

Grant Agreement:

Khayelitsha and Mitchells Plain Digital Inclusion Project

Between:

U.S. Trade and Development Agency
and
The City of Cape Town



8 August 2012

GRANT AGREEMENT

This Grant Agreement is entered into between the Government of the United States of America, acting through the U.S. Trade and Development Agency ("USTDA") and the City of Cape Town ("Grantee"). USTDA agrees to provide the Grantee under the terms of this Grant Agreement US\$315,000 ("USTDA Grant") to fund the cost of goods and services required for a feasibility study ("Study") on the proposed Khayelitsha and Mitchells Plain Digital Inclusion project ("Project") in South Africa ("Host Country").

1. USTDA Funding

The funding to be provided under this Grant Agreement shall be used to fund the costs of a contract between the Grantee and the U.S. firm selected by the Grantee ("Contractor") under which the Contractor will perform the Study ("Contract"). Payment to the Contractor will be made directly by USTDA on behalf of the Grantee with the USTDA Grant funds provided under this Grant Agreement and in accordance with the Disbursement Procedures as described in Clause H of Annexure II.

2. Terms of Reference

The Terms of Reference for the Study ("Terms of Reference") are attached as Annex I and are hereby made a part of this Grant Agreement. The Study will examine the technical, financial, environmental, and other critical aspects of the proposed Project. The Terms of Reference for the Study shall also be included in the Contract.

3. Standards of Conduct

USTDA and the Grantee recognize the existence of standards of conduct for public officials and commercial entities in their respective countries. Therefore, USTDA, the Grantee, and the Contractor shall not directly or indirectly provide, offer or promise to provide money or anything of value to any public official in violation of any United States or Host Country laws relating to corruption or bribery.

4. Grantee Responsibilities

The Grantee shall undertake its best efforts to provide reasonable support for the Contractor, such as local transportation, office space, and secretarial support.

5. Contract Matters and USTDA's Rights as Financier **(A) Grantee Competitive Selection Procedures**

Selection of the U.S. Contractor shall be carried out by the Grantee according to its established procedures for the competitive selection of contractors with advance notice of the procurement published online through *Federal Business Opportunities*

(www.fedbizopps.gov). Upon request, the Grantee will submit these contracting procedures and related documents to USTDA for information and/or approval.

(B) USTDA's Right to Approve Contractor Selection

The Grantee shall notify USTDA at the address of record set forth in Article 16 below upon selection of the Contractor to perform the Study. USTDA then shall notify the Grantee whether or not USTDA approves the Grantee's Contractor selection. Upon USTDA approval of the Grantee's Contractor selection, the Grantee shall notify in writing the U.S. firms that submitted unsuccessful proposals to perform the Study that they were not selected. The Grantee and the Contractor then shall enter into a contract for performance of the Study.

(C) USTDA's Right to Approve Contract Between Grantee and Contractor

(1) Contract

The Grantee and the Contractor shall enter into a contract for performance of the Study. The Grantee (or the Contractor on the Grantee's behalf) shall transmit to USTDA, at the address set forth in Article 16 below, a photocopy of an English language version of the signed contract or a final negotiated draft version of the contract. USTDA then shall notify the Grantee and the Contractor whether or not USTDA approves the contract.

(2) Amendments and Assignments

The Grantee or the Contractor may submit any proposed amendment to the contract, including any proposed amendment to any annex thereto, or any proposed assignment of the contract, to USTDA at the address set forth in Article 16 below. USTDA then shall notify the Grantee and the Contractor whether or not USTDA approves the proposed amendment or assignment.

(D) USTDA Not a Party to the Contract

It is understood by the parties that USTDA has reserved certain rights such as, but not limited to, the right to approve the terms of the contract and any amendments thereto, including assignments, the selection of all contractors, the Terms of Reference, the Final Report, and any and all documents related to any contract funded under the Grant Agreement. The parties hereto further understand and agree that USTDA, in reserving any or all of the foregoing approval rights, has acted solely as a financing entity to assure the proper use of United States Government funds, and that any decision by USTDA to exercise or refrain from exercising these approval rights shall be made as a financier in the course of funding the Study and shall not be construed as making USTDA a party to the contract. The parties hereto understand and agree that USTDA may, from time to time, exercise the foregoing approval rights, or

discuss matters related to these rights and the Project with the parties to the contract or any subcontract, jointly or separately, without thereby incurring any responsibility or liability to such parties. Any approval or failure to approve by USTDA shall not bar the Grantee or USTDA from asserting any right they might have against the Contractor, or relieve the Contractor of any liability which the Contractor might otherwise have to the Grantee or USTDA.

(E) Grant Agreement Controlling

Regardless of USTDA approval, the rights and obligations of any party to the contract or any subcontract thereunder must be consistent with this Grant Agreement. In the event of any inconsistency between the Grant Agreement and the contract or any subcontract funded by the Grant Agreement, the Grant Agreement shall control.

6. Disbursement Procedures

(A) USTDA Approval of Contract Required

USTDA will make disbursements of Grant funds directly to the Contractor only after USTDA approves the Grantee's contract with the Contractor.

