1. Basic information
1.1 Desiree Number: PL0004.05
1.2 Title: Telecommunications universal service
1.3 Sector: Telecommunications – Twinning code PL/2000/IB/TE01
1.4 Location: Poland

2. Objectives:
2.1 Wider objective:
The strategic objective of the project is continuation of the activities related to the effective functioning of universal service obligation compensation schemes as a task of the Telecommunications Regulatory Authority.

2.2. Immediate (operational) objectives:
- overview of the current state of needs in the areas of legislation, infrastructure and users, and development of an implementation strategy to address those needs,
- establishment of appropriate legal, economic and institutional instruments increasing the availability of universal service,
- development of appropriate regulations with regard to principles of universal service provision,
- acquisition of necessary know-how on effective and transparent functioning of a universal service obligation compensation scheme,
- shortening and improving the procedures for applying for compensation, determining its level and method of payment,
- determination of rules and methods of compensation of local access deficit,
- creation of complaint procedures and rules,
- designing of the system of information for applicants for the compensation.
- higher accessibility of universal service
- higher infrastructure development and teledensity in rural areas
- higher infrastructure investments in rural areas and higher teledensity, diminishing the civilizational gap between rural and urban areas,

2.3 Accession Partnership and NPAA priority:
Accession Partnership: short term - internal market (alignment with the acquis in the field of telecommunications and establishment and operation of a market surveillance system) as well as economic policy (policy which aims to achieve (…) economic and social cohesion).
NPAA, telecommunications sector: „Support for the provision of universal telecommunications services in rural and underdeveloped areas and meeting the requirements of acquis in practical aspects of universal service provision. Basic requirements in this area include: (…) development of appropriate instruments to support universal service provision at the so-called operational level connected with additional funds for the provision of universal service in areas where costs of service provision incurred by an operator exceed the revenues generated from the service. It refers to appropriate allocation procedures of the universal service fund and interconnection settlements, (…)” „Adjustment of the Polish law in the telecommunications area to the acquis communautaire”, „Establishment of the telecommunications regulatory authority and the postal market regulatory authority”.

3. Description:
3.1 Background and justification.
Poland will have to create universal service obligation compensation schemes to deal with rural telephony underdevelopment.
According to the draft „Strategy of development of rural telecommunications for 2000 - 2004” being prepared by the Ministry of Posts and Telecommunications, average teledensity in Poland amounts to 22.78 (31.12.1998), while this figure for rural areas is 11.36. Adding the fact that rural and underdeveloped areas cover 93.4% of the country area with the inhabitants equalling 38.1% of the population, the problem of delivering universal service presents itself all the more acutely.
Economic development in rural areas is closely connected to the level of technical infrastructure development. It may be expected that teledensity increase will result in economic activity increase. In the
rural areas the proportion of people under 19 is higher than in the urban areas. 36% of rural areas inhabitants are between 20 and 45, which is the most active group. In Poland there is 1.5 mln small businessmen in the rural areas. According to surveys of rural populations, since 1996 the number of people interested in using a telephone to run a business or a farm has increased rapidly. For 48% of respondents the reason for ordering telephone service is of an economical nature.

Until 1997 the Minister of Posts and Telecommunications was able to order the dominant Polish operator - Telekomunikacja Polska S.A. - to engage in activities to meet the social and economic obligations of effecting rural telecommunications development. The result was an intensification of investment activity in rural areas. The process was also supported by state budget funding. Placing the burden of investment activities in rural areas on only one operator is currently impossible because of competitive disadvantage. Rural areas are unattractive for potential telecommunications investment because of high expenditures and low revenues. Creating economic incentives for telecommunications investors in rural areas is thus necessary.

Increased access to telecommunications universal service in economically unattractive areas will also beneficially influence: educational and economical growth in rural communities via e.g. access to modern media access (e.g. Internet), the creation of non-agricultural jobs in those areas, adjustment of Polish rural infrastructure to EU levels.

