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EXTERNAL ASPECTS

The telecommunications sector has entered a spectacular era of change and growth at all levels. In fact, telecommunications began to play a central role in the interaction process between various sectors of the economy. This revolution was given impetus by the great technological development and the globalization of the economy as well as the exploration of telecommunications services.

Thus, the liberalization and privatization of public enterprises carried out in developed countries allowed the creation of consortia that grouped together suppliers worldwide aiming at the exploration of new services. By and large these services had their purpose to meet specific needs felt by companies and private individuals.

Globalization of capital movements fostered merger or joint participation beyond borders between enterprises involved in telecommunications, as well as alliances that take on increasingly a multilateral and worldwide dimension.

This explosion of changes has spread to all every developing country, and within ECOWAS in particular, results obtained are satisfactory in countries that have already begun restructuring the sector, namely Ghana, Cote d'Ivoire and Senegal.

Guinea-Bissau could not stand aloof from these rapid changes, and the current Declaration of Sectoral Policy shows to which extent the telecommunications sector is a focus of government's most pressing concerns.

Government of Guinea-Bissau expects to deliver its commitment next to the World Trade Organization (WTO) within the framework of the Agreement on telecommunications services that reflects options expressed within the current Declaration of Sectoral Policy.

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NATIONAL CONTEXT

Telecommunications are a strategic sector in any country. They are a central element of economic activities and constitute an essential instrument for the implementation of policies designed to integrate the rural world, besides being a sector particularly sensitive to democratic transition and State defense and security. The importance of rural telephony as a factor of the economic and social development of a country like Guinea-Bissau needs no further demonstration.

Finally, the telecommunications sector possesses a development potential that few other economic activities sectors have currently. Despite its requirements for sizeable investments for its expansion, besides basic services whose profitability is beyond discussion, it encompasses numerous new services, which result from accelerated technological evolution taking place in the sector and that lead to strategic changes relative to the restructuring of telecommunications activities.

Government has made considerable investment in order to gradually provide the country with a modern telecommunications network. Aware of the role and place of telecommunications concerning the country's development government has already carried out two institutional reforms in the telecommunications sector that culminated in the creation of a commercial company in charge of exploration of the whole set of telecommunications services.

Currently, exploration of telecommunications is done under a monopoly regime that comprises all services pursuant to a concession contract with Guiné Telecom, signed in February 1989 and lasting for 20 years.

Definition of sectoral policy and regulation (frequency management, setting of tariffs, etc) falls under the Ministry in charge of telecommunications.

Guinea-Bissau's government is aware of limitations affecting this sector in the context of socioeconomic development and thus decided to deepen the process of reforms in the sector that will culminate in its total liberalization and privatization.

SECTORAL POLICY OBJECTIVES

Government orientations in telecommunications are associated with a dynamic approach to solutions that take into consideration the country's specific situation.

The Declaration of Sectoral Policy purports to present in a concise way general guidelines on government's policy in the telecommunications field and to define objectives set out for the sector's development in a context marked by great changes.

Guinea-Bissau opts clearly for liberalization of the telecommunications sector. This political option is expressed by government's wish to define a legal framework adapted to new realities within this sector at the regional and world levels.

The broad objective of liberalization is to raise the effectiveness of telecommunications network and services. This will allow them to play their pivotal role in national development through the fostering of economic competition at the regional level (WAEMU and ECOWAS) and integration in the world economy. More specifically, the following outcomes must be reached through liberalization:

- A. Development of universal access. Liberalization should not lead to the dropping of efforts aimed at the development of universal access but it should rather endeavor to encourage its expansion in parallel with the availability of new services required by economic operators. Liberalization will enable the extension of public-use telecommunications networks and services to remote zones and to neglected social segments at affordable conditions.

