

Report



Organisation Development Centre (ODC)
Developing Healthy Organisations through People



Antelope Consulting



Professional Computer System (P) Ltd (PCS)
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For the

Ministry of Information & Communications (MOIC)

Design of Bidding Process (PS - 4)

For

**Study on Increasing ICT Access in Rural and
Peri-urban Areas of Nepal (PS-4)**

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1. Project Status

This report has been written as part of the World Bank funded project PS-4 *Increasing ICT access in rural and peri-urban areas of Nepal*, for the Ministry of Information and Communications (MOIC). ***The report is intended to fulfil the requirements of design of bidding process***, an important part of Phase 2 of this 3-phase project¹. For the purpose of this study, Information and Communication Technology (ICT) is broadly interpreted to mean any electronic technology that can support information and communications. This includes not only fixed and mobile telephony and Internet, but also radio and television broadcasting, and stand-alone computers and other non-networked equipment such as audio and video recorders.

As required by the Terms of Reference (ToR), we have already produced the following reports:

- ***A Sector Overview*** which outlines the state of play in rural development and in the information technology, broadcasting and telecommunications sectors. It also summarises the outcome to-date of efforts to provide rural telecentres.
- ***A Review of International Experience*** which summarises recent experience in the rural telecoms and ICT sector in other countries, with particular emphasis on experience which may be relevant to Nepal.
- ***A Strategy Report*** which sets out various strategies required in increasing access to telecom infrastructure and other ICT facilities for rural and peri-urban communities. The main strategies described in the report consist of establishing appropriate institutions for managing relevant projects and promoting demand for rural ICT access to help communities in their economic and social development.
- ***Pilot Project Design*** which outlines considerations of designing various ICT project components for implementation during the pilot phase. The report, in summary presents procedures to be followed, sites (districts) where the project components are to be implemented, the modalities of implementation which is working in partnership with other agencies with common objectives, ownership aspects of the project and monitoring and supervision of the project components once installation is complete and service delivery is initiated.

2. Task to be Performed and Summary of the Report

2.1 Terms of reference for Design of Bidding Process for the Pilot

1. The Consultant shall assist in the development of the regulatory structure of the RTDF, its organization and procedures.
2. The consultant will design the bidding process and documents involved, coordinating closely with the consultants retained for the development of the legal and regulatory framework if new legislation is required and new licenses and interconnection agreements need to be developed.

¹ Background material on the project, including the full Terms of Reference, is available at <http://www.ruralict.ftml.net/np/nepal.htm>

3. The consultants shall develop a Fund Operation Manual, taking special attention to building environmental guidelines into the process and drawing from existing experience and similar documents used in other countries.
4. The consultant will also establish the organizational structure of the Fund, covering staffing and assess the facilities and equipment needed.

2.2 Scope of this Particular Task

Scope of task is to satisfy the requirement of ToR as described below:

- a) To develop the details of institutional requirements identified in strategy report in relation with the following requirement of task:
 - i. Assist in the development of regulatory structure of the RTDF, its organization and procedures for its functioning applicable for telecom network and services.
 - ii. Develop the organizational structure and staffing requirements of the new autonomous institution called ICT Facility Development Fund (IFDF) required for whole spectrum of ICT projects other than telecom infrastructure in rural and peri-urban areas of Nepal.
- b) To develop fund operational manuals applicable to both the Funds.
- c) To develop MoUs with other agencies, government and non-government as foreseen in the strategy report, which would enable the Pilot Project to implement ICT projects with community involvement and
- d) To design the bidding documents necessary for implementation of the pilot projects components outlined in the pilot project document.

2.3 Summary of the Report

This report builds on:

- The Strategy Report,
- Design of Pilot Project Report,
- Further interviews with a range of key people, discussions within the project team and between the team and MOIC.

The sections that follow are as stated below:

- *Section 3*, in the beginning, presents the consideration behind the decision on the need and choice of the type of institutions required to manage and implement rural ICT projects. This is followed by presentation of legal basis, organisational structure and functions of the two Funds, namely RTDF (Rural Telecom Development Fund) and IFDF (ICT Facility Development Fund) for implementing ICTs in rural areas.
- *Section 4*, covers the considerations behind the choice of various documents, bidding and others, required for implementation of the pilot project. In essence, it describes the nature and modalities of implementation of the pilot projects which dictate the type of documents needed.
- *Section 5*, presents the salient points of various documents needed for implementation of various components of the pilot project.
- *Section 6*, deals with aspects which will follow next and decisions and actions necessary for initiating implementation of the pilot project.

3. Institutional Requirement for RTDF and IFDF

3.1 Background

As proper and adequate institutional capability to implement community owned and demand driven rural ICT projects is clearly non-existent, the need for such an institution was identified early in the strategy report and recommended. It seems relevant to present here again the basis of our considerations and recommendation made in that report as below:

3.1.1 Identification of need

Telecom Act stipulates that Nepal Telecom Authority (NTA) is entirely responsible for creating and disbursing the Rural Telecom Development Fund for building rural telecom infrastructure where commercial operation is not possible. In accordance with the agreement between HMG and The World Bank, NTA is responsible to carry out the project works under Telecom Sector Reform Project with the proceeds of IDA Credit apportioned for rural ICT facilities other than rural telecom infrastructure as well. In the absence of any properly organised body to carry out major ICT initiatives in the rural and peri-urban areas, it is only reasonable that NTA manage the activities to create ICT facilities under current IDA Credit to avoid any delays in implementation. *Looking ahead, however, we recommend that NTA focus on its regulatory functions and managing the provision of rural communications infrastructure requiring subsidy (support) and NTA pass on the responsibility of managing other rural ICT facilities during the main period of its, say beyond year 2007, to some other Autonomous Agency which is called IFDF in the discussions to follow. Our reasons are:*

- The task of assessing and fulfilling rural ICT demand other than rural infrastructure is varied, large, and requiring community mobilisation thus onerous one, which NTA is currently not equipped to perform. Taking on this task could unbalance NTA's structure and distract it from its proper regulatory functions, and it would not be in the interest of NTA on the long run.
- Many other parties, besides NTA, have a strong and legitimate interest in the outcome. In particular, the new Agency will have to work very closely with MLD, local bodies such as DDCs, VDCs and directly with the communities concerned.

