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Peri-urban Areas of Nepal (PS-4)**

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ABBREVIATIONS

ADDCN	Association of District Development Committees of Nepal
DDC	District Development Committee
ICT	Information and Communication Technologies
IDA	International Development Association
IFDF	ICT Facility Development Fund
INGO	International Non-Government Organisation
MOIC	Ministry of Information and Communication
MOSTE	Ministry of Science and Technology and Environment
NGO	Non-Government Organisation
NTA	Nepal Telecommunications Authority
PS-4	The consultant project within which this manual has been prepared, financed by The World Bank
RTDF	Rural Telecommunication Development Fund

1. Introduction

ICT Facility Development Fund (IFDF) is a fund for supporting development of ICT facilities, services and utilisation, mainly in rural areas. It is one of several Government undertakings for development of rural and peri-urban Nepal. The IFDF supports services that the entire population can use, independent of income and literacy, such as broadcasting and telephones (fixed and mobile), but also services that require education and relatively good literacy, such as Internet. The IFDF does not support telecommunications infrastructure. The IFDF supports development, utilisation, training and education related to the relevant services in rural areas, as well as content development for the same purposes.

This manual is approved for the purpose of managing IFDF, defining the scope of support, recipients of support, and methods for defining the amount and disbursement of support.

2. General principles

2.1 Definitions

ICT is an abbreviation for Information and Communication Technologies. Generally ICT is not limited to electronic technologies or Internet, it covers e.g., paintings, newspapers and books. For the purposes of this manual, ICT is limited to electronic technologies such as telecommunications (including fixed and mobile telephony, email and Internet), information technologies (e.g., computers and software), copying machines, broadcasting, contents development for broadcasting and Internet, etc.

Rural is defined for the purposes of this manual as areas where development and utilisation of the covered services does not take place to a sufficient extent on a purely commercial basis.

2.2 Purpose and objectives of the IFDF

The IFDF is a fund for supporting access to ICT services in those areas in which access on commercial basis is not available, and developing ICT services for the majority of the population to bridge the digital divide.

The services that IFDF supports are closely related to community activities and community participation. This aspect has to be taken into account in virtually all activities. In this respect IFDF is clearly different from RTDF. IFDF works mainly on a micro-level, while the bulk of the work of RTDF is on a macro level.

Universal Access means public access points focussed on communications services like public phone, public Internet Access point that includes basic terminals like computer, printer, scanner and videocam, when needed for transmission and receptions of voice/audio, text, images, etc. Universal Access is mainly supported from RTDF administered by NTA.

Telecentres (in rural areas) and **Internet cafés** (in urban centres) could also include other ICT services and ICT equipment like photo copier, medical or other equipment and would provide, apart from communication services, information processing, training, repair and

maintenance services. While telecentres and Internet cafés also provide Universal Service, RTDF support is limited to pure public access points without other ICT services which may receive support from IFDF.

Other ICT services include:

1. multipurpose telecentres with facilities beyond telecom;
2. computer training facilities for schools;
3. general radio and TV broadcast related access facilities for communities, community radio facilities;
4. content development for piloting through (radio, TV, and Internet) in the fields of education and training, health, education, agriculture, forestry, tourism and other e-governance services; and
5. portal development for specific purposes to contribute to Poverty alleviation, employment generation and job creation, etc.

IFDF is related to another fund, Rural Telecom Development Fund, RTDF. The two funds will support the following areas:

RTDF	IFDF
telecom infrastructure, mainly one-time investment support	telecentres beyond pure communication, facilities and training
public phones	Internet cafés, training, not investments
public Internet access points (only communication through Internet)	computer training facilities for schools
	community radio and TV broadcasting
	content development
	portal development
	training and support for utilisation of ICTs
	design and planning of rural ICT projects
	research on utilisation

Table 1. The scope of RTDF and IFDF

As can be seen, there is a minor overlap between the two funds. The overlapping areas are public phones and internet access, which are also provided in telecentres and Internet cafés. IFDF requires more community involvement than RTDF.

IFDF is a support fund purely for distributing support, and is not related to licensing. Most of the services supported by IFDF do not require a licence. The main exceptions are broadcasting services.

2.3 Legal framework

2.3.1 Relevant policies and legislation

The relevant legislation consists of policy, primary and secondary legislation.

