



Opening Your World

UNIVERSAL SERVICE FUND (USF) OPERATING MANUAL

FEBRUARY 2025

TABLE OF CONTENTS

1.	INTRODUCTION.....	1
2.	OBJECTIVES OF THE USF.....	2
3.	KEY PRINCIPLES OF THE USF	3
3.1	Introduction.....	3
3.2	Targeted interventions based on Market efficiency	4
3.3	Smart subsidies and sustainability	4
3.4	Selection of Service Providers through an Open and Competitive process	4
3.5	Open access/Infrastructure Sharing.....	5
3.6	Continued Support to the true access gap	5
3.7	Uniform criteria for selection areas.....	5
3.8	Creating maximum socio-economic impact	5
3.9	Limitations on funding to a Licensee	6
3.10	Technology neutral	6
3.11	No Distortion of the Market.....	6
3.12	Open and Transparent Stakeholder consultations	6
4	GOVERNANCE, MANAGEMENT AND ADMINISTRATION OF THE FUND	8
4.1	Role of the CA Board.....	8
4.2	Responsibilities of USAC.....	8
4.3	Role of CA Management.....	9
4.4	Roles and Duties of USF Function.....	9
5	SOURCES OF FINANCE AND FINANCIAL MANAGEMENT.....	11
5.1	USF sources of funding	11
5.2	Financial Management	11
6	PROGRAM DEVELOPMENT	12
6.1	Determining the current status of UA/US	12
6.2	Selecting appropriate USF interventions/ Projects	13
6.3	External and/or unsolicited proposals.....	13
6.4	Public Private Partnerships (PPP) and Inter-government (Public-to-Public) projects..	2
6.5	Development of Strategic Plans and Implementation Plans	13
7	PROJECT DESIGN AND PRIORITISATION CRITERIA	14
7.1	General	14
7.2	Smart subsidy estimation and prioritisation for public Network Use sector projects.	14
7.3	Bidder requirements	1
7.4	Technology Neutrality.....	1

7.5	Project award and Service Agreement.....	1
7.6	Other projects	1
7.7	Public Private Partnerships and Inter-government (Public-to-Public) projects. ... Error! Bookmark not defined.	
7.8	Grant Management and Administration.....	2
7.9	Joint sponsorship projects with non-Government agencies	2
7.10	Projects sponsored by Development partners	2
8	FUND DISBURSEMENT, MONITORING & EVALUATION	2
8.1	General	2
8.2	Monitoring and Inspections.....	2

Acronyms / Abbreviations

CA	Communications Authority of Kenya
CAPEX	Capital Expenditure
ICT	Information and Communications Technologies
KICA	Kenya Information and Communications Act
MoICDE	Ministry of Information, Communications and The Digital Economy
OPEX	Operating Expenditure
MCDA	Ministry, County, Department or Agency
NGO	Non-Government Organisation
PPP	Public Private Partnership
RFP	Request for Proposal
UA	Universal Access
US	Universal Service
USAC	Universal Service Advisory Council
USF	Universal Service Fund

1. INTRODUCTION

- 1) The Communications Authority of Kenya (CA) is the regulatory authority for the communications sector in Kenya. Established in 1999 by the Kenya Information and Communications Act (KICA), 1998, the Authority is responsible for facilitating the development of the information and communications sectors including; broadcasting, cybersecurity, multimedia, telecommunications, electronic commerce, postal and courier services.
- 2) The Universal Service Fund (USF) was established, pursuant to Section 84J of KICA, 1998. The object and the purpose of the Fund is to support widespread access to, support capacity building and promote innovation in information and communications technology (ICT) services.
- 3) The Fund's Administrative and Management mandate is vested with the CA Board with advisory from the Universal Service Advisory Council (USAC). USAC is established under Section 102K of KICA 1998 with the mandate to: (a) advise the Authority and provide strategic policy guidance for the administration and implementation of the Universal Service Fund; and (b) perform any other functions as the Board, may from time to time assign.
- 4) The following are the sources of funds for USF as stipulated under Section 84K of KICA 1998:
 - a) Levies from licensees
 - b) Such monies as may be provided by Parliament for that purpose
 - c) Income from any investment made by the Fund; and
 - d) Any gifts, donations, grants and endowments made to the Fund.
- 5) In line with Section 84P of KICA 1998, the Cabinet Secretary in the meantime responsible for Information, Communications and Technology is mandated to develop regulations generally with respect to the administration of the Fund and without prejudice to the generality of the foregoing, with respect to-
 - a) Amount of levy
 - b) Operations of the Fund
 - c) Mechanism for accessing the Fund
 - d) Mechanisms for collection of the levy; or
 - e) Prescribing anything that may prescribed under this Part.

