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COMMUNICATION FROM THE WORLD BANK GROUP

Technical Assistance, Telecommunications Reform and the WTO Activities of the World Bank Group¹

Addendum

POLICY AND WORK STRATEGY

1. In pursuing its mission of poverty alleviation, the World Bank Group focuses on the opportunities of the information age for developing countries and economies in transition, with the objective of fostering growth and competitiveness and extending the sphere of economic activity to excluded groups. Specifically, the World Bank Group:

- (a) supports efforts to build public institutions' capacity to conceive and implement both the policies for information-based economic activities, and the infrastructure (physical and human) to support them;
- (b) extends access to information and communications by those who are denied or cannot afford them, with a special focus on the poor and those living in rural areas;
- (c) mobilizes resources and expertise, primarily from the private sector, for the information infrastructure in general, and telecommunications in particular.

I. POLICIES

A. SCOPE

2. The World Bank Group supports efforts by governments to develop information-based economic activities and the required information infrastructure.

3. These efforts involve: the development of sector policies, with a view to make them more responsive to coherent national development priorities; support to the provision of new communication services, including mobile voice telephony and Internet, which can compensate for the inadequacies of existing networks; and the policy setting process that requires interaction with a much wider range of public and private stakeholders.

¹This paper has been prepared by a joint team drawn from the Telecommunications and Informatics Unit (EMTTI), and Information for Development Program, *infoDev* (EMTIN). For further information please contact Carlos P. Braga (EMTIN) and Emmanuel Forestier (EMTTI).

B. LIBERALIZATION AND PRIVATE PARTICIPATION

4. In the area of telecommunications sector reform, the World Bank Group supports programs to dismantle monopolies and promotes efficiency and customer choice through new entries and increased private participation.

5. Governments can accelerate new entry, for example by encouraging the development of competing national networks from the existing communications facilities related to different utilities (e.g. railways and energy). Also, governments may make licensing easier, more predictable and enforceable, may allocate frequency for new operators and rule on interconnection procedures with a view to foster competition.

6. The World Bank Group also supports the development of appropriate regulatory arrangements and capacity. Special emphasis is given to efficient allocation and management of radio spectrum, given the potential for wireless technologies to act as a substitute for obsolete or lacking fixed networks.

C. ACCESS

7. In developing countries, the effects of limited access can be especially negative for:

- (a) poor communities;
- (b) regions such as rural areas, which have penetration rates much lower than the national rates;
- (c) fixed line subscribers, who cannot afford to pay commercial tariffs for a better service.

8. Where possible, the World Bank Group supports new solutions, such as differentiated tariff structures for services of different quality in a liberal tariff environment. This entails the need for specific strategies to improve access, through the involvement of the private sector in management and financing.

9. The overall emphasis is on finding commercial solutions to increase access by rural and urban poor. As communal rather than individual access may be a preferred solution in many instances, the World Bank Group promotes the development of regulatory rules that may encourage the provision of such services and the active involvement of the affected communities.

D. TARIFFS AND SUBSIDIES

10. In the area of tariffs, the World Bank Group encourages a larger use of cost-based retail tariffs by existing fixed operators, balanced when necessary by special arrangements for the groups whose access is threatened by new regimes, and liberal tariff regimes in a competitive sector structure for all new service providers.

11. Special attention is paid to interconnection rates in cases where dominant operators may fight the emergence of competing players. Special mechanisms (for example, involving subsidies) may be supported to facilitate access by communities that would otherwise be disadvantaged. However, any such subsidies must be competition-neutral, must enhance rather than displace the private-led provision of service, must effectively reach their intended beneficiaries, must be transparent and sustainable.

E. MOBILIZATION OF RESOURCES

12. The World Bank Group encourages private investment in the area of development and implementation of commercial transactions (privatization and new licenses) designed to support overall sector policies.

13. For basic voice telephony, significant tariff re-balancing is often required to attract investments at the level needed to modernize networks. Resources can flow in most efficiently if services are unbundled, new entry and tariff setting are liberalized, and pro-competition interconnection arrangements are enforced. This is of special significance in instances where growth is constrained by poor interconnection arrangements, the environment for private sector development is weak, and national fixed networks are obsolete.

