

## MODERNIZATION OF TELECOMMUNICATIONS

(TC-99-11-04-6)

### EXECUTIVE SUMMARY

<b>Beneficiary:</b>	The Telecommunications Authority of Trinidad and Tobago		
<b>Executing Agency:</b>	Telecommunications Policy Unit of the Office of the Prime Minister		
<b>Objectives</b>	The <b>general objective</b> of the project is to modernize the telecommunications sector of Trinidad and Tobago and encourage the establishment of IT-based activities by promoting more competition. The <b>specific objective</b> of the project is to strengthen the Telecommunications Policy Unit of the Prime Minister's Office and the Telecommunications Authority.		
<b>Description</b>	The proposed technical cooperation would be used to: support the establishment of an independent regulatory agency (Telecommunications Authority of Trinidad and Tobago); strengthen the Telecommunications Policy Unit of the Prime Office; and provide training on telecommunications policy and regulation to public and private sector individuals.		
<b>Environmental Impact</b>	The Technical Review Group reviewed this Project Brief June 2, 2000, and concluded that no further action was required.		
<b>Project Cost and Financing:</b>	MIF: Window I Grant:	US\$	990,000
	Beneficiary:	US\$	2,152,000
	Total:	US\$	3,142,000
<b>Terms:</b>	Execution Period:	30 months	
	Disbursement Period:	36 months	
<b>Exceptions to Bank Policies:</b>	None.		
<b>Special Contractual Conditions:</b>	Before first disbursement, the Government of Trinidad and Tobago will provide evidence that: (a) sufficient counterpart budget resources will be made available for the first year of the project; (b) that the Board of the Telecommunications Authority has been named (c) that at least three professionals have been appointed and are working on the Telecommunications Authority; and (d) that a bank account has been established to deposit the proceeds of the MIF grant.		

## I. COUNTRY AND PROJECT ELIGIBILITY

- 1.1 Trinidad and Tobago was declared eligible to receive all modalities of Multilateral Investment Fund (MIF) financing by the Donors Committee on November 30, 1993. The proposed project is eligible under the Technical Cooperation Facility Article III, Section 2 of the MIF Agreement. Under this Facility, grants shall be provided for technical cooperation as appropriate, to finance the development of national country plans for comprehensive reform of the policy and legal environment for investment. The eligibility memorandum for the proposed project was issued on July 7, 2000.

## II. BACKGROUND

- 2.1 **Introduction.** The Seven-Year Planning Framework for Trinidad and Tobago for 1998-2004 identifies an information-based economy as a cornerstone for the future development of the country. To achieve this, it will be necessary to develop a modern telecommunications infrastructure, capable of offering the whole range of telecommunications services at excellent quality and affordable prices. Presently, the telecommunications sector of Trinidad and Tobago is characterized by inadequate quality of services, relatively high prices and limited access to modern telecommunications and information services. The poor performance of the sector is due largely to the lack of competition in the provision of telecommunications services, as there has been only one company Telecommunications Services of Trinidad and Tobago (TSTT), offering telephone services, both wired and cellular.
- 2.2 In June 1997 the Cabinet appointed a Working Group headed by the Governor President of the Central Bank to prepare and submit for its consideration a National Policy on Telecommunications for Trinidad and Tobago. The report, known as Dookeran Report, was issued on February 26 1998, and it offers an excellent overview of the problems facing the sector and the potential solutions. The Dookeran Report recommended that action be taken to introduce competition in telecommunications, including the formulation of a new legal and regulatory framework for the sector and the establishment of a team to negotiate with TSTT the elimination of exclusivity in the provision of telephone services.
- 2.3 **Bank Support for Competition in Telecommunications.** In December 1999, the Government of Trinidad and Tobago (GOTT) signed a Project Agreement with the MIF for a Special Line of Activity for Concessions (US\$300,000) to support the opening up of the telecommunications sector to competition. Using project resources, the government engaged an international law firm to carry out two main tasks. First, the law firm assisted the Government in drafting a telecommunications bill (the Telecommunications Act 2000) that embodies very pro-competition principles. This Act was passed by the Senate on April 10, 2001 and by the House of representatives on May 28, 2001. The Act establishes the

Telecommunications Authority, an independent agency that will implement its provisions. Second, the law firm assisted the Government in the drafting of a new license for Telecommunications Services of Trinidad and Tobago (TSTT), and this new license essentially ends the exclusivity period that had been granted in the original license that was issued in 1990.