- B. Harmonious development of the telecommunications network. Liberalization will allow the development of telecommunications networks and services that are essential to buttress the economy. Government will endeavor for the development of different networks and services derived from liberalization to take place harmoniously with the purpose of setting up a sole, totally interconnected national network.
- C. Private sector involvement. Guinea-Bissau has already given an important step forward with the creation of a private joint company. Liberalization should seek to raise interest by other potential actors in the provision of telecommunications services. Thanks to technological progress it is possible to produce telecommunications services and, more specifically, new services (Internet, paging, voice communication, etc.) with investment levels affordable to national operators.
- D. Job creation. Liberalization will translate itself into creation of jobs in the overall telecommunications sector and government will pay special particular attention to the social aspect throughout the whole process.
- E. Affordability of services. The competitive environment built through liberalization will enable a reduction in tariffs and prices of telecommunications services, with particularity regarding end-consumers and/or intermediary users.

Reasons for liberalization

At the national level, several reasons render liberalization necessary:

- A. National macroeconomic policy. Liberalization of the telecommunications sector is to be seen in the context of the general liberalization policy adopted in 1985. This policy translates in the gradual divestiture by the State from productive economic sectors, whose ownership is transferred to private agents. Competition in telecommunications will have a decisive influence in the economy. It is important to avoid constraints that affect negatively its performance and steps should be taken to increase efficacy of this sector within the national, regional and international context.
- B. Economic and financial reasons. Limited resources make it difficult for a sole structure to make available the multiplicity of telecommunications services that meet an increasingly diversified demand.
- C. Existence of potential investors in the country. There are nowadays investors and national operators willing to involve themselves in the supply of telecommunications services if an adequate regulatory framework is set up.
- D. Privileged position of the current public telecommunications operator. The State gave the current operator the opportunity to provide itself with private enterprise culture since 1989, allowing it to reach the point of filling a privileged position as regards privatization.
- E. Commitments at the regional, sub-regional and international levels. Guinea-Bissau has adhered to the treaty of the West African Economic and Monetary Union (WAEMU), whose article 93 covers regional liberalization. In accordance with international law principles, Guinea-Bissau will reflect liberalization as well as remaining treaty dispositions in its national legislation. Adherence to WAEMU brings good prospects to national operators due to the market's extension. The increased market gives rise to demand for diversified and competitive telecommunications services both in terms of quality and prices to face regional competition. The liberalization principle is in accordance with the "African green book: Telecommunications Policy for Africa", prepared by the International

Telecommunications Union (ITU), which has become a reference document for the whole African region.

One should not ignore effects of globalization of exploration of telecommunications and the increasing diversity of new services now tapped in by technological progress. Guinea-Bissau, as a member of the World Trade Organization (WTO) has subscribed to the principle of multilateral liberalization of trading in services, among which telecommunications.

STRATEGY

To pursue its goals, government of Guinea-Bissau has guided its reforms program on the basis of an opening of the telecommunications sector to competition, based on the following provisions:

- Liberalization is the key of the whole process of reforms in the telecommunications sector and consists of the creation of a new legal framework that will allow an opening to competition in the sector.
- Opening of the telecommunications sector is seen as the allowing of gradual entry of new operators in all segments of the telecommunications market in order to promote a permanent growth of private investment to meet preset goals.

After approval of a basic law for the telecommunications sector of Guinea-Bissau, a competition regime will be established for all services excluding international access of the basic service, which will stay in a transitory exclusivity regime until July 30, 2000.

The exclusivity period will allow a return to a balanced tariff with a view to gradually eliminate cross subsidies between international telecommunications services and national ones.

To reach government's goals in the telecommunications field and guarantee fair competition among operators and look after interests of users of telecommunications services, a regulatory body will be set up, empowered with statutory, financial and administrative autonomy, so as to guarantee accomplishment of its assignment with the maximum effectiveness.

Supervision of the telecommunications sector

The ministry in charge of the telecommunications sector exerts supervision and represents government in this sector. It will be in charge of preparing government policy in telecommunications and to monitor its implementation and, also, of political representation in conferences and international forums. The ministry will inform government on progress registered in the sector and will address proposals to it on guidelines to be issued. It will guarantee independence of the regulatory body, whose autonomy it will respect.

Government consultative body

The government consultative body will be set up under the Prime Minister's direct dependence and it will be in charge of coordinating the different civilian, armed forces and security services telecommunications systems.

