ESCCOM

**ESWATINI
COMMUNICATIONS
COMMISSION**

UNIVERSAL SERVICE OBLIGATION FUND
OPERATIONAL MANUAL

Contents

1 Introduction

1.1   The Electronic Communication Act, No 9 of 2013, Part VI, gives an obligation to the Eswatini Communication Commission to establish the Universal Service and Obligation Fund (USOF).

1.2   The elements which constitutes the USOF obligations as per the Electronic Communications (The Universal Service and Access) Regulations, 2016, are:

- Voice communication;
- Data communication/Broadband;
- Establishment of infrastructure for provision of voice and data services;
- Equipment and end-user devices;
- Postal services;
- Broadcasting services; and
- Training and skills development.

Universal
Service and
Obligation Fund

ESCCOM

2 Operational manual

2.1   This document seeks to give guidance and operational principles on how the Universal Service and Obligation Fund will be funded and administered.

2.2   The Operational Manual seeks to define, among others, but is not limited to:
   - The key principles and definitions of Universal Access Service;
   - The key principles and obligations of the Fund;
   - Universal Access Service objectives;
   - Source of funding;
   - Governance and administration of the USOF;
   - Development of USOF programmes, project prioritisation and selection criteria;
   - Tendering and selection of service providers;
   - Subsidy disbursement procedures; and
   - Monitoring and evaluation.

3 Universal service obligation fund objectives

3.1 The Electronic Communication Act, 2013, establishes the USOF, whose purpose is to ensure that Information Communication Technology (including broadcasting) and Postal Services are made available to all citizens of Eswatini, including the disabled, regardless of geographical location and any specific national condition, and must be affordable.

3.2 Universal Access refers to the provision of access on a shared basis, at a community level and is a precursor for the Universal Service. Universal Service is the provision of the access at an individual or household level.

3.3 There is a need to use both approaches in order to meet the obligations of the USOF, hence they are generally referred to as the Universal Access and Service (UAS). The USOF initially has a focus on Universal Access projects that benefit communities.

3.4 There are three fundamental areas of achieving Universal Access and Service:

    3.4.1 **Availability:** The services listed above should be made available to all citizens of Eswatini at all times, regardless of geographic location, either through shared, community, public, personal or household connectivity.

    3.4.2 **Accessibility:** The services should be accessible to all citizens, regardless of gender, location or disability in a non-discriminatory manner with regard to price and quality of service.

    3.4.3 **Affordability:** The services shall be consumed by all citizens at a price which does not limit usage. It must be affordable.

3.5 USOF will support projects to the extent that they:

    3.5.1 Solicit investors and partners to help existing and new operators expand and upgrade their network in order to reach the unserved market;

    3.5.2 Support the consumer education campaign to enable benefiting citizens to realise benefits of initiatives funded by the USOF; and

    3.5.3 Empower disadvantaged citizens and communities to improve the quality of life by ensuring reasonable access to ICT technology at an affordable price and at good quality.

3.6 USOF will, in addition to funding projects, work with all stakeholders to ensure that policies in the electronic communications, broadcasting and postal sectors promote competition where possible, so that the USOF can focus on areas where it is not attractive to business due to hostile terrain or very low-income projections.

4 Goals of the Universal Service Obligation Fund manual

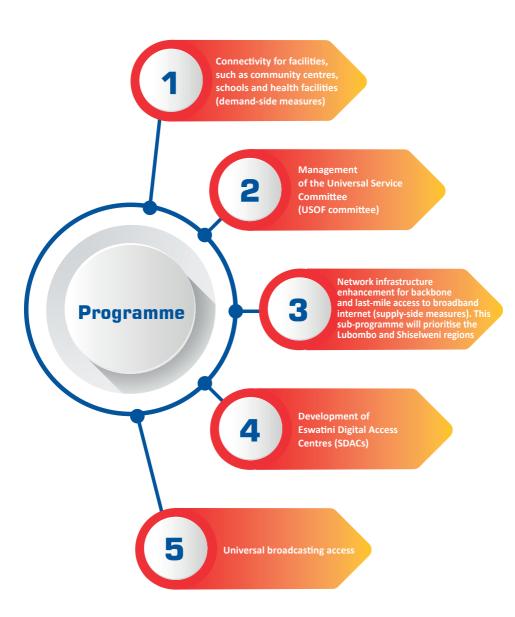The Fund manual, guided by the Electronic Communications Act and Swaziland Procurement rules:

