



## Doing Business in Afghanistan:

### A Country Commercial Guide for U.S. Companies

INTERNATIONAL COPYRIGHT, U.S. & FOREIGN COMMERCIAL SERVICE AND U.S. DEPARTMENT OF STATE, 2005. ALL RIGHTS RESERVED OUTSIDE OF THE UNITED STATES.

- [Chapter 1: Doing Business in Afghanistan](#)
- [Chapter 2: Political and Economic Environment](#)
- [Chapter 3: Selling U.S. Products and Services](#)
- [Chapter 4: Leading Sectors for U.S. Export and Investment](#)
- [Chapter 5: Trade Regulations and Standards](#)
- [Chapter 6: Investment Climate](#)
- [Chapter 7: Trade and Project Financing](#)
- [Chapter 8: Business Travel](#)
- [Chapter 9: Contacts, Market Research and Trade Events](#)
- [Chapter 10: Guide to Our Services](#)

# Chapter 1: Doing Business in Afghanistan

- [Market Overview](#)
- [Market Challenges](#)
- [Market Opportunities](#)
- [Market Entry Strategy](#)

[Return to table of contents](#)

## Market Overview

[Return to top](#)

- Afghanistan is rebuilding after nearly 30 years of conflict and is continuing its transition from a state-based model to a free market economy.
- The new government is working to improve the country's physical infrastructure, which was largely destroyed, while at the same time struggling to provide basic services and humanitarian assistance to a growing population with some of the most challenging social indicators in the world.
- A multi-billion dollar international effort to help reconstruct Afghanistan is underway, led by the United States and other international donors. Many current business opportunities are linked to these reconstruction efforts.
- In April 2004, President Hamid Karzai declared Afghanistan "open for business." While the Government has taken numerous steps to create attractive conditions for foreign investment, there is much more to be done, particularly in completing the process of reforming the legal and regulatory framework.
- Economic growth has been dramatic over the past three years. The IMF estimates that official GDP growth averaged 22.5 percent between 2002 and 2004; estimates annual growth in Afghanistan's 2004/2005 fiscal year (the fiscal year ending March 21, 2005) at 7.5 percent; and projects 14 percent growth in FY 2005/2006.
- Currency reform was completed in early 2003. Since then, inflation has been relatively low and the nominal exchange rate stable. The tax code was restructured and clarified in 2005. Trade has increased dramatically with both imports and exports growing at double-digit levels. Customs tariffs have been rationalized, existing trade agreements have been renewed and new agreements entered into force.
- The economy is dominated by small-farm agriculture and 80-90 percent of all economic activity remains informal. Illicit opium production remains a major activity and accounts for nearly a third of total licit and illicit GDP. The IMF estimates licit real GDP at \$7.7 billion in FY2006/2007. (The IMF estimated GDP in current prices at \$8.8 billion)
- Investment is estimated to represent 38% of GDP. Over \$2.4 billion in new investment has been registered since 2003. The bulk of this figure represents

public investment financed through donor aid. One-third of this is foreign direct investment (FDI). More than half has been in construction and construction material; the remainder split equally between industry and services.

- Turkey is the largest single investor and accounts for over a fifth of all registered FDI. The United States is second with 17 percent of investment, followed by China and the UAE at less than ten percent and Pakistan and Iran at five percent.
- The IMF estimates Afghanistan exported \$1.7 billion and imported \$4.6 billion in FY2006.
- Afghanistan's top export markets are India, Pakistan, Iran, Saudi Arabia, Central Asian Republics and the European Union. Imports primarily come from China, Japan, Pakistan, Iran, the Central Asian Republics and the European Union.
- The U.S. Department of Commerce estimates U.S. exports to Afghanistan were approximately \$418 million and non-assistance related imports were approximately \$45 million in 2006.
- Afghanistan's history and location give it the potential to develop into a vital trade and transit hub for the region.

### **Market Challenges**

[Return to top](#)

- Poor infrastructure, including power, transport and telecommunications.
- A weak legal framework, regulatory enforcement, and dispute resolution mechanisms.
- High levels of corruption.
- Foreign legal persons may not own land and securing clear title to land is a long, time-consuming, expensive process.
- A nascent commercial banking system, which provides limited commercial financing.
- Customs regulations and procedures that are neither transparent nor consistent.
- A shortage of skilled labor and trained personnel in both the government and the private workforce.
- A critical threat security situation.

### **Market Opportunities**

[Return to top](#)

- Market opportunities are largely driven by Afghanistan's need to completely renovate its infrastructure. Substantial opportunities for U.S. firms are linked to donor and international finance institutions (International Financial Institutions [IFIs], including the World Bank, and Asian Development Bank) that fund reconstruction efforts. Companies are advised to monitor donor and IFI programs for potential opportunities.

#### *Short-Term Opportunities*

- Agricultural chemicals, machinery, equipment and services

- Agro-processing
- Irrigation planning and technologies
- Architectural, construction, and engineering services
- Building materials for both residential and commercial properties
- Computer hardware, software and peripherals (to include Dari language capability)
- Telecommunications services and equipment
- Diesel generators for independent power supply
- Education/training services
- All consumer products
- Heavy equipment, including trucks, trailers and buses; motor graders, concrete mixers, heavy-duty dumpers, paver finishers, and bull-dozers
- Security and safety equipment
- Automobiles/light trucks/vans and development of dealerships for 4x4 vehicles (sales, parts, and service)
- Translation services, including simultaneous, conference-style translation products
- Office furniture
- Printing and publishing

#### *Medium-Term Opportunities*

- Aircraft and aircraft parts
- Airport/ground support equipment
- Electrical power systems
- Oil and gas field machinery; oil, gas, and mineral exploration and production services
- Road upgrades, lighting, and signage
- Transportation services
- Carpets and textiles
- Leather and leather processing
- Precious and semi-precious stones
- Marble and natural stone

#### **Market Entry Strategy**

[Return to top](#)

Strong local knowledge is a vital part of business development in Afghanistan.

- Be familiar with key players both in business and in government.
- Visit the country, get to know your potential partners and their capabilities to do business with U.S. firms, and meet with local chambers of commerce and the Afghan Investment Support Agency (AISA.) Before travel, U.S. citizens should review the Consular Information Sheet and Travel Warning for Afghanistan. These documents can be found at:  
[http://travel.state.gov/travel/cis\\_pa\\_tw/cis/cis\\_1765.html](http://travel.state.gov/travel/cis_pa_tw/cis/cis_1765.html)
- Personal relationships are everything in Afghanistan, and with the legal and regulatory framework still in a nascent stage, businesses are built almost entirely on trust.

[Return to table of contents](#)

## Chapter 2: Political and Economic Environment

For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes.

<http://www.state.gov/r/pa/ei/bgn/5380.htm>

[Return to table of contents](#)

## Chapter 3: Selling U.S. Products and Services

- [Using an Agent or Distributor](#)
- [Establishing an Office/Licensing](#)
- [Selling to the Government](#)
- [Distribution and Sales Channels](#)
- [Selling Factors/Techniques](#)
- [Trade Promotion and Advertising](#)
- [Pricing](#)
- [Sales Service/Customer Support](#)
- [Protecting Your Intellectual Property](#)
- [Due Diligence](#)
- [Local Professional Services](#)
- [Web Resources](#)

[Return to table of contents](#)

### Using an Agent or Distributor

[Return to top](#)

Many local companies find it invaluable to hire an Afghan individual or company as a local agent or partner. In many cases, local connections prove essential in navigating the business world. When looking for a partner, a good start is to contact the Afghan International Chamber of Commerce (AICC) and its U.S.–based affiliate, the Afghan American Chamber of Commerce. With over 3,300 members representing 24 different business associations, the AICC has a wealth of local knowledge and contacts. The Afghan Investment Support Agency (AISA), a quasi-government agency set up to assist potential investors in registering their business, can also help make recommendations.

### Establishing an Office/Licensing I

[Return to top](#)

Afghanistan ranks an impressive 17 out of 175 countries in ease of registering a business, according to the World Bank’s 2007 “Doing Business Report.” The Afghan Investment Support Agency (AISA) is every foreign and domestic investor’s one-stop-shop for registering and establishing a business in Afghanistan.

AISA’s Investment Managers will assist the investor with the following procedures, which are necessary to obtain a business license:

1. Completion of the Investment Application Form and Application Form for Tax ID Number
2. Registration of the Investment Application Form
3. Provision of guidance on the requirements for submission of a business plan and review of the project documents to ensure it is within the country’s legal framework
4. Registration of investment documents in commercial court and announcement of investors’ business/investment details in a reputable Afghan newspaper

5. Payment of License Fee and Issuance of Investment License. (Fees are based on the type of business and are commensurate with the amount invested).

The Ministry of Foreign Affairs also asks that each company provide an introduction letter from its embassy. The U.S. Embassy can provide this letter upon provision of the company's Articles of Incorporation and evidence of an IRS Tax ID number. Please contact the U.S. Embassy's Commercial Section for more details (see Contacts section of this report.)

The entire process takes about seven days. Licensing fees range from \$100 to \$1,000; depending on the size of initial investment.

If the business intends to engage in import/export, additional steps are required. In addition to the Investment License, the Ministry of Commerce will also issue an export license. To obtain an export license, the Ministry requests businesses to provide the following information:

1. Bank statement
2. Police Certificate (Clean Records Certificate) from any of the States in the U.S. as evidence that a person has no criminal record.

There are no separate licensing procedures for joint ventures.

In addition to providing investors with licensing services, AISA also hosts business, trade and investment events and conferences. Investment managers can also refer companies to potential partners, sources of finance, and opportunities in industrial parks.

Establishing a physical office remains more of an art than a procedure. Potential investors face an overheated real estate market, with rents comparable to cities such as New York and Tokyo. Renters are also required to pay a 20% renters tax, which they must personally withhold from their monthly rent payment and remit to the Government of Afghanistan. Foreign investors are not permitted to purchase real estate in Afghanistan (see Chapter 6 for more details.) Basic infrastructure, such as electricity, heating, and telecommunications, remains a constant challenge.

Potential investors should be aware that the Government of Afghanistan launched an Industrial Park Program in 2004 and is working with donors, including USAID and the World Bank, to develop these parks. The industrial parks offer clear land title, reliable power and water supply, and security. The industrial park in Bagrami (near Kabul) is currently operational and is under consideration for expansion. A second phase is also underway, which includes Industrial Parks in *Kamari*, a 120 hectares park located 13 km from central Kabul. Parks in Mazar-e-Sharif and Kandahar are just nearing completion and several more are planned for the future. The Industrial Park Program is administered by AISA. More information can be found at <http://www.aisa.org.af/ipda/index.html>.



The Government of Afghanistan has established a procurement agency to facilitate the purchase of goods and services for the Government. This agency, the Afghanistan Reconstruction and Development Service (ARDS), uses internationally recognized procurement procedures. Companies that wish to receive procurement notices can do so by registering through email. Notices on new procurements are sent electronically to all companies registered with ARDS. ARDS also maintains a list of suppliers. ARDS can be contacted at [www.ards.org.af/buis\\_opp.asp](http://www.ards.org.af/buis_opp.asp) or [ards.procurement@ards.org.af](mailto:ards.procurement@ards.org.af) or [procurement@afghanistangov.org](mailto:procurement@afghanistangov.org).