14. Any public financial intervention should be designed to leverage private investment (for example, through appropriate risk sharing arrangements) and should be directed to areas of development otherwise unattractive for private financing. These may include high-risk countries and high-risk areas or market segments within countries (e.g., rural communications). Public financing may also be used to set-up strategic information systems administered by the public sector (for instance, systems for public sector financial management, public registries, and databases), and structures for the delivery of public services such as health and education.

II. WORK STRATEGY

15. Lately the World Bank Group is facing increased demand for operational and advisory support in the telecommunications sector. In response, the World Bank has changed the focus and nature of the support it provides to the sector: the Telecommunications and Informatics Unit now reflects the new telecommunications policy and the increasing emphasis on the role of information in development; closer working arrangements with the IFC's telecommunications division have improved World Bank Group coordination; the Information for Development (*infoDev*) Program has been established in 1995 as a new grant facility managed by the World Bank and dedicated solely to information and communication technology-related activities. *infoDev* operates as a clearinghouse for 20 external donors and represents a valuable addition to the World Bank's traditional range of financial instruments.

16. Among the several recent external developments that have led the World Bank Group to pay renewed attention to the sector:

- (a) telecommunications and information infrastructure have become key drivers of growth and competitiveness, and instruments of inclusion and economic integration;
- (b) the problems related to the implementation of telecommunications reforms in developing regions are better understood. So is the focus of our development partners. This facilitates the process of identifying the key development interventions in which the World Bank Group has a comparative advantage;
- (c) new partnerships have been developed with the private sector and leading international organizations.

A. OVERALL STRATEGY

17. Four strategic areas have been identified:

- (a) *broadening access* to information and communications by regions, communities and individuals not adequately served at present;
- (b) *mobilization of resources*, primarily from the private sector;
- (c) *policy making* relative to information society issues in general and, in particular, relative to the telecommunications sector, and development of *regulatory capacity*;
- (d) support to the development of key *strategic information systems*.

B. TECHNICAL ASSISTANCE AVAILABLE IN SUPPORT OF THE STRATEGY

18. The main areas of intervention are Sector Reform (this includes issues related to market structure and competition policy); Privatization; Regulatory Framework and Licensing; Institutional Design and Capacity Building; Institutional Launch; Computerization; Radio Spectrum Equipment/Training.

The World Bank Group's efforts in these areas are summarized below:

	Structural or Sectoral Adjustment Operation	Sector Investment Loan	Technical Assistance	Economic and Sector Work	Guarantee	infoDev & other Trust Funds	IFC (1)	MIGA (2)
Awareness-raising, dialogue			√	√		√	√(3)	√(3)
Policy changes	√		√	√		√		
Capacity building (4)			√	√	√	√		
Resource mobilization (5)		√			√		√	√
Strategic information systems		√	√			√	√(6)	
Pilot projects			√			√		

(1) IFC has a range of loan, equity, and guarantee financial instruments. In certain circumstances it makes pre-privatization equity investments in telecommunications operators. It also provides financial advisory services.

(2) MIGA guarantees cover risks of transfer restriction, expropriation, breach of contract, war and civil disturbance for qualified investments in developing member countries.

(3) On issues associated with private investment in the sector

(4) Capacity on policy formulation and implementation, regulation, and designing and implementing transactions to attract investment

(5) Group financing to come in the first instance from IFC and MIGA. IBRD/IDA as financier of last resort in the context of an appropriately dimensioned partnership between the public and private sectors in higher risk environments. Guarantees are preferred to loans/credits.

(6) Where the strategic information system is private sector-led

19. Through Technical Assistance and Economic and Sector Work instruments, as well as via *infoDev* grants, the World Bank supports awareness-raising activities, policy dialogue and advice, development of regulatory capacity, and assistance in the design and implementation of transactions designed to promote competition and attract private investment.

20. Investment financing currently comes in the first instance from IFC. The International Finance Corporation may also advise on the impact of policy and regulatory arrangements, and on prospects for attracting investment.

