

The Federal Democratic Republic of Ethiopia
DIGITAL ETHIOPIA FOUNDATIONS PROJECT

Title: Advisory Services on Analysis of Wholesale and Retail Tariffs, Potential Application of Price Caps and Establishment of a Market Analysis Unit
Ref. No: MINT/DE/QCBS/C-21-1/21
Organization: Ethiopian Communications Authority (ECA)
Project: Ethiopia Digital Foundations Project
Location: Addis Ababa
Duration: 6 months
Expected Start Date: AUG 2021

TERM OF REFERENCE (TOR)
(CONSULTING SERVICES – CONSULTING FIRM)

“ETHIOPIA: CONSULTING FIRM TO PROVIDE ASSISTANCE TO THE ETHIOPIAN COMMUNICATIONS AUTHORITY (ECA) IN PROPOSING ADVISORY SERVICES ON ANALYSIS OF WHOLESALE AND RETAIL TARIFFS, POTENTIAL APPLICATION OF PRICE CAPS AND ESTABLISHMENT OF A MARKET ANALYSIS UNIT

The Ethiopian Communications Authority (ECA) is one of the beneficiaries of the World Bank funded *Digital Ethiopia Foundations Project* (P171034), which is implemented by a project implementation unit in the Ministry of Innovation and Technology (MInT) of the Government of the Federal Democratic Republic of Ethiopia (FDRE). The *Digital Ethiopia* project aims to increase the inclusiveness and affordability of digital services and digital job creation in Ethiopia .

The ECA is seeking to employ a consulting firm to provide technical assistance in support of the telecom reform process. Specifically, these terms of reference are for a consulting firm to assist ECA in providing advisory services on the study of telecom tariffs and the possible application of price caps. This would be based on an earlier study of the determination of significant market power in the provision of telecommunication network infrastructure and the operation of telecommunication services in Ethiopia. This is in line with the Communications Services Proclamation No. 1148/2019, which gives ECA the power to conduct a determination of which licensed operators are exercising SMP¹ in particular parts of the telecommunications market.

A. BACKGROUND

Following the Proclamation in 2018, Ethiopia has embarked on the journey of reconstructing incumbent by injecting competition into a formally monopoly market. In a Policy Options paper for Ethiopia’s telecommunications sector adopted in September 2018, the Government has determined that the market for telecom services in Ethiopia is to be opened progressively to competition, starting with cellular services

¹ As defined in Proclamation No. 1148/2019, the Significant Market Power (SMP) indicates “*the ability to materially affect the price or supply in the relevant market for communications service as a result of either control over essential facilities or used of a person’s position in the market*”.

and internet. The introduction of private participation in Ethio Telecom would be carried out in parallel with the market liberalization process.

Three important steps in this process of progressive liberalization taken so far are the establishment of ECA as an independent sector regulator in September 2019, the award of a second license to the Global Partnership for Ethiopia in June 2021, a consortium led by Safaricom (Kenya), and the launch of a call for expressions of interest in the partial privatization of the incumbent operator, Ethio Telecom, on June 15 2021, with 40 percent of its assets due to be sold to a strategic partner.

During the process of awarding the second license, GPE was unable to reach agreement with Ethio Telecom on key issues, such as interconnection rates, and fees for infrastructure sharing and co-location. Accordingly, ECA made an interim determination of the rates that would apply. As part of this decision, ECA undertook to carry out a formal determination of SMP within 90 days of the issue of the license award, which took place on June 8, 2021. This market review and determination of SMP is the subject of a separate consultant study that will provide the basis for the study of tariffs and proposals for price caps to be carried out under this study.

The Communications Proclamation sets out the basis on which ECA may intervene, as required. This determination of SMP allows ECA, *inter alia*, to oblige the SMP operator to provide co-location (Article 44.1) and sharing of active and passive infrastructure (Article 44.7) to other licensed operators that so request it. Similarly, the Proclamation gives ECA the mandate to require operators with SMP to publish their tariffs (Article 45.3) and to submit them for approval (Article 45.4). In each case, ECA is encouraged to conduct public stakeholder consultations in its determination (Articles 34-37) and there is a process of review and appeal (Articles 38-40).

