



YOUR GUIDE TO **INVESTING IN AFGHANISTAN**

Your Investment Destination
at the Heart of Asia



invest in
AFGHANISTAN

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INTRODUCTION

Afghanistan has a fast growing economy acting as a bridge, connecting south Asia-central Asia with the Middle East & Europe ultimately. As a World Trade Organization (WTO) member, the country is committed to enable business environment for domestic as well as foreign investors. In line with its commitments, business licensing one-stop-shop, industrial parks, and investment friendly laws and regulations motivate investors to take the full advantage of the investment opportunities in the country. The investment incentives vary from low number of competitors to rich natural resources and availability of inexpensive labor force.

The Covid-19 pandemic has deteriorated investment rates globally. In response, the nations have put extra endeavors to promote and facilitate investment better than before. Likewise, Afghanistan has launched the campaign of “Invest in Afghanistan” (IIA) brand. The main objective of IIA campaign is to attract foreign direct investment (FDI), promote domestic investment in import substitute products, and promote & present Afghanistan as a potential and favorable destination for investment in the region.

Investment promotion includes marketing activities such as branding, providing website and mobile apps to make all relevant data and information available online, investment guide, releasing investment opportunities and updates through direct mailing channels, investment seminars, participation in trade shows and exhibitions, one to one direct marketing efforts, and matching prospective investors with local partners.

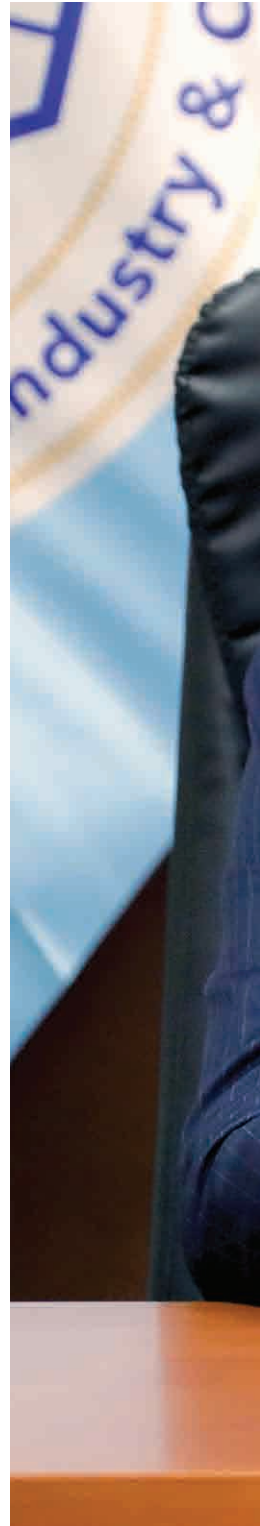
This investment guide has been prepared to offer information to prospective foreign and domestic investors on how to invest in Afghanistan’s fast-growing economy. The guide includes seven chapters covering an overview of the country, why invest in Afghanistan, success stories, investment opportunities, guide to investing, licensing, and taxation. The first three chapters will provide a vision on investment affairs of the country, motivating investors to invest in Afghanistan for a higher profit. Meanwhile, the fourth chapter will provide plenty of investment opportunities to the prospective investors. Finally, the fifth, sixth, and seventh chapters will guide investors through their journey of investment in Afghanistan.

MINISTER'S MESSAGE

During the last two decades, Afghanistan's traditional economy has evolved into a market-based economy. As a policy-driven entity, the Ministry of Industry and Commerce's vision is a socially responsible market economy in which the private sector leads to sustainable and equitable growth. Accordingly, its mission is to convert Afghanistan from an importing country to an exporting one, increase the industry share in GDP, and improve Afghanistan's ranking in the World Bank Doing Business Index. Recently, MoIC developed the "Investment Promotion Framework" to determine its role in the country's investment scenario. The framework has been approved in principle by H.E. President in the High Economic Council's eleventh meeting. One of the framework's tasks is to campaign the brand of "Invest in Afghanistan" In this regard, the investment guide and website of Invest in Afghanistan have been updated from which the guide is presented to you.

Afghanistan is a suitable destination for investment for those ready to accept high risk for a higher profit. As a result of investments, the average annual turnover for four companies—Roshan, Khan Steel, Talay Sorkh Afghan and Benazir Yakta—have experienced unprecedented growth. This advantage comes from many factors such as an untapped market with a low number of competitors, regional connectivity, industrial parks, one-stop-shops for business licensing, and a pro-investment government with an attractive tax regime. For instance, Afghanistan's government provides an environment for 100% foreign business ownership, 20% flat corporate tax, zero tariffs on the imported machinery, 1% tariff on imported raw material, and availability of dispute resolution center according to UNCITRAL rules. Above all, the Investment Promotion Directorate of MoIC within the country and commercial attachés and embassies outside of the country are ready to provide services to all prospective investors.

Interested investors can select any project presented in this guide for investment or submit their investment proposals for approval to IPD MoIC. This guide's investment opportunities include projects in energy, agriculture, mining, construction, and public-private partnership sectors. In case of a request from investors, the projects can be discussed in details through online meetings. In addition, for receiving investment updates and new opportunities every month, investors can visit the Invest in Afghanistan website or subscribe to IPD email marketing channel.





ABBREVIATIONS

ACBRIP	Afghanistan Central Business Registry & Intellectual Property
ACD	Afghanistan Customs Department
ACDR	Afghanistan Centre for Dispute Resolution
ADB	Asian Development Bank
APSMP	Afghanistan Power Sector Master Plan
APTTA	Afghanistan-Pakistan Transit Trade Agreement
ARD	Afghanistan Revenue Department
ARCC	Afghanistan Rugs and Carpet Center
BRT	Business Receipts Tax
CAREC	Central Asian Regional Economic Cooperation
CBTA	Cross-Border Transport of Persons, Vehicles and Goods
DAB	Da Afghanistan Bank
DABS	Da Afghanistan Breshna Shirkat
DG	Director General
ECOTA	Economic Cooperation Organization Trade Agreement
EPAA	Export Promotion Agency of Afghanistan
ETF	Electronic Funds Transfer
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GDIPIA	General Directorate of Industrial Parks and Industrial Affairs Development
HBI	High Investment Board
HEC	High Economic Council
IFU	Investment Facilitation Unit
IPD	Investment Promotion Directorate
ISO	International Organization for Standardization
LDC	Least-Developed Country
LTO	Large Taxpayer Office
MAIL	Ministry of Agriculture Irrigation & Livestock
NWARA	National Water Affairs Regulation Authority
MFI	Microfinance Institution
MFN	Most-favored Nation
MoIC	Ministry of Industry and Commerce
MoEC	Ministry of Economy
MoFA	Ministry of Foreign Affairs
MoF	Ministry of Finance
Moj	Ministry of Justice
MoMP	Ministry of Mines & Petroleum

MoPH	Ministry of Public Health
MTO	Medium Taxpayer Office
MoUDL	Ministry of Urban Development and Lands
NEPA	National Environmental Protection Agency
NIP	National Infrastructure Plan
NPA	National Procurement Authority
NSIA	National Statistics and Information Authority
PPP	Public Private Partnership
PTA	Preferential Trade Arrangements
ROI	Return on Investment
SAFTA	South Asian Free Trade Agreement
SME	Small Medium Enterprise
SoB	State-owned Banks
TAP	Turkmenistan-Afghanistan-Pakistan
TAPI	Turkmenistan-Afghanistan-Pakistan-India
TIN	Tax Identification Number
TSACC	Talay Sorkh Afghan Commercial Company
TUTAP	Turkmenistan-Uzbekistan-Tajikistan-Afghanistan-Pakistan
UN	United Nations
UN ISIC	United Nations International Standard Industrial Classification
UNCITRAL	United Nations Commission on International Trade Law
WCO	World Customs Organization
WTO	World Trade Organization

ABOUT AFGHANISTAN

1.1 Geography

Afghanistan is a landlocked country situated between South Asia and Central Asia. In fact, it is considered a land-bridge to South & Central Asia and Europe due to its strategic location. It is bordered by Tajikistan, Uzbekistan, and Turkmenistan to the north, Iran to the west, Pakistan to the south and east, and China to North East.



Official Name

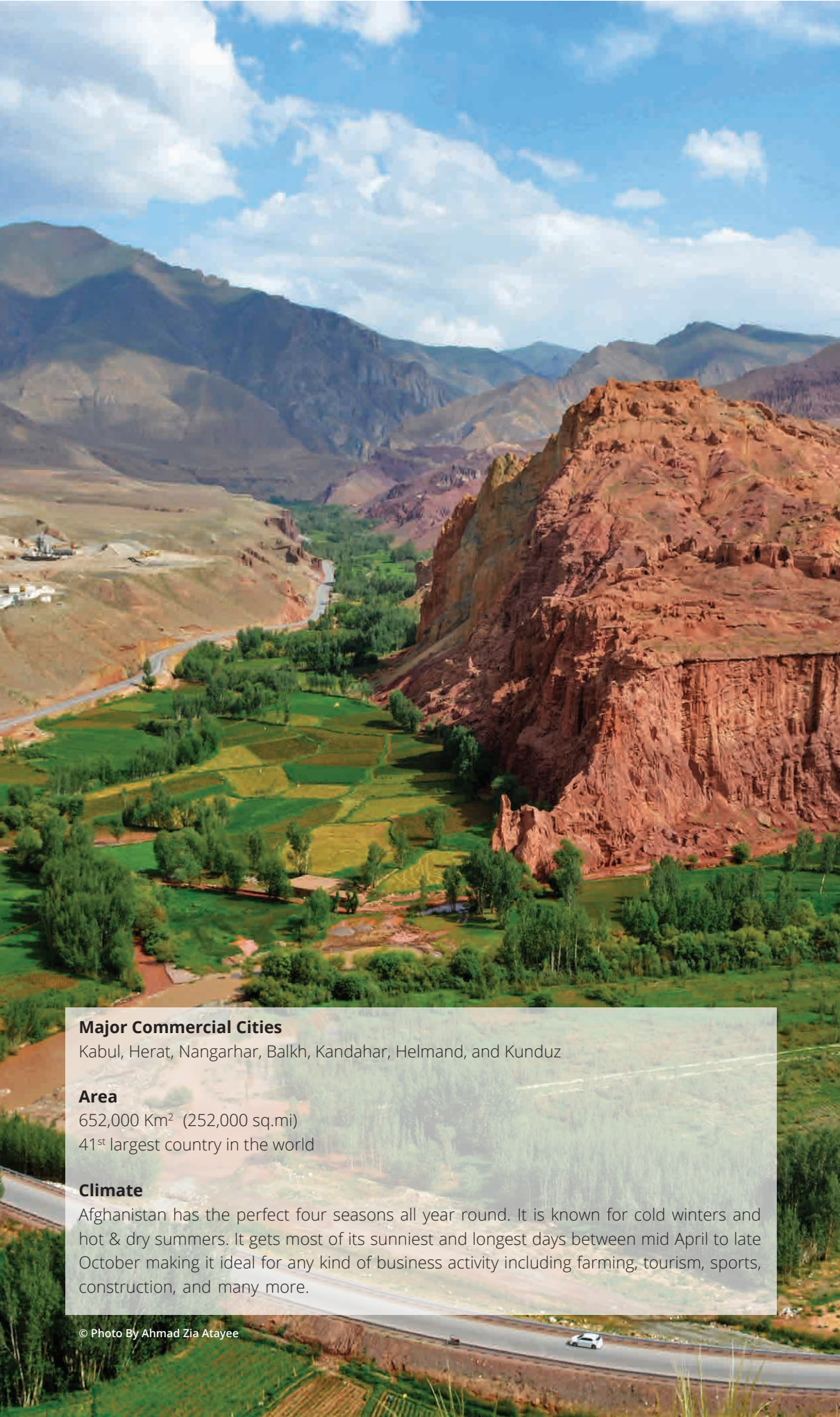
Islamic Republic of Afghanistan

Capital

Kabul

Provinces

Afghanistan is home to 34 provinces. From its sweeping valleys, snow-capped mountain peaks, and a mosaic of cultures and peoples, Afghanistan has one of the unparalleled natural beauties on earth.



