COMMON MARKET FOR EASTERN AND SOUTHERN AFRICA

ASSOCIATION OF REGULATORS OF INFORMATION AND COMMUNICATIONS FOR EASTERN AND SOUTHERN AFRICA

POLICY GUIDELINES ON UNIVERSAL SERVICE/ACCESS

August 2004

FOREWORD

Over the past decade much focus has been placed on bringing the perceived benefits of ICT's into economically disadvantaged areas, particularly those located outside urban areas. The ICT service penetration in our countries in sub-Saharan Africa is still low compared to other countries outside Africa. The ICT services mainly concentrate in urban areas resulting into a huge digital gap between rural and urban areas.

A national universal service policy guideline is required to address the divide between rural and urban areas. The objective of this policy is to expand and sustain availability of ICT services at affordable prices in rural areas and other areas of low income using the concept of a Universal Access Fund (UAF). By so doing, most of the communities will be connected to the ICT networks and benefit from the cultural cohesion to promote economic development and encourage more balanced distribution of people and eliminate disparities between rural and urban areas.

The provision of universal access requires the intervention of the regulator and all ICT stakeholders in the sector and therefore calls for public-private partnership. This document will facilitate development of universal access policy guidelines, which will help bridge the digital gap between rural and urban areas.

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1. Introduction

The mission of COMESA is to achieve the creation of a regional integrated market of goods and services, where people move freely to exercise their skills and abilities in producing, buying or selling goods and services of quality at competitive prices, and supported by enabling transport and communication conditions.

There is a general consensus that information and communications technologies (ICT) as enablers can have a dramatic impact on achieving specific social and economic development goals when used in the right way and for the right purposes.

In the COMESA region, however, despite efforts to move forward in improving information and communication infrastructure and services, there remains a wide gap between the capacity available and the enormous demand from the population, which is currently unable to access ICT services.

While the ability to exchange information is offering a great potential for radical improvements in all socio-economic sectors of human activities, the challenge now is how to address the issue of extending ICT infrastructure/services, to unserved or under-deserved areas which constitute a large portion of COMESA countries.

The common ICT policy for COMESA, which was adopted in March 2003, will be the foundation for initiatives aimed at increasing the availability and the accessibility of ICT services, whilst ensuring universal access to those services. The common policy is a set of principles and strategies for ICT development and applications.

The guidelines set out in this document are an elaboration of those principles and strategies for use by regulators, operators and other players in promoting universal service/access to ICT services.

2. Universal Service

The concept of universal service emanated from the desire to bring telephone service within easy reach of the customer. This was designed to connect every household to the telephone network. The converged information and communications technologies can now deliver a wide variety of services, like voice, Internet, television, radio, fax, data, etc.

The universal services should therefore be available and accessible to the customers at the access points and the types of services delivered to the premises should be in response to the customer demands. This will ensure widely distributed services at affordable costs instead of forcing the customer to pay for unwanted services.

Thus universal service policy should seek to expand the availability of access points with capacity to deliver services in response to expressed demand of the individual customer or household.

The more common basic components of universal service are affordability, availability of and access to ICT services.

For COMESA region, Universal service should be addressed by promoting and maintaining availability at affordable price of an ICT point of presence within the shortest possible walking distance from everywhere.

3. Universal Access

Two concepts may be considered under the universal access issue. Firstly, universal access may be understood as access to a medium of communication, such as telephone, fax or email. Secondly, it may

also be addressed as access to information with regard to various contents accessible through Internet or other computer networks based applications.

In this era of convergence of technologies, and the trend towards information based economies, the challenge is how to make universal access a reality for least developed countries, by providing access by everyone and from everywhere.

Access without ability to use would not have added value. Appropriate initiation programs on the use of ICT services (e.g. computer literacy) must accompany all other initiatives aiming to achieve universal access objectives.

