

# IFC Mobile Money Scoping Country Report: Afghanistan

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- Summary
- Macro-economic Overview
- Regulations
- Financial Sector
- Telecom Sector
- Mobile Financial Services Landscape
- Distribution

# Afghanistan Summary

Population:	31.1 (Jul 2013 est.)
Wireless Teledensity	39%; 69% of adults
Remittance % of GDP	na (2011)
Percent Under Poverty Line	36% (2009)
Adult Literacy	28.1% (2010)
Economically Active Pop.	48.4%
Ease of doing business:	168 <sup>th</sup> of 185 countries (2013)
Main banks:	16 licensed banks
Number of Branches:	201 Full Service, 174 limited
Mobile Network Operators:	
	Roshan (30.1%), MTN (26.6%), AWCC (22.1%), Etisalat (21.1%)

## Overview of Mobile Banking in Afghanistan:

The foundation for a broad push in mobile payments and banking is still under development. Regulations are supportive and clear enough that all four mobile operators have launched or are planning to launch mobile money services, yet questions still remain how parallel e-money transfer and electronic payment guidelines will be normalized and how e-money will be integrated with the conventional financial network and accounts. Roshan and Etisalat have active mobile money solutions; AWCC is participating in a salary payment pilot along with Roshan and Etisalat while MTN is planning a launch that is delayed by system upgrade issues. Aiding efforts to coordinate the sector are the Association of Mobile Money Operators which in part seeks an interoperable mobile money ecosystem, and the Afghan Payment System plans to introduce an interoperable payment switch to include bank and non-bank mobile and card payment and banking initiatives. Key remaining areas in need of development are implementation of planned shared switch infrastructure, expansion of money agents, and more explicit linkages between bank accounts and mobile money accounts. Trust among the populous that has been shaken by an unstable banking sector, requires strengthening through an aggressive outreach campaign.



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# Mobile Banking Market Potential

## Key Country Statistics

- Population: 31.1 million (Jul 2013 est.)
- Age distribution:
  - 0-14 years 42.6%
  - 15-24 years 21.9%
  - 25-54 years 29.1%
  - 55-64 years 3.8%
  - 65 and older 2.5%
- Urban/rural split: 23% urban / 77% rural
- GDP (PPP): \$34.29 billion, 109<sup>th</sup> globally
- GDP per capita (PPP): \$1,100, 214<sup>th</sup> globally
- Population below poverty line: 36% (2009 data)
- Economically active: 15 million (2004 data), 35% unemployed (in 2008)
- Literacy rate: 28.1% - 57.7% below 19 years
- Banking penetration: less than 5%
- Mobile phone penetration: 69% adults; 12.24 million unique subscribers, 22.4 million active connections
- Remittance (% of GDP): data not available

## Insights

- Agriculture represents 60% of total employment
- 80% of Afghan businesses are SMEs
- High mobile adoption, geographically fractured country and low banked population all make for a strong demand for mobile banking to succeed.
- Distrust of the banking system must be overcome, possibly by pursuing recommendations to leverage existing trust networks as part of a go-to-market strategy. This may include trials to engage the hawala community, health care networks, or less formal tribal networks.
- Conflict poses significant challenge to promoting mobile banking solutions; might suggest need to work more initially on MIS solutions for agriculture and informal trade management as an easier, virally propagated starting point.

Sources: CIA Factbook, Migration and Remittances Factbook 2011, WB; Wireless Intelligence

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# Regulatory Bodies Involved in Mobile Banking, Page 1

## Roles & Responsibilities

**DA  
AFGHANISTAN  
BANK  
(DAB)**

- License, regulate and supervise banks, foreign exchange dealers, money service providers, payment system operators, securities service providers, securities transfer system operators.
- Establish, maintain and promote sound and efficient systems for payments, for transfers of securities issued by the State or DAB, and for the clearing and settlement of payment transactions and transactions in such securities.

**Ministry of  
Finance**

- Collects revenues, both tax and non tax and provides services to other government agency such as Budget formulation, Allotment processing, Payments Processing and submission of annual audited financial statement.

## Implications

- Capabilities of DAB have been limited; bank audits are at a nascent stage.
- DAB control and delegation of government salary payments to one bank has raised concerns of better need for transparency and for more competition in delivery of banking services to the large government salaried population.
- Challenges to resolving Kabul Bank crisis heighten concerns of DAB and government capacity.

