



INTERNATIONAL TELECOMMUNICATION UNION TELECOMMUNICATION DEVELOPMENT BUREAU

**WORLD TELECOMMUNICATION DEVELOPMENT
CONFERENCE (WTDC-98)**

**Document 200(Rev.3)-E
31 March 1998
Original: English**

Valletta, Malta, 23 March - 1 April 1998

For action

PLENARY MEETING

NOTE BY THE CHAIRMAN OF COMMITTEE A

DRAFT RESOLUTION ON TELECOMMUNICATION FINANCING AND TRADE

The World Telecommunication Development Conference (Valletta, 1998),

recalling

- a) that the purpose of the Union is to promote cooperation among its Members to ensure the harmonious development of telecommunications and to provide services at the lowest possible cost;
- b) that the functions of the BDT include:
 - encouraging the development, expansion and operation of telecommunication networks and services, particularly in the developing countries;
 - providing advice, carrying out or sponsoring studies, as appropriate, on technical economic, financial, management, regulatory and general policy issues, including studies on specific projects in the field of telecommunications,

considering

- a) that the telecommunication environment is changing in particular in its commercial aspects as a result of the WTO basic telecommunication agreement and the General Agreement on Trade in Services (GATS) which preceded it, and that the telecommunication industry now operates, for all intents and purposes, under a trade regime;
- b) that the basic telecommunication agreement will affect all ITU Member States and Sector Members;
- c) that in the transition towards a market-oriented environment it is important that all countries are able to benefit fully from the new opportunities that a liberalized and dynamic world telecommunications market will create, if they so wish;
- d) that many developing countries currently rely upon the net settlement payments made under the accounting rate system for a share of their total telecommunication revenue and are consequently concerned that the transition to cost-oriented settlement rates might reduce these payments,

noting

a) that six Colloquia on telecommunication financing and trade were held with great success in every region between 1996 and 1998 for the purpose of examining with all the partners concerned the critical question of the financing of telecommunication infrastructures and that it proved possible to reach consensus among the participants on a number of recommendations which were developed during this Colloquia;

b) that the second World Telecommunication Policy Forum held in Geneva from 16-18 March 1998 adopted three Opinions on the following points:

Opinion A - the implications of the GATS with respect to basic telecommunications for the ITU membership;

Opinion B - the implications of the GATS with respect to basic telecommunications for developing countries and cooperative actions between ITU Member States and Sector Members to facilitate adaptation to the new telecommunication environment;

Opinion C - the evolution of the international telecommunication environment, particularly the accounting and settlement system;

and in particular that Opinion B and Opinion C contain measures to be taken in the framework of development activities,

instructs the Director of the Telecommunication Development Bureau

1 to implement the recommendations which came out of the six Colloquia mentioned above, namely to:

- provide information and knowledge on WTO agreements and GATS related to telecommunications to build up national know-how;
- develop training programmes for regulatory agencies and operators on the establishment of cost-orientated tariffs and how to meet the need for the provision of universal access/service;
- assist countries in the formulation of their financial strategies and policies through missions, expert meetings, etc.;
- facilitate partnerships with and among public and private entities;
- draw up an inventory of relevant developing country lessons and experiences with private sector participation and mobilization of resources;

2 to implement the activities which the Director of BDT has been invited to undertake by Opinion B and by Opinion C of the WTPF Geneva 1998;

3 to incorporate these activities in the work programme of BDT. The attached document (Annex 1) provides guidelines regarding activities to be carried out by the BDT,

invites the ITU Council and the Plenipotentiary Conference (Minneapolis, 1998)

to ensure the appropriate resources and means are available to BDT to effectively complete the above instructions.

ANNEX 1

Activities planned by BDT for follow-up and implementation of Opinions adopted at the second World Telecommunication Policy Forum and as a result of WTDC-98 decisions

I Background

The main outputs of the second World Telecommunication Policy Forum (WTPF) are contained in the opinions which it adopted. These relate primarily to: 1) the implications of the WTO Agreement for the developing countries, and 2) trends and developments in the international telecommunication environment, and in particular the accounting and settlement system.

As has already been emphasized by the Abidjan and Beirut regional development conferences in 1996 and by the Regional Finance Colloquia, BDT has a key role to play in implementing those opinions and may also provide support to the Telecommunication Standardization Sector in its work (ITU-T Study Group 3) on the future of the international settlement system. BDT has a duty to help the developing countries participate in and make a constructive contribution to the work of Study Group 3, since it is they who are likely to be hardest hit by the impact of any change in the international settlement system. It is worth noting that, already in the last study period, BDT collaborated closely with the regional tariff groups (ITU-T) (organization of regional seminars on tariffs) and raised awareness in different countries by putting forward solutions to problems associated with the GATS and the new environment at the six Regional Colloquia on Telecommunication Finance, Trade and Tariffs.

II Activities planned by BDT

Three major strands of activity may be contemplated, structured in such a way as to be in step with and within the work programme to be carried out before the next meeting of ITU-T Study Group 3 to lend support to the work of ITU-T Study Group 3, its regional tariff groups, and the Focus Group referred to by Opinion C of the second WTPF.

- 1) Compilation of a database of macroeconomic data relating to the developing countries, including also selected information on their telecommunication sectors as well as relevant data which are contained in the case studies already available.
- 2) Regional work programmes in two stages:
 - a) the first phase (April-December 1998) involving a detailed analysis of the results of the case studies conducted in close cooperation with the Focus Group and using the data contained in the database, and
 - b) the second phase (1999-2003) involving measures to help developing countries adjust to the new international telecommunication environment.
- 3) In the light of the results of the work carried out under the regional work programmes mentioned above, BDT should assist the relevant regional tariff groups of ITU-T Study Group 3 and any other relevant regional groups (provided that it does not duplicate the efforts of the regional tariff groups) in contributing to the development of proposals for solutions for transitional arrangements toward cost orientation beyond 1998 as described in Opinion C, and in identifying the conditions and procedures necessary for successful tariff rebalancing.

