

Invitation To Strategic Partners For

Supporting Documents 8.1

Expression of Interest in Engagement of Strategic Partnership for the Public fixed and mobile Telephone business of Ethiopia Telecommunications Corporation

Invitation

The Government of Ethiopia (GoE) invites expression of interest from potential Strategic Partners to acquire a 30% stake plus management control in the Ethiopian Telecommunication Corporation (ETC). The Government expects the successful strategic partner to have requisite technical skill in both fixed and mobile, as well as the requisite financial capacity to expand ETC's network and help develop the business to international standards.

KEY OPERATIONAL HIGHLIGHTS

The ETC business consists of Ethiopian's incumbent fixed telephony business, Ethiopia's first and only cellular business, an Internet business and ancillary Telecommunications service business GoE currently owns 100% of ETC.

- ETC has a public fixed installed network of approximately 351,600 customer connections as at June 2002.
- In addition to public fixed telephony, ETC offers other telecommunications service including mobile, Internet, public data service, analogue digital leased lines and telex services.
- Ethio Mobile, the mobile division of ETC, operate in the GSM 900MHz frequency range covering Addis Ababa, Debre Zeit, Nazareth and Sodere Resort areas with the subscriber base of approximately 42,900 contract customers. A per-paid service is being tested now and will be launched shortly.
- ETC has net asset of \$303 million as at 30, June 2001 and operational revenue in the year ended 30, June 2001 of \$95 million.

KEY MARKET HIGHLIGHTS

Ethiopia is a large country with Africa's second highest population of 62 million people, and a teledensity of 0.36 lines per 100 populations, which is one of the lowest in Africa. The need and unmet demand for the telephony service is substantial, offering significant expansion opportunities for both fixed and mobile service delivery, as well as Internet connectivity. To meet this demand, it is envisaged that ETC will continue to remain the key provider of major telecommunications services in the foreseeable future.

For future information, a brief information profiler will be made available by the Ethiopian Privatization Agency (EPA) to interested parties up on request.

PRE-QUALIFICATION CRITERIA

GoE has established the following set of pre-qualification criteria:

- Relevant telecom experience, converting operations and/or management, and/or technical advisory service, and/or major financing roles in fixed and/or

mobile. In responding, size of networks involved and their experience of successful network expansion.

- Balance sheet with net assets of at least US\$10m. Please note that this limit is a pre qualification hurdle only. GoE would expect the final capacity of the ultimately successful Strategic Partner to be significantly greater. GoE will shortlist the strongest applicant based on these criteria.

Prospective Strategic Partners are advised that for the purpose of submitting bids, the GE would expect consortia to be formed which would be able to provide the full name of technical, operational and financial capabilities to meet ETC's needs. GoE acknowledges that at this pre-qualification stage, consortia may not have been formed. Potential Strategic Partners are encouraged to pre-qualify either individually or as part of consortia, and to keep GoE advised to consortia as they are formed between shortlisting and bidding. Once bids are submitted, no changes to consortia will be permitted, and bids will only accepted from consortia, which contains at list one short listed applicant.

FORM OF EXPRESSION OF INTEREST

Interested Strategic Partners should indicate their interest by providing the following (for each member of the consortium, if applicable):

- Full name of the company and the contact person: Postal address, telephone, fax number and e-mail address
- Details of ownership structure
- Audit financial statements for the last three years
- Technical and operational capabilities:
 - Years of operation in the telecommunications industry
 - Total number of telephone subscribers, fixed and mobile
 - Range of telecommunications service provided
 - Details of countries of operation
 - Information on network rollout programs implemented (location, size, time period)
- For potential financial investors, details of investments in the telecommunications sector, locations, companies size of investments (debt and equity)

Expressions of interest must be accompanied by non-refundable payment of US \$2500 payable to the Ethiopian Privatization Agency (EPA)

PROPOSED TIME TABLE

The deadline for submission of expression of interest is 30 September 2002. Short listed Strategic Partners will be contacted within 2 weeks from the closing date for expansions of interest provided with an Information Memorandum and invited to conduct due diligence. GoE intends to engage a Strategic Partner by early 2003.

CONTACT DETAILS

Enquiries and requests for the information profile should be directed to the Ethiopian Privatization Agency at the following address

**General Manager
Ethiopian Privatization Agency
Bole Road
Addis Ababa, Ethiopia**

Telephone: 251 1 521833 Fax 251 1 513955

Supporting Document 8.2

Public Enterprises for Privatization in Ethiopia

113 More public enterprises to be privatized in Ethiopia

*Govt. invites investors to take 30% of state-owned Telecom

By Nigist Abraha, SSI staff writer

ADDIS ABABA, Ethiopia – The Ethiopian Privatization Agency (ETA) is already in the process of selling 113 additional public enterprises up to the year 2003 in addition to the 223 enterprises it has already privatized. The government meanwhile expects to sell 30 percent of the state-owned Ethiopian Telecommunication Corporation (ETC) by early 2003.