- 6) The Authority charges a Universal Service Levy on all licensees offering communications systems and services on a commercial basis. The levy charged on licensees is an amount not exceeding one percent of the gross revenue of a licensee in line with the provisions of the Universal Access and Service) Regulations, 2010 (UA&S, 2010).
- 7) The Authority in line with the provisions of the Section 6 of UA&S, 2010 may fund universal service programmes and projects through either subsidies or grants.
- 8) The USF is primarily used to incentivize the private sector to rollout basic communication services to bridge the digital divide and to promote social and economic development in unserved or underserved areas and disadvantaged communities
- 9) The Authority is expected to develop Strategic Plans and Implementation Plans detailing priority Programmes and Projects to bridge identified access gaps in line with the object and purpose of the Fund.
- 10) The purpose of the USF Operating Manual is to serve as a guide to CA and stakeholders to discharge their duties and obligations in an orderly and efficient manner to meet the objectives of the Fund. The manual highlights the key principles that guide the administration of the fund and other aspects that enhance effective fund management

2. OBJECTIVES OF THE USF

11) The objectives of the fund are as follows:

- a) Encourage efficient access to and use of communications systems and services throughout the Republic of Kenya, focusing on rural, remote and under-served areas in order to promote social and economic development;
- b) Ensure reasonable availability and affordability of basic and advanced communications systems and services to persons with disabilities, at the household and individual levels, particularly where the market is unable to deliver such services in a financially viable manner;
- c) Support the development of information and communication technologies, including related human capacity and technological innovation;
- d) Provide support for the introduction and expansion of communication services to schools, health facilities and other organizations serving public needs; and
- e) Facilitate development of and access to a wide range of local and relevant content.

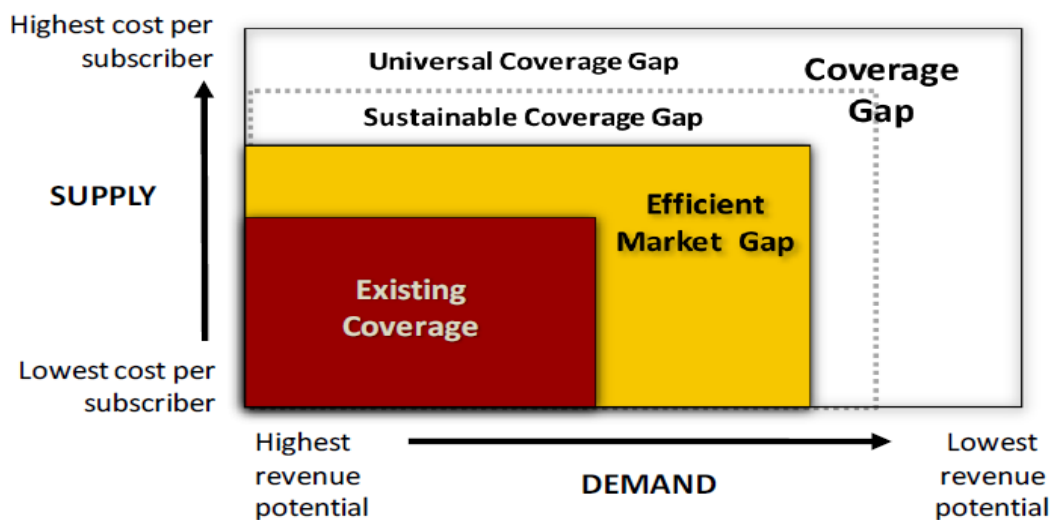
12) The administration and management of the fund includes the following:

- a) Encouraging communications service providers to rollout communications networks and services to uneconomical areas;
- b) Ensuring that un-served areas have access to quality information and communication systems and services at reasonable prices;
- c) Encouraging the development and use of relevant local content and applications;
- d) Support universal access and service projects, and related ICT innovations in all sectors of the economy, in particular support access and use of broadband communications in the education, health and agriculture sectors with priority being given to unserved and underserved communities.
- e) Collecting and distributing funds for the achievement of Universal Access and Service (UAS);
- f) Initiating, managing and overseeing the implementation of UAS programs, projects, research and innovations;
- g) Evaluating on an ongoing basis, areas supported by the Fund and make appropriate intervention

