Request for Proposal on:
Device Financing Solution Engagement
Table of Contents

1. Background .................................................................................................................3
2. Statement of Purpose .................................................................................................4
3. Project Objectives .......................................................................................................5
4. Scope of Work .............................................................................................................5
5. Project Requirements .................................................................................................9
   • Preliminary Requirements .......................................................................................9
   • Required Company Experience ..............................................................................10
   • Required Technical Requirements ........................................................................10
6. Commercial Proposal ...............................................................................................11
7. Confidentiality and Public Disclosure .........................................................................11
8. Proposal Administration .............................................................................................11
   • Proposal Submission .............................................................................................11
   • Timeline ................................................................................................................12
   • Proposal Review and Discussion ...........................................................................12
RFP template ................................................................................................................13
Request for Proposal (RFP) on Device Financing Engagement

1. Background

At the end of 2018, global unique mobile subscribers have reached 5.1 billion with 67% penetration and this figure is forecasted to be 5.8 billion (71% penetration) in 2025. In line with the growth in mobile subscriber base; smartphone adoption level is also expected to increase from its 2018 level of 60% to 79% by 2025. In the Sub-Saharan African region, the unique mobile subscriber base of 456 million (44% penetration) in 2018 is also forecasted to reach 623 million covering 50% of the population. Smartphone adoption rate of 39% in 2018 is also expected to reach 66% by 2025. With enhanced level of data usage & various use cases as well as declining price of devices, demand for smartphone will continue growing.

As a sole and state-owned telecom service provider, ethio telecom has hugely invested to expand and modernize network infrastructure in the last ten years. As a result, it has managed to avail fixed telephone service to more than 16K Kebeles around the country and cover 85.5% and 66% of the population with 2G and 3G mobile network respectively. In addition, to address the high data bandwidth needs of customers in the capital city, Addis Ababa, it has deployed 4G mobile network with the capacity to serve 400K subscribers. Moreover, major cities in the country have been covered with fiber broadband infrastructure.

Currently, ethio telecom provides wide range of Voice, Internet, Data and Value-Added Services to more than 43.6M customers achieving a market penetration of 44.5%. The distribution of subscriber size per service type at the end of June 2019 is presented as follows;

- 41.92M Mobile customers (penetration rate of 42.8%)
- 22.3M mobile broadband (on mobile, 3G and 4G dongles, Wi-Fi routers)
- 1.22M Fixed voice customers
- 91K fixed broadband customers
- Device portfolio: There are 50M active mobile devices in the network as of Aug 1, 2019.
  - 32.4% are high end mobile devices (smartphone & tablet).
  - 93.4% of them are Android OS

![Device Portfolio Pie Chart]

- Smart phone
- Tablet
- Feature phone
- Basic phone
- Data devices: dongle, routers & modems
In the concluded budget year (Jul 2018 – Jul 2019); ethio telecom has seen more than 100% mobile data traffic growth as well as changes in mobile revenue composition whereby data revenue share has increased from 15% to 29%.

To serve the ever-growing customer base, ethio telecom has established an extensive sales and distribution channel. Currently, there are more than 260 owned shops, 107 distributors, 30+ organized chains, 91 franchise shops, 120K+ retailers, dedicated business center and key account managers for enterprise customers. Ethio telecom also provides customer support via dedicated contact center (980 and 994) as well as customer service management professionals to handle after sales support.

To improve affordability and accessibility, ethio telecom has implemented a comprehensive approach to offer telecom products & services at reasonable price. In addition, to mitigate the barriers to service adoption by minimizing cost of ownership and simplifying access to services, it has been availing various types of devices (i.e. >1M devices/year) with subsidy and no profit margin. Despite this effort, there is still high market demand for devices specifically for smartphone and broadband supporting devices.

Both the local and global telecom trend shows customers’ becoming data-centric and device ownership skewed towards smartphones and mobile data devices. Satisfying this emerging customer needs by availing affordable and attractive various device offers is crucial for ethio telecom in order to enhance customer experience and increase revenue. To that end, ethio telecom has identified device financing solution as a strategy to ensure stable supply of devices and ease customer journey of device acquisition.