Furthermore, access also entails existence of content relevant to the user including language especially in broadcasting and internet. Initiatives and programs to promote the development of local and adapted content would therefore enhance value addition to access.

Universal Access may also be understood as a transitional step toward achieving Universal Service. Universal Access therefore aims to increase access to ICT services on a community-wide level through a balanced geographic distribution of points of presence for ICT services that are offered.

Universal Access may be provided through multipurpose tele-centres, community telephone centres, community Internet access terminals, public phone booths, cyber café, phone shop, etc.

4. Universal Service and Universal Access Objectives

The aims of universal access/service are to:

4.1. Provide ICT services in unserved 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:

a) **Affordability:** given that access to ICT services is classified as a human right, prices set up under universal service programs must be at such a level that a large part of the population can afford them.

b) **Accessibility:** this refers to the geographic distribution of ICT service points of presence which should be as close as possible to users, including people with disabilities.

c) **Availability**: users should have access to ICT services at any time

d) **Sustainability**: the ICT points of presence built 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.

e) **Quality of service**: services provided under universal service/access programs should have the same quality as those provided in more serviced zones.

4.2. Reduce the digital divide between urban and rural areas and ensuring a more balanced distribution of ICT services to all the population

4.3. Promote the development of local ICT-based businesses and contribution to the expansion of ICT networks coverage.

4.4. 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. The local business communities that exchanges goods and services with remote areas may be interested to investing in local ICT point of presence so that their businesses can be optimised and improved by lowering the costs of service delivery made possible by communications.

4.5. Promote the use of ICT applications in social, cultural and economic oriented programs to improve the standard of life of local communities particularly in rural areas:

a) **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.

b) 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 programs. ICT can contribute effectively to reducing the geographical gap between urban and rural areas in education sector.

c) **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.

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

In addition it can be used to assist in improving the 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.

5. Universal Service/Access Policy

The principles of Universal Service/Access are to be understood as a set of means to promote access to ICT services by everyone, in a general context of lack of funds from governments or state owned ICT enterprises to deploy necessary investments.

The Policy should:

5.1 Ensure the protection of small and medium ICT enterprises against predatory practices of major operators.

5.2 Consider the local conditions, risks and limitations in defining strategies (relief, geographical and environmental constraints).

5.3 Define mechanisms adapted to local circumstances and avoiding mere replicating of solutions applied somewhere else.

5.4. Define funding mechanisms including local participation, ICT operators, other economic sectors, governments and international sponsors, etc.

5.5. Encourage the promotion of specific solutions for access by disadvantaged people and people with disabilities to ICT services.

5.6. Promote capacity building programs aiming to create incentives for enterprises based on ICT applications.

5.7. Prioritise the need to coordinate and align efforts undertaken by all actors involved, at local, national, regional and international levels.

6. Universal Services/Access Strategies

The framework consists of the following interrelated areas for strategic intervention:

6.1. Create Proactive Universal Service/Universal Access Framework.

The Strategies should:

a) promote the adoption of measures such as suppression of duties and tax on ICT equipment (telephone sets, Computers, TV receivers, …) in the promotion of universal service/access

b) encourage the market entry for small and medium ICT enterprises;

c) encourage local loop unbundling to facilitate the distribution of new ICT based services/applications

d) promote competition in such a way as to foster universal access/service.

e) Ensure monitoring of the achievement of universal access/service objectives through an ongoing review process;

f) facilitate arrangements with financial institutions dealing with rural development programs low interest loans/micro credits for small ICT businesses in unserved or underserved areas. Some development programs in rural areas include arrangements for micro credits for start-up funds for small farming activities or agricultural co-operatives. Similar arrangements should be made for ICT operations in unserved and underserved areas.

6.2. Infrastructure

Infrastructure is a pre-requisite for access to ICT services and applications. The regulator should:

a) encourage any initiative to extend, upgrade and expand capacity and reach of existing infrastructure in a given area to non served zones under universal access/service projects, including initiatives by local private businessmen or communities.

b) contribute to identifying affordable access devices adapted to the local environment, e.g. to be used by the public in multipurpose ICT centres.