- Ensures good **governance, accountability, fairness and transparency** in administrating the grants or subsidies;
- Provides clear and consistent **procedures and guidelines** for the USOF operations in disbursing grants and subsidies;
- Provides **efficient and effective means of disbursing grants and subsidies** of the Fund;
- Enables **effective auditing** of the Fund;
- Provides **guidance to the public** on how to access the Fund and on how they are to be utilised; and
- Provides **internal guidance** on how to deal with applications for subsidies and grants.

The manual is to be used by all stakeholders in order to understand the USOF's funding approach, cycles and decisions. It includes clear process flows, with time-bound targets applied across the board.

5 Programmes to be funded

The USOF will fund projects that are aligned with any of the following programmes:

Programme

1. Connectivity for facilities, such as community centres, schools and health facilities (demand-side measures)

2. Management of the Universal Service Committee (USOF committee)

3. Network infrastructure enhancement for backbone and last-mile access to broadband internet (supply-side measures). This sub-programme will prioritise the Lubombo and Shiselweni regions

4. Development of Eswatini Digital Access Centres (SDACs)

5. Universal broadcasting access

ESCCOM

6

Fund governance

The USOF shall be managed by the USOF Committee which is appointed by the Minister of ICT as per the dictates of the Swaziland Communications Commission Act of 2013. The Committee shall be made up of members not less than five but not more than seven. The committee shall be appointed by the Minister, as per the Electronic Communications (The Universal Service and Access) Regulations, 2016.

6.1 USOF Committee – Mandate

6.1.1   Provide the strategic direction of the USOF.

6.1.2   Approve the USOF budget.

6.1.3   Approve USOF programmes and projects.

6.1.4   Monitor the performance of the USOF in attaining its mandate.

6.1.5   ESCCOM shall provide advisory and support functions for the USOF fund.

6.1.6   Advise the ESCCOM board on a quarterly basis on the activities of the USOF in line with its mandate.

6.2 USOF Committee – Governance

6.2.1   Minister of ICT as per the Eswatini Communications Act, 2013, shall appoint a Chairman to lead discussions during the meetings of the Committee.

6.2.2   In the absence of the Chairman, the members of the Committee present in the sitting will elect a chairman for the day to lead all discussions.

6.2.3   The USOF Director shall be the secretary to the Committee.

6.2.4   The committee shall have regular meetings at a minimum of once per quarter of a calendar year. The frequency of the meetings required can be increased and an extraordinary session may be called as and when the need arises. There shall be a total of four (4) meetings per calendar year as per the PEU circular.

6.2.5   Members of the Committee must be notified at least fourteen (14) days prior to the sitting, unless, in a case of an extra ordinary sitting, where members will be notified (two) 2 days in advance.

6.2.6   The USOF committee meetings shall require a quorum of at least four (4) members. Decisions shall require a majority vote of members present. In case of a tie, the Chair shall have veto powers of the decision to be taken.

6.2.7   The USOF may establish standing or ad hog sub-committees to assist with various functions as and when required.

6.2.8   The fees and allowances shall be paid using the PEU circular on allowances.

6.3 THE STRUCTURE OF THE USOF OFFICE

The USOF shall be administered by the Director. The main functions or duties of the USOF Director shall be:

6.3.1   Execute decisions of the USOF Committee;

6.3.2   Formulate and manage the execution of the USOF strategy;

6.3.3   Prepare and manage the USOF operational budget allocated in collaboration with the ESCCOM Chief Finance Officer (CFO);

Fund governance (continued)

6.3.5 Lead in the identification, prioritisation and implementation of the universal access projects in line with the approved strategy;