Hence, ethio telecom is issuing this RFP to obtain proposals from qualified financial institutions, device manufacturers or solution providers and sign an agreement for the provisioning of device financing solution.

2. Statement of Purpose

Ethio telecom is in the process of introducing device financing solution to the market. To realize the project, it has validated the below three engagement models & intends to work in collaboration with potential partners in order to utilize their expertise, solutions & capabilities:

Model 1: Partnership with Financial Institutions
Model 2: Partnership with Financial Institutions & Device Suppliers/Manufacturers
Model 3: Partnership with Device Solution Enablers

The engagement will bring ethio telecom and partners capabilities together to offer device
financing solution successfully and get more revenue from the potential market as the partnership helps to overcome capability gaps and reduce time to market by leveraging partnership strength.

Hence, interested financial institutions, device manufacturer’s/suppliers and solution enablers are encouraged to consider the opportunities to utilize partnership advantages and invited to submit their technical and commercial proposals based on their chosen engagement model.

3. Project Objectives
   - To diversify device availability schemes
   - To simplify device acquisition for customers
   - To increase the penetration of smartphone and broadband devices

4. Scope of Work
   - Device financing solution is the sales of devices through credit to customers in partnership with financial institutions, suppliers or solution providers.
   - The devices can be:
     ✓ Smartphones and Smart feature phones (feature phones can be considered depending on the solutions)
     ✓ Fixed broadband supporting devices (ADSL, ADSL +Wi-Fi, GPON, etc.),
     ✓ Mobile broadband supporting devices (3G/4G dongle/Wi-Fi modem/router) and
     ✓ Tablets, Laptop & desktop computers.
   - Devices can be availed through installments (device only) or contractual agreements bundling with service offers (device + telecom service offers/packages)
   - Device financing offer will be provided to customers who fulfil the specified requirements set by the partners depending on the solution
   - Engagement models: three models of device financing solution are identified as mentioned below and partners are required to submit their offer and strategy accordingly. The lists are not exhaustive and interested partners are encouraged to come up with additional engagement modalities that can be monetized and implemented in the Ethiopian context and are compatible with the intended purpose.

Model 1: Partnership with Financial Institutions

❖ Description
   - In this model, ethio telecom will avail devices and provides device financing to customers in partnership with financial institutions (Banks/MFI/insurance).

❖ Stakeholders Role
   Ethio telecom role
   ✓ Procure & avail devices
   ✓ Design instalment or contract offer to be bundled with the device in consultation with partners
   ✓ Manage the end to end sales of the devices to customers
Provides device management (locking/unlocking & tracking) capability & manages the application remotely for the contract period

Perform communication campaign with the financial institutions

Managing after sales support

**Financial institutions role**

- Setting eligibility criteria including selecting target customer in collaboration with ethio telecom
- Set interest rate/service charge in collaboration with ethio telecom
- Process and approve applications of qualified customers. Then, submit reports on approved applications to the eligible customer
- Effect the required payment in advance on behalf of the customer or manage monthly collection & transfer the required monthly payment to ethio telecom
- Shall bear the credit risk under the financing scheme

**Business Model**

- The device will be offered to eligible customers as device only through Instalment arrangement or device bundled with services through contract arrangement.

**Instalment arrangement case**

- In this case, the device pricing will be made based on the interest rate/service fee agreed with the financial institutions.
- Ethio telecom will not receive any amount from the service fee/interest rate.
- Accordingly, negotiation will be made with the financial institutions on the service fee/interest rate to be charged and contractual agreement will be signed as per the agreed service fee.

**Contract arrangement case**

- In this case, ethio telecom will design specific service packages for the device contract offer with different options.
- From the monthly collected amount, some part will be allocated for the device bundle offer and the other for the service fee.
- Accordingly, negotiation will be made with the financial institutions on the service fee and contractual agreement will be signed as per the agreed arrangement.

