

PROJECT FICHE FOR PHARE 2006

FOR

COMMUNICATIONS

PHARE 2006/018-147.03.18

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1. Basic Information

1.1 CRIS Number

PHARE 2006/018-147.03.18

1.2 Title:

Enhancing the Institutional Capability of the National Regulatory Authority for Communications (ANRC) in the area of Economic Regulation

1.3 Sector:

Telecommunications

1.4 Location:

Romania

1.5 Duration

14 months

2. Objectives

2.1 Overall Objective(s):

- Maximise end-users' benefits by promoting sustainable competition in the provision of broadband Internet access and telephony services over fixed incumbent's access network

2.2 Project purpose:

- Enhance the institutional capability of ANRC in the area of economic regulation by developing state-of-the-art technical, economic, and financial information systems

2.3 Accession Partnership (AP) and NPAA priority

The Project proposal is linked to the priority areas for Romania's membership preparation, as underlined in the Accession Partnership (AP) and the National Programme for the Adoption of the *Acquis* (NPAA).

AP Ability to assume the obligations of membership – Telecommunications and information technologies: Transpose the *acquis* on telecommunications and postal services; prepare for the full liberalisation of the telecommunications market by creating a national regulatory authority.

NPAA Item 4.17 – Telecommunications and Information Technology: Medium-Term Priorities: Strengthening the institutional capacity of the ANRC with a view to an efficient regulation of electronic communications and post sectors.

2.4 Coherence with National Development Plan

Not applicable.

2.5 Cross Border Impact

Not applicable.

3. Description

3.1 Background and justification:

The local access network represents a critical competitive bottleneck, as the large access network operated by the incumbent operators across EU cannot be easily replicated by their competitors in an economically feasible way. Enabling all providers to benefit from non-discriminatory, transparent and cost oriented access to the local access network of the incumbents offers the benefits of both greater and more sustainable competition in the provision of broadband Internet access and telephony services and swifter rollout of new services as competing providers innovate to attract customers.

Cost orientation of the access tariffs is a major regulatory tool for building a competitive environment in the provision of services over the incumbent's access network. The Directive 2002/19/EC of the European Parliament and of the Council of 7 March 2002 on access to, and interconnection of, electronic communications networks and associated facilities (Access Directive) allows national regulatory authorities to impose obligations relating to cost recovery and price controls on access services where a lack of effective competition may allow the operator with significant market power to apply either excessive prices or implement a price squeeze with anti-competitive intent (i.e. to the detriment of end-users).

Romania has taken significant steps towards developing a modern and pro-competitive regulatory regime, in order to support the liberalization of the telecommunications sector after January 1st, 2003. A legal and institutional framework fully harmonized with the requirements of the new *acquis communautaire* in this field was established during 2002, with the transposition into the national legislation of the EU New Regulatory Framework for electronic communications networks and services (the "2003 package") which includes the Access Directive.

The National Regulatory Authority for Communications of Romania (ANRC) was established under the new legislation and started operations on September 25th, 2002. ANRC is a public institution in the structure of the Government, independent in relation with both the Ministry of Communications and Information Technology (MCTI) and the market players. The main objectives that guide the activity of ANRC are to promote competition in the electronic communications markets, to protect end-users' rights and interests, to encourage efficient investments in infrastructure, and to promote innovation in the electronic communications sector.

Currently, the local access network is one of the least competitive segments of the Romanian liberalized telecommunications sector. New entrants do not have widespread alternative network infrastructures and are unable, with traditional technologies, to match the economies of scale and the coverage of Romtelecom – the fixed incumbent operator, designated as having significant market power in the service markets related to the provision of fixed public telephone networks. This is a consequence of the fact that Romtelecom rolled out its metallic local access

infrastructure over a significant period of time protected by exclusive rights and was able to fund investment costs through monopoly rents.

Competition based on Local Loop Unbundling (LLU) is one way of delivering competition in the electronic communications market and is particularly vital in providing competitors with opportunities for innovation and product and price differentiation. Telephone line rentals is another service which is crucial for the development of a competitive fixed telephony market and which cannot be competitively provided or efficiently priced without proper understanding of the access network costs to support the competitive remedies promoted by ANRC.

