



Afghanistan Chamber Of Commerce & Industries

اتاق تجارت و صنایع افغانستان
د افغانستان د سوداګرۍ او صنایعو اتاق

Afghanistan

The Land of Rising Opportunity

2011

Message from Chief Executive Officer Afghanistan Chamber of Commerce & Industries



On behalf of the membership of Afghanistan Chamber of Commerce & Industries (ACCI), please accept my warm greetings and best wishes.

Today, Afghanistan is a land of rising economic opportunity. Strategically nestled at the confluence of major trade routes, Afghanistan is blessed with abundant untapped natural resources, fertile agricultural lands, a favorable and improving business regulatory environment, and a significant domestic market characterized by expanding consumption from an emerging lower-middle class. The country's economic motivations are fueled by an enterprising and increasingly educated workforce underpinned by the entrepreneurial dynamism of the private sector.

Afghanistan is located at the geographical intersection of the Central Asian countries with their substantial petroleum reserves and spans the industrial and economic behemoths of China and India. Inside this economic corridor, Afghanistan is a signatory to all regional economic trade cooperatives, agreements that reduce tariffs and stimulate trade. A transit and trade agreement with Pakistan, recently entered into force, significantly reduces the cost and time to export our goods and facilitates the expedient transportation of Afghan products to the frontiers of India and China, a combined market in excess of 2 billion consumers.

Despite the obvious challenges faced by our country, the economy has recorded a high growth rate. On average, GDP has increased 10 % annually over the last 5 years. Afghanistan continues to enjoy a stable currency, low inflation (on average), and considerable expansion in the assets of commercial banks. Foreign and local investment has grown significantly as evidenced by the billions of dollars that has been channeled into the mining, aviation, telecommunications, and construction sectors.

Investors continue to recognize the significant upside investment potential in some of our sectors, even after factoring the downside security risk.

We recognize that any discourse on the state of the economy cannot preclude the state of the country's security situation. Investors are however encouraged to examine the issue more closely to separate generalizations about security from the safe-haven investment possibilities so as to establish a balanced risk tolerance perspective.

I believe that the Afghan investment imperative is compelling. An examination of fundamental and technical data related to our business, governance, and social indicators, generally show trends converging to shape the country's economic aspirations, an important measure for potential investors.

Rightly or unjustly, our shortcomings are well-documented. However, what remains to be fully explored is our potential as an investment destination. As the enabling organization and singular voice of the Afghan private sector, ACCI stands ready to respond to the needs of the investment community to facilitate a conducive and seamless transition to doing business in Afghanistan.

Accordingly, we look forward to hearing from you.

Respectfully,

Mohammad Qurban Haqjo

Email: ceoacci@acci.org.af



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- ▶ Chamber Law 2009 Established Unitary Chamber Structure
- ▶ International Affiliate Offices are Found in 8 Countries
- ▶ ACCI Has Signed MoU with 18 National Chambers
- ▶ Current Number of Members is Approximately 37,000
- ▶ All 30 Major Afghan Business Associations are Members
- ▶ ACCI-HQ is in Kabul; Chambers Also in 20 of 34 Provinces
- ▶ 21 Member Board of Directors Oversee ACCI Operations
- ▶ Chamber is Organized Around 9 Functional Departments
- ▶ 21 Sector Subcommittees Advise Chamber Leadership

About ACCI

Vision: Be the Leading Voice of the Afghan Private Sector

Established in 1931, Afghanistan Chamber of Commerce & Industries (ACCI) serves the advocacy and business facilitation needs of a growing market-based economy. Positioned at the nexus of public and private channels of engagement, the Chamber supports dialogue to influence the national business agenda on economic growth and reform. ACCI seeks to strike a balance between effective regulation and efficient creation of economic wealth.

As a vehicle for promoting trade and investment, the Chamber opens new markets for Afghan products, matches potential buyers with sellers, and advances the investment narrative of the nation. ACCI is a strong membership driven organization representing the interest of all major sectors of the economy.

Growing the Economy

A key to Afghanistan's transition to economic self-dependence is premised on public-private policy initiatives that stimulate domestic production, trade, and encourages foreign direct investment. For its part, the Chamber uses its considerable reach to influence inclusive, pro-growth, and pro-business policies.

ACCI leadership and influential members of the business community meets with the Presidency and Cabinet to express concerns and articulate solutions for consideration in the formulation of domestic economic policy.

Additionally, the Chamber's interaction with the global investment community remains one of the most important conduits to the Afghan government for conveying policy solutions that stimulates investment.

