



FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

ETHIOPIAN COMMUNICATIONS AUTHORITY

Invitation for Submission of
Expression of Interest (EOI)
for Telecommunications Service Licenses

May 2020

Pursuant to its mandate under Communications Service Proclamation No. 1148/2019, the Ethiopia Communications Authority invites:

**THE SUBMISSION OF EXPRESSIONS OF INTEREST
FOR TWO TELECOMMUNICATIONS SERVICE LICENSES IN THE FEDERAL DEMOCRATIC REPUBLIC
OF ETHIOPIA**

The Government of the Federal Democratic Republic of Ethiopia has laid out, in Communications Service Proclamation No. 1148/2019, the framework for the liberalization and development of the Ethiopian telecommunications sector by facilitating the introduction of competition among local and international telecommunications operators.

The primary goals of the Government are to ensure reliable and accessible communications for all Ethiopians, leading to improvements in quality of life and in connectivity to support rapid economic transformation and growth, and to maximize the opportunity presented by the digital economy. Ethiopia is targeting highly capable and qualified telecommunications operators to become new license holders in this rapidly growing economy.

In support of this policy framework and objectives, the Ethiopia Communications Authority (ECA), as the regulator of the communications sector, intends to award two nationwide telecommunications service licenses.

Basic terms and conditions as currently contemplated will be as follows:

- The telecommunications service licenses will be technology neutral;
- There will be a range of spectrum available across multiple frequency bands;
- The initial license term will be 15 or more years with the possibility of renewal;
- There will be a requirement to meet or exceed specified population and geographic coverage targets;
- There will also be a requirement to commit to reasonable tariffs, universal accessibility and tele-density targets;
- Both new and existing licensees will be expected to enter into infrastructure and facilities sharing arrangements in order to achieve rapid and cost efficient network deployment;
- The licenses will be awarded via a competitive evaluation process.

Therefore, in advance of the formal award process, the ECA invites telecommunications companies with proven experience with large-scale network deployment, operation and service provisioning to register their interest to participate in the award process for the acquisition of the two new telecommunications service licenses in the Federal Democratic Republic of Ethiopia.

Expressions of Interest made in accordance with the guidelines presented herein must be submitted to the Ethiopian Communications Authority and the Federal Democratic Republic of Ethiopia Ministry of Finance (FDRE MoF) no later than 12:00 p.m. East Africa Time (GMT+3), on June 22, 2020, electronically by e-mail to the following two addresses: contact@eca-ethiopia.com and TelecomEOI@mofed.gov.et, and a single printed copy via postal or courier service addressed to Ethiopian Communications Authority P.O. Box 9991, Addis Ababa, Ethiopia..

The electronic submission shall be made in PDF format, and the total size of all attachments to the submission e-mail shall not exceed 10MB. The electronic submission should bear a

transmission date and timestamp from point of origin which is the equivalent of no later than 12:00 PM, East Africa Time (GMT+3), June 22, 2020.

The attached form (Appendix A: Form for EOI submission for the company interested in the telecommunications service licenses) must be used for the purpose of submitting the EOI in accordance with the following conditions:

- The form must be completed in English;
- The form must be submitted in PDF format.

Receipt of the EOI will be formally acknowledged within two working days by email (using the contact email address requested in the Appendix A form).

An appendix entitled 'Appendix B: Briefing for Expression of Interest – The Federal Democratic Republic of Ethiopia Telecommunications Service Licenses' is attached to better explain the market environment. The appendix covers an overview of the country, the current telecommunications market, the Communications service Proclamation and the regulatory framework to be implemented.

Interested parties who submit an Expression of Interest will be invited to participate in a virtual information session with the ECA, Ministry of Finance and their advisors.

