



L E S O T H O
C O M M U N I C A T I O N S
A U T H O R I T Y

Universal Service Fund

Strategic Business Plan

2017/18 - 2019/20

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Executive Summary

The Strategic Business Plan (SBP) for 2017/18 – 2019/20 will focus on meeting the mandate of ensuring universal access to communication services, namely telephony, broadband, basic postal services and diverse broadcasting content. Access to voice telephony is no longer as great a challenge as it was in the past, because 90% of residential areas have mobile network coverage. However, the use of broadband service remains, due to mainly challenges of: lack of relevant content and applications, digital literacy and affordability. The Fund will focus more on addressing these issues. In the areas of broadcasting and postal services, there is a need for the development or promulgation of the requisite policies and regulatory instruments for addressing universality goals. Therefore, the role of the Fund in these areas will mostly be advocacy for the necessary policies and regulations.

Overall, over the three-year period, the goal is to increase the number of users of broadband, amount local content and applications produced for the betterment of society.

1. Strategic Overview

Vision

The Universal Access Fund shall be the vehicle through which all citizens will have access to high quality, diverse and affordable communication services.

Mission

Ensuring that all citizens of Lesotho have access to telephony, broadband, diverse broadcasting content and basic postal services.

Values

In executing its mandate, the Fund shall be guided by the principles of transparency and fairness to all stakeholders.

2. Introduction

The Strategic Business Plan (SBP) for the three-year period from 2017/18 to 2019/20 is the second SBP following enactment of the Communications Act 2012 and it follows the 2014/15-2016/17 plan. The 2017/18-2019/20 plan is based on the mandate of the Universal Service Fund (USF) as expressed in the Communications Policy 2008 and the Communications Act 2012. It aligns itself to the Lesotho Communications Authority Strategic Business Plan 2016/17 – 2018/19. In developing this plan, contributors to the USF, and beneficiaries, were consulted and this plan takes into consideration feedback from those consultations. It is also the result of discussions of the network service providers and beneficiaries of the Fund in the education sector.

The purpose of this SBP is to set out the strategic direction and actions for the Fund for the three-year period starting from April 2017. The focus for the next three years will be to promote access to broadband for communities and parts of society that have had no access to date. The need for subsidies for mobile network expansion remains, in order to provide coverage to underserved and unserved areas. This will also remain an important area of focus in addition to broadband access. The Fund will be exploring access gaps in basic postal services as well as in broadcasting services with the aim of devising some means for addressing them.

This document presents the strategic overview, which deals with the vision, mission and values. It then gives the background against which the plan has been developed. This is followed by a situational analysis to provide insight on the environmental factors that have influence on the strategic direction of the Fund. Next is an outline of the strategies for three-year period and, lastly, the critical success factors and risks that must be managed for the plan to be realised.

3. Background

Information and Communications Technology (ICT) is an enabler of economic growth and social wellbeing. In a converged digital communications ecosystem, ICT encompasses telecommunications, internet, and electronic media. Postal services is a related sub-sector that is also important in any economy for the physical movement of letters and parcels. The

Communications Act 2012 mandates the Fund to ensure universal access to telephony, internet, broadcasting and postal services.

The 2014/15-2016/17 SBP focused on addressing access gaps in telephony and internet access. Since 2014, the Fund has adopted broadband as the minimum requirement for internet access in USF projects. Much progress has been made in extending services by way of mobile network expansion to more areas¹. However, a recent survey has found that, while there is good mobile network coverage for both data and voice services, about 65% of citizens did not know what the internet was and they were not using it. This indicates that the installed broadband infrastructure is underutilized. There was not much planned for universal access to postal and broadcasting services during the past three years owing to the lack of supporting legal and regulatory frameworks. This is expected to change in the current plan because the postal regulatory framework has been developed, though awaiting adoption/promulgation, and similar developments are expected in the broadcasting sub-sector.

The development of this plan has taken into account the Communications Policy of 2008, the Lesotho Vision 2020 which sets out the strategic framework for the country and the National Strategic Development Plan (NSDP) 2013-2016/17. The NSDP identifies broadband as a key enabler for economic growth, having a cross-cutting effect on all sectors of the economy.

