

# **Universal Access and Service Fund (UASF)**

## **Manual of Operating Procedures**

DRAFT

**APRIL 2014**

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## 1. INTRODUCTION

- 1.1 The Communications Regulatory Authority Act No. 19 of 2012 (CRA Act) at Section 5 (1) (b) gives the Botswana Communications Regulatory Authority Board (The Board) administrative responsibility to promote and ensure universal access with respect to provision of Communication Services in Botswana. The CRA Act further provides, through section 5 (1) (c), for the Board to impose a Universal Access and Service (UAS) levy on identified operators for purposes of funding universal access in the Communications sector.
- 1.2 In line with the Act, the Board established a Universal Access and Service Fund (UASF or the Fund) in April 2014, which will be managed by the UASF Board and supported by the Botswana Communications Regulatory Authority (BOCRA or the Authority). The overall objective of the UASF is to facilitate an enabling environment for the development and use of Communication infrastructure and services in Botswana, particularly in underserved and unserved areas.
- 1.3 Globally UASFs are designed to support and assist in the achievement of the following objectives:
  - a) **Availability** - the level of service should be the same for all users in their place of work or residence, at all times and without geographical discrimination;
  - b) **Accessibility** - all citizens should be treated in a non-discriminatory manner with respect to the price and quality of the service, in all places, without distinction of race, sex, religion, disability etc; and
  - c) **Affordability** - the price of the service should not be a factor that limits service access for all users.
- 1.4 The Telecommunications Policy of 1995 and the ICT Policy for Botswana (Maitlamo 2007) identify expansion of networks and services to reach the whole population as the primary goal of the communications industry in the country. The goal of access to communications is closer to realisation in the more urbanised parts of Botswana, while the provision of services on a public access basis in rural areas is still a challenge. Specific Universal Access and Service (UAS) targets should assist in achieving the national goals.
- 1.5 The Botswana National Broadband Strategy (NBS), developed in 2013, sets out the objectives, targets, principles, and mechanisms to achieve the overall goal of UAS country-wide, within the market context and priorities of the Government and people of Botswana.

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## 2. MANUAL OF OPERATING PROCEDURES

- 2.1 The Manual of Operating Procedures for the UASF provides guidelines and operating principles under which communications development projects funded by the UASF will be managed and administered. The Manual is an essential strategic document, which describes how the Fund should fulfil its mandate.
- 2.2 The Manual of Operating Procedures describes, among others;
- a) The theoretical foundation and key principles of UAS and the Fund;
  - b) The specific UAS objectives established under the UASF program;
  - c) Sources of finance for the UASF;
  - d) The governance, management and administration of the UASF;
  - e) The development of the UASF programs, project prioritisation and selection criteria;
  - f) The tendering and selection process;
  - g) Subsidy disbursement procedures; and
  - h) Performance Monitoring

## 3. UNIVERSAL ACCESS AND SERVICE DEFINITIONS

### 3.1 UNIVERSAL SERVICE (US)

*Means connection and availability of communication networks and services to individual households.*

- 3.1.1 The principle of Universal Service recognises that once the market penetration of a communications service reaches a high level in society and has demonstrated social and economic value, then that service has become essential to virtually every household. Whereas it is recognised that this goal will be reached only in stages and will be realised in more urbanised and least remote areas first, it is the medium to long-term goal for the whole country.

### 3.2 UNIVERSAL ACCESS (UA)

*Means reasonable access by individuals to a publicly available communication centre and related services.*

- 3.2.1 The goal of UA is to ensure that, in the shorter term, all people in every part of the country have reasonable means of access to publicly available communication services in their community (even if not necessarily in their home).

3.2.2 UA is an approach to US in low-income and high cost areas, where private demand and perceived need are not yet universal and/or where technical difficulties preclude service providers from being able to economically provide full signal coverage, but where it is feasible to create service points at which public access is available.

### **3.3 TELECOMMUNICATIONS, INTERNET AND ICT**

3.3.1 US sets the target of the provision of telephone services, including associated directory and emergency calling, as well as data transmission and reception capabilities, to every household in the country.

3.3.2 Whereas UA sets *access target* to a publicly available telephone, data and related telecommunications services in a community, through shared use of lines or user terminals, including public payphones, phone shops, roadside tele-businesses, community telecentres, 'cyber cafés' or information centres.

### **3.4 BROADCASTING MEDIA**

3.4.1 Vision 2016 (1997) states that, "All Batswana will have access to the media through national and local radio, television and newspapers."<sup>1</sup>

3.4.2 The main strategies that are essential to achieve and provide UA in the media sector include:

- a) Creating an open access signal distribution company, that is independent, efficient and cost effective and can be used by all broadcasters;
- b) Expanding the transmission network throughout the country; and
- c) Establishing a policy framework that classifies radio broadcasters, in line with international best practice.

### **3.5 POSTAL SERVICES**

3.5.1 For UA every community with at least 2,000 inhabitants will have a postal outlet, that offers a collection and delivery point for US postal services. The postal outlet shall be open five days a week during normal business hours, and will be encouraged to collocate with another business such as a shop.