3. KEY PRINCIPLES OF THE USF

3.1 Introduction

- 13) The USF approach to access and penetration of communications in the public network is guided by the access gap model, as shown in the figure below:



- 14) Existing coverage shows the status quo in the country. This is typically areas and population groups where the cost of supply is low and demand and revenues are high.
- 15) The Efficient Market Gap are areas where commercial service providers can expand their network and services if the regulatory system and commercial operating environment would be optimized. Examples are in the area of frequency management, infrastructure sharing, taxation, competition management and regulatory enforcement.
- 16) The Coverage Gap are areas where services providers are not able to deploy communication systems and services on a commercial basis without incentives. The coverage gap can be sub-divided into the sustainable coverage gap and the “true” access gap or “universal” coverage gap as indicated above.
- 17) Sustainable Coverage Gap are areas that require one-time smart subsidies and other incentives to make them commercially viable and sustainable to deploy communication systems and services.
- 18) True Access Gaps/Universal Coverage Gap are areas that require ongoing subsidies to sustain delivery of communication services. The areas are typically inhabited by the last 1-2% of the unserved population.

3.2 Targeted interventions based on Market efficiency

- 19) The USF is implemented within a multi-player, commercial marketplace, in accordance with the broader policy objectives of the Government. The Government is committed to foster efficient market operation, a fair competitive environment, overall sector expansion and the removal of regulatory or other market barriers that may hinder the operation of an efficient market.
- 20) Targeted interventions and financial subsidies from the USF will only be used as a means to provide support in areas and for user groups where efficient market forces alone cannot provide the desired services.

3.3 Smart subsidies and sustainability

- 21) USF shall use the smart subsidy approach to provide financial support in provision of services in rural and high-cost areas, disadvantaged groups and low-income population which will not be reached by the market forces alone. Targeted financial intervention shall be applied beyond normal regulatory measures to provide services to these population groups and areas.
- 22) The smart subsidies will typically be an amount less than 100% of CAPEX cost. The support is meant to reduce the cost of deployment and facilitate growth of the market. The ultimate objective of providing a smart subsidy is to make the intervention sustainable and commercially viable to attract private sector investment.
- 23) Interventions that commercial viability is not possible or cannot be implemented by the industry, the USF is to consider and ensure long-term sustainability of projects. This may include involving other partners. The USF shall avoid funding any projects on an open-ended basis.

3.4 Selection of Service Providers through an Open and Competitive process

- 24) The mode of selection of a service provider will be determined by the type of project being implemented. CA management reserves the right to determine an appropriate mode of selecting a service provider. This may range from tendering, grants, donations, or direct collaboration with a service provider in the event that only one organization is suitable to offer the service. In each case, a justification for the choice will have to be made.
- 25) The Authority shall endeavour to, as may be practical, use an open competitive selection process to identify service providers to deploy communication systems and services.
- 26) The USF is to use this open competitive tendering approach for the least amount of subsidy requested for service provision from qualified bidders. Prospective bidders shall be required to submit technical proposals for evaluation to determine compliance to set requirements. Further, the prospective bidders shall be required to submit a financial bid indicating the level of one-time subsidy required to deploy and sustain

communications systems and services. The bidder that meets the technical requirements and requires the least subsidy shall be considered for award.

- 27) Winning bidders will sign a time-bound contract agreeing to a once-only financial subsidy that will be disbursed over time as they meet their build-out requirements and service provision obligations.

3.5 Open access/Infrastructure Sharing

- 28) Service providers shall be required to provide an open and cost based access to communication systems deployed with the support of the fund shall by licensed service providers. Such sharing may include access to masts, cables, dark fibre, physical structures, ducts, equipment enclosures, and similar facilities.
- 29) Terms, conditions, and restrictions on such shared access may be developed by CA as part of the USF project implementation rules and in consultation with industry to ensure fair and technically reasonable requirements.
- 30) Recipients of the fund shall be required to provide government institutions offering critical services access to and use of communication systems free of charge.

3.6 Continued Support to the true access gap

- 31) The Authority shall determine the true access gaps across the ICT sector (e.g., Voice and data, Postal & Courier, Broadcasting etc). The Authority shall make provision for continued support to “true access gap” areas to ensure continued provision of basic ICT services.

