Universal Service and Access Agency
of South Africa

USAASA
Universal Service and Access Agency of South Africa

CORPORATE PLAN 2009 TO 2014

Final

FOREWORD

> **"An individual poor person is an isolated island by himself and herself. IT can end that isolation overnight."**
>
> *Professor Muhammad Yunus, 2006 Nobel Peace Prize winner*

USAASA is in support of the Government's top 10 priorities for South Africa and in his State of the Nation Address, the President made it clear that the fight against poverty remains the cornerstone of government policies. The question that we had to answer in developing USAASA's Corporate Plan is: How do Information and Communication Technologies (ICT) and universal service and access strategies assist to support national imperatives as outlined by the President?

In dealing with this question an extensive external and internal analysis of the operating environment of USAASA was undertaken and it was realised that 'business as usual" for USAASA needed to be evolved to support the Government's priorities.

The "Burning Platform" for USAASA's change in direction can be summarised as follows:

For South Africans:

- To ensure equality in access into the work force all people in South Africa must have access to the Internet for education and sustainable livelihood purposes
- Sustainable rural upliftment relies on the infrastructure underpinning any business – ICT is a key success factor

"The IDOL saga has put ICT accessibility and availability firmly on the national priority agenda"

For the Government:

- Must show tangible results or radically restructure the ITC service delivery infrastructure
- Economic growth and socio-economic development including educational goals will be highly dependent on ICT infrastructure across the country

" Water is life and ICT is becoming just like water ...."

For USAASA:

- Must prove clear leadership in the ICT sector to stay relevant and be supported in its roadmap to success by all stakeholders
- Cannot afford more organisational instability

<p align="center">**"Must demonstrate that it can deliver or face closure"**</p>

Given the analysis that was undertaken and the "Burning Platform" that was described the change imperative for USAASA was further defined and ambitious targets and a new operating model were described to fulfil its mandate and answer the key question stated.

A longer term view was taken on what USAASA needs to focus on going forward and the USAASA management team would like to see the following through the Agency's leadership and in collaboration with its partners by 2020.

> **By 2020 USAASA, with its partners, has created:**
>
> **"Every man, woman and child whether living in the remote areas of the Kalahari or in urban areas of Gauteng - can connect, speak, explore and study - using ICT"**

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LIST OF ABBREVIATIONS

BHAG	Big, Hairy, Audacious Goals
BPO	Business Process Outsourcing
CC	Call Centre
CFO	Chief Financial Officer
CPI	Consumer Price Index
CSI	Corporate Social Investment
DBSA	Development Bank of Southern Africa
DoC	Department of Communication
DOE	Department of Education
DOI	Digital Opportunity Index
DPE	Department of Public Enterprises
DST	Department of Science and Technology
DTI	Department of Trade and Industry
EC	Electronic Communications
ECNS	Electronic Communications Network Services
GER	Gross Enrolment Rate
GDP	Gross Domestic Product
HC	Human Capital
HCM	Human Capital Management
HDI	Historically Disadvantaged Individuals
HR	Human Resources
HRD	Human Resource Development
IA	Internal Audit
IDC	Industrial Development Corporation
IT	Information Technology
IDI	ICT Development Index
ICT	Information and Communication Technology

ITES	IT-enabled services
KPI	Key Performance Indicator
LED	Local Economic Development
LTC	Long-term Contracts
MOU	Memorandum of Understanding
MDG	Millennium Development Goals
NGO	Non- Governmental Organisation
NPO	Non-Profit Organisation
OECD	Organization for Economic Cooperation and Development
PFMA	Public Finance Management Act
PMO	Programme Management Office
PPI	Production Price Index
R&D	Research and Development
RM	Risk Management
ROE	Return on Equity
SA	South Africa
SET	Science, Engineering and Technology Graduates
SMME	Small, Medium and Micro Enterprises
SACSIS	The South African Civil Society Information Service
SaaS	Software as a Service
UAS	Universal Access and Service
USAASA	Universal Service and Access Agency of South Africa
ITU	International Telecommunications Union
WSIS	World Summit on the Information Society
ZAR	South African Rand

1. INTRODUCTION

In his State of the Nation Address, the President made it clear that the fight against poverty remains the cornerstone of government policies. The question that we have to answer is: How do Information and Communication Technologies (ICT) and universal service and access strategies assist to support national imperatives as outlined by the President?

The Universal Service and Access Agency of South Africa was established under the Electronic Communications Act No. 36 of 2005, to promote the goals of universal access and universal service in the under serviced areas of South Africa. The Agency has reached a point in its history where it has to question the way it is "doing business" and what the focus should be going forward to deliver on its mandate.

Although the document serves as the basis for USAASA's three year Corporate Plan, it was developed with a longer term view in terms of what needs to be achieved within the next five years and eventual goals to be achieved by 2020. These goals over the next three, five and 10 years are linked to the national priorities listed by President Zuma and will be reviewed on an ongoing basis to adjust to other external developments which might occur.

The document seeks to address the challenges and expectations facing USAASA and comprises of the following sections:

- **External operating environment**

    Contextualizes the socio-political, economic and market trends that have an impact on the operations of USAASA as well as a PESTLE analysis. It also reviews the current roles in the ICT landscape, legislative imperatives of USAASA as per the ECA and addresses key questions raised.

- **Internal operating environment**

    Outlines the vision, mission, and values and provides an overview of the corporate structure and principles of USAASA, a SWOT analysis and key findings in the existing internal operating environment such as current risks and stakeholder engagement.

- **New operating model and key focus areas:**

  Outlines the reason of why change is required, BHAGs[1], five-year goals and key strategies. It also proposes the new operating model to ensure optimal service delivery and the proposed functional structure to support the end goals and critical success factors for an effective organisation.

- **Risk Assessment and Corporate Governance aspects:**

  Outlines the challenges facing USAASA and the possible mitigation strategies and key corporate governance aspects to be addressed.

- **Stakeholder identification and groupings:**

  Describes the stakeholder groupings of USAASA and stakeholder identification approach to underpin the philosophy of a networked organisation.

  Financials:

  Provides projected financial information and requirements.

The document concludes with a number of appendices containing supporting documentation.

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[1] *BHAG: Big, hairy, audacious goals; often used by organisations to define a clear finish line and lead the organisation with a definite direction.*

2. EXTERNAL OPERATING ENVIRONMENT

2.1 Mandate and Legal Imperatives

The Constitution of South Africa (1996) describes the Bill of Rights as a cornerstone of democracy in South Africa and states that: "*It enshrines the rights of all people in our country and affirms the democratic values of human dignity, equality and freedom*".

Section 16 of the Bill of Rights is one of the sections unpinning the higher guiding principle of USAASA's mandate to provide access and service that will ensure freedom of expression for the people of South Africa:

16. **Freedom of expression**
    1. Everyone has the right to freedom of expression, which includes-
        a. freedom of the press and other media;
        b. freedom to receive or impart information or ideas;
        c. freedom of artistic creativity; and
        d. academic freedom and freedom of scientific research.

The right to free expression has been interpreted also as a right to the resources, facilities and equipment to enable free expression. It follows that the right to have access to telecommunication resources, facilities and equipment is a basic human right in South Africa.
In addition, Section 32 of the Bill of Rights also describes the *"Right to information"* and if access is limited due to a lack of ICT resources, facilities and access this right cannot be fulfilled.

The Universal Service and Access Agency of South Africa ("the Agency") is a so-called 'creature of statute' as it is established in terms of an Act of Parliament. The existence, functions, duties and mandate of the Agency are governed by sections 80 – 91 of the Electronic Communications Act 36 of 2005 ("the EC Act") which came into operation on 19 July 2006.

The Agency is also a public body as confirmed by Schedule 3A of the Public Finance Management Act 1 of 1999.

The EC Act provides for a Board of the Agency (to be appointed by the Minister of Communications). The Board, in turn, appoints a CEO. The Agency is under the direction and control of the CEO.

The Agency is funded by money appropriated by parliament. The EC Act also established the Agency's Fund which is financed by contributions from telecommunication licensees. The money in the fund must be utilised for specific subsidies to needy persons, underserviced areas and schools.

In terms of the EC Act the Agency must:

- strive to promote the goal of universal access and universal service;
- encourage, facilitate and offer guidance in respect of any scheme to provide universal access, universal services or telecommunication services in terms of the Reconstruction and development Plan (RDP);
- foster the adoption and use of new methods of attaining universal access and universal service;
- make recommendations to enable the Minister to determine what constitutes universal access, universal service and under serviced areas;
- conduct research into and keep abreast of developments in the Republic and elsewhere on information communication technology, electronic communications services and electronic communications facilities;
- continually survey and evaluate the extent to which universal access and service have been achieved;
- make recommendations to the Minister in relation to policy on any matter relating to universal access and universal service;
- advise the Authority (ICASA) on any matter relating to universal access and universal service;
- continually evaluate the effectiveness of this Act and things done in terms thereof towards the achievement of the goal of universal access and universal service;
- manage the Universal Service and Access Fund in accordance with the provisions of the Act;
- Submit annual reports in its operations, budget and expenses to the Minister;
- Utilise the Fund exclusively for the payment of certain subsidies; and
- Provide incentives to network licensees to construct operate and maintain networks in under-serviced areas.

In terms of the EC Act, the Agency may:

- undertake such investigations into matters relating to its functions as it may consider necessary;
- issue information from time to time on the provision of electronic communications services and electronic communications networks in the Republic and access thereto;
- liaise, consult and co-operate with any person or authority; and
- appoint experts and other consultants on such conditions as the Agency may determine.

Finally, the EC Act also prescribe rights and duties regarding the Agency to the Minister, the board, the CEO, staff members of the Agency, the Authority (ICASA) and Licensees as fully detailed in the table below:

Table 1: EC Act rights and duties regarding USAASA

	MUST (duty)	**MAY (right)**
Minister	86(3), 91(3)	80(2), 88(4)
Board	81(2)	
Agency	82(1), 82(3), 82(4), 82(5), 84(3)(a), 85, 86(1), 90(1), 90(2), 91(1)	82(4), 84(3)(b)
CEO	83(2) – 83(11)	
Staff	83(9)	
Authority	88(2), 88(3), 89(2)	
Licensees	89	

Appendix A further describes key questions of importance whilst Appendix B reflects the sections mentioned in Table 1.

2.2 Political Expectations and Mandates

2.2.1 State of the Nation Address

In what is his first State of the Nation Address following his election as President on 22 April 2009, President Zuma reiterated that the fight against poverty remains the cornerstone of his government's focus. In his speech centering on employment creation and poverty alleviation, the President repeated the priorities set out in the election manifesto, adding that targets and

output measures will be implemented from as early as July 2009 to hold ministers accountable.

The government plans to pursue this goal by identifying what President Zuma has called 10 priority areas, which form part of the government's Medium-Term Strategic Framework for the five-year period between 2009 and 2014.

These are to:

- speed up economic growth and transform the economy to create decent work and sustainable livelihoods;
- introduce a massive programme to build economic and social infrastructure;
- develop and implement a comprehensive rural development strategy linked to land and agrarian reform and food security;
- strengthen the skills and human resource base;
- improve the health profile of all South Africans;
- intensify the fight against crime and corruption;
- build cohesive, caring, and sustainable communities;
- pursue African advancement and enhanced international co-operation;
- ensure sustainable resource management and use; and
- build a developmental state, improve public services, and strengthen democratic institutions.

President Zuma also said the government would ensure that the reach of broadcasting was improved and the cost of telecommunications was reduced. He stated that:

- *"Another development which should boost the World Cup is the roll-out of the digital broadcasting infrastructure and signal distribution transmitters.*

- *Overall, we will ensure that the cost of telecommunications is reduced through the projects under way to expand broadband capacity.*

- *We have to ensure that we do not leave rural areas behind in these exciting developments."*

It then follows that the future vision and focus areas of USAASA should support the national priorities and will require a renewal of USAASA's focus and service delivery model during the next five years. Within USAASA's sphere of influence, and as far as it is able, it should therefore actively pursue and implement changes, and contribute toward the developmental state.

2.2.2 DoC Budget Speech

On 23 June 2009, The Minister of Communications General (Ret) Simphiwe Nyanda referred to USAASA and elaborated on the following key points:

- Progress on definitions of universal service and universal access and impact on holistic obligations incorporating infrastructure / facilities, training, applications, connectivity and usage costs;

- Communications licence holders contributions to national priorities, achievements of the Millennium Development Goals (MDGs) and targets of the World Summit on the Information Society (WSIS);

- Future targets to be defined, monitored and reviewed on an ongoing basis;

- Ensuring affordability of electronic communication and network services.

He stated that:

"The Universal and Access Agency is currently concluding a ten month consultative process, in terms of its mandate, on the definitions of universal service and universal access, together with suggested targets for the achievement of these goals. The process that Universal Service and Access Agency of South Africa (USAASA) has undertaken also includes definitions of under serviced areas and needy persons, which will serve as recommendations to Independent Communication Authority of South Africa (ICASA) and the ministry. The outcomes of the definitions process will lay a firm policy foundation going forward in addressing the challenges of the digital divide.

This will also enable a review of the Universal Service Obligations as imposed by ICASA on communications licence holders to be more cognisant of national priorities, achievements of the Millennium Development Goals and targets of the World Summit on the Information Society (WSIS) which seek to have community ICT access and content development.

Also the definitions will assist in having more holistic obligations incorporating infrastructure / facilities, training, applications, connectivity and usage costs amongst others. It is anticipated that the recommendations will be tabled with the minister during July 2009.

The targets which will be reviewed every two years will establish goals and priorities for the achievement of Universal Service and Universal Access in South Africa. The policy framework will also assist in the full utilisation of the Universal Service and Access Fund (USAF) in support of the deployment of ICT infrastructure and connectivity to needy people in under serviced areas.

To date access to electronic communication and network services, especially broadband and the internet, remain unaffordable and thus beyond the reach of large sectors of our people."

2.3 Role Clarification in the ICT industry

The current roles of the key national government role players in the ICT framework in South Africa as per their mandates are summarised below:

Figure 1: Role Clarification in the broader ICT industry
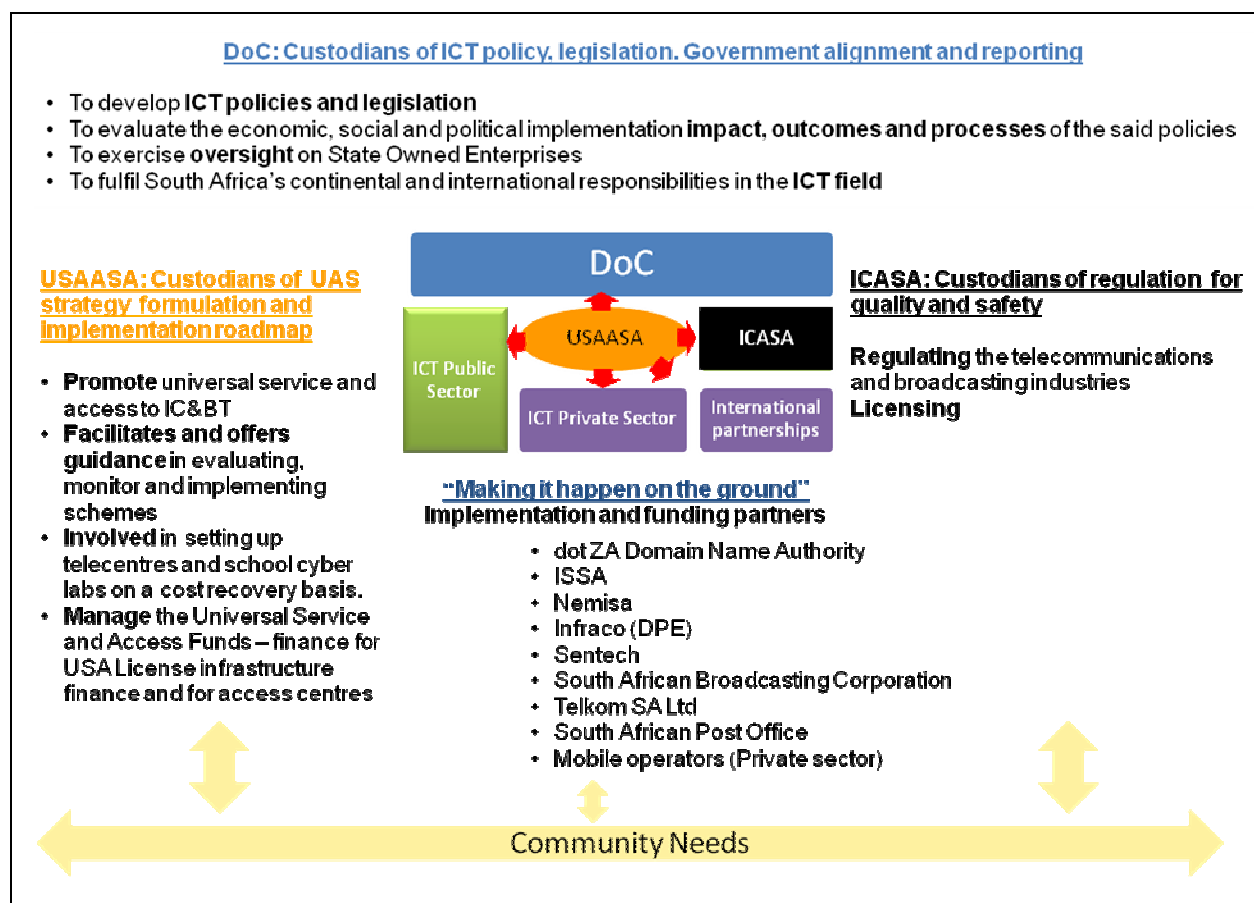
Apart for the current roles of USAASA as reflected above, the role of USAASA can therefore further be understood to be the facilitator of the implementation of the DoCs aspiration, working with key government departments, ICASA and the ICT private sector to:

- Provide US&A strategy, policy and leadership;

- Drive affordability

- Ensuring effective use and social appropriation;

- Promote socio-economic development through USA policies; and

- Form key strategic partnerships to support its role.

This can be illustrated as follows:

Figure 2: USAASA role as Universal Access and Service Facilitator
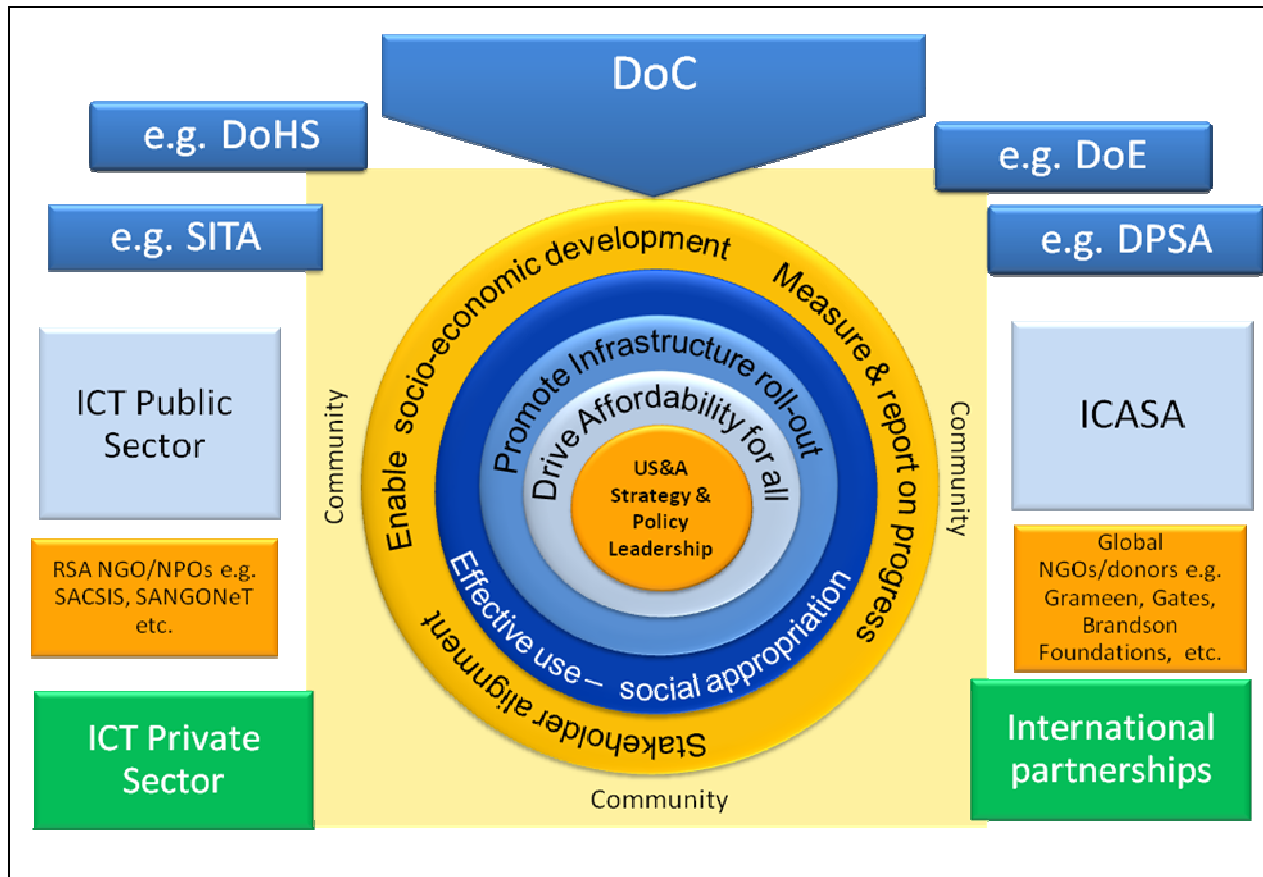
2.4 USAASA's Role in supporting socio-economic development in SA

This section describes the role USAASA can play in the socio-economic development of South Africa. South Africa's overall poverty levels remain high, despite improvements experienced and provincial poverty levels are shown below:

Figure 3: Percentage of population living below R250 per month poverty lines (2007)
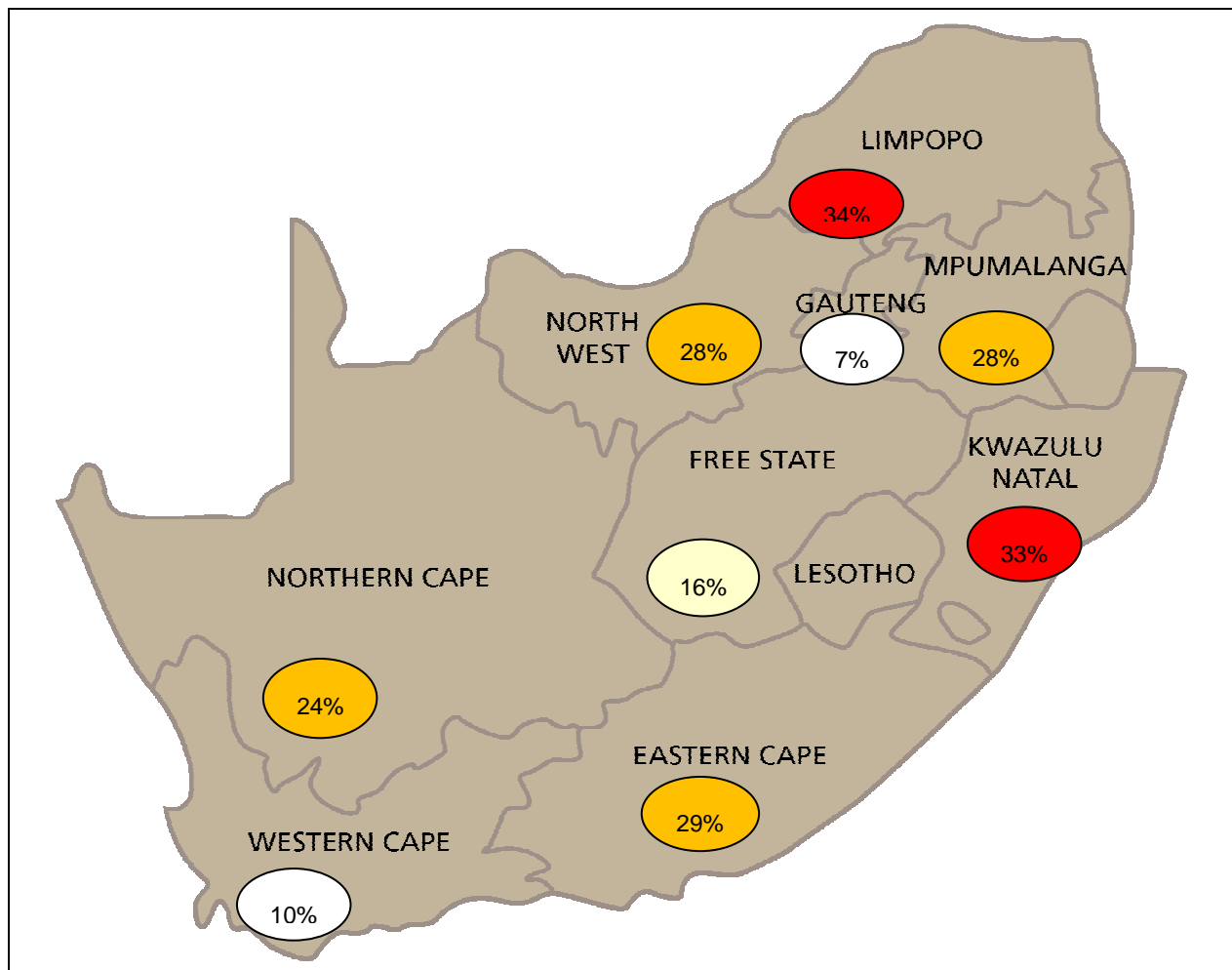
Source: *The Presidency of RSA, Development Indicators, 2008 report.*

Legend	% population of province living below R250 p/m
	≥30%
	20 to 29%
	11% to 19%
	≤10%

2.4.1 Application of ICT to support socio-economic development

> *"An individual poor person is an isolated island by himself and herself. IT can end that isolation overnight."*
>
> *Professor Muhammad Yunus, 2006 Nobel Peace Prize winner*

Professor Yunus, founder of Grameen Bank and the Grameen Foundation stated at the seventh Nelson Mandela Annual Lecture (2009), that it is possible for South Africa to be free from poverty within the next twenty years. He also believes that ICTs have a major role to play in this journey.

Some of the key points in his presentation relevant to the operating model of USAASA include:

- He believes that poverty worldwide is not created by poor people, but is artificially imposed on them by the system and through the institutions and policies that were created;

- Governments need to create access to fundamental human rights, whilst welfare states are not sustainable because governments will not be able to hand out food and grants to people indefinitely;

- Governments should rather ensure that people can take care of themselves;

- Businesses have fantastic technology at their disposal with which to tackle the world's problems, but the drive to make profits prevent them from using these technologies to help people;

- However, human beings are not one dimensional with only one drive and that is to make profit, but they have a selfness capacity to create prosperity and business people should therefore harness the power of social business;

- He believes that if a framework is created which allows people to unleash their capacity and creativity, then there is no reason why anyone should remain poor.

In South Africa poverty levels have decreased, but are still at unacceptable levels. However, other social aspects such as unemployment, education, health and crime are all factors that directly influence poverty and vice versa.

Some of the key social indicators in South Africa are summarised as follows:

Table 2: Trends in Key Social Indicators in South Africa 2001 to 2007

Factor	Indicator	2001	2007
		(Or different year as indicated)	
Poverty	% of population living below R367 per month (AMPS)	51%	41%
	% of population living below R250 per month (IES)	35% (2000)	23% (2005)
	Social assistance grant recipients	3 982 801	12 386 396
Unemployment	Total unemployment % (Narrow)	29.1%	23.0%
Disabilities	Number of people with disabilities and % of population	2 255 982 (5%)	1 916 219 (4%)
Education	Total SA Literacy rates	70.7% (2002)	74.4% (2006)
	Overall GER for girl learners	97.1	98.45
	Overall GER for boy learners	95.84	97.85
	SET as % of total graduates	26%	28.5%
Health	Life expectancy (years)	54.9	50.5
	HIV prevalence	8.5%	11.1%
	Maternal mortality ratio (maternal deaths/100 00 live births)	116.18	165.50
	Severe malnutrition under five years of age	88 971	29 165
Safety and	All crimes per 100 000 of population	5 711.5	4 255.4

Factor	Indicator	2001	2007
		(Or different year as indicated)	
security	Number of cases reported to SAPS	2 523 169 *(2003/04)*	2 125 218 *(2006/07)*
	Charges referred to court	705 073 *(2003/04)*	774 070 *(2006/07)*
	Number of convictions	329 530 *(2003/04)*	267 477 *(2006/07)*

Source: *The Presidency of RSA, Development Indicators, 2008 report.*
Population 2001: 45 119 640. Population 2007: 48 502 063.

Indicators shown in table 2 illustrate that although some improvements have been made on the socio-economic front in South Africa, much work is required to improve the overall livelihoods of people. ICTs have already proved that it can support socio-economic development (please see section 2.4.4).

As a further case study, the Grameen Foundation has also shown that with the innovative use of ICTs major upliftment successes have been achieved.

The Grameen Foundation is making a significant impact on communities around the world by channeling and adapting technologies developed by the private sector and putting them to work for the microfinance and international development communities. Some of the programmes include:

- Our Mifos initiative is building software that will improve micro-finance institutions (MFI) efficiency and serve as a universal platform for further innovation;

- The Technology Readiness team guides MFIs on adopting and integrating technology into their operations;

- Village Phone works with microfinance institutions and local telecommunications providers to bring much-needed telecommunications access to the rural poor;

- ICT Innovation is developing new ways to use existing technologies to serve the poor through its Application Laboratory, Community Knowledge Worker, and Mobile Technology for Community Health initiatives.

It therefore leads to the role of USAASA in the developmental state, using the lessons learned elsewhere to guide its future actions.

2.4.2 The Role of the USAASA in the developmental state

Economic development is the active creation of processes and programs that bring into being new economic activities that did not exist in the economy before (i.e. new capacities, research, products, technologies and infrastructure). Some new capacities would not arise from the ordinary workings of the national and global markets, and require specific interventions by the State.

Agencies such as USAASA are potentially powerful agents for such State interventions, and their potential resides in their ability to bring various role-players together to drive socio-economic development, whilst capitalising on the profit motive to support developmental goals in the form of contributions, grant mechanisms and expanding the ICT footprint to the benefit of all, including private sector.

The major characteristics of the conceptual developmental state can be summarised as:

- Strategic interventions by government in identified industries that will drive growth. These initiatives will normally constitute direct investment and will cover mainly areas of national interest that could not be left to normal market forces.

  For example, underserviced areas are not seen as lucrative by private sector players to provide ICT infrastructure or services to these areas. USAASA needs to ensure, with its partners, that citizens in these areas have affordable access to ICT infrastructure and services to fulfil the Bill of Rights (e.g. Sections 16 and 32) as well as deliver on its own mandate.

- Creating and driving unique relationships of interdependency and symbiosis between bureaucracy and the private sector from which both parties benefit.

  As explained in section 4.3.1 of this report, sufficient evidence exists that government and private sector can work together to ensure universal service and access, building the ICT footprint and enhancing socio-economic development.

- Focused intervention, potentially allowing for competitive scenarios that are beneficial to the greater economic concern but may violate traditional free-market competition rules.

  The proposed operating model described in section 4.3 suggests that the longer term economic impact by creating smaller players in the ICT value chain require medium

term interventions to ensure underserviced areas become attractive for the traditional free-market players.

- Partnering with global companies that can provide additional capital and rapid access to strategic new technologies, business processes and markets.

  Section 2.6.2.2 describes the major capital intensive developments that are occurring in Africa and SA that will support USAASA in its role and without these developments, speeding up universal access and service would not have been possible.

- The efficient mobilisation and coordination of resources within the ICT value chain and across various stakeholders.

  USAASA is in a unique position to build strong partnerships and achieve its goals through a new operating model and using the ICT value chain to support new economic activity.

- Having the capability to build a social compact around the vision and the plan.

  If USAASA can link its strategy and future actions to overcome developmental challenges, it will give USAASA and government a strong basis for driving universal access and service initiatives.

USSAASA is therefore uniquely positioned to support government's vision for economic growth and socio-economic upliftment, through the use of ICTs by ensuring universal access and service.

2.4.3 ICT Leadership, Policy Making and USA Facilitation

USAASA can provide visible, challenging and visionary leadership to the industry, focused in the following areas:

- Research, knowledge dissemination and policy advice - Establishing a knowledge and research hub to support policy making to enable universal access and service;

- Promote ICT Infrastructure deployment through facilitation - Innovative and practical support to facilitate the implementation initiatives to enable universal access and service, especially in underserviced areas. This will include assisting DoC where requested to drive new projects e.g. digital migration, broadband infrastructure roll-out to underserviced areas and other projects of strategic importance;

- ICT awareness and publicity - Implementing practices and awareness campaigns to speed up bridging the digital divide;

- Monitoring and evaluation - Setting, monitoring and evaluating targets to achieve the goals of universal access and service, including affordability;

- USAASA organisational excellence – Ensuring specialist skills, good corporate governance and the application of sound management principles.

2.4.4 Supporting the MDGs

The three main ICT indicators generally used, for measuring the ICT contribution to Goal 8 of the Millennium Development Goals, are based on:

- Telephone lines per 100 people;

- Mobile cellular subscriptions per 100 people; and

- Internet users per 100 people.

The recent World Bank report on ICT for Development indicated a huge growth in mobile cellular subscriptions as shown in figure 4 on the right.
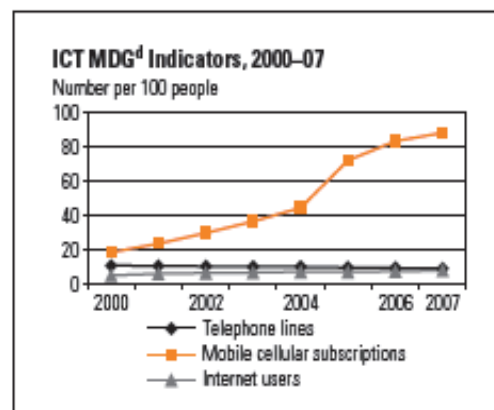
Figure 4: SA ICT MDG Indicators

However, these indicators are not sufficient to measure the overall ICT contribution to the MDGs and USAASA has accepted that convergence and the introduction of new services are challenging traditional universal service policies and the means by which universal service objectives are currently met. There are many services such as e-mail, VoIP, instant messaging and broadband access that need to be included and the availability at reasonable costs of both access to multimedia information services as well as the network that transport these services also need to be considered.

A WSIS report also indicated that there is sufficient evidence to support the fact that ICT can play a strong role in supporting development. The UN Millennium Declaration outlines that there should be a focus on partnerships with the private sector to *"ensure that the benefits of new technologies, especially information and communication technologies ... are available to all."* These partnerships should also support income poverty reduction, education, health, environment and gender equity through:

- Creation of economic opportunities that contributing to poverty reduction;

- Management of the processes providing basic services (e.g. healthcare, education) at lower cost and with greater coverage;

- Facilitation of access to information and the involvement of stakeholders through greater;

- Transparency and support to networking at every stage; and

- Enhancement of the capacity to measure, monitor and report progress on the goals and strategise.

Although more detailed monitoring mechanisms are required to determine the impact of ICTs on the MDGs, it is possible to determine the positive impact ICTs can have on advancing the MDGs and this should be considered in the roll-out of ICTs in SA.

A 2005 United Nations ICT Task Force report on ICTs and the MDGs also indicated that there is a direct development impact of ICTs on the MGDs and this report states that "*It recognizes the importance to livelihood security of social capital, identifying those ICTs that contribute most to building this asset. And it implies knowledge and information delivery critical to sustainable livelihoods that reach the right people at the right time at the right price*".

Although a range of different ICT interventions can support the MDGs, those with most socio-economic impact should be driven by government and its partners. An example of ICTs positive effects on MDGs is shown in figure 4.

Figure 4: Development Impact of ICTs on the MDGs

Percentage change in different MDG indicators caused by ICT-based activities
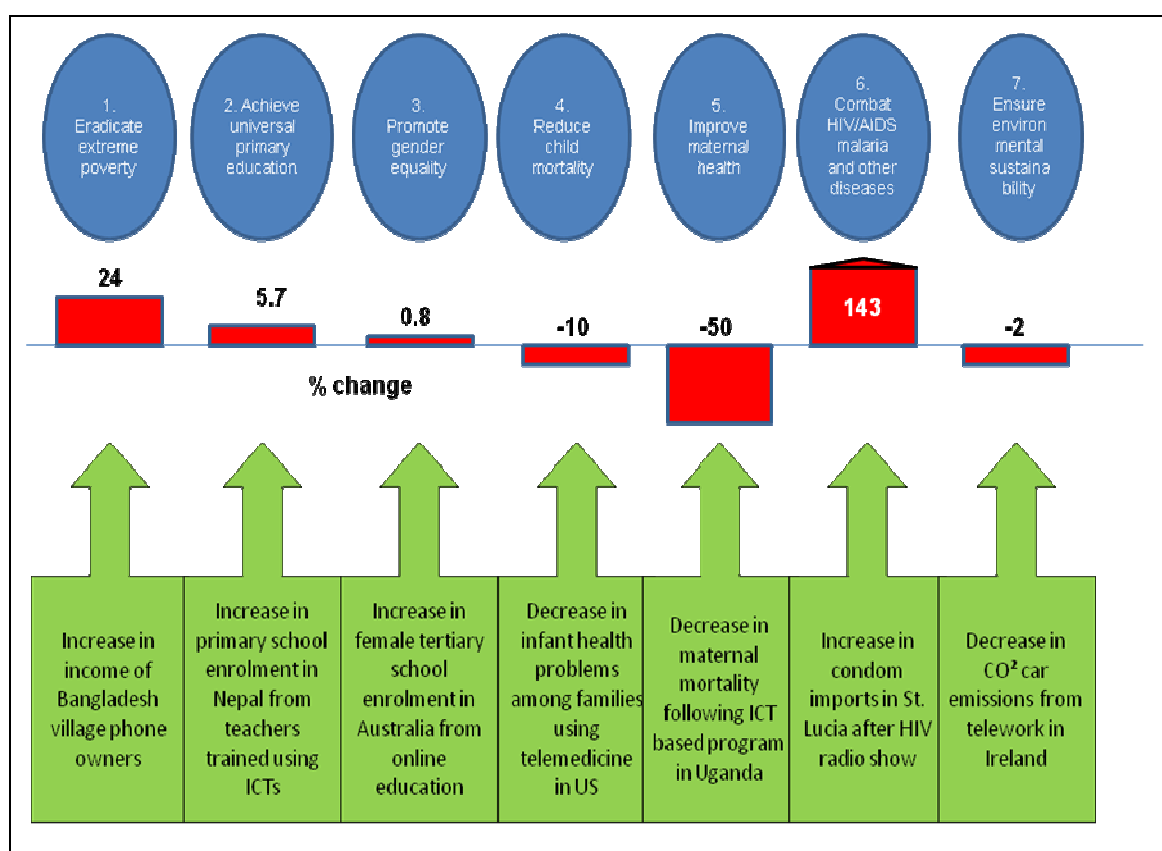
Source: ITU, UN ICT task force report 2005

2.5 Economic Outlook

The global and South Africa's economies are currently in a recession. This has already caused huge job losses around the world, Africa and South Africa. It is expected that the world could lose between 25 and 50 million jobs during the coming year, depending on the success of government initiatives to create new jobs through government infrastructure developments and an overall economic improvement.

The drive for USAASA to engage in activities that could stimulate economic recovery and growth therefore becomes more important than ever. Below are key comments on the current economic situation:

Table 3: Economic Outlook Summary 2009 to 2011

	Current and projected economic scenarios
Global economy	• The world economy is slowing at its fastest rate in around six decades and is only expected to improve during the last quarter of 2009, early 2010 • Growth risks in the developed world are huge and this recession may last into 2010 in some countries • There are signs that China's economy has stabilised and is growing at a faster rate than expected, which is good news of Africa due to their dependence on African resources • The US, Europe and Japan are set to suffer four consecutive quarters of contracting output, that is not expected to come to an end until the middle of 2009 • Global unemployment may increase to around 25 million in 2009 and 2010 • Toward the end of 2009 and the beginning of 2010, funding should be easier to access and will help businesses grow again • Inflation is likely to abate in OECD member states, in line with falls in commodity prices
South African economy	• SA economy is in its first quarter of a recession • The telecommunication sector is one of the sectors which is doing better than for instance, mining and manufacturing, where reduced outputs are negatively impacting employment • Unemployment rates for May 2009 stood at 23.5% and is likely to increase in the next year as insufficient net new jobs will be created • The headline inflation rate in May 2009 (i.e. the Consumer Price Index

	Current and projected economic scenarios
	for all urban areas in May 2009 compared with that at May 2008) was 8,0%. This rate was 0,4 of a percentage point lower than the corresponding annual rate of 8,4% in April 2009. The increase in fuel and energy prices might impact the inflation rate negatively during 2009 • Recent reductions in bank rates are assisting consumers to cope with the current economic situation and to make funding cheaper. However, it is not expected to solve the credit burden of consumers, given the increase in fuel and energy prices • The rand (ZAR) currently range between at R7.81 and R8.20 to the USD (dollar) due to increased exports, but could weaken again if this is not sustained. It is faring well compared to earlier predictions this year that it would average around R10.60 to R10.80 against the dollar
What does this mean for USAASA?	• USAASA's contribution to socio-economic development and building SMMEs focussing on ICT, becomes more important during a time of recession, increased job losses and a weakening economy • Increased access to ICTs and related services, in line with needs of citizens and communities to support their livelihoods has a direct positive impact on increased economic activity and poverty reduction • A recent report showed that with a 10 percentage-point increase in high speed Internet connections there is an increase in economic growth of 1.3 percentage points – hence there should be a sense of urgency to implement a USAASA operating model that can support this growth • The improved ZAR/USD exchange rate supports lower cost of ICT infrastructure • Given the worsening job market, ICT skilled workers are more readily available to perform ICT related work

2.6 Universal access and service Trends

2.6.1 Recent International Research

Various pieces of research were studied and the most pertinent parts are summarised below:

2.6.1.1 Information for Development (*infoDev)*

Information for Development *(infoDev, 2008)* report indicates that following five trends are impacting on new strategies and policy approaches to ensure universal access and service:

- **Much more ambitious goals are required** - developing countries should set more ambitious targets given new technologies, market interest and lower costs.

- **Availability of a wider array of models and approaches for UAS** – since the inception of UAS policies, new models and ideas and best practices can be built upon and applicability of current UAS models should be reviewed.

- **Greater interest in reaching the poor by commercial companies** – given declining ICT growth in developed countries, many operators are now focussing their attention on unreached markets.

- **E-Inclusion –** is considered by developed countries to support socio-economic development, social inclusion and poverty alleviation in developing countries could benefit through "lessons learnt" in developed countries and potential investment and donor funding in ICT programmes.

- **More complex interactions with other policies –** Although UAS policies are normally a sub-policy of the broader national development and ICT policies, UAS policies should consider other government policies, including health, education and rural livelihood plans to support the overall development of a country. At the same time, UAS policies aimed at increasing telecommunications infrastructure and access should also not be impeded if other sectors are slower and innovative ways should be found to address these e.g. if there is a dependence on electricity, renewable energy sources such as solar power, should be considered in the design of infrastructure.

Figure 5 below indicates the gap between developed and developing countries in internet subscriber, user and broadband penetrations by region and why targets in Sub-Saharan Africa and therefore South Africa should become more ambitious.