**2.4 Main Feature of the Telecommunications Act 2001.** The Act embodies the main principles contained in modern telecommunications legislation. The main features of the Act are:

- ❑ It establishes an independent regulatory body (Telecommunications Authority), governed by a Board composed of five to seven Directors named to staggered terms.
- ❑ The Authority will have the power to grant licenses subject to the approval of the Minister and it will issue and enforce the regulations developed pursuant to the Act.
- ❑ The Act establishes a framework to encourage competition in all telecommunications services through three different mechanisms. The Act promotes facilities-based competition by requiring interconnection at cost, and it mandates unbundled leasing of network elements and resale of services.
- ❑ The Act gives the Authority the responsibility for managing the spectrum efficiently, and permits the use of auctions for spectrum allocation.
- ❑ The Act mandates the creation of a mechanism to fund universal service.
- ❑ The Authority will have financial independence, as it will be funded from payments assessed on the revenue of all participants in the sector.
- ❑ The Act permits the Authority to pay competitive salaries to its staff.
- ❑ The Act establishes a clear demarcation of functions between the Telecommunications Policy Unit of the Prime Minister's Office and the Telecommunications Authority.

**2.5 Priority for Bank Support.** The Telecommunications Act provides a framework for a major liberalization of the sector. To ensure a smooth transition from a highly concentrated industrial structure, with essentially one provider of services, to a highly competitive sector with a large number of enterprises, it will be necessary to manage an abrupt change in the regulatory function of the state. Therefore, it is very important that Bank support can begin immediately after the Telecommunications Act is approved by Parliament.

### **III. PROJECT OBJECTIVES, BASIC COMPONENTS AND ENVIRONMENTAL IMPACT**

#### **A. Project Objective**

- 3.1 The **general objective** of the project is to modernize the telecommunications sector of Trinidad and Tobago and encourage the establishment of IT-based activities. The **specific objective** of the project is to strengthen the Telecommunications Policy Unit of the Prime Minister's Office and the Telecommunications Authority.

#### **B. Basic Components**

- 3.2 The proposed project consists of three basic components that are: (A) Establishment of Telecommunications Authority (B); Strengthening Policy Formulation and Implementation; and (C) Training. The main activities under each of those components are described below. The Project will also provide funding for a mid-term evaluation and final evaluations, and for contingencies.

##### **(A) Establishment of Telecommunications Authority (MIF US\$598,000; GOTT US\$1,767,000)**

- 3.3 The Telecommunications Act 2001 mandates the establishment of an independent regulatory agency, the Telecommunications Authority. MIF resources will pay an international consultant who will serve as the senior technical advisor of the Telecommunications Authority. This consultant will manage the Authority for two years and will train the staff. During those two years, a national of Trinidad and Tobago, will be trained to assume the duties of Chief Executive Officer. MIF resources will also be used to engage lawyers and telecommunications specialists who will draft all the regulations necessary to implement the Telecommunications Act 2000. The GOTT will pay all local expenses related to setting up the Authority including equipment and staff salaries.

##### **(B) Strengthening Policy Formulation and Implementation (MIF US\$70,000; GOTT US\$280,000)**

- 3.4 Presently, the Telecommunications Policy Unit (TPU) in the Office of the Prime Minister has three professionals working on the formulation of telecommunications and Information Technology (IT) policies. Under the proposed framework for the telecommunications sector, the responsibility for the formulation of sector policies remains in the Prime Ministers Office, thus following the "best practice" of separating the policy-making from the regulatory function. In the new telecommunications framework, the TPU will have to be strengthened to provide policy guidance to the Telecommunications Authority as the sector moves towards full competition. Additionally, while a competitive telecommunications sector is a necessary condition for the establishment of IT-intensive enterprises, other actions will have to be identified to give greater

incentives for the adoption of these technologies. To meet the enhanced responsibilities, it will be necessary to increase the staff from three to five. The MIF project will support the policy unit by providing technical assistance to assist in the drafting of an issues paper identifying actions to promote IT activities in Trinidad and Tobago. The GOTT will fund all local and travel costs associated with the policy unit.