Challenges

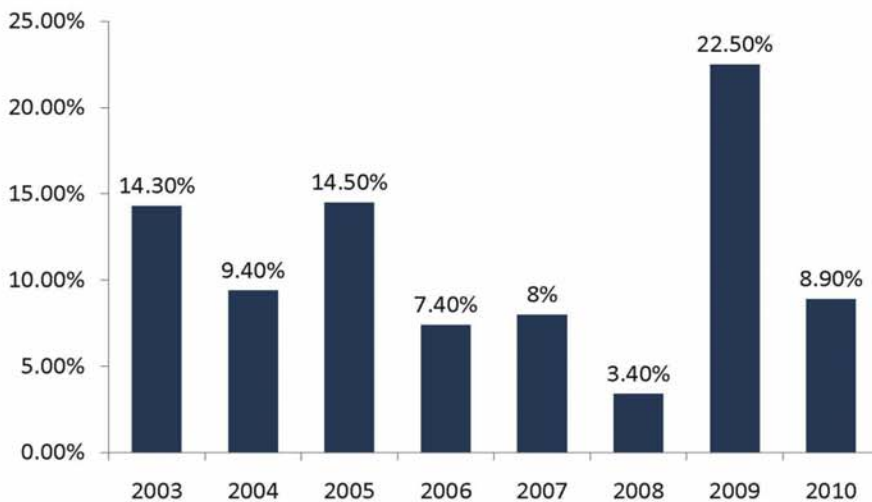
A gradual switch to a less subsidized market economy requires the private sector to lead growth in output, productivity, reinvestment, education, employment, and innovation.

Accordingly, the private sector must,

- A. Apply innovations in marketing and modern management practices to compete for market share in a discriminating global consumer economy;
- B. Forsake near-term gains for long-term profitability by reinvesting in capital assets to raise production and productivity levels; and
- C. Prioritize the development of its human capital by building a new generation of Afghan knowledge workers and systems inextricably linked to the global information economy.

ACCI is a Member of:

- ▶ Economic Cooperation Organization,
- ▶ International Chamber of Commerce and Industries,
- ▶ Islamic Chamber of Commerce,
- ▶ International Road Union,
- ▶ South Asia Association for Regional Cooperation,
- ▶ SAARC Chamber of Commerce,
- ▶ International Labor Organization



Afghanistan GDP Growth Rate



Saffron, Afghanistan's Red Gold

Investment

Opportunities in Agriculture in Afghanistan

Emerging global marketing opportunities plus largely-unreported improvements in Afghanistan's agriculture sector are attracting unexpected growth in overseas and domestic trade and investment on which American and other business have begun to capitalise.

The Afghan Government knows that jobs will entice many young men to trade their weapons for peaceful employment. It also knows that job-creation requires enabling the private sector - from incentivising local communities to play a role in reforestation and preserving natural resources, to providing farmers and agribusiness with affordable credit, to building the power and transport infrastructure and providing the high-quality, transparent support services that are demanded by global investors around the world. It is making progress fast enough to surprise even its critics.



Barikab is the most valuable industrial and agricultural property in Kabul Province, owned by the Government of Afghanistan and spanning 348 square kilometers (or 169 square miles). Land is available on long-term lease through the new and transparent Afghanistan Land Agency (ALA) Barikab's amazing, temperate, eight-month growing season (late February to late September) enables an investor to grow more than US\$14,000 of cucumbers on a single hectare. A one-hectare dairy unit could produce up to US\$ 300,000 in milk a year. But whatever edible products and investor might make or grow, even the domestic market is enormous - Kabul's population is four million and still growing.





Meanwhile, the Government of Afghanistan sets a high priority on serving investors, foreign and domestic. The Ministry of Agriculture is considered as the most effective and dynamic part of the Afghan Government that can provide technical assistance and advice to any potential investor.

To take a close-up view of Afghan investment opportunity, and to see how Afghanistan's farmers, businesses and government - along with foreign donors - cooperate with investors, we offer you this example recently reported in The New York Times. It describes how a Ministry of Agriculture project and partner in a larger nationwide effort are building value chains, in this case from local grape-growers to global markets.

Recent Achievements:

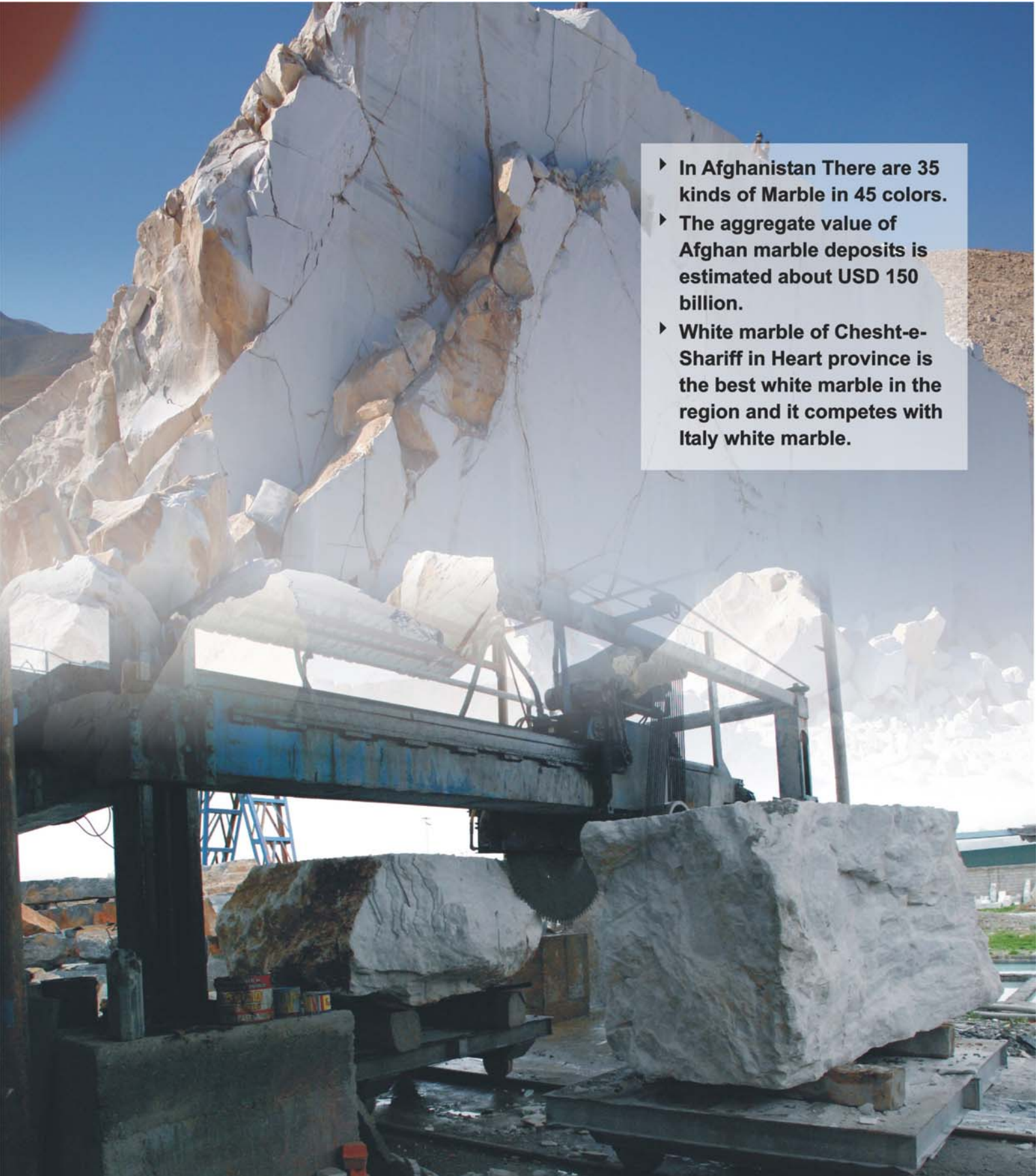
The Ministry of Agriculture, Irrigation and Livestock (MAIL) hosted the Kabul International AgFair 2010 on Oct. 6-8 at Badam Bagh Fairgrounds in Kabul with the support of the United States Agency for International Development (USAID). This marked the sixth AgFair held in Kabul and the eleventh AgFair held in Afghanistan since 2007.

Ambassador Eikenberry echoed that sentiment in his speech, "Afghanistan's progress in the agriculture sector is helping lead this proud nation along the pathway to development and self sufficiency by helping feed the Afghan people, opening markets, and stimulating economic growth and investment opportunities."



Minister Rahimi, Ambassador Eikenberry and other dignitaries followed the ceremony with a tour of the vendors and sites at the AgFair. The Kabul International Agfair 2010 featured 174 booths showcasing a range of products and services. Companies and organizations came from a variety of different sectors, including agriculture processing and production, textiles and carpets, livestock, animal healthcare, renewable energy, transportation and logistics, packaging and printing, bank and finance, and leather goods. Vendors included the Afghan Women's Business Council (AWBC), the Gardez Gardener Association, the Kunduz Carpet Association, Siemens Home Appliances, Pixar Group, the Kabul Museum of Afghanistan, Noor Agro Brothers, Spinghar Vegetable Oil Industry, Gardez Beekeeping Association and the Afghan Macao Cashmere and Skin Processing Plant.

The agricultural fair attracted almost 35,000 visitors over the course of three days. International business representatives from Argentina, India, Singapore, Hong Kong, Tajikistan, the United States, the United Kingdom, Switzerland, China, Singapore, Australia, the Netherlands and the United Arab Emirates participated in the AgFair to identify lucrative business opportunities in Afghanistan. Throughout the AgFair, the Productivity Center hosted a series of seminars on a wide variety of agricultural topics, allowing farmers, students, businesspeople, and the general public to learn about new agricultural technologies and techniques that will help improve agricultural productivity and increase sales. A preliminary report shows that 10 confirmed business deals totalling \$1,969,000 were negotiated at the Kabul International AgFair, and 15 potential business deals totalling \$12,100,233 were discussed at the AgFair.



