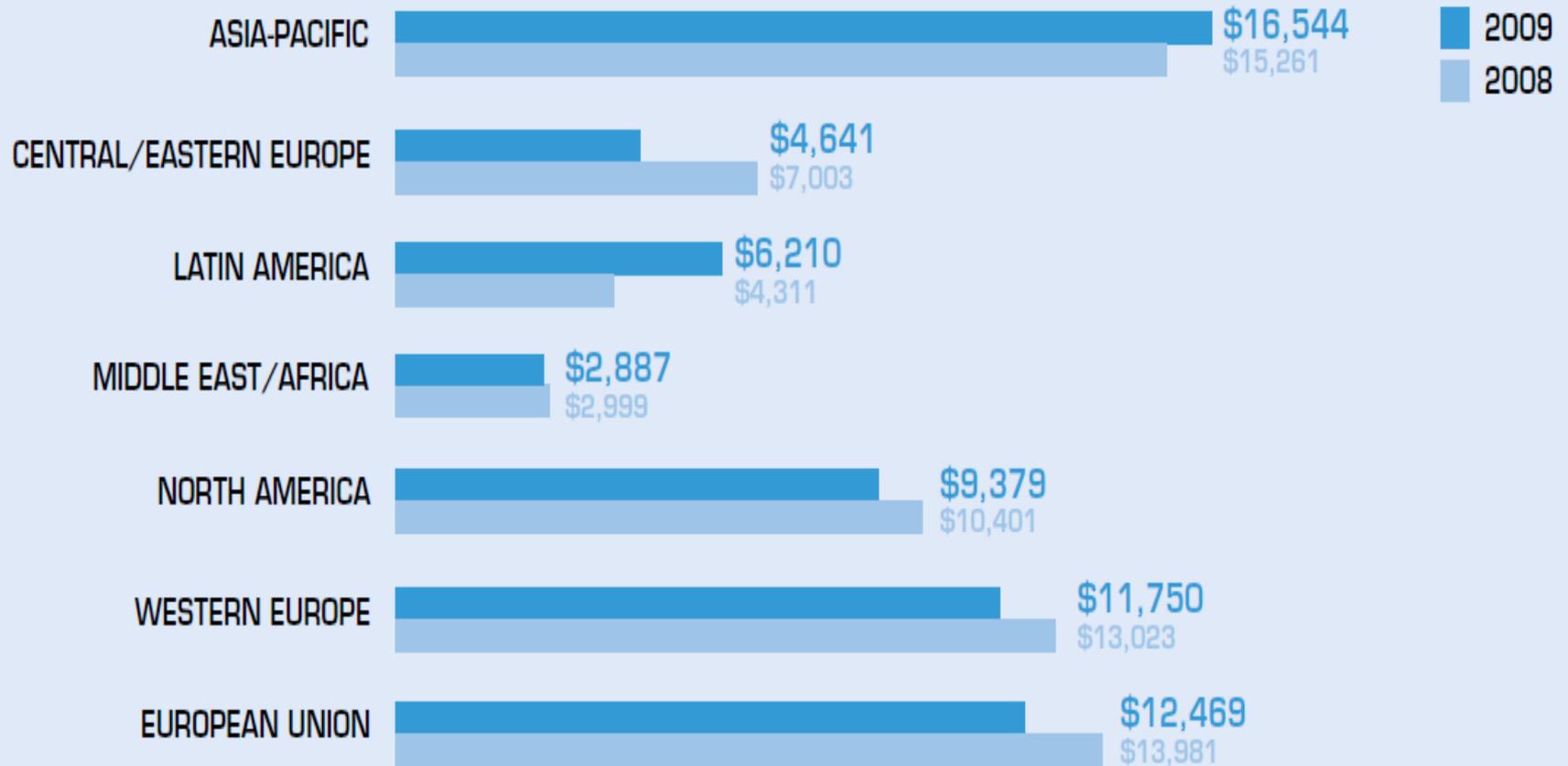
NOTE: COMMERCIAL VALUE EXPRESSED IN MILLIONS OF US DOLLARS
SOURCE: SEVENTH ANNUAL BSA/IDC GLOBAL SOFTWARE PIRACY STUDY, MAY 2010

Piracy rates in Middle East and Africa (1)

