

“Investing in Afghanistan”

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Why Invest in Afghanistan?

- 1. Afghanistan is moving towards economic and political stability, this has created a favorable business environment for foreign and domestic investors and traders.**
- 2. The emerging vibrant investment opportunities in Afghanistan promises significant progress and development in the economic sector**
- 3. Hardworking intelligent people and availability of cheap labor**
- 4. Legal framework for market economy is in place**

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The Constitutional and Legal Framework

Constitution:

- ⊙ **The foundation of our economic framework was laid in the new constitution which was agreed at the Loya Jirga last December 2003.**

Where it says:

- ⊙ *“The state protects and promotes private investment based on a free market economy” (Article 10)*

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The New Investment Law

- ① **A new investment law is ready and will be enacted soon. It will be one of the most liberal investment law in the region allowing full foreign and domestic investment in country.**
- ① **The newly revised investment Law of Afghanistan offers incentives in terms of tax breaks, special custom duty, and comprehensive legal protections to the investors.**

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Reforms: Achievements in the Institutional Framework

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- ⊙ **To bring these reforms to life for investors the Afghan government has set up, with the assistance of German Government, a “One Stop Shop for Investors”, called the Afghan Investment Support Agency.**

Industrial Estates for Foreign and Domestic Investors

- ⊙ **Construction of industrial parks in Kabul, Mazar-i-Sharif and Kandahar, end of 2004**

Physical Environment for Investment

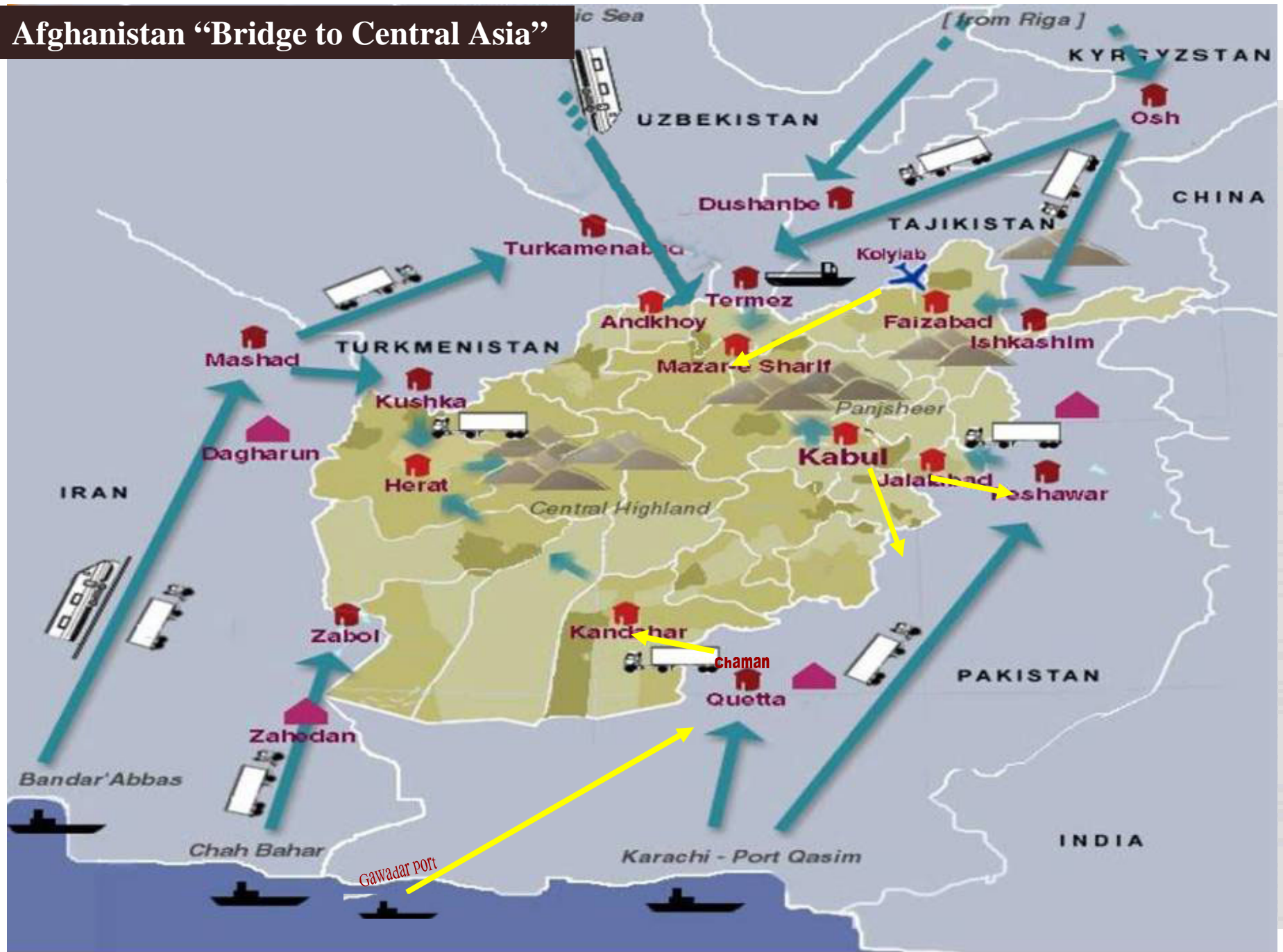
- ⊙ **Licensing of two private mobile phone operators & improvements in digital land based telephone communication**
- ⊙ **Availability of internet services in major cities in Afghanistan**

