



# Slow, but Steady

With the country ready to provide necessary support for foreign investment, SAARC countries should invest for mutual benefit

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**A**fghanistan realizes that ICT will improve government and social services expeditiously and foster the rebuilding process, increase employment, create a vibrant private sector, reduce poverty, and support underprivileged groups.

Amir Zai Sangin, Minister of Communications and Information Technology, says that a solid foundation for further growth of the telecom sector has been laid in the country. "Our vision is to expand the coverage of telecom services to over 90% of the population, raise the total number of phone users to over 5 mn, reduce cost of services to half of the current level, hike investments in the ICT sector to \$1.5 bn, increase total number of jobs in the telecom sector to over 70,000, and make ICT the main engine of economic development by 2010," he informs.

Gul Ahmad Rustam, director, Afghan Telecom Company says, "The Af-



## MCIT of Afghanistan's Vision:

- Wide coverage of services in all cities, towns, and 5,000 villages
- Improved quality, lower tariffs (halved) in the next four years
- Competitive environment with five telecom companies providing services in the next one year
- National optical fiber project backbone completed, providing high quality low cost ground based national and international connectivity in the next three years
- Cumulative investments in telecom of over 1.5 bn in the next four years
- 5 mn phone users in the next four years (20% of population)
- 50,000 jobs created in the next four years
- Government revenues of \$2 bn from telecom in the next ten years

ghanistan government started laying foundation for infrastructure development, including telecom infrastructure, from 2001 onwards. We have been making tremendous progress in infrastructure development projects. This tangible progress is evident from the fact that a country with only few analog lines in the past now has nearly 100 mn active connections across the country." In 2006, the Afghan Ministry of Communications and Information Technology signed a \$64.5 mn agreement with ZTE for the establishment of a country-wide fiber optic cable network."

The Ministry of Communications & IT recently inaugurated 15,000 more digital lines in Kabul in 2009. Amirzai Sangin, the Minister of MCIT, Afghanistan Government, says, "Thirty-five thousand new digital telephone lines are going to be distributed for the respected residents of Kabul City. The area includes 15,000 lines in the Karta-e-Say (district 6); 5,000 lines in the Mahtab-Qala (district 6); and 15,000 lines in Khir Khana (district 15)." These digital telephone lines will increase telecommunication services with wider reach of Internet at a low price for the residents of Kabul City. It will also reduce the call rates further, as it will distribute sufficient digital telephone lines. The Ministry of Communications & IT has been entrusted the task of developing telecommunications infrastructure all over Afghanistan from September 1, 2009. In many phases, the telecommunications development will start from large cities and will be gradually extended to rural areas while the remote areas will be last in the list of telecommunications companies.

AK Sharma, CEO, Telecom, KEC International, says, "Telecom infrastructure development is going on at a good speed and on a large scale after a long-drawn war. In the last five years, the telecom sector has done enormous progress in comparison to any

other sector. The World Bank has also given funds to the Ministry of Communications & IT like ECDP (Emergency Communication Development Program) funds under which Government Communication Network, District Communication Network and Village Communication Network projects have been implemented successfully."

In order to speed up rural telecom development, the Ministry of Communications & IT established the Telecommunications Development Fund (TDF) which collects 2.5% from the gross revenues of telecom companies each quarter, and has reached to about 1,450,000,000 Afghani, since 2003.

## Rural Telecom Development

ATRA, in consultation with the country's telecom companies and other involved parties, completed the Universal Access Policy and Manual of Operating Procedures of TDF in late 2008, and the authority is now ready to embark on the implementation of the second Rural Telecommunications Development (RTD) project.

MCIT and ATRA selected twenty districts in six provinces which are in the bottom of the telecommunications development index, because these districts do not have access to telecommunications services and are not included in the development plans of telecom companies for the year 2009.

AWCC will build telecom towers, following a bid by ATRA. Twenty towers will be built in five provinces at a total cost of \$2.5 mn that will be paid as a subsidy through TDF of the Ministry of Communications & IT.

Khair Mohammad Faizi, Board Member of ATRA, says, "According to our plan, further projects for communications and Internet services are going to be launched in Afghanistan's remote villages. Installation of more towers and BTSs, creation of telecenters and public communication centers are underway."