(B) Contractor Invoice Requirements

The Grantee should request disbursement of funds by USTDA to the Contractor for performance of the Study by submitting Grantee-approved Contractor invoices in accordance with the procedures set forth in the USTDA Mandatory Clauses in Annex II.

7. Effective Date

The effective date of this Grant Agreement ("Effective Date") shall be the date of signature by both parties or, if the parties sign on different dates, the date of the last signature.

8. Study Schedule

(A) Study Completion Date

The completion date for the Study, which is March 31, 2013, is the date by which the parties estimate that the Study will have been completed.

(B) Time Limitation on Disbursement of USTDA Grant Funds

Except as USTDA may otherwise agree, (i) no USTDA funds may be disbursed under this Grant Agreement for goods and services which are provided prior to the Effective

Date of the Grant Agreement; and (ii) no USTDA funds may be disbursed more than four (4) years after the Effective Date of the Grant Agreement.

9. USTDA Mandatory Contract Clauses

All contracts funded under this Grant Agreement shall include the USTDA Mandatory Contract Clauses set forth in Annex II to this Grant Agreement. All subcontracts funded or partially funded with USTDA Grant funds shall include the USTDA Mandatory Contract Clauses, except for clauses B(1), G, H, I, and J.

10. Use of U.S. Carriers

(A) Air

Transportation by air of persons or property funded under this Grant Agreement shall be on U.S. flag carriers in accordance with the Fly America Act, 49 U.S.C. 40118, to the extent service by such carriers is available, as provided under applicable U.S. Government regulations.

(B) Marine

Transportation by sea of property funded under this Grant Agreement shall be on U.S. carriers in accordance with U.S. cargo preference law.

11. Nationality, Source and Origin

Except as USTDA may otherwise agree, the following provisions shall govern the delivery of goods and professional services funded by USTDA under this Grant Agreement:

- (a) the Contractor must be a U.S. firm;
- (b) the Contractor may use U.S. subcontractors without limitation;
- (c) employees of U.S. Contractor or U.S. subcontractor firms shall be U.S. citizens or non-U.S. citizens lawfully admitted for permanent residence in the United States, except as provided pursuant to subpart (d) below;
- (d) up to twenty percent (20%) of the USTDA Grant amount may be used to pay for services performed by (i) Host Country subcontractors, and/or (ii) Host Country nationals who are employees of the Contractor;
- (e) a Host Country subcontractor may only be used for specific services from the Terms of Reference identified in the subcontract;

(f) subcontractors from countries other than the United States or Host Country may not be used;

(g) goods purchased for performance of the Study and associated delivery services (e.g., international transportation and insurance) must have their nationality, source and origin in the United States; and

(h) goods and services incidental to Study support (e.g., local lodging, food, and transportation) in Host Country are not subject to the above restrictions.

USTDA will make available further details concerning these provisions upon request.

12. Taxes

USTDA funds provided under this Grant Agreement shall not be used to pay any taxes, tariffs, duties, fees or other levies imposed under laws in effect in Host Country, except for taxes of a de minimis nature imposed on local lodging, food, transportation, or airport arrivals or departures. Neither the Grantee nor the Contractor will seek reimbursement from USTDA for taxes, tariffs, duties, fees or other levies, except for taxes of a de minimis nature referenced above.

13. USTDA Project Evaluation

The parties will cooperate to assure that the purposes of the Grant Agreement are accomplished. For five (5) years following receipt by USTDA of the Final Report, the Grantee agrees to respond to any reasonable inquiries from USTDA about the status of the Project. Inquiries will include, but not be limited to, whether the Final Report recommendations have been or will be used to implement the Project, anticipated Project implementation timeline, and likely source of financing. In addition, the Grantee agrees to notify USTDA any time the Grantee selects a new primary contact person for this Project during the five-year period referenced above.

14. Recordkeeping and Audit

The Grantee agrees to maintain books, records, and other documents relating to the Study and this Grant Agreement adequate to demonstrate implementation of its responsibilities under this Grant Agreement, including the selection of contractors, receipt and approval of contract deliverables, and approval or disapproval of contractor invoices for payment by USTDA. Such books, records, and other documents shall be separately maintained for three (3) years after the date of the final disbursement by USTDA. The Grantee shall afford USTDA or its authorized representatives the opportunity at reasonable times to review books, records, and other documents relating to the Study and the Grant Agreement. The USTDA shall ensure that the authorized representative has signed a confidentiality agreement to protect any confidential information of the Grantee that they might become privy to.

15. Representation of Parties

For all purposes relevant to this Grant Agreement, the Government of the United States of America will be represented by the U. S. Ambassador to Host Country or USTDA and Grantee will be represented by its Executive Mayor. The parties hereto may, by written notice, designate additional representatives for all purposes under this Grant Agreement.