At the time of approving this Manual, the valid policies are Long-term Policy of Information and Communication Sector, 2059 (2003), the Telecommunications Policy, 2060 (2004). The

valid primary legislation is The National Broadcasting Act, 2049 (1993), the Telecommunications Act, 2053 (1997), the Electronic Transaction Act, 2061(2005) and Development Board Act, 2013 (1956).

2.3.2 Legal status of IFDF and the Management Committee

IFDF is created under the provisions of the Development Board Act, 2013 (1956) as a Development Board with an independent legal entity. IFDF has a Board with the power to decide on the rules, regulations and procedures regarding financial and administrative operations.

IFDF Management Committee has the full power to decide on support to be granted from IFDF funds.

The financial year of IFDF shall be *[to be identified]*.

2.4 Funding

2.4.1 Initial funding

RTDF will provide the initial funding of IFDF from its general funds.

2.4.2 General funds

The main funding of IFDF is the initial funding of IFDF, Government contributions and other general funds obtained from various sources *[note that no permanent stable funding source has been established so far, which is a major concern and may be an obstacle for establishing. Stable partial funding may possibly be based on a levy on telecom operators, who anyway will benefit from usage of ICTs. This may require an amendment of legislation.]*. Administration of IFDF will be paid from the general funds.

2.4.3 Other funding

IFDF may accept other funding from other sources such as the Government or donors, on a case by case basis, provided that the scope of the support is within the approved scope of IFDF.

Other funding may be accepted as untied funds without restrictions, or as tied funds for particular purposes provided that the amount is not less than NRs 10 million. Tied funds shall be used solely for the defined purposes after deduction of an administration fee of 7%, which will be deducted from the tied funds upon receipt and transferred to the general funds. Tied funds and their use shall be accounted and reported separately.

Other untied funding is added to the general funds of IFDF.

2.5 Termination of IFDF

If IFDF is considered unnecessary, the *[to be identified]* may decide to terminate IFDF provided that advance consent is received from the ministry responsible for ICTs. The decision and the consent shall include a schedule and a plan for use of remaining funds.

Upon termination, the remaining funds of IFDF shall become general funds of the *[to be identified]*.

2.6 Related organisations

A similar fund for telecommunications infrastructure development (RTDF) works under NTA. The scope of the two funds is defined as follows:

RTDF supports telecom infrastructure and communication access points in areas where commercially provided infrastructure is not available, while **IFDF** supports provision of other ICTs, such as copying, computer services, contents creation, and related activities in areas where fully commercial provision is not available, or for educational and similar non-commercial purposes. The two funds, as well as other relevant funds, shall coordinate work to avoid overlap and gaps.

RTDF will contribute the initial funds of IFDF, to an amount to be determined.

IFDF should actively cooperate with other related projects. One such project is the Renewable Energy Project¹, an EU project supporting solar energy and other alternative energy for small community type purposes. The project is actively searching suitable applications. IFDF supported projects will require energy, and a combination of these two has obvious synergy potential. The synergy should be planned during annual work plan preparation and during tendering preparation.

3. Organisation

3.1 Overall organisation of IFDF

The tentative organisation of IFDF when fully established is shown in Figure 1.

¹ www.aepcnepal.org.

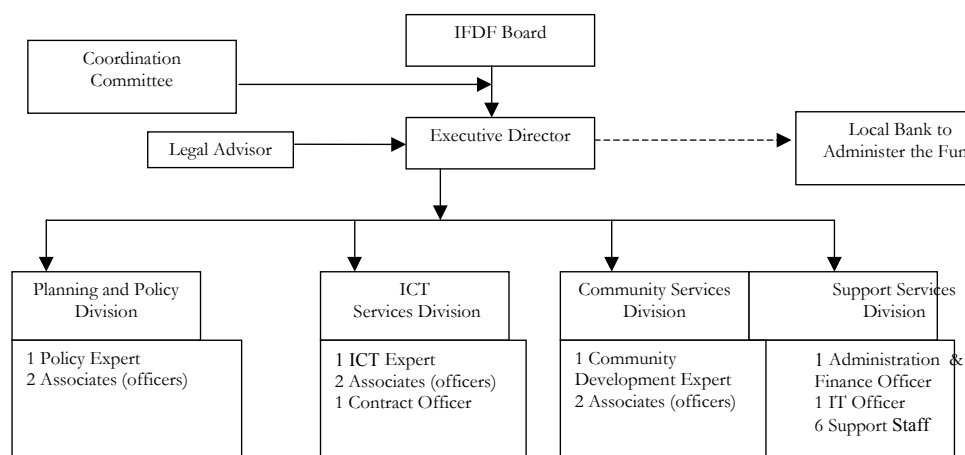


Figure 1. Tentative organisation of IFDF

During the work of IFDF, other committees and cooperation bodies will be formed as required as part of the normal management process.