In addition to the Communications Proclamation, the ECA issued, on July 9, 2021, the Telecommunications Competition Directive No. 798/2021 – see: <https://eca.et/wp-content/uploads/2021/07/Telecommunications-Competition-Directive-No.-798-2021-English.pdf>. The Directive sets out the procedures to be followed in the designation of SMP including the conduct of a market review, the determination of relevant markets, the assessment of market power, anti-competitive practices, the regulation of mergers and acquisitions, and remedies and sanctions.

B. OBJECTIVES OF THE ASSIGNMENT

The overall objective of this assignment is to assist the authority to develop a consistent regulatory practice with regard to an analysis of prices for telecom services, both wholesale and retail, that currently prevail in the market in Ethiopia, and to benchmark them against similar services in other countries in the region. On the basis of this analysis, the consultant should advise ECA on the possible application of remedies in the form of price caps, on both wholesale and retail services. In the longer term, the consultant should also advise on the establishment of a market analysis unit within ECA and to provide relevant training for future member of that unit.

This study will be informed by an earlier study, conducted by individual consultants, on conducting a market review and making recommendations on the designation of operators with significant market power (SMP).

C. SCOPE OF SERVICES

The service required under this assignment include market research and analysis, specifically on pricing; technical and advisory services, including training, and analysis of the level of competition within the telecom market, and proposed remedies.

TASK 1: MARKET ANALYSIS OF PRICES, BENCHMARKING, AND COST MODELLING FOR WHOLESALE MOBILE AND FIXED TERMINATION

- Performing data collection of existing networks (wireless and wired) to develop cost models for fixed and mobile call termination services;
- Benchmarking of prices for fixed and mobile termination services in peer countries in the Africa region, and selected countries beyond Africa;
- Developing forward looking cost models for fixed and mobile interconnection;
- Drafting a discussion paper for consultation on the benchmarks and the proposed methodology for cost modeling;
- Advising ECA on conducting a stakeholder consultation on the discussion paper on benchmarking and costing methodology;
- Analyzing stakeholder responses from the consultation, and on this basis, drafting a final report and determination of price caps for mobile and fixed termination rates, including a glide path of future rates, as appropriate;
- Advisory services on setting up a market analysis and indicators unit (see Task 5);
- Training for ECA staff on conducting benchmark analysis and using the cost model.

Key Deliverables:

- 1) Benchmarking study comparing fixed and mobile termination rates in Ethiopia and peer countries;
- 2) Draft Discussion Paper on benchmarks and a methodology for cost modeling of fixed and mobile termination;
- 3) Draft EXCEL-based models for mobile and fixed termination rates.
- 4) Final Discussion Paper on benchmarks and a methodology for cost modeling.
- 5) Draft Report on cost-oriented mobile and fixed termination rates and a draft ECA Decision.
- 6) Final EXCEL-based models for mobile and fixed termination rates.
- 7) Final Report on cost-oriented mobile and fixed termination rates and a final ECA Decision.

TASK 2. ADVISORY SERVICES ON PRICE CAPS FOR WHOLESALE NATIONAL AND INTERNATIONAL CAPACITY OVER FIBER OPTIC CABLES

- Conducting a similar process, including benchmarking and cost modelling, for wholesale national and international capacity over fiber optic networks (as under Task 1 above)
- Assisting ECA with conducting a stakeholder consultation (as under Task 1 above)
- Developing a draft report and a final report on prices for wholesale national and international capacity over fiber optic networks, including proposing price caps if appropriate (as under Task 1 above)
- Providing training for ECA staff on conducting benchmark analysis and using the cost model.

Key Deliverables:

- 1) As for Task 1 above, preparing discussion paper, draft report and final report, plus supporting excel spreadsheets

TASK 3. ADVISORY ON PRICE CAPS FOR WHOLESALE ACCESS TO MASTS AND TOWERS

- Conducting a similar process, including benchmarking and cost modelling, for wholesale access to masts and towers (as under Task 1 above)
- Assisting ECA with conducting a stakeholder consultation (as under Task 1 above)

- Developing a draft report and a final report on prices for wholesale access to masts and towers, including proposing price caps if appropriate (as under Task 1 above)
- Providing training for ECA staff on conducting benchmark analysis and using the cost model.

