

Universal Service Fund (Guarantee) Limited

**(A guarantee limited company registered under Section 42 of the Companies Ordinance
1984)**

REQUEST FOR APPLICATIONS

TO PROVIDE

UNIVERSAL SERVICE FUND TELECOMMUNICATIONS SERVICES

Issued at Islamabad

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USFCo
Request for Applications to provide
Universal Service Fund Telecommunications Services

Table of Contents

Part I Introduction.....	1
1. Purpose of the RFA Process	1
2. Source of Funds	1
3. Current Legal, Regulatory, and Market Regime.....	2
4. USF Policy	3
5. USF Areas.....	3
6. USF Service Requirements.....	4
7. Applicant and Other Eligibility.....	4
8. Selection Process	4
9. Time Schedule	5
10. Project Administration and Correspondence	6
Part II Rights and Obligations of USF Service Provider	7
11. Exclusivity	7
12. Roll-out of USF Network and Supply of USF Services	7
13. USF Subsidy Payments.....	7
14. Service Availability and Quality Specifications	7
15. Scope of Service	7
16. Regulation of Operators.....	8
17. Interconnection and Facilities Sharing.....	8
18. Numbering and Electronic Addressing.....	8
19. Type Approval	8
20. Regulation of USF Service Charges	8
21. Authority to Construct and Use Facilities.....	9
22. Requirement to Procure and Manage USF Network	9
23. Transfer or Change of Control	9
24. Access to Public and Private Lands	9
25. Force Majeure	9
26. Dispute Resolution.....	10
27. Technical Auditor	10
28. Compliance with Law	10
29. Term of USF Services and Subsidy Agreement	10
30. Compliance with USF Services and Subsidy Agreement.....	10
31. Fees Payable by the USF Service Provider.....	11
32. Frequency Spectrum	11

Part III Instructions to Applicants.....	12
33. Selection of Successful Applicant	12
34. Meaning of “Qualified Applicant”	12
35. Eligibility of Proposals	12
36. Eligibility of Applicant and USF Service Provider	13
37. Pakistani Company and USF Contributor.....	13
38. Financing Capacity	15
39. Operational Experience.....	17
40. Compliance with Licence(s)	19
41. Field Proven Equipment and Software	19
42. Eligibility to Receive USF Subsidy	20
43. Period of Validity of Proposal	20
44. Bid Bond	20
45. Grounds for Rejection of Proposal	21
46. Content and Format of Proposals.....	23
47. Part 1 Structure Requirements – Qualifications and Service Proposal.....	23
48. Part 2 Structure Requirements – Subsidy Proposal	26
49. Compliance Checklist	27
50. Pre-Proposal Meeting.....	27
51. Submission of the Proposal.....	28
52. Opening of Proposals	29
53. Evaluation of Proposals	29
54. Letter of Intent	31
55. Performance Bond	31
56. Information Provided by USFCo	32
57. Communications, Comments and Requests for Clarification.....	32
58. Confidentiality of Proposals	33
59. USFCo Use of Proposals	33
60. Cost of Proposal and Bidding	34
61. Reservation of Rights.....	34
62. Legal and Formal Requirements.....	34
Part IV Definitions.....	35
63. Definitions.....	35

Annexes

Annex 1	Subsidy Proposal Form
Annex 2	Bid Bond Form
Annex 3	World Bank Eligibility Guidelines
Annex 4	Form of Letter Regarding Compliance with Licence(s)
Annex 5	Compliance Checklist
Annex 6	Draft of Proposed USF Services and Subsidy Agreement
Annex 7	Dispute Resolution Terms

Part I

Introduction

1. Purpose of the RFA Process

- 1.1 All telecommunications licences issued by the Pakistan Telecommunications Authority (“PTA”) subsequent to the *De-Regulation Policy 2003* and the *Mobile Cellular Policy 2004* provide for contribution by licensees to a Universal Service Fund (“USF”).
- 1.2 The purpose of this Request for Applications (“RFA”) is to invite holders of such licences (“USF Contributors”) to submit Proposals, either individually or as part of a consortium, for providing voice telephony and Internet services, including access networks and public access points (“USF Services”), to defined regional areas (“USF Areas”) in Pakistan pursuant to a 10 year USF Services and Subsidy Agreement.
- 1.3 This RFA is part of a universal service program initiated by the Government of Pakistan (“GoP”), which is aimed at increasing access to telecommunications in unserved and under-served areas of Pakistan in a manner consistent with fair competition, international best practices, and existing sector policies and GoP commitments.
- 1.4 GoP has created a not-for-profit federal Government owned and controlled Universal Service Fund company (“USFCo”) to administer the USF, including the process initiated by this RFA (“RFA Process”). It is GoP’s intent that USFCo apply part of the USF toward payment of a one-time subsidy (the “USF Subsidy”) to be paid pursuant to the USF Services and Subsidy Agreement to assist in meeting the costs of providing the USF Services in the USF Areas.
- 1.5 Further information on the proposed USF Services, USF Network and USF Areas is set out in this RFA.
- 1.6 It is the intention of GoP to act quickly to implement its policy of extending access to telecommunications in unserved and under-served areas in Pakistan.

2. Source of Funds

- 2.1 Pursuant to Section 33A of the Act, the sources of funding USF shall consist of –
 - (a) grants made by the Federal Government and the Provincial Governments;
 - (b) prescribed contribution by licensees;
 - (c) sale proceeds from the auction of the right to use radio spectrum;
 - (d) loans obtained from the Federal Government; and
 - (e) grants and endowments received from other agencies.

- 2.2 The GoP (the “Borrower”) has applied for a loan or credit (hereinafter called the “Loan”) from the International Bank for Reconstruction and Development or from the International Development Association (hereinafter called “the Bank”) toward the cost of the Rural Telecommunications and e-Services Project, and the Borrower intends to apply a part of the proceeds of the Loan to eligible payments under the Contract for which these bidding documents are issued.
- 2.3 Payments by the Bank under the Loan will be made only at the request of GoP and upon approval by the Bank in accordance with the terms and conditions of the Loan Agreement, and will be subject in all respects to the terms and conditions of the Loan Agreement. The Loan Agreement prohibits a withdrawal from the Loan account for the purpose of any payment to persons or entities, or for any import of equipment, plant, or materials, if such payment or import, to the knowledge of the Bank, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations. No party other than the GoP shall derive any rights from the Loan Agreement or have any claim to the Loan proceeds.

3. **Current Legal, Regulatory, and Market Regime**

- 3.1 Before 1996, Pakistan’s telecommunications markets were governed by the *Telegraph Act, 1885* and *Wireless Telegraphy Act, 1993*. Most telecommunications services were provided by the GoP’s Telegraph and Telephone Department. That Department was converted into a statutory corporation in 1990 as the Pakistan Telecommunication Corporation (“PTC”) and later in 1996 it was converted into a public limited company Pakistan Telecommunication Company Limited (“PTCL”). Competitive mobile telephone service was launched in 1991. Payphone service was launched in 1993. But of these competitors, only PTC and then PTCL had a formal duty to serve cities, towns and villages in all areas of Pakistan.
- 3.2 Additional mobile, WLL, fixed-line Local Loop (“LL”) and Long Distance International (“LDI”) licensing since 2004 has increased competition substantially. Use of telecommunications services has expanded rapidly in this increasingly competitive environment. More than twenty-six providers offer voice telephony services in Pakistan. Mobile subscribership has grown from 70,000 in 1996 to 1.7 million in 2002, 12.8 million in 2005, and 48.3 million by December 2006. WLL subscribership increased to nearly 1.6 million by December 2006. Combined teledensity rose from 2.3 per 100 in 2002 to 35.4 in 2006, with mobile service penetration reaching 49.2%.
- 3.3 The *Mobile Cellular Policy (2004)* and *Pakistan Telecommunications (Re-organisation) (Amendment) Act, 2006* require that PTCL and all mobile licensees provide significant geographic coverage. Yet, in rural areas, teledensity remains at about 1 per 100. Making telecommunications services available country-wide is a GoP priority.
- 3.4 In a competitive sector, it is not appropriate to impose universal service obligations on a single operator. Accordingly, the *De-Regulation Policy (2003)* at section 5, the

Mobile Cellular Policy (2004) at section 8, and the *Pakistan Telecommunications (Re-organisation) Act, 1996* at section 33A require that PTCL and all subsequent fixed and mobile licensees pay into the USF.

- 3.5 Persons who enter into a USF Services and Subsidy Agreement as a result of the RFA Process (“USF Service Providers”) will receive a subsidy payment from the USF to extend telecom services to rural areas, increasing rural teledensity. The amount of the USF subsidy payment will be established in accordance sections 7.3, 52 and 53 of this RFA. The subsidy payment will be made in one or more instalments, against identified Project Implementation Milestones, in accordance with the USF Services and Subsidy Agreement.