Regulatory body

The body in charge of regulation will be set up and will have as its fundamental mission to enforce implementation of government policy's goals in the telecommunications field as well as to manage the radio-electrical spectrum.

This body will be the guarantor of public service and in this domain it will ensure the gradual extension of basic services to all regions and social segments within the country at an affordable

price. It will also be the guarantor of respect of free competition rules between different operators and service suppliers and ensure protection of interests of intermediate- and end-users. The regulatory authority will ensure technical participation by the State in conferences and international forums focusing on technical, regulatory and normalization aspects of telecommunications, in strict collaboration with public service operators. Political representation will stay under the Ministry in charge of telecommunications, which may delegate it to the regulatory entity in specific situations.

The telecommunications regulatory body will be accountable to government concerning its operations and difficulties faced in the discharge of its duties. It will be provided with a structure as light as possible and a highly qualified staff.

This regulatory body will have the following characteristics:

- Statutory independence: the regulatory body will benefit from administrative autonomy that will guarantee its freedom of operation within the legal and regulatory framework set up, without detriment to a recourse to relevant judicial bodies if needed.
- Financial autonomy: it will have financial autonomy through the generation of resources arising from taxes charged, namely on the issuance of radio-electrical licenses, registering and licensing of telecommunications operators, certifying of equipment and subsidies and donations granted to it.
- Autonomy of operation:
- The State highest authorities will appoint members of the regulatory body for a specific period and which cannot be revoked unless in case of a serious fault acknowledged by law;
- Personnel from the regulatory body will have the necessary technical, economic and legal competence, which may be complemented by specialized technical assistance.

INTERNATIONAL COOPERATION

Cooperation in the telecommunications sector is at the same time a duty and a need whatever the development level of the parties involved. It is part of cooperation policy lines and international relations defined by government. With regard to harmonization of regulations, government proposes to develop an active cooperation policy at the national, sub-regional, regional and international levels.

At the sub-regional and regional level

Guinea-Bissau will keep close and old economic links with West African states. Besides, it is part of a process of sub-regional integration in the context of the West African Economic and Monetary Union (WAEMU) and the Economic Community of West African States (ECOWAS).

This integration process will require member States to implement concerted initiatives in several fields, such as telecommunications. In that vein, government is favorable to enactment of the main proposals contained in the African Green Book on telecommunications for Africa and subscribes to objectives set out for telecommunications by the Convention of the Pan-African Union for Telecommunications (LJPAT).

At the international level

At the international level, Guinea-Bissau is willing to contribute, in cooperation with other countries and international organizations, namely RASCOM, ITU, INTELSAT, INMARSAT, etc., for the development of a worldwide telecommunications network. On the other hand, Guinea-Bissau will draw inspiration, as far as possible, from experience of other countries, which in analogous situations, reached excellent results in the telecommunications field.

PLAN OF ACTION

Government adopted the following plan of action to implement its strategy in the telecommunications sector.

Concession contract Re-negotiation

Guiné-Telecom provides currently, under an exclusivity regime, telecommunications services in Guinea-Bissau. With a view to allow synergy with new operators and service suppliers that will establish themselves in the new context, Guiné-Telecom will operate under the following conditions:

- I Continuation and strengthening of supply of basic services with special attention to rural zones and neglected social segments, with assistance from other operators and service suppliers from more profitable areas;
- II Setting up of basic infrastructures in appropriate scale to take into account needs felt by all operators and service suppliers (computing networks, mobile radio-communication operators, etc) capable of harmoniously joining the world network that supports the information community.

In parallel with the entry in force of the new basic telecommunications law, government expects to complete re-negotiation of the concession contract of public-use telecommunications in order to adapt it to the new legal dispositions. It also expects to re-negotiate the following legal dispositions: the end of the exclusivity regime, obligations inherent to the concession, participation in universal access and interconnection conditions for new operators and service suppliers.

Setting up of the new legal and regulatory framework

The setting up of the new, simple and transparent, legal and regulatory framework is an essential condition for a proper functioning of the market in a context of openness of the sector to competition.