AK Sharma, CEO, telecom, KEC International, says, "The Ministry of Communications & IT is very much concerned in encouraging the rural telecom infrastructure development. In this concern, 265 districts have been connected with central NOC in Kabul and the project of connecting 5,000 villages under village communication network (VCN) has been started, which will provide voice and data services in rural areas of Afghanistan at a considerable low cost, comparable to any service provider in Afghanistan."

Afghan government launched RTD project in June 2009. Players like KEC International are keen to be a part of rural development projects also.



### Market Conditions

The mobile phone subscriber base at present is 10.1 mn, while the landline subscriber base is only 1,20,000.. Annual growth of mobile subscriber base is 53% while landline subscriber growth is 19%. Currently, the country’s telecom penetration is 38%.

In 2008, there was a dip in the quality of telecommunications services due to security concerns as a lot of BTS sites were destroyed by insurgents and it took a long time to recover. QoS at present is better in comparison to the previous year, but continues to be below expectations as network continues to be congested and has not grown in line with the growth of subscribers. The country needs to expand its network and optimize services, and this should be a continuous process. For improving QoS, first of all optical fiber network has to be connected throughout Afghanistan, which will improve QoS considerably by minimizing the use of satellite in which latency rate is too high in comparison to the microwave and optical fiber.

As far as recession is concerned, in comparison to other countries of the world, the impact was not so much as many projects for telecom infrastructure, road constructions, etc, are going on and funded by the World Bank, USAID and other aids from different countries.

Broadband penetration is also not up to the mark. KEC International has been an infrastructure provider for USOF project in the country. The infrastructure created by KEC has provision for three mobile service providers and an ISP for broadband services. It is in discussion with the USOF administrator to approve ISP to occupy the vacant slot. The implementation of this project shall further push the mobile and broadband penetrations.

### Challenges

As we all know that the country has been hit by several internal and external wars, thanks to its strategic location, the infrastructure development efforts were thwarted at every stage. The major issues and challenges ahead for the Afghanistan government in the development of telecom infrastructure are uneasy peace and security; lack of educated, trained and skilled manpower; non-prioritization of capacity building strategies; lack of communications infrastructure building companies; and transportation facilities to Afghanistan. As Faizi of ATRA says, “Due to prolonged war, Afghanistan lost all of its infrastructure, and telecommunication was part of it. This unwanted war also damaged our education infrastructure that resulted in the lack of knowledge of new technology.” As a regulator, ATRA

Telecommunication Statistics	
GSM Subscribers	9.5 mn
CDMA Subscribers	60,000
Landlines	50,000
Penetration	38%
Investments in \$ mn	1,236
Telecom Base Station	2,736
Population Coverage	80%

Source: Ministry of Communications and IT (MCIT), Afghanistan

needs to start new capacity building programs for enhancing the skills of engineers and to produce skilled and trained manpower to support telecom infrastructure projects and operations thereafter.

### SAARC Support

The Afghanistan government feels that cooperation in telecommunications field will yield mutual benefits among SAARC countries, especially in technology, investment, and knowledge transfer. The country’s telecom infrastructure has been ravaged by war. International community, including the SAARC countries, has to take it as an opportunity for investment as the government policies are investor-friendly.

Local investors are keen to invest in the ICT sector to further develop and expand the area of communications and Internet services throughout the country. ATRA encourages new players by readily issuing licenses to interested investors. The investors can provide communications services to needy people by offering their services such as broadband, multimedia and so on, using wired and CDMA mobile networks. Also as AK Sharma, CEO, Telecom, KEC International points out, “SAARC countries should work toward making ISD charge uniform—both for landline as well as mobile—and share our business models.”

The government is ready to provide all kinds of help and support in all aspects to foreign and local investors, which will certainly benefit the stakeholders mutually. But the government also needs to create a viable situation in the country so that the investors will benefit, while rebuilding the country’s infrastructure and providing telecom services.

Considering the solid efforts put by the Afghanistan government and the telecom companies there, we can predict that the country’s telecom industry will grow at par with other SAARC countries, provided peace prevails in the country. Other SAARC countries should also tap the opportunities available in the country by investing for mutual benefit.