3.7 Uniform criteria for selection areas

- 32) CA shall apply clear and objective methods and criteria for prioritizing geographic zones where USF interventions will be implemented. Priority will be given to unserved and underserved populations in rural and remote areas where it is determined to be commercially unviable for the private sector to intervene.
- 33) The Authority shall develop a transparent and fair criterion of selecting beneficiary areas/populations, after consultations with relevant stakeholders, taking into account of such criteria as access and proximity to existing network infrastructure, size of the population and density, status of the supporting infrastructure (energy, roads, etc.), socio-economic conditions, and geographic and demographic diversity.

3.8 Creating maximum socio-economic impact

- 34) The Authority shall utilize the funds towards supporting interventions with a high socio-economic impact and value. This includes considerations of how many people can be impacted, and the quality and lasting effects of that impact.

3.9 Limitations on funding to a Licensee

- 35) The CA shall endeavour to ensure that all Licensees contributing to the Fund have a fair and equal opportunity to receive USF funding through competitive project bids. In particular, the CA may consider establishing maximum limits on the total number of projects or amounts of payments from the Fund that a licensee can receive during a given period of time.

3.10 Technology neutral

- 36) The Authority shall allow the use of the most effective, efficient and sustainable technologies to facilitate the deployment of communications systems and services by ensuring a technology neutral approach in the competitive tendering process, the Authority will allow bidders to select the most suitable technology to deliver the required services, within acceptable quality and cost limits.

3.11 No Distortion of the Market

- 37) The Authority shall take all necessary measure to ensure that USF Interventions do not distort or interfere with prevailing state of market competition. The Fund will not be used to subsidize markets or services that can be served commercially without USF support. All market players will have fair and equal opportunities to compete for Fund resources, subject to consideration of both the demand and supply sides of the market (users and suppliers of ICT services and products).

3.12 Open and Transparent Stakeholder consultations

- 38) All fund activities shall be conducted in an open and transparent manner, in close consultation with both private and public sector stakeholders. In developing program goals and project design, CA shall consult directly with affected parties, including potential service providers, end user communities, and other organizations that may participate in the projects.
- 39) The Fund's accounts, including collections and spending, shall be publicly available on the Authority's website, along with the results of all procurements and criteria for all decisions. All USF rules and procedures shall also be open for public inspection and input.
- 40) In particular, the Authority shall:
- (a) Publish annual reports that provide details of funds collected, funds disbursed, list of beneficiary service provider/s and the respective level of funding, key terms and conditions of the service agreement/s, Project implementation status Implementation challenges encountered and recorded achievements;
 - (b) Publish all Service Provider Selection processes including tender advertisements, call for proposals and any other selection process.

- (c) Stakeholder consultation comments, reports and decisions made thereto
- (d) Public sensitization on the purpose and objectives of the Fund through the media and organizing public sensitization and awareness campaigns, especially in areas where USF projects are being planned or implemented.

4 GOVERNANCE, MANAGEMENT AND ADMINISTRATION OF THE FUND

4.1 Role of the CA Board

41) The CA Board is responsible and accountable for the overall Management and Administration of the Fund, and the implementation of its programs. Specific responsibilities include the following:

- a) Approve the broad policy and Strategic direction of the Fund
- b) Approve the USF administrative tools including the USF Strategic Plan, USF Operating Manual, USF Implementation Plans etc. such as the USF
- c) Approve fund projects and programmes
- d) Approve the annual implementation plans, performance targets and reports
- e) Review and approve for submission to the Cabinet Secretary the USF annual performance report;
- f) Approve the opening of USF bank accounts and designate signatories in accordance with the applicable laws.
- g) Review and approve financial account reports related to the Fund;
- h) Maintain the integrity of USF activities;
- i) Authorize and conduct audit of USF activities;
- j) Approve the structure of the USF Function

4.2 Responsibilities of USAC

42) The responsibilities of USAC shall be to:

- a) Advise the Authority and provide strategic policy guidance for the administration and implementation of the Universal Service Fund; and
- b) Perform any other functions as the Board, may from time to time assign.

43) The Council shall provide strategic advisory on the following matters among others:

- 43.1 Priority interventions or projects to serve target populations
- 43.2 Prioritization of beneficiary areas
- 43.3 Level of support to be provided under the fund
- 43.4 Fund disbursement methodology either grants or subsidies
- 43.5 Proposed service provider selection process
- 43.6 Specific areas that would require continuous support i.e., true access gap areas

4.3 Role of CA Management

44) The role of Management shall include:

- a) Provide general strategic guidelines relating to the Management of the Fund.
- b) Allocate sufficient human and logistical resources to support the day-to-day administration and management of the fund.
- c) Establish administrative mechanisms, systems and structures for the proper Management of the USF.
- d) Monitor the implementation of USF programme and projects to ensure achievement of intended objectives within the time, quality and cost constraints.
- e) The Management shall avail the services of other CA employees on a need basis.