6.3.6 Organize all meetings of the USOF Committee;

6.3.7 Exercise all powers as directed by the USOF Committee;

6.3.8 Perform the secretarial functions of the USOF;

6.3.9 Participate in the tender and procurement of vendors to support the project implementation in line with the procurement policies of the Commission;

6.3.10 In collaboration with the ESCCOM participate in all engagements where Universal Service is discussed;

6.3.11 In collaborating with ESCCOM, participate in identifying and implementing UAS through partnership with other international organisations and governments;

6.3.12 Liaise with operators and Government departments involved with UAS projects; and

6.3.13 Prepare progress and performance reports to be presented to the USOF Committee quarterly, including financial report (with the assistance of the ESCCOM Finance Department).

6.4 Specialist support

The USOF will remain a subsidiary of ESCCOM and will be supported technically by the various department of the Commission. Some of the supports are listed below:

6.4.1 Technology support for project management and technology support.

6.4.2 Strategy support for communications, pricing, strategy drafting, market survey and customer insights.

6.4.3 Legal support for all legal-related matters, contract drafting and management, and board/committee matters.

6.4.4 Finance support for all financial management, tender and procurement.

6.4.5 Human capital support for administration-related matters.

6.5 Organogram

```
                    ESCCOM BOARD

Chief Executive                    USOF Committee

ESCCOM directors                   Director – USOF
including USOF Director
```

7 Financial provisions

7.1 Source of fund

7.1.1 Every provider of public electronic communication service shall contribute 0,5% of their yearly net income to the USOF.

7.1.2 Every provider of Postal service shall contribute 0,5% of their yearly net income to the USOF. Framework for payment of USOF has not been established.

7.1.3 Every provider of Broadcasting service shall contribute 0,5% of their yearly net income to the USOF Framework, for payment of USOF has not been established.

7.1.4 Any funds or revenue of ESCCOM remaining unused at the end of the financial year of the Commission shall be remitted into the USOF.

7.1.5 Grants and donor agencies.

7.1.6 All funds collected for USOF shall be administered by the ESCCOM CFO.

7.1.7 All funds collected for the USOF shall be governed by the ESCCOM financial policies.

7.1.8 All funds collected for the USOF shall be audited under the ESCCOM audit policy.

7.1.9 All funds collected for the USOF shall be managed on a separate bank account from the ESCCOM funds.

7.2 Fund disbursements

7.2.1 Subsidies will be distributed through a competitive tender awards process. Applicants will be invited through public tenders to bid for the provision of the required telecom services in the designated areas. Subsidies for projects may take one of the following forms:

- **Least cost subsidy:** The required network facilities services and QoS are specified in the tender and the public/operators are invited to compete in offering the lowest subsidy. This is the Commission's preferred approach to issuing funding.

- **Output-based subsidy:** A fixed amount of subsidy and the required basic services and network facilities are specified in the tender. The public/operators are invited to compete in offering the highest number of EDACs, telecentres, access facilities, equipment, services, etc.

7.2.2 All fund disbursements shall be as per the ESCCOM financial policy.

7.2.3 USOF funds will be disbursed in accordance to the approved USOF budget.

7.2.4 Any out-of-budget projects and/or cost must be approved as per the ESCCOM financial policy.

Financial provisions (continued)

7.3 Funding window

The purpose of the defined window approach is to make sure that the USOF is not inundated with proposals outside of it programme schedule. In order to facilitate management of the Fund, the USOF Committee will have limited windows per year at which it will request proposals for closing access gaps, as follows:

Beneficiary	Type	Windows per year	Response time
EDACs, schools, hospitals and others.	Once-off or ongoing	3 (every 4 months)	60 days
Network extension	Once-off or ongoing	2 (every 6 months)	60 days
Broadcasting services	Once-off or ongoing	3 (every 4 months)	90 days
Postal services	Once-off or ongoing	3 (every 4 months)	90 days

The dates of the windows will be determined and published by the USOF. The USOF will respond to applications within the timeframes set out in the table above.

The USOF Committee may make exceptions upon good cause shown, to accept proposals outside of the funding windows.