ANRC is committed to ensuring that appropriate regulation is put in place to create a competitive environment in all markets for services provided over Romtelecom's access network, in particular by implementing LLU regulations to foster the development of broadband and telephony services.

Based on the finding that the fixed access network is characterized by a lack of competition and high entry barriers, both contributing to little likelihood of future competition, ANRC President's Decision no.801/2003 designated Romtelecom as operator with significant power on the market for full and shared unbundled access to the twisted metallic pair local loop, with a view to providing broadband electronic communications services and publicly available telephone services at fixed locations. Following this designation, ANRC President's Decision no.1098/2004 required Romtelecom to publish a reference offer for unbundled access to the local loop and related facilities (*Reference Unbundling Offer*, or RUO). The tariffs provided in the RUO are a matter of special concern for ANRC. The regulator established that these tariffs should be cost-oriented, based on a costing model or, in the absence of such a model, based on other methods approved by ANRC, and that they should be sufficiently detailed to ensure that the requesting parties will not have to pay for resources that are not necessary to the service requested.

The success of competition in the market for retail broadband and telephony services strongly depends on the availability of cost estimates and prices set to a level as close as possible to the efficient economic cost for the services provided over the access network (i.e. full access to the local loop, shared access to the local loop, wholesale line rental and line rental, leased lines partial circuits, DSL bit-stream etc.). This could be achieved by, for instance, developing a Forward Looking Long Run Incremental Costs (FL-LRIC) model, which is a widely used cost accounting methodology that estimates the efficient costs of electronic communications services. Using an accurate estimate of costs as the basis for prices performs a number of functions which, in combination, guarantee economic efficiency, i.e. it gives the right signals to wholesale customers in making purchase decisions, directs production to the most efficient suppliers, and gives the appropriate signal to firms with regard to investment decisions. Such a costing methodology fulfils the objectives laid down in the Access Directive, that is to say it is proportionate, appropriate and necessary in order to achieve the objectives pursued by the regulator in relation to its obligations to promote efficiency and sustainable competition and maximize consumer benefits.

ANRC is also committed in ensuring access to, and use of, specific network elements and associated facilities, particularly where the denial of access or unreasonable terms and conditions having a similar effect would hinder the emergence of a sustainable competitive market at the retail level. Special attention is being paid to co-location and other forms of facility sharing, including duct, building or mast sharing, as well as to backhaul services. In this respect, ANRC is looking for the most suitable methodology of determining cost oriented tariffs for the provision of such services. In the context of providing local loop unbundling, unreasonable terms and conditions for essential facilities like collocation and backhaul services would lead to a slow take-off of competition at the retail level.

In line with the latest global developments in communications, Romtelecom made public the plans for deploying a Next Generation Network. Such plans have a significant impact on the current architecture of the incumbent's access network, and consequently on the regulatory strategy and methods. Since the modernization of the access network already started by reducing the length of local loops to less than 1 km, and by deploying Optical Network Units (ONUs) predominantly in urban areas, a flexible model, allowing the assessment of costs of the next generation access network must be developed. Alternatives like setting different prices in areas with/without ONUs or setting a price that reflects the reduction of the local loop's length must be taken into consideration, along with any other proposals. The development of the cost model must take into consideration the regulatory strategy and principles of keeping the balance between providing the right incentives for investing in new technology platforms, while ensuring that re-monopolization of markets does not occur.

Given the importance of investment and innovation for the development of competition, it is also necessary to develop adequate instruments i.e. cash-flow financial models to allow the quantification of the incentives to invest and innovate of both Romtelecom and the new entrants in all market segments for services provided over the incumbent's access network.