The main instrument of universal service policy could be to implement universal service obligation compensation schemes enabling operators acting on the Polish market and providing service in uneconomic areas or to uneconomic customers to receive a compensation for costs of service provision incurred by them exceeding the revenues generated from the service. A second element of universal service is to place a licence obligation on one or more operators requiring them to provide a basic level of service to anybody who reasonably requests it.

The independent regulatory authority, to be created in Poland under the Phare 99 project, will be in charge of regulation assuring the accessibility and affordability of universal service. There is a strong need for continuation of analyses and various organisational activities aiming at increasing access to universal service.

It is also envisaged that there might arise a need for redefining the concept of universal service in not so distant future, e.g. to encompass such things as Internet access or access to broadband-based services, in view of the need to facilitate the creation of the Information Society.

### 3.2 Linked activities:

**National Phare Programme PL.9313:** TA for the Ministry of Posts and Telecommunications: Assessment of the economic impact of entry to the Single Market on the telecommunications sector in Poland (completed) and Analysis of conformity of the Polish draft Telecommunications Law to the acquis

**PHARE’99 Programme - PL99/IB/OT/03:** Telecommunications Regulatory Authority: Acceleration of Polish integration activities in the telecommunications and postal sectors; Approximation of postal and telecommunications market regulation in Poland to EU requirements; Strengthening of the institutional and administrative capacity of the state; Alignment of the Polish telecommunications and postal law with the acquis

**PHARE Program - Implementation of Alternative Models for the Development of Rural Telephony - Fixed Cellular:** support to providing service to many of the customers currently waiting service

**EBRD Programme:** Poland - telecommunications regulatory development programme

**Phare/Fiesta II Programme:** Analysis of legal and institutional changes in the telecommunications sector since the year 1990

**Ministry of Posts and Telecommunications Programme:** Analysis of EU Directives and examination of divergence of the current telecommunications law from the EU law

### 3.3 Project results:

- Polish secondary legislation fully in line with the *acquis communautaire* related to universal service
- Increased ability of the NRA to manage the implemented *acquis* related to universal service
- Analyses of legal and organisational development of universal service obligation compensation schemes,
- Qualifications of personnel will be upgraded through targeted training activities and specialized expert support,
- A promotion strategy and campaign carried out directed to local self-governments to effect their support and aid for universal service provision in rural areas,
- Raised awareness and preparedness of self-governmental officials for the carrying out the idea of the public-private partnership,
• setting up of an information system enabling the competent staff to work more efficiently,
• proposals of a redefined universal service taking into account the needs of the citizen of the Information Society.

3.4 Activities:
Task 1. Analyses, conceptual and organisational activities (delivered via twinning).
• elaboration of an accounting and verification methodology of justified net extra costs of universal service provision by an operator providing services in uneconomic areas or for uneconomic users,
• obtain expertise concerning improving the system of compensation related to access deficit and unbalanced tariffs, as embodied in the ordinance on interconnection currently in force,
• obtain expertise concerning other regulatory authorities’ experience on methods of dealing with the access deficit issues,
• elaborating a model of collecting and processing data for accounting related to universal service net cost and operators revenues,
• expertise concerning other countries’ experience related to the introduction of price caps (criteria for fixing them, their impact on increased accessibility of universal service, impact on market competition),
• market studies to identify uneconomic areas and uneconomic groups of users,
• general rules for imposing penalties for failure to meet the obligations imposed on the operators, procedures of collecting them, and appeal procedures,
• analyses on working out special schemes for the provision of inexpensive basic level of service for those with the lowest incomes and creating incentives for operators for further development of services for people with special needs,
• comparative analysis of the EU member states’ situation in respect of universal service and universal service obligation compensation schemes,
• analyses on improving the procedures related to obligation compensation schemes,
• creation of complaint procedures and rules,
• expertise concerning re-formulating the concept of universal service in the light of convergence and entering the Information Society era (e.g. to encompass Internet access for schools and access to broadband-based services),
• expertise preparing the elaboration of legal regulations preparing introduction of the Information Society,
• study on the cost of using in the future a narrow Universal Service definition, and thus possibly causing social exclusion from the Information Society
• analysis related to transparency and accessibility of information on universal service prices and conditions,
• working out legal and organisational solutions as well as systems of incentives enabling the creation of additional funds supporting universal service provision, e.g. revolving funds, public-private partnerships, funds using the BOT (build-operate-transfer) formula,
• promotion strategy of the elaborated solutions, alluded to above, and a promotion campaign directed to local self-governments (3,000 gminas and other levels) to effect their support and aid for universal service provision in rural areas,
• preparation for training (legal and organizational) for all levels of local self-government officials to raise their awareness and preparedness for the carrying out the idea of the public-private partnership,
• expertise concerning determination of rules and methods of compensation of local access deficit.