4. **USF Policy**

- 4.1 The *Universal Service Fund Policy* (“USF Policy”) is the policy framework guiding the RFA Process. It sets out goals, objectives, and guidelines for using USF funding to meet certain basic telecommunication and ICT services needs in areas of Pakistan which would otherwise remain unserved.
- 4.2 The USF Policy’s goals include making voice telephony and Internet access data services available and affordable to progressively greater proportions of Pakistan’s rural population.
- 4.3 The USF Policy’s objectives for 2010 include 85% coverage of the country’s population (and therefore access to service if desired), and a preference for one telecentre per 5,000 people, with a minimum target of one telecentre per 10,000 people in USF Areas. This RFA and similar USFCo initiatives are intended to meet these objectives by introducing service in defined USF Areas.
- 4.4 The USF Policy will guide the actions of the USFCo in administering the Universal Service Fund. That administration includes the use of the USF Services and Subsidy Agreement, with compliance monitoring and penalties for non-performance, including forfeiture of bank guarantees. Technological features of the USF Policy include technological neutrality, an emphasis on shared access points, and mandated infrastructure sharing to facilitate multiple operators in the same area. Economic features include capping USF service prices at nationally available retail prices, and a “negative auction” RFA Process to use bidding competition among licensees to minimize the amount of any particular USF Subsidy, and to maximize overall benefits from the fund. Together, these features establish a USF regime to extend telecommunications services to rural locations in a sustainable manner consistent with fair competition.

5. **USF Areas**

The geographic areas that are the subject of this RFA, and related USF Subsidy, are identified in detail in Schedule C to the USF Services and Subsidy Agreement.

6. **USF Service Requirements**

The service requirements to be met pursuant to this RFA are identified in Schedules A and B to the USF Services and Subsidy Agreement.

7. **Applicant and Other Eligibility**

- 7.1 Detailed eligibility requirements are set out in Part III of this RFA. This section highlights and summarizes some of the most fundamental eligibility requirements.
- 7.2 Persons whose Local Loop (“LL”) Wireless Local Loop (“WLL”), Long Distance and International (“LDI”) or Telecommunication Infrastructure Provider (“TIP”) Licence was issued after adoption of the *Deregulation Policy (2003)*, and persons whose mobile cellular licence was issued or renewed after adoption of the *Mobile Cellular Policy (2004)*, (collectively, “USF Contributors”) have an obligation to contribute 1.5% of annual gross revenues to the Universal Service Fund, less inter-operator fees and related payments mandated by the PTA or Frequency Allocation Board (“FAB”).
- 7.3 Any other licensee who has had its licence issued, re-issued or amended to include Universal Service Fund contribution payment requirements will, on satisfaction of those requirements, be recognized as a USF Contributor as well.
- 7.4 Any USF Contributor is eligible to participate in this RFA, provided all eligibility and process requirements identified in this RFA are complied with. The specific requirements for assembly and content of an Applicant’s proposal (“Proposal”) are described in Part III of this RFA. A “Compliance Checklist” is attached as Annex 5 to this RFA.
- 7.5 Any USF Contributor leading a consortium may bid for any USF Subsidy on behalf of that consortium (“Consortium Applicant”) under conditions similar to those set out for an individual USF Applicant, provided that the consortium’s composition and Proposal materials satisfy the consortium requirements identified in section 37.6.

8. **Selection Process**

- 8.1 A detailed description of the Proposal evaluation and RFA selection process is set out in Part III of this RFA (see sections 53 and 54). This section highlights and summarizes some key features of the selection process.
- 8.2 The USFCo will evaluate the information provided by the Applicant about its qualifications and financial, technical and operational capacities and will reject any Applications which fail to satisfy the eligibility criteria identified in this RFA.
- 8.3 The Subsidy Proposals of all Applicants which have satisfied the eligibility criteria and process requirements (“Qualified Applicants”) will be considered in a single-stage evaluation to determine the lowest USF Subsidy Proposal submitted by a

Qualified Applicant. The USF Subsidy will be awarded to the Qualified Applicant which proposes the lowest USF Subsidy for the USF Areas.

- 8.4 Any Qualified Applicant is eligible to win any number of USF Subsidies, except that the Universal Service Fund shall not be used to unduly concentrate market power locally. GoP, PTA and/or USFCo will determine what constitutes undue concentration of market power from time to time and will include suitable guidelines and directions in future subsidy auction processes.
- 8.5 The Applicants' responses to this RFA will be the sole basis for the final selection of the USF Service Provider. GoP and USFCo reserve the right to request Applicants to provide additional information and documents to assist them in evaluating the Proposals. However, neither the GoP nor USFCo, nor any other GoP body, will assist Applicants to supplement Proposals which are otherwise deficient or non-compliant. **Failure to provide additional information within the identified timeframe may result in the Applicant's proposal being determined to be non-compliant.**
- 8.6 USFCo is not legally obligated to execute the USF Services and Subsidy Agreement. It may terminate the RFA Process or revoke an award of the USF Services and Subsidy Agreement at any time before the USF Services and Subsidy Agreement is executed.

9. **Time Schedule**

- 9.1 The timetable for the RFA events, beginning with publication of the pre-auction notice, is set out below.

Event	Calendar Date
Publication of pre-auction notice	26 June, 2007
Registration and distribution of RFA document (start date)	27 June, 2007
Deadline for written questions or requests for clarification	09 July, 2007
Pre-Proposal Meeting	13 July, 2007
Issue minutes of clarification for written questions and issues raised during pre-proposal meeting	18 July, 2007
Last date of Registration	01 August 2007
Deadline for submission of Proposals	16 August, 2007
Opening of the Qualifications and Service Proposal	16 August 2007
Complete evaluation of Qualifications and Service Proposal and announcement of Qualified Applicants	06 September 2007
Opening of USF Subsidy Proposal of Qualified Applicants	10 September 2007
Issue of LOI to the Qualified Applicant(s) with lowest subsidy bid(s)	17 September, 2007
Receipt of Performance Bond	27 September 2007
Execution of USF Services and Subsidy Agreement and related transaction documents	04 October, 2007

- 9.2 If the scheduled day of an event falls on a gazzeted holiday in Pakistan, the day of the event will be the next calendar day following the holiday.

10. **Project Administration and Correspondence**

- 10.1 All correspondence relating to this RFA should be addressed to:

***Mr. Tahir Javed, GM Finance,
USFCo
Fifth Floor, HBL Tower, Jinnah Avene,
Islamabad, Federal Capital Territory
Pakistan***

Telephone: 051-2821308 & 2821309
Fax: 051-2821261
E-mail: tahir.javed@usf.org.pk

End of Part I

Part II

Rights and Obligations of USF Service Provider

11. **Exclusivity**

A USF Service Provider will not have any exclusive rights to provide USF Services in the USF Areas.

12. **Roll-out of USF Network and Supply of USF Services**

The USF Network shall be constructed and otherwise rolled out in accordance with the Project Implementation Milestones, and the USF Services shall be supplied by a USF Service Provider in accordance with the USF Services and Subsidy Agreement.

13. **USF Subsidy Payments**

In order to promote GoP's policy of expanding telecommunications services and access in unserved areas, a USF Subsidy shall be paid to the USF Service Provider to help meet the capital costs of providing the USF Services. The USF Subsidy payments shall be made in accordance with the USF Services and Subsidy Agreement.

14. **Service Availability and Quality Specifications**

14.1 The availability and quality of the USF Services shall be in accordance with the USF Services and Subsidy Agreement and applicable Licence(s).

14.2 Quality of service reports for the USF Services shall be filed quarterly by a USF Service Provider with USFCo in accordance with the USF Services and Subsidy Agreement.

15. **Scope of Service**

15.1 **USF Services** – The USF Services, which include Basic Public Telephone Access Service and Internet Access Service, shall be provided in the USF Areas in accordance with the USF Services and Subsidy Agreement and applicable Licence(s).

15.2 **Optional Services** – In addition to the USF Services, a USF Service Provider may provide other services in the USF Areas, to the extent the USF Service Provider is authorized to provide such services under applicable Licence(s). A USF Service Provider shall be free to apply for additional licences to provide other telecommunications services in accordance with the PTA's then-current licensing practices and procedures.

16. **Regulation of Operators**

USF Service Providers will remain subject to all other regulatory requirements established from time to time by the PTA, including the terms of all previously granted licences.

17. **Interconnection and Facilities Sharing**

17.1 Interconnection between a USF Service Provider's network and other licensed telecommunications networks in Pakistan is governed by:

- (a) the Act;
- (b) the Pakistan Telecommunication Rules, 2000;
- (c) all applicable licences;
- (d) the Interconnection Regulations; and
- (e) the USF Services and Subsidy Agreement.

17.2 A USF Service Provider's network must be technically compatible with all existing PSTN networks to ensure properly functioning interconnection. For interconnection purposes, technical compatibility includes, but is not limited to, compatible numbering, signalling, routing, synchronization and network interfaces.

17.3 USF Service Providers shall also share infrastructure and essential facilities developed using USF Subsidy funding in accordance with the USF Rules and the USF Services and Subsidy Agreement.

18. **Numbering and Electronic Addressing**

Any numbers or electronic addresses used in Pakistan by a USF Service Provider shall be in accordance with the Act and any applicable numbering or electronic addressing plans established by the PTA pursuant to the Act.