**Model 2: Partnership with Financial Institutions & Suppliers**

**Description**

- In this model, financial institutions with supplier’s avail devices and provide the device financing scheme to customers in partnership with ethio telecom.
- Suppliers provides catalogue to ethio telecom in which selection will be made for the desired model and financial institutions will cover the cost in advance or other payment options as per the agreement between the two parties.
• Ethio telecom will perform the commercial agreement with the financial institutions whereas the financial institution will make agreement with supplier.

Stakeholders Role

Ethio telecom role

✓ Specification and standard development for device selection
✓ Design offer to be bundled with the device
✓ Manage all logistics & the end to end sales of the devices to customers after delivery from suppliers
✓ Create coordination between partners and perform promotion in collaboration

Financial institutions role

✓ Procure and avail devices
✓ Setting eligibility criteria to identify the eligible customers
✓ Set interest rate or service charge in collaboration with ethio telecom
✓ Process and approve applications of qualified customers.
✓ Manage monthly collection & transfer the required monthly payment to ethio telecom
✓ Shall bear the credit risk under the financing scheme & provides after sales support
✓ Manages the mobile device management application remotely for the contract period

Suppliers role

✓ To avail selected devices based on ethio telecom standard requirements
✓ Provides device management (locking/unlocking & tracking) capability
✓ Provides warranty, SWAP quantity to manage manufacturing defects & after sales support
✓ Provides co-marketing budget for promotion purpose

Business Model

• The device will be offered to eligible customers through instalment (Device only) or through contract arrangement (device + bundled service package/offers)

Installment case

✓ In this case, the device pricing will be made based on the interest/service fee agreed with the financial institutions. Revenue sharing to be made with the financial institutions from the collected service fee in order to cover the operational expenditures.
✓ Accordingly, negotiation will be made on the revenue share with the financial institutions and contractual agreement will be signed as per the above arrangement.
Contract arrangement case

✓ In this case, ethio telecom will design specific service packages for the device contract offer with different options (by including the device cost implicitly within the service price) in collaboration with partner.

✓ From the monthly collected amount, some part will be allocated for the device and the other for the service.

✓ Agreement will be signed with the financial institutions as per the above arrangement.

✓ Financial institutions will collect the monthly contract payment from the customer and pay the agreed portion to ethio telecom each month.

Model 3: Partnership with Device Solution Enablers

Description

- In this model, ethio telecom to partner with device financing solution enablers and the main activities for handset financing will be managed by the solution provider.

- The solution enabler can collaborate with:
  ✓ Financial institutions for the financing & monthly payment collection)
  ✓ Device suppliers/manufacturers for availing devices & serving as point of sales.

Ethio telecom will perform the commercial agreement with the solution enabler.

- The solution enabler will provide the entire technology and credit risk management capabilities required for the financing.

- To develop the credit scoring, the solution enabler will use mainly data obtained from ethio telecom and ethio telecom will provide the required data including UDR with the consent of the customer as per the working procedure.

Stakeholders Role

Ethio telecom role

✓ Provides required data for credit scoring (UDR, Device type, etc.)

✓ Depending on the agreement, ethio telecom might perform the below activities:
  ➢ Device distribution & warehousing
  ➢ Customer service & availing sales corners
  ➢ For postpaid subscribers, billing of the handset finance components and perform the bill collection
  ➢ Manage cash collection through airtime
  ➢ Downloading device locking software onto device

Solution enablers role

✓ Provides the entire technology and credit risk management capabilities
  ➢ Application processing platform & credit scoring models
  ➢ Profiling of customers to provide pre-approved offers of handset finance
  ➢ Device locking & unlocking capability
✓ Perform device procurement, logistics & reverse logistics
✓ Determine pricing & set interest/service charge for the device financing
✓ Perform credit worthiness analysis, process and approve applications of qualified customers & send offer code to customer & other stakeholders
✓ Provides warranty and after sales support
✓ Manages the activating and deactivating of the device locking remotely
✓ Perform marketing campaign/promotion in collaboration with ethio telecom

Business Model

- The business relation of ethio telecom with the device solution enabler can be based on onetime fee and/or onetime fee plus service fee.

Onetime fee
- In this case, the solution enabler will be obliged to pay one-time fee for the data received from ethio telecom which is used to develop its credit score and customer eligibility.
- Ethio telecom will charge the solution enabler for each data given.