# Regulatory Bodies Involved in Mobile Banking, Page 2

## Roles & Responsibilities

### Ministry of Communications and Information Technology (MCIT)

Decree 4517 signed by president Karzai in 2002 granted the MCIT statutory authority to issue licenses and spectrum frequency permits to private investors as well as the power to adopt new policies, laws, regulations necessary for establishing a modern and competitive telecom sector

- <http://mcit.gov.af/en/page/22>

### The Afghanistan Telecommunication Regulatory Authority (ATRA)

- The Telecom Regulatory Authority of Afghanistan (ATRA) within the framework of the Ministry of Communications and Information Technology (MCIT) was established according to the Telecommunication Law in 2006.
- ATRA is responsible for regulating the affairs related to the telecommunications sector. The regulatory body functions in an independent, open, objective, transparent, and non-discriminatory manner within the legal framework in the country.
- ATRA is committed to implement international best practices and creating a fully transparent regulatory environment in the country

## Implications

- Afghan Telecom owns and leases telecommunications infrastructure to operators. A perception is this may inhibit technological innovation and competitive offerings

# Regulatory Framework, page 1

## Current Regulations

### Mobile Money Issuers

- MSPs are subject to licensing from the DAB in accordance with the DAB Money Service Providers regulation, 2008.
- A licensed MSP may operate as an e-money institution (EMI) and engage in e-money transfer with a special license from DAB.
- An MSP may not accept deposits, grant loans or engage in FX transactions.
- An EMI must be a stock corporation and must be capitalized in an amount of at least \$1m.
- Banks and NBFIs can operate as EMIs and will be governed by their respective rules and regulations.
- MOF issued a regulation to pay salaries of government employees through mobile: money needs to be linked to a bank account to get to mobile wallet. It requires that every employee has at least a traditional bank account for salary payments. Roshan is not following that regulation.

### Agents

- The EMI is responsible for carefully screening, selecting, and supervising their authorized E-money agents.
- The EMI entity must provide DAB with the list of prospective businesses or individuals that the entity expects to use as its agents including the proposed standard contract outlining the rights and responsibilities, contractual obligations, commissions and fees of each party and customers.

## Implications

- Separate guidelines for banks and NBFIs to serve as EMIs and for non-Fis (i.e. MNOs) to serve as EMIs poses potential competitive risks, may create security gaps, and may stall efforts to expand financial services beyond simple transfers and bill payments.
- Lack of explicit mandate that mobile wallets and traditional bank accounts have support for bidirectional fund transfer poses challenges to uptake, usage, and expansion of services.

- Guidelines appear to have flexibility necessary to test unconventional approaches to agent networks such as engaging informal hawala networks.

# Regulatory Framework, page 2

## Current Regulations

### KYC/AML

It is the responsibility of the EMI entity to ensure that best practices and proper Know Your Customer (KYC) procedures are conducted during such international transactions.

### Services Allowed

- E-money may be used in different forms such as cash card, debit card, electronic mobile wallet or stored value account card.
- E-money limited to Afghani (AFN) currency only;
- Transfer virtual money from one virtual wallet to another virtual wallet via:
  - i. Peer-to-peer (P2P) or Person-to-person transfer;
  - ii. Bill Payments;
  - iii. Airtime Top-up or Electronic Voucher reload;
  - iv. Money Transfer or Remittance;
  - v. Domestic (within Afghanistan);
  - vi. International (incoming only initially);

The EMI entity, may at its discretion, have a system that can provide advance functionalities or interconnect with other payment systems in the future. These advance functionalities may include, but not be limited to:

- a. Mobile Banking;
- b. Microfinance;
- c. Microcredit;
- d. Micro insurance;
- e. Others

## Implications

Guidelines curiously mandate specific services that must be made available including bill payment and mobile top-up. Such mandates could unintentionally pose limitations on innovation and give certain competitors natural advantages (e.g. MNOs will have a cost advantage in offering mobile top-up at attractive rates through their service that a third party could not provide)

# Regulatory Framework, page 3

## Current Regulations

### Account Limits

The maximum money mobile money balance on an account of a customer at any given time is AFN 150,000 (~US\$2,700). For International Remittance, the maximum amount per mobile money transaction is AFN 150,000.