19. **Type Approval**

Any telecommunications equipment or facilities used in Pakistan by a USF Service Provider shall be subject to the type approval requirements of the Act and any type approval processes established by the PTA pursuant to the Act.

20. **Regulation of USF Service Charges**

20.1 The rates charged by a USF Service Provider for the USF Services shall be subject to sub-section 47.2(f) and the service charge provisions of the USF Services and Subsidy Agreement.

20.2 USF Service Providers remain subject to any other tariff regulation by the PTA pursuant to the Act.

21. **Authority to Construct and Use Facilities**

- 21.1 Subject to the terms of the USF Services and Subsidy Agreement, a USF Service Provider will be authorized to construct or otherwise procure all telecommunications facilities required to provide the USF Services.
- 21.2 A USF Service Provider may utilise any appropriate wireless or wireline technologies, subject to any limitation in its Licence, in the provision of the USF Services that meet the USF Network Specifications set out in the USF Services and Subsidy Agreement.
- 21.3 All telecommunications facilities and equipment installed by a USF Service Provider as part of the USF Network shall be:
- (a) new when first installed;
 - (b) field-proven (in accordance with section 41); and
 - (c) compliant with internationally recognized standards.
- 21.4 Any permissions or authorizations required from authorities in the USF Areas, in connection with the installation of the USF Network facilities and equipment, will be the responsibility of the USF Network Operator.

22. **Requirement to Procure and Manage USF Network**

A USF Service Provider shall be required to own and operate the USF Network in accordance with the USF Services and Subsidy Agreement.

23. **Transfer or Change of Control**

Transfers and changes in the ownership or control of a USF Service Provider or USF Network will be subject to USFCo approval in accordance with the USF Services and Subsidy Agreement.

24. **Access to Public and Private Lands**

A USF Service Provider shall have access to public and private lands, including ongoing rights of inspection and entry, in accordance with the Act and all other applicable laws, regulations and rules.

25. **Force Majeure**

A USF Service Provider shall be excused, in accordance with the USF Services and Subsidy Agreement, from certain failures to perform its obligations under the USF Services and Subsidy Agreement if an event of force majeure has prevented the performance of the obligations.

26. **Dispute Resolution**

The USF Services and Subsidy Agreement includes a number of mechanisms to facilitate resolution of disputes, including the appointment by USFCo of a disputes committee consisting of appropriately qualified persons. Where disputes cannot be resolved by application of these mechanisms, parties will continue to have recourse to arbitration and court processes in accordance with the laws of Pakistan.

27. **Technical Auditor**

A Technical Auditor shall be appointed by USFCo in accordance with the USF Services and Subsidy Agreement and other applicable processes. The Technical Auditor may be an appropriately qualified employee of USFCo or expert consultant, and will perform identified functions in accordance with the USF Services and Subsidy Agreement including:

- (a) certification that Project Implementation Milestones have been achieved and that USF Subsidy payments are therefore due;
- (b) certification that events of force majeure have prevented the performance of certain obligations under the USF Services and Subsidy Agreement; and
- (c) proposing amendment of the USF Areas, and any related amendments to the agreement, upon the occurrence of a certified event of force majeure.

28. **Compliance with Law**

A USF Service Provider shall be required to comply with all laws of Pakistan applicable to its USF Services activities at all times, including the Act, all regulations, rules, orders, decisions and guidelines issued under the Act.

29. **Term of USF Services and Subsidy Agreement**

The USF Services and Subsidy Agreement shall have a term of ten (10) years, commencing from the effective date of the agreement.

30. **Compliance with USF Services and Subsidy Agreement**

The USF Services and Subsidy Agreement contains specific obligations of the USF Service Provider, including obligations regarding the roll-out of the USF Network and provision of the USF Services. The agreement also includes specific remedies for non-performance, including drawing on the Performance Bond or exercising the lien on USF Network assets, as well as insurance requirements, indemnification, and USF Service Provider representations and warranties.

31. **Fees Payable by the USF Service Provider**

A USF Service Provider will be responsible for paying any fees, taxes or charges otherwise applicable to the USF Service Provider in relation to its provision of the USF Services, in accordance with the Act and other laws of Pakistan and regulations made thereunder.

32. **Frequency Spectrum**

32.1 A USF Service Provider may use wireless technology and satellite services in providing the USF Services in accordance with all legal and regulatory provisions governing spectrum authorizations.

32.2 Proposals shall provide details of the frequency spectrum to be used by the USF Service Provider in providing the USF Services, including the frequency spectrum bands, numbers of channels, radio-communications equipment and anticipated type of use.

32.3 Applicants should note that the frequency spectrum bands currently available in Pakistan are described in the Spectrum Management Guidelines and other documents available on the PTA website.

32.4 It is the sole responsibility of the Applicant to ensure that it has any frequency spectrum required for delivery of the USF Services.

End of Part II

Part III

Instructions to Applicants

33. **Selection of Successful Applicant**

USFCo plans to execute a USF Services and Subsidy Agreement with the Qualified Applicant that proposes the lowest USF Subsidy for the defined USF Areas in accordance with this RFA.

34. **Meaning of “Qualified Applicant”**

34.1 For the purposes of this RFA, “Qualified Applicant” means an Applicant that meets all of the following criteria:

- (a) The Applicant’s Proposal demonstrates that the Applicant meets all of the eligibility criteria described in sections 35 and 36 of this RFA;
- (b) The Proposal demonstrates that the Applicant will be able to perform its obligations under the USF Services and Subsidy Agreement, including those described in sections 12 and 14 of this RFA; and
- (c) The Applicant is not otherwise disqualified for any reason, including any ground listed in section 45 of this RFA.

34.2 USFCo will determine whether an Applicant qualifies as a Qualified Applicant for the purposes of the award of a USF Services and Subsidy Agreement. USFCo shall make this determination in accordance with section 53 of this RFA.

34.3 The form of proposed USF Services and Subsidy Agreement is set out in Annex 6 to this RFA.

35. **Eligibility of Proposals**

35.1 A Proposal will be eligible for evaluation only if all of the following requirements are met:

- (a) Only Applicants (or any company or other Person identified in the Proposal as a member or participant in a Consortium Applicant) that have registered with USFCo and purchased an official copy of the RFA in accordance with the Notice of Request for Applications document issued by USFCo on 26 June 2007 are eligible to participate in the RFA process and submit a Proposal.
- (b) The Proposal package must be complete and submitted in accordance with all the requirements of this RFA.

- (c) The Proposal must be received before the closing date and time for submission of Proposals identified in section 51.8.
- (d) The Applicant and the USF Service Provider proposed by the Applicant must meet all other qualification requirements set out in this RFA.

35.2 Proposals that do not comply with these requirements will be rejected as ineligible.

36. **Eligibility of Applicant and USF Service Provider**

In order to qualify for the award of a USF Services and Subsidy Agreement, the Applicant must demonstrate that the USF Service Provider proposed by it meets the requirements set out in sections 37, 38, 39, 40, 41 and 42 of this RFA.

37. **Pakistani Company and USF Contributor**

- 37.1 Persons who are not USF Contributors or not members of a consortium including a USF Contributor are prohibited from participating in the RFA process. The Applicant must satisfy USFCo that the Applicant is a USF Contributor or that, if the Applicant is a Consortium Applicant, that the consortium leader is a USF Contributor.
- 37.2 The Applicant must demonstrate to the satisfaction of USFCo that the proposed USF Service Provider is incorporated under the *Companies Ordinance, 1984*.
- 37.3 The USF Service Provider will be required at all times during the term of the USF Services and Subsidy Agreement to comply with all requirements for incorporated companies established under the laws of Pakistan.
- 37.4 The Proposal must include the following information and documentation:
 - (a) The name, legal status, registered office address and a description of the business of the proposed USF Service Provider.
 - (b) The name, legal status, registered office address and a description of the business of all shareholders in the proposed USF Service Provider.
 - (c) The name, legal status and registered office address of any Person who Controls the proposed USF Service Provider.
 - (d) The name, legal status and registered office address of all Persons who own, directly or indirectly, any ownership interest in a shareholder of the proposed USF Service Provider.
 - (e) The name, country of citizenship and address of each Person who is a director of the proposed USF Service Provider.
 - (f) A chart:

- (i) showing the ownership structure of the proposed USF Service Provider;
 - (ii) illustrating the relationship among all Persons having a direct or indirect ownership interest; and
 - (iii) specifying the nature and level of such ownership interest.
- (g) A description of the legal status of the proposed USF Service Provider, including:
 - (i) a certified copy of its certificate of incorporation, Memorandum and Articles of Association;
 - (ii) a certified copy of a resolution of the Board of Directors of the USF Service Provider that authorizes the Applicant to submit the Proposal and propose the USF Service Provider for the USF Services and Subsidy Agreement; and
 - (iii) any shareholder agreement, joint venture agreement or Memorandum of Understanding, or other arrangement of any kind between the shareholders of the proposed USF Service Provider.

