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GOVERNMENT NOTICES • GOEWERMENTSKENNISGEWINGS

DEPARTMENT OF COMMUNICATIONS AND DIGITAL TECHNOLOGIES

NO. 6872

24 November 2025



Draft USAF Manual

Policy and Conceptual Framework

Volume 1 of 2

Prepared by the Universal Service and Access Agency of South Africa (USAASA)
November 2025

Foreword

By the Acting Chief Executive Officer, USAASA

The Universal Service and Access Fund (USAF) is a statutory mechanism established in terms of the *Electronic Communications Act, 2005* (ECA) to advance the principles of universal service and access to electronic communications across the Republic. The Fund's overarching purpose is to ensure that all South Africans, particularly those in under-served and marginalised areas, are able to benefit equitably from the opportunities presented by the digital economy.

This Policy and Conceptual Framework has been developed pursuant to Section 88(1A) of the ECA, which mandates the Agency to determine, after public consultation, the manner in which applications to the Fund are to be made and subsidies disbursed. The Framework provides the policy and institutional foundation for the modernisation of the USAF and complements the USAF Operating Manual (Volume 2), which outlines the detailed operational procedures governing implementation.

The document consolidates the relevant legislative and policy instruments underpinning the Fund, including the *Electronic Communications Act, 2005*; the *Public Finance Management Act, 1999*; the *Broad-Based Black Economic Empowerment Act, 2003*; and the *Infrastructure Development Act, 2014*. It further aligns the USAF's strategic orientation with national policy priorities such as *South Africa Connect*, the *Digital Economy Masterplan*, and the recommendations of the *Presidential Commission on the Fourth Industrial Revolution (PC4IR)*.

The publication of this Framework represents an important milestone in strengthening governance, transparency, and accountability in the administration of the USAF. It is also issued to invite public participation, as envisaged under Section 88(1A) of the ECA. Stakeholders are encouraged to submit written comments and contributions to inform the finalisation of the Framework and its subsequent gazetting.

Through this consultative process, USAASA seeks to ensure that the USAF remains a credible, responsive, and high-impact instrument that advances South Africa's national objectives of digital inclusion, economic transformation, and sustainable development.

Thabiso Thukani

Acting Chief Executive Officer

Universal Service and Access Agency of South Africa (USAASA)

November 2025

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1. Executive Summary

The Universal Service and Access Fund (USAF) is South Africa's principal financial mechanism for advancing digital inclusion and equitable access to electronic communications. Established under Chapter 14 of the Electronic Communications Act, 2005 (ECA), the Fund supports the national imperative to bridge the digital divide, particularly among underserved and marginalised communities.

This Policy and Conceptual Framework (Volume 1) sets out the strategic, legal, and institutional foundation for the modernisation of the USAF and serves as the basis for the USAF Operating Manual (Volume 2), which will define operational procedures, funding criteria, and compliance mechanisms. Together, the two volumes fulfil the statutory requirement in Section 88(1A) of the ECA for USAASA to determine, through public consultation, the manner in which applications to the Fund must be made and subsidies disbursed.

Purpose and Intent

The Framework translates the ECA's mandate on subsidies and incentives into a coherent national investment model for digital access. It provides a unified policy reference for government, regulators, industry, and development partners on how the USAF should operate to promote affordable connectivity, digital skills, and inclusion in alignment with South Africa Connect, the Digital Economy Masterplan, and the Presidential Commission on the Fourth Industrial Revolution (PC4IR).

It further seeks to reposition the USAF as a development-finance instrument that integrates public funding with private-sector participation and developmental capital, while maintaining transparency, accountability, and compliance with the Public Finance Management Act (PFMA).

Legislative and Policy Context

The Framework is grounded in South Africa's constitutional commitment to equitable access to information, efficient public administration, and accountable financial management (Sections 16, 195, and 213 of the Constitution).

It interprets and operationalises key legislation, including:

- The Electronic Communications Act, 2005 (ECA) – establishing USAASA and the USAF, and mandating biennial gazetting of procedures for subsidies and incentives;
- The ICASA Act, 2000 – aligning regulatory obligations and financial mechanisms for universal service;
- The Public Finance Management Act, 1999 – ensuring fiscal accountability and integration with the National Revenue Fund;
- The Broad-Based Black Economic Empowerment Act, 2003 – embedding economic transformation into digital inclusion;
- The Infrastructure Development Act, 2014 – linking broadband and digital projects to national infrastructure priorities; and
- The Promotion of Administrative Justice Act, 2000 (PAJA) – ensuring procedural fairness and transparency in USAF decision-making.

Collectively, these instruments situate USAF as a lawful, transparent, and development-driven mechanism aligned with South Africa's digital and socio-economic policy goals.

Institutional and Governance Architecture

The Framework clarifies the respective roles of the Minister of Communications and Digital Technologies, USAASA Board, Chief Executive Officer, ICASA, National Treasury, Auditor-General, and Parliament in USAF governance.

It introduces a structured Governance and Oversight Relationships Table that defines lines of accountability, reporting mechanisms, and coordination platforms among these entities.

This architecture strengthens fiduciary oversight, ensures alignment with fiscal and policy directives, and promotes integrated planning across the communications and digital sector.

Comparative and Global Insights

A global survey of universal service and access funds highlights the evolution from traditional infrastructure subsidies toward blended, demand-driven, and innovation-oriented models.

Comparative analysis of South African infrastructure-fund administrators, such as development-finance institutions and sectoral funds, illustrates the value of strong fiduciary frameworks, blended financing, and rigorous performance monitoring.

These insights have informed the design of the Digital Inclusion Partnership Framework (DIPF) as the modern operating model for the USAF.

Digital Inclusion Partnership Framework (DIPF)

The DIPF operationalises the ECA's mandate on subsidies and incentives. It is designed as a multi-stakeholder investment framework that mobilises resources from public, private, and developmental partners to accelerate universal digital inclusion. Under this model:

- Subsidies are used to offset the cost of connectivity infrastructure in under-served areas;
- Incentives are applied to promote innovation, affordability, and participation;
- Partnerships leverage private and donor funding while retaining USAF's developmental focus; and
- Disbursements are outcome-based and verified through transparent monitoring systems.

The DIPF transforms USAF from a static funding pool into a catalytic investment platform for inclusive and sustainable digital transformation.

Strategic Implications and Policy Recommendations

The Framework identifies key actions to strengthen USAF's impact and sustainability:

- Regulatory Reform: Update USAF regulations to include demand-side incentives and blended-finance mechanisms;
- Institutional Strengthening: Build USAASA's capacity for fund management, monitoring, and stakeholder coordination;
- Fiscal Innovation: Introduce mechanisms to attract co-investment and enable fund replenishment;
- Policy Coherence: Align USAF operations with SA Connect, the Digital Economy Masterplan, and NIP 2050; and
- Evidence-Based Accountability: Institutionalise results-based monitoring and public transparency through annual reporting.

Together, these measures will enable USAF to fulfil its legislative mandate and policy objectives effectively.

Consultation and Participation

As required under Section 88(1A) of the ECA, this Framework is issued as a Consultative Draft. Stakeholders across government, industry, academia, and civil society are invited to provide input through the Draft Consultation Questionnaire (**Annex A**). Feedback will inform the finalisation of this Framework and the accompanying Operating Manual (Volume 2) prior to gazetting.

Conclusion

This Policy and Conceptual Framework marks a significant step toward repositioning the USAF as a credible, transparent, and high-impact mechanism for advancing digital inclusion. Anchored in the ECA's subsidy-and-incentive mandate, aligned with national digital policy, and informed by global best practice, it establishes a foundation for a future-ready USAF that connects communities, empowers citizens, and drives South Africa's transition toward an inclusive digital society.

2. Background and Purpose

2.1 Context

Since its establishment under the Electronic Communications Act, 2005, the USAF has played a central role in advancing digital access. However, the absence of a formally gazetted operational manual has led to varied interpretations of its mandate and processes. This Framework addresses that gap by providing a clear, evidence-based foundation for Fund operations.

2.2 Purpose of the Framework

The purpose of this Framework is to:

- Provide a coherent policy and conceptual basis for the operation of the USAF;
- Clarify the legislative, institutional, and policy environment within which the Fund operates;
- Benchmark South Africa's USAF model against international best practice; and
- Support a participatory process toward finalisation and gazetting of the USAF Manual.

3. Legislative and Policy Context

3.1 Constitutional and Foundational Context

The foundation of the USAF's existence is embedded in the Constitution of the Republic of South Africa, 1996, which establishes the right to equitable access to information, communications, and public services as an extension of human dignity and participatory democracy. Section 16 guarantees freedom of expression, which includes the right to receive or impart information, while Section 195 outlines the values of public administration (efficiency, equity, accountability, and transparency) that guide USAASA's work. Section 213(1) establishes the National Revenue Fund (NRF), into which all public revenues must be paid, providing the fiscal anchor for USAF collections and disbursements. Together, these provisions underscore that universal access to

communication is both a constitutional imperative and a public good, situating USAF as a key instrument for advancing social justice, inclusion, and sustainable development.