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<sup>1</sup> Vision 2016 (1997), under Information, Paragraph 2, p. 5

## 4. OBJECTIVES OF THE UASF

- 4.1 The UASF is an institutional and funding instrument designed to achieve some of the objectives of the relevant sectoral communication policies and the National Broadband Strategy plan. The UASF will thus assist in the achievement of UAS in the communications sector encompassing Telecommunications, Internet and ICT, Broadcasting and Postal services.
- 4.2 The Fund shall accumulate financial resources and offer subsidies and financial incentives that would attract operators and service providers to initiate or expand infrastructure and services in underserved areas and where Government deems appropriate to provide communication services. The UASF shall also provide small incentive grants to organisations, individuals and business entities wishing to provide public access to ICTs and Broadband Internet services. The Fund shall also support the expansion of broadcasting signal transmission, content production and the development of universal rural postal services.
- 4.3 The main objectives of the UASF include to:
- a) Encourage efficient access to and use of communications systems and services throughout Botswana in order to promote social and economic development;
  - b) Ensure the availability of communications services to disadvantaged communities and in unserved and rural areas;
  - c) Encourage licensees to roll-out communications networks and services to uneconomical areas;
  - d) Improve the communication penetration in Botswana;
  - e) Ensure that un-served areas have access to communication systems and services at reasonable costs and affordable prices;
  - f) Encourage the development and use of local content and applications;
  - g) Support universal access and service projects, research and programmes;
  - h) Collect and distribute funds for the achievement of UAS;
  - i) Initiate, manage and oversee the implementation of UAS programs, projects, research and initiatives;
  - j) Monitor the provision of UAS;
  - k) Evaluate on an on-going basis areas supported by the Fund and make appropriate intervention; and
  - l) Engage public and industry stakeholders and publicise key aspects of the UAS programs and initiatives, such as aims, targets, strategies, costs, successes and failures in a transparent manner.

## 5. THEORETICAL FOUNDATION & KEY PRINCIPLES OF THE UASF

### 5.1 DUAL APPROACH – MARKET EFFICIENCY AND TARGETED INTERVENTIONS

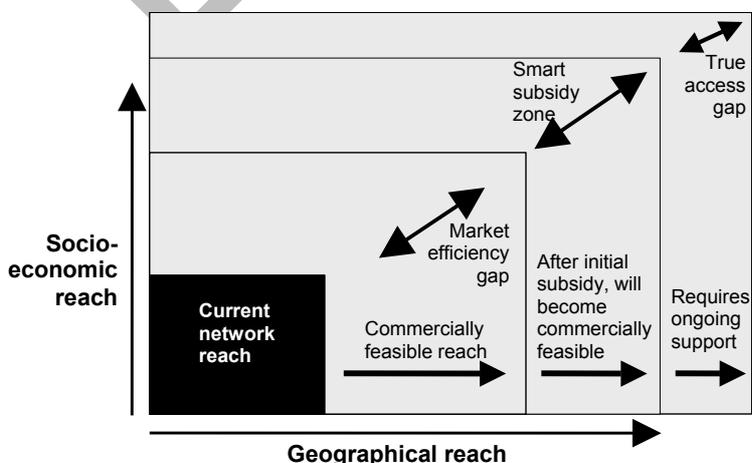
The vast majority of funds to be disbursed by the UASF will be in the telecommunications sector, including Internet and ICT. The economics and strategic approach of the Broadcasting and Postal Service sectors are to a large extent quite different from telecommunications and Internet. The activities of the UASF in each sub-sector will therefore be managed in a manner that is appropriate to the specific aspects of the policy or strategy for each sector.

The Government is committed to the fostering of efficient market operation, a fair competitive environment and overall communications sector expansion, and to remove any regulatory or other barriers to the operation of an efficient market. Targeted interventions and financial assistance will only be used as a means to provide support in areas and for user groups where efficient market forces alone cannot provide the desired services.

#### 5.1.1 The “Access Gap” and UASF Strategy

The objective of UAS is to address the “access gap” for enjoyment of communications services by all. However, the access gap has various forms and aspects, which are correctly addressed by different measures designed to develop the communications market and service the country in an integrated and self-sustaining manner. In developing an effective UASF program, the Government and BOCRA have been guided by an appreciation for these distinctions and manifestations. These can be defined separately as the *market efficiency gap*, the *smart subsidy gap (or zone)* and the *true access gap*. See graphical representation below.

Figure 1; Communications Access Gap



The UASF strategy will focus initially on projects that can be financed under the smart subsidy principle, where a one-time agreement for financial support can create service provision that is self-sustainable in the long run, after receipt of the subsidy.

The *true access gap* comprises areas or communications targets that are beyond commercial viability, even in instances where initial smart subsidies are given. Commercial sector operators or service providers serving these areas may need ongoing financial support, possibly in the form of operating subsidies.

Additionally, in the short run, some low population density rural areas of the country beyond *current* reach, in which the availability of national grid electricity supply for communications sites is particularly scarce, may be considered for special recurring financial support.

5.1.2 In summary, the general focus and priorities of the UASF will be as follows:

- a) Distribution of subsidies and financial assistance focused primarily on the *smart subsidy zone*, leveraging these resources to push the market to reach further in a commercial manner;
- b) Address the *true access gap* only after the market, with regulatory support and smart subsidies, has reached its limit, or through innovative and market-oriented projects and pilots where feasible; and
- c) Apply financial support to cover excessive operating cost on a temporary basis.

## 6. SOURCES OF FINANCE

6.1 The UAS funds will be sourced mainly from the following:

- a) UAS levy on identified operators, charged on gross revenue of regulated services and paid quarterly in arrears;
- b) Government contributions as may be appropriated by the National Assembly from the Budget;
- c) Grants and donations given for specific universal access and service projects;
- d) Surplus funds from the Authority; and
- e) Investment income from accumulated funds.

## 7. UASF LEVY EXEMPTIONS

The BOCRA Board may relieve certain licensed service providers, specifically and only those communications service providers with revenues below a specified level, or start-up companies with projected revenues below the specified level, from levy charges until such time as the Board may decide.