The accomplishment of the major objective undertaken by ANRC – maximize end-users' benefits by promoting sustainable competition in the provision of services over the fixed incumbent's access network – depends upon the existence of adequate institutional capability. This can be achieved by supporting the development of a state-of-the-art regulatory model for the fixed incumbent's access network, whereby to establish transparent, non-discriminatory and objective costing and pricing rules, able to accommodate also the changes in the structure of the access network in view of the transition to NGN; in particular, cost orientation of tariffs of all services provided over the access network of the fixed incumbent or closely related services should be achieved. The model must be harmonized with the best practice developed Europe-wide in the application of the Access Directive; this way, ANRC will also contribute to building consistent regulatory practice across the EU, with positive effects on the development of the Internal Market for the provision of electronic communications services. Understanding the incentives to invest and innovate of both Romtelecom and the new entrants in all market segments for services provided over the incumbent's access network is also a priority. Training of the ANRC human resources is necessary to further improve regulator's ability to adequately respond to the challenges of economic regulation in respect of the fixed incumbent's access network.

The activities under this Project are key elements in supporting the achievement of the abovementioned objectives. **Taking into account that the financial resources and expertise of ANRC are insufficient to cover the needs of the Project, a PHARE financial contribution is needed for supporting ANRC in its effort to appropriately fulfill these objectives.** The Project will be accomplished through technical assistance for the development of the regulatory model for Romtelecom's access network and adequate training for the ANRC staff involved in the economic regulation process.

3.2 Sectoral rationale

Not applicable.

3.3 Results

The following results are expected by the end of the project:

1. Bottom-up model of Romtelecom's access network, i.e. costs of the main services provided over the access network;
2. Report on the cost model prepared by Romtelecom summarizing the findings of the review conducted;
3. Optimized model for the calculation of costs of an efficient access network which takes into account any relevant cost items and include all structural changes that proved reasonable and efficient, as justified by the information provided by the incumbent's model;
4. Methodology for determining cost oriented tariffs for the provision of main access services (full access to the local loop, shared access to the local loop, wholesale line rental, line rental, leased lines partial circuits, DSL bit-stream);
5. Methodology for determining costs and cost oriented tariffs for the provision of essential facilities related to the access network (collocation, backhaul service, access to ducts and poles etc.);
6. Cash-flow financial models to assess the incentives to invest and innovate of both Romtelecom and the new entrants in all market segments for services provided over the incumbent's access network;
7. Adequate on-the-job training provided to ANRC staff during all phases of the Project.

3.4 Activities

This Project aims primarily at establishing transparent, non-discriminatory and objective costing and pricing rules for Romtelecom's access network services and related facilities. The first step of this approach is the development of an economic model for estimating the current cost of the access network. The final model will be capable to estimate the costs of access network services and related essential facilities. The estimation of the cost oriented prices for the access network services should be based on the most appropriate estimations of the economic model. Since changes are likely to occur in the future, due to developments in the fixed networks (NGN), the cost model should be flexible enough to reflect the optimization and consolidation of the access network, as well as the design and utilization changes due to the convergence of technologies using the access network. The model must therefore reflect the current structure of the access network, the future possible evolutions in the next generation access networks designs, as well as the stages of migration to the next generation access network.

Another purpose of this Project is to assess the incentives to invest and innovate of both Romtelecom and the new entrants in all market segments for services provided over the incumbent's access network. This could be achieved by developing adequate instruments i.e. cash-flow financial models.

The Project also aims at strengthening the institutional capability of ANRC to manage the economic regulation process addressing the competitive bottlenecks of the fixed incumbent's access network, in a forward-looking perspective and considering the upcoming transition to NGN. This could be achieved by delivering appropriate training to the ANRC personnel i.e. on-the-job training to upgrade the staff qualifications on issues relating to in particular the economics of ex ante access regulation by assisting select ANRC experts in the assessment of the current situation, in the planning of the regulatory intervention, as well as in the design and management of regulatory tools.

