![USAF - The Universal Service and Access Fund logo]
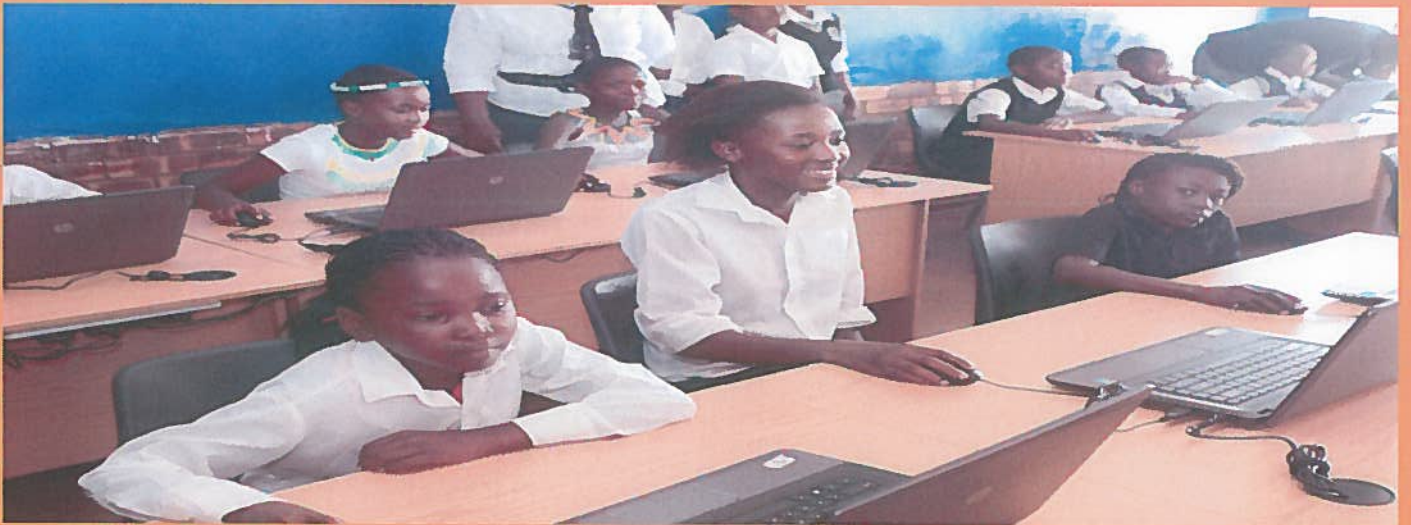
USAF STRATEGIC PLAN

Financial Years: 2017 - 2021

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Foreword by Chairperson of the Board

On behalf of the Board of Directors of the Universal Service and Access Fund (USAF), I am pleased to present the Fund's Strategic Plan for the of 2017 – 2021 planning cycle outlining the Fund's priorities as approved by the Board and the Executive Authority.

The USAF is one of around 76 Funds globally and 25 legally established funds in Africa that are mandated to provide subsidies and incentives to roll out ICT infrastructure and provide services to underserviced communities. Despite their prevalence, Funds have had mixed results in the continent and globally, and focus during the USAF strategic planning process was to ensure that South Africa's Fund is amongst the front-runners in developing credible and effective projects that deliver universal access to ICTs for all. To achieve this, USAF continues to work closely with all stakeholders to ensure the best possible outcome for all parties.

In preparing this 2017-2021 Strategic Plan, the Board, in consultation with management, has ensured that the identified USAF strategic objectives support the effective implementation of the National Development Plan – 2030, the National Infrastructure Plan, the South Africa Connect Broadband Policy 2013 and the Medium Term Strategic Framework 2014-2019 (MTSF) and now delivers a comprehensive Strategic Plan. This Strategic Plan sets out the Fund's strategic objectives and performance targets over the next five-year period and it is complemented by the Fund's Annual Performance Plan for 2016-2017, setting out specific goals, key performance indicators and targets for the performance cycle.

Key strategic priorities to be pursued by the Fund during the 2017-2021 five – year period are as follows:

- To provide access to ICT services in identified under-serviced areas as part of implementing the South Africa Connect digital development strategic pillar to complete the National Health Insurance Districts.
- To facilitate the broadband connectivity of educational institutions, primary health care facilities and government institutions.
- To subsidise digital television access equipment for qualifying TV-owning needy households.

USAF main areas of focus have been assisting the country to meet international conventions, commitments and policies that affect universal service and access by facilitating the connection of villages with ICTs and establishing community access points, connecting primary healthcare facilities with ICTs, and connecting local government departments and these will continue to be focus areas during the 2017-2021 planning cycle.

It is worth noting that during the 2015 - 2016 financial year the procurement processes for the Digital Terrestrial Television (DTT) and Direct to Home (DTH) set-top-boxes and Antennas occurred by the end of the 2nd quarter. The implementation of the Broadcasting Digital Migration (BDM) Programme, is in progress with some challenges the new Board is addressing as it carries out its fiduciary and oversight responsibilities of this significant project.

The project – even with outer year funding allocations - remains grossly underfunded as funding was originally envisaged at 70% - exclusive of antennae and installation - with the 30% expected to come from beneficiaries. With the economic down turn and the increased number of indigent across the country, Cabinet – on the back of public consultation by USAASA - resolved to make the beneficiation at 100%. That immediately meant there was a 30%+ deficit in the funding of the project at the outset. Should it remain unresolved, this funding challenge will have a negative impact in the rollout and completion of the broadcasting digital migration project.

In addition, focus will also remain on the two key areas of broadband infrastructure and access, and rapid deployment of broadband services to educational institution and primary healthcare facilities. By connecting educational institutions we believe that we are connecting communities and bringing South Africa one step closer to achieving its national targets of 100% broadband penetration by 2020; and deployment of a full range of government, educational, and informational services by 2030.

It is recorded that the previous USAF Board of Directors' term under the leadership of Mrs. Pumla Radebe ended in August 2015. The new Board was appointed in September 2015 and has a huge responsibility in continuing to execute the USAF mandate and positively impact society especially the historically disadvantaged rural areas of South Africa.

As the new Board we are resolute in our commitment to provide strategic guidance that will develop USAF into a well-resourced fund that is optimally positioned for delivering on its mandate and acknowledge that this can only be achieved through unceasing hard work as well as continuous support from the Executive Authority.

Sincerely,

Mr. Mawethu Cawe
Acting Chairperson: USAF Board of Directors

OFFICIAL SIGN - OFF

It is hereby certified that this USAF Strategic Plan:

- Was developed by the management of USAASA under the guidance of the Universal Service and Access Fund (USAF) Board of Directors.

- Was prepared in line with the current situation of South Africa with regards to Universal Access and Service.

- Accurately reflects the strategies and targets which USAF will endeavour to achieve given the resources and capabilities at its disposal.

Mrs. Linda Ngcwembe
Acting Chief Financial Officer

Signature:

Mrs. Vuyo Ntshoko
Head Official Responsible for Planning

Signature:

Mr. Zami Nkosi
Chief Executive Officer

Signature:

Mr. Mawethu Cawe
Acting Chairperson: USAF Board of Directors

Signature:

Approved By:

Dr. Siyabonga Cwele, MP

Signature:

Minister: Department of Telecommunications and Postal Services

List of Acronyms

DTPS	Department of Telecommunications and Postal Services
DTT	Digital Terrestrial Television
ECA	Electronic Communications Act
FDC	Free State Development Corporation
FS	Free State
GDP	Gross Domestic Product
GSMA	Group Speciale Mobile Association
ICASA	Independent Communications Authority of South Africa
ICT	Information and Communication Technology
KPIs	Key Performance Indicators
KZN	KwaZulu-Natal
LP	Limpopo
Mbps	Mega Bytes per Second
MENG	Mongalo Engineering and Projects CC
MP	Mpumalanga
MTSF	Medium Term Strategic Framework
NC	Northern Cape
NDP	National Development Plan
NHI	National Health Insurance
NW	North West
PICC	Presidential Infrastructure Coordinating Commission
SA Connect	South Africa Connect
SIP 15	Strategic Integration Project (15)
USAASA	Universal Service and Access Agency of South Africa
USAF	Universal Service and Access Fund

Contents

Part A: Strategic Overview

1. Vision

The vision for USAF is: "Universal Access and Service to ICT for All".

