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TELECOMMUNICATIONS REGULATORY REFORM REPORT

Enterprise Development and Investment Promotions Project (EDIP)

JANUARY 2010

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Trip Report:
Telecommunications regulatory reform, Palestine Authority Ramallah

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TRIP REPORT

PURPOSE

This trip is the second part of a kick-off visit of a newly launched EDIP project assisting the Palestine National Authority PNA (Ministry of Telecommunications and Information Technology MTIT) in setting up the regulatory framework for liberalization of the telecommunication markets. This is urgently required under the recently adopted Telecommunications Law, in order to open up the telecommunications markets of Palestine to competition and investment, thus contributing to the attractiveness of Palestine for new investors in other sectors as well.

A team of five experts has been assigned to develop a plan for this project, differentiating activities on the basis of urgency. To take stock of the current situation and explore the priorities, a kick-off visit to the West Bank area was planned in December but had to be postponed to January 2010 because the MTIT was unavailable. In January 2010, the visit was split into two stages in view of the consultants' availability. This trip report regards the second of the two stages.

LOCATIONS VISITED AND DATES

1-18-2010 and 1-25-2010: Jerusalem; 1-19 to 1-21-2010, Ramallah

ACTIVITIES AND ACCOMPLISHMENTS

The consultants had the following interview meetings:

- With the MTIT: minister Mashour Abudaka, deputy minister Suleiman Zuhairy, spectrum experts Osama Obed and Mohammad Bader, regulatory/numbering expert Florid Zurba, lawyers and other staff members of the MTIT.ⁱ
- New entrant mobile operator Wataniya: legal advisor Mr Samer Fares and spectrum expert Yamal Yassenⁱⁱ
- Negotiation Support Unit PLO, Ms Inas Abu Labanⁱⁱⁱ who informed the team in detail about the negotiations with Israel on telecommunications issues particularly with regard to radio frequencies
- a collective of Internet Service Providers convened by the MTIT.

During these meetings, the Carana/USAID project approach was introduced and information was provided by participants at the meetings with regard to status of the Law and a proposal for a supplemental Law correcting certain deficiencies, the system of appeals in Palestine, the existing licenses, the situation regarding spectrum release and control, anti-competitive behavior, interconnection and access and the priorities for the development of the regulatory framework as a whole.

There was a fruitful meeting with ISP's discussing the need for local loop unbundling and the differences between the various forms of it. In some cases the opportunity was used by participants to ask the consultants' views on international best practice and how it is reflected in the proposals of the MTIT. In most cases the consultants were able to provide clarifications.

During the visit the Minister informed us that the President is refusing to sign the appointment of the members of the Board of the independent regulatory authority PTR. The reasons for this were unclear. Some said this was related to political lobby against the persons on the list. Others in the MTIT were convinced that the political lobby was really aimed against the enacted law as such. Advice was offered to the minister with regard to alternative solutions pending the political agreement to the appointment of the PTR Board.

The Minister also asked for advice on the subject of 'separation' on which he and incumbent operator Paltel had had a confrontational meeting. A text was drafted for the Minister to clarify the meaning of the word 'separation' in regulatory terms. At his request, the team (Hans Bakker) also met with Mr Kamal Abu-Khadijeh^{iv}, the CEO of Paltel Group. Mr Khadijeh wanted to discuss the subject of separation. The occasion was used from both sides to discuss more broadly the situation in the sector, the ongoing debate about the new Law and the outlook on developments if the Law will be implemented.

The consultants met with Mr Carl Larkins and Mr Jason Bohoney of Carana to discuss the project and to debrief. In view of the political situation and the urgent need of the MTIT for support in the areas under public debate it was agreed that Hans Bakker will add an extra working day to the trip on 25th of January.

Results

The visit contributed further to getting an adequate overview of the current situation particularly with regard to the (postponement of the) appointing of Board members of the new regulatory body, the further development of the legal framework (bylaws and regulations), the need for new Licenses, anti-competitive behavior, spectrum management and numbering.

Also, extensive information was obtained on the negotiations with Israel with regard to releasing radio spectrum for the Palestine telecommunications sector, and in particular spectrum urgently needed for new WiMAX and 3G services.

Based on this information the team was enabled to start forming its views on the situation and on the recommendations to be made in the proposal for the next phases of the project.

During the visit more work it was concluded, with the full agreement of Carana, that more could be done on the preparation of a 'road map' policy document, to make the plans of the Ministry for regulatory reforms more transparent and predictable. The document was prepared and delivered shortly after the visit.

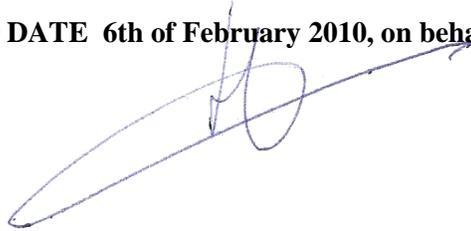
In absence of a road map the Ministry tends to make statements on regulatory policies that cause nervous reactions on the part of Paltel. Apart from addressing the concerns of Paltel, the consultants have also advised the Minister on the development of an orderly consultative process.

KEY COUNTERPARTS MET OR INVOLVED IN DELIVERABLE

See meetings listed above.

SIGNATURE AND DATE 6th of February 2010, on behalf of all participants in the visit

Hans Bakker



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