Major Commercial Cities

Kabul, Herat, Nangarhar, Balkh, Kandahar, Helmand, and Kunduz

Area

652,000 Km² (252,000 sq.mi)

41st largest country in the world

Climate

Afghanistan has the perfect four seasons all year round. It is known for cold winters and hot & dry summers. It gets most of its sunniest and longest days between mid April to late October making it ideal for any kind of business activity including farming, tourism, sports, construction, and many more.

1.2 Demographics

Population

Total Population

32.9 Million

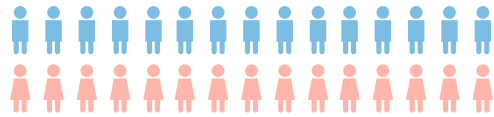
Afghanistan's total estimated population in 2020-2021

Projected Population for 2025

40 Million

Projected Population for 2050

56 Million



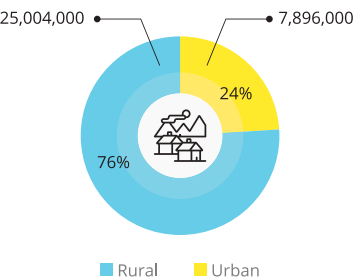
2025



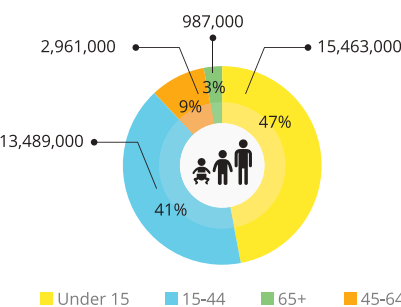
2050



Population Categories

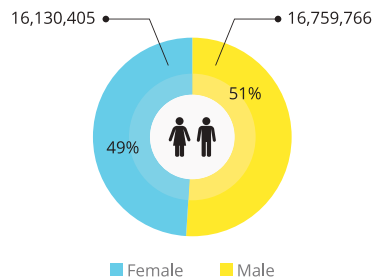


Age Group

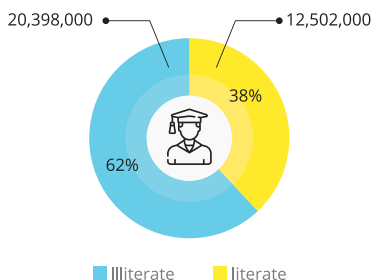


Data Source: NSIA – Estimated Population of Afghanistan 2020-2201

Gender



Overall Literacy



1.3 Economy

During the last two decades, Afghanistan's economy has steadily increased year by year. There has been growth in every economic sector. Data from the World Bank, as highlighted in the following chart, shows that **Afghanistan's Gross Domestic Product (GDP) increased from \$4 billion in 2002 to \$19 billion in 2019 – showing an increase of a whopping 38% over 18 years which translates to an average GDP of 2.1% per year.** The same source states that Afghanistan's economy grew by 3.9% in 2019 due to strong agricultural growth by government's emphasis on agriculture production.

Agriculture remains Afghanistan's most important source of employment for over 75% of Afghanistan's population and accounts for close to a quarter of its GDP. According to Afghanistan's National Infrastructure Plan (NIP), 2017-2021, the growth prospects for the economy are predominantly in agriculture and mining which will require large private sector investment.

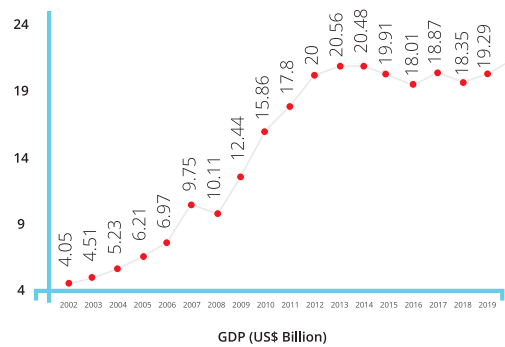
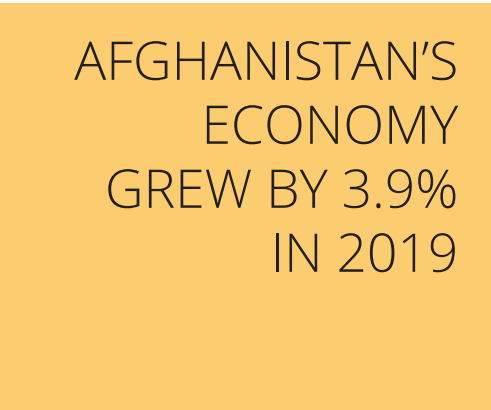


Figure 5: Afghanistan GDP - 2002-2019

GDP (official exchange rate)	\$19.10 billion
GDP - Real growth rate	3.9%
GDP - per capita	\$502
Main Agricultural products	Wheat, rice, barley, fruits, nuts, wool, mutton, sheep-skins, lambskins, saffron
Main Industries	Small to medium-scale production of steel, carpets, bricks, textiles, soap, furniture, shoes, fertilizer, apparel, food products, non-alcoholic beverages, mineral water, cement, handwoven carpets, natural gas, coal, copper
Labor Force	14.4 million
Unemployment Rate	23.9%
Exports	\$1.48 billion
Main Export Commodities	Fruits and nuts, handwoven carpets, wool, saffron, cotton, hides and pelts, precious and semi-precious gems, and medicinal herbs
Imports	\$7.23 billion
Main Import Commodities	Machinery and other capital goods, food, textiles, petroleum products, cooking oil, sugar, tea

Table 1: Afghanistan Economic Snapshot

Source: World Bank, NSIA

1.3.1 Economic impacts of COVID-19

The government of Afghanistan started its efforts to contain the spread of the virus early on during the month of January by controlling travelers at airports and other international entry points. Despite this, the first COVID-19 case in Afghanistan was identified on 22 February 2020 in Herat. It should be borne in mind that at the time of writing of this report, Afghanistan already passed the initial surge phase of the COVID-19 pandemic and is now entering the second phase. As of end-November, based on the worldometer database, the officially recorded cases in Afghanistan are 45,966 and the total deaths are 1,752 with actual cases and fatalities expected to be far higher.

This situation significantly impacted the MSMEs in Afghanistan, declining job opportunities for many across the country. In 2017 the unemployment and under-employment was 39.5%. Experts claim that it is expected that both unemployment and poverty rates could rise a record breaking number if the situations stay the same.

The COVID-19 pandemic has plunged the Afghan economy into a deep recession. According to the Biruni Institute, the economy is projected to contract by 8.2 % in 2020, driven by a fall in output as a result of disruptions to supply chains and exports, and a drop in consumption due to an income shock borne by the households.

The government of Islamic Republic of Afghanistan had no choice in introducing an expansionary fiscal policies as the COVID-19 triggered recession has further reduced the available policy options for the government as domestic revenues were immediately and abruptly affected by the crisis in the second quarter of the 2020. Hence the government started reviewing its development portfolio, by re-locating resources across the development projects, restructuring some of the existing projects, and introducing new projects that are better targeted to the poor and the sectors that increase resilience at times of crisis such as agriculture sector.







1.4 Infrastructure

Infrastructure remains a critical component for long-term economic growth and development in Afghanistan. Since 2002, the government of Afghanistan has taken great strides to improve country's infrastructure. It has enacted laws, rules and regulations to create an enabling environment for both public and private sector investments. Afghanistan has rebuilt existing infrastructure and developed new ones. Key progress include building of roads, airports, railway lines, optical fiber network, dams, schools, and much more. Still the country is faced with huge infrastructure challenges.

Investment opportunities are at an all-time high and require long-term commitments from investors. Afghanistan's NIP with tremendous investment opportunities include hydropower dams, renewable solar energy plants, Kabul ring road, urban transport, civil aviation and trade facilitation, dry ports and transport logistics, rehabilitation of existing and new irrigation schemes, irrigation intake canals, water storage reservoirs for rainfed agriculture and irrigated agriculture, and housing.

WHY INVEST IN AFGHANISTAN?



1

**PRO-INVESTMENT
GOVERNMENT**



2

WTO MEMBERSHIP



3

**LOWER COSTS OF
DOING BUSINESS**



4

**UNTAPPED MARKET
(LOW NUMBER OF
COMPETITORS)**



5

**GLOBAL MARKET
ACCESS THROUGH
REGIONAL
CONNECTIVITY**



6

**RICH IN NATURAL
RESOURCES**



7

**BILATERAL &
MULTILATERAL TRADE
AGREEMENTS**



8

**DISPUTE RESOLUTION
CENTER**



9

**YOUNG &
INEXPENSIVE LABOR
FORCE**

2.1 Pro-Investment Government

The government of the Islamic Republic of Afghanistan (GoIRA) is fully committed to supporting and promoting investments by foreigners and Afghans.

Free Market Economy

The government has a vision for developing the country based on the principles of free market economy supported by private sector development.

Afghan Constitution

Article 10 of the Afghan constitution encourages and protects private capital investments and enterprises based on the market economy and guarantees their protection in accordance with the provisions of law.

Ease of Doing Business Indicators

The government has considerably implemented pro-business laws and efficient regulations to remove obstacles in line with the requirements of doing business indicators set by the World Bank. According to the World Bank's Ease of Doing Business, Afghanistan's ranking has increased considerably.

It has implemented reforms in the ease of starting a business, getting credit, protecting minority investors, revenue collection, and a new insolvency law.

Incentive Packages

The government has undertaken several other important reforms to attract Afghan private-sector and foreign investment, by offering incentive packages to investors, including visa on arrival, benefiting from Afghanistan's preferential tariffs treatment both on imports and exports, granting of industrial land at favorable terms, promotion of public-private partnerships and streamlining of the business license registration process. Also, the international community remains committed to Afghanistan's development, pledging over \$97 billion at eleven donors conferences between 2003 and 2020 with future commitments to continue. Most recently, the November 2020 Geneva Conference had produced pledges of 12 to 13 billion US dollars for the period between 2021 to 2024.