3.2 Electronic Communications Act, 2005 (ECA)

- **Legislative Context:** The ECA serves as the principal enabling legislation for the universal service and access regime in South Africa. Enacted to promote the convergence of communications technologies, it seeks to ensure that electronic communications networks and services are made available universally and affordably. Chapter 14 (Sections 80 – 90) establishes both the Universal Service and Access Agency of South Africa (USAASA) and the Universal Service and Access Fund (USAF). Section 88(1A) explicitly requires the Agency to determine, through public consultation, how applications for funding must be made and how subsidies will be paid.
- **Relevance to USAF:** The ECA not only establishes the USAF but defines its operational scope. It mandates the collection of contributions from licensees, provides for subsidies to promote universal service, and empowers the Minister of Communications and Digital Technologies to issue policy directions guiding USAF's implementation. It also stipulates that funds must be used to subsidise network rollouts, promote access to ICTs in underserved areas, and support innovations that expand digital inclusion.
- **Key Compliance Obligations:** Under the ECA, USAASA must: (i) maintain transparent and auditable mechanisms for administering the Fund; (ii) ensure fair, open, and competitive access to funding opportunities; and (iii) publish the USAF Manual every two years after public participation. Compliance also extends to proper accounting for USAF funds in accordance with the Public Finance Management Act and adherence to all directions issued by the Minister.
- **Strategic Alignment and Policy Synergy:** The ECA situates USAF within South Africa's broader development objectives under the National Development Plan (NDP) 2030 and SA Connect. It underscores the principle of shared responsibility, requiring contributions from private licensees to advance universal service. The Act's emphasis

on transparency, efficiency, and equity complements PFMA governance principles and provides the statutory backbone for USAASA's accountability to Parliament and the public.

3.3 Independent Communications Authority of South Africa (ICASA) Act, 2000

- **Legislative Context:** The ICASA Act establishes the Independent Communications Authority of South Africa as the sector regulator responsible for overseeing broadcasting, telecommunications, and postal services. ICASA derives its authority from both the ICASA Act and the ECA. It regulates market entry, enforces competition, and ensures that licensees meet universal service obligations (USOs) as part of their licence conditions.
- **Relevance to USAF:** ICASA plays a pivotal role in determining and collecting annual contributions from licensed operators to the USAF, ensuring that all funds are properly paid into the National Revenue Fund. The Act also enables ICASA to define under-served areas and impose rollout obligations that complement USAF-funded interventions. USAASA relies on ICASA's data, market analyses, and regulatory frameworks to guide its investment priorities.
- **Key Compliance Obligations:** The USAF must ensure that its funding processes align with ICASA's regulatory instruments, including the list of under-served areas, spectrum licensing frameworks, and universal service definitions. Coordination mechanisms between USAASA and ICASA, such as data sharing and project verification, are essential to avoid duplication of effort and to promote consistency in sectoral planning.
- **Strategic Alignment and Policy Synergy:** The ICASA Act reinforces the alignment between regulatory enforcement and developmental funding. Together with the ECA, it ensures that universal service obligations imposed on operators are complemented by financial support from the USAF. This regulatory–funding nexus strengthens South Africa's commitment to closing the digital divide and maintaining competition neutrality.

3.4 Public Finance Management Act, 1999 (PFMA)

- **Legislative Context:** The PFMA establishes a framework for sound financial management across the public sector, ensuring transparency, accountability, and efficiency in the use of public resources. It applies to all national departments and public entities, including USAASA as a Schedule 3A public entity, and governs the management of the USAF as part of the National Revenue Fund.
- **Relevance to USAF:** The PFMA governs how USAF funds are collected, managed, and disbursed. It affirms that USAF revenues must be paid into the National Revenue Fund and disbursements made only through appropriation. USAASA acts as the Fund's administrator and accounting authority, but does not hold USAF funds independently. The PFMA therefore anchors USAF's legitimacy as a national fiscal instrument subject to Treasury oversight.
- **Key Compliance Obligations:** USAASA must adhere to PFMA Sections 38 – 40, which require effective internal controls, proper accounting records, and regular performance and financial reporting to Treasury and Parliament. Treasury Regulations require annual roll-over applications for unspent funds, quarterly performance reports, and adherence to supply-chain management (SCM) rules.
- **Strategic Alignment and Policy Synergy:** The PFMA ensures USAF's integration into the national budgeting system and reinforces principles of regularity, transparency, and fiscal prudence. It aligns with ECA provisions on accountability and promotes coherence between financial governance and digital inclusion objectives. By enforcing disciplined fund management, the PFMA builds public trust and strengthens the credibility of the USAF as a development finance instrument.

3.5 Broad-Based Black Economic Empowerment (B-BBEE) Act, 2003

- **Legislative Context:** The B-BBEE Act advances South Africa's transformation agenda by promoting equitable economic participation of black people, women, youth, and persons with disabilities. It mandates that all public entities incorporate empowerment objectives into their operations and procurement processes.

- **Relevance to USAF:** The B-BBEE Act directly influences USAF's funding priorities and implementation mechanisms. As a public fund, USAF must ensure that its disbursements promote inclusive participation across the ICT value chain, particularly by historically disadvantaged enterprises and communities.
- **Key Compliance Obligations:** USAASA must integrate B-BBEE principles into all project appraisal, procurement, and partnership processes. Applicants must demonstrate empowerment credentials and measurable socio-economic outcomes. The USAF is required to monitor and report empowerment impact in its annual performance and Treasury submissions.
- **Strategic Alignment and Policy Synergy:** The Act strengthens USAF's developmental mandate by ensuring that digital inclusion efforts contribute to economic transformation. Aligning empowerment principles with universal access objectives ensures that infrastructure and service investments yield both social and economic returns. It promotes diversity within the ICT ecosystem and ensures that universal service extends beyond connectivity to economic opportunity.

3.6 Infrastructure Development Act, 2014

- **Legislative Context:** The Infrastructure Development Act (IDA) establishes a coordinated framework for planning, financing, and implementing large-scale infrastructure projects across South Africa. It designates Strategic Integrated Projects (SIPs) and assigns Infrastructure South Africa (ISA) a central coordination role.
- **Relevance to USAF:** The IDA positions digital infrastructure, such as broadband networks and connectivity backbones, as a key enabler of economic and social development. USAF-funded broadband initiatives may qualify as SIPs, thereby benefiting from streamlined approvals and enhanced coordination across government.
- **Key Compliance Obligations:** USAASA must align its infrastructure planning with the National Infrastructure Plan (NIP 2050) and report project data to ISA and Treasury. It must adhere to infrastructure delivery management standards, cost-

benefit assessments, and environmental compliance protocols as defined under the IDA.

- **Strategic Alignment and Policy Synergy:** The IDA integrates USAF's objectives into South Africa's broader infrastructure investment agenda. It promotes blended financing and co-investment opportunities with public and private partners, consistent with the DIPF model. This alignment strengthens USAF's role as a catalytic contributor to national infrastructure delivery and digital inclusion.

3.7 Promotion of Administrative Justice Act, 2000 (PAJA)

- **Legislative Context:** PAJA operationalises Section 33 of the Constitution, which guarantees every person the right to lawful, reasonable, and procedurally fair administrative action. It applies to all public entities exercising statutory powers.
- **Relevance to USAF:** As USAASA performs public functions in administering the Fund, all its funding, evaluation, and disbursement decisions constitute administrative actions subject to PAJA. This ensures that decisions are transparent, justifiable, and reviewable.
- **Key Compliance Obligations:** USAASA must ensure that all USAF procedures, including calls for proposals, adjudication, and contract management, comply with PAJA's requirements for procedural fairness. Applicants must be informed of criteria, given opportunities to make representations, and provided with reasons for decisions. USAASA must maintain a documented record of each decision for audit and review.
- **Strategic Alignment and Policy Synergy:** PAJA reinforces good governance and accountability within USAF operations, complementing PFMA and ECA requirements. It institutionalises fairness and public confidence in USAF administration, reducing litigation risk and enhancing credibility.

3.8 Policy Frameworks Informing USAF Operations

3.8.1 *South Africa Connect (2013)*

- **Policy Context:** South Africa Connect is the national broadband policy that aims to ensure universal broadband access by 2030. It defines phased connectivity targets for government institutions, communities, and households.
- **Relevance and Synergy:** The policy positions USAF as a key financing instrument for broadband rollout, particularly in rural and under-served areas. It guides USAF's investment in last-mile connectivity, community Wi-Fi, and affordability initiatives that directly support SA Connect's coverage goals.