The overall project is therefore logically divided into five activities:

1. Development of a bottom-up model of Romtelecom's access network for the calculation of efficient costs of services provided over the access network that should reflect the

architecture of the incumbent's network, optimized according to the scorched-node approach. (*Corresponding result: 1*)

2. Review of the costs incurred by Romtelecom, ideally by means of reviewing a cost model prepared by the incumbent, to assure the accuracy and reliability of information. In this stage, an evaluation of the assumptions, inputs and allocation methodologies used in this cost model will be performed in order to examine the relevance of the results and the extent to which they can be used in the process of optimizing the efficient cost model. This stage should include a report on factual findings of the actual costs incurred in Romtelecom access network. (*Corresponding result: 2*)
3. Development of an optimized model that will be used as the basis for determining the final costs of the services provided over the access network of Romtelecom. Development of a methodology for determining cost-oriented tariffs for the provision of the services provided over the access network of Romtelecom. Development of a methodology for determining costs and cost-oriented tariffs for the provision of essential facilities related to the access network (*Corresponding results: 3, 4, 5*)
4. Development of cash-flow financial models to assess the incentives to invest and innovate of both Romtelecom and the new entrants in all market segments for services provided over the incumbent's access network. (*Corresponding result: 6*)
5. Delivery of training for the ANRC human resources. The training approach should be focused on the delivery of on-the-job training, which has been proved to be an adequate tool to increase the professional skills of the ANRC staff and to facilitate the implementation of EU best practice regulation as it can address very detailed aspects of assessing, elaborating and implementing regulatory tools and measures. The training days should be used to upgrade the qualifications of select ANRC experts by assisting them in analysing the current market situation, elaborating the targets and rationale of regulatory intervention and building and managing regulatory instruments. The focus should be on issues relating to in particular the economic aspects of implementation of the regulatory framework on ex ante access regulation – ex ante obligations, economic regulatory concepts, theories and trends, in the light of the convergence phenomenon and transition to the next generation regulation, taking into account the development of competition and the deployment of Next Generation Networks and of new technologies. (*Corresponding result: 7*)

In the frame of these activities, along all phases of the Project, the Contractor will be required to work closely with the Beneficiary's personnel, including provision of ad hoc advisory support in order to operatively adjust the deliverables to the concrete needs of ANRC and is particularly relevant in case of on-the-job-training.

3.5 Linked Activities:

The institutional building of ANRC was assisted by two Phare Projects.

The first Project, **PHARE RO-0107.01** - "Strengthening the National Regulatory Authority for Communications (ANRC)", was focused on improving the institutional capacity of ANRC through technical assistance, training and provision of IT equipment. In particular, this first Project, which ended in April 2005, comprised the following activities:

- Assistance for drafting and promoting regulations and ongoing technology transfer for enforcing the legislative and regulatory framework, training and assistance for training strategy, curriculum and training material;
- Development of an advanced and secure portal for ANRC;
- Procurement of hardware and software;

- Conditioning and equipping ANRC's key departments' offices.

The second Project, **PHARE 2003/005-551.04.10** – “Improving the Institutional Capability of the National Regulatory Authority for Communications (ANRC)”, is currently being implemented and aims at supporting ANRC in the enforcement of Universal Service policies. In particular, this second Project aims at:

- Defining an adequate framework for access to the Universal Service in the field of electronic communications and postal services;
- Developing appropriate regulations for implementing the Universal Service in the area of electronic communications and postal services;
- Raising the awareness of and increasing the level of support from the local administration to the Universal Service policies;
- Further improving the institutional capability of ANRC to adequately manage the regulatory process in the fully liberalised markets for electronic communications and postal services.

3.6 Lessons learned:

The implementation of the previous Phare Projects has taught ANRC the following lessons:

- It was proven necessary that the international experts work closely with the Beneficiary in order to operatively adjust the deliverables to the concrete needs of the latter. This lesson was incorporated in the design of this Project, which requires the consultants to work closely with the ANRC personnel, on an on-going basis, by providing ad hoc advisory support and on-the-job training.
- The development of economic models for establishing costing and pricing rules is one of the most difficult tasks for a regulator, and therefore sufficient resources need to be allocated to such a project.
- ANRC staff has specific and detailed questions on implementing regulatory instruments – like for example economic models and methodologies. These questions go well beyond the scope that can usually be addressed in seminars and workshops. Moreover, they do not represent basic knowledge but very detailed know-how which is only required by the particular persons in charge of a specific regulatory function. The training approach chosen for future training activities should be therefore a concrete on-the-job training. On the one hand, this enables the consultants to address very specific questions and problems relevant for the implementation of regulatory tools and, on the other hand, this is much more adequate to increase the institutional capacity of ANRC staff and will directly benefit the implementation of EU best practice regulation as many more detailed problems of assessing, elaborating and implementing regulatory tools and measures can be addressed.