## **Distribution and Sales Channels**

[Return to top](#)

Formal distribution and sales channels are not well developed in Afghanistan. Most commerce is confined to small store fronts, markets and informal roadside trading. Major distribution centers are Kabul, Herat, Mazar-e-Sharif, Jalalabad, and Kandahar. Many commercial goods destined for Afghanistan are shipped through ports in Karachi or Port Qasim, Pakistan, moved overland by rail or truck and enter the country via the Torkham (Nangarhar province) or Chaman (Kandahar province) border crossings. Goods are then distributed throughout Afghanistan by truck. Another major overland route is through Iran via Bandar-i-Abbas, entering Afghanistan at the border with Herat province. U.S. law prohibits transshipment through Iran by American companies or individuals without written approval by the U.S. Department of Treasury's Office of Foreign Assets Control (<http://www.ustreas.gov/offices/enforcement/ofac>). There is no internal rail network in Afghanistan. Though a growing number of air cargo companies are offering their services, this sector is still undeveloped and comparably expensive.

## **Selling Factors/Techniques**

[Return to top](#)

Due to limited understanding of English among Afghans, sales materials should be in Dari and/or Pashto if your market is primarily in the south of the country. Direct marketing is a relatively unused sales technique because the postal system is largely defunct and land-line telephone connections are limited. However, with a growing population of cellular users, currently reaching over two million, direct marketing via cellular phone could likely become more widespread in the near future. Electronic commerce is not widespread in Afghanistan due to still developing telecommunications infrastructure. Surveys show that fifteen percent of businesses use email to communicate with their clients and nine percent have websites.

The United Nations Development Program has conducted a Market Sector Assessment of small and medium size enterprises in Afghanistan that includes information on existing marketing practices in some sectors. The study as well as other useful information can be found at <http://www.undp.org/afghanistan>.

## **Trade Promotion and Advertising**

[Return to top](#)

The Afghan Investment Support Agency (<http://www.aisa.org.af>), the quasi-government agency responsible for investment promotion, organizes trade promotion events. The Export Promotion Agency of Afghanistan, the quasi-government agency responsible for export promotion, intends to organize export promotion events (<http://www.epaa.org.af>). The Afghan International Chamber of Commerce also has a Trade and Investment

Promotion Office (<http://www.aicc-online.org>). In early 2007, USAID began sponsoring a semi-annual agricultural trade fair in Kabul.

Businesses in Afghanistan spend limited resources on advertising. Only a handful of Western-style advertising agencies exist. One is Altai Consulting (<http://www.altaiconsulting.com>), whose marketing and communication branch is an affiliate of John Walter Thompson. Commercial advertising is available through major television and radio outlets such as Tolo TV (<http://www.tolo.tv>), Ayna TV, Ariana TV (<http://www.e-ariana.com>), Radio Television Afghanistan (<http://rtakabul.tripod.com>) and Radio Arman, (<http://www.arman.fm>). Radio Khillid, Radio Salam Wastandar, and Afghan TV also offer such services. Advertisements in newspapers reach a limited audience.

## **Pricing**

[Return to top](#)

Factors to consider in pricing are as follows:

- Corporate income tax of 20%, low by regional standards. Personal income tax ranges from 0-20%.
- Business Receipts Tax ranging from 2-10% based on sector, revenue and billing.
- Import tariffs in the range of 0-25%.
- High transport costs.
- Competition from cheap, low-quality goods and services from Pakistan, China and Iran.

## **Sales Service/Customer Support**

[Return to top](#)

Customers in Afghanistan are not accustomed to a high degree of sales service and customer support, with the possible exception of those who use mobile and internet service providers. However, appreciation for higher levels of service is increasing as the general population becomes more market savvy.

## **Protecting Your Intellectual Property**

[Return to top](#)

Afghanistan currently has no laws enforcing intellectual property rights. Investors should have no expectation of protection (see Chapter 6 for more information).

## **Due Diligence**

[Return to top](#)

It is essential to conduct adequate due diligence on potential local partners before entering into business in Afghanistan. As the country currently has no contracts law in place and the commercial court system is inadequate; businesses, therefore, should tread carefully when entering into commercial agreements or partnerships. The Government of Afghanistan enacted, subject to parliamentary review, arbitration and mediation laws in January 2007. However, implementing regulations for these laws are

only in draft. Thus, there remains no clear Afghan government guidance on the best process for resolution of commercial disputes. The Ministries of Commerce and Interior, AISA, the Afghan National Police, and the courts have all played roles in recent disputes involving Americans. If involved in a commercial dispute, hiring an Afghan attorney early can be beneficial. Visiting the country to learn more about the business environment and the potential partner is recommended. The Afghan International Chamber of Commerce (AICC) and the Afghanistan Investment Support Agency (AISA) can be helpful in providing background on a potential partner. In addition, there are a few local attorneys who specialize in business and commerce that can be contacted for assistance. A list of attorneys is available on the U.S. Embassy website at [http://kabul.usembassy.gov/judicial\\_services.html](http://kabul.usembassy.gov/judicial_services.html).

### **Local Professional Services**

[Return to top](#)

The Afghan Embassy in Washington, D.C. has developed a resource listing services available to facilitate investment. The resource can be downloaded at <http://www.embassyofafghanistan.org/resourceguide.html>.

### **Web Resources**

[Return to top](#)

The Afghan Investment Support Agency at <http://www.aisa.org.af>

The Afghan International Chamber of Commerce <http://www.aicc-online.org>

World Bank 2005 Doing Business Report: <http://www.doingbusiness.org>

Afghanistan Reconstruction and Development Service <http://www.eafghanistan.gov.af>

U.S. Department of Treasury's Office of Foreign Assets Control  
<http://www.ustreas.gov/offices/enforcement/ofac>

United Nations Development Program <http://www.undp.org/afghanistan>

Altai Consulting <http://www.altaiconsulting.com>

Tolo TV <http://www.tolo.tv>

Ariana TV <http://www.e-ariana.com>

Radio Television Afghanistan <http://rtakabul.tripod.com>

Radio Arman <http://www.arman.fm>.

U.S. Embassy in Afghanistan <http://kabul.usembassy.gov>

Afghan Embassy in Washington, D.C.  
<http://www.embassyofafghanistan.org/resourceguide.html>

[Return to table of contents](#)

## Chapter 4: Leading Sectors for U.S. Export and Investment

- [Construction Materials](#)
- [Agro Processing](#)
- [Carpets and Textiles](#)
- [Logistics and Transportation](#)
- [Mining](#)
- [Opportunities and Resources](#)

[Return to table of contents](#)

### Construction Materials

[Return to top](#)

Demand for all types of materials is booming and will remain strong over the next several years given the magnitude of the reconstruction process, a growing population and rising income. Projects range from large scale reconstruction of transportation, power and water infrastructure to small scale retail and residential construction. International donor demands for high quality and quantity represent opportunities for both the export market and local investment. This sector offers perhaps the highest potential for both U.S. investment and exports.

Most available construction materials are currently imported and are of poor quality. Cement, for example, is primarily imported from Pakistan and Iran and is of such poor quality that it is considered not saleable in those countries.

High transportation costs, an abundance of raw materials, and a supply of local workers with adequate skills in this sector combine to offer promising opportunities for investment in local production that could under-price foreign rivals. The national market for materials is well integrated, with competitive wholesaling and retailing and established distribution channels. There is medium-term potential for local production for export as well, particularly in the marble and marble cutting industry, as Afghanistan's wealth of natural resources offers it a comparative advantage over neighboring countries.

Profitable investment opportunities also exist in the manufacture of final construction inputs, such as doors or windows. Often these activities are carried out on a small scale, but many opportunities exist to expand to mass production.

### Opportunities in Construction

#### Cement and Cement Block

Afghanistan is in an earthquake prone region. Demand for quality cement is high and is forecasted to remain strong, both in Afghanistan and in regional countries where industries are operating at capacity levels. Local conditions for the production of cement (i.e., adequate limestone) exist. Given the high transportation costs for this product, investment in locally produced cement has potential. The Ministry of Mines privatized a major state owned cement factory in 2006 to a local investment consortium in a less than transparent manner.

Cement blocks are a popular local construction material. Upgrading and expanding existing production facilities or establishing new facilities offers good investment potential.

### **Bricks**

Baked and unbaked bricks are used for construction in Afghanistan. Both are produced by small, local enterprises. Given high transportation costs, there are business opportunities in the expansion and upgrade of local production facilities.

### **Doors and Windows**

Current local production of doors and windows uses obsolete technology and does not meet local demand. Investment opportunities exist in the improvement and expansion of this process.

### **Marble and Natural Stone**

There are substantial marble deposits within Afghanistan. Only a small fraction of what is mined is processed locally for construction or handicrafts. Most is exported to Pakistan, where it is cut into blocks and slabs. Investment in the local cutting process has high profit potential. The abundance of natural stone also offers potential in mining and processing. Some of Afghanistan's natural marble deposits are being damaged by mining techniques such as blasting, which renders micro-cracks throughout the deposit. Extraction of marble by diamond blade cutting, the best practice, has begun, but it is still extremely limited.

### **Tiles**

The raw materials for the production of ceramic tiles and other ceramic products can be found in Afghanistan. High demand and prohibitive transportation costs represent great potential for investment in local production facilities.

### **Sand, Gravel and Aggregate**

Many production sites for sand, gravel and aggregate are present. However, quality is mixed. Investment and U.S. export opportunities exist in upgrading the quality of production as well as in the exploitation of new mining sites.

### **Asphalt**

Local asphalt production capacity does not meet the booming demand from large scale road construction and reconstruction activities. High profit potential exists in expansion of local production.

Afghanistan is predominantly an agricultural country; agriculture represents nearly 40% of licit GDP. At one time, high quality Afghan agricultural product exports such as dried fruits, nuts, almonds and pistachios occupied a prominent share of the world market. Following almost three decades of conflict, farmers in Afghanistan have made great strides in reviving agro business in the country. The first international agricultural fair of its kind, called AgFair'07, took place in the spring of 2007 in Kabul. The event attracted between 45,000 and 60,000 people. Regional agricultural fairs are slated to take place around the country in the coming year, with larger national fairs planned for the fall of 2007 and spring of 2008. Development of the agricultural sector is a high priority of the Government of Afghanistan and is the focus of international donor efforts to revive rural economic activity. Improvements in irrigation systems, fertilizer use and extension services, and a land titling reform program have increased production and reduced input prices.

The domestic market potential for agricultural products is huge and demand is increasing with a rise in population and income across the country. Currently, most processed food is being imported. With rapidly improving supply conditions for agricultural products, there is a large potential for import competition and early entrants stand to benefit as the first domestic suppliers of their products. In addition, Afghan agricultural products represent a potentially valuable export product for investors, particularly in regional markets such as India and Pakistan. There are also significant opportunities in processing, particularly cleaning and packaging, or in other elements of the value chain such as testing and certification for both international and domestic markets.

Agricultural sector investment so far has been limited, representing only 1% of new investment since 2002.

## **Opportunities in Agro Processing**

### **Dried Fruits and Nuts**

The world market for raisins, pistachios, dried apricots, almonds and walnuts is \$2.2 billion, of which Afghanistan currently claims only 2%. Many of these products were formerly produced on a large scale and continue to enjoy international recognition for quality. Raisins, for example, are Afghanistan's primary agricultural export commodity and once accounted for 60% of the world's market. Pakistan, India and Russia offer large, nearby markets in which Afghan products could begin regaining market share. Existing raisin processors are ripe for new investment to increase and improve production. Ideal growing conditions exist for almonds, pistachios and apricots. The world's largest importers of these products - India for almonds and Russia for dried apricots - are natural regional markets. Low productivity of existing orchards and production facilities as well as a lack of machinery for sorting, drying and packaging, are issues facing the industry.

### **Juices, Pastes, Jam**

Local demand for fruit juice, jams and tomato paste is high. Industrially processed products available on the local market are almost entirely imported, primarily from Iran and Pakistan. Markets in Afghanistan are estimated at approximately \$20 million for fruit

juice and \$15 million for tomato paste. The abundance of local fruits and tomatoes offers substantial business opportunities in import substitution. Afghan pomegranates are among the best in the world, so production of pomegranate concentrate for export has very good prospects.