Ethiopian Communications Authority

Addis Ababa, Ethiopia

APPENDIX A – EOI RESPONSE FORM

A. COMPANY'S INFORMATION
1. Name of the Company
2. Designated Contact and Position Held in the Organization
3. Address (number, street name, city, postal code and country) of Head Office Location
4. Contact Telephone Number
5. Contact Facsimile Number
6. Contact Email Address
7. Company Website URL
B. COMPANY PROFILE
1. Organization structure
2. Global footprint (including subsidiaries)
3. Global annual revenue in USD for end of years 2018 and 2019 (complete financial statement and audited reports)

4. Details of ownership structure of the company (and the subsidiaries)
C. BRIEF DESCRIPTION OF THE MOBILE TELECOMMUNICATIONS OPERATING COMPANY
1. Details of countries of operation of the operator (please include: a) name of operation in each country; b) date of service commencement per operation; c) underlying technology(ies) e.g., 2G, 3G, LTE, etc. for each operation)
2. Total number of mobile subscribers per operation at the end of years 2018 and 2019
3. Annual revenue per operation in USD for the end of years 2018 and 2019 (complete financial statement and audited reports)
D. BRIEF DESCRIPTION OF THE FIXED LINE OR OTHER OPERATING COMPANY
1. Details of countries of operation of the operator (please include: a) name of operation in each country; b) date of service commencement per operation; c) underlying technology(ies) e.g., Copper, FTTX, Fixed Wireless, etc. for each operation)
2. Total number of fixed subscribers per operation at the end of year of the most recent audited reporting years
3. Annual revenue per operation in USD for end of years 2018 and 2019 (complete financial statement and audited reports)

APPENDIX B – BRIEFING FOR THE EXPRESSION OF INTEREST

DISCLAIMER

The Ethiopian Communications Authority (“ECA”) has invited telecommunications companies with proven experience and with large scale mobile operations to register their interest to participate in the award process for the acquisition of a telecommunications service licenses in the Federal Democratic Republic of Ethiopia.

Anything contained in this briefing document for the Expression of Interest does not, nor is intended to constitute or create: (i) an offer capable of acceptance or solicitation of an offer to invest or participate in the Project, and/or (ii) any binding legal relationship or other duty or obligation enforceable in law by any prospective investor and other recipient of the document, or in connection with, its subject matter in respect of any of the ECA, MoF and other public entities, in which regard none of ECA, MoF and other public entities shall have any liability for any loss, cost and expense incurred by any prospective investor and other recipient of the document, or in connection with matters disclosed in it and/or the recipient’s reliance on it.

Furthermore, the document contains information and data which is by its nature selective and indicative and which was available as of May 21, 2020 and is subject to updating, expansion, revision and amendment. Such information may involve significant elements of subjective judgment and analysis, which may or may not be correct. In particular, the document does not contain or purport to contain all of the information that any prospective investor and other recipients of the Document may desire for the purpose of evaluating the Opportunity. The ECA, MoF and other public entities accept no responsibility to notify any prospective investor or recipient if any information or data set out in this Document changes or is found neither to be inaccurate or incomplete nor to update the Document to reflect any changes, inaccuracies or incompleteness.

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The above provisions are governed by Ethiopian law.

HIGHLIGHTS

BACKGROUND

To unlock the transformational power of the digital economy, the Government of Ethiopia (alternatively “the GoE”) has decided to open the telecommunications sector and issue two new telecommunications service licenses (the “Transaction”). The Ethiopian Communications Authority (“ECA”) is managing the issuance process, which is a significant development in the liberalization of Ethiopia’s telecoms market in order to fully utilize technology and boost rapid economic growth of the country. The issuance of the two new licenses to capable and qualified operators, in addition to the partial privatization of Ethio Telecom, the state-owned company, is part of the Government’s Economic Reform Agenda aiming to open up the economy to more foreign investment, introduce greater competition into the telecoms sector, and to bring higher quality services to the people of Ethiopia. The new licenses will be awarded to two qualified telecom operators selected through a competitive bidding process according to the Communications Service Proclamation No. 1148/2019.

By liberalizing its telecom market, the main direct objectives pursued by the Government are:

- Ensure a competitive telecommunications market structure,
- Enhance and boost the adoption of telecommunication services in Ethiopia by:
 - Increasing the overall telecom coverage of the country,
 - Making telecommunications services available to the public at an affordable price in both urban and rural areas, and
 - Giving the citizens and the enterprises the capability to choose their telecommunications services.
- Bring international best-in-class telecommunication practices, and
- Create a strong, financially sustainable and successful collaboration between the private sector and the Government for the long-term development of the Ethiopian telecom sector.