### Interoperability

- Banks are not required to engage with DAB Interbank Payment System but DAB is only source for settling DAB money.
- While interoperability not mandated, two institutions exist that could facilitate brokering interoperability agreements – the Association of Mobile Money Operators of Afghanistan (AMMOA) that is a mobile operator association effectively, and the national Afghan Payment System that is convened by DAB and private banks of Afghanistan.

### Customer Protection

Afghan Deposit Insurance Corporation insures deposits up to AFN 100,000 per client per institution.

## Implications

- Threshold accounts for mobile money accounts is high compared to other markets and GDP/capita in Afghanistan.
- Might be worth considering a lower threshold account with easier registration requirements.

- Current regulations have led to two parallel efforts, one by AMMOA and second by the Afghan Payment System to investigate and select switching solutions. Subsequent to APS selection of a switch solution and plans to have launched by Q1 2014, AMMOA has suspended its efforts as MNOs (for now) will seek to leverage the investment of APS in their switch.
- At the solutions/product level, risks are posed in that there is no mandate for enabling fund transfers between wallets and bank accounts
- At the agent level, there is room to investigate a third-party managed agent network.

- Does not explicitly cover monies held in escrow for e-money wallet accounts

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# Financial System Overview

~ 97% of Afghanis without access to banking infrastructure

## Banks

- There are 2 public banks, 10 private commercial banks and 5 branches of foreign banks.
- Combined the banking sector has 352 branches, which is very little considering a population of 31 million inhabitants.
- In the past few years, several banks witnessed fraud scandals with USD 1 billion of funds embezzled in Kabul Bank alone. As a result there is a general loss of trust in the banking sector.

## Microfinance Institutions

- There is an estimated 309,914 active MF clients served by 6 Microfinance institutions
- 6 Community-based Savings Promoting Institutions (CSPI) also provide micro finance services to an estimate of 163,694 clients.
- One bank provides MF services: Bank-E-Millie.
- Two MFIs take deposits: First Microfinance Bank of Afghanistan and IIFC Group, in addition to the 6 CSPIs.

## Payment Infrastructure

- Afghanistan has approximately 183 ATMs and 272 POS terminals.
- Debit and credit cards are available in eight provinces, while ATM services are only in the capital city Kabul. A total of 71,468 Debit /Credit or ATM cards have been issued
- 476 licenses to Money Service Providers (MSP) have been issued. Out of these 476 licensed MSPs, 209 are active in Kabul and 191 are active in provinces (numbers includes the 152 licensed Hawala dealers)

## Switching, Clearing & Settlement

- APS is the only MSP in Afghanistan, a consortium of commercial banks. It is the company's shared infrastructure for ATM and POS terminals. There is no centralized switch infrastructure for all cards and online payments. Switch product has been selected (Dutch vendor BPC) and is slated to launch in Q1 2014.
- The current Afghanistan Clearing and Settlement System (ACSS) is a web-based system that does not support SWIFT messaging format. The settlement process is only partially automated which makes the system exposed to operational risk.
- WB's Financial Sector Rapid Response Project in Afghanistan has allocated USD 11 million in the modernization of the current National Payment System (NPS) at DAB and at APS: it will include Real Time Gross Settlement, Automated Clearing House and Central Securities Depository as one system at DAB and National card and mobile payment switch at APS .

Source: Summary Analysis of Conditions and Performance of the Banking System, Aug.2011, DAB; Afghanistan MF Sector Update Report, Dec. 2012, AMA; Afghanistan MF Association, Sector update, Dec 2012; FSRRP, Aug. 2011, WB. Draft Report on Payment and Securities Settlement System, and International Remittances in Afghanistan, March 2010, WB

