TERMS OF REFERENCE (ToRs) FOR INTERCONNECTION TARIFF STUDY IN TELECOM INDUSTRY IN RWANDA

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1. BACKGROUND
The Rwanda Utilities Regulatory Authority (RURA) was created by law No 09/2013 of 1st/03/2013 with the mission to regulate telecommunications, broadcasting, postal services, renewable and non-renewable energy, industrial gases, pipelines and storage facilities, water, sanitation, and transportation of persons and goods. Its mandate includes the promotion of competition in the sector for the benefit of all stakeholders.

One of the key premises for open and fair competition in telecommunication sector is an effective interconnection regime. RURA has a legal remit to intervene when the operators fail to reach an agreement or when the agreements are not promoting fair competition. The general policy guiding the regulator is that prices in markets where there is no effective competition, such as interconnection charges, should be cost oriented. RURA is seeking to hire a consultancy firm to carry out a study to set out a proposal for interconnection rates, to be for both mobile and fixed telephones for the period 2017-2022. The study should take account also of the capacity tariffs levied by the sole wholesale provider of 4G mobile broadband services (KT Rwanda Networks), to ensure that the rates are efficiently priced.

An earlier ruling on interconnection rates for the period 2011 – 2015 was extended, but it will shortly expire. Accordingly, the new proposed rates should be in place ideally by the end of Q1 2017. The study should take into account the provisions of the recently adopted ICT Law, which provides the categories of operators entitled to get licenses and considers new business models and services including mobile virtual network operators (MVNOs), extended networks, international roaming, active infrastructure sharing, and wholesale services.

The study will be carried out under the World Bank Group’s Rwanda Investment Climate Program III, as part of the component on promoting competition in Rwandan markets.

2. OBJECTIVES OF THE STUDY
The main objective of the study will be to develop proposals, for consideration by RURA, for a future glide path for interconnect tariffs in order to enhance competition among telecom
operators in Rwanda. This would be based upon a costing model for telecommunication services and a benchmarking study of interconnect tariffs amongst peer countries elsewhere in Africa.

**Specific objectives for the study include:**

- Analyze the existing market for telecommunication services in Rwanda, and recommend the appropriate pricing methodology that can be applicable;
- Develop an Optimal Cost of Capital Methodology Framework for the Telecommunication industry in Rwanda;
- Develop costing principles that could be applied to set the tariffs and other charges including price caps, tariff guidelines and other price controls for different classes and categories of services and products;
- Conduct a benchmarking study of interconnect tariffs elsewhere in Africa, notably in Kenya, Tanzania and Uganda, and other countries comparable to Rwanda;
- On the basis of the findings from the market analysis and the benchmarking study, develop a costing model for RURA and make proposal for interconnect tariffs (glide path) for five years effective from 2017 to 2021 for both mobile and fixed services.
- Train and transfer skills to RURA staff on the cost modelling and pricing frameworks.

**3. SCOPE OF ASSIGNMENT**

In order to fulfil the above objectives, the study will cover in detail, amongst others the following tasks;

- Review the existing market conditions of telecommunication services in Rwanda, particularly those that are relevant for the assignment.
- Assess and calculate weighted average cost of capital (WACC) for the telecommunications sector, WACC being one of the determining parameters used for calculating charges that permit a reasonable rate of return to investors;
- Consult on a methodology and produce feedback on the estimation of the WACC for the telecommunications sector;
• Provide a detailed literature review on different costing interconnection models and their methodologies, and recommend a suitable model for Rwanda.

• Develop cost models appropriate to Rwanda including at least the following parameters:
  ➢ Calculation of network capacity requirements;
  ➢ Network dimension scheme;
  ➢ Network cost estimate;
  ➢ Cost break down for individual services as defined in the methodology document.

• The cost models developed should be user friendly to allow for sensitivity analysis so that RURA can examine the impact of changes, within a reasonable range in
  ➢ Demand forecasts;
  ➢ Market share assumptions;
  ➢ Equipment prices;
  ➢ Network quality of service;
  ➢ WACC values;
  ➢ Useful asset lives;
  ➢ Update and extension of the model.

• Conduct a benchmarking study of average and best practice interconnect tariffs elsewhere in Africa - with a focus on Kenya, Tanzania and Uganda- and other relevant comparable countries and taking note of other regulatory rulings concerning glide paths;

• Evaluate current tariffs for wholesale services charged by the sole 4G provider to other market players;

• Evaluate the linkages between wholesale interconnect tariffs and retail prices, and assess the extent to which past interconnect tariff reductions have been passed on to consumers;

• Use the cost model and the benchmark study to estimate the cost of providing interconnection services for mobile and fixed services in Rwanda.
• Analyze the results of cost models and benchmarking to make appropriate recommendations on the level and structure of interconnect tariffs for consideration by RURA. The study findings and recommendations to stakeholders for further development and implementation of cost models for the telecommunication market should be presented in a consultation workshop with stakeholders.