16. Addresses of Record for Parties

Any notice, request, document, or other communication submitted by either party to the other under the Grant Agreement shall be in writing or through an electronic medium that produces a tangible record of the transmission, such as a facsimile or e-mail message, and will be deemed duly given or sent when delivered to such party at the following:

To: City Manager
City of Cape Town
Private Bag X9181
Cape Town, 8000
South Africa

Phone: + 27 (21) 400 1111
Fax: +27 (21) 400 1332
E-Mail: city.manager@capetown.gov.za

To: U.S. Trade and Development Agency
1000 Wilson Boulevard, Suite 1600
Arlington, Virginia 22209-3901
USA

Phone: +1 (703) 875-4357
Fax: +1 (703) 875-4009
E-Mail: grantnotices@ustda.gov and africa@ustda.gov

All such communications shall be in English, unless the parties otherwise agree in writing. In addition, the Grantee shall provide the Commercial or Economic Section of the U.S. Embassy in Host Country with a copy of each communication sent to USTDA.

Any communication relating to this Grant Agreement shall include the following fiscal data:

Appropriation No.: 11 12/13 1001
Activity No.: 2012-11019A
Reservation No.: 2012222
Grant No.: GH201211222

17. Implementation Letters

To assist the Grantee in the implementation of the Study, USTDA may, from time to time, issue implementation letters that will provide additional information about matters covered by this Grant Agreement. USTDA may also issue implementation letters to (i) extend the estimated completion date set forth in Article 8(A) above, or (ii) change the fiscal data set forth in Article 16 above. The parties may also use jointly agreed upon implementation letters to confirm and record their mutual understanding of matters covered by this Grant Agreement.

18. Grant Agreement and Annexures Amendments

Either party may submit to the other party at any time a proposed amendment to the Grant Agreement. A Grant Agreement and the annexures amendment shall be effective only if it has been signed by both parties.

19. Termination Clause

Either party may terminate this Grant Agreement by giving the other party written notice thereof. The termination of the Grant Agreement will end any obligations of the parties to provide financial or other resources for the Study, except for payments that may be made pursuant to Clause I of the USTDA Mandatory Contract Clauses set forth in Annex II to this Grant Agreement. This article and Articles 5, 12, 13, 14, and 21 of the Grant Agreement shall survive termination of the Grant Agreement.

20. Non-waiver of Rights and Remedies

No delay in exercising any right or remedy accruing to either party in connection with the Grant Agreement shall be construed as a waiver of such right or remedy.

21. U.S. Technology and Equipment

By funding this Study, USTDA seeks to promote the project objectives of the Host Country through the use of U.S. technology, goods, and services. In recognition of this purpose, the Grantee agrees that it will allow U.S. suppliers to compete in the procurement of technology, goods and services needed for Project implementation.

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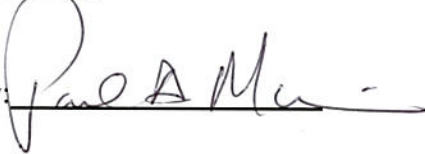
IN WITNESS WHEREOF, the Government of the United States of America and the City of Cape Town, each acting through its duly authorized representative, have caused this Grant Agreement to be signed in the English language in their names and delivered as of the day and year written below. In the event that this Grant Agreement is signed in more than one language, the English language version shall govern.

**For the Government of the
United States of America**

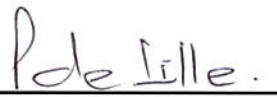
By: 

Date: 8/8/12

Witnessed:

By: 

For the City of Cape Town

By: 

Date: 8.8.2012.

Witnessed:

By: 

Annex I -- Terms of Reference

Annex II -- USTDA Mandatory Clauses

Annex I

Terms of Reference

The City of Cape Town (“Grantee”) has requested funding from the U.S. Trade and Development Agency (“USTDA”) for a feasibility study (“Study”) to evaluate the technical, financial, and other critical aspects of the proposed Khayelitsha and Mitchells Plain Digital Inclusion project (“Project”) in South Africa. In particular, the Study will evaluate the feasibility of implementing a wireless access network (“Wi-Fi Network”) for individuals, households, and businesses in Khayelitsha and Mitchells Plain (“K&MP”). The study will also evaluate the suitability of existing infrastructure and plans for extending Cape Town’s Metropolitan Optic Fibre Network (“MOFN”) to and expanding the MOFN within K&MP for the purpose of implementing the Wi-Fi network. The primary objective of the Study is to provide the Grantee with analyses and recommendations that will support its decision-making with regard to the implementation of the Project.

Definitions:

For the purposes of these Terms of Reference, the following definitions shall apply:

1. “Extension of the MOFN to K&MP” shall refer to the development of core routes between K&MP and existing MOFN infrastructure.
2. “Expansion of the MOFN within K&MP” shall refer to the development of local routes between distribution points, access cables to individual buildings, networking equipment, and other hardware, software, and services required for the expansion of the MOFN backbone within K&MP.
3. “Implementation of the Wi-Fi Network” shall refer to the development of switching centers, telecoms aggregations rooms, routers, and other hardware, software, and services required for the implementation of a wireless access network in K&MP.
5. “Project” shall refer to all of the following: (1) extension of the MOFN to K&MP, (2) expansion of the MOFN within K&MP, (3) implementation of the Wi-Fi Network, and (4) programs to encourage the increased utilization of information and communication technology (“ICT”) services by individuals, households, and businesses in K&MP. “ISPs” shall refer to internet service providers currently operating in South Africa.
6. “Digital Development Organizations” shall refer to any organization (including public, private, and not-for-profit) involved with the planning and delivery of social and economic development programs in K&MP that directly link with and/or provide resources that enhance digital diffusion and/or digital literacy in one or more of the following areas:
 - i. Literacy (written and digital)
 - ii. Computer, internet and digital skills
 - iii. Language and/or culturally-relevant digital content development
 - iv. Small- and medium-sized enterprise development

and secondary research to be utilized by the Contractor in carrying out the Study in a document review report.