Liberal Investment Laws

Afghanistan has one of the most liberal investment laws based on the principles of free market economy and supported by the government’s vision of fostering private sector development and increasing domestic and foreign investment. To-date, the country has created an enabling regulatory environment by developing and passing several laws to promote private sector development, attract domestic and foreign investments, and ensure protection of investors. Below is a list of key laws enacted by the government of Afghanistan that serve different purposes and are important for investors.

Name	Enforcement Date	Gazette Number
Private Investment Law	December 06, 2005	869, 985, 1230
Public Private Partnership (PPP) Law	September 05, 2018	1322
Insurance Law	July 22, 2008	954
Law on Limited Liability Companies	March 03, 2019	1292
Commercial Mediation and Arbitration Law	January 18, 2007	913
Law on Commercial Contracts and Selling Property	October 20, 2014	1150
Income Tax Law	March 18, 2009	976, 1181, 1103, 1115, 1118, 1206, 1251
Value Added Tax Law	December 21, 2016	1209, 1244
Customs Act	July 28, 2016	1235
Law on Banking of Afghanistan	August 17, 2015	1197
Da Afghanistan Bank Law	November 11, 2003	1197
Mineral Law	September 05, 2018	1315
Law on Oil and Gas (Hydrocarbons)	September 05, 2017	1277
Labor Law	November 25, 2008	966, 1230

Table 2: Important Laws to Know in Afghanistan

Source: Kakar Advocates - <https://www.kakaradvocates.com>

Attractive Tax Regime

Afghanistan has one of the most attractive tax regimes in the region. Some of the key highlights of what taxes mean to investors in Afghanistan.

<ul style="list-style-type: none">Investor can own 100% of the company. Investors can lease real estate for up to 90 years for arable land and longer for non-arable land.20% flat corporate tax rateZero restrictions on repatriation of capital and profits	<ul style="list-style-type: none">Indefinite carry forward of losses and use of accelerated capital depreciationNo import duties on machinery. Only 1% duty on raw materialsAvailability of state-of-the-art dispute resolution center for all investors
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2.2 WTO Membership

Afghanistan became an official member of the World Trade Organization (WTO) on 29 July 2016. Afghanistan, being a landlocked country is also considered a Least-Developed Country (LDC) by the United Nations (UN). This situation makes Afghanistan eligible to enjoy special treatment from the WTO member states in the global trading system. Apart from the regular benefits enjoyed by the WTO members, Afghanistan is eligible to receive duty-free entry or reduced tariff rates under Preferential Trade Arrangements (PTA) for its products exported to the following countries shown in table 2.

Provider	Type of Scheme	Note
Armenia	Generalized System of Preferences	
Australia	Generalized System of Preferences	
Canada	Generalized System of Preferences	Also enjoys Most-favored nation (MFN) treatment from Canada
European Union	Generalized System of Preferences	Duty-free quota-free access to all products, except for arms and ammunitions
Iceland	Generalized System of Preferences	
Japan	Generalized System of Preferences	
Kazakhstan	Generalized System of Preferences	
New Zealand	Generalized System of Preferences	
Norway	Generalized System of Preferences	
Switzerland	Generalized System of Preferences	
Turkey	Generalized System of Preferences	
United States of America	Generalized System of Preferences	Duty-free scheme for approx. 5,000 products
India	Duty-Free Tariff Preference Scheme for LDCs	
Chile	Duty-free treatment for LDCs	
China	Duty-free treatment for LDCs	Duty-free and Quota-free scheme for 4,000 products
Kyrgyz Republic	Duty-free treatment for LDCs	
Montenegro	Duty-free treatment for LDCs	
Tajikistan	Duty-free treatment for LDCs	
Thailand	Duty-free treatment for LDCs	
Korea, Republic of	Preferential Tariff for LDCs	

Table 3: Afghanistan's Preferential Trade Arrangements Country List

Source: WTO

2.3 Lower Costs of Doing Business

Establishing a business does not cost a lot in Afghanistan. Registering a business and obtaining a business license does not take more than 8 hours and costs only **1.4 US Dollars** all under one-stop-shop, which is equipped with modern data center and biometric system of licensing. The same one-stop-shops are available in 25 provinces in Afghanistan.

The government offers industrial land equipped with necessary infrastructure for just **14.5 US Dollars** per square meter to investors. Investors can set up their businesses all over Afghanistan in the designated industrial parks established by the government and thus avoid unnecessary set-up costs. All industrial parks are managed by the Ministry of Industry and Commerce (MoIC).

Obtaining a business license does not take more than 8 hours and costs only **1.4 US Dollars** all under one-stop-shop

2.4 Untapped Market (Low Number of Competitors)

Although Afghanistan is a war-torn country, many international investors enjoy a less competitive environment. Afghanistan has come a long way in a short time in terms of the rules and regulations pertaining to the entry and operations of foreign investors, providing the same opportunities for both national and international investors, the functioning and efficiency of local markets, facilitating and simplification of tax and compliance procedures, and many other aspects that facilitate foreign direct investments (FDI).

Although many companies are doing business in Afghanistan, the majority of these businesses are donor-dependent. In other words, the Afghan market is relatively untouched. According to a UNCTAD report, the total FDI inflow for 2019 was 39 million US dollars (UNCTAD's 2019 World Investment Report). Another factor that makes Afghanistan an attractive FDI destination is the labor force availability and low cost.

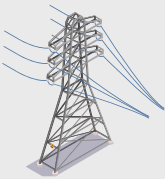
Last but not least, Afghanistan's location makes it more attractive for international investments. Afghanistan is located in the heart of Asia, strategically connecting the region. Afghanistan can act as a corridor connecting all countries in the region.

2.5 Global Market Access through Regional Connectivity

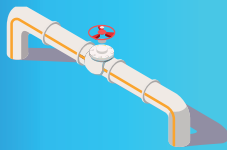
Due to its unique strategic location, Afghanistan offers many benefits to prospective investors. By creating an investment base in Afghanistan, investors can target not only local Afghan markets, they can also access international markets in Central Asian, South Asian, Middle Eastern countries and beyond. Economic giants such as China and India and the fast-growing markets of Pakistan are just miles away from Afghanistan. Over 2 billion consumers can be targeted right from Afghanistan, which offers unlimited earning potential to investors.

Similarly, Afghanistan is considered the future hub of trade, transit, culture and energy production and transmission. Afghanistan's NIP highlights the importance of mega energy projects related to movement of natural energy through Afghanistan, which will serve as the utility corridor connecting the energy-rich Central Asian nations to energy-poor South Asia. There are three projects that are currently in the pipeline:

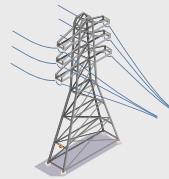
TAP **500** kV transmission line that would initially move 2000 MW from Turkmenistan to Pakistan via western Afghanistan and could eventually carry up to 4000 MW.



TAPI gas pipeline that will transport natural gas from Turkmenistan to Pakistan and India via Afghanistan.



CASA 1000 transmission lines that will move over 1000 MW of electricity from Kyrgyzstan and Tajikistan to Pakistan via Afghanistan.



These projects will enhance regional cooperation and connectivity by offering investment opportunities in energy supply, transport systems, freight and logistic supply chains, and high-speed telecommunications. These projects will create tens of thousands of jobs, provide energy to Pakistan and India, bring development, reduce poverty, and increase regional cooperation between Afghanistan, Pakistan and India.

In addition, Afghanistan has signed a trilateral transit arrangement on Cross-Border Transport of Persons, Vehicles and Goods (CBTA) with Tajikistan and Kyrgyzstan, within the framework of the Central Asian Regional Economic Cooperation (CAREC). Afghanistan is a member of CAREC. The CAREC program will expand trade and improve competitiveness in the region. In this connection, Afghanistan will benefit from Corridor 5 and 6 of CAREC that aims to connect East Asia with the Middle East and South Asia; running through China, Kyrgyzstan, and Afghanistan and also to connect Europe and Russia to the Middle East and South Asia, with three routes to the Arabian Sea port of Karachi and Gwadar or Bandar Abbas in the Persian Gulf. Afghanistan will also benefit from other key corridors such as APTTA (Chaman-Karachi-Gwadar-Wagah border in India), Lapis-lazuli which will give easy access to Chabahar and Bandar Abbas seaports of Iran.

2.6 Rich in Natural Resources

Afghanistan offers untapped investment potential in its one of a kind natural resource known for quality, abundance and purity. As per the official government figures,

Afghanistan has over 1,400 identified mineral deposits related to oil, gas, coal, gold, iron and copper.

Afghanistan is also home to abundant deposits of precious and semi-precious stones mainly emerald, jade, amethyst, alabaster, beryl, lapis lazuli, tourmaline, ruby, quartz, and sapphire.

Afghanistan also offers great opportunities for investments in the hydrocarbons industry.

As an example, according to the MoIC, the Aynak copper resource (known as Mes Aynak) has been estimated at **240 million** metric tons making it the **2nd largest** reserve of copper ore in the world with deposits estimated to be worth up to **\$88 billion**. The government of Afghanistan awarded a mining contract to China Metallurgical Group (which was selected through an international bidding process) and entered into a 30-year lease for the development of a copper mine at Mes Aynak in Logar Province for **\$3 billion**. This has been the biggest foreign investment in Afghanistan.



2.7 Bilateral & Multilateral Trade Agreements

Afghanistan has bilateral and multilateral trade agreements with several countries.

Agreement	Type	Countries	Coverage
Preferential Trade Agreement	Bilateral	Afghanistan-India	Goods
Afghanistan-Pakistan Transit Trade Agreement (APTTA)	Bilateral/ regional	Afghanistan-Pakistan	Goods and transit
South Asian Free Trade Agreement (SAFTA)	Multilateral	Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka	Goods
Economic Cooperation Organization Trade Agreement (ECOTA)	Multilateral	Afghanistan, Azerbaijan, Iran, Kazakhstan, Kyrgyzstan, Pakistan, Tajikistan, Turkey, Turkmenistan, and Uzbekistan	Preferential treatment of goods
Chabahar Agreement	Trilateral	Afghanistan, Iran, India	Goods
International Transportation Routes	Multilateral	Afghanistan, Iran, Tajikistan, Uzbekistan	Transportation
Lapis Lazuli	Multilateral	Afghanistan, Azerbaijan, Georgia, Turkey, Turkmenistan	Goods
International Road Transport	Membership	International	Transportation

Table 4: Afghanistan Trade Agreements

Source: MoIC of Afghanistan



© Photo By Hamayoun

2.8 Dispute Resolution Center

There is a dispute resolution center that facilitates mediation and arbitration of business issues and disputes in Afghanistan. This center was recently established under the name of Afghanistan Centre for Dispute Resolution (ACDR) which aims to attract and maintain domestic and international commercial business interests in Afghanistan and beyond. ACDR offers cost-effective and timely arbitration and mediation services to domestic and international business community besides delivering training and education to businesspeople.

2.9 Young & Inexpensive Labor Force

Afghanistan has one of the youngest populations in South Asia. Over 40% of its total population include young males and females. There is an abundant supply of quality and inexpensive labor force in the Afghan market.