6.3. Content and Applications

a) The development of local content and applications (i.e. accessible through broadcasting or web casting) should be encouraged. Relevant local content of various sectors (audio-visual documents on local and national culture; information on modern farming methodologies, creation of a small business, specific health programs; etc) could generate usage and additional revenue sources for multipurpose telecentres, as well as significant social benefits for the country.

b) The elaboration of content in national or native languages should be encouraged. Accessibility and availability of content in unknown languages would have no interest for local populations.

6.4. Specific Regulatory Interventions

a) assess the implementation of Universal Service/Access programs and take necessary actions and adjustments without delays;

b) ensure consumer participation in defining their needs and direct or indirect contributions (provide local material for plinth of tower or to build shelter, for security of infrastructure)

c) introduce financial incentives where applicable

6.5. Balance Consumer and ICT Operator/ Provider Interests

a) ensure that services are made available and their supply is accepted as valuable to both operators and consumers.

b) Promote cost-based methodology and tariff re-balancing mechanisms that could impact positively on the enhancement of universal access/service programs.

6.6. Skill enhancement

All development efforts of ICT services need human resources with necessary skills to implement them. For universal access/service areas, the regulator should:

a) assist in co-ordination of government programs of increasing awareness of the use of ICT services and applications. This implies undertaking training and informative programs with the aim of showing how ICT services can contribute to facilitating the day-to-day life of rural communities. Such programs could stimulate the development of the local demand and the local development of ICT services and applications.

b) contribute to promoting local entrepreneurial and managerial capabilities by providing basic skills to managers or potential managers of local ICT enterprises to ensure sustainability of service provision.

c) encourage building a start up mass of knowledge on ICT in focal points such as administrative, educational, clinics and religious centres in rural areas.

6.7. Schools and libraries

Special arrangements for specific provision of access to ICT services/applications for schools and libraries should be given a high priority under universal access/service programs.

6.8. Funding strategies

In developing countries, the concept of Universal Access/Service is to be addressed in the framework of lack of funds needed to meet the required investments. The objectives should be limited to the goal of ensuring progressive access to all basic ICT services to the population.

Currently, the most common practice in developing countries is to impose a levy on ICT services suppliers. However, particular attention has to be drawn to the need to balance the level of universal service/access levy. When imposed on ICT services suppliers, this levy is passed on to users in addition to applicable tariffs, which is the opposite of the principle of affordability which would require maintaining tariffs at a lower level.

Strategies made of various combinations of funding solutions providing enough flexibility are preferable.

6.8.1. Creation of Universal Service/Access Fund

Universal service/access fund may be constituted through contributions from various sources including government allocations, licensing fees, auctions, proceeds from privatisation, ICT operators, sponsors from local enterprises, cooperating partners, etc.

6. 8.2. Contribution by ICT Operators

ICT operators/providers may contribute to the universal access/service from their internal resources.

6.8.3. Private Sector Resources

The private sector may contribute to the Fund in form of grants, donation, etc.

This is more appropriate for promoting the expansion of access to new services (e.g. Internet and its applications, Mobile operators) rather than support of existing services

6.8.4. Rural Development Funds Support

Governments and NGOs should contribute to the achievement of universal access/service objectives by including local needs for basic ICT infrastructure development in their rural development programs. This supposes the establishment of a proactive framework for private ownership, licensing, interconnection, etc.

6.8.5. Contributions from other Economic Entities

This concept assumes that enterprises foresee some particular interests from the existence of an ICT service in a given zone. Such enterprises should contribute significantly to improving local ICT services so that they should run their businesses in better conditions.