- ▶ In Afghanistan There are 35 kinds of Marble in 45 colors.
- ▶ The aggregate value of Afghan marble deposits is estimated about USD 150 billion.
- ▶ White marble of Chesht-e-Shariff in Heart province is the best white marble in the region and it competes with Italy white marble.



Overall Mining Investment Opportunity Potential of Afghanistan

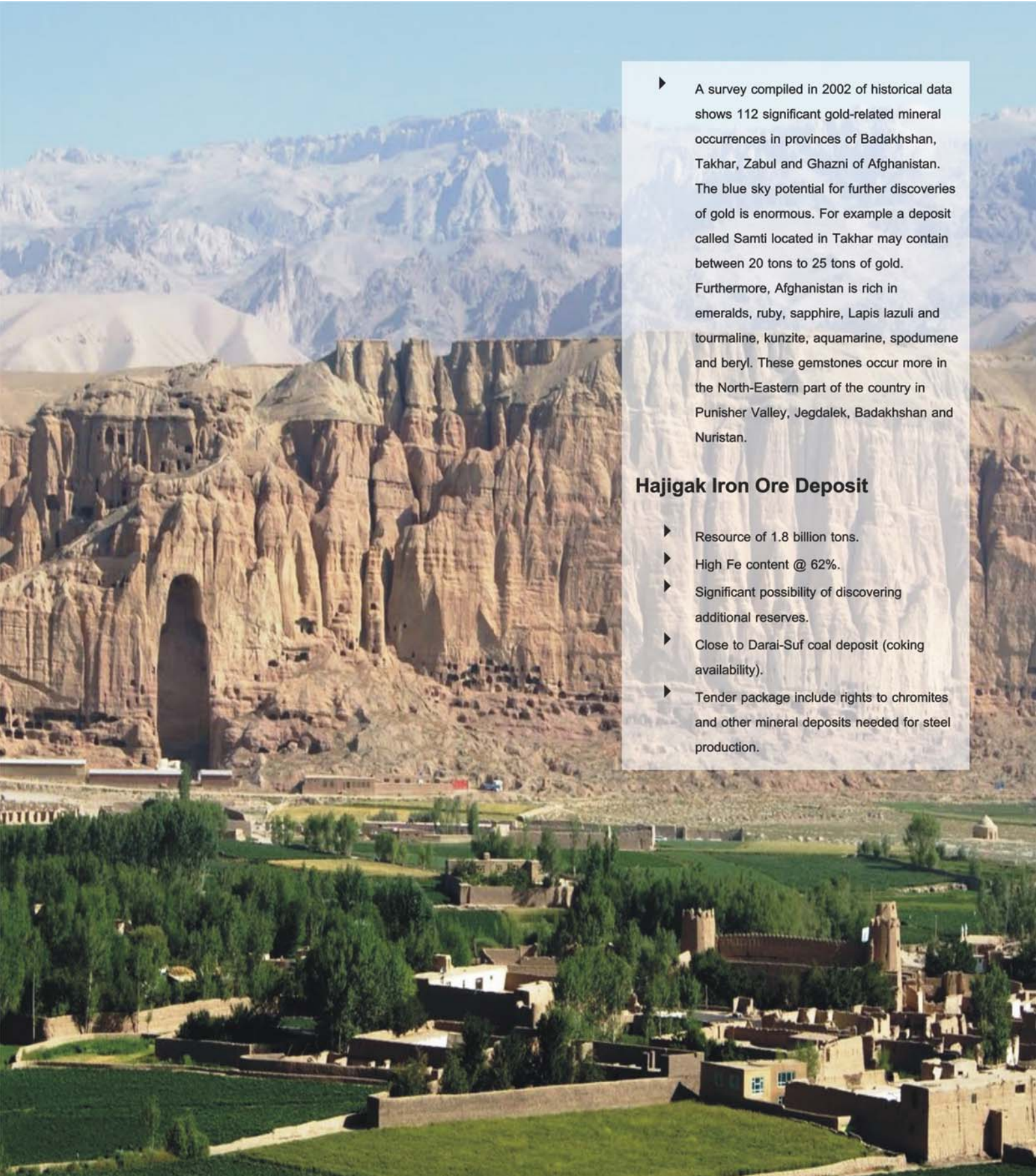
- ▶ Estimated at up to \$3 trillion potential value, based on geological survey information collected by the U.S. Geological Survey (USGS), and augmented from prior survey work by the British and the Soviets.
- ▶ Huge potential for further exploration as the estimated valuation covers only 30% of the Afghan territory.
- ▶ Afghanistan has sizeable deposits of iron ore, gold, coal, copper, oil and gas, and rare earth metals among other minerals.

Potential Investment in the Mining Sector of Afghanistan

- ▶ USGS estimates that Afghanistan may contain up to \$800 billion in sedimentary iron, \$200-400 billion in copper, \$10 billion in tin/tungsten, \$1 billion bauxite, \$1 billion gold, \$200 billion marble, and \$400 billion in hydrocarbons (including oil, gas, lignite and peat).
- ▶ The Hajigak Iron Ore deposit located in

Bamiyan Province is of particular significance as one of the largest unexploited iron ore deposits in Asia.