SUCCESS STORIES

This section highlights success stories of key investors who have invested in steel, telecommunication, textile and saffron industries in Afghanistan. They now run successful businesses. Below is highlights of interviews with the owners of these companies.



KHAN STEEL COMPANY

Khan Steel Company is one of Afghanistan's most prominent industrial companies. 100% Afghan-owned and operated, Khan Steel established its fully licensed steel smelting factory in 2015, located at Kabul's Pol-e-Charkhi Industrial Park.

The company was founded to meet the demands of the development of Afghanistan's steel industry and supply the high number of construction projects ongoing in the collective effort of rebuilding the country and promoting economic growth. Khan Steel has contributed to significant job creation for local communities, with over 1000 factory and administration personnel employed and rapidly growing in size. Khan Steel has also impacted the significant reduction in the cost of construction in Afghanistan, while maintaining high quality standards and outputs.

With an adamant focus on maintaining environmental integrity and protection, Khan Steel's modern factory also works in smelting recycled scrap steel from across Afghanistan to produce mild steel products. Khan Steel's highly-qualified staff of engineers have also worked diligently on taking appropriate measures for control of smoke emission and protecting surrounding areas to ensure full compliance of NEPA (National Environmental Protection Agency) regulations. With their capacity to provide low-cost, high quality steel products, Khan Steel is a testament to the high-yield and rapid growth which investors have access to across Afghanistan.



ROSHAN TELECOMS

Roshan is a true Afghanistan success story, actively contributing to the country's long-term development with more than \$750 million invested in Afghanistan to date. Roshan Telecom directly employs more than 900 people – 97% which are Afghan nationals and 19% who are women – and provide indirect employment to more than 35,000 people.

Roshan Telecom has invested more than \$750 million to date within its network which covers 287 districts and cities in all of Afghanistan's 34 provinces and reaches more than 70% of the country's population. Roshan Telecom operates a world-class network operations center and an internationally-certified (ISO) call center inside Afghanistan that handles more than 250,000 calls per week.

Roshan was officially recognized as a certified B-Corp in 2013, the first company in Afghanistan to achieve this prestigious status. As a B-Corp company, Roshan Telecom was recognized as one of the first Afghan companies which can successfully invest in Afghanistan as a thriving business as well as having a social conscience and positive socio-economic impact on the country. Becoming a B-Corp makes Roshan the first company in Afghanistan to join over 600 companies in 24 countries from around the world that have obtained the highly coveted designation.

Roshan has also been recognized as one of the "Top 50 Companies Changing the World" by renowned Fortune Magazine and leading business innovation publication. Fast Company ranked Roshan as one of the "Top Ten Most Innovative Companies in Social Good."



SAID ABBAS TEXTILE & CARPET

Afghanistan Rugs and Carpet Center (ARCC) is the largest carpet manufacturer in Afghanistan. They use the philosophy of 'sheep-to-shop.' The company works with herders throughout the country to help them produce the highest quality wool, builds the capacity of spinners, and trains weavers in state-of-the-art methods in their training institute. Wool finishing, cutting, and washing as well as carpet finishing are completed at their large modern facilities in Kabul and Jalalabad.

ARCC maintains retail shops in Australia, the United Kingdom, and Belgium, and has a buyer in the United States to sell and market their products. The Kabul-based operations directly employ approximately 200 employees, and the company has relationships with over 15,000 weavers all over the country, 70 percent of whom are women. They produce carpets based on traditional styles from all parts of the country as well as modern and custom designs.



Knotted by
ARCC
2017

بافت و دیزاین توسط
مرکز فرش و قالین افغانستان
سال ۱۳۹۵

بازار تشه‌های آشپز و قزاق

TALAY SORKH AFGHAN

Talay Sorkh Afghan Commercial Company (TSACC) was established in 2015 and has been a trailblazer in the production and export of saffron across the world. TSACC has the commitment and proficiency to promote and improve the market of Afghan saffron in Afghanistan and has been opening the country's doors to the international market in introducing the highest quality of saffron in Afghanistan. TSACC aims to help and support saffron farmers in producing, processing, sorting and packing in accordance with the attested international standards.

TSACC maintains the highest organic quality of Afghan saffron and cumin and consistently works with international stakeholders to ensure the market rates match the quality of products which are offered by TSACC. Additionally, in 2019, women cultivators at TSACC increased from 60 in 2015 to 550. During the same year, the women cultivators of TSACC processed a total of 185 kilograms of saffron. The company also facilitated a 3-day training program for their employees on "Food Security and Food Safety", which has been expanded to include the farmers and processors who work for TSACC across the country.



BENAZIR YAKTA

Established in 2017 and already expanding its business at a global rate, Benazir Yakta Trading Company produces dry fruits, nuts and saffron of various quantities for consumer markets in India, the United Kingdom, Switzerland and the UAE.

Benazir Yakta, the company's founder, focuses primarily on promoting the work and employment of Afghan women, with hundred women currently employed in various areas of the company. Benazir Yakta Trading Company is located across different provinces in Afghanistan, including Kandahar, Daikundi, Ghazni, Bamyar and Logar. Benazir Yakta is also the first woman-owned business to use the air corridor to export Afghan goods, previously utilizing land transports from 2017 and growing exponentially to market her product globally.

Approximately 20 farms match the product demands of Benazir Yakta Trading Company, where the farmers are provided dedicated contracts and are guaranteed the highest quality control and reinforcing the link between investors, companies and local communities.



INVESTMENT OPPORTUNITIES

Afghanistan offers great opportunities in every economic sector as the country has not seen any major development of these sectors when the country encountered many problems including wars, displacements of its people, outward migrations, and political instability. However, Afghanistan has witnessed steady growth since 2002 when its GDP was close to \$4 billion. In 2019, its GDP was approx. \$19 billion – a staggering increase of 38% over 18 years. Although the country has been impacted by the effects of Covid-19 pandemic in 2020, it offers fresh opportunities to the government and the private sector.

Only a few sectors has seen more growth compared to other sectors. For instance, investors (domestic and foreign) invested heavily in the telecommunication sector mainly covering wireless communication. This sector has not reached its full capacity yet because there are other areas that need attention of investors. One such area is the digitization of public and private services, which is in line with the government’s vision for creation of an E-Afghanistan within a decade or so.

Below is a brief description of investment opportunities available in primary, light, and heavy industries as well as non-tradable/service industry as per industrial classification developed by MoIC. For a detailed industrial classification please refer to United Nation International Standard Industrial Classification for all economic activities (UN-ISIC)

Sectors	
Primary Industry	Agricultural (Farming, Forestry and Fishing)
	Mining
Light Industry	Food, Beverages, and Tobacco
	Textiles, clothing, and leather
	Wood, paper, and printing, miscellaneous and unallocated
	Rubber Products and Chemicals
Heavy Industry	Non-Metallic minerals
	Metals and Machinery
Non-tradable/ Services Industry	Construction, public utilities, transport and communication
	Trade and services

Table 5: MoIC Industrial Classification



Primary Industry | Agriculture & Irrigation

According to the Food and Agriculture Organization, Afghanistan's total arable land constitutes nearly 58% of its total land area. Total arable land is close to 37,910 hectares. Since 74% of Afghans live and work in rural areas, therefore, agriculture has mainly dominated Afghanistan's economy, which in turn contributes to nearly 25% of its overall GDP. Agriculture, including agribusiness sector has the potential to become one of the biggest economic sectors in Afghanistan.

Bankable Projects



ANDKHOY IRRIGATION PROJECT

Total Investment | Feasibility Study Completed
US\$ 323 M | **Yes**
Contract Period
2021-2023



PINE NUT COMMERCIAL FOREST GARDENING IN AFGHANISTAN

Total Investment | Feasibility Study Completed
US\$ 175 M | **Yes**
Contract Period
20 Years



NATIONAL HORTICULTURE DEVELOPMENT PROGRAM

Total Investment | Feasibility Study Completed
US\$ 1.5 B | **Yes**
Contract Period
At least 25 Years



MUSA QALA DAM IRRIGATION PROJECT

Total Investment | Feasibility Study Completed
US\$ 289 M | **Yes**
Contract Period
2020-2024



ZAMIN DAWAR IRRIGATION PROJECT

Total Investment | Feasibility Study Completed
US\$ 158 M | **Yes**
Contract Period
2020-2023



SALMA DOWNSTREAM REHABILITATION

Total Investment | Feasibility Study Completed
US\$ 168 M | **Yes**
Contract Period
2020-2023



Primary Industry | Mining

Afghanistan is bestowed with natural resources and minerals including oil and gas, copper, iron, sulfur, bauxite, lithium, and rare-earth elements. Estimates based on surveys by a team from the US Geological Survey put the value of reserves at upwards of 3 trillion US dollars. Investment in the mining sector of Afghanistan requires government approval and involves a bidding process which is mainly managed by the Ministry of Mines and Petroleum (MoMP). Opportunities for investments exist in upstream and downstream operations of oil and gas, investing in mine-to-market value chain (including mining, development, production, shipping and marketing) of minerals and other mineral deposits. Below is the pyramidal display of Afghanistan's mineral resources. For a complete list of Afghanistan's natural resources and their quantities/locations, please refer to invest.af or contact MoMP.

Bankable Projects



NOQRA KHANA IRON (HEMATITE) MINE

# of iron elements	% of iron (max.)
49	55.91
% of iron (average)	% of iron (min.)
47.6	34.38

Depth of iron (forecast)

25 m / 34,388,529.20
50 m / 68,777,058.40
100 m / 137,554,116



TOL VALLEY IRON (HEMATITE) MINE

# of iron elements	% of iron (max.)
54	59.98
% of iron (average)	% of iron (min.)
47.56	33.53

Depth of iron (forecast)

25 m / 17,204,564.04
50 m / 34,409,128.08
100 m / 68,818,256.16

No	Commodity	Province	Area (km ²)	Estimated Deposit (MT)
1	Marble (Silver and Striated)	Kapisa	31.177	1,199,545,200
2	Marble (Silver)	Parwan	1.0584	605,691,580.40
3	Marble (White)	Herat	1.722	117,526,500
4	Marble (White and Silver)	Daikundi	0.7029	195,956,208.80
5	Marble (White and Red)	Kunar	14.13	4,144,125,847
6	Travertine	Ghazni	0.543	127,605,900
7	Travertine	Wardak	0.452902	11,519,595.26
8	Gold	Ghazni	484	7.7
9	Lapis Lazuli	Badakhshan	-	1300
10	Emerald	Panjsher	48	

Table 6: Bankable Projects in Mining Sector



Heavy Industry | Energy Sector

Energy is one of the biggest and most promising sectors for Afghanistan. Currently the country is a net importer of energy mainly electricity, gas and oil although it is endowed with such resources which could be used for thousands of years to come. Wars destroyed much of the energy infrastructure in Afghanistan. Since 2002, the government has taken concrete steps to develop and adopt laws, regulations and strategies to promote investment in energy sector.