This plan is also informed by commitments that the Government has as a member of the Southern African Development Community (SADC) and the United Nations (UN). In 2015, at a SADC ICT Ministers in Namibia, the Government of Lesotho agreed to the SADC targets for broadband as follows:

- i. **Coverage: 80%** of the population of each SADC Member State to be covered by broadband services by 2020;
- ii. **Access and use in schools:** broadband connections and usage to **all** primary and tertiary schools to allow e-learning by 2020;

¹ Coverage map provided in Annex 2

- iii. **Access and use in health centres:** broadband connections and usage to **70%** of the health facilities to allow e-health by 2020;
- iv. **Access and use in government agencies:** broadband connections and usage to all public sector agencies to allow for e-governance by 2020;
- v. **Access and use in households:** broadband connections to **50%** of the SADC Member State **Households** by 2020; and
- vi. **Affordability:** broadband services should not cost more than 5% of national average disposable monthly income by 2020

In addition to the SADC targets for broadband, the Government of Lesotho has also adopted the Sustainable Development Goals (SDGs). While none of the SDGs specifically points to ICTs, their attainment depends on ICT to varying degrees. The plan acknowledges these targets but will not be aiming to meet them due to their wide scope which goes beyond the mandate and resources of the Fund.

In planning for the next three years, Fund will seek to address access gaps in voice, broadband, broadcasting and postal services based on achievements and lessons learnt during the implementation of the 2014/15-2016/17 SBP.

4. Situational Analysis

4.1 The Current State of Access to Communication Services

The mandate of the Fund is to ensure that all citizens have access to communications services, namely telephony, broadband, broadcasting and basic postal services. The greatest demand since 2009 has been on voice services. However, the policy direction towards broadband in order to improve the welfare of citizens has become paramount. Since mobile broadband and mobile voice are implemented using the same basic infrastructure, extending mobile broadband infrastructure to unserved areas will equally meet the need for access to voice services in those areas.

i) Voice Telephony

It is estimated that over 90% of residential areas in the country have mobile network coverage (LCA 2017). The ownership of mobile phones is estimated at 79% (LCA 2017). The number of subscriptions to mobile services stands at 160% (LCA). Voice telephony can be accessed using both fixed and mobile technologies. The challenge the Fund still faces with regards to access to basic voice telephony is reaching the remaining 29% without a mobile phone. The main reason for people not having a mobile phone is affordability (LCA 2017). The average price of an entry-level mobile phone is M100.00 while that of a smartphone is M300.00. While the price of a smart phone has dropped to over M1000 in the past few years to M300, this cost may still be too high for some citizens. In addition to the challenges of affordability, users in residential areas, where there is network coverage, still face the challenge of the lack of electricity for charging devices. The penetration of electricity in Lesotho is estimated at 38%ⁱ of households.

ii) Broadband

The demand-side survey made the following findings:

- a) 67.5 % of the citizens had never used the internet
- b) 57.1% of the citizens did not know what the internet is
- c) 59.4% did not know how to use the internet
- d) 49.3% did not own a device for accessing the internet
- e) 40% of those using the internet indicated that their use of the internet was limited by the fact that it is too expensive to use
- f) 20.7% of those using the internet were limited by the slow speed of the internet – they would use more if the speed was adequate for their needs.

In terms of regional distribution of non-users by district, Thaba-Tseka, Mokhotlong, Qacha's Nek and Quthing had the most non-users. These districts are mostly rural, and with more limited infrastructure compared to the lowlands. These districts are also located where most types of media (be it print, radio or television are not accessible by most households) are lacking. Maseru had the least number of people who had never used the internet but at 55%, this is still a significantly high number.

Considering that 90% of the country has mobile broadband coverage, yet 67.5% have never used the internet is a challenge for the Government, the Authority and service providers. Furthermore, it seemed the main reason for people not using the internet was the lack of digital literacy. Another important reason was the lack of devices like smartphones, tablets or computers.

In areas where there is broadband access network services, as in the case of voice services, access to energy sources for charging devices presents a challenge. In the same way, the cost of devices and affordability of the services remain critical factors in ensuring universal access to broadband. Regarding affordability of broadband, the ITU defines it in relation to monthly income. An affordable broadband package is one that allows for at least 1GB of data per month for a cost not exceeding the average monthly income. The Alliance for Affordable Internet (AA4I) It has been also found that 1GB per month of data for 2% of national average income is the level where most people deem data as affordableⁱⁱ. The figure for Lesotho has been determined to be 3% of Gross National Income (GNI) per capita. However, due to high levels of poverty, whereby it is estimated that 57% of the population lives in poverty (UNDPⁱⁱⁱ), broadband services remain unaffordable for the poor.

iii) Broadcasting

Broadcasting features both television and sound services. There are 21 sound broadcasters and three television broadcasters licensed to operate in Lesotho. However, most of these services are concentrated in the urban areas or lowlands. A large proportion of the population is not able to access television broadcasting due to the cost of equipment and satellite television subscriptions and the lack of electricity to power televisions. The ICT survey (2017) found that 29.5% of households had a working television set, and 52.8% of households had a functional radio set. In each of the districts of Thaba-Tseka, Quthing and Mokhotlong, more than 40% of households did not have a radio. Fewer households had a television set.