### **Dairy Products**

Most industrially processed and packaged dairy products are imported. Many regions in Afghanistan have a well-established dairy production tradition, particularly in yoghurt, but lack the infrastructure to expand beyond local consumption. U.S. exports, local production for import competition, as well as investment in collection, processing, packaging, and a cold storage and transportation chain have good prospects.

### **Karakul Skins and Leather**

Karakul skins were formerly one of Afghanistan's major exports. With the number of livestock increasing, this industry has rebounded. Investment opportunities and potential for U.S. exports of machinery exist in skin processing and leather manufacturing.

### **Meat Processing**

Existing meat processing facilities do not meet international standards. Given the increase in livestock, good opportunities exist for U.S. exports and investment in the upgrade of these facilities and equipment.

### **Cotton and Sugar**

Afghanistan formerly produced substantial quantities of cotton and sugar (beet and cane) crops well suited to the climate of some regions of the country. Foreign investment has been involved in the rehabilitation of former state-owned enterprises in these areas as well as in greenfield operations. The Spinzar plant in Kunduz and the Balkh Gin and Press in Mazar-e-Sharif were privatized under a long term leasing agreement with cotton specialist Dagrif of France, and KWS of Germany has successfully invested in a joint venture sugar factory in Baghlan. Similar opportunities exist for interested investors.

### **Mills and Baking**

Most baking and wheat processing activities currently are carried out on a very small scale. Substantial opportunities for expansion of the industry exist.

### **Non-traditional Products**

Afghanistan has a number of native plants with unrealized commercial potential. Ideal climatic and ground conditions for many natural ingredients for the flavor, fragrance, and pharmaceutical industries exist. For example, conditions are ideal for the cultivation of roses and the production of rose oil. A number of spices, rare herbs and medicinal plants can also be found. Various market studies have demonstrated substantial possibilities in these areas.

### **Processing and Packaging**

Most processing and packaging facilities currently in use for agricultural goods are technologically outdated. This sector represents attractive opportunities for investment and U.S. export of technology and equipment to crush, press, pasteurize, filtrate, dry, sort, grade, fill, and package a variety of agricultural products.

### **Cold Storage and Transportation**

There are few cold storage facilities in Afghanistan. As the agro business sector strengthens and power and fuel supplies become more reliable, cold storage and cold transportation represent one area where U.S. investment and technology could achieve strong export growth and returns on investment.



Carpets are Afghanistan's most important export, estimated at \$130 million for FY2006. The industry has a centuries-old tradition that enjoys world renown. Afghan carpets are internationally competitive, even with the challenges of a post-war economy—a reflection of the capabilities of generations of skilled Afghan weavers.

The Government of Afghanistan places a high priority on the development of the carpet sector, particularly because of its importance as a source of income for the rural population, including women and refugees. Government policy is directed to the benefit of the industry.

Production is concentrated in several regions of the country. While some carpet factories have been established in urban centers over the last two years, production remains primarily home-based and fragmented. A lack of available and appropriate land has inhibited the development of consolidated production sites.

As few local post-weaving facilities exist, most Afghan carpets destined for overseas markets are exported as unfinished products to Pakistan to undergo the final steps of washing, trimming, and drying. The carpets are then exported from Pakistan as Pakistani products to overseas markets. This process amounts to millions of dollars in lost revenue for Afghanistan.

Carpets are transported to foreign markets via land, sea or air, primarily through Pakistan. A growing number of air freight companies serve Kabul, and exporters are turning to this faster and more reliable freight carrier. To support the carpet industry, President Hamid Karzai has decreed that Ariana Afghan Airlines transport Afghan carpets at cost.

Hand-knotted Afghan carpets enjoy preferential access to important overseas markets. No customs duty is levied on their import into the United States, Canada or the European Union.

The Afghan carpet industry offers high potential for investment, particularly in re-establishing those elements of the production chain which now take place outside the country. It is estimated that the value of sector imports could increase two to five times if goods were sold directly to foreign markets rather than through intermediaries. Investment in information technology offers the potential to develop niche markets for customized, made-to-order carpets for foreign buyers. Improvements to wool and yarn inputs and consolidation of production facilities promise increased efficiency, quality and profitability.

### **Opportunities in the Carpet Industry**

#### **Post Weaving Facilities: Washing, Trimming, Finishing**

Facilities for washing, trimming, and finishing carpets are scarce in Afghanistan. The absence of such facilities has created a major bottleneck in the development of direct access to overseas markets. As a result, the carpet industry is dominated by Pakistan-

based middlemen. The establishment of such facilities in Afghanistan represents the largest investment potential in this sector.

### **Carpet Factories**

While a few carpet factories exist, the industry is still largely dependant on home production. The establishment of additional factories means increased productivity and increased quality control.

### **Wool Scouring and Spinning**

Quality carpets require quality wool and yarn. While most producers of high quality carpets strive to exclusively use local, handspun wool, supply is insufficient to meet demand. Growing numbers of livestock in Afghanistan have created the potential for investment in additional wool scouring facilities. Spinning of high quality yarn, either from local or imported wool, also represents substantial opportunities.

### **Design Technology**

Most carpet designs are currently sketched and plotted by hand. Investment in Computer Aided Design (CAD) technology and associated training that would improve the efficiency of production and facilitate the niche market for custom ordered carpets has reasonable profit potential.

## **Logistics and Transportation**

[Return to top](#)

Afghanistan has long been a trade hub connecting Asia, Europe and the Middle East. A landlocked country bordering Iran, Turkmenistan, Uzbekistan, Tajikistan, China and Pakistan, it is considered a "land bridge" connecting trading partners and offering a point of access to an expanded regional market of more than two billion people.

Inadequate transportation infrastructure is a major obstacle to increased commerce. Road construction is a focus of the reconstruction effort. Major highway construction is underway, including the construction of a 2,400 km ring road circling the country and 700 km of links with neighboring countries. A majority of this construction has been completed. The reopening of the Salang Tunnel in 2002 was a major step forward in opening road links with northern Afghanistan. The reopening of the Termez-Hazarey bridge in 2002 opened links to Uzbekistan. A bridge linking Afghanistan to Tajikistan is currently being built in Kunduz province. The Amu Darya (Oxus) River, which forms part of Afghanistan's border with Turkmenistan, Uzbekistan, and Tajikistan, has increasing barge traffic.

Transport is a high-growth sector and the demand for transport services is expected to remain strong in the medium to long term. Transport of commercial goods is expected to rise as the commercial infrastructure improves and domestic production of products with strong export potential, such as carpets and dried fruits and nuts, increases. Improving security has also resulted in increased transshipment of goods through Afghanistan.

The market for logistics and transportation services offers first mover advantage to prospective investors with little competition and steady demand. Early investors have reported modest start-up costs, low overhead and high profit margins.

Opportunities exist in areas such as:

- Cold cargo and perishables storage
- Overland transportation
- Truck maintenance
- Customs facilitation
- Air freight and cargo services
- Package and document delivery
- Procurement and supply
- Warehousing

## **Mining**

[Return to top](#)

The mining industry offers considerable growth potential for U.S. investment and export of technology. Afghanistan has a large quantity of known mineral resources as well as vast areas where the potential is unknown. These resources include beryllium, chrome, coal, copper, gold, iron, lead, manganese, nickel, salt rock, silver, uranium and zinc. The country's known precious and semi-precious minerals include alabaster, amethyst, beryl, emerald, jade, lapis lazuli, quartz, ruby, sapphire and tourmaline. While some of these materials are used in the handicrafts market, few of the reserves are being commercially exploited and there is room for expansion of this industry. A reconstruction boom is generating significant local demand for mineral-based construction materials, including marble, paving stones, cement and cement blocks, bricks, gravel, wood, steel, sand, glass and tile. High transport costs provide an advantage to locally produced products. Domestic energy needs remain unmet, despite significant deposits of coal.

This sector represents medium to long term potential. Privatization of Afghanistan's State-Owned Enterprises, which control many of the country's mining resources, such as coal, is not complete. A Minerals Law was passed in July 2004, however, accompanying regulations have been drafted and are under review. The World Bank has estimated that the value of solid minerals produced in the country could reach \$253 million by 2008, up from \$60 million in 2004, if the necessary reforms are implemented. For example, a large copper deposit in Aynak, south of Kabul, is being tendered for development. The Aynak deposit has the potential for producing hundreds of millions of dollars in revenues for Afghanistan as well as hundreds of jobs and significant infrastructure improvements in the Aynak region.

The market for U.S. technology, equipment and expertise in this sector will be substantial. Foreign firms will also be accorded equal opportunity under the privatization program and opportunities for investment will be significant. Investments in this area are required to undergo screening by a sub-cabinet of Ministers and may be approved under terms that differ from 2005 Private Investment Law.

This chapter draws largely on research, market evaluations and case studies conducted by the organizations listed below. Complete materials can be found on their websites.

The Afghan Investment Support Agency <http://www.aisa.org.af>  
*Investment opportunity brochures and market studies,*

The Multilateral Investment Guarantee Agency <http://www.miga.org>  
*Investment Horizons: Afghanistan Study*

The World Bank <http://www.worldbank.org>  
*Investment Climate in Afghanistan 2005*

Afghanistan Research and Evaluation Unit <http://www.areu.org.af>  
*Market case studies in raisins, carpets and construction materials*

Emerging Markets Group, <http://www.emergingmarketsgroup.com>  
*Privatization of State Owned Enterprises Project*

Ministry of Finance, Privatization <http://privatization.mof.gov.af/EN>  
*Privatization of State Owned Enterprises website*

**Donors and international financial institution-funded activities in the sectors discussed in this chapter generate business opportunities for interested companies. Please consult the Project Financing section in Chapter 7 for more details on the activities of organizations such as USAID, World Bank and the Asia Development Bank and how firms can receive notification on procurements and contracting.**

## Chapter 5: Trade Regulations and Standards

- [Import Tariffs](#)
- [Trade Barriers](#)
- [Import Requirements and Documentation](#)
- [U.S. Export Controls](#)
- [Temporary Entry](#)
- [Labeling and Marking Requirements](#)
- [Prohibited and Restricted Imports](#)
- [Customs Regulations and Contact Information](#)
- [Standards](#)
- [Trade Agreements](#)
- [Web Resources](#)

[Return to table of contents](#)

### Import Tariffs

[Return to top](#)

Afghanistan maintains the lowest import tariffs in the region. A new tariff regime has significantly reduced and simplified the customs duty rates to six major categories: essential food and non-food products, 2.5%; raw materials, 1%; machinery equipment 0%; petroleum products, 5%; others imports goods, 16%; and luxury and non-priority products, 25%. Further, planned customs rationalization will decrease the number of rates from six to four, increase the tariff rates charges on the bulk of imported products, and increase the weighted average tax rate from 3.9% to 6.9%. Even at these revised tariff rates, Afghan tariffs will remain the lowest in the region.

### Trade Barriers

[Return to top](#)

Afghanistan has few trade barriers for imported products. However, deficient infrastructure, a still evolving legal and commercial regime, high levels of corruption and a volatile security situation act as de facto trade barriers.

### Import Requirements and Documentation

[Return to top](#)


All imported goods and products must have an original bill of lading and inventory documents. Transit permission is required for shipments transiting through Pakistan; the Central Board of Revenue's Customs Division in Islamabad, Pakistan, oversees transit permission.