Currently, Afghanistan is a net importer of energy, including oil, gas & electricity. It imports electricity mainly from Uzbekistan, Tajikistan, Turkmenistan and Iran. According to Asian Development Bank (ADB), Afghanistan's electricity demand reached 670 megawatts (MW) in 2012. It was able to meet only 25% of this demand from its own energy resources (hydro, thermal, and diesel generators) and had to import 75% of electricity (500 MW) from the above-mentioned countries. Similarly, According to ADB, Afghanistan Power Sector Master Plan (APSMP) for 2012–2032 projects electricity demand to reach 18,400 megawatt-hours by 2032 under a base-case scenario, indicating an average growth rate of 8.5%. With future investments in the energy sector, the electrification will reach 83% by 2032 thus reducing Afghanistan's electricity imports from 75% to 25%.

Investment prospects in the energy sector (both renewable and non-renewable) are at an all-time high. Investment in the energy sector could take the form of government-to-government (G2G) agreements, PPP or direct investments.

Bankable Projects



BAGHDARA HYDROPOWER PLANT

Total Investment | Feasibility Study Completed
US\$ 562 M | Yes

Contract Period

According to Power Service Law



50 MW BALKH WIND FARM PROJECT

Total Investment | Feasibility Study Completed
US\$ 125 M | On-Going

Contract Period

25 Years



SHALL 798 MW HYDROPOWER PLANT

Total Investment | Feasibility Study Completed
US\$ 1.63 B | Yes

Contract Period

According to Power Service Law



SAGI HYDROPOWER PLANT PROJECT

Total Investment | Feasibility Study Completed
US\$ 610 M | Yes

Contract Period

According to Power Service Law



Heavy Industry | Transport Sector

Historically, Afghanistan has served as the trade route for many years connecting Asia, Europe, and the Middle East. It has been the traditional trade bridge for over 2 billion people in Asia and beyond. With a renewed focus on Afghanistan's historical role as a land bridge, the international community, including investors have realized to support Afghanistan by embarking on mega infrastructure projects to rebuild, improve, and expand its transport infrastructure while focusing on roads, railway lines, airports, dry ports, customs, and related structures. All of this will contribute to a robust transportation system in Afghanistan. Investment in the transportation sector is highly viable and can generate massive returns.

Bankable Projects



IMPLEMENTATION OF PUBLIC TRANSPORT PLAN

Total Investment	Feasibility Study Completed
US\$ 181.8 M	Yes
Contract Period	
TBD	



ESTABLISHMENT & MAINTENANCE OF CARGO AND PASSENGER TRANSPORT TERMINALS IN PROVINCES

Total Investment	Feasibility Study Completed
US\$ 880 M	Yes
Contract Period	
TBD	



CONSTRUCTION OF PARKS ON HIGHWAYS, PROVINCES AND PORTS

Total Investment	Feasibility Study Completed
US\$ 84 M	Yes
Contract Period	
TBD	



Public Private Partnership

Construction has been one of the booming industries in Afghanistan. It has covered so many sectors, including housing, renovations, manufacturing of construction material, construction of infrastructure, such as dams, roads, schools, hospitals, and much more. Afghanistan still offers great investment opportunities in the construction sector.

Part of creating public-private partnerships (PPPs), the MoF of Afghanistan announced the following investment projects in October 2020.

Bankable Projects



BARIKAB INDUSTRIAL PARK

Total Investment | Feasibility Study Completed
US\$ 585.9 M | Yes

Contract Period
25 Years



Export Processing Zone

Total Investment | Feasibility Study Completed
US\$ 88 M | Yes

Contract Period
25 Years



KABUL FIBER TO THE HOME

Total Investment | Feasibility Study Completed
US\$ 40 M | Yes

Contract Period
20 Years



NEW PASSENGER TERMINAL (HAMID KARZAI INTERNATIONAL AIRPORT)

Total Investment | Feasibility Study Completed
US\$ 262.5 M | Yes

Contract Period
TBD



SUROBI II HYDROELECTRIC POWER PROJECT

Total Investment | Feasibility Study Completed
US\$ 300 M | Yes

Contract Period
30 Years



WATERSHED MANAGEMENT THROUGH ESTABLISHMENT OF COMMERCIAL ORCHARDS WITH CUMIN SEEDS

Total Investment | Feasibility Study Completed
US\$ 177.5 M | Yes

Contract Period
25 Years



Investment in Small Medium Enterprises (SMEs)

Afghanistan is historically known for expertise in the production of hand-made products. Such production is often done by self-employed entrepreneurs, families, or SMEs. In this respect, SMEs are important drivers of economic growth in Afghanistan. Investors can partner with Afghan SMEs and establish viable businesses. For instance, according to MoIC, investment in value-chain activities related to cashmere production, carpet weaving, marble production, gemstones mining, livestock skins and leather, and medicinal plants offer guaranteed returns and profit margins on a sustainable basis. Currently, due to lack of complete production and processing facilities, most of value chain activities take place outside Afghanistan resulting in lower profits to Afghan entrepreneurs and loss of export dollars to the government. Below are a brief explanation of the Afghanistan cashmere and carpet production with data provided by MoIC.

Afghanistan is one of top 10 countries in the world where significant amounts of cashmere are produced. Cashmere is one of the world's rare specialty fibers. In 2011 Afghanistan produced 1200 metric tons valued at \$25 million. This was 7% of global supply. It is estimated that 30% of Afghan cashmere-producing goats are being harvested with the remaining 70% of Afghan goat farmers unaware of the value of cashmere or the channels for trading the product. There is great potential for Afghanistan to increase the volume of cashmere it produces by focusing on improving harvesting techniques, establishing cashmere processing facilities, and establishing clear market linkages for producers.

Afghanistan has a long tradition of handmade carpets including Chob Rung (pile and knotted carpets made from wool, silk and cotton); Kilims (non-pile fabric woven carpets), and felted woolen carpets. The sector represents Afghanistan's largest official export, generating over \$150 million annually and constituting 15% of carpet exports globally. Over one million Afghans work in the production of carpets, with hundreds of thousands more working in related industries such as wool production, cut and wash, and design. More than 95% of Afghanistan's production occurs in homes, on one or two looms, with a number of family members participating. Carpets are still among Afghanistan's most important exports. The industry has a centuries-old tradition that enjoys global fame. Afghan carpets are world-renowned. The government of Afghanistan places a high priority on the development of the carpet sector because of its importance as a source of income for the rural population.

The Afghan carpet industry offers high potential for investment. It is estimated that the value of sector exports could increase two to five times if value-added activities of carpet production happen in Afghanistan and carpets are sold directly to foreign markets rather than through intermediary countries.

Over 2 decades of wars have caused Afghanistan to become a net importer of so many light and heavy-duty consumer products. In 2018, Afghanistan imported goods worth close to \$10 billion or 89% while exports were only \$1.27 billion. Higher imports give an opportunity for the government to focus on developing domestic industries that can substitute imports and increase export values in the long-run. According to figures from MoIC, there are over \$500 million worth of products that can be substituted with exports through investment opportunities in different economic sectors. MoIC have identified the following sectors, which have strong potential for import substitution.

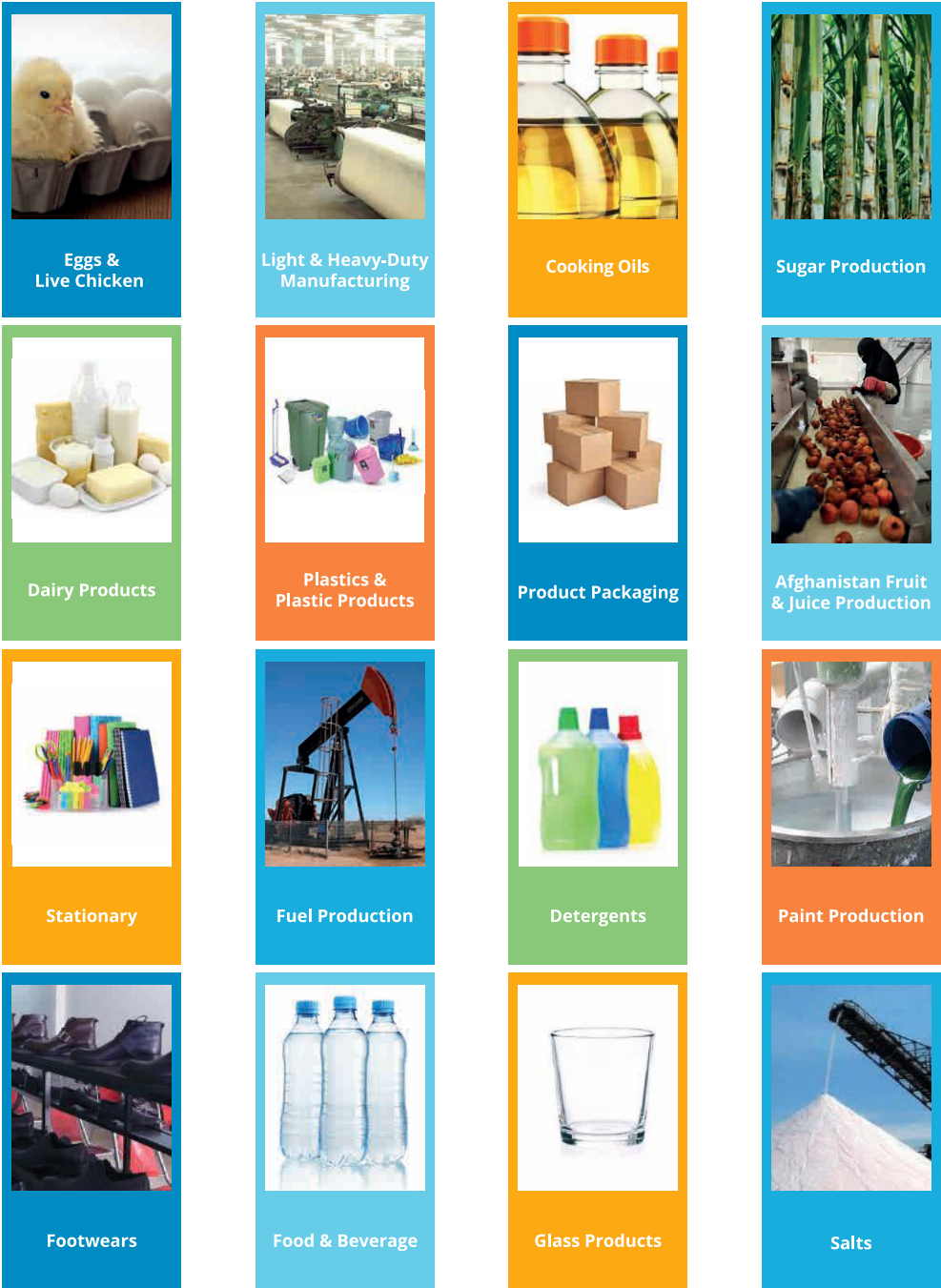


Figure 6: Investment Opportunities in Import Substitution in Afghanistan



GUIDE TO INVESTING

This guide is designed to help foreign and domestic investors and businesses navigate investing opportunities and how to establish their businesses in Afghanistan. In this respect, besides its several other key responsibilities, the Ministry of Industry and Commerce (MoIC) of the Islamic Republic of Afghanistan is charged with promoting domestic and foreign investments by creating a strong and stable enabling environment that will encourage a competitive private sector participation and development in Afghanistan. This is also guaranteed by the Article 10 of the Constitution of Afghanistan, which articulates a clear direction for its economy. Article 10 states that Afghanistan will be a society of hope and prosperity based on a strong, private sector-led market economy, social equity, and environmental sustainability.