The Open Workshop agreed that there is a need of an independent and semi-autonomous unit, suitable for managing subsidies and implementing the programme that focuses on development of ICTs in rural areas and promotes demand for communication activities in rural areas. There are good precedents in Nepal for such bodies managing demand driven community based programmes, including:

- Rural Water Supply and Sanitation Fund Development Board (RWSSFDB)
- Alternative Energy Promotion Centre (AEPC)
- Poverty Alleviation Fund (PAF) Board
- Media Development Fund

These autonomous bodies with their inbuilt characteristics are all proving successful in different ways as compared to the line agencies delivering services directly. AEPC and RWSSFDB were set up by Cabinet Decision, and PAF by a separate Act. AEPC is a regulatory body but has implementation authority for promotional programmes. Both RWSSFDB and PAF directly work with communities, providing funds for implementing

rural development programmes. The relevant annexes, in the strategy report, provide details about RFWSSFDB and AEPC. Many elements from their experience will be directly applicable to the new rural ICT body (IFDF).

3.1.2 Recommendations

Based on the above consideration, we *recommended following in the strategy report* which has been accepted by MOIC:

1. Two separate types of Fund for ICT development; one being the RTDF (rural telecom infrastructure) as it stands now and the other being contributions of Donors, HMG, INGOs and NGOs (let us call it ICT facility development fund-IFDF). *RTDF will remain in the domain of NTA whereas IFDF will be managed by a new governing body suggested below.*
2. NTA will continue to manage universal access telecom infrastructure projects envisaged under RTDF as it is doing currently, but under a new RTDF Management Committee, which is described in greater length below, and also rural ICT facilities development other than rural telecom infrastructure during the life of Telecommunications Sector Reform Project with the project fund. NTA is strongly advised to manage these rural ICT facilities related activities in cooperation with HMG's Project Units like (DLGSP and RUPP) and local bodies to take advantage of their skills and capabilities in social mobilisation established in community driven projects and also work with NGOs carrying out similar work. Besides, these HMG's project units are engaged in the process of implementation of devolution and decentralisation of authority to districts and local bodies like DDCs and Municipalities. Therefore, through RUPP (Municipalities) and DLGSP (DDCs), NTA (TSRP) and IFDF will be able to establish direct link with communities who generate demand for ICTs. At the same time communities and Municipalities and DDCs will get involved in implementation. The main advantage of this cooperation, in the short run, will be help to NTA to rapidly move into implementation and limiting the size of the workforce for activities which eventually are to be handed over to the new Agency (IFDF).
3. A new governing board (now called IFDF) or body should be institutionalised for fund management, policy development and development of project format and approval of the ICT projects other than belonging to rural telecom infrastructure. The structural composition of the proposed institution will incorporate all the main line agencies and concerned stakeholders. All concerned Ministries (at least, MOIC, MOST, and MLD), NTA and Operators, local representatives, ISPs, professional and experts – including women would play important role. This body could start functioning with resources generated beyond already available contributions of the IDA Credit in the TSRP and any contribution.
4. A new management unit should be formed, which will be responsible to this governing body. This will work as a secretariat with responsibilities of daily administration and project execution. We should think in terms of this growing rapidly to 10-15 staff, hired through open competition with good remuneration. Units will be set up, probably at District level, to provide ICT advice and support to communities. These Units will help both with applying for financial support and with implementing ICT projects (whether or not subsidised). These Units should not be part of government but should be left to the private sector or NGOs. Initially, Government/Private/NGO partnership will be needed to develop local capability at the DHQ level. This also will use part of the RTDF outlay.

3.1.3 Two Funds - RTDF and IFDF and two Organisations

Therefore, we have come up with two Funds namely: RTDF and IFDF. During the development of strategy, it was identified in section 3.1.2 (2) that RTDF should be managed as it is being done presently within NTA. However, it was recognised that proper structuring of legal and organization aspect of RTDF is necessary. This is attempted in section 3.2 below. Similarly, legal and organizational structuring of IFDF is covered in section 3.3.

3.2 Rural Telecommunication Development Fund and the Fund Manual

3.2.1 Present Status of RTDF in NTA

NTA, in its first exercise of rural telecommunications infrastructure development in the Eastern Development Region, has used the proceeds of IDA Credit. NTA, so far, has not utilised the RTDF generated from the operators. The detail rules and procedures for application of RTDF are yet to be formulated by NTA. This report, as one of the requirement of the task, has developed a mechanism of managing RTDF for rural telecom infrastructure development. A manual for using RTDF has been developed, which describes legal structure of the managing body of RTDF along with the procedures and functions. Salient points of the content of the RTDF Manual (*Annex-1*) which is presented separately as part of the deliverable of the task under this report is given below:

3.2.2 Purpose of the Manual

The RTDF is a fund for supporting telecom infrastructure in those areas in which telecom service provision on commercial basis is not available. In addition, part of the RTDF funds may be used for Universal Access (public access points) services. **Universal access** means public access points focussing on communications services like public phone, public Internet access point that includes basic terminals like computer, printer, scanner and video cam, when needed for transmission and receptions of voice/audio, text, images, etc. The Fund also supports development and operation of such services in rural areas.