3.8.2 *Digital Economy Masterplan (2021)*

- **Policy Context:** The Masterplan envisions South Africa as an inclusive, innovative, and competitive digital economy. It focuses on infrastructure, digital skills, data governance, and entrepreneurship.
- **Relevance and Synergy:** The USAF aligns with this vision by funding initiatives that foster digital literacy, support device affordability, and promote innovation-driven inclusion. It expands USAF's mandate beyond connectivity toward enabling full digital participation and economic empowerment.

3.8.3 *Presidential Commission on the Fourth Industrial Revolution (PC4IR) Report (2019)*

- **Policy Context:** The PC4IR Report provides a strategic roadmap for leveraging emerging technologies to achieve inclusive growth and human development.
- **Relevance and Synergy:** The Report underscores universal digital access as a prerequisite for 4IR readiness. USAF is identified as a key policy lever for advancing digital infrastructure, innovation hubs, and digital skills aligned with 4IR national priorities.

4. USAF Governance and Oversight Relationships

Effective governance of the Universal Service and Access Fund (USAF) depends on a clearly defined institutional architecture that delineates roles, accountability relationships, and reporting mechanisms among key public-sector entities. The USAF operates within a multi-layered oversight environment encompassing the Department of Communications and Digital Technologies (DCDT), USAASA's Board and management, the Independent Communications Authority of South Africa (ICASA), National Treasury, the Auditor-General, and Parliament. The following table outlines these relationships, illustrating how policy direction, fiduciary oversight, financial control, and performance accountability are exercised to ensure that the Fund operates transparently and in accordance with the *Electronic Communications Act, 2005* and the *Public Finance Management Act, 1999*.

Institution / Entity	Role and Responsibility	Accountability Relationship	Reporting / Oversight Mechanism
Minister of Communications and Digital Technologies (DCDT)	Provides strategic policy direction; approves USAF regulations and funding guidelines in line with ECA s3 and s88.	Accountable to Parliament and Cabinet for the performance of USAASA and USAF.	Annual reports, policy directives, and performance reviews submitted to Parliament.
USAASA Board (Accounting Authority)	Exercises fiduciary and strategic oversight; approves funding frameworks, major disbursements, and performance plans.	Accountable to the Minister as the Executive Authority under PFMA s49.	Quarterly and annual reporting to DCDT and National Treasury.
Chief Executive Officer (Accounting Officer)	Administers USAF in compliance with the PFMA and Board directives; ensures operational implementation and financial control.	Reports to the Board; subject to AGSA audit and Treasury oversight.	Submission of financial statements, APP performance reports, and compliance certifications.
Department of Communications and Digital	Provides policy alignment and ensures USAF implementation	Oversight over USAASA's	Performance reviews and

Institution / Entity	Role and Responsibility	Accountability Relationship	Reporting / Oversight Mechanism
Technologies (DCDT)	supports national digital priorities.	performance and policy coherence.	concurrence on strategic plans.
Independent Communications Authority of South Africa (ICASA)	Collects USAF contributions from licensees and determines under-served areas and universal service obligations.	Accountable to Parliament through DCDT; collaborates with USAASA under MoUs.	Annual reporting and data exchange for alignment of coverage priorities.
National Treasury	Oversees USAF allocations through the national budget; ensures fiscal discipline and PFMA compliance.	Accountable to Parliament through the Minister of Finance.	Review of financial reports, rollover requests, and expenditure audits.
Auditor-General of South Africa (AGSA)	Conducts external audits of USAASA and USAF financial and performance statements.	Independent constitutional authority; reports directly to Parliament.	Annual audit reports on compliance, performance, and financial integrity.
Parliament	Exercises legislative oversight through portfolio committees; ensures USAF's alignment with national priorities.	Supreme oversight authority.	Review of annual reports, audit outcomes, and budget appropriations.

5. Comparative and Global Analysis

5.1 Global Survey of Universal Service and Access Funds

International experience demonstrates that while every country's connectivity landscape is unique, there are common lessons on how Universal Service and Access Funds (USAFs) can evolve from narrow infrastructure subsidies into broader digital-inclusion mechanisms. A global survey of established funds shows five broad operational models: traditional supply-side, blended or hybrid, demand-side and affordability-oriented, dormant or under-performing, and multi-stakeholder innovation-driven.

Most early USAFs were designed in the late 1990s and early 2000s, focusing on network rollout and the extension of voice services to rural or remote communities. These funds typically operated as supply-side mechanisms, financing base stations, towers, or telecentres through subsidies to licensed operators. While this approach delivered measurable connectivity gains, it often struggled to remain financially sustainable or responsive to rapidly changing technology markets.

Over time, global practice shifted toward hybrid models that combine public investment with private-sector co-funding and development-partner support. In these arrangements, funds serve as catalytic instruments, reducing investment risk through grants or concessional finance while leveraging additional capital. The hybrid model has proven particularly effective in middle-income economies where broadband expansion requires both infrastructure and user-side stimulation.

A growing number of countries have also introduced demand-side mechanisms within their USAF frameworks. These include smart-device subsidies, targeted data vouchers, and digital-skills initiatives aimed at promoting meaningful connectivity rather than access alone. This reflects the recognition that affordability and digital literacy are as critical as network coverage in achieving universal service.

At the same time, many funds worldwide remain under-utilised or dormant, often due to weak institutional capacity, regulatory ambiguity, or limited transparency in disbursement. International assessments by the ITU and regional bodies consistently stress that the effectiveness of a USAF depends less on the amount of money collected and more on the governance, accountability, and agility of the administrative agency.

Emerging best practice points to a new generation of multi-stakeholder, innovation-driven funds. These funds embrace open data, blended finance, and cross-sector partnerships, extending support beyond connectivity to include digital entrepreneurship, e-government platforms, and community innovation hubs. They operate under clear monitoring and evaluation frameworks, publish project data publicly, and institutionalise stakeholder participation in decision-making.

For South Africa, the evolution of global USAF models underscores the importance of repositioning the Fund as a catalytic, transparent, and impact-driven mechanism that blends supply- and demand-side interventions. The experience of peer nations demonstrates that sustainability arises from predictable funding, strong governance, and alignment with broader national digital-transformation strategies, principles that underpin the proposed Digital Inclusion Partnership Framework (DIPF) in this Manual.

5.2 South African Infrastructure Development Fund Administrators

Within South Africa's broader public-investment landscape, several established institutions provide valuable benchmarks for the governance and management of large-scale infrastructure and development funds. These include development-finance and statutory entities that operate under clear legislative mandates and Treasury oversight to mobilise, blend, and disburse capital for national priorities.

Collectively, these administrators illustrate mature governance arrangements that combine strong fiduciary control with developmental impact. They typically operate through ring-fenced or special-purpose funds that align with government priorities in sectors such as energy, transport, water, agriculture, and social infrastructure. Common characteristics include transparent investment pipelines, multi-layered approval processes, risk-management frameworks, and results-based performance monitoring.

For the USAF, the experience of these infrastructure-fund administrators highlights several transferable lessons. First, sound institutional design, anchored in law and supported by skilled fund-management capacity, is essential to ensure financial integrity and policy alignment. Second, blended-finance mechanisms that crowd in private and developmental capital can significantly extend the reach of public resources. Finally, rigorous monitoring, evaluation, and reporting systems are indispensable for maintaining public trust and demonstrating socio-economic impact.

These precedents reinforce the principle that the USAF should operate as a development-finance instrument within the national infrastructure ecosystem: compliant with the *Public Finance Management Act*, aligned to the *National Infrastructure Plan 2050*, and capable of partnering effectively with other national financing vehicles.

6. Proposed Digital Inclusion Partnership Framework (DIPF)

The Digital Inclusion Partnership Framework (DIPF) gives practical effect to the *Electronic Communications Act, 2005* (ECA), particularly Section 88, which empowers the Universal Service and Access Agency of South Africa (USAASA) to manage and disburse subsidies and incentives to promote universal service and access. It translates the ECA's statutory intent into an integrated model for mobilising and coordinating resources across public, private, and developmental sectors to achieve nationwide digital inclusion.

Definition

The *Digital Inclusion Partnership Framework (DIPF)* is a strategic mechanism established to operationalise the ECA's mandate on subsidies and incentives. It blends public, private, and developmental finance to accelerate universal access to electronic communications and to ensure that connectivity, affordability, and digital capability are advanced in tandem.

6.1 Legislative and Conceptual Foundation

Sections 84 to 90 of the ECA collectively define the legal framework for the USAF. Section 84(1) establishes the Fund to subsidise network rollout and promote access to electronic communications services. Section 88(1A) requires that the Agency, following public consultation, determine and gazette the manner in which applications are to be made and subsidies paid. The DIPF responds directly to this mandate by creating a structured and transparent process for the design, allocation, and management of subsidies and incentives under the USAF.

Conceptually, the DIPF recognises that universal access requires both supply-side investment (infrastructure deployment) and demand-side stimulation (affordability, devices, digital literacy). It therefore interprets the traditional subsidy model envisioned by the ECA into a dynamic partnership platform that enables multi-actor co-investment.