37.5 In the case of companies with shares listed on a stock exchange the information regarding shareholders required in sections 37.4(b), (d) and (f) must be provided only to the best of the Applicant's knowledge and only in respect of shareholders owning more than 10% (ten percent) of the issued shares.

37.6 Where the Applicant is a Consortium Applicant:

- (a) there shall be no limit on the number of members of the consortium, except that:
 - (i) the consortium shall include at least one USF Contributor; and
 - (ii) the consortium shall include no more than one LL or WLL licenceholder, no more than one LDI licenceholder, and no more than one Cellular Mobile licenceholder.
- (b) one member of the consortium shall be identified as the consortium leader. The consortium leader shall be the USF Contributor member of the consortium. The consortium leader shall also enter into all contracts on behalf of the consortium and shall otherwise be responsible for consortium performance; and
- (c) the consortium's Proposal must also include:

- (i) the name, legal status, registered office address and a description of the business of all Persons with a direct or indirect ownership interest of more than 10% (ten percent) in the Consortium Applicant or in any member of the consortium;
- (ii) where a consortium member is an individual, identification and proof of citizenship for that individual;
- (iii) specific details of the structure of the consortium, including identification of the lead member of the consortium; and
- (iv) the agreement(s) establishing the consortium, specifying at least:
 - a clear allocation of responsibilities among members;
 - the duration of the consortium agreement;
 - details of the ownership interests in the consortium and the financial contributions of each member; and
 - arrangements governing managerial control by the consortium over the operation of the USF Service Provider.

37.7 No Applicant, and no member of a Consortium Applicant, may have a “conflict” in participating in this RFA Process. For the purposes of this section 37.7, a conflict means:

- (a) being associated with a firm or company, or any of its affiliates, or any other Person which has been engaged to provide consulting services in connection with the design or implementation of this RFA Process; or
- (b) participating in more than one Proposal in this RFA Process.

38. **Financing Capacity**

38.1 The Applicant must satisfy USFCo that the proposed USF Service Provider has sufficient financing capacity for the investments required to construct the USF Network and to provide the USF Services.

38.2 USFCo shall be satisfied that the proposed USF Service Provider has sufficient financing capacity for a project of this size where the Applicant submits:

- (a) documentation that demonstrates that the proposed USF Service Provider has a net worth of not less than PKR 300,000,000; or
- (b) a commitment letter from a reputable bank, which is located in or outside of Pakistan and is acceptable to USFCo, to provide the proposed USF Service Provider with a line of credit equal to PKR 300,000,000; or

- (c) a combination of the following documentation that demonstrates a combined total of net worth and financing capacity of not less than PKR 300,000,000:
 - (i) documentation that demonstrates the net worth of the proposed USF Service Provider; and
 - (ii) a commitment letter from a reputable bank located in or outside of Pakistan that is acceptable to USFCo, indicating a willingness to provide the proposed USF Service Provider with a line of credit.
- 38.3 “Net worth” for the purposes of sections 38.2(a) and 38.2(c) means total assets minus total liabilities (including accumulated losses).
- 38.4 The net worth of any shareholder in the proposed USF Service Provider may be included in the calculation of the net worth of the proposed USF Service Provider for the purposes of sections 38.2(a) and 38.2(c) if:
 - (a) the shareholder holds or will hold a minimum of 1/3 (one third) of the ownership interest (including all forms of ownership interest) in the USF Service Provider;
 - (b) the shareholder indicates that it is willing to guarantee the performance of the USF Service Provider and provides a written undertaking to this effect for inclusion in the Proposal; and
 - (c) the Proposal includes documentation that clearly identifies the shareholder and demonstrates that the requirements of sub-sections (a) and (b) are met.
- 38.5 As an alternative to section 38.2, the Applicant may demonstrate that the proposed USF Service Provider or any shareholder of the type described in section 38.4 has access to committed financial resources sufficient to perform the obligations of the USF Service Provider to construct USF Network and to provide the USF Services. Evidence of committed financial resources must include:
 - (a) The following documentation:
 - (i) A list of all sources and amounts of equity and debt financing required in the first five years of operation;
 - (ii) Commitment letters from one or more financial institutions or other lenders or investors for the full amount of such required equity or debt financing. The commitment letters shall be provided by a reputable bank located in or outside of Pakistan that is acceptable to USFCo and shall state that the amount of required equity or debt funding is on deposit or approved for borrowing by the applicable lender or shareholder; and
 - (iii) Clear evidence of the availability of any necessary vendor financing;

OR

- (b) Other evidence that the proposed USF Service Provider clearly has the capacity to finance the USF Network and USF Service operations. To avoid doubt about the adequacy of other evidence of financing capacity, Applicants may request advance approval of same by USFCo.

38.6 The Proposal must also include the following financial documentation:

- (a) Financial statements of the proposed USF Service Provider for the preceding two years, including an income statement and balance sheet, prepared in accordance with internationally accepted accounting standards; or
- (b) If the proposed USF Service Provider has not existed, or has not received service revenues, for at least two years prior to the submission of the Proposal, the financial statements of any shareholder of the type described in section 38.4 must be provided. The financial statements of said shareholder must be provided for the preceding two years and must be prepared in accordance with internationally accepted accounting standards.

39. **Operational Experience**

39.1 The Applicant must demonstrate that the proposed USF Service Provider has operated a telecommunications network that meets all of the following requirements:

- (a) the network has a transmission backbone component for voice and data services (including facilities or services provided by other licencees under existing contracts);
- (b) the network provides voice services in less densely populated areas;
- (c) the network is predominantly facilities-based (i.e. the network includes physical transmission facilities, such as wires, cables, satellite stations, fibre optic lines or radio-relay facilities owned by the USF Service Provider; rather than the provision of services by resale of another network provider's facilities or services); and
- (d) the network has been operated by the USF Service Provider for a minimum of one year.

39.2 In complying with section 39.1 above, the Applicant may rely on:

- (a) the operational experience of the USF Service Provider it proposes; or
- (b) the experience of any Person that is a member of the Applicant's bidding consortium, and that:
 - (i) is licensed by the PTA; and

- (ii) is a shareholder in the proposed USF Service Provider, or
- (iii) has committed in a binding agreement to become a shareholder in the proposed USF Service Provider,

provided that the Person holds or will hold a minimum of 1/3 (one third) of the ownership interests (including all forms of ownership interests) in the USF Service Provider.

39.3 Where the Applicant will rely on the experience of a Person identified in section 39.2(b), the Applicant must demonstrate that arrangements are in place to provide the proposed USF Service Provider with access to the technology, professional know-how and operational experience required to operate the USF Network and to provide the USF Services. Specifically, the Proposal must include:

- (a) a statement that identifies the Person;
- (b) documentation that clearly demonstrates that the relationship between the proposed USF Service Provider and such Person meets the requirements of section 39.2(b);
- (c) a written commitment from said Person to participate in the USF Service Provider's operations;
- (d) a description of such proposed participation, which must clearly demonstrate to USFCo's satisfaction that the Person will have a significant and continuing participation in running the operations of the USF Service Provider for the life of the USF Services and Subsidy Agreement; and
- (e) approval in writing by the Person's Board of Directors of the commitment and description of the Person's proposed participation.

39.4 The Proposal shall provide specific information regarding the telecommunications markets in which the proposed USF Service Provider (or, if its experience is relied upon, the Person identified in section 39.2(b)) has operated in the manner described. Details should be provided concerning:

- (a) the number of years of operation;
- (b) the telecommunications management experience of the proposed USF Service Provider;
- (c) the types of telecommunications services provided; and
- (d) the experience of the proposed USF Service Provider in rolling out a telecommunications network.

39.5 The operational experience listed in section 39.1 above shall constitute experience of only one Person and not the aggregate experience of two or more Persons.

40. **Compliance with Licence(s)**

40.1 The Applicant must satisfy USFCo that the proposed USF Service Provider is in substantial compliance with the conditions of its Licence(s).

40.2 Substantial compliance with the conditions of existing Licence(s) must be demonstrated by submitting:

- (a) a copy of each licence issued by the PTA to the proposed USF Service Provider; and
- (b) a copy of the most recent renewal of any such licence; and
- (c) a declaration in the form of Annex 4 to this RFA, representing that the Applicant is in compliance with all applicable licence conditions, and is otherwise in good standing with the PTA.

41. **Field Proven Equipment and Software**

41.1 The Applicant must provide the technical specifications of the major types of equipment and software to be supplied, installed and operated in order to provide the USF Services, including the local access facilities, the backbone transmission facilities, the switching and routing facilities and applicable network interfaces.

41.2 The Applicant must demonstrate that the proposed suppliers of the equipment identified pursuant to section 41.1 have been in the business of manufacturing telecommunications equipment for at least three years before the date of the Proposal.

41.3 All proposed equipment and software shall have been satisfactorily field-proven in actual service. To meet this requirement, the proposed suppliers shall have supplied equipment and software of the type described in the Proposal to at least two telecommunications network operators and the equipment and software shall have been in satisfactory service with those telecommunications network operators for a minimum period of one year prior to the date of submission of the Proposal.

