



Afghanistan Business Primer

Practical Tips for Successful Business Operations



American Embassy Kabul
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Businesses operating in Afghanistan face tremendous challenges. Transport and communications infrastructures are weak. Security conditions are fluid. Standard business-related institutions and infrastructure lack capacity, are poorly organized or, in some cases, do not exist. Kabul currently lacks appropriate hotel accommodations for international business, air links are still quite limited, and commercial banking facilities are extremely weak.

All of these shortcomings are, however, being addressed. The Afghan government has pledged to mobilize necessary resources and implement appropriate policies to make Afghanistan a more attractive destination for international and domestic business. During the past year, the new government of President Karzai has taken a number of important steps to improve the business climate. Moreover, the Afghan government has identified three construction-related sectors - Transport, Urban Infrastructure and Governance Infrastructure - as national development priorities and will devote an estimated \$370m to such projects in the near future. Meanwhile the German-led Consultative Group on Trade and Investment - of which the U.S. is an active participant - is exploring comprehensive methods to enhance commercial activity in Afghanistan.

The Commercial Section of the American Embassy has worked closely with the Afghan Government, the small but critical Afghan private sector, and American firms to maximize business opportunities for qualified international and domestic commercial interests. Based upon experiences gained from these activities, the information contained in this primer is an effort to detail those approaches that have proven useful for all businesspeople conducting or considering business in Afghanistan, and are offered as recommendations to firms considering operations in Afghanistan.

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DO YOUR HOMEWORK BEFORE VISITING

The U.S. Government has been active in establishing the foundation for successful private sector operations in Afghanistan. The Department of Commerce's Afghanistan Reconstruction Task Force, working closely with the U.S. Embassy in Kabul and other U.S. government agencies, has set up the Rebuilding Afghanistan webpage as a link on their www.export.gov website. The site provides a wealth of updated information for firms interested in business opportunities in Afghanistan.

Of the items available on the website, it is essential to review the new [Afghan Investment Law and Investment Application forms](#), which are both available in English on the site. Reading and understanding the law and the application will provide a good early barometer on the information you will need to prepare and the questions you might expect on a business visit to Afghanistan. Also available is the Country Commercial Guide [[HTML](#), [PDF](#)], which provides an overview of commercial operations in Afghanistan. The current guide is undergoing updating and revision and a new version will be available in spring 2003.

Also ready to assist you in assessing commercial opportunities in Afghanistan are the representatives of the U.S. Department of State, U.S. Department of Commerce, USAID, U.S. Trade & Development Agency, Overseas Private Investment Corporation and other U.S. government agencies active in Afghan Reconstruction activities.

MAKE YOUR FIRST STOP IN-COUNTRY THE U.S. EMBASSY

Many U.S. and international firms are operating in Afghanistan and have shared their diverse experiences with us. We use this general information and our extensive and close contacts with the Afghan government and private sector, as well as various other private and public organizations involved in Afghanistan's reconstruction, to comprehensively advise and support new or existing firms.

During our initial and any subsequent meetings, we generally update firms on the latest developments affecting their business prospects, identify sector-specific opportunities, and facilitate contacts and arrange meetings with and provide introductions to relevant government and private sector officials. Also, we are happy to arrange a meeting with senior Embassy officials to discuss your project(s) in Afghanistan and explore ways the Embassy can help support your business goals.

Being proactive in establishing a relationship with your embassy in Kabul carries many benefits, but none greater than the capacity to help guide your business operations to a profitable path from the very outset of operations. It is far easier to begin such a relationship early on, and reach a business decision later that it is no longer required, than it is to wait until major problems arise before contacting the Embassy for assistance.