The manual is designed for the purpose of managing RTDF. It defines the scope of support, recipients of the support, and methods for defining the amount and the disbursement of the support. The RTDF support is restricted to the purposes defined in the Act, i.e. telecommunications in rural areas, and does not cover other ICTs or ICT based services. In this manual, an organisation structure of the RTDF has been designed as described below:

3.2.3 Organisation Structure of RTDF

The functional organisation structure of the RTDF with relevant functions is shown in Figure 1. However, initially Fund Manager would require no more than 1 officer assisting full time and one or two support staff. Thereafter, the staff required for managing various functions will depend on activities it undertakes and extent of the work is done through the consultants

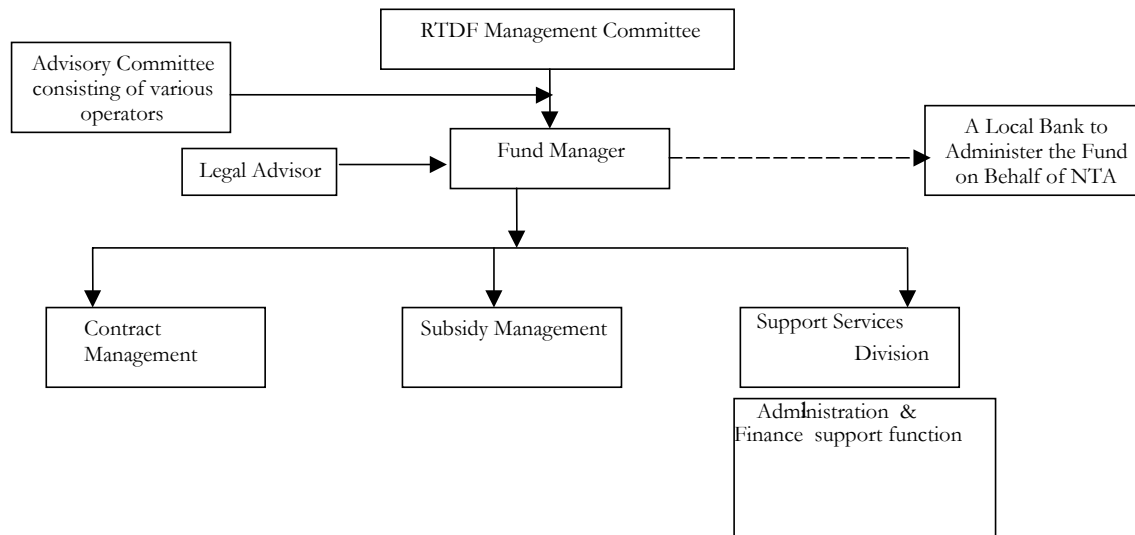


Figure 1. Overall organisation of RTDF

3.2.4 RTDF Management Committee RTDFMC

Management Committee is composed as given below.

The RTDFMC members are the following:

i.	Chairperson – Chairman of Nepal Telecom Authority	1 seat
ii.	Member with background in rural telecom (NTA)	1 seat
iii.	Member with background in rural development (External)	1 seat
iv.	Member with a background in Consumer Society/Association (External)	1 seat
v.	Member Fund Manager (NTA)	1 seat
Total Members of the RTDF Management Committee		5 Members

Table 1. Composition of RTDFMC

Members shall be appointed based on their personal capacity and expertise. Members shall act solely for the purpose of RTDF and not represent any external party such as the institutions from which they are appointed. The RTDFMC shall appoint one of the officers in the RTDF as a secretary to the Management Committee with no voting rights.

3.2.5 Description of RTDF organisation

- The RTDF is proposed to be semi-autonomous body under NTA. It will be run by a management committee consisting of 5 members including the Chairman of NTA as chairperson and at least two members of the committee will be external to NTA.

- Procedures of appointment, dismissal and remuneration of RTDFMC members, power and duties of RTDFMC, meetings and decisions are described in the manual.
- The Chairman of the RTDFMC has right to disapprove individual decisions of the RTDFMC based on the ultimate NTA responsibility.
- An Advisory Committee to meet twice a year is established with the objective of enabling the main stakeholders, in particular private and other operators, involved in use of RTDF, to meet and share information, ideas and to advise the management committee on how best to improve service delivery and credibility of RTDF.
- A Fund Manager is to be appointed to run the operations of RTDF.
- The RTDFMC is to appoint the professional staff.
- Fund manager has the right of appointing support staff.
- RTDFMC may decide on use of external consultants as required.

3.2.6 Administration of funds and budgeting and plans

- The funds of the RTDF shall be administered separately from the NTA funds. Day-to-day administration of the RTDF funds shall be outsourced to a suitable bank (the RTDF Bank), with international banking rights. The bank shall be selected based on competitive tendering for a period of 3 years. The RTDF Bank will take care of financial management of the fund based on an agreement as a result of the tendering process.
- The RTDF shall prepare an annual report within the same time frame as the NTA annual report. The RTDF funds shall be audited together with NTA funds, and the financial statement shall be approved in the same manner as NTA financial statement.
- The manual also describes what annual work plan should include. It also should include salient points of five year rolling plan.

3.2.7 Support principles

Various support principle have been described.

- The main support initially is suggested for telecom infrastructure to be based on one time investment support using maximum coverage for fixed support.
- In parallel to the major support forms, support based on competitive tendering.
- The RTDFMC shall develop other forms of support for minor projects that can be implemented with efficient administrative work.
- One possibility is standard subsidies for activities of the same type.

3.2.8 Principles for selection of projects and recipients

General principles

The RTDF is a fund for supporting telecom infrastructure. It should be applied where commercial coverage is not possible to implement. Following chart shows the various phases in sequence to achieve countrywide coverage in general. Initial phase of development is that

only major towns are provided with service and of course it is a slow process to achieve growth in service. As advised in policy work (PS-2), maximisation of coverage could be achieved bidding for mobile licenses if there were no exclusivity issues in the second phase. As mobile is definitely the poor man's means of communications in the present context of cost of service and relative ease of implementation in the wireless mode for dispersed population, this was recommended in the policy work. Beyond the mobile cover, bidding for maximum coverage with fixed amount of support can be carried out as a third phase strategy to cover more difficult areas. Any gaps that yet remains to be covered under the third phase would require special solution tailored as per case in the following phases.

Phase	Description and Comments
Initial coverage	The initial situation, coverage in major cities and towns, slow growth. Cherry-picking outcome, generally inefficient
Bidding for mobile licences: "maximum coverage for fixed licence fee"	New mobile licences can be used as a tool for maximising coverage without subsidies. Defines maximum commercial coverage in one exercise
Bidding for extended coverage using "maximum coverage for fixed support"	The first RTDF tenders for extending coverage to previously non-covered areas. Maximises the use of limited RTDF funds in an efficient way
Actions for residual coverage using various methods	The scattered locations that will not be covered during the previous steps require several tailored methods

Table 2. Main process for increasing coverage and maximising impact of RTDF

Table 2 focuses on major coverage and does not include parallel support decisions for minor projects, e.g., (i) supporting small rural operators; (ii) supporting public telephones and Internet access points, and (iii) implement pilot projects. These minor support projects may require different methods of support, to be worked out as required.