Figure 5: Internet subscriber, user and broadband penetration by region, 2007.
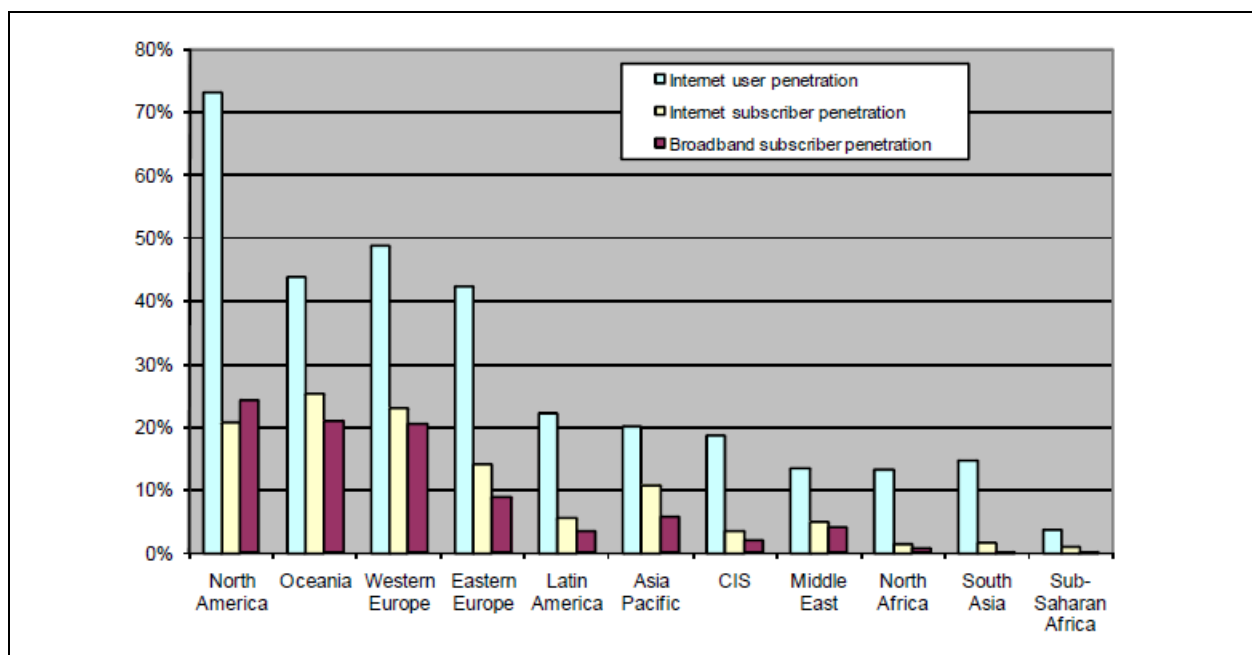
Source: ITU World Telecommunication/ICT Indicators Database (infoDev report, 2008)

2.6.1.2 European Union

Although the European Union (EU) has a different demographic and socio-economic profile, developed countries' trends should be considered when renewing UAS policies and models. The EU stated that examples of imaginative and innovative uses of ICT are helping to address some of the key challenges faced by socially excluded people in many countries and regions in Europe, and beyond.

Yet, the widespread understanding of the issues and opportunities surrounding e-Inclusion and take-up require work. The European Commission, together with the Latvian Government and the Austrian Presidency of the EU, organised a conference and exhibition on the theme "ICT for an inclusive society" in Riga, Latvia and declared in an *EU Ministerial Declaration on e-inclusion, Riga, 2006* that describes that e-inclusion means both inclusive ICT and the use of ICT to achieve wider inclusion objectives.

The Riga declaration proposed cooperation and collaboration on the following:

- Reduction in geographical digital divides;

- Improvement of digital literacy and competences;

- Promotion of cultural diversity in relation to inclusion;

- Promotion of inclusive eGovernment;

- Mobilisation of appropriate instruments – including national e-Inclusion strategies and using appropriate mechanisms, in particular EU funds; and

- Using ICT to address the needs of older workers and elderly people.

The EU concepts of e-inclusion holds relevance in the approach to universal access and service strategies to assist in the participation of all individuals and communities in all aspects of the information society, to overcome exclusion, improve economic performance, employment opportunities, quality of life, social participation and cohesion.

2.6.1.3 World Bank

A new report from the World Bank Group finds that access to affordable, high quality internet and mobile phone services enables development across all levels of the economy and society. The report, *Information and Communications for Development 2009: Extending Reach and Increasing Impact,* takes an in-depth look at how ICT impacts economic growth in developing countries.

It also identifies the mobile platform as the single most powerful way to reach and deliver public and private services to hundreds of millions of people in remote and rural areas across the developing world. The report also contains new empirical evidence from Brazil, Ghana, India and other countries demonstrating that modern, technology-enabled governments can become more efficient, transparent and responsive. A survey of over 30 countries shows that successful e-government requires organisational and behavioural changes that must be driven by high-level political commitment and effective coordination.

Katherine Sierra, World Bank Vice President for Sustainable Development indicated *that "Access to broadband completes the information foundation for a modern economy and should be a priority in national development plans and Governments can play a key role in expanding broadband access by policies and incentives that encourage competition and private investment."*

Two of the key messages contained in the report cover the impact of ICT in an increasingly knowledge-based world and how policy directions should consider these changes i.e.:

- **Impact of ICT in an Increasingly Knowledge-Based World**
  - **Impact of mobile networks** - these constitute the world's largest distribution platform and create a major development opportunity;
  - **Changes in broadband technology and its impact on development** - broadband increases productivity and contributes to economic growth, for which it deserves a central role in development strategies;
  - **ICT and UAS expansion supports socio-economic development** - The global market for IT and ITES is expanding and developing countries are seizing the opportunity to build local industries; and
  - **Government has an important role to play in e-inclusion and bridging the digital divide** - E-Government can lead the way to mainstream ICT applications.

- **Some Policy Directions**
  - **Policy responses to convergence** to facilitate ICT development;
  - **Public-Private Partnerships** can leverage the private sector to meet public policy objectives;
  - **Cross-sector leadership and institutions** are essential to realize the benefits from investing in e-Government; and
  - **Public sector interventions** to promote IT services and ITES can be good investments irrespective of success of the IT initiatives.

More discussion on this report and related economic impacts are contained in Section 4.3 in the discussion of the proposed operating model of USAASA.

Appendix C indicates the review of South Africa in this report among other counties profiles including related MDG (goal 8) impacts.

2.6.2 South Africa and Africa

ICT developments in South Africa and Africa holds great promise for universal access and service, however although the following trends show improvement in ICT growth, both Africa and South Africa need to improve its performance in ICT coverage to reach the same levels of universal access and service already reached in other countries - both in the developed and developing world.

The current ten new cable developments as described in section 2.6.2.2 will leave South Africa with a potential glut of bandwidth. It is therefore opportune for USAASA to speed up its process planning process to ensure that a plan of action exits, that will capitalise on this occurrence and that it has programmes in place to ensure affordable access and efficient use of bandwidth that will become available.

2.6.2.1 South Africa ICT trends

USAASA research as contained in the Government Gazette of 15 August 2008 *(definitions document)*, indicated that although there has been good ICT growth in SA, the country is a long way from universal access and service for all. The following ICT trends exist in South Africa:

Figure 6: SA ICT trends 2000 to 2007

SA ICT trends 2000 to 2007

	% of fixed telephone lines per 100 inhabitants	% of households with fixed line telephone	% of mobile cellular subscribers per 100 inhabitants	% of households with a mobile cellular telephone	% of households with a computer	% of internet access per 100 inhabitants	% of households with internet access at home	% of broadband internet subscribers per 100 inhabitants	% households with a TV
2000	11.00	23.95	12.10	22.54	7.56	1.63	2.00	0.00	51.00
2001	10.73	23.88	18.57	31.93	8.47	2.09	2.20	0.00	52.60
2002	10.48	23.80	24.05	35.00	9.55	2.20	3.00	0.01	56.30
2003	10.14	22.90	29.72	40.20	10.56	6.76	3.40	0.04	57.90
2004	10.05	21.60	39.19	49.60	11.27	7.65	4.20	0.09	59.20
2005	10.08	21.00	49.68	59.70	11.91	9.13	5.00	0.34	60.00
2006	9.93	18.69	67.63	67.53	13.00	9.57	5.70	0.77	64.42
2007	9.70	18.60	81.27	72.90	15.70	10.00	7.30	1.63	65.60

Source: *Operator results, Census 2001, Stats SA Household Surveys, SA Community Survey, Government Gazette of 15 August 2008*

A further breakdown of the ICT trends per topic is contained in Appendix D.

The worldwide trend of the reduction of fixed telephone lines and the increased use of mobile cellular phones is also evident in South Africa. The relatively slow growth of internet access in South Africa supports the notion for more affordable internet access is required and with the future increase in bandwidth it is opportune to speed up plans to increase internet penetration.

It is promising to note that South Africa's **Digital Opportunity Index** (DOI) ranking has improved from the 2004/05 to the 2005/6 ranking. During 2004/05 South Africa had a score of 0.38 and was ranked 91st amongst 180 countries and during 2005/6 South Africa had a score of 0.42 and ranked 86th amongst 181 countries. However, other African countries are ahead in the DOI ranks such as Mauritius (58th), Seychelles (62nd), Morocco (68th) and the Maldives (72nd).

However, according to a 2009 ITU **ICT Development Index** (IDI) report, South Africa has fallen 10 places in ranking from 77th in 2002 to 87th in 2007 amongst 154 countries. The report states that South Africa has relatively low access and usage values and little progress was made during the past five years, in particular on ICT usage. Again, there are other African countries ahead of the South Africa in the IDI ranks such as Mauritius (62nd), Seychelles (62nd), and Tunisia (83rd).

Global **internet penetration rates** reflect that Africa only holds 5.6% of the world internet penetration rates, which indicates that Africa is not doing well overall. In Africa, South Africa is in fourth place under the top ten Africa internet countries shown in figure 7 below.

Figure 7: Africa and World Internet Penetration Rates, December 2008
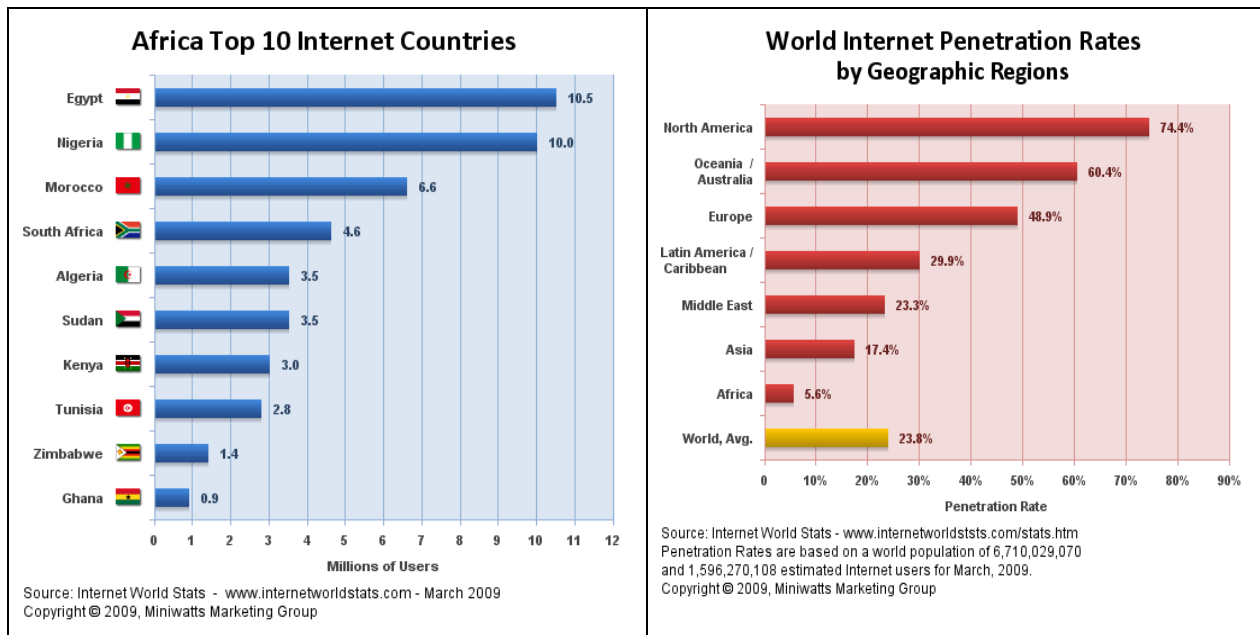
For Africa to ensure ICT and UAS is optimal for its people and development, new and innovative ways are required to close the digital divide.

2.6.2.2 African Developments

- **An African Transformation – connecting Africa to the World**

Currently South Africa has access to the SAT3 cable - historically controlled through Telkom – which provides the only optical fiber link between West Africa and the remainder of the world. Given that this was the only cable available in South Africa for so long it impacted on the price and speed of internet connections -the more people are accessing internet the slower the speed of the service and more expensive it becomes due to a premium based on bandwidth availability. It is predicted that with the ten new cable developments various beneficial impacts will be experienced by South Africans.

Ten cables are planned to go live in the next two to three years and this will dramatically change Africa's telecommunication's landscape. At this stage it is reported that South Africa will house four of these and this have major beneficial impacts on the future of UAS and ICT. Some of these include:

- The **Seacom cable**, running along the East African coast, will provide international fibre optic bandwidth that connects southern Africa to the rest of the world for the

first time, and is set to be the first of a number of undersea cables launching over the next few years;

- The **Eastern Africa Submarine Cable System (EASSy)** which is to launch in the second quarter of 2010 linking East and Southern Africa to the rest of the world;

- The **MainOne system** is set to complete in 2010, connecting countries from Portugal to South Africa, this time on the West coast of Africa;

- In 2011, the **West African Cable System (WACS)** - the biggest of all the cable systems in development - is scheduled to go live, linking Southern and West African countries with Europe.

- **Africa Coast to Europe (ACE),** which was initially planned to stretch from France to Gabon, has since been extended to South Africa, thus connecting the entire West African coast, and is also scheduled to go live in 2011; and

- In addition, two other cables will expand capacity on the rest of the continent later this year. The **GLO1 cable system**, by Nigerian carrier Globacom, will connect Nigeria to the UK, while the **East African Marine System (TEAMS)** will connect Kenya to the United Arab Emirates.

- **Major impacts on South Africa**

The development of this infrastructure has major impacts on Africa and South Africa in particular. The biggest change in South Africa's telecoms and Internet industry will be from the predicted growth in mobile Internet access and the impact that will have on how Internet access is delivered in the future. An explosion in internet growth and usage is predicted to double in the next five years to 9 million users, but only partially due to the undersea cables. Some of expected benefits of the new cable developments include:

- Growth in Internet Service Providers due to the upgrading of all existing VANS licences to network provider licenses;
- An explosion of access at SMEs as they upgrade to broadband and wireless networks;
- Increased internet access use on cell phones;
- Growth rate in PC-based access up to 2014 *(i.e. by 2014 most PCs will be connected, and growth of PC-based access will depend on growth of PC sales);*

- Expected growth in mobile Internet access - reflective of the nature of the South African landscape, with the majority of the population currently accessing telecoms services through cell phones rather than fixed-line services;
- Growing dominance of large mobile operators in the data / broadband arena, as they already have large subscriber bases to which they can cross-sell broadband services;
- Prices should come down if international bandwidth is cheaper, although other costs involved for an ISP including infrastructure, marketing, distribution and support exist – but which could also hold SMME development potential;
- Driving down costs due to increased competition and economies of scale;
- New wave of growth in the IT and BPO industries could be triggered;
- Data caps will increase dramatically over the next three years.

Seacom's Brian Herlihy says that so far Africa, including South Africa, has been a receiver of the beneficiation ICT has delivered, "but with appropriate infrastructure, Africa will be an innovator and a great contributor to the gains made in this century."

The more players there are in the communications market the greater benefit the consumer will have as prices will be driven down as a result of the increased availability of bandwidth and although bandwidth will not be available directly through Seacom - as the company acts as a wholesaler – it is expected that cost savings will be passed on to the end-user, especially if increased competition exists.

Innovative services such as cell phone banking have already proven successful in South Africa, and perhaps over the next decade, aided by cheaper access through the new cable networks, South Africa can also innovate with the way the wider population will access and use the Internet.

2.7 PESTLE Analysis

During a USAASA senior team workshop in June 2009, a political, economic, social, technological, legal and environmental (PESTLE) analysis indicated Table 4:

Table 4: USAASA PESTLE Analysis, June 2009

External Impacts:	Positive contributor: To be utilised	Negative inhibitor: To be mitigated/addressed
Political	- Developmental state agenda - Focus on development agenda for next five years - Framework to deal with the digital divide - USAASA set up to address government needs - ICT agenda on political level - Performance management of ministers - Identification of focus areas	- Limited budget from government - ITC's not recognised by government as vehicle for poverty alleviation - External environmental requirement for deploying networks - Agency used by politicians to push political agenda - Limited coordination of UAS initiatives - Lack of appreciation on role of USAASA - Silo implementation of ICT strategy in RSA
Economic	- ICT sector contribution to GDP has been good - Implementation of the digital migration in which USAASA will play a critical role towards distributions of subsidies for STB - Global financial crisis (to support increased ICT drive to overcome crisis)	- Cost of ICT service high and not affordable - Financial crisis (can impact on contributions and ICT investment) - High rate of poverty and illiteracy - High cost of intercommunications services which inhibits the delivery of US/UA - Current USAF contributions are not scientifically determined

External Impacts:	Positive contributor: To be utilised	Negative inhibitor: To be mitigated/addressed
	• New entrants to the market, therefore more possible contributions to the fund • Improved systems for commercial transactions	
Social	• Platform to sharing knowledge • Support social entrepreneurship movement • Can support bringing better education and health services to under serviced areas as well as increased capacity building in communities • Opportunity to forge partnerships with the private sector to roll out services and infrastructure in under serviced areas	• Increased capacity building in communities required • Level of literacy and e-literacy • Low level of awareness of ICT service and benefits
Technological	• Continuous innovation in the sector and new developments • Potential to bridge digital through intervention • Opportunity to explore new innovative technologies and to deploy new solutions • Support to access to information • "Explosion" in bandwidth due to undersea cable developments	• Ever changing technology, overtaking current programmes • Not enough technology graduates in the country • Role not elevated to deal with digital divide

External Impacts:	Positive contributor: To be utilised	Negative inhibitor: To be mitigated/addressed
Legal	• Legislation that supports universal access and service • The ECA supporting USAASA's mandate	• Lengthy processes created by legislation • Revision of the mandate required to be clear in order to make proper assessment • Lack of public awareness to enable uptake of ICT's by communities • Limited current role of USAASA • Disjointed legislation to deal with the same topics
Environmental	• Possible R&D and investment on alternative technologies • ICT use can support "Greening" as it leads to less use of energy resources and reduced emissions during travel – supporting MDG 7	• Environmental requirement for deploying networks • Limited engagement with environmentalists to ensure proper waste strategies on ICT equipment • Harmful radiation by networks and no data to identify affected areas

3. INTERNAL OPERATING ENVIRONMENT

The vision, mission and values of USAASA remain unchanged at this stage as it is viewed, even with the proposed changes in its operating model, focus areas and targets, that these remain valid as described below:

3.1 Vision

> **USAASA is the leading organisation in the promotion of the goals of universal service and access to Information Communication Technology services for socio-economic development.**

3.2 Mission

> **To facilitate the establishment of access to ICT services in partnership with all stakeholders towards achievement of an information society.**

3.3 Core Values

The following core values remain, but ongoing attention should be given to ensure people are "living" the values and the organisational culture within USAASA supports these statements:

- Accountability

- Integrity

- Service Excellence, Efficiency and Effectiveness

- Promotion of Batho-Pele ethos

- Be collaborative

- Passion for establishment of Information Society.

