

**Afghanistan Trade and Investment Conference**  
**AISA HOUSE, LONDON, UK**  
**January 30, 2006**

The Afghanistan Investment Support Agency's first conference in London took place in partnership with Asia House, and was sponsored by Standard Chartered Bank. Over 200 attendees packed the event space, including key Afghan cabinet ministers, international executives, investors, bankers, and senior advisors to Karzai. The conference took place one day before the international community met with the Afghan government in the historic London Conference where the Afghanistan Compact was signed. AISA's London event also kicked off the European Road Show, which consisted of stops in Copenhagen, The Hague, Hamburg, Paris, and Munich.

At the Afghanistan Trade and Investment Conference, President Karzai and senior officials in the Afghan government cited the private sector as the engine of economic growth, and hoped that they could attract more investors to the country. Speakers evaluated key growth sectors in the Afghan economy, and encouraged investors to explore these opportunities closely. Although telecommunications and construction have been the most profitable thus far and will likely continue as a trend for the next few years, panelists agreed that the country's dire need for electricity could potentially bring big profits to any investor. Only six percent of Afghans currently have electricity, and much of the country's economic growth hinges on the development of this power source. Afghanistan also has rich mineral resources including copper and hydrocarbons, but the full extent of these resources remains to be explored. The fruit and nut business is already growing at a brisk pace, and is expected to grow further in the country which was once renowned for its pomegranates, raisins, almonds, and pistachios. The rug industry and handicrafts have a long history in Afghanistan, and are also expected to experience growth in the coming years.

Business executives from telecommunications, banking, infrastructure development and the legal profession were realistic about challenges they faced including concerns about legal protections for investors and issues related to land, but were generally optimistic about business in the country given rapid expansion of the economy at 17% per year for the last four years. Addressing concerns about land titling issues, Afghan cabinet ministers described their efforts to introduce legal reforms. President Karzai assured investors that his administration was especially willing to assist them issues related to land. Ministers also discussed plans for reform of the commercial and bankruptcy laws. Panelists spoke about the entrepreneurial spirit of the Afghans, and their commitment to rebuilding the country. The World Bank discussed the investment climate in Afghanistan, which was based on a recent study of over 300 entrepreneurs in the country. The detailed assessment revealed that while infrastructure development and access to land and finance were top on the list of constraints, security ranked towards the bottom. The average entrepreneur spent 15% of costs on security, which was typical for a post-conflict country. The World Bank confirmed that Afghanistan provides excellent opportunities for investment, and the challenges are not insurmountable. The private sector has a clear structure in place, and the study noted that Afghanistan fares well in this regard, compared to most post-conflict countries. At the end of the event, The United States Trade and Development Agency presented the agency's 2005 country of the year award to President Karzai on behalf of Afghanistan. The agency also announced a \$500,000 training program for Afghan entrepreneurs.

## **Opening Session**

**Stefan Kosciuszko, Asia House Chief Executive** opened the event and welcomed all the participants. He remarked that Afghanistan doesn't necessarily need charity from those with resources, but more importantly needs them to invest.

**Co-Hosts Rosalind Marsden, Her Majesty's Ambassador to Kabul and Josette Shiner, U.S, Undersecretary for Economic, Business and Agricultural Affairs** delivered the official welcoming remarks. Ambassador Marsden pointed out that Afghanistan had seen remarkable progress over the last four years, moving forward politically and towards stability. She assured everyone that the U.K. was committed to keeping Afghanistan "a high priority". Ambassador Marsden noted that Kabul city is rebuilding quickly and there is a huge demand for household goods, creating great opportunities for investors. She offered the following sectors for investors to consider: the mining sector (which includes marble, mineral extraction, and hydrocarbons), handicrafts and agribusiness, which she said was of special interest to the U.K. given its role in counter-narcotics. She described Afghanistan's nuts and fruits as world-class. Although she acknowledged the obvious concerns about political risk, she also said the U.K. is an investor in a fund that provides guarantees for this type of risk. U.S. Undersecretary Shiner stated that trade and investment are the force multipliers of economic growth. According to the Undersecretary, the World Bank called Afghanistan the top reformer in the world this year, due to the ease of setting up a business in the country. This is mainly because AISA and the Afghan government have cut business registration steps from 28 to one and from 90 days to seven. Undersecretary Shiner believed that this showed that the economic team in Afghanistan is serious. Undersecretary Shiner also stated that the United States is a full partner with Afghanistan saying, "We are with you, we will stand with you and support you now and in the future."