Sub-Task 1.2 – Work Plan Finalization: Following the completion of Sub-Task 1.1, the Contractor shall review the Contractor’s work plan for carrying out the Study (“Work Plan”), gather input from the Grantee regarding the Work Plan, including Grantee requests for changes to the Work Plan, if any, revise or confirm the Work Plan as necessary, and provide the Grantee with a copy of the final Work Plan. At a minimum, the Work Plan shall:

- Describe the Contractor’s organizational structure for the Study (if subcontractors are to be used, the Work Plan shall also describe the organizational relationship between the Contractor and the subcontractors).
- Discuss how the Contractor will manage the Study, including key staff assignments.
- Identify the Contractor’s Project Manager for the Study (**note:** the Project Manager shall have the responsibility and authority to act on behalf of the Contractor in all matters related to the Study).
- Provide a list of Contractor personnel (including both U.S. and local subcontractors, if any) that will participate in the Study, along with the following information for each member of the Study team: position in the Study, pertinent experience, and curriculum vitae.
- Provide a manpower schedule and level of effort for each Task to be carried out under these Terms of Reference.
- Discuss the Contractor’s methodology for completing all Study requirements.
- Include a brief narrative of the Contractor’s methodology for completing each Task to be carried out under these Terms of Reference.
- Provide a detailed schedule of performance for the Study, including periodic reporting or review points, incremental delivery dates, and other Study milestones.
- Describe any support or additional information the Contractor will require from the Grantee to complete the Study.

Task 1 Deliverable: The Contractor shall provide the Grantee with a report of all work performed pursuant to Task 1.

Task 2: MOFN Expansion Plan, Budget for Transmission-Related Equipment and Preliminary Pricing Models

Principal Task Location: South Africa

The Contractor shall:

- Review the Grantee’s draft budget and existing plans for the extension of the MOFN to and expansion of the MOFN within K&MP.
- Conduct site visits to existing MOFN infrastructure, at a minimum including site visits to existing MOFN switching centers and telecoms aggregations rooms.

- Top 10 employment sectors
- Top 10 employment locations (within or outside of K&MP)
- Average daily travel distance, by foot, public transportation, and/or private transportation
- Commercial density and types of business (both formal and informal), by size, scale, and product/service delivery
- Teledensity (defined as installed access base relative to population) both via wired and wireless technologies
- Television density, by type of service distribution (satellite, cable, or broadcast)
- Other data and indicators deemed pertinent by the Contractor and Grantee that contribute to establishing a baseline regarding the demographic, socio-economic, digital access, and digital inclusion characteristics of the residents of K&MP

The Contractor shall also provide supporting documentation that identifies qualitative and quantitative background information for each table.

Sub-Task 3.2 – Meetings with K&MP Businesses: The Contractor shall meet with businesses (both formal and informal) operating within K&MP to evaluate their current utilization of ICT services, current communication costs and constraints, ability to pay for ICT services, and potential productivity gains from access to affordable, reliable ICT services. In particular, the Contractor shall:

- (1) Research and identify businesses (both formal and informal) operating within K&MP.
- (2) Conduct meetings with at least ten K&MP businesses.
- (3) Utilizing similar categories to those used in section four of the “The Economic Impact of a Metropolitan Broadband Network for the City of Cape Town” report, gather information from the K&MP businesses about their:
 - a. Current utilization of ICT services
 - b. Current communication costs and constraints
 - c. Ability to pay for ICT services
 - d. Potential productivity gains from access to affordable, reliable ICT services
- (4) Document all information and results obtained from the meetings.

Sub-Task 3.3 – Interviews with Residents of K&MP: The Contractor shall develop a draft questionnaire that addresses key factors related to an individual’s ability to utilize ICT services. In particular, the questionnaire shall seek responses about the ability of residents of K&MP to:

- Read and write in English
- Use a keyboard (type at least 25 words per minute)
- Utilize software (word processing, spreadsheet, visual presentation, games, and any other software applications deemed pertinent by the Contractor and Grantee)
- Access the internet and web-based services
- Utilize the internet and web-based services to research and obtain information related to an individual’s personal or professional challenges
- Participate effectively in on-line educational programs

installation and ICT service delivery factors that affect the selection of effective technological delivery options for the implementation of the Wi-Fi Network. These factors shall include but not be limited to:

- Population density
- Topography
- Access to the MOFN
- Current housing construction with a particular focus on the impact of building materials (including tin roofing) on signal refraction
- The location of schools, community centers, libraries and other areas where residents congregate and could utilize shared ICT access devices and/or shared connectivity
- Current centers of business activity (both formal and informal)
- Current and potential network traffic
- Any other factors deemed pertinent by the Contractor and Grantee