4.4 Roles and Duties of USF Function

45) The USF Function shall perform the following:

- 44.1 Preparing strategy and programs/projects proposals for approval.
- 44.2 Undertaking project management through monitoring and evaluation, data collection and research on new areas.
- 44.3 Conducting assessment on the state of universal service and other related research activities for the USF programs.
- 44.4 Ensuring that a database of relevant performance indicators relevant to the USF program is assembled, kept up to date and disseminated or made available as required.
- 44.5 Operationalising and maintaining an Interactive ICT Access Gap portal and keep.
- 44.6 Developing the USF strategic plan and programs for review by Management;
- 44.7 Managing the execution of the USF Programs/Projects;
- 44.8 Developing USF annual operating plans and budget requirements in accordance with the approved USF programs;
- 44.9 Designing and prioritizing universal service projects, in line with the approved strategy and programs;
- 44.10 Undertaking activities relating to inspection, monitoring and evaluation of USF projects, including the selection and supervision of consultants and technical auditors/monitors to support project implementation as required;
- 44.11 Monitoring the expenditure of USF projects in consultation with Finance and Accounts department;

44.12 Preparing quarterly progress reports and submit to Management for review;

44.13 Preparing USF annual reports for approval before submission to the Ministry of Information Communication Technology.

5 SOURCES OF FINANCE AND FINANCIAL MANAGEMENT

5.1 USF sources of funding

- 45 The USF shall be sourced mainly from the following:
- a) Levies from licensees;
 - b) Such monies as may be provided by Parliament for that purpose;
 - c) Income from any investment made by the Fund; and
 - d) Any gifts, donations, grants and endowments made to the Fund.

5.2 Financial Management

- 46 The Authority shall open and operate a separate account or accounts with a reputable bank or banks for the purpose of the Fund.
- 47 The Authority may draw up to 3% of the project budget to meet the project's administrative and operational expenses.
- 48 The Authority shall engage an independent Auditor/s to undertake annual audits of the fund and its activities

6 PROGRAM DEVELOPMENT

- 49 In order to identify and develop programs/projects in each sub-sector the following shall be considered:
- a) What is considered a basic and essential service
 - b) The current status of universal access and service
 - c) Project sustainability
 - d) In other sectors supported by the USF, such as education and health, have the sector agencies themselves established the necessary plans and mechanisms to ensure sustainability, use and impact of the communications services in their main areas of activity?
- 50 The general methodology to be followed in the identification and development of programs for USF financing in each of the communications sub-sectors shall be as follows:

6.1 Determining the current status of UA/US

- 51 The Authority shall, at least one every five (5) years, conduct market studies (demand analysis, supply analysis, baseline studies and access gap study) to determine the current status or level of penetration of universal access and/or service. The studies shall determine the following characteristics of the universal access and service:
- (a) **Availability** –what type and level of service is available for users? Do all areas in the country receive the same service without geographical discrimination? Or are there areas or population groups to whom the services are not available?
 - (b) **Accessibility**–can all people and institutions in Kenya access the services in a non-discriminatory manner?
 - (c) **Affordability** – is the cost of accessing the universal service within reasonable reach by all potential users?
 - (d) **Awareness and ability** – are people and potential user organisations informed of the existing benefits of communications services and applications? Do people have the knowledge, skills and capacity to use the communications services such as computers and other communications devices?

6.2 Selecting appropriate USF interventions/ Projects

- 52 The Authority will use the level of penetration of an ICT service to determine whether the Fund shall be utilized to facilitate the implementation of Universal Service (US) or Universal Access (UA) projects.
- 53 Where market studies indicate the availability, access and affordability of a communications service as being below 50% of the population, the Authority shall develop a Universal Access (UA) programme/project to enhance access at public places.
- 54 Where market studies indicate the availability, access and affordability of a communications service as being above 75% of the population, the Authority shall develop a Universal Service (US) programme/project to enhance access at the household level.
- 55 Where market studies indicate the availability, access and affordability of a communications service as being between 50% and 75% of the population, a dual approach of providing communication service at both household level and publicly available centres shall be considered.