MAKE YOUR SECOND STOP THE MINISTRY OF COMMERCE

The Ministry of Commerce has worked closely with the U.S. Embassy and international and domestic business to improve the business climate in Afghanistan. According to the 2002 Investment Law, the Minister of Commerce serves as the Chair of the High Commission for Investment. As the Chair, the Minister of Commerce is responsible for directing Afghan Cabinet consideration of proposed investment projects and helping approved projects advance through the licensing and permit approval process. By engaging early on with the Ministry of Commerce, firms interested in business operations in Afghanistan ensure that their concerns will be heard by the appropriate Afghan government officials and their need to engage with multiple Afghan government offices – and their bureaucracies – will be kept to a minimum.

Having the Ministry of Commerce “sell” your project within the government is the preferred approach for two main reasons: First, it is the process envisioned under the Afghan Investment Law, and will therefore be viewed as appropriate and authorized by all concerned. Second, the traditional method of locating influential local or expatriate Afghan “fixers” to sell the project within the government has led to numerous delays, conflicting webs of patronage and corruption and generally, to less than ideal results.

MAKE YOUR THIRD STOP THE MINISTRY OF FOREIGN AFFAIRS

The Ministry of Foreign Affairs’ Economic Affairs Department plays another key role in supporting international business seeking to establish operations in Afghanistan. By registering their project with the MFA Economic Affairs Department – as required by Afghan law – newly arriving firms ensure the continued support of this highly influential and international business-friendly Ministry during their operations in Afghanistan. This support will assist firms with issues concerning bilateral or multilateral agreements, international law, visas and regional trade and investment initiatives.

VISIT THE RELEVANT SECTORAL MINISTRY

After visiting the Ministries of Commerce and the MFA, it is appropriate to meet with a senior official from the Afghan ministry or ministries most relevant to your firm's contemplated business activities. As discussed above, the Embassy will help set up appropriate meetings and provide useful guidance regarding ministerial policies and priorities in advance of the meeting.

KEEP AFGHAN GOVERNMENT PRIORITIES IN MIND

The Afghan government faces tremendous challenges as it seeks to improve the Afghan business climate, attract investment and encourage private sector-led growth. For the government, a key issue is the need to demonstrate the benefits of private sector activity to the Afghan population. Therefore, the **job-creation** aspects of foreign business activities are a key factor in Afghan government assessments of their suitability. Another key concern of the Afghan government is building domestic managerial and technical expertise. This means that business proposals that include **training and knowledge transfer**, as well as opportunities for Afghans to meaningfully participate in project development, will be highly favored.

REMAIN FLEXIBLE

Afghanistan is recovering from decades of instability and war. During this time, the Afghan private and public sectors deteriorated markedly. Most ministries now lack capacity below the Deputy Minister level. Further, many bureaucrats still harbor state-centric economic approaches derived from Soviet-era training. The private sector is small, lacks expertise, and is uncertain of its role. Most major Afghan businesspeople and firms, especially those with experience with international business practices, still remain outside Afghanistan (generally in neighboring countries). As noted above, Afghan physical and regulatory infrastructure is weak or in some cases non-existent, and attracting even expatriate Afghan investors will require substantial continued reforms.

All these factors mean that businesspeople accustomed to operating virtually anywhere else in the industrialized and even the developing world will often face novel and exasperating challenges in advancing their business goals in Afghanistan. By following the recommendations outlined above and **maintaining a flexible approach**,

however, many firms will be able to navigate through these obstacles and find success during this early period of

Afghanistan's reconstruction. Those firms resilient and committed enough to do so will establish a lasting foundation for additional local and regional business success.

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For business counseling on opportunities in Afghanistan, please call

Afghanistan Reconstruction Task Force
U.S. Department of Commerce
(202) 482-1812 or 1-800-USA-TRAD(E) and press 2,
or e-mail questions to AfghanInfo@ita.doc.gov

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Link to U.S. Department of Commerce Rebuilding Afghanistan Website:
www.export.gov/afghanistan/index.html

Link to U.S. Department of State Afghanistan Information Page:
www.state.gov/p/sa/ci/af/

Link to U.S. Embassy Kabul Website:
<http://usembassy.state.gov/afghanistan/>