3.4 Board Structure

The current Board Structure with its various sub-committees is depicted below:

Figure 8: USAASA Board Structure
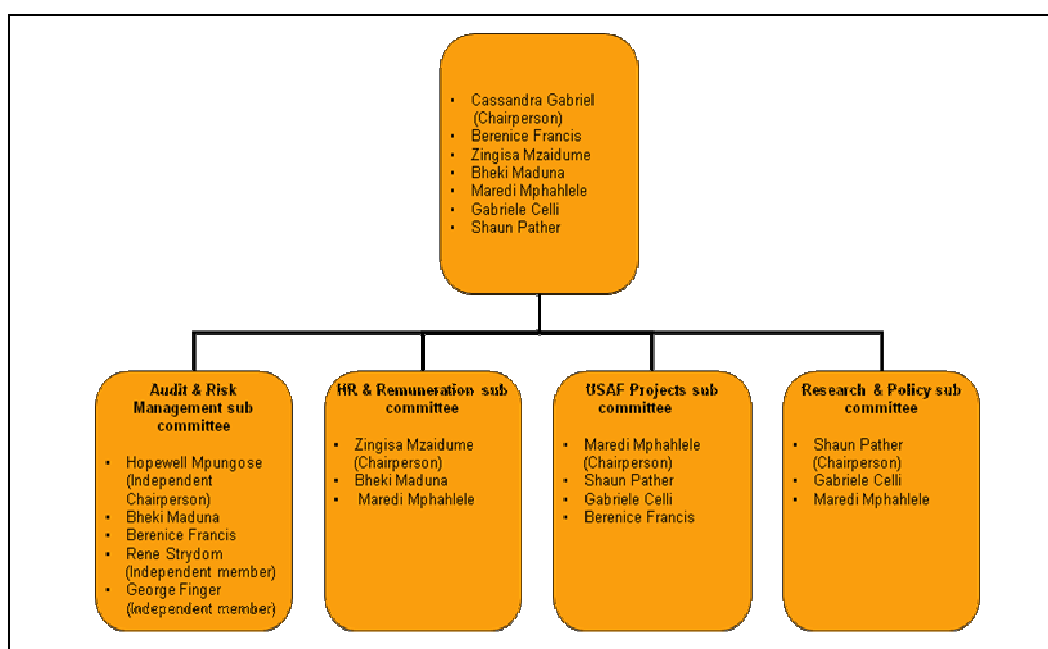
The newly adopted Board Structure with its sub-committees is depicted below:
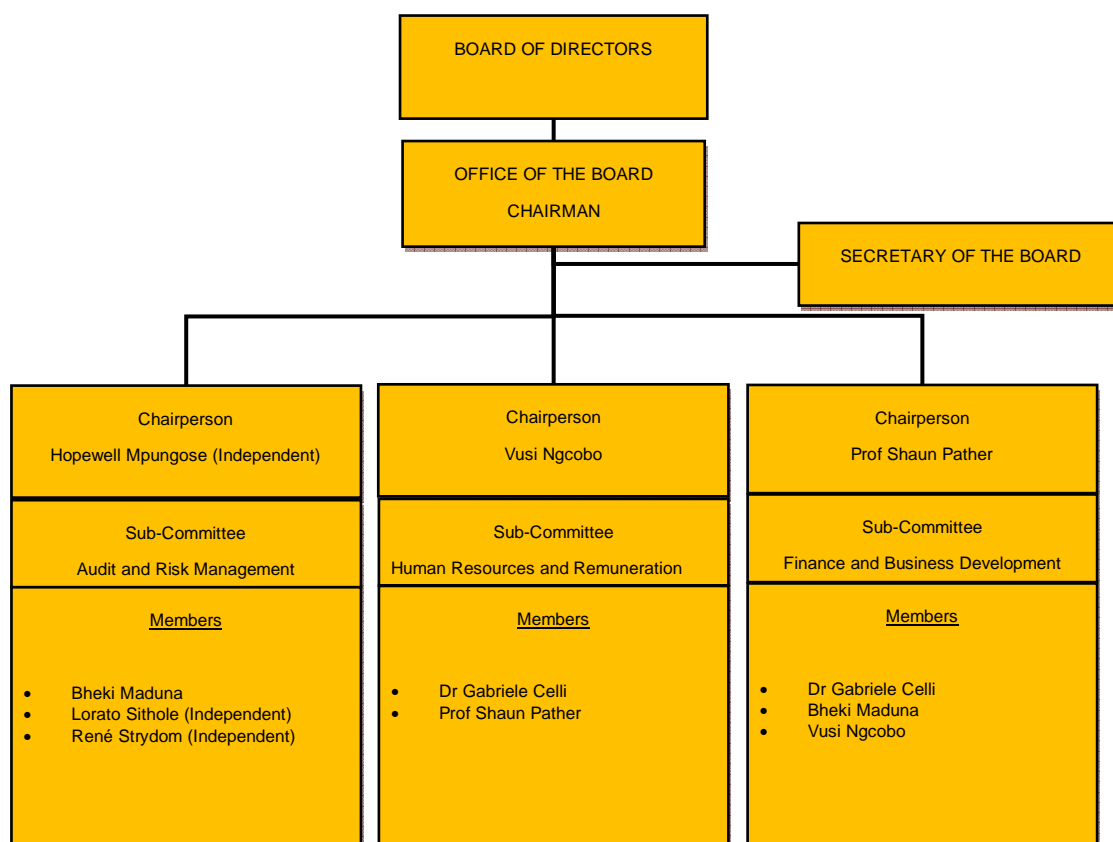
3.5 Current USAASA Organisational Structure

The current organisational structure of USAASA reflects its existing operating model. The structure shown below has various vacancies and in analysing the past three years' annual reports, the instability of the organisation raises concern given the turnover rate at the top level of the USAASA organisation. A serious attempt should be made to ensure continuity in post incumbents is maintained, especially at executive levels.

Figure 9: USAASA Top Organisational Structure, June 2009
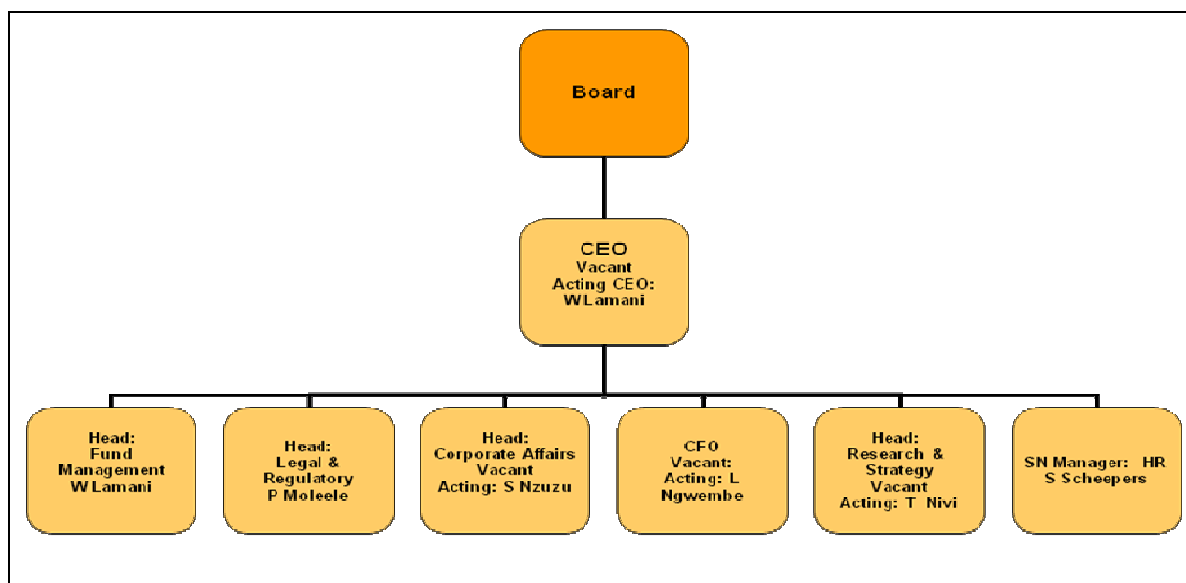
USAASA Executive Structure adopted by the Board, April 2010

```
                    ┌─────────────────────┐
                    │   CHAIRMAN: BOARD   │
                    └──────────┬──────────┘
                               │
                    ┌─────────────────────┐
                    │ CHIEF EXECUTIVE     │
                    │ OFFICER (CEO)       │
                    └─────────────────────┘
```

- Internal Audit Function
- Performance Management Function
- Stakeholder Relations Function

FINANCIAL SERVICES	CORPORATE SERVICES	BUSINESS DEVELOPMENT
Chief Financial Officer (CFO)	Executive Manager: Corporate Services	Executive Manager: Business Development
Terms of References	**Terms of References**	**Terms of References**
• Budget	• Human Resource Management	• USAF Projects
• Information Communication Technology (ICT)	• Remuneration	• Research, Strategy & Policy
• Financial Statements	• Organizational Development	• National Program Management
• Financial Management	• Performance Management	• Broadcasting Services
• Internal Audit Queries	Change Management	
• Supply Chain Management	• Labour Relations	
	• Administration	
	• Legal and Regulatory	

3.6 USAASA's Current Operating Model

Historically the USAASA was responsible for universal service and was seen as an agent of the Department of Communication to affect this and hence was instructed to implement initiatives to support other departments such as school cyber labs and telecentres as a way to ensure access. However, it had limited scope to get involved in higher level issues regarding availability or making impact on affordability.

It currently has the role of implementer and a limited role in taking leadership for universal access and service. USAASA does not have an established partnership model and has been more involved in talking to partners instead of working in partnerships across the ICT value chain. USAASA is also very involved in doing projects instead of leading projects to address the UAS agenda of SA and it typically has a Design, Build, Operate and Transfer model.

The current model typically does not incorporate the advantages of trends arising from best practice, alternative delivery models and financing mechanisms to support socio-economic growth for SA, as described in the ICT landscape and UAS trends as illustrated in the research shared in section 2.6.

Figure 10: Current high level USAASA Operating Model, June 2009
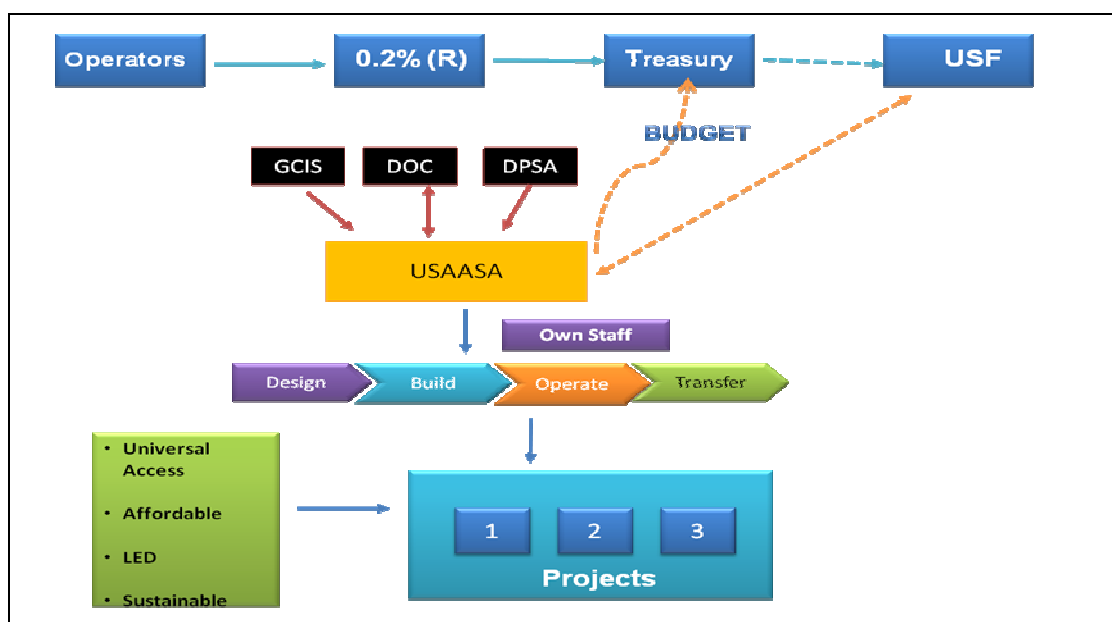
It was stated in the Three-Year Strategic Internal Audit Plan, 2010 to 2012 that USAASA is moving away from implementing access projects, to facilitating and coordinating the efforts of many companies and organisations in this area. It was stated that these efforts are sometimes duplicated and conflicting due to the lack of a national framework. This should be a priority area in the USAASA strategic plan. USAASA's existing access projects are being transferred to local municipalities and entrepreneurs. It was also stated that in future the Agency will focus on the provision of grants and subsidies.

3.7 Successes

It is important to state that USAASA had been functioning within the available ICT platforms, agreed frameworks and delivered on its legacy projects and contributed in various ways to

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universal access and service in SA through the projects it delivered over a course of 10 years. It should be considered that at the time of its establishment cellular phones, laptops and internet access were reserved for the privileged few, whilst developments such as broadband and wireless data connections were almost inaccessible for citizens in SA during the late 1990s.

Public and community access point changes over the period 2002 to 2007 showed the following trends:

Table 5: Public and Community Access Points

Community and Public Telephones	2002	2007
Telkom Public Telephones *(reduction due increase in cellular phones)*	195 000	158 000
Number of Community Service Telephones (CST)	31 000	220 000
Community Centres **(USAASA established)**	**2002**	**2007**
Number of telecentres established in Thusong Service Centres (Previously called Multi-purpose Community Centres)	38	100
Total number of telecentres established by USAASA	71	154
Number of cyber labs	0	245

Source: Operator reports, USAASA – Government Gazette of 15 August 2008

Figure 11 below indicates USAASA performance on key strategic programmes as indicated in the USAASA 2007/08 Annual report.

Figure 11: USAASA 2007/08 performance on Key Strategic Programmes

2007/2008
Strategic Programmes Implementation
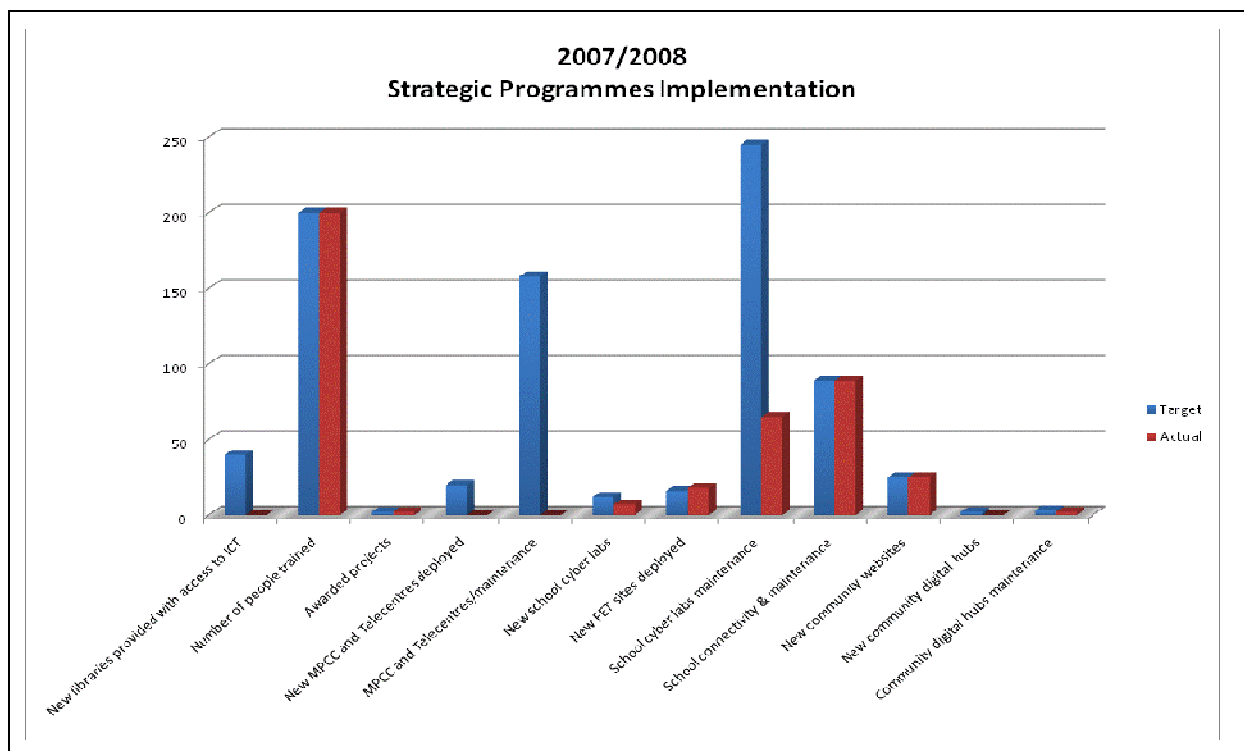
3.8 Risk Analysis

A risk analysis is contained in the Three-Year Strategic Internal Audit Plan, 2010 to 2012 and the main areas of concern include:

- Corporate, financial and performance reporting;
- Human resources process and management issues including appropriate skills and competencies;
- Administrative, asset and supply chain policies, procedures and controls;
- Operational and project performance reporting;
- Research link to core business and integrity of data; and
- Timeous SLAs and contractual completion and reviews.

3.9 Stakeholder Analysis Comments

Although a stakeholder map is available in USAASA, it was not originally developed to be strategic by nature nor based on driving the agenda of USAASA and supporting its core outcomes. USAASA accepts that more work is required on stakeholder identification and an effective stakeholder engagement strategy and supporting procedures are required. Currently the stakeholder map is generally a list of names and entities to be contacted, but no direct link exists in describing engagement activities, the required outcomes or action plan around improving stakeholder relationships.

3.10 SWOT Analysis

USAASA developed a high-level SWOT analysis during a senior team workshop in June 2009. The findings of this exercise and USAASA documents listing SWOT aspects are depicted in Table 6 below.

Table 6: USAASA SWOT Analysis, June 2009

STRENGHTS	WEAKNESSES
- Expertise at core of USAASA with skilled management of the Agency with knowledge and experience of the sector - Institutional memory - People have knowledge of areas that are under serviced - Dedicated management in the core areas of the organisation - Two core functions identified – USAF and Research - More definite research conducted internally by key members with structure	**Structure** - Structure not aligned to mandate - Business units are not properly co-ordinated, no alignment synergy of business plans - Poor structural organisation that can not facilitate the agency on its mandate - Insufficient units within the Agency to deliver on its functions - No clear definitions on levels of instruction and involvement with DoC **People** - High turnover of staff at executive level - CEO, HOD's - People not identifying with the brand - Incompetency at some levels - High staff turnover and low morale **Policies, procedures and processes** - Policies and procedures are not in line with mandate - No business process and systems in place for true perspective - No integrated processes **Culture** - Non-cohesive culture - Silo mentality - Inward looking organisation and people do not read

OPPORTUNITIES	THREATS
• Low cost mobile technology • USAASA mandate in EC Act clear • Under-sea cable consortia • FIFA 2010 opportunities • New government with new vision opportunity to align USAASA to the new administration • Buoyant telecoms sector • Digital migration recapitation of USAASA and commitment by government • New legislation • New contributors to definitions and fund manual	• Over regulation of sector • Powerful operators • Also see negative inhibitors listed under PESTLE analysis, Section 2.7, Table 3

It was accepted by the senior USAASA team that weaknesses listed around structure, people, culture and policies and procedures need to be addressed as a matter of urgency to enable USAASA to move successfully into the future.

4. USAASA'S CHANGE IMPERATIVE AND NEW OPERATING MODEL

Although USAASA has had past successes, the current external operating environment as described in section 2, serves as sufficient evidence that USAASA should revisit and renew the way it is doing things. However, for change to occur, a clear direction and reason for change is required. The burning platform, what change is required and a proposed new operating model are leading to ambitious targets for the period of 2009 to 2014.

4.1 Burning Platform

For South Africans:

- A need exists to ensure equality in access into the work force all people in South Africa must have access to the Internet for education and sustainable livelihood purposes

- Sustainable rural upliftment relies on the infrastructure underpinning any business – ICT is a key success factor

"The Idol[2] saga has put ICT accessibility and availability firmly on the national priority agenda"

For Government:

- Must show tangible results or radically restructure the service delivery infrastructure

- Economic growth and socio-economic development including educational goals will be highly dependent on ICT infrastructure across the country

" Water is life and ICT is becoming just like water ...."

For USAASA:

- USAASA must prove clear leadership in the ICT sector to stay relevant and be supported in its roadmap to success by all stakeholders

- It cannot afford more organisational instability

"Must demonstrate that it can deliver or face closure"

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[2] During the Idol saga, unavailability of mobile networks resulted in the wrong winner to be selected due to delayed votes. The following day, mobile networks were will unavailable, which impacted on economic activity and business and personal communication.

4.2 USAASA BHAGs and Changes Required

During the development of USAASA's corporate plan it was agreed that USAASA should drive ambitious targets to support clear and compelling goals that, serve to unify the focal point of effort, and act as a clear catalyst for team spirit.

"Big, hairy, audacious goals (BHAGs)" often used by organisations and as defined by Collins and Porras in their book *Built to Last: Successful Habits of Visionary Companies,* was used to define a clear finish line, so USAASA as an organisation can know when it has achieved their goals.

The following 2020 and 2014 BHAGs were defined as overall longer term goals:

USAASA 2020 Big Hairy Audacious Goal (BHAG)

> **By 2020 USAASA, with its partners, has created:**
>
> **"Every man, woman and child whether living in the remote areas of the Kalahari or in urban areas of Gauteng - can connect, speak, explore and study - using ICT"**

USAASA 2014 Big Hairy Audacious Goal (BHAG)

> **By 2014 USAASA has:**
>
> - **facilitated the implementation of basic ICT infrastructure covering 100% of South Africa**
> - **set up a sustainable network of partners in the ICT- sector with commitment for the further development towards the 2020 goals**
> - **has driven affordability and e-literacy to the point where every person can access and effectively use basic ICT**
>
>   **SA is the leader in Africa for UA&S**

This leads to the view that by 2020 USAASA should have the reputation and brand as the leading authority in universal access and service in SA and people should be saying:

"USAASA is the leading authority in universal access and service.

Serving as visionary driver, think-tank and policy maker, the agency is paramount in facilitating ICT use for sustainable livelihoods for all South Africans.

It is playing a pivotal role in ensuring 100% broadband coverage in South Africa at affordable access rates"

However, a number of key changes are required to support this shift and these are summarised in figure 12.