Sub-Task 4.2 – Technological Delivery Options: Given the distinctive demographic, environmental, topographical, and related network installation and ICT service delivery factors identified pursuant to Sub-Task 4.1, the Contractor shall research, analyze, and recommend technological delivery options for the implementation of the Wi-Fi Network. The technological delivery options shall encompass all technology-related requirements for the implementation of the Wi-Fi Network, including but not limited to: hardware, software, networking equipment, configuration, systems integration, etc. The technological delivery options may include single technology solutions, hybrid technology solutions, separate or integrated technology solutions for each settlement, and any other technology solutions that would maximize the functionality, coverage, penetration, reliability, interconnectivity, and affordability of the Wi-Fi Network. In particular, the Contractor shall:

- Research potential technological delivery options for the implementation of the Wi-Fi Network.
- Prepare a list of potential technological delivery options for the implementation of the Wi-Fi Network.
- Identify and conduct a comparative analysis of the advantages and disadvantages of each technological delivery option with respect to functionality, coverage, penetration, reliability, connectivity requirements, affordability, and any other parameters deemed pertinent by the Contractor and Grantee.
- Rank each technological delivery option in order of overall desirability, with supportive reasoning for the rankings.
- Provide the Grantee with a report of the comparative analysis and rankings of the potential technological delivery options for review and comment.
- Gather and respond to feedback from the Grantee on the comparative analysis and rankings of the potential technological delivery options and Grantee requests for additional information on the potential technological delivery options, if any.
- Provide the Grantee with a final list of recommended technological delivery options for the implementation of the Wi-Fi Network.

cafés) to evaluate their interest and capability to provide ICT services in K&MP via the Wi-Fi Network. In particular, the Contractor shall:

1. Research and identify establishments within K&MP where residents can pay for access to digital access devices and ICT services.
2. Conduct meetings with at least five such establishments.
Gather information from these establishments about:
 - a. ICT service, pricing and payment plans currently available to individuals, households, and businesses in K&MP and/or other South African settlements with similar socio-economic and demographic characteristics
 - b. Their interest and capability to provide internet services in K&MP via the Wi-Fi Network
4. Document all information and results obtained from the meetings.

Based on the feedback received during the Contractor's meetings with the ISPs and establishments within K&MP where residents can pay for access to digital access devices and ICT services, the Contractor shall revise or confirm the preliminary pricing models and service options. The Contractor shall provide the Grantee with a copy of the revised or confirmed pricing models and service options, along with a report on the overall findings from the Contractor's meetings with the ISPs and establishments within K&MP where residents can pay for access to digital access devices and ICT services, for review and comment. Based on the Grantee's comments, the Contractor shall revise or confirm the pricing models and service options and provide the Grantee with a copy of the updated pricing models and service options.

Task 4 Deliverable: The Contractor shall provide the Grantee with a report of all work performed pursuant to Task 4.

Task 5: Project Management Plan

Principal Task Location: South Africa

Sub-Task 5.1 – Organizational Structure and Staffing: The Contractor shall review and assess the Grantee's current and planned organizational structure and staffing responsibilities for managing the Project. The Contractor shall document the technical and non-technical components of the Project that require management responsibility. The Contractor shall identify the skills and competencies that are required for effectively implementing and managing the Project.

Sub-Task 5.2 – Meetings with Digital Development Organizations: The Contractor shall meet with Digital Development Organizations to evaluate their interest and capability to plan and deliver programs that encourage the increased utilization of ICT services by individuals, households, and businesses in K&MP. In particular, the Contractor shall:

to the Project

8. Document the results of the roundtables and identify those ICT Suppliers that demonstrate an interest in participating in the Project.
9. Prepare a summary of any outstanding data, information, concerns and/or challenges that arose during the meetings.

The Grantee shall supply the meeting room and audio/visual equipment for the ICT Supplier roundtable(s).

Sub-Task 5.5 – Project Management Plan: The Contractor shall develop a management plan for the Project. The project management plan shall include:

1. A draft mission statement
2. A management and staffing plan (including key competencies, an organizational chart, and an overview of key responsibilities)
3. Program office funding requirements (including estimated budgets for staff and operations, fixed and variable costs, with supporting details)

Task 5 Deliverable: The Contractor shall provide the Grantee with a report of all work performed pursuant to Task 5.

Task 6: Economic and Financial Analyses

Principal Task Location: United States

Sub-Task 6.1 – Economic and Financial Cost Benefit Analyses: The Contractor shall conduct economic and financial cost benefit analyses of the Project. The Contractor shall utilize similar methodologies and analyses to those used in section five of the “The Economic Impact of a Metropolitan Broadband Network for the City of Cape Town” report. In particular, the economic and financial cost benefit analyses shall take into account the impact of the Project on all the stakeholders within society and not only those of the financing agent. The economic and financial cost benefit analyses shall also take into account all of the findings from the above Tasks. In particular, the Contractor shall:

1. Develop an overall cost estimate for the Project and each aspect of the Project, broken down by goods and services required for: additional studies, technical drawings, detailed engineering and design, hardware, software and related equipment, construction, installation, systems integration, operations, maintenance, management, staffing, training, overhead, compliance with regulatory and environmental requirements, financing costs, etc.
2. Conduct a life cycle cost analysis of the Project to examine the initial capital costs to plan, design, develop, and build the Project as well as provide a detailed analysis of all long-term operations costs associated with maintaining the facilities, equipment, and other assets to be financed as part of the Project (**note:** long-term operations costs may include but are not limited to: warranties, operation, maintenance, acquisition, installation, refurbishment, potential disposal costs, etc.

as to how Affordability will change over the next five years.