6.2 Governance Dimension

The governance design of the DIPF aligns with the ECA's accountability hierarchy. USAASA, as administrator of the USAF, manages the framework under the policy

direction of the Minister of Communications and Digital Technologies. The Board, acting as accounting authority in terms of the PFMA, approves funding windows and ensures that subsidies and incentives are disbursed in accordance with published criteria. Inter-agency collaboration with ICASA, National Treasury, and other entities ensures that regulatory obligations and financial controls reinforce each other.

This arrangement embodies the ECA's intent that universal access be achieved through both regulatory enforcement and financial support, thereby ensuring synergy between universal service obligations (USOs) and USAF-financed interventions.

6.3 Financing Dimension

Consistent with the ECA's principle of shared responsibility, the DIPF mobilises diverse funding sources to extend the reach of public subsidies and incentives:

- **Public Funding:** Allocations from the National Treasury, appropriated to USAF, form the core subsidy base envisaged under Section 84.
- **Private-Sector Co-Investment:** Licensed operators (class and individual licensees), in fulfilling USOs or in their normal course of business wherein they expand their coverage, may partner with USAF projects to multiply impact.
- **Development Finance and Donor Contributions:** Development-finance institutions and international partners can participate through blended-finance mechanisms that complement state subsidies.

Through this blended approach, the DIPF transforms the ECA's traditional subsidy instrument into a catalytic investment platform, leveraging additional capital while maintaining compliance with statutory requirements.

6.4 Implementation and Incentive Mechanisms

In implementing the ECA's mandate, the DIPF applies both **subsidies** (to offset the cost of infrastructure deployment in under-serviced areas) and **incentives** (to encourage innovation, affordability, and inclusivity). Projects are selected through transparent, competitive calls for proposals and disbursed on an outcome-based basis, with milestones verified through geospatial and financial audits.

The incentive dimension rewards initiatives that promote sustainable connectivity solutions, gender and youth inclusion, and affordability innovations such as device-financing or community network models, thus extending the spirit of Section 88(1) beyond infrastructure subsidies to holistic digital participation.

6.5 Strategic Alignment

The DIPF ensures that the ECA's legislative intent is harmonised with contemporary digital-policy frameworks. It aligns with *South Africa Connect* and the *Digital Economy Masterplan* by linking state subsidies to measurable social outcomes, such as job creation and skills development. It also supports the *National Infrastructure Plan 2050* by classifying broadband and community-access projects as strategic national investments.

By rooting itself in the ECA's subsidy-and-incentive mandate, the DIPF provides a lawful, transparent, and future-focused mechanism for achieving universal digital inclusion. It modernises the USAF's role from that of a traditional funding source to that of a development-finance catalyst – one that ensures every public rand mobilises broader partnerships for sustainable connectivity.

7. Strategic Implications and Policy Recommendations

The implementation of the Digital Inclusion Partnership Framework (DIPF), rooted in the *Electronic Communications Act, 2005*, carries significant strategic implications for South Africa's digital-inclusion agenda. It requires coordinated reform across policy, institutional, fiscal, and regulatory domains to ensure that the Universal Service and Access Fund (USAF) operates as an effective, transparent, and development-oriented financing instrument.

This section outlines the key strategic considerations and recommended actions necessary to translate the Framework into sustainable results.

7.1 Policy and Legislative Implications

The DIPF affirms the continued relevance of the *Electronic Communications Act (ECA)* as the legislative backbone of universal service and access but highlights the need to update associated regulations and directives.

- **Institutional Alignment:** Policy directions under Section 3 of the ECA may be required to formalise inter-agency coordination between USAASA, ICASA, and the Department of Communications and Digital Technologies (DCDT).
- **Legal Certainty and Transparency:** The process for gazetting the USAF Manual should be institutionalised as a biennial statutory requirement, ensuring predictability and public accountability (Section 88(1A) of the ECA).

7.2 Institutional and Governance Implications

Effective implementation of the DIPF depends on strengthening institutional capacity and governance systems within USAASA.

- **Capacity Development:** Building internal capabilities in project appraisal, fund management, and results-based monitoring is essential for administering more complex blended-finance instruments.
- **Inter-Agency Coordination:** Regular coordination forums between USAASA, ICASA, DCDT, and National Treasury should be institutionalised to ensure that regulatory obligations and funding instruments complement one another.
- **Accountability and Integrity:** Strengthened internal-control systems, risk-management frameworks, and ethics policies will reinforce compliance with the *Public Finance Management Act (PFMA)* and Auditor-General standards.

7.3 Financial and Economic Implications

The DIPF redefines the USAF from a static fund into a catalytic investment platform. This transformation has important fiscal and economic consequences:

- **Fiscal Leverage:** By mobilising co-investment from private sector and development-finance institutions, the DIPF can multiply the impact of limited public subsidies without increasing fiscal exposure.
- **Value for Money:** Transparent, milestone-based disbursement will ensure that subsidies achieve measurable outcomes such as new connections, affordability improvements, and job creation.
- **Sustainability:** Establishing a revolving-fund or re-investment mechanism, whereby a portion of returns or cost-savings from projects are channelled back into the USAF, can secure long-term financial viability.
- **Economic Inclusion:** By funding class licensees operating in underservices areas, the USAF can stimulate entrepreneurship, promote B-BBEE objectives, and expand digital-economy participation in rural and township areas.

7.4 Strategic Alignment and Coherence

The DIPF provides a strategic interface between the USAF and key national frameworks. Alignment is essential to avoid duplication and to optimise developmental impact:

- **With SA Connect:** The Fund should serve as a complementary financing mechanism for the implementation of broadband-connectivity phases and public-institution access targets.
- **With the Digital Economy Masterplan:** USAF programmes should directly support the plan's pillars of innovation, skills, and inclusion.
- **With the National Infrastructure Plan 2050:** Broadband and digital-infrastructure projects financed through the USAF should be integrated into the national project pipeline overseen by Infrastructure South Africa.
- **With the NDP 2030 and MTDP 2024 – 2029:** USAF investments must contribute to inclusive growth, reduced inequality, and a capable developmental state.

7.5 Monitoring, Evaluation, and Impact Accountability

Strategic implementation must be accompanied by a robust results-based monitoring and evaluation (M&E) system to demonstrate value, accountability, and impact:

- **Performance Framework:** Development of a USAF Results Framework with clear indicators aligned to Treasury and DCDT reporting standards becomes key.
- **Public Transparency:** Publish annual impact reports, mapping projects against connectivity coverage, affordability improvements, and digital-skills outcomes.
- **Learning and Adaptation:** Use evaluation findings to refine subsidy instruments, ensuring continuous learning and improvement in line with Section 88(1A) reviews.

7.6 Policy Recommendations

To operationalise the Framework and realise the ECA's intent, the following high-level policy recommendations are proposed:

1. **Gazette and institutionalise the USAF Manual:** Finalise the consultative process and issue the Manual in the Government Gazette as required by Section 88(1A).
2. **Strengthen USAASA Capacity:** Secure dedicated funding for institutional strengthening, skills development, and digital-finance expertise.
3. **Formalise Partnerships:** Review / Update / Conclude memoranda of understanding (MoUs) with ICASA, CSIR, StatsSA, development-finance partners, and other relevant organisations to coordinate funding streams institutionalise data collection.
4. **Adopt the DIPF as the Operating Model:** Approve and institutionalise the Digital Inclusion Partnership Framework as the national model for USAF implementation.
5. **Embed Results-Based Reporting:** Align USAF performance monitoring with Treasury and DCDT frameworks to demonstrate measurable digital-inclusion impact.

By implementing these recommendations, the Government of South Africa will reposition the USAF as a credible, transparent, and high-impact finance instrument for digital inclusion, one that fully realises the ECA's intent to use subsidies and incentives as levers for universal, meaningful, and sustainable digital access.

8. Consultation Questions

To fulfil the requirement for public participation under Section 88(1A) of the *Electronic Communications Act, 2005*, stakeholders are invited to provide input on the following areas:

- Categories of eligible subsidies and incentives;
- Competitive tender frameworks and thresholds;
- Design of blended-finance and co-funding models;
- Accountability and audit mechanisms;
- Demand-side inclusion (devices, data, and digital literacy);
- Risk management and institutional reform;
- Sustainability and future direction.

Detailed questions are contained in **Annex A: Draft Consultation Questionnaire**.

9. Annexes

- **Annex A:** Draft Consultation Questionnaire
- **Annex B:** References and Supporting Documents

Annex A: Draft Consultation Questionnaire

Consultative Questions on the Draft USAF Manual and the Digital Inclusion Partnership Framework (DIPF).