Task 2. Training, internships, twinning, secondments.
• Training conducted by groups of foreign experts (mostly in Poland) for the personnel of the Telecommunications Regulatory Authority with the purpose of improving professional qualifications in the following areas: information systems operation, market monitoring, market studies, auditing of the universal service cost accounting, accounting and verification systems of net extra costs of providing universal service
• Training (legal and organizational) for all levels of local self-government officials to raise their awareness and preparedness for the carrying out their idea of the public-private partnership. When purchasing equipment for the Telecommunications Regulatory Authority it is indispensable that the supplier should ensure an appropriate and full training for the personnel using the newly purchased equipment. Training scheduled within the project should be carried out at a high level of expertise, which will require employing outstanding universal service experts/lecturers.
Secondments in EU member states regulatory authorities related to: methods of applying universal service obligation compensation schemes, methods of increasing access to universal service, alternative models of financing universal service, e.g. revolving funds.

**Task 3. Setting up information systems (investment -1 contract)**

This part of the project will require specification of information systems for the Telecommunications Regulatory Authority and subsequently, the selection, purchase and implementing of appropriate information technology, including: operating systems, basic equipment (hardware and software), basic applications and databases. The system should enable collection and processing of information necessary for accounting related to universal service net cost and operators revenues.

**Profile of experts:**

PAA characteristics: at least two years of experience in working within an independent regulatory body in an EU country, including at least one-year experience in the field of universal service; good knowledge of the pertinent acquis communautaire and EU practice concerning universal service; able to provide know-how and transfer experience; preferably in a managerial position or alternatively having a recent experience in such a position; experience in management of major international projects; good communication with the Project Senior Officer in the twinning institution in the EU country; fluent in English; 12-month stay in Poland.

It is expected that the PAA will be involved on an on-going basis in providing ad hoc advisory and training support to the public administration bodies involved in the field of universal service, supporting the relevant units of the Telecommunications Regulatory Authority in addressing practical problems stemming from the process of adjusting Polish practices to EU trends. The PAA will receive support from the short term experts and will co-operate closely with Polish Ministry of Posts and Telecommunications and Telecommunications Regulatory Authority.

Short-term experts: provision of highly specialised expertise; responsible for Task 3, i.e. setting up information systems. The experts will be responsible for developing a specific institutional strategy and for providing practical, on-going hands-on support in the effective implementation of the proposed actions. Their task will be also to prepare an equipment purchase programme and, if necessary, to modify the purchase lists, preparation of training programme, supervision of training and if necessary organisation and conducting of specialist training.

**4. Institutional Framework:**

The Ministry of Posts and Telecommunications and, after its establishment, the Telecommunications Regulatory Authority will be charged with supervision and monitoring of the project. The Telecommunications Regulatory Authority will become owner of the equipment.