# Bank Snapshot

<p>Afghanistan International Bank AIB</p>	<ul style="list-style-type: none"> <li>• 89,880 Customers</li> <li>• 31 Branches and 5 Cash Outlets</li> </ul>	<ul style="list-style-type: none"> <li>• 45 ATMs</li> <li>• n/a POS Terminals</li> <li>• POS Licensed</li> </ul>	<ul style="list-style-type: none"> <li>• Total Assets = USD 585 Million</li> <li>• Mobile Banking Available</li> <li>• SME Financing services available</li> </ul>
<p>New Kabul Bank</p>	<ul style="list-style-type: none"> <li>• n/a Customers</li> <li>• 112 Branches</li> </ul>	<ul style="list-style-type: none"> <li>• 16 ATMs (+15 under construction)</li> <li>• No POS Terminals - POS services are coming soon</li> </ul>	<ul style="list-style-type: none"> <li>• Total Assets = USD 581 Million</li> <li>• Mobile Banking services available.</li> <li>• Belongs to the MOF after the 2010 scandal</li> </ul>
<p>Azizi Bank</p>	<ul style="list-style-type: none"> <li>• n/a Customers</li> <li>• More than 70 Branches</li> </ul>	<ul style="list-style-type: none"> <li>• 15 ATMs (2 in provinces-13 in Kabul)</li> <li>• No POS Terminals</li> </ul>	<ul style="list-style-type: none"> <li>• Total assets = USD 453 Million</li> <li>• Mobile banking services provided as well as gvt salary mobile payments in partnership with Roshan</li> </ul>
<p>Bank - E- Millie</p>	<ul style="list-style-type: none"> <li>• n/a Customers</li> <li>• 36 Branches (21 in provinces)</li> </ul>	<ul style="list-style-type: none"> <li>• ATMs n/a</li> <li>• POS Terminals n/a</li> </ul>	<ul style="list-style-type: none"> <li>• Total Assets = USD 287 Million</li> <li>• Provides MFI services</li> </ul>
<p>Pashtany</p>	<ul style="list-style-type: none"> <li>• n/a Customers</li> <li>• 21 Branches (9 in provinces)</li> </ul>	<ul style="list-style-type: none"> <li>• ATMs n/a</li> <li>• POS Terminals n/a</li> </ul>	<ul style="list-style-type: none"> <li>• Total Assets = USD 210 Million (2010)</li> <li>• Launched electricity bill payment by mobile with Etisalat; 100K users to ramp to 300K</li> </ul>
<p>Maiwand</p>	<ul style="list-style-type: none"> <li>• n/a Customers</li> <li>• 37 Branches (20 in Provinces)</li> </ul>	<ul style="list-style-type: none"> <li>• 6 ATMs locations (3 in Kabul)</li> <li>• n/a POS Terminals - POS Licensed – some available in AWCC operator branches</li> </ul>	<ul style="list-style-type: none"> <li>• Total Assets = USD 168 Million</li> <li>• Mobile banking services offered &amp; Will be doing a pilot to pay teachers salaries at one high school in Kabul.</li> </ul>
<p>Afghan United Bank</p>	<ul style="list-style-type: none"> <li>• n/a Customers</li> <li>• 22 Branches</li> </ul>	<ul style="list-style-type: none"> <li>• ATM services will be launched soon.</li> <li>• No POS Terminals</li> </ul>	<ul style="list-style-type: none"> <li>• Total Assets = USD 159 Million</li> <li>• SME financing services available</li> <li>• Mobile Banking to be launched soon &amp; mobile electricity bills payments in partnership with Etisalat provided</li> </ul>

Source: Bankscope; Banks' Websites; Interview with Jose Mendoza, FAIDA  
 N.B USD Estimates are at current exchange rate (1 USD=54.74 AFS)