2. Mission

The mission for USAF is:

- To facilitate the rollout of adequate Information and Communication Technology (ICT) infrastructure to enable universal access to under-serviced areas in South Africa.
- To facilitate ICT services to under-serviced areas thereby contributing to the reduction of poverty and unemployment in South Africa.
- To promote and pursue the goal of Universal Access and Services and contribute to the sharing and preservation of information in order to build South Africa's sustainable knowledge society.

3. Values

The values for USAF are:

- **Batho Pele** – We believe in providing excellent, efficient and effective service to all customers and stakeholders.
- **Integrity** – We uphold high standards of trust; condemn bribery and corruption; and uphold honesty and respect in all interactions with stakeholders.
- **Accountability** – We foster employee ownership and responsibility in ensuring quality service.
- **Innovation** – We support employee creativity in delivering all our services.
- **Transparency** – We encourage openness in all our activities.
- **Teamwork** – We strive to create a harmonious work environment, where all employees and contributors are respected.

4. Legislative and other Mandates

4.1 Constitutional Mandates

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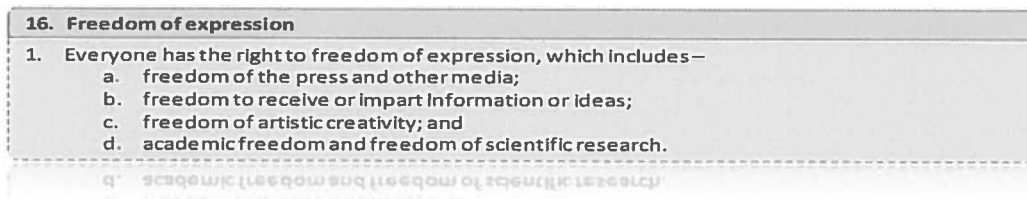
> **16. Freedom of expression**
>
> 1. Everyone has the right to freedom of expression, which includes—
>   a. freedom of the press and other media;
>   b. freedom to receive or impart information or ideas;
>   c. freedom of artistic creativity; and
>   d. academic freedom and freedom of scientific research.

Figure 1: Freedom of expression

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 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.

4.2 Legislative Mandates

The Universal Service and Access Fund of South Africa ("the Fund" or "the USAF") was established by an Act of Parliament. The existence, functions, duties and mandate of the Fund are governed by sections 88 of the Electronic Communications Act 36 of 2005 ("the ECA"), which came into operation on 19 July 2006. The Fund is financed by contributions from electric communications licensees. The money in the Fund must be utilised for specific subsidies to needy persons, under-serviced areas and schools.

In terms of the ECA, the Fund must:

- Utilise the USAF exclusively for the payment of certain subsidies; and
- Provide incentives for network licensees to construct, operate and maintain networks in under-serviced areas.

The ECA was amended in 2014, and specifically on USAF, there is a provision that the Minister, acting with the concurrence of the Minister of Finance, may prescribe additional uses of money held in the USAF.

4.3 Policy Mandate

An overview of the alignment between plans and priorities of Government that impact on the USAF's strategic priorities and delivery, is outlined in figure 2.
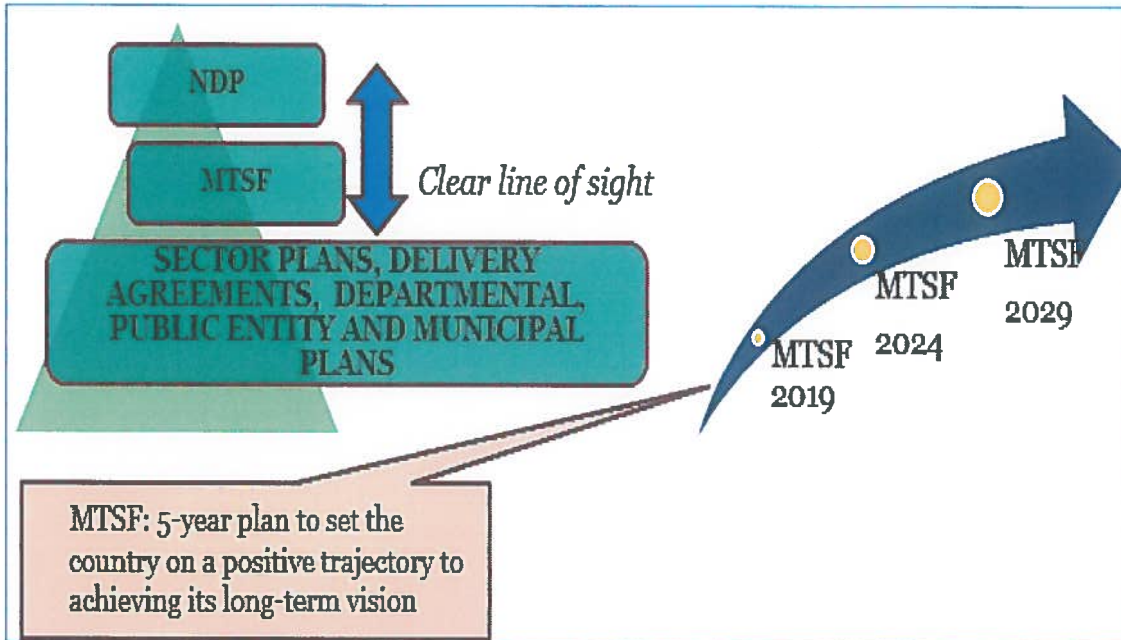
Source: Department of Planning Monitoring and Evaluation, 2015

Figure 2: South Africa's Planning Horizon in the Context of the National Development Plan

4.3.1 Medium-Term Strategic Framework

The next five years Medium Term Strategic Framework (MTSF) priorities are:

1) Creation of more jobs, decent work and sustainable livelihoods for inclusive growth;

2) Rural development, land reform and food security;

3) Education;

4) Health; and

5) Fighting crime and corruption.

These priorities are supported by various strategies. USAF is directly impacted by the first priority, related to economic growth and job creation through industrialisation and infrastructure expansion.

USAF directly operates in the ICT space, and it is further indicated in the priorities that there is a need to rapidly expand access to, and use of, ICT infrastructure as follows:

- Invest in a comprehensive plan to expand broadband access throughout the country and substantially reduce the cost of communication, as required in terms of the NDP and South Africa Connect;

- Connect all schools, public health and other government facilities through broadband by 2020, and at least 90% of communities should have substantial and superfast broadband capacity by 2020 to assist the country in meeting the targets set out in South Africa Connect;

- Support and develop free-Wi-Fi areas in cities, towns and rural areas to improve universal access.

4.3.2   National Development Plan

The National Development Plan (NDP) has important implications for USAF, and on how USAF aligns itself to the government policy agenda as is further described in this section.

The National Development Plan (NDP) aims to eradicate poverty, increase employment and reduce inequality by 2030. The NDP encompasses other critical policy instruments, which are also driving governments' policy agenda, and these are:

- The New Growth Path, which focuses on economic development;

- The National Infrastructure Plan, which guides the roll-out of infrastructure and includes the Presidential Infrastructure Coordinating Commission (PICC) launched Strategic Integration Project (SIP-15);

- Industrial Policy Action Plan, which supports the re-industrialisation of the economy.

NDP goals that have an Influence on USAF's Strategy and Work include:

- Implementation of an integrated e-strategy for the country

- 100% broadband penetration by 2020 (>2mbs)

- By 2030 deployment of a full range of government, educational, and informational services

New Growth Path Strategies:

Jobs Driver 3: Seizing the potential of new economies. Technological innovation opens the opportunity for substantial employment creation.