Within MoIC, several departments work in tandem to promote investment in Afghanistan. For instance, General Directorate of Industrial Parks and Industrial Affairs Development (GDIPIA) is responsible to promote investments, plan, develop and manage industrial parks. Similarly, Afghanistan Central Business Registry & Intellectual property (ACBRIP), which also operates under MoIC is mainly in-charge of registering businesses in the country.

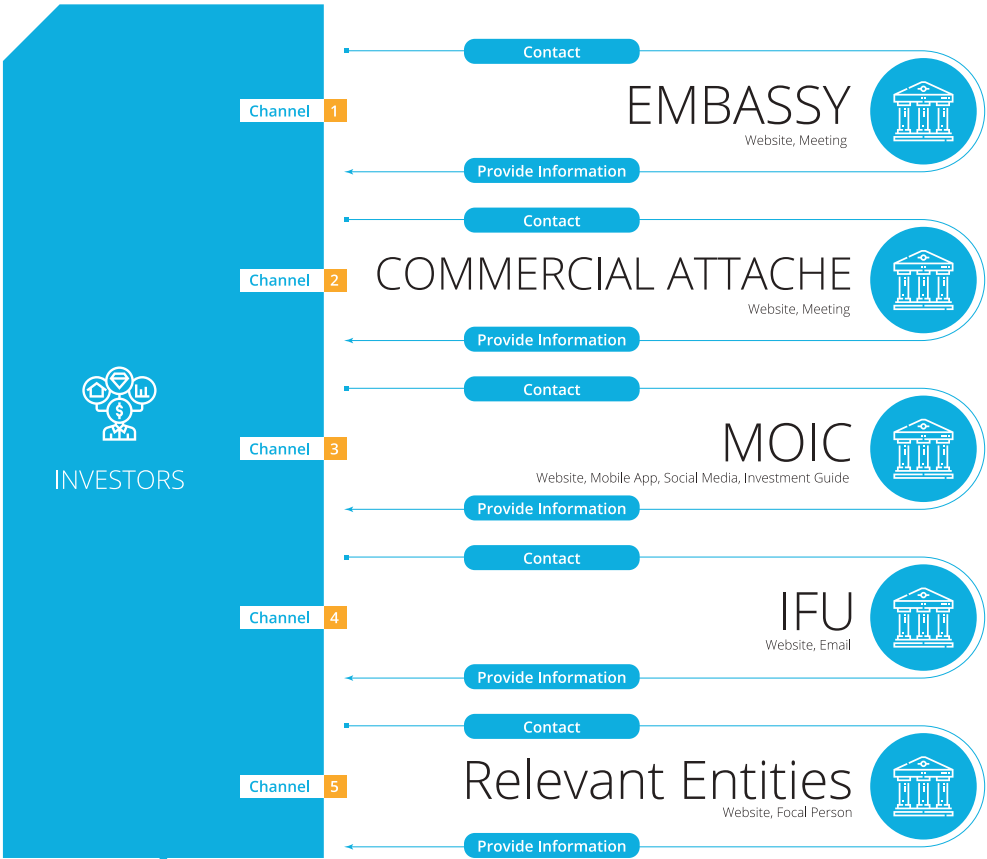
As per presidential decree #2943 dated December 31, 2017, the One Stop-Shop was also reformed under ACBRIP to bring more simplicity to the process of licensing and has become a single window solution for all sectorial ministries and investors. ACBRIP also provides trademark registration, patents, geographical indications (GI), industrial design & integrated circuit registration services. For more information, please visit "<http://www.moci.gov.af>" and "<http://www.acbr.gov.af/en>".

High Investment Board (HIB) was established as per the instruction of the President of the Islamic Republic of Afghanistan in October 2017. HIB's main role is to attract domestic and foreign investments, recommend investment incentives in light of the applicable laws, create and approve investment policy, identify and address investment related issues. HIB has its own members composed of government ministries and independent organizations. It meets on a quarterly basis to address investors' problems and approve investment initiatives and proposals.

There are also private agencies in Afghanistan that facilitate quick business registration, visa and work permit processing, offer taxation, financial, legal, and many other valuable services at a fraction of cost. These companies know the Afghan government processes and ensure fast turnaround.

In the following sections, more information is provided about how investment should be made, what entities are involved in facilitating and making investment decisions, and what steps are needed to come to Afghanistan, and how to obtain an investment license and register your business.

Step 1- Obtaining Investment Opportunities



Step 2- Applying for Investment

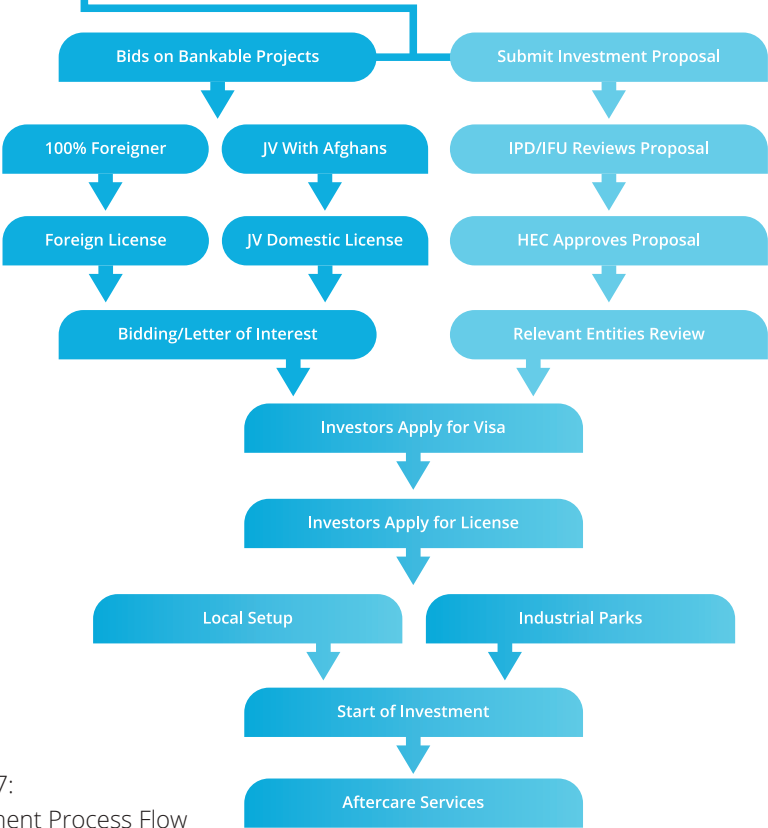


Figure 7:
Investment Process Flow

5.1 Complaint Management Initiative by ACBR-IP

Afghanistan Central Business Registry and Intellectual Properties (ACBR-IP) is committed to increase transparency and prevent corruption in its services. Currently, there are two mechanisms for addressing the complaints, and one more initiative is upcoming soon. Traditionally, complaint and suggestion box under the monitoring of MOIC Minister is available at the center. Recently, a tab of complaint and suggestion is added to the website of the center. Customers can file complaint or insert suggestion online, just a click away. In addition, MOIC is going to introduce a new complaint management tool of Interactive Voice Response (IVR) system. The system enables prospective investors to receive information, talk to relevant departments, and file complaints against any inconveniences experienced in the process of receiving business license. The complaint addressing initiatives assure the investors that transparency matters for Ministry of Industry and Commerce.

5.2 Coming to Afghanistan

5.2.1 Applying for Visas



5.2.1.1 Outside Afghanistan

All prospective investors who want to invest in Afghanistan need to apply for business visa through Afghan embassies or consulates located across the world or apply at the nearest embassy or consulate serving the country of nationality of the investor. It is strongly recommended that prospective investors meet with the designated Commercial Attachés of the MoIC based at the Afghan embassies abroad. These commercial attachés have in-depth knowledge about Afghanistan and can provide valuable information to the investor in developing their business plans and guiding them throughout the visa process.

A business applicant applying from outside Afghanistan typically needs to provide the following documents to the Afghan embassy or consulate:

- Introduction or permission letter from the Ministry of Foreign Affairs (MoFA), Chamber of Commerce, or other related official bodies.
- Work permit and business license.
- Address of the company in the country of origin and in Afghanistan, if available.
- Documents showing the type of commercial activities, payment of taxes and bank account details.

5.2.1.2 Inside Afghanistan

Business visas can be issued inside Afghanistan to those applicants that have Business Passports and have been introduced by the Ministries of Commerce, Economy, Mines, Finance, Transport, and Chambers of Commerce and other relevant government bodies to MoFA.

Afghanistan's missions abroad issue three months to three-year multiple entry visas for foreign nationals. Business visas (multiple) are extended for up to three years inside the country by the Ministry of Interior Affairs upon the request of the business visa holder and letter of recommendations from the relevant government institutions.

5.2.1.3 Visa upon Arrival

The government of Afghanistan has planned to issue visas upon arrival to foreign businesspeople and investors at Hamid Karzai International Airport through the representatives of Border Police of Ministry of Interior Affairs of Afghanistan and MoFA after the examination of the required documents.

Documents required for visa upon arrival include:

- Provide a notarized copy of a valid business license with at least six-month validity.
- Submit a new notarized bank statement showing a minimum of US \$100,000 deposit.
- Complete the visa application form and provide a recent photo.
- Provide documentation showing the physical address of the company.
- Provide an original copy of the business letter issued by the company.
- Provide Police Clearance or No-Objection Certificate.
- Pay required visa fees for businesspersons and investors.

5.2.1.4 Working Entry Visa

For foreigners to work in Afghanistan, they need to apply for a Work Visa. They must be below the retirement age of 65 and must provide their educational documents along with the visa application, invitation or introduction letter from the employer company in Afghanistan. They should also have a confirmation letter from Consular Affairs Directorate-General of MoFA of Afghanistan.

Upon payment of applicable visa fees, work Visa is issued to employees, doctors, teachers, trainers, experts, engineers, pilots, the staff of ground transportation and foreign technical workers based on need and previous invitations for the purpose of working at diplomatic and consular representations, UN offices, international organizations, government and non-governmental organizations, and national and international agencies. A work visa can be extended upon the request of the inviting departments through the Ministry of Interior (MoI) and supported by a letter from MoFA of Afghanistan.

BUSINESS & LICENSE TYPES

All foreign investors who want to establish a business in Afghanistan are legally required to get an investment license from and register with Afghanistan Central Business Registry & Intellectual Property (ACBRIP). The granting of this license is in accordance with the Private Investment Law (2003), which was amended in 2006. As per this Law, investors have the choice to register their businesses using any of the following legal forms shown in figure 10.