Piracy Rates

	2009	2008	2007	2006	2005
Middle East and Africa					
Algeria	84%	84%	84%	84%	83%
Bahrain	54%	55%	57%	60%	60%
Botswana	79%	80%	82%	81%	82%
Cameroon	83%	83%	84%	84%	84%
Egypt	59%	59%	60%	63%	64%
Iraq	85%	85%	85%	—	—
Israel	33%	32%	32%	32%	32%
Ivory Coast	79%	80%	81%	82%	82%
Jordan	57%	58%	60%	61%	63%
Kenya	79%	80%	81%	80%	81%
Kuwait	60%	61%	62%	64%	66%
Lebanon	72%	74%	73%	73%	73%
Libya	88%	87%	88%	—	—
Mauritius	56%	57%	57%	59%	60%
Morocco	66%	66%	67%	66%	68%
Nigeria	83%	83%	82%	82%	82%

Source: Seventh Annual BSA/IDC Global Piracy Study, May 2010

Piracy rates in Middle East and Africa (2)

Oman	63%	62%	61%	62%	63%
Qatar	51%	51%	54%	58%	60%
Reunion	40%	40%	40%	40%	40%
Saudi Arabia	51%	52%	51%	52%	52%
Senegal	78%	79%	80%	81%	82%
South Africa	35%	35%	34%	35%	36%
Tunisia	72%	73%	76%	79%	81%
Turkey	63%	64%	65%	64%	65%
UAE	36%	36%	35%	35%	34%
Yemen	90%	89%	89%	—	—
Zambia	82%	82%	82%	82%	83%
Zimbabwe	92%	92%	91%	91%	90%
Other Africa	86%	86%	85%	85%	84%
Other ME	88%	87%	87%	89%	91%
TOTAL MEA	**59%**	**59%**	**60%**	**60%**	**57%**

Source: Seventh Annual BSA/IDC Global Piracy Study, May 2010

ECONOMIC IMPACT OF SOFTWARE PIRACY AND BENEFITS OF REDUCING IT

Economic impact of software piracy

- Local software companies can be crippled by competition from unlicensed and stolen software in the market, not to mention piracy of their own products
- Local service and distribution firms can make more money working with legitimate software and cut internal support costs
- Businesses and consumers waste time and money working with faulty and unsupported pirated software
- For users, using pirated software entails legal risks and security risks

Efforts to reduce piracy on the part of software developers

- Legalization efforts by software manufacturers to provide governments with software at a low cost in bulk to replace unlicensed software
- Continuing agreements with original equipment manufacturers (OEMs) to preload software onto hardware systems before they ship
- Employing technical advances, like digital rights management, that encourage customer self-audits
- Offering exclusive, value added services
- Promulgating software asset management programs, with the prospect of delivering user savings
- Encouraging government education and enforcement activity that supports respect for IPR laws
- Continuing government and industry partnerships in anti-piracy programs

Impact of reducing software piracy

- Economic benefits of lowering piracy — in terms of additional jobs, new local revenues and additional taxes generated are real:
  - Russia added nearly 60,000 jobs by 2008, 9,000 of which IDC attributes to lower PC software piracy
  - By 2008, China added more than 800,000 jobs to its IT industry, of which IDC attributes 220,000 to lower PC software piracy

Economic benefits of reducing piracy (1)

Distribution of economic gains from reducing PC software piracy by 10 percentage points in four years in selected Middle East countries

	2009 Piracy Rate	Total Impact ($M)	Local Share ($M)	Local/Total
Egypt	59%	$254	$161	64%
Jordan	57%	$52	$44	83%
Saudi Arabia	51%	$786	$535	68%
UAE	36%	$425	$275	65%
Turkey	63%	$783	$611	78%
Israel	33%	$799	$677	85%
Subtotal	**46%**	**$4,343**	**$3,149**	**73%**

Economic benefits of reducing piracy (2)

Distribution of local economic gains from reducing PC software piracy by 10 percentage points over 2 to 4 years

		10-pt Reduction	10 pts in First 2 of 4 yrs ($M)		10 pts Spread Over 4 yrs ($M)		Rapid-Reduction Dividend, 2 yrs v 4 yrs	
	2009 Piracy Rate	**New Jobs**	**Added GDP**	**Extra Taxes**	**Added GDP**	**Extra Taxes**	**Added GDP**	**Extra Taxes**
Egypt	59%	1,978	$338	$44	$254	$33	33%	34%
Jordan	57%	375	$71	$19	$52	$14	35%	34%
Saudi Arabia	51%	1,420	$1,041	$25	$786	$19	32%	33%
UAE	36%	841	$566	$23	$425	$17	33%	31%
Turkey	63%	2,180	$1,041	$205	$783	$154	33%	33%
Israel	33%	3,207	$1,079	$582	$799	$430	35%	35%
Subtotal	**46%**	**11,651**	**$5,806**	**$1,076**	**$4,343**	**$799**	**34%**	**34%**

Source: BSA and IDC, 2010 Piracy Impact Study: the economic Benefits of reducing software piracy

Important lesson

The faster the reduction in piracy, the greater the economic impact

TWO CASES: EGYPT AND QATAR

The case of Egypt (1)*

- The Egyptian ICT sector managed in the last few years to gain the attention of domestic as well as foreign investors due to its tremendous success.