4. Institutional Framework

ANRC – the Beneficiary of this Project – is the independent regulatory authority for the electronic communications and postal services sectors, having the role to implement the national policy in these fields by following a number of regulatory objectives among which the most important are: to promote competition in the electronic communications markets, to protect end-users' rights and interests, to encourage efficient investments in infrastructure, and to promote innovation in the electronic communications sector.

ANRC collaborates with MCTI – the body which is responsible for policy/strategy making for the development of the IT&C sector in Romania – in all the fields where the expertise of ANRC is deemed to be necessary or useful.

5. Detailed Budget

The Project total cost is estimated at **1.50 MEURO**, representing financial contribution from Phare to one technical assistance project.

Year 2006 Institution Building Support	Phare/Pre- Accession Instrument support	Co-financing			Total Cost
€M		National Public Funds	Other Sources	Total Co- financing of Project	
Enhancing the Institutional Capability of the National Regulatory Authority for Communications (ANRC) in the area of Economic Regulation	1.50	-	-	-	1.50
IB support	1.50	-	-	-	1.50
Total project 2006	1.50	-	-	-	1.50

6. Implementation Arrangements

6.1 Implementing Agency

The Project shall be managed under the Practical Guide to PHARE, ISPA & SAPARD contract procedures.

The Romanian Implementing Agency is the Central Finance and Contracts Unit (CFCU), which retains overall responsibility for the implementation of the Project (approval of Terms of Reference, of tender documents, of evaluation criteria, of evaluation of offers, signature of contracts, authorization and payments of invoices).

Contact person:

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Address: Central Finance and Contracts Unit (CFCU), Ministry of Public Finance, 44, Mircea Vodă Blvd., 5th floor, room 54, sector 3, Bucharest, Romania

6.2 Implementing Authority

The Romanian Implementing Authority is ANRC, which is responsible towards the Implementing Agency for the operational management of the Project: preparation of Terms of Reference, of tender documents, of evaluation criteria, of evaluation of offers, of contracts.

The Beneficiary of this project is the National Regulatory Authority for Communications (ANRC), who is also responsible for its technical management.

6.2.1. Project Steering Committee (PSC)

The PSC will be the major decision-making body throughout the progress of the project. Its role involves the evaluation and discussion of the project work plan and related legal, institutional and technical aspects.

6.2.2. PIU

The coordination and monitoring of the contract will be ensured by the Project Implementation Unit (PIU) of the Beneficiary, who shall take responsibility for the overall implementing activities.

6.2.3. Working Groups (WGs),

The WGs, set up of ANRC staff from specialised divisions shall be allocated roles and responsibilities for the operational management of individual specific tasks under the modules. The WGs shall also be responsible with troubleshooting activities under the project.

6.2.4. Location

The project will be located within the Beneficiary's headquarters (National Regulatory Authority for Communications – ANRC, 14 Libertatii Blvd., Bucharest 5, Romania), from where the project activities will be managed. While most of the activities can be expected to be based in Bucharest, activities may also be executed in the Member States.

6.2.5. Contact details

Gianina LICA, Director, International Affairs and Programme Management (DSPO)

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Address: National Regulatory Authority for Communications (ANRC), 14 Libertății Blvd., Bucharest 5, Romania

6.3 Non-standard aspects

The Practical Guide to Phare, Ispa & Sapard contract procedures will be strictly followed.

6.4 Contracts

The number of contracts is 1, with total amount of 1.50 MEURO.

