POLICY BRIEF – Quarter 3, Financial Year 2025/26

Strengthening Institutional Alignment for Universal Service and Access Fund (USAF) Reform in South Africa

Insights from the Development of the USAF Manual Using the McKinsey 7S Framework

Audience: Policymakers, Regulators, Public Entities, Legislators, Oversight Institutions

Focus: Universal Service & Access | Institutional Capacity | Governance Reform

1. Executive Summary

Universal Service and Access Funds (USAFs) are a key policy instrument for advancing digital inclusion in South Africa. Despite the availability of funding mechanisms, global and local experience shows that institutional and governance constraints, rather than funding shortages, often limit the effectiveness of such funds.

This policy brief lays bare the development of South Africa's Universal Service and Access Fund (USAF) Manual by the Universal Service and Access Agency of South Africa (USAASA) against the backdrop of the McKinsey 7S Framework. The analysis highlights areas of alignment and misalignment across strategy, structures, systems, skills, staff, leadership style, and shared values.

The brief concludes that USAF reform in South Africa should be treated not only as a policy and regulatory exercise, but also as an institutional transformation process. Addressing organisational alignment gaps is essential to improve the credibility, efficiency, and developmental impact of the Fund.

2. Policy Context in South Africa

South Africa's universal service and access mandate is anchored in the Electronic Communications Act (ECA), which assigns USAASA the responsibility to administer the USAF and to make recommendations to the Minister on matters relating to universal access and universal service.

In recent years, increasing emphasis has been placed on:

- transparency and accountability in the use of public funds (PFMA),

- evidence-based policymaking (SEIAS),

- alignment with national priorities such as SA Connect, National Development Plan, the Medium-Term Development Plan, and digital-economy objectives.

The development of the USAF Manual represents a critical reform initiative intended to:

- standardise funding processes,

- improve governance and oversight,

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- enhance socio-economic impact.

However, as with many public-sector reforms, the process has surfaced broader institutional and capacity challenges that require policy attention.

3. Analytical Framework

The McKinsey 7S Framework is applied as a diagnostic tool to assess institutional alignment during the USAF Manual development process. The framework examines seven interdependent organisational elements:

- Strategy

- Structure

- Systems

- Skills

- Staff

- Style (leadership and management)

- Shared Values

This approach is increasingly used in public-sector reform to complement legal and policy analysis by focusing on organisational readiness and execution capability.

4. Key Findings
4.1 Strategy

Observation
USAASA's strategic intent to modernise the USAF is aligned with national digital-development goals.

Policy concern
Strategic ambition has, at times, outpaced institutional capacity and clarity around legislative interpretation, increasing the risk of implementation delays and stakeholder resistance.

Implication
Policy reforms should be sequenced, clearly distinguishing between:

- measures implementable within the current legal framework, and

- forward-looking options requiring future legislative or regulatory processes.

4.2 Structure

Observation
USAF policy, implementation, and oversight functions are distributed across multiple units within the Agency, and within the communications and digital technologies portfolio of the department.

Policy concern

Diffuse accountability can weaken ownership, slow decision-making, and increase reliance on executive intervention.

Implication

Clear institutional custodianship of the USAF policy and governance function would strengthen accountability and operational efficiency.

4.3 Systems

Observation

Policy development, consultation, and decision-tracking processes remain largely manual.

Policy concern

Weak systems limit transparency, auditability, and institutional memory, particularly in a high-oversight environment.

Implication

Investment in digital policy-management and monitoring systems would improve governance, compliance, and performance reporting.

4.4 Skills

Observation

The Agency has technical and operational expertise, but limited depth in policy design, regulatory economics, and monitoring and evaluation.

Policy concern

Over-reliance on a small number of senior officials creates institutional risk and constrains scalability.

Implication

Targeted capacity-building in policy analysis and monitoring and evaluation is required to support sustainable reform.

4.5 Staff

Observation

Staff commitment to universal access objectives is evident.

Policy concern

Sustained reform pressures, governance interventions, and organisational instability contribute to change fatigue.

Implication

Performance management and career-path frameworks should explicitly recognise policy development and reform delivery as core competencies.

4.6 Style (Leadership and Management)

Observation

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Leadership approaches have become increasingly compliance-driven due to heightened oversight and risk sensitivity.

Policy concern
Highly centralised decision-making can reduce organisational learning and responsiveness.

Implication
A balanced leadership approach, combining strong controls with delegated authority, would enhance execution without compromising accountability.

4.7 Shared Values

Observation
Universal access and digital inclusion are widely shared values within the institution.

Policy concern
These values are not always translated into operational norms, incentives, and decision-making frameworks.

Implication
Embedding values into performance systems, induction processes, and leadership messaging would strengthen reform coherence.