41.4 In view of the rapid technological development in communications technology, hardware and software, Applicants may propose that the USF Service Provider will install updated versions of the equipment and software in actual service. However, the changes introduced in the field-proven equipment and software shall be “evolutionary” and not “revolutionary” in nature. Applicants shall provide full details of the technological changes introduced in the proposed equipment and software.

41.5 The Applicant shall submit the names, addresses, telephone numbers and fax numbers of the two network operators referred to in section 41.3. The Applicant

shall also submit letters from either the proposed equipment suppliers or the two network operators certifying satisfactory performance of the proposed equipment and software. USFCo reserves the right to verify the quality of the equipment and software and its satisfactory performance in actual service with the two network operators.

- 41.6 As an alternative to meeting the requirements of sections 41.3, 41.4 and 41.5 above, the Applicant must demonstrate satisfactory performance of the proposed equipment and software as part of the operations it has identified pursuant to section 39 of this RFA for a minimum period of one year prior to the date of submission of the Proposal.

42. **Eligibility to Receive USF Subsidy**

The Applicant must demonstrate that the proposed USF Service Provider is eligible to receive the USF Subsidy pursuant to the *World Bank Procurement Guidelines*. An extract from the *World Bank Procurement Guidelines*, and related information, is included as Annex 3 to this RFA.

43. **Period of Validity of Proposal**

The Proposal shall remain valid for 180 days from the closing date identified in section 51.8 of this RFA.

44. **Bid Bond**

- 44.1 The Applicant shall furnish a Bid Bond in the minimum amount of PKR 1,500,000 in the form of Annex 2 to this RFA and issued by a reputable bank located in Pakistan that is acceptable to USFCo.
- 44.2 The Applicant shall complete the Bid Bond in the form of Annex 2. The form must be completed without alterations to its format, and no substitutes shall be accepted. All blank spaces shall be filled in with the information requested.
- 44.3 The Bid Bond of a consortium must be in the name of the lead member of the consortium.
- 44.4 The Bid Bond shall remain valid for a minimum period of 210 days from the closing date identified in section 51.8 . USFCo will not be obligated or liable to pay any accumulated interest on the Bid Bond.
- 44.5 The Bid Bond of all unsuccessful Applicants, other than the Qualified Applicant that has submitted the next lowest USF Subsidy proposal for the USF Areas, will be released not later than 30 days after USFCo issues a Letter of Intent pursuant to section 54.1.
- 44.6 The successful Applicant's Bid Bond, and the Bid Bond of the Qualified Applicant that has submitted the next lowest USF Subsidy proposal for the USF Areas, will be

released not later than 30 days after the execution of the USF Services and Subsidy Agreement.

44.7 Notwithstanding section 44.6, the Bid Bond shall be forfeited by an Applicant in any of the following cases:

- (a) the Applicant withdraws its Proposal prior to execution of the USF Services and Subsidy Agreement;
- (b) where the successful Applicant has received from USFCo a Letter of Intent to execute the USF Services and Subsidy Agreement and the USF Service Provider proposed by the Applicant fails or refuses to submit the Performance Bond in accordance with sections 54 and 55 of this RFA;
- (c) if after the issuance of the Letter of Intent the USFCo determines that Applicant is disqualified pursuant to section 45.1 of the RFA; and
- (d) the USF Service Provider proposed by the successful Applicant does not execute the USF Services and Subsidy Agreement within 15 days of concluding final negotiations with USFCo.

44.8 On the occurrence of any of the forfeiture events identified above in section 44.7, USFCo shall be entitled to select another Applicant. In such an event, USFCo may award the USF Services and Subsidy Agreement to the USF Service Provider proposed by the Qualified Applicant that proposed the next lowest USF Subsidy for the USF Areas for which the first-selected Applicant proposed the lowest USF Subsidy.

45. **Grounds for Rejection of Proposal**

45.1 USFCo shall reject Proposals and remove them from further consideration for any of the reasons set out below:

- (a) Failure to submit the Proposal by the prescribed deadline.
- (b) Failure to submit a complete Proposal in accordance with this RFA.
- (c) Failure to comply with any of the procedures or other requirements established by this RFA.
- (d) Default by a USF Contributor in making USF contribution payments.
- (e) Failure to submit the Bid Bond amount specified in this RFA.
- (f) Serious inaccuracy or misrepresentation of any material facts in any part of the Proposal.

- (g) Any “corrupt practice”, meaning the offering, giving, receiving or soliciting of any thing of value to influence the action of a public official in relation to competitive process established by this RFA, or the execution of the USF Services and Subsidy Agreement.
- (h) Any “fraudulent practice”, meaning a misrepresentation of facts in order to influence the results of the competitive process established by this RFA, or the execution of the USF Services and Subsidy Agreement, to the detriment of USFCo.
- (i) Any “collusive practice”, meaning a scheme or arrangement between two or more Applicants (prior to or after Proposal submission), designed to establish bid prices at artificial, non-competitive levels or otherwise to deprive USFCo of the benefits of free and open competition.
- (j) Any “coercive practice”, meaning harming or threatening to harm, directly or indirectly, persons or their property to influence their participation in the competitive process established by this RFA, to influence the action of a public official in relation to competitive process established by the RFA or to affect the execution of the USF Services and Subsidy Agreement.
- (k) Any “conflict of interest”, meaning any association with consultants or other advisors retained by USFCo or GoP to advise on the design or implementation of the RFA Process; or participating in more than one Proposal in this RFA Process.

45.2 In addition, the Bank will:

- (a) cancel the portion of the Loan allocated to a contract if it determines at any time that representatives of USFCo or of a beneficiary of the Loan engaged in corrupt, fraudulent, collusive or coercive practices during the RFA Process, without USFCo having taken timely and appropriate action satisfactory to the Bank to remedy the situation;
- (b) sanction a firm or individual, including declaring them ineligible, either indefinitely or for a stated period of time, to be awarded a Bank-financed contract if it at any time determines that they have, directly or through an agent, engaged, in corrupt, fraudulent, collusive or coercive practices in competing for, or in executing, any Bank-financed contract; and
- (c) have the right to require any Applicant, or its proposed USF Service Provider, contractors and consultants, to permit the Bank to inspect their accounts and records and other documents relating to the Proposal and participation in the RFA Process, and to have those records audited by auditors appointed by the Bank.

45.3 **Subsequent Disqualification** - If evidence of any of the activities referred to in sub-sections 45.1 (e) to (j) is disclosed after the USF Services and Subsidy Agreement

has been executed, USFCo may terminate the USF Services and Subsidy Agreement without compensation. Disclosure of such evidence will also entitle the Bank or other institution of the World Bank to decline to finance the USF Subsidy, and for USFCo to seek repayment of any part of the USF Subsidy that may have been paid. The provisions of this section are in addition to any criminal or civil legal action which may be available to or taken by any government or regulatory authority, including PTA and USFCo.

- 45.4 USFCo will declare an Applicant ineligible, either indefinitely or for a stated period of time, to be awarded a USFCo financed contract if it at any time it determines that the Applicant has engaged in corrupt, fraudulent, collusive or coercive practices in applying for, or in performing, a USFCo financed contract.

46. **Content and Format of Proposals**

Each Proposal shall be assembled in two separate parts, contained in separate and clearly marked envelopes, as follows:

- (a) **Part 1** - “Qualifications and Service Proposal”, setting out information about the Applicant, the USF Service Provider proposed by the Applicant, the USF Network and the USF Service proposal of the Applicant; and
- (b) **Part 2** - “USF Subsidy Proposal”, which shall set out the proposed USF Subsidy amount for the USF Areas.

The required content and form of each Part of the Proposal are outlined in more detail below. All parts of the Proposal must be printed using indelible ink.

47. **Part 1 Structure Requirements – Qualifications and Service Proposal**

Part 1 of the Proposal shall include the following documents and information:

47.1 **Cover Letter and Attachments**

- (a) The cover letter and each page of the attached proposal materials must be signed by a person or persons duly authorised to act on behalf of the Applicant. Where the Applicant is a consortium, the cover letter and attachments must be signed by a person or persons duly authorised to act on behalf of each member of the consortium.
- (b) The cover letter must provide a summary description of the Applicant, including the members of any Consortium Applicant, and of the USF Service Provider proposed by the Applicant.
- (c) The cover letter must indicate a firm commitment to engage in final negotiation of the USF Services and Subsidy Agreement promptly and in good faith.

- (d) The cover letter must confirm that the Proposal is open for acceptance by USFCo for 180 (one hundred and eighty) days from the bid closing date identified in section 51.8 of this RFA.
- (e) Attached to the cover letter must be one or more Powers of Attorney or notarised certificates that clearly evidence the authority of the signatory(ies) of the cover letter and other documents submitted with the Proposal which require signature on behalf of the Applicant, a shareholder of the Applicant, the members of the Applicant consortium, if applicable, or the USF Service Provider proposed by the Applicant.
- (f) Also included with the cover letter, must be the Bid Bond in the form of Annex 2 to this RFA, pursuant to section 44.