6.3 External and/or unsolicited proposals

- 56 Each financial year, the Authority may make budgetary provision to fund external project proposals aimed at meeting the objectives of the Fund.
- 57 Upon receipt of a proposal, the Authority will within 60 working days determine the appropriateness of the proposal to meet the objectives of the Fund in the short term.
- 58 These proposals may be in the area of capacity building, local content development, innovation and small or pilot projects.

6.4 Development of Strategic Plans and Implementation Plans

- 59 The Authority shall develop a Strategic Plan, at least every three to five years highlighting among others, priority Universal Service and/or Universal Access interventions based on identified access and usage gaps, relevant stakeholders, resources required and strategies to be applied to enhance success of the planned initiatives.
- 60 The Authority shall develop implementation plans aligned to the Strategic periods, detailing the resources required to deliver the target intervention.

7 PROJECT DESIGN AND PRIORITISATION CRITERIA

7.1 General

- 61 The Authority shall prioritize support to infrastructure and service projects that would be commercially viable and sustainable upon application of smart subsidies.
- 62 The USF may be applied to facilitate the implementation of projects/programmes where commercial viability would not be necessary, especially projects focused on Internal capacity, capacity building and digital skilling, development of relevant local content and applications, enhancing security, supporting public institutions that provide basic public services in line with the mandate and objectives of the Fund.
- 63 The general key considerations for USF project design and prioritisation are as follows:
- a) A degree of regional representation of USF projects across counties;
 - b) Sustainability of projects
 - c) Practicality of projects,
 - d) In the case of institutional support (e.g., educational, health, etc.), execution of the necessary agreement detailing the project scope, responsibilities of each party, governance framework, sustainability mechanisms among other requirements.
 - e) The impact of projects, e.g., higher number of people, lower subsidy (e.g., by comparing subsidy cost per person or user institution impacted);
 - f) The needs and demand for communications services;
 - g) Initiatives that allow a larger number of operators to participate in the tender process; and
 - h) Availability of funding, timeliness and capacity to implement the projects/programs.
 - i) Initiatives to deepen use and impact

7.2 Smart subsidy estimation and prioritisation for public Network Use sector projects

- 64 Smart subsidy is the amount of money required by a communications service provider to bring loss-making services to an acceptable rate of return and sustainability over a specified period of time.
- 65 The Authority shall estimate the cost of providing a communication services for a period of five (5) years and the revenues earned thereof and determine the “financial gap” of providing the service. The Authority will facilitate the deployment of

- infrastructure and services by covering the identified financial gap through issuance of subsidies or grants.
- 66 The Authority may, during the implementation period, review the level of applicable subsidies to align the same with the prevailing cost of providing the services. In doing so, the Authority will take into account the average cost of capital, inflation rate, forex exchange fluctuations among others.
 - 67 The Authority will invite licensed services providers in an open and competitive process, to submit technical and financial proposals to deploy the required infrastructure and services within a set maximum subsidy amounts. Bidder/s who require the least subsidy within the maximum provided limits, may be considered for award.
 - 68 The Authority will take into consideration the following factors when determining the financial gap of providing a communication service/s:
 - a) Population numbers and their demand/ projected expenditures on communications services. This is to model expected revenues from the users, institutions and businesses for the particular communication services;
 - b) Per capita and household incomes to cross-check reasonable communications expenditure as a percentage of income;
 - c) Geographic areas that are unserved or underserved;
 - d) Infrastructure and service supply costs – the costs for supplying extension of the existing infrastructure and service provision into unserved or underserved areas of the country.
 - 69 A viability rating is the amount of subsidy compared to the overall investment needed. For example: assuming to serve an area with communications services requires Kenya Shillings 10,000,000 investment, and the subsidy required to make this investment profitable is Kenya Shillings 2,000,000. The service provider invests Kenya Shillings 8,000,000 and the subsidy is Kenya Shillings 2,000,000, so this area is 80% viable. The table below shows a typical categorization of viability ratings, highlighting in blue what type of projects the USF can best target.