If phase 2 is not possible, the RTDF shall use alternative methods to define commercial coverage, e.g., officially request the main operators to define the areas in which they will provide coverage. Successful tendering will automatically result in coverage of remaining commercially viable areas with no or little support, and speed up such coverage.

Each phase in table 2 includes two stages: (i) prioritising and selecting projects, taking into account the funds and the administrative capacity of RTDF, and (ii) for each project, selecting the recipient of support. This will be repeated if necessary, until the phase is deemed sufficiently implemented.

For prioritisation, the RTDF should first aim at projects that are commercially viable with an initial investment support, and later on proceed with projects that may require some continuous support. This principle is in partial conflict with another important principle, uniform geographic coverage, and a compromise between these two will be needed when preparing annual plans and five year plans.

The methods in phase 2, "maximum coverage for fixed fee / support", are fully compatible with the minimum subsidy principles (minimum support for defined coverage) that are promoted internationally. The maximum coverage principle may even result in less need for support than the principle "minimum support for defined coverage". In addition, the fixed support can be dimensioned according to the support budget, thus preventing a situation when

the budget is not utilised (less support required than budgeted), or the budget is not sufficient (support requested in offers exceed the budget). Tendering for minimum support for defined coverage can be used as an alternative for the maximum coverage for defined support principle when feasible.

Projects for infrastructure support should normally be based on the principle that operator with roughly suitable existing networks should be allowed to extend their network to the area requiring support. If so, user charges should be the same as in their normal operating areas. This principle will make special rural price control unnecessary. However, the tenders should not exclude new operators (e.g., new local rural operators) from offering.

Other methods will be needed for the last phase, and have to be developed as we proceed further over a period. One possibility is direct disbursement granted on application without tendering, and the other is bulk disbursement, one decision for a particular type of support. Both forms require a functioning cost control methodology, which will develop over a period.

The RTDF should be flexible enough to permit quickly tendering of the minor projects when needed. One possibility is when a major rural development project is starting in an area without communication. One or two mobile towers may solve much of the communication needs. The RTDF may issue a minimum support tender between mobile and fixed WLL operators to cover the area. The outcome would be communication not only for the project but also for the population in the covered area.

Selection criteria, methods and tenders should be technology neutral.

Selection applications and decisions on support as well as of disbursement and retrieval of support are public, and will be made available on the RTDF internet site.

3.2.9 Eligibility of support recipients

There will be as little restrictions as possible as far as eligibility is concerned. RTDF is a support fund, and support will not be linked to licences. Also new operators will normally be granted licence any way in accordance with open licensing regime of the Telecom Policy.

For support no particular bidder prequalification requirements will apply. Provision of service as required is sufficient.

An applicant will be considered non-eligible for support in the following cases:

- If support has been decided to be retrieved from the applicant based on submission of wrong information, during a period stated in the RTDF decision on retrieving support; or
- If the applicant has been found guilty to abuse of dominant position, during a period that NTA decides, or
- If the applicant is defendant in an on-going court trial on abuse of dominant position, until that trial is sorted out.

3.2.10 General tendering methods

The RTDF shall establish general tendering principles that shall be used in all tenders as relevant. The general tendering principles shall be published on the RTDF web site.

Disbursement, verification and monitoring

- Disbursement principles and procedures are described such as the main disbursement principle for projects implemented by these operators should be disbursement upon implementation.
- Other types of projects may require up-front disbursement.
- The various disbursement methods will be defined during preparatory work.
- The RTDF shall establish general principles for disbursement. These principles shall be published in the RTDF website.
- Verification of implementation with well defined milestones for disbursement, performance monitoring, and procedures of retrieving support paid on wrong basis have also been covered by the manual.

3.3 Rural ICT Facility Development Fund (IFDF)

The IFDF is structured based on discussion presented in paragraph 3.1 on the need of two types of institutions. One is called RTDF under NTA to manage support for rural telecommunications where commercial service is not possible, and the other is proposed to be called IFDF to be instituted under a new governing body for implementation of other varied ICT projects, which are not covered by RTDF. IFDF is structured in similar way as RTDF. IFDF is proposed as an autonomous governing body constituted as IFDF Board to manage the other ICTs whereas, RTDF is to be managed by a semi-autonomous management committee under NTA. The draft IFDF Manual (*Annex-2*) is also included in this report to present a complete picture of the institutions required for managing all types of ICTs.

3.3.1 Organisation

The overall organisation of IFDF is given in Figure-2 below. Once the IFDF starts functioning, other committees and bodies needed for cooperation and coordination with other agencies will be formed as required as part of the normal management process.

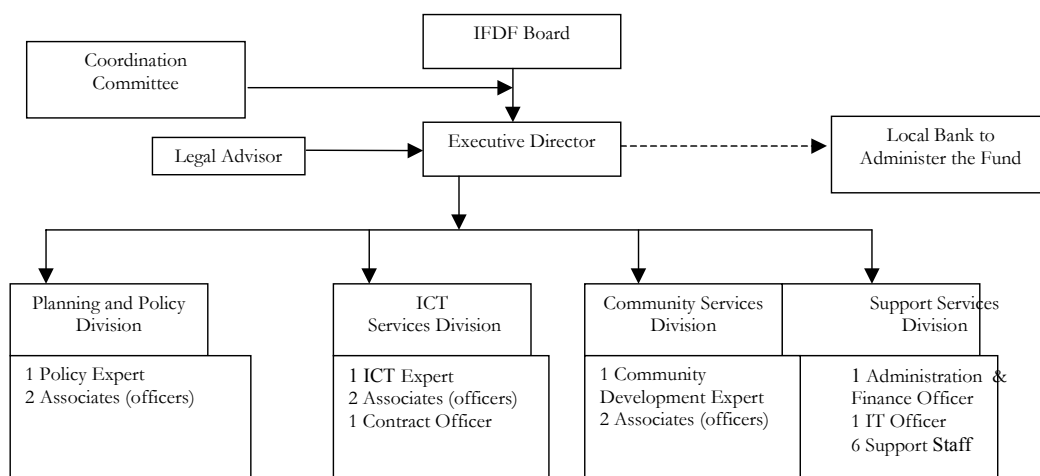


Figure 2. Overall organisation of IFDF

3.3.2 Composition of the Board

The composition of the Board is as follows:

i.	<i>Chairperson from MOIC or MOST</i>	1 seat
ii.	<i>Member, from MOIC or MOST</i>	1 seat
iii.	<i>Member, background rural community development</i>	1 seat
iv.	<i>Member, background DDC/ADDN</i>	1 seat
v.	<i>Member, Executive Director – IFDF</i>	1 seat
Total Members of the IFDF Board		5 Members