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Building Physical Infrastructure

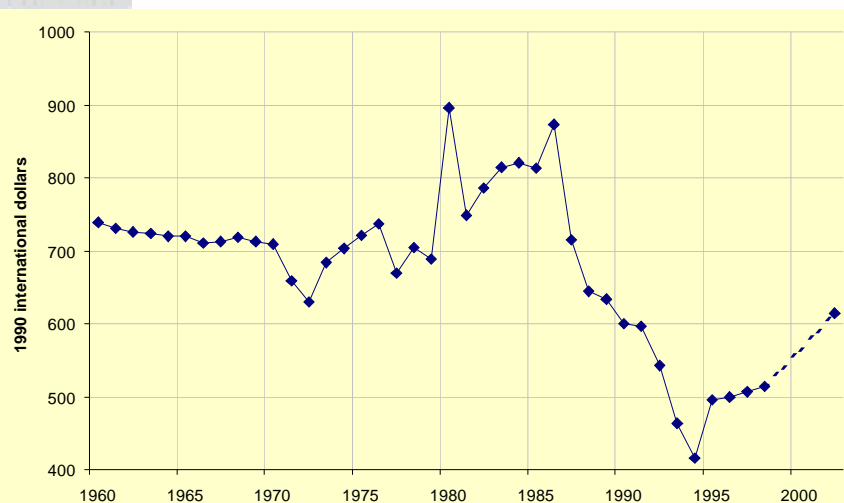
- ④ **Completion of the road between Kabul and Kandahar**
- ④ **The road connection to Herat close to completion**
- ④ **Other roads to north and east are now under construction**
- ④ **Improvement on the Kabul Airport is in progress**

Afghanistan "Bridge to Central Asia"



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Income per Capita Rising

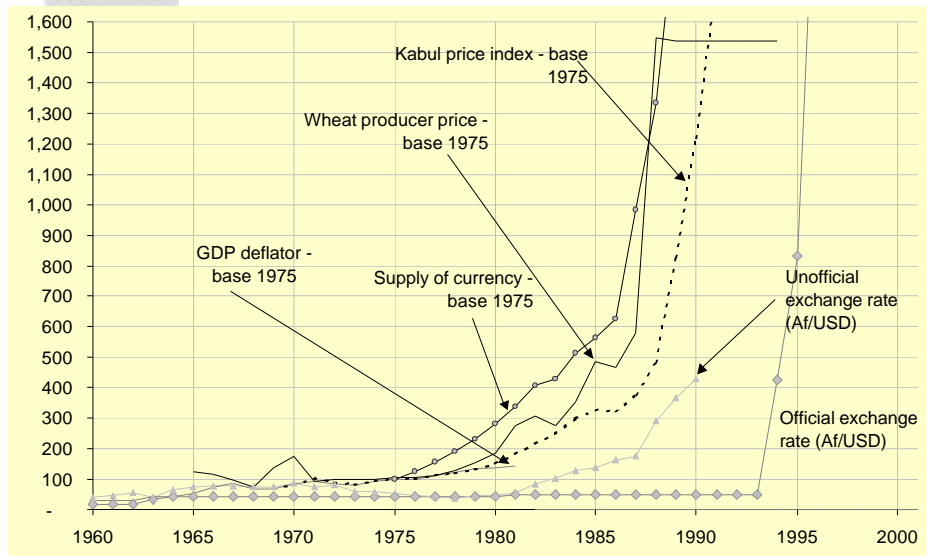


Source: Maddison

	1975	2002	2003
Official GDP (US\$ billion)	2.4	4.0	4.7
Unreported GDP (US\$ billion)	-	2.5	2.3
Total GDP (US\$ billion)	2.4	6.5	7.0
Official annual growth (%)	3.0	29	23
Total annual growth (%)	3.0	102	7
Population (million)	14.0	21.8	22.2
Official GDP per capita (\$)	169	186	212
Total GDP per capita (\$)	169	300	315