**5. Budget (in EUR):**

<table>
<thead>
<tr>
<th>Contract</th>
<th>Investment (IN)</th>
<th>Institution Building (IB)</th>
<th>Total PHARE (IN+IB)</th>
<th>Recipient Co-financing</th>
<th>International Financial Institutions</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Twinning / Contract 1</td>
<td>1,530,000</td>
<td>1,530,000</td>
<td>530,000</td>
<td></td>
<td></td>
<td>2,060,000</td>
</tr>
<tr>
<td>Contract 2</td>
<td>470,000</td>
<td>470,000</td>
<td>140,000</td>
<td></td>
<td></td>
<td>610,000</td>
</tr>
<tr>
<td>TOTAL</td>
<td>470,000</td>
<td>2,000,000</td>
<td>670,000</td>
<td></td>
<td></td>
<td>2,670,000</td>
</tr>
</tbody>
</table>

Contract 1 = Task 1: Analyses, conceptual and organisational activities and Task 2: Training, internships, twinning, secondments and personnel selection

Contract 2 = Task 3: Setting up information systems

The Polish authorities have assured that the Government cofinancing is available either through the reserve budget foreseen specifically by the Ministry of Finance for this purpose each year, or directly through the budget of the relevant Ministry.

**6. Implementation Arrangements:**

6.1 Implementing agency.

PAO: P. Samecki, Undersecretary of State at the Office of the Committee for European Integration Al. Ujazdowskie 9, Warsaw. Tel.: 4822 694 75 42, 4822 694 7195, 4822 694 6064. FAX: 4822 694 7194, 4822 625 0380. CFUC: Foundation “Cooperation Fund”, 6/12 Nowy Swiat St., 00-400 Warsaw.
The CFCU is responsible for handling tendering, contracting and payments of contracts on behalf of the Ministry of Posts and Telecommunications and, after its establishment, the Telecommunications Regulatory Authority which itself shall be responsible for preparing projects and managing their technical implementation.

6.2 Twinning
Beneficiary institution will be: Ministry of Posts and Telecommunications and Telecommunications Regulatory Authority. Contact person: Director of the Department of European Integration and International Relations, Ministry of Posts and Telecommunications.

6.3 Non-standard aspects
The project activities will be contracted in line with Phare DIS procedures.

6.4 Contracts
- Twinning Covenant - 1 530 000 EURO
- 1 Contract for the investment - 470 000 EURO

7. Implementation schedule:

<table>
<thead>
<tr>
<th>Activities</th>
<th>Implementation timetable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preparation of project concept and of Twinning Covenant / TOR</td>
<td>III quarter of 2000</td>
</tr>
<tr>
<td>Start of tendering process</td>
<td>IV quarter of 2000</td>
</tr>
<tr>
<td>Start of execution of project</td>
<td>I quarter 2001</td>
</tr>
<tr>
<td>Completion of project</td>
<td>end of 2002</td>
</tr>
</tbody>
</table>

8. Equal opportunities:
The project will be open to both women and men, on equal basis. Candidate suitability will be judged solely on merits, including professional experience.

9. Environment Not applicable
10. Rates of return Not applicable
11. Investment criteria Not applicable

12. Conditionality and sequencing:
The key milestones should be:
- May 2000 adoption of the Telecommunications Act by the Sejm,
- mid 2000 promulgation of the Telecommunications Act
- the commencement of Phare 99 programme PL 99/IB/OT/03
- creation & organisation of the Telecommunications Regulatory Authority and appointment of the President
- 1st January 2001 at the latest: new Act comes into force and independent Telecommunications Regulatory Authority fully operational
- Obtaining co-financing of the project from Polish sources
The project will not start until the Telecommunications law has been adopted by the Polish Parliament.
## Annex 1: Log-frame Planning Matrix for Project