This new framework will allow the reaffirmation of the role of the different actors within the sector: (i) the Ministry in charge of telecommunications will continue to define sectoral policy; (ii) the regulatory body will promote implementation of sectoral policy and will supervise the implementation of legal and regulatory dispositions for the sector; and (iii) operators will take care of network exploration and the supplying of services.

The main texts relative to implementation of the new legal and regulatory framework of telecommunications in Guinea-Bissau that will be adopted in the last quarter of 1999 are:

- Telecommunications Basic Law, setting out essential principles in the telecommunications field
- Decrees that will complete the Basic Law, and which will deal with the following aspects: (i) access to the activity of network operator and supplier of public-use telecommunications service; (ii) system and interconnection rules between different operators and service suppliers; (iii) numbering plan; (iv) universal services; (v) management of frequencies and tariff system relating to licenses and use of frequencies; (vi) statutes of government's consultative and regulatory bodies.
- Other legal norms. In accordance with progress and requirements, other norms will be adopted to complete the new legal framework. They are namely regulation of competitive bidding for granting of licenses for new operators (especially for mobile telephone services and fixed cellular telephones), model of interconnection agreement, tariff systems, regulation of exploration of the different telecommunications services.

Setting up of the regulatory body

In the context of opening the telecommunications to new operators and service suppliers, it becomes necessary to redefine the role and attributions of actors with a view to guarantee competition and the State's impartiality. On the other hand, the Ministry in charge of telecommunications will keep responsibility for definition of sectoral policy, which comprises the granting of concessions on the basis of recommendations issued by the regulatory body.

Opening of the telecommunications sector

From the promulgation of the basic law onwards, the establishment and exploration of networks and the supply of all public-use telecommunications services will be open to competition under transparency and non-discriminatory conditions, namely:

- Cellular networks: Licenses for operating cellular telephone networks will be granted in pursuance with the legislation in force according to market needs. To meet the strong market demands, the top government's priority is to grant licenses for the establishment and exploration of supply networks of cellular telephones to private operators, by the end of the current year, through the launching of an open, transparent and competitive international bidding.
- Global mobile networks by satellite (GMPCS): networks of world mobile networks by satellite may be represented in Guinea-Bissau by operators that will guarantee compliance with national legislation.
- Data transmission services, rental of lines, Internet-access services and other value-added services: these services will be open to unrestricted competition, provided they follow recognized norms and comply with legislation in force.

Development of universal access in rural and sub-urban areas

Through reform in the sector, government intends to pursue a policy that aims at breaking isolation of populations living in rural and sub-urban areas as soon as possible. To accomplish that, requirements for the supply of services in rural areas will be included in *cahiers de charge* for telecommunications networks.

Additionally, government intends to accelerate implementation of new initiatives. Telecenters and community information centers have been successfully experimented with in various countries. Government expects to make good use now of those experiences to develop a rural strategy and a specific plan of action adapted to Guinea-Bissau's geographical and cultural characteristics, to make information available to all citizens.

Furthermore, all network operators and telecommunications service suppliers that are granted licenses or authorizations will be required to contribute toward the Telecommunications Development Fund, which will serve to finance universal access. State subsidies will be granted on the basis of competition among interested operators.

Information campaign on expectations and reform benefits

Success of this reform is a function of information and adherence to the process by all actors in the sector and population at large. This reform, whose expectations go beyond the telecommunications sector, may lead to vastly positive effects on all segments of national populations that feel the need for better means of communications, in terms of availability, quality, price and better access to information.

Government expects to promote participation by all interested parties in this reform through an intensive and continuous information campaign throughout the process. Users, private investors,

local communities, sector employees, liberal professionals and others, will be the target of this campaign, in order to make the public to appreciate and make use of the new opportunities arising from the new legal framework.

TIMEFRAME FOR IMPLEMENTATION OF THE REFORM

Government foresees to start implementation of reforms laid out in the current Declaration of Sectoral Telecommunications Policy with the utmost urgency and bearing in mind necessary precautions. Special care will be taken to avoid possible mistakes from a precipitated reform centered in a liberalization out of control.

Thus, government envisages to create the necessary conditions within one (1) month from the date of approval of this declaration with a view to begin the effective implementation of the set of reforms foreseen.

Bissau, October 18, 1999