Figure 12: What will be different going forward?
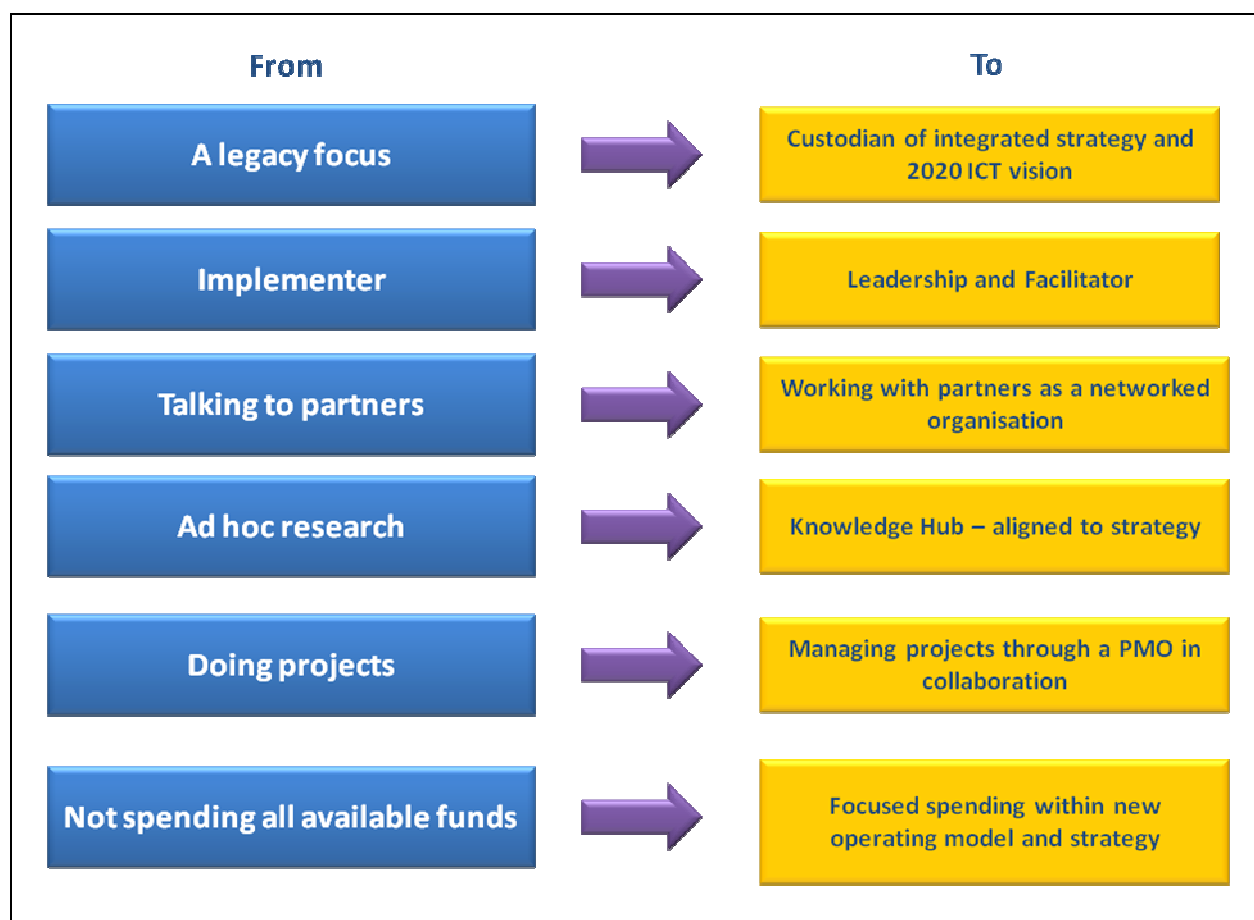
Key strategic responsibilities and 2014 BHAGs as part of the change will include:

Table 7: Proposed Key Strategic Responsibilities and 2014 BHAGs

Key Strategic Responsibility	2014 BHAGs
Promoting infrastructure establishment through local and international partnerships and facilitation	• 100% of South African's have access to broadband (telephony and internet) within 500m distance and every household has digital broadcasting • 1250 new model access centres establish by 2014 • 5 computers per 100 children available within walking distance (implemented through partnerships). All schools enabled with infrastructure access and computer labs.
Ensure affordability	• Prices of phone calls, ICT devices and internet access in line with average global pricing • 15 free broadcasting channels
Drive effective use including e-literacy, safety, e-inclusive design of access	• All people in SA under the age of 30 in priority areas are able to use basic ICT functions • Use and integration of E-literacy in schools and adult education • "E-inclusion" design - Creation of an information inclusive society (100% of new centres "disability friendly")
Partnership network	• Multi-stakeholder partnerships established to support UAS agenda
Focus on sustainability (inclusive of economic, social and	• An evolved USAASA and regional UA&S leader • Further development of the ICT infrastructure and service through partnerships is successfully promoted

Key Strategic Responsibility	2014 BHAGs
environmental)	• to support UA&S • Plans and monitoring tool in place.
Leadership in research and US/UA policy	• UA&S knowledge leader and centre of excellence • Commitment of the ICT sector (telephony, equipment, software, government) to the vision, targets and implementation plans. • Technology adoption by stakeholders
USAASA organisational excellence	• 100% compliance to regulatory and institutional requirements • Specialist, knowledge leader skills

4.3 Discussion of USAASA's future operating model

4.3.1 Universal access and service as a shared responsibility

A recent World Bank report on *Information and Communications for Development 2009: Extending Reach and Increasing Impact*, takes an in-depth look at how ICT impacts economic growth in developing countries. The report finds that for every 10 percentage-point increase in high-speed Internet connections there is an increase in economic growth of 1.3 percentage points. It also identifies the mobile platform as the single most powerful medium to reach and deliver public and private services to hundreds of millions of people in remote and rural areas across the developing world.

World Bank Economist Christine Zhen-Wei Qiang, editor of the report, says that *"Governments should proactively encourage the development of local IT services industries through policies and incentives directed at entrepreneurs and the private sector, and through investments in skills and infrastructure."*

Katherine Sierra, World Bank Vice President for Sustainable Development further states: *"Access to broadband completes the information foundation for a modern economy and should be a priority in national development plans. Governments can play a key role in*

expanding broadband access by policies and incentives that encourage competition and private investment."

Therefore a major driver for changing the operating model of USAASA is that universal access and service (UAS) in South Africa should not only be the responsibility of USAASA, it should be seen as a shared responsibility among various role-players, both within the private and public sector.

Historically, government departments focused on their mandates and USAASA was expected to close the UAS gap, especially in under-serviced areas. Private sector operators, on the other hand, made contributions to the USAASA fund, but would mainly engage in business which made economic sense for their shareholders i.e. driven by the demand for ever-increasing returns. Profitability remains the root cause of the UAS gap – across the world.

If a model is found that supports closing the digital divide, grows entrepreneurship, drives socio-economic development and ensures an increased ICT&B footprint, it will also demonstrate that drivers for profitability and socio-economic development can work together to provide affordable universal access and service for all.

This leads to the conclusion that UAS for telecommunications and broadcasting should be seen as a national priority and its delivery should be driven through a partnership model, to get optimal results in closing the digital divide and supporting development. Furthermore, the need for partnerships should be considered both within government structures as well as within private sector organisations.

4.3.2 UAS as a National Priority and supported by a Partnership Model

In setting the scene for USAASA's new operating model it will be important to raise UAS as a national priority in supporting the key priorities of South Africa and the MDGs.

Figure 13: Proposed USAASA Service Delivery Operating Model
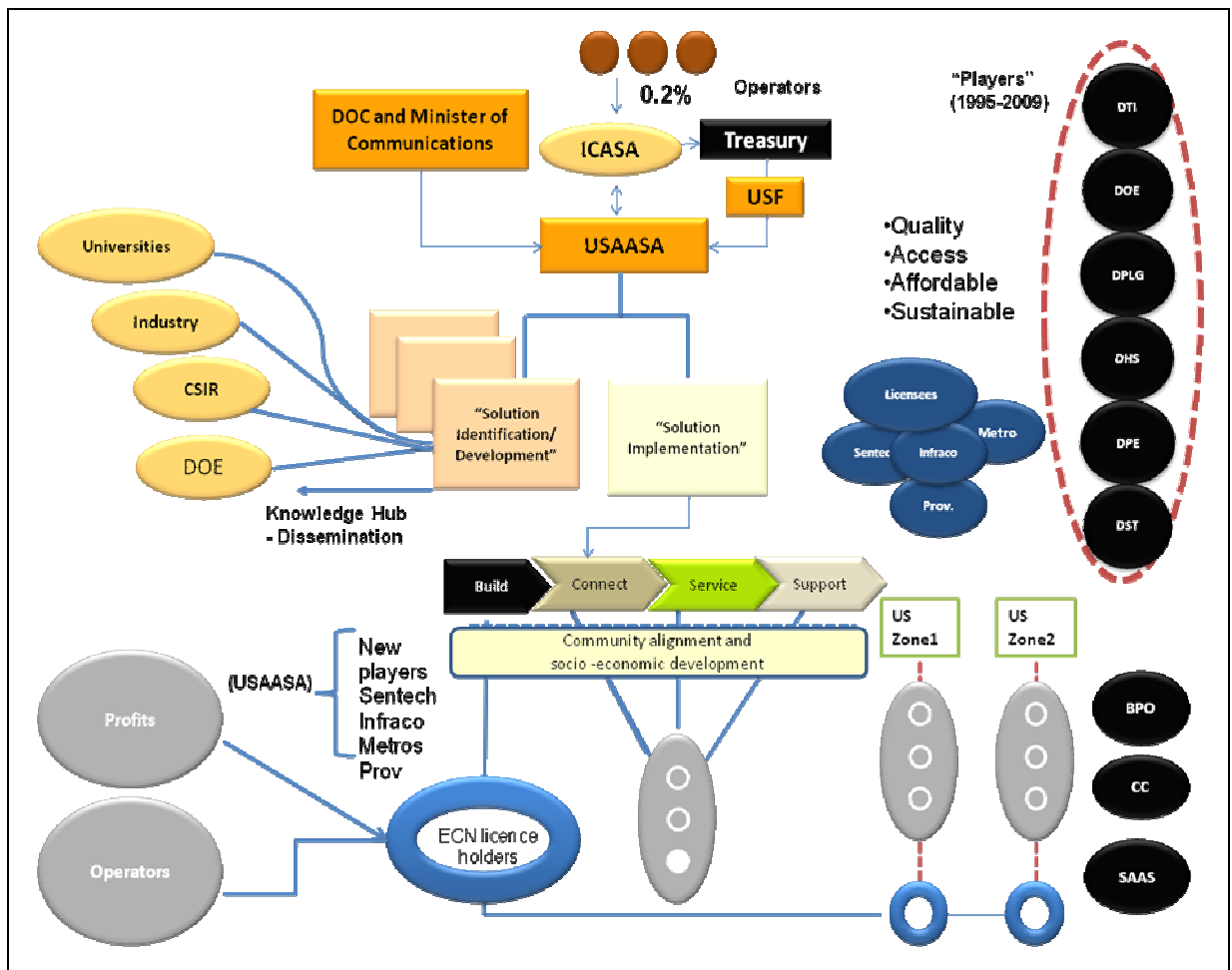
Five key changes are required:

- **Firstly**, UAS should be raised as a matter of national priority and report directly to the Minister of Communications while coordinating functions of UAS with other departments and spheres of government.

  Key national departments in the partnership include the Departments of Communications, Trade and Industry, Education, Provincial and Local Government, Public Enterprises, Science and Technology, and Human Settlements.

  Other government role-players where coordination and interaction will be required include ICASA, provincial governments, metropolitan and district municipalities, Infraco and Sentech.

- **Secondly**, ICT infrastructure should be viewed as a core component of infrastructure development in South Africa.

  In today's information society businesses, households or government institutions cannot function optimally in the absence of ICT. ICT infrastructure should be viewed as core infrastructure in development initiatives and should get the same focus and financial consideration as housing, roads and transport networks, water and waste water, electricity and network distribution and other capital intensive governmental developments.

  The development of departmental strategic plans and municipal integrated development plans (IDPs) should therefore ensure that ICT infrastructure is treated as an infrastructure component in planning.

- **Thirdly**, USAASA should work in partnership to deliver on the national UAS targets.

  Within a partnership model USAASA becomes a facilitator among role-players to bring them together in a manner that will address individual mandates and organisational purpose, but ensure synchronised delivery on UAS goals. The partnerships will include cooperation on research and solution development, infrastructure and solution implementation, building ICT&B entrepreneurship, e-literacy and effective usage to ensure full social appropriation.

- **Fourthly**, contributions to the Universal access and service Funds (USAFs) into the National Revenue Fund (NRF), should be "ringfenced" to drive the UAS agenda and innovative financing mechanisms should be found to support the expansion of UAS in underserviced areas.

  In a recent report of Information for Development (*infoDev*), it was stated that the key problems with USAFs included:

  1. Some USAFs have not been allocated in a technology neutral manner;
  2. Some USAFs have accumulated too much money and allocated too little; and
  3. UAS programme planning and implementation has sometimes been overtaken by market developments.

  In the case of USAASA, the process to obtain money from the NRF caused delays in the roll-out of projects and resulted in too little allocation (point 2 above).

The *infoDev* report also stated that a competitive "smart" subsidy mechanism and cooperation with industry has proven very successful and could be incorporated into other approaches as well, such as selecting a private or public partner for public-private and/or public-public partnerships. The model of infrastructure grants, as used within the Municipal Infrastructure Grant (MIG) programmes could also be considered.

A key point of change would be for USAASA to use grant monies differently. In using grant money, a term of the grant can then be that the operator makes bandwidth available to SMMEs to resell into under-serviced areas.

- **Lastly**, USAASA's interventions should no longer be focused on discreet elements of the entire value chain. USAASA needs to apply its funds and resources in a manner that supports all aspects of the value chain, thereby creating sustainability in what it does.

4.3.3 Key Operational Focus Areas

The two key operational focus areas in the service delivery part of the new USAASA operating model will include:

- **Solution development and research**

Although USAASA is already involved in research it should not only advance its influence as policy maker but also facilitate, find and drive synergies in UAS solution development and work with research institutions.

Figure 14: Solution Development and Research Partnerships
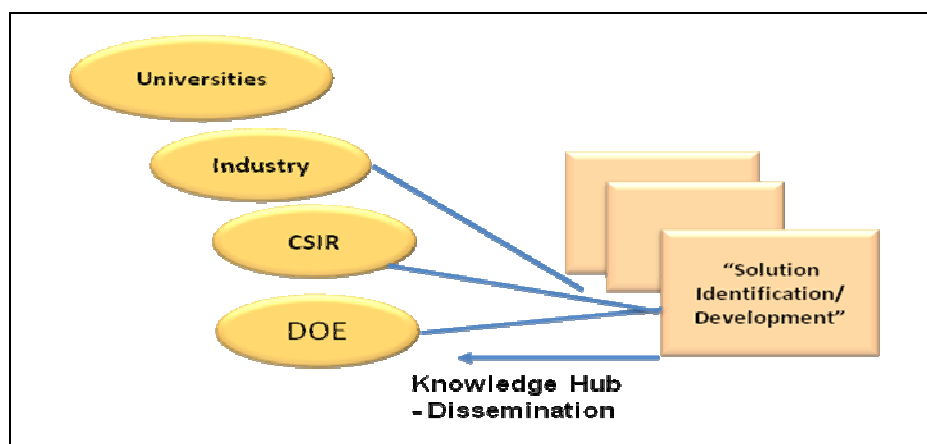
It should ensure that the latest and most innovative ICT&B solutions are utilised and not only remain a research concept due to lack of integration of research initiatives. USAASA research efforts therefore need to be extended to demonstrate the viable application of new and existing technologies for the purposes of resolving the UAS challenge. This should include pioneering proofs-of-concept for new networking technologies, creation of laboratories to test new applications and the like. A key focus should be to build in concept development and thought pieces to technology innovation for the purpose of its primary mandate.

This will also support affordability and optimal use of UAS products and services available as well as efficient use of government resources engaged in the ICT&B research and product development. Work done by universities, the CSIR such as the Meraka Institute, donor research, other governmental and available industry research should be incorporated into a "UAS knowledge hub".

Many of these institutions also provide content development in their research activities and in linking their outputs to other government role-players' initiatives, could greatly support affordability and the effective use of ICT infrastructure provided.

- **Solution/ICT&B infrastructure implementation**

The proposed solution implementation framework proposes using the ICT&B value chain of build, connect, service and support (BCSS) in addressing UAS. It should be noted that moving from a design, build, operate and transfer (DBOT) to the BCSS approach will require the proposed partnership model as well as a mindset, behavioural and skills change.

Figure 15: ICT value chain: Build, Connect, Service and Support
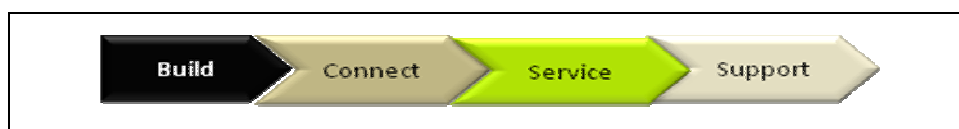
This is a major change from the current DBOT model currently in use at USAASA. However, it is not too far apart from what was proposed in the *Access Strategy and Implementation Plan for the Rapid Deployment of Public Access Facilities in Under-Serviced Areas* presented by USAASA in May 2009. It does, however, take it into a space where profitability and building SMMEs can support the UAS goals.

In retail terms, "more feet mean more money" and by introducing the ICT value chain into under-serviced areas, previous unattractive areas for ICT investment and operation now become more attractive due to the extended reach and use of ICT services.

Mohsen Khalil, World Bank Group Director for Global Information and Communication Technologies mentions that, *"Internet users in developing countries increased tenfold from 2000 to 2007, and there are now over four billion mobile phone subscribers in developing countries. These technologies offer tremendous opportunities. Governments can work with the private sector to accelerate the roll-out of broadband networks, and to extend access to low-income consumers."*

The *infoDev* report also stated the following:

"In the past, many countries believed that competition and private sector market participation were at odds with serving the needs of the urban poor and rural areas. The underlying perception was that the urban poor and rural areas could not be profitably served and would therefore be neglected by private operators.

"Increasingly, policymakers and industry experts are altering their views of un-served and under-served areas, regarding them less as intractable problems and more as potential markets for investment. This has been prompted by the success of mobile operators and their expansion into un-served and under-served markets. Also, there are models demonstrating how to serve the poor profitably that are discussed in 'The Fortune at the Bottom of the Pyramid' by C.K. Prahalad. Potential revenue of the universal access and service (UAS) market is not limited to the expendable income of the rural poor. There are at least six sources of revenue from rural expansion including the following:

- o *Rural inhabitants who will spend a percentage (typically at least in the range of 3-5 percent) of their household incomes on telecommunication services;*
- o *Rural institutions – local government, schools and clinics – these are essentially government expenditures, and also national or international NGOs – all with increasing broadband needs;*
- o *Local businesses who will use various services in their day-to-day work;*
- o *Urban inhabitants travelling into rural areas for business or personal reasons;*
- o *Calls originated by urban relatives and correspondents, either in response to "callme" SMS messages, "beeping" or other means of reverse charging used by low income people; and*

- *Calls originating in the rural areas after the receipt of electronic airtime top-ups for pre-paid phones transmitted from urban to rural relatives, where such services are offered.*

"Low average revenue per user (ARPU) does not imply a lower profitability for operators. Companies operating in a low ARPU environment are often as profitable as companies in high ARPU situations. For example, Philippine operators have some of the lowest ARPUs and highest reported Earnings Before Interest, Tax, Depreciation and Amortisations (EBITDAs) in the world, and Indian operators' EBITDAs have increased significantly over the last two years as ARPUs have fallen."

- **Build**

When the ITC and broadcasting infrastructure is designed and built it should be in collaboration with stakeholders and close the physical gap between the areas of high teledensity and those with low penetration. Therefore the "build" needs to happen somewhere in between. It would be the typical underserviced areas – but also an area that will still attract profits – just not as much as required by a mainstream telecommunications company.

The design and implementation methodology method would be similar as before but the people that chose to build and operate in these areas need to opt for less profit than the bigger players in the short term. However, this will support socio-economic development in the longer term, through skills and SMME development.

It will be important to find willing participants that become part of the process – either as the recipients of the infrastructure e.g. municipalities or as private or public sector partners in delivering on range of unique public access solutions. This is a perfect instance of USAASA supplying "smart" grants to organisations willing to build and operate infrastructure of this nature.

Figure 16: Building Solutions in Partnership
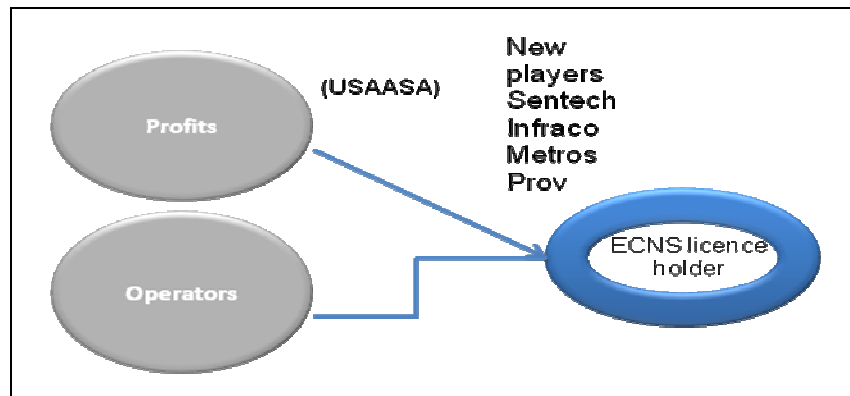
The USAASA Access Strategy and Implementation Plan suggests "*A multi-pronged partnership strategy. The Agency will not enter into a partnership with only one private entity. The strategy is to partner with a number of sector entities, who will bring a range of unique public access solutions that will assist the agency in fulfilling its mandate, further the goals of an inclusive information society and encourage entrepreneurship in under-serviced communities.*" This concept is supported in the suggested BCSS model.

USAASA will therefore not get physically involved with the implementation of solutions and hold ownership thereof, but will ensure from the start that:

- o Ownership is with the recipient of the solution;
- o Delivery is with the chosen partner(s);
- o Management of the delivery as per specified quality, service and affordability requirements, may be through a USAASA programme management office; and
- o Performance, uptake, usage and sustainability are monitored through an M&E mechanism by the recipient of the service or whoever operates it.

- • **Connect, Service and Support**

This part of the value chain is where USAASA can play a major role in promoting socio-economic development through ensuring affordability, building SMMEs and facilitating and sharing "knowledge hub" solutions.

In the "Connect, Service, Support" part of the value chain, USAASA should get involved in promoting SMMEs by "obtaining" bandwidth and providing this to SMMEs for distribution at more affordable prices. USAASA "obtaining" bandwidth for resale should be as a consequence of "smart" grants being provided to build the infrastructure. A cycle of "development" then starts due to growing access and uptake. The growth in connectivity in turn will lead to increased use of ICT devices, which then also presents other local business opportunities in terms of service and support. Other government stakeholders are also key to this development i.e. DTI and DPLG should support interested entrepreneurs with business training and funding, while DPLG should support municipalities to ensure sustainability of the acquired infrastructure.

Figure 17: Promoting affordability, building SMMEs
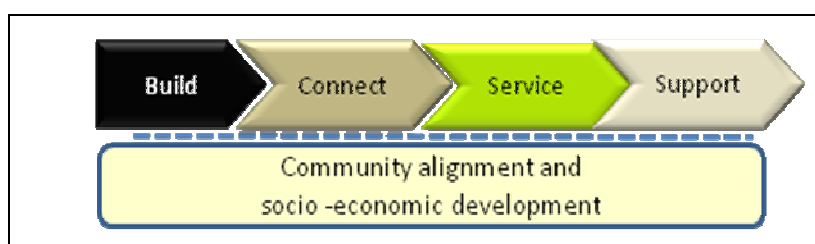
Sufficient and very recent research exists to support this change in the operating model of USAASA.

For instance, the World Bank report on *Information and Communications for Development 2009* indicates that, broadband for example, provides the basis for local IT services industries, which create youth employment, increase productivity and exports, and promote social inclusion. It further suggests that developing countries should seize this largely untapped opportunity, with less than 15 percent of the potential global market for IT services industries currently being exploited. In 2007, this market represented nearly US$500 billion.