<table>
<thead>
<tr>
<th>Programme number</th>
<th>Date of drafting</th>
<th>Planning period</th>
<th>Total budget of project</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Wider objectives</th>
<th>Indicators of achievement</th>
<th>Sources of information</th>
<th>Assumptions and risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>The continuation of the activities related to effective functioning of universal service obligation compensation schemes as a task of the Telecommunications Regulatory Authority. Approximation of telecommunications regulation in Poland to EU requirements. Alignment of the Polish telecommunications law with the acquis.</td>
<td>Conformity of Polish solutions in the telecommunications sector to EU standards Adoption of Telecommunications Act conforming to EU standards, along with ordinances and regulations necessary for functioning of universal service obligation compensation schemes more efficiently in telecommunications sector conforming to EU standards</td>
<td>Documents published in EU MS and Poland on legal principles and practice of universal service obligation compensation schemes. Documents related to Poland’s integration with the EU Documents of the Polish Office of the European Integration Committee Documents of the Ministry of Posts and Telecommunications.</td>
<td>Adoption by Parliament of Telecommunications Act conforming to EU standards, within the planned time-frame Establishment of the Telecommunications Regulatory Authority Realisation the Phare 99 project PL99/IB/OT/03 Allocation by the Government of appropriate financial resources necessary for the functioning of universal service obligation compensation scheme.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Intermediate objectives</th>
<th>Indicators of achievement</th>
<th>Sources of information</th>
<th>Assumptions and risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overview of current state of needs in areas of legislation, infrastructure and users, and development of implementation strategy to address those needs. Establishment of appropriate legal, economic and institutional instruments increasing the availability of universal service. Development of appropriate regulations with regard to principles of universal service provision. Acquisition of necessary know-how on effective and transparent functioning of universal service compensation schemes. Shortening and improving the procedures for applying for compensation Determination of rules and methods of compensation of local access deficit. Creation of complaint procedures and rules.</td>
<td>Analyses to prepare ordinances and regulations for the functioning of universal service obligation compensation schemes. Development of appropriate legal and administrative instruments to support universal service provision at operational level connected with additional funds for provision of universal service where costs of service incurred by an operator exceed the revenues generated from the service Analysis related to transparency and accessibility of information on universal service prices and conditions Expertise concerning improving system of compensation related to access deficit and unbalanced tariffs as embodied in the ordinance on interconnection Expertise determining rules and methods of compensation of local access deficit Creation of complaint procedures and rules Analyses on improving the procedures</td>
<td>Analyses and studies done by the Ministry of Posts and Telecommunications. Documents published in EU Member States and Poland concerning the principles and practice of the functioning of universal service obligation compensation schemes.</td>
<td>Consistency on the part of the government of the Republic of Poland in the preparation of ordinances and regulations necessary for the operation of independent telecommunications regulatory authority Consistency in and promptness of activities preparing the creation of regulatory authority in telecommunications sector and universal service obligation compensation schemes</td>
</tr>
<tr>
<td>Results of project</td>
<td>Indicators of achievement</td>
<td>Sources of information</td>
<td>Assumptions and risks</td>
</tr>
<tr>
<td>--------------------</td>
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</tr>
<tr>
<td>Polish secondary legislation fully in line with the acquis communautaire related to universal service, especially with the following directives: 97/13/EC; 97/33/EC, 98/10/EC,</td>
<td>Preparation of the project’s TOR by the Ministry of Posts and Telecommunications</td>
<td>Analyses and studies done by the Ministry of Posts and Telecommunications, Documents published in EU Member States and Poland concerning the principles and practice of functioning of universal service obligation compensation scheme</td>
<td>Timely preparation of an acceptable TOR by the Ministry of Posts and Telecommunications</td>
</tr>
<tr>
<td>Increased ability of the NRA to manage the implemented acquis related to universal service;</td>
<td>Signing of a Financial Memorandum by the European Commission and the Polish government</td>
<td>Reports of the Task Force and minutes of Task Force meetings</td>
<td>Fulfillment by both the government of the Republic of Poland, including the Ministry of Posts and Telecommunications and the European Commission of the activities preparing the commencement of the project: preparation of Terms of Reference and the signing of Financial Memorandum by the EC and the government of the Republic of Poland</td>
</tr>
<tr>
<td>Higher accessibility of universal service, Higher infrastructure development and teledensity in rural areas</td>
<td>Creation by the Ministry of Posts and Telecommunications of a body supervising and managing the project (Task Force)</td>
<td>Reports of the Central Financing and Contracting Unit</td>
<td>Coming into force within the planned time–frame of the Telecommunications Act along with the required ordinances and regulations</td>
</tr>
<tr>
<td></td>
<td>Signing and effective functioning of twinning agreements as well as personnel exchanges accompanying them</td>
<td></td>
<td>Selection of suitable twinning partners from EU MS</td>
</tr>
<tr>
<td></td>
<td>Ensuring a high standard of personnel and management training and internships</td>
<td></td>
<td>Selection of personnel and management; enabling to participate in training, internships and organisational activities aiming at functioning of universal service obligation compensation schemes more efficiently</td>
</tr>
<tr>
<td></td>
<td>Furnishing the telecommunications regulatory authority with suitable information technology–computers, databases, software, operating systems,</td>
<td></td>
<td>Appropriate training of personnel and management and their participation in internships</td>
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<td></td>
<td>Organisation of seminars, conferences and preparation of pertinent documentation</td>
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<tr>
<td>Inputs</td>
<td>Analyses, conceptual and organisational activities for working out more efficient solutions for a future oriented universal service obligation compensation scheme</td>
<td>Training, internships, secondments, Signing and execution of contracts for TA for the Ministry of Posts and Telecommunications in the context of the functioning of universal service obligation compensation schemes more efficiently, Signing of contracts, purchase and installation of equipment for the Telecommunications Regulatory Authority (staff responsible for Universal Service),</td>
<td>Suitable, high quality training, internships, secondments - carried out,</td>
</tr>
<tr>
<td></td>
<td>Training, internships and secondments carrying out by outstanding universal service experts/lectures</td>
<td></td>
<td>Signing and timely execution of contracts for high quality and useful technical assistance for the Ministry of Posts and Telecommunications in the context of the functioning of universal service obligation compensation scheme more efficiently,</td>
</tr>
<tr>
<td></td>
<td>Furnishing the Regulatory Authority with the necessary information infrastructure</td>
<td></td>
<td>Signing of contracts, purchase and installation of equipment for the Telecommunications Regulatory Authority (staff responsible for Universal Service),</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outputs</td>
<td>Analyses, studies elaboration prepared in time and accepted by the Ministry of Posts and Telecommunications, Adjustment of the Polish Telecommunications Law, ordinances and regulation in the telecommunications area to</td>
<td>Analyses and studies done by the Ministry of Posts and Telecommunications, Documents published in EU Member States and Poland concerning the principles and practice of functioning of</td>
<td>Suitable, high quality training, internships, secondments - carried out,</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Signing and timely execution of contracts for high quality and useful technical assistance for the Ministry of Posts and Telecommunications in the context of the functioning of universal service</td>
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</tbody>
</table>