- Value-added services and call centers were established with revenues of these companies increasing by 15% to reach EGP12 10.48 billion compared to EGP 9.11 billion in 2007.

- 175,1 000 employees worked in the ICT sector in 2008 compared to 162.5 thousand employees in 2007, hence employment grew by 7.77%.

- The Egyptian software industry, part of the larger Information and Telecommunication (ICT) sector, is one of the fastest-growing and most vibrant segments of the region, with an annual growth rate of 25.5%

** Nora El-Bialy, **The Role of Institutions within the IPR Enforcement Context** – **The Case of de facto Software Protection in Egypt***

The case of Egypt (2)

- SP remains a critical issue, though lots of effort and trials done by the government
- Losses due to software piracy in Egypt estimated by BSA are $131 million (in 2008).
- 10 percentage point reduction in software piracy over the next four years in Egypt would create more than 1,700 jobs, $153 million in local industry revenues and $8 million
- Law 38 of 1992 emerged as an extension of the first IPR law and its amendments included for the first time innovative technology
- Few enforcement actions were taken against large and medium-sized resellers and end-users, which resulted in non-deterrent remedies since Imposed fines (between 1000 and 5000 EP) were totally inadequate to deter piracy
- Egypt reactivated raids on resellers in 1997 and in 1998; they also started raids on business end-users
- Finally, in June 2002, the Egyptian government issued its new IPR law 82 of 2002 that provides a firm basis for protecting copyright materials, including digital environment

The case of Egypt (3)

- The Department of Anti-piracy Police, affiliated to the Ministry of Interior ,and the Censorship Unit, affiliated to the Ministry of Culture formed together the main copyright enforcement pool of the Egyptian government, confiscating the pirated products and arresting offending individuals

- The sharp decline in Egypt's piracy rate happened immediately during enacting its new IPR law and because of signing several agreements with Microsoft to bring the prices of legitimate products closer to those of the pirated ones for specific target groups

- The government and BSA have worked together on launching comprehensive educational campaigns to reduce piracy: BSA carried a comprehensive awareness campaign using several media and continuously tries to build new strong relations with public officials and police authorities to influence the enforcement process; the government appealed to the public and business owners to adopt proper guidelines for using legal products and remind them of the legal liabilities and high cost of piracy.

- These factors increased public awareness concerning pirated software: Users are now aware of the true danger of pirated software on the micro- and macro-levels).

The case of Qatar (1)

- A strong implementation of Qatari law and proactive collaboration between the Ministries of Justice and Interior have borne good fruits in combating software piracy in the country
- Although the rate of software piracy has climbed globally, the rate is quite low in Qatar and the Gulf region compared to other parts of the world
- Software piracy rate for 2009 in Qatar was 51 percent, a significant decline from 60 percent in 2005

The case of Qatar (2)

- Government control over piracy is apparent, despite the expansion of businesses in Qatar due to the fast-paced progress it is currently witnessing
- Data from Intellectual Property Protection Centre (IPPC) of the Ministry of Justice indicate that a total of 416 arrests on software piracy from 2000 to 2010 and QR15m worth of confiscated items in the same period
- IPPC was set up two years ago to register design, trademark and intellectual property rights, create public awareness and conduct raids with a view to preventing all kinds of software piracy and violation of trademark rights in the country
- Emphasis was put on the importance of curbing software piracy to protect the country's status as one of the Middle East's most IT-enabled states
- There is still a need to generate more awareness on the negative social and economic effects of piracy among resellers and end-users