### U.S. Export Controls

[Return to top](#)

In June 2002, the U.S. lifted most restrictions on exports and re-exports to Afghanistan. Such transactions are now subject to export control policies applicable to most countries who are not members of multilateral export control regimes. The majority of everyday

commercial goods do not require specific U.S. government authorization for export or re-export to Afghanistan. However, certain items on the Commerce Control List do require a license from the Department of Commerce's Bureau of Industry and Security (BIS). These include items controlled for chemical and biological weapons, nuclear nonproliferation, national security, and missile technology reasons. There are also foreign policy controls in place for regional stability and crime control reasons. These requirements can be found in Part 742 of the Export Administration Regulations (EAR) ([http://www.access.gpo.gov/bis/ear/ear\\_data.html](http://www.access.gpo.gov/bis/ear/ear_data.html)).

The U.S. government generally reviews license applications to export controlled goods to Afghanistan on a case-by-case basis. Note that a license is required to export an item subject to the Export Administration Regulations even when one would not otherwise be necessary, if you know, have reason to know, or are otherwise individually informed by the Department of Commerce's Bureau of Industry and Security (BIS) with respect to a specific transaction that the item will be used in activities related to nuclear, chemical, or biological weapons or missile delivery systems as defined in part 744 of the Export Administration Regulations. In addition, certain restrictions administered by the U.S. Department of the Treasury's Office of Foreign Assets Control continue in effect with respect to transactions involving members of the Taliban. Detailed information on U.S. export policies can be found at the BIS website at [www.bis.doc.gov](http://www.bis.doc.gov). Specific guidance on U.S. export controls with respect to Afghanistan can be found at <http://www.bis.doc.gov/policiesandregulations/RegionalConsiderations/Afghanistan.pdf>  (2.3MB PDF only)

You may also contact the BIS Export Counseling Division (<http://www.bis.doc.gov/licensing/ExporterFAQ.html>) at (202) 482-4811 for specific guidance.

### Temporary Entry

[Return to top](#)

Afghanistan currently has no laws or regulations governing products entering the country temporarily.

### Labeling and Marking Requirements

[Return to top](#)

Afghanistan currently has no laws or regulations governing labeling and marketing requirements for products.

### Prohibited and Restricted Imports

[Return to top](#)

The following items are prohibited from entry in Afghanistan:

- firearms, explosives, daggers
- obscene and subversive literature
- **alcohol (2 liter exception for personal use for commercial air passengers)**

Although not prohibited from entry into Afghanistan, Pakistan currently maintains three items on its Negative List (cigarettes, cooking oil and auto parts) that are barred from transiting its territory for import into Afghanistan.

## Customs Regulations and Contact Information

[Return to top](#)

Although there is a focused Afghan and donor country effort to improve facilities and practices at the major border crossing points, the customs regulations and procedures in Afghanistan are neither transparent nor consistent. Coordination between customs and other government authorities is minimal; customs officials are untrained and infrastructure is still 2 to 3 years from being fully upgraded. Traders face unclear procedures at the borders as well as extra-legal duties and bureaucratic obstructions.

Customs reform is a priority of the Government of Afghanistan. Large-scale reform efforts are underway to establish standardized fees and procedures for incoming goods and a trained cadre of professional staff. In December 2003 the Customs Department introduced a Single Administrative Document system pilot program, based on the European Union customs regime, for five key provinces. In March 2005, implementation of the Automated System for Customs Data (ASYCUDA) system began on a limited scale. Simplified exemptions processing documentation is being introduced and a new Customs Code is under consideration. A system of Licensed Customs Brokers is also being designed.

The Afghan Customs Department, a division of the Ministry of Finance, can be contacted at:

Telephone: +(93)(75)200-4199  
Email: [info@mof.gov.af](mailto:info@mof.gov.af)

## Standards

[Return to top](#)

Afghanistan is currently in the process of developing a national standards regime. The Afghan National Standards Authority (ANSA) is an independent agency under the Ministry of Commerce and was established in 2005. ANSA is responsible for the establishment, maintenance, dissemination and enforcement of national standards and technical regulations. ANSA plans to have standards regulations in place for select goods and products in 2007.

ANSA can be contacted at:

Telephone: +(93)(799)079-258  
Email: [ansaafg@gmail.com](mailto:ansaafg@gmail.com)

## Trade Agreements

[Return to top](#)

Afghanistan is a member of the Economic Cooperation Organization (ECO) and the Central Asia Regional Economic Cooperation (CAREC.) It became a full member of the South Asian Association for Regional Cooperation (SAARC) in the spring of 2007.

Afghanistan has signed bilateral Trade and Economic Cooperation Agreements with Russia and Turkey, a bilateral Reciprocal Promotion and Protection of Investments Agreement with Turkey, a bilateral Preferential Trade Agreement with India and a bilateral Investment Treaty with Germany. Afghanistan also has an Afghanistan Transit Trade Agreement (ATTA) agreement with Pakistan. This agreement, signed in 1965, is

supposed to govern the routes, transport modes and customs transit procedures for transit of goods to and from Afghanistan through Pakistan.

Afghan products enjoy duty free and quota free access under an LDC Market Access Initiative with Canada and a Generalized Preferences Treatment agreement with Japan. Afghan products also enjoy an “Everything But Arms” (EBA) agreement with the European Union.

As a least-developed country, Afghanistan is eligible for duty-free access to the U.S. market for approximately 5,700 products under the Generalized System of Preferences (GSP) program. Afghanistan has signed a bilateral Investment Incentive Agreement with the United States to encourage and protect investment activities in Afghanistan through the provision of insurance and investment guarantees under the OPIC program. In 2004, a Trade and Investment Framework Agreement (TIFA) was also signed with the United States.

Afghanistan became an observer to the World Trade Organization in December 2004 and has announced its intention to complete the WTO accession process within the next five years.

## **Web Resources**

[Return to top](#)

Department of Commerce’s Bureau of Industry and Security [www.bis.doc.gov](http://www.bis.doc.gov),  
<http://www.bis.doc.gov/policiesandregulations/RegionalConsiderations/Afghanistan.pdf>  
 (2.3MB PDF only) <http://www.bis.doc.gov/licensing/ExporterFAQ.html>

Export Administration Regulations [http://www.access.gpo.gov/bis/ear/ear\\_data.html](http://www.access.gpo.gov/bis/ear/ear_data.html)

Ministry of Finance <http://www.mof.gov.af>

South Asian Association for Regional Cooperation (SAARC) <http://www.saarc-sec.org>

Economic Cooperation Organization (ECO) <http://www.ecosecretariat.org>

Central Asia Regional Economic Cooperation (CAREC) <http://www.carec.kz>

U.S. Department of Commerce <http://www.doc.gov>

Office of the U.S. Trade Representative <http://www.ustr.gov>

Overseas Private Investment Corporation <http://www.opic.gov/>

Canadian Department of Foreign Affairs and International Trade  
<http://www.dfait-maeci.gc.ca>

United Nations Conference on Trade and Development (UNCTAD)  
<http://www.unctad.org/Templates/Page.asp?intltemID=2344&lang=1&print=1>

Turkish Ministry of Foreign of Affairs [http://www.mfa.gov.tr/MFA\\_tr](http://www.mfa.gov.tr/MFA_tr)



Japanese Ministry of Foreign Affairs <http://www.mofa.go.jp>

Gateway to the European Union <http://www.europa.eu.int>

Indian Ministry of Commerce <http://www.commerce.nic.in>

[Return to table of contents](#)

## Chapter 6: Investment Climate

- [Openness to Foreign Investment](#)
- [Conversion and Transfer Policies](#)
- [Expropriation and Compensation](#)
- [Dispute Settlement](#)
- [Performance Requirements and Incentives](#)
- [Right to Private Ownership and Establishment](#)
- [Protection of Property Rights](#)
- [Transparency of Regulatory System](#)
- [Efficient Capital Markets and Portfolio Investment](#)
- [Political Violence](#)
- [Corruption](#)
- [Bilateral Investment Agreements](#)
- [OPIC and Other Investment Insurance Programs](#)
- [Labor](#)
- [Foreign-Trade Zones/Free Ports](#)
- [Foreign Direct Investment Statistics](#)
- [Web Resources](#)

[Return to table of contents](#)

### Openness to Foreign Investment

[Return to top](#)

The Government of Afghanistan recognizes that the development of a vibrant private sector is crucial to the reconstruction of an economy ravaged by decades of conflict. As such, it has taken significant steps towards fostering a business-friendly environment for both foreign and domestic investment.

The Law on Private Investment of Afghanistan of 2005 specifically prohibits discrimination against foreign investors. Investment in certain sectors, such as infrastructure (defined to include power, water, sewage, waste-treatment, airports, telecommunications and health and education facilities) or natural resources, are subject to limitation and/or special terms. Foreign investment in these sectors, while not prohibited, is subject to special consideration by the High Commission on Investment, in consultation with relevant government Ministries. Investments can be 100% foreign owned; foreign investors are not required to secure an Afghan partner. Private investors have the right to transfer their capital and profits out of Afghanistan as well as debt service off-shore loans. Foreign and domestic investors enjoy equal treatment, including under ongoing privatization programs, except as noted in the sectors above. Foreigners may not own real estate; but they may lease it for periods up to fifty years. The Income Tax Law allows accelerated depreciation for capital assets and deduction of most business losses.

Four major commercial laws are currently in effect by Presidential decree, and will remain law if Parliament takes no action on them. The Parliamentary process could result in changes to the laws. The four commercial laws cover partnerships,

corporations, arbitration and mediation. Six additional laws on contracts, standards, copyrights, patents, trademarks and agencies are in the drafting process. The government intends to see them enacted into law by the end of calendar year 2007. In addition, the government hopes to enact financial laws on negotiable instruments, secured transactions, and mortgages by the end of 2007. The next step for the government will be the drafting of regulations and procedures to implement the laws.

The Government has adopted progressive policies to foster trade and investment, including currency reform, rationalized customs tariffs and a simplified tax code. It has also set up structures to help promote investment and investment-friendly policies. The High Commission on Investment, comprised of the Ministers of Commerce, Agriculture, Mines and Industries, Foreign Affairs, Finance, and Economy, and Da Afghanistan (Central) Bank, coordinates policymaking. The Afghan Investment Support Agency (AISA), a quasi government agency under the Ministry of Commerce, operates a streamlined business registration process and conducts a host of business and investment promotion and facilitation activities.

While private sector development and attracting foreign investment is an official priority, the government remains significantly involved in commercial activities. There are 64 state-owned enterprises (SOE). The government has committed to divest 56 SOEs by the end of 2009. In 2007, eleven SOEs are scheduled to be liquidated, and nine will be candidates for “corporatization” or possibly reorganization into Public Private Partnerships. Nearly half of these SOEs are in the transportation, mining, and industry sectors. SOEs own large amounts of land and property around the country, and delays in the rationalization and liquidation of some SOE holdings inhibit competition and investments in some sectors.

Two chambers of commerce operate in Afghanistan, the Afghanistan Chamber of Commerce and Industry, which was nationalized in 1973, but returned to private sector control in June 2007, and the Afghanistan International Chamber of Commerce, which was established in 2004 by a group of Afghan business associations. The Afghanistan International Chamber of Commerce engages actively in the process of establishing a legal framework for private business in Afghanistan, represents the business community to leading government officials, and provides services to members.

Although top officials embrace the market economy and foreign investment, many businesses maintain that this attitude has not trickled down to the staff level in some ministries. Some government officials, who reportedly demand bribes, levy unofficial taxes and inflict bureaucratic delays, appear not to be in step with official government policy.

## **Conversion and Transfer Policies**

[Return to top](#)

There are no restrictions on converting or transferring funds associated with investment into a freely usable currency and at a legal market clearing rate. The Private Investment Law states that an investor may freely transfer investment dividends or proceeds from a sale of an approved enterprise abroad. Furthermore, Afghanistan does not maintain a dual exchange rate regime, currency controls, capital controls, or any other restrictions on the free flow of funds abroad.