New Growth Path targets the creation of 100,000 new jobs by 2020 in the knowledge-intensive sectors of ICT, higher education, healthcare, mining-related technologies, pharmaceuticals and biotechnology.

SIP-15: Expanding Access to Communication Technology

AIM: 100% access to digital ICTs to all South Africans by 2020 as a driver of new economic opportunities and digital equity. Interim implementing agencies include: Sentech, Broadband Infraco, Telkom, SANRAL, Eskom, Transnet, **Universal Services and Access Agency of South Africa (USAASA)**, and the private sector.

4.3.3   South Africa's Broadband Policy: South Africa Connect

In terms of the Electronic Communications Act, 2005 (Act No.36 of 2005), the Department of Communication of South Africa published a policy document "South Africa Connect: Creating Opportunities, Ensuring inclusion: South Africa's Broadband Policy". This was gazetted on 6 December 2013.

SA Connect guides the ICT sector as a whole, and USAASA in particular in terms of the approach taken to promoting broadband deployment, usage and uptake. It outlines several key objectives that have a direct impact on the strategies and operations of USAF, and these are:

- Broadband must reach a critical mass in South Africa;
- Access to broadband must be affordable;
- Demand-side skills must be developed so that broadband services can be used effectively; and
- Supply-side skills must be developed so that the economic and innovative potential of broadband can be exploited.

SA Connect is a four-pronged strategy, consisting of 4 "sub-strategies" which will move the country from the current state to achieving its targets over the next ten years. The four prongs or 'sub-strategies' of SA Connect are:

- Digital readiness
- Digital development
- Digital future
- Digital opportunity

Table 1: Summary of the Four SA Connect Pillars and their implications

Strategy Intervention	Aspects addressed by the strategy	Intended Outcomes	Indicators
1. Digital Readiness	o Institutional capacity o Regulation and administrative bottlenecks o Efficiency and effectiveness o Data and analysis for monitoring and evaluation and policy reformulation o Establishment of the National Broadband Council o Rationalisation of SOCs	o An enabling regulatory and administrative environment that facilitates broadband rollout o Broader public interest preserved o Level playing fields with fair market conditions o Dedicated council to advise Minister on policy, planning and implementation o Autonomy, accountability and efficiency of regulator o Access, price and quality of broadband o Time and cost of network build approval o Degree of disruption due to network build o Environmental impact of network builds o Targets met o Coverage price	o Autonomy, accountability and efficiency of regulator o Access, price and quality of broadband o Time and cost of network build approval o Degree of disruption due to network build o Environmental impact of network builds o Targets met o Coverage price

Strategy Intervention	Aspects addressed by the strategy	Intended Outcomes	Indicators
2. Digital Development	o Pooling of public sector demand o Public sector networks o Open access to network regulation	o High capacity future-proof network capacity procured for key public sector broadband needs at more affordable rates o Government's on-going operational communications expenditure reduced through upfront capital expenditure o Risk of investment in network extensions for operators reduced through anchor tenancy	o Speed, quality and cost of network capacity at Government facilities o Speed of rollout and quality of service o Network reach and price of access o Increased investment by network operators o Take up of services in public sector, schools and clinics
3. Building the digital future	o Mechanisms for sharing of infrastructure o Coordination of infrastructure rollout o Enhanced use and licensing of spectrum	o Where competition is viable this will produce the best outcomes but infrastructure sharing and cooperation to be enabled on network builds to reduce cost o Economies of scale enabled in medium density and low income areas through government investment and guarantees in network extensions	o Network reach o Cost to communicate o Speed, quality and cost of network capacity o Speed of rollout o Increased investment by network operators o Improved penetration

Strategy Intervention	Aspects addressed by the strategy	Intended Outcomes	Indicators
4. Realising Digital opportunity	o Capability and capacity o R&D, innovation and entrepreneurship o Industry development o Local content and applications o	o Uptake and use enabled through institutional capacity and individual capability and institutional absorption o More equitable access to higher quality government services o Reduce pressure on scarce public sector facilities by moving resources online o The benefits of broadband in terms of economic growth and enhanced quality of life is realised through relevant content and applications o Promote growth through enabling economic infrastructure and associated industrial development	o Demand stimulation through: o Fund local content o Support apps to market o E-government services o ICT start-ups o Registration of ICT related patents o Increase demand side skills: ICT specialists, engineers, lawyers, economists o Number of PhDs in area of ICT o % of GDP spent on R&D o Increase demand-side skills: e-literacy campaign, ICT in school curriculum

The Minister of Telecommunications and Postal Services announced in his budget vote, 2015 the following eight (8) district municipalities as areas of focus over the next three years for the first phase of broadband rollout under the auspices of the South Africa Connect Policy. USAF will be aligning its activities around these municipalities in order to align to the South Africa Connect policy objectives and implementation plans.

Table 2: Underserved municipalities

District	Original number of sites to be connected (2015/16)	Revised number of sites to be connected (2015/16)
Dr Kenneth Kaunda (NW)	301	148
Gert Sibande (MP)	754	370
O.R. Tambo (EC)	1401	687
Pixley ka Seme (NC)	207	102
Thabo Mofutsanyane (FS)	689	338
Umgungundlovu (KZN)	709	348
Umzinyathi (KZN)	594	291
Vhembe (LP)	1148	563
TOTAL	**5803**	**2847**

The Accounting Authority of USAASA approved the National Strategy for Universal Service and Access which is the response to the NDP, SIP 15 and South Africa Connect, 2013 and also an integrated broadband model is also proposed which is depicted below:
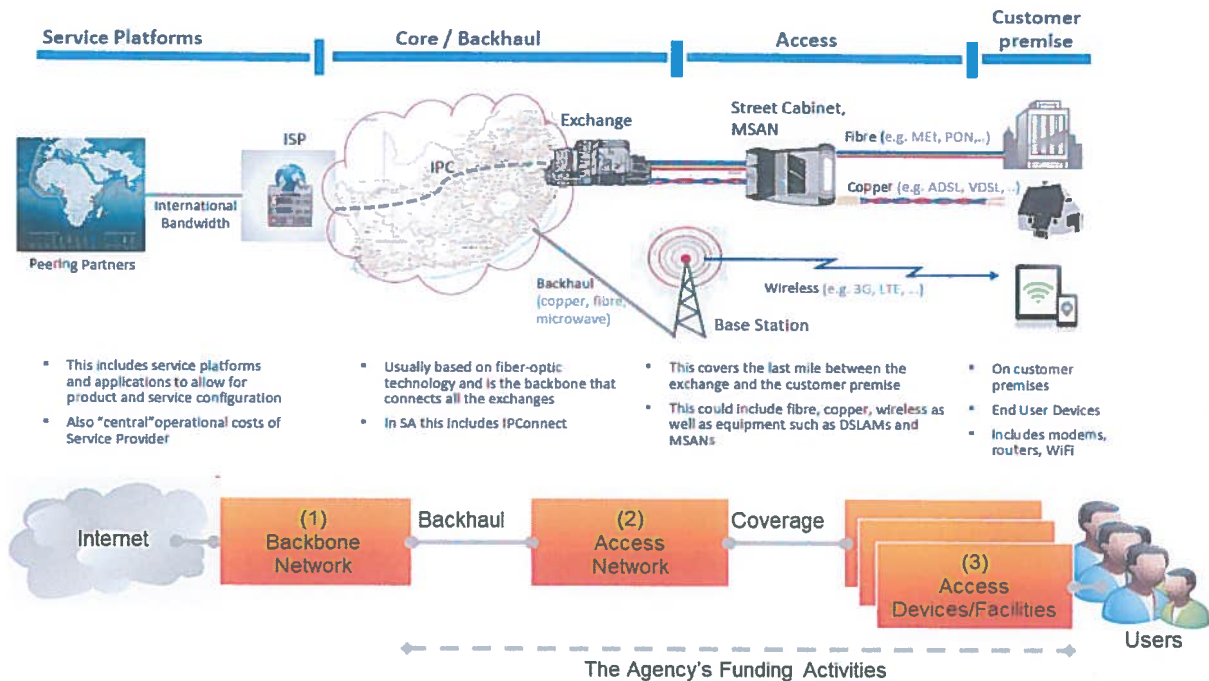
Figure 3: Integrated broadband model

The model is the most cost effective and sustainable broadband programme as it encourages both public and private sector participation on the rollout of broadband in under-serviced areas. The model has successfully been implemented in Msinga Local Municipality (KwaZulu-Natal); Emalahleni Local Municipality (Eastern Cape), Joe Morolong Municipality (Northern Cape), Ratlou (North West Province, Mutale Local Municipality (Vhembe District Municipality, Limpopo) and Chief Albert Luthuli Local Municipality (Gert Sibande District Municipality, Mpumalanga).