In an exclusive interview with the Sub-Saharan Informer yesterday, executive head of Information and Public Relations in the Agency, Mrs. Alganesh Gebregzabiher said that since its establishment, the organization has privatized 40 manufacturing industries, 133 small retailing shops, 18 hotels and one gold mine. Among these, 196 of the enterprises were bought by Ethiopians. However, she stated that it was only 2.7 billion Birr (315.5 million US dollars) that the organization has collected out of the sale of the enterprises with some 500 million Birr (over 58,411 USD) still unpaid.

Ethiopia Tannery Share Company, Bahir Dar Textile Factory, Dire Dawa Food Complex Share Company, Akaki Spare Parts and Hand Tools Share Company are five of the major companies that will be up for take by private investors.

Asked as to why the Agency is not achieving up to the expectations, Mrs. Alganesh traced the reasons as being financial incapacity of some of the buyers and the process of transfer. Mentioning as the situation of Elfora Agro-industry, Mrs. Alganesh said in some cases former employees are still residing in the compounds of the privatized institutions and is difficult to evacuate them easily. In addition, she said that the incentive allows buyers to make initial payment of 30% of the total while the remaining 70 percent is to be paid in five years time.

Explaining the main setbacks the Agency is currently facing, Mrs. Alganesh said, “In the first sales, we did not have problems in transferring the enterprises as they were small business enterprises. But now, we are left with bigger and more complex ones. We are unable to privatize them easily due to lack of economy capacity of the country.”

She also revealed to SSI that in a notice it released to the Agency, the Ethiopian government has called for “strategic potential Partners” to partake in taking 30% stake of ETC.

The government made its announcement to embassies recently inviting for “expression of interest from potential Strategic Partners” to acquire a 30% stake plus management control in ETC. The would-be strategic partners are required to have technical skills, in both fixed and mobile, as well as financial requisites to expand ETC’s network and develop the business to international standard. The business consists of the Ethiopian’s incumbent cellular business, an Internet business, and ancillary telecommunication service business.

The government of Ethiopia currently owns 100% telecommunication. According to the same notice, the country has a population of teledensity of 0.36 lines per 100 populations, which is one of the lowest in Africa.

Potential strategic partners are encouraged to be pre-qualifying either individually or as part of consortia. The government intends to engage a Strategic partner by early 2003.

Accountable to the Ministry of Trade and Industry, EPA was established in 1994. Since then, it has become the lead agency on carrying out privatization of public enterprises. It has also the power and duties to investigate and decide on claims of ownership in respect to property taken in violation.

THE SUB-SAHARAN INFORMER
Friday, August 16, 2002

Supporting Document 8.3

COMMUNICATIONS POLICY

INTRODUCTION

Today as technological development continues to enhance economic development, Ethiopia has been examining the prospect and implications of an information society and a related information-based economy. The development of communications is seen as a strategic and enabling infrastructure for economic groups. Increasing population's access to basic communication services and prompting state-of-the-art telecommunication and postal technologies to facilitate the provision of services that meet global standards are the government's basic objectives in this sector. The government has, therefore, formulated a communication sector policy to ensure that the country's long-term economic development strategy of Agriculture Development Led Industrialization (ADLI) is effectively supported by the necessary communications infrastructure.

1. TELECOMMUNICATIONS

1.1 Existing Situation

The government cognizant of the crucial role the telecom sector plays in enhancing economic growth has been implementing a reform program to promote telecommunication service that are responsive to the country's development strategy and users. A clear separation of policy, regulation and operational functions has been made to ensure an efficient and fully commercialized service delivery. The reform of the sector paved way for the corporatization of the natural operator, Ethiopian Telecommunication Corporation (ETC), which is now subject to full and standard commercial principles, while entrusting the Ethiopian Telecommunications Agency (ETA) with regulatory functions. Both entities are answerable to the Ministry of Infrastructure, which is responsible for setting natural objects and strategies for the sector.

Existing telecommunications facilities of the country are based on open wire, VHF, UHF, microwave, VSAT, and satellite transmissions, serving about 654 telecom operational centers nationwide. As of September 2001, total line capacity was 536,951 while the number of connections was about 60% of the existing capacity.

Although new services like mobile telephone, the internet and digital data network were introduced and added to the countries telecommunication services, they are still at a low level of development to provide the necessary infrastructure support to the economy.

Telephone penetration has remained one of the lowest in the world with overall density of just about 0.43 telephones per 100 population. In terms of public access, the number of population per station is estimated to be over 95,000 and universal access is largely unmet.

Moreover, the existing facilities are not equitably distributed through out the country. Out of the total automatic line capacity, about 60% is installed in Addis Ababa. Thus, the double constraint of low penetration and skewed distribution characterizes the telecommunications network of the country.