# Microfinance Snapshot

Total customer base of about 408,000, with 6 MFIs and 6 CSPIs

First Microfinance Bank	<ul style="list-style-type: none"> <li>• 121,614 Customers</li> <li>• 34 Branches</li> </ul>	<ul style="list-style-type: none"> <li>• Loan portfolio USD 85.1 m</li> <li>• Savings portfolio USD 13.3 m</li> </ul>	<ul style="list-style-type: none"> <li>• Using M PAISA for loan disbursements and repayments.</li> </ul>
Finca	<ul style="list-style-type: none"> <li>• 19,305 Customers</li> <li>• 15 Branches</li> </ul>	<ul style="list-style-type: none"> <li>• Loan portfolio USD 9.5 m</li> <li>• Savings portfolio 0</li> </ul>	
Mutahid	<ul style="list-style-type: none"> <li>• 1,865 Customers</li> <li>• 6 Branches</li> </ul>	<ul style="list-style-type: none"> <li>• Loan portfolio USD 0.7 m</li> <li>• Savings portfolio 0</li> </ul>	<ul style="list-style-type: none"> <li>• Is using M-paisa for safer loan repayment for Roshan Customers.</li> </ul>
Oxus	<ul style="list-style-type: none"> <li>• 8,679 Customers</li> <li>• 11 Branches</li> </ul>	<ul style="list-style-type: none"> <li>• Loan portfolio USD 8.7 m</li> <li>• Savings portfolio 0</li> </ul>	
Hope for Life	<ul style="list-style-type: none"> <li>• 3,232 Customers</li> <li>• 1 Branches</li> </ul>	<ul style="list-style-type: none"> <li>• Loan portfolio USD 1 m</li> <li>• Savings portfolio 0</li> </ul>	
IIFC Group	<ul style="list-style-type: none"> <li>• 89,848 Customers</li> <li>• 26 Branches</li> </ul>	<ul style="list-style-type: none"> <li>• Loan portfolio USD 19.9 m</li> <li>• Savings portfolio USD 4.4 m</li> </ul>	
6 Community-based Savings Promoting Institutions (CSPIs)	<ul style="list-style-type: none"> <li>• 163,694 Customers</li> <li>• 94 Branches</li> </ul>	<ul style="list-style-type: none"> <li>• Loan portfolio USD 7 m</li> <li>• Savings portfolio USD 2.2 m</li> </ul>	

Source: DAB; Afghanistan Microfinance Sector Update Report, Dec. 2012, AMA; Draft Report on Payment and Securities Settlement System, and International Remittances in Afghanistan, March 2010, WB

# Payment Service Providers

## APS Afghan Payment System

- The only payment service provider in Afghanistan, a consortium of commercial banks.
- Interoperable banking network connected to the global financial system (according to their website.)
- Offers POS procurement and management, ATM driving and acquiring, mobile payment solutions, card services.
- The development of a national electronic payment card switch funded by the World Bank will allow for interoperability of cards and mobile payments.

## Hawala

- Network of unofficial brokers /informal couriers that provide money transfer services based on honour system
- 152 Hawala dealers are licensed by DAB as Money Service Providers (MSPs) (2010 data)
- One estimate is there are 3-5,000 hawala agents.
- It is the less costly and most trusted MSP. According to DAB, Hawala dealers are less expensive than banks, in particular for transfers from the Gulf countries to Afghanistan

Source: [www.afghanpayments.com](http://www.afghanpayments.com) ; Draft Report on Payment and Securities Settlement System, and International Remittances in Afghanistan, March 2010, WB

# Financial Flows - International Remittances

- It is estimated that 8.1% of the Afghani population lives abroad mainly in the Islamic Republic of Iran, Germany, the United States, the United Kingdom, Tajikistan, Canada, the Netherlands, Australia, Saudi Arabia, Denmark.
- There is 23.3% emigration of tertiary educated people
- Starting March 2009, there was a total of USD 142 million in inward remittances and USD 138 million in outward remittances. According to the DAB analysis, the top five inward remitting countries are the United States of America, United Arab Emirates, Germany, Switzerland, Bangladesh and Netherlands, while outward remittances go mainly to the USA, India, Germany, United Arab Emirates and China.
- There are two major channels for sending remittances to Afghanistan:
  - International Money Transfer Operators (MTOs), such as Western Union and MoneyGram.
  - Local Money Service Providers (MSP): Mainly Hawala dealers.