The 10 percent growth in broadband to 1.3 percentage growth in economy, as reported previously, shows that the growth effect of broadband is significant and stronger in developing countries than in developed economies, and it is higher than that of telephony and Internet. The impact can be even more robust once the penetration reaches a critical mass. As broadband networks have the potential to contribute so much to economic development, they should be widely available at affordable prices and should become an integral part of national development strategies.

The expansion of IT services and ITES also creates significant economic and social benefits. India, for instance, exported more than $40 billion worth of IT services and

ITES in 2007, a figure that represents one quarter of the country's total exports and nearly half of its service exports. In the Philippines, IT services and ITES employed 345,000 people as of mid-2008 and are projected to directly employ close to one million people by the end of 2010. Employment of this scale means that the sector would account for 27 percent of all new jobs created in the Philippines by 2010 (BPAP 2007).

It can therefore be assumed that once operators observe the access, uptake and usage mushrooming, they will become interested due to increased market attractiveness.

We are of the opinion that the proposed model will support closing the digital divide, growing entrepreneurship, supporting socio-economic development and ensuring an increased ICT&B footprint. It demonstrates that drivers for profitability and socio-economic development can work together to provide affordable universal access and service for all.

- **Illustrative example of products and services across BCSS value chain**

    It is important to note that the products and services across the value chain will be designed based on the requirements of the community and client site or ECNS licencee. However, typical examples of products and services across the value chain are depicted in figure 18.

    The biggest role of USAASA will be to ensure clear formulation of what is required by the chosen client site and as per community requirements. USAASA's second biggest role will be ensuring bandwidth is available for redistribution in the value chain at affordable prices. Partners on the other hand, will deliver on the stated requirements.

Figure 18: Illustrative USAASA and partner products and services across the BCSS value chain
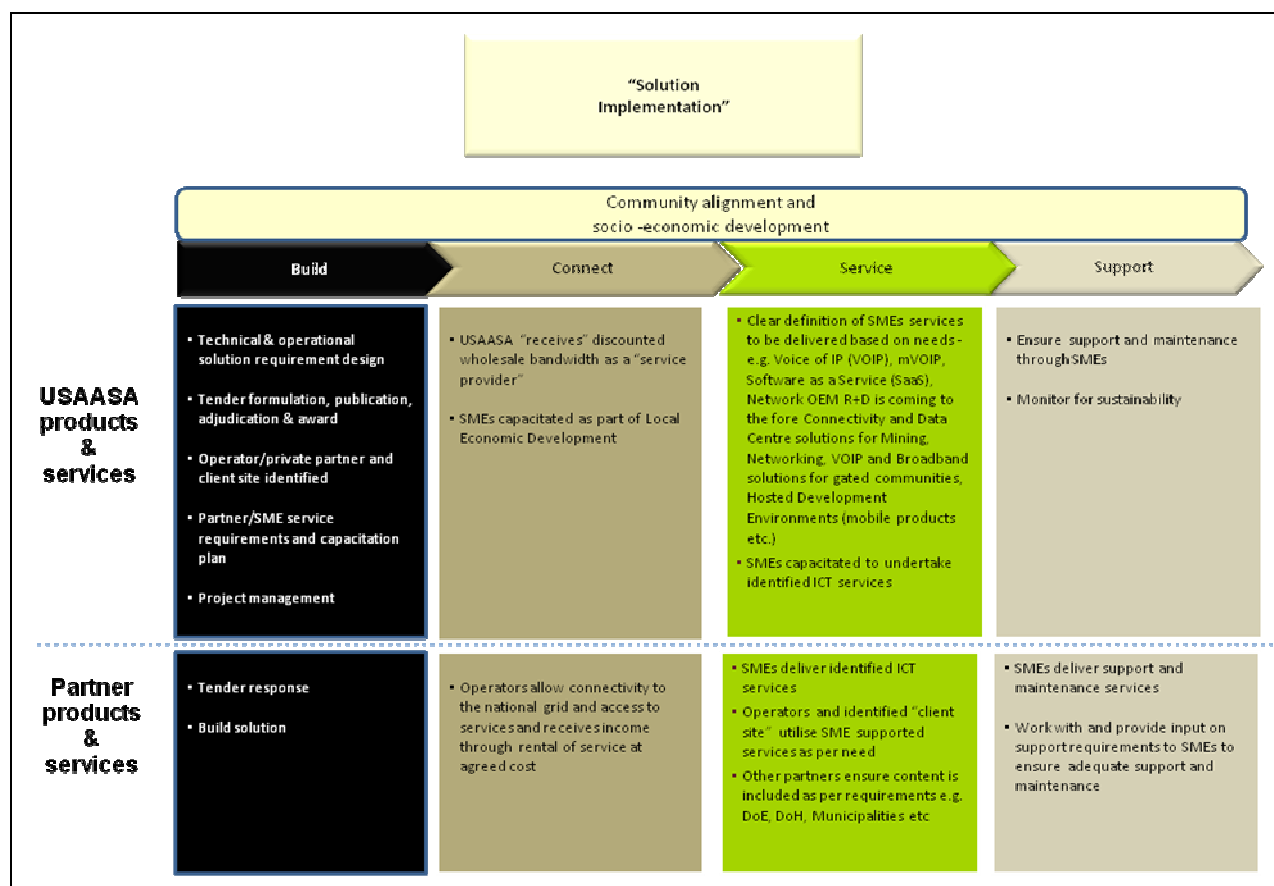
4.4 Five-Year Goals

In pursuit of the vision, the roadmap to 2020 can be depicted in strategic themes for the various years:

- 2009/10: Create the baseline

- 2010/11: Strengthening and learning

- 2011 to 2014: Accelerate implementation

- 2014 to 2019: Ensure continued sustainability and optimisation

- 2020: BHAG achieved, new ICT developments taken into the future

Figure 19: USAASA 2009 to 2002 Roadmap
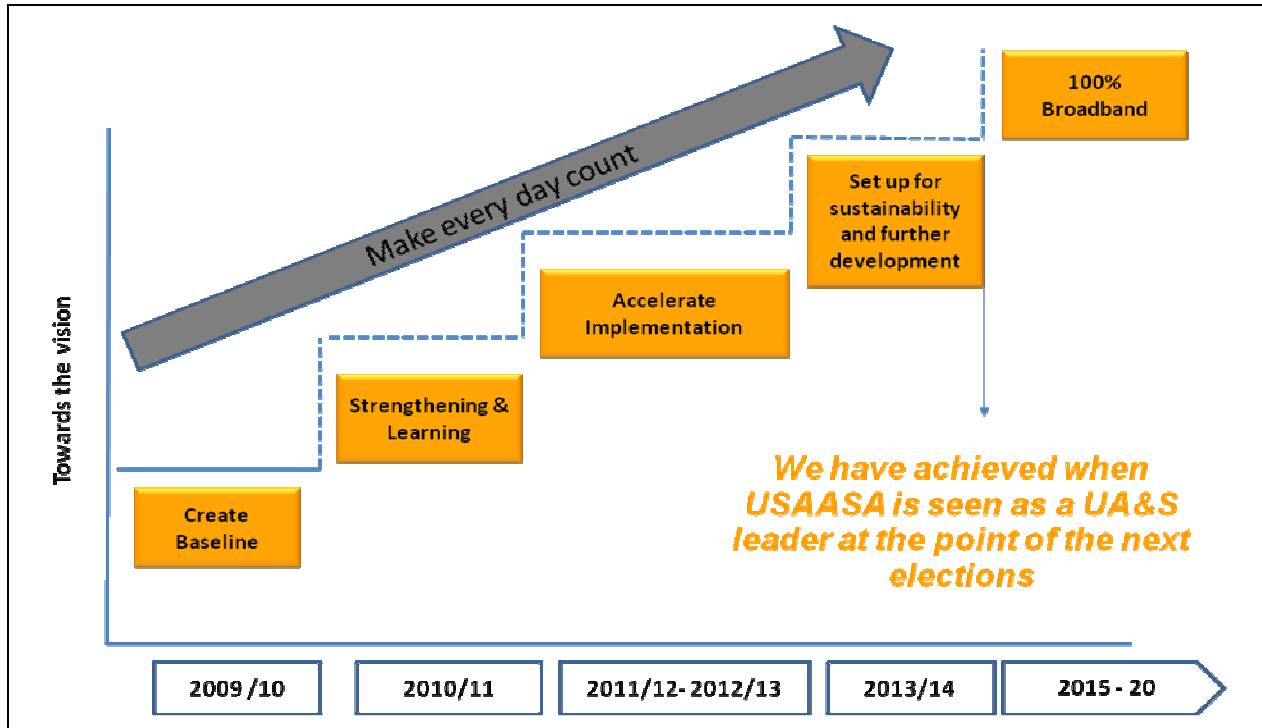
Table 8 below describes the USAASA key strategic priorities and targets for 2009 to 2014. Targets in *red* indicate "stretch" targets.

Theme	2009/10	2010/11	2011/12 and 2012/13	2013/14
	Create baseline	**Strengthen and Learning**	**Accelerate**	**Continued optimisation and sustainability**
Infrastructure	- Create detailed map of as-is and roll-out plan (detailed project plans) - Subsidy qualification criteria and stakeholder/facilitation plan for set top boxes - Design supports full usage of USA fund.	200 *(300)* new access facilities 40% subsidised set top boxes distributed - BB: 10% of targeted underserved areas - Implementation partners procured - Full usage of USA Fund	400 *(450)* new access centres implemented - Broadcasting digital broadcasting complete – 100% subsidised set top boxes distributed 30% *(50%)* BB coverage in targeted underserved areas 60% of schools enabled with infrastructure access and computer labs	300 *(500)* new access centres implemented 40% *(100%)* BB coverage in targeted underserviced areas 5 computers per 100 children available within walking distance. All schools enabled with infrastructure access and computer labs
Affordability	- Analyse economics, players, regulations - ICT service and device cost reduction regulation review	- Interconnection cost regulation agreed - Agreement with partners to reduce device costs 5% reduction of voice call costs	10% *(20%)* reduction of voice call costs 8 *(10)* free channel broadcasting 10% cost reduction in ICT devices	20% *(50%)* reduction of voice call costs 10 *(15)* free channel broadcasting - Free internet access *20%* cost reduction in ICT devices

The title **Table 8: USAASA Key Strategic Priorities and Targets 2009 to 2014** spans the top of the table.

Table 8: USAASA Key Strategic Priorities and Targets 2009 to 2014				
Theme	**2009/10**	**2010/11**	**2011/12 and 2012/13**	**2013/14**
	Create baseline	**Strengthen and Learning**	**Accelerate**	**Continued optimisation and sustainability**
Effective use	• Impact assessment of projects and e-literacy to ensure 95% utilisation of infrastructure • Establish education stakeholder plan and e-literacy programme in partnership • ICT awareness and publicity plan complete	• 70% of population reached utilises centres • E-literacy programme roll-out commenced in cooperation with DoE • ICT awareness and publicity plan implemented	• 80% of population reached utilises centres • *60%* people under the age of 30 able to use basic functions of computers • *70%* of schools able to embed e-literacy in school curriculum and adult education	• 95% of population reached utilises centres • All people under the age of 30 able to use basic functions of computers • Embedded e-literacy in school curriculum and adult education
Partnership network	• Identify all stakeholders and develop strategy for engagement • Sister Country collaboration investigation	• Formalise partnerships (contractual, MoUs, monitoring system, etc.) • 4 Access facility partners established • Create commitment – marketing plan	• Partnerships well established • Ongoing marketing and awareness campaigns • 100 new SMMEs established	• Partnerships able to maintain infrastructure established and develop additional infrastructure required

Table 8: USAASA Key Strategic Priorities and Targets 2009 to 2014

Theme	2009/10	2010/11	2011/12 and 2012/13	2013/14
	Create baseline	Strengthen and Learning	Accelerate	Continued optimisation and sustainability
Sustainability	• Develop detailed vision, strategy and roadmap. Test with all stakeholders. Get commitment. Identify obstacles and find ways. • 40 access centres handed over • 103 school labs handed over • Mindset and Kiosks 100% close out • Plans and monitoring tool designed	• 100% hand over of access centres • Roadmap to sustainability agreed with all stakeholders • Plans and monitoring tool designed.	• Commitment of the ICT sector (telephony, equipment, software, government) to the vision, targets and implementation plans • Plans and monitoring tool implemented.	• Successful set up for further development of the ICT infrastructure and usability in South Africa towards the 2020 vision, through private business initiatives and driven by regulator and private sector. • 100% usage of monitoring tool
Leadership in policy, research and UAS regulations	• Focused research initiatives defined - Research and policy roadmap exists • Research partnership defined • UAS regulation requirements defined • UAS policy established	• Knowledge hub established • Latest technology research undertaken and fed into strategy execution • Research partnership established • Definitions implemented and monitored • EC Act reviewed and	• EC Act implemented • Definitions monitored	• USAASA knowledge hub a global leader

Theme	2009/10	2010/11	2011/12 and 2012/13	2013/14
Table 8: USAASA Key Strategic Priorities and Targets 2009 to 2014				
	Create baseline	**Strengthen and Learning**	**Accelerate**	**Continued optimisation and sustainability**
		approved		
USAASA Organisational Excellence	• New operating model agreed • Organisation mobilised (structure, recruitment, culture, resources, scorecard, incentives etc) • Changes of mandate and alternative funding mechanisms agreed	• Operating plan fully implemented • 5% staff turnover	• 100% compliance to regulatory and institutional requirements • Specialist, knowledge leader skills, internal to organisation	• USAASA has achieved it 2020 BHAG • New vision and plan agreed

4.5 Proposed High Level Governance and Functional Structure

The governance and functional structure of USAASA will need to be aligned to the proposed strategic priorities and future operating model.

The following governance and functional structure is proposed for consideration and will require more detailed description of each of the proposed units and their targets as well as organizational structure alignment.

Figure 20: Proposed USAASA Governance and Functional Structure
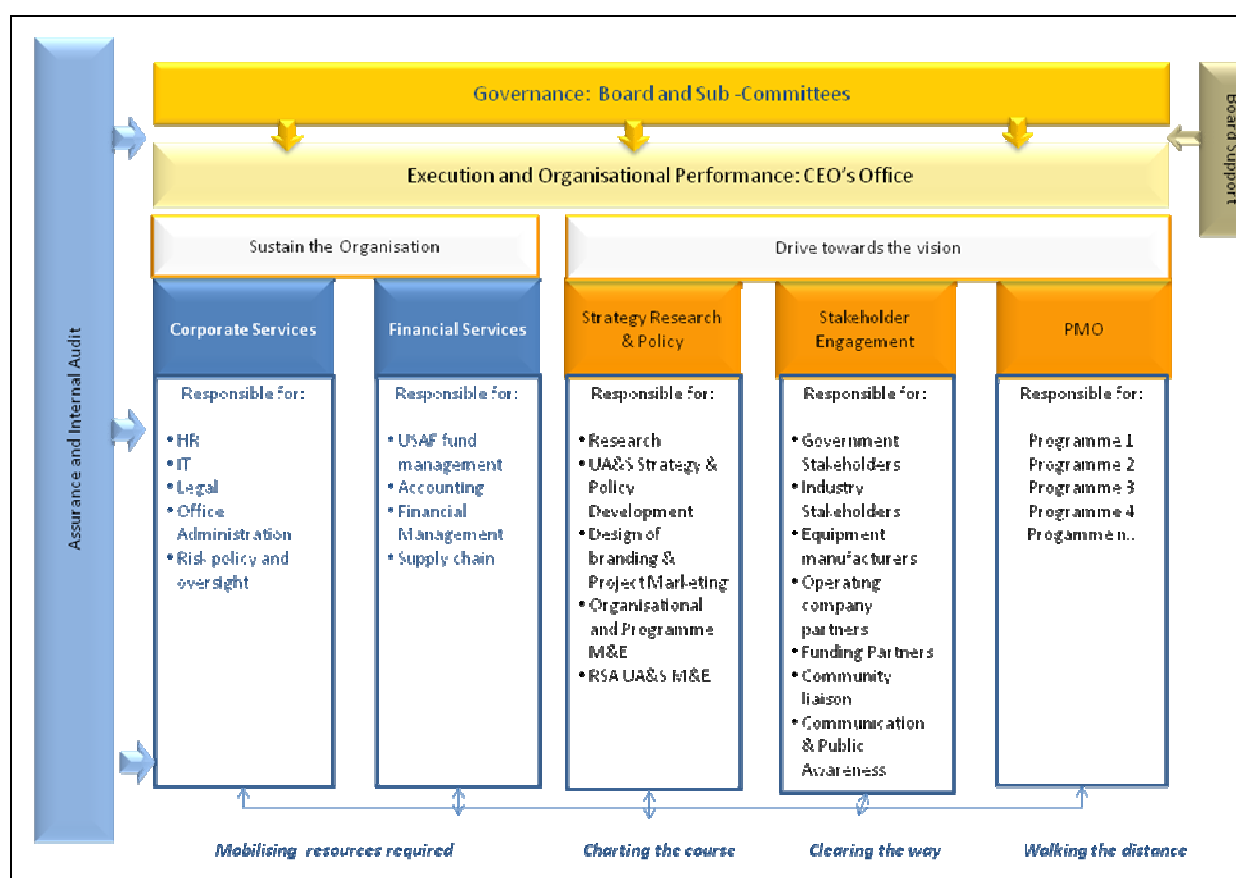
USAASA Governance Model adopted by the Board, April 2010

	USAASA BOARD OF DIRECTORS	

OFFICE OF THE BOARD CHAIRMAN

SECRETARY OF THE BOARD

Chairperson: sub-committee	Chairperson: sub-committee	Chairperson: sub-committee
Finance and Business Development	Human Resources and Remuneration	Audit and Risk Management
Terms of References • Information Communication Technology (ICT) • Financial Statements & Budgets • Financial Management • Management Letter (Audit) • Supply Chain Management USAF Projects • Research and Strategy • National Programme Management Activities • Broadcasting Services • Public and Stake Holder Relations	**Terms of References** • Human Resource Management • Remuneration • Organizational Development • Performance Management System and Change Management • Labour Relations • Legal and Regulatory	**Terms of References** • Internal Audit Reports • Auditor General Reports • Risk Management • Oversight Role • Audit Plans • Financial Statements (compliance) • Quarterly reports

6. DESCRIPTION OF RISKS AND POSSIBLE MITIGATING ACTIONS

It is important to note that there are certain risks that exist – either currently or in implementing the proposed plan and operating model – which will need to be mitigated. A number of key risks and possible mitigating actions are described below.

6.1 Key Risks and Possible Mitigating Actions

Given the findings of the risk analysis that were undertaken and the new direction of USAASA it will be key to ensure that risks are addressed to ensure the success of the organisation. Table 9 below describes the key risks and possible mitigating actions that can be taken to ensure USAASA delivers on its future goals and mandate.

Table 9: Key risks and possible mitigating actions

KEY RISKS	POSSIBLE MITIGATING ACTIONS
Organisational Structure Challenges	
Changes in the organisational structure may not achieve the desired results as: • People resist change, could be unsure about their future and do not buy into the new structure. As a result, people may leave or sabotage the efforts of leadership. • Processes and procedures are not aligned to support the new structure. • Understanding of roles and responsibilities could hamper benefits of new structure.	• Leadership commitment to and communication on USAASA's direction and its alignment with the new structure must be visible. • Communicating the new structure must involve the spelling out the advantages to individuals, e.g. career opportunities, skill development, being part of making a real impact on South Africa's economy and development. • Investigations regarding the flow of business processes must be made and processes and procedures should be aligned. Technology should be applied for higher efficiencies. • Organisational and individual performance should be aligned to USAASA's goals. • Business units should be properly co-ordinated and aligned through full description of the units' and individual responsibilities. • Clear definitions on levels of instruction and involvement with DoC and other stakeholders should exist.
People Challenges	
Delays in the filling of vacant leadership positions could hamper the changes required in USAASA as uncertainty and instability lead to under capacity in the organisation.	• A stable and committed leadership team should exist to effect the changes. • The filling of vacant level one leadership positions with appropriate skills should be addressed as a matter or urgency. • Clear leadership profiles and performance targets should be agreed upon appointment.