Sub-Task 6.4 – Subsidy Analysis: The Grantee shall provide the Contractor with information regarding:

1. Current subsidies that the Grantee provides to individuals, households, and businesses in K&MP
2. Estimates of potential revenues and costs associated with the MOFN (excluding K&MP) from 2013 – 2017
3. Any other Grantee, Western Cape Provincial Government, and Government of South Africa budgetary resources that may be available to subsidize the Project

The Contractor shall identify and assess potential sources of subsidies for the Project, including but not limited to: utilizing excess revenues from other parts of the MOFN, other Grantee, Western Cape Provincial Government, and/or Government of South Africa budgetary resources, and support from the private sector and not-for-profit organizations. The Contractor shall also identify and assess different options for arranging and delivering subsidies to support the Project. The Contractor shall provide the Grantee with copies of these assessments, including the Contractor's recommendations for sourcing, arranging, and delivering subsidies to support the Project, for review and comment. Based on the Grantee's comments, the Contractor shall revise or confirm the recommendations for sourcing, arranging, and delivering subsidies to support the Project.

Based on the affordability gap and subsidy analyses, the Contractor shall revise or confirm the updated pricing models and service options. The Contractor shall provide the Grantee with a copy of the revised or confirmed pricing models and service options, along with a report on the overall findings from the affordability gap and subsidy analyses, for review and comment. Based on the Grantee's feedback, the Contractor shall revise or confirm the pricing models and service options and provide the Grantee with a copy of the final pricing models and service options.

Sub-Task 6.5 – Financing Options: The Contractor shall provide the Grantee with analyses and recommendations for financing each aspect of the Project. In particular, the Contractor shall:

1. Identify and evaluate different scenarios for the financial and ownership structure of the Project, such as build-operate-transfer, different debt-to-equity ratios, etc.
2. Recommend a financial and ownership structure for the Project.
3. Identify and evaluate potential sources of financing for the Project, including but not limited to:
 1. Grantee, Western Cape Provincial Government, and Government of South Africa budgetary resources
 2. Multilateral lending agencies, such as the World Bank and the African Development Bank
 3. Bilateral credit agencies, such as the Export-Import Bank of the United States

Grantee will need to take subsequent to the Study's completion and prior to implementation of the Project to comply with South African environmental requirements and those of multilateral lending agencies (such as the World Bank and the African Development Bank).

Task 7 Deliverable: The Contractor shall provide the Grantee with a report of all work performed pursuant to Task 7.

Task 8: Developmental Impact Assessment

Principal Task Location: United States

The Contractor shall conduct a development impact assessment of the Project. The purpose of the development impact assessment is to provide the Project's decision makers and interested parties with a broader view of the Project's potential effects on South Africa. The development impact assessment shall identify the anticipated impacts of the Project in the following categories:

- Infrastructure: The Contractor shall identify the anticipated infrastructure impacts of the Project, giving a brief synopsis and concrete examples of infrastructure impacts. Examples of infrastructure impacts related to implementation of the Project may include the installation of optical fiber cables, optical distribution frames, and networking equipment associated with the extension of the MOFN to and expansion of the MOFN within K&MP, data switches, Wi-Fi routers, and networking equipment associated with the Wi-Fi network, and any new ancillary infrastructure required for Project implementation. The Contractor shall provide specific information about the anticipated infrastructure impacts of the Project, such as the length of fiber optic cables and the number of data switches, Wi-Fi routers and other network equipment to be installed, as well as the anticipated impact of this infrastructure on access to affordable, reliable ICT services in K&MP.
- Human Capacity Building: The Contractor shall identify the anticipated number and types of local jobs that would be created or retained as a result of the Project. The Contractor shall also identify the number of local people who would receive training and the types of training programs required to implement and sustain the Project. The Contractor shall not include any training performed under these Terms of Reference in the development impact assessment.
- Technology Transfer and Productivity Enhancement: The Contractor shall identify the anticipated advanced technologies that would be utilized for the Project. The Contractor shall also identify anticipated efficiencies that would be gained as a result of the Project. Examples of efficiencies related to implementation of the Project may include higher output per resource use, lower costs, or other common measures of efficiency used in the ICT industry, such as increased bit rates or data transfer rates.