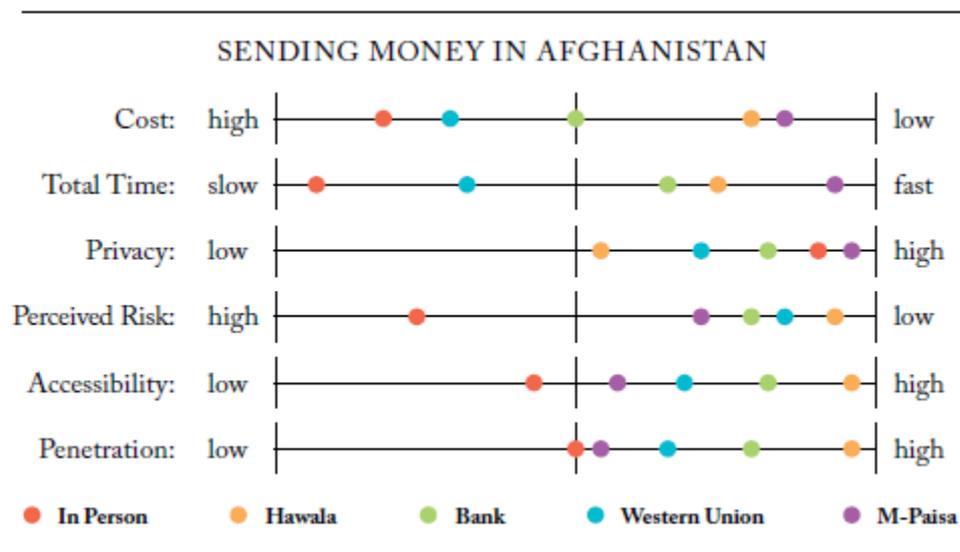
Source: Migration and Remittances Factbook 2011, WB; Draft Report on Payment and Securities Settlement System, and International Remittances in Afghanistan, March 2010, WB

# Financial Flows - Government

- DAB is the banker for Government of Afghanistan (GOA), it operates the government Treasury Single Account.
- All payments and receipts are processed manually.
- The Ministry of Finance and the GOA operate a computer based accounting system “FreeBalance”. Payment orders are printed out from that system and carried to DAB for processing. Paper-based statements are provided by DAB to the Ministry for reconciliation with “FreeBalance” accounting system.
- Likewise, DAB collects revenues such as taxes, customs duties, fines etc. generally via commercial banks and credited to the Treasury Single Account.
- There are 150,000 Direct Deposit accounts via MOF Verified Payroll Program (2010 data) There are a total of 480,000 payroll accounts at commercial banks (government and else.)
- As part of its Financial Sector Rapid Response Project in Afghanistan, the WB is planning to support the development of electronic Government payments framework by supporting DAB in introducing an Automated Transfer System (ATS) in its National Payment System(NPS). This would allow direct electronic connection between GOA’s “FreeBalance” and DAB’s ATS.

Source: Draft Report on Payment and Securities Settlement System, and International Remittances in Afghanistan, March 2010, WB

# Money Transfer



Source: Mobile Money Afghanistan, 2010 IMTFI & Frog Design.

- Afghans have very limited access to financial infrastructure that is combined with a high level of corruption in the banking sector highlighted by the failure of Kabul Bank in 2010.
- There is a wide use of informal courier network for money transfer services based on honor system : **HAWALA**.
- Hawala has been in service for at least 2 centuries. It survived the long years of war and is to date the most trusted payment system available in Afghanistan.

- Banks are now the least trusted channel of payment in the country (note that this diagram is dated just before the 2010 Kabul banking failure) however banks play an important role as agents for International MTOs.
- Hawala dealers are major MPS in Afghanistan as they are one of the less costly and most reliable channel for money transfer, less expensive than banks. The most expensive channel is International MTOs.
- Despite the fact that M Paisa is the least expensive channel, it is still struggling to overcome issues such as security, weak agents network and wide illiteracy that prevents it from reaching the mass.

Source: Draft Report on Payment and Securities Settlement System, and International Remittances in Afghanistan, March 2010, WB