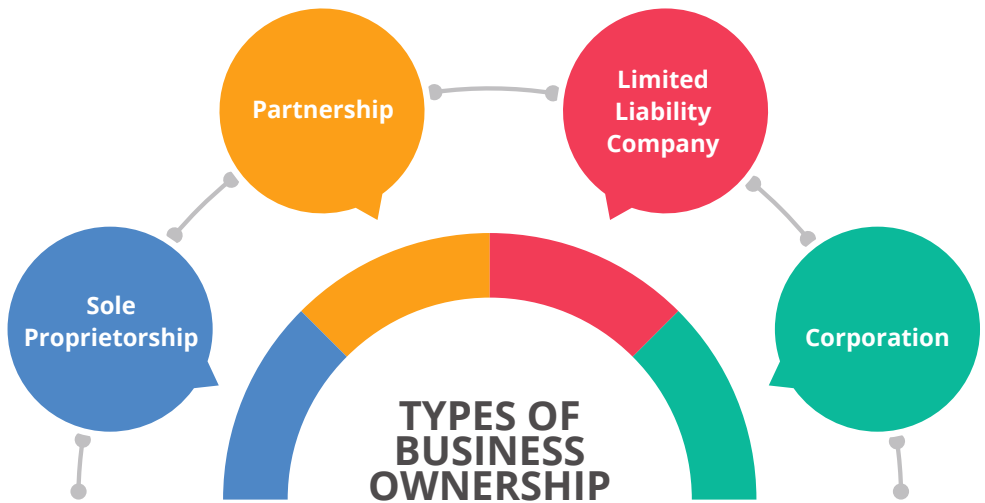


Figure 8: Legal Forms of Business Ownership Allowed under the Private Investment Law in Afghanistan

ACBRIP offers many services all under one-stop-shop for investors. It is quick, reliable and legally compliant. ACBRIP issues investment licenses valid for one year, which can be renewed for 3 years after payment of any taxes for the year or previous years to the Revenue Department of the Ministry of Finance of Afghanistan. Fees for the initial license range from \$50 to \$5000 – depending on the type of business and areas of activity. ACBRIP also processes a Tax Identification Number (TIN) from the Revenue Department of the MoF when registering a new business. Registered businesses are legally required to inform ACBRIP in writing when ownership of capital increases take place in their companies. Additionally, a registered business must file an annual update with the ACBRIP within ninety days of the end of the Afghan fiscal year and should include an update of the information originally provided. Below is the process of registering a foreign company and obtaining a business license in Afghanistan. Please visit <http://acbr.gov.af/en> for more information.

6.1 Investment Licensing and Business Registration Process in Afghanistan

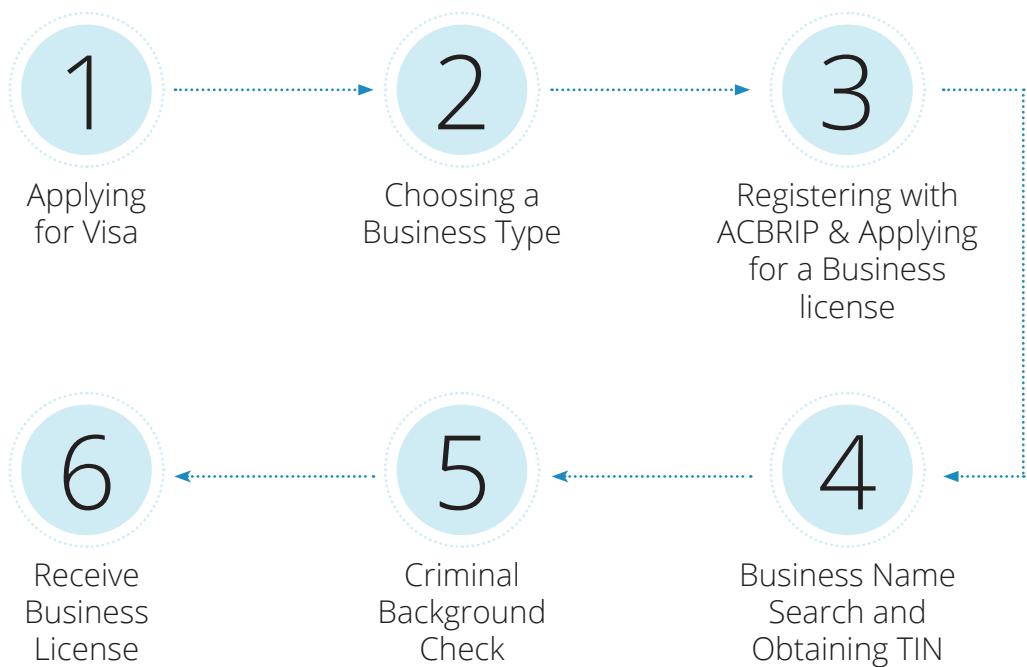


Figure 9: Investment Licensing and Business Registration Process in Afghanistan

6.2 Sector Licenses

Sector licenses are required for doing business in specific economic sectors. These licenses are issued by different line ministries and government institutions in Afghanistan. For instance, in order to invest in the mining sector, the investor needs approval from the MoMP and a license to mine in Afghanistan besides acquiring a business license from ACBRIP. Here is a list of sectoral licenses that domestic and foreign investors need to know.

Import-Export



Licensing Department
Ministry of Industry and Commerce (MoIC)
<https://moci.gov.af/en>

Customs Broker



Counter Terrorism Unit - Armored Vehicles Registration
Ministry of Interior Affairs (MoI)
<https://moi.gov.af/en>

Armored Vehicles & Military Import



Counter Terrorism Unit - Armored Vehicles Registration
Ministry of Interior Affairs (MoI)
<https://moi.gov.af/en>

Ozone Depleting Substances



The Ozone Unit
National Environmental Protection Agency (NEPA)
<https://www.nepa.gov.af/indexen>

Media



Licensing Office of the Afghanistan NRT & NIBC
Ministry of Information and Culture (MoIC)
<https://moic.gov.af/en>

Tourism



Publications Division
MoIC
<https://moic.gov.af/en>

Telecom



Afghanistan Telecom Regulatory Authority (ATRA)
Ministry of Communications and Information Technology (MCIT)
<http://atra.gov.af/en> | <https://mcit.gov.af/>

Transport



Private Sector Transport Directorate | National Aviation Directorate
Ministry of Transport and Civil Aviation (MoT)
<https://mot.gov.af/en>

Banking & Finance



Financial Supervision Department – Licensing Section
Da Afghanistan Bank (DAB)
<https://dab.gov.af/>

Insurance



Insurance Directorate
MoF
<https://mof.gov.af/en>

Education



Ministry of Education (MoE)
Ministry of Higher Education (MoHE)
<https://mohe.gov.af/en>

Health



Directorate of Curative Medicine
Ministry of Public Health (MoPH)
<https://moph.gov.af/en>

Pharmaceuticals



Pharmaceutical Products Management Committee, Directorate of Pharmacy
Ministry of Public Health (MoPH)
<https://moph.gov.af/en>

Animal Husbandry



General Directorate of Animal Husbandry and Animals' Health
Ministry of Agriculture, Irrigation & Livestock (MAIL)
<https://mail.gov.af/en>

Pollution Control & Waste Management



National Environmental Protection Agency
NEPA
<https://www.nepa.gov.af/indexen>

Mining



Cadastre Directorate
Ministry of Mines & Petroleum (MoMP)
<https://www.momp.gov.af>

Downstream Petroleum Sector



Petroleum Regulation Department
MoIC
[https:// www.moci.gov.af](https://www.moci.gov.af)

6.3 Industrial Parks Land Allotment Procedure

Afghanistan has 34 industrial parks in over 14 provinces. Of these 34 industrial parks, 11 are fully operational, 11 under construction and the remaining 12 are undergoing need assessment studies. Please refer to the map on page 16 for complete list of industrial parks.

These industrial parks offer plots at cheaper rates to investors, including basic infrastructure and the ability to lease up to 90 years. The procedure for applying to a plot of land and building a factory is managed through the General Directorate of Industrial Parks and Industrial Affairs (GDIPIA) of MoIC.

Please note that the GDIPIA of the MoIC also chairs a Land Distribution Committee comprised of members of Ministries of finance, economy, urban development, Kabul Municipality, Capital Development Zone, De Afghanistan Breshna Sherkat, and a member representing federation of chambers of commerce of Afghanistan. This committee is responsible for screening and selecting investor's applications for industrial land and recommending the selected investors to HEC for approval. After HEC approval, the investor receives temporary ownership papers from MoIC. It is incumbent on the investor to begin construction. Once construction is complete, and investor starts production/manufacturing, the GDIPIA of the MoIC recommends the investor to relevant Afghan authorities to obtain permanent legal deeds of the industrial land.

Please refer to the following figure for the steps needed to apply for industrial land in Afghanistan. For detailed information, please contact the GDIPIA of the MoIC.

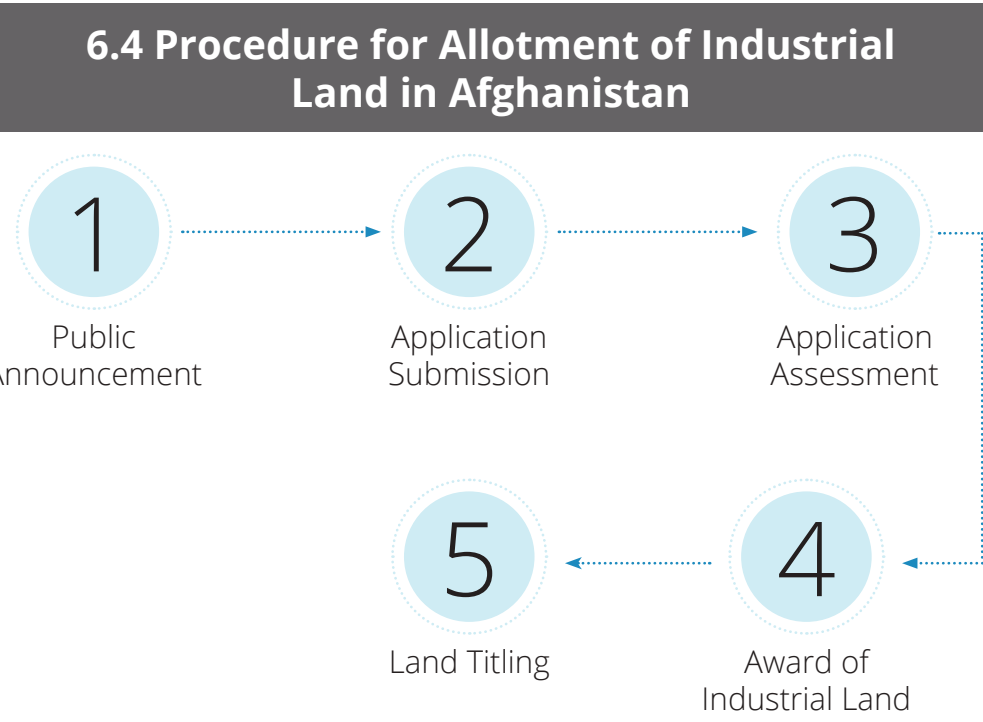


Figure 10: Procedure for Allotment of Industrial Land in Afghanistan

TAXATION IN AFGHANISTAN

The Afghanistan Revenue Department (ARD) is responsible for the administration and collection of tax and non-tax revenue for the Government of Afghanistan. ARD has segmented its taxpayers based on their income levels and economic activity. There are Large, Medium and Small taxpayer offices responsible for collecting taxes. Also, at provincial levels, ARD has its provincial representatives based at Mustofiats who also perform tax collection duties. ARD website (<http://www.ard.gov.af>) provides all necessary taxation related information and materials including the Income Tax Law 2009 and Income Tax Manual.