1. Legislative and Policy Alignment

- 1.1 Does the Draft USAF Manual adequately reflect the intent of the *Electronic Communications Act* (Sections 84 – 90), particularly with regard to subsidies and incentives?
- 1.2 Are there additional provisions within the ECA or other Acts (PFMA, B-BBEE Act, PAJA, Infrastructure Development Act) that should be referenced or clarified?
- 1.3 Do you consider the biennial review and gazetting process proposed under Section 88(1A) to be sufficient for ensuring public participation and transparency?
- 1.4 What mechanisms could strengthen coordination between USAASA, ICASA, DCDT, and National Treasury to improve policy coherence?

2. Institutional and Governance Framework

- 2.1 Does the Institutional and Governance Architecture clearly define roles and accountability relationships among the Minister, Board, CEO, ICASA, and National Treasury?
- 2.2 Are there any gaps or overlaps in oversight arrangements that could undermine operational efficiency or compliance?
- 2.3 What additional measures should be considered to enhance inter-agency coordination and stakeholder representation in decision-making processes?
- 2.4 How can USAASA ensure transparency and integrity in the management of USAF funds?

3. Funding Model and Resource Mobilisation

- 3.1 Do you agree with the proposed Digital Inclusion Partnership Framework (DIPF) as the USAF's overarching investment model?

- 3.2 What are the strengths and potential risks of adopting a multi-stakeholder, blended-finance approach for digital-inclusion projects?
- 3.3 What criteria should guide partnership eligibility (e.g., private operators, DFIs, NGOs, municipalities)?
- 3.4 How can USAF leverage co-investment without compromising its developmental mandate or accountability obligations?
- 3.5 Should USAF consider establishing a revolving-fund or re-investment mechanism to ensure long-term financial sustainability?

4. Subsidies and Incentives

- 4.1 Does the Manual adequately distinguish between *subsidies* (for infrastructure rollout) and *incentives* (for innovation, affordability, and inclusion)?
- 4.2 What additional forms of incentives could be introduced to stimulate participation from operators, innovators, and community networks?
- 4.3 Should USAF funding prioritise supply-side interventions (infrastructure) or demand-side initiatives (devices, affordability, digital skills), or a balanced combination of both?
- 4.4 How should USAASA measure and verify the impact of subsidies and incentives in line with ECA Section 88(1)?

5. Project Selection and Implementation

- 5.1 Are the proposed application and appraisal processes fair, transparent, and efficient?
- 5.2 What improvements would you recommend strengthening evaluation criteria and performance verification?
- 5.3 Should USAF maintain open annual calls for proposals or adopt thematic funding windows (e.g., education, health, rural development)?

- 5.4 What role should municipalities, provincial departments, and state-owned entities play in project identification and implementation?

6. Monitoring, Evaluation, and Learning

- 6.1 What performance indicators should be prioritised to measure USAF's impact on universal access and digital inclusion?
- 6.2 How can USAASA enhance public reporting and data transparency (e.g., online dashboards, open-data portals)?
- 6.3 What mechanisms could be established for independent evaluation or peer review of USAF-funded projects?
- 6.4 Should the Manual include provisions for community-level feedback or citizen-monitoring mechanisms?

7. Risk, Compliance, and Accountability

- 7.1 Are the current risk-management and dispute-resolution mechanisms adequate?
- 7.2 What additional safeguards could be introduced to prevent misuse of funds or ensure ethical conduct?
- 7.3 Should USAF publish annual audit and compliance summaries for public scrutiny?
- 7.4 What measures could enhance alignment with PFMA and AGSA audit expectations?

8. Strategic Alignment and Future Direction

- 8.1 Do you believe the USAF's proposed reforms align with South Africa's broader digital-transformation goals under the NDP 2030 and SA Connect?
- 8.2 How should the USAF contribute to the implementation of the Digital Economy Masterplan and the National Infrastructure Plan 2050?
- 8.3 What emerging issues (e.g., 4IR, AI, climate resilience, or digital sovereignty) should USAF integrate into future updates of the Manual?

8.4 Are there additional policy or institutional reforms needed to strengthen USAF's effectiveness and sustainability?

Annex B: References and Supporting Documents

Constitution and Legislation

- Broad-Based Black Economic Empowerment (B-BBEE) Act, 2003
- Constitution of the Republic of South Africa, 1996
- Electronic Communications Act, 2005 (Act No. 36 of 2005)
- Independent Communications Authority of South Africa (ICASA) Act, 2000
- Infrastructure Development Act, 2014 (Act No. 23 of 2014)
- Promotion of Administrative Justice Act, 2000 (Act No. 3 of 2000)
- Public Finance Management Act (PFMA), 1999 (Act No. 1 of 1999)

Policies

- South Africa Connect: National Broadband Policy (2013)
- Digital Economy Masterplan (2021)
- Presidential Commission on the Fourth Industrial Revolution (PC4IR) Report

Industry Reports

- GSMA (2023) Universal service funds in Africa Policy reforms to enhance effectiveness
Retrieved from <https://www.gsmaintelligence.com/research/universal-service-funds-in-africa>
- ITU (2021) Financing universal access to digital technologies and services
Retrieved from https://www.itu.int/dms_pub/itu-d/opb/pref/D-PREF-EF-2021-ECO_FIN-PDF-E.pdf

Submission Guidance

Written comments may be submitted within **30 days** of the publication of the Draft USAF Manual in the Government Gazette. Submissions should clearly indicate:

- Name of organisation or individual;
- Contact details;
- Section or question being addressed; and
- Any supporting evidence or documentation.

Comments should be addressed to:

The Chief Executive Officer

Universal Service and Access Agency of South Africa (USAASA)

Email: usaf-manual@usaasa.org.za

Physical address: Building 1, Thornhill Office Park, 94 Bekker Road, Vorna Valley, Midrand, 1686

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End of Volume 1: USAF Policy and Conceptual Framework (Consultative Draft)



Draft USAF Manual

Operating Guideline

Volume 2 of 2

Prepared by the Universal Service and Access Agency of South Africa (USAASA)
November 2025

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1. Purpose and Scope

This Operating Guideline gives practical effect to the Electronic Communications Act, 2005 (ECA) and to Volume 1 of the USAF Manual. It defines the implementation procedures through which the USAF will administer subsidies and incentives, manage partnerships, monitor results, and report in accordance with the Public Finance Management Act, 1999 (PFMA) and National Treasury Regulations.

The Guideline applies to:

- All USAF-funded programmes and projects implemented under USAASA's administration;
- Partner entities entering into co-funding or implementation agreements; and
- All internal processes for project identification, evaluation, contracting, disbursement, and performance verification.

2. Legal and Policy Foundation

The Guideline operationalises Section 88 of the ECA, which empowers USAASA to determine, after public participation, the manner in which applications must be made and subsidies paid. Implementation will also comply with:

- PFMA (Sections 38 – 40) on financial control and reporting;
- Treasury Regulations on transfer payments and performance management;
- The B-BBEE Act on equitable participation;
- The Infrastructure Development Act on coordination of strategic projects; and
- The Promotion of Administrative Justice Act (PAJA) on procedural fairness.

All activities must support the objectives outlined in Volume 1's Digital Inclusion Partnership Framework (DIPF).

3. Institutional and Governance Framework

Entity	Implementation Function
USAASA Board (Accounting Authority)	Approves annual funding windows, eligibility criteria, and all projects above the delegated threshold.
Chief Executive Officer (Accounting Officer)	Executes Board decisions, authorises disbursements, ensures PFMA compliance, and submits quarterly & annual reports.
Internal Evaluation Committee (FEC)	Internal advisory panel (CFO; EM: Operations; EM: Corporate Services; chaired by CEO) that reviews applications, conducts due diligence, and makes recommendations to the Board.
Internal Audit & Risk Committee	Provides assurance on control adequacy and risk mitigation.
DCDT & National Treasury	Exercise policy and fiscal oversight.
ICASA	Provides data on licensees, under-served areas, and universal-service obligations to inform funding priorities.

4. Operating Principles

1. Transparency & Fairness – All funding opportunities will be publicly advertised.
2. Accountability – Decisions must be fully documented, reviewable, and auditable.
3. Inclusivity – Projects must prioritise disadvantaged and rural communities.
4. Value for Money – Subsidies and incentives must yield demonstrable socio-economic returns.
5. Innovation – Preference for sustainable, technology-neutral, and scalable solutions.
6. Partnership – Collaboration among public, private, and developmental actors in line with the DIPF.

5. Funding Windows and Instruments

5.1 Annual Funding Windows

Each financial year, USAASA will publish a Call for Proposals indicating priority themes, eligibility criteria, and closing dates.

Funding windows may cover:

- Broadband & Connectivity Infrastructure
- Community Wi-Fi and Public Access Facilities
- Device Affordability and Digital-Skills Programmes
- Innovation and Entrepreneurship Support
- Research and Pilot Initiatives

5.2 Funding Instruments

Instrument	Purpose
Infrastructure Subsidy	Covers capital costs for network expansion in under-served areas.
Inclusion Incentive	Promotes affordability, digital literacy, and participation by vulnerable groups.
Innovation Grant	Supports pilot projects, start-ups, and community-network models.
Blended-Finance Facility	Combines USAF funds with private / DFI resources to de-risk large-scale projects.