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# Mobile Network Operators

20 million mobile phones lines  
65% penetration ratio

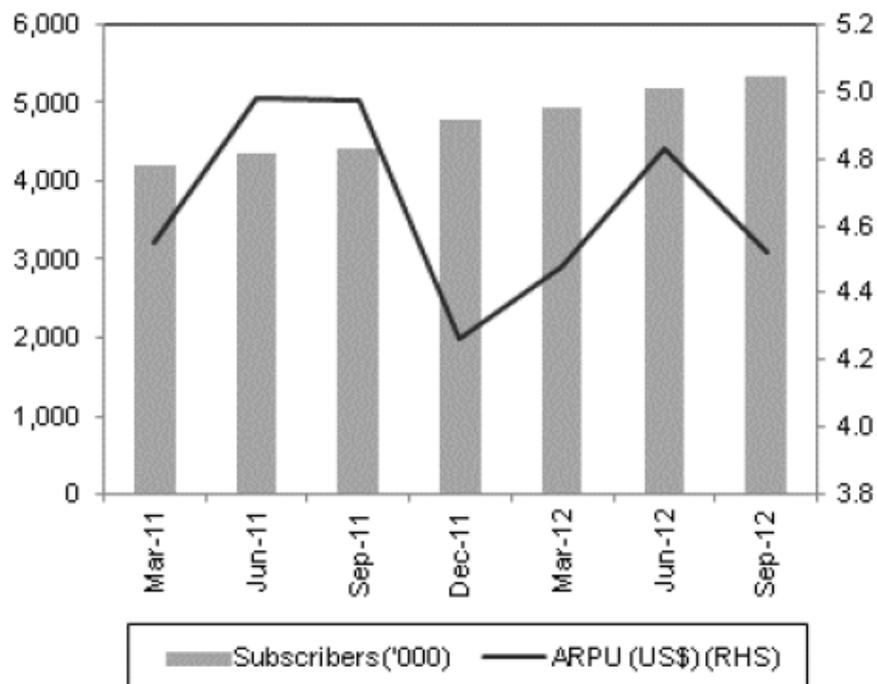
Close to 100% penetration among st users that are more than 14 years old

Roshan	<ul style="list-style-type: none"> <li>• 6 million mobile subscribers</li> <li>• 30.1 % market share</li> </ul>	<ul style="list-style-type: none"> <li>• Aga Khan Fund for Econ. Dev. (AKFED)- 51.00% (IFC client)</li> <li>• Monaco Telecom International (MTI) - 36.5%</li> </ul>	<ul style="list-style-type: none"> <li>• Partnered with Vodafone and Development banks: M Paise Mobile Money transfer (with Interactive Voice Response System)</li> </ul>
MTN	<ul style="list-style-type: none"> <li>• 5.3 million mobile subscribers</li> <li>• 26.6 % market share</li> </ul>	<ul style="list-style-type: none"> <li>• Multinational Telecom Group in 21 countries in Africa Asia and ME. Listed in JS Stock Exchange 90%</li> <li>• IFC 9%</li> </ul>	
AWCC	<ul style="list-style-type: none"> <li>• 4.4 million mobile subscribers</li> <li>• 22.1 % market share</li> </ul>	<ul style="list-style-type: none"> <li>• Joint venture with MCIT (20%) and US-based Telephone System International (TSI) (80%)</li> </ul>	<ul style="list-style-type: none"> <li>• Partnered with Maiwand bank - holds POS terminals and performs salary payments</li> <li>• Has POS with biometric (thumb and photo)</li> </ul>
Etisalat	<ul style="list-style-type: none"> <li>• 4.2 million mobile subscribers</li> <li>• 21.1 % market share</li> </ul>	<ul style="list-style-type: none"> <li>• 100% owned subsidiary of UAE-based Etisalat Telecommunication Corporation - Multinational</li> </ul>	<ul style="list-style-type: none"> <li>• Partnered with United bank- Use mobile to receive and pay electricity bills. Expected in March 2013</li> </ul>

Source: The State of Telecommunication in Afghanistan, 2012, USAID ; Operators websites; Interview with Jose Mendoza, FAIDA; Afghanistan Mobile Money Dashboard, Feb. 2013, USAID.

# Mobile Outlook

Mobile penetration is estimated to have reached 65%.



- The Telecom sector in Afghanistan has witnessed phenomenal growth in the past 10 years. It has been a developmental catalyst for the country by attracting, in 2012, 1.8 billion in total investment, creating 110,000 direct and indirect jobs and making it the largest revenue and tax generating sector in the country.
- Roshan is the leading operator - it has received a license in 2003- Etisalat in 2006- MTN in 2005 and AWCC in 2002.
- Increased competition led to cheaper and improved quality of services as cost of using a cellular fell drastically:
  - Sim cards from 250\$ in 2003 to less than a dollar now.
  - Local calls from 18 AFS in 2002 to 3 AFS now.
- Making it more affordable and accessible to the base of the pyramid consumers.