Task 10: Implementation Plan

Principal Task Location: United States

The Contractor shall develop an implementation plan that identifies all the steps the Grantee will need to take subsequent to the Study's completion to implement the Project ("Implementation Plan"), such as:

- (A) Compliance with all institutional, legal, regulatory, and standards requirements, including all necessary approvals, certifications, and permits
- (B) Full environmental impact assessments, if necessary, that comply with South African environmental requirements and those of multilateral lending agencies (such as the World Bank and the African Development Bank)
- (C) Financial arrangements
- (D) Procurements of goods and services
- (E) Systems installation, integration, operation, management, and maintenance requirements
- (F) Staffing and training requirements

The Implementation Plan shall include:

- A. Descriptions of all the steps the Grantee and other relevant Project stakeholders will need to take to implement the Project
- B. Final recommendations for pricing models, service options and subsidies, technological delivery options, the project management plan, financial and ownership structure, procurement options, and any other key recommendations for the implementation of the Project
- C. A recommended schedule for implementing the Project, including recommendations for phasing, milestones, and prioritization of investments
- D. Budgetary requirements for each step in the Implementation Plan
- E. An assessment of how the implementation of the Project will impact access to affordable, reliable ICT services in K&MP
- F. Justifications for the investment requirements of the Project based on cost-benefit analyses
- G. Identification of any open concerns from the Grantee or other relevant Project stakeholders regarding the implementation of the Project
- H. Identification of key commitments and offers of support from the Grantee and other relevant Project stakeholders for the implementation of the Project

The Contractor shall provide the Grantee with a draft Implementation Plan for review and comment, gather feedback from the Grantee regarding the draft Implementation Plan, including Grantee requests for changes to the draft Implementation Plan, if any, revise or confirm the draft Implementation Plan as necessary, and provide the Grantee with a copy of the final Implementation Plan.

Annex II

USTDA Mandatory Contract Clauses

A. USTDA Mandatory Clauses Controlling

The parties to this Contract acknowledge that this Contract is funded in whole or in part by the U.S. Trade and Development Agency ("USTDA") under the Grant Agreement between the Government of the United States of America acting through USTDA and the City of Cape Town ("Client"), dated _____ ("Grant Agreement"). The Client has selected _____ ("Contractor") to perform the feasibility study ("Study") for the proposed Khayelitsha and Mitchells Plain Digital Inclusion project ("Project") in South Africa ("Host Country"). The Client and the Contractor are the parties to this Contract, and they hereinafter are referred to collectively as the "Contract Parties." Notwithstanding any other provisions of this Contract, the following USTDA Mandatory Contract Clauses shall govern. All subcontracts entered into by Contractor funded or partially funded with USTDA Grant funds shall include these USTDA Mandatory Contract Clauses, except for clauses B(1), G, H, I, and J. In addition, in the event of any inconsistency between the Grant Agreement and the Contract or any subcontract thereunder, the Grant Agreement shall be controlling.

B. USTDA as Financier

(1) USTDA Approval of Contract

This Contract, and any amendment thereto, including any amendment to any annex thereto, and any proposed assignment of this Contract, must be approved by USTDA in writing in order to be effective with respect to the expenditure of USTDA Grant funds. USTDA will not authorize the disbursement of USTDA Grant funds until the Contract conforms to modifications required by USTDA during the Contract review process and the Contract has been formally approved by USTDA. To make this review in a timely fashion, USTDA must receive from either the Client or the Contractor an English language version of a final negotiated draft Contract or a signed Contract to the attention of the General Counsel's office at USTDA's address listed in Clause N below.

(2) USTDA Not a Party to the Contract

It is understood by the Contract Parties that USTDA has reserved certain rights such as, but not limited to, the right to approve the terms of this Contract and amendments thereto, including assignments, the selection of all contractors, the Terms of Reference, the Final Report, and any and all documents related to any contract funded under the Grant Agreement. The Contract Parties hereto further understand and agree that USTDA, in reserving any or all of the foregoing approval rights, has acted solely as a financing entity to assure the proper use of United States Government funds, and that any decision by USTDA to exercise or refrain from exercising these approval

D. Recordkeeping and Audit

The Contractor and subcontractors funded under the Grant Agreement shall maintain, in accordance with generally accepted accounting procedures, books, records, and other documents, sufficient to reflect properly all transactions under or in connection with the Contract. These books, records, and other documents shall clearly identify and track the use and expenditure of USTDA funds, separately from other funding sources. Such books, records, and documents shall be maintained during the period of performance of work provided for by this Contract, and for a period of three (3) years after final disbursement by USTDA. The Contractor and subcontractors shall afford USTDA, or its authorized representatives, the opportunity at reasonable times for inspection and audit of such books, records, and other documentation.

E. U.S. Carriers

(1) Air

Transportation by air of persons or property funded under the Grant Agreement shall be on U.S. flag carriers in accordance with the Fly America Act, 49 U.S.C. 40118, to the extent service by such carriers is available, as provided under applicable U.S. Government regulations.

(2) Marine

Transportation by sea of property funded under the Grant Agreement shall be on U.S. carriers in accordance with U.S. cargo preference law.

F. Workman's Compensation Insurance

The Contractor shall provide adequate Workman's Compensation Insurance coverage for work performed under this Contract.

G. Reporting Requirements

The Contractor shall advise USTDA by letter as to the status of the Project on March 1st annually for a period of two (2) years after completion of the Study. In addition, if at any time the Contractor receives follow-on work from the Client, the Contractor shall so notify USTDA and designate the Contractor's contact point including name, telephone, fax number, and e-mail address. Since this information may be made publicly available by USTDA, any information which is confidential shall be designated as such by the Contractor and provided separately to USTDA. USTDA will maintain the confidentiality of such information in accordance with applicable law.

