Mr. Javed Iqbal  
Secretary to the Government of Pakistan  
Economic Affairs Division  
Ministry of Economic Affairs and Statistics  
Islamabad, Pakistan

Re: Pakistan: IDF Grant Agreement for Building Capacity for Second Generation Information and Communication Technologies (ICT) Sector Reforms - Grant No: TF012292

Dear Mr. Iqbal:

In response to the request for financial assistance made on behalf of the Islamic Republic of Pakistan (“Recipient”), I am pleased to inform you that the International Bank for Reconstruction and Development (“World Bank”) proposes to extend to the Recipient, a grant from the World Bank’s Institutional Development Fund (“IDF”) in an amount not to exceed five hundred thousand United States Dollars (US$500,000) (“Grant”) on the terms and conditions set forth or referred to in this letter agreement (“Agreement”), which includes the attached Annex, to assist in the financing of the project described in the Annex (“Project”).

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.

Please confirm the Recipient’s agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date of the countersignature; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of this Agreement within 90 days after the date of signature of this Agreement by the World Bank, unless the World Bank shall have established a later date for such purpose.

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Reynold Duncan  
Acting Country Director, Pakistan  
South Asia Region
CONFIRMED and AGREED
ISLAMIC REPUBLIC OF PAKISTAN

By: 

Name: Javed Iqbal

Title: Secretary EAD

Date: 28 Dec. 2012

Enclosures:


(2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006.

cc: Mr. Farooq Ahmad Awan, Secretary, MOIT, Islamabad

Mr. A. R. Bhutta, Joint Secretary, EAD, Islamabad

Dr. Syed Ismail Shah, Member Telecom, MOIT, Islamabad
Article I
Standard Conditions; Definitions

1.01. **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank out of Various Funds dated February 15, 2012 ("Standard Conditions"), constitute an integral part of this Agreement.

1.02. **Definitions.** Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement.

Article II
Project Execution

2.01. **Project Objectives and Description.** The overall objectives of the Project is to build capacity within the Ministry of Information Technology and Telecommunication (MOIT) to conduct a macro review and revision of the entire telecommunications policy and regulatory framework in order to undertake second generation Information and Communication Technologies (ICT) sector reforms in Pakistan. The Project consists of the following parts:

**Part I: Reviewing Existing Deregulation, Mobile Cellular and Broadband Policies and Drafting of Corresponding Sections for Integration into Unified New Policy.** (i) studying and reviewing the existing policies/directives, legislative framework, regulatory mechanisms and sector dynamics to identify weaknesses in light of global trends and international best practices; (ii) reviewing two major offspring policies of the above mentioned frameworks i.e. Universal Service Fund (USF) and National ICR Research and Development (R&D) Fund, and suggest adjustments to achieve improvements viz-a-viz fund utilization and actual impact; (iii) carrying out extensive industry survey of the impact of existing policies, shortcomings and weaknesses and the emergent requirements in view of global trends and international best practice; (iv) preparing recommendations based on a comprehensive and documented consultation process with all stakeholders at the initial, intermediate and post draft stages; and (v) preparing guidelines for licensing and regulatory mechanism for each subsector and suggest pricing mechanism for each category of license awarded.

**Part II: Reviewing Existing Legislative and Regulatory Framework.** (i) reviewing the existing Telecommunications Act and regulatory instruments in the telecommunication sector to identify shortcomings/weaknesses in line with international best practice; (ii) reviewing the existing legislative and regulatory framework in areas that impact convergence including, broadcasting, media, content, cyber security and privacy; (iii) preparing recommendations for the revision of the legislative and regulatory framework in line with revised policy objectives; (iv) drafting revisions to the legislative and regulatory framework for consultations with all stakeholders; and (v) finalizing the revisions to the legislative and regulatory framework.

**Part III: Reviewing Current Radio Spectrum Policies and Drafting New Spectrum Management Policy.** (i) reviewing existing legislative/regulatory framework for spectrum management in view of sector requirements and dynamics to identify weaknesses and correlate with existing
international best practices; (ii) carrying out an extensive industry survey of the impact of existing mechanisms, shortcomings and weaknesses and the emergent requirements in view of new global developments including considerations for introducing market mechanisms where required; (iii) preparing a report of data collected and conducting analysis of the results of the survey/consultations at preliminary, intermediate and post draft stages; (iv) prescribing a comprehensive spectrum management policy with clear mechanism to put the scarce resource of frequency spectrum to optimal use geared towards the spectrum related objectives of the Government; and (v) reviewing the work completed on devising the satellite communications policy for Pakistan.