KEY RISKS	POSSIBLE MITIGATING ACTIONS
Mismatching of skills and positions. This may incur when: • Capacity building is not aligned to what USAASA aims to achieve and its skills requirements • Re-skilling is unsuccessful • Hasty recruitment of new people **Unsuccessful skill transfer and mentoring** as identified "coaches" are unwilling to part with knowledge and sabotage the succession plan.	• Ensuring appropriate skill development, talent management, including rotation of positions, and succession planning. • A mentorship program especially for people in new positions must be implemented. • Continuous and meaningful performance management aligned to USAASA's strategy and targets. • Early retirement policies, reward structures, and alternative career paths must be put into place. • Counselling of affected employees where necessary and the existence of a Social plan.
Human resources strategy, processes and procedures are not well described and/or negatively impacts on organisational and individual performance.	• The HR strategy and HR development plan should exist which are aligned with USAASA's strategy. • HR processes and procedures should support organisational and individual performance, within a well defined talent management framework.
Organisational Culture Challenges	
USAASA's organisational culture does not support its values and what it aims to achieve. • A non-cohesive culture, silo mentality continues to prevail. • People are not 'living" the values. • People not identifying with the brand.	• Communicate USAASA's new operating model and its importance of making a real impact on South Africa's economy and development. • Engage on "Living the values" and build a reward mechanism around this.
Governance Challenges	
Policies, procedures and processes do not exist or are not aligned to USAASA's strategy: • Policies and procedures are not in line with USAASA's mandate and integrated processes do not exist. • Business processes and systems are not in place to ensure compliance to statutory and audit requirements. • Administrative, asset and supply chain policies, procedures and controls are inadequate. • Corporate, financial and performance	• In describing the new structure of USAASA attention should be given to identify gaps which exist in governance, policy, process and procedural aspects. • A review and update of policies, process and procedures should be completed based on the gaps identified. • Appropriate training should be undertaken to ensure staff understand what is expected from them to ensure compliance. • A framework and mechanism (preferably technology based) should be deployed which can support ongoing monitoring. It

KEY RISKS	POSSIBLE MITIGATING ACTIONS
reporting are not optimal. • Timeous SLAs and contractual completion and reviews are ineffective.	should also ensure corporate, financial, project and organisational performance reporting within the organisation and at individual levels. • Internal audit and risk management compliance checks should continue.
Challenges to operationalise the new operating model	
A number of challenges exist to operationalise the new operating model and it is important to note that key changes will be required on: • Driving the understanding of operating model by stakeholders. • Aligned research and solution identification to support the operating model. • Solution implementation and how USAASA identifies and engages with new and existing stakeholders. • Financial model adjustment requirements e.g. "Smart" grants and subsidies. • Regulatory and legislative changes.	The following should be considered: • Full understanding of the model should be sought – first internally to the organisation and then with key stakeholders and future "partners". • Proof of concept need to be clearly defined and described, with all technology implications understood. • An appropriate pilot site needs to be identified and agreed. • There should be a clear link to USAASA's core business and its solution identification and research function. • Financial model adjustment needs to be investigated, changes defined and agreed. • Regulatory and legislative change, if any, should be investigated, changes proposed agreed and implemented.
Stakeholder Engagement Challenges	
Key decision making stakeholders (e.g. DoC, Ministry, ICASA, and Treasury) do not buy-in to the new vision and strategy or delays the strategy approval.	Focused engagement action plan to ensure stakeholder commitment from – DoC and Ministry, National Treasury, ICASA and relevant government departments.
Current USAASA stakeholder engagement is not optimal: • Stakeholder engagement and interaction is not supportive of a partnership/networked organisation. • UAS and ICTs not currently seen as a priority on the Government's national agenda.	• Undertake a full stakeholder engagement strategy and design appropriate stakeholder engagement processes based on the strategy. • Ensure USAASA structure supports strong stakeholder engagement. • Implement strong and politically influential stakeholder networking capability. • Build trust and working relationships with identified government, political, international, NGOs and private sector

KEY RISKS	POSSIBLE MITIGATING ACTIONS
	stakeholders.
	• Aim for meaningful quick-wins that demonstrate the success of the strategy towards government objectives
Community Challenges	
Community needs should drive the implementation plans of USAASA and understanding of ICT awareness will be key to realise ITC use and its socio-economic benefits	• Interaction mechanisms need to be in place to liaise with communities and define their requirements e.g. link to Integrated Development Plans and other community based forums. • ICT use and awareness of benefits need to be part of implementation plans. • USAASA should work with partners to raise ICT skills and ensure social appropriation.
Creating expectations with communities that we cannot fulfil. E.g. • Social compacts create too high expectations and make unrealistic promises. • Organizational capacity to implement projects is not available.	• USAASA must deal with communities in a transparent and honest way, ensuring that risks are understood and what is not under our control. • Trust built between individuals must be honoured and maintained. Hence the role of community facilitators must be empowered, and skilful. • Promises must be made with care and, if at all possible, fulfilled. • Contracts with partners are essential.

7. KEY OPERATIONAL STRATEGIES REQUIRED

Key operational strategies will be required to ensure successful implementation of USAASA's strategy, meeting its targets and mitigating the risks as described in section 6.

7.1 Implementation Roadmap (next 12 months)

Apart from the current projects already underway there are two key areas that will require attention during the next twelve months, which include organisational alignment and change and the establishment of the new operating model to ensure it becomes operational.

Key projects already underway include the components shown under the main headings as per figure 21:

- **Stabilising the organisation:** Ensuring the vacant executive positions, not dependant of the new structure, are filled.
- **Setting the baseline**: Completion of the definitions project, fund manual description and implementation, quantification and declaration of under-serviced areas,
- **Delivering on planned projects:** Rapid deployment of access facilities and establishment of new entrepreneurs as well as ongoing other USAF projects such as set-top boxes subsidisation and implementation driven through USAASA.
- **Designing the future:** USAASA Corporate plan development, aligned organisational design, UA&S strategy development, M&E framework design and implementation.

The required initiatives to make the proposed Corporate Plan a reality are described on more detail below:

- **Aligning the organisation:**
  - Describe the new structure which should include the confirmation of the functional and design of the organisational structure, description of the unit profiles and their strategic priorities and targets linked to the Corporate Plan.
  - Develop job profiles and relevant post level targets to drive the overall USAASA targets and performance.
  - Develop a social plan to support USAASA's transition process.
  - Appointment of staff where required.

- **HR and HRD Strategy:**

  - Refinement of HR strategy and HR development aligned to USAASA's strategy.
  - Develop HR processes and procedures which support organisational and individual performance, within a well defined talent management framework.
  - Define skills requirements based on organisational requirements.
  - Align and implement capacity building programme based on the assessed skills requirement base.

- **Governance and Risk Management:**

  - Identify gaps which exist in governance, policy, process and procedural aspects when defining the new structure.

- Review and update policies, process and procedures based on the gaps identified.
- Undertake appropriate training to ensure staff understands what is expected from them to ensure compliance.
- Develop and implement a framework and mechanism (preferably technology based) to support ongoing monitoring which will ensure corporate, financial, project and organisational performance reporting within the organisation and at individual levels.
- Agreed plan on continued internal audit and risk management compliance checks.

- **Establishment of new operating model**

  - **Stakeholder engagement strategy:** Identify stakeholders to support operating model and priorities of USAASA. This will include engagement with communities to establish their requirements and align implementation plans.
  - **Understanding:** Full understanding of the model should be sought internally as well as with key stakeholders and future "partners".
  - **Design of Proof of Concept**:
    - Detailed design and description of Proof of Concept, with all technology implications understood.
    - Identify and agree an appropriate pilot site.
    - Test implementation at identified pilot site.

  - **Research and solution identification:** Define a research plan to link USAASA's core business and its solution identification to its research function.

  - **Financial model:** Investigate financial model adjustment needs, define and agree changes. This will include investigation of "smart" subsidies and grants and definition of future financial model.

  - **Establish required legislative changes to regulatory framework.** Regulatory and legislative change, if any, should be investigated, changes proposed and agreed.
  - **ICT awareness programme:** Develop an ICT awareness campaign in priority geographical areas.

Journey management and ongoing communication should support these to aspects and it is foreseen that it the transition should be completed within twelve months' time, where after it becomes "Business as Usual" for USAASA.

Figure 21 summarises current projects underway and future projects required.

Figure 21: Implementation Roadmap

Timeline for implementation

| | Aug 09 | Sept 09 | Oct 09 | Nov 09 | Dec 09 | Jan 10 | Feb 10 | Mar 10 | Apr 10 | May 10 | Jun 10 | Jul 10 | Aug 10 |

Operationalising the operating model
- Legislative & regulatory alignment assessment
- Legislative & regulatory implementation
- ICT awareness campaign design
- ICT awareness campaign implementation
- Financial model alignment
- Stakeholder identification and enagagement strategy
- Stakeholder engagement strategy implementation (in new unit)
- Proof of concept design
- Pilot identification & testing of proof of concept
- Learnings documented
- Solution identification
- Aligned research plan

Aligning the organisation
- Governance and risk management alignment
- Capacity building design
- Capacity building implementation: Phase 1
- Capacity building plans implemention: Phase 2
- HR & HRD strategy alignment
- Organisational performance design
- New structure implemented: Phase 1
- New structure implemented: Phase 2

Designing for the future
- M&E framework
- Approved M&E framework
- UA&S strategy development
- UA&S strategy approved
- Finalising Corporate Plan
- Organisational design

Delivering on planned projects
- New entrepreneur run facilities
- Rapid deployment of access facilities
- Access centres handover programme
- Centres needs report

Setting the baseline
- Quantification of under-serviced areas
- Under-serviced areas declared
- Fund manual
- Rules of fund & process design
- Definitions project
- Definitions Gazetted

Stabilising the organisation
- Executive Recruitment

Journey management and communication

8. STAKEHOLDER IDENTIFICATION

8.1 Identification of Stakeholders

The first step in defining a stakeholder engagement strategy is to identify the universe of stakeholders and understand the levels of power, urgency and / or legitimacy that the stakeholder has over the organisation and the situation in which this would occur.

It is also critical to understand which stakeholders are currently non-stakeholders, but may change if certain environmental influences (trigger events) occur. These non-stakeholders are currently deemed to be perceived stakeholders that turn out not to be stakeholders

Stakeholders have three key attributes that have an impact over an organisation which include power, legitimacy and urgency as depicted in Figure 22.

Figure 22: Key Stakeholder Attributes
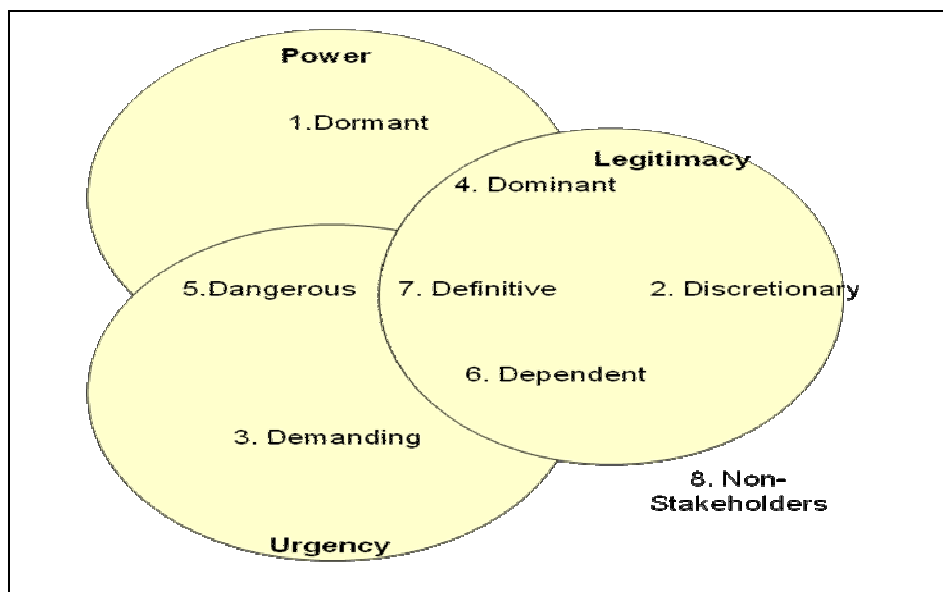
- Power exists when a stakeholder has the ability to influence other parties to make decisions the other party would otherwise not necessarily have made.

- Legitimacy occurs when a stakeholder is able to influence the organisation's direction or objectives through the application of legal or moral methods. When stakeholders possess both power and legitimacy, the stakeholder displays the attribute of authority.

- Finally a stakeholder displays urgency when they either have a claim or issue that is time sensitive or when the stakeholder's issue is critical to their objective(s).

8.2 Stakeholder Groupings Identified

The following stakeholder groupings were listed during a USAASA senior team workshop in June 2009 and this mapping needs to be further developed into a stakeholder engagement strategy to support a partnership working relationship as well as operating model and as based on the attributes of the various stakeholders described in section 8.1.

- **Political** – including ruling party, parliament committee, portfolio committee on communications, international and regional bodies.

- **Government entities** – Presidency, Minister of Communications, Department of Communications, Treasury, ICASA, National Planning Commission, Department of Education, Municipalities, Provincial Departments.

- **Partners** - Operators, Fund Contributors and their foundations, new telecommunication entrants.

- **Communities and Clients** – Traditional leadership body, under serviced communities and related local governments.

- **NGOs/Donors** – NGO coalition, corporate foundations, donors supporting ICT and UAS programmes

- **Internal stakeholders** – Board and employees.

Political and government entities could typically contain all three attributes and hence of major importance, whereas other stakeholders contain two or less attributes. In defining a detailed stakeholder engagement strategy, these aspects need to be considered and detailed individual mapping in stakeholder groupings, issues to be addressed or outcomes required as well as frequency of interaction need to be clearly defined.

Continued stakeholder updates will become part of the Stakeholder Engagement Unit's responsibilities to continuously update stakeholders and ensure a sufficient Stakeholder Engagement platform and tools exist to optimise and focus USAASA's interaction with its partners and stakeholders.

9. FINANCIAL PLAN

To be finalised once new organisational structure is finalised, as it impacts on the operational cost and training requirements.

USAASA 2010/11 Business Plan was subsequently approved by the Minister of Communications subject that key projects are budgeted for. *Reference 2010/11 Business Plan with Addendum A & B*

APPENDIX A: LEGAL QUESTIONS

1. *Summary of the obligations and mandate of the Agency*

The Universal Service and Access Agency of South Africa ("**the Agency**") is a so-called *'creature of statute'* as it is established in terms of an Act of Parliament. The existence, functions, duties and mandate of the Agency are governed by sections 80 – 91 of the Electronic Communications Act 36 of 2005 ("**the EC Act**") which came into operation on 19 July 2006.

The Agency is also a public body as confirmed by Schedule 3A of the Public Finance Management Act 1 of 1999.

The EC Act provides for a Board of the Agency (to be appointed by the Minister of Communications). The Board, in turn, appoints a CEO. The Agency is under the direction and control of the CEO.

The Agency is funded by money appropriated by parliament. The EC Act also established the Agency's Fund which is financed by contributions from telecommunication licensees. The money in the fund must be utilised for specific subsidies to needy persons, underserviced areas and schools.

In terms of the EC Act the Agency **must**:

- strive to promote the goal of universal access and universal service;

- encourage, facilitate and offer guidance in respect of any scheme to provide universal access, universal services or telecommunication services in terms of the Reconstruction and development Plan (RDP);

- foster the adoption and use of new methods of attaining universal access and universal service;

- make recommendations to enable the Minister to determine what constitutes universal access, universal service and under serviced areas;

- conduct research into and keep abreast of developments in the Republic and elsewhere on information communication technology, electronic communications services and electronic communications facilities;

- continually survey and evaluate the extent to which universal access and service have been achieved;

- make recommendations to the Minister in relation to policy on any matter relating to universal access and universal service;

- advise the Authority (ICASA) on any matter relating to universal access and universal service;

- continually evaluate the effectiveness of this Act and things done in terms thereof towards the achievement of the goal of universal access and universal service;

- manage the Universal Service and Access Fund in accordance with the provisions of the Act;

- Submit annual reports in its operations, budget and expenses to the Minister;

- Utilise the Fund exclusively for the payment of certain subsidies; and

- Provide incentives to network licensees to construct operate and maintain networks in under-serviced areas.

In terms of the EC Act, the Agency **may**:

- undertake such investigations into matters relating to its functions as it may consider necessary;

- issue information from time to time on the provision of electronic communications services and electronic communications networks in the Republic and access thereto;

- liaise, consult and co-operate with any person or authority; and

- appoint experts and other consultants on such conditions as the Agency may determine.

Finally, the EC Act also prescribe rights and duties regarding the Agency to the Minister, the board, the CEO, staff members of the Agency, the Authority (ICASA) and Licensees as fully detailed in the table below:

	MUST (duty)	MAY (right)
Minister	86(3), 91(3)	80(2), 88(4)
Board	81(2)	
Agency	82(1), 82(3), 82(4), 82(5), 84(3)(a), 85, 86(1), 90(1), 90(2), 91(1)	82(4), 84(3)(b)
CEO	83(2) – 83(11)	
Staff	83(9)	
Authority	88(2), 88(3), 89(2)	
Licensees	89	

2. What is the meaning of 'subsidies' as used in section 88 of the EC Act 36 of 2005?

Section 88(1) of the EC Act states that: *"The money in the Universal Service and Access Fund must be utilised exclusively for the payment of subsidies...".*

The term "**subsidy**" is not defined in the EC Act or any other Act of general application and accordingly the word should be interpreted according to its general meaning – financial assistance, financial support, funding or grant.

However, section 88(1) determines in detail how and to whom subsidies should be paid:

The money in the Universal Service and Access Fund must be utilised exclusively for the payment of subsidies—

- for the assistance of needy persons towards the cost of the provision to, or the use by, them of broadcasting and electronic communications services;

- to any broadcasting service licensee and electronic communications network service licensee for the purpose of financing the construction or extension of electronic communications networks in underserviced areas as prescribed;

- to public and private schools and public and private further education and training institutions; and

- for the establishment and operation of broadcasting services and for the establishment and operation, including training of and the payment of allowances to personnel of centres where access can be obtained to electronic communications networks.

The Authority (ICASA) must, by regulation, define under-serviced areas and the Minister may determine the types of needy persons to whom assistance may be given.

3. ***What is the meaning of 'under-serviced areas' as used in the EC Act 36 of 2005?***

Section 88(2) of the EC Act states that*: "[t]he Authority must, by regulation, for purposes of section 88(1) define under-serviced areas".*

Furthermore, section 1 defines an under-serviced area as follows: **"under-serviced area** *means the geographically identified areas defined by the Authority in accordance with this Act".*

To date, the Authority (ICASA) has not yet issued any regulations that define under-services areas, universal access or universal service.

However, a draft regulation published in GN 987 of 15 August 2008 of Government Gazette No. 31333 proposes the following definition for under-serviced areas:

The following definition of "underserviced area" is proposed:

"An underserviced area is, as defined from time to time by the Agency, any municipal area or ward within a metropolitan municipality where the average electronic communication network service penetration rate of a particular service type is below the national average penetration rate."

The suggested target for the underserviced areas is that the yearly percentage growth rate of each of the service types grows by a greater magnitude than the national average's percentage growth of that service type.

4. ***May the USAASA only operate in 'under serviced areas' or also in other areas if there is an extended benefit for the Agency?***

In relation to the general operations of the Agency, its role in under-services areas is rather limited.

The only reference to under-services areas in the EC Act is found in section 88(1)(b) which states that: *"[t]he money in the Fund must be utilised exclusively for the payment of subsidies... to any broadcasting service licensee and electronic communications network service licensee for the purpose of financing the construction or extension of electronic communications networks in underserviced areas as prescribed"*.

Another broader reference to under-serviced areas are found in section 2(1)(c) of the Electronic Communications and Transactions Act 25 of 2002 ("the ECT Act") which states that: *"The objects of this Act are to enable and facilitate electronic communications and transactions in the public interest, and for that purpose to... promote universal access primarily in underserviced areas"*.

The provisions of the ECT Act do not apply to the mandate of the Agency.

It follows that the Agency's mandate regarding under-services areas is limited only to the provision of subsidies from the Fund.

In general, the other operations fund is not limited to under-services areas.

5. ***Does the Agency's mandate extend to 'content' provision?***

The provision of content is not expressly excluded by the Agency's mandate in the EC Act.

Two specific provisions, sections 88(1)(a) and 88(e), indirectly authorise the provision of content services in the form of training material.

Section 88(1)(a) states that: *"The money in the Universal Service and Access Fund must be utilised exclusively for the payment of subsidies... for the assistance of needy*

persons towards the cost of the provision to, or the use by, them of broadcasting and electronic communications services".

Section 88(1)(e) states that: *"The money in the Universal Service and Access Fund must be utilised exclusively for the payment of subsidies... for the establishment and operation of broadcasting services and for the establishment and operation, including training of and the payment of allowances to personnel of centres where access can be obtained to electronic communications networks".*

6.   *Does the Agency have the right to directly collect contributions from Licensees / meaning of 'manage the fund'?*

Section 89 of the EC Act governs contributions to the Fund:

Contributions to Universal Service and Access Fund.—

(1)   Subject to subsection (3), every holder of a licence granted or considered to have been granted in terms of Chapter 3 must pay, in addition to any other fees contemplated in this Act or the related legislation, the prescribed annual contributions of the licensee's licensed activity to the Universal Service and Access Fund.

*(2)   The Authority must prescribe—(a) the basis and manner of determination of such contributions, which must not exceed 1 per cent of the licensee's annual turnover or such other percentage of the licensee's annual turnover as may be determined by the Minister after consultation with the affected parties, by notice in the Gazette; and (b) the dates when such contributions become payable and **the manner in which they may be paid.*** [our emphasis]

(3)   Broadcasting service licensees contributing to the Media Development and Diversity Agency ("MDDA") must have their annual MDDA contribution set off against their prescribed annual contribution to the Universal Service and Access Fund.

From the above mentioned it is clear that the Authority (ICASA) has an obligation to prescribe (by way of regulation) the manner in which contributions to the Fund by Licensees must be paid.

Regulations as provided for in section 89 were issued on 10 October 2008 and published as GN 1270 in GG No. 31499.

Regulation 4(6) states that: *"Payments to the Fund must be made by electronic fund transfer or bank guaranteed cheque into the Authority's bank account and proof of payments to the Fund and MDDA must be sent to the Authority, within two (2) months from the date of payment"*.

It follows that the Agency may not collect contributions directly from Licensees.

7. *Is the appointment of the Agency's Board by the Minister of Communication a transparent process and how may this process be influenced by the Agency and its staff?*

In terms of section 80(2) and (3) of the EC Act:

(2) The Minister may, by notice in the Gazette, appoint a board of up to seven members to provide oversight of and guidance to the Agency.

(3) A board appointed by the Minister in terms of section 58 (2) of the Telecommunications Act is considered to have been appointed in terms of this Act.

Since the Agency is classified as a Schedule 3A public entity in terms of the provisions of the Public Finance Management Act 1 of 1999 the board's members are not subject to a shareholder's compact.

A decision by a Minister to appoint the board of a public body is defined as an administrative action and accordingly the provisions of the Promotion of Administrative Justice Act 3 of 2000 apply to such a decision.

In terms of the Act, a Minister's appointment of a public body board (referred to as an "action" in the Act) may be subject to legal review in the following circumstances:

a) the administrator who took it- (i) was not authorised to do so by the empowering provision; (ii) acted under a delegation of power which was not authorised by the empowering provision; or (iii) was biased or reasonably suspected of bias;

b) a mandatory and material procedure or condition prescribed by an empowering provision was not complied with;

c) the action was procedurally unfair;

d) the action was materially influenced by an error of law;

e) the action was taken- (i) for a reason not authorised by the empowering provision; (ii) for an ulterior purpose or motive; (iii) because irrelevant considerations were taken into account or relevant considerations were not considered; (iv) because of the unauthorised or unwarranted dictates of another person or body; (v) in bad faith; or (iv) arbitrarily or capriciously;

f) the action itself- (i) contravenes a law or is not authorised by the empowering provision; or (ii) is not rationally connected to- (aa) the purpose for which it was taken; (bb) the purpose of the empowering provision; (cc) the information before the administrator; or (dd) the reasons given for it by the administrator;

g) the action concerned consists of a failure to take a decision;

h) the exercise of the power or the performance of the function authorised by the empowering provision, in pursuance of which the administrative action was purportedly taken, is so unreasonable that no reasonable person could have so exercised the power or performed the function; or

i) the action is otherwise unconstitutional or unlawful.

