

Afghanistan: Investment Boosters Stress Returns, Rather Than Challenges

Radio Free Europe / Radio Liberty
By Golnaz Esfandiari

Afghan officials are appealing to international investors to take a fresh look at Afghanistan's business opportunities. They told roughly 500 financiers from more than 10 countries at a business forum in Kabul last week that those who invest in the country will reap considerable profits. But the past three years have seen a sharp increase in foreign direct investment despite problems like corruption and a lack of security.

PRAGUE, May 17, 2006 (RFE/RL) -- Tameem Samee is an Afghan-born entrepreneur who has launched at least three businesses in his native Kabul since leaving his adopted home in the United States several years ago. The bulk of his effort is aimed at providing high-tech services to government and private industry.

While turnover appears modest, Samee claims he has profited over the past two years from telecommunications-infrastructure work.

"The opportunities are definitely here," Samee says. "There is quite a bit of involvement from ISAF [the International Security Assistance Force] and coalition forces, and it's been quite a bit of money on services that we provide to the IT companies. And the private sector is growing by leaps and bounds, and they all need the services that we provide."

The London-based "Financial Times" group's Internet portal on foreign direct investment, fDimagazine.com, notes that "investment in Afghanistan is not for the faint-hearted." It emphasizes that the environment is "at times dangerous and desperate" but hastens to add that "the opportunities are almost limitless."

Room For More

Most of the registered investments since the fall of the Taliban four years ago have come in the form of construction or construction materials. But there has also been investment in industry and services.

Suleman Fatimie is vice president of the government's Afghanistan Investment Support Agency (AISA). He tells RFE/RL that about 5,000 new investment projects have been registered in the country since October 2003.

"We have also renewed 1,340 [investment] licenses -- that's worth about \$1.3 billion, and it has been promised," Fatimie says. "In recent years, Afghanistan's economy has been growing. And we hope that big projects like a Coca-Cola [bottling] plant, Serena hotels,

13 international banks -- as well as other projects, like the Baghlan sugar factory -- will lead to faster economic growth."

...But Not Without Risk

But there are still major challenges involved in doing business in Afghanistan.

The World Bank claims that 80-90 percent of the country's economy is informal, and potential investors are often wary of investing in an insider-driven economy.

The Bank concluded in a February report that key constraints to private-sector developments in Afghanistan include the unreliable electricity supply, access to land and financing, and corruption.

Entrepreneur Samee complains about the toll that security and corruption take on his businesses.

"We spend a lot more money on security than we need to -- having security guards, fortifying the offices of the homes that we live in, and also the cost of fuel is another issue -- the fact that we have to spend fuel [on generators] in order to get electricity for our businesses is a problem," Samee says. "Corruption is also an issue that we constantly deal with, and we try to work around it and against it. It is something that the government should put more focus on."

Improving Climate?

Officials in Afghanistan concede that there are problems, even as they tout the country as being open to business. They say efforts are afoot to improve the investment climate.

Those steps include a continuing disarmament process and the creation of the new army to provide security.

The state investment-promotion agency's Fatimie says the government has eased restrictions on investment and introduced tax incentives to attract foreign investors.

He says some of the problems -- including energy shortages -- can actually provide potential investors with unexpected business opportunities.

"We hope investors will see these opportunities and invest in [them]," Fatimie says. "Security is a problem; the government is trying to remove [the problem]. But big cities like Kabul, Herat, and Mazar-e Sharif are safe, and investors are happy about their investments. So far there has not been a single case of an investor saying he is taking his capital and leaving Afghanistan due to a lack of security."

Businessman Samee insists Afghanistan can generate income for business hopefuls despite the obstacles.

"I think that others who have a mind to invest in Afghanistan can take these risks into consideration when they're doing a business plan and see if it works for them," Samee says. "I think that, for my particular case, having these risks in place and knowing how to mitigate them [and] still being able to earn some money has been the case in the last two years."

Last week, Afghan President Hamid Karzai urged investors to seize investment opportunities -- and not let problems deter them. He made a pitch for a long-term approach to Afghanistan's growing economy, calling it "a market that will continue to grow for a long, long time."

Location, Location, Location

Investment promoter Fatimie adds that Afghanistan has another advantage in the form of its strategic location. He says it can play a key role in connecting Central Asia with South Asia and the Middle East.

"It is very important for Afghanistan to become a bridge between Central Asian countries and countries such as India, Pakistan, and Iran," Fatimie says. "We hope that Afghanistan will rebuild its infrastructure and through them connect these countries. This will bring good profits for Afghanistan and it will also become an important [business center] as it used to be in the past."

The investment pattern appears to warrant some optimism in that regard. Fatimie notes that among the investors registering in the past two years, most come from Turkey or powerful economic neighbors like China, Pakistan, or Iran.