The Government is also pursuing more indirect long-term objectives which include:

- Ensure the introduction and development of new mobile technologies,
- Develop a strong local ICT ecosystem for both public and private users to create jobs and reduce poverty,
- Contribute to the economic growth of the country by facilitating both national and international communications, and
- Increase the visibility of Ethiopia internationally as an attractive Foreign Direct Investment (FDI) destination.

TRANSACTION HIGHLIGHTS

PARTICIPATE IN A HIGH PRIORITY, TRANSFORMATIONAL TRANSACTION

Since taking office in 2018, telecom sector liberalization has been a key component of Prime Minister Dr. Abiy Ahmed’s economic agenda. Once completed, it will represent a milestone moment in Ethiopia’s history. Ethiopia is now looking for two top-class telecom operators to bring in expertise and experience to provide modern and affordable telecom services to its citizens and

businesses. Following market liberalization, the growth in Ethiopia's telecom market is expected to accelerate, mainly driven by the strong growth of mobile voice and data. In terms of volume, market opening is expected to significantly increase subscribers' growth on both fixed and mobile lines. In particular, the expected increase in fixed broadband service, will be significant given Ethiopia has a very low penetration at the moment. The expansion of internet services is expected to maximize the opportunities presented by the digital economy, paving the way for digital services in areas such as health and education. It will also create job opportunities and improve connectivity across sectors to support rapid economic transformation and growth, attracting more investment into the country. A more competitive sector will also ensure reliable and accessible communications for all Ethiopians, leading to improvements in quality of life and increases in productivity.

INVEST IN ETHIOPIA, A BUOYANT MARKET WITH STRONG GROWTH POTENTIAL

As the world's fastest growing economy over the past decade, Ethiopia is an ambitious country with a compelling growth story. In the past decade, the Government has been working successfully on transforming the country from an agriculture-based economy to a leading manufacturing hub by investing in infrastructure, construction, and transportation. New manufacturing hubs and industrial parks are developing rapidly, contributing to the country's fast industrialization which the Government has prioritized to create a robust, attractive and competitive industrial ecosystem. The average projected real GDP growth under the Second Growth and Transformation Plan (GTP II) of the country for the period between 2015/16 to 2019/20 was 11%. Although real GDP growth will remain short of the 11% target set under the GTP II, it is projected that Ethiopia's economy will grow at an average of 3% to 4%¹ in 2020-2021 (post-COVID impact). The estimated 2019 real GDP growth of the Country was 7.2%, Industry and Services showing growth by 7.8% and 9.9%, respectively.

With its broad economic and institutional reforms, Ethiopia is signaling to the international community that it is open and ready for business. The Government, under its Homegrown Economic Reform Program, is working on improving the investment climate by addressing macroeconomic imbalances, unlocking structural and sectoral bottlenecks, strengthening institutional capacity, easing foreign exchange shortages, and opening up key economic activities to competition and private investment. Accordingly, Ethiopia offers an attractive business opportunity for mobile operators interested in being part of the transition of the country to digital services, owing to its large and growing youth population, low labor costs and dynamic economic growth.

¹ IMF Country Report No. 20/150, May 2020

CONTEXT

SOCIO-ECONOMIC BACKGROUND

ETHIOPIA

Ethiopia is the oldest independent country in Africa with 3,000 years of history and is credited with being the place of origin of modern mankind. Ethiopia is a landlocked country occupying an area of 1.1 million square kilometers within the eastern Africa region. Its proximity to the Middle Eastern and European markets provides it with a strategic advantage. Governance of the country is through a Federal parliamentary republic system. The Federal Republic comprises of the Federal Government, the 9 autonomous Regional States and two city administrations. Addis Ababa, the largest city and capital, also serves as the seat of the Federal Government of Ethiopia. Addis Ababa also hosts the headquarters of the African Union and the United Nations Economic Commission for Africa. Ethiopia's other major trade and business centers are located in the major capitals of the regional states, Adama, Hawassa, Bahirdar, Mekele, Semera, Jigjiga, Asosa, Gambela and Harar, as well as Dire Dawa.

GOVERNMENT

Ethiopia is a federal parliamentary republic where the Prime Minister is the head of the government which exercises executive powers and is the Commander-in-Chief of the National Armed Forces. The President is the head of state and is elected by the House of Peoples' Representatives for a six-year term. The Prime Minister is chosen by the Parliament, from the winning Party.