5. Crosscutting Policy Insights

The USAF Manual development process illustrates broader public-sector lessons relevant beyond USAASA:

- Policy reform and institutional reform are inseparable.
- Organisational misalignment is a major source of implementation risk.
- Manuals and guidelines are necessary but insufficient without supporting capacity and systems.
- Institutional readiness assessments should form part of major reform initiatives.

6. Policy Recommendations

For USAASA

- Treat USAF reform as a structured organisational change programme.
- Establish clear custodianship for USAF policy and governance.
- Invest in digital systems for policy management and monitoring.

For the Department and Oversight Bodies

- Align policy expectations with institutional capacity and sequencing.
- Support phased implementation of reforms within the existing legal framework.
- Encourage early and continuous engagement on complex policy innovations.

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For the Broader Public Sector

- Apply organisational diagnostics alongside legal and policy analysis for major reforms.

- Strengthen policy and evaluation skills across public entities responsible for developmental funds.

7. Conclusion

The effectiveness of South Africa's Universal Service and Access Fund depends not only on sound policy design, but also on institutional alignment, capability, and leadership. The development of the USAF Manual demonstrates that institutional readiness is a prerequisite for successful universal service delivery.

Addressing organisational alignment gaps will enhance the credibility, efficiency, and developmental impact of the Fund, contributing meaningfully to South Africa's digital inclusion objectives.

References

- International Telecommunication Union (ITU). *Universal Service Fund and Digital Inclusion for All.* https://www.itu.int/en/ITU-D/Digital-Inclusion/Documents/USF_final-en.pdf

  This report provides a comprehensive overview of universal service and access funds globally, outlining governance models, funding mechanisms, and challenges in achieving inclusive connectivity. It serves as a foundational ITU reference on the role of USAFs in advancing digital inclusion.

- ITU. *Universal Service Financing Efficiency Toolkit.* https://www.itu.int/itu-d/reports/regulatory-market/usf-financial-efficiency-toolkit/

  This toolkit offers practical guidance for policymakers and regulators on improving the efficiency, transparency, and impact of universal service funds. It is particularly relevant for institutional diagnostics and reform of USAF governance and processes.

- ITU Telecommunication Development Sector (ITU-D). *Challenges and Opportunities for Using Universal Service Funds.* https://www.itu.int/dms_pub/itu-d/opb/stg/D-STG-SG01.04.05-2024-PDF-E.pdf

  An ITU-D Study Group deliverable analysing common constraints affecting USAF performance, including institutional capacity, governance, and monitoring challenges. The report reinforces the importance of organisational readiness for effective fund utilisation.

- World Bank Group. *Universal Access: Laws and Regulations in the Telecommunications Sector.* https://ppp.worldbank.org/print/pdf/node/3470

  This resource provides an overview of legal and regulatory frameworks used by governments to promote universal access to telecommunications services. It outlines

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common policy instruments, including universal service obligations and universal service funds, and discusses governance, financing, and implementation considerations. The page serves as a practical reference for policymakers and regulators designing or reforming universal access frameworks in line with international best practice.

- GSMA. *Universal Service Funds in Africa – Policy Reforms to Enhance Effectiveness.* https://www.gsma.com/about-us/regions/sub-saharan-africa/wp-content/uploads/2023/10/USF-Africa.pdf

  This report examines the performance, governance models, and utilisation of Universal Service Funds across African countries. It identifies common challenges such as under-disbursement, institutional capacity constraints, and legacy funding models, while highlighting opportunities to modernise USAFs through improved governance, demand-side approaches, and alignment with national digital-development strategies.

- Organisation for Economic Co-operation and Development (OECD). *Broadband Policies for Latin America and the Caribbean – A Digital Economy Toolkit.* https://www.oecd.org/content/dam/oecd/en/publications/reports/2016/06/broadband-policies-for-latin-america-and-the-caribbean_g1g643c2/9789264251823-en.pdf

  This publication provides comparative policy analysis, including the role of universal service mechanisms in broadband expansion. It offers international examples relevant to institutional design and policy sequencing.

- ITU. *Global Symposium for Regulators – 2025 (GSR-25) Best Practice Guidelines.* https://www.itu.int/net/epub/BDT/2025-GSR-25-Best-Practice-Guidelines/index.html#p=1

  The document outlines key principles for fostering innovation, enhancing regulatory capacity, leveraging emerging technologies, and strengthening cooperation to promote sustainable digital development and inclusive digital ecosystems globally.

- McKinsey & Company. *The 7S Framework: Strategy and Organisational Alignment.* https://www.mckinsey.com/capabilities/people-and-organizational-performance/our-insights/enduring-ideas-the-7-s-framework

  This resource outlines the McKinsey 7S Framework, a widely used organisational diagnostic tool applied in this policy brief to assess institutional alignment during USAF reform.