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Inflation under Control



Sources: WDI, CSO

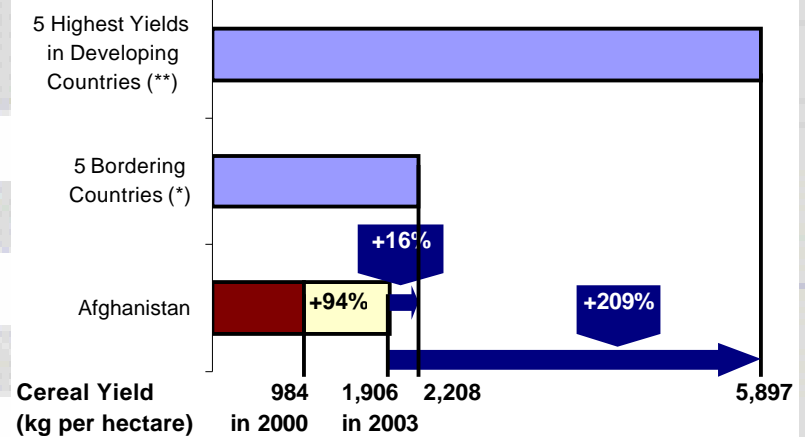
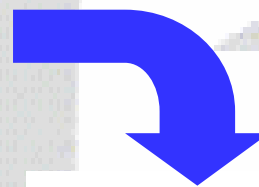
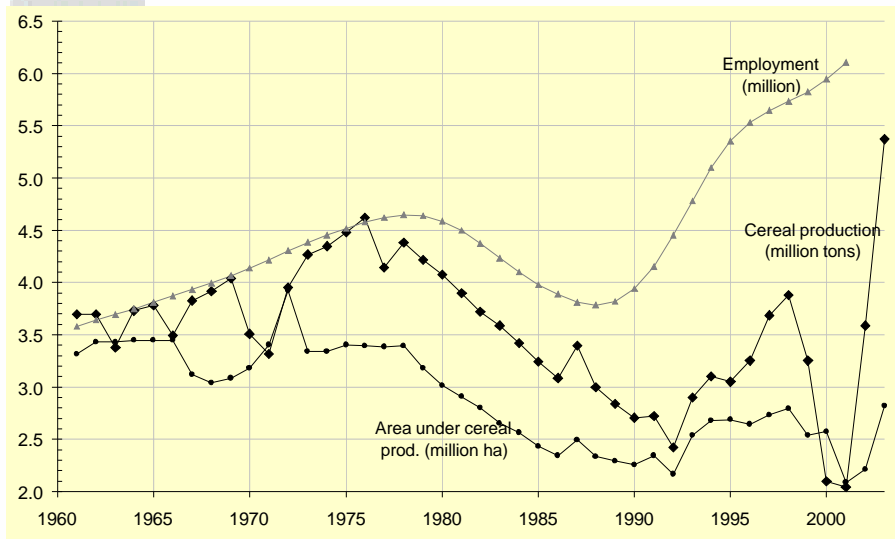
Annual Growth Rate (March to March)	2001/02	2002/03	2003/04
CPI	(43.4)	52.3	10.5
Real Exchange rate a /b/	(23.8)	(0.0)	(12.7)
Daily wage of unskilled casual labour (US\$)	86.1	9.0	70.0

a/ An increase represents a depreciation of the Afghani.

b/ Exchange rate depreciation divided by inflation (against US\$, deflated only by Afghan prices)

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Agriculture after the Drought



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Discovering the Growth Potential

Growth Potential by Sector					
Sector	Sub-Sector	Short-medium term (1-5y)		Longer term (~10y)	
		Growth	Source	Growth	Source
Agriculture		10-15%		5-6%	
	Cereals	10-20%		3%	Marginal technical progress
	Livestock	10%	Rebuilding stock	3%	
	Other	10-15%		8-10%	Diversification
Industry		10-12%		10-12%	
	Transport	12%	Road construction	10%	
	Power	8-10%	Catch up to match demand	8-10%	General economic growth (demand)
	Construction	15-20%	Reconstruction activity	8-10%	General economic growth
	Manufacturing	5-10%		8-10%	Result of private investment
Services		12-15%		9-10%	
	Trade	10-15%	Catch up	8-10%	General economic growth
	Public Adm.	15-25%	Reconstruction	5-10%	Steady state
	Other	5-10%		10-12%	Growth in finance and tourism
Total		10-15%		7-9%	