## 8. GOVERNANCE, MANAGEMENT & ADMINISTRATION

### 8.1 GENERAL ROLE AND FUNCTIONS

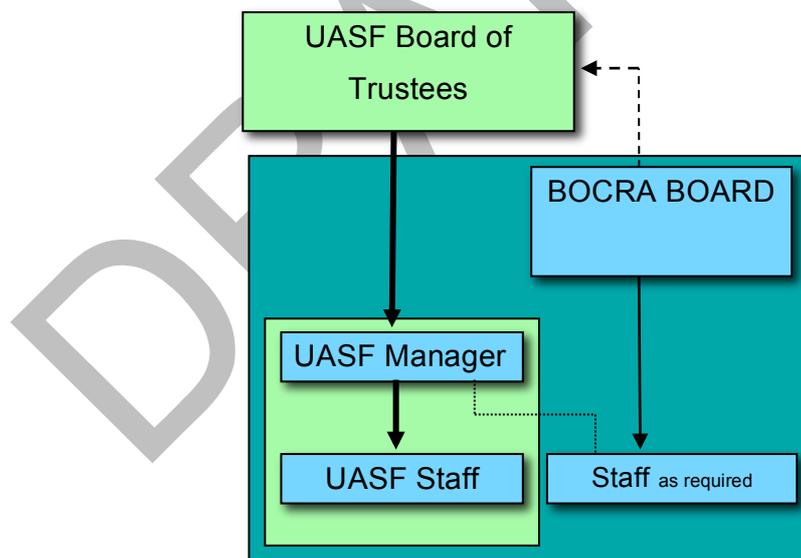
The UASF shall implement Communications related Strategies and Plans developed by the Government and BOCRA.

#### 8.1.1 UASF BOARD

The Fund will be administered through an independent Board of Trustees. The function of the UASF Board is to supervise, monitor and approve the UASF programs, its implementation and activities, and monitor its financial activities in a transparent manner.

The structure of the UASF shall be organised as shown below:

Figure 2: The UASF Structure



### **8.1.1.1 UASF Board Membership**

A seven (7) member UASF Board of Trustees including its Chairman, shall be appointed by the Authority in consultation with the Minister of Transport and Communications and shall comprise the following:

- (a) One representative from the Ministry responsible for Communications;
- (b) One representative from the Botswana Communications Regulatory Authority Board;
- (c) The Chief Executive of the Authority;
- (d) One independent expert of the telecommunications, internet, Information Communication and Technology sector without affiliation to any operator;
- (e) One independent expert of the Broadcasting sector without affiliation to any operator;
- (g) One representative of the postal sector;
- (f) One representative for the consumers.

Members shall appoint among their number the Vice-Chairperson of the Board.

### **8.1.1.2 Conflict of interest**

- (a) Board Members shall provide a written statement declaring that they are free of a potential conflict of interest.
- (b) A Board Member's position shall be vacated if the Board Member's ownership or employment in the communications sector becomes a conflict of interest.

### **8.1.1.3 Remuneration, fees and expenses**

- (a) The fees, emoluments or allowances shall be paid strictly in accordance with existing practices of the BOCRA Board.
- (b) Expenses incurred in the course of Board Members' responsibilities on UASF business, such as travel, accommodation and meals outside of the Members' place of normal residence, may be paid in advance or reimbursed in accordance with official BOCRA practice.

### **8.1.1.4 Responsibilities and authority of the UASF Board**

- (a) The UASF Board shall have approval authority in all strategic and financial matters relating to the Fund.
- (b) Without limiting the extent of the Board's powers in all matters relating to the UASF, the Board's primary responsibilities shall include:

- I. Development of UASF Strategic Plan and adoption of the UASF Program in accordance with the Government's Policy on Communications and related Strategies;
- II. Approval of Development and Operating budget;
- III. Approval of consulting and outsourcing contracts;
- IV. Approval of all decisions awarding contracts on publicly tendered projects;
- V. Maintaining the integrity of the UASF's financial activities in accordance with an established code of conduct;
- VI. Review and approve actions determined or advised by the UASF Manager as necessary to be undertaken to redress project non-performance against contractual obligations, license conditions and service agreements. Such actions shall be taken in collaboration with the BOCRA Chief Executive and may be passed on to the BOCRA for action in accordance with its regulatory function;
- VII. Regular approval and publication of quarterly reports on operations and direct UASF disbursements on projects;
- VIII. Development of the Fund's Annual Report of activities; and
- IX. Audit of Fund activities.

#### **8.1.1.5 Meetings, Quorum and Decisions of the Board members**

- (a) The UASF Board shall make standing orders for the regulation of its meetings and proceedings. The Board shall have regular meetings, at minimum every quarter of the year. The UASF Board can increase the frequency of meetings if and when required, as well as schedule extraordinary sessions.
- (b) Decisions of the UASF Board shall require that all members be duly notified of regular and extra-ordinary meetings ahead of time. At least 14 days' notice should be given, unless all members consent to shorter notice.
- (c) All UASF Board meetings shall require a quorum of at least four (4) members to be present. Decisions shall require a simple majority of voting members present. In the case of a tie, the Chairman shall have veto powers over the decision to be taken.

#### **8.1.1.6 Standing or Ad-hoc committees**

The UASF Board may establish Standing or Ad-Hoc committees to assist in the exercising of its functions. These committees can include persons other than the UASF Board members who are deemed able to assist the UASF Board to carry out its functions.

## 8.1.2 ROLE OF BOCRA

The BOCRA will provide the premises, and shall set up a separate UASF Management Department as the Secretariat of the Fund. BOCRA shall appoint a full-time Senior Officer as the UASF Manager and additional BOCRA staff who will run the day-to-day management of the Fund. The role of the UASF Management Department shall be primarily project management and monitoring, research and data management, and interface with industry and communities targeted by the UASF Program.