6. Application and Appraisal Procedures

6.1 Eligibility

Applicants may include: licensed operators, municipalities, public entities, SMMEs, non-profits, and research or innovation consortia. All applicants must demonstrate technical capacity, financial stability, and compliance with B-BBEE requirements.

6.2 Application Requirements

Each proposal must contain:

- Executive Summary & Objectives
- Technical Design & Coverage Plan
- Detailed Budget and Funding Request
- Implementation Schedule
- Governance and Risk Plan
- M&E Framework and Sustainability Plan

6.3 Appraisal Process

1. Administrative Screening: completeness and compliance.
2. Technical Evaluation: feasibility, innovation, cost-effectiveness, social impact.
3. Financial Appraisal: value-for-money and leverage potential.
4. Due Diligence: verification of credentials and risk assessment.
5. Recommendation and Board Approval.

All decisions will be recorded in an Evaluation Register for audit purposes.

7. Disbursement and Financial Management

7.1 Disbursement Modalities

- Funds released in tranches linked to verified milestones.
- Disbursements authorised only after contract signing and submission of a performance guarantee (if required).
- Unspent funds must be returned within 30 days after project completion.

7.2 Financial Controls

- Separate project ledgers maintained in accordance with PFMA and GRAP standards.
- Quarterly financial and performance reports submitted to DCDT and Treasury.
- All transactions subject to internal and external audit.

7.3 Procurement and Asset Ownership

Procurement by implementing partners must follow the Preferential Procurement Policy Framework Act and USAASA's SCM Policy. Assets purchased through USAF grants remain the property of USAF unless otherwise approved by the Board.

8. Monitoring, Evaluation & Learning (MEL)

8.1 Objectives

To ensure accountability, evidence-based learning, and continuous improvement of USAF programmes.

8.2 Performance Indicators

- Number of sites connected / households served
- Reduction in data cost and improved service availability
- Beneficiaries trained in digital skills
- SMMEs supported through innovation grants
- Gender and youth participation rates

8.3 Reporting Schedule

Frequency	Report	Recipient
Quarterly	Progress & Financial Report	USAASA Board / DCDT
Bi-Annual	Performance Assessment	National Treasury
Annual	Impact and Audit Report	Parliament / AGSA

8.4 Learning and Adaptation

M&E findings shall feed into the biennial review required by Section 88(1A) of the ECA and guide revisions to funding criteria and incentives.

9. Risk Management and Compliance

9.1 Risk Categories

- Financial / Fraud Risk
- Implementation Risk
- Regulatory and Environmental Risk
- Reputational Risk

9.2 Mitigation Measures

- Maintain a Risk Register reviewed quarterly.
- Apply due-diligence screening to all partners.
- Ensure adherence to PFMA, Treasury, and PAJA standards.
- Establish an internal grievance / appeal mechanism for applicants.

10. Communication & Stakeholder Engagement

USAASA will implement a comprehensive Communication and Visibility Plan to:

- Publicise funding opportunities and outcomes;
- Disseminate progress through an online portal and public dashboards;
- Conduct stakeholder workshops and provincial consultations; and
- Document lessons learned for inclusion in annual reports.

All communication shall comply with USAASA branding and accessibility guidelines.

11. Review & Amendment

The Operating Guideline will be reviewed at least every two years, consistent with Section 88(1A) of the ECA, or earlier if material changes in policy or legislation occur. Revisions shall undergo stakeholder consultation and be approved by the USAASA Board before submission to the Minister for gazetting.

12. Annexes

- **Annex A: Application Template and Checklist**

(See structured form and checklist fields provided in editable format.)

- **Annex B: Appraisal and Scoring Matrix**

(Standardised table for transparent evaluation with weighted scoring system.)

- **Annex C: Standard Funding Agreement Template**

(Defines parties, obligations, disbursement schedule, and audit requirements.)

- **Annex D: Disbursement and Milestone Verification Form**

(Used for certifying deliverables linked to payment tranches.)

- **Annex E: Monitoring & Evaluation Framework (Logframe)**

(Sets indicators, baselines, targets, and means of verification for performance reporting.)

- **Annex F: Risk Register Template**

(Provides fields for identifying, assessing, and mitigating project and institutional risks.)

Each annex is provided as a live template to be customised for specific USAF funding windows and reviewed periodically for compliance with Treasury and AGSA standards.

Annex A: Application Template and Checklist

A1. Applicant Information

Field	Details / Input
Legal Name of Organisation	
Registration Number	
Type of Entity (Operator / Municipality / SMME / NPO / Other)	
Physical Address	
Contact Person and Designation	
Email & Telephone	
B-BBEE Level of Compliance	
VAT Registration Number (if applicable)	

A2. Project Summary

Field	Details / Input
Project Title	
Funding Window Applied For	
Geographic Coverage / District(s)	
Target Beneficiaries	
Total Project Cost (ZAR)	
USAF Funding Requested (ZAR)	
Expected Project Duration (Months)	
Co-funding / In-kind Contributions	

A3. Project Description (Narrative Sections)

1. Executive Summary: Overview of the project's objectives and expected outcomes.
2. Technical Design: Describe the technology solution and infrastructure to be deployed.
3. Socio-Economic Impact: Outline how the project advances digital inclusion and empowerment.
4. Sustainability Plan: Explain how the project will remain viable beyond USAF funding.
5. Partnerships: Identify key partners and their roles.

A4. Required Attachments Checklist

Attachment	Checked
Company registration & directors' details	
Valid tax clearance certificate	
Audited financial statements (last 2 years)	
B-BBEE certificate	
Technical & financial proposal	
Implementation schedule and Gantt chart	
Risk-mitigation plan	
Signed declaration of accuracy	

Annex B: Appraisal and Scoring Matrix

Purpose: To ensure transparent and standardised evaluation of applications.

Criterion	Weight (%)	Evaluation Questions	Score (1–5)	Weighted Score
Technical Feasibility	20	Is the technology appropriate, scalable, and cost-effective?		
Developmental Impact	25	Will the project significantly expand digital access for underserved communities?		
Financial Soundness	15	Are budgets realistic, transparent, and sustainable?		
Sustainability	10	Is there a credible long-term operational model?		
Innovation & Partnerships	10	Does the project demonstrate collaboration or innovative solutions?		
Governance & Compliance	10	Does the applicant meet PFMA / B-BBEE / regulatory requirements?		
Gender, Youth & Disability Inclusion	10	Are marginalised groups prioritised?		
Total	100			

Scoring Key: 1 = Poor 2 = Fair 3 = Satisfactory 4 = Good 5 = Excellent

Projects scoring $\geq 70\%$ qualify for recommendation to the USAASA Board.

Annex C: Standard Funding Agreement Template

1. Parties

This Agreement is made between **USAASA**, acting for and on behalf of the **Universal Service and Access Fund (USAF)**, and the **Beneficiary / Implementing Partner**.

2. Purpose

To define terms for the disbursement and use of USAF funds for *[Project Name]*.

3. Duration

Start Date _____ End Date _____

4. Obligations of the Beneficiary

- Implement the project according to the approved proposal and milestones.
- Comply with PFMA, SCM, and reporting requirements.
- Submit verified performance and financial reports.

5. Obligations of USAASA

- Disburse funds as scheduled.
- Provide oversight and technical support.
- Conduct monitoring, evaluation, and audits.

6. Disbursement Schedule

Milestone	Deliverable	% of Grant	Expected Date	Verification Method

7. Ownership of Assets

Assets procured remain property of USAF unless otherwise authorised.

8. Reporting Requirements

Quarterly progress and financial reports due 15 days after quarter-end.

9. Breach / Termination

USAASA may suspend or recover funds in cases of non-compliance.

10. Signatures**For USAASA****For Beneficiary****Name:**

Name:

Designation:

Designation:

Date:

Date:

Annex D: Disbursement and Milestone Verification Form

Project Title:	
Implementing Partner:	
Funding Agreement No.:	

Milestone No.	Description of Deliverable	Due Date	Evidence Submitted	Verification Result (Yes/No)	Verified By / Date
1					
2					
3					

Certification:

I confirm that deliverables were verified per the Funding Agreement.

Verifier Name _____

Signature _____

Date _____

Annex E: Monitoring & Evaluation Framework (Logframe)

Level	Indicators	Baseline	Target	Means of Verification	Frequency
Impact: Inclusive digital access improved	% of population with broadband access	60 %	90% by 2030	National ICT data / SA Connect reports	Biennial
Outcome: Affordability and digital skills enhanced	Average data cost (R/GB); # trained beneficiaries			Project M&E reports	Annual
Outputs: Infrastructure deployed / devices distributed / training delivered	# sites connected; # devices subsidised; # people trained			Project reports	Quarterly
Activities: Implement approved projects	Procurement and training activities	–	–	Progress reports	Ongoing

Annex F: Risk Register Template

The **Risk Register** is an essential management tool designed to ensure proactive identification, assessment, and mitigation of risks associated with USAF-funded projects and institutional operations. In alignment with the *Public Finance Management Act, 1999* (PFMA), Treasury Regulations, and the *King IV Report on Corporate Governance*, it provides a structured approach for recording key risks, rating their likelihood and impact, and assigning responsibility for mitigation.