**Dr. Omar Zakhilwal, President and CEO of AISA** spoke about the importance of focusing on private sector development on the eve of the Afghanistan Compact. He discussed the role of AISA as a "one stop shop for investors" and the work of the Afghan government in promoting investment in the country. He then introduced **President Hamid Karzai**, who delivered the keynote speech. President Karzai said he was confident Afghanistan's future would be full of business prosperity and he congratulated Dr. Zakhilwal on his leadership of AISA. He noted that while at first look Afghanistan's lack of infrastructure and services may seem like an impediment to business, it is precisely these needs that create the opportunities for businesses to do well. He noted the success of Afghanistan Wireless Communication Company (AWCC), which invested \$50 million in telecommunications and is now worth \$200 million. Because only 6% of the Afghan population has electricity, he highlighted this as another big business opportunity. Citing the overall opportunities combined with low taxes for business, He encouraged investors to come to Afghanistan to do one thing, "make money." President Karzai concluded by saying that a rich, strong Afghanistan would only be attained through business activity.

### **Panel 1: Business Executives**

Speakers: Dr Gerard Lyons, Chief Economist & Group Head of Global Research, Standard Chartered Bank; Mr Rick Seney, President MCT Corporation (US); Mr Gholam Hassanzadah, President of Siemens Afghanistan; Mr Ansar Rahel, Managing Attorney, Ariana Rahel; Mr. Atiq Panjshiri, President of the Afghan American Chamber of Commerce; and Mr. Hamidullah Farooqi, CEO Afghanistan International Chamber of Commerce.

**Dr. Gerard Lyons of Standard Chartered Bank** discussed his company's progress and plans for expansion beyond Kabul and into Herat. He attributed much of the bank's success to their ability to work domestic regulators. He noted that macroeconomic stability had been achieved and that Afghanistan's business climate was better than anyone had expected. He described five challenges: 1) the lack of a skilled workforce, 2) difficulty in accessing finance and better infrastructure, 3) the lack of reasonable and clear tax rates, 4) the lack of clear regulations, and 5) security concerns.

**Mr. Rick Seney, President of MCT Corporation**, which co-owns Roshan, a regional mobile telephone operator, discussed the fast paced growth of his company in Afghanistan. Roshan is one of the largest employers in Afghanistan, directly and indirectly creating almost 10,000 jobs in the Afghan economy. He attributed his company's success to their joint venture model, which includes the Aga Khan Fund for Economic Development (AKFED), and to their aggressive marketing campaign.

**Mr Gholam Hassanzadah, President of Siemens Afghanistan** pointed out that although the majority of Afghans are living in poverty, they are keen on buying high-quality products. He noted his company's 70-year history in Afghanistan, and their current participation in reconstruction, including the rehabilitation of hydro plants and the runway at Kabul International Airport, among other projects. He said the goal of Siemens was to build a company that would be run by Afghans.

**Mr Ansar Rahel, Managing Attorney at Ariana Rahel** law firm discussed the legal and regulatory framework for business in Afghanistan. He said that there are many opportunities to do business, and there are also legal protections in place for investors. He noted that although there are challenges with respect to land titling, he was not aware of any seizure of large-scale investments such as land or factories in his four years of practice in the country. He encouraged investors to seek independent counsel and recommended joint ventures with Afghanistan based companies that could provide local expertise. Mr. Rahel reports that his clients had grown significantly over the last two years, and that the enactment and enforcement of laws was improving.

**Mr. Atiq Panjshiri, President of the Afghan American Chamber of Commerce** encouraged investors to be patient, and noted that despite the ease of registering a business with AISA, challenges remain.

**Mr. Hamidullah Farooqi, CEO Afghanistan International Chamber of Commerce** asked the international business community "to work not just for Afghans, but in partnership with Afghans."

### **Panel 2: Afghan Ministers**

Speakers: H.E. Hedayat Amin Arsala, Senior Advisor to the President & Minister of Commerce; H.E. Dr. Anwarul Haq Ahadi, Minister of Finance, H.E. Prof Ishaq Naderi, Senior Economic Advisor to the President, H.E. Haneef Atmar, Minister of Rural Development; H.E. Obaidullah Rameen, Minister of Agriculture and Food; Mr

Noorullah Delawari, President of Da Afghanistan Bank (Central Bank); and Mr. Mahmood Saiqal, Deputy Minister, Ministry of Foreign Affairs.