In the months after his inauguration on April 2, 2018, Prime Minister Abiy quickly made efforts to fulfill his vows. On the economic front, he announced that the Government would allow for some degree of privatization of some state-owned industries, in an effort to encourage domestic and foreign investment and to spur economic growth. The new developments as well as the pace at which they were unveiled surprised Ethiopians and the international community alike. In October 2018, Prime Minister Abiy formed a new cabinet, with women taking half of the positions, providing the country with its first gender-balanced cabinet. On October 25, 2018 Ms. Sahle-Work Zewde became the first woman to serve as president of Ethiopia. President Sahle-Work is an accomplished diplomat who has served as an Ambassador for Ethiopia and has held several positions with the United Nations.

ECONOMY AND GDP GROWTH

Ethiopia, the second most populous country in Africa, has, in the last decade, recorded a strong Gross Domestic Product (GDP) growth rate of between 8% and 11%. The achieved growth rates are in line with the national economic blueprint "Growth and Transformation Plan II" (GTP II) which has set an average target growth GDP growth rate of 11%. The GTP II (2016-2020) is the guiding national policy instrument for development in Ethiopia. GTP II has the overall objective of Ethiopia becoming a lower-middle-income country by 2025.

Exhibit 1: Ethiopia Key Facts and Figures

ETHIOPIA: KEY FACTS AND FIGURES					
	2015	2016	2017	2018	2019*
Population	90.07	92.21	94.36	96.50	98.67
GDP (%), real	10.4%	9.4%	9.5%	6.8%	7.2%
GDP (US\$ mn), nominal	63.1	72.2	76.8	80.3	85.7
GDP per capita (US\$ at PPP adjusted)	1,622	1,746	1,897	2,019	2,159
Inflation rate	10.1%	7.3%	10.9%	13.8%	15.9%
*Estimate					

Sources: [CSA Ethiopia Population Projections for Ethiopia, and IMF and *Economist Intelligence Unit Estimate]

Among the main drivers of GDP growth are government investments in infrastructure, the agricultural and service sectors. Agriculture has been the mainstay of the Ethiopian economy contributing over 40% to the GDP. However, as of 2019, the industry and services sectors led in terms of year on year GDP growth rate recording an increase of 7.8% and 9.9% respectively, under the impulse of the Government reforms.

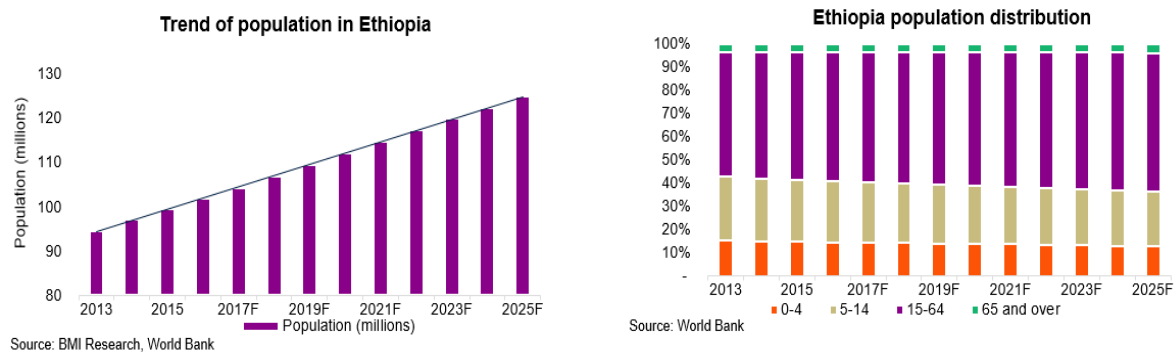
The Government maintains that a robust macro-economic base is crucial for sustained economic growth and is promoting the development of other sectors. In this regard and in line with the GTP II, the Government is carrying out the telecommunications sector reform to stimulate economic growth, enhance the development of the ICT services sector and catalyze investment in network infrastructure among other objectives.