Table 1: Viability Status

Category	Viability Factor	Project Description and Priority Implication
Category 1	>100%	Definitely commercially viable and will be served by existing service providers soon, no subsidy required
Category 2	76-100%	Project is close to viable under optimistic or <i>strategic</i> assumptions. Not yet specifically targeted by existing service providers, but could be targeted commercially soon without financial incentive. Predicted subsidy is less than 25% of Capex. USF Program could accelerate investment, but there is a risk that it will be served soon anyway.
Category 3	51-75%	Commercially unviable without a subsidy in the range of 25-50% of overall investment. Good target for USF Program.
Category 4	26-50%	Unviable and very unlikely to be served without subsidy in the range 50-75% of overall investment. Should be targeted for USF Program subsidy
Category 5	0-25%	Definitely unviable without major subsidy, e.g., requiring more than 75% of overall investment. This may require an ongoing operating cost subsidy. Should be targeted later when market has expanded.

- 70 The Authority will endeavour to leverage commercial sector participation by supporting sustainable development of services with minimal financial assistance through subsidies and/or grants.
- 71 The Authority will prioritize projects/localities with a viability of between 25% and 75% under category as 3 and 4 in table 1 above.
- 72 Some localities in Category 5 may be considered as eligible for smart subsidy if “mixed” with more viable localities in Categories 2 and 3 within a tender Lot. Sustainable project design and prioritization.

7.3 Bidder requirements

73 Prospective bidders will be required to meet the following conditions:

- a) Where applicable, be a holder of a valid license to provide the communications services in Kenya.
- b) Demonstrate sufficient technical and financial capacity to deliver the assignment. The Authority may require bidders to provide a guarantee in the form of a bid bond and/or a performance bond issued by a reputable financial institution as security for undertaking USF projects.
- c) Demonstrate the suitability of the proposed technology to deliver the service.
- d) Commit to meet the Quality-of-Service requirements

7.4 Technology Neutrality

74 The USF shall not dictate the technology to be implemented by service providers instead; the service contract shall be awarded to the bidder meeting all minimum service requirements.

75 Bidders shall demonstrate the suitability of the technology being provided.

76 Where a bidder proposes a new technology, the Authority shall evaluate its consequences to the end-user.

77 Where bidders require radio frequencies they shall be obligated to secure the requisite spectrum upon award of tender.

78 *The Authority may however, upon comprehensive research and stakeholder engagement, recommend technologies or solutions if they are found to sufficiently address affordability, availability, and accessibility. Upon recommendation all operators will be invited to participate in tenders to use these technologies.*

7.5 Project award and Service Agreement

79 The service contract shall be awarded to the bidder with the least subsidy requirement and that has fulfilled all the tender requirements.

80 The successful service provider shall meet the Quality-of-Service requirements that are listed in the tender document and Service Level Agreement.

81 Any successful service providers will be subject to applicable sector regulations.

7.6 Grant Management and Administration

- 82 USF may where appropriate disburse fund suing grants. The Authority will develop the terms of reference for the project and the criteria for selection based on a project-by-project basis. The Authority shall be guided by the following general guidelines when selecting and awarding grants:

No.	CRITERIA	DESCRIPTION	MAXIMUM SCORE
1.	Sustainability	The proposal must demonstrate how to achieve sustainability on both the demand and Supply-side	Mandate
2.	Alignment with the Government existing blueprints for Digital transformation	The project must be seen to directly contribute to the government's digital transformation agenda	Mandatory
3.	Alignment with USF's mandate	The project must be seen to contribute to USF's mandate of serving the unserved and underserved communities	Mandatory
4.	It fits within the current Strategic plan	The project must fit within the Strategic direction and Strategies of the existing Strategic plan	Mandatory
5.	Framework of implementation	There should be an existing framework of implementation or can be developed within a specified time	100
6.	Technical Capacity	There should be technical capacity in the country to accommodate the solution	100
7.	Impact	The social-economic impact must be visible to as many people as possible over a long period	100