02.05 Telecommunications universal service / 7
the gap between rural and urban areas, analyses of legal and organisational development of the universal service obligation compensation schemes, beneficiary of the project will be better prepared to monitor an up-to-date universal service obligation compensation schemes, in line with EU requirements, qualifications of personnel will be upgraded through targeted training activities and specialized expert support, promotion strategy of elaborated solutions directed to local self-governments to effect their support and aid for universal service provision in rural areas, raised awareness and preparedness of governmental officials for carrying out idea of the public-private partnership, setting up of information system enabling competent staff to work more efficiently, proposals of a redefined universal service taking into account the needs of the citizen of the Information Society.

universal service obligation compensation schemes
• Reports of the Task Force and minutes of Task Force meetings
• Reports of the Central Financing and Contracting Unit

obligation compensation schemes more efficiently, Signing of contracts, purchase and installation of equipment for the Telecommunications Regulatory Authority (staff responsible for Universal Service),

### Annex 2: Cumulative implementation, contracting and disbursement schedule

<table>
<thead>
<tr>
<th>Programme Title</th>
<th>Date of Drafting</th>
<th>Planning Period</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Projects</th>
<th>Implementation</th>
<th>Contracting</th>
<th>Disbursement</th>
<th>Cost Estimate</th>
</tr>
</thead>
</table>

D = design of sub-projects / C = tendering and contracting / I = contract implementation and payment

02.05 Telecommunications universal service / 8