

Afghanistan Cellphone Network

Supporting economic reconstruction through a modern telecommunication system

PROJECT PROFILE

Description: Modernization of Afghanistan's telecommunication system

Total cost: More than US\$300 million

ADB assistance: Initially, US\$35 million in loan; additionally, US\$40 million in loan without government guarantee, complementary financing scheme of up to US\$30 million, and political risk guarantee of up to US\$15 million

Borrower: Roshan Cellular Phone Network

Development impacts: Accelerated economic reconstruction through broader telecommunications access for the poor

After more than two and a half decades of conflict, Afghanistan was left with no functioning national fixed line telecommunications service, a barely functioning postal service, and poor roads. Cellular networks in the country, while growing fast, were still basic, limited in reach, and required significant additional investment if they were to extend their coverage beyond the major cities.

Telecommunications is an essential element of a country's infrastructure, alongside transport, water supply, and energy. In mountainous and landlocked Afghanistan, cellular telephony is seen as the only viable method of providing reliable, countrywide communications coverage. National demand for this service will continue to increase rapidly but development is constrained by the limited availability of funds.

ADB is helping improve telecommunications in Afghanistan through two separate interventions: the first, \$35 million in loan financing approved in November 2004; and the second, up to \$40 million in loan financing, a complementary financing scheme of up to \$30 million, and a political risk guarantee of up to \$15 million approved in June 2006. These facilities will be used to finance the nationwide expansion and upgrading of the country's leading cellular network operation, Roshan. Recipient of the first significant loan of its kind to a privately owned enterprise in Afghanistan in almost 30 years, the project will support Afghanistan's reconstruction and economic development.

The cellular network project will use global system for mobile communication, cellular, satellite, and radio wave transmission technologies. The new funding will help Roshan—a private limited liability company providing cellular telephone, international gateway, and internet services—to expand coverage countrywide and deploy public call offices that provide access to communications for less affluent users.

Through its involvement in this financing, ADB hopes to serve as a positive example to

international aid agencies and commercial lenders, encouraging them to support private sector development in Afghanistan. Indeed commercial lenders have now joined the financing under ADB's complimentary financing scheme and political risk guarantee cover, a recent first for Afghanistan.

ADB's loans are without government guarantee and come from ADB's ordinary capital resources. Interest is determined in accordance with ADB's LIBOR-based loan facility.



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