



Decision number [165/1428] dated 4/6/2007

The Governor of the Communications and Information Technology Commission (“Commission”), with the powers vested in him;

Pursuant to the provisions of the Act, the Ordinance, the Bylaw, and relevant regulations issued by the Commission (the “Commission Statutes”);

Pursuant to the approved Universal Access and Universal Service Policy (the “Policy”);

Pursuant to the approval of the Board of the Commission (the “Board”); and

Further to the interest of the business;

decides the following

Article 1 Creation of Universal Service Fund

- 1.1. The Universal Service Fund (“USF”) is hereby established as a separate administrative unit within the Commission and shall be linked directly to the Governor of the Commission (the “Governor”). And it shall be controlled and managed in accordance with this Decision, any other regulations adopted by the Commission, and following due consideration of any instruments, processes, procedures, guidelines and other measures prepared by the Commission to implement the Policy (the “Execution Measures”).
- 1.2. The primary goal of the USF shall be to implement the Policy, including the achievement of the objectives set forth therein.
- 1.3. The USF shall implement the Policy in a transparent, non-discriminatory and competitively neutral manner.
- 1.4. The USF shall be independent and separate from all service providers, and shall not become a service provider.
- 1.5. The USF shall be deemed to be operational on the date its first annual operating plan is approved by the USF Executive Committee (the “USF Executive Committee”) in accordance with Article 8 of this Decision.

Article 2 Structure of the Universal Service Fund

- 2.1. The USF shall consist of the following:
 - 2.1.1. the Board;
 - 2.1.2. USF Executive Committee; and
 - 2.1.3. the USF administration (the “Administration”).
- 2.2. The Board shall be the governing body of the USF and shall supervise and provide direction to the Administration.
- 2.3. The USF Executive Committee shall be responsible for following up on the USF activities and issuance of all USF decisions necessary to manage and execute its duties.



- 2.4. The Administration shall be responsible for the day-to-day operation and administration of the USF.
- 2.5. The Administration shall be led by an individual administrator (the “Administrator”).
- 2.6. The Administrator shall report directly to the Governor and shall be appointed by the Board based on the recommendation of the USF Executive Committee.
- 2.7. The Administration of the USF will consist of a core dedicated staff, who may receive support from other sectors of the Commission to perform their tasks.

Article 3 Role and Responsibilities of the Board

The role and responsibilities of the Board include the following:

- 3.1. Approve the appointment or removal of the Administrator;
- 3.2. Approve USF budgets (“USF Budgets”); and
- 3.3. Approve the annual reports on the activities, accomplishments, and financial accounts of the USF for the previous fiscal year (the “USF Reports”).

Article 4 Role and Responsibilities of the USF Executive Committee

The role and responsibilities of the USF Executive Committee include the following:

- 4.1. Recommend to the Board the appointment or removal of the Administrator;
- 4.2. Approve USF operating plans (“Operating Plans”);
- 4.3. Approve all Bylaws and Execution Measures necessary to give full force and effect to the Policy and this Decision;
- 4.4. Approve the formation of any sub committees necessary to facilitate USF execution;
- 4.5. Authorize the USF Budgets and recommend them to the Board; and
- 4.6. Authorize the USF Reports and submit them to the Board.

Article 5 Role and Responsibilities of the Governor

The role and responsibilities of the Governor include the following:

- 5.1. Submit to the USF Executive Committee the appointment or removal of the Administrator;
- 5.2. Approve the appointment or removal of the core dedicated staff; and
- 5.3. Approve all contracts, USF disbursements, and agreements between the USF and participating parties who win a competitive selection process (“USF Agreement”) within his authority.

Article 6 Role and Responsibilities of the Administrator

The role and responsibilities of the Administrator include the following:

- 6.1. Manage the day-to-day operation and administration of the Administration and any work assigned to any consulting body;



- 6.2. Recommend to the Governor the appointment or removal of the core dedicated staff and signing contracts with the consultants;
- 6.3. Prepare the Operating Plans and make recommendations regarding the same to the USF Executive Committee;
- 6.4. Prepare the USF Budget and submit it to the USF Executive Committee;
- 6.5. Prepare the USF Reports and submit them to the USF Executive Committee;
- 6.6. Prepare all Bylaws and Execution Measures necessary to give full force and effect to the Policy and this Decision and recommend them to the USF Executive Committee; and
- 6.7. Submit recommendations to the Governor regarding the signing on all contracts, agreements, USF disbursements, and any other expenses.

