

Rebuilding Afghanistan

Opening Doors for U.S. Construction Companies

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Afghanistan Reconstruction Task Force, Trade Development

Strategically located along the historic Silk Road linking Asia with Europe, Afghanistan