The Universal Service and Access Fund

THE UNIVERSAL SERVICE AND ACCESS FUND

ANNUAL PERFORMANCE PLAN

FOR

2024/25

The 2024/25 Annual Performance Plan of the Universal Service and Access Fund is compiled with the latest available information to the Agency.

For more information, please contact:

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Chief Executive Officer (Acting)

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ACCOUNTING AUTHORITY STATEMENT

I am pleased to present the Universal Service and Access Fund (USAF) Annual Performance Plan (APP) for the 2024/25 financial year, as year four of the five-year Strategic Plan for 2020-2025.

In the face of an extremely challenging global and domestic economic environment, the plan to streamline the information and communications technologies (ICTs) state-owned entities (SOEs), outlined in the National Integrated ICT Policy White Paper of 2016, is gaining momentum. The White Paper sets the policy framework for transforming South Africa into an inclusive, innovative digital and knowledge society. The focus is on building a digital economy to fulfil the commitments of the National Development Plan and achieve the 2030 vision, particularly in light of the Fourth Industrial Revolution. The rationalization of ICT SOEs is necessary for achieving the efficiencies needed to establish an innovative digital and knowledge society.

Delivery under the White Paper requires significant shifts to policy to create a more transparent and equitable ICT environment. The way is paved for a legislative programme that will amend laws where necessary, set up new structures or institutions, guide government interventions, improve access to modern communications and postal infrastructure, and improve the ability of all citizens to meaningfully participate in the digital economy. It will allow government to roll out quality communications and broadband infrastructure to all areas, ensuring universal services and access. The ultimate goal is to ensure that everyone – regardless of who they are, where they live, or their social or economic standing – can benefit from the opportunities offered by ICT.

The White Paper Policy recommended that:

1) The Universal Service and Access Agency of South Africa (USAASA) is to be dissolved; and

2) The Universal Service and Access Agency (USAF) be transformed to create the Digital Development Fund (DDF), a distinct fund that will provide support for both infrastructure and targeted demand stimulation projects and programmes.

For the period of this Annual Performance Plan, the USAF and its administrator USAASA, will continue with the deployment of electronic communication infrastructure until such time that the respective transfer and dissolution is formally promulgated.

USAF will continue to broaden universal access to ‘digital broadcasting services’. The USAF will focus on ensuring subsidies are issued to qualifying households as part of the assigned responsibility to enable qualifying indigent households to receive set-top-boxes free, thereby broadening access to digital broadcasting services.

I commend the USAF Annual Performance Plan 2024-2025 to South African citizens and hope that our proposals are easy to read and understand. As the Accounting Authority of the institution, I give my full support to this 2024-2025 Annual Performance Plan, and I have complete confidence in the management and staff's ability to implement this plan.

Ms. Daphne Zukiswa Rantho

Chairperson of the Interim Board

CHIEF EXECUTIVE OFFICER STATEMENT

In line with the DPME Revised Framework for Strategic Plans and Annual Performance Plans (2020) and the requirements of the Public Finance Management Act (PFMA), the Universal Service and Access Fund (USAF) has undertaken a comprehensive process, led by the Board, towards the development of this Annual Performance Plan for the fourth year of the five-year Strategic Plan 2020-2025.

A thorough analysis of USAF's performance in the previous term (2014-2019) was conducted in developing the Strategic Plan for 2020-2025, which reflects USAF's vision as *"effective project implementation towards the goal of universal ICT access and service for all".*

Towards this vision, and in support of the National Development Plan, the five-year Strategic Plan reflects USAF's contribution to strengthening universal access and service in order to unlock the potential of a connected society to grow the economy, create jobs, and contribute to reducing inequality and poverty. This aligns to the outcome of the Revised 2019-2024 Medium-Term Strategic Framework, to *"improve competitiveness through ICT adoption".*

The National Integrated ICT Policy White Paper of 2016 recommended that the Universal Service and Access Agency of South Africa (USAASA) is to be dissolved; and that the Universal Service and Access Agency (USAF) be transformed – subsequently the decision to transfer the management and administration of the USAF to the South African Postbank (SOC) Limited, under the control and instructions of the Minister, has been made.

In this light, and until the formal promulgation of these decisions, this Annual Performance Plan for 2024/25 presents the focus of USAF on:

1) Verifying and then subsidising broadband installations for qualifying households.
2) Strengthening the monitoring and evaluation of broadband installations.
3) Verifying and then funding connected sites in identified municipalities; and
4) Strengthening the monitoring and evaluation of connected sites in identified municipalities.

I am thankful to the Minister and the Director-General for their policy direction, guidance, and support. I express my sincere gratitude to the Board for their steadfast support and wise counsel.

In closing, I affirm my commitment to lead the USAF to the best of my ability, as it strives to realise the priorities, outcomes, and outputs reflected in this plan.

Ms. Chwayita Madikizela

Acting Chief Executive Officer

OFFICIAL SIGN-OFF

It is hereby certified that this Annual Performance Plan for 2024/25:

1) Was developed by the management team of the Universal Service and Access Fund, under the guidance of the Accounting Authority.
2) Considers all the relevant policies, legislation, and other mandates for which the Universal Service and Access Fund is responsible.
3) Accurately reflects the outputs and targets which the Universal Service and Access Fund will endeavour to achieve over the 2024/25 financial year.
4) Endeavour to achieve over the 2024/25 financial year.

	22/03/2024
Sidney Mongala **Chief Financial Officer (Acting)**	**Date**
Vacant **Head Official responsible for planning**	**Date**
	23/03/2024
Ms. Qhwayita Madikizela **Chief Executive Officer (Acting)**	**Date**

APPROVED BY:

	03/04/2024
Ms. Daphne Zukiswa Rantho **Chairperson of the Interim Board (Accounting Authority)**	**Date**

ABBREVIATIONS AND ACRONYMS

4IR	Fourth Industrial Revolution
AFCFTA	African Continental Free Trade Agreement
APP	Annual Performance Plan
BBI	Broadband Infraco SOC
BDM	Broadcasting Digital Migration
CEO	Chief Executive Officer
COVID-19	Novel Coronavirus Disease 2019
DDF	Digital Development Fund
DPME	Department of Planning, Monitoring and Evaluation
DQL	Digital Quality of Life Index
ECA	Electronic Communications Act
EMDE(s)	Emerging Market and Developing Economy/ies
ESG	Environmental, Social and Governance
Exco	Executive Committee / Executive Council
GDP	Gross Domestic Product
GHG	Green House Gas
GHS	General Household Survey
ICASA	Independent Communications Authority of South Africa
ICT	Information and Communication Technology
IMF	International Monetary Fund
M&E	Monitoring and Evaluation
MDDA	Media Development and Diversity Agency
MTEF	Medium-Term Expenditure Framework
MTSF	Medium-Term Strategic Framework
NDP	National Development Plan
NSAA	National Spatial Action Area
PAYE	Pay-as-you-Earn
PFMA	Public Finance Management Act
Postbank	South African Postbank Limited
PRASA	Passenger Rail Agency of South Africa
Q	Quarter
QLFS	Quarterly Labour Force Survey
SABC	South African Broadcasting Corporation

SAPO	South African Post Office
SARB	South African Reserve Bank
SARS	South African Revenue Services
SDL	Skills Development Levy
SLA	Service Level Agreement
SMME	Small, Medium and Micro Enterprise
SOC	State-owned Company
SOE	State-owned Enterprise/Entity
STEM	Science, Technology, Engineering, and Mathematics
UA	Universal Access
UAS	Universal Access and Service
US	Universal Service
USAASA	Universal Service and Access Agency South Africa
USAF	Universal Service and Access Fund

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PART A: OUR MANDATE

1. UPDATES TO RELEVANT LEGISLATIVE AND POLICY MANDATES

UPDATED LEGISLATIVE MANDATES

There are no updates to the legislative mandates reflected in the 2020-2025 Strategic Plan, which reflects as follows:

Figure 1: USAF Legislative Mandates

Constitutional Mandate	**The Constitution of the Republic of South Africa (Act No. 108 of 1996)** – specifically: ▪ Chapter 3 – pertaining to Cooperative Government, assigns functions to the three spheres of government. ▪ Schedules 4 and 5 of Section 41(1) – define the relationship and principles underlying cooperation between the spheres of government. ▪ Section 16.1 states that *"everyone has the right to freedom of expression".* The right to freedom of expression is interpreted as a right to the resources, facilities, and equipment to enable such free expression. It follows that the right to access to telecommunication resources, facilities, and equipment is a basic human right in South Africa. ▪ Section 32 further describes the *"right to information",* and it is common cause that if access is limited due to a lack of ICT resources, facilities, and access, then this right cannot be realised. ▪ Section 217 – When an organ of state contracts for goods and services, it must do so in accordance with a system which is fair, equitable, transparent, competitive, and cost effective.
USAF Establishment Mandate	▪ **Electronic Communications Act (No. 36 of 2005, as amended) (ECA)** – Sections 80-91 prescribe the existence, mandate, functions, and duties of the Agency. The ECA also establishes the Universal Service and Access Fund (USAF), which is financed by contributions from telecommunication licensees. ▪ **Public Finance Management Act (No. 1 of 1999, as amended) (PFMA)** - lists USAF as a Schedule 3A national public entity, which is accountable to the Minister and Parliament. All prescripts and regulations arising from the PFMA are applicable to its governance and operations.
Legislation Informing USAF's Operations	▪ **Infrastructure Development Act, 2014 (No. 23 of 2014), as amended** ▪ **Electronic Communications and Transactions Act (No. 25 of 2002), as amended** ▪ **State Information Technology Agency Act (No. 88 of 1998), as amended**
Various legislation pertaining to the governance and control environment and institutional arrangements	

UPDATED POLICY MANDATES

The policy mandates reflected in the 2020-2025 Strategic Plan remain relevant:

Figure 2: USAF Policy Mandates

National Policy Directing the Focus of USAASA/ USAF

- **National Development Plan, Vision 2030** – seeking to eliminate poverty and sharply reduce inequality and unemployment by 2030. The NDP recognises tourism as one of the main drivers of employment and economic growth.
- **Revised Medium-Term Strategic Framework 2019-2024 (MTSF)** – giving effect to the electoral mandate and framed around seven national priorities for the period to 2024. **USAASA/ USAF** contributes to 2 MTSF Priorities:
  - Priority 1: A capable, ethical, and developmental State - functional, efficient and integrated government.
  - Priority 2: Economic transformation and job creation - Improve competitiveness through ICT adoption.
- **National Economic Reconstruction and Recovery Plan (October 2020) -** in response to the COVID-19 pandemic, the National Economic Reconstruction and Recovery Plan seeks to create jobs primarily through aggressive infrastructure investment and mass employment programmes; reindustrialise the economy by focusing on growing small businesses; accelerate economic reforms to unlock investment and growth; fight crime and corruption; and improve the capability of the State.
- **National Spatial Development Framework, 2050** – under the theme: "Moving South Africa forward towards the desired Spatial Future", the national Spatial Development Framework proposes five National Spatial Action Areas (NSAAs), which require urgent, focused and integrated national spatial infrastructure investment and spending; and concerted and sustained intergovernmental collaboration, including the alignment of plans, budgets and departmental plans in and between the spheres of government.

Sector-based Policy Informing the Work of USAASA/ USAF

- **National Integrated Information and Communication Technologies Policy White Paper (2016)**
- **Broadcasting Digital Migration Policy For South Africa (2008)**
- **South Africa's Broadband Policy: South Africa Connect (2013)**
- **National e-Strategy and Roadmap (2017)**
- **Department of Communications and Digital Technologies Strategic Priorities for 2020-2025**

Foundational Policy Informing the Work of USAASA/ USAF

- **Standard for an Infrastructure Delivery Management System (NT 2010) (IDMS)**
- **Standard for Infrastructure Procurement and Delivery Management (NT 2016) (SIPDM)**
- **National Immovable Asset Maintenance Management Standard (2017)**

2. UPDATES TO INSTITUTIONAL POLICIES AND STRATEGIES

The institutional policy and strategic stance outlined in the 2020-2025 Strategic Plan is updated as follows:

2.1. UNIVERSAL SERVICE (US) AND UNIVERSAL ACCESS (UA) POLICY STANCE

Universal service (US) refers to individual access, traditionally viewed as household telephone penetration, universal access (UA) refers to public or communal access, typically a public payphone, but also including other public access points. The basket of services and targets for each of these definitions varies from country to country and is based on national priorities and national and international commitments.

UA was typically an interim goal towards universal service in developing countries with characteristic low tele-densities. UAS is a blended term used interchangeably in reference to US and UA.

Emerging in the 1960s, universal access and service (UAS) was a concept typically emanating from developed countries where the majority of the population was already connected. Thus, the focus of UAS Policy was to add the unconnected minority of subscribers to the network – typically the addition of between 5–10% of the population to the network. The principle of network externalities argues that every additional subscriber added to the network adds value to all existing subscribers.

UAS is an evolutionary concept which evolves and expands as one level has been achieved. There is a progression to the next level, for example, the universality of voice services was the initial focus of UAS Policy, and this has progressed to data access and broadband as this has increasingly become more important.

UAS Policy is driven by the anticipated benefits of access to communications and is underpinned by availability, affordability, and accessibility. The networked infrastructure must have ubiquitous population coverage, thus being available to the population at large, regardless of where they live Further, services must be affordable to ensure widespread uptake and must be available to all who want access regardless of gender, disability, and location. Awareness and ability are increasingly becoming integral components of the fundamentals underpinning UAS Policy. It is fundamental that UAS policies are evidence-based, appropriate, realistic, and linked to national objectives and priorities to have relevance.

The World Bank has estimated that for every 10% of broadband connectivity 1.38% of Gross Domestic Product (GDP) growth may be realised. The socio-economic benefits and the consequent imperative for connectivity have been a cornerstone of South African communications policy since the 1996 White Paper on Telecommunications and this principle has been reaffirmed in the National Development Plan.

Post-apartheid South Africa inherited a country with vast inequalities – a country polarised by a minority of the population with access to networks and services, while the vast majority of the population had no access at all. Consequently, a UAS Policy for South Africa had to be crafted and mechanisms developed to provide access for close to 90% of the unconnected population.

South Africa, like many other developing countries, was at the beginning of regulatory reform, including preparing markets for competition and fostering UAS. Concerns of UAS falling behind the many competing priorities resulted in the creation of a specialist agency, whose sole focus was UAS, to ensure it was a priority on the national agenda.

USAASA and the USAF was thus established, initially for a period of five-years, to promote and facilitate schemes and programmes that would reverse the racially skewed access which was a legacy of apartheid.

The 2001 amendment to the Telecommunications Act removed the five-year review mechanism, enabling USAASA's and the USAF's indefinite existence. This was then carried over into the Electronic Communications Act (ECA) in 2005, and its amendment in 2014.

The ECA directs USAF to:

(a) strive to promote the goal of universal access and universal service;
(b) encourage, facilitate and offer guidance in respect of any scheme to provide—
(i) universal access or universal service; or (ii) telecommunication services as part of reconstruction and development projects and programmes contemplated in section 3(a) of the Reconstruction and Development Programme Fund Act, 1994 (Act No. 7 of 1994), where such provision will contribute to the attainment of the object of the project or programme in question; and
(c) foster the adoption and use of new methods of attaining universal access and universal service.
(2) For purposes of subsection (1)(b)(ii), reference to telecommunication services in relation to development projects and programmes contemplated in section 3(a) of the Reconstruction and Development Programme Fund Act, 1994, must be regarded as reference to electronic communications network services under this Act.

(3) (a) The Agency must from time to time, with due regard to circumstances and attitudes prevailing in the Republic and after obtaining public participation to the greatest degree practicable, make recommendations to enable the Minister to determine what constitutes—
(i) universal access [by all areas and communities in the Republic to electronic communications services and electronic communications network services]; and
(ii) [the universal provision for all persons in the Republic of electronic communications services and access to electronic communications networks, including any elements or attributes thereof] universal service.''

In terms of the Act, all broadcasters and electronic communications operators contribute 0.2% in accordance with USAF regulations, although the ceiling for contributions to the USAF is 1% of turnover. Broadcasters get an opt-out clause, as they have a choice of contributing to the USAF or the Media and Development Diversity Agency (MDDA). Broadcasters' contributions to the MDDA may be offset against their USAF commitment.

2.2. RESPONSE TO THE INTEGRATED ICT POLICY WHITE PAPER - THE RATIONALISATION OF THE INFORMATION AND COMMUNICATIONS TECHNOLOGY STATE-OWNED ENTITIES

The National Integrated ICT Policy White Paper, 2016, outlines the overarching policy framework for the transformation of South Africa into an inclusive and innovative digital and knowledge society. It directs the government to roll out quality communications and broadband infrastructure to reach all country areas and ensure universal access and services. Further, the rationalisation of the ICT SOEs to gain the efficiencies needed to deliver the establishment of the innovative digital and knowledge society is an essential need.

In response, the decision has been taken to dissolve the Universal Service and Access Agency (USAASA), and

It is understood that, until formal promulgation of the dissolution of USAASA and the transfer of USAF, each entity is still required to produce and report against its own strategic and annual performance plan.

In this light, a key feature of this 2024/25 Annual Performance Plan is, therefore, the need to maintain it as a dynamic document, and to ensure ongoing relevance and alignment with the policies and strategies of the shareholder and various stakeholders as they emerge.

3. UPDATES TO RELEVANT COURT RULINGS

There are no new court rulings and/or judgements that have a material impact on the mandate and/or core operations of the Universal Service and Access Fund.

However, USAASA, as the Universal Service and Access Fund administrator, might be exposed to litigation arising out of the previous contracts entered into for the procurement of set-top boxes. Should such litigation arise, the Agency will assess the legal implications and potential impediments to its operations and seek to mitigate the inherent risks.

PART B: OUR STRATEGIC FOCUS

In response to the strategic priorities of the sixth administration, and informed by instructing legislation and policy, the Universal Service and Access Fund (USAF) has defined its role/purpose (primary object), in the 2020-2025 Strategic Plan, as to:

1) **Provide connectivity to primary health facilities, educational institutions and needy communities.**

2) **Provide incentives to network licensees to construct, operate and maintain networks in underserviced areas.**

3) **To broaden access to digital broadcasting services by qualifying households.**

Aligned to this understanding, USAF then articulates its strategic focus – its vision, mission, and its institutional values, and its planned results - for the period to 2025 as follows:

OUR VISION
Effective project implementation towards the goal of universal ICT access and service for all.

OUR MISSION
➢ **To facilitate the rollout of adequate Information and Communication Technology (ICT) infrastructure to enable 4IR readiness and universal access to underserviced areas in South Africa.** ➢ **To facilitate ICT service to underserviced areas, thereby contributing to the reduction of poverty and unemployment in South Africa; and** ➢ **To broaden access to digital broadcasting services by qualifying households.**

OUR VALUES	DESCRIPTION
Batho Pele	We believe in providing excellent, efficient, and effective service to all customers and stakeholders.

OUR VALUES	DESCRIPTION
Integrity	We uphold high standards of trust, condemn bribery, and corruption, and have 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' contributions are respected.

OUR IMPACT STATEMENT
Enhanced access to ICT and digital broadcasting services in identified underserviced areas.

OUR OUTCOMES		
Outcome 1: **Broadened access to digital broadcast services by qualifying households**	**Outcome 2:** **Increased access to broadband in underserviced areas**	**Outcome 3:** **A well-governed and high-performance Fund, delivering on its mandate**

The above strategic framework and the three Outcomes inform the rolling annual performance plans over the period of the Strategic Plan.

Reflected in this Annual Performance Plan are the 2024/25 planning priorities, outputs, performance indicators, annual targets and budget allocations, as year five of the five-year strategic plan.

1. UPDATED SITUATIONAL ANALYSIS

The Universal Service and Access Fund (USAF) executes its mandate and seeks to achieve its strategic intent in a complex environment, impacted by global, regional, and national events. In turn, the organisation requires the correct institutional environment to enable delivery of its strategic intent.

1.1. EXTERNAL ENVIRONMENT ANALYSIS

GLOBAL ECONOMIC OUTLOOK: 2024 UPDATE

The global recovery from the COVID-19 pandemic and Russia's invasion of Ukraine remains slow and uneven. Sporadic regional conflicts marked by coups and insurgency in West and Central Africa (Niger and Gabon) and most recently the flare-up in decades old tensions between Israel and Palestine are a quick reminder of the delicate nature of world peace. Despite economic resilience earlier this year, with a reopening rebound and progress in reducing inflation from last year's peaks, it is too soon to take comfort. Economic activity still falls short of its pre-pandemic path, especially in emerging market and developing economies, and there are widening divergences among regions. Several forces are holding back the recovery. Some reflect the long-term consequences of the pandemic, the war in Ukraine, and increasing geo-economic fragmentation. Others are more cyclical in nature, including the effects of monetary policy tightening necessary to reduce inflation, withdrawal of fiscal support amid high debt, and extreme weather events. The world remains volatile, unpredictable, complex and ambiguous, making long-term planning and allocation of resources a challenging task for governments and corporations alike.

Growth & Inflation Forecast

- Global growth is forecast to slow from 3.5 percent in 2022 to 3.0 percent in 2023 and 2.9 percent in 2024. The projections remain below the historical (2000–19) average of 3.8 percent, and the forecast for 2024 is down by 0.1 percentage point from the July 2023 *Update* to the *World Economic Outlook*. For advanced economies, the expected slowdown is from 2.6 percent in 2022 to 1.5 percent in 2023 and 1.4 percent in 2024, amid stronger-than-expected US momentum but weaker-than-expected growth in the euro area.

- Emerging market and developing economies are projected to have growth modestly decline, from 4.1 percent in 2022 to 4.0 percent in both 2023 and 2024, with a down- ward revision of 0.1 percentage point in 2024, reflecting the property sector crisis in China. Forecasts for global growth over the medium term, at 3.1 percent, are at their lowest in decades, and prospects for countries to catch up to higher living standards are weak.

- Global inflation is forecast to decline steadily, from 8.7 percent in 2022 to 6.9 percent in 2023 and 5.8 percent in 2024. But the forecasts for 2023 and 2024 are revised up by 0.1 percentage point and 0.6 percentage point, respectively, and inflation is not expected to return to target until 2025 in most cases.

Risk Outlook

- Risks to the outlook are more balanced than they were six months ago, on account of the resolution of US debt ceiling tensions and Swiss and US authorities' having acted decisively to contain financial turbulence. The likelihood of a hard landing has receded, but the balance of risks to global growth remains tilted to the downside.

- China's property sector crisis could deepen, with global spillovers, particularly for commodity exporters. Elsewhere, near-term inflation expectations have risen and could contribute, along with tight labour markets, to core inflation pressures persisting and requiring higher policy rates than expected.

- More climate and geopolitical shocks could cause additional food and energy price spikes.

- Intensifying geo-economic fragmentation could constrain the flow of commodities across markets, causing additional price volatility and complicating the green transition.

- Amid rising debt-service costs, more than half of low-income developing countries are in or at high risk of debt distress.

Policy Play

- There is little margin for error on the policy front. Central banks need to restore price stability while using policy tools to relieve potential financial stress when needed.

- Effective monetary policy frameworks and communication are vital for anchoring expectations and minimising the output costs of disinflation. Fiscal policymakers should rebuild budgetary room for maneuver and withdraw untargeted measures while protecting the vulnerable.

- Reforms to reduce structural impediments to growth by, among other things, encouraging labor market participation, would smooth the decline of inflation to target and facilitate debt reduction.

- Faster and more efficient multilateral coordination is needed on debt resolution to avoid debt distress.

- Cooperation is needed as well to mitigate the effects of climate change and speed the green transition by ensuring steady cross-border flows of the necessary minerals.

Sub-Sahara Africa

- Sub-Saharan Africa countries are still emerging from the COVID-19 pandemic and the persistent effects of sluggish economies, high inflation, high borrowing costs and a cost-of-living crisis. Governments are battling budget deficits, forced spending cuts, weak currency exchange rates among other factors; unemployment and poverty remain the region’s stickiest challenges coupled with political instability interrupting administrative capacity.

- Risks to manage include premature relaxation of stabilization policies, particularly fiscal measures, while focusing on reforms to both claw-back lost ground from the four-year crisis and to create new space to address the region’s pressing development needs.

“Source: IMF World Economic Outlook Update, October 2023”

SOUTH AFRICAN SOCIO-ECONOMIC OUTLOOK: 2024 UPDATE

A weaker global economic outlook, based on the balance of the afore-mentioned factors, is less supportive of South Africa’s growth prospects. The biggest drag domestically is posed by the following factors;

Long-standing structural constraints continue to limit economic performance

- In recent years, freight rail capacity and throughput have declined, constraining growth and exports
- Large-scale and prolonged power cuts have plagued mines, factories, farms and households.
- Despite a recent improvement, private investment growth has declined over the past decade (Figure 2.1). GDP growth is expected to average only 1.4 per cent between 2024 and 2026.
- South Africa's debt-to-GDP ratio continues to rise and the sovereign risk premium has increased during the course of 2023, reflecting concerns over materializing economic and fiscal risks (Figure 2.2). The resulting increase in government's borrowing costs has pushed up long-term lending rates in the economy. This in turn stifles demand and reduces economic growth.
- Elevated uncertainty and low levels of business confidence are likely to result in delays to investment and employment decisions. These conditions have led to a decline in international appetite for government bonds. The rand has also weakened sharply relative to other emerging market currencies (Figure 2.3), contributing to inflationary pressures that disproportionately affect poor households (Figure 2.4).

Figure 2.1 Growth in investment

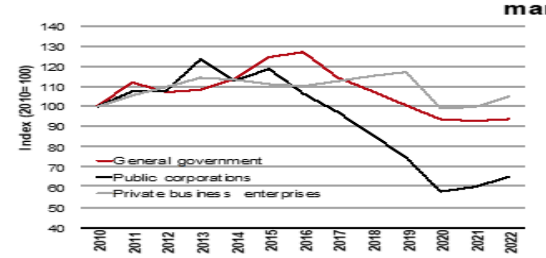


Figure 2.2 Debt forecasts for emerging markets vs change in CDS spreads*

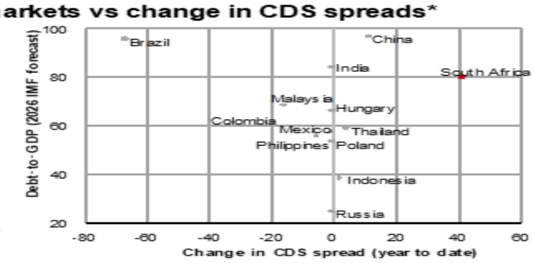


Figure 2.3 Year-to-date emerging market currency performance against the US dollar

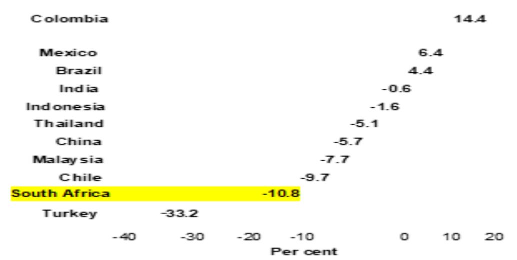
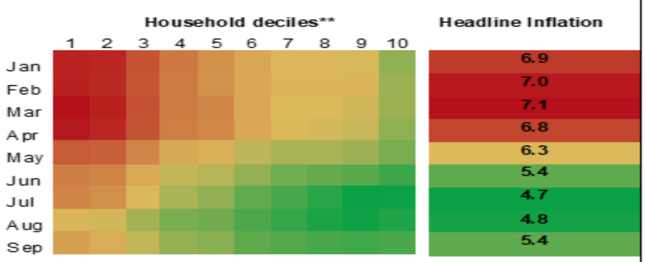


Figure 2.4 CPI by household decile in 2023



**IMF debt covers general government as defined in the national accounts: national, provincial and local government, as well as central agencies and social security funds. CDS spread is the credit default swap spread, which is a proxy for the sovereign credit risk premium*
***Green indicates lower rates of inflation and red indicates higher rates of inflation. Source: National Treasury, Bloomberg, Statistics SA and IMF*

Mitigating measures adopted by Government

Government's clear and stable macroeconomic framework includes a prudent fiscal policy, an inflation-targeting framework and a flexible exchange rate. It is designed to support investment and employment while protecting the most vulnerable members of society. The fiscal policy stance will support medium-term economic growth by mitigating fiscal and economic risks, building buffers against economic shocks, stabilizing debt and reducing the degree to which servicing debt crowds out expenditure on development priorities. This approach supports investor certainty by promoting confidence and growth.

- As the National Treasury has highlighted for several years, lifting the economy's growth potential requires substantial structural reforms, as well as steps to reduce near-term risks and increase government efficiency.

- In partnership with the private sector, government is tackling energy and logistics challenges. The Presidency and the National Treasury are coordinating government's wide-ranging economic reform programme through Operation Vulindlela. Reforms will be complemented by efforts to reconfigure the state.

Medium Term Reforms to Support Growth

- Electricity generation capacity and energy reforms
  - Although total Eskom power cuts to end-September 2023 already exceed the figure for all of 2022, load-shedding hours have declined quarter by quarter this year due to improved plant performance. Eskom recently returned two units to service at Kusile (1 600 MW) and is expected to return two more by the end of the year, adding another 1 600 MW of capacity to the grid. The energy availability factor has risen from an average of 53 per cent in the first quarter of 2023 to nearly 60 per cent at the beginning of the fourth quarter.

  - Additional capacity of over 11 000 MW from renewable sources is expected over the next three years (Figure 2.6), and this should sharply curtail power cuts. The pipeline of private energy investments, which is critical to progress, continues to grow. Over the past two years, private-sector energy investments capable of generating over 5 600 MW have been registered with the National Energy Regulator of South Africa (NERSA).

Figure 2.5 Load-shedding by stages*

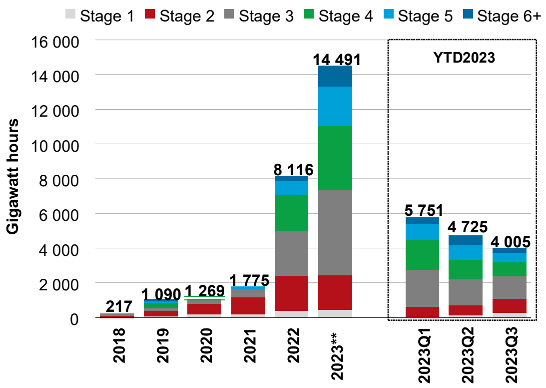
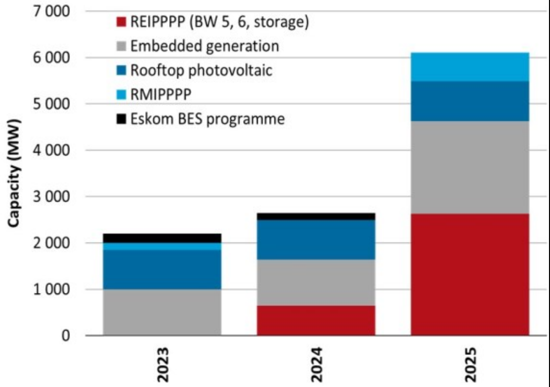


Figure 2.6 Capacity from expected renewable energy investment coming online***



**Stage 6+ includes incidences where manual load reduction exceeded 5 000 MW*
***Includes data until 30 September 2023*
****REIPPPP: Renewable Energy Independent Power Producer Procurement Programme, RMIPPPP: Risk Mitigation Independent Power Producer Procurement Programme, BES: battery energy storage*
Source: Eskom, National Energy Crisis Committee interventions an d National Treasury calculations

  - Since the 2023 Budget, several other energy reforms have progressed:

- Three projects under the Risk Mitigation Independent Power Producer Procurement Programme, with capacity totaling 150 MW, will be ready for connection to the grid in November 2023.
- By 2025, nine projects with a total capacity of over 1 000 MW will be connected to the grid under the Renewable Energy Independent Power Producer Procurement Programme, with a further 1 000 MW expected in the next phase.
- In June, Eskom released interim rules to ensure fair and transparent allocation of limited grid capacity.

o Deeper reforms to reshape the industry are under way to ensure the country's energy security. In August, Cabinet approved an amendment to the Electricity Regulation Act (2006) for public comment. The amendment aims to establish an independent transmission system operator and a competitive electricity market. NERSA has granted licenses for transmission, trading and importing electricity to the National Transmission Company of South Africa. The debt-relief arrangement announced in the 2023 Budget is expected to position Eskom for a financially sustainable future, while allowing Eskom to undertake critical plant maintenance.

- **Rail and ports reforms**

o Transnet's deteriorating rail performance threatens the economy, and the country's ports are inefficient and uncompetitive.

o Since 2018, Transnet Freight Rail has consistently transported fewer volumes than targeted or contracted (Figure 2.7). This collapse stems from operational failures, increased theft and vandalism, reduced locomotive availability and the poor condition of infrastructure resulting from underinvestment. Coal and iron ore exports forfeited as a result of operational failures could have added 1.3 percentage points to the current account balance in 2022, resulting in a current account surplus. The cost of rail inefficiencies last year is estimated at R411 billion (Figure 2.8). This performance has also reduced tax revenue.

Figure 2.7 Transnet Freight Rail performance

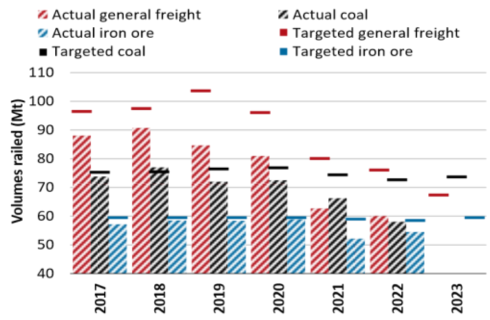
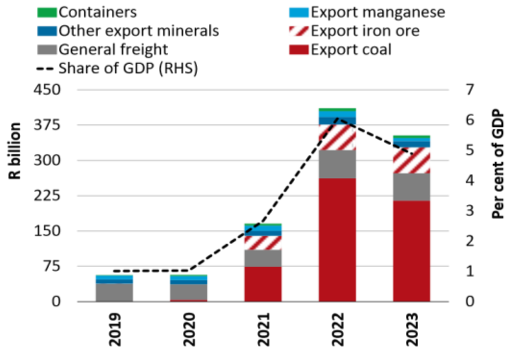


Figure 2.8 Economic cost of rail inefficiencies



Source: Transnet Freight Rail and Operation Vulindlela using GAIN Group data

o Earlier this year, government established the National Logistics Crisis Committee. It aims to improve the operational performance of freight rail and ports, restructure Transnet to ensure it is financially sustainable and implement reforms to create an efficient, competitive and modern freight logistics system. This work will be integrated with interventions under way within Transnet, including rehabilitating the rail network to improve service delivery, deploying digital solutions to improve efficiency and responsiveness, improving security and reviewing cost allocations to improve returns. Transnet Freight Rail has taken the first step in separating its operations and infrastructure management functions. When complete, separation is expected to facilitate competition. The Transport Economic Regulator will be established in early 2024, which will ensure fair access and transparent pricing on the rail network.

Global factors weigh-in on Domestic Conditions

The International Monetary Fund (IMF) has lowered its global economic growth forecast for 2024 to 2.9 per cent, down from 3.1 per cent at the time of the 2023 Budget, with risks tilted to the downside. The expected slowdown is mainly due to lower manufacturing activity in major advanced economies. Near-term growth in emerging markets is expected to be more resilient owing to buoyant industrial activity in Brazil and India. The weaker outlook for Chinese growth has also weakened the outlook for mineral commodity prices.

Table 2.1 Economic growth in selected countries

Region/country	2021	2022	2023	2024	2025
Percentage	Actual		Forecast		
World	**6.3**	**3.5**	**3.0**	**2.9**	**3.2**
Advanced economies	**5.6**	**2.6**	**1.5**	**1.4**	**1.8**
United States	5.9	2.1	2.1	1.5	1.8
Euro area	5.6	3.3	0.7	1.2	1.8
United Kingdom	7.6	4.1	0.5	0.6	2.0
Japan	2.2	1.0	2.0	1.0	0.7
Emerging and countries	**6.9**	**4.1**	**4.0**	**4.0**	**4.1**
China	8.5	3.0	5.0	4.2	4.1
India	9.1	7.2	6.3	6.3	6.3
Brazil	5.0	2.9	3.1	1.5	1.9
Russia	5.6	-2.1	2.2	1.1	1.0
Sub-Saharan Africa	**4.7**	**4.0**	**3.3**	**4.0**	**4.1**
Nigeria	3.6	3.3	2.9	3.1	3.1
South Africa[1]	4.7	1.9	0.8	1.0	1.6
World trade volumes	**10.9**	**5.1**	**0.9**	**3.5**	**3.7**

National Treasury forecasts, Source: IMF World Economic Outlook, October 2023

- Global monetary conditions are expected to loosen from 2024 as central banks in major advanced economies slowly reduce interest rates. Inflation in advanced economies is projected to ease from 7.3 per cent in 2022 to 3 per cent in 2024 due to lower energy and food prices. Higher-than-anticipated international oil prices and wage price increases pose upside risks to inflation. In this context, US dollar strength is expected to be sustained into 2024, with consequences for the rand, domestic inflation and fiscal risks.

- The combination of weaker growth prospects for China – which is South Africa's largest trading partner – lower commodity export prices and the likely slow pace of US interest rate cuts makes the global economic environment less supportive to domestic growth over the medium term.

Domestic Outlook

The National Treasury forecasts real GDP growth of 0.8 per cent in 2023, compared with 0.9 per cent projected in the 2023 *Budget Review*. Growth is projected to average 1.4 per cent from 2024 to 2026. Relative to the 2023 Budget, the weaker projection for 2023 mainly reflects lower household consumption expenditure due to higher inflation and interest rates, and lower net exports. Power cuts are expected to continue for the remainder of this year and to gradually ease in 2024. Faster, determined implementation of energy and logistics reforms remains critical to boosting economic growth.

Table 2.2 Macroeconomic performance and projections

Calendar year	2020	2021	2022	2023	2024	2025	2026
Percentage change	Actual			Estimate	Forecast		
Final household consumption	-6.1	5.8	2.5	0.8	1.4	1.5	1.7
Final government consumption	0 .9	0.5	1 .0	0.6	-3.2	-0.5	0.2
Gross fixed-capital formation	-14.6	0.6	4.8	6.2	3.6	4.6	3.4
Gross domestic expenditure	-7.6 -	4.8	3.9	1.6	1.0	1.6	1.7
Exports	12.0	9.1	7.4	4.2	2.1	2.6	3.1
Imports	-17.6	9.6	14.9	7.1	2.1	2.7	2.9
Real GDP growth	**-6.0**	**4.7**	**1.9**	**0.8**	**1.0**	**1.6**	**1.8**
GDP inflation	5.3	6.5	4 .8	4.0	4 .3	4.7	4 .6
GDP at current prices (R billion)	**5 568.0**	**6 208.8**	**6 628.6**	**6 947.3**	**7 321.4**	**7 786.8**	**8 288.7**
CPI inflation	3.3	4.6	6 .9	6.0	4 .9	4.6	4 .5
Current account balance (% of GDP)	1.9	3.7	-0.5	-2.4	-3.0	-3.0	-3.1

- Employment
  - Although employment growth has moderately outpaced labour supply growth over the last two years, joblessness remains extremely high. The unemployment rate declined marginally from 32.9 per cent in the third quarter of 2022 to 32.6 per cent in the second quarter of 2023. Employment growth continues to lag South Africa's post-COVID-19 economic recovery, with 74 000 fewer people in employment in the second quarter of 2023 than in the fourth quarter of 2019. Improving employment growth sustainably over the long term requires faster GDP growth and improved education and skills development.
- Inflation
  - Headline inflation is expected to decelerate as the energy and food price shocks associated with global supply chain disruptions and the war in Ukraine dissipate. Headline consumer prices are expected to fall from an expected 6 per cent in 2023 to 4.9 per cent in 2024. Fuel prices have fallen since June 2023, largely reflecting base effects. Food price inflation, which peaked at 14.4 per cent in March 2023, slowed to 8.2 per cent by August 2023. However, the pace of deceleration has been slow relative to global food prices. This can be attributed to a weaker rand exchange rate and elevated production costs. Core inflation has remained near 5 per cent for most of 2023 due mainly to higher insurance and vehicle price inflation.
  - Headline inflation is projected to return towards the mid-point of the 3–6 per cent target range in 2025. Upside risks to the medium-term outlook include rising oil prices, a

weakening rand exchange rate, the avian influenza outbreak and elevated administered price inflation for services, including electricity and water.

- Household Consumption
    - Household consumption expenditure is expected to slow from 2.5 per cent in 2022 to 0.8 per cent in 2023 due to the cumulative effect of interest rate increases, elevated inflation and falling real disposable income, and generally weak consumer confidence. Growth in credit extended to households continues to decelerate for both secured and unsecured credit. National Credit Regulator data shows that in the first quarter of 2023, banks rejected 70 per cent of credit applications – the highest rate on record – reflecting concerns over households' ability to repay loans. Household consumption expenditure is expected to average 1.6 per cent from 2024 to 2026.
- Investment
    - Gross fixed-capital formation is expected to reach 6.2percent in 2023, up from 4.8 per cent in 2022. Investment remains below pre-pandemic levels – particularly in the private sector – due to structural constraints, higher interest rates, global demand moderation and weak domestic demand. Although business confidence improved in the third quarter of 2023 for the first time since the first quarter of 2022, it remains low. Gross fixed-capital formation is expected to decline to 3.6 per cent in 2024 as a result of challenging domestic business conditions, sluggish global economic growth and elevated borrowing costs.

Strategic steps towards a clean energy transition

Government is committed to a just transition to cleaner energy, ensuring that workers and communities in affected industries are not left behind in the pursuit of climate goals.

South Africa's just transition initiatives will be supported by financing from international sources. Over the next five years, this funding will be used to improve electricity infrastructure, transition retiring coal plants, address regional energy transitions, promote new energy vehicles, support green hydrogen, develop skills and empower municipalities. These goals are supported by policies such as the Green Hydrogen Commercialisation Strategy, approved by Cabinet in October 2023.

In addition to decarbonising the electricity system, government will also propose measures to help the automotive industry transition to new energy vehicle production, with details to be announced in the 2024 Budget.

The private sector plays a major role in supporting South Africa's clean-energy transition. As reported earlier in this chapter, renewable energy investments are gathering pace. According to Eskom data published in July 2023, households and businesses have installed 4 412 MW of rooftop solar capacity – twice the capacity installed to date under the Renewable Energy Independent Power Producer Procurement Programme.

- Balance of Payments
    - The deficit on the current account is expected to widen from 0.5 per cent in 2022 to 2.4 per cent in 2023 and to 3 per cent in 2024 as imports grow faster than exports. This reflects increased import volumes for renewable energy investments as firms and households

mitigate frequent power cuts, as well as higher oil prices. Relatively low export values reflect lower commodity export prices, while electricity and logistical constraints limit export volumes.

- Risks to Domestic Growth Outlook
  - Risks to the domestic outlook remain elevated, despite progress in addressing constraints in electricity and rail. Other domestic risks include higher-than-anticipated inflation and high household indebtedness. Uncertainty in the global economy is high and the major risks to South Africa are illustrated in the scenarios.

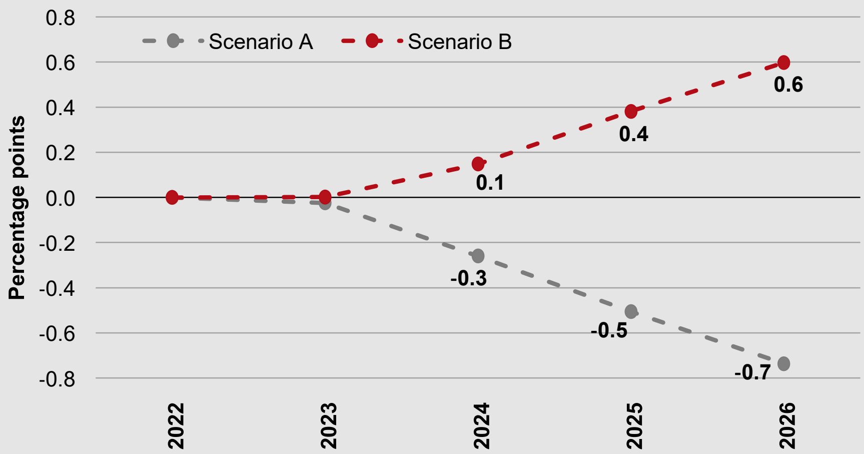
Alternative scenarios

The National Treasury has modelled two alternatives to the baseline forecast.

Scenario Aassumes economic growth in China slows significantly, causing the terms of trade to deteriorate due to lower export commodity prices and elevated oil prices. Imported inflation pressure triggers further monetary policy tightening, which lowers consumer purchasing power and raises borrowing costs. The risk premium rises, further weakening the rand exchange rate. GDP growth stalls in 2024 before rising gradually thereafter. Meanwhile, inflation remains elevated in 2024 and 2025, converging to the baseline by the end of 2026.

Scenario Bassumes a further easing of global supply chain disruptions, which reduces inflationary pressure and triggers a reduction in interest rates, lowering borrowing costs. Risk aversion declines, with a lower risk premium and stronger rand exchange rate. The purchasing power of consumers rises, while the cost of investment is reduced for firms. Consumer prices ease towards the mid-point of the inflation target range much quicker than the baseline, while growth exceeds the baseline over the next three years.

Figure 2.9 Deviation from baseline GDP forecast



Source: National Treasury

Table 2.3: Assumptions of the macroeconomic forecast

Percentage change	2020	2021	2022	2023	2024	2025	2026
	Actual			Estimate	Forecast		
Global demand[1]	-3.5	6.5	3.7	3.3	3.1	3.3	3.3

International commodity prices[2]							
Brent crude oil							
(US$ per barrel)							
Gold (US$ per ounce)	41.8	70.7	100.07	84.2	84.8	79.3	75.7
Platinum (US$ per ounce)							
Coal (US$ per ton)	1 769.5	1 799.8	1 801.5	1 923.8	1 974.7	2 077.8	2 143.2
Iron ore (US$ per ton)	8 83.2	1 090.8		966.7	931.9	974.4	1 000.3
Palladium (US$ per ounce)	6 5.2	125.2	271.1	121.0	118.5	117.3	1 15.4
Food inflation	1 08.1	158.2		115.0	99.7 1	91.2	85.2
Electricity inflation	2 192.7	398.2	2107.4	1 375.3	263.0	1 312.6	1 362.0
Sovereign risk premium	**4.5**	**6.1**	**9.2**	**10.4**	**4.5**	**4.6**	**4.4**
	8.9	**10.1**	**11.1**	**11.7**	**13.9**	**12.7**	**10.5**
	4 .9	**3.5**	**4.1**	**3.9**	**4.1**	**4.0**	**3.9**

1. Combined growth index of South Africa's top 15 trading partners (IMF World Economic Outlook, October 2023)
2. Bloomberg futures prices as at 9 October 2023
Source: National Treasury

Sector Performance

Agriculture

The agriculture sector grew by 7.8 per cent in the first half of 2023 compared with the first half of 2022. Despite strong field crop production, low growth is anticipated for the remainder of 2023 given declining commodity prices and market access concerns associated with the European Union's imposition of stricter phytosanitary regulations. The sector also faces downside risks due to continued power cuts, rail and port inefficiencies, higher fuel and input prices, recent flooding in the Western Cape and damage to the poultry industry following the outbreak of avian influenza.

Mining

Gross value added in the mining sector contracted by 1.1 per cent in the six months to June 2023 compared with the same period in 2022. Mining sales declined by 11.8 per cent over the same period, reflecting lower global demand and weaker export prices. Production continues to be suppressed by severe power outages and poor rail operations, which curtail export capacity. Community unrest, illegal mining and violent crime pose further risks. Weaker demand from China may dampen export prices.

Manufacturing

Gross value added in the manufacturing sector was 0.1 per cent lower in the six months to June 2023 compared with the same period in 2022. Manufacturing exports increased by 6.8 per cent over the same period, supported by food and beverages and vehicle exports. Production remains below pre-pandemic levels, owing to ongoing power cuts and rail constraints, as well as weak domestic demand. The outlook for the sector remains constrained by electricity outages.

Construction

The construction sector grew by 4.2 per cent in the first half of 2023 compared with the first half of 2022, due to expansion in residential and non-residential buildings and construction works. After contracting for six consecutive years, the sector is showing signs of recovery, yet activity remains well below pre-pandemic levels. A sustained improvement in construction activity will require private- and public-sector projects to move from the tender phase to adjudication and commencement.

Utilities

Gross value added in the electricity, gas and water sector contracted by 6.5 per cent in the first half of 2023 compared with the same period in 2022. Low generating capacity, high tariffs, illegal connections and ageing infrastructure – including at the distribution level – weighed on sectoral output. Unplanned outages remained elevated at about 30 per cent, signalling the poor performance of the coal generation fleet.

Transport and Communications

Despite ongoing challenges with rail services, the transport, storage and communications sector grew by 5.6 per cent in the first six months of the year compared with the same period in 2022. Road freight remains critical for the economy: trucks carry the bulk of goods in South Africa. The communications sector should benefit in the medium term from the rollout of telecommunications infrastructure for newly licensed spectrum, which will facilitate wider and lower-cost coverage.

Finance and business services

The finance, real estate and business services sector grew by 1.5 per cent in the first six months of the year compared with the same period in 2022. Risks are building for consumers and large companies as economic growth remains subdued. Non-financial sector debt remains a key vulnerability that may be triggered by shocks to economic growth, spending or borrowing costs.

Conclusion

In the context of weaker global growth and risks to the domestic outlook, government is working to position the economy for sustained growth and resilience to shocks. A combination of a stable macroeconomic framework, the rapid implementation of economic and structural reforms, and improvements in state capability remains central to achieving higher growth, employment and competitiveness.

SOUTH AFRICAN ICT SECTOR OUTLOOK

Rapid digital transformation is reshaping the global economy, permeating virtually every business sector and infiltrating every aspect of personal daily life. The way people learn, work, trade, access services and information, and even socialise is now increasingly mediated by digital technology. A well-functioning digital economy drives economic growth and creates job opportunities.

South Africa ranked 68th out of 110 countries in the Digital Quality of Life Index 2021. Although South Africa dropped down nine places from the previous year, it surpassed Kenya and Morocco to claim the top spot in Africa.

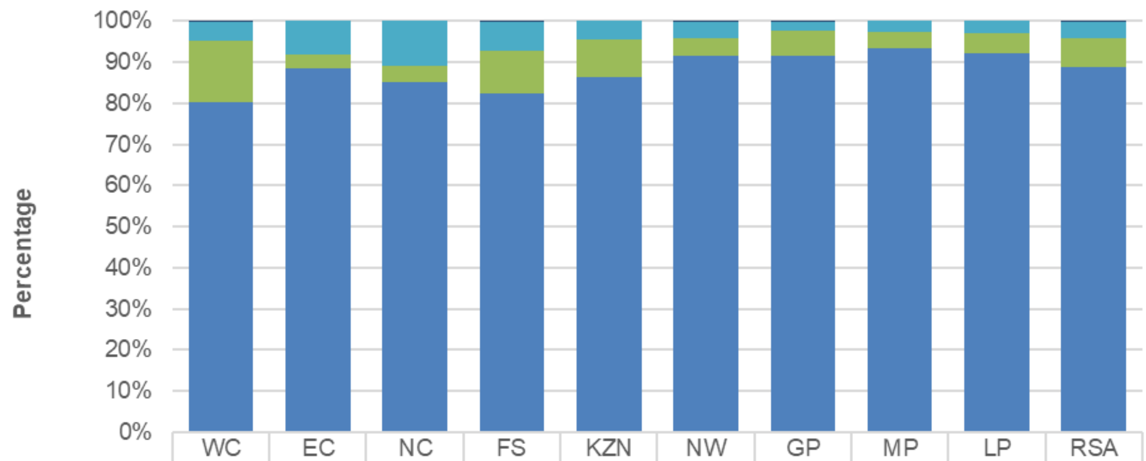
Conducted by the cybersecurity company Surfshark, the third annual edition of the Digital Quality of Life Index (DQL), a global digital wellbeing study, covered 90% of the global population and evaluated countries based on a set of five fundamental digital wellbeing pillars. South Africa ranked 87th for e-infrastructure, 85th for e-security, and 57th for both e-government and internet quality. The country managed to pull itself out of the bottom half when it came to internet affordability, ranking 26th out of the 110 countries being evaluated.

According to the affordability index, people in South Africa had to work 98 minutes to afford the cheapest broadband internet package, and just 59 seconds to afford the cheapest 1GB of mobile internet, which was three minutes less than the year before. The global average time people had to work to afford 1GB of mobile data was approximately 10 minutes.

Landlines and cell phones

Figure 14.1 summarises statistics collected on access to functional landlines and cellular (mobile) phones within the sampled dwelling units during 2022. Nationally, only 4,1% of households did not have access to either landlines or cellular phones while only 0,1% of South African households exclusively used landlines. By comparison, 88,7% of South African households exclusively use cellular phones. The exclusive use of cellular phones was most common in Mpumalanga (93,5%) and Limpopo (92,1%) and least common in Western Cape (80,4%). Households that used both cellular phones and landlines were most common in Western Cape (14,7%) and Free State (10,4%)

Figure 14.1: Percentage distribution of households who have a functional landline and cellular telephone in their dwellings by province, 2022



	WC	EC	NC	FS	KZN	NW	GP	MP	LP	RSA
Only landline	0,3	0,0	0,0	0,1	0,0	0,1	0,2	0,0	0,0	0,1
None	4,6	8,2	10,8	7,0	4,4	4,1	2,4	2,7	2,8	4,1
Cell & landline	14,7	3,5	4,1	10,4	9,2	4,2	6,0	3,8	5,0	7,1
Only cell	80,4	88,4	85,2	82,5	86,3	91,6	91,5	93,5	92,1	88,7

Internet Access

The Internet is a vital resource to access information and to communicate with others. Having access to the Internet has become so ubiquitous that it is difficult to imagine how access have expanded over the years. Figure 14.2 shows that the percentage of households who could access the Internet through a fixed connection (be it dial-up, ADSL or, more recently, fibre) has remained relatively stable between 2010 and 2021, before increasing slightly to 13,0% in 2022. By contrast, mobile broadband – connecting to the Internet through a cell phone – increased by 47,3 percentage points over the same period, growing from 28,0% in 2010 to 75,3% in 2022.

Figure 14.2: Percentage distribution of households with access to the Internet at home or through all means province, 2010–2022

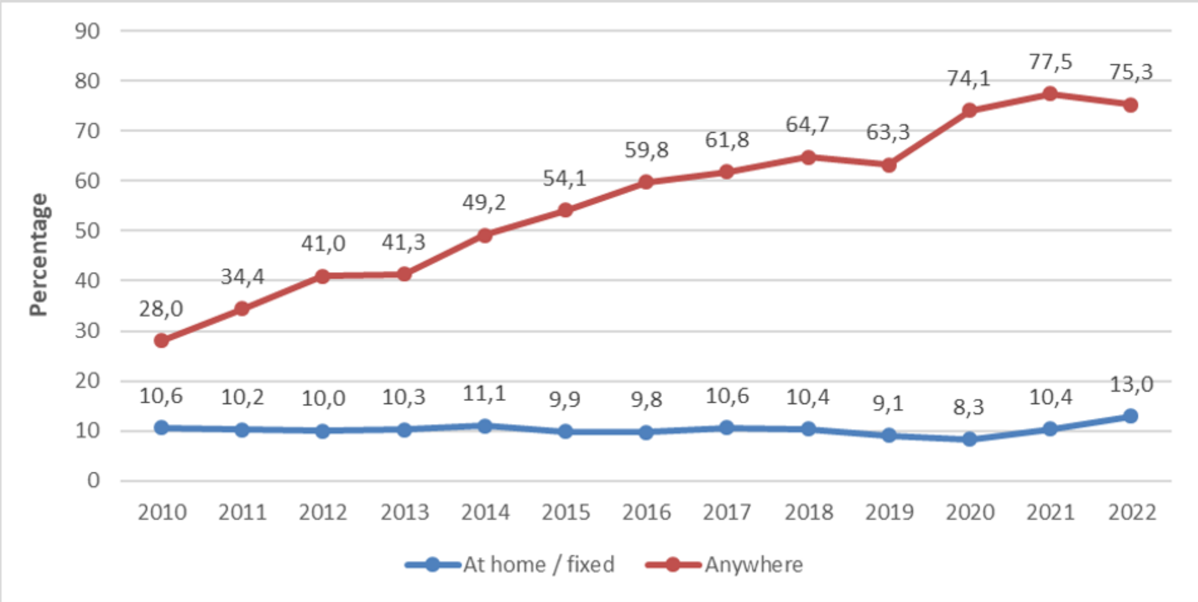


Table 14.1: Percentage distribution of households with access to the Internet by province and type of internet access, 2022

Type of internet access	WC	EC	NC	FS	KZN	NW	GP	MP	LP	RSA
Mobile	68,5	63,6	66,1	68,2	74,6	65,7	71,5	76,2	60,8	69,6
Fixed internet at home	34,7	6,6	8,4	6,2	8,3	3,5	18,6	3,9	3,4	13,0
Internet at work	19,8	9,8	10,9	8,6	11,6	6,2	19,3	5,0	4,8	12,9
Public Wi-Fi	13,4	4,2	9,4	5,1	6,8	6,2	11,5	5,5	1,6	8,0
Internet Café	7,0	2,8	1,2	3,2	1,6	2,0	12,3	3,7	1,3	5,8
At educational facility	9,0	4,7	1,6	4,8	4,1	3,0	6,8	1,2	1,4	5,0
At a library	4,3	1,0	1,3	2,6	3,1	1,4	4,5	0,5	0,6	2,8
Any kind of access	**84,6**	**66,9**	**68,5**	**72,6**	**75,9**	**67,8**	**80,0**	**78,8**	**62,2**	**75,3**

Table 14.1 shows that three-quarters (75,3%) of South African households had at least one member who had access to, or used the Internet at one or more locations such as their homes, work, place of study, internet cafés, or at public hot spots. Access to the Internet using all available means was highest in Western Cape (84,6%) and Gauteng (80,0%), and lowest in Limpopo (62,2%) and Eastern Cape (66,9%). About one-eighth (13,0%) of South African households had access to fixed Internet at home. Access to the Internet at home was highest among households in Western Cape (34,7%) and Gauteng (18,6%), and lowest in Limpopo (3,4%) and Mpumalanga (3,9%). Just under seven-tenths (69,6%) of households could access the Internet using mobile

technology. Access to Public Wi-Fi spots was highest in Western Cape (13,4%) and Gauteng (11,5%).

Table 14.2: Percentage distribution of households with access to the Internet by metro and type of internet access, 2022

Type of internet access	CPT	BUF	NMA	MAN	ETH	EKU	JHB	TSH	Metros	RSA
Mobile	70,8	59,0	76,7	70,6	86,7	75,2	77,9	60,6	**74,1**	**69,6**
Fixed internet at home	39,4	6,3	21,9	7,1	15,1	14,3	21,1	23,1	**21,4**	**13,0**
Internet at work	17,7	26,3	10,0	10,2	17,8	25,2	21,5	11,2	**18,6**	**12,9**
Public Wi-Fi	10,4	2,4	11,7	4,7	4,5	13,3	11,2	10,6	**9,8**	**8,0**
Internet Café	9,7	14,2	0,5	3,0	3,2	17,0	16,7	2,8	**10,2**	**5,8**
At educational facility	7,8	9,9	4,2	7,1	7,0	9,8	6,1	6,1	**7,2**	**5,0**
At a library	2,2	4,2	0,4	1,7	4,8	8,8	3,0	1,1	**3,7**	**2,8**
Any kind of access	**88,1**	**68,7**	**79,8**	**74,2**	**88,0**	**86,7**	**82,4**	**75,2**	**83,0**	**75,3**

A larger percentage of households in metropolitan areas (83,0%) could access the Internet than South African households in general (75,3%). Almost three-quarters (74,1%) of metro residents had access to mobile internet (compared to 69,6% of South African households in general), while 21,5% of metropolitan households had a fixed internet connection at home (compared to 13% of households in general). It is notable that 39,4% of households had fixed internet in Cape Town, compared to 23,1% in Tshwane, 21,9% in Nelson Mandela Bay and 21,1% in Johannesburg. Overall, average access to the Internet trailed access in metropolitan areas across all seven categories outlined in Table 14.2.

Table 14.3: Households' access to the Internet by place of access, urban/rural status and province, 2022

Place where Internet is accessed	Rural/ Urban status	Province (per cent)									
		WC	EC	NC	FS	KZN	NW	GP	MP	LP	RSA
At home	Metro	39,4	15,6	,	7,1	15,1	,	19,6	,	,	21,4
	Urban	29,0	3,8	9,4	5,4	9,0	7,6	11,4	6,3	9,3	10,7
	Rural	5,1	0,5	6,3	7,9	1,1	0,5	12,8	2,0	1,9	1,6
	Total	**34,7**	**6,6**	**8,4**	**6,2**	**8,3**	**3,5**	**18,6**	**3,9**	**3,4**	**13,0**
At work	Metro	17,7	16,6	,	10,2	17,8	,	19,9	,	,	18,6
	Urban	25,2	8,7	12,9	7,6	13,9	9,7	15,5	6,0	12,6	12,7
	Rural	16,2	4,8	6,7	8,9	3,9	3,7	2,8	4,2	2,7	4,1

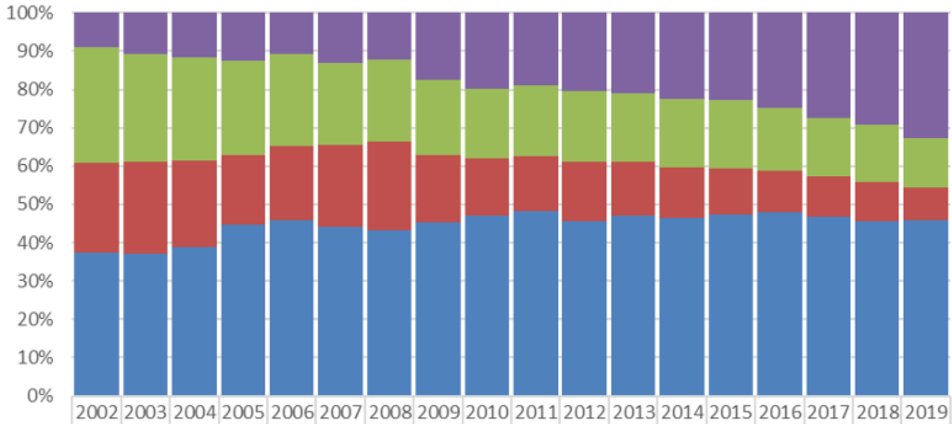
Place where Internet is accessed	Rural/ Urban status	Province (per cent)									
		WC	EC	NC	FS	KZN	NW	GP	MP	LP	RSA
	Total	**19,8**	**9,8**	**10,9**	**8,6**	**11,6**	**6,2**	**19,3**	**5,0**	**4,8**	**12,9**
Using mobile devices	Metro	70,8	69,5	,	70,6	86,7	,	72,6	,	,	74,1
	Urban	67,6	69,7	67,8	66,9	75,9	73,5	64,6	82,0	68,2	71,2
	Rural	41,3	55,9	62,6	68,7	61,6	60,2	46,0	71,7	58,9	61,1
	Total	**68,5**	**63,6**	**66,1**	**68,2**	**74,6**	**65,7**	**71,5**	**76,2**	**60,8**	**69,6**
At Internet cafes or educational facilities	Metro	17,3	12,4	,	8,2	10,4	,	19,1	,	,	16,6
	Urban	19,4	6,4	4,2	7,8	4,8	7,6	11,9	6,3	5,3	8,7
	Rural	3,9	3,7	1,8	2,3	3,7	3,1	8,6	4,5	1,7	3,2
	Total	**17,3**	**7,4**	**3,4**	**7,3**	**6,6**	**5,0**	**18,2**	**5,3**	**2,5**	**10,8**

Table 14.3 shows that household access to the Internet at home was highest in Western Cape (34,7%) and Gauteng (18,6%) and lowest in Limpopo (3,4%) and Mpumalanga (3,9%). While 21,4% of households in metropolitan areas had access to the Internet at home, this was true for only 1,6% of rural households in general and less than one per cent of rural households in Eastern Cape (0,5%) and North West (0,5%). A large percentage of households accessed the Internet at work (12,9%), Internet cafés or at educational institutions (10,8%) and at home (13,0%). Households in Western Cape (19,8%) and Gauteng (19,3%) were most likely to access the Internet at work, while only 4,8% of households in Limpopo did so. Using mobile devices to access the Internet includes access on cellular telephones or using mobile access devices such as 3G cards. It is clear from Table 14.3 that mobile access to the Internet has made it much more accessible to households in rural areas. Nationally, Internet access using mobile devices (69,6%) was the most common form of access to the Internet. Although the use of mobile Internet access devices in rural areas (61,1%) still lags behind its use in urban (71,2%) and metro areas (74,1%), it is much more common in rural areas than any of the alternative methods.

Mail

The volume of mail that is handled by the South African Post Office has declined precipitously over the past few decades as the traditional medium has been substituted by electronic alternatives such as email and other messaging services, as well as competition from the private sector. Despite the undeniable decrease in the volume of post, Figure 14.3 shows that the percentage of households that mainly received their mail at home increased from 37.3% in 2002 to 46,0% in 2019. The increase is, however, more than offset by a decline in the percentage of households that still used a post box or private bag (declining from 23,5% to 8,5% over the corresponding period), and households that received their mail through other means (declining from 30,2% in 2002 to 12,9% in 2019). During this period the percentage of households that did not receive any mail increased from 9,0% to almost one third (32,7%) of all households.

Figure 14.3: Percentage distribution of households that received mail services by type of service, 2002–2019



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Do not receive mail	9,0	10,8	11,7	12,6	10,9	13,2	12,2	17,5	20,0	19,0	20,5	20,9	22,6	22,7	24,7	27,4	29,1	32,7
Other means	30,2	28,1	27,0	24,5	23,9	21,4	21,6	19,6	18,1	18,4	18,4	17,9	17,9	17,8	16,6	15,3	15,2	12,9
To a post box / private bag	23,5	24,0	22,6	18,2	19,3	21,2	23,1	17,7	14,8	14,4	15,5	14,2	13,2	12,0	10,9	10,5	10,1	8,5
To the dwelling	37,3	37,1	38,8	44,7	45,9	44,2	43,2	45,2	47,2	48,3	45,6	47,0	46,4	47,5	47,9	46,8	45,7	46,0

The mail question was, unfortunately, not asked in 2020 and 2021, the use of a comparable question asked in 2022 shows that the percentage of households that did not receive any mail increased from 32,7% in 2019 to 47,3% in 2022. This is presented in Figure 14.4.

Figure 14.4: Percentage distribution of households without any mail services, 2002–2022

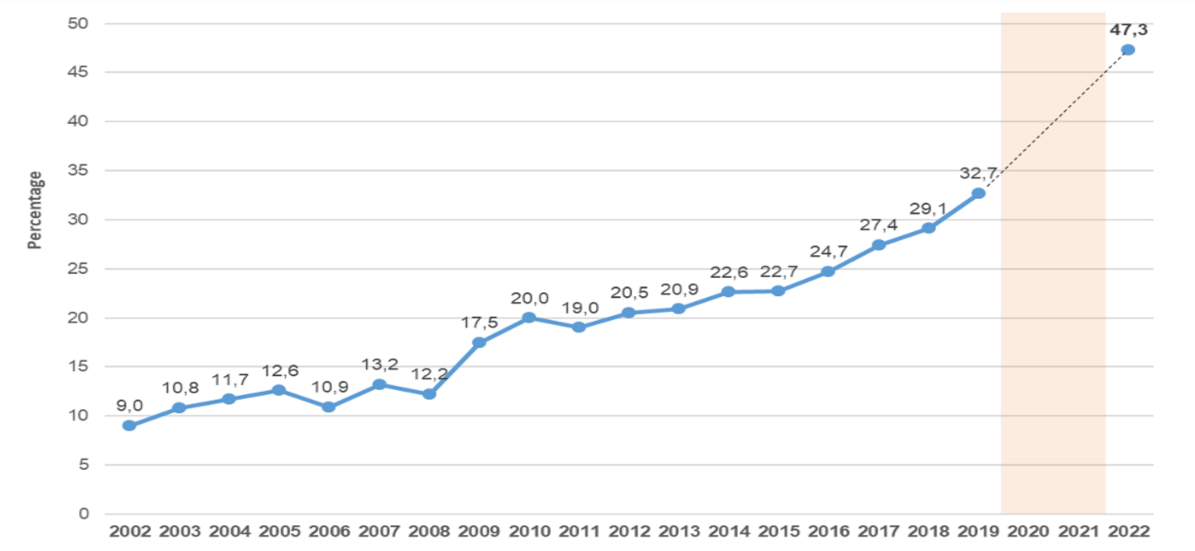
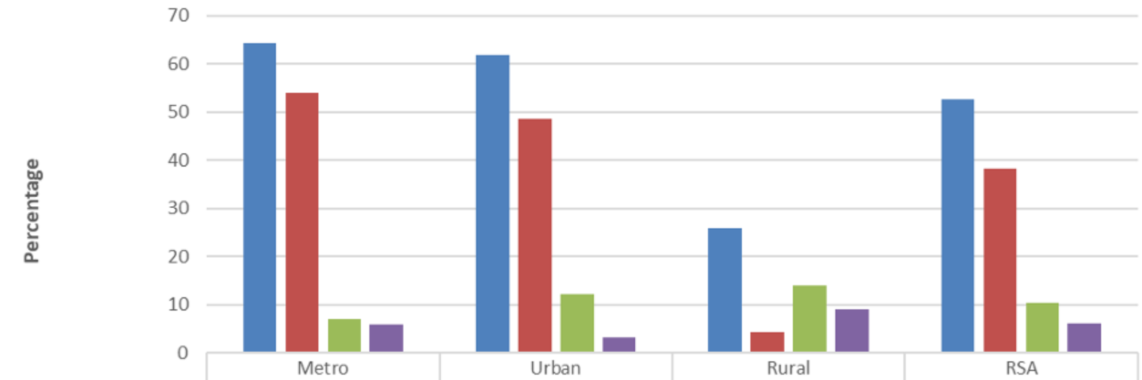


Figure 14.5: Percentage distribution of households that received mail services by type of service and geotype, 2022



	Metro	Urban	Rural	RSA
Any method	64,4	61,9	25,9	52,7
Mail delivery at home	53,9	48,7	4,2	38,3
Private Bag	6,9	12,1	13,9	10,3
Other	5,8	3,2	8,9	6,1

Figure 14.5 shows that households in rural areas have poorer access to mail services than their counterparts in urban and metropolitan areas. More than six-tenths of metro (64,4%) and urban (61,9%) households could access mail services compared to a 25,9% of rural households. Only 4,2% of rural households had access to mail delivery at home compared to 48,7% of households in urban, and 53,9% of households in metro areas. However, it is notable that a larger percentage of rural household used post boxes or private bags (13,9%) than households in metro (6,9%) or urban areas (12,1%). The use of other arrangement to get post (i.e. getting it through a school, community leader or at work) was also more common in rural areas (8,9%) than in metro (5,8%) or urban (3,2%) areas.

UPDATED PESTEL ANALYSIS

P	**Political**	▪ Growing tension between the world's most powerful players threatens to disrupt the decades old economic and political status quo, reshaping global cooperation and trade patterns. ▪ Locally, as economic growth slows, joblessness rises, and the cost-of-living crisis intensifies, the public is tiring of the call *to "have hope and be patient".* ▪ The July 2021 unrest raised questions about the government's ability to enforce the law, protect property, and maintain public order. Runaway food inflation affects the unemployed and poor most dramatically and could spark unrest more widespread than previously seen. ▪ Policy uncertainty and a seeming lack of efficacy of economic recovery plans is further eroding the credibility of public institutions, along with unprecedented levels of load shedding and chaotic politics in coalition run municipalities. ▪ 2024 is election year in the world's largest democracy, the United States. The political fallout between Democrats and Republicans centred around former US president Donald Trump's legal and constitutional troubles is

		palpable. The outcome will have far reaching consequences on both domestic and international policies including trade and diplomatic relations. South Africa holds presidential elections in 2024; the political landscape has multiple players (new and old) with campaign narratives looking to capitalise on the country's socio-economic challenges. Poverty, inequality and unemployment are still the central themes expected to form much of the political discourse, however new emerged challenges on energy and clean water supply as well as economic uncertainty are expected to feature strongly in campaigns. A trouble-free poll would auger well for the country's new administration to get back to work in enacting pro-recovery policies that promote economic and social stability. While the risk of poll-related violence or unrest is not a reasonably foreseeable prospect, it is a risk nonetheless and should it materialise, it would set the country backwards in its international standing as a democracy and an investment case.
E	**Economic**	▪ Having just begun to emerge from the massive disruption and economic losses caused by COVID-19 mitigation efforts, the global economy is again on shaky ground as long-standing geopolitical tensions boiled over into war in Ukraine. ▪ Global growth estimates have been revised downwards and are likely to contract further as high inflation persists for longer than forecast, creating concerns that constricting global growth will develop into a recession. ▪ Tightening monetary policy and rising interest rates in advanced economies will make debt more expensive for emerging markets and create downward pressure on their currencies. Expectations are that 2024 will see the beginning of an interest rate easing cycle be it much slower than anticipated as central banks remain vigilant to the threat of inflationary pressures. ▪ Global supply chains are likely to see more regular disruptions due to an increasingly fractious geopolitical environment, as well as bottlenecks in the system. Trade patterns are being rethought as fragilities and inefficiencies are exposed. ▪ South Africa needs to be cautious of an overreliance on buoyant commodity prices and focus on building a diverse and robust local economy poised to take advantage of recovery opportunities. ▪ Poor economic growth (e.g. China's economic slowdown and a floundering property sector) means that supply opportunities to local and international businesses are reduced, which will suppress SMME growth and increase business failure..
S	**Social**	▪ Mass unemployment creating widespread poverty is an urgent national challenge. Structural and socio-economic inequality was deepened by the pandemic, and gaps continue to widen. ▪ In a report compiled by the World Economic Forum *"social cohesion erosion"* was considered a short-term threat in 31 countries, including Argentina, France, Germany, Mexico, and South Africa. ▪ Socio-economic challenges are exacerbated by the underperformance of the education system, with low pass rates generally, and specifically poor results in science, technology, engineering, and mathematics (STEM). As STEM subjects are key to employability in technical and

		professional occupations, the education system is not delivering the skills youth need to thrive in the current and future economy. Early childhood development is critical to successful outcomes later in the educational process.
T	**Technological**	▪ Despite being dominated by the global tech giants, the internet has dramatically improved access to information and to markets, and creates unprecedented opportunity for small, independent start-ups of all types. ▪ Automation of administrative, organisational, and management processes facilitate greater efficiencies, especially for SMMEs. Government services to the public also benefit from the efficiency, reach and scale that technology can provide in areas like education, health, agriculture and other social services even for the most remotely located communities ▪ In many industries technology has lowered barriers to entry, provided affordable business administration and support tools, and supplied access to global markets. This translates to opportunity for tech-based start-ups to lead the job creation impetus currently hamstrung by slow or stagnant growth brick-n-motor industries and sectors. USAASA is at the heart of catalysing these investments together with sister entities; a big focus is required on ensuring that there is citizen awareness and incentives to take up the entrepreneurial spin-offs that come with ICT investments ▪ Access to technology in South Africa mirrors the patterns of general inequality. Whilst most of the country is covered by cellular networks 2, 3 and 4G, the price of data remains prohibitively high, and speeds are not always adequate for commercial activity. Only the affluent have reliable access to high-speed, cost-effective internet through fibre and 5G. ▪ Most transactions conducted today are completely reliant on technological systems to complete them. The downside to reliance on technology is its fragility and susceptibility to attack and disruption. For most users the technology itself is a 'black box', i.e., the end user has little to no idea how the technology works, or how to fix it when it does not. On a basic level, none of our advanced technology works without a source of electrical power.
E	**Environmental**	▪ The world is in the grip of a dramatic climate revolution; Droughts are becoming longer and more extreme around the world. Tropical storms becoming more severe due to warmer ocean water temperatures. As temperatures rise there is less snowpack in mountain ranges and polar areas and the snow melts faster. Overall, glaciers are melting at a faster rate. More signs of disrupted whether patterns are constant floods and heatwave induced wild fires that leave untold damage to infrastructure, flora and fauna as well as scores of displaced populations. The costs of restoration and protection of lives and livelihoods runs in the billions of dollars globally, severely impacting fiscal predictability and stability particularly for poorer nations. ▪ Corporate investment decisions are increasingly being influenced by environmental, social, and governance (ESG) considerations, although 'official' ESG scores are still somewhat contentious.

		▪ Fixed investment in infrastructure and the green economy (including renewable energy and climate friendly industrial processes) is expected to accelerate, supporting the emergence of 'green' industries and occupations. ▪ South Africa is the largest greenhouse gas (GHG) emitter in Africa, and the 12th largest globally. The country has committed to ambitious climate change targets in line with the National Development Plan and 'net zero emissions by 2050'. ▪ Developed nations are in talks with the South African government regarding loans to fund the 'just transition' away from coal to 'green energies'. Detractors contend that energy sources such as wind and solar are currently inefficient, expensive, and have a high carbon cost to manufacture and install. The assistance being offered is in the form of repayable loans.
L	**Legal/ Regulatory**	▪ Overregulation and onerous compliance requirements are a burden on SMMEs, undermining their role in driving employment and economic performance, as well as discouraging formal registration of small businesses ▪ A factor perennially accused of suppression of investment and economic growth is overly rigid labour regulation. Wage bargaining is conducted at a relatively high level and negotiated terms are automatically extended to smaller firms, negatively affecting the development of small businesses, and hindering the employment of youth. ▪ Product compliance requirements are extremely expensive, and regulatory burdens are increasing. No real evidence of 'cutting of red tape' is evident. ▪ Delays in the amendment of the ECA to include among others the disestablishment of USAASA led by the Department will lead to delayed disestablishment of USAASA. The disestablishment can only be finalised once the amendments are finalised and the Act is promulgated.

1.2. INTERNAL ENVIRONMENT ANALYSIS

As a modern government adopting structural and policy reforms through various initiatives, South Africa is seeking to achieve better, innovative, effective, and efficient means to deliver more services with limited resources. Collaborative strategies are one approach to unlocking value by partnering with the private sector or finding strategic and operational synergies in cluster entities within departments and aligning their mandate delivery goals and implementation programs.

Collaboration is defined as **reciprocal and voluntary support that two or more distinct public sector agencies or public and private administrations, including NPOs, provide each other to deliver a public service that is part of the government mission**.

- Minimum of two distinct administrations
- Formal written agreement for a definite term
- A common objective aimed at delivery of a public service

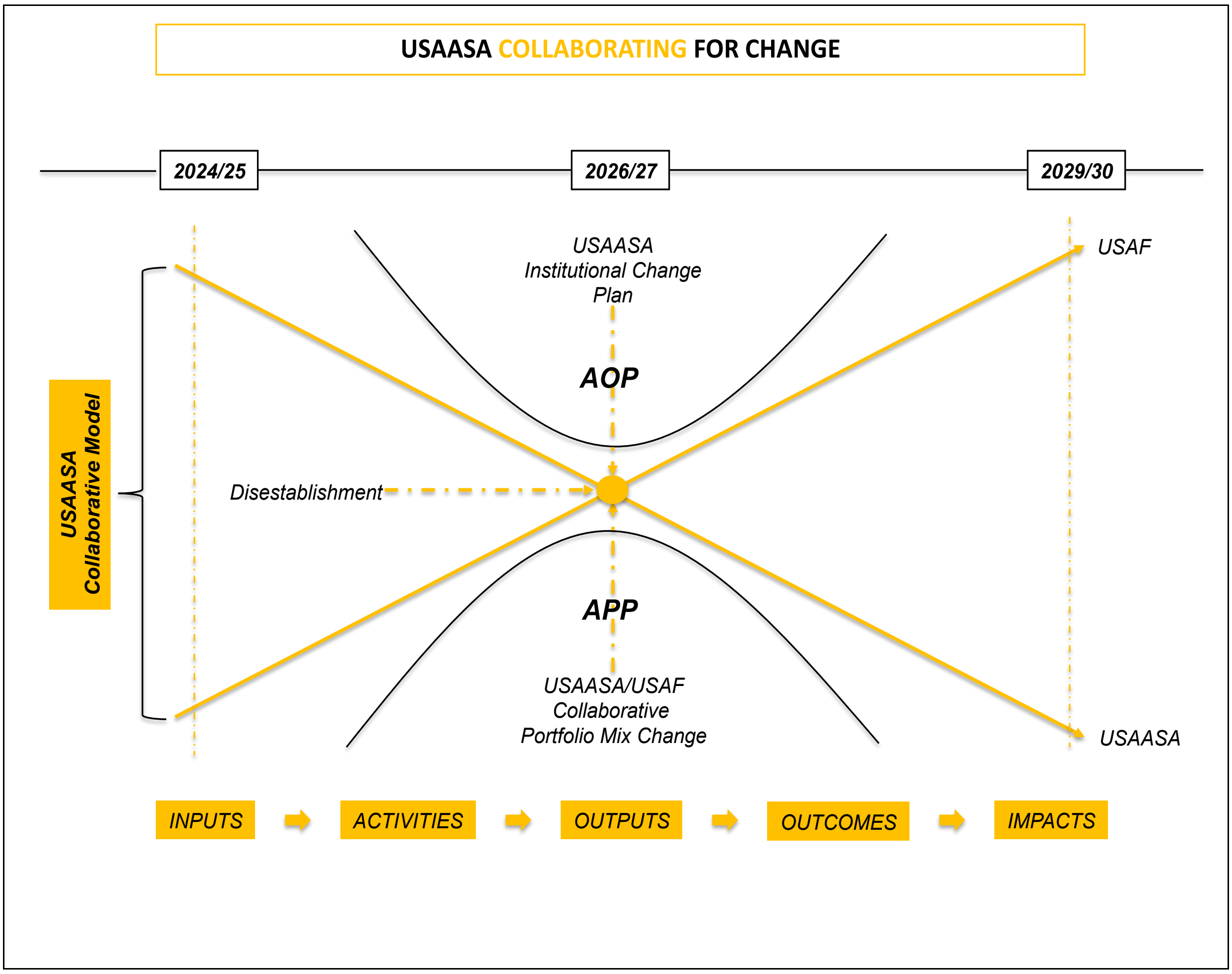
- Shared responsibility (risks, resources, costs and tangible as well as intangible benefits)

USAASA's mandate within DCDT requires co-operation with, and delivery through, its sister entities in a seamless, end-to-end communications delivery value chain. To the extent that USAASA's mandate delivery has sister entity dependencies, a deliberately designed collaborative model may well be the organising principle of the institutional arrangements today, through disestablishment phase and into the era of the envisaged standalone development fund (USAF). USAASA's collaboration model can take the following forms depending on the service delivery projects at hand;

- Public-to-public entity collaboration which is horizontal (same level) with cluster entities of the DCDT (This is the foundational model based on USAASA's current dual mandate which includes the management of USAF)
- Public-to-private collaboration where USAASA retains responsibility for a service that is partially or totally operated by a private entity through a sub-contracting or outsourcing agreement (This is a model that will come into play as the disestablishment date nears and the fund as a standalone entity takes shape and USAASA phases out)
- Public-Private-Partnership (PPP) is the extreme form that collaboration could take, with focus on shared resources, risks and benefits across sectors (This model is and will be ideal as part of the mix of collaborative programs of a fully-fledged development fund that has multiple funding streams including its own fund-raising efforts to attract additional private funders from outside of government

Illustration 1 below shows the value of a collaborative model in transitioning the organisation from an operationally inputs-heavy USAASA to one that will be an outputs-and-impact-heavy USAF post-disestablishment. Commencing with the APP and AOP for 2024/25, the collaboration model is a framework that consolidates all the institutional workstreams to drive the mandate for USAASA and USAF while simultaneously managing and executing the disestablishment project, ensuring the end-state USAASA gets delivered back to shareholder in the three-year timeline (2027) with no residual risks.

Illustration Figure 1: Collaboration-driven change for USAASA



Value Chain Approach

Illustration 2 below maps the DCDT communications service delivery value chain, its core service delivery streams and pillars of impact. USAASA's transition from the present-day institution that implements and funds projects to one that will eventually research, advise and fund projects has to be managed and driven within the context of the DCDT value chain which is an assumed 'constant' pre-and-post disestablishment.

Based on the mandates and goals of sister entities of the DCDT, their roles and impact targets distribute along the following communications delivery value chain;

- **Licensing and Regulation** is the over-arching horizontal and vertical role played by ICASA, FPB and .ZADNA. The entities however do play a role in some DCDT policy implementation aspects in some downstream activities of the value chain pillars
- **Infrastructure** (Includes all broadcasting, broadband, fibre) In fixed and mobile form. SENTECH and BBI are main players.
- **Distribution** (Includes all content, information, knowledge, entertainment, knowhow and skills). SABC, FPB, SAPO, NEMISA and .ZADNA
- **Transformation** (Includes all socio-economic impact-driving projects that leverage communications infrastructure and distributed assets of pillar 1 and 2. To a greater or lesser

extent, all DCDT entities play a role in driving the beneficiation of infrastructure and distributed investments and USAASA has opportunities to collaborate across the pillars. The portfolio of projects for USAASA and USAF would be spread across the three pillars of the value chain, along five potential collaborative workstreams, namely;

- Broadcasting
- Broadband internet
- Fibre internet
- Policy & governance &
- Societal development

Illustration Figure 2: Collaboration-driven change for USAASA

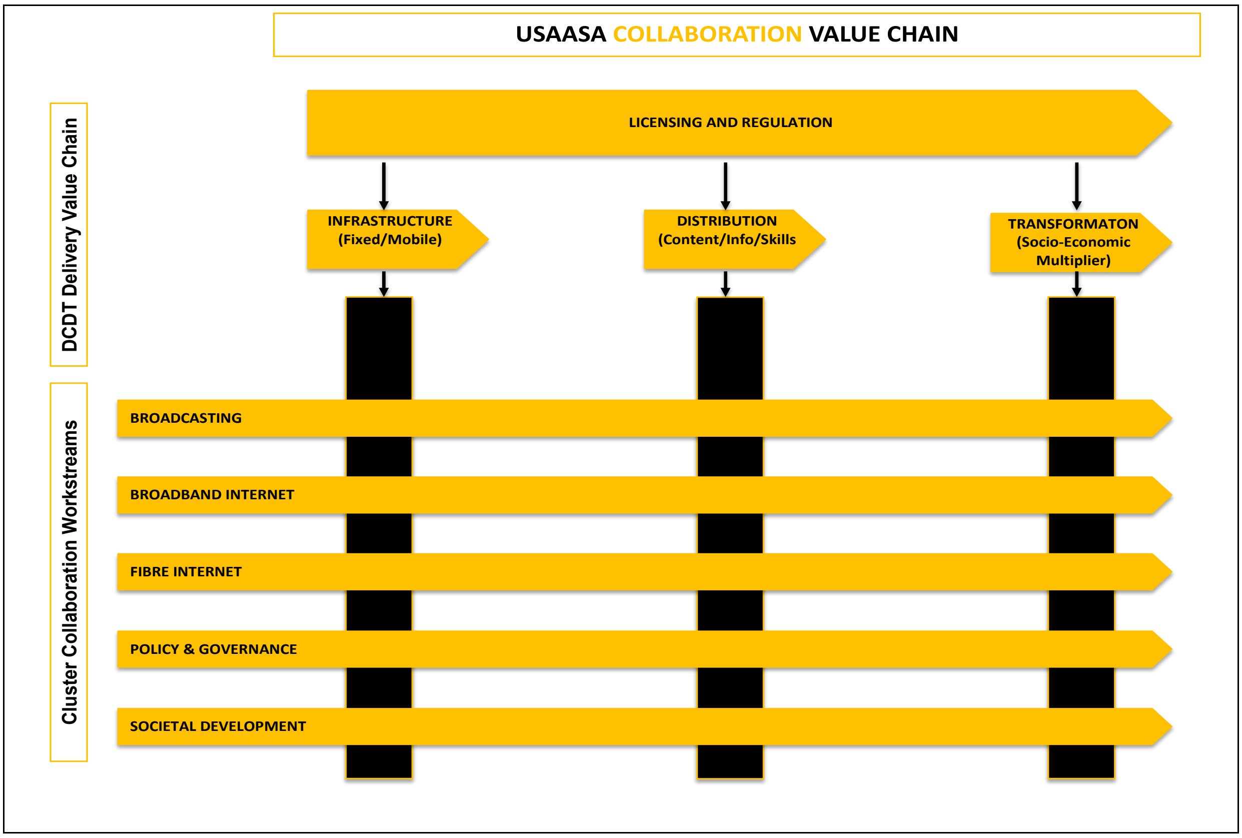
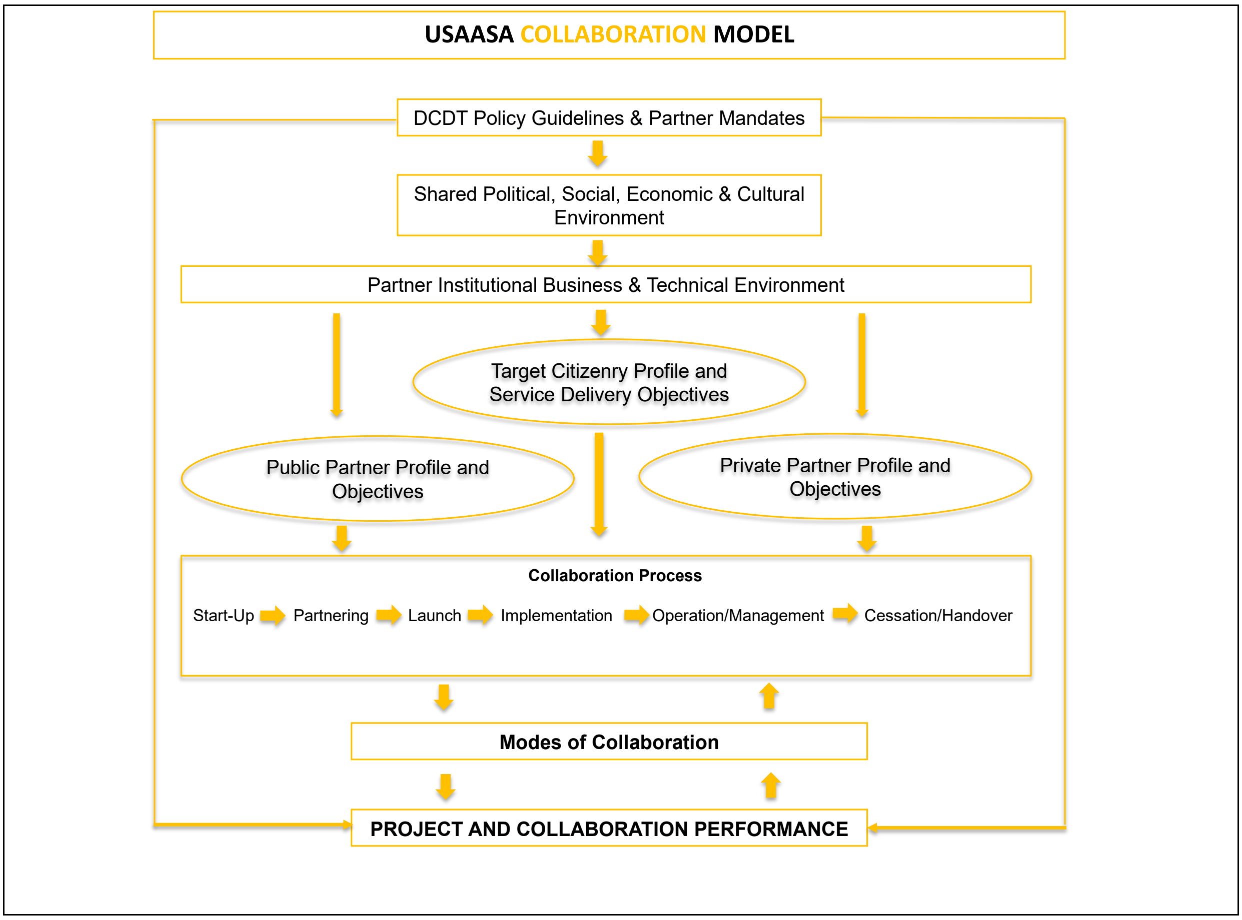


Illustration 3 below is the recommended USAASA collaboration model, main features and execution phases. The model standardises the collaborative rational with sister entities or private sector players, approach for engagements, and the operationalising of the agreements from inception to close-out of projects. It is important that the collaborative model is in alignment with USAASA's delivery framework and adjusted accordingly as and when such framework is reviewed and changed over the course of the disestablishment period.

Illustration Figure 3: USAASA collaboration model



Starting with a common understanding of the shared prevailing policy guidelines for sister entities, the following alignment is key to every collaboration:

- USAASA delivers projects in specific **social, political, economic and cultural environments**. Project identification, selection and execution will require alignment and common understanding on all these levels with the chosen collaboration partner
- The immediate environment of the collaboration project brings together **institutional, business and technological** profiles of USAASA and the collaborating partner. *Institutional* fit is based on policy, legal, regulatory, procedures and standards guidelines. *Business* is about the public service provided, its nature and universality, quality standards and impact criteria, size of targeted population and demographic classifications, public and private financing methods available, other providers/players, professional and community associations etc. *Technological* alignment of collaborators focuses on nature of technology, level of innovation, complexity, user friendliness, reliability and reach, compatibility and accessibility
- Collaborator entity **Objectives and Characteristics** must be a fit to USAASA. This aspect examines compatibility and complementarity of the partners, examining objectives, motivations and characteristics of each. What *Motivations* drive partners from profit/benefits, risk reduction and cost sharing, training, service quality, economic development and public interests. *Characteristics* such as their organisational structure, culture, leadership and

decision-making processes, past collaboration track record, strategies alignment, skills and shared capabilities, are key for frictionless implementation of projects

- A **Collaboration Process** must be agreed with each partner.
  - Project *start-up level* collaboration is based on innovative co-ideation and co-creation with a partner based on shared strategic and universal importance of the collaboration project and its objectives
  - Building *a wider partner coalition* based on research and fit to the project's single vision
  - *Project creation and launch*, complimentary partner profiles in terms of resources and capabilities, agreed measurable objectives for each, leadership demonstrated in integrating different perspectives
    - ✓ Governance (structure, degree of formality, level of centralization and flexibility, division of tasks, relation of partners, citizen-clients, employees and other interest groups
    - ✓ Nature and scope of activities associated with the project: Design, Build, Own, Operate, Lease, Transfer (DBOOLT)
    - ✓ Sharing of political, legal, judicial, financial, ethical, environmental, commercial, managerial, liability and residual value risks
    - ✓ Sharing of direct benefits (revenues) and indirect benefits (Development Impact) and expertise (training, showcase, future development)
    - ✓ Sharing of resources in terms of direct and indirect costs
    - ✓ The financing method, location of management team and service center, business and technological planning and monitoring measures, monitoring and management process evaluation, performance, rewarding, performance incentives, means of communication and utilization of ITCs to co-ordinate efforts
  - *Implementation*; identifying a focal champion, gaining senior management support, deploying a cross-partner project team with expertise, roles and powers, communication with end-users and project beneficiaries as well as other stakeholders
  - *Operation/Management*; deploying project management tools, monitoring and co-ordination measures, organisational and technical support measures in place (decision-making processes, problem resolution, formal and informal communication, risk management, consultation with external experts, evaluation of goal achievement, goal updating, climate and trust)
  - *Cessation/Handover*; agreement on opportunities and conditions of partner withdrawal from the project or termination of the collaborative partnership

- **Collaboration Success Evaluation** and the extent to which citizen-clients and partner expectations were met
  - Were government interests served by the collaboration?
  - Were initial objectives of each partner met? (costs, deadlines, quality of service)
  - Division of risks, resources and benefits equitable?
  - Respect of collaboration agreement conditions among partners?
  - Value add for citizens, partners?
  - Quality of service delivery versus service costs, reliability, responsiveness, friendliness, communication, courtesy, competence, availability, speed and safety
  - Innovative implementation ideas, efficient use of resources and productivity
  - Respect for public interest (accountability, transparency, democracy, equity, accessibility)
  - Satisfaction of service providers

REFLECTION ON USAF PERFORMANCE

In accordance with the Electronic Communications Act, the USAF is utilised exclusively for payment of subsidies for:

1) Assistance of needy persons towards the cost of the provision to or the use by them of broadcasting and electronic communications services,

2) Financing the construction or extension of electronic communications networks in underserviced areas,

3) The procurement of broadcasting and electronic communications network services and access to electronic communications networks for schools and further education and training institutions,

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

USAF finds itself in a challenging situation pending the implementation of the decision to disestablish USAASA, its managing agency, and to transfer USAF to Postbank (SOC) Ltd. However, these changes have not been formally gazetted, hence they cannot be planned for with certainty. Despite this, there is an expectation for improved performance by USAF towards the realisation of the MTSF targets for improved broadband access in South Africa.

Furthermore, a Constitutional Court decision was taken which deferred the date for broadband Digital Migration (BDM) indefinitely due to the poor installation run rate. As a result, subsidies will continue to be given to users while proper planning is applied to accommodate the roll-out.

UPDATED SWOT ANALYSIS

S STRENGTHS	W WEAKNESSES
▪ Internal research and advisory capabilities. ▪ Majority of staff is skilled (52%), making them capable of adapting easier to the planned changes in the organisation.	▪ Inadequate financial and human resources to perform legislative mandates and perform key functions.

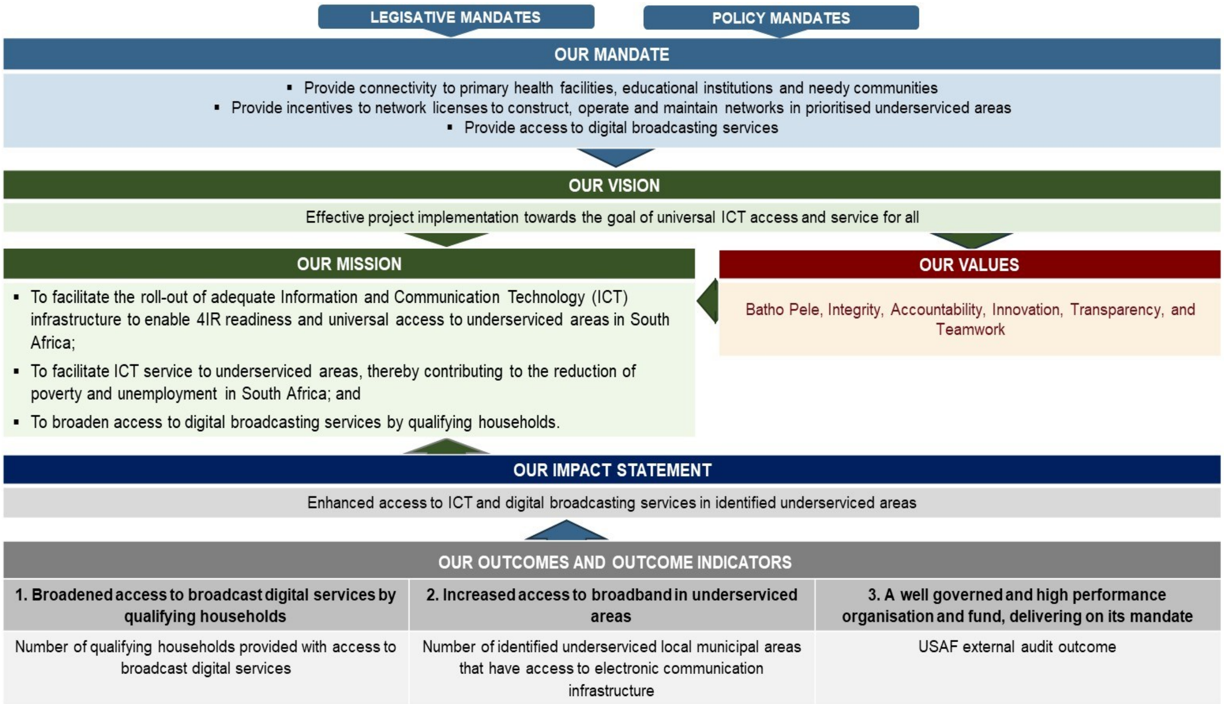
O OPPORTUNITIES	T THREATS
▪ National policies (SA Connect Strategy, etc.) prioritise broadband access to 90% of the population by 2030 – this means that	▪ A lack of co-operation from our implementing entities (SAPO, BBI, and SABC, etc.), which can affect the delivery of targets.

O OPPORTUNITIES	T THREATS
USAF will remain relevant and will play a critical role in this success, pending disestablishment.	▪ The shifting deadline for transfer of the Fund to Postbank (SOC) Ltd. results in uncertainty and may discourage staff from achieving targets.

PART C: MEASURING OUR PERFORMANCE

A visual representation of the USAF strategic framework for the period 2020-2025 is presented below:

Figure 3: The USAF Strategic Framework, 2020 to 2025



The outcomes reflected in the 2020-25 Strategic Plan are unpacked into the Annual Performance Plan for 2024/25, as reflected below.

1. INSTITUTIONAL PERFORMANCE INFORMATION

The Universal Service and Access Fund is constituted by the following programmes and aligned business functions, which inform the packaging of this Annual Performance Plan:

Programme	Subprogrammes
Programme 1 – Business Operations	▪ Broadband infrastructure and connectivity in underserviced areas. ▪ Broadcasting digital migration.

The above programme contributes to the attainment of the outcomes through programme level outputs, output indicators, and annual and quarterly targets, as reflected in the sections below.

1.1. PROGRAMME 1: BUSINESS OPERATIONS

1.1.1. PROGRAMME 1 - PURPOSE

The purpose of Programme 1: Business Operations, as per Section 82 of the ECA, can be summarised as that of a facilitator and funder to enable broadband infrastructure and connectivity in underserviced areas, and to implement the Broadcasting and Digital Migration Programme.

Despite this clear mandate, growth in the South African ICT sector has not been accompanied by a realisation of the primary policy objectives of affordable access for all to the full range of communications services that characterise modern economies.

Key outputs detailed in this USAF Annual Performance Plan have been drawn from and aligned to the Universal Services and Access Strategy, and focus in the main on the following:

- **Community and Institutional Broadband Access** - the greatest need and opportunity for South Africans to take full advantage of ICT is to ensure widespread access to high-quality broadband networks and services in all towns and villages. This will be done by establishing high-capacity broadband within currently unserved towns and villages, with last-mile broadband connections in line with SA Connect.. This includes the collaborative development of ICT industry to ensure maximum public usage and benefit.
- **Universal Access to Broadcasting** - will support the transformation and expansion of the broadcasting sector ensuring migration from analogue to digital signal broadcasting to complement the provision of universal access to multimedia forms of communication and information.

In contributing towards the Universal Service and Access Fund's desired impact of ***"Enhanced access to ICT and digital broadcasting services in identified underserviced areas"***, the Business Operations Programme delivers against the following outcomes reflected in the Strategic Plan:

Outcome 1: Broadened access to digital broadcast services by qualifying households.

Outcome 2: Increased access to broadband in underserviced areas.

Outcome 3: A well-governed and high-performance Fund, delivering on its mandate.

The 2024/25 performance plan of Programme 1 is then reflected in the log frame tables below:

1.1.2. PROGRAMME 1 - OUTCOMES, OUTPUTS, OUTPUT INDICATORS, AND ANNUAL TARGETS

Outcome	Output	Output Indicator	Audited/Actual Performance			Estimated Performance	MTEF Period		
			2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
1: Broadened access to digital broadcast services by qualifying households	Management of the BDM funding model	Tracking expenditure by BDM service providers	New indicator	New indicator	New indicator	New indicator	Consolidated annual report on BDM service provider expenditure tracking	Consolidated annual report on BDM service provider expenditure tracking	Consolidated annual report on BDM service provider expenditure tracking
2: Increased access to broadband in underserviced areas	BDM installations subsidised in line with the approved BDM funding model	Percentage verification of valid BDM installations for registered and qualified households	New indicator	New indicator	New indicator	85%	90% verification of valid BDM installations for registered qualifying households	100% verification of valid BDM installations for registered qualifying households	100% verification of valid BDM installations for registered qualifying households
	Verified completed and connected sites subsidised in line with the approved broadband model	Percentage verification of the sites that are reported by service provider as completed	New indicator	New indicator	New indicator	85%	90% verification of the sites that are reported by service	95% verification of the sites that are reported by service	100% verification of the sites that are reported by service

Outcome	Output	Output Indicator	Audited/Actual Performance			Estimated Performance	MTEF Period		
			2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
							provider as completed	provider as completed	provider as completed
	Verified completed and connected sites in identified municipalities monitored	Percentage monitoring of completed and connected sites in the identified municipalities	New indicator	New indicator	New indicator	70%	75% monitoring of completed and connected sites in the identified municipalities	80% monitoring of completed and connected sites in the identified municipalities	85% monitoring of completed and connected sites in the identified municipalities
	Funding of valid invoices	Percentage funding of valid invoices	New indicator	New indicator	New indicator	New indicator	100% funding of valid invoices	100% funding of valid invoices	100% funding of valid invoices

1.1.3. PROGRAMME 1 – INDICATORS, ANNUAL AND QUARTERLY TARGETS

Output Indicator	Annual Target 2024/25	Quarterly Targets			
		Q1 Apr - Jun 2024	Q2 Jul - Sep 2024	Q3 Oct - Dec 2024	Q4 Jan - Mar 2025
Tracking expenditure by BDM service providers	Consolidated annual report on BDM service provider expenditure tracking	Quarterly report on BDM service provider expenditure tracking	Quarterly report on BDM service provider expenditure tracking	Quarterly report on BDM service provider expenditure tracking	Quarterly report on BDM service provider expenditure tracking
Percentage verification of valid BDM installations for registered and qualified households	90% verification of valid BDM installations for registered qualifying households	90% verification of valid BDM installations for registered qualifying households for the previous quarter.	90% verification of valid BDM installations for registered qualifying households for the previous quarter.	90% verification of valid BDM installations for registered qualifying households for the previous quarter.	90% verification of valid BDM installations for registered qualifying households for the previous quarter.
Percentage verification of the sites that are reported by service provider as completed	90% verification of the sites that are reported by service provider as completed	Appointment of a service provider	90% verification of the sites that are reported by service provider as completed for the previous quarter.	90% verification of the sites that are reported by service provider as completed for the previous quarter.	90% verification of the sites that are reported by service provider as completed for the previous quarter.
Percentage monitoring of completed and connected sites in the identified municipalities	75% monitoring of completed and connected sites in the identified municipalities	75% monitoring of the existing completed and connected sites in the identified municipalities	75% monitoring of the completed and connected sites in the identified municipalities	75% monitoring of the completed and connected sites in the identified municipalities	75% monitoring of the completed and connected sites in the identified municipalities
Percentage funding of valid invoices	100% funding of valid invoices	*100% funding of valid invoices	*100% funding of valid invoices	*100% funding of valid invoices	*100% funding of valid invoices

* Subject to retention of funds and ENE

1.1.4. PROGRAMME 1 – EXPLANATION OF PLANNED PERFORMANCE

In fulfilling its purpose, the Business Support Programme will continue to enhance its project management capacity and capability to realise 2 critical pillars of work, namely:

1) Roll-out of adequate ICT infrastructure and services to enable universal access in underserviced areas, with a focus on:

   a) The deployment of electronic communication infrastructure is crucial to delivering broadband services to South Africans and overcoming the so-called *"digital divide"* between connected urban citizens and those living in rural areas. To mitigate these issues, it is critical that electronic communication infrastructure is delivered and, after that, monitored; and

   b) Facilitation and enabling of access to broadband internet services to identified municipalities and areas to promote the universal provision of electronic communications connectivity.

2) Broaden universal access to digital broadcasting services for needy households in South Africa, with a focus on:

   a) Ensuring that approximately 2 million indigent households are migrated from analogue to digital broadcasting platforms through a subsidy from Universal Service and Access Fund as per the approved funding model of the Managed Integrated Model approved by Cabinet on 30 September 2021.

2. FINANCIAL PLAN AND ANNUAL BUDGET FOR 2024/25 AND THE MTEF

2.1. PROJECTED BALANCE SHEET FOR 2024/25

Financial position	Revised Estimate	Medium-term estimate		
	2023/24	2024/25	2025/26	2026/27
Inventory	340 485	-	-	-
Loans	-	-	-	-
Receivables and prepayments	26 859	5 431	2 715	11 712
Cash and cash equivalents	503 908	240 512	240 512	322 514
Total assets	**871 252**	**245 943**	**243 227**	**334 226**
Accumulated surplus/(deficit)	823 878	202 278	107 615	294 393
Trade and other payables	41 242	43 665	135 612	39 833
Provisions	6132	-	-	-
Total equity and liabilities	**871 252**	**245 943**	**243 227**	**334 226**
Contingent liabilities	20 000	15 000	10 000	5 000

2.2. PROJECTED INCOME STATEMENT FOR 2024/25

Statement of financial performance R thousand	Revised Estimate 2023/24	Medium-term estimate 2024/25	2025/26	2026/27
Revenue				
Tax revenue	**-**	**-**	**-**	**-**
Non-tax revenue	**-**	**-**	**-**	**-**
Other non-tax revenue	-	-	-	-
Interest, dividends and rent on land	-	-	-	-
Transfers received	64 303	52 629	54 987	57 506
Tax benefit	-	-	-	-
Outside shareholders Interest	-	-	-	-
Total revenue	64 303	52 629	54 987	57 506
Expenses				
Current expenses	**11 000**	**11 376**	**3 000**	**3 000**
Compensation of employees	-	-	-	-
Goods and services	11 000	11 376	3 000	3 000
Transfers and subsidies	**1 624 210**	**1 146 129**	**51 987**	**54 506**
Total expenses	**1 635 210**	**1 157 505**	**54 987**	**57 506**
Surplus/(Deficit)	**(1 570 907)**	**(1 104 876)**	**-**	**-**

2.3. OPERATIONAL BUDGET PROJECTIONS FOR 2024/25

R thousand	Revised Estimate 2023/2024	Medium-term estimate 2024/2025	2025/2026	2026/2027
Administration*	11 000	11 376	3 000	3 000
Broadband infrastructure and connectivity	600 814	49 629	51 987	54 506
Broadcasting Digital Migration	1 023 396	1 096 500	-	-
Total expense	**1 635 210**	**1 157 505**	**54 987**	**57 506**

** Includes the request for travelling expected for mass distributions, M&E, and impact assessments by the district/project coordinators/managers during the BDM and Broadband projects period.*

3. UPDATED KEY RISKS AND MITIGATIONS FROM THE STRATEGIC PLAN

The key risks reflected in the 2020-2025 Strategic Plan are updated as follows:

Outcome	Key Risk	Risk Mitigation
Outcome 1: Broadened access to broadcast digital services by qualifying households.	Failure to fund 100% of the subsidised qualified households.	Regular engagements with appointed sister entities. Enforcement of the signed service level agreements.
	Failure to conduct M&E and submit the relevant reports within the set timeframes.	Enforcement of the signed service level agreements.
Outcome 2: Increased access to broadband in underserviced areas.	Failure to fund the identified connected sites.	Enforcement of the signed service level agreements. Proactive engagements with stakeholders to identify and prioritise sites and areas.
	Failure to conduct M&E and submit the relevant reports within the set timeframes.	Enforcement of the signed service level agreements.
Outcome 3: A well-governed and high-performance fund, delivering on its mandate.	Failure to pay service providers within 30 days	Implementation of invoice tracking system or mechanism

The detailed Risk Register is reviewed monthly by Exco and quarterly at each meeting of the Audit and Risk Committee.

4. PUBLIC ENTITIES

The Universal Service and Access Fund does not have any Public Entities.

5. PUBLIC/PRIVATE PARTNERSHIPS (PPPs)

The Universal Service and Access Fund does not have any Public-Private Partnerships.

PART D: TECHNICAL INDICATOR DESCRIPTIONS

1. PROGRAMME 1: BUSINESS OPERATIONS

Indicator Title	Tracking expenditure by BDM service providers
Definition	This indicator measures expenditure tracking in the BDM funding model
Source of Data	BDM expenditure report Approved funding model by Cabinet
Method of Calculation / Assessment	BDM funding model report
Means of Verification	BDM funding model/tracker/dashboard
Assumptions	Approved retention of funds by National Treasury
Disaggregation of Beneficiaries (where applicable)	Not applicable
Spatial Transformation (where applicable)	The target is specific to service providers defined in the BDM Funding Model
Calculation Type	Cumulative (year-end)
Reporting Cycle	Quarterly and annually
Desired Performance	BDM service provider expenditure tracked
Indicator updater	Senior Manager BDM
Indicator Responsibility	Executive Manager: Operations

Indicator Title	Percentage verification of valid BDM installations
Definition	This indicator measures the percentage number of valid BDM installations
Source of Data	Valid installation report ("valid installation" is explained in the SLA)
Method of Calculation / Assessment	Numerator – Number of valid installations verified by USAASA Denominator – Number of valid installations invoiced by Sentech Target is measured retrospectively
Means of Verification	Verification report for installations
Assumptions	Installations verified are valid installations as defined in the service level agreement with parties The installations are made at qualifying households
Disaggregation of Beneficiaries (where applicable)	Not applicable
Spatial Transformation (where applicable)	The target is specific to qualifying households that applied for the set top box nation-wide
Calculation Type	Cumulative (year-end)
Reporting Cycle	Quarterly and annually
Desired Performance	90% verification of valid BDM installations for registered qualifying households
Indicator updater	Senior Manager: BDM
Indicator Responsibility	Executive Manager: Operations

Indicator Title	Percentage verification of the sites that are reported by service provider as completed
Definition	This indicator measures the percentage number of completed and verified sites against the total number of sites reported as completed
Source of Data	Approved list of sites Verification reports (site sign off reports reflecting completed sites). Verified connectivity reports
Method of Calculation / Assessment	Numerator – Number of verified and connected sites. Denominator – Total number of sites reported as completed
Means of Verification	Physical verification Verification forms
Assumptions	All sites connected are the ones in the Service Level Agreement and or else agreed upon between the parties following a formal process.
Disaggregation of Beneficiaries (where applicable)	Not applicable
Spatial Transformation (where applicable)	Not applicable
Calculation Type	Cumulative (year-end)
Reporting Cycle	Quarterly and Annual
Desired Performance	90% verification of completed and connected sites in identified municipalities
Indicator Updater	Broadband Responsible Person
Indicator Responsibility	Executive Manager: Operations

Indicator Title	Percentage monitoring of completed and connected sites in the identified municipalities.
Definition	This indicator measures the percentage of monitored sites in identified municipalities
Source of Data	Approved service level agreement Approved list of sites. Monitoring reports reflecting completed sites Connectivity reports.
Method of Calculation / Assessment	Numerator: Number of connected sites monitored Denominator: Number of connected sites verified
Means of Verification	Hybrid of NNOC reports Completed monitoring forms
Assumptions	The site has been connected and verified The site complies with the specifications
Disaggregation of Beneficiaries (where applicable)	Not applicable.
Spatial Transformation (where applicable)	Identified municipalities in South Africa
Calculation Type	Cumulative (year-end)
Reporting Cycle	Quarterly and Annual
Desired Performance	75% monitoring of completed and connected sites and provide broadband access to the beneficiaries in line with the SLA and SA Connect Policy standards and targets
Indicator Updater	Broadband Responsible Person
Indicator Responsibility	Executive Manager: Operations

Indicator Title	Percentage funding of USAF projects' valid invoices
Definition	The measure of supplier payment turnaround times.
Source of Data	Register of valid invoices due for payment and reflect the date the invoice was certified as valid invoice and the date payment was made. Bank statements. Dated stamped and certified invoices confirming validity.
Method of Calculation / Assessment	Numerator – Total number of valid invoices funded Denominator – Total number of valid invoices submitted for the period Target will be assessed on the previous quarter invoices
Means of Verification	Physical check
Assumptions	Accuracy of data and completeness on an internal payment tracking system. A "valid" invoice is defined as an invoice that has been assessed as compliant with the SARS checklist for valid invoices, consistent with the purchase order number provided, and accurate and consistent with the goods and services provided in terms of the service level agreement/contract.
Disaggregation of Beneficiaries (where applicable)	Not applicable
Spatial Transformation (where applicable)	Not applicable
Calculation Type	Non-cumulative
Reporting Cycle	Quarterly, and annually
Desired Performance	100% funding of valid invoices
Indicator Responsibility	Chief Financial Officer

ANNEXURES TO THE ANNUAL PERFORMANCE PLAN

ANNEXURE A: AMENDMENTS TO THE STRATEGIC PLAN

The process to develop this 2024/25 Annual Performance Plan began with again reviewing the approved 2020-2025 Strategic Plan (tabled in March 2020).

The review confirmed that there are no material changes to the 2020-2025 Strategic Plan.

ANNEXURE B: CONDITIONAL GRANTS

Not applicable to the Universal Service and Access Fund.

ANNEXURE C: CONSOLIDATED INDICATORS

Not applicable to the Universal Service and Access Fund.

ANNEXURE D: DISTRICT DEVELOPMENT MODEL

Not applicable to the Universal Service and Access Fund.