21. IBRD/IDA's investment financing may be used when it is clearly required to catalyze privately led solutions.

C. TECHNICAL ASSISTANCE ON REGULATORY REFORMS

22. Typically the World Bank assistance on telecommunications regulatory reform is part of a larger project related to telecommunications sector development, multi-sectoral parastatal reform, or multi-sectoral capacity building. Examples of activities supported through World Bank's Technical Assistance follow:

- (a) Development of sector reform policies and plans;
- (b) Development of modern communications legislation which (among other items) establishes a regulatory agency;
- (c) Development of regulatory frameworks and detailed licenses for telecom operators;
- (d) Development of sectoral competition policy and assistance with implementation of new entry;
- (e) Development of guidelines for network interconnection (sometimes in the form of default interconnection agreement);
- (f) Development of price re-balancing and price control arrangements;
- (g) Development of universal service policies, plans, and network "roll-out" obligations;
- (h) Design and implementation of plans to modernize radio-spectrum management;
- (i) Advisory services, training and other form of capacity building for regulatory agencies;
- (j) Development of agendas, procedural processes and rules, and organization structures for regulatory agencies;
- (k) Support to multilateral liberalization efforts and compliance with the WTO's Reference Paper.

D. *INFODEV* GRANTS

23. Technical assistance on regulatory issues is also provided through *infoDev* grants. The *Information for Development Program (infoDev)* is a global grant facility funded by public and private donors and managed by the World Bank.

24. *infoDev* activities include sharing world-wide experiences on the economic development potential of communications and information systems. *infoDev* disseminates best practices to governments and to public and private key decision-makers. It also channels to governments in developing economies policy advice and other technical assistance regarding privatization, private entry and competition in the communications and information sector, as well as on the improvement of policy, regulatory and business environment for investment.

25. In partnership with the ITU, *infoDev* has supported several consensus building initiatives associated with regulatory reform¹. *infoDev*-sponsored activities directly related to the WTO are described in the section below.

¹For details see www.worldbank.org/infodev and www.regulate.org

EXAMPLES OF TECHNICAL ASSISTANCE RELATED TO TELECOMMUNICATIONS REGULATORY ISSUES

Telecommunications Sector Reform Projects: Portfolio and Pipeline

1. The following list is indicative of telecommunications sector reform projects. It is not intended to be an exhaustive or comprehensive list of all projects in all countries, but rather is intended to provide some relevant examples.

Cameroon - Privatization and Regulatory Capacity Building Project

Amount: 12.6 million. Scheduled to be approved in January 2000.

2. The telecommunications component of this project concerns the separation of the policy, regulatory and operational functions in the postal and telecommunications sector.

3. This entails the creation of three corporate entities, Camtel (new multi-service operator, excluding mobile services), Camtel-Mobile (new mobile service operator), and Camtel-Poste. The current provider of international services, Intelcam, will be incorporated into Camtel. Therefore the project provides Technical Assistance for the preparation of the first private cellular license and the privatization of Camtel and Camtel-mobile. In addition the project will support the creation of a new regulatory agency, ART, including capacity building, and the development of a modern regulatory framework, including licenses for the new operators.

Gabon - Privatization and Regulatory Capacity Building Technical Assistance Project

Amount: \$10 million. Approved in June 1997; scheduled to terminate in December 1999.

4. The objective of the project is to increase the level of private sector investment in Gabon. The program calls for (a) facilitating rapid divestiture from state enterprises with major spin-off effects on factor costs and employment, in transport, power, telecommunications, and the largest agro-businesses; and (b) improving the efficiency of state spending in core areas directly aimed at poverty reduction.

Uganda - Enterprise Development Project

Amount: \$5 million. Approved in September 1998; scheduled to terminate in December 1999.

5. This is a component of a larger project for the development of the private sector and public enterprise. Under the telecommunication component, technical assistance is provided for (a) assistance to the restructuring of Uganda Posts and Telecommunication Corporation (UPTC); (b) privatization of UPTC's telecom operations; (c) authorization of a second national operator for the provision of local, national long distance, international, and cellular mobile telephone services development of detailed licenses for both the new Uganda Telecommunications Ltd and the second national operator; and (d) establishment of, and capacity building for the Uganda Communications Commission.

Mali - Telecommunications Sector Reform

Amount: 7.5 million. Scheduled to be approved in October 1999.