In the 2016/17 financial year, USAF focus will remain on the 8 District Municipalities announced by the Minister of Telecommunications and Postal Services as the first phase of implementing the National Health Insurance Pilot Phase. Broadband infrastructure and services are to be deployed in the underserviced parts of OR Tambo District Municipality in the Eastern Cape.

4.3.4   World Summit on Information Society (WSIS) Commitments

Many international conventions, commitments and policies affect universal service and access. One is the World Summit on Information Society (WSIS) commitments that South Africa has signed up to; and the other is the UN Convention on the Rights of Persons with Disabilities (UNCRPD), of which South Africa is a signatory. The WSIS commitments include:

1) to connect villages with ICTs and establish community access points;
2) to connect universities, colleges, secondary schools and primary schools with ICTs;
3) to connect scientific and research centres with ICTs;
4) to connect public libraries, cultural centres, museums, post offices and archives with ICTs;
5) to connect health centres and hospitals with ICTs;
6) to connect all local and central government departments and establish websites and email addresses;
7) to adapt all primary and secondary school curricula to meet the challenges of the Information Society, taking into account national circumstances;
8) to encourage the development of content and to put in place technical conditions in order to facilitate the presence and use of all world languages on the Internet;
9) to ensure that more than half the world's inhabitants have access to ICTs within their reach.

USAF has made great strides in assisting the country to meet these goals and recognises the importance of making the DTPS and other stakeholders aware of this. USAF also keeps cognisance of the value of its contribution to the UNCRPD goals as it is not unusual for Funds to be used to support persons with disabilities (PWD's). A number of countries have either used their USAFs for promoting access by PWD, or have permission in law, explicitly, to do so. These include:

- Australia
- France
- Ireland
- Italy
- Jamaica
- Kenya

- Lithuania
- Malaysia
- New Zealand
- Pakistan
- Poland
- Portugal
- Slovak Republic
- Slovenia
- Sweden
- **South Africa**
- Thailand
- United Kingdom
- United States

Globally, in an attempt to mainstream ICT access for PWD, the following specific recommendations have been made for Funds. It is suggested that they should engage in:

- Promoting accessible public access facilities;

- Subsidising accessible handsets and/or monthly subscriptions;

- The provision of relay services; the purchase of accessible and Assistive Technology (AT) tools;

- Funding customisation of basic AT tools, e.g. in local languages including text-to-speech, voice recognition, captioning applications and screen readers;

- Providing incentives for research and development (R&D) of AT tools e.g. development of speech-to-text engines in the official languages;

- Facilitating the training of persons with disabilities in using accessible ICTs;

- Facilitating the development of curricula and training of information technology professionals on mobile ICT accessibility; and

- Providing accessible set top boxes (incl. to persons with disabilities) to facilitate digital migration.

4.4 Relevant Court Rulings

No current or pending court rulings.

4.5 Universal Access and Universal Service Criteria

The table below provides an overview of the objectives of universal access and universal service. These objectives inform the design and development of a typical USAF project.

Table 3: Universal Access and Universal Service Objectives

Universal Access	Universal Service
Universal **access entails availability** of affordable, good quality and efficient telecommunications services, including good quality access to the Internet.	Universal **service entails the provision** of affordable and equitable telecommunications services to every individual or household on demand. The main objective is to achieve higher ICT penetration in both urban and rural areas.

Universal Access and Universal Service Objectives:

- Provide ICT services in un-served and underserved areas where operators are reluctant to operate, due to the uncertainty of recovering their investment. These services have to meet the following parameters:
    - **Affordability**: given that access to ICT services is classified as a human right, prices set up under universal services programmes must be at such a level that a large part of the population can afford them.
    - **Accessibility**: this refers to the geographic distribution of ICT services points of the presence which should be as close as possible to users, including people with disabilities.
    - **Availability**: users should have access to ICT services at any time.
    - **Sustainability**: the ICT points of presence build in line with a universal service/access objective should be managed and maintained so that their sustainability is ensured. This requires the adoption of a process of periodic reviews and adjustment mechanisms.
    - **Quality of service**: services provided under universal service/access programmes should have the same quality as those provided in more serviced zones.
- Reduce the digital divide between urban and rural areas and ensuring a more balanced distribution of ICT services to all the population.
- Promote the development of local ICT-based businesses and contribution to the expansion of ICT networks coverage.

- Stimulate the development of local private business communities by providing suitable communication tools to facilitate interaction and exchange of goods and services with remote business communities.

- Promote the use of ICT applications in social, cultural and economic oriented programmes to improve the standard of life on local communities particularly in rural areas:

  - **E-health**: Experience has shown that ICT applications can improve health care delivery, i.e. by facilitating remote consultation, diagnosis and treatment. ICT applications can also make possible the assistance/training of high-qualified physicians from major cities to rural health workers. In disease prevention or epidemic situation, ICT tools have proven their efficiency, the more common example being the dissemination of health messages by broadcasting media.

  - **E-Education and e-Learning**: ICT tools may improve the accessibility and quality of education, general/ICT literacy and life-long-learning by providing for remote access to up-to-date training methods and programmes. ICT can contribute effectively to reducing the geographical gap between urban and rural areas in education sector.

  - **E-Governance**: ICT can contribute to fostering empowerment and participation and making government processes more efficient and transparent by encouraging communication and information-sharing among people and organisations, and within government.

  - **E-Commerce**: e-Commerce can facilitate trade in goods and services including banking, procurement and marketing.

  Improving efficiency and accessibility to markets by rural people in their day-to-day economic and social activities like agriculture/animal husbandry, crafts, natural resources, self-employment, financial transactions and etc.