Source: SAF

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Providing Favorable Environment and Financial Assurance to Private Investors

- ④ **Investment Insurance has been made available through MIGA, the Multilateral Investment Guarantee Agency**
- ④ **Everything but Arms-EBA, Initiative of the EU. All exports from Afghanistan (excluding arms) can enter European Market without any Tariff or Quota restrictions.**
- ④ **GSP treatment of Certified Hand-Knotted, Hand-Woven Carpets, and Rugs under Bilateral Agreement between the United States and Afghanistan**
- ④ **Less Developed Countries (LDC) Agreement between Afghanistan and Canada**
- ④ **Memorandum of Understanding between the United States and Afghanistan to encourage and protect investment activities in Afghanistan through the provision of insurance and investment guarantees.**

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Investment Opportunities and Examples

- ④ ***Reconstruction:*** Over the next 3 years, more than US\$ 8.4 billion in reconstruction and humanitarian aid is expected to generate significant opportunities in construction, construction materials, and related manufacturing industries.
- ④ ***Domestic Consumption Growth.*** Afghanistan’s 27 million people constitute a US\$ 5 billion GDP economy growing at an annual compound rate of 15-20 %. This rapid economic growth is driving increased local demand for goods and services – from detergent and cellular phones to home construction and banking services.
- ④ ***Export Revitalization:*** There are opportunities to export high-value Afghan – branded products to the European and US markets, including spices, fresh/dried fruit, and basic agribusiness products to neighboring countries.
- ④ Afghanistan today is an ideal place for those who want to invest due to favorable competition
- ④ Afghanistan is in need of almost everything, be it consumer goods or industrial development.

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Examples:

Who has invested?

- ② **Two major international hotels have invested in Afghanistan (Hyatt and Serena)**
- ② **Two private phone companies (AWCC and Roshan), backed by leading international operators are servicing the country.**
- ② **Leading international banks have opened offices (Afghanistan International Bank (AIB), Standard Chartered Bank, National Bank of Pakistan, Habib Bank Ltd, The First Microfinance Bank, National Bank of Punjab (India), Kabul Bank and etc.**
- ② **Other Examples:**
 - ② **DHL**
 - ② **Coca – Cola**
 - ② **Toyota Motors**
 - ② **Alcatel Trade International**
 - ② **Three private Airlines**

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Domestic Investments:

- ④ **Mainly contributed by Afghan Diaspora**
- ④ **Production of consumer goods, construction business, transportation and establishment of trading companies**
- ④ **Pamir Airlines, Kam Air and MarcoPolo International Airlines**
- ④ **Shahram Raisin Processing Co.**
- ④ **Economic and political stability has created a favorable business environment for small and medium enterprises such as:**
 - ④ **Production of construction materials, dairy products, vegetable oil, Mineral water, Agro-business and etc.**

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Investment Projects:

<u>Sector</u>	<u>Total Investment in Millions</u>	<u>Direct Employment</u>
Construction	\$ 210	21,000
Services	\$ 154	4,686
Industry	\$ 44	11,380
Agro-Business	\$ 1.8	121

Foreign Investment (Countries):

§ Germany	§ Iran	§ Holland	§ UAE
§ India	§ Tajikistan	§ Russia	§ UK
§ Pakistan	§ France	§ Ukraine	§ USA
§ Turkey	§ Uzbekistan	§ Italy	
§ China	§ Canada	§ Switzerland	

- q **AISA has been created as a “One Stop Shop for Investors”**

- q **AISA has been charged to attract, promote and register all new investments in Afghanistan and providing comprehensive services to investors.**

- q **Since October 2003, AISA has registered 452 new investment projects amounting to USD 409 million and should be creating 37000 jobs**

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“One Stop Shop for Investors”

Procedure for Acquiring Investment License

Investor

1. Filling the Investment Application Form and Application form for Tax ID Number (Ministry of Finance)

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2. Registration of investment Application form in the Special registration book + computerization of data.