Access to foreign exchange for investment remittances is not restricted by any law or regulation. However, in practice, particularly in the provinces, many banks may not have the capacity to deal with foreign exchange. The previous large, informal foreign exchange markets in major cities and provinces such as Kabul, Mazar-e-Sharif, Jalalabad, Kandahar and Herat where U.S. Dollars, Sterling Pounds, and Euros are readily available are slowly starting to become formal markets. Da Afghanistan (Central) Bank has issued more than one hundred licenses (for foreign exchange only) to money exchangers in Kabul. While more licenses are expected to be issued in the near future, there are thousands unlicensed money changers that continue to practice their trade. Money service providers (i.e. hawaladars, many of whom also often perform currency exchange) continually cite the lack of enforcement in the currency exchange area and the resulting competitive disadvantage to licensed exchangers as a reason not to get money service provider licenses. U.S. investors that use hawaladar services should only use licensed money service providers.

There is no legally mandated delay period for remitting investment returns such as dividends, return of capital, interest and principal on private foreign debt, lease payments, royalties and management fees through normal, legal channels, as there are no restrictions on such remittances.

The government does not limit the inflow and outflow of funds for remittances of profits, debt service, capital, capital gains, returns on intellectual property or imported inputs, provided that applicable taxes have been paid. The only requirements placed on the outflow of funds are procedural, for the purposes of anti-money laundering. For example, any transfer abroad that equals or exceeds AFS one million (slightly over \$20,000) or equivalent must be carried out through a duly authorized or permitted banking organization or licensed money service provider. The transport of more than AFS one million or equivalent in cash across the border of Afghanistan into another country must be reported in advance to the Financial Intelligence Unit of the Da Afghanistan (Central) Bank.

## **Expropriation and Compensation**

[Return to top](#)

The Private Investment Law states, "The State can expropriate an investment or assets...only for the purposes of public interest and on a non-discriminatory basis." It further states that the "State shall provide prompt, adequate and effective compensation in conformity with the principles of international law, equivalent to the fair market value." The State may confiscate private property in order to settle bad commercial debts. However, the law allows an investor to challenge the expropriation but this right does not accrue to "minority shareholders". Both the Afghan Constitution and the Private Investment Law prohibit foreigners from owning real estate. There have been no reports of State expropriation of foreign assets, "creeping," or otherwise.

## **Dispute Settlement**

[Return to top](#)

Afghanistan's legal system is only just beginning to rebuild. Much of the framework necessary for encouraging and protecting private investment is not yet in place, and the existence of three overlapping systems (the Sharia, the Shura and the formal legal system instituted under the 2004 Constitution) can be confusing to both investors and legal professionals. While a commercial court system exists, the lack of a contracts law

and a commercial code, drafts of which are still under consideration, is a significant impediment to the arbitration of commercial matters. In addition, there is a shortage of qualified legal practitioners, and corruption in the judicial system is endemic.

The enactment in January 2007 of arbitration and mediation laws established the foundation for a viable alternative dispute settlement system. Afghanistan is a party to the Convention on the Settlement of Investment Disputes Between States and Nationals of Other States and the New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitral Awards. The Private Investment Law provides for dispute resolution under these mechanisms, under United Nations Commission on International Trade Law (UNCITRAL) rules, or under any mechanism that the investor has specified in a contract with another investor.

Under these conditions, the legal system plays a limited role in adjudicating commercial disputes and most businesses use informal mechanisms to resolve disputes and enforce property rights. The Afghan Investment Support Agency, for example, has a limited capability to assist investors in the mediation of some disputes.

Investment disputes are common in the areas of land titling and contracts. The lack of a comprehensive titling database means that several individuals may hold deeds to the same property. Real estate agents are not reliable. Those investors seeking to purchase property are advised to conduct painstaking due diligence. The Embassy maintains a list of legal advisors that businesses may consult.

## **Performance Requirements and Incentives**

[Return to top](#)

Afghanistan has no formal regulations or laws governing performance requirements.

The private investment law prohibits discrimination against foreign investors, except in certain sectors, as noted above. Afghanistan's constitution restricts foreigners from owning real estate. There are no separate investment incentives or special treatment accorded to foreign investors. There are no government-imposed conditions on permission to invest, beyond the procedures described for acquiring a business license in Chapter 3.

The government does not impose offset requirements on its procurements, and foreign firms are accorded equal treatment with national firms.

The government does not apply discriminatory or excessively onerous visa, residence or work permit requirements for foreigners. There are no discriminatory or preferential export and import policies affecting foreign investors. The Investment Commission under the private investment law may choose to review and apply terms that are different from those generally applied to investments pursuant to this law for certain restricted sectors such as:

- non-banking finance activities;
- insurance activities; and
- investments in natural resources and infrastructure (energy related, airports etc.)

## Right to Private Ownership and Establishment

[Return to top](#)

Under the private investment law, foreign and domestic private entities have equal standing and may establish and own business enterprises, engage in all forms of remunerative activity and freely acquire and dispose of interests in business enterprises. The only exception is in real estate; foreigners may not own land but they may lease it for periods of up to fifty years. Some leases have been negotiated for terms of up to 99 years.

In principal, government policies and regulations apply the standard of competitive equality to private enterprises in competition with public enterprises with respect to access to markets, credit and other business operations. However, the government has in some instances exhibited anti-competitive and protectionist bias in some sectors in which SOEs are active.

While not sanctioned by law or official policy, small groups of businessmen, many of whom are alleged to have connections with former warlords and militias, dominate the trading market in many areas. These individuals, because of their wealth and insider access to land, credit and contacts and ability to manipulate prices, wield an excessive advantage that results in a non-competitive environment in some fields, notably fuel and construction. In addition, some industries, including money changing and carpet production, have well-organized guilds which protect existing firms and act to prevent newcomers from establishing themselves.

## Protection of Property Rights

[Return to top](#)

Property right protection is weak due to a lack of property registries or a land titling database, disputed land titles, incapacity of commercial courts, and widespread corruption.

The acquisition of a clear land title to purchase real estate or a registered leasehold interest is complicated and cumbersome. It takes an average of six months and entails legal fees of almost 10% of the value to register property. Many businesses cite access to land as one of the biggest impediments to investment in Afghanistan.

The Da Afghanistan (Central) Bank has prepared a draft mortgage law that is now under review.

The country's bankruptcy law dates to the 1960s and is not effective. A new bankruptcy law is currently in draft form and under consideration.

Afghanistan currently has no legislation that addresses intellectual property rights. It is not a member of the WTO Trade Related Intellectual Property Rights Agreement or the World Intellectual Property Organization Internet Treaties. Pirated DVDs and software are sold throughout the country. Counterfeit pharmaceuticals and building materials are common.

## Transparency of Regulatory System

[Return to top](#)

In general, the Government of Afghanistan promotes transparent policies and effective laws to foster competition, establish “clear rules of the game” and promote, rather than hinder, foreign investment. The inadequacy of the regulatory system, and corruption among those who administer it, is more of an obstacle to investors than the transparency of the regulations.

Procedures for obtaining a business license were streamlined in 2003 with the establishment of the Afghanistan Investment Support Agency (AISA) which serves as a one-stop shop for investors, and which has greatly facilitated the process of establishing a business in country (see Chapter 3 for further details.) Afghanistan now ranks an impressive 17 out of 175 countries in ease of registering a business, according to the World Bank’s 2007 “Doing Business Report.” While registering a business is a relatively quick process -- eight days and three procedures -- the same report ranks the ease of doing business as 162 out of 175. The October 2006 Adam Smith International “Initiative for Regulatory Reform to Enhance Private Sector Development in Afghanistan: An Investor Roadmap” details the cumbersome process of actually starting a business after the initial license is received. There are numerous steps, most of which are not publicly available. Due to existing information gaps, many investors utilize the services of expeditors to facilitate the processing of the necessary documents.

There are no informal regulatory processes managed by nongovernmental organizations or private sector associations.

Prior to December 2005, proposed laws and regulations were passed by presidential decree. Drafts were not published for public comment; however, relevant ministries occasionally forwarded draft legislation to interested bodies for informal comment. This process was criticized by the private sector as insufficient. A new parliament, which convened on December 19, 2005, now must approve all legislation.

Legal, regulatory and accounting systems are inconsistent with international norms. The legal framework for investment is inadequate, accounting and standards regimes have yet to be set up, and regulatory bodies are often understaffed, weak and corrupt. Reform programs, however, are in progress and rely heavily on foreign experts who base their initiatives on international best practices.

## **Efficient Capital Markets and Portfolio Investment**

[Return to top](#)

Credit markets are fragmented and under-developed in Afghanistan. Bank credit is available, on limited “market” terms, to domestic and foreign investors in major urban centers. The variety of credit facilities and instruments is limited. Most bank credit is short-term (i.e., less than one year) and unsecured. Lending is underdeveloped because of a lack of adequate legislation and regulatory infrastructure to allow lending institutions to perfect security interests in pledged collateral. Public debt (and equity) markets are not available in Afghanistan. Most local firms rely on family and friends and the informal *hawala* system to obtain necessary funds (see Chapter 7 of this report for more information).

Access to credit has been identified as one of the largest obstacles to investment in Afghanistan. In the World Bank’s 2007 “Doing Business Report,” Afghanistan ranks 174 out of 175 countries for getting credit, a measure of credit information sharing and legal

rights of borrowers and lenders. In response to this situation, investment funds, leasing, and micro-financing, and SME-financing companies have begun to enter the market.

As of November 30, 2006, the total assets of the banking system of Afghanistan (14 duly-licensed banking organizations) were AFS 42.5 billion or about USD 850 million.

The banking system can be described as sound, with no bank exhibiting deficiencies in either capital or liquidity. Deposits and loans are growing rapidly, and the Central Bank is exercising close supervision of all 14 organizations from both an on-site and off-site perspective. Non-performing loans are about 3.5% of the total loan portfolio of AFS 17.7 billion, which is considered healthy.

## Political Violence

[Return to top](#)

Afghanistan is making strides towards political stability. Peaceful, transparent presidential elections in October 2004 and parliamentary elections in 2005 were notable achievements. The government is taking steps to extend its reach into the provinces and to date more than 31,000 members of the Afghan National Army and nearly 61,000 Afghan National Police officers have been trained and equipped. However, risk of violence is high, and security remains a primary concern and an obstacle to foreign investment. Foreign firms operating in country report spending a significant percentage of their revenues on security infrastructure and operating expenses.

The U.S. State Department continues to warn Americans against travel to Afghanistan. U.S. citizens should review the Consular Information Sheet and Travel Warning for Afghanistan for the most up-to-date information on the security situation and possible threats. These documents can be found at:  
[http://travel.state.gov/travel/cis\\_pa\\_tw/cis/cis\\_1765.html](http://travel.state.gov/travel/cis_pa_tw/cis/cis_1765.html).

## Corruption

[Return to top](#)

Corruption is rife at all levels of the system in Afghanistan. In 2005 the country ranked 117 out of 159 in Transparency International's Corruption Perception Index, among the highest in the world. (Afghanistan was not included in the 2006 index.) While anti-corruption laws exist, and the practice of giving or taking a bribe is illegal, there is limited enforcement. President Hamid Karzai has created an Anti-Corruption Commission to investigate corruption cases and refer suspects to the appropriate authorities; however, the Commission has not forwarded any significant cases against public officials or private individuals. Afghanistan is not a party to the OECD Convention on Combating Bribery of Foreign Public Officials. It has signed, but has not ratified, the United Nations Convention against Corruption.