- ▶ In the future, the Ministry of Mines has also announced that the Badakhshan Gold deposits will go out to tender this year and the Balkhat Copper will open in 2011 along with hydrocarbon projects.
- ▶ There are 5 major crude oil and gas basins in Afghanistan with total proven gas reserves of 82.5 billion cubic meters of gas and 73 million metric barrels of crude oil. The most advanced basin is Amu-Darya which is located in the North-West of Afghanistan with 7 Gas and 6 Oil commercial discoveries. The others are Afghan-Tadjik basin, Tirpul, Helmand and Kundar-Urgun. The existing data or the reserves are dated to over 20 years ago, so recoverable reserves should significantly enhance the using modern recovery techniques. There is also large unproven potential in frontier areas with analogues in neighboring countries.



- ▶ A survey compiled in 2002 of historical data shows 112 significant gold-related mineral occurrences in provinces of Badakhshan, Takhar, Zabul and Ghazni of Afghanistan. The blue sky potential for further discoveries of gold is enormous. For example a deposit called Samti located in Takhar may contain between 20 tons to 25 tons of gold. Furthermore, Afghanistan is rich in emeralds, ruby, sapphire, Lapis lazuli and tourmaline, kunzite, aquamarine, spodumene and beryl. These gemstones occur more in the North-Eastern part of the country in Punisher Valley, Jegdalek, Badakhshan and Nuristan.

Hajigak Iron Ore Deposit

- ▶ Resource of 1.8 billion tons.
- ▶ High Fe content @ 62%.
- ▶ Significant possibility of discovering additional reserves.
- ▶ Close to Darai-Suf coal deposit (coking availability).
- ▶ Tender package include rights to chromites and other mineral deposits needed for steel production.



Tourmaline & Lapis



In recent years the Ministry of Mines has achieved huge success in shaping the mining industry and creating an investment friendly environment for investors.

- ▶ Completed a strategic review of Afghanistan's natural resource endowment.
- ▶ Launched the world's largest iron ore mining tender in September 2010 for open competition.
- ▶ Ministry of Mines has restructured and transformed from a traditional producer and operator to a modern economic entity with a special focus on regulatory, policy making and facilitating roles through private sector investment.
- ▶ Ministry of Mines has developed a clear legal framework in place (Minerals Law and Hydrocarbons Law).
- ▶ Approved a 5 year Business Plan to transform the strategy of the Ministry of Mines.
- ▶ Established the value of these natural resources at trillions of dollars.
- ▶ Published a comprehensive policy to exploit this natural resource potential.
- ▶ Reviewed and recommended changes in legislation to remove barriers to investment.
- ▶ Marketed Afghanistan's investment potential at global financial centers.
- ▶ Signed the contract for the railway that will connect Afghanistan to Pakistan, South Asia and Europe.

Why invest in Afghanistan?



Three good reasons

1. Afghanistan is an emerging market of strategic importance close to some of the largest and fastest-growing markets in the world.

Afghanistan is strategically located between the energy-rich republics of Central Asia and the major seaports in South Asia providing a key transit route for Central Asian oil and gas to markets in South Asia as well as overseas. Also Afghanistan has natural access to markets of neighboring countries including China, India and Pakistan.

2. Afghanistan offers a pro-business minded environment with legislation favorable to private investments.

The principles of a market economy are incorporated in the Constitution of Afghanistan. Considering the National Development Strategy, the growth of

the private sector is a cornerstone of Afghan politics. Consequently President Hamid Karzai as well as the government has focused intensely on removing obstacles to private sector development.

3. Afghanistan is rich in natural resources.

In Afghanistan there are currently more than 1.400 identified mineral deposits. These include energy minerals such as oil, gas and coal as well as iron and copper deposits of world quality. Furthermore, the country has been blessed with a great variety of precious and semi-precious stones, including emerald, jade, amethyst, alabaster, berylo, lapsis, lazuli, tourmaline, ruby, quartz and sapphire. Following the national privatization programme most of the major state-owned enterprises have been slated for international tender, which has made the entry into all these sectors easier.

Afghanistan Investment Priority Sectors



1. Agriculture

Agriculture remains fundamental to the livelihood in Afghanistan, generating one third of the country's GDP and supporting nearly 80 per cent of its people. The climate of Afghanistan is well suited for the cultivation of horticultural crops. That's why, the country is the origin of many high-end crops like raisins, pomegranates, pistachios and almonds. One industry related to the agricultural sector is packaging, which provides great opportunities for investors. Although demand for Afghan agricultural goods is high, current packaging procedures are outdated and prevent trade and commerce. Processing is another great investment opportunity. Due to the growing markets for fruits and vegetables, the potential for processed agricultural products is enormous, including snack foods, fruit concentrates as well as fresh fruit jams.