6. The project will (a) increase access to telecommunications; (b) widen the range of services; (c) improve the quality of services; (d) introduce cost-based tariffs; and (e) accelerate the deployment of new and cost effective technologies relevant to Mali's needs through, inter alia, implementing a new legal and regulatory framework enabling a multi-operator environment attracting private capital to the main telecommunications operator initially through a strategic sale, preparation of a strategy for

delivering of information access and related services to rural and disadvantaged communities and establishing the necessary institutions to carry out the telecommunications reforms efficiently and transparently, as well as ensuring that adequate capacity is built for other utility reforms and privatization.

Malawi - Privatization and Utility Reform

Amount: 10 million. Scheduled to be approved in April 2000.

7. The project will support the Government of Malawi's efforts to increase coverage of and improve service delivery in key utility sectors by increasing private participation in infrastructure.

8. The telecommunications component will support (a) the elaboration of key policy considerations (including tariffs and interconnection, exclusivity periods, labour issues); (b) the establishment of a plan to strengthen the postal service following its split from telecommunications (on which it is currently dependent through cross-subsidies); (c) the establishment, in cooperation with the Danish Development Aid Agency DANIDA, of adequate regulatory arrangements for the sector; (d) the setting-up of a plan to improve rural communications (posts and telecommunications), including possible IDA assistance for a private-led solution to the problem of provision of services in rural areas.

Niger - Privatization and Regulatory Reform Technical Assistance Project

Amount: \$18.6 million. Approved in September 1998, scheduled to terminate in December 2001.

9. The project will increase the operational and financial performance of the public enterprise sector and of selected utilities through privatization of assets and private sector participation in infrastructure. Through the development of an effective policy and regulatory framework, this will help Niger improve access and quality of services in telecommunications, water, and electricity.

Indonesia - Telecom Sector Modernization Project

Amount: \$8 million. Approved in June 1995; scheduled to terminate in June 2001.

10. This is the technical assistance component of a project in support of the modernization and expansion of the telecommunications network in Java, Bali and Nusa Tenggara. The reforms include: (a) restructuring of PT TELKOM into four Regional organizations and a national network organization supported by a small corporate office; (b) setting up joint ventures between foreign telecommunications operators and PT TELKOM; and (c) establishing a new company, independent of PT TELKOM, with private sector equity financing and participation of an experienced foreign operator, to provide wireless-based telecommunications services.

11. The two key initiatives are: (a) establishment of a new, competitive, domestic wireless-based telecom service provider with foreign operator participation; and (b) transformation of the present monopoly provider (PT TELKOM) into four regional operating companies and a national network organization.

Bangladesh - Telecommunications Sector Reform Project

Amount: \$ 22 million. Scheduled to be approved in September 1999.

12. The project will promote private investment, operation and competition in the provision of telecommunications services. This will be achieved by assistance to the strengthening of the sector's regulation, including the management of the radio frequency spectrum, and by improving the sector's ability to interconnect with private networks.

13. The main components of the project are: (a) consulting services in building up regulatory capabilities, training of staff and undertake selected studies on sector regulation; (b) a frequency management and monitoring system, including hardware, software, expert assistance during the initial years of operations, and staff training; (c) investments in existing facilities to facilitate future interconnection requirements of private operators; and (d) a study to identify measures to make existing operator more efficient and competitive.

India - Telecom Sector Reform Project

Amount: \$68 million. Scheduled to be approved in September 1999.

14. The project will promote private investment and competition in the telecommunications sector through the strengthening of elements of the policy and regulatory environment. This will be achieved by assistance to the Department of Telecommunications of the Ministry of Communications for the reinforcement of its functions, including modernization of radio frequency management and licensing systems, and by assistance to the Telecom Regulatory Authority of India for the reinforcement of its capacity to regulate the sector.

Sri Lanka - Telecom Regulatory Project

Amount: \$8 million. Approved in March 1996; scheduled to terminate in December 1999.

15. The objective of the telecommunications component of the project is the support of continued reform and efficient development of the sector. It will be achieved by strengthening the sector regulation and providing for efficient allocation and use of the radio frequency spectrum. The project will also promote private investments, operation and competition in the provision of telecommunications services in Sri Lanka.

16. The project will provide: (1) assistance for the strengthening of regulatory capabilities, including provision of (a) a frequency management and monitoring system and (b) consulting services to assist in studies of sector regulation issues and training of staff; and (2) assistance for specific privatizations.