U.S. firms identify corruption as one of the biggest obstacles to foreign direct investment and routinely report being asked for a bribe, called *sherini* or *bakshesh*. With government salaries ranging from \$80-\$300 per month, many officials see small bribes for government services as a necessary means of survival. U.S. companies are expected to comply with the Foreign Corrupt Practices Act, which prohibits the bribery of foreign officials.



## **Bilateral Investment Agreements**

[Return to top](#)

Afghanistan has Bilateral Investment Treaties (BITs) with Turkey and Germany and currently is negotiating such an agreement with Pakistan. It has no Free Trade Agreements with any country, although most products originating in Afghanistan can be imported into the U.S. and the E.U. duty free.

Afghanistan signed a Trade and Investment Framework Agreement with the United States in 2004, but a BIT has not been negotiated. There is no Bilateral Taxation Treaty with the United States.

## **OPIC and Other Investment Insurance Programs**

[Return to top](#)

OPIC has an active and expanding portfolio of political risk insurance, loans and equity investment in country. For the purposes of inconvertibility claims, the estimated U.S. annual dollar value of the local currency likely to be used by the U.S. Embassy in the host country economy is AFS 50 to USD 1, the rate at which it purchases local currency. Nominal currency values are anticipated to remain stable in this range for the near future.

Afghanistan is a member of the Multilateral Investment Guarantee Agency.

## **Labor**

[Return to top](#)

There is a critical shortage of skilled labor in Afghanistan. Decades of war, a low level of education and lack of training facilities has resulted in a scarcity of skilled technicians, qualified managers and educated professionals.

U.S. companies who establish training programs for their employees should expect significant returns in enhanced productivity, but there is a risk of high turnover as skilled employees chase higher paying opportunities.

Labor management relations are undeveloped. While there are eight major trade union organizations in the country, there is no knowledge or practice of collective bargaining. Existing employee's associations function as commercial and trading organizations.

The current Labor Code dates to 1987. A new code, which purports to be in accordance with ILO standards, has been enacted by presidential decree, but it has not been reviewed by parliament. According to the ILO, the new law incorporated all ILO Conventions to which Afghanistan has acceded.

A recently passed Law on Foreign Workers prohibits employers from hiring foreign workers for a job for which an equivalently qualified Afghan is available.

At present, the Government has little to no capacity to enforce labor requirements.

## **Foreign-Trade Zones/Free Ports**

[Return to top](#)

Afghanistan has no duty-free import zones or ports. Under Afghan law, foreign-owned firms have the same investment opportunities as host country entities.

## Foreign Direct Investment Statistics

[Return to top](#)

Comprehensive Foreign Direct Investment Statistics for Afghanistan are unavailable. Available figures are somewhat unreliable due to inconsistencies in data collection. The Afghan Investment Support Agency estimates new FDI in Afghanistan for 2006 at \$220 million. Of that figure, \$49 million was in the construction sector, \$150 million in services, \$20 million in industry, and \$1 million in the agriculture sector. The largest investor in 2006 was the United States (\$25 million) followed by Iran, Turkey, Pakistan, China, and Russia. It is important to note that AISA's data tracks approved, rather than actual, investment.

The IMF estimates that FDI in Afghanistan represents 38% of GDP.

## Web Resources

[Return to top](#)

Afghan Investment Support Agency <http://www.aisa.org.af>

Afghan Ministry of Commerce <http://www.commerce.gov.af>

Afghan Ministry of Finance <http://www.mof.gov.af>

World Bank 2007 Doing Business Report <http://www.doingbusiness.org>

United Nations Commission on International Trade Law <http://www.uncitral.org>

U.S. Department of State Travel Website  
[http://travel.state.gov/travel/cis\\_pa\\_tw/cis/cis\\_1765.html](http://travel.state.gov/travel/cis_pa_tw/cis/cis_1765.html)

Transparency International <http://www.transparency.org>

U.S. Department of Justice, Foreign Corrupt Practices Act  
<http://www.usdoj.gov/criminal/fraud/fcpa.html>

Overseas Private Investment Corporation <http://www.opic.gov>

Multilateral Investment Guarantee Agency <http://www.miga.org>

International Monetary Fund <http://www.imf.org>

[Return to table of contents](#)

## Chapter 7: Trade and Project Financing

- [How Do I Get Paid \(Methods of Payment\)](#)
- [How Does the Banking System Operate](#)
- [Foreign-Exchange Controls](#)
- [U.S. Banks and Local Correspondent Banks](#)
- [Project Financing](#)
- [Web Resources](#)

[Return to table of contents](#)

### How Do I Get Paid (Methods of Payment)

[Return to top](#)

Most local businesses operate on a cash basis. Import and export letters of credit are available at several banks as well as electronic funds transfer. Due to wide mistrust and general underdevelopment of the banking system, many local businesses depend on the informal *hawala* system to make payments and transfer funds. The *hawala* system is an informal value transfer system whereby money is transferred through a network of brokers, or *hawaladars*. Promissory instruments are not exchanged; the transaction is based on the honor system.

### How Does the Banking System Operate

[Return to top](#)

The Da Afghanistan (Central) Bank has licensed 14 commercial banks. Out of 14, 11 banks are full-fledged commercial banks:

1. Bank Millie Afghan or National Bank (parastatal bank)
2. Pashtany Tejarati Bank (parastatal bank)
3. Export Promotion Bank (parastatal bank)
4. First Microfinance Bank (an Aga Khan/IFC joint venture)
5. Kabul Bank (a solely Afghan-owned bank)
6. Afghanistan International Bank
7. Arian Bank (joint venture of *Bank-e-Mille* “National Bank” of Iran and *Bank-e-Saderat* “Export Bank” of Iran)
8. Azizi Bank
9. BRAC Afghanistan Bank

#### Five Branches of Foreign Banks:

1. Standard Chartered Bank (UK)
2. National Bank of Pakistan (Pakistan)
3. Habib Bank Limited (Pakistan)
4. Punjab National Bank of India (India)
5. Bank Alfalah Limited (Pakistan)

Most of the 14 commercial banks licensed to operate in Afghanistan are concentrated in Kabul and provide services primarily to international donors and businesses, foreign NGOs and foreign government agencies. As of January 31, 2005, the Da Afghanistan

(Central) Bank's main office in Kabul is no longer involved in commercial activities. However, in provinces with limited or no commercial banking services, the Central Bank continues to offer some commercial services.

The banking system has limited capacity to provide credit and non-credit services. There is no long term financing available from commercial banks in Afghanistan; most offer terms of a year or less, with a maximum tenure of three years. There is a small number of non-bank financial institutions (11 micro-finance institutions, one credit union and one leasing company), but these institutions meet only a small fraction of credit needs. There are no credit bureaus or credit rating agencies.

Because of widespread distrust of the banking system, many local businesses use the hawala system for short-term loans to finance working capital needs or rely on family and friends. Hawaladars are now required to be licensed by the Central Bank.

The legal and regulatory framework of the financial sector is still under development.

### **Foreign-Exchange Controls**

[Return to top](#)

Exchange rate policy is determined by the Central Bank, and is implemented through a weekly foreign exchange (USD) auction. No foreign exchange restrictions or multiple currency practices are currently in place.

### **U.S. Banks and Local Correspondent Banks**

[Return to top](#)

There are currently no U.S. banks operating in Afghanistan. However, Afghanistan International Bank is an ING-affiliated enterprise with American equity.

### **Project Financing**

[Return to top](#)

Project financing is available from the following organizations:

**The Overseas Private Investment Corporation (OPIC)** is an independent agency of the U.S. government that offers specialty insurance (stand alone terror/sabotage and political risk coverage), loans and guarantees to help U.S. businesses of all sizes invest and compete in more than 140 emerging markets and developing nations worldwide. A \$100 million line of credit is available for projects that demonstrate substantial U.S. participation, promise significant benefits to the economic and social development of Afghanistan, and foster private sector competition in Afghanistan. OPIC gives preferential consideration to projects that significantly involve U.S. small businesses. OPIC is active in Afghanistan. Some examples include up to \$60 million in financing and political risk insurance for construction of a five-star international hotel in Kabul, managed by Marriott, and a direct loan of approximately \$3 million to support construction of 1,200 homes near Kandahar by a small American company.

**The International Finance Corporation (IFC)** promotes sustainable private sector investment in developing countries and is the largest multilateral source of loan and equity financing for private sector projects in the developing world. IFC provides loans, equity finance and quasi-equity. It also offers financial risk management products and intermediary finance.

**The U.S. Trade and Development Agency (USTDA)** advances economic development and U.S. commercial interests in developing and middle-income countries. The agency funds various forms of technical assistance, feasibility studies, training, orientation visits and business workshops that support the development of a modern infrastructure and a fair and open trading environment. USTDA moved quickly to establish its program and has provided more than \$9 million in funds for projects benefiting Afghanistan since 2002. USTDA has financed projects in telecommunications, civil aviation, oil and gas, higher education, private sector development, and power.

**The Export-Import Bank of the United States** provides financing for the sale of U.S. products overseas. Although Ex-Im is currently not open for business in Afghanistan, it will continue to survey future opportunities.

**Many business opportunities are connected to the reconstruction effort. The following agencies have large programs through which opportunities for interested businesses are available.**

#### **U.S. Agency for International Development (USAID)**

USAID has taken a leading role in Afghanistan's reconstruction effort, focusing on health clinics and basic health services, school construction and education programs, revitalizing agriculture through irrigation systems, farm-to-market roads, market centers, and infrastructure, including the Kabul-Kandahar-Herat highway. USAID is also funding programs that enhance the central government's capacity and provide it with the tools and technical assistance to govern effectively. Funding in 2006 exceed \$1 billion. The USAID Web site, <http://www.usaid.gov>, has a business and procurement link that lists upcoming procurements including solicitation documents, announcements, and other resources. This site is updated daily and offers e-mail notification when a new solicitation has been uploaded to the site. U.S. firms interested in bidding on USAID projects in Afghanistan can review requests for applications, proposals, quotations and invitation for bids on this web site. U.S. firms should also review the main portal for U.S. government procurements at <http://www.fedbizopps.gov>.

#### **World Bank**

Since resumption of operations in April 2002, the World Bank has financed 22 projects in Afghanistan, committing around \$1.3 billion in grants and interest-free loans. World Bank projects primarily focus on improving rural livelihoods by rebuilding infrastructure and providing employment opportunities, education and basic health services. It is the largest international donor to the Government's flagship National Solidarity and National Emergency Employment Programs, which, respectively, channel block grants through elected community councils to around 17,000 villages and offer cash-for-work on infrastructure projects. In addition, the World Bank administers the multi-donor Afghanistan Reconstruction Trust Fund, which provides coordinated financing of unfunded priority expenditures in Afghanistan's reconstruction program as well as supporting the recurrent costs of government. The World Bank's website includes an information portal for the business community seeking to participate in opportunities that are generated from World Bank-financed projects at <http://www.worldbank.org>. Projects can also be tracked at <http://www.dgmarket.com/>

#### **Asian Development Bank (ADB)**

ADB's latest Country Strategy and Program update for Afghanistan was released in August 2005, covering the period 2006-2008. Since resuming operations in Afghanistan

in 2002, ADB has approved 10 public sector loans totaling \$689.7 million to the end of December 2006, \$200 million in ADF grants (for four loan and grant combined and one fully grant financed project), and 42 technical assistance projects (both project preparatory and advisory or capacity development) totaling some \$55.6 million (including \$6.5 million in donor co-financing). In addition, ADB has approved \$53.1 million in private sector loans, equity investments, and political risk guarantees. Contract awards in 2006 totaled \$44.3 million, bringing the cumulative figure for 2002–2006 to \$367.8 million. Public sector disbursements in 2006 totaled \$67.2 million, with cumulative public sector disbursements totaling \$290.9 million.