Key Deliverables:

- 1) As for Task 1 above, preparing discussion paper, draft report and final report, plus supporting excel spreadsheets

TASK 4. ADVISORY ON PRICE CAPS FOR ACCESS TO WHOLESALE NATIONAL ROAMING SERVICES

- Conducting a similar process, including benchmarking and cost modelling, for wholesale national roaming services (as under Task 1 above)
- Assisting ECA with conducting a stakeholder consultation (as under Task 1 above)
- Developing a draft report and a final report on prices for wholesale national roaming services, including proposing price caps if appropriate (as under Task 1 above)
- Providing training for ECA staff on conducting benchmark analysis and using the cost model.

Key Deliverables:

- 1) As for Task 1 above, preparing discussion paper, draft report and final report, plus supporting excel spreadsheets.

TASK 5. ASSISTING ECA IN THE ESTABLISHMENT OF A MARKET ANALYSIS AND INDICATORS UNIT

In the second phase of this assignment, the consultant firm should provide advisory services to the ECA on the establishment of a market analysis and indicators unit that will provide longer term support to ECA on analysis of the competitive market environment. This will involve:

- Developing a mandate for the market analysis and indicators unit and drafting job descriptions and qualification requirements;
- Providing training in the conduct of market reviews, conducting international benchmarking, data collection and analysis and use of cost models (covered partially under tasks 1-4 above)
- Developing an EXCEL-based database of relevant telecom indicators, including a time-series, as available;
- Assisting the unit in conducting surveys of operators for collection of key market indicators;
- Assisting the unit in conducting user surveys on the current level of usage of telecom and indicator services;
- Developing a website for the dissemination of key telecom indicators;
- Assisting the unit in responding to regular questionnaires from ITU, GSMA and other organization/

Key Deliverables

- 1) Mandate, job descriptions and qualification requirements for the market analysis and indicators unit.

- 2) EXCEL-based database of relevant telecom indicators, including a time-series, as available
- 3) Draft website for the dissemination of key telecom indicators.

D. QUALIFICATIONS & SELECTION CRITERIA

In applying for the assignment, candidate firms should provide a capability profile showing relevant experience, a proposed methodology for conducting the assignment, and a list of staff that would be proposed for conduct of the assignment. ECA would recommend a mix of international and domestic experience and would welcome a consortium approach of international and domestic partners.

Applicants for the assignment must demonstrate experience in the following areas:

- Direct experience in the analysis of telecom markets and the analysis of telecom indicators;
- Direct experience in the conduct of benchmark studies on telecom pricing;
- Direct experience in the development of cost models for retail and wholesale telecom services;
- Some knowledge of the Ethiopian telecommunications market and its history;
- Experience of working in developing countries, preferably in Africa, ideally in Ethiopia itself
- Ability to describe complex knowledge in succinct language and simple terms.
- Relevant academic qualifications and publications among team members.

In proposing a team staff members to work on the assignment, the firm should propose both national and international experts, and should ensure a good mix of relevant skills, eg. telecommunications economic, statistical analysis, training, web development, database management etc.

E. TERMS OF CONTRACTS AND REPORTING

It is estimated that the assignment would require around 500 staff days of effort, and we would welcome proposals from firms on the specific breakdown between national and international staff. Bids should offer a proposed fixed price, including necessary travel and operational expenditures.

Ideally, the consultant should spend a majority of this time in-country, health and travel restrictions permitting, and be willing to work during Ethiopian business hours if working remotely.

The assignment is expected to be completed within six months effective from date of the contract signature. Consultant firms should expect to hold a launch meeting to discuss an inception report within six months of contract signature. The inception report should propose a timetable for the five tasks outlined above, with overlapping schedules for each task. As a rough guide, invoicing of tasks and deliverables may follow the following outline

Task	Indicative timetable	Invoice as % of total contract
Inception report	Within two weeks of contract signature	10%
Task 1: Fixed and mobile termination	Within three months of contract signature	30%

Tasks 2-4: Fiber capacity, masts and towers, and national roaming	Within five months of contract signature	30%
Task 5: Establishment of market analysis and indicators unit	Within six months of contract signature	30%