Table 1. Composition of the IFDF Board

Members shall be appointed on the basis of their personal capacity and expertise. Members shall act solely for the purpose of IFDF and not represent any external party such as the institutions from which they are appointed. Only one person each from MOIC and MOST will be in the Board.

The Board shall nominate one officer from the IFDF as secretary to the Board without voting rights.

3.3.3 Appointment, dismissal and remuneration of Board members

A member that is absent from two consecutive meetings without a valid reason shall be dismissed, and a replacement member shall be appointed for the remainder of the period.

Board members shall be remunerated for meetings in which he or she has participated fully. The Board shall decide on the remuneration in line with remuneration comparable to the private sector and INGOs.

3.3.4 Powers and duties of Board

The Board has the power to decide on tendering and selection of support receivers, and decide on other support forms, in line with the relevant policies and policy directives.

The Board has the duty to:

- manage tendering processes;
- manage other support forms;
- take into account the requirements of tied funds and related cooperation with donors;
- create standard procedures for tendering and support forms;
- encourage local institutions and entrepreneurs to participate in the construction, maintenance and utilisation of ICT services within the scope of IFDF;
- Commission research topics and other initiatives to support usage and utilisation of ICTs in Nepal, and propose such research topics and initiatives to other relevant institutions.

3.3.5 *Coordination Committee*

IFDF shall form a Coordination Committees for policy development.

The purpose of the Coordination Committee is as follows:

- Assist IFDF in development of overall policies on information and communication for rural areas;
- Assist IFDF in developing policies and strategies for development of specific sector in ICTs;
- Coordinate among various stakeholders in gathering data and identifying issues;
- Share information on upcoming and running programmes with various stakeholders;
- Share information on the current socio-economic and political situation in the country and advise IFDF on how best to work within such a socio-economic and political environment.

The members of the Coordination Committee will be appointed from various stakeholders: NGOs, INGOs, consultants, various operators, contractors working in the sector, users and interest groups, as well as from relevant bodies of Government. An IFDF representative will chair the meetings. Also other persons can be invited to the meetings of Coordination Committee, including the press.

3.3.6 *Executive Director of IFDF*

The Board shall appoint the Executive Director.

The Executive Director shall be remunerated at the level of the private sector and INGOs.

3.3.7 *Fixed term staff*

The Board shall appoint professional fixed term staff. The Executive Director shall appoint supporting staff and temporary staff.

Fixed term staff shall be remunerated at the level of the private sector and INGOs.

3.3.8 *External consultants and outsourcing*

The Board may decide on use of external consultants as required. External consultant contracts exceeding NRs 100,000 shall be based on competitive public tendering. Contracts on lower amounts may be granted directly.

4. Design of Bidding Documents for the Pilot Project

This part of the report is to fulfil the requirements of task pertaining to preparation of the bidding documents which may be required in the process of implementation of the pilot project. The types of documents required are dictated by the nature of the projects and mode of their implementation. Following paragraphs provide the basis for the choice of various kinds of documents that are required in the implementation of the pilot project.

4.1 The Nature of the Pilot Project

“Telecentres in RMCs” and “Computers and Internet in Schools” proposed for implementation in the pilot phase is based on the community support and community ownership. Some telecentres are also proposed in government service delivery units to provide public info communication services as well as use them in delivery of services of the units concerned. Cybercafes in DHQs are based on Community promoted Public-private partnership. The implementation support intended for Regional Internet Switching Facilities is meant for enhancing national Internet infrastructure and is proposed to be managed by nPIX (ISPAN), an NGO whose membership consist of ISPs.

4.2 Mode of Implementation of the Pilot Project and Bidding Documents required

The nature of the project and its implementation modality dictate the type of bidding process and documents required. In the following sub section each component of the pilot project and type of bidding document required for it is described.

4.2.1 Cybercafes in DHQs

Cybercafe is proposed for implementation under public private partnership principle. Public resources are proposed to be employed to encourage the private entrepreneur to establish and operate cybercafe. The encouragement comes through social mobilisation of the Tole/lane (CBO) in the Municipality for selection of appropriate entrepreneur by the CBO. The selected entrepreneur will be eligible for a small loan from the Community FUND to operate Cybercafe. *The project will provide training to entrepreneur or his/her employee on computer hardware/software maintenance.* This will provide more comprehensive practical skills in handling of maintenance of computer hardware and software which will make the cybercafe operator to diversify the activities to make the unit viable in small towns and also small towns will receive these services locally at cheaper cost which will give impetus to ICT development.

The parties involved in the implementation process are:

1. RUPP will initiate social mobilisation of CBOs of the municipality and select appropriate person as entrepreneur for running cybercafe. RUPP, through municipality and CBO concerned will also be responsible for getting cybercafe established and will also be responsible for monitoring progress of the project.
2. CBO (Tole/lane) and the municipality concerned will arrange to provide loan to the entrepreneur from the community Fund if required.
3. Pilot Project will be involved in providing training as an encouragement to establish and operate cybercafe as Public Internet Access point and also for making the cybercafe capable of providing basic software hardware maintenance services to the ICT sector in the district which will help in development of ICTs in the district.
4. *The Pilot Project needs to procure training services from the private sector nearby the DHQ where cybercafe is to be established. As three DHQs, namely: Dhankuta, Doti and Guleria are widely spaced, each Cybercafe personnel would require to be trained separately. Therefore, we should be able to do it on the basis of simple quotation from eligible training institutes. This will require simple quotation document with specification for the training needed.*