### 8.1.2.1 UASF Manager/Secretariat

The main responsibilities of the UASF Manager will be as follows:

- a) Review the UASF's investment targets, project plan and budget, in accordance with the BOCRA policy, approved UASF Program and the UASF Manual of Operating Procedures;
- b) Lead the identification, prioritization and preparation of rural universal access projects, in line with Government policy;
- c) Manage execution of the UASF Program;
- d) Prepare and maintain the UASF Manpower Plan, including refinement of job descriptions, management of the hiring process, and provision of hiring and manpower recommendations to the UASF Board;
- e) Prepare and monitor the Fund's Operating Budget, in collaboration with the BOCRA Finance Department;
- f) Develop Project Terms of Reference, payment terms and payment milestones, or participate in the assignment of such tasks to project officers or external consultants;
- g) Manage the evaluation of tenders and report to the UASF Board the results of project tenders, or supervise and collaborate with the evaluation carried out by others;
- h) Participate in the selection and supervision of consultants to support project implementation;
- i) Under the guidance of the UASF Board Chairman, propose and develop changes and developments to the UASF Program and develop the next phase program;
- j) Participate in awareness raising activities associated with the universal access program, advertising and arrangements for public tender notices;
- k) In collaboration with the BOCRA Finance Department, monitor and follow-up of payment of levies into the Fund by contributors, and acting as the liaison for queries;
- l) Liaise with operators involved in rural projects;
- m) Manage the activities of project officers in monitoring and evaluation of projects;

- n) Undertake a first review of quarterly reports from the BOCRA Finance Department and preparation of progress reports to the UASF Board;
- o) Liaise with the BOCRA Internal Audit department to assist with auditing the UASF programs.

### **8.1.2.2 Project Officers**

The responsibilities of project officers shall be as follows:

- a) Conducting needs assessment and other related research activities for the UASF program;
- b) Assist the UASF manager in developing criteria and Terms of Reference for particular projects;
- c) Overall and day-to-day project management within the project's Terms of Reference, contractual obligations, UASF policy and strategy outlined in the Manual of Operating Procedures;
- d) Participation in the selection and supervision of consultants and technical auditors to support project implementation;
- e) Participation in awareness raising activities associated with the specific rural program;
- f) Budgetary control of the resources of assigned projects;
- g) Preparation of progress reports to the UASF Manager, for BOCRA and UASF Board;
- h) Liaison with operators, service providers and recipients involved in the specifically assigned rural projects;
- i) Inspection, monitoring and evaluation of projects;
- j) Determine or advise the UASF manager regarding actions required to be taken to address project non-performance in accordance with license conditions and service agreements, when contractual obligations are unfulfilled;
- k) Ensuring that a database of relevant performance indicators relevant to the UASF program is assembled, kept up to date and disseminated or made available as required.

## **8.1.3 FINANCIAL MANAGEMENT**

### **8.1.3.1 Separation from BOCRA**

The UASF monies shall be separated from the BOCRA's finances, and transparently maintained and operated as such. The UASF shall have its own bank account with a reputable bank.

### **8.1.3.2 Allowable Expenses**

Administrative and operational expenses shall be with the express approval of the UASF Board. All finances shall be governed in strict accordance with the rules and operating guidelines established by the Fund's Annual Operating Budget. The finances, including all payments, withdrawals or other financial transactions relating to the UASF, shall satisfy requisite BOCRA Financial Policies and Regulations.

### **8.1.3.3 Administrative and Operational Limitations**

On average, general administrative and overhead expenses shall be kept to approximately 2% of the amount of levies collected per year.

The total amount of expenses on administrative, overhead and operational activities, including project preparation, training and consultancy costs, shall be kept to approximately 10% of the total level of disbursements from the Fund in any year.

### **8.1.3.4 Auditing, Quarterly and Annual reports**

Independent Auditors appointed by the UASF Board shall audit the UASF annually and the report shall be presented to the Minister and be published for the general public.

The BOCRA Finance Department shall present to the UASF Manager quarterly statements of the accounts and activities of the Fund's finances.

The UASF Manager shall prepare an Annual Report of all the UASF's activities, receipts and disbursements. Once approved by the UASF Board and lodged with the BOCRA Board, the report shall be made public.

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## 9. PROJECT SELECTION AND PRIORITISATION CRITERIA

### 9.1 COMMERCIAL VIABILITY, SUSTAINABILITY AND SMART SUBSIDY

- 9.1.1 The UASF shall support Communication services projects on the basis of receiving acceptable applications or tenders, e.g. from community groups, businesses, schools or educational institutions with a business plan, demonstrating sustainability of the project within three years and without further UASF support beyond the third year.
- 9.1.2 Project prioritisation will be established primarily by the demand for support from eligible institutions or groups. UASF will use publicity, tendering and other forms of promotion to encourage the spread of its program countrywide.
- 9.1.3 The primary selection measures to achieve UA to the Communication services in the designated communities will include the following:
- a) Smart subsidies and successive rounds of competitive tenders among commercial providers in the target communities that do not have services to date;
  - b) Smart subsidies and successive rounds of competitive tenders among commercial providers and non-government institutions to provide services in locations where it is unlikely that communication services will emerge, based on market demand alone. Key requirements for a successful bid include a business plan which shows the long-term sustainability after an initial subsidy;
  - c) An application process for eligible public institutions such as schools to receive grants towards the costs of services. The requirements will include the submission of an implementation plan that demonstrates medium term self-sustainability to meet ongoing costs after the subsidy period; and
  - d) Pilot programs funded by the UASF based on tenders issued by the UASF or through an application procedure initiated by the UASF. Organisations receiving funds for pilot activities shall meet certain requirements. These shall include making the findings of the pilot project available and contributing to the pilot cost.
- 9.1.4 Priority for UASF investments will normally be, though not necessarily exclusively, defined as requiring a one-time subsidy amounting to less than 50% of the expected capital investment cost.

9.1.5 A prioritised listing of UASF investments shall be prepared by subjecting options to a financial analysis that estimates the comparative financial characteristics and subsidy requirements of the projects.