III Compilation of a database

Objective: To establish relatively objective bases for comparison

The data collected shall comprise essentially:

- Macroeconomic data on countries, subregions and regions.
- Detailed information provided on a voluntary basis on the telecommunication sector such as network development, investment, traffic data (national and international), financial data concerning enterprises, cost components, current average level of accounting rates and information on tariff rebalancing, calling prices, universal access, interest rate and credit rating.
- Position of the different countries with respect to the WTO agreements: accession, commitments undertaken and status of restructuring of the telecommunication sector in relation to the WTO reference paper.

The task of data collection shall be carried out in accordance with Resolution 185 (Valletta) and in cooperation with the countries (administration, recognized agencies), regional (development or specialized telecommunication) organizations and international (development or specialized telecommunication) organizations and taking into account the existence of databases already operational within ITU.

IV Regional work programmes

Phase 1 (March - December 1998)

Within the framework of the regional tariff groups of ITU-T Study Group 3, presentation at regional or subregional level, as appropriate, of the case studies already conducted, and discussion and consideration of them with the countries concerned. The regional tariff groups comprising national experts specifically involved in tariff rebalancing and cost accounting, may also initiate further case studies with a view to contributing to the necessary adjustment of the international settlement regime to the new international environment. The output of the work achieved in this field by the regional tariff groups or any similar regional groups will be communicated to the Focus Group to assist in the work of ITU-T Study Group 3.

Phase 2 (1999-2003)

The aims of the regional work programmes will be:

- to assist countries to meet the challenge of the evolving telecommunication environment, taking into account as far as is feasible the principles contained in the WTO reference paper;
- to facilitate implementation of ITU-T's recommendations and, more generally, help countries review their financial policy taking into account, among other things, the evolution of the international settlement regime.

A) Assisting developing countries to meet the challenge of the evolving telecommunication environment

- Regional workshops will be organized (two weeks) for countries that have reached the same stage in the restructuring of their telecommunication sectors and displaying a similar level of economic development, to enable them to plan the stages of the restructuring process. Follow-up by BDT regional experts will help these countries to restructure their

telecommunication sectors according to the timetable and modalities they have selected (taking into account as far as feasible the principles contained in the WTO Reference Paper).

- Subregional information seminars (two - three days) will be held to describe the implications of the WTO agreements on basic telecommunications and models of commitments undertaken by countries.

B) Review of international settlement policies

In order to enable the developing countries to adjust to the new environment by adopting new tariff policies, BDT will organize regional group workshops for public and/or private entities on:

- financial management of enterprises;
- price and cost calculation methods;
- methods to mitigate the impact on developing countries of the accounting rates reform and tariff rebalancing.

In addition, BDT will organize training on the introduction of analytical accounting (for example, within the Centres of Excellence) and will help countries implement analytical accounting with the support of the regional experts (BDT), to which end BDT will develop appropriate computer programs.

V Working methods

Implementation of these regional work programmes will call for a strengthening of regional expertise (in restructuring of the sector and financial and management expertise) and coordination at BDT headquarters. This coordination shall be overseen by the Director of BDT:

- ensuring linkage between the different parties involved within ITU (GS, ITU-D, ITU-T) and using all available expertise;
- facilitating the participation of Members of the Union and various regional and international organizations concerned in the regional programmes, through financing or the provision of specialized experts within the framework of joint programmes;
- ensuring that the regional experts selected are of a high standard and helping identify candidates;
- monitoring implementation of the regional programmes, ensuring consistency in the work conducted and results achieved and facilitating exchanges of experience among the regions.

VI Suggested schedule for the activities in coordination with the work of the Standardization Sector

Phase 1¹

March - June 1998:	Compilation of the database in cooperation with other Bureaux of ITU.
June 1998:²	Contribution to the discussions of the case studies at the meeting of Study Group 3 in Geneva where comprehensive and critical review of such case studies and market trends evaluation should be carried out.
Objective:	Regional tariff groups should provide contributions regarding identification of trends and evaluation of possible obstacles as regards tariff rebalancing and financing policies in the countries studied.
July 1998, November 1998:	Organization of regional seminars or workshops as appropriate. Preparation of projections for other countries of the regions.
1 October 1998:	Submission to the Focus Group of a final analysis of the case studies where appropriate (and any additional studies drawn up by the regional tariff groups).
Before end of October 1998:	Preparation of contributions at the regional level for submission to the Focus Group.
7-11 December 1998:	ITU-T Study Group 3 meeting.

Phase 2: 1999-2003

Subject to approval by WTDC-98, an extended regional programme of activities on the changing international telecommunications environment will be carried out in the 1999-2003 period, as outlined in IV above, which will be aimed at following up on the Policy Forum opinions as reflected in the decision of WTDC-98 implementing the recommendations of ITU-T Study Group 3, and further cooperation with the WTO and other partners, on implementation of the GATS with respect to basic telecommunication services.

VII Funding

The funding requirements for this work programme of follow-up activities can be split into those urgent activities to be carried out in 1998 and the work programmes for the period 1999-2003. In all cases, every effort will be made to use limited BDT funds to leverage additional financing from other development partners, such as the World Bank's *InfoDev* programme.

¹ This time schedule might be subject to possible adjustments in accordance with the work programme to be issued by the Chairman of the ITU-T SG 3 Focus Group.

² It is desirable for consultants who have undertaken case studies for the second WTPF to participate as far as possible in this meeting.