47.2 **Information Regarding the Applicant**

The following information must also be included in Part 1 of the Proposal:

- (a) **Eligibility Information** - The Applicant must provide documentation that clearly demonstrates that it meets the eligibility requirements set out in sections 36, 37, 38, 39, 40, 41 and 42 of this RFA.
- (b) **Network Description** - The Applicant must provide a concise description of the planned network of the proposed USF Service Provider. The proposed USF Network must be consistent with the requirements specified in the USF Services and Subsidy Agreement, including, but not limited to, the USF Services specifications in Schedules A and B to that agreement. The network description shall include:
 - (i) a description of the local access, transmission, switching, routing and interface technology to be employed, including applicable technical standards, and a network map illustrating the intended network architecture and USF Network installations;
 - (ii) a summary description of the roll-out and service coverage plans for the USF Network and USF Services, that meet or exceed the Project Implementation Milestones;
 - (iii) the frequency spectrum to be used by the USF Service Provider (including the frequency spectrum bands, numbers of channels, radio-communications equipment, characteristics and anticipated type of use);
 - (iv) the specific USF Network bandwidth capacity estimated by the Applicant as required to meet traffic requirements in the USF Areas over the first five years of commercial operations, and how that capacity will be provided by the USF Service Provider;

- (v) proposed interconnection points. The Applicant should specify how it intends to connect its voice traffic to the PSTN and its Internet traffic to the Internet. For voice, this should include the number and size of interconnection circuits and points of interconnection, including their location, required during the first five years of operation. For Internet, this should include the backhaul capacity per community, and plans for local or national peering. Backhaul, interconnection and peering arrangements should make maximum use of existing services and facilities available from other service providers in order to minimize subsidy requirements.

The network description provided by the Applicant must clearly demonstrate that the USF Service Provider will extend transmission and/or backhaul facilities into the USF Areas, with sufficient planned capacity to meet the requirements of the USF Services.

It is also important to note that the USF Service Provider must construct and operate its network substantially in accordance with the plans submitted and the technology described in the Proposal, and such plans and technologies must meet the requirements specified in this RFA and the USF Services and Subsidy Agreement.

(c) **Operations Description** - The Proposal must include:

- (i) a general description of the intended operations of the Universal Service Provider, including its general approach to implementation of the USF Network and provision of the USF Services; and
- (ii) a brief description of any land or rights in land (i.e. rights of way) that must be acquired for the operations, the estimated cost of acquiring such land or rights in land and the impact acquiring such rights might have on the Applicant's network roll-out plan.

(d) **Quality of Service Description** - The Proposal must include a summary of the methodology and processes that will be implemented by the proposed USF Service Provider to meet the service requirements and quality of service standards identified in Schedules A and B to the USF Services and Subsidy Agreement, including performance monitoring, reporting and fault resolution processes.

(e) **Projected Financial Statements** - The Applicant must provide projected financial statements for years one through five of the USF Service Provider, including an income statement, balance sheet and statements of sources and application of funds for the USF Service Provider prepared in accordance with internationally accepted accounting standards. For this purpose, the financial statements shall treat the USF Subsidy amount as if it were part of the debt or equity of the USF Service Provider. The financial statements shall

include projections of fee revenues from the USF Services and any Optional Services.

- (f) **Tariffs and Charges** - The Proposal must include the following information:
- (i) a clear description of the proposed tariffs and service charges for the USF Services; and
 - (ii) a clear description of the National or Regional tariffs of the proposed USF Service Provider, which correspond to the proposed tariffs for the USF Services, sufficient to demonstrate that the proposed tariffs for the USF Services will not exceed corresponding National or Regional tariffs.

It is important to note that the USF Service Provider must provide the USF Services in accordance with the tariffs described in the Proposal, and such tariffs must meet the requirements specified in this RFA and the USF Services and Subsidy Agreement.

47.3 **Additional Information**

The Applicant shall include with Part 1 of its Proposal the following:

- (a) The Applicant's comments on the draft USF Services and Subsidy Agreement or any other transaction documents or requirements, **including particularly any terms or conditions that the Applicant cannot or will not comply with**; and
- (b) Any information that does not specifically respond to this RFA, but that the Applicant thinks is relevant to the Proposal.

48. **Part 2 Structure Requirements – Subsidy Proposal**

Part 2 of the Proposal shall include the following documents and information:

- 48.1 **Subsidy Proposal** – The Applicant must provide a completed USF Subsidy Proposal Form prepared in accordance with Annex 1 to this RFA. As indicated in Annex 1, the amount of the proposed USF Subsidy shall be set out in words and numbers and in the event of any discrepancy between the words and numbers, the amount set out in words shall govern.
- 48.2 **Currency of Subsidy Proposal** – The proposed USF Subsidy shall be stated in PKR.
- 48.3 **USF Areas** – The Applicant's USF Subsidy Proposal must state the proposed amount of USF Subsidy for implementation of the USF Network and delivery of the USF Services throughout the USF Areas.

- 48.4 **Calculation of Subsidy** – The Proposal must include a concise financial analysis detailing the calculation of the proposed USF Subsidy amount. The information furnished in this regard will be kept strictly confidential by USFCo; however, and as indicated in section 53(b), USFCo shall be entitled to publicly announce the total amount of each Applicant’s USF Subsidy Proposal. The financial analysis must clearly demonstrate the breakdown of projected USF Network costs, itemized to show the costs of the USF Network components identified pursuant to section 47.2(b), per community or population area served. The financial analysis must also demonstrate that the total projected capital expenditure by the Applicant to serve the USF Areas exceeds the amount of the Applicant’s USF Subsidy Proposal by at least twenty-five percent (25%).

49. **Compliance Checklist**

- 49.1 A “Compliance Checklist” is attached as Annex 5 to this RFA. Applicants must include a completed Compliance Checklist in each copy of their Proposals, and may find it a useful reminder of the documents and information required to be included in their Proposals.
- 49.2 When completing the Compliance Checklist, Applicants must identify the specific parts and page numbers of their Proposals that correspond to the documents and information identified in the Compliance Checklist.

50. **Pre-Proposal Meeting**

- 50.1 USFCo shall conduct a “pre-Proposal meeting” at the office of USFCo unless otherwise directed, on 13 July 2007 at 10:00am. The purpose of the meeting will be for USFCo to provide answers to the written questions posed and comments made by potential Applicants (see sections 57.5 and 57.6 regarding the submission of questions and comments), and to otherwise clarify or amend the RFA Process and related documentation. A maximum of four authorised representatives of each potential Applicant shall be entitled to attend the meeting.
- 50.2 USFCo will keep a register of all those who are present at the pre-Proposal meeting. All representatives from the Applicants and USFCo attending the meeting shall sign the register.
- 50.3 USFCo will prepare minutes of the pre-Proposal meeting. The minutes, and the text of any written questions and answers from Applicants, will be published by USFCo on the USFCo website.
- 50.4 Responses to the written questions and results of the pre-Proposal meeting shall not constitute an amendment to the RFA documents or the RFA Process unless USFCo re-issues the affected RFA documents with a specific identification of the resulting amendments.
- 50.5 Any amended RFA documents thus issued shall become the applicable statement of the RFA Process, and shall be communicated in writing to all Applicants. Applicants

shall promptly acknowledge receipt of any amended documents by email to the USFCo project administrator identified in section 10.1.

- 50.6 USFCo may extend the deadline for submission of Proposal as required to give Applicants reasonable time in which to take account of any amended RFA documents.

51. **Submission of the Proposal**

- 51.1 The Applicant shall prepare the Proposal as follows:

- (a) The Applicant shall prepare five copies of the Proposal, clearly marking the first copy "Original Proposal" and the 2nd, 3rd, 4th and 5th copies "Copy of Proposal".
- (b) The Applicant shall also prepare one electronic copy of the Proposal (i.e. a CD-ROM or DVD containing a copy of the Proposal that is in a format readable by Microsoft Office or Adobe Acrobat software).
- (c) All copies of the Proposal shall be clearly marked with the name of the Applicant.
- (d) In the event of any discrepancy between copies, the original shall govern.

- 51.2 As indicated in section 46, the Proposal consists of two separate parts: Part 1, the Qualification and Service Proposal; and Part 2, the USF Subsidy Proposal. Each part of the Proposal shall be separated into clearly labelled envelopes, with each envelope containing the five copies of the applicable part of the Proposal. The envelopes containing the separate parts of the Proposal shall be packaged together in a single box or other container. The container shall be sealed; that is securely packed and closed, so that it is not possible to open it without visual evidence thereof.

- 51.3 Each Proposal package shall be clearly marked with the following information:

Proposal to Provide USF Telecommunications Services

Name of Applicant:

Local Contact Name, Phone Number and E-Mail Address:

"DO NOT OPEN, EXCEPT IN PRESENCE OF USFCo EVALUATION COMMITTEE"

- 51.4 USFCo will provide a written receipt confirming the delivery of each Proposal received prior to the closing date and time.

- 51.5 The Bid Bond should be enclosed in a separately sealed envelope clearly marked with the name of the Applicant and the text "Bid Bond". This envelope should be included in the container that includes all Proposal contents (see section 51.2), and delivered with the assemble Proposal package.