Bolivia - Regulatory Reform Project

Amount: \$20 million. Approved in June 1998; scheduled to terminate in March 2003.

17. The project supports the Government's initiatives for regulatory reform in the financial, infrastructure, and business sectors, for the privatization of state-owned enterprises, and for the improvement of infrastructure services. This includes (a) strengthening the stability and efficiency of the financial sector; (b) enhancing the legal and regulatory framework for infrastructure and business; and (c) promoting improved provision of goods and services through the privatization of state-owned enterprises and the reform of public-service cooperatives. The Government's program includes (a) the revision of the regulatory framework law and support to the improvement of the institutional relationship between the general regulatory authority and the executive branch of the Government, including revision of oversight and monitoring responsibilities; (b) the adoption of an administrative procedures law; (c) the adoption of a competition law and institutional support for a new competition authority; and (d) the introduction of competition in the delivery of telecommunications services, including awarding of a PCS license.

Colombia - Regulatory Reform Project

Amount: \$12.5 million. Approved in February 1997; scheduled to terminate in August 2001.

18. As requested by the Government, and addressing the main needs relative to the provision of private infrastructure services, the project will assist (a) in the consolidation of policy, regulatory and institutional framework to improve the feasibility of private infrastructure projects in sectors including

telecommunications and other utilities; (b) in providing examples of best practice and in supporting the establishment of a track record through the design of pilot projects and transactions.

Bulgaria - Telecommunications Sector Development Project

Amount: 30 million. Approved in April 1993; scheduled to terminate in June 1999.

19. The objective is to support the rapid development of the telecommunications sector along the lines of a strategy adopted by Government of Bulgaria, which calls for policy and institutional reforms and for implementing a medium-term investment program which reflects economic priorities.

20. The project comprises: (a) implementation of a digital overlay network for the Bulgarian Telecommunications Company (BTC) including digitalization of the trunk routes and renewal/expansion of the network; (b) design and implementation of a computer-based operational support system/management information system for BTC; and (c) technical assistance for the corporate development of BTC, including establishment of management functions, i.e. accounting, auditing, financial management, planning.

Organization of Eastern Caribbean States - Telecommunications Reform Project

Amount: \$6 million. Approved in June 1998; scheduled to terminate in September 2002.

21. The project will introduce pro-competition reforms in the telecommunications sector and increase the supply of informatics-related skills in the five OECS borrowing countries. An independent regional regulatory authority is to be established within two years of project effectiveness and new sector legislation is to be passed in each country within three years of project effectiveness.

22. The project will include: (1) Telecommunications Regulatory Framework Modernization in order to establish a framework to facilitate sectoral reform; (2) Pilot for Informatics Training in support of informatics training for current and potential workers; (3) Project Management

Romania - Telecommunications Reform Project

Amount: \$30 million. Approved in April 1998; scheduled to terminate in December 2001.

23. The project helps the Government of Romania (a) to reform the telecommunications sector, including privatization of existing public sector facilities for telecommunications, and (b) to establish a regulatory agency for the sector.

24. This includes (a) the design and implementation of policy, legal and regulatory frameworks for the reform of the telecommunications sector, which will attract new private investment and lead to the privatization of RomTelecom; and (b) the establishment of an independent regulatory agency for the sector. The latter will entail provision of the necessary infrastructure to enable the Government to maximize the productive use of the radio frequency spectrum, and to improve frequency assignment criteria for further expansion of wireless communications services provided by the private sector through the creation of a modern radio frequency spectrum management system (FSMS).

Uzbekistan - Institution Building Project

Amount: \$21 million. Approved in June 1998; scheduled to terminate in December 2003.

25. The telecommunications component of this project will help the Government in its effort to reform the telecommunications sector. This will involve the enactment of modern legislation, accompanied by a clear statement of Government sector policy. In subsequent stages, the project aims at facilitating the development of the regulatory framework, including capacity building for the newly created Uzbek Agency for Posts and Telecoms, and the preparation of the privatization of the companies that comprise Uzbelektelkom.

Kyrgyz Republic - Telecommunications Project

Amount: \$18 million. Approved in June 1994; scheduled to terminate in June 2001.