3. Responsible Investment Manager will:

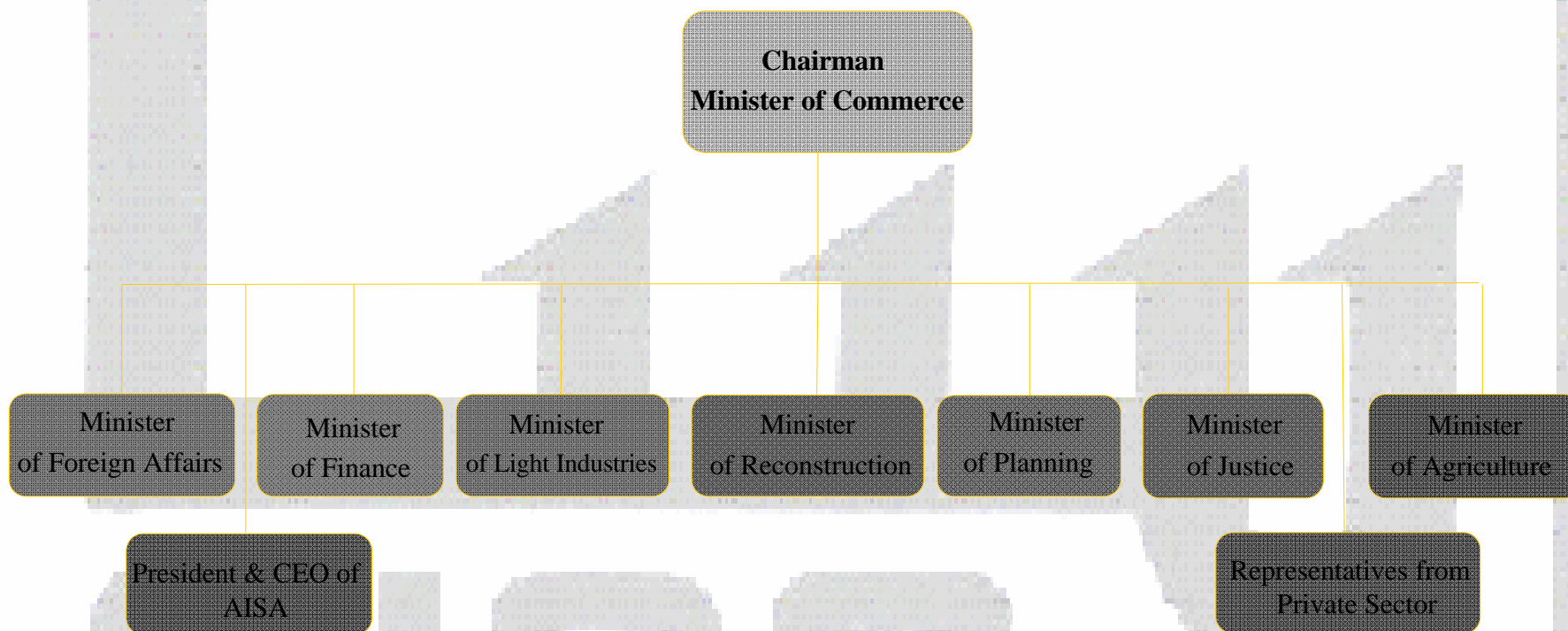
✓ Provide necessary guidance on the basis of business plan

✓ Clearly review the project documents to assure that it's within the country's legal framework