2. Construction Materials

Creating a competitive national construction industry is a prerequisite for the reconstruction of Afghanistan. Currently, the sector is one of the fastest growing in the country. That's why, the demand for construction materials is rising rapidly in Afghanistan, making the market more attractive for foreign investors. For example, urban planners and government officials develop a new urban area in the north of Kabul which will be home to estimated 1.5 million people.



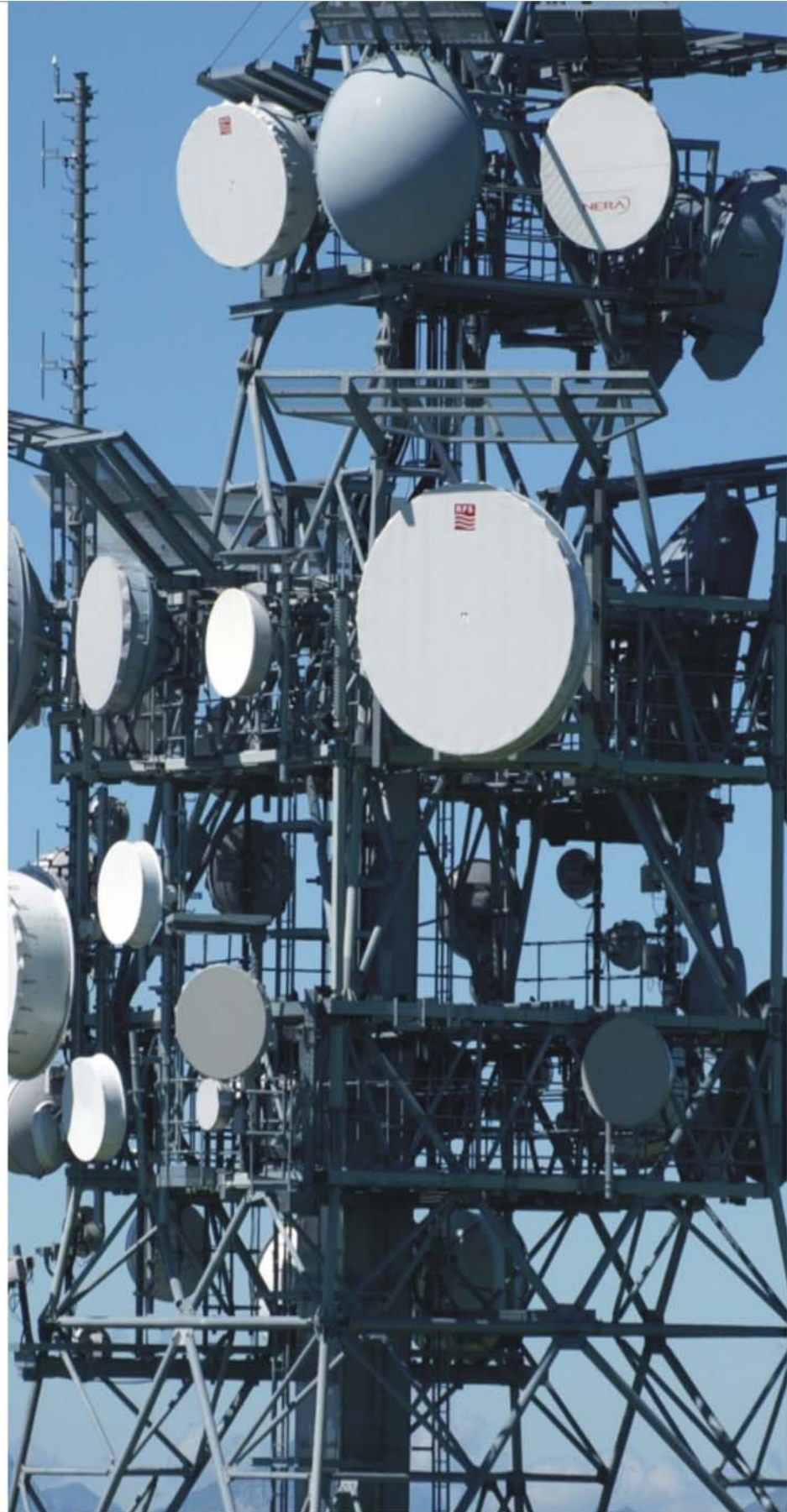
3. Telecommunication

Core telecommunication service providers supply the Afghan market already in a sufficient manner with increased competition and price pressures. While there are still opportunities for mobile service providers, the other supply and service areas of the telecommunication sector represent a far more virgin market. Examples are: Data processing, basic business-processing operations, information and communication technologies, data transfer, process control and call centers.



4. Transport and Logistics

Afghanistan shares borders with six neighbors - Iran, Turkmenistan, Uzbekistan, Tajikistan, China and Pakistan - and is considered as a land bridge connecting emerging markets in Middle East, Central and Southern Asia. The country's large and growing market for transportation and logistics services presents a ground floor opportunity for new providers. Early investors report modest start-up costs and low overheads, and even smaller operators are moving large volumes of freight. Investments in the transportation and logistics sector are vital to the overall economic development, as it will enable the transportation and distribution of products throughout the country and to overseas destinations.