7. Implementation Schedule

7.1 Start of tendering/call for proposals

The Contract Forecast is expected to be published one month after the signature of the 2006 Financing Agreement. The start of tendering/call for proposal is planned for May 2007.

7.2 Start of project activity

The project activities are forecasted to begin by October 2007.

7.3 Project completion

The project activities are expected to reach the end by December 2008.

8. Equal Opportunity

The proportion between men and women in the personnel involved in the Project design and implementation will be balanced, with no discrimination regarding women's tasks and salaries compared to the men's.

9. Environment

The Project has no environmental impact.

10. Rates of return

Not applicable.

11. Investment criteria

Not applicable.

12. Conditionality and sequencing

Not applicable.

ANNEXES TO PROJECT FICHE

Annex 1 - Logframe in standard format

Annex 2 - Detailed implementation chart

Annex 3 - Contracting and disbursement schedule, by quarter, for full duration of project

Annex 4 – Reference list of feasibility/pre-feasibility studies

Annex 5 - Reference list of relevant laws and regulations

Annex 6 - Reference list of relevant strategic plans and studies

Annex 7 - Lessons learnt from previous years

Annex 1 – Logical Framework Matrix		Contracting period expires: November 2008	Disbursement period expires: November 2009
<p align="center">Enhancing the Institutional Capability of the National Regulatory Authority for Communications (ANRC) in the area of Economic Regulation PHARE 2006/018-147.03.18</p>			
		Total budget: 1.50 MEURO	Phare budget: 1.50 MEURO
Overall objective	Relates to Copehagen criteria and acquis chapter	List of other projects with same objective	
<ul style="list-style-type: none"> - Maximise end-users' benefits by promoting sustainable competition in the provision of broadband Internet access and telephony services over fixed incumbent's access network 	<ul style="list-style-type: none"> - Criterion no.2: the existence of a functioning market economy as well as the capacity to cope with competitive pressure and market forces within the Union; - Criterion no.3: the ability to take on the obligations of membership including adherence to the aims of political, economic & monetary union - Chapter 19 – Telecommunications and Information Technologies 	<ul style="list-style-type: none"> - PHARE RO-0107.01 - “Strengthening the National Regulatory Authority for Communications (ANRC)” PHARE 2003/005-551.04.10 - “Improving the Institutional Capability of the National Regulatory Authority for Communications (ANRC)” 	
Project purpose	Objectively Verifiable Indicators	Sources of Verification	Assumptions
<ul style="list-style-type: none"> - Enhance the institutional capability of ANRC in the area of economic regulation by developing state-of-the-art technical, economic, and financial information systems 	<ul style="list-style-type: none"> - Up to date regulatory framework in the area of costing and pricing of the services provided over the access 	<ul style="list-style-type: none"> - Official Journal of Romania - Annual Reports of the 	<ul style="list-style-type: none"> - timely signature of the Financial Agreement by the EC and the

	<p>network and related facilities assessed against the most successful regulatory jurisdictions in Europe</p> <ul style="list-style-type: none"> - Development of competition in the markets for services provided over the access network and related facilities in Romania assessed by comparison with current state and other European jurisdictions - All the relevant ANRC staff is adequately trained by end-2008 on issues relating to in particular the economic aspects of implementation of the regulatory framework on ex ante access regulation – ex ante obligations, economic regulatory concepts, theories and trends, in the light of the convergence phenomenon and transition to the next generation regulation, taking into account the development of competition and the deployment of Next Generation Networks and of new technologies 	<p>Romanian Government</p> <ul style="list-style-type: none"> - ANRC Annual Activity Report - ANRC portal screening 	<p>Romanian Government</p> <ul style="list-style-type: none"> - timely identification of an adequate Contractor for the Project - ANRC retains adequate staff
Results	Objectively Verifiable Indicators	Sources of Verification	Assumptions
<ul style="list-style-type: none"> - 1. Bottom-up model of Romtelecom's access network, i.e. costs of the main services provided over the access network; - 2. Report on the cost model prepared by Romtelecom summarizing the findings of the review conducted; 	<ul style="list-style-type: none"> - Sound bottom-up model of Romtelecom's access network - Detailed and accurate report on factual findings over the cost model prepared by Romtelecom 	<ul style="list-style-type: none"> - Project reports (progress reports and task reports) - ANRC Annual Activity Report - ANRC portal 	<ul style="list-style-type: none"> - Availability of the cost model or of cost information from Romtelecom - Timely responses from Romtelecom