- 51.6 **Delivery of the Proposal** - The Proposal packages shall be delivered to the following address before the closing date and time identified in section 51.8:

The Chief Executive Officer
USFCo
Fifth Floor, HBL Tower, Jinnah Avenue,
Islamabad
Pakistan

- 51.7 If the Proposal container is not sealed and marked properly, USFCo will assume no responsibility for the Proposal or the disposition of its contents. Improperly marked or sealed packages may be rejected by USFCo.
- 51.8 **Closing Date for Submission of the Proposal** - The sealed Proposal package shall be delivered to USFCo at the address specified in section 51.6 no later than 1:00 pm on 16 August, 2007.
- 51.9 **Late Proposal** - Proposals received after the closing date and time identified in section 51.8 shall be returned to the Applicant(s).

52. **Opening of Proposals**

- 52.1 USFCo will publicly open the duly received Proposals, in the presence of authorised representatives of any Applicants who desire to attend, commencing at 3:00 pm on the closing date identified in section 51.8, at office of USFCo. The opening will proceed whether one or more representatives of Applicants are present or absent. Following opening of the Proposals, USFCo will proceed with evaluation of the Proposals in accordance with section 53.
- 52.2 All Proposals shall be opened one at a time, with a representative of USFCo reading out the name of the Applicant and any other Applicant information that USFCo may consider appropriate. Only Proposals identified during this Proposal opening shall be considered for further evaluation. No Proposals shall be rejected at Bid opening except for late Proposals or any Proposals that are not accompanied by a Bid Bond.
- 52.3 USFCo shall prepare a record of the initial Proposal opening that shall include, at a minimum, the name of the Applicant, the presence or absence of a Bid Bond and identification of any Proposals rejected for late submission. The Applicants' representatives who are present shall be requested to sign an attendance sheet. A copy of the record shall be distributed to all Applicants.

53. **Evaluation of Proposals**

Further evaluation of the Proposals identified, but not initially rejected, pursuant to section 52 will proceed as follows:

- (a) USFCo will review each Applicant's "Qualifications and Service Proposal" (Part 1 of the Proposal) to determine whether or not each Applicant is a

Qualified Applicant within the meaning of section 34.1 of this RFA. Applicants that fail to satisfy the criteria identified in section 34.1 for becoming a Qualified Applicant will be rejected. USFCo will identify the grounds for rejection in a letter to each Applicant that fails to qualify as a Qualified Applicant.

- (b) USFCo will open and review each Qualified Applicant's "USF Subsidy Proposal" (Part 2 of the Proposal). USFCo will identify the date and time of opening the USF Subsidy Proposals, and representatives of Qualified Applicants will be entitled to attend the opening of the USF Subsidy Proposals. The representatives of Qualified Applicants who are present at the opening shall be requested to sign an attendance sheet. A representative of USFCo shall read out or otherwise announce the amount of USF Subsidy proposed by each Qualified Applicant.
- (c) **Awarding USF Services and Subsidy Agreement** – Subject to section 61, the USF Services and Subsidy Agreement will be awarded to the Qualified Applicant that proposes the lowest USF Subsidy for the USF Areas.
- (d) USFCo will prepare minutes for the USF Subsidy Proposal opening meeting. The minutes will be sent to all Qualified Applicants and will be published by USFCo on its website.
- (e) **Ties** - In the event that there is more than one Applicant bidding the lowest USF Subsidy for one or more USF Areas, USFCo shall proceed as follows:
 - (i) The tied Qualified Applicants will receive written notice of the tie and instructions for submission of second round bids.
 - (ii) The Qualified Applicants will proceed to a second round of bidding in which they will submit new USF Subsidy Proposals that comply with the requirements of section 48.
 - (iii) The new USF Subsidy Proposal amount submitted by a Qualified Applicant must be smaller than or equal to the original USF Subsidy Proposal amount submitted by the Qualified Applicant.
 - (iv) The new USF Subsidy Proposals shall be delivered in a sealed envelope, that is, securely closed so that it is not possible to open it without visual evidence thereof, to the address identified in section 51.6 and before the date and time specified in the written notice referred to in section 53(e)(i). New USF Subsidy Proposals will not be accepted after the date and time specified in the written notice referred to in section 53(e)(i).
- (f) USFCo's determinations in the evaluation process shall be final and binding upon Applicants, subject to the laws of Pakistan.

54. **Letter of Intent**

- 54.1 USFCo will issue a Letter of Intent (“LOI”) to the successful Qualified Applicant to confirm USFCo’s intention to grant the USF Services and Subsidy Agreement to the USF Service Provider proposed by the Applicant. The LOI will also require the USF Service Provider proposed by a successful Applicant to submit the required Performance Bond within 10 days of receipt of the LOI.
- 54.2 If the USF Service Provider proposed by the Applicant to whom the LOI is directed does not submit the required Performance Bond within 10 days from the date of issue of the LOI, USFCo may:
- (a) cause the Applicant to forfeit the Bid Bond pursuant to section 44.7 above;
 - (b) disqualify the Applicant and the USF Service Provider proposed by the Applicant; and
 - (c) issue another LOI to the Qualified Applicant that has submitted the next lowest USF Subsidy proposal for the USF Areas.
- 54.3 An Applicant to whom a LOI is directed must accept the LOI by notice in writing (the “Letter of Acceptance”) to USFCo within five (5) days from the date of receipt of the LOI.
- 54.4 It is the intention of USFCo that the USF Services and Subsidy Agreement (the “Contract”) will be finally negotiated and signed within 30 days of the date of issue of the LOI. In the event that USFCo and the recipient of the LOI are unable to finalize the terms of the Contract within the 30 day period, USFCo shall be entitled to terminate negotiations, return the Performance Bond and issue another LOI to the Qualified Applicant that has submitted the next lowest USF Subsidy proposal for the USF Areas.
- 54.5 Once the Contract has been entered into with the USF Service Provider put forward by the winning Applicant, USFCo shall publish the results of the RFA Process including at least the following information: (i) name of each Applicant who submitted a Proposal; (ii) name of Applicants whose Proposals were rejected, and the reason(s) for their rejection; (iii) the USF Subsidy Proposal amounts as read out at the subsidy proposal opening; (iv) the name of the winning Applicant; and (v) a summary of the resulting Contract. The information shall be published on USFCo’s website, and may be published in any other manner directed by USFCo, GoP or the Bank.

55. **Performance Bond**

A USF Service Provider proposed by an Applicant to whom an LOI has been directed shall furnish the Performance Bond in accordance with this RFA Process and the USF Services and Subsidy Agreement. The Performance Bond shall be prepared in the form of Schedule

F to the USF Services and Subsidy Agreement, and shall be furnished within ten (10) days of the date of issue of the LOI.

56. **Information Provided by USFCo**

56.1 The information contained in this RFA and any other information provided to Applicants during the Proposal process is intended to assist Applicants in the preparation of their Proposals. USFCo will ensure that all Applicants are provided with the same information during the Proposal process, in accordance with sections 57.5 and 57.6 of this RFA.

56.2 USFCo has made and will continue to make reasonable efforts to include accurate and current information in this RFA and in any other documentation provided to Applicants and potential Applicants. However, neither USFCo nor any of its agencies, employees, representatives, advisors or consultants shall have any liability whatsoever to any Applicant or any of its shareholders or members or any other Person resulting from use of or reliance on any of the information so provided. Applicants are encouraged to undertake their own verification of any information supplied by USFCo prior to use of or reliance on that information.

57. **Communications, Comments and Requests for Clarification**

57.1 All deliveries, notices or other communications made by USFCo to Applicants in connection with the Proposal process shall be sent by fax, e-mail or personal delivery to the registered office of the Applicant, as specified at the time the Applicant registered with USFCo pursuant to this RFA Process.

57.2 All deliveries, notices or other communications made by Applicants to USFCo in connection with the Proposal process, except for submission of the Proposal itself, shall be sent in writing by e-mail or personal delivery, unless otherwise specified by USFCo, to the contact person and address specified in section 10.1.

57.3 Subject to section 57.7, during the period between the deadline for submissions of Proposals and the award of the USF Subsidy, no Applicant, no USF Service Provider proposed by an Applicant and no party interested in a Proposal shall be permitted to discuss the merits of any Proposal with any representative of USFCo. Any communications, or attempted communications, in contravention of this section shall be grounds for immediate disqualification.

57.4 Applicants are expected to carefully examine all instructions, forms and annexes in this RFA. Failure to furnish all information required by this RFA or the submission of a Proposal that does not comply with the RFA in all respects may result in disqualification of the Proposal.

57.5 A prospective Applicant requiring any clarification of this RFA or the draft USF Services and Subsidy Agreement may pose one or more questions to USFCo in writing by e-mail or personal delivery up to twenty one (21) days prior to the closing date for Proposals. USFCo will respond in writing to such written questions

following the pre-proposal meeting described in section 50 above. Written questions received by USFCo less than twenty one (21) days prior to the closing date will not be answered.