9.1.6 Recognising the level of uncertainty that exists with predicting rural project performance, the final comparative prioritisation may use a relative ranking technique to develop selection procedure, as shown in Table 1 below:

<b>Project category</b>	<b>Description</b>	<b>Examples</b>
<b>Category 1</b>	Definitely commercially viable, no subsidy required	Most of the country already covered by the major operators, in particular those covered by the Public Telecommunications Operators.
<b>Category 2</b>	Commercially viable under optimistic assumptions regarding locality's demand/affordability/ revenue projections and cost, but requiring subsidy of up to 50% of capital costs to reduce risk & encourage investment.	Similar to above but areas with generally low population and higher costs to supply service. Rural areas that have several villages with population above 250 within a wireless coverage area, are especially viable if located within one or two "radio hops" of the existing network.
<b>Category 3</b>	Commercially unviable in the short term without subsidy, but viable in the longer term, with subsidy of 50-75% of capital costs.	Some areas falling within the "Real Access Gap" may be within this category. Some Internet POPs and Public Internet Centres (PICs) in population centres below 20,000 may be viable under this condition.
<b>Category 4</b>	Definitely unviable without major subsidy (e.g. covering more than 75% of capital costs and/or requiring ongoing operating cost subsidy)	Most remote and small communities in areas that represent the "Real Access Gap" fall in this category, representing less than 5% of Botswana's population. Many potential high speed Internet POPs in small localities (e.g. less than 10,000 population), including PICS, may fall into this category.

9.1.7 In accordance with UASF's objective of leveraging private sector participation and supporting sustainable development of localities and networks, while minimising the amount of subsidy, UASF strategy will be to encourage projects/localities in categories 2 and 3. Category 2 is preferable; however because of the low rural population density projects will be carefully tailored to optimise both commercial viability and socio-economic interest.

9.1.8 Categories 1 and 4 usually do not qualify for subsidy. However, some localities in Category 4 may be considered as eligible for smart subsidy if "mixed" with more viable localities in Categories 2 and 3, and accepted by operators as part of a regional package. The UASF shall make every effort to optimise the possibility of including all regions and communities in the UAS program.

## **9.2 SUBSIDY STRATEGY**

There are two main procedures for calculating and distributing subsidies on UASF projects:

### **9.2.1 Type 1 – Competitive tenders**

This type is designed for network infrastructure projects providing communications services, which are based on a Request For Proposal (RFP) with the award based on the least (minimum) subsidy amount requested. This type of competition, often referred to as Output Based Assistance (OBA), is targeted at operators and service providers.

#### **9.2.1.1 Basic Approach for Type 1 projects**

The methodology for calculating the amounts of subsidy on offer shall focus on the objective of achieving private sector investment and sustainable operations. This will be an application of targeting projects and services that are in the *smart subsidy zone*.

The main process to be followed in allocating UASF subsidies for the network projects shall be as follows:

- a) Estimate a “maximum allowable subsidy” as the amount an operator or service provider will likely require in order to construct the minimum stipulated level of infrastructure to provide service to the target area, using minimum cost technology.
- b) Submit the area to tender, accepting the lowest bid which also adheres to the Terms of Reference, provided the required subsidy is less than or equal to the set maximum subsidy.

### **9.2.2 Type 2 – Application process**

The methodology is based on an invitation to submit proposals, targeted at eligible persons or entities such as community-based service providers, public access telephone or Internet providers, or schools who wish to have or provide Communication services. This process is designed for much smaller projects, and will be awarded on a single community basis, and the typically much lower level of subsidy will be awarded to entities which prepare a sound proposal and business plan.

## **10. TENDERING PROJECTS & SELECTION OF RECIPIENTS**

The selection procedure for Type 1 and Type 2 UASF projects, are shown in Annexure A and B respectively.

### **10.1 PILOT FUNDING PROCEDURES**

- (a) The majority of project funding will be under UASF's main program, in which funds will be disbursed under the *Type 1* or *Type 2* processes outlined. However, the UASF may initiate from time to time specially justified pilot projects, in order to establish or refine its knowledge or methodology to be employed in the main program, or to investigate expanding the UASF program to areas previously considered unviable even for smart subsidies.
- (b) The process for pilot projects shall be determined on a case-by-case basis. In particular, the project objectives, size of UASF disbursement and the requirements from participants shall be decided individually, and shall be at the discretion and approval of the UASF Board.

### **10.2 TYPE 1 TENDERING PROCEDURE FOR RURAL COMMUNICATIONS PROJECTS**

- (a) Type 1 tenders shall mostly have a public call for tenders following a project preparation phase. UASF public tenders shall call for offers by experienced operators to accept UAS obligations.
- (b) The service agreements won by UASF tender shall require the service provider to meet the minimum service level specified in the Request for Proposal (RFP) and Service Agreement.

#### **10.2.1 REQUIREMENTS FOR PUBLIC TENDER**

- (a) Notice of tender shall be advertised in at least two national newspapers with a wide circulation and on the BOCRA website.
- (b) Public tender documents shall normally be issued with at least two months lead-time, allowing for bidders to investigate and prepare fully researched and detailed responses.
- (c) Public tender documents shall be offered for sale to prospective bidders for the sum that would be determined by the UASF Board from time to time.

### **10.2.2 BIDDER REQUIREMENTS**

- (a) Bidders for Type 1 projects must generally be a holder of an existing and valid licence to provide communications services in Botswana with existing experience of providing infrastructure based communications services in rural or remote areas.
- (b) If not licensed in Botswana at the time of tender, bidders must have been in the business of providing information or telecommunications services for at least two years, and should meet minimum financial requirements as shall be outlined, and should be incorporated in Botswana before being awarded a tender.