6.8.6. Contributions from International Organisations

Many voices have been raised in order to increase the awareness of all the international community to the need to reduce the digital divide that exists throughout the world. A number of initiatives have already been undertaken by some international institutions such as the World Bank, the European Commission, InfoDev, cooperating partners on a bilateral basis (ex. Ministry of Cooperation and Economic Development of Germany; General Administration of Cooperation and Development – Belgium; CIDA; DANIDA; etc). The main requirements of these partners focus on the clarity of the requests for assistance and the need to ensure that the objectives will be met.

Regulators should encourage this source of contributions to universal service/access through the fulfilment of their facilitative role.

6.8.7. Management of the Universal service/Access Fund

The critical issue in managing such a fund is to create certainty and confidence in the framework so that all stakeholders may believe in and support the process. Information on how the fund is used should be made available to the public.

When applicable, civil society should play a key role by helping in the selection process of programs targeting specific development goals and priorities.

International experience recommends the setting up of an independent unit to manage the universal access/service fund. In COMESA region, this role should be played by the regulatory authority bodies that have the responsibility of guiding ICT market reforms and development. The USF can also be managed by a regulatory agency which is the best practice in developed countries.

The following should be observed when using the universal access/service fund.

1) Neutrality – all operators, incumbent or new entrants should be considered on the same basis regardless of the technologies used.
2) Clear targets – it is imperative to define clearly the zones to be covered under a determined period of time (e.g. unnerved rural areas, educational sectors, health centres, etc).
3) Selection process - Competitive bidding process should be used to select an operator to be given the mandate to implement universal service/access project under universal access/service fund.
4) Transparency – all activities related to the collection and the use of the universal access/service fund should be carried out transparently.

The appendix III gives more details on the organisation of a universal service/access management unit.

6.9. Operational/Commercial Sustainability (i.e. beyond subsidy)

While each program/project and Universal Fund disbursement will require slightly different approach depending on the country and environment, best practices in policy, regulatory and financial mechanisms as well as development/business partnerships will enhance sustainable growth from the developmental stage requiring subsidy to the self/commercial sustainability stage. An example of some activities and/or steps worth consideration for promoting through Access funds 'smart subsidy' are:

6.10.1. Rural public call offices (PCOs): Support the required next step of public access development, commencing at the most basic level by facilitating rural PCOs businesses and networks.

6.10.2. Networks for rural 'Intermediate' agencies: Enable and promote the implementation of computer networks and other ICT needs by 'intermediate agencies' – i.e. NGOs, micro-credit, local government and social infrastructure agencies that have direct activities in rural areas.

6.10.3. Regional 'next level' Internet points of presence (POPs): Establishment or expansion of internet POPs and local dial-up into the 'next down' level (e.g. district centres) from where 'intermediate agencies' with active rural programs/projects, social infrastructure institutions and vanguard schools, health centres and etc will be able to gain access to the internet and other ICT networks with good capacity and quality (e.g. high speed wireless) and/or local dial-up.

6.10.4. Small-scale info-kiosks and telecentres: Facilitate through small business matching grants grants or loans and provision of business plans into the next stage of ICT service provision, to become info-kiosks or mini telecentres.

6.10.5. Investment (cybercafe') development (Donor) Partnership: Leverage 'smart subsidies' and grants or soft loans so as to maximise existing potential for privately owned and operated telecentres (cybercafe's) to expand their activities into training, capacity building and rural outreach through partnerships with development/donor agencies (local and foreign) underwriting their demand and that of their clients for these services, rather than establishing their own telecentres or networks. The same approach can be adapted to suit the growth/ expansion of a publicly owned and/or operated telecentres.

7. Implementation of Universal Service/Access Programs

The implementation of universal access/service programs involves the following phases:

7.1. Preliminaries tasks

7.1.1. Clear identification and assessment of the needs of each individual locality.

7.1.2. Segmentation of each individual project in sub-projects to be implemented in phases with regards to available funds.