Service Fee
- Ethio telecom will charge monthly service fee on top of the one-time fee payment when the agreement with the partner involves:
  - Bill collection for postpaid customers
  - Payment through airtime
  - Managing device distribution, warehousing & customer service
  - Provisioning of sales corners
- The service fee will be designed to cover overall operational expenditures incurred during the program.

5. Project Requirements

  Preliminary Requirements

- Interested partners shall fulfil and provide the following engagement requirements when submitting their proposal:

For Model one (1)
- The partner shall be financial institutions (Banks, Micro finance institutions or insurance) which are registered by Nation Bank of Ethiopia (NBE).
- Agreement to work with a minimum of one-year contract.
- Willing to work with ethio telecom as per the business engagement modalities

For Model two (2)
- The partner shall be financial institutions (Banks, Micro finance institutions or insurance) which are registered by National Bank of Ethiopia and have an agreement or able to work
with device suppliers or manufacturers to provide the device financing solution.

- The financial institution shall bring agreement letter from device suppliers or manufactures.
- Agreement to work with a minimum of one-year contract.

**For Model three (3)**

- The partner can be:
  - Companies that have an experience on device financing solution
  - Device manufacturers/suppliers with solution.
  - Companies that have an experience on credit scoring, worthiness analysis and related VAS services.

- Willing to work with ethio telecom as per the business engagement modalities.
- Renewed or new VAS (Value Added Service) license or commitment to engage local business entity/ partners.
- Agreement to work with a minimum of one-year contract.
- Provide at least two references for the successful delivery of their services to customer
- Partner shall be required to allow ethio telecom to have a site visit with the reference customer, if necessary.

**Required Company Experience**

- Proven ability to build, deploy and support device financing solutions, device sales, credit scoring/worthiness analysis or related VAS that are aligned with customer needs.
- Ability to integrate device financing solutions with ethio telecom internal systems
- Professional staff with domain knowledge, ability to plan, manage and execute device financing solution
- Successful implementation of end to end device financing solution, credit scoring/worthiness analysis, device sales or related VAS provisioning that are aligned with customer needs in different vertical markets at different market size and complexity.

**Required Technical Requirements**

**Partners should possess the below required technical capabilities**

- Required hardware and software for the device financing solution
- Capability to develop customer eligibility model
- Customer application processing platform
- Required service integration for:
  - Customer application processing
  - Devise visibility and availability
  - Device sales and stock follow up
Reverse logistics, payment transaction and follow up

Capability for device management tool (i.e. locking, unlocking & tracking) for engagement models of 2 and 3.

6. Commercial Proposal:
- Propose competitive interest rate or services charge considering device affordability
- Propose competitive revenue share
- High level business plan

Please use the template provided below for your response.

7. Confidentiality and Public Disclosure
- Partners shall treat all information obtained from ethio telecom which is not generally available to the public as confidential and/or proprietary to ethio telecom.
- Partners shall exercise all reasonable precautions to prevent any information derived from such sources from being disclosed to any other person.
- Ethio telecom will keep the confidentiality of the documents and will not expose competitive information to third party.
- If required, ethio telecom as a government/public corporation, is subject to state and local public disclosure laws and, as such, is legally obligated to disclose to the public documents, including proposals, to the extent required by laws.

8. Proposal Administration

Proposal Submission
Partners shall comply with the following requirements during preparation of the Proposal:

✔ The Proposal and all associated correspondence shall be written in English. Any interlineations, erasures or over writings shall be valid only if they are initialed by the authorized person signing the Proposal.

✔ All proposals must be submitted in hardcopy to Marketing Division (Infronot of Churchill Hotel, Eyor Building, 8th Floor, office no. 807) and electronically via sintayehu.hailu@ethiotelecom.et till October 20, 2019.

✔ Proposals received by facsimile shall be treated as defective, invalid and rejected. Only detailed complete proposals in the form indicated above received prior to the closing time and date of the proposals shall be taken as valid.