The country's strong macro-economic fundamentals and a raft of ongoing economic reform programs to address macro-economic imbalances and promote foreign investments are expected to continue attracting business confidence in all sectors of the economy. As such, the Government is taking measures to open key sectors to competition, notably transport, logistics, manufacturing, and telecommunications. The Government is also focused on transforming to a digital economy, to improve productivity, efficiency, transparency and accountability.

Looking ahead, S&P Global Ratings expects the COVID-19 pandemic will weaken Ethiopia's economic and fiscal metrics through 2021, and weigh on important sources of foreign currency, including tourism. According to the Economist Intelligence Unit report dated December 2019 (i.e., pre-COVID-19), real GDP was forecasted to grow by more than 6.5% each year for the next five years in Ethiopia. Following the COVID-19 pandemic, the International Monetary Fund forecasts a real GDP growth in Ethiopia of 3.2% for 2020 and 4.3% for 2021 in its World Economic Outlook published on April 14, 2020.

DEMOGRAPHICS

Ethiopia is the most populous land-locked country in the world, the second most populous nation on the African continent, and 13th in the world. The population estimate for 2020 is 100.83 million people with an estimated 80% spread in the rural areas. The current population growth rate is estimated to be between 2% and 3% per annum.

Exhibit 2: Ethiopia Population Statistics

Going forward, the working population is projected to increase, since the 15-64 age group is expected to grow to 60% of the entire population in 2025, from 54% in 2015. A growing working population is attractive for the establishment and expansion of industries in Ethiopia and spurring innovation in digital related services. Furthermore, local skilled labor is in abundance and costs are competitive to support staffing needs of all sectors of the economy.

Ethiopia has barely started its urban transition with 80% of its population living in rural areas across a large country that has few urban centers. Around 5% of the population lives in agglomerations of more than 300,000 inhabitants. The largest urban area is Addis Ababa with 3.603₂ million inhabitants. The significant surface area (>1 million square kilometers, 27th in the world) implies that a large share of the population resides several hours away from an urban center and core network infrastructure.

MACRO-ECONOMIC IMPACT ON TELECOMMUNICATIONS REFORMS

In recent years, the services sector has emerged as a key contributor to economic growth despite agriculture being dominant in terms of contribution to GDP. Diversification of the economy by opening up the telecommunication sector is expected to sustain the country's growth momentum by improving productivity and tapping into opportunities in the digital economy. Supporting the achievement of these objectives are the enabling socio-economic conditions to allow the telecommunications sector to realize its full potential.

Exhibit 3: Impact on Telecommunications

Current situation		Impact
Sustained economic growth	▲	ICT expansion is anchored in the national blueprint and supported by the overall economic growth momentum
Urban population growth potential	▲	The long term population is forecasted to reach 125m by 2025 with an expected rise in the rate of urbanization, hence creating demand for ICT related services
Age demographics	▲	Opportunities for digital services are driven by Ethiopia's working population. The 15-64 age group is projected to comprise 60% of the entire population in 2025.

▲ Positive ● Neutral ▼ Negative

² Source: CSA, 2018/2019 Population Projection

ACCOUNTING AND TAX CONSIDERATIONS

Following the ratification of the Financial Reporting Proclamation in 2014, corporate entities in Ethiopia, including those considered of high public interest, are required to adhere to the International Financial Reporting Standards when preparing financial statements. The Proclamation allows for consistent financial reporting in line with international best practice.

On August 12, 2019, Communications Service Proclamation No. 1148/2019 introduced major changes to the telecommunication sector, notably opening up telecommunications services (including operations and network) to private investors, both foreign and domestic. For entities operating in the telecommunication sector, a range of investment opportunities are in place to attract foreign investment including income tax and custom duty exemptions.

- ✓ **Deductible tax depreciation:** The capital outlay on acquisition of telecommunication license, which would be accounted for as an intangible asset, is tax deductible over the duration of the license based on the prescribed rates.
- ✓ **Carry forward tax losses:** Operational losses incurred by telecommunications service providers during the income tax exemption period can be carried forward for a period of up to 5 years.
- ✓ **Zero excise duty:** Currently, there is no excise duty on telecommunication services.

TELECOMMUNICATION SECTOR BACKGROUND

TELECOMMUNICATION SECTOR REFORM & POLICY OBJECTIVES

Ethiopia is one of the last three countries in Africa (besides Djibouti and Eritrea) to maintain a monopoly in the provision of telecommunication services. State-owned Ethio Telecom remains today the only telecommunications operator in the country.