Risk Category	Description	Likelihood (L)	Impact (I)	Risk Rating (LxI)	Mitigation Strategy	Responsible Unit
Financial	Misuse of funds / cost overruns	3	4	12	Tighten controls and conduct audit follow-ups	CFO / Internal Audit
Implementation	Delays in rollout due to logistics or permits	2	4	8	Project-tracking dashboard; escalation process	Operations
Compliance	Breach of PFMA / SCM rules	2	5	10	Routine compliance checks and training	Legal & SCM
Reputational	Negative public perception or media coverage	2	3	6	Transparent communication and published updates	Communications

The Register enables USAASA and implementing partners to:

- Maintain visibility over financial, operational, compliance, and reputational risks;
- Strengthen internal control and accountability systems;
- Support informed decision-making and early-warning reporting to the Board, the Audit and Risk Committee, and the Department of Communications and Digital Technologies (DCDT); and
- Demonstrate good governance and prudent stewardship of USAF resources.

Each project must maintain an updated Risk Register, reviewed at least quarterly, and integrated into USAASA's corporate risk-management framework.

Guidance on Weighting Factors for Likelihood and Impact

To ensure a consistent approach to risk assessment, each identified risk should be scored for Likelihood (L) and Impact (I) on a five-point scale, as defined below.

The overall Risk Rating is calculated by multiplying Likelihood × Impact, which determines the priority level and response strategy.

Scale	Likelihood (L)	Impact (I)
1 – Rare	Event is highly unlikely; has not occurred in the sector before.	Negligible effect on objectives or service delivery; minimal financial or reputational consequence.
2 – Unlikely	Could occur only in exceptional circumstances.	Minor disruption; limited cost or schedule effect; easily managed within routine controls.

Scale	Likelihood (L)	Impact (I)
3 – Possible	Might occur occasionally; has happened in comparable projects.	Moderate impact requiring management attention; temporary deviation from targets.
4 – Likely	Will probably occur at some stage if not addressed.	Significant financial loss or operational setback; may affect key outputs or compliance.
5 – Almost Certain	Expected to occur in most circumstances without mitigation.	Severe impact on USAF objectives, legal compliance, or reputation; major financial exposure.

Risk Rating = Likelihood x Impact

Score Range	Risk Level	Recommended Response
1 – 5	Low	Manage through routine controls and periodic monitoring.
6 – 10	Moderate	Monitor closely; implement targeted mitigation measures.
11 – 15	High	Escalate to senior management; integrate into quarterly Board Risk Report.
16 – 25	Extreme / Critical	Immediate mitigation and contingency planning; report to the Board Audit and Risk Committee and DCDT.

Note:

USAASA and implementing partners must document all risk ratings, mitigation actions, and responsible parties in the project-specific Risk Register. Ratings should be reviewed quarterly and adjusted as risks evolve or controls improve.

End of Volume 2: Operating Guideline (Consultative Draft)



Draft USAF Manual Operating Guideline Volume 2 of 2

*Prepared by the Universal Service and Access Agency of South Africa (USAASA)
November 2025*

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- The B-BBEE Act on equitable participation;
- The Infrastructure Development Act on coordination of strategic projects; and
- The Promotion of Administrative Justice Act (PAJA) on procedural fairness.

All activities must support the objectives outlined in Volume 1's Digital Inclusion Partnership Framework (DIPF).

3. Institutional and Governance Framework

Entity	Implementation Function
USAASA Board (Accounting Authority)	Approves annual funding windows, eligibility criteria, and all projects above the delegated threshold.
Chief Executive Officer (Accounting Officer)	Executes Board decisions, authorises disbursements, ensures PFMA compliance, and submits quarterly & annual reports.
Internal Evaluation Committee (FEC)	Internal advisory panel (CFO; EM: Operations; EM: Corporate Services; chaired by CEO) that reviews applications, conducts due diligence, and makes recommendations to the Board.
Internal Audit & Risk Committee	Provides assurance on control adequacy and risk mitigation.
DCDT & National Treasury	Exercise policy and fiscal oversight.
ICASA	Provides data on licensees, under-served areas, and universal-service obligations to inform funding priorities.

4. Operating Principles

1. Transparency & Fairness – All funding opportunities will be publicly advertised.
2. Accountability – Decisions must be fully documented, reviewable, and auditable.
3. Inclusivity – Projects must prioritise disadvantaged and rural communities.
4. Value for Money – Subsidies and incentives must yield demonstrable socio-economic returns.
5. Innovation – Preference for sustainable, technology-neutral, and scalable solutions.
6. Partnership – Collaboration among public, private, and developmental actors in line with the DIPF.

5. Funding Windows and Instruments

5.1 Annual Funding Windows

Each financial year, USAASA will publish a Call for Proposals indicating priority themes, eligibility criteria, and closing dates.

Funding windows may cover:

- Broadband & Connectivity Infrastructure
- Community Wi-Fi and Public Access Facilities
- Device Affordability and Digital-Skills Programmes
- Innovation and Entrepreneurship Support
- Research and Pilot Initiatives

5.2 Funding Instruments

Instrument	Purpose
Infrastructure Subsidy	Covers capital costs for network expansion in under-served areas.
Inclusion Incentive	Promotes affordability, digital literacy, and participation by vulnerable groups.
Innovation Grant	Supports pilot projects, start-ups, and community-network models.
Blended-Finance Facility	Combines USAF funds with private / DFI resources to de-risk large-scale projects.

6. Application and Appraisal Procedures

6.1 Eligibility

Applicants may include: licensed operators, municipalities, public entities, SMMEs, non-profits, and research or innovation consortia. All applicants must demonstrate technical capacity, financial stability, and compliance with B-BBEE requirements.

6.2 Application Requirements

Each proposal must contain:

- Executive Summary & Objectives
- Technical Design & Coverage Plan
- Detailed Budget and Funding Request
- Implementation Schedule
- Governance and Risk Plan
- M&E Framework and Sustainability Plan

6.3 Appraisal Process

1. Administrative Screening: completeness and compliance.
2. Technical Evaluation: feasibility, innovation, cost-effectiveness, social impact.
3. Financial Appraisal: value-for-money and leverage potential.
4. Due Diligence: verification of credentials and risk assessment.
5. Recommendation and Board Approval.

All decisions will be recorded in an Evaluation Register for audit purposes.

7. Disbursement and Financial Management

7.1 Disbursement Modalities

- Funds released in tranches linked to verified milestones.
- Disbursements authorised only after contract signing and submission of a performance guarantee (if required).
- Unspent funds must be returned within 30 days after project completion.

7.2 Financial Controls

- Separate project ledgers maintained in accordance with PFMA and GRAP standards.
- Quarterly financial and performance reports submitted to DCDT and Treasury.
- All transactions subject to internal and external audit.

7.3 Procurement and Asset Ownership

Procurement by implementing partners must follow the Preferential Procurement Policy Framework Act and USAASA's SCM Policy. Assets purchased through USAF grants remain the property of USAF unless otherwise approved by the Board.

8. Monitoring, Evaluation & Learning (MEL)

8.1 Objectives

To ensure accountability, evidence-based learning, and continuous improvement of USAF programmes.

8.2 Performance Indicators

- Number of sites connected / households served
- Reduction in data cost and improved service availability
- Beneficiaries trained in digital skills
- SMMEs supported through innovation grants
- Gender and youth participation rates

8.3 Reporting Schedule

Frequency	Report	Recipient
Quarterly	Progress & Financial Report	USAASA Board / DCDT
Bi-Annual	Performance Assessment	National Treasury
Annual	Impact and Audit Report	Parliament / AGSA

8.4 Learning and Adaptation

M&E findings shall feed into the biennial review required by Section 88(1A) of the ECA and guide revisions to funding criteria and incentives.

9. Risk Management and Compliance

9.1 Risk Categories

- Financial / Fraud Risk
- Implementation Risk
- Regulatory and Environmental Risk
- Reputational Risk

9.2 Mitigation Measures

- Maintain a Risk Register reviewed quarterly.
- Apply due-diligence screening to all partners.
- Ensure adherence to PFMA, Treasury, and PAJA standards.
- Establish an internal grievance / appeal mechanism for applicants.

10. Communication & Stakeholder Engagement

USAASA will implement a comprehensive Communication and Visibility Plan to:

- Publicise funding opportunities and outcomes;
- Disseminate progress through an online portal and public dashboards;
- Conduct stakeholder workshops and provincial consultations; and
- Document lessons learned for inclusion in annual reports.

All communication shall comply with USAASA branding and accessibility guidelines.