7.4 Smart subsidies

USOF prefers to issue "smart subsidies", ie those that:

- Are once-off;
- Encourage cost savings and market growth;
- Kick-start a project or service with the objective of ultimately seeing the programme become commercially viable; and encourage service provision in regions where, without the subsidy, investors might otherwise have been reluctant to invest;
- Link subsidies to optimal results;
- Are designed to support cost-minimisation incentives; and
- Embody and facilitate good governance.

7.5 Evaluation requirements

Eligibility and evaluation of projects will be based on:

- Alignment with Universal Service and Access Strategy;
- Compliance with qualifying criteria;
- Compliance with application requirements; and
- Availability of funds.

ESCCOM

8
Planning and budgetting

8.1 Planning

8.1.1   The USOF shall, through the Director and support from the ESCCOM, conduct a study to identify areas that are not properly covered by communications networks and commercially unviable for operators to set up communications networks for the various electronic communications, broadcasting and postal services.

8.1.2   The secretariat shall prepare a three-year business plan to be presented to the USOF committee for approval.

8.1.3   The plan shall have the USOF vision, mission and objectives.

8.2 Budgeting

8.2.1   The Executive Secretary shall, in collaboration with the Chief Financial Officer of ESCCOM, prepare a yearly budget which will be approved by the USOF Committee as per the ESCCOM budget approval process.

8.2.2   Any out-of-budget costs shall be handled as per the ESCCOM financial policy.

8.3 Audit and reports

8.3.1   Independent auditors appointed by ESCCOM shall audit the USOF annually. The report shall be presented to the USOF Committee for approval before being presented to the ESCCOM board.

8.3.2   The ESCCOM Finance Department shall work with the Director to prepare quarterly reports and monthly financial statements which will be presented to the USOF Committee.

9

Project management

9.1 Projects to be funded

Projects which shall be funded by the USOF shall be informed and guided by the Eswatini Communications Act, Eswatini Electronic Communications Act, 2013 and Electronic Communication (Universal Service Fund) Regulations, 2016. The following services are to be funded:

9.1.1 Voice communication.

9.1.2 Data communication/Broadband.

9.1.3 Establishment of infrastructure for provision of voice and data services.

9.1.4 Equipment and end-user devices.

9.1.5 Postal services.

9.1.6 Broadcasting services.

9.1.7 Training and skills development.

In addition to aligning with the abovementioned project types, all projects to be funded must be aligned with one of the programmes set out in **section 5** above.

9.2 Prioritisation model

Projects which shall be prioritised for funding through the USOF Committee shall be determined by their impact on the following groupings, in no particular order:

• Persons with disabilities.

• Elderly or citizens who receive social grants.

• Community service facilities (schools, higher educational facilities, government hospitals, health centres and or community/Tinkhundla centres).

9.3 Submission of requests

9.3.1 The USOF will issue grants and subsidies based only on responses to requests for proposals. The USOF does not fund unsolicited projects.

9.3.2 All applications for USOF support will be submitted in writing to the USOF and delivered to the USOF office or by email to USOF@sccom.org.sz.

9.3.3 All applications will be received and reviewed by a steering committee which comprises the Director, Technical Services, Consumer Affairs, Finance and Legal. The steering committee will produce a report with recommendations to the CE for project endorsement before they are presented to the USOF Committee.

9.3.4 Approval and rejection of requests will be done in writing.

9.3.5 Priority of support shall be afforded to projects which meet the requirements of the programmes as per **section 4** above.

9.3.6 All project proposals shall indicate all necessary information which will assist the evaluation. The following information shall be provided for project proposal. Note that this list is not exhaustive:

• Name of entity applying for project support.

• Summary of details of proposing entity.

• Technical description of project which should indicate but not limited to:

– Nature of the project;

– Summary details of the proposing entity;

Project management

- Possible service customisation to make project suitable for target area;
- Project input and related infrastructure required;
- Quality of service measurements;
- Project timelines;
- Capital investment and other initial expenditure necessary to start the project;
- Administration cost, maintenance cost and support cost required to sustain the project. This should be projected over (three) 3 years;
- Estimated revenue to be collected from the projected revenue over (three) 3 years;
- Amount requested from USOF;
- Contribution form applicant; and
- Any other additional support and/or service that might be required for the successful delivery of the project.