### **10.2.3 SERVICES AND TECHNOLOGY**

- (a) The requirements of the tender documents shall be technology neutral. The service contract shall be awarded to the bidder meeting all minimum service levels and corporate and financial requirements at the least required subsidy.
- (b) Broadband integration/convergence and bundled service provision (e.g. telephony and Internet) may be favoured, in the case of tied bids for subsidy amount.
- (c) Bidders shall demonstrate that the solution offered is operationally and commercially proven. At least one, and preferably at least two operating commercial systems or networks of similar or larger size shall be offered for reference purposes.

### **10.2.4 FINANCIAL REQUIREMENTS**

- (a) The tender documents shall require bidders to demonstrate financial stability, with adequate or satisfactory cash flow, debt/equity and earnings over the last two years.
- (b) Bidders shall be required to demonstrate from the record of the previous two years of communications service provision that they are able to deploy and operate the investments proposed for the operation.
- (c) UASF Board may require the posting of a bid bond and/or a performance bond by the bidder, through a reputable bank, as security for the tendering and subsidy disbursement process.

### **10.3 TYPE 2 TENDERING PROCEDURE**

- (a) The UASF shall select a limited number of areas in which to implement the first phase of the Broadband Internet for Public Internet Centres (PIC) and school ICT access strategy. The UASF shall be guided by practical considerations and market size estimates, generally giving priority to the larger population centres in its program. The UASF may at its discretion mix large and smaller population villages, or hold separate parallel competitions.
- (b) The subsidy is to be mainly used for network hardware, Internet access costs for up to 3 years and necessary training.

#### **10.3.1 EVALUATION CRITERIA**

Key evaluation and selection criteria are as follows:

- a) Demonstration of cash or in-kind contribution in a ratio of 1:2 of the amount of the requested subsidy within the first 3 years of operation.
- b) Preparation of a business plan – using a Proforma guideline similar to that provided at Annexure B, which shows viability or sustainability on a continuing basis after the initial 3 years of operation. The important factor is to demonstrate independence from further UASF support and the capacity to continue the ICT project for a total of 5 years minimum, including depreciation and replacement of obsolete equipment.
- c) Demonstration of capacity to implement and manage the network and/or PIC through adequate and qualified staff and management. Training needs of staff shall be clearly identified.

#### **10.3.2 APPLICATION AND BUSINESS PLAN REQUIREMENTS**

- (a) Applications from smaller villages will be welcomed, though they must demonstrate sustainability after the subsidy has been received. The application documents and the business plan shall be required to include the following:
  - I. The definition of the user community, and explanation of how the users will be reached and/or sensitised to the opportunity for ICT usage;
  - II. Clear vision of what the project will address in terms of needs and demand, and the specific ways in which the ICTs will be used by the expected user community, e.g. access to educational or professional resources, business/market information, e-mail, etc;

- III. How the business / institution / school will charge the users a fee for the sustenance of the ICT project (possibly to cover the operating expenses if no other funding can be found);
  - IV. If relevant, how the applicant(s) will make the facilities available to other users outside the immediate user community, on a fee-paying basis, i.e. to (i) make services available to a wider community, and (ii) ensure the viability/sustainability of the project as a user network or PIC.
  - V. Plans for depreciation and replacement of equipment
  - VI. Projection in terms of financial cash flow and profitability and/or educational development, how the school can beneficially utilise access to the Internet;
  - VII. Demonstration of partnerships, where appropriate to provide ongoing support and resources;
  - VIII. Explanation of resources in terms of leadership and management, and training required;
  - IX. Item-by-item costing details, along with the technical and equipment infrastructure, Internet access costs, and staffing situation;
  - X. Demonstration of financial viability, showing how the site will be sustained after the UASF funding has been used; this may be dependent on the amount of community support available (e.g. NGOs, local organisations, parent subscriptions, user fees, etc.);
  - XI. The financial plan must show short and long-term financial issues such as:
    - Capital costs
    - Ongoing operational costs such as Internet connectivity, staff, office space, marketing (as appropriate), administration
    - Anticipated revenue from investment, partnerships, donation, UASF funding, user fees; and
    - In-kind contributions (volunteers, donation of equipment, space).
- (b) In order to assist applicants with little experience of funding agencies, the application shall be prepared in a standard format, to be provided by the UASF, with explanation and examples, upon request. A draft pro-forma is provided in Annex B.
- (c) Tendering / applying institutions shall be allowed to include reasonable costs for preparation of documentation in the project costs.

### **10.3.4 FRANCHISE CONTRACTS**

- (a) The UASF may elect to tender or to receive applications, for village PICs under group operator or franchisor contracts. The project(s) may also be specified as requiring a “One Stop Shop” service approach. Using this model, the PIC’s viability and attractiveness to the community would be increased by several lines of revenue-generating businesses, such as:
- Telephone services;
  - Internet access and e-mail;
  - Computer access, typing, etc;
  - Photocopying;
  - Desk-top publishing services for funeral announcements, weddings, advertisements, etc;
  - Some postal services, possibly through a franchising agreement with BotsPost, such as selling stamps, Post Office (PO) boxes, collection of letters, courier services;
  - Some small research services, using the Internet; and
  - Training services such as basic computer skills, word processing, and Internet.
- (b) The UASF may elect to tender or to receive applications for specific number of PICs (e.g., 10, 20, etc.) located throughout the country. Interested bidders would be required to submit a detailed business plan that would indicate how the franchise would operate as a viable, sustainable operation. Moreover, contractual service agreements would include operating details and levels of service requirements that would ensure the franchisees maintain specific quality of service standards including minimum operating hours, maximum service fees, availability of customer assistance, technical specifications, etc.