Source: TRASA, 2002 and ARICEA, 2004[1]
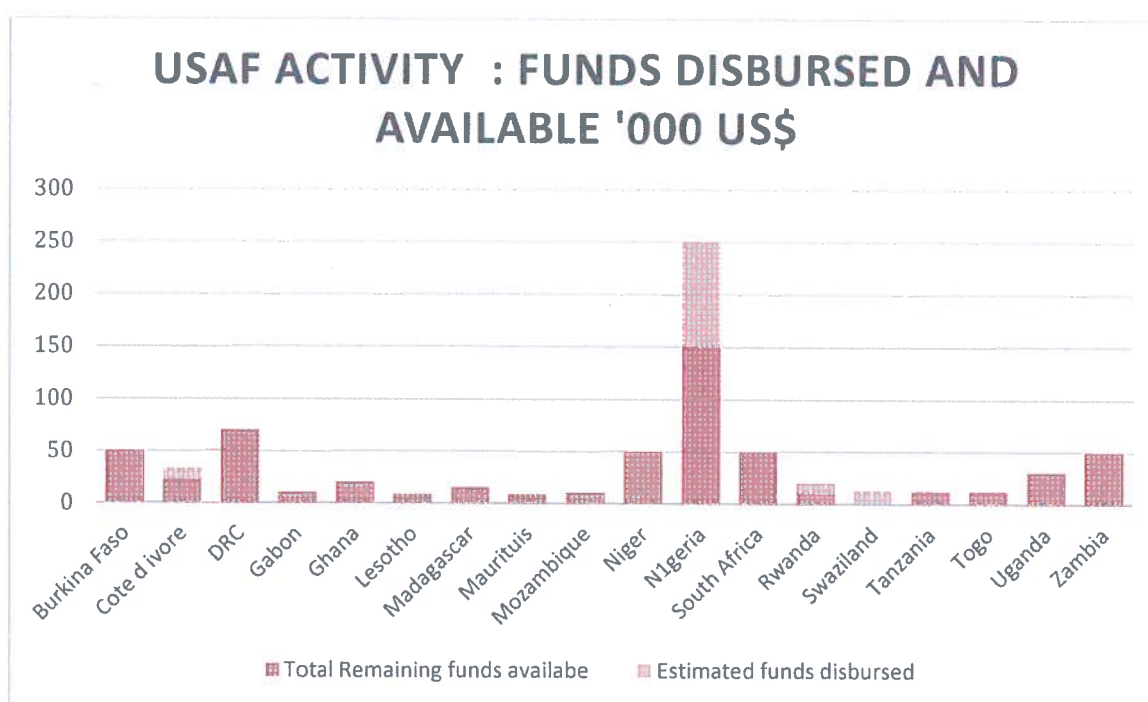
4.6 Situational Analysis

There are approximately 76 Universal Service and Access Funds (USAF) globally, of which approximately 25 such funds are in Africa. The USAF is but one means of financing universal service and access and is complemented by, amongst others private sector investment, direct subsidies from government, and recently, specific Broadband Funds.

The setting up of USAFs in Africa, followed a liberalisation continuum in most cases which included partially or totally privatising incumbent operators (57% of African countries) and introducing separate regulators (91% of all African countries) and encouraging competition across ICT markets – this is the norm across the continent, with only a few countries as exceptions.

Although 25 funds exist in law in Africa, not all are active. The 2014 Group Speciale Mobile Association (GSMA) survey of 23 African Funds found that:

- More than half (12 out of 23) of the funds apply a levy of 2% or more of operator revenues;
- All funds cover fixed line;
- 47% funds cover wireless services (globally about 42% of funds cover wireless);
- In terms of internet, 13 funds cover dial up internet;
- Only 6 cover broadband (globally about 34% of Funds cover broadband);
- 11 funds finance tele-centres or community centres in the region;
- 10 funds permit the financing of connections for people with disabilities;
- 8 funds cover "other services" such as connectivity of anchor institutions.

Based on an analysis of the 23 Funds, the graph below shows good cases of "Active Funds":

USAF ACTIVITY : FUNDS DISBURSED AND AVAILABLE '000 US$

Total Remaining funds availabe   Estimated funds disbursed

Source: GSMA Sub-Saharan Africa USF Report 2014

Figure 4: USAF Activity in Sub-Saharan Africa: Funds Disbursed and Available

Nigeria, Uganda, Cote D'Ivoire, Rwanda and Swaziland represent good practice in that the funds are:

- Active - they regularly disburse the monies collected and account for same; this is unlike many Funds which have gained a reputation for collecting money and either not disbursing it, or using it for other purposes (i.e. providing it to National Treasury for general government use).
- They have a focus on rural connectivity and/or broadband and have well designed and documented projects.

In considering 'modern' funds, it appears that most funds that now deal with broadband access, have increased the AAA approach of Affordability, Accessibility and Availability, that has underpinned universal access and service for decades, and have added Awareness and Ability. These last two "A's" are key for users to be able to use broadband and require that a holistic approach to broadband is taken, which includes consideration of the demand side and issues relating to uptake and usage – training, content, applications and language are amongst these issues. Whilst they have not traditionally been addressed by Funds, including USAF, these factors will affect the success of broadband deployment, uptake and usage.

4.7 Organisational Environment

4.7.1 Structure of the Organisation

USAF does not have human capital. All human resources supporting the Fund are resident in USAASA. Specifically, the Operations Division (formerly Business Development) of the Agency is responsible for project delivery of the Fund. All support and administration of the Fund is undertaken by USAASA employees. The Fund accounts solely for projects and infrastructure.

4.7.2 Financial Resources

Over the 5-year period of 2011/12 to 2015/16, USAF received total funding totalling R1, 9 Billion. This funding is appropriated by Parliament through the Department of Telecommunications and Postal Services. The budget allocation is for delivery of projects pertaining directly to the expansion of ICT services and access in under-served areas in South Africa.

Figure 5 below displays the USAF budget allocations over a 5-year period. The smallest budget during the entire period was allocated during financial year 2015/16, constituting 12% of the total 5-year allocation. The 2014/15 budget was the largest, at 44% of the R1, 9 billion. The large increase in the budget in 2014/15 was due to additional amount for the broadcasting digital migration project which was still underway during the period of developing the 2017-2021 USAF Strategic Plan.
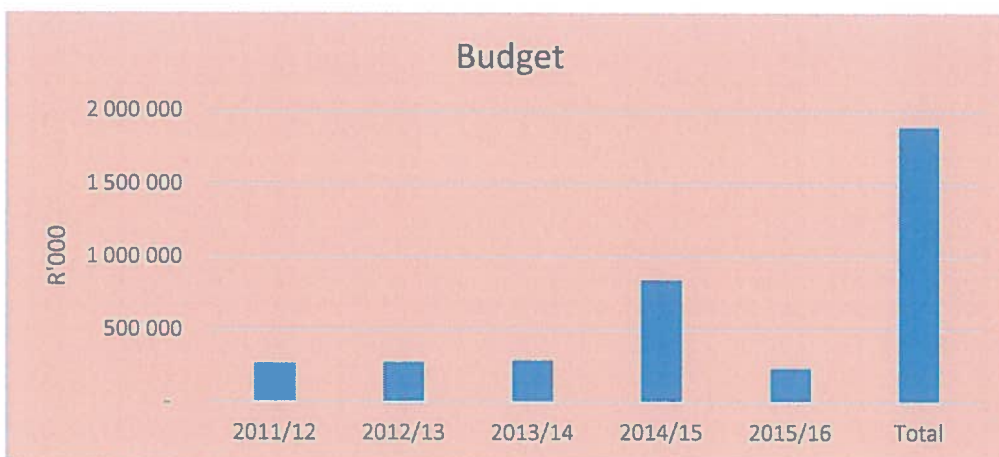

Figure 5   USAF's Five-Year Budget 2011/12 to 2015/16

Table 4: USAF budget allocation for the 2016/17 – 2018/19 three-year period

Description	2015/2016	2016/2017	2017/2018	2018/2019
Project cost	3 581	3 746	3 522	3 726
Broadband Infrastructure	30 937	32 634	34 527	36 529
Rapid deployment and connectivity	17 862	18 776	19 865	21 017
Broadcasting Digital Migration	181 160	589 384	272 098	287 880
Total	**233 540**	**644 540**	**330 012**	**349 153**

4.7.3 USAF 2016/17 – 2018/19 Expenditure Trends

The Fund's mandate is to make payments for subsidies towards the provision of ICT equipment or services, as well as the construction or extension of electronic communications and broadcasting networks for needy person in under serviced areas. The Fund is managed by USAASA and is financed by Parliamentary appropriations allocated through the DTPS.

Over the medium term USAF spending focus will be on the rolling out of broadcasting digital migration and the main cost drivers will be subsidising the provision of set-top boxes and antennas to identified tv-owing needy households, as well as the rollout of broadband infrastructure and provision of equipment to identified underserviced municipal areas (including educational institutions, ICT centres and primary healthcare facilities).