<ul style="list-style-type: none"> - 3. Optimized model for the calculation of costs of an efficient access network which takes into account any relevant cost items and include all structural changes that proved reasonable and efficient, as justified by the information provided by the incumbent's model; - 4. Methodology for determining cost oriented tariffs for the provision of main access services (full access to the local loop, shared access to the local loop, wholesale line rental, line rental, leased lines partial circuits, DSL bit-stream); - 5. Methodology for determining costs and cost oriented tariffs for the provision of essential facilities related to the access network (collocation, backhaul service, access to ducts and poles etc.); - 6. Cash-flow financial models to assess the incentives to invest and innovate of both Romtelecom and the new entrants in all market segments for services provided over the incumbent's access network; 	<ul style="list-style-type: none"> - Sound optimized model for the calculation of costs of an efficient access network developed and published on ANRC website - Quality (measured in terms of accuracy of results), effectiveness and compliance with best EU regulatory practice of the methodology for the calculation of the cost oriented tariffs for the provision of main access services - Quality (measured in terms of accuracy of results), effectiveness and compliance with best EU regulatory practice of the methodology for the calculation of costs and cost oriented tariffs for the provision of essential facilities - Timely adoption of the ANRC Decision on tariffs for the provision of access network services - Accuracy of the cash-flow financial models able to assess the incentives to 	screening	during all Phases of the Project
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<ul style="list-style-type: none"> - 7. Adequate on-the-job training provided to ANRC staff during all phases of the Project. 	<p>invest and innovate of both Romtelecom and the new entrants</p> <ul style="list-style-type: none"> - Timely and efficient on-the-job training provided to ANRC employees - 20 employees of ANRC trained at best standards among EU national regulatory authorities - Quality, quantity and pertinence of the information transmitted to participants; timely and efficient organisation of the training sessions, quantity and quality of the training materials delivered 		
Activities	Means	Assumptions	
<ul style="list-style-type: none"> - Development of a bottom-up model of Romtelecom's access network (Corresponding result: 1) - Review of the costs incurred by Romtelecom to assure the accuracy and reliability of information (Corresponding result: 2) - Development of an optimized model that will be used 	<ul style="list-style-type: none"> - Building a bottom-up model of Romtelecom access network allowing for the calculation of the efficient costs of services provided over this network; the model should reflect the actual architecture of the incumbent's access network, optimized according to the scorched-node approach. - Reviewing the cost model prepared by Romtelecom or cost information provided by Romtelecom and drafting a comprehensive review report. In this stage, an evaluation of the assumptions, inputs and allocation methodologies used in this cost model will be performed in order to examine the relevance of the results and the extent to which they can be used in the process of optimizing the efficient cost model. This stage should include a report on factual findings of the actual costs incurred in Romtelecom access network. 	<ul style="list-style-type: none"> - Availability of a cost model or cost information from Romtelecom - Timely responses from Romtelecom during all phases of the Project 	