7.1.3. Synthesis per phase of all sites concerned.

7.1.4. Global synthesis for the whole project.

7.2. Fund Collecting Process

7.2.1. Depending on the option (s) chosen, this may take more or less period of time. It is essential to highlight that a bidding process coupled with the universal access/service fund option would most likely be the most manageable process.

7.3. Designation of the operator or agency for execution and determination of priorities with regards to available funds

Traditionally, the ICT universal service/access programs were implemented by the incumbent operators. With the advent of many players on the ICT market, made possible by liberalisation and new technologies, appeared many other operators able to provide the same services, and sometimes on better conditions.

Experience has shown that a bidding process is likely to be the more balanced mechanism to ensure compliance with the principle of non-discrimination and transparency.

The bidding process makes possible the selection of an operator which

a) offers to cover a wider area than others for the same amount and within a given time frame; or

b) offers to cover a determined zone for less subventions than others within a given time frame.

With this approach, it should be possible to reduce the costs of implementing ICT programs in transparent manner and the process of review is easy to manage.

7.4. Execution

It is crucial to know the time frame within which each phase of implementation of a universal access/service project will be completed so that corrective or other eventual adjustment actions can be undertaken in time by all parties involved.

7.5. Assessment and review of accomplishments and/or or continuing fund collection process

The process of assessment and review should be defined in advance and published.

GLOSSARY OF TERMS

Customer- a person who receives and pays for a ICT service over a period of time under an agreement with or pursuant to terms and conditions established by the operator with approval of the National Regulatory a notional point identified as a point of interconnection Authority.

Data communications - transmission of information usually between computers.

Dominant operator - a regulatory classification of an ICT operator that has the largest market share in a given market segment or that is otherwise able to exercise market power in the same or other market segments.

Harmonization - the dynamic process of establishing mutually complementary policies, legislation, rules, standards, practices or systems between member states on the basis of agreed minimum requirements.

Incumbent operator - the existing operator in a market which is opened to competition.

Interconnection -the physical and logical connection of two operators' networks thereby allowing customers of one system to connect with customers of the other, or to access services provided from the other system.

Non-discrimination - a condition by which an operator, engaged in the provision of ICT services, shall not apply less favourable technical and commercial conditions on any competitor than what it would apply to itself, its subsidiaries or its affiliates in delivery of services.

Regulatory Authority - an agency empowered to regulate and monitor the activities of ICT operators or any other info-communications providers in the public interest.

Operator - a person that operates ICT facilities.

Tariffs - any charges raised by an Operator for ICT service(s).

Telecommunications - any domestic or international transmission of information by wire, radio waves, optical media or other electromagnetic systems, between or among points of the user's choosing.

ICT Infrastructure or Network - an integrated system of facilities, which comprise the facilities, used to provide one or more info-communications services.

Transparency - requires that a policy maker or a regulatory authority must exercise its responsibilities and an operator/service provider must conduct its business in an open manner and either be accountable ultimately to the public through an appropriate representation (e.g. Parliament) or provide information on their activities together with reasons for decisions to an appropriate body.

Universal access – a policy of government to make telecommunications services available, at affordable prices, to as many people as possible through common points or end-user facilities such as libraries, schools, health-centres, community centres, public call offices and pay-phones. This policy also applies to advanced information services, for instance the provision of Internet services and applications such as tele-education, tele-medecine and electronic commerce.

Universal service – a policy of government to make telecommunications services, including advanced telecommunications services, available throughout the country at affordable prices so that they are either available or easily accessible to anyone whenever they are needed, regardless of geographical or physical locations, with due regard to people with special needs.

Universal Service Fund - a fund into which contributions from operators and/or other sources are paid for the purpose of providing basic and advanced telecommunications services to underserved areas, communities or individuals who cannot afford such services on their own, in the pursuit of universal service/access.

Value-added services - means (i) the manipulation of the format, content, code, protocol, or other aspect of information transmitted via telecommunications by a customer (ii) the provision of information to a customer, including the restructuring of information transmitted by a customer or (iii) the offering of stored information for interaction by a customer.