Source: BMI, NTM

Roshan's M Paisa mobile money initiative in partnership with Vodafone (though struggling to achieve scale) resulted in a higher level of mobile money awareness & knowledge and in the creation of the Association of Mobile Money Operators in Afghanistan (AMMOA)

# Telecommunication Infrastructure

- Following the massive destruction that occurred during the war in 2001, there has been strong focus on the reconstruction of the national telecom infrastructure. The latter represents the largest chunk of total investments in Afghanistan.
- As a result, 4,428 telecom base stations have been erected forming the country-wide microwave network that serves mobile service and wireless connectivity (mainly funded by the four mobile operators.)
- In addition 76 telecom base stations are being built in rural areas allocated by MCIT/ATRA from the Telecommunications Development Fund (TDF) under the Universal Access Program (UAP).



Source: The State of Telecommunication in Afghanistan, 2012, USAID

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# Transformative Mobile Banking Initiatives

**Roshan &  
Vodafone in  
partnership with  
Azizi Bank:**

**M-PAISA**

- M Paise is a mobile money transfer service that was launched in 2009. It started initially to pay afghan police officers as to fight corruption from middlemen.
- The system gives the opportunity for people with no bank accounts to do basic banking transactions such as balance inquiry, cash withdrawals, cash transfer, airtime purchase and MFI loan disbursement and repayments.
- Western Union also signed with Roshan to enable international mobile money transfer.
- According to their website M-Paise reached 1.2 million subscribers. It had 50,000 subscribers in 2010.
- Uses agents mostly mom and pop shops, however agent's commission system can be misconceived as bribery.
- MFI Mutahid and First Microfinance Bank are also using M-Paise for safer micro-loan repayments.
- Challenges: Lack of scale due to the existence of Hawalas, a general lack of trust in institutions, difficulties to form a reliable agent network and low consumer awareness level about the benefits of mobile money.

**Etisalat with  
Afghanistan  
United Bank:**

**mHawala**

- Launched in 2012
- Offers:
  - Cash Deposit (Available Now)
  - Cash Withdrawal (Available Now)
  - Cash Transfer (Available Now)
  - Airtime Top up (Available Now)
  - Bill Payment (Coming Soon)
  - Merchant Payment (Coming Soon)
  - Loan Payment (Coming Soon)
- Opening an mHawala account is performed either remotely by the customer over the phone, or in store, on production of a suitable identity document. Where a customer chooses the self registration option no cash in or cash out transactions are supported, meaning that a client must receive a P2P payment to support any purchases he wishes to make.

# Transformative Mobile Banking Initiatives - continued

## Association of Mobile Money Operators in Afghanistan

**AMMOA**

- Founded in May 2011 by the 4 mobile network operators with the assistance of USAID.
- FAIDA\* is strengthening the organization by providing technical assistance.
- Currently led by Roshan M-Paisa President Zahir Khoja.
- 3 out of the 4 operators have mobile banking project underway or are already in the market: Roshan, Etisalat & AWCC:
  - AWCC (partnered with Maiwand bank) are working on the implementation of a teacher salary pilot in one school in Kabul that should be launched in July 2013
  - Etisalat (partner to Afg. United Bank) have signed up 80,000 “mHawala” client in Kabul to pay electricity bills
  - MTN (new Kabul bank) Uses the fundamo platform which was recently bought by VISA and is still trying to get the platform to work

\* FAIDA: Financial Access for Investing in the Development of Afghanistan. A USAID initiative that assists the Government of the Islamic Republic of Afghanistan and the private sector in developing the financial sector.

Source: Afghanistan Mobile Money Dashboard, Feb. 2013, USAID; [www.ammoa.org](http://www.ammoa.org); The State of Telecommunication in Afghanistan, 2012, USAID; Draft Report on Payment and Securities Settlement System, and International Remittances in Afghanistan, March 2010, WB

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# Distribution

Segment	Known Resources
Mobile Operators	<ul style="list-style-type: none"><li>• Roshan - 500 agents for MPaisa</li><li>• Etisalat - 2,100 agents, 4,000 POS, 1,000 women to be trained with Ministry of Labor and FAIDA</li><li>• AMMOA has recruited 800 potential agents to be trained; model of service unclear</li></ul>
Retailers	<ul style="list-style-type: none"><li>• Numbers not known however, SMEs constitute 75% of all Afghan formal enterprise; possible avenue is to examine and leverage product distribution/collection networks for these businesses</li></ul>
Informal Networks	<ul style="list-style-type: none"><li>• Numbers not known but hawala informal money transfer networks are entrenched and trusted despite inefficiencies</li></ul>