<p>as the basis for determining the final costs of the services provided over the access network of Romtelecom. Development of a methodology for determining cost-oriented tariffs for the provision of the services provided over the access network of Romtelecom. Development of a methodology for determining costs and cost-oriented tariffs for the provision of essential facilities related to the access network (Corresponding results: 3, 4, 5)</p> <ul style="list-style-type: none"> - Development of cash-flow financial models to assess the incentives to invest and innovate of both Romtelecom and the new entrants in all market segments for services provided over the incumbent's access network (Corresponding result: 6) - Delivery of training for the ANRC human resources. (Corresponding result: 7) 	<ul style="list-style-type: none"> - Based on the review report, an optimized model will be produced as the basis for determining the final costs of the services provided over the access network of Romtelecom. Also, a methodology for determining cost-oriented tariffs for the provision of these services based on the optimized model results, as well as a methodology for determining costs and cost-oriented tariffs for the provision of essential facilities related to the access network (collocation, backhaul service, access to ducts and poles etc) will be developed during this stage. - Building cash-flow financial models to assess the incentives to invest and innovate of both Romtelecom and the new entrants in all market segments for services provided over the incumbent's access network. - Assessing the ANRC personnel training needs in the areas related to the purposes of this Project i.e. the economic aspects of implementation of the regulatory framework on ex ante access regulation – ex ante obligations, economic regulatory concepts, theories and trends, in the light of the convergence phenomenon and transition to the next generation regulation, taking into account the development of competition and the deployment of Next Generation Networks and of new technologies; - Delivering appropriate training to the ANRC personnel i.e. on-the-job training to upgrade the staff qualifications on issues relating to in particular the economics of ex ante access regulation by assisting select ANRC experts in the assessment of the current situation, in the planning of the regulatory intervention, as well as in the design and management of regulatory tools. 	
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Annex 2 – Detailed Implementation Chart

**Enhancing the Institutional Capability
of the National Regulatory Authority for Communications (ANRC)
in the area of Economic Regulation**

[illegible]

D = Design/Tender preparation

C = Contracting

I = Implementation/works

Annex 3 – Contracting and disbursement schedule

**Enhancing the Institutional Capability
of the National Regulatory Authority for Communications (ANRC)
in the area of Economic Regulation**

	Cumulative contracting and disbursement schedule by quarter in Meuro (planned)												
	2007				2008				2009				
	I	II	III	IV	I	II	III	IV	I	II	III	IV	
Total contracting:				1.50	1.50	1.50	1.50	1.50					
Total disbursement:				0.90	1.2	1.2	1.35	1.50					

Annex 4 – Reference list of feasibility/pre-feasibility studies

N/A

Annex 5 – Reference list of relevant laws and regulations

1. **Directive 2002/19/EC** of the European Parliament and of the Council of 7 March 2002 on access to, and interconnection of, electronic communications networks and associated facilities (Access Directive);
2. **Government Ordinance no.34/2002** on the Access to the Public Electronic Communications Networks and to the Associated Infrastructure, as well as their Interconnection, published in the Official Journal of Romania, Part I, no.88 of February 8th, 2002, approved with amendments and completions through the **Law no. 527/2002**, published in the Official Journal of Romania, Part I, no.602 of August 14th, 2002;
3. **ANRC President's Decision no.801/2003** on the designation of S.C. “Romtelecom” – S.A. as having significant power in the market for the full or shared access to the twisted metallic pair local loop for the purpose of providing broadband electronic communication services and publicly available telephony services at fixed locations;
4. **ANRC President's Decision no.1098/2004** on the principles and prerequisites of the reference offer for unbundled access to the local loop.

Annex 6 - Reference list of relevant strategic plans and studies

N/A

Annex 7 - Lessons learnt from previous years

Identified Gaps or Recommended courses of intervention	Action for covering the Gap or implement the recommended intervention	Phare Programming (Project Reference)		
		2004	2005	2006
The Commission concluded that the competitiveness of the sector would crucially depend on the acceleration of the modernization programme for networks and services - <i>2004, Regular Report on Romania's progress towards accession, Chapter 19 "Telecommunications and Information Technologies", pg 108.</i>	Enhance the institutional capability of ANRC by developing state-of-the-art technical, economic, and financial information systems, to enable the Romanian regulator to understand and improve the competitive and investment environment in all markets for services provided over the fixed incumbent's access network (Standard Project Fiche 2006, Objectives-Project Purpose)			Enhancing the Institutional Capability of the National Regulatory Authority for Communications (ANRC) in the field of Economic Regulation (Type of Contract=TA)
Not enough human resources allotted to ANRC/PIU for accomplishing its responsibilities;	Supplementing ANRC/PIU organizational scheme, financed from ANRC's budget.			