THE WAY AHEAD: WHAT GOVERNMENTS NEED TO DO TO REDUCE SOFTWARE PIRACY

IDC Roadmap to Reduce Software Piracy

Governments need to:
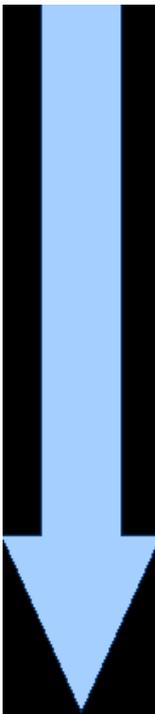
Legislate: Establish a clear and consistent legal framework
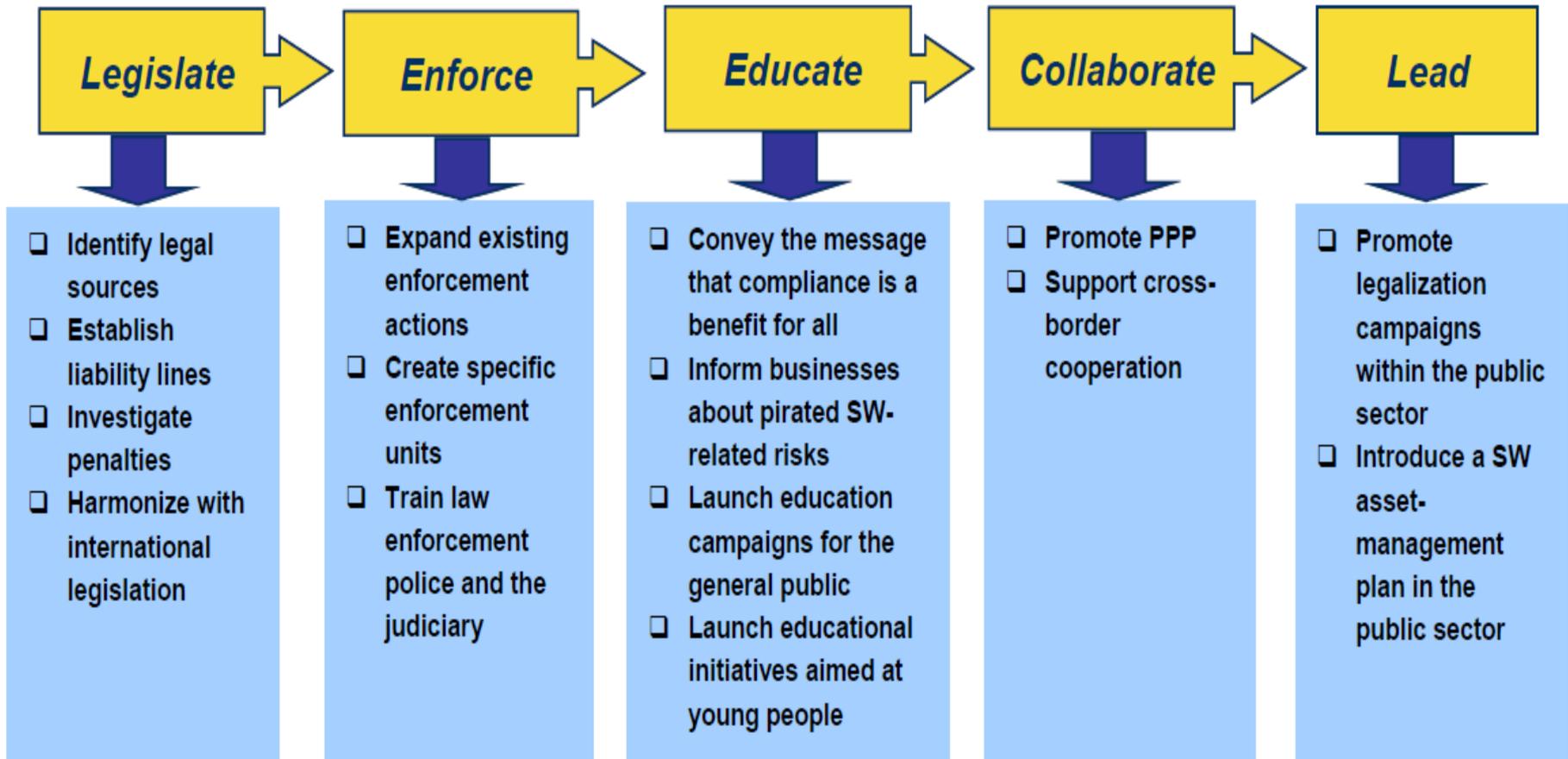
Enforce: Apply legislation with dedicated resources

Educate: Increase public education and awareness

Collaborate: Cooperate at domestic and international level

Lead: Show the way by direct example

Source: IDC, 2009

Detailed IDC roadmap to reduce software piracy

Legislate → **Enforce** → **Educate** → **Collaborate** → **Lead**

Legislate
- Identify legal sources
- Establish liability lines
- Investigate penalties
- Harmonize with international legislation

Enforce
- Expand existing enforcement actions
- Create specific enforcement units
- Train law enforcement police and the judiciary

Educate
- Convey the message that compliance is a benefit for all
- Inform businesses about pirated SW-related risks
- Launch education campaigns for the general public
- Launch educational initiatives aimed at young people

Collaborate
- Promote PPP
- Support cross-border cooperation

Lead
- Promote legalization campaigns within the public sector
- Introduce a SW asset-management plan in the public sector

Source: IDC, 2009

Thank you!

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