In 2018, the Government of Ethiopia initiated several reforms meant to introduce private sector participation in telecommunications, energy, aviation and logistics. In initiating these reforms, the Government's main objective is to sustain the growth that has been experienced in the last decade, to create jobs for its young and growing population. In June 2018, Prime Minister Abiy announced plans to liberalize the country's telecommunications sector and to reform the Ethiopian telecommunications sector.

In September 2018, the Council of Ministers introduced several measures to liberalize the telecommunications market in Ethiopia. The Government of Ethiopia committed to the following measures³;

- Reform the market structure by enacting a new law governing the communication sector;
- Implementing a functional (accounting) separation of Ethio Telecom, the incumbent operator, into infrastructure and services arms, so as to better facilitate competitive market entry through transparent wholesale prices;
- Partial privatization of Ethio Telecom; and
- Market liberalization, with the entry of two new telecommunications service operators, through a competitive award process.

In August 2019, the Communications Services Proclamation No. 1148/2019 ("the Proclamation") was promulgated. The law allows for Telecommunications operators, including foreign investors,

³ Source: Digital Foundations Project Concept Note, World Bank (2019)

to participate in the telecommunications sector in Ethiopia. The Proclamation also established the Ethiopian Communications Authority (ECA) which is the institution tasked with the regulation of the communications sector. The ECA is an independent regulatory authority accountable directly to the Prime Minister.

According to the Proclamation, the ECA, *inter alia*, has the following powers and duties:

- Regulate tariffs relating to communications service in accordance with the provisions of the Proclamation;
- License and supervise operators of communications service and modify, renew, suspend or revoke licenses;
- Regulate types of telecommunications equipment that may be connected to a telecommunication network.
- Authorize and supervise the use of the radio frequency spectrum in Ethiopia for commercial and government users, in consultation with relevant parties.
- Establish the national telecommunications numbering plan, allocate and administer numbers, and supervise efficient use thereof; and
- To regulate interconnection between telecommunications networks of different service providers.

In the Proclamation, the ECA has the following mandates as a regulator:

- To ensure that communication services are operated in a manner that will best serve and contribute to the country's economic and social development pursuant to the government policy;
- Implement policies for communication services, and
- Investigate complaints and resolve disputes between communications service operators and between consumers and communications service operators.

On October 22, 2019, the ECA issued a Public Notice to initiate a stakeholder consultation, pursuant to Articles 35-37 of the Proclamation, to collect contributions from all interested stakeholders regarding the proposed regulatory framework and market opening process. In November 2019, a meeting was organized by the ECA to address stakeholders' questions and exchange ideas. The ECA has presently finalized working on preparing the various Directives that will regulate the liberalized sector and is taking into consideration the feedback received from stakeholders during the consultation process.

TELECOMMUNICATION SECTOR LAWS AND REGULATIONS OBJECTIVES

Article 19 of the Communications Service Proclamation states that:

"Notwithstanding the terms of any other law, telecommunications services, including ownership of a Telecommunications Operator or a Telecommunications Network, shall be open without limitation to private investors including both domestic investors and foreign investors."

The enactment of this legislation forms the legal basis for the Government's plans to liberalize the telecommunications market and introduce competition by issuing two new licenses.

While the Communications Service Proclamation sets the framework for liberalizing the telecommunications sector, the ECA has developed additional "Directives" that will regulate in more details critical aspects of the sector, such as; (a) radio spectrum allocation, (b) quality of service, (c) interconnection, (d) infrastructure sharing, (e) licensing procedures, (f) numbering

management, and (g) dispute resolution, (h) Consumer rights and protection, (i) directive on the use of land and buildings for telecommunications lines.

The ECA understands the paramount importance of establishing a clear and transparent regulatory environment for the success of the telecommunications reform. Therefore, the ECA will endeavor to make advanced draft of the most essential Directives adopted and available by the start of the formal tender process.