IFDF Board will decide on organisation as well as the number of staff from time to time.

Some functions, such as the Legal Advisor, may be outsourced.

3.2 IFDF Board

3.2.1 Composition of the Board

The composition of the Board is as follows:

i.	<i>Chairperson, Ministry of Information and Communication</i>	1 seat
ii.	<i>Member, Ministry of Science and Technology and Environment</i>	1 seat
iii.	<i>Member, background rural community development</i>	1 seat
iv.	<i>Member, background DDC/ADDCN</i>	1 seat
v.	<i>Member, Executive Director – IFDF</i>	1 seat
Total Members of the IFDF Board		5 Members

Table 2. Composition of the IFDF Board

The Board shall appoint one of the officers in IFDF as a non-member secretary.

3.2.2 Appointment, dismissal and remuneration of Board members

The *[to be decided]* shall appoint the Board, and solicit proposals for the purpose. Not less than one Board member shall be a woman. The *[appointing body]* shall ensure that members are not subject to conflict of interest. Members can be reappointed.

Members shall be appointed based on 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.

A member that is absent from three out of five consecutive meetings without a valid reason shall be dismissed, and a replacing 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.

3.2.3 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 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.

The Board has the power to delegate authority as required.

3.2.4 Meetings and decisions of Board

Meetings of the Board shall be convened and held as required. The invitation shall include proposals for decisions and underlying material to the extent possible.

A quorum of three voting members shall be required. Decisions shall require a simple majority of voting members present. In case of equal votes, the Chairperson's vote shall be decisive.

In case of conflict of interest regarding a decision, relevant RMC member shall not participate in such decision. Such conflict of interest shall be recorded in the proceedings of the meeting.

3.3 Coordination Committee and ad hoc committees

IFDF shall form a Coordination Committee for policy development, with advisory function.

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 ICT;

- Coordinate among various stakeholders in gathering data and identifying issues;
- Share information on upcoming and running programmes with various stakeholders; and
- Share information on 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 Board shall decide on the number of members in the Coordination Committee from time to time. The Board shall appoint the members of the Coordination Committee 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, and solicit proposals for the purpose. An IFDF Board member will chair the meetings. Also other persons can be invited to meetings of the Coordination Committee, including the press.

The nature of the work of the Coordination Committee is mainly participating in one annual meeting, without formal power or responsibility. For that reason no remuneration will be paid.

The Board may appoint ad hoc committees as required.

3.4 Executive Director of IFDF

The Board shall appoint the Executive Director.

The Executive Director shall have the following duties:

- Manage the day-to-day operations of IFDF;
- Certifications and instructions release for specific subsidy payments to the local bank;
- Coordinate with the Management Committee, donor(s), HMGN and private and other operators;
- Coordination (both internal and external) as well as public relations;
- Maintain sources for information similar to a library on ICT usage provision and on similar funds in other countries;
- Manage finance and funding for meeting objectives & long term goals; and
- Prepare annual plans and other relevant matters for submission to the Management Committee.

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

3.5 Staff of IFDF

3.5.1 Fixed term staff

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

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

3.5.2 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. Administration of IFDF

4.1 Administration of funds and budgeting

The Board of IFDF is responsible for arranging proper administration of the funds of IFDF.

Day-to-day administration (mainly payment of support and payment of other invoices) of IFDF funds shall be outsourced to a suitable bank (IFDF Bank), with international banking rights. The bank shall be selected based on competitive tendering for a period of 3 years.

IFDF shall prepare an annual budget, taking into account the requirements of tied funds.

4.2 Annual report and financial statement

IFDF shall prepare an annual report. The report shall include a report on activities; separating activities financed from general funds and tied funds. The report shall also include a financial statement, separating general funds and tied funds.

The annual report shall be public and available to the public as hard copy, against a reasonable fee, and as soft copy on IFDF Internet site free of charge.