Table 5: Universal Service and Access Fund Resource Considerations

Universal Service and Access Fund Resource Considerations											
	Audited Outcome	Audited Outcome	Audited Outcome	Revised Estimate	Average Growth Rate (%)	Expenditure/ Total: Average (%)	Medium-term estimate			Average Growth Rate (%)	Expenditure/ Total: Average (%)
R thousand ('R 000')	2012/13	2013/14	2014/15	2015/16	2012/13 - 2015/16	2012/13 - 2015/16	2016/17	2017/18	2018/19	2015/16 - 2018/19	2015/16 - 2018/19
Administration	714	722	705	3 581	136%	1,4%	3 746	3 522	3 727	-0,1%	0,8%
Handover of existing access centres	559	2 985	3 257	-	114%	1,7%	-	-	-	-	-
Broadband infrastructure in under-serviced areas	-	9 823	36 833	30 937	86%	19,2%	32 634	34 527	36 529	5,8%	7,8%
E-connectivity	2 669	6 285	13 510	-	50%	5,6%	-	-	-	-	-
Rapid deployment of access centres	8 852	58 056	9 037	17 862	190%	23,2%	18 776	19 865	21 017	5,8%	4,5%
Development of standard operating manual and national strategy	2 710	3 557	-	-	-23%	1,6%	-	-	-	-	-
Broadcasting digital migration programme	-	-	9 664	181 160	592%	47,3%	589 384	272 098	287 880	-24,0%	86,8%
Total expense	15 504	81 428	73 006	233 540	212%	100,0%	644 540	330 012	349 153	-21,5%	100,0%

The table above depicts the USAF expenditure for the period 2012/13 – 2014/15, the estimated spending for the 2015/16 financial year, as well as the budget allocations for the Medium Term Expenditure Framework period of 2016/17 – 2018/19.

4.7.4 Internal Processes

The Universal Service and Access Fund is supported in the implementation of projects by the resources of the Universal Service and Access Agency of South Africa. All USAF human resources, supply chain management, financial and legal requirements are met by the Agency. The Fund operates according to strict project design, implementation, management and close out principles. A key delivery requirement of the organisation is performance reporting.

4.8 Description of the Strategic Planning Process

The USAF Board initiated its strategy formulation process to develop its 5-year strategic plan for the period 2017–2021 as well as the 2016-2017 annual performance plan for submission to the Department of Telecommunications and Postal Services (the DTPS) and presentation to the Parliamentary Portfolio Committee on Telecommunications and Postal Services.

This process was guided by a documented strategic process plan focusing on the following priorities applicable to USAF:

- A programme specifying the timeframes for the different planning phases;
- Appropriate mechanisms, processes and procedures for consultation and participation with the Executive Authority and other stakeholders in the Strategic Planning process;
- An indication of the USAF organisational arrangements for the Strategic Planning process;
- Policy and Legislative requirements.

USAF adopted an approach to formulate the five-year strategy that comprises the following major phases:

Phase 1: Analysis Phase

This phase focused on an assessment of the past organisational performance standards and challenges as well as the external and internal environment scan undertaken in order to identify the key issues and trends that are likely to influence or impact on the Fund over the next several years.

Phase 2: Strategies Phase

Phase 2 focused on formulating solutions to address the challenges identified during phase 1 of the planning process and revisiting the 5 - Year USAF Strategic Plan in order to:

- Assess the relevance of the USAF vision, mission and values and review these if found to be necessary;
- Refine the organisational strategic objectives, strategies and Key Performance Indicators (KPI's);
- Develop the 2016/17 Annual Performance Plans: set annual and quarterly targets for 2016/17 as well as annual performance targets for the 2017/18 and 2018/19 (outer years).

Phase 3: Projects Phase

Phase 3 involved the process of transforming the strategies into projects that inform the budget and development of the Annual Performance Plan.

Phase 4: Draft Plans

The draft USAF 2017-2021 strategic and 2016-2017 annual performance plans were formulated in phase 4 and submitted to the Executive Authority within the timeframes stipulated by National Treasury.

Phase 5: Approval Phase

Phase 5 focused on the approval of the final draft plans by the USAF board. These final draft Strategic Plans & Annual Performance Plans were approved for submission to Executive Authority by the National Treasury due date of 31 January 2016.

Phase 6: Cascading Plans to Divisional & Individual Levels

This final phase is important as it will ensure that divisional operational plans and individual performance agreements are concluded timeously (i.e. 4th quarter of 2015/16) and aligned to the strategic objectives outlined in the USAF strategic plan and annual performance plan.

5.   USAF Planned Projects

During the 2015/16 financial year, two (2) underserviced areas were identified for broadband rollout which was accomplished through USAF. The areas were Mutale Local Municipality (Vhembe District Municipality, Limpopo) and Chief Albert Luthuli Local Municipality (Gert Sibande District Municipality, Mpumalanga). The USAF Annual Performance Plan for 2016/2017 sets a target for the two (2) underserviced areas of OR Tambo District in the Eastern Cape to receive broadband services. This district forms part of the 8 National Health Insurance (NHI) priority districts defined by the Department of Telecommunications and Postal Services (DTPS). The eight districts are:

1. Dr. Kenneth Kaunda
2. Gert Sibande
3. OR Tambo
4. Pixley ka Seme
5. Thabo Mofutsanyane
6. Umgungundlovu
7. Umzinyathi
8. Vhembe

The recent research undertaken under the National Strategy on Universal Service and Access has rated the provinces in accordance with the identified ICT access gaps. The provinces are listed in their prioritised list as follows:

1. Eastern Cape
2. Limpopo
3. Free State
4. Mpumalanga
5. Kwazulu-Natal
6. Northern Cape
7. North West
8. Western Cape
9. Gauteng

The 8 NHI priority districts fall within the top 7 provinces, of which USAF has rolled out broadband infrastructure in 6 of the provinces. The 6 provinces where USAF has rolled out broadband infrastructure and services include:

1. Eastern Cape – Emalahleni (2013/14 with MTN)
2. Kwazulu-Natal – Msinga (2013/14 with MTN) – in an NHI priority district although not determined at the time
3. Northern Cape – Joe Morolong (2014/15 with iBurst/Galela)
4. North West – Ratlou (2014/15 with iBurst/Galela)
5. Limpopo – Mutale (2015/16 with MENG) – in line with NHI priority districts
6. Mpumalanga – Chief Albert Luthuli (2015/16 with MENG) – in line with NHI priority districts

Of all the 8 NHI priority districts, OR Tambo district in the Eastern Cape has the highest number of phase 2 sites, as can be seen in the diagram below.
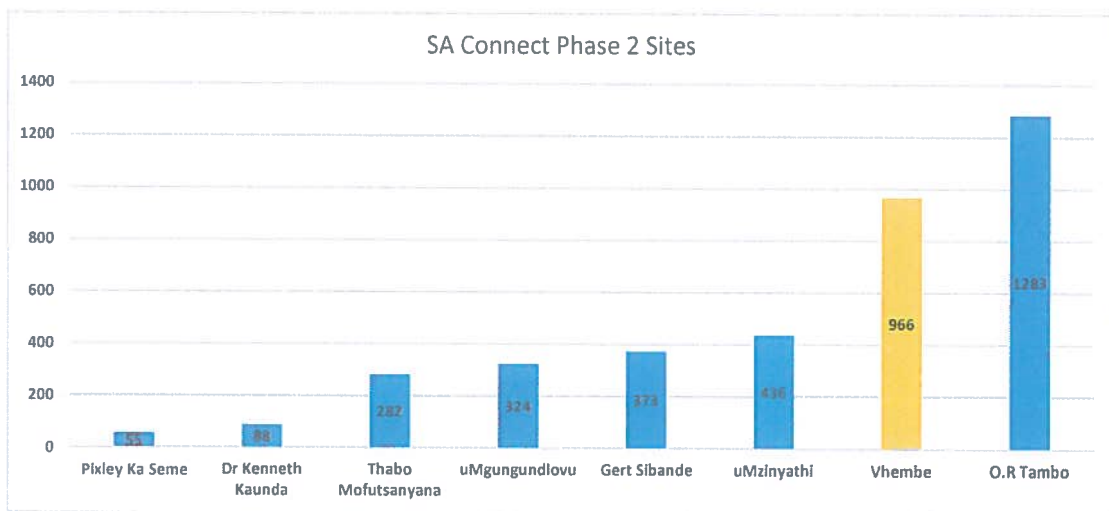