APPENDIX I

TELEDENSITY vs MAIN LINES DISTRIBUTION PER KM2

Country	*Total (M) 2001*	*Main telephones lines Total (K) 2001*	*Area Km2 (K)*	***GDP per capita (US$)***	***Teledensity (Main lines per 100 inhabitants)***	***Main lines per km2***	***Population Density per km2 2001***
Ethiopia	64,46	310,0	1127,13	**106**	**0,48**	**0,3**	**53**
Burundi	6,86	20,0	27,83	**120**	**0,29**	**0,7**	**246**
Malawi	11,57	54,1	118,48	**152**	**0,47**	**0,5**	**123**
Eritrea	3,81	32,0	121,32	**191**	**0,84**	**0,3**	**41**
Rwanda	7,95	21,5	26,34	**236**	**0,27**	**0,8**	**302**
Madagascar	16,44	58,4	587,04	**243**	**0,36**	**0,1**	**28**
Uganda	22,53	63,7	236,04	**250**	**0,28**	**0,3**	**93**
Tanzania	35,97	148,5	945,09	**257**	**0,41**	**0,2**	**38**
Kenya	31,29	313,1	582,65	**360**	**1,00**	**0,5**	**54**
Sudan	31,81	453,0	2505,81	**364**	**1,42**	**0,2**	**13**
Comoros	0,73	8,9	2,17	**382**	**1,22**	**4,1**	**390**
Zambia	10,65	85,4	752,61	**463**	**0,80**	**0,1**	**14**
Zimbabwe	13,65	253,7	390,58	**487**	**1,86**	**0,6**	**35**
Djibouti	0,64	9,9	22,00	**846**	**1,54**	**0,5**	**29**
Angola	13,53	80,0	1246,00	**901**	**0,59**	**0,1**	**11**
Swaziland	1,02	32,0	17,36	**1 353**	**3,14**	**1,8**	**59**
Egypt	64,55	6 650,0	1001,45	**1 424**	**10,30**	**6,6**	**65**
Namibia	1,79	117,4	825,42	**2 040**	**6,57**	**0,1**	**2**
Mauritius	1,20	306,8	1,86	**3 881**	**25,56**	**164,9**	**643**
Seychelles	0,08	21,4	0,46	**7 349**	**26,73**	**47,0**	**198**
D.R. Congo	52,52	20,0	2345,41	**...**	**0,04**	**0,0**	**22**

APPENDIX II

The Universal SERVICE Fund (USF)

The USF is the main financing instrument for achieving universal access and service, and it should be seen as an investment fund. Good governance principles in the management of the USF are the cornerstone of its success. A badly managed USF can bring catastrophic results whereas a well managed fund can be a source of great advancement and development for the sector and a source of substantial economic activity in this and other sectors of the economy.

Contributions to the USF are ideally to be placed in a separate account under the control of the regulatory authority, but this practice is subject to national laws and regulations. The reason why this is preferred is because it allows the regulatory authority more independence on its decision making process.