ADB projects focus in the areas of agriculture and natural resources, energy, gender, governance, financial and private sector development, transport and communications. A detailed description of its programs can be found at <http://www.adb.org/Documents/CSPs/AFG/2005/default.asp>. The ADB website, <http://www.adb.org>, offers detailed information for companies interested in participating in upcoming procurements. Projects can be also be tracked at <http://www.dgmarket.com/>

In addition, there are also opportunities to bid on donor-funded projects administered by the Government of Afghanistan. **The Afghanistan Reconstruction and Development Service (ARDS)** manages the purchase of goods and services on behalf of the Afghan Government. Companies that wish to receive procurement notices can do so by registering through email. ARDS can be contacted at <http://www.eafghanistan.gov.af/procurement> or [procurement@afghanistangov.org](mailto:procurement@afghanistangov.org).

Political risk insurance is available both through OPIC and the Afghanistan Investment Guarantee Facility, a program of the World Bank's Multilateral Investment Guarantee Agency.

## Web Resources

[Return to top](#)

OPIC <http://www.opic.gov>

International Finance Corporation <http://www.ifc.org>

U.S. Trade and Development Agency <http://www.tda.gov>

U.S. Agency for International Development: <http://www.usaid.gov>

Federal Business Opportunities <http://www.fedbizopps.gov>

World Bank: <http://www.worldbank.org>

Asian Development Bank: <http://www.adb.org>

Development Gateway Market Portal: <http://www.dgmarket.com>

The Afghanistan Reconstruction and Development Service:  
<http://www.eafghanistan.gov.af/procurement>

Multilateral Investment Guarantee Agency: <http://www.miga.org>

Export-Import Bank of the United States: <http://www.exim.gov>

Country Limitation Schedule: [http://www.exim.gov/tools/country/country\\_limits.html](http://www.exim.gov/tools/country/country_limits.html)

SBA's Office of International Trade: <http://www.sba.gov/oit>

USDA Commodity Credit Corporation: <http://www.fsa.usda.gov/cc/default.htm>

[Return to table of contents](#)

## Chapter 8: Business Travel

- [Business Customs](#)
- [Travel Advisory](#)
- [Visa Requirements](#)
- [Telecommunications](#)
- [Transportation](#)
- [Language](#)
- [Health](#)
- [Local Time, Business Hours and Holidays](#)
- [Temporary Entry of Materials and Personal Belongings](#)
- [Web Resources](#)

[Return to table of contents](#)

### Business Customs

[Return to top](#)

Business meetings are usually conducted in Dari, Pashto or English. Green or black tea, nuts and raisins are typically served. The form of greeting is "Asalam Aleikum" (Peace be with you), followed by a firm handshake and then, for courtesy and to pay homage to the host (you don't necessarily have to), briefly place your right hand over your heart. It is best to take a few minutes initially to engage in pleasantries about each other's country, rather than going straight to business. Afghan interlocutors may appear vague and non-committal during meetings. In order to build trust and "get to yes," be patient, share meals and other social events and discuss matters other than business. Capture the essence of your business meetings and agreements in a follow up letter to your Afghan interlocutor. Be clear about what you have committed yourself or your U.S. firm to do, or in many cases, have not committed to do. A promise to "look into" or "research" an issue, quote, or pricing policy may be interpreted as a firm commitment.

### DOs and DON'Ts in Afghan Culture

Do greet everyone when entering a room. Shake hands with the men, but not with a woman unless she extends her hand first.

Do eat with your right hand as much as possible.

Do dress modestly.

Do accept a chair if someone brings you one to sit on, even if you would rather stand. This is a sign of respect.

Do read about the country's history, culture, and people before you come, as this will be treated as a sign of respect for Afghanistan.

Don't show impatience if your interlocutor isn't giving you direct answers. Afghans like to elaborate and want to be clear in communicating.



Don't panic. Afghanistan's government can be bureaucratic. It may take you several days to get a simple authorization signed. Keep in mind that Afghanistan's government is undergoing a reform process.

Don't call an Afghan "Afghani." Afghani is the currency; Afghans are the people of Afghanistan.

Don't drink alcohol in front of an Afghan.

## **Travel Advisory**

[Return to top](#)

While the U.S. Embassy in Kabul encourages U.S. companies to review business opportunities in Afghanistan, it is important to keep in mind the volatile security situation in the country. Travelers should consult the State Department Travel web site <http://travel.state.gov> prior to any travel and review both the Consular Information Sheet and Travel Warning for Afghanistan. These documents can be found at [http://travel.state.gov/travel/cis\\_pa\\_tw/cis/cis\\_1765.html](http://travel.state.gov/travel/cis_pa_tw/cis/cis_1765.html).

## **Visa Requirements**

[Return to top](#)

A passport and valid visa are required to enter and exit Afghanistan. Afghan entry visas are not available at Kabul International Airport. American citizens who arrive without a visa are subject to confiscation of their passport and face heavy fines and difficulties in retrieving their passport and obtaining a visa, as well as possible deportation from the country. Americans arriving in the country via military air usually have considerable difficulties departing Afghanistan on commercial air because their passports will not have been stamped to show they entered the country legally. Those coming on military air should move quickly after arrival to legalize their status if there is any chance they will end up departing on anything other than military air.

For the most updated requirements to obtain an Afghan visa, please contact the Embassy of Afghanistan located at 2341 Wyoming Ave., NW, Washington, D.C. 20008, phone 202-483-6410, fax 202-483-6488, <http://www.embassyofafghanistan.org>.

U.S. companies that require travel of foreign businesspersons to the United States should know that it can take more than 60 days for an Afghan citizen to receive a visa to visit the United States. The U.S. Embassy in Afghanistan currently does not process visas for Afghan citizens. Please see the U.S. Embassy website for information on how Afghan citizens may apply in Islamabad, Pakistan.

State Department Visa Website: <http://travel.state.gov/visa/index.html>

United States Visas.gov: <http://www.unitedstatesvisas.gov>

U.S. Embassy in Afghanistan: <http://kabul.usembassy.gov>

## **Telecommunications**

[Return to top](#)

Local fixed-line telephone networks, operated by state-owned Afghan Telecom (AfTel), generally do not work reliably. AfTel has a subscriber base of roughly 250,000, including

160,000 wireless local loop lines installed in 2006. Cellular phone service is available in Kabul with coverage extending to 33 of Afghanistan's 34 provinces. Teledensity is approximately 9 percent of the population. There are currently three wireless service providers: (i) Telephone Development Company Afghanistan (TDCA) (48% market share), operating under the brand name Roshan. TDCA is an international consortium led by the Aga Khan Fund for Economic Development. (ii) Afghan Wireless Communications Company (AWCC) (35% market share), a joint venture between U.S.-based Telephone Systems International and the Afghan Ministry of Communications. (iii) Areeba (17% market share), a subsidiary of South Africa-based MTN Group, opened its network in 2006. A fourth wireless operator, a subsidiary of UAE-based Etisalat, began building a network in 2006 and is expected to offer service by mid-2007. The country has multiple internet service providers.

## Transportation

[Return to top](#)

Several commercial airlines serve Afghanistan at Kabul International Airport. Pakistan International Airlines has three weekly flights to and from Islamabad. Azerbaijan Airways has twice weekly flights to and from Baku. Indian Airlines flies four times a week to and from Delhi. Kam Air has flights six times a week to Dubai. The U.S. Embassy does not recommend use of Ariana Afghan Airlines to any destination or Kam Air flights to and from destinations other than Dubai because existing civil aviation regulations in Afghanistan do not meet international aviation standards. Please see the State Department's Consular Information Sheet at [http://travel.state.gov/travel/cis\\_pa\\_tw/cis/cis\\_1056.html](http://travel.state.gov/travel/cis_pa_tw/cis/cis_1056.html) for more information.

Taxis around Kabul should range between Afs 50 to 100 (\$1 or \$2, depending on where you are going) per trip, but a dedicated car and driver are recommended. For travel within Kabul, a car and driver (no English) will run up to US\$15 to \$50 per day, depending on the model of car. Public buses are not recommended.

## Language

[Return to top](#)

Dari and Pashto are the official languages of the country. Few native Afghans speak English, but many returning expatriate Afghans speak English or German. Rates vary widely; a reliable interpreter fluent in English, Dari and Pashto may earn anything between \$150 - \$2000 per month.

## Health

[Return to top](#)

The climate in Afghanistan is dry. Summer temperatures reach into the 100s F and winter lows dip into the 20s F, sometimes with snow. Kabul is very dusty, and shoes and clothes are difficult to keep clean.

Well-equipped medical facilities are few and far between throughout Afghanistan. European and American medicines are available in limited quantities and may be expensive or difficult to locate. There is a shortage of standard medical supplies. Basic medicines manufactured in Iran, Pakistan, and India are available, but their quality can be questionable. Travelers should bring all necessary medications, both prescription and over-the-counter. A couple of western-style private clinics have opened in Kabul recently: the DK-German Medical Diagnostic Center (<http://www.medical-kabul.com>)

and CURE International Hospital (ph. 0799-883-830) offer a variety of care; Americans seeking treatment should request American or Western health practitioners. American travelers may seek emergency medical services at the International Security Assistance Forces (ISAF) medical facilities in the Kabul area, but routine care is not available. The ISAF Hospital, which is under the command of different countries over time, is located about 10 kilometers from Kabul on Jalalabad Road, and the combined forces ISAF clinic, adjacent to Kabul International Airport, may provide medical care to American citizens who can show appropriate ID and who request emergency care. Shino Zada Private Hospital located in Microrayon 4, opposite the central heating center, provides general surgery, maternity care, ambulance and pharmacy facilities 24 hours a day. Imran Clinic, across from the Ministry of Interior, has limited laboratory and x-ray facilities.

Afghan public hospitals should be avoided. Individuals without government licenses or even medical degrees often operate private clinics; there is no public agency that monitors their operations. Travelers will not be able to find Western-trained medical personnel in most parts of the country outside of Kabul, although there are some international aid groups temporarily providing basic medical assistance in various cities and villages. For any medical treatment, payment is required in advance. Commercial medical evacuation capability from Afghanistan is limited.

Information on vaccinations and other health precautions, such as safe food and water precautions and insect bite protection, may be obtained from the Centers for Disease Control and Prevention's hotline for international travelers at 1-877-FYI-TRIP (1-877-394-8747) or via the CDC's Internet site at <http://www.cdc.gov/travel>. For information on outbreaks of infectious diseases abroad consult the World Health Organization's website at <http://www.who.int/en>. Further health information for travelers is available at <http://www.who.int/ith>.

### **Local Time, Business Hours, and Holidays**

[Return to top](#)

Local time is GMT +4.5 hours.

Afghanistan government officials observe a five and a half day workweek; Thursday afternoon and Friday are off. Business hours are typically 8 AM to 4 PM. Commercial shops keep longer but varying hours, usually from 7am to 11pm.

Holidays vary year to year and are determined by the Islamic Calendar and the visibility of the lunar crescent. Holidays include three days for Eid-ul-Qurban in January, three days for Eid-Al-Fitr in December, one day for the Prophet's Birthday in May, February 9 (10<sup>th</sup> of Maharam), March 21 (Nawrooz) and August 18 (Independence Day.)

### **Temporary Entry of Materials and Personal Belongings**

[Return to top](#)

Afghan customs authorities may enforce strict regulations concerning temporary importation into or export from Afghanistan of items such as firearms, alcoholic beverages, religious materials, antiquities, medications, and printed materials. American travelers have faced fines and/or confiscation of items considered antiquities upon exiting Afghanistan. It is advisable to contact the Embassy of Afghanistan in Washington for specific information regarding customs requirements.