26. The main objectives are to assist the Government: (a) to make priority investments to modernize and develop the telecommunications network to facilitate economic growth; (b) to improve management skills for a market oriented economy, to create a state-owned joint-stock corporation for telecommunications, and to commercialize telecommunication activities; (c) to establish a regulatory and policy framework for the restructuring of the sector aimed at enhancing the competitiveness of the main operator, liberalizing and opening to competition key market segments, and attracting over time private sector investment to the sector.

infoDev Projects

27. The WTO and *infoDev* have been closely allied in the effort to facilitate the participation of as many countries as possible to the WTO negotiations and in the subsequent implementation of the commitments made by the participating countries.

28. Countries in need of assistance, ranging from coverage of expenses for participation in the negotiations to the drafting of commitments (under the WTO I *infoDev* grant), to help in the implementation of the commitments made under the 4th Protocol (under the WTO II *infoDev* grants), ask the WTO for support. The World Trade Organization then directs the requests for help to *infoDev*, which in turn assigns one of the implementing agencies to provide assistance to the specific country under Terms of Reference agreed upon by the WTO and *infoDev*.

WTO I - Assistance to the Emerging Economies to participate in the WTO Telecommunications Market Liberalization Process

29. In October 1996, *infoDev* launched a project to enhance the participation of developing countries and of economies in transition in the WTO negotiations on telecommunications. The project, undertaken in cooperation with the WTO and managed by the International Institute of Communications, was designed to advance one of *infoDev*'s overall objectives to provide policy advice and technical assistance to governments in developing countries and economies in transition on telecommunications regulations and sectoral reform. The specific task of this project was to provide this kind of assistance to trade and telecommunication negotiators participating in the GATS basic telecommunication negotiations. A total of \$233,000 was awarded for this project².

30. The grant had two main objectives:

- (a) to raise awareness about the WTO process and the nature of GATS commitments, identify trends in global and national telecommunication reform, and provide an update on the state of play of the WTO negotiations on basic telecommunications;
- (b) to provide technical assistance to governments interested in contributing their commitments to the negotiations on basic telecommunications prior to the February 1997 deadline. The emphasis of this support was on preparing, assessing and/or improving offers and was generally carried out through in-country visits.
- (c) By February 1997, a total of 69 governments had made commitments by the close of the negotiations, including 23 new submissions. Of the 23 new submissions, 13 were

²Countries assisted under the WTO I grant were South Africa, Ghana, Senegal, Papua New Guinea, Philippines, Malaysia, Sri Lanka, Bangladesh, Indonesia, Jamaica, Trinidad and Tobago, Dominica, Antigua, Belize, Grenada, St. Kitts and Nevis, Guyana, Bahamas, Barbados, St. Vincent, St. Lucia.

directly assisted through this *infoDev* project and four were indirectly assisted through the technical assistance provided to them through WTO I.

WTO II - Assistance to Emerging Economies to participate in the WTO Telecommunications Market Liberalization Process

31. The series of *infoDev* grants under WTO II, which are now nearing completion, enabled the recipient countries to improve their capacity to make WTO commitments and undertake to meet their WTO commitments toward telecommunication market liberalization. *infoDev* funded four grants to as many regional institutions to provide assistance to their member countries³ in order to:

- (a) refine their WTO telecommunications commitments;
- (b) implement national regulatory arrangements resulting from those commitments;
- (c) make commitments, in cases where these had not yet been made.

32. The total *infoDev* grants associated with the WTO II efforts amounted to \$353,580. The Caribbean component of the *infoDev* grant, entailing a grant of \$70,360 went to the Caribbean Telecommunications Union. For the African component, Telecom Forum of Africa, was awarded \$124,120. The Wissenschaftliches Institut für Kommunikationsdienste of Germany received a grant of \$86,500 to carry out assistance to Eastern Europe and Latin America. The fourth grant at the amount of \$73,000 has been given to the Asia Pacific Telecommunity for the Asia and Pacific component of the project.

³Countries assisted under WTO II grants were Kenya, Uganda, Botswana, Tanzania, Maldives, Mongolia, Philippines, Thailand, Ecuador, Bolivia, Cyprus, Nicaragua, Belarus, Latvia, Dominica, Trinidad and Tobago, Jamaica, Barbados, Montserrat, Bahamas, St. Vincent and the Grenadines, St. Lucia, St. Kitts and Nevis, Anguilla, Grenada.