

Afghanistan – Open For Business

The top 7 tips for setting up a new venture in Afghanistan,
from a barrister on the ground.



David Frend, barrister, ex-military lawyer, consultant for Proelium Law LLP and private practitioner who has been working with the Anti-Corruption Justice Center in Kabul, explains the issues to consider when setting up an enterprise in Afghanistan.

Afghanistan is primed for business. Extraction and mining is growing again. Kabul is playing its role in the revived Silk Road hub. Logistics, building and construction, infrastructure and ancillary businesses are all thriving. NGOs continue to run significant development projects.

At the same time, as Kabul continues to grow at an incredible rate, David says that an emerging middle-class is also creating more lifestyle business opportunities.

"In my private client work, I've seen a growth in consumer businesses: sophisticated clothes shops, upmarket restaurants, sports facilities, a high-end gym. As more and more Afghans who had moved away, return to the country of their birth to make a difference, so the opportunities for global brands and services grow."

So if you are tempted by UN or government contracts or private sector developments, what steps should you take to minimise risk and maximise your opportunities? These are David's top 7 tips:

1. Set yourself up securely in Kabul

"Obviously, security is your paramount concern. I personally would organise secure accommodation in one of the compounds, rather

than operate from one of the international hotels, which have proved to be serious terrorist targets in recent months.

"The compounds offer good security, accommodation, food and office space and are available on an hourly, daily, weekly, monthly or longer-term rent. This is a good place to manage meetings and a great way to connect with all kinds of potential services and people you may need."

2. Organise secure transport

"You can use soft skin cars – indeed some people argue it makes you less of a target. But if you get caught in the wrong place you'll have no protection.

"I prefer to use a classic armoured B6 Toyota Land Cruiser with a local driver. You are more likely to survive a roadside bomb or IED and the car is resistant to small arms fire.

"If you are operating outside Kabul, I would advise you to use a security company to make a detailed risk assessment. Moving around the east in places like Herat, and some places in the north are relatively benign. The west and south are more difficult environments.

"Of course, if you take sensible precautions like varying routine, being as unpredictable as possible and remaining vigilant at all times, there is no reason you should have problems. But caution is always advisable."

3. Find a trusted ground agent or local partner

"To do business here, you need to understand the relatively complicated tribal, religious and ethnic make-up of the people you are working with.

"The only real way to do that is to find a local person you can trust.

"How to do that? Word of mouth and recommendations are key. Ask around. Get to know who you are dealing with. Build up a relationship. Be frank and open.

"Some companies rely heavily for security on British ex-military and that's fine, but I think a combination of high-level international expertise and local knowledge is best."

4. Carefully check contractual obligations

"Whether you are working directly with an organisation like the UN, sub-contracting to a major international firm or setting up your own enterprise, it's vital you check the contractual obligations you are taking on.

"It's relatively easy to check through organisations like the Ministry of Commerce, the Ministry of Foreign Affairs or FinTRACA (Financial Transactions and Reports Analysis Center of Afghanistan).

"Due diligence at the front end can save a whole heap of pain at the end. For example, there are certain restrictions on internationals conducting business to protect local employment. Does whoever is employing you have appropriate authority or exemptions? Do you need your own license to operate? Are you responsible for the tax of local employees?"

"Insurance is another key factor. Bellwood Prestbury, for example, will tell you that you need to be clear about your obligations to expats and locals from the start. They can help you manage that process of course.

5. Take care over recruitment

"Local recruitment is a key issue. It's likely you will be employing local Afghans to work for you and you need to find good people you can trust.

"The first thing to do is to have policies in place that encourage best practice and transparency in recruitment.

"If you use a local agent or contact, you need to make sure that the person who is recruiting is doing it appropriately and not taking advantage. It's not uncommon for people to take introducer fees, so a third of what you pay the new employee goes back to the recruiter. That can leave you open to future problems.

"Nepotism and cronyism is an issue here, but it is how things sometimes operate. For example, getting five employees from the same village may work, because you then have a circle of trust and a certain level of loyalty.

"What you need is an independent person observing the recruitment who you trust to maintain quality control."





6. Be alert to anything unusual

"The Taliban and IS do target international firms and will sometimes do that through your employees, either through bribery or extortion – threatening family or livelihoods.

"How can you mitigate against this? Get to know what is normal and what is abnormal. Stay constantly alive to things that feel out of the ordinary. If you have contracted out your security, it makes sense to have your own security advisor in-house to monitor that everything is as you expect."

7. Stay on the right side of internationally applicable law

"As an international business, it's essential you stay on the right side of the UK Bribery Act 2010 or the US Foreign Corrupt Practices Act, amongst others.

"Afghanistan doesn't have the best reputation, but the current administration is committed to tackling corruption, fraud and money laundering. I have spent 12 months working as a legal advisor with the Anti-Corruption Justice Center in Kabul as part of an internationally funded mission designed to improve administration and law-enforcement, partly so legitimate business can thrive.

"My recommendation is to take legal advice on how you set-up the business. Keep a close eye on transactions, procurement and

recruitment. Do not pay bribes and report any attempt to solicit bribes, where it is safe to do so. Keep good financial records. If in doubt, take legal advice and make sure your own internal systems are set up to deal with this."

It's quite an onerous list, but David insists that Afghanistan is a great place to live and work.

"Afghanistan is open for business and is super-keen to encourage internal investment. The administration is working hard on reducing corruption, fraud and money laundering.

"I have lived in Kabul for 12 months mentoring the initiative at the Anti-Corruption Justice Center and I am planning to go back to work and live there again later this year to assist in establishing the Proelium Law Kabul office.

"If you do your due diligence, always put security first and spend time establishing trusted relationships, Afghanistan is a great place to do business."

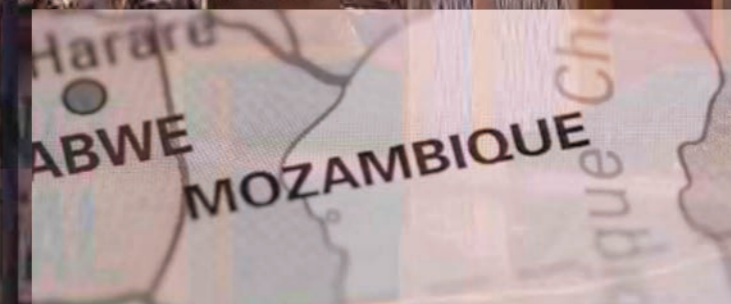


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