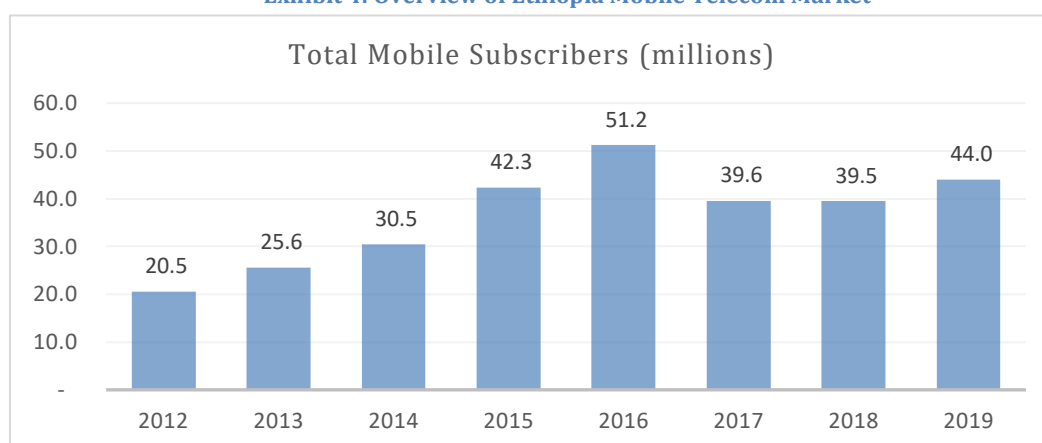
The Government is also working on other legislations that may have an impact on the business of telecom operators in Ethiopia, with the objective to make the licenses more attractive and facilitate the participation of investors.

TELECOMMUNICATIONS MARKET SIZE AND STRUCTURE

The GSM mobile network was launched in 1999. According to the latest available data, the current mobile base is 44 million subscribers or 44.6% penetration, as shown in

Exhibit 4. 3G mobile services were launched throughout the nation in January 2009, and in Addis Ababa 4G LTE and LTE Advanced were launched in March 2015, and February 2020, respectively.

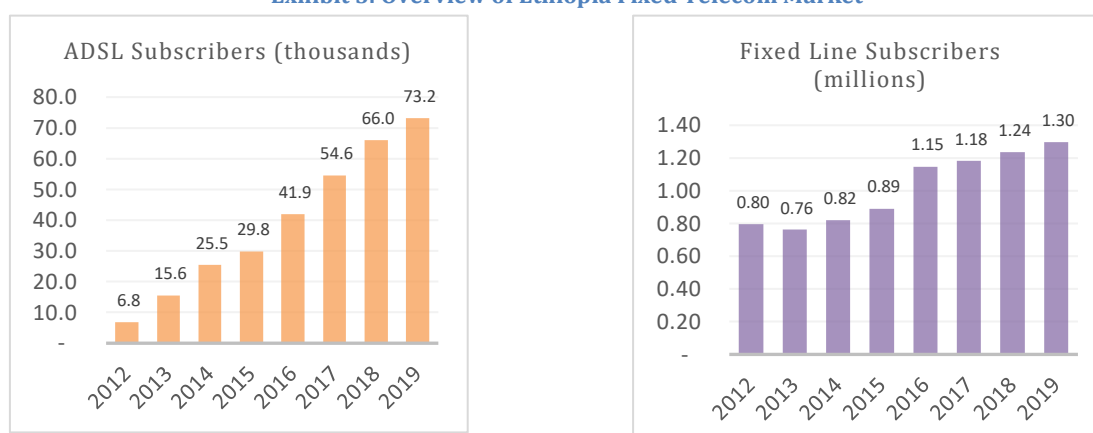
Exhibit 4: Overview of Ethiopia Mobile Telecom Market



Source: ITU data

In terms of volume, market opening is expected to significantly increase subscriber's growth on both fixed, mobile and internet services. Mobile total number of subscribers is expected to rise strongly and steadily after introducing competition.

Exhibit 5: Overview of Ethiopia Fixed Telecom Market



Source: ITU data

TELECOMMUNICATIONS INFRASTRUCTURE

The core network is composed of 13 rings based on populations' brackets. Metropolitan fiber is present in 13 cities. The backbone is composed of c. 22,000 kms of fiber, and an additional c. 5,000 kms of fiber leased from Ethiopia Electric Power. The cross-border international fiber optic cable connection runs through Djibouti, Sudan, and Kenya, with availability of back-up satellite connectivity.