4.3 Auditing and approval of financial statement

IFDF shall prepare an annual report. The report shall include a description on activities; separating activities financed from general funds and tied funds. The report shall also include a financial statement, separating general funds and tied funds, and disbursements. The report shall include a description of consultant contracts and other relevant contracts.

The annual report, the auditing report and the approval shall be public and available to the public as hard copy, against a reasonable fee, and as soft copy on IFDF Internet site free of charge.

5. Work plan

5.1 Annual plan

IFDF shall prepare a work plan for each financial year, for the purpose of internal management of activities, and for informing interested parties about on-going and planned activities.

The annual plan shall include at least the following parts:

- summary of available general funds and tied funds;
- description of on-going projects;
- description of projects due for termination of support;
- description of verification of implementation of projects;
- plan for tendering of new projects;
- research plan, and
- annual budget.

The annual plans should be prepared coordinating activities with other related projects and organisations, such as energy projects, to create synergy and improve efficiency. The cooperation will also be important during promotion of use of communication.

The annual plans shall be prepared taking into account the requirements of the tied funds.

The Board shall approve the plan before the start of the relevant financial year.

The plan shall be available on IFDF Internet site.

5.2 Rolling five year plan

IFDF shall maintain a rolling five year plan, updated annually. The five year plan shall include at least the following parts:

- purpose of the five year plan;
- coverage plan;
- support plan;
- research plan
- five year budget; and
- review of activities and working methods.

The research plan shall include studies on utilisation and user benefits achieved through utilisation of ICTs in rural Nepal, as well as relevant international comparisons.

The five year plan shall be available on IFDF Internet site.

5.3 Plan for initial activities

to be written

5.4 Research

IFDF shall assign a portion (tentatively 5%) of the annual budget to research and studies on relevant topics, not related to projects. Such research shall focus on provision and utilisation of ICTs in rural areas, in particular on the impact on income and poverty alleviation.

The research shall mainly be outsourced to relevant Nepalese parties, universities, research institutions, consultants, NGOs, and others. The recommended method would be to fix the fee and compete on quality. The research publications shall be published on IFDF web site. Annually, a prize should be awarded to the best IFDF publication, and another prize to the best national non-IFDF research publication within IFDF field.

6. Support principles

6.1 Overall support programme

No support will be granted without the explicit approval of the RMC. The RMC may grant bulk approval of specified amounts for particular purposes for minor applications, and rules for disbursement. Such disbursement shall be periodically reported to the RMC.

Initially the support programme will be based on support in the form of grants. Support in the form of loans may be included in the programme later, if considered relevant.

The support programme will be specified using a rolling five year plan and annual plans, as stated above.

The Board shall develop various forms of support and methods for selecting recipients of support. All methods should include cost control. The following methods may be utilised initially, until further methods are developed:

- tendering on maximum output (e.g., offering number of telecentres or number of internet computers in such telecentres);
- tendering on minimum support (specify the output and ask for offers);
- quality based selection, announce support amounts and ask for best quality offers (e.g., research);
- fixed support (fixed amount per unit, below full cost, the applicant bears the balance); and
- half-support / three-quarter support (the applicant bears the balance).

Public phones and public Internet access points as well as several other supported activities are free market businesses, normally working without support. When supporting such activities, the support should take into account that the support does not significantly hamper establishment of additional services and access points without support.

6.2 Classification of supported projects

Levels A - E (TBD)

6.3 Force majeure

Force majeure shall be valid for delays in implementation, areas in which implementation is not possible, as well as interruption of operation.

Upon force majeure, the parties shall negotiate regarding restoration of operation, approved postponing of activities, transfer of activities to other areas, and similar actions that retain the volume of activities. The last alternative should be cancelling of projects.

7. Principles for selection of projects and recipients

7.1 General principles

IFDF is a fund for supporting ICT service provision and utilisation. It should be applied where commercial service provision is not implemented, and to promote usage of ICTs in particular in rural and peri-urban areas. The overall mainstream process for creating countrywide coverage is the following:

Phase	Description and Comments	Year done
Starting point	The situation at the stage of creating IFDF	2005
Pilot project	The pilot project under the PS-4 project	2005
First wave	Create PCOs and cyber cafés in every district centre, and PCOs and internet access points in 1-3 Rural Market Centres (RMCs) per district	200X
Second wave	Create PCOs and / or telecentres in all RMCs that apply, within the budget of IFDF	200Y
Third wave	PCOs and / or telecentres in all population centres that apply for it, and close IFDF	200Z

Table 3. Main phases for increasing supply of ICTs and maximising impact of IFDF

IFDF should also support development of projects for support.