**(C) Training (MIF US\$232,000; GOTT US\$105,000)**

- 3.5 Regulating a telecommunications sector that will be transformed from one dominated by one carrier to a competitive model will require a body of highly trained individuals. While one of the tasks for the long-term will be to provide on-the-job training, a number of formal training activities will be required. Technical expertise will be needed not only within the TPU and the Authority but also outside to ensure that all market agents and others such as members of the judiciary understand the new competitive framework. The participants to the courses will come from the Telecommunications Authority, the Office of the Prime Minister, other ministries with some responsibility for telecommunications (for example, Planning Ministry and Foreign Trade Ministry), the judiciary, the private sector and academia. MIF resources will be used to engage consultants to provide two in-country courses, custom tailored courses, each with a duration of two weeks, plus several shorter duration courses. The consultants that will implement this component will be required to coordinate the training activities with the University of the West Indies in order to institutionalize this training at the University. Courses financed under the Project will also include training on environmental issues, as appropriate. The GOTT will fund external training costs of courses and internships, and local costs of the two in-country courses. The external courses are required for highly specialized subjects such as measuring interference in the radio spectrum.

**C. Environmental Impact**

- 3.6 The main Project inputs are technical assistance and training, and these are not expected to have any negative impact on the environment. The terms of reference for the consultants specify that they must coordinate with the Environmental Management Agency (EMA) to ensure that activities take into consideration environmental concerns, as appropriate. Specifically, the consultants will be required to determine whether local regulations include adequate environmental requirements for the location, construction and operation of antennae.

#### **IV. EXECUTING AGENCY AND MECHANISM, PROJECT READINESS AND DIRECT BENEFICIARIES**

##### **A. Executing Agency and Mechanism**

- 4.1 The TPU will be the executing agency for the Project. The Office has assigned a senior economist with ample experience in telecommunications to serve as the coordinator of the project.
- 4.2 **Responsibilities of the Executing Agency.** The TPU will be responsible for: (a) maintaining adequate financial, accounting and internal control systems; (b) organizing an accounting system that allows the identification of the sources and uses of project funds, provides the necessary documents to verify transactions, and the timely preparation of financial statements and reports; (c) submitting disbursement requests to the Bank and the corresponding justification of expenditures; (d) maintaining an adequate disbursements support documentation filing system; (e) preparing and submitting to the Bank the annual financial statements regarding project expenses, and the semi-annual Revolving Fund Status Reports; and (f) ensuring that there is full adherence to Bank procurement procedures.
- 4.3 **Project Accounts and Revolving Fund.** The TPU will open separate accounts in a commercial Bank to deposit the MIF grant and the local counterpart funds. A revolving fund, up to 5 % of the contribution, will be established with resources from the MIF's grant to pay for projected expenses. The TPU will prepare and submit to the Bank, within a period of sixty (60) days after the closing of each semester, a semi-annual report showing the use of project funds.
- 4.4 **Accounting and Audits.** The Telecommunications Policy Unit of the Prime Minister Office (TPU) will be responsible for: (a) establishing and maintaining accounting and financial controls and adequate internal auditing, as well as a ledger system which will provide detailed records of the source and utilization of the program's funding, including: (i) identification of amounts and sources of funds; (ii) information on the programs's expenditures, distinguishing between those paid out of MIF resources and those covered by funding from other sources, and (iii) the details required to identify the goods procured and the services contracted for; (b) opening separate bank accounts for administration of the MIF contribution and the local counterpart funding; (c) processing of requests for disbursements and the respective substantiation of expenditures in accordance with the Bank's disbursement procedures, and (d) preparing and submitting to the Bank the final, audited financial statements of the program, and the semiannual reports on the revolving fund. Audit costs will be financed by the MIF contribution.
- 4.5 **Monitoring.** The Executing Agency will submit to the Bank's Country Office (COF) project progress reports within 30 days after the completion of each

semester and a final report within 30 days from the last disbursement. These reports will follow a format previously agreed with the COF and will address project activities, finances and results. The COF will utilize these reports to monitor project implementation progress and to prepare a Project Completion Report within three months of the last disbursement.

- 4.6 **Evaluation.** A mid-term evaluation and a final evaluation will be carried out by consultants. These consultants will be hired directly by the Bank.