"The Contractor has performed the work described in this invoice in accordance with the terms of its Contract with the Client and is entitled to payment thereunder. To the extent the Contractor has not complied with the terms and conditions of the Contract, including the USTDA Mandatory Contract Clauses contained therein, it will, upon USTDA's request, make an appropriate refund to USTDA."

(iii) For final payment:

"The Contractor has performed the work described in this invoice in accordance with the terms of its Contract with the Client and is entitled to payment thereunder. Specifically, the Contractor has submitted the Final Report to the Client, as required by the Contract, and received the Client's approval of the Final Report. To the extent the Contractor has not complied with the terms and conditions of the Contract, including the USTDA Mandatory Contract Clauses contained therein, it will, upon USTDA's request, make an appropriate refund to USTDA."

(b) Client's Approval of the Contractor's Invoice

(i) The invoice for a mobilization payment must be approved in writing by the Client.

(ii) For Contract performance milestone payments, the following certification by the Client must be provided on the invoice or separately:

"The services for which disbursement is requested by the Contractor have been performed satisfactorily, in accordance with applicable Contract provisions and the terms and conditions of the USTDA Grant Agreement."

(iii) For final payment, the following certification by the Client must be provided on the invoice or separately:

"The services for which disbursement is requested by the Contractor have been performed satisfactorily, in accordance with applicable Contract provisions and the terms and conditions of the USTDA Grant Agreement. The Final Report submitted by the Contractor has been reviewed and approved by the Client. "

(c) USTDA Address for Disbursement Requests

Requests for disbursement shall be submitted to the attention of the Finance Department at USTDA's address listed in Clause N below, or by e-mail to invoices@ustda.gov.

USTDA will maintain the confidentiality of such information in accordance with applicable law.

and

(b) One (1) hard copy of the Final Report suitable for public distribution ("Public Version"). The Public Version shall have been approved by the Client in writing and must be in the English language. As this version will be available for public distribution, it must not contain any confidential information. If the report in (a) above contains no confidential information, it may be used as the Public Version. In any event, the Public Version must be informative and contain sufficient Project detail to be useful to prospective equipment and service providers.

and

(c) Two (2) CD-ROMs, each containing a complete copy of the Public Version of the Final Report. The electronic files on the CD-ROMs shall be submitted in a commonly accessible read-only format. As these CD-ROMs will be available for public distribution, they must not contain any confidential information. It is the responsibility of the Contractor to ensure that no confidential information is contained on the CD-ROMs.

The Contractor shall also provide one (1) hard copy of the Public Version of the Final Report to the Commercial or Economic Section of the U.S. Embassy in Host Country for informational purposes.

(3) Final Report Presentation

All Final Reports submitted to USTDA must be paginated and include the following:

(a) The front cover of every Final Report shall contain the name of the Client, the name of the Contractor who prepared the report, a report title, USTDA's logo, and USTDA's address. If the complete version of the Final Report contains confidential information, the Contractor shall be responsible for labeling the front cover of that version of the Final Report with the term "Confidential Version." The Contractor shall be responsible for labeling the front cover of the Public Version of the Final Report with the term "Public Version." The front cover of every Final Report shall also contain the following disclaimer:

"This report was funded by the U.S. Trade and Development Agency (USTDA), an agency of the U.S. Government. The opinions, findings, conclusions or recommendations expressed in this document are those of the author(s) and do not necessarily represent the official position or policies of USTDA. USTDA makes no representation about, nor does it accept responsibility for, the accuracy or completeness of the information contained in this report."

(2) Time Limitation on Disbursement of USTDA Grant Funds

Except as USTDA may otherwise agree, (a) no USTDA funds may be disbursed under this Contract for goods and services which are provided prior to the Effective Date of the Grant Agreement; and (b) no USTDA funds may be disbursed more than four (4) years after the Effective Date of the Grant Agreement.

M. Business Practices

The Contract Parties recognize the existence of standards of conduct for public officials and commercial entities in their respective countries. Therefore, the Contract Parties shall fully comply with all United States and Host Country laws relating to corruption or bribery. For example, the Contractor and its subcontractors shall fully comply with the requirements of the Foreign Corrupt Practices Act, as amended (15 U.S.C. §§ 78dd-1 et seq.). Each Contract Party agrees that it shall require that any agent or representative hired to represent it in connection with the Study will comply with this paragraph and all laws which apply to activities and obligations of that Contract Party, including, but not limited to, those laws and obligations referenced above.

N. USTDA Address and Fiscal Data

Any communication with USTDA regarding this Contract shall be sent to the following address and include the fiscal data listed below:

U.S. Trade and Development Agency
1000 Wilson Boulevard, Suite 1600
Arlington, Virginia 22209-3901
USA

Phone: (703) 875-4357
Fax: (703) 875-4009

Fiscal Data:

Appropriation No.: 11 12/13 1001
Activity No.: 2012-11019A
Reservation No.: 2012222
Grant No.: GH201211222

S. Arbitration

If the Contract Parties submit any dispute arising under this Contract for arbitration, the scope of any such arbitration shall be limited to the Contract Parties' rights and/or obligations under this Contract and may not extend to any right or obligation of USTDA. The arbitrator(s) shall not arbitrate issues directly affecting the rights or obligations of USTDA.