7.1 Obtaining a Tax Identification Number (TIN)

A Taxpayer Identification Number is a unique 10-digit number used to identify a specific taxpayer. Each taxpayer should have only one TIN. A taxpayer is defined as an individual (natural person) or legal entity (legal person) who has an obligation to report income, expenses, or business activity and/or pay tax. Please note that when an investor applies for a business license at ACBRIP in Kabul or at one of its provincial offices, the TIN number is issued at the same time ACBRIP issues the business license.

7.2 When to File Taxes?

The Income Tax Law 2009 provides for a penalty if a taxpayer fails to submit a tax return. This applies even if no tax is due for the period covered by the return. To avoid being penalized, taxpayers, therefore, should submit returns even if no tax is due and state on the return that none is due.

7.3 Method of Accounting

Corporations and limited liability companies are required to compute their income using the accrual method of accounting which recognizes income and expenses when due (Article 37).

7.4 Taxation Year

The taxable year starts from the 21st December (1st of Jaddi) and lasts until the 20th of December (30th of Qaws) (Article 3). A legal person (but not a natural person) wishing to use a different taxation year may apply in writing to the Ministry of Finance explaining the reasons for the requested change. The Ministry of Finance may approve such an application but only where the application is justifiable.

7.5 Personal Taxes

Resident natural persons are taxed on income from all sources worldwide, including but not limited to wages, salaries, rents, certain types of partnership income, royalties, etc. Non-residents are taxed on all income with its source in Afghanistan. The annual tax rates are as follows (Article 4).

Income more than	Income not more than	Tax
0	AFN 6,000	Zero
AFN 6,000	AFN 15,000	2 percent of amount over AFN 6,000
AFN 15,000	AFN 120,000	AFN 180 + 10 % of amount over AFN15,000
AFN 120,000		AFN 10,680 + 20 % of amount over AFN120,000

Table 7: Personal Income Tax Rates in Afghanistan

Self-employed individuals must file a tax return and are allowed to deduct all ordinary and necessary business expenses against their income to compute net taxable income. Tax is calculated on net taxable income using the same annual tax rates and thresholds as applies to other individuals (Article 4). The annual tax return for a sole proprietor is due and payable by the end of Jawza (3rd month) of the next fiscal year.

7.6 Withholding Tax on Rental Services

This is a pre-payment of landlords' income tax. Legal entity tenants and natural person tenants conducting business at the rented property and paying more than AFN 10,000 per month in rent are required to withhold the tax (and are liable for the tax) at the time the rent is paid. The tax withheld is 10 percent of the rent payment for payments over AFN 10,000 per month but less than or equal to AFN 100,000 per month, and 15 percent of the rent payment for payments over AFN 100,000. The landlord is responsible for reporting rental income on his or her annual income tax declaration (after deducting allowable expenses of maintaining a rental property if any) and paying tax annually at appropriate rates depending on entity type (legal person or natural person). Taxes are generally due on a monthly basis. However, if the rental agreement specifies a different rental payment schedule (e.g. bi-monthly, quarterly etc.) the tax withholding and payment should follow the rental schedule. The payment is made at Da Afghanistan Bank no later than the 15th day following the end of the solar month in which the rent payment is due.

7.7 Business Receipts Tax (BRT)

A 2 percent business receipts tax is imposed on gross receipts of all types of income of corporations and limited liability companies and individuals whose income is more than AFN 750,000 per quarter, except for certain types of income described below where the BRT rate is 5 percent or 10 percent. There is also a 2 percent BRT on imports, payable to the Customs House where and when the customs duty is paid. This BRT is treated as an advance payment of the quarterly BRT assessment. 10% BRT is payable on gross receipts from provision of the following services:

- International passenger airline services.
- Telecommunications services, including internet services.
- Hotels providing superior services.
- Restaurants providing superior services other hotels and restaurants with income of AFN 750,000 or more per quarter and clubs and halls (event venues) pay 5 percent BRT.

For more information, please refer to Guide 03 - Business Receipts Tax on Services available online at <http://www.ard.gov.af>.

7.8 Fixed Taxes

There are fixed taxes in lieu of income tax imposed on certain business and transaction types. In some cases, the fixed tax is a prepayment of income tax but does not relieve the taxpayer from the need to file an income and/ or business receipts tax return. The following fixed taxes are addressed in Chapter 11 of the Income Tax Law:

- Fixed tax on imports;
- Fixed tax on the transport of goods or passengers for business purposes;
- Fixed tax of contractors;
- Fixed tax on exhibitions; and
- Fixed tax on small businesses.

For more information regarding fixed taxes, see Guide 19 – Fixed Taxes on Commercial Activities available at <http://www.ard.gov.af>.

7.8.1 Electronic Funds Transfer (EFT)

It is now possible to pay your taxes using electronic funds transfer. The process is simple and should make compliance easier, especially for those businesses and organizations with accounting and payment offices outside of Afghanistan. For additional information on electronic funds transfers please refer to Guide 06 – Paying Your Tax by Electronic Funds Transfer at <http://www.ard.gov.af>. You may also visit the ARD, Taxpayer Assistance Team at the Ministry of Finance in Kabul.

7.9 Corporate Tax Reform

The Afghan government is committed to making Afghanistan attractive to investors and has continued to reform corporate taxation consistent with international standards and best practice. The Income Tax Law 2009 includes provisions for accelerated depreciation (over 4 years for buildings and 2 years for other assets) and the ability to carry losses forward for an unlimited period until fully recouped.

Other corporate tax reform measures which have been implemented include:

- Taxing branches of foreign companies on the same basis as subsidiaries of foreign companies.
- Tax incentives for extractive industries.
- Extending the 20 percent withholding on dividends to include withholding for interest, royalties and other similar payments.
- Deductions allowed on the basis of attribution of actual expenses between the branch and the non-resident person.
- Ensuring 'arm's length' pricing between associated entities.
- Implementing general anti-avoidance rules to address tax avoidance practices.
- Quarantining foreign losses against foreign income.
- Allowing legal persons to apply for a fiscal year that is other than the solar year.

7.10 Afghanistan Customs and Duties

Afghanistan is a member of the World Customs Organization (WCO). Afghanistan uses the harmonized customs system. All businesses importing goods and products must submit a customs declaration form supported by documents such as original invoices, certificate of origin, original bill of lading and packing list and any other relevant document. Since Afghanistan is a landlocked country, any goods transiting from Pakistan require transit permission which is offered by the Transit Department of MoIC. Also, there are other certificates and documents that needs to be obtained from other government ministries prior to imports or exports of any goods when declaring goods at customs. For instance, imports of armored vehicles require MoI's certification; communication equipment requires approval from MoCIT; and imports of medicines require MoPH's certification.

Prospective investors are encouraged to contact the relevant customs department of MoF or sector ministries responsible for issuance of a particular certificate. Also, there are licensed customs brokers who can efficiently handle filing customs declaration, including determination of duties, knowing licensing requirements as needed, permits, and all other Afghanistan

customs requirements. Import and export businesses, as well as those businesses that must import goods and materials for use in their business, should contact the appropriate customs house regarding their customs affairs. For a full list of current customs tariffs see the Afghan Customs Department website: <https://www.customs.mof.gov.af>.

7.11 Required Documents for Land Acquisition

- Land acquisition form
- Business plan or a realistic and comprehensive business proposal where the parts are exact.
- Land sketch – including a site layout/plan showing all the features on the ground.
- Bank statement – an updated report from the last six months.
- Updated business license.
- Firms that have the required experience must submit a tax clearance form.
- Include all of the above documents in a CD, particularly the Land sketch and site layout/plan, which is very important.

Note: *Whether the proposal is in the standardized form or not will be known after the assessment and you will be notified via email and phone.*

7.12 Required Documents for Business License

Domestic enterprises applicants are required to submit the following document for registration to the center or provincial offices:

- Submitting original and updated tax identification number (TIN) of each founder and shareholder of the enterprise issued by the MoF, indicating its absence of previous duties.
- Providing NSIA approved ID Card (Tazkira) in the center and provinces indicating that the business founder is 18 years old.
- The directorate (ACBR) is obliged to ensure that the enterprise is not registered and is not liable for any previous payments. This will be verified by the TIN department.
- Submitting four pieces photo (2x3).
- Physical presence of applicant or their legal representative with an (official attorney letter) at the time of registration in order to provide a signature and fingerprint. Foreign companies who are contracting with NATO are exempt from this provision.

In addition to the sub article (1) and (3) of 24 article of limited liability law applicants are obliged to present the following documents:

- Contract form which is issued by property dealer
- Contract from which is issued by head of the relevant district or
- Personal property document of the owners or founders



USEFUL LINKS

Invest in Afghanistan

www.invest.af

Ministry of Industry and Commerce (MoIC)

www.moci.gov.af

Afghanistan Central Business Registry & Intellectual Property (ACBRIP)

www.acbr.gov.af

Investment Facilitation Unit

www.invest.gov.af

Ministry of Foreign Affairs (MoFA)

www.mfa.gov.af

Ministry of Justice (MoJ)

www.moj.gov.af

Ministry of Finance (MoF)

www.mof.gov.af

Ministry of Economy (MoEC)

www.moec.gov.af

Export Promotion Agency of Afghanistan (EPAA)

www.moci.gov.af

Ministry of Urban Development and Lands

www.mudl.gov.af

Da Afghanistan Bank (DAB)

www.dab.gov.af

Da Afghanistan Breshna Shirkat (DABS)

<https://main.dabs.af>

National Water Affairs Regulation Authority

<https://nwara.gov.af/en>

Ministry of Agriculture Irrigation & Livestock (MAIL)

www.mail.gov.af

Ministry of Mines & Petroleum (MoMP)

www.momp.gov.af

Ministry of Public Health (MoPH)

www.moph.gov.af

American Chamber of Commerce in Afghanistan (AmCham)

<https://amcham.af>

Afghanistan Chamber of Commerce and Industry (ACCI)

www.acci.org.af

Afghan-American Chamber of Commerce (AACC)

www.a-acc.org

Afghanistan Builders Association (ABA)

www.abaf.af

Afghanistan Banking Association (ABA)

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

HARAKAT Afghanistan

<https://harakat.af/>

MOORE Afghanistan

<https://www.moore.af/>



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Islamic Republic of Afghanistan

**Ministry of
Industry & Commerce**

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www.invest.af
info@invest.af