Figure 6: SA Connect Phase 2 Sites

In terms of the clinics, as connected by USAF vs SA Connect's phase 2 clinics, the following graph applies.
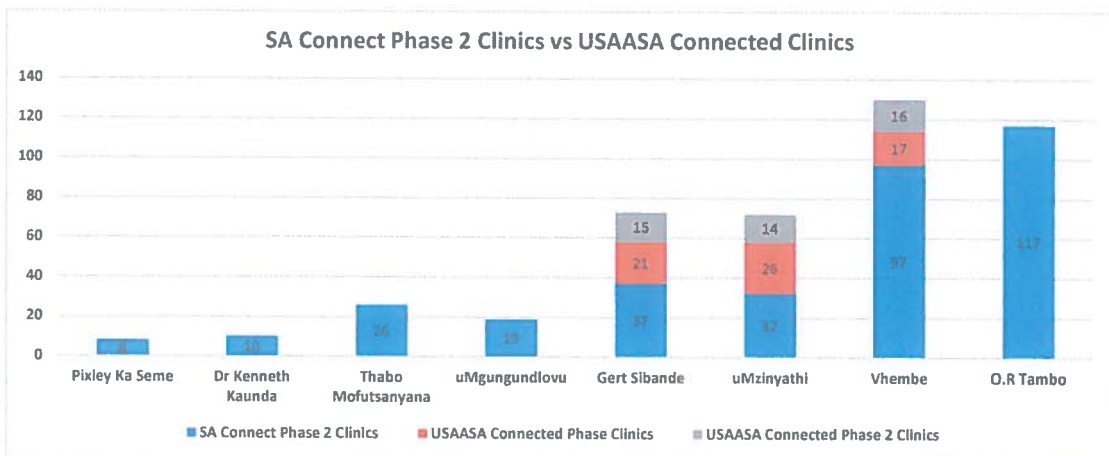

Figure 7: SA Connect Phase 2 vs USAF Connected Clinics

Free State is the only province where USAF has not funded the rollout of broadband infrastructure. However, the Free State Development Corporation (FDC) has recently awarded a tender to Vodacom and Vox to rollout broadband infrastructure across the province and connect all Government. This includes the NHI priority district of Thabo Mofutsanyana. It would therefore be duplication of resources for USAF to fund a project in the Thabo Mofutsanyana district at this stage.

The 2016/17 USAF target for deploying broadband infrastructure in the two underserviced local municipalities of Mhlontlo and King Sabata Dalindyebo in the OR Tambo District of the Eastern Cape has been set with the aim of ensuring wider broadband coverage in the NHI district municipalities.

5.1 Selection Criteria for the Local Municipalities

The SA Connect project by the DTPS, which the President announced (as part of the State of the Nation Address 2015) to implemented by Telkom, is made up of two phases. Phase 1 includes providing connectivity to Government sites that are close to Telkom's fibre network and will be covered in a relatively short space of time. Phase 2 includes those sites that will require new infrastructure to be deployed in order to ensure their coverage.

Mhlontlo Local Municipality

Mhlontlo Local Municipality comprises the magisterial areas of Qumbu and Tsolo. It is bounded to the south by the King Sabata Dalindyebo Local Municipality; to the east by the Nyandeni Local Municipality; and to the north by the Mzimvubu Local Municipality. The surface area of the municipality is 2 826 km2, with a population of 188 226 persons in 2011, which translates to a population density of 66.6 persons per km2.

Table 6: Internet Access Levels – Mhlontlo Local Municipality

Access to Internet	
From Home	1,1%
From Cellphone	13%
From Work	0,9%
From Elsewhere	2%
No Access	83,2%

King Sabata Dalindyebo Local Municipality

King Sabata Dalindyebo Local Municipality comprises two magisterial areas, viz. Mthatha and Mqanduli and their surrounding rural areas. The municipality is largely rural in character with the urban areas concentrated around the towns. It is 3 028 km2 in extent and had a population of 444 832 persons in 2007, which rose to 451 710 in 2011. The number of households in 2007 was 93 382, and this increased to 95 382 in 2011. The major economic activities in the municipality are forestry and agriculture, although agriculture is of more of a subsistence nature.

Table 7: Internet Access Levels – King Sabata Dalindyebo Local Municipality

Access to Internet	
From Home	2,8%
From Cellphone	15,6%
From Work	2,9%
From Elsewhere	3,6%
No Access	75,1%

To ensure maximum impact in the identified NHI districts, the 2016/17 broadband projects will focus on the OR Tambo District municipality and rollout municipal projects in this district to ensure enhanced broadband coverage. The figure below depicts the entire district.

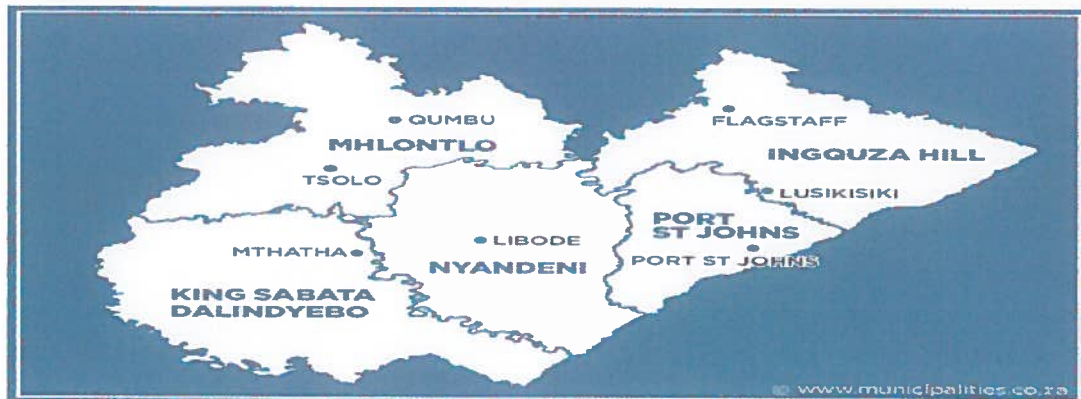**Figure 8: OR Tambo District**

Based on the number of SA Connect's phase 2 sites, there will be a much greater impact made by USAF in covering the OR Tambo district. Beyond the government connectivity, the Agency should also find means of subsidising some free citizen Wi-Fi through the Fund, which has proven itself to be of high demand in the areas where the broadband projects have been implemented.