11. Review & Amendment

The Operating Guideline will be reviewed at least every two years, consistent with Section 88(1A) of the ECA, or earlier if material changes in policy or legislation occur. Revisions shall undergo stakeholder consultation and be approved by the USAASA Board before submission to the Minister for gazetting.

12. Annexes

- **Annex A: Application Template and Checklist**

(See structured form and checklist fields provided in editable format.)

- **Annex B: Appraisal and Scoring Matrix**

(Standardised table for transparent evaluation with weighted scoring system.)

- **Annex C: Standard Funding Agreement Template**

(Defines parties, obligations, disbursement schedule, and audit requirements.)

- **Annex D: Disbursement and Milestone Verification Form**

(Used for certifying deliverables linked to payment tranches.)

- **Annex E: Monitoring & Evaluation Framework (Logframe)**

(Sets indicators, baselines, targets, and means of verification for performance reporting.)

- **Annex F: Risk Register Template**

(Provides fields for identifying, assessing, and mitigating project and institutional risks.)

Each annex is provided as a live template to be customised for specific USAF funding windows and reviewed periodically for compliance with Treasury and AGSA standards.

Annex A: Application Template and Checklist

A1. Applicant Information

Field	Details / Input
Legal Name of Organisation	
Registration Number	
Type of Entity (Operator / Municipality / SMME / NPO / Other)	
Physical Address	
Contact Person and Designation	
Email & Telephone	
B-BBEE Level of Compliance	
VAT Registration Number (if applicable)	

A2. Project Summary

Field	Details / Input
Project Title	
Funding Window Applied For	
Geographic Coverage / District(s)	
Target Beneficiaries	
Total Project Cost (ZAR)	
USAF Funding Requested (ZAR)	
Expected Project Duration (Months)	
Co-funding / In-kind Contributions	

A3. Project Description (Narrative Sections)

1. Executive Summary: Overview of the project's objectives and expected outcomes.
2. Technical Design: Describe the technology solution and infrastructure to be deployed.
3. Socio-Economic Impact: Outline how the project advances digital inclusion and empowerment.
4. Sustainability Plan: Explain how the project will remain viable beyond USAF funding.
5. Partnerships: Identify key partners and their roles.

A4. Required Attachments Checklist

Attachment	Checked
Company registration & directors' details	
Valid tax clearance certificate	
Audited financial statements (last 2 years)	
B-BBEE certificate	
Technical & financial proposal	
Implementation schedule and Gantt chart	
Risk-mitigation plan	
Signed declaration of accuracy	

Annex B: Appraisal and Scoring Matrix

Purpose: To ensure transparent and standardised evaluation of applications.

Criterion	Weight (%)	Evaluation Questions	Score (1–5)	Weighted Score
Technical Feasibility	20	Is the technology appropriate, scalable, and cost-effective?		
Developmental Impact	25	Will the project significantly expand digital access for underserved communities?		
Financial Soundness	15	Are budgets realistic, transparent, and sustainable?		
Sustainability	10	Is there a credible long-term operational model?		
Innovation & Partnerships	10	Does the project demonstrate collaboration or innovative solutions?		
Governance & Compliance	10	Does the applicant meet PFMA / B-BBEE / regulatory requirements?		
Gender, Youth & Disability Inclusion	10	Are marginalised groups prioritised?		
Total	100			

Scoring Key: 1 = Poor 2 = Fair 3 = Satisfactory 4 = Good 5 = Excellent

Projects scoring ≥ 70 % qualify for recommendation to the USAASA Board.

Annex C: Standard Funding Agreement Template

1. Parties

This Agreement is made between **USAASA**, acting for and on behalf of the **Universal Service and Access Fund (USAF)**, and the **Beneficiary / Implementing Partner**.

2. Purpose

To define terms for the disbursement and use of USAF funds for *[Project Name]*.

3. Duration

Start Date _____ End Date _____

4. Obligations of the Beneficiary

- Implement the project according to the approved proposal and milestones.
- Comply with PFMA, SCM, and reporting requirements.
- Submit verified performance and financial reports.

5. Obligations of USAASA

- Disburse funds as scheduled.
- Provide oversight and technical support.
- Conduct monitoring, evaluation, and audits.

6. Disbursement Schedule

Milestone	Deliverable	% of Grant	Expected Date	Verification Method

7. Ownership of Assets

Assets procured remain property of USAF unless otherwise authorised.

8. Reporting Requirements

Quarterly progress and financial reports due 15 days after quarter-end.

9. Breach / Termination

USAASA may suspend or recover funds in cases of non-compliance.

10. Signatures**For USAASA****For Beneficiary****Name:**

Name:

Designation:

Designation:

Date:

Date:

Annex D: Disbursement and Milestone Verification Form

Project Title:	
Implementing Partner:	
Funding Agreement No.:	

Milestone No.	Description of Deliverable	Due Date	Evidence Submitted	Verification Result (Yes/No)	Verified By / Date
1					
2					
3					

Certification:

I confirm that deliverables were verified per the Funding Agreement.

Verifier Name _____

Signature _____

Date _____

Annex E: Monitoring & Evaluation Framework (Logframe)

Level	Indicators	Baseline	Target	Means of Verification	Frequency
Impact: Inclusive digital access improved	% of population with broadband access	60 %	90% by 2030	National ICT data / SA Connect reports	Biennial
Outcome: Affordability and digital skills enhanced	Average data cost (R/GB); # trained beneficiaries			Project M&E reports	Annual
Outputs: Infrastructure deployed / devices distributed / training delivered	# sites connected; # devices subsidised; # people trained			Project reports	Quarterly
Activities: Implement approved projects	Procurement and training activities	–	–	Progress reports	Ongoing

Annex F: Risk Register Template

The **Risk Register** is an essential management tool designed to ensure proactive identification, assessment, and mitigation of risks associated with USAF-funded projects and institutional operations. In alignment with the *Public Finance Management Act, 1999* (PFMA), Treasury Regulations, and the *King IV Report on Corporate Governance*, it provides a structured approach for recording key risks, rating their likelihood and impact, and assigning responsibility for mitigation.

Risk Category	Description	Likelihood (L)	Impact (I)	Risk Rating (L×I)	Mitigation Strategy	Responsible Unit
Financial	Misuse of funds / cost overruns	3	4	12	Tighten controls and conduct audit follow-ups	CFO / Internal Audit
Implementation	Delays in rollout due to logistics or permits	2	4	8	Project-tracking dashboard; escalation process	Operations
Compliance	Breach of PFMA / SCM rules	2	5	10	Routine compliance checks and training	Legal & SCM
Reputational	Negative public perception or media coverage	2	3	6	Transparent communication and published updates	Communications

The Register enables USAASA and implementing partners to:

- Maintain visibility over financial, operational, compliance, and reputational risks;
- Strengthen internal control and accountability systems;
- Support informed decision-making and early-warning reporting to the Board, the Audit and Risk Committee, and the Department of Communications and Digital Technologies (DCDT); and
- Demonstrate good governance and prudent stewardship of USAF resources.

Each project must maintain an updated Risk Register, reviewed at least quarterly, and integrated into USAASA's corporate risk-management framework.

Guidance on Weighting Factors for Likelihood and Impact

To ensure a consistent approach to risk assessment, each identified risk should be scored for Likelihood (L) and Impact (I) on a five-point scale, as defined below.

The overall Risk Rating is calculated by multiplying Likelihood × Impact, which determines the priority level and response strategy.

Scale	Likelihood (L)	Impact (I)
1 – Rare	Event is highly unlikely; has not occurred in the sector before.	Negligible effect on objectives or service delivery; minimal financial or reputational consequence.
2 – Unlikely	Could occur only in exceptional circumstances.	Minor disruption; limited cost or schedule effect; easily managed within routine controls.

Scale	Likelihood (L)	Impact (I)
3 – Possible	Might occur occasionally; has happened in comparable projects.	Moderate impact requiring management attention; temporary deviation from targets.
4 – Likely	Will probably occur at some stage if not addressed.	Significant financial loss or operational setback; may affect key outputs or compliance.
5 – Almost Certain	Expected to occur in most circumstances without mitigation.	Severe impact on USAF objectives, legal compliance, or reputation; major financial exposure.

Risk Rating = Likelihood x Impact

Score Range	Risk Level	Recommended Response
1 – 5	Low	Manage through routine controls and periodic monitoring.
6 – 10	Moderate	Monitor closely; implement targeted mitigation measures.
11 – 15	High	Escalate to senior management; integrate into quarterly Board Risk Report.
16 – 25	Extreme / Critical	Immediate mitigation and contingency planning; report to the Board Audit and Risk Committee and DCDT.

Note:

USAASA and implementing partners must document all risk ratings, mitigation actions, and responsible parties in the project-specific Risk Register. Ratings should be reviewed quarterly and adjusted as risks evolve or controls improve.

End of Volume 2: Operating Guideline (Consultative Draft)

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