4.2.2 Telecentres in RMCs and Institutions

The telecentres to be established in the pilot project are in the community ownership. The parties involved in establishing telecentre are as below:

1. RUPP will carry out social mobilisation: info-mobilisation of the communities involved in establishing and operating telecentres. Details of activities are:
 - a. Selection of user Committee with the help of the community.
 - b. Selection of manager cum operator of the telecentre with the help of User Committee.
 - c. Imparting training to manager cum operator of the telecentre on management and operation of telecentre.
 - d. Installation of the telecentre equipment.
 - e. Supervision and monitoring of operation of telecentres for at least two years.
2. The Community will be responsible through its User Committee for the following:
 - a. Help RUPP in selection of the User Committee
 - b. Help RUPP in selection of appropriate person as telecentre manager cum operator
 - c. Provide appropriate accommodation for telecentre
 - d. Procure equipment needed and recommended by the Pilot Project.
 - e. Help RUPP install the equipment and commission
 - f. Take full responsibility of running and operating telecentre.
3. *The Pilot Project will bear initial expenses for equipment, and training and certain fixed sum for running and Internet Connection for the first full year of operation of the telecentre.*

4.2.3 Computers and Internet in Schools

Considering the risk and advantages in implementation, one alternative way to implement earlier approved Computer and Internet in Schools Project in the pilot design report has emerged after recent discussion with MOIC, NTA and the World Bank mission which paid visit to Nepal in September 2005. Descriptions of both are given below.

4.2.3.1 The Computer and Internet in School Project approved in the pilot project design

This is the first alternative. Computers in schools is a project which is very scattered and involves fairly large number of computers and the project requires experience to run such projects in different districts. Such an implementation requires large sum for only implementation. Therefore, the implementation of such a *project has been proposed by using refurbished computers*. This project also requires the contribution of schools for implementation. Five (5) computers are proposed in each school. The parties involved in the project are:

1. *Government higher secondary school* interested to have computers installed for teaching students to use computers and willing to contribute some fund.
2. *Concerned District Education Office* in selection of schools.
3. *International NGO* prepared to give used computers after refurbishing at ***the cost of transport and some administrative expenses.***

4. *The National NGO* who is proposed to manage entire project implementation. The National NGO will also be responsible for monitoring the progress and subsequent operation. The *National NGO* will provide all information of commissioning of the equipment duly certified by the school and community. *The cost of this management is met from the proceeds as contribution of the schools and is not covered by the pilot project (TSRP).*
5. *The pilot project* will provide the FUND required for administration of refurbishing and shipment of the equipment from International NGO. Pilot project does not pay any other management costs except for internet connection fee, after the schools start operation of computers in the following fiscal year. Therefore, the Internet related cost is not included in main project which follows the pilot project.

4.2.3.2 *Project Using New locally assembled computers - as second alternative*

The only difference in this project is that new computers will be used rather than refurbished. Naturally, project was to spend about Rs. 5,000 per computer in importing refurbished P3 computers, now it will be of the order of Rs. 40,000 per computer for a new one. Some economy in design for school system can be achieved by configuring them in LAN and keeping the cost of the other than server lower. The number of schools covered will be much smaller by the same amount. The number of schools covered will go down drastically with the money proposed in the pilot project design for this component. A rough estimate for this at about Rs. 200,000 per school would give about 20 schools in the project. This figure will vary between 18-24 depending on the costs and where the equipment is purchased. It still assumes that cost of management for the school project is also borne by schools to some extent. The specification for computers can be same as that of telecentre or lower. All these are to be finalized easily during the implementation phase in cooperation with project partner.

4.2.4 *Regional Internet switching facility by nPIX (ISPAN)*

The nPIX (ISPAN) is a non-profit association working for developing peering arrangement and facilities for the ISPs of the country to be able to interconnect local traffic without using International Back Bone. The nPIX (ISPAN) develops and operates its switching facilities with the contribution of International Donors and with the help of its members i.e., ISPs. The nPIX (ISPAN) thus helps in development of national Internet Infrastructure. Therefore, the project is proposed to be managed by the nPIX (ISPAN). The parties involved are:

1. The pilot project will provide fund for purchase of equipment, installation and training of small ISP on Internet peering.
2. nPIX (ISPAN) will manage the project that will use competitive bidding process, in managing the above project, acceptable to the Pilot Project and the World Bank.

4.2.5 *MoUs and Bidding Documents required for Implementation Process*

There are three kinds of documents that are required:

1. **MoUs between:**
 - a. The Pilot Project and RUPP for cybercafe and telecentre establishment
 - b. The Pilot Project, International NGO (free refurbished computer provider), National NGO (manager of the Computers and Internet for School's Project) - a tripartite MoU
 - c. The Pilot Project and nPIX (ISPAN).

2. **Bidding Documents:** For procurement of equipment and training services bidding documents are required.

a. **Procurement of equipment**

There are two ways of procuring equipment required for the telecentres:

i. **Locally purchased by the communities**

This procedure is followed in community owned projects now days. This is based on the principle that the responsibility of purchasing equipment to be owned by local community (user groups) should rest with them. They become responsible for the telecentre in all phases of the project. This sort of purchase is locally done by the communities themselves who own the telecentres. The communities can access the supplier nearby for maintenance at reasonable cost and time. Maintenance services cannot be cheaply provided, even under warranty, when the suppliers are based in Kathmandu, which would be the case when equipment are purchased in lots and then supplied to user committees in different locations and in different districts.