**B. Project Readiness**

- 4.7 The project team developed jointly with staff from the TPU a chart that identifies key actions that must be implemented to ensure that the project begins to be implemented immediately after approval by the Donors Committee. Detailed terms of reference have been prepared and have been agreed with the GOTT.

**C. Direct Beneficiaries**

- 4.8 The direct beneficiaries of the project will be the staff of the TPU, of the Telecommunications Authority, the judiciary, the private sector, and academia who will benefit from the training. The wider beneficiaries will be telephone users who will enjoy better services and lower international rates as well as employees of IT intensive businesses that will be established as a result of the expected improvement and modernization of the telecommunications system.

**D. Project Execution Period**

- 4.9 The execution period has been estimated to be 24 months and the disbursement period 30 months.

**V. COSTS AND FINANCING**

- 5.1 Total project costs have been estimated at US\$3,142,000. These costs include funding for the activities described above plus funding for an audit, two evaluations of the project and for contingencies. The table below summarizes project costs and financing (in US\$000). The detailed budget is in the Project Technical Files.

ACTIVITY	MIF	GOTT	TOTAL	PERCENT OF TOTAL
Establishment of Authority	598	1,767	2,365	75%
Policy formulation	70	280	350	11%
Training	232	105	337	11%
Evaluations	50	0	50	2%
Contingencies	40	0	40	1%
TOTAL	990	2,152	3,142	100%
Percent of Total	32%	68%	100%	

## VI. PROJECT JUSTIFICATION AND RISKS

### A. Project Justification

- 6.1 Trinidad and Tobago can benefit from a fuller participation in the information technology revolution, but it is unable to do so because the telecommunications sector is antiquated and inefficient. The proposed project is expected to modernize the telecommunications sector of Trinidad and Tobago. Progress would be measured by:
- ☐ Increase in teledensity (# of subscribers per 100 inhabitants) from 21 to 25 by 2004.
  - ☐ Decline in costs of long distance calls (US\$/minute) of 50% in relation to June 2001 rates.
  - ☐ Increase in the number of wireless companies from one to three by 2003.

### B. Risks

- 6.2 The most important condition for the success of the project was the passage of the law by the Parliament. The main remaining risk is that it will be difficult to move from a system based on one carrier to a fully competitive system as this puts a heavy burden on the regulatory agency. To mitigate this risk, the project concentrates resources on measures designed to support the Telecommunications Authority during the initial period of operations, including support for a two-year consultancy for an individual who will serve as the head of the Authority. The model of using an expatriate as head of an agency for a period of one or two years, and then replacing him/her with a national of Trinidad and Tobago, has been implemented successfully in the Environmental Management Agency, and is being implemented in the Regulated Industries Commission.

## VII. PROJECT PERFORMANCE CRITERIA

- 7.1 The table below summarizes the key benchmarks that will be used to measure performance during project implementation.



<b>ACTIVITY</b>	<b>TIMING (QUARTER AND YEAR)</b>
Long term advisor on board	III- 2001
Telecommunications/legal firm hired	IV- 2001
Systems in place at Telecommunications Authority (TA)	I-2002
First course completed	I-2002
Regulations on licenses and concessions, interconnection, universal service, and spectrum management issued	II-2002
IT issues paper drafted	I-2002
Two additional companies offering wireless telecommunications services	I-2002
One additional company offering wired telecommunications services	IV-2002
Two additional companies offering long distance services	IV-2002
Second course completed	IV-2002
TA fully operational, with open hearings, well developed system for handling consumer complaints, decline in long distance rates of at least 50%, large number of companies offering international IT services	IV-2003

## **VIII. EXCEPTIONS TO POLICIES AND PROCEDURES**

- 8.1 There are no exceptions to the Bank policies.

## **IX. SPECIALS CONTRACTUAL CONDITIONS**

- 9.1 Before first disbursement, the Government of Trinidad and Tobago will provide evidence that: (a) sufficient counterpart budget resources will be made available for the first year of the project; (b) that the Board of the Telecommunications Authority has been named; (c) that at least three professionals have been appointed and are working on the Telecommunications Authority; and (d) that a bank account has been established to deposit the proceeds of the MIF grant. Before second year disbursements, the Government of Trinidad and Tobago will provide evidence that sufficient counterpart resources will be made available.