Cross-Border Trading Opportunities

Paving the Way

The government has identified improvement in cross-border trading as one of the pillars of its economic growth strategy. Afghanistan is a nation rich in resources, strategically located, and its people are steeped in the business of trading. To facilitate the country's entry into the global trading platform, a multi-pronged approach is being implemented. It is designed to create the conditions necessary to attract foreign direct investment to increase exports and reduce dependence on imports.

What it Means to Potential Investors

The confluence of the events described below: signing trade and transit treaties, undertaking economic and institutional reforms, improving infrastructure, and implementing trade facilitation projects, is an unprecedented development. That it is occurring simultaneously underscores the commitment of the government and international community to prepare the foundation for sustainable economic growth for Afghanistan.

Investing in Afghanistan at an opportune moment will yield optimal profits. While the opportunity horizon is considered extended, investment entry points will differ. For this reason, investors are encouraged to closely monitor the progress of the developments articulated here to better understand how to maximize their returns.



Signatory to Trade and Transit Cooperatives

Afghanistan is party to several trade and transit agreements that aims to lower transportation cost, reduce the time to trade, significantly lower tariffs, and provides access to regional markets:

- ▶ The Afghanistan Pakistan Transit Trade Agreement (APTTA) allows Afghan trucks to transport goods to the ports surrounding Karachi and to return with in-bound products. Freedom of transit means that no custom duties are levied on these goods in transit. In addition, Afghan trucks are allowed to transport products to the border posts of China and India, a combined market of about 2 billion consumers.
- ▶ The South Asian Free Trade Area (SAFTA) is an 8-nation market in South Asia characterized by low tariffs of between 0 to 5% for Afghan exports not on a member country's sensitive list; as well, the Agreement provides access to a combined market approaching over 1 billion consumers.
- ▶ The Economic Cooperation Organization Trade Agreement (ECOTA) involves 10-nations in Central Asia. Members participate actively in the process of liberalizing trade through progressive reduction of tariffs and elimination of non-tariff barriers to trade. ECO nations envision a free trade area by 2015.

Separately, Afghanistan is scheduled to issue TIR carnets by the beginning of 2012. The TIR transit system allows goods to transit from a country of origin to a country of destination in sealed load compartments with customs control recognition



Boost Gate, Helmand-Afghanistan

along the supply chain. TIR carnets will allow Afghan trucks to traverse to Central Asian and European markets with minimum administrative and financial burden.

On-going Economic and Institutional Reforms

Economic and institutional reform is a fundamental development focus. Two major on-going activities will contribute to improved conditions for investors interested in cross-border trading opportunities:

- ▶ Firstly, Afghanistan is seeking to attain member status to the World Trade Organization (WTO). Implicit in accession to WTO membership is a series of reforms and good governance practices that must be undertaken to abide by the WTO trading system.

- ▶ Secondly, Afghanistan is seeking to improve its standing in the World Bank's Ease of Doing Business ranking, a measure closely watched by the investment community. With the assistance of donors, five working groups are examining current institutional processes and will propose wide-ranging reforms that will positively impact the country's ranking in 2012; this includes the indicator, Trading Across Borders.

Infrastructure Improvements

As a result of 17 large scale road construction projects, Afghanistan's network of roads has improved to accommodate intra-province commerce as well as cross-border trading. Presently about 35 % of the country's 10,500 kilometers of roads have been upgraded and this includes almost 3,650 kilometers of roads linking major cities in bordering provinces to the border towns of the neighboring country.

Railway networks are being built to transport minerals from mines and to link major commercial centers to bordering countries to enhance cross-border trade. Further, the International Aviation Organization is assisting Afghanistan standardize its air transportation system to conform to international standards.

To support modern manufacturing processes, industrial parks with stable electricity, water, access to roads, and adequate security have been built in Bagrami, Mazar-i-Sharif, Kandahar, Jalalabad, and Helmand. Additional construction of industrial parks is now on the drawing board.