For prioritisation, IFDF 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 service provision, and a compromise between these two will be needed when preparing annual plans and five year plans.

IFDF should be flexible enough to quickly tender minor projects when needed. One possibility is when a major rural development project is starting in an area without internet access. IFDF may issue a minimum subsidy tender between all fixed and mobile operators to provide the area, and another project for relevant community to establish required telecentres. The outcome would be access not only for the project but also for the population in covered area. The quick tenders should be coordinated with provision of power supply and other infrastructure, preferably using support projects for power.

Several different support and disbursement methods will be required for various purposes, and have to be developed over time. One possibility is direct disbursement granted on application without tendering (first come first served), another is bulk disbursement, one decision for a particular type of support. Both forms require a functioning cost control methodology, which will develop over time. A third form may be quality-based selection, e.g., that a certain amount of support is available for standard support (same support for each project), and the selection is based on quality and / or novelty of the applications.

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 IFDF internet site.

7.2 Eligibility of support recipients

Eligibility will have as little restrictions as possible.

For support some applicant prequalification requirements will apply. The following requirements are expected to be relevant:

- the applicant shall demonstrate community support; and
- the applicant shall supply a short business plan that shows that demand, staffing, training, premises, and other relevant aspects have been understood and considered to a reasonable extent.

An applicant will be considered non-eligible for support if support has been decided to be retrieved from the applicant based on submission of wrong information, during a period stated in IFDF decision on retrieving support.

7.3 Selection methods for levels

7.3.1 Selection for Level A

7.3.2 Selection for Level B

7.3.3 Selection for Level C

7.3.4 Selection for Level D

7.3.5 Selection for Level E

7.4 General tendering methods

Some support types will be tendered. IFDF shall establish general tendering principles that shall be used in all tenders as relevant. The general tendering principles shall be published on IFDF web site.

7.5 Commitment letter

A decision for support is binding on IFDF, and a letter to that extent shall be submitted to the applicant. The letter is not transferable to a third party, and cannot be used as a guarantee for a loan or similar.

8. Disbursement

8.1 Disbursement principles and procedures

IFDF aims at service supply on micro-level. This means that most of the recipients do not have sufficient resources to invest without advance payment. The main disbursement principle for support is likely to be advance payment and subsequent instalments. The various disbursement methods will be defined during preparatory work.

Bulk disbursement means one formal decision for a certain type of support, for a defined time, up to a defined ceiling. Individual disbursement decisions can be done on a lower level, and may even be outsourced.

IFDF shall establish general principles for disbursement. These principles shall be published on IFDF website.

8.2 Verification of implementation for disbursement

Each support decision shall include clear rules for disbursement related to implementation phases, and notification procedure of the implementation phases for release of support instalments.

Supported equipment and installations shall be insured as far as practical, so that replacement can be financed from insurance if required. An insurance certificate is a prerequisite for initial disbursement when insurance is feasible. IFDF shall try to arrange for insurance in one or the other way.

The approval of support shall include a binding decision on disbursement based on specified verification of implementation for each instalment. The decision shall be submitted to the recipient as well as to IFDF Bank.

The recipient shall normally submit required verification of implementation to IFDF Bank, with a copy to IFDF. Upon receipt of required verification, IFDF Bank shall pay the instalment to the recipient within 3 days.

8.3 Performance monitoring

Support will normally be paid on submission of implementation reports. IFDF will use own staff and external consultants, as appropriate, for monitoring implementation in the field. Major projects may be monitored fully, while minor and scattered projects may be monitored using sampling. Depending on the project, monitoring may be done before or after disbursement. IFDF bears the cost of such monitoring for verification of implementation.

Performance monitoring shall cover implementation as well as quality. The role of IFDF shall be limited to the period when support retrieval may be relevant.

8.4 Retrieving support paid on wrong basis

If found that implementation reports are not accurate, IFDF shall retrieve a sum from 5% of the contracted support amount up to twice the contracted support amount for the entire contract that has been sampled and not found accurate. Sampled evidence is sufficient, and considered representative for the entire project.

Upon the request of the recipient, the entire contract implementation can be verified. In that case the recipient pays the entire cost of the verification, and in addition pays back twice the amount of the part of the contracted support that has not been properly implemented.