While there seems to be competition in the broadcasting market, which might help address some of the access gaps, the challenge is that the concentration is in the lowlands and urban centres. The rural areas have either one service or no coverage of terrestrial television or sound broadcasting. In order to facilitate broader coverage of both television and radio by the market, there is a need for enabling policy, institutional and regulatory frameworks. Lesotho does not have a signal distributor licensed to provide signal distribution on an open access basis of licensed television

and radio stations. As a result, there is a lot of infrastructure duplication resulting in limited national coverage. A more economical approach is one that makes use of a single distributor that serves the whole country. A signal might have universal access obligations for signal coverage.

The lack of language diversity in broadcasting services in Lesotho is another challenge for ensuring universal access to broadcasting because most content is available in Sesotho and English. Minority language are not catered for. There is a need for policy and legal framework to address this challenge. A public broadcaster would typically have some universal access obligations that address the issues of content diversity to reach all citizens but this is not the case in Lesotho.

iv) Postal Services

The Authority has been developing a regulatory framework for the postal sector. The regulatory framework is based on a report titled: “*Market Study and Regulatory Framework Report on Postal Sector in Lesotho (6 March 2016)*”, that was the result of work commissioned by LCA as part of preparations for the regulation of the postal sector. The regulatory framework will designate the universal postal service operator and define the basic services subject to universality. The Fund has an opportunity to work with the designated universal service operator to ensure access for all. Mobile technology presents an opportunity for universal postal services to be made accessible to all citizens.

Other than in the voice services where over 70% of the population has mobile phones, Lesotho has a long way to go towards universal access to the other communication services. There are significant access gaps in broadband, broadcasting and postal services.

4.2 The Economy

Lesotho has a population of 2,001,946 (Bureau of Statistics (BoS) 2016). Poverty is prevalent, at 57% of the population (UNDP)ⁱⁱⁱ. The economy was expected to grow at a low rate of about 2.9% in 2017 (AfDB 2016). It is estimated that 22.9% of the population lives in the urban areas (BoS). The rest are in the rural and mountainous regions. The 87.9% of the population that lives in the rural areas and the urban poor are the key constituents of the Fund in terms of ensuring access for all.

4.3 Government Policy

The Fund operates under Government policy with the current policy being the Communications Policy 2008. The policy objectives for universal access to voice telephony, internet access, broadcasting and postal services are also well articulated in the Act. In addition to the 2008 policy, the Government has endorsed targets as part of the SADC and in for SDGs. Therefore, there is a need to assist the Government to meet these targets which are all meant to improve the quality of life for all citizens.

5. Strategic Objectives

The USF's key strategic objectives are universal access to:

5.1 Voice Communication Services

5.1.1 Mobile network expansion to unserved and underserved areas:

Invest in the roll out of at least two Base Transceiver Stations (BTSes) per year in order to extend coverage to unserved and underserved areas. The Fund will provide subsidies for the BTSes in addition to providing information and other incentives for operators to roll out commercially because some of the unserved areas are in easy to reach areas and can be addressed without subsidies.

5.2 Broadband Services

5.2.1 Provision of broadband in schools:

The Fund aims to assist at least 150 High Schools, have access to broadband connectivity during the three-year period. To address the lack of digital literacy in the education sector, the Fund will support the provision of digital literacy to teachers working in collaboration with the Government and institutions of higher learning. The target is for all schools where broadband connections are provided to also be assisted with basic ICT training for teachers.

5.2.2 Provision of public Wi-Fi access:

In order to enable access for the poor, the Fund will provide subsidies for the provision of limited (limited either by time or by volume) public Wi-Fi access at designated areas. Ten trial areas, one per district, will be established during the planning period. Based on the outcome of the trial, the model will be developed for other areas.

5.2.3 Advocacy for the development of relevant content and applications:

The Fund will support the development of content and applications of relevance to everyday life. The Fund aims to work with other stakeholders in the development of a platform for schools to host a school management system on a cloud platform. This would be the adaptation of existing open source software.