## **11. UASF SUBSIDY DISBURSEMENT PROCEDURES**

All UASF subsidy disbursements shall be made in tranches and may commence with, though not necessarily always required, a down payment upon signature of the subsidy contract spelling out agreements and obligations. One or more subsequent payments shall be made upon certified completion of the installations and establishment of the project or service. The subsidy disbursement schedule shall always be spelled out in the tender documents.

## 12. GENERAL OPERATOR REGULATIONS

- (a) Licence terms and conditions including universal access and service obligations, shall be contained in the Licence issued BOCRA.
- (b) The universal access obligation and related conditions may also be specific to each project, in accordance with statements in the RFP and Service Agreement accompanying the RFP.
- (c) The Licensee shall have non-exclusive right to offer services in the named territory and villages.
- (d) Service quality standards shall be listed in the Service Agreement published with the tender documentation.
- (e) The disbursement of subsidies for deployment in licence areas, and the penalty conditions for non-conformance shall be clearly outlined in the Service Agreement.
- (f) All operators will be mandated to implement an interconnect agreement in line with the regulations issued by BOCRA.
- (g) BOCRA shall issue guidelines on the plans to implement any numbering code(s) that may be required for new rural operators.
- (h) Prices for operators may be subject to a price-cap to control year-on-year customer prices. The price-cap formula shall correspond with BOCRA's national pricing policy, subject only to demonstrated variations in cost for the licence areas.
- (i) Successful bidders needing radio frequencies shall be required to apply to the BOCRA for permission to utilise specific radio frequencies and shall be subject to frequency coordination in accordance with the requirements of the CRA Act and BOCRA's frequency planning guidelines.
- (j) BOCRA will endeavour to anticipate needs and reserve spectrum for rural communications use.
- (k) In general, assignments for rural service provision shall be made on an "as-required" basis to meet the requirements for utilisation of the most cost-effective and appropriate technology. Bidders shall be requested to state clearly their radio spectrum requirements in their offer.

## **13. PERFORMANCE MONITORING, PENALTIES & ENFORCEMENT**

### **13.1 INSPECTIONS FOR SUBSIDY DISTRIBUTION**

- (a) The UASF Manager will ensure that the conditions stipulated in the operators' Service Agreements, including technical compliance, during the roll-out periods are met, before any payments are made after the initial down-payment.
- (b) The Technical Auditor appointed by the UASF Board shall carry technical inspections, which will include the following:
  - I. Determination as to whether each of the Construction Milestones identified in the subsidy disbursement schedule have been met;
  - II. Determination as to whether any of the services identified meet the availability and quality specifications of the Service Agreement;
  - III. Determination as to whether the overall network meets specifications;
  - IV. Issuing a Construction Milestone Certification to the parties to indicate that a Construction Milestone has been completed in accordance with the schedule, or has not been completed;
  - V. Making a determination as to whether a Force Majeure event exists in accordance with the Service Agreement; and
  - VI. Issuing any relevance and justifiable technical amendments.

### **13.2 NETWORK STATUS AND ROLLOUT**

- (a) The UASF shall require quarterly reports from operators showing network and service status and rollout statistics, in order to keep record of total network achievement as well as to monitor operator performance against their service contracts.

### **13.3 ONGOING SERVICE QUALITY**

- (a) UASF shall maintain a database of service quality requirements and operator compliance, in order to:
  - I. Ensure that operators receiving subsidy provide an acceptable grade of service, in accordance with their Service Agreement;
  - II. Ensure operator compliance with obligations;
  - III. Determine the need for remedial action; and
  - IV. Create competitive pressure towards good performance.

### **13.4 ENFORCEMENT, RECOURSE & PENALTIES**

Licence holders assisted by UASF shall be subject to all the requirements and obligations contained in their licences. BOCRA shall have the right to exercise whatever recourse as empowered under the CRA Act in the event of violations by licensees.

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**ANNEX A**

**TYPE 1 TENDERING - DOCUMENT CHECKLIST**

**REQUEST FOR PROPOSAL (RFP)**

**SERVICE AGREEMENT**

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## REQUEST FOR PROPOSAL (RFP)

### TABLE OF CONTENTS

- **Part 1 – Definitions**
  
- **Part 2 - General Introduction**
  - Background Information on Country
  - The National Network Infrastructure
  - ICT Policy and Related Strategies
  - The Universal Access and Service Fund Obligations
  - Type of Licence on offer, Regulatory Authority, etc.
  - Address for correspondence
  
- **Part 3- Rights & obligations of the service provider**
  - Exclusivity
  - Construction of USO Network
  - USO Subsidy payments
  - Service Availability and Quality Specifications
  - Regulation of Operators
  - Interconnection
  - Regulation of USO Service Provider's tariffs
  - Authority to construct & use facilities
  - Requirement to own and operate USO Network
  - Transfer or change of control
  - Access to public & private lands
  - Force Majeure
  - Technical Arbitrator
  - Technical Auditor
  - Compliance with law
  - Terms of licence and USO Service Agreement
  - Other provisions of the USO Service Agreement
  - Fees payable by a USO Service Provider
  - Frequency spectrum
  
- **Part 4 – Instructions to Applicants**
  - Selection of successful Applicant
  - Meaning of "Qualified Applicant"
  - Eligibility of Proposals
  - Eligibility of Applicants
  - Botswana Company
  - Financing Capacity
  - Operational Experience
  - Compliance with Licence(s)
  - Field Proven Equipment

- Eligibility to receive USO Subsidy
- Period of Validity of Proposals
- Bid Security
- Grounds for Disqualification
- Contents & format of Proposals
- Qualifications and Service Proposal
- Subsidy Proposal
- Compliance checklist
- Pre-proposal Meeting
- Submission of the Proposal
- Opening of Proposals
- Evaluation of Proposals
- Lowest Proposed USO Subsidy is above Maximum Amount
- Maximum USO Subsidy Amount
- Letter of Intent
- Security for Performance
- Information provided by BOCRA
- Communications, Comments & Requests for Clarification
- Confidentiality of Proposals
- BOCRA use of applications
- Cost of Proposal & Bidding
- Modification of the Terms of USO Service Agreement and License
- Reservation of Rights
- Legal & Formal Requirements