✔ Partners are not permitted to modify, substitute, or withdraw Proposals after its submission. Modifications to proposals already submitted will be allowed if submitted in writing prior to the time fixed in the Request for Proposals.
The partner shall prepare the technical proposal in hard copy along with a soft copy and sealed in a separate cover. Similarly, Commercial Proposal in hard copy along with a soft copy and sealed in a separate cover.

Proposals and any other related documents prepared in response to this RFP will not be considered unless they are filed to the correct address within the time period.

Timeline:

<table>
<thead>
<tr>
<th>Action</th>
<th>Tentative Schedule</th>
</tr>
</thead>
<tbody>
<tr>
<td>RFP posted (website, twitter and Facebook pages)</td>
<td>August 19, 2019</td>
</tr>
<tr>
<td>Submission deadline</td>
<td>October 20, 2019</td>
</tr>
<tr>
<td>Proposal review and discussion</td>
<td>October 20, 2019</td>
</tr>
<tr>
<td>Contract</td>
<td>December, 2019</td>
</tr>
</tbody>
</table>

Proposal Review and Discussion

Ethio telecom will enter into discussion with any one or more applicants regarding business model, engagement approach, commercial offer, scope of services or any other term of their proposals and such other contractual terms, at any time prior to execution of a final contract.

Please use the RFP template provided for your responses.
RFP Response template

9. RFP Template

Proposals submitted in response to this RFP must include a cover letter signed by the person authorized to issue the proposal on behalf of the company.

The proposal should also include:

A cover letter which summarizes your response, includes areas to which you are responding, and indicates if supporting documentation is included in your response.

- Response should address at least the following:

A. General Information
   - Parent company:
     - Business Name, address, telephone number, website,
     - A primary contact, including name, job title, address, telephone and email address.
   - Local representative (if any)
     - Authorization letter
     - Agent information
     - Business license and taxpayer identification number (Local)

B. Company Profile
   - Company profile
   - Business/service portfolio.
   - Size, profile of professionals
   - A description of business background, including, country of origin, primary mission of business, business experience and any other information relevant to this RFP.
   - Track record. Has your solution ever been implemented before? If yes, please list where your solution has been implemented, impact and customer testimony.
   - Any relevant experience working with operators in sub Saharan Africa (for model three engagement).

C. Project Understanding
   Provide a brief narrative statement that confirms your understanding of the project, and agreement to provide required products and services necessary to achieve the objectives of the project. Describe how your strategy and business experience will benefit the project.

D. Engagement scope
   Provide a proposed scope of work, including a cost proposal and project milestones and make sure to describe the below in detail:
   - Proposal scope, objective and how the solution will be realized.
   - List of vertical markets/industry verticals to be covered.
   - Services/products to be delivered, with different business or technical environments.
- Technology, solution and intellectual property, device certification related issues
- High level service/solution architecture describing components and key integration points

E. Proposed Subcontractors/Partners (if any)
- State the intention to use subcontractors/joint ventures to the objective of this RFP.
- Provide the name and address of the subcontractor, a description of the work and experience in the subject matter.

F. Statement of Financial Capacity
- General statement of the financial condition
- Most recent audited financial statements
- Disclosure of any bankruptcy filings over the past five years

G. Engaging local business entity
- Possibility of engaging of local business entity
- Readiness and capability in delivering the required services
- List of professionals and their contribution
- Proof of capability/certification/relevant experience

H. Commercial Proposal
  i. Business strategy on how to address device financing solution
     - Present strategic roadmap for project implementation, priority areas and a detailed look at specific recommended projects with costs projections.
     - Identify opportunities for quick wins and solutions that produce rapid returns on investment for the earlier stages of implementation
     - Propose Go to market strategy and Co-marketing approaches
     - Business plan and revenue projection
  
  ii. Business model, interest rate/service charge and revenue sharing proposal

  iii. Delivery time/schedule

I. Additional information
- Resource and integration requirements
- Preconditions, challenges or areas of concern
- Any additional information on applications, solution delivery, marketing support, business models etc.

J. Proof of concept for the solutions
- Case studies, solution brief/demos
- Propose proof of concept delivery on a pilot basis.