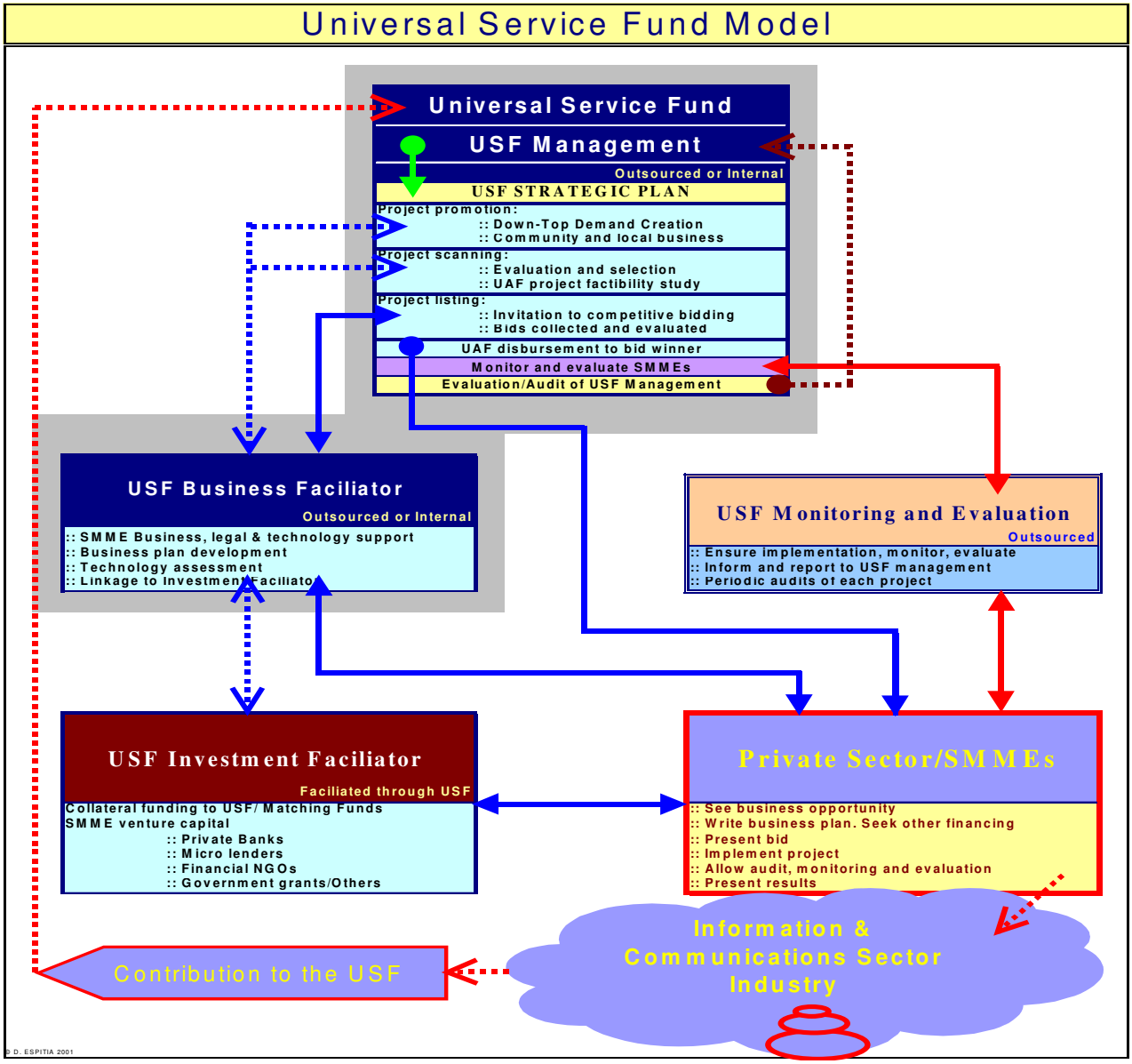
A3.1 The Universal Service Fund model

This section presents the USF model recommended, to accompany the universal access/service guidelines. The USF model, illustrated in next page, is an organizational guide for the implementation of a successful USF. The USF is not just a bank account, but also a strategic vehicle for funding universal access, it is an integrated programme that will facilitate investment and participation in the information and communications sector by all companies, but with special emphasis on SMMEs.

The USF model consists of the following distinctly separate areas or functions, which are inter-related:

- USF management or core organisation
- USF business facilitator
- USF investment facilitator
- USF monitoring and evaluation unit

These four units inter-relate and support each other in providing start-up capital in the form of limited subsidies, or venture capital, to new and existing SMMEs and other private sector companies, and in order to keep track of success and failures that will determine how future programmes are made. Other financial institutions will play a very important role in this process of enabling investment in the information and communications sector.