5.2.4 Include the development of backbone infrastructure in USF projects.

Continue to stipulate a minimum of 3G coverage for new mobile network expansion projects, but start upgrading areas with potential (new and old) to advanced technologies that provide enhanced user experience compared to 2G. In order to achieve true broadband, some areas require improvements in the backhaul, including migrating from microwave to optical fibre. The Fund will make provisions for incentivizing the rollout of fixed backbone infrastructure where there is a sound business case for such.

5.3 Universal Access to Broadcasting

5.3.1 Work with the Government as policy maker towards the development of universality targets and strategy for broadcasting, in both television and sound.

Advocate for a policy and legal framework that would lead to the establishment of an entity for signal distribution as this will make it possible for the national broadcasting network to be expanded economically instead of each broadcaster setting up their own infrastructure. This way, it will be possible for universality obligations to be attached to such a signal distributor to ensure signal distribution of content from various providers to reach even the rural areas.

5.3.2 Promote the use of broadband infrastructure for reaching areas currently not reached by the conventional broadcast transmission.

The Fund will work with stakeholders to develop mechanisms to leverage the available broadband network coverage for providing access to broadcast content. This could be through streaming live broadcast content or podcasts that can be accessed over the internet

for the benefit of part of the population that is outside the reach of the conventional broadcast networks.

5.4 Postal Services

During the planning period, the Fund, working with Lesotho Post, will seek to develop an understanding of access gaps in the basic postal service and to develop a strategy for addressing those gaps.

6. Key Success Factors

In order for to the Fund to meet the above strategic objectives, the following conditions are necessary:

i. Independent decision-making of Universal Service Fund Committee on budgets and projects.

The Universal Service Fund Committee (USFC) is mandated to ensure that the Fund meets its objectives. In doing so, the Committee must maintain credibility in the eyes of stakeholders by maintaining a significant degree of autonomy in its decision-making.

ii. Adequate Funding

The Fund requires adequate resources to finance its projects. The demand for services is huge, yet financial resources are limited.

iii. Transparency

The Fund uses public money. Consequently, transparency in its business dealings is mandatory.

iv. Involvement of stakeholders in the planning of programmes and projects

The buy-in of stakeholders (government, private funders, implementing partners, beneficiaries) need to be secured in the planning stage of programmes, and projects, in

order to ensure that the right solutions are identified, to enhance community service provision based on value for money and affordability principles.

7. Risks

i. Low utilization of broadband infrastructure

Broadband infrastructure remains underutilized due to a combination of factors, inter-alia: the lack of affordable devices; low penetration of grid electricity; low rates of digital literacy; and low completion rates of secondary and tertiary education.

ii. Slow rollout of fixed broadband backbone network infrastructure

Some areas that fall under the scope of operation of the Fund require fixed broadband backbone infrastructure. Entities such as tertiary institutions and most secondary and primary schools required fixed broadband infrastructure for them to be served adequately. However, the required infrastructure may not be rolled out to meet demand due to lack of resources.