U.S. Department of State Travel Website <http://travel.state.gov>

U.S. Department of State Consular Information Sheets and Travel Warnings  
[http://travel.state.gov/travel/cis\\_pa\\_tw/cis/cis\\_1765.html](http://travel.state.gov/travel/cis_pa_tw/cis/cis_1765.html)

U.S. Department of State Visa Website <http://travel.state.gov/visa/index.html>

United States Visas <http://www.unitedstatesvisas.gov>

U.S. Embassy in Afghanistan <http://kabul.usembassy.gov>

Embassy of Afghanistan in the U.S. <http://www.embassyofafghanistan.org>

Center for Disease Control <http://www.cdc.gov/travel>

World Health Organization <http://www.who.int/en> and <http://www.who.int/ith>

[Return to table of contents](#)

## Chapter 9: Contacts, Market Research, and Trade Events

- [Contacts](#)
- [Market Research](#)
- [Trade Events](#)

[Return to table of contents](#)

### Contacts

[Return to top](#)

#### U.S. Government Contacts:

##### U.S. Department of Commerce

Diana Fonovich  
Afghanistan Investment and Reconstruction Task Force  
Washington, D.C. 20230  
Tel: (202) 482-1812  
Fax: (202) 482-0980  
Email: [afghaninfo@ita.doc.gov](mailto:afghaninfo@ita.doc.gov)  
<http://www.export.gov/afghanistan>

##### U.S. Embassy Kabul

Great Masood Road  
Tel: +93 (20) 230-0436, +93 (0) 70-108-001, +93 (0) 70-108-002  
<http://kabul.usembassy.gov>

William Wood, Ambassador  
Christopher Dell, Deputy Chief of Mission  
Frederic Maerkle, Economic Counselor  
David Birdsey, Commercial Officer, [KabulEcon@state.gov](mailto:KabulEcon@state.gov), Ext. 8367  
Economic/Commercial Assistant, [bahramimm@state.gov](mailto:bahramimm@state.gov), Ext. 8181

##### U.S. Agency for International Development

Great Masood Road  
Tel: +93 (0) 70-234-236  
Robin Phillips, Mission Director  
Grace Agana, Assistant to the Director, [gagana@usaid.gov](mailto:gagana@usaid.gov), Ext. 4445  
[http://www.usaid.gov/locations/asia\\_near\\_east/countries/afghanistan/](http://www.usaid.gov/locations/asia_near_east/countries/afghanistan/)

##### USAID Washington Office

1300 Pennsylvania Avenue, NW  
Ronald Reagan Building  
Washington, D.C. 20523-1000  
Sepideh Keyvanshad, Afghanistan Desk Officer  
Tel: (202) 712-0324  
Email: [skeyvanshad@usaid.gov](mailto:skeyvanshad@usaid.gov)

**U.S. Embassy Islamabad**

Consular Section

Ramna 5, Diplomatic Enclave

Islamabad, Pakistan

Tel: +92 (51) 208-02700

Fax: +92 (51) 282-2632

<http://usembassy.state.gov/pakistan/consular.html>

**U.S. Trade & Development Agency (USTDA)**

Dan Stein

Regional Director for Europe and Eurasia

Suite 1600

1000 Wilson Boulevard

Arlington, VA 22209

Tel: (703) 875-4357

Fax: (703) 875-4009

Email: [dstein@ustda.gov](mailto:dstein@ustda.gov)

<http://www.ustda.gov>

**Overseas Private Investment Corporation (OPIC)**

John Aldonas

1100 New York Avenue NW

Washington, D.C. 20527

Tel: (202) 336-8400

Fax: (202) 408-9859

Email: [jaldo@opic.gov](mailto:jaldo@opic.gov)

<http://www.opic.gov>

**Export-Import Bank (ExIm)**

811 Vermont Avenue, N.W.

Washington, D.C. 20571

Tel: (202) 565-3946 (EXIM) or (800) 565-3946 (EXIM)

Grayson Wolfe

Tel: (202) 565-3450

Email: [grayson.wolfe@exim.gov](mailto:grayson.wolfe@exim.gov)

<http://www.exim.gov>

**International Financial Institutions****World Bank**

Alastair J. McKechnie, Country Director for Afghanistan

House 19, Street 15, Wazir Akbar Khan

Kabul, Afghanistan

Contact: Abdul Raouf Zia

Tel: +93 (0) 70280800

Email: [azia@worldbank.org](mailto:azia@worldbank.org)

Mr. William Center, Senior Commercial Officer

U.S. Commercial Liaison to the World Bank in Washington

Tel: (202) 458-0120

Fax: (202) 477-2967

Email: [WCenter@worldbank.org](mailto:WCenter@worldbank.org)  
<http://www.worldbank.org/af>

**Asian Development Bank**

Afghanistan Resident Mission  
Bryan Fawcett, Country Director  
126, Street 2, Haji Yaqoub Round About  
Shahar-e-Now,  
P. O. Box 3070  
Kabul, Afghanistan  
Tel: +93 (20) 210-3602  
Email: [afrm@adb.org](mailto:afrm@adb.org)  
<http://www.adb.org/afrm>

**Afghan Government Contacts**

**Afghan Investment Support Agency (AISA)**

Tel: +93 (20) 210 3404  
Email: [info@aisa.org.af](mailto:info@aisa.org.af), [invest@aisa.gov.af](mailto:invest@aisa.gov.af)  
[http://www.aisa.org.af/](http://www.aisa.org.af)

Mr. Omar Zakhilwal  
President & CEO  
Cellular Phone: +93 (0) 799 322-735  
Email: [zakhilwal@aisa.org.af](mailto:zakhilwal@aisa.org.af)

Mr. Nassem Akbar  
Vice President  
Cellular Phone: +93 (0) 070 288 -304  
Email: [naseemA@aisa.org.af](mailto:naseemA@aisa.org.af), [invest@aisa.gov.af](mailto:invest@aisa.gov.af)

Mr. Tariq Ahmad Sarfari  
Executive Assistant to the President  
Cellular Phone: +93 (0) 799 803124  
Email: [Tariq@aisa.org.af](mailto:Tariq@aisa.org.af)

Mr. Salam Zahed  
Head of Investment Support Department  
Cellular Phone: +93 (0) 799 336-527  
Email: [ZahedA@aisa.org.af](mailto:ZahedA@aisa.org.af)

Mr. Zakri Ahmadi  
Head of Licensing Department  
Cellular Phone: +93 (0) 0799336609  
Email: [Ahmadi.z@aisa.org.af](mailto:Ahmadi.z@aisa.org.af)

Mr. Walid Tamem  
Head of Investment Promotion Department  
Cellular Phone: +93 (0) 70 395-838  
Email: [Walid.tamim@aisa.org.af](mailto:Walid.tamim@aisa.org.af)

### **Embassy of Afghanistan**

Ms. Khaleda Atta, Commercial Attaché  
Economic, Trade and Investment Department  
2341 Wyoming Avenue, N.W.  
Washington, D.C. 20006  
Tel: (202) 483-6410  
Fax: (202) 483-6487

Email: [contact@afghanistanembassy.org](mailto:contact@afghanistanembassy.org), [commerce@embassyofafghanistan.org](mailto:commerce@embassyofafghanistan.org)  
<http://www.embassyofafghanistan.org/>, <http://www.afghanistan.business-gateways.com/>

### **Afghanistan Reconstruction and Development Service (ARDS)**

Email: [procurement@afghanistangov.org](mailto:procurement@afghanistangov.org)  
<http://www.eafghanistan.gov.af/procurement>

### **Ministry of Commerce**

Tel: +93 (20) 2500-356  
Email: [info@commerce.gov.af](mailto:info@commerce.gov.af)  
<http://www.commerce.gov.af/>

### **Ministry of Finance**

Tel: +93 (20) 210-3272  
Email: [info@mof.gov.af](mailto:info@mof.gov.af)  
<http://www.mof.gov.af/>

### **Other Useful Contacts**

#### **Afghanistan International Chamber Of Commerce (AICC)**

Mr. Azarakhsh Hafizi, Chairman  
House #91, Street 2, Shash Darak  
Kabul, Afghanistan  
Tel: +93 (0) 70-033-799, 0799-014-493,  
Email: [chairmanaicc@yahoo.com](mailto:chairmanaicc@yahoo.com) & [hafizi@yahoo.com](mailto:hafizi@yahoo.com)  
<http://www.aicc-online.org>

#### **Afghan-American Chamber of Commerce (AACC)**

Mr. Atiq Panjshiri, President  
8201 Greensboro Drive, Suite #103  
McLean, VA 22102  
Tel: (U.S) (703) 658-2929  
Fax: (U.S.) (703) 658-9103  
Email: [apanjshiri@a-acc.org](mailto:apanjshiri@a-acc.org)  
<http://www.a-acc.org>

#### **Afghanistan Builders Association (ABA)**

Naeem Yassin, President  
Tel: +93 (0) 70-224-822  
Email: [yasincc@aol.com](mailto:yasincc@aol.com)



<http://www.aba-af.org>

## **Market Research**

[Return to top](#)

To view market research reports produced by the U.S. Commercial Service please go to the following website: <http://www.export.gov/mrktresearch/index.asp> and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, but free of charge.

## **Trade Events**

[Return to top](#)

Please click on the link below for information on upcoming trade events.

<http://www.export.gov/tradeevents/index.asp>

[Return to table of contents](#)

## Chapter 10: Guide to Our Services

[Return to table of contents](#)

The U.S. Commercial Service offers customized solutions to help your business enter and succeed in markets worldwide. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers

To find an office near you, please visit <http://www.buyusa.gov/home/us.html>.

The U.S. Commercial Service does not have an office in Afghanistan. USFCS is represented by the **U.S. Embassy Economic and Commercial Section**. The Economic and Commercial Section can assist U.S. firms seeking information about business opportunities in Afghanistan or provide advocacy. In addition, the **U.S. Department of Commerce's Afghanistan Investment and Reconstruction Task Force** is available to help U.S. firms answer questions about doing business in Afghanistan and operates a list serve of procurement notices. The **U.S. Department of Commerce's Advocacy Center** provides advocacy services that can help level the playing field on behalf of U.S. business interests as they compete against foreign firms for specific international contracts or other U.S. export opportunities.

### **U.S. Embassy Kabul**

Great Masood Road

Tel: +93 (20) 230-0436, +93 (0) 70-108-001, +93 (0) 70-108-002

<http://kabul.usembassy.gov>

Frederic Maerke, Economic Counselor

David Birdsey, Commercial Officer, Ext. 8367, [KabulEcon@state.gov](mailto:KabulEcon@state.gov)

Murtaza Bahrami, Economic/Commercial Assistant, Ext. 8181,  
[bahramimm@state.gov](mailto:bahramimm@state.gov)

### **U.S. Department of Commerce**

Diana Fonovich

Afghanistan Investment and Reconstruction Task Force

Washington, D.C. 20230

Tel: (202) 482-1812

Fax: (202) 482-0980

Email: [afghaninfo@ita.doc.gov](mailto:afghaninfo@ita.doc.gov)

<http://www.export.gov/afghanistan>

The Advocacy Center

14th Street & Constitution

Avenue, NW, Rm. 3814-A

Washington, D.C. 20230  
Office No.: (202) 482-3896  
Fax No.: (202) 482-3508  
<http://www.export.gov/advocacy>

[Return to table of contents](#)

U.S. exporters seeking general export information/assistance or country-specific commercial information should consult with their nearest **Export Assistance Center** or the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRADE**, or go to the following website: <http://www.export.gov>

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.