The Universal Service Fund model

A3.1.1. The USF management unit or core organisation

This is the core organisation that has the main responsibility for promoting and finding suitable projects/investments. The preferred organisational options for management of the USF would be to first name the board of directors for the USF and or the following management options:

(i) Managed by the regulatory agency, which is the most common best practise in developing countries; or

(ii) Auctioning the management to the private sector according to the regulatory agency guidelines, which is a best practice model in some developed countries.

The main task of the USF management unit is the efficient and transparent management of the fund. The following are some of its characteristics:

- The staff of this unit should be highly skilled in economics, technology and engineering or to have outsourced those capacities.
- It should prepare an annual strategic plan presenting its vision of how it proposes to increase greater universal access/service.
- It should promote the availability of the fund to the private sector for the purpose of implementing universal access/service related communications projects. Such promotion should be down-top oriented working at the community and at the local business level.
- It should not, in any case, become involved with the implementation of projects, but keep its focus in the management of the USF and of alternative international donations to the local private sector, in order to implement access-related projects.
- It would scan a number of potential projects, evaluate them and select the most feasible. It would then request submissions for funding based on competitive bidding. It may utilise the principle of least-subsidy competitive bidding. Any competitive bidding should be subject to strict clear minimal technical standards.
- It will select the winner(s) for each project allocated according to two criteria, quality of technology and least amount of subsidy requested.
- It will hire or outsource capacity to become a business facilitator for new SMMEs.
- It will outsource the USF monitoring and evaluation unit.
- It will facilitate potential collateral funding or matching funds for projects.
- It should present an annual implementation plan, and only unused residual amounts of the fund at the end of each fiscal period should return to the Treasury.
- It will maintain an office of public relations, an up-to-date website with clear information to the public on the management of the fund and it will publish promptly the results of annual financial and technical audits.

Contributions to the fund

The fund itself is made of contributions from across the industry in the form of a percentage of either gross revenues, or operational revenues. The criteria for the collection of the contributions need to be carefully balanced, so that it does not become a burden for the industry. The key question is who contributes to the

fund and how much. There are two distinct type of operators for which percentage of contributions may vary, in order to avoid double accounting. One is the infrastructure providers, typically the incumbent operator; the other is the service providers, such as ISPs, VANs, data, etc.

USF allocation and accounting

Parliamentary or National Treasury procurement rules apply in the allocation of the USF. However, for greater effectiveness the funds should be collected directly by the USF management unit, and return to the National Treasury the unused amount.

Access to the USF

The USF should be made available to any private individual or enterprise who has submitted an access project proposal, and whose technical and financial proposal have been selected during a process of competitive bidding.

Auditing the USF

The USF as such and its management by the regulatory agency should be independently audited annually through an ongoing and external professional audit, external to the regulatory authority and to any other government agency. Such audit should be reported to Parliament.

A3.1.2. USF Business Facilitator unit

This unit which can be either outsourced or be a distinct part of the core organisation will have it as its main goal to support both the core organisation by promoting the sector, finding best project potentials, assisting potential bidders with business planning intelligence, technology assessments, organisational issues, accounting knowledge, and creating linkages with the USF investment facilitator unit.

This unit will also provide support services for the bid winner ensuring long-term sustainability of the business.

A3.1.3. USF Investment facilitator Unit

The USF unit facilitates access to other funds either as collateral funding, matching funds, or matching projects from other government agencies creating investment synergies. The concept of SMME venture capital also applies, and therefore, funding can come from all kinds of funding organisations such as private banks, financial NGOs, micro lending organisations, and other government sectors.

A3.1.4. USF Monitoring and Evaluation Unit

Outsourced to a professional accounting firm programme of evaluation and monitoring for all projects using the USF. The objective of this unit is to ensure that the USF management unit is informed on real time of the status of its projects and that it can place corrective measures, such as intervention by the business facilitator unit.