It follows that the appointment of the Agency's board may only be challenged if one or more of the abovementioned circumstances applies.

APPENDIX B: EC ACT SECTIONS APPLICABLE TO USAASA

CHAPTER 14
UNIVERSAL SERVICE AND ACCESS AGENCY OF SOUTH AFRICA

80. Continued existence of Universal Service Agency.

(1) Despite the repeal of the Telecommunications Act by this Act, the Universal Service Agency established in terms of section 58 (1) of the Telecommunications Act continues to exist as a juristic person in terms of this Act and will henceforth be called the Universal Service and Access Agency of South Africa.

(2) The Minister may, by notice in the *Gazette*, appoint a board of up to seven members to provide oversight of and guidance to the Agency.

(3) A board appointed by the Minister in terms of section 58 (2) of the Telecommunications Act is considered to have been appointed in terms of this Act.

81. Functions of Board.

(1) The Agency's board must exercise the powers conferred, and perform the duties imposed, upon it in accordance with any policy direction issued by the Minister.

(2) The board must—

   (*a*) represent the Agency before the Minister and the Authority;

   (*b*) oversee the functions of the Agency;

   (*c*) prepare and update a strategic plan for the Agency at least once every three years to be used by the Agency in exercising its powers and carrying out its functions;

   (*d*) approve the annual report referred to in section 86 prior to submission to the Minister;

(*e*) approve the statement of estimated income and expenditures and any adjusted statements referred to in section 84 prior to submission to the Minister;

(*f*) approve the Chief Executive Officer's (CEO's) recommendations referred to in section 83 (3) (*b*);

(*g*) oversee the accounts of the Agency referred to in sections 84, 85 and 91; and

(*h*) take such other decisions as may be requested by the CEO of the Agency in terms of this Chapter.

82. Functions of Agency.

(1) The Agency must—

(*a*) strive to promote the goal of universal access and universal service;

(*b*) encourage, facilitate and offer guidance in respect of any scheme to provide— universal access or universal service; or

telecommunication services as part of reconstruction and development projects and programmes contemplated in section 3 (*a*) of the Reconstruction and Development Programme Fund Act, 1994 (Act No. 7 of 1994), where such provision will contribute to the attainment of the object of the project or programme in question; and

(*c*) foster the adoption and use of new methods of attaining universal access and universal service.

(2) For purposes of subsection (1) (*b*) (*ii*), reference to telecommunication services in relation to development projects and programmes contemplated in section 3 (*a*) of the Reconstruction and Development Programme Fund Act, 1994, must be regarded as reference to electronic communications network services under this Act.

(3) (*a*) The Agency must from time to time, with due regard to circumstances and attitudes prevailing in the Republic and after obtaining public participation to the greatest degree practicable, make recommendations to enable the Minister to determine what constitutes—

(i) universal access by all areas and communities in the Republic to electronic communications services and electronic communications network services; and

---

(ii) the universal provision for all persons in the Republic of electronic communications services and access to electronic communications networks, including any elements or attributes thereof.

(*b*) Such a determination—

must be published in the *Gazette*; and

may be amended or substituted by the Minister on the recommendation of the Agency as provided for in this subsection.

(4) The Agency—

(*a*) may undertake such investigations into matters relating to its functions as it may consider necessary;

(*b*) must conduct research into and keep abreast of developments in the Republic and elsewhere on information communication technology, electronic communications services and electronic communications facilities;

(*c*) must continually survey and evaluate the extent to which universal access and service have been achieved;

(*d*) may issue information from time to time on the provision of electronic communications services and electronic communications networks in the Republic and access thereto;

(*e*) must, when so requested by the Minister, make recommendations to the Minister in relation to policy on any matter relating to universal access and universal service;

(*f*) must, when so requested by the Authority, advise the Authority on any matter relating to universal access and universal service;

(*g*) must continually evaluate the effectiveness of this Act and things done in terms thereof towards the achievement of the goal of universal access and universal service;

(*h*) may liaise, consult and co-operate with any person or authority;

(*i*) may appoint experts and other consultants on such conditions as the Agency may determine.

(5) The Agency must manage the Universal Service and Access Fund in accordance with the provisions of this Chapter.

83. CEO and staff of Agency.

(1) The Agency is under the direction and control of the CEO appointed by the Board.

(2) The CEO—

    (*a*) must be a suitably qualified and experienced person;

    (*b*) is subject to the direction and oversight of the board in the performance of all financial and administrative functions as well as other work as may arise from the performance of the Agency's functions under this Act; and

    (*c*) must exercise any powers delegated to him or her by the board.

(3) Without derogating from his or her general powers, duties and functions as set forth in this section, the CEO must—

    (*a*) approve of expenditures from the universal service and access fund;

    (*b*) conduct competitive tenders in terms of section 90 and make recommendations to the board.

(4) The CEO must enter into a performance agreement with the Board. The perfomance agreement must, amongst other things—

    (*a*) set appropriate key performance indicators; and

    (*b*) set measurable performance targets.

(5) The CEO must employ a staff, including senior management and such other persons as may be necessary to assist him or her with the performance of the functions of the Agency.

(6) The staff of the Agency is accountable to and must enter into a performance agreement with the CEO.

(7) The CEO must manage and direct the activities of the Agency.

(8) The CEO must, in the selection of the staff of the Agency—

    (*a*) promote the empowerment of historically disadvantaged persons, including women, the youth and people with disabilities;

(*b*) subject to paragraph (*a*), apply equal opportunity employment practices.

(9) The CEO and other staff of the Agency must be appointed on the grounds of their qualifications, expertise or experience in the fields, when viewed collectively, of development planning, community development, social sciences, economics, electronic communications and publicity.

(10) A person may not be appointed or continue in office as CEO or other member of the staff of the Agency if he or she becomes unfit to hold the office or becomes incapacitated.

(11) The CEO of the Agency must be appointed for such period not exceeding five years as may be determined when he or she is appointed.

(12) The CEO and other employees of the Agency hold office on such conditions as to remuneration and otherwise—

(*a*) in the case of the CEO, as the Minister may determine with the concurrence of the Minister of Finance;

(*b*) in the case of other employees, as the CEO may determine with the concurrence of the Minister and the Minister of Finance.

(13) Different periods and conditions may be determined under subsections (11) or (12) in respect of different employees.

84. Financing of Agency.—

(1) The operating and capital costs of the Agency must be financed from money appropriated by Parliament from time to time for that purpose.

(2) The Agency must utilise any money contemplated in subsection (1) in accordance with the statement of estimated income and expenditure referred to in subsection (3).

(3) The Agency—

(*a*) must in each financial year, at a time determined by the Minister, submit a statement of estimated income and expenditure for the following financial year to the Minister for his or her approval, granted with the concurrence of the Minister of Finance; and

(*b*) may in any financial year submit adjusted statements of estimated income and expenditure to the Minister for his or her approval, granted with the concurrence of the Minister of Finance.

85. Banking account.

The Agency must, with the approval of the Director-General, open and maintain with a bank, registered as such in terms of the Banks Act, 1990 (Act No. 94 of 1990), an account in which there must be deposited the money received by the Agency and from which payments for it or on its behalf may be made.

86. Annual and other reports.—

(1) The Agency must submit to the Minister—

(*a*) such information and particulars as he or she may from time to time, in writing, require in connection with the activities of the Agency; and

(*b*) a report in regard to the functions, affairs and activities of the Agency, annually and as soon as is reasonably practicable after the end of each period of 12 months ending on 31 March, in respect of such period.

(2) Without derogating from the generality of the provisions of subsection (1), the annual report must, among others, include—

(*a*) information regarding progress towards achieving the goal of universal service; and

(*b*) such other information as the Minister may determine.

(3) The Minister must table a copy of the annual report in Parliament within 30 days after it is received by him or her if Parliament is then in ordinary session or, if Parliament is not then in ordinary session, within 30 days after the commencement of its next ordinary session.

87. Continued existence and control of Universal Service Fund.

(1) Despite the repeal of the Telecommunications Act by this Act, the Universal Service Fund established in terms of section 65 (1) of the Telecommunications Act

continues to exist in terms of this Act and will henceforth be called the Universal Service and Access Fund, and the Agency must keep account of the Fund in its books and credit the Fund with—

(*a*) universal service contributions referred to in section 89; and

(*b*) money accruing to the Universal Service and Access Fund from any other source.

(2) All money received, the amounts of which in terms of subsection (1) must be credited to the Universal Service and Access Fund in the books of the Agency, must be paid into the National Revenue Fund established by section 185 of the Constitution.

(3) Subsidies paid from the Universal Service and Access Fund in terms of section 88 must be financed from money appropriated by Parliament for that purpose.

(4) The Universal Service and Access Fund must be administered by the Agency subject to the control and in accordance with the instructions of the Minister.

88. Application of money in Universal Service and Access Fund.

(1) The money in the Universal Service and Access Fund must be utilised exclusively for the payment of subsidies—

(*a*) for the assistance of needy persons towards the cost of the provision to, or the use by, them of broadcasting and electronic communications services;

(*b*) subject to subsection (2), to any broadcasting service licensee and electronic communications network service licensee for the purpose of financing the construction or extension of electronic communications networks in underserviced areas as prescribed;

(*c*) to public schools and public further education and training institutions as defined in the South African Schools Acts, 1996 (Act No. 84 of 1996), and the Further Education and Training Act, 1998 (Act No. 98 of 1998), respectively, for the procurement of broadcasting and electronic communications services and access to electronic communications networks;

(*d*) to schools and further education and training institutions as defined in the South African Schools Acts, 1996 (Act No. 84 of 1996), and the Further Education and Training Act, 1998 (Act No. 98 of 1998), respectively, for the procurement of broadcasting and electronic communications services and access to electronic communications networks: Provided that—

in the case of public schools, they are recognised by their provincial Departments of Education as falling into the lowest three quintiles for socio-economic redress in terms of the National Norms and Standards for School Funding (1998); and

in the case of independent schools and independent further education and training institutions—

(*aa*) they are registered with the Commissioner for Inland Revenue as public benefit organisations in terms of section 10 (1) (cN) of the Income Tax Act, 1962 (Act No. 58 of 1962); and

(*bb*) they are registered with their provincial Departments of Education or the National Department of Education (as the case may be) for the receipt of state subsidies;

(*e*) for the establishment and operation of broadcasting services and for the establishment and operation, including training of and the payment of allowances to personnel of centres where access can be obtained to electronic communications networks.

(2) The Authority must, by regulation, for purposes of subsection (1) (*b*), define under-serviced areas.

(3) The Authority must at least bi-annually review and update, the prescribed definition of under-serviced area and the list of designated under-serviced areas eligible for construction payments from the Universal Service and Access Fund.

(4) The Minister may, for the purposes of payments referred to in subsection (1) (*a*), by notice in the *Gazette* determine—

(*a*) types of needy persons to whom assistance may be given;

(*b*) the persons who must apply for assistance and the manner in which such applications must be made;

(*c*) the manner in which and persons to whom subsidies may be paid.

89. Contributions to Universal Service and Access Fund.

(1) Subject to subsection (3), every holder of a licence granted or considered to have been granted in terms of Chapter 3 must pay, in addition to any other fees contemplated in this Act or the related legislation, the prescribed annual contributions of the licensee's licensed activity to the Universal Service and Access Fund.

(2) The Authority must prescribe—

(*a*) the basis and manner of determination of such contributions, which must not exceed 1 per cent of the licensee's annual turnover or such other percentage of the licensee's annual turnover as may be determined by the Minister after consultation with the affected parties, by notice in the *Gazette*; and

(*b*) the dates when such contributions become payable and the manner in which they may be paid.

(3) Broadcasting service licensees contributing to the Media Development and Diversity Agency ("MDDA") must have their annual MDDA contribution set off against their prescribed annual contribution to the Universal Service and Access Fund.

90. Competitive tender for universal service and access projects.

(1) The Agency must provide incentives to electronic communications network service licensees to construct, operate and maintain electronic communications networks in under-serviced areas through the award of project grants.

(2) The Agency must, in consultation with the Authority—

(*a*) publish a notice in the *Gazette* stating its intention to award one or more project grants and invite interested electronic communications network service licensees to submit proposals;

(*b*) identify the targeted under-serviced area or under-serviced areas where project grants will be awarded and determine—

the time and place for submitting proposals;

the scope of the projects which may vary according to the needs of the targeted under-serviced area or under-serviced areas;

the criteria for evaluating proposals;

the projected cost of the proposed project; and

such other matters as may be helpful in securing qualified proposals.

(3) The criteria for evaluating proposals may take into consideration—

(*a*) the objects of this Act set out in section 2;

(*b*) the scope of the electronic communications network service licensee's proposal, including the electronic communications network proposed for construction in the under-serviced area and the technologies proposed;

(*c*) any electronic communications services the electronic communications network service licensee proposes to offer in terms of its electronic communications network service licence and, as applicable, any electronic communications service licence or other licence held by the electronic communications network service licensee;

(*d*) the terms and conditions relating to any proposed services, including wholesale and retail pricing, taking into account the lack of competitive electronic communications networks and services in the targeted underserviced area; and

(*e*) such other matters as the Agency, in consultation with the Authority, finds appropriate for the targeted under-serviced area.

(4) The subsidy for project grants must be paid out of the Universal Service and Access Fund.

(5) The Agency must supervise the execution of projects awarded under subsection (1).

91. Accounts of Universal Service and Access Fund.

(1) The Agency must—

(*a*) cause full records to be kept of the transactions of the Universal Service and Access Fund;

(*b*) as soon as possible, but not later than three months after 31 March in each year, cause the books and accounts relating to such transactions to be balanced as at that date and thereafter prepare a statement showing in all necessary detail—

the income and expenditure of the Fund during the preceding financial year; and

a balance sheet showing the assets and liabilities of the Fund as at the end of that year.

(2) The accounts and balance sheet of the Fund must be audited by the Auditor-General.

(3) As soon as possible after the accounts and balance sheet for any year have been audited, the Agency must submit a copy of the accounts and balance sheet to the Minister.

(4) The Minister must table a copy of the audited accounts and balance sheet in Parliament—

(*a*) within 30 days after they have been received by him or her if Parliament is then in ordinary session or, if Parliament is not then in ordinary session, within 30 days after the commencement of its next ordinary session; or

(*b*) if so determined by the Minister, together with the annual report of the Agency in regard to the period concerned.

(5) For the purposes of this section, **"financial year"** means the period extending from 1 April in any year to 31 March in the next succeeding year.

APPENDIX C: WORLD BANK ICT SA SUMMARY

South Africa

|	South Africa 2000	South Africa 2007	Upper-middle-income group 2007	Sub-Saharan Africa Region 2007
Economic and social context				
Population (total, million)	44	48	824	800
Urban population (% of total)	57	60	75	36
GNI per capita, World Bank Atlas method (current US$)	3,050	5,720	7,107	951
GDP growth, 1995–2000 and 2000–07 (avg. annual %)	2.5	4.3	4.3	5.1
Adult literacy rate (% of ages 15 and older)	—	88	94	62
Gross primary, secondary, tertiary school enrollment (%)	76	77	82	51
Sector structure				
Separate telecommunications regulator	Yes	Yes		
Status of main fixed-line telephone operator	Mixed	Mixed		
Level of competition[a]				
International long distance service	M	C		
Mobile telephone service	C	P		
Internet service	—	C		
Sector efficiency and capacity				
Telecommunications revenue (% of GDP)	5.1	7.5	3.3	4.7
Mobile and fixed-line subscribers per employee	264	1,145	566	499
Telecommunications investment (% of revenue)	25.5	9.8	—	—
Sector performance				
Access				
Telephone lines (per 100 people)	11.3	9.7	22.6	1.6
Mobile cellular subscriptions (per 100 people)	19.0	88.4	84.1	23.0
Internet subscribers (per 100 people)	1.6	9.1	9.4	1.2
Personal computers (per 100 people)	6.6	8.5	12.4	1.8
Households with a television set (%)	55	59	92	18
Usage				
International voice traffic (minutes/person/month)[b]	2.1	—	—	—
Mobile telephone usage (minutes/user/month)	—	106	137	—
Internet users (per 100 people)	5.5	8.3	26.6	4.4
Quality				
Population covered by mobile cellular network (%)	92	100	95	56
Fixed broadband subscribers (% of total Internet subscrib.)	0.3	3.9	47.8	3.1
International Internet bandwidth (bits/second/person)	8	71	1,185	36
Affordability				
Price basket for residential fixed line (US$/month)	13.3	20.8	10.6	12.6
Price basket for mobile service (US$/month)	—	13.9	10.9	11.6
Price basket for Internet service (US$/month)	—	28.2	16.4	43.1
Price of call to United States (US$ for 3 minutes)	1.98	0.79	1.55	2.43
Trade				
ICT goods exports (% of total goods exports)	2.0	1.8	13.5	1.1
ICT goods imports (% of total goods imports)	13.6	11.3	16.2	8.2
ICT service exports (% of total service exports)	2.9	3.9	4.6	4.2
Applications				
ICT expenditure (% of GDP)	—	9.7	5.2	—
E-government Web measure index[c]	—	0.55	0.37	0.16
Secure Internet servers (per 1 million people, Dec. 2008)	11.6	36.8	26.2	2.9

GNI per Capita, Atlas Method, 2000–07
Current US$
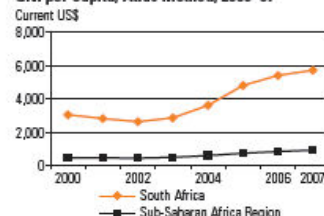
ICT MGD[d] Indicators, 2000–07
Number per 100 people
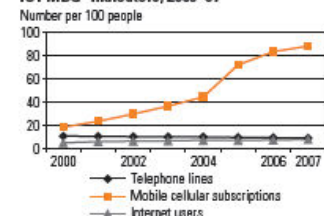
Price Basket for Internet Service, 2003–07
US$/month
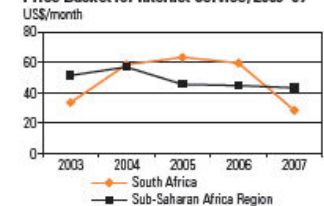
ICT Service Exports, 2000–07
Percentage of total service exports
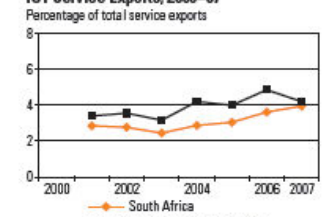
Sources: Economic and social context: UIS and World Bank; Sector structure: ITU; Sector efficiency and capacity: ITU and World Bank; Sector performance: Global Insight/WITSA, IMF, ITU, Netcraft, UN Comtrade, UNDESA, UNPAN, Wireless Intelligence and World Bank. Produced by the Global Information and Communication Technologies Department and the Development Economics Data Group. For complete information, see Definitions and Data Sources.

Notes: Use of italics in the column entries indicates years other than those specified. — Not available. GDP = gross domestic product; GNI = gross national income; ICT = information and communication technology; and MDG = Millennium Development Goal.

a. C = competition; M = monopoly; and P = partial competition. b. Outgoing and incoming. c. Scale of 0–1, where 1 = highest presence. d. Millennium Development Goal indicators 8.14, 8.15, and 8.16.

APPENDIX D: RSA ICT TRENDS BREAKDOWN 2000 TO 2007

SA ICT Trends 2000 - 2007
% of fixed telephone lines per 100 inhabitants

	2000	2001	2002	2003	2004	2005	2006	2007
% of fixed telephone lines per 100 inhabitants	11.00	10.73	10.48	10.14	10.05	10.08	9.93	9.70

SA ICT Trends 2000 - 2007
% of Households with fixed line telephone

	2000	2001	2002	2003	2004	2005	2006	2007
% of households with fixed line telephone	23.95	23.88	23.80	22.90	21.60	21.00	18.69	18.60

SA ICT Trends 2000 - 2007
% of mobile cellular subscribers per 100 inhabitants

	2000	2001	2002	2003	2004	2005	2006	2007
% of mobile cellular subscribers per 100 inhabitants	12.10	18.57	24.05	29.72	39.19	49.68	67.63	81.27

SA ICT Trends 2000 - 2007
% of households with amobile cellular telephone

	2000	2001	2002	2003	2004	2005	2006	2007
% of households with a mobile cellular telephone	22.54	31.93	35.00	40.20	49.60	59.70	67.53	72.90

SA ICT Trends 2000 - 2007
% of households with a computer

	2000	2001	2002	2003	2004	2005	2006	2007
% of households with a computer	7.56	8.47	9.55	10.56	11.27	11.91	13.00	15.70

SA ICT Trends 2000 - 2007
% households with a tv

	2000	2001	2002	2003	2004	2005	2006	2007
% households with a TV	51.00	52.60	56.30	57.90	59.20	60.00	64.42	65.60

SA ICT Trends 2000 - 2007
% of internet access per 100 inhabitants

	2000	2001	2002	2003	2004	2005	2006	2007
% of internet access per 100 inhabitants	1.63	2.09	2.20	6.76	7.65	9.13	9.57	10.00

SA ICT Trends 2000 - 2007
% of households with internet access at home

	2000	2001	2002	2003	2004	2005	2006	2007
% of households with internet access at home	2.00	2.20	3.00	3.40	4.20	5.00	5.70	7.30

SA ICT Trends 2000 - 2007
% of broadband internet subscribers per 100 inhabitants

	2000	2001	2002	2003	2004	2005	2006	2007
% of broadband internet subscribers per 100 inhabitants	0.00	0.00	0.01	0.04	0.09	0.34	0.77	1.63