Trade Facilitation: Supporting Standards

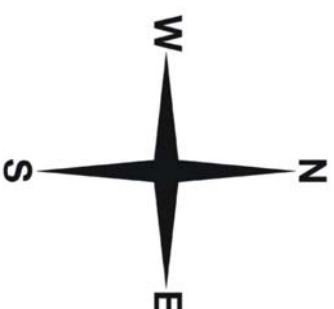
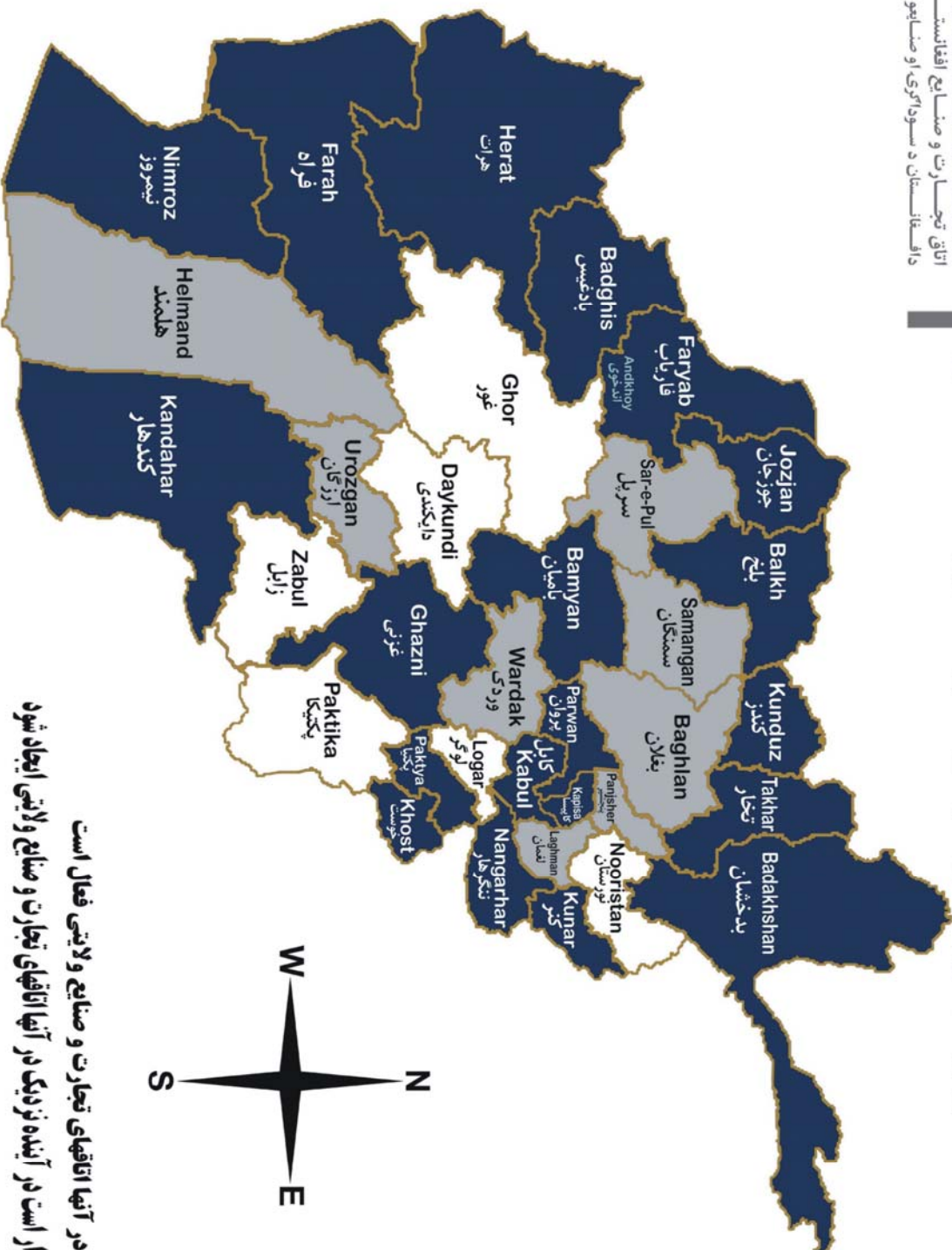
The Afghan National Standards Authority (ANSA) has developed a strategic plan to help the organization navigate towards implementation of a technical infrastructure for standardization, metrology, accreditation and conformity assessment. This will contribute to economic and commercial integration, removal of technical barriers to trade, and facilitate the global exchange of Afghan goods and services. ANSA seeks to become a service provider that will help the private sector to learn about and adopt the quality and standards demanded by international markets.



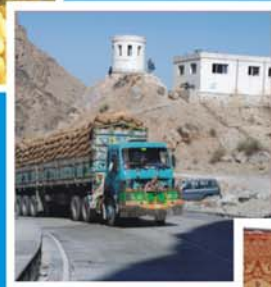
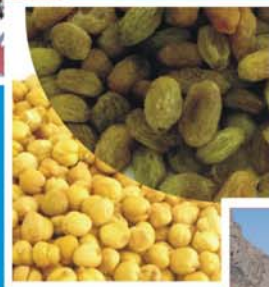
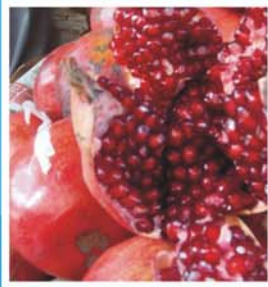


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نقشه د فاطر ولایتي اتاق تجارت و صنایع افغانستان



ولایات که در آنها اتاقهای تجارت و صنایع ولایتي فعال است
ولایات که قرار است در آینده نزدیک در آنها اتاقهای تجارت و صنایع ولایتي ایجاد شود



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