Major reasons for the low level of telecommunications services in Ethiopia include the absence of a long time of a comprehensive policy to guide the development of telecommunications infrastructure, the limited availability of investment resources for rapid expansion and operation of the infrastructure and the prevailing deficiencies of managerial capacity and technical skill of the operating entity.

1.2 Vision

The Government's vision of the telecommunication services is: (a) to achieve the delivery of services to all and contribute to the realization of sustained improvement on the quality of life, (b) to bring Ethiopian's future generation in to a knowledge based informed society through the development and use of networked information and communication technology, and (c) to eventually participate in the global information economy to help uplift the future stance of the country in the overall economic and social development.

1.3 Objectives

The overall objective of telecommunication in Ethiopia is to create an enabling telecommunications infrastructure for the socio-economic development of the country. Its specific objectives are:

- (i) Ensuring the provision of affordable, efficient, reliable and accessible telecommunications services of global standards;
- (ii) prompting, in line with the constitutional requirement of the country, an equitable distribution of basic and enhanced telecommunication services nationwide, with special priority to inaccessible and under-served areas;
- (iii) facilitating the realization of the country's economic development strategy of ADLI and poverty alleviation strategy by making available telecommunications infrastructure; and
- (iv) Enhancing the modernization of telecommunication services by using compatibe proven technologies.

1.4 Policies

For the attainment of the foregoing vision and objectives for the telecommunications sector of the country, the following policies are formulated:

- (i) Accelerate the development of telecommunications to substantiality increase penetration and telephone destiny taking into account technological and international trends;

- (ii) Ensure the balanced development and equitable distribution of telecommunications infrastructure to enhance integrated regional development and the attainment of universal access to modern telecommunications services at affordable and cost-based tariffs;
- (iii) Continuously strive to improve reliability, efficiency and equality of services to ensure consumer responsiveness through commercial discipline and standard regulatory control.
- (iv) In order to address the objectives of the government for expanding the network and services and promoting technological opportunities through information and communication technology infrastructures, keep ETC as one single entity under one single partnership responsible for the four key service lines, namely, fixed, mobile, data and internet.

1.5 Strategies

Realizable objectives and strategies of network expansion and access to new information technologies will be set to serve the national economic development strategy. This are briefly outlined as follows.

- (i) Provide an integrated national digitized network with anticipation of the fast growing demand emanating from the overall development strategy. Take advantage of the rapid change in telecommunications technology to expand the system rapidly to increase penetration and upgrade services to meet demand and social objectives. That is, increase rural telecommunications penetrations using enhanced and proven technologies to provide basic telephone Internet data and other value added services to attain universal access obligations and to create an informed society while at the same time using this measure as an opportunity to create a large market for the telecommunications sector.
- (ii) Engage a strategic partner, with a minority share, that will enhance the capability of ETC's capital, management and technology. Reorganize the opportunities of fixed, mobile, Internet and data communication networks as a separate business entities interconnected to the network of ETC.¹
- (iii) Realize the non-discriminatory expansion of fixed, mobile, internet and data communication services on parallel schemes to reap the benefit of technological convergence as the expansion digitization and development of new systems have resulted in the integration of voice, image, video and binary data.

¹ Immediately after the completion of the study now underway, tenders will be issued to seek a strategic partner. Exclusively periods, rollout targets, etc. will be set and indicated in the tender document.

- (iv) While accelerating expansion continuously improve operational efficiency and responsiveness to customers by ensuring optimum utilization of installed capacities and service facilities and the provisioning of diversified services.
- (v) Integrate the development of telecommunications infrastructure with the development plans of other economic sectors of the country and create a linkage effect in which the expansion of telecommunications through multipurpose telecentres, particularly in the rural areas, creates its own demand with the development of sectors like health, education, agriculture, agro-processing, trade, transport, rural electrification.
- (vi) Encourage private sector participation in non-core telecommunications activities such as external network construction, and the importation, installation and repair of terminal equipment. Allow and promote resale of telecommunications services by the private sector, communities and cooperatives by setting up multipurpose telecentres in order to inhere the development of information and communications technology (ICT) infrastructure and promote technological opportunities from ordinary telephone service to fax, e-mail, telemedicine, teleeducation and e-commerce.
- (vii) To improve its financial capacity ETC has to rely, in the main, on raising its own revenues through effective management, provisioning of all the services to its customers, and the speedy introduction of new and higher quality services. With the development of the a multi-service environment and the provisioning if the service becoming more sophisticated, ETC, with the help of the strategic partner, should be innovative enough to set proper tariffs and reliable billing systems to ensure substantive and sustainable revenue steams. In addition, ETC has to develop strategies to mobilize resources from external sources to meet its investment needs.
- (viii) Enhance the capacity of the regulator so as to ensure that its decision making process is (a) transparent and attractive for investment, (b) conducive for the realization of strict commercial ethics for the benefit of entrants working with ETC and protection of customers, and (c) responsive to the broad policy directions of the government for the rapid expansion of the network and diversified services.