In this method specifications are provided to the user committees and the project prepares the estimate of the cost of equipment based on actual market prices and controls it. The Amount sanctioned depends on the actual quotes they get from local suppliers who will also be responsible for maintenance and who can be reached by the user committees with reasonable ease. The cost estimates guide the Project for reasonableness of the amount demanded. Variation of about 5-10% is expected when the supplies are locally obtained and suppliers give warranties. This method of procurement is preferable as it provides opportunity and encouragement to local business for supplies, operations and maintenance which is very positive action for local development. However, for this procedure to be applied, acceptance of this method by both the Pilot Project (NTA) and the World Bank is essential.

ii. **Bulk purchase**

Pilot Project may decide to bulk purchase telecentre equipment and supply to the communities and institutions. This is less preferred way for reasons given in the paragraph (i) above. This method increases the cost of distribution of the equipment as smaller packages will have to be sent to different locations after central purchase. For this method, bidding document in conformity with the NTA's rules and the World Bank guidelines will be necessary. For procuring equipment in bulk, the National Competitive Bidding (NBC) document applicable for purchase of goods is to be used.

b. **Procurement of training services**

There are two kinds of training required:

- One is for *training of telecentre manager cum operators* whose number is expected to be up to 13 and will be organised in Kathmandu. The training for telecentre manager cum operators is of a short duration (about one month). This training is divided in two parts. *Part one is on telecentre management and operation and Infomobilisation which will be imparted by RUPP at the cost of RUPP as far as delivery of the training is concerned.* The second part is on basic computers and hardware and software including email-internet to be out sourced from training facilities. The procedure followed for training to be conducted is as below:

- For this training, trainees coming from community owned telecentres will be paid living and travelling allowances as estimated. *The expenses trainees require is for their travel to and fro from the home bases to Kathmandu, meals and small pocket expenses which could be paid to them as estimated in the Pilot project design document. The training cost of the 5 candidates from the Institutions will be borne by the pilot project but their travel, boarding and lodging and pocket expenses are assumed to be borne by the respective institutions. However, if such expenses are not possible to be borne by Institutions, pilot project will have to manage such costs.*
- Training venue for the part of this training can be rented from The Staff College, Jawalakhel. Students can have their lodging in the staff College which can be also rented for the training.
- The training service for about 20-day training on use of Internet and email for about 13 people can be procured on the basis of simple quotation as the cost of such training is estimated to be fairly low. ***The bidding document required for this will be the specification of the training needed.*** The simple quotation with normal terms and conditions that NTA applies will form basic short document which will include the specification of the training service to be procured.
- The other is the training required for three cybercafe personnel (maximum 3 persons) to be provided to each locally in three locations close to individual's home base i.e., DHQ. Such training, for each cybercafe personnel, is to be conducted in separate training facilities in three towns. So the three contracts can be done on quotation basis separately at each facility. Again only the specification of the training is required. The quotations invited will be on the basis of simple documents that NTA is currently using which will include this specification. This was designed in this manner because they could be trained with more emphasis on hands-on type of training in nearby local environment at cheaper cost.
- As an alternative, the cybercafe personnel training for only three as foreseen in the pilot project design, can be included along with the telecentre operator cum manager's training group for the parts they require in common and they could receive the additional training on hardware/software diagnosis and maintenance training separately. The costs presented in the Annex-10 have taken this alternative in mind while estimating the cost.

3. Selection of National NGO to manage Computers and Internet For Schools Project

Pilot project may like to associate a competent national NGO for this Request for Application Document (RFAD) for identifying and selecting appropriate and interested National NGO to conduct complete management of implementation of Computers and Internet for Schools Project. As no cost of managing the project to national NGO is paid by the pilot project (NTA/TSRP), pilot project (NTA) may consider selecting such a candidate partner by simple application of NGOs not going through the lengthy procedures given in the RFAD. However, such a document has been prepared if considered to be used. The content of the RFAD developed for this purpose consists of the following:

- PART I – invitation notice to be issued in the newspaper
- PART II – instruction to the applicant

- PART III – information about the project, responsibilities of the parties involved in the project.
- PART IV – data sought from the applicant

5. Description of Bidding Documents for the Pilot Project

In this section very briefly the salient points of these documents are given; complete documents are enclosed as annexes.

5.1 MoUs

There are three types of MoUs as described earlier; each is described briefly below.

5.1.1 *MoU between NTA and Rural Urban Partnership Programme RUPP*

RUPP is a HMG (MLD)/UNDP Project. The partnership of NTA with RUPP in the implementation of Cybercafe in DHQs and telecentres in the RMCs was identified as great value to the pilot project in the previous reports. The MoU (*Annex-3*) defines the responsibility of the each party as follows:

- **RUPP's Responsibility**
 - Preliminary work of social mobilisation of communities
 - Creation of User Committees
 - Installation of equipment
 - Supervision and monitoring of the telecentres for two years, which could thereafter be passed on to municipalities.
 - Liaison between User Committee and Pilot Project (NTA) for activities related to the pilot project
 - Selection of trainees for telecentre operation with user committees
 - Provide training in telecentre operation and info-mobilisation
 - Selection of cybercafe entrepreneur in DHQ in cooperation with Tole/lane organisation
 - Help entrepreneur obtain Loan from community FUND if necessary
- **Pilot Project's (NTA) Responsibility**
 - Provide fund for purchase of equipment required for telecentres to respective communities (user committees)
 - Provide training expenses for all training required to operator cum manager of telecentres and cybercafe personnel
 - Obtain monitoring and supervision information through RUPP to oversee that project is meeting intended objectives and provide any help that may be necessary.

5.1.2 *Tripartite MoU among NTA, International NGO and National NGO*

The pilot project takes advantage of use of refurbished (used) computers to cover a large number of schools with nominal amount of expenditure. Because of the size of project

being substantial the pilot project is to be run in cooperation with experienced NGO in respect of this project. The initial provision of computers is proposed in schools where schools are willing to contribute for other expenses of the project. The project will be implemented in schools where electricity is available. This particular MoU (*Annex-4*) is required for implementation of Computers and Internet in School Project. The responsibility of each party is given below:

- **International NGO's Responsibility**

It is possible that two International NGOs may get involved in providing free computers.

- To collect Pentium III and above level of used computers free of charge.
- To charge nominal fee for management of refurbishing, packing and shipping, which will be paid in advance by the Pilot Project
- To ship equipment for use in schools as per objectives of the project as agreed in time schedule.