#### **ANNEXES (As Appropriate)**

- Subsidy Proposal Form
- Bid Security Form
- Performance Guarantee Form
- List of localities to be served
- Frequency Spectrum Application Forms
- General Guidelines on Interconnection
- Current Termination rates
- Tariff Guideline
- National Numbering Plan
- Communications Regulations
- ICT Policy
- Draft of Proposed Licence
- Compliance Checklist

## **SERVICE AGREEMENT**

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- **Article 1 – Interpretation**
  - Definitions
  - Headings
  - Extended Meanings
  - Currency
  - Schedules
  
- **Article 2 – provision of USO Network and Services**
  - General
  - Construction of the USO Network
  - Space Segment Hiring Obligations
  - Provision of USO Services
  - Obligation to Meet RFP / Proposal
  - Variations to Specifications requested by Tenderer or BOCRA
  - Service Availability and Quality
  - Emergency Services Provision
  - Obligations to Accept Licence
  - Radio Communication Licence obligations
  - Compliance with Numbering Regime
  - Provisions as to Land Usage, Erection of Masts and Infrastructure
  
- **Article 3 – Ownership and Control**
  - Ownership and control of the USO Network
  - Change of Control of USO Service Provider
  
- **Article 4- Rights & Obligations of the Service Provider**
  - Failure to meet construction schedule requirements
  - Failure to maintain service availability and Quality of Service specifications
  
- **Article 5 – Payment of the USO Subsidy**
  - Payment of the USO Subsidy
  - Payment Retention Provisions
  
- **Article 6 – Security for Performance**
  - Security for Performance

- **Article 7 – Insurance**
  - Insurance Types and Level of Coverage
  - Botswana Authorisation, Material Changes and Evidence of Coverage
  - Changes in the Insurance industry
  
- **Article 8 – Technical Auditor**
  - Appointment of Technical Auditor
  - Role of the Technical Auditor
  - Methodology, Tests & Reporting Structures
  
- **Article 9 – Reporting**
  - Reports
  
- **Article 10 – Dispute Resolution**
  - Dispute Resolution Process
  - Technical matters
  - Arbitration
  - Dispute Resolution Costs
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- **Article 11 – Representations and Warranties**
  - Mutual Representations and Warranties
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- **Article 12 – Indemnification**
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- **Article 13 – Force Majeure**
  - Force Majeure
  - Technical Amendments
  - Duration of Force Majeure event beyond six months
  
- **Article 14 – Confidentiality**
  - Confidentiality
  
- **Article 15 – Term and Termination**
  - Term
  - Termination – Bankruptcy/Insolvency, Winding Up, Etc.
  - Termination – Material Breach
  - Termination – Other Remedies

- **Article 16 – General**

- Records, Audit and Inspection
- Time of the essence
- Expenses
- Public Announcements
- Benefit of the Agreement
- Entire Agreement
- Amendments and Waiver
- Assignment
- Notices
- Governing Law

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**ANNEX B**

**TYPE 2 TENDERING – BUSINESS PLAN FORMAT**

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## ANNEX B: TYPE 2 TENDERING – BUSINESS PLAN FORMAT

School/Institution/Company	Name of sponsoring organisation
Location	District, Village
Contact	Name Title Address Phone & fax Email
Title of Project	(E.g. School Network, Internet Public Access Centre)
Main objectives of project	Describe the essential vision of the project.
User community	Who the main users of the facility will be. If appropriate, show difference between initial phase (e.g. school) and second phase (e.g. community users)
Main benefits of the project	E.g. increase of educational resources for the school, access to more career information, business development opportunities for the community, information access for general populace, etc.
Description of facilities to be provided/deployed.	Describe the scale of the network/centre (e.g. number of computers, printing, office services equipment, type of Internet access, etc.)
Ownership & Management	Describe who will be responsible for the financial, technical/operational and human resource aspects of the project. Explain who the manager and staff will be, and whether / how much training is required.
Capital costs	Computer equipment Local Area Network Communications Terminal equipment Electrical power system Furniture Building/room/facility preparation Other
Operating costs	Staffing Communications / Internet (monthly, annually) Services Other
Costs already covered & by whom	Outline financial resources already identified
Partnerships & assistance secured	Describe any agencies, NGOs, companies who have agreed to provide financial, technical,

	managerial assistance, and describe the inputs.
Support required from UASF	Capital cost Operating cost (maximum three years) Training Outline the required/suggested schedule of payments
Future sustainability	Explain how the project will be self-sufficient or profitable after the first three years.
Equipment depreciation and replacement	Explain how the equipment will be upgraded and replaced at the end of its life (suggested computers be upgraded or changed after three years), and how this will be financed.
Services, revenues, community support & subscription	For projects that envisage public access centre activities, explain the service and revenue structure Provide proposed fees for services Show how much public / business / parent subscriptions, etc. or other fee bases will be used.
Other means of support	E.g. supporting agencies, NGOs, volunteers, etc.
Financial schedule	Provide a basic cash flow tabulation of costs, revenues and asset balance sheet, projected for at least five years.
Risks, uncertainties and other comments	Provide a brief discussion of the main risks to project success, and the challenges foreseen, the likelihood of their occurrence, and how the project sponsors will address them.
Expected date of inauguration	
Proposal assistance	Show whether assistance was received with this proposal and whether the assistance will be ongoing.
Name and Signature of preparing officer (Name)	(Signature)  (Date)