iii. Foreign Exchange

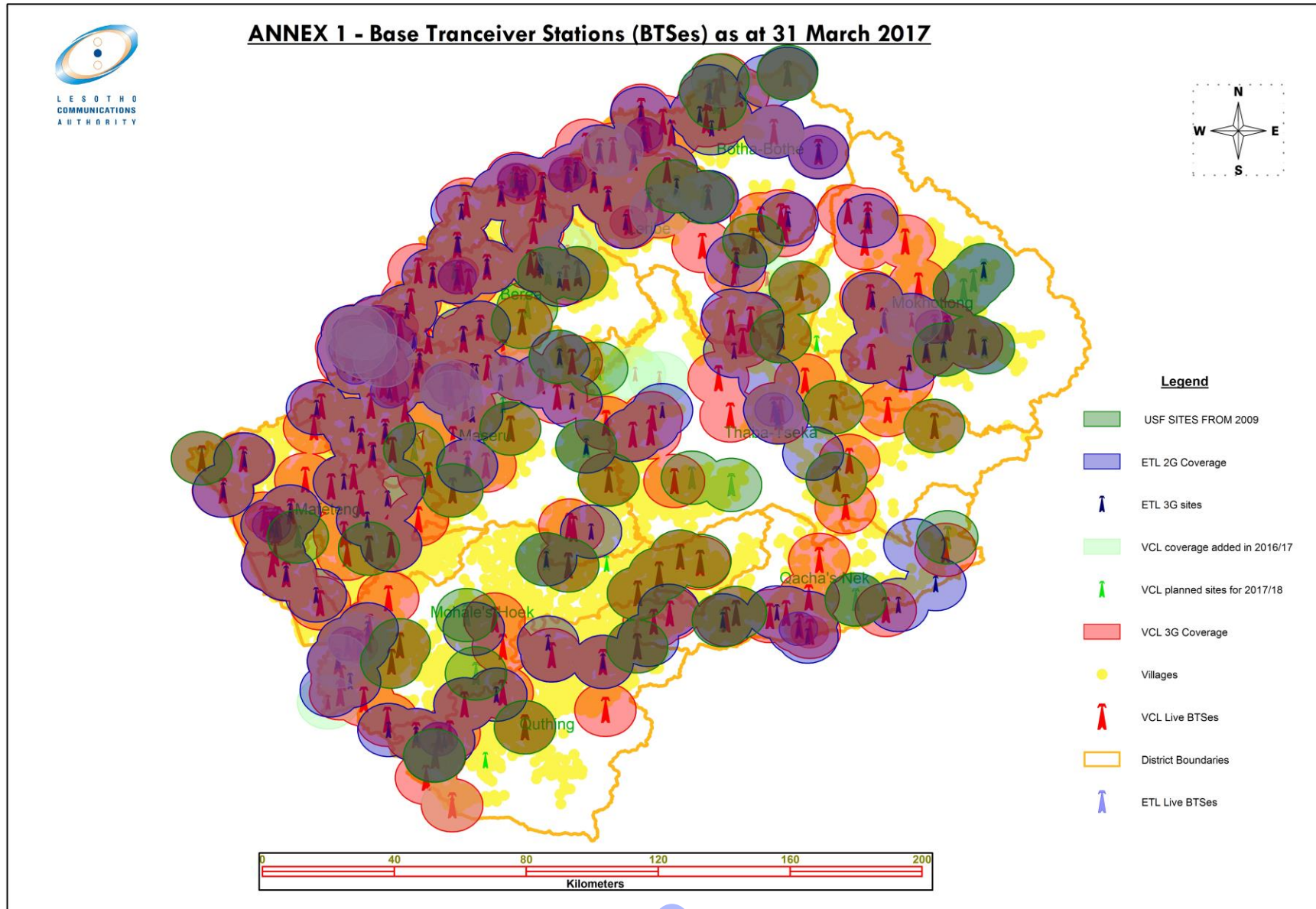
Communications network infrastructure is priced in foreign currency, mostly United States of American Dollar or in Euro. The volatility of the Rand poses a considerable risk for the Fund because this means higher amounts of subsidy will be required per project.

ANNEXURES

ANNEX 1: SWOT ANALYSIS

Strengths	Weaknesses
<ol style="list-style-type: none"> 1. Support of a reputable and competent national regulatory authority 2. Fund established by law, and operated in line with international best practices 3. Conducive working relations with key stakeholders 4. Financial and operational capability of implementing partners in the areas of voice and data services. 	<ol style="list-style-type: none"> 1. Lack of current and accurate data makes it difficult to assess true access gaps. 2. The Fund’s mandate far exceeds its financial resources.
Opportunities	Threats
<ol style="list-style-type: none"> 1. There is potential for financial support from the Government because it recognizes the need for universal access to broadband as indicated in the National Strategic Development Plan (2012/13 – 2016/17) and due to its commitments to targets for the SADC region and under the SDGs. 2. Technology is evolving, thus making it possible to have broadband deployed in low-density areas for a lower cost that was the case previously. 	<ol style="list-style-type: none"> 1. The lack of basic infrastructure such as roads and electricity puts a great burden on the Fund to serve unserved and underserved areas*. 2. The Fund may fail to meet its mandate for universal access to diverse broadcasting content because of the lack of a conducive legal and regulatory frameworks. 3. Low utilization of USF supported infrastructure by local communities especially the mobile broadband infrastructure.

*In supporting the expansion of network coverage to the unserved area, the Fund bears further costs towards civil works (making access roads to the sites) and alternative power source (solar power system) which is much higher than commercial power supply.



ⁱ Rural Electrification Unit – in response to a question by ES-USF 2017.

ⁱⁱ Alliance for Affordable Internet (2017), 2017 Affordability Report, <http://1e8q3q16vyc81g8l3h3md6q5f5e.wpengine.netdna-cdn.com/wp-content/uploads/2017/02/A4AI-2017-Affordability-Report.pdf>, accessed 7 March 2017

ⁱⁱⁱ United Nations Development Programme (UNDP) - About Lesotho - <http://www.ls.undp.org/content/lesotho/en/home/countryinfo.html>, accessed 15 March 2017