# **TRINIDAD AND TOBAGO MODERNIZATION OF TELECOMMUNICATIONS LOGICAL FRAMEWORK**

	OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS								
AL	Modernize and increase the efficiency of the telecommunications sector and promote Information Technology activities in Trinidad and Tobago	<ul style="list-style-type: none"><li>• Teledensity (# of subscribers per 100 inhabitants) increases from 21 to 25 by 2004</li><li>• Rates of long distance calls (US\$/minute) decline by 50% from present levels</li><li>•</li></ul>	<ul style="list-style-type: none"><li>• International Telecommunications Union</li><li>• Company records</li><li>• Business associations</li><li>• Regulatory agency records</li></ul>	<ul style="list-style-type: none"><li>• True competition in the market place</li><li>• collusion</li><li>• Investment in sector increases</li></ul>								
ROPOSE	More competition in telecommunications services	<ul style="list-style-type: none"><li>• Number of companies offering long distance services increases from 1 to 3 by 2003</li><li>• Number of wireless companies increases from 1 to 3 by 2003</li></ul>	<ul style="list-style-type: none"><li>• Regulatory agency records</li></ul>	<ul style="list-style-type: none"><li>• True competition in the market place</li><li>• collusion</li><li>• Licensing processes are efficient</li><li>• Spectrum auctions or other allocations carried out in an efficient and transparent manner</li><li>• Interconnection agreements take place</li><li>• Dominant carriers providing access to facilities</li></ul>								
TPUTS	<ul style="list-style-type: none"><li>• Strengthened policy unit</li><li>• Functioning Telecommunications Authority (telecommunications regulator)</li><li>• Trained personnel in government, private sector, judiciary and academia</li></ul>	<ul style="list-style-type: none"><li>• Systems in place at policy unit and Telecommunications Authority</li><li>• IT issues paper drafted</li><li>• Policy papers prepared</li><li>• Telecommunications Authority regulations issued</li><li>• Open hearings</li><li>• Consumer complaints handled efficiently</li><li>• Number trained</li></ul>	<ul style="list-style-type: none"><li>• Inspection by IDB Country Office</li><li>• Auditor's reports</li><li>• Telecommunications Authority reports</li></ul>	<ul style="list-style-type: none"><li>• Law enacted</li><li>• Law promulgated</li><li>• New license with TSTT signed</li></ul>								
TIVITIES	<ul style="list-style-type: none"><li>• Telecommunications policy specialists</li><li>• CEO of Telecommunications Authority</li><li>• Lawyers to draft regulations</li><li>• Workshops and seminars</li></ul>	<table><tr><td>GOTT</td><td>US\$2,152,000</td></tr><tr><td>MIF</td><td>US\$990,000</td></tr><tr><td>Total</td><td>US\$3,142,000</td></tr><tr><td></td><td></td></tr></table>	GOTT	US\$2,152,000	MIF	US\$990,000	Total	US\$3,142,000			<ul style="list-style-type: none"><li>• Inspection by IDB Country Office</li><li>• Auditor's reports</li></ul>	<ul style="list-style-type: none"><li>• Technical assistance is contracted with long term advisor</li></ul>
GOTT	US\$2,152,000											
MIF	US\$990,000											
Total	US\$3,142,000											

## PROPOSED RESOLUTION

### TRINIDAD AND TOBAGO. NONREIMBURSABLE TECHNICAL COOPERATION FOR THE MODERNIZATION OF TELECOMMUNICATIONS.

The Donors Committee of the Multilateral Investment Fund

#### RESOLVES:

1. That the President of the Inter-American Development Bank or such representative as he shall designate is authorized, in the name and on behalf of the Bank, as Administrator of the Multilateral Investment Fund, to enter into such agreements as may be necessary with the Government of Trinidad and Tobago, and to take such additional measures as may be pertinent for the execution of the project proposal contained in Document MIF/AT-\_\_\_\_ with respect to a technical cooperation for the modernization of telecommunications.
2. That up to the amount of US\$990,000, or its equivalent in other convertible currencies, shall be authorized for the purpose of this resolution, chargeable to resources of the Technical Cooperation Facility of the Multilateral Investment Fund.
3. That the above-mentioned sum is to be provided on a nonreimbursable basis.