Article 7 USF Account and its sources of Funding

- 7.1. The Commission shall open and maintain a separate sub-account for the USF (the "USF Account") at the Saudi Arabian Monetary Agency.
- 7.2. Monies from the USF Account shall not be co-mingled with other Commission or government sub-accounts or monies and shall be disbursed only on USF Projects and USF administrative disbursements in accordance with this Decision.
- 7.3. The USF's accounting records shall register the receipt, management and disbursement of all USF monies.
- 7.4. The USF Account shall be separately and transparently maintained and operated in accordance with applicable legislation adopted by the Commission.
- 7.5. At the end of every fiscal year, the USF shall have the authority to retain the difference between the amounts collected or received by it and the amounts actually disbursed for the financing of future Operating Plans.
- 7.6. The USF shall be financed in accordance with the sources set out in the Policy.

Article 8 Operating Plans

- 8.1. Strategic Operating Plan shall define USF Programs and USF Projects in accordance with the Policy and any relevant Execution Measures, which identify specific networks and/or telecommunications services to be implemented, as well as annual Operating Plans for the current or subsequent years, to achieve the Policy objectives.
- 8.2. USF Projects to be included in an Operating Plan may be designed by the Administration or may be proposed by other persons for the consideration of the Administration.
- 8.3. Annual Operating Plans shall include a detailed budget for all USF Programs and USF Projects contained therein.
- 8.4. The annual Operating Plan shall also include the USF's administrative expenses as estimated by the Administration.



Article 9 Competitive Selection Process

- 9.1. All USF Projects shall be awarded by the USF pursuant to a competitive selection process in accordance with the Policy and as further specified in any relevant Execution Measures.
- 9.2. The parties who will be participating in the eligibility process to be selected in the competitive process must demonstrate that they meet the specific eligibility and qualification criteria established by the USF.
- 9.3. Only participating parties who win a competitive selection process (“USF Service Providers”) shall receive financial support from the USF after obtaining an appropriate license according to the Commission Statutes.
- 9.4. The USF may request bid and/or performance guarantees from the parties participating in the competitive selection process.

Article 10 Funding of USF Projects

- 10.1. The USF shall only provide funding for USF Projects in accordance with the Policy and the Execution Measures.
- 10.2. The financial support from the USF shall not exceed the amount calculated in the USF Agreement.
- 10.3. The amount of subsidy to be paid shall be determined by the USF as part of the competitive selection process.
- 10.4. According to its discretion, the one-time subsidy may be disbursed by the USF in one or more instalments.
- 10.5. The maximum amount of the one-time subsidy available for each USF Project shall be proposed by the Administration and included in the Operational Plan.
- 10.6. The Administration shall calculate the maximum amount of the one-time subsidy based on a net-cost estimation, which will be specified according to the Execution Measures.

Article 11 USF Administrative Disbursements

- 11.1. The administrative expenses of the USF shall be financed by the USF.
- 11.2. The administrative expenses of the USF shall include the following:
 - 11.2.1. Salaries, remunerative packages and allowances for the Administration staff;
 - 11.2.2. Office equipment, administrative, and operational expenses specifically and directly related to the requirements of the Administration;
 - 11.2.3. Travel expenses for the activities of the Administration of the USF;
 - 11.2.4. Expenses of studies pertinent to USF activities;
 - 11.2.5. Contracts entered into by the USF; and
 - 11.2.6. All other costs and expenses.



Article 12 Auditing and Reporting Requirements

- 12.1. Within three months of the conclusion of each fiscal year, the USF Administration shall prepare the USF Report.
- 12.2. The USF Report shall include, at a minimum, the following audited information:
- 12.2.1. The amount of USF Fee due by each Designated Service Provider for the ending year;
- 12.2.2. The USF Fee amount collected from each designated Service Provider for the ending year;
- 12.2.3. The total USF receipts during the year, by source;
- 12.2.4. USF disbursements during the year, by recipient;
- 12.2.5. Summary of the Operating Plan for the year, including allocated budgets, USF Programs, and timing of USF Project implementations;
- 12.2.6. Summary of all USF activities during the year, including:
- USF Projects designed, with summary details concerning locations to be served, targets to be achieved, budgets allocated, and competitive bidding processes implemented;
 - Identification of winning bids, amounts, status of contracts awarded during the year;
 - Status of each ongoing USF Project previously awarded, including: progress toward fulfilling contracts, deployment of networks and services, USF amounts expended, problems encountered and/or resolved, obligations still remaining to be fulfilled; and
 - USF Projects under development but not yet awarded: status, timing, objectives, budgets, expected difficulties.
- 12.2.7. Summary of progress to meeting the objectives set forth in the Policy.
- 12.3. Once the USF Report has been approved by the Board, it shall be released publicly, in printed form and via the Commission's web site.