• Produce a user guide/manual for the cost model files developed, setting out step by step guide to these files including an overview of the main model flows, where to locate any input data and modelling results, and how to undertake the sensitivity analysis. For knowledge transfer, the team of consultants should propose the training plan to be conducted in Rwanda.

• Prepare and present final report of the study containing a summary of the entire assignment, results and recommendations including a package of all data, materials and documents produced.

The Consultant is expected to be available to participate in discussions/presentations on the assignment with WBG and RURA teams when necessary. The consultant should visit Rwanda at least twice during the duration of the assignment.

4. DELIVERABLES

The Consultant will be expected to provide the following deliverables:

• Inception report – 15 calendar days after contract is signed;
• Data collection tools (formats) – 21 calendar days after contract is signed;
• Costing model in an appropriate software installed on a laptop, and user manual – 45 calendar days after contract is signed;
• Benchmarking analysis report – 45 calendar days after contract is signed
• A Stakeholder Consultation workshop and report – within 65 calendar days after contract is signed;
• Capacity building – within 65 calendar days after contract is signed;
• Data collection tools (formats) for market monitoring, update and extension of the model - 70 calendar days after contract is signed
• Draft report – 75 calendar days after contract is signed;
• Final report – 90 calendar days after contract is signed.

All deliverables under this assignment shall remain the property of RURA under the rules of the cooperation agreement between IFC and the Government of Rwanda.

5. QUALIFICATION AND EXPERIENCE

The successful Consulting firm shall be required to undertake the assignment as a multi-disciplinary team of at least 3 people, ideally comprising of a Lead Consultant and two Key Experts. Having experts from the region on the team would be an advantage.

The Lead Consultant should have relevant qualifications:

• A minimum of Master’s Degree in the following fields: Telecommunications Engineering, ICT, Economics or Finance from a recognized institution;
• Extensive experience in telecommunication industry of not less than 10 years working as team leader in multiple projects.
• Experience in evaluating telecommunications investments in developing countries;
• Interconnection regulation experience recognized by at least one Regulatory Authority;
• Experience in similar assignment in at least one developing country in Africa.
• Be fully conversant and knowledgeable in the development of telecommunications cost models. Be conversant with convergence of technologies and modern next generation access technologies and have good communication, written, presenting and graphical skills.

The two Key Experts member of the team should have relevant qualifications:

• A minimum of Master’s Degree in the following fields: Telecommunications Engineering, ICT, Economics or Finance from a recognized institution,
• Experience in telecommunication industry of not less than 7 years working in similar projects,
• Have technical skills and competencies in telecommunications industry,
• Forecasting skills in socio-economic and technologies, economics and finance,
• Be conversant with network element and telecommunications business case development.

6. THE WORKING LANGUAGE

The working language for the consultancy service shall be English.

7. CONFLICT OF INTEREST

The successful Consulting Firm shall state whether or not there is any conflict of interest, particularly if the Consultant is currently carrying out consultancy work for any other stakeholder (licensed operator/service provider) in the communications sector in Rwanda.

8. CONFIDENTIALITY

The Consultant will protect the confidentiality of the data received to carry out this assignment, and sign a confidentiality agreement with RURA. No data or deliverables from this assignments will be released to third parties without the written approval of the WBG and RURA. The Consultant will turn over all data and other material to the Rwanda Utilities Regulatory Authority and will not retain any information or material after the assignment has ended.

9. PAYMENT SCHEDULE

A first payment of fifteen percent (15%) will be made upon receipt and approval of the inception report and the data collection tools.

A second payment of twenty five percent of the value of the contract (25%) will be paid upon receipt of the costing model, the user manual, and the benchmarking analysis.

A third payment of thirty percent of the value of the contract (30%) will be paid upon receipt of the report for stakeholder consultation and delivery of capacity building.

A fourth and final payment of thirty percent of the value of the contract (30%) will be made upon receipt and approval of the final report.

10. OPERATIONAL DETAILS

The Consultant(s) shall nominate and avail a contact person for regular teleconferences/meetings with the WBG and RURA teams.
The WBG Team Leaders for this consultancy are Tim Kelly and Tania Begazo. Philana Mugyenyi is the WBG contact person and will coordinate the activities and deliverables for this consultancy. Activities will be carried out in consultation with RURA. Dr. Benjamin Rutimirwa, is RURA’s focal person.