- 57.6 A prospective Applicant may make comments on the structure and contents of this RFA or the draft USF Services and Subsidy Agreement. Such comments should be sent in writing by e-mail or personal delivery to USFCo up to twenty one (21) days prior to the closing date for Proposals. USFCo will respond in writing to such written comments following the pre-Proposal meeting described in section 50 above. USFCo will not respond to written comments received by USFCo less than twenty one (21) days prior to the closing date.
- 57.7 To assist in the examination and evaluation of Proposals, USFCo may, at its discretion, ask any Applicant for a clarification of its Proposal. Any clarification submitted by an Applicant in respect to its Proposal that is not in response to a request by USFCo shall not be considered. USFCo's request for clarification and any response shall be in writing. Subject to sub-section 53(e), no change in the proposed USF Subsidy amount shall be sought, offered or permitted, except to confirm the correction of arithmetic errors discovered by USFCo in the evaluation of the Proposals.

58. **Confidentiality of Proposals**

- 58.1 Except for the public opening of USF Subsidy Proposals pursuant to section 53, USFCo shall treat all Proposals received in relation to this RFA as confidential during the period before the award of the USF Services and Subsidy Agreement.
- 58.2 USFCo and its agencies, employees, representatives, advisors or consultants shall take reasonable steps to protect Proposal related information from improper use or disclosure; however, liability for disclosure shall be subject to the limitation set out in section 62.3.
- 58.3 Information relating to the examination, evaluation, comparison, and qualification of Proposals, and any recommendation of Contract award, shall not be disclosed by any representative of USFCo or GoP to Applicants or any other Persons not officially concerned with such process except as specifically permitted by sections 52, 53 and 54.5 of this RFA.

59. **USFCo Use of Proposals**

Subject to compliance with intellectual property laws of Pakistan, and section 58 above, USFCo shall have the right to use or reproduce ideas and information contained in a Proposal without notice or payment of any kind to the Applicant.

60. **Cost of Proposal and Bidding**

The Applicant shall bear all costs associated with the preparation and submission of its Proposal and USFCo will in no case be responsible for any such costs, regardless of the conduct or outcome of the Proposal process.

61. **Reservation of Rights**

61.1 USFCo reserves the right, in its sole discretion, to take any action, including amendment of this RFA, which it considers necessary to ensure that the RFA Process proceeds in a fair, open and transparent manner, in accordance with the laws of Pakistan and to meet the objectives of USFCo.

61.2 USFCo reserves the right to modify or terminate the RFA Process at any time in its sole discretion.

61.3 USFCo is not legally obligated to execute the USF Services and Subsidy Agreement. It may terminate the RFA Process or revoke an award of the USF Services and Subsidy Agreement at any time before the USF Services and Subsidy Agreement is executed.

62. **Legal and Formal Requirements**

62.1 **Governing Law** - This RFA and any USF Services and Subsidy Agreement executed pursuant to this RFA shall be exclusively subject to, and interpreted in accordance with, the laws of Pakistan.

62.2 **Settlement of disputes** - Any dispute, controversy or claim arising out of or in connection with this RFA document, or the breach, termination or invalidity thereof, shall be subject to the dispute resolution terms and processes set out in Annex 7 to this RFA.

62.3 **Limitation of Liability** – Neither GoP nor any of its Ministries, agencies, employees, representatives, advisors or consultants, including USFCo and its officers, employees and contractors, shall incur any liability whatsoever to any Applicant or any USF Service Provider proposed by an Applicant, or any of their respective shareholders or members or any other Person, in connection with any damages, losses, expenses or injury whatsoever, including but not limited to loss of revenue, opportunity, or goodwill, resulting from participation in the RFA Process, including reliance of any person on the information set out in this RFA; it being understood and agreed that USFCo's or GoP's liability for damages shall, in any event, be limited to such amount as may have been actually paid by an Applicant or other person to participate in the RFA Process.

62.4 **Language** - The Proposal, the accompanying documents, and all correspondence relating to this RFA shall be submitted in the English language.

Part IV Definitions

63. **Definitions**

In this Request for Applications (RFA), unless the subject matter or context otherwise requires, the following terms shall have the following meanings:

“Act” means the *Pakistan Telecommunication Act (Re-Organization) Act, 1996*, XVII of 1996, as amended, and any successor legislation;

“Applicant” means any Person that registers itself with USFCo as an Applicant for purposes of this RFA, having obtained a copy of this RFA from USFCo;

“Bank” means the bank which is providing the Loan and related financing for the project pursuant to section 2.2 of this RFA;

“Basic Public Telephone Access Service” means the services that a USF Service Provider is obliged to provide under Section 2.03(a) and Schedule A of the USF Services and Subsidy Agreement;

“Bid Bond” means the financial security for the bid, including any pay order or demand draft in the name of USFCo, that an Applicant must furnish to USFCo in accordance with section 44 of this RFA;

“Borrower” means the GoP, as recipient of the funding described in section 2.1 of this RFA;

“Compliance Checklist” means the form set out in Annex 5 to this RFA that Applicants must complete in accordance with section 49 of this RFA;

“Consortium Applicant” means a group of Persons, including a joint venture, that submits a Proposal on behalf of its members, and that meets all eligibility requirements identified in section 37.6 of this RFA;

“Contract” means the USF Services and Subsidy Agreement signed with one or more successful Qualified Applicants on successful conclusion of the RFA Process;

“Control” of a Person other than an individual means the ownership of at least 51% (fifty-one percent) of the voting interests in the subject Person; or the possession, directly or indirectly, of the power to direct or cause the direction of the management of that Person, whether through the ownership of shares, voting, securities, partnership or other ownership interests, agreement or otherwise;

“GoP” means the Government of Pakistan;

“Interconnection Regulations” means any interconnection regulations, rules or guidelines that may be issued by PTA from time to time;

“Internet Access Services” means the services that a USF Service Provider is obliged to provide under Section 2.03(a) and Schedule B of the USF Services and Subsidy Agreement;

“Letter of Acceptance” means the letter described in section 54.3 of this RFA.

“Letter of Intent” or **“LOI”** means the letter described in section 54.1 of this RFA.

“Licence” means any telecommunications licence granted by the PTA to the USF Service Provider which authorizes it to provide the USF Services, as that Licence may be amended;

“Loan” means the funding received by the GoP, described in section 2.2 of this RFA;

“Optional Services” means services that a USF Service Provider is authorized but not required to provide pursuant to the USF Services and Subsidy Agreement and any Licences held by a USF Service Provider;

“Performance Bond” means the financial security for performance a USF Service Provider must furnish in accordance with section 55 of this RFA;

“Person” means any individual, firm, company, corporation, partnership, joint venture or other consortium, government or governmental entity;

“Point of Interconnection” or **“POI”** means a connection point between the networks of two telecommunications service providers;

“Project Implementation Milestones” means the milestones for the roll-out of the USF Network and provision of the USF Services identified in Schedule D of the USF Services and Subsidy Agreement;

“Proposal” means a proposal submitted by an Applicant in response to this RFA;

“PSTN” means the public switched telecommunications network of Pakistan;

“PTA” means the Pakistan Telecommunication Authority, a statutory body corporate established under Section 3 of the Act, and its predecessors and successors;

“Qualifications and Service Proposal” means Part 1 of the Proposal that Applicants must prepare in accordance with section 47 of this RFA;

“Qualified Applicant” has the meaning ascribed thereto in section 34 of this RFA;

“RFA” means this Request for Applications, including all annexes hereto, as amended or modified by USFCo;

“Technical Auditor” means the Person appointed in accordance with Section 8.01(a) of the USF Services and Subsidy Agreement;

“USF Areas” mean the geographical areas described in Schedule C of the USF Services and Subsidy Agreement;

“USF Contributor” means any Person whose licence includes an obligation to contribute 1.5% of annual gross revenues to the Universal Service Fund, less inter-operator fees and related payments mandated by the Pakistan Telecommunications Authority (PTA) or Frequency Allocation Board (FAB);

“USF Network” means the licensed telecommunication system to be constructed by a USF Service Provider to provide USF Services pursuant to the USF Services and Subsidy Agreement;

“USF Rules” means the Universal Service Fund Rules, 2006 (as amended);

“USF Service Provider” means the Person put forward by an Applicant that will provide the USF Services in accordance with the USF Services and Subsidy Agreement;

“USF Services” means the Basic Public Telephone Access Services and Internet Access Services to be provided by a USF Service Provider pursuant to the USF Services and Subsidy Agreement;

“USF Services and Subsidy Agreement” means the agreement, a draft of which is annexed as Annex 6 to this RFA, for the construction and roll-out of the USF Network, provision of the USF Services and payment of the USF Subsidy to be granted pursuant to this RFA;

“USF Subsidy” means the subsidy to be paid by USFCo to the USF Service Provider on the USF Service Provider achieving the Project Implementation Milestones;

“USF Subsidy Proposal” means Part 2 of the Proposal that Applicants must prepare in accordance with section 48 of this RFA;

“USF Subsidy Proposal Form” means the form attached at Annex 1 of this RFA; and

“USFCo” means the USF (Guarantee) Limited and its successors.

End of Part IV