**H.E. Hedayat Amin Arsala, Senior Advisor to the President & Minister of Commerce** opened the panel by affirming the Afghan government's view of the private sector as the engine of economic growth. According to Minister Arsala, Afghanistan has one of the most liberal investment laws in the region and the country is working on a number of new reforms related to commercial and bankruptcy law. Afghanistan is moving away from the informal sector so that there are protections for business and a wider base for revenue generation. Afghanistan has already signed on to a number of trade agreements and was planning to become a member of the South Asian Free Trade Agreement (SAFTA) because of its involvement in The South Asian Association for Regional Cooperation (SAARC). He stated the country continues sign on to trade agreements with its neighbors, the EU, and the U.S. He explained that because of Afghanistan's strategic location, an investment in Afghanistan is an investment in an entire region and allows businesses to launch from the country as a base. Sectors he suggested to invest in include power, telecom, construction and construction materials, agribusiness and processing, and wool and carpets. Minister Arsala said the Afghan government is constantly working on removing constraints on business, and that the challenges such as deficiencies in infrastructure could also be seen as great opportunities for businesses to fill the demand.

**H.E. Dr. Anwarul Haq Ahadi, Minister of Finance** spoke about the need for government to address the challenge of finding adequate human resources. Because of the lack of a skilled labor force, Afghanistan must import workers from countries such as Pakistan, India, and the Philippines at a rate of three times the cost in those countries. He said the while such high salary costs were being supported by international assistance, the Afghan government needs to adjust these payments over time to maintain macroeconomic stability. He thanked the IMF for their role in helping the government exercise fiscal discipline. He viewed corruption to be a result of underdeveloped institutions, not a character flaw of Afghans. He also assured the audience that the Afghan government is "absolutely committed to fighting corruption."

**H.E. Prof Ishaq Naderi, Senior Economic Advisor to the President** discussed his role in the Afghanistan National Development Strategy and directed the audience to the website at: [www.ands.gov.af](http://www.ands.gov.af). He said Afghanistan was not a typical post-conflict country because it had a deeper set of issues to resolve. Security, human rights, economic and social development were to be addressed simultaneously in the Afghanistan Compact. His priority is the development of the infrastructure and he believed the areas of growth were going to be agriculture, rural development, and mineral industries. His major objectives were to decrease the illicit economic output and increase the legitimate output.

**H.E. Haneef Atmar, Minister of Rural Development** stressed the need for a partnership between the Afghan government and the private sector for poverty reduction. He cited access to finance as a hindrance to the poor, and recognized rural enterprise as an area of great potential growth because it employs millions of Afghan men and women. According to Minister Atmar, in Afghanistan it was not enough to be a "good humanitarian with a good heart", but that success would require using philanthropy "to help the poorest Afghans get on their feet."

**H.E. Obaidullah Rameen, Minister of Agriculture and Food** highlighted the success of his ministry thus far, citing progress in the agricultural sector. He also identified land issues as a concern for investors, but committed the full support of his ministry for individuals looking to acquire land for agricultural purposes. According

to Minister Rameen, there is great opportunity in the agricultural sector, and he welcomed investors.

**Mr Noorullah Delawari, President of Da Afghanistan Bank (Central Bank)** recognized that with 12 banks having been registered in Afghanistan and one more in the process, investment in the financial sector is significant. In the last year, banks have experienced a 74% increase in deposits and tripled their loans. He cited a 17% growth of GCP per annum in the last four years, and a doubling of per capita income. Reserves of central bank are currently at \$1.7 billion.

**Mr. Mahmood Saiqal, Deputy Minister, Ministry of Foreign Affairs** described the role of the Foreign Ministry as providing knowledge for small and large projects through the embassies. These embassies and the ministry work together to provide expedited visa service to businesspeople, help to coordinate technical training abroad, and help create national and international business networks.

Dr. Zakhilwal closed the event by noting that the government is open to new ideas on how to accommodate businesses and investment in Afghanistan and said that he looks forward to suggestions from the business community. He proclaimed that Afghanistan has great opportunities for trade and investment, and it is "open for business."

[back to top ^](#)

### **Afghanistan Wins an Award**

The United States Trade and Development Agency presented the agency's 2005 country of the year award to President Karzai on behalf of Afghanistan. The agency also announced a \$500,000 training program for Afghan entrepreneurs.