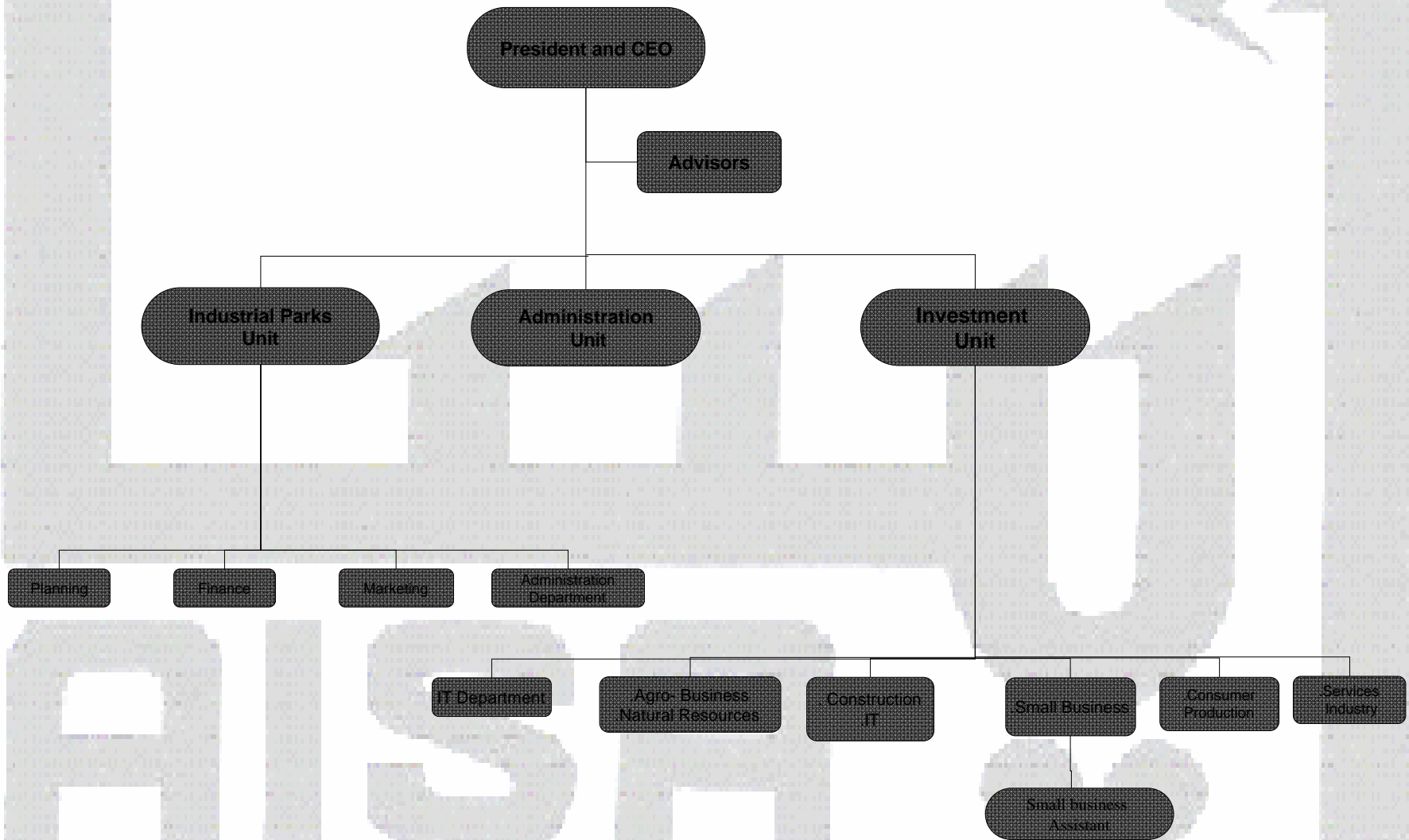
4. Registration of investment documents in Commercial Court and Announcement of investors' business/investment details in a reputable Afghan newspaper.

5. License Fee + Issuance of Investment License

High Commission on Investment



Organizational Chart





The screenshot shows the AISA website in a Microsoft Internet Explorer browser window. The address bar displays the URL: D:\other users\My Documents\FINAL WEB\index.htm. The website header features the AISA logo and the text "Afghan Investment Support Agency" and "One Stop Shop for Investors". A navigation menu includes links for Home, Contacts, FAQs, Links, Site map, About Us, and Search. The main content area is divided into three columns. The left column contains a sidebar with links to Home, Country Profile, Our Profile, Our Services, Investment Application Requirements, Laws of Afghanistan, Message Board, and Useful Links. The middle column features a central banner with the text "Invest in Afghanistan" and three images: a mosque, a modern building, and a person working at a computer. Below the banner, there is a paragraph of text: "Investment in Afghanistan should not be looked at to just meet the need of the Afghan Consumers, but as an excellent opportunity to take advantage of low cost production of the regional market." Another paragraph follows: "Afghanistan has been transformed from a distant landlocked country to a transit Nation in the heart of Asia." A third paragraph states: "Major reconstruction efforts are under way to rebuild the Afghan roads and bridges necessary to connect the Central Asian countries bordering". The right column is titled "News and Events" and contains a news item dated "16th June 2004" about a seminar on "Doing Business in Afghanistan". Below the news item, there is a quote: "AISA's aim is to offer comprehensive services to all investors in order to assist them and facilitate their activities in Afghanistan to maximum extent possible". At the bottom of the right column, there is a section for "Upcoming Projects". The browser's taskbar at the bottom shows "My Computer" and the system tray.

<http://www.aisa.org.af>

Thank You!

**“We are at your
Service”**