- **National NGO's Responsibility**

National NGO, selected by the Pilot Project, will manage the entire project; therefore, its responsibility will be the following:

- To inform higher secondary schools of the project district about the project and responsibility of the schools in terms of their contribution in the project as well as their commitment to meet the project objectives.
- To Collect applications from interested higher secondary schools from the project districts with recommendation of District Education Office
- To establish relation with local NGOs or private entrepreneur for implementation of the project as the purpose of the project is to develop local capability for implementation of ICT projects
- To liaise with International NGO for scheduling shipment
- To manage the shipment, equipment storage and transport to the sites.
- To complement the equipment with local purchase to build network and proper provisioning of power supplies etc.
- To manage installation of equipment
- To manage training of teachers as intended in the project
- To establish a channel for reporting after the project is completed
- To obtain certified documents from the schools after successful commissioning of equipment and completion of training of teachers
- To obtain monitoring information from the schools about use and application of equipment annually for two years following the installation.
- Provide quarterly progress report of the project to NTA
- Provide annual monitoring and supervision information to NTA
- To ensure that all operations of the project are transparent

- **Responsibility of the Pilot Project (NTA)**

- Refurbishing, packing and shipping cost of the used computers are to be provided by Pilot Project (NTA), prior to shipping of equipment, to International NGO.
- NTA will provide cost of Internet connection fee for one year to each school under the pilot project.
- NTA will monitor through National NGO that the project is being managed transparently by National NGO.

5.1.3 MoU between NTA and nPIX (ISPAN)

MoU will contain the following salient points:

- **Responsibility of nPIX (ISPAN)**
 - nPIX (ISPAN) will use bidding documents acceptable to NTA and the World Bank (this could be NCB document to be used in the application of IDA credit for the purchase of the Equipment)
 - nPIX (ISPAN) will procure the installation services, in a transparent manner, for installing equipment.
 - nPIX (ISPAN) will also procure training services, in a transparent manner, for training of small ISPs to build up their knowledge in peering.
 - NTA will submit monthly progress report to NTA after signing of the MoU.
 - nPIX (ISPAN) will provide copies of commissioning certificates and completion report of all the facilities, training conducted and other services procured for the completion of the project.
- **Responsibility of NTA**
 - NTA will disburse payments in amounts due as per contract between nPIX (ISPAN) and the Suppliers for equipment and services on the basis of request letter of nPIX (ISPAN).
 - NTA will monitor progress of the project on monthly basis.

5.2 Bidding document for Procurement of Telecentre Equipment

Documents required depend on the method of implementation adopted by the Pilot Project.

- **NCB Document** as used for procurement of goods within the country using the proceeds of IDA credit is to be used. In this method, bids will be invited from the supplier within the country; however, any bidder willing to bid from outside the country eligible to bid can also participate. This document has been obtained from MOIC used in TSRP project. It has been modified with appropriate data for application in the pilot project if necessary as such only '*Changes required in NCB Document*' is included as Annex-9 in this report.
- **Procurement by the User Committees**
 - User Committees will be provided with specification (minimum requirement of the equipment) of the equipment by the Pilot Project; please refer to *Annex-6*
 - User Committees themselves will buy the equipment on the basis of quotations
 - The Pilot Project will disburse the amount as demanded by the user committees.
 - The amount provided will be controlled by the estimate prepared by the Pilot Project.

5.3 Bidding documents for the Procurement of the Training services

Bidding documents required are of simple quotation in nature. Only specification is to be drawn up for the training required.

- **Specification of the Telecentre operator cum manager's training (Annex-7)**

At the time of preparation of pilot project design, the cost estimate of the training was prepared on the basis that telecentre manager cum operators will have basic knowledge to use computer. Therefore, the training is designed on the basis of this entry level assumption. After the training the operator will be able to function as manager cum operator of telecentre and will also be able to carry out first line maintenance of the computer and peripherals. It contains training on the following:

- Telecentre management and operations
- Infomobilisation
- Basic hardware maintenance
- Basic software installation, preparation of backups
- Email and Internet application
- Peripherals and their use

- **Specification of the training for Cybercafe Personnel**

This training has the common elements of telecentre operator cum manager's training and one additional unit. The common components are listed below:

- Basic hardware maintenance
- Basic software installation, preparation of backups
- Email and Internet application
- Peripherals and their use

The additional component will be:

- Hands-on practice on hardware/software maintenance and diagnosis

5.4 Selection of National NGO to manage Computers and Internet for Schools Project

Request for Proposal Document (RFPD) for selecting appropriate National NGO, which is included as *Annex- 8*, contains following salient points:

- Summary of the Project
- Criteria on which NGO will be assessed
- Responsibility of the selected NGO
- Information sought from NGO to adjudge its capability and determine its qualification

NGO can be assessed based on the following criteria:

Basic qualification

- Legally incorporated according to the prevailing laws of Nepal
- Managerial capacity to implement the project
- Experience in social mobilization and promoting people's participation in development activities
- Past experience in handling administrative requirements related with the project
- Past experience in working with national and international organizations

Additional qualification

Following experience will be advantageous:

- Affiliation with other NGOs and Entrepreneurs involved in the promotion of educational standard in the rural schools particularly related to computer and IT education
- Previous working relation with International NGO who provide free computers
- Technical Staff – software and hardware
- Experience in bringing computer and Internet education to rural schools in Nepal

6. Next Steps

6.1 Some recommendations to NTA

- The report on bidding process design describes and determines implementation process of the pilot projects e.g., Task IV Phase III, which is implementation of the pilot projects. Task IV takes considerable length of time, therefore, NTA is strongly recommended to sign MoU with RUPP so that pilot project can proceed. All the preliminary works related to the cybercafes in the DHQs and Telecentres in the RMCs and Institutions has to be accomplished by RUPP before the training and subsequent equipment procurement and installation could proceed smoothly.
- It is also necessary that National NGO selection for computers and Internet for schools project and signing of MoU with nPIX (ISPAN) for regional Internet exchange project also requires to be completed by NTA as soon as possible to launch relevant projects.
- Therefore, it also becomes urgent for NTA to establish Pilot Project Unit headed by a full-time coordinator and initially with some part-time support personnel to initiate the project.

6.2 Tasks on-going and to be taken up next

- Due to various reasons the task of demand study is yet to be completed. As this demand work stands alone on its own without affecting other tasks, we will be finalising the demand study work within a month.
- The task of supporting pilot project implementation will be our next major effort along with remainder of tasks to be performed.