Part IV: Recommendations on Treatment of Convergence and Drafting of Corresponding Policy Framework. (i) reviewing the work already completed and study the issues related to convergence in detail; (ii) studying legislative framework of media, IT and telecom sector and propose corresponding changes required for converged framework; (iii) identifying services, infrastructure and resources that are affected by convergence and based on the identified services, infrastructure and resources, devise solutions and resource allocation roadmaps while proposing areas where regulation needs to adapt in the short and medium terms; (iv) preparing recommendations for a policy position for Government to adopt for regulating the convergence of media, IT and telecoms; and (v) proposing a model on how convergence should be managed in Pakistan.

Part V: Integration of Output of Tasks I-IV to Build Draft Integrated Telecommunications Policy and Revising Legal and Regulatory Framework and Suggest Implementation Roadmap. (i) preparing an integrated draft of Pakistan’s new Telecommunications Policy integrating outputs of tasks from Part I through IV; (ii) preparing the revised legislative and regulatory framework, implementation roadmap for the new policy with clearly defined implementation benchmarks and strategies, including sector policy targets and an on-going process of monitoring and reporting of results; and (iii) preparing results/ recommendations based on econometric and market simulation models, which will also form part of the final deliverable package under this task.

Part VI: Training. Conducting training workshops for each of the five tasks being undertaken, in order to expose MOIT officers and other stakeholders to international best practices on various policies, regulatory and legal issues.

2.02. Project Execution Generally. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through MOIT in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 (“Anti-Corruption Guidelines”); and (c) this Article II.

2.03. Project Monitoring, Reporting and Evaluation.

(a) The Recipient shall monitor and evaluate the progress of the Project and, upon the World Bank’s request, prepare Project Reports, in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators acceptable to the World Bank. Each Project Report shall cover such period as shall be indicated in the World Bank’s request and shall be furnished to the World Bank not later than one month after the date of such request.
The Recipient shall, upon the World Bank's request, prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than five months after the Closing Date.

2.04. Financial Management.

(a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall ensure that interim financial reports for the Project are prepared and furnished to the World Bank not later than forty five (45) days after the end of each six months, covering the half year, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Such audit of the Financial Statements shall cover the entire period during which withdrawals from the Grant Account were made. The audited Financial Statements for such period shall be furnished to the World Bank not later than six months after the end of such period.

2.05. Procurement.

(a) General. All non-consulting services and consultants' services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

(i) Sections I and IV of the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Consultant Guidelines”) in the case of consultants' services; and

(ii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.25 of the Consultant Guidelines (“Procurement Plan”).

(b) Definitions. The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in Sections II, III, IV and V of the Consultant Guidelines.

(c) Particular Methods of Procurement of Consultants' Services

(i) Except as otherwise provided in item (ii) below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

(ii) The following methods may be used for the procurement of consultants' services for those assignments which are specified in the Procurement Plan: (A) Selection under a Fixed Budget; (B) Selection based on Consultants' Qualifications; and (C) Selection of Individual Consultants.
(d) **Review by the World Bank of Procurement Decisions.** The Procurement Plan shall set forth those contracts which shall be subject to the World Bank’s Prior Review. All other contracts shall be subject to Post Review by the World Bank.

**Article III**

**Withdrawal of Grant Proceeds**

3.01. **Eligible Expenditures.** The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consultant Services and Training and Workshops</td>
<td>500,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td>500,000</td>
<td></td>
</tr>
</tbody>
</table>

For the purposes of this Section, the term “Training and Workshops” means the costs associated with training and workshops, participation of personnel involved in the implementation of the Project including travel and subsistence costs for training and workshop participants, costs associated with securing the services of trainers and workshop speakers, rental of training and workshop facilities, preparation and reproduction of training and workshop materials, and other costs directly related to training courses and workshop preparation and implementation.

3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is three years after the date of countersignature of this Agreement by the Recipient.

**Article IV**

**Recipient’s Representative; Addresses**

4.01. **Recipient’s Representative.** The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is the Secretary, Economic Affairs Division, Government of Pakistan, or any Additional Secretary, Joint Secretary, Deputy Secretary or Section Officer of that Division.
4.02  **Recipient's Address.** The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

The Secretary  
Economic Affairs Division  
Ministry of Economic Affairs and Statistics  
Government of Pakistan  
Islamabad  
Islamic Republic of Pakistan

Facsimile: 92-51-920-2417

4.03  **World Bank’s Address.** The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

International Bank for Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

<table>
<thead>
<tr>
<th>Cable</th>
<th>Telex:</th>
<th>Facsimile:</th>
</tr>
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<tbody>
<tr>
<td>INTBAFRAD</td>
<td>248423 (MCI) or</td>
<td>1-202-477-6391</td>
</tr>
<tr>
<td>Washington, D.C.</td>
<td>64145 (MCI)</td>
<td></td>
</tr>
</tbody>
</table>