Concerning fixed access, the general network architecture is made of 1.2 million copper lines among which 600,000 lines on Public Switched Telephone Network (PSTN) and 600,000 lines on Next Generation Network (NGN).

As for mobile network, mobile backhaul is mainly ensured by microwave which is massively dominant out of Addis Ababa (more than 90%). In Addis Ababa, mobile backhaul is 70% microwave and 30% fiber.

The Radio Access Network (RAN) is supported by passive infrastructures composed of about 7,300 towers, including 722 in Addis Ababa (towers and rooftops). HLR/HSS has a capacity of 77 million lines for 2G/3G. The implemented single-RAN architecture includes 2G/3G/4G in Addis Ababa and only 2G/3G out of Addis Ababa.

At present mobile geographic coverage is 85.5% for 2G, 66% for 3G, and 4% for 4G. The 4G LTE and LTE Advance infrastructures are solely available in the nation's capital.

THE LICENSES

INDICATIVE LICENSE CONDITIONS

The ECA plans to issue two new telecommunications service licenses. Under these licenses, service providers will have the right to provide any telecommunications service, including voice, text, and data, using any technology, whether fixed or wireless, anywhere within Ethiopia, and to send and receive telecommunications to and from outside Ethiopia. The license will authorize the licensee to build, own and operate a nationwide public telecommunications network, including an International gateway (IGW). These telecommunications service licenses will be accompanied by spectrum licenses that assign specific blocks of radio spectrum.

In addition, the licenses will provide each of the licensees the right to obtain access to scarce resources, such as radio frequency spectrum, numbering and addressing resources, and rights of way with considerations to the timeframe to be allotted to the incumbent operator to complete frequency re-farming activities.

The ECA will provide a grace period, which will be further specified in formal tender documents, during which no additional telecommunications service licenses (and accompanying radio frequency spectrum licenses) will be issued. However, class licenses for specific services (e.g. active or passive infrastructure providers) may be issued during that period. These class licenses will not include access to spectrum for public mobile services.

SPECTRUM

The ECA intends to assign the following spectrum bands:

- 800 MHz
- 900 MHz
- 1800 MHz
- 2100 MHz
- 2600 MHz

Any additional spectrum that the operators might require to rollout their networks, including that for point-to-point microwave links, will be assigned per the Spectrum Management Directives issued by the ECA.

AWARD PROCESS

The formal award process for the new licenses is expected to be launched by the ECA subsequent to the completion of the submission and review period assigned for the EOI. The tender process will be implemented in accordance with the terms of the Proclamation and of the applicable legislation of Ethiopia. The ECA's objective is to select two top-class telecom operators with extensive experience and a track record in developing telecommunication services.

According to Article 20 of the Proclamation, the ECA shall be guided by the following principles (among others) when conducting the award process:

- Transparency, fairness and non-discrimination;

- The need to promote fair competition and investment in the communications industry; and,
- The need, capability and capacity to provide modern, quality, affordable and readily available Communications Services in all parts of Ethiopia.

To achieve these objectives, the ECA intends to implement a two-phase award procedure:

- The first phase will consist of a request for qualifications submission (“RFQ”). The ECA envisages setting objective, quantitative and verifiable criteria to measure the level of experience and financial standing of the prospective bidders. Only those bidders which demonstrate appropriate evidence that they fulfill the pre-qualification criteria set by the ECA will be invited to participate in the second phase of the award procedure.
- The second phase will consist of a request for proposals (“RFP”). The ECA intends to implement either an auction, or a combination of an auction and a comparative assessment. In the latter option, the ECA envisages to rank bidders by scoring the offered price as well as certain non-financial parameters of the business plan proposed by bidders. The ECA is committed to setting objective, quantifiable, measurable and verifiable scoring criteria.

Bidders pre-selected as a result of the RFQ process will be given access to a virtual data-room and will receive appropriate time to conduct their due diligence and prepare their proposal, depending on the RFP approach chosen by the ECA. It should be noted that these award procedures are stated here for indicative purpose. The final procedure will be announced officially by ECA at a future date.

CONTACTS

ETHIOPIA COMMUNICATIONS AUTHORITY

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