Part B: Risk Management

Risks	Mitigation Plan	Timeframes
Inability to deliver on the USAF mandate due to inadequate relevant technical skills pool	Expediting the finalisation of the organisational development process in order to ensure the organisational structure fully supports the USAF mandate	2016/17 Financial year
Inadequate availability of funding to facilitate the rollout of integrated broadband infrastructure in identified under-serviced areas by 2021	Engage National Treasury, DTPS, ICASA and other relevant stakeholders in order to drive the process of increasing the current 0.2% levy to 1%	2016/17 Financial year
Low uptake and usage of the digital broadcast services	USAASA to engage the Department of Communications in order to facilitate a public relations strategy and campaign with the purpose of enhancing public awareness around the DTT project	2016/17 Financial year
This directly impacts on the Agency's delivery targets as the delivery of Set-Top boxes is to be guided and or influenced by uptake levels		
Negative stakeholder perceptions and their impact on business imperatives	Vigorous and continuous campaigns targeting key stakeholders to share the USAF successes and to ensure stakeholders support the vision of the Fund	This is to remain a focus area for the entire MTSF period of 2016/17 - 2020/21

Risks	Mitigation Plan	Timeframes
Inability to ensure affordable connectivity services	Implement the e-rate charges. This will ensure that the cost and efficiency benefits as regulated are reaped by the Agency and thus allowing it to connect more educational institutions and primary healthcare facilities	2016/17 Financial year
	A discount of a minimum of 50% is applicable for: Any connectivity charges for access to the internet, charges for any electronic communications facilities used for or in connection with connectivity to the internet; and all call charges for access to the internet	

Part C: USAF Strategic Objectives and Annual Targets

Broadband

Strategic Goal	Current under-serviced areas connected through affordable, available, sustainable and qualitative broadband.				
Strategic Objective	To provide access to ICT services in 6 identified under-serviced areas by 2021 as part of implementing the South Africa Connect digital development strategic pillar in support of the National Development Plan.				
Objective Statement	To facilitate the rollout of integrated broadband infrastructure in 6 identified under-serviced areas by 2021 for purposes of ensuring availability of broadband network.				
Baseline	Broadband project initiated and completed in 02 underserviced areas during the 2015/16 financial year.				
Performance Indicator	*Performance Targets				
	2016/17	2017/18	2018/19	2019/2020	2020/2021
Accessible broadband network coverage in identified underserviced areas	02 under-serviced local municipality broadband projects initiated & completed in OR Tambo District Municipality in the Eastern Cape	01 under-serviced local municipality broadband project initiated & completed	01 under-serviced local municipality broadband project initiated & completed	01 under-serviced local municipality broadband project initiated & completed	01 under-serviced local municipality broadband project initiated & completed

* No year-on-year continuous performance improvement due to funding constraints.

Rapid Deployment and Maintenance

Strategic Goal	Innovative ICT offerings that respond to the needs of education, primary health care and government institutions in under-serviced areas provided.
Strategic Objective	To facilitate the broadband connectivity of educational institutions, primary health care facilities and government institutions by 2021 in compliance with Section 88 of the Electronic Communications Act.
Objective Statement	Subsidise provision of broadband connectivity to educational institutions, primary health care facilities and government institutions by 2021.
Baseline	Broadband network connectivity maintained in 127 schools, 93 clinics and 38 traditional ICT centres.

Performance Indicator	**Performance Targets**				
	2016/17	***2017/18**	***2018/19**	***2019/2020**	***2020/2021**
Number of existing broadband network connections maintained in educational institutions, primary health care facilities and traditional ICT centres	Maintain broadband network connectivity in 127 schools, 93 clinics and 38 traditional ICT centres	Maintain broadband network connectivity in 128 educational institutions, 93 clinics and 38 traditional ICT centres in compliance with Section 88 of the Electronic Communications Act	Maintain broadband network connectivity in 129 educational institutions, 93 clinics and 38 traditional ICT centres in compliance with Section 88 of the Electronic Communications Act	Maintain broadband network connectivity in 130 educational institutions, 93 clinics and 38 traditional ICT centres in compliance with Section 88 of the Electronic Communications Act	Maintain broadband network connectivity in 131 educational institutions, 93 clinics and 38 traditional ICT centres in compliance with Section 88 of the Electronic Communications Act

*Targets based on CPI incremental estimates and the assumption that no access facility will be disconnected during the 24-month contract duration

Broadcasting Digital Migration

Strategic Goal	Digital access to TV provided to 5.2 million needy households.
Strategic Objective	To subsidise digital television access equipment for qualifying TV-owning needy households by 2021.
Objective Statement	To procure 1 831 779 Set-Top Boxes & antennas from local manufacturers for provision to qualifying needy TV-owning households in terms of the Scheme of Ownership framework by 2021.
Baseline	1.4 million Set-Top Boxes & related accessories procured during the 2015/16 financial year (value high as a consequence of rollovers from previous years)

Performance Indicator	**Performance Targets**				
	2016/17	**2017/18**	**2018/19**	**2019/2020**	**2020/2021**
Number of set-top boxes & antennas procured and installed for qualifying needy TV-owning households	*58 460 set-Top Boxes & related accessories procured and installed for qualifying needy TV-owning households	*181 399 set-Top Boxes & related accessories procured and installed for qualifying needy TV-owning households	*191 920 set-Top Boxes & related accessories procured and installed for qualifying needy TV-owning households	No Planned activities: no funding allocation	No Planned activities: no funding allocation

* Calculation of the number of set-top boxes has taken the rand value CPI adjustment into consideration.

Part D: Links to other Plans

6.   Links to the Long-term Infrastructure and other Capital Plans

Ideally, the 2016/2017 targets presented herein should be in preparation for a larger deployment as informed by the National Strategy on Universal Service and Access. Unfortunately, due to funding constraints, the mass deployment of infrastructure cannot be planned for as additional funds are yet to be allocated against the identified access gaps. This invariably poses a risk to the country's 2020 goals and ultimately to the National Development Plan.

The project – delivery scope of the Fund is influenced by the following plans amongst others:

1. National Development Plan

2. The National Growth Path

3. The Broadband Policy (SA Connect)

4. The Presidential Infrastructure Coordinating Commission (SIP 15)

7.   Conditional Grants

USAF does not have any conditional grants on which to report.

8.   Public-Private Partnerships

USAF has not engaged in any Public Private Partnerships.

Annexure: Indicator Profiles

Broadband

Indicator title	Accessible broadband network coverage in identified underserviced areas
Short definition	USAF to facilitate the availability of broadband infrastructure in the 2 identified underserviced areas of OR Tambo District Municipality
Purpose/importance	To ensure that the identified underserviced areas of OR Tambo District Municipality are able to have access to local and international markets, which has been known to have a positive impact on economic growth
Source/collection of data	Progress and verification reports on broadband rollout in 2 identified underserviced areas of OR Tambo District Municipality
Method of calculation	Not applicable
Data limitations	None
Type of indicator	Outcome based
Calculation type	Not applicable
Reporting cycle	Quarterly
New indicator	No
Desired performance	Key government institutions within the 2 identified local municipal areas of the OR Tambo District Municipality connected to deployed networks
Indicator responsibility	Executive Manager: Operations

Rapid Deployment and Maintenance

Indicator title	Number of existing broadband network connections maintained in educational institutions, primary health care facilities and traditional ICT centres
Short definition	USAF to facilitate the availability of broadband connectivity to educational institutions, primary health care facilities and traditional ICT centres
Purpose/importance	To ensure that identified educational institutions, primary health care facilities and traditional ICT centres in underserviced areas are able to access broadband connectivity. Network connectivity is maintained through the USAF for an initial period of 24-months, after this period the relevant government department (e.g. Department of Education for schools) should then take over this responsibility.
Source/collection of data	Broadband usage reports for identified educational institutions, primary health care facilities and traditional ICT centres in underserviced areas
Method of calculation	Simple count
Data limitations	None
Type of indicator	Outcome based
Calculation type	Cumulative
Reporting cycle	Quarterly
New indicator	No
Desired performance	Identified educational institutions, primary health care facilities and traditional ICT centres within the identified underserviced municipal areas connected to deployed broadband networks
Indicator responsibility	Executive Manager: Operations

Broadcasting Digital Migration

Indicator title	Number of set-top boxes & antennas procured and installed for qualifying needy TV-owning households
Short definition	USAF has been assigned the responsibility to procure set – top boxes & antennas for distribution to identified TV - owning needy households
Purpose/importance	To subsidise identified TV - owning needy households for purposes of ensuring access to quality broadcasting services (digital access to TV)
Source/collection of data	Procurement and installation records for set-top-boxes and antennas
Method of calculation	Simple count
Data limitations	None
Type of indicator	Output
Calculation type	Cumulative
Reporting cycle	Quarterly
New indicator	No
Desired performance	Digital access to TV provided to 58 460 needy households in the 2016-2017 financial year
Indicator responsibility	Executive Manager: Operations