7.7 Other projects

- 83 In accordance with its mandate, the USF shall develop and advertise tenders or call for proposals for a range of special projects to be developed through an ongoing consultation process and planned for procurement or grants on an annual budgeting basis.
- 84 These shall be competitively tendered individually as per the Public Procurement and Asset Disposal Act, 2015 and corresponding regulations or may be awarded in accordance with an established criteria of awarding as required.
- 85 Other projects shall include the following Category of project:
- 85.1 Small or Pilot Projects: At the beginning of every financial year, the USF shall make a budgetary allocation to support small or pilot projects. These Projects aim at assisting the USF to establish or refine its knowledge or methodology to be employed in the main programs. It may also wish to fund smaller projects to meet specific needs of a target community.
 - 85.2 Capacity Building and Content Development Projects: The USF shall consider supporting projects that focus on capacity building and development of content and applications of value to regional or rural and underserved communities. These could include web sites, mobile apps, educational and training materials, interactive and multimedia applications for special needs users, and other targeted ICT content.
 - 85.3 Innovations: A project to develop a new idea or new innovation may be initiated by the USF itself and put out to tender for proposals in accordance with para 8.8.2, or may be received as an external or unsolicited proposal.
 - 85.4 E-inclusivity projects: These are projects meant to ensure special groups such as women, PWDs, children, the aged are brought on Board in using ICT services with priority given to unserved and underserved communities.
 - 85.5 e-public projects: These are projects aimed at enabling the government to serve its citizens in public places such as schools, health centres, administration centres etc.
 - 85.6 Projects that entail operationalisation of core USF projects: USF may, on a need by need basis, engage external consultants to help them execute USF projects as long as the need is justifiable in terms of the value creation.

7.8 Joint sponsorship projects with non-Government agencies

- 86 The USF shall be open to respond to proposals for collaboration and funding of projects planned and already partially funded by Non-government Organisations (NGOs) or other relevant associations in the industry
- 87 As in the case of inter-Government projects, the procurement of ICT goods and services funded by the USF must generally be submitted to a competitive tender in accordance with the Public Procurement and Asset Act, 2015 and corresponding regulations.
- 88 If such competition is not possible because of the nature of the project, this decision may also be subject to public input and comment.

7.9 Projects sponsored by Development partners

- 89 USF may also undertake/participate in projects sponsored by Development partners. However, such projects must be evaluated to ensure that they align with the USFs mandate and fit in a particular strategic direction.
- 90 CA/USF will sign an MOU with such partners to execute such projects. The MOU will stipulate the justification of the project, criteria for selection of service provider, the role of each partner, and the monitoring and reporting framework

7.10 Public Private Partnerships (PPP) and Inter-government (Public-to-Public) projects

- 91 The Authority may enter into Public-Private Partnership (PPP) agreements to implement Universal Service or Universal Access programs and projects, in line with the provisions of the Public Private Partnerships Act, 2013.
- 92 The Authority may collaborate with Non-Governmental Organizations (NGOs), private entities, and development partners to co-fund Universal Service or Universal Access programs or projects, provided they align with the objectives of the fund.
- 93 The Authority may also receive and evaluate funding proposals from Government Ministries, Counties, Departments, and Agencies (MCDA) that offer basic public services in line with the Fund's objectives. Funding will cover only a portion of the proposed project budget, subject to agreements and a commitment from the MCDA to contribute their portion of the funding.
- 94 The Authority will ensure that the beneficiary of the fund has the capacity to effectively use the provided communication services and to maintain and secure any equipment supplied.

- 95 All such agreements will typically be governed by a “Memorandum of Understanding” (MoU) or “Cooperation Agreement” between the MCDA, NGO, private entity, development partner, and the Authority. This will outline the terms of collaboration, the roles and responsibilities of each party, and the procurement of relevant ICT facilities and services.
- 96 While procurement plans and decisions may follow a specific PPP model or involve collaboration with other MCDAs, all efforts will be made to uphold the key principles of the USF, such as closing the access gap, maximizing socio-economic impact, technology neutrality, transparency, open competitive selection, and broad stakeholder consultation. Priority will be given to projects aimed at serving unserved and underserved communities.
- 97 If an open and competitive selection process is not feasible or efficient due to the nature of the project, the inter-government agreement will clearly outline all costs, explain how cost minimization and best pricing will be achieved, specify who will be paid, and detail the procurement process. This arrangement may also be subject to public input and comment where appropriate.

8 FUND DISBURSEMENT, MONITORING & EVALUATION

8.1 General

- 98 The USF will disburse funds directly to the implementing service providers upon completion of agreed milestones as per the service contract.
- 99 The level of funding and the penalty conditions for non-conformance shall be clearly outlined in the Service Agreement.

8.2 Monitoring and Inspections

- 100 The USF shall develop tools and frameworks for regular monitoring and evaluation of projects/programs.
- 101 The Authority may undertake regular monitoring of the project to ensure compliance to contractual obligations, deployment standards and adherence to Quality-of-Service requirements. The Authority shall undertake Inspection and Acceptance of completed project milestones to certify works done before releasing payments.
- 102 The Authority may seek the services of an independent entity to undertake the monitoring and Inspection function as appropriate.
- 103 The service providers shall submit regular status reports on implementation of the project as per the service contract.