9.4 Project evaluation

Projects will be awarded according to the abovementioned window periods.

The award of the project contract shall be made as per the Eswatini Public Procurement Regulatory Authorities regulations and circulars.

9.5 Project implementation

Upon awarding the project either through tender or approved proposals, there shall be a contract agreement entered into by the USOF and the entity or supplier. The contract shall include, but not be limited to, the following:

9.5.1 The functions that the entity/supplier are to perform, including quantifiable performance measures.

9.5.2 Total amount the USOF will provide for the project and the payment schedule which will be determined based on the project implementation timelines.

9.5.3 Reporting requirements: This shall entail specification of periodic reports by the service provider/implementing entity to the Director on matters such as progress assessment, assessments of risks, financial statements and any other relevant reports pertaining the project.

9.5.4 Non-compliance consequences.

9.6 Performance monitoring and evaluation

9.6.1 The Director shall ensure that the conditions stipulated in the contract, as stated in 7 (E) above, agree, including timelines of project delivery and within the approved budget.

9.6.2 The ESCCOM USOF Steering Committee and the Director shall periodically inspect all projects to monitor delivery progress and quality of service.

9.6.3 The Executive Secretary shall keep an updated project database for progress of all projects and status of usage for all completed projects.

9.6.4 The ESCCOM Technical Department and the Director shall issue any relevant justifiable technical amendments.

10 Stakeholder engagement (code of conduct)

10.1   The Universal Service Obligation Fund shall conduct all its activities in an open and transparent manner, in consultation with the licensed operators, public and private sector, the Government of Eswatini and the international community.

10.2   The USOF shall, periodically, communicate with different stakeholders through:

    10.2.1   Letters and or emails;

    10.2.2   Focused groups;

    10.2.3   Open public forums; and

    10.2.4   Public media: radio, newspapers, television and/or internet.

10.3   Stakeholders shall also be kept informed of the USOF activities through annual reports and ad hoc publications if requested by stakeholders.

10.4   The USOF shall respond to all queries and/or request for information from stakeholders within (thirty) 30 days. All requests and/or queries must be submitted in writing and submitted either through email at USOF@sccom.org.sz, or hand delivered to the USOF offices at the ESCCOM offices, 4th Floor, Sibekelo Building, Block 1.

11

Donor funding and partnerships

11.1 Partnerships

- The ESCCOM and the USOF Committee may enter into partnerships with other government departments and agencies, and with donor agencies.
- Public-private partnerships (PPP): A PPP can be considered in the case of a project, or projects, that do not offer sufficient returns for private investment, and where a minimum guarantee of public funds may be required. No regulatory concessions or privileges should be granted if they are likely to jeopardise open access in the future.
- ESCCOM and the USOF Committee prefer not to accept funds from partners and donors directly into its bank accounts. Funds should be sent directly to the projects.
- Where funds are sent directly to the USOF as contributions to the Fund, this must be done in terms of the public procurement rules.

11.2 Accountability

- All partnerships and donor assistance, whether in cash or in kind, must be approved by the Chief Executive of the ESCCOM prior to acceptance.
- A Technical Cooperation Agreement must be entered into between ESCCOM/USOF and the donor or partner, which sets out roles and responsibilities of the parties. The Technical Cooperation Agreement should provide that the donor or partner pays directly for the procurement of goods and services.
- Proper accounting and recording processes and procedures must be followed to accurately record and monitor the receipt and use of donor or partner funds directly, and the use of donor and partner funds in USOF projects.

12 USOF identity

12.1   The Universal Service Obligation Fund shall be a department of the Swaziland Communications Commission.

12.2   All agreements, documents, decisions, rulings, declarations and/or any official instruments required shall have the ESCCOM logo and shall be signed by the Commission's (ESCCOM) Chief Executive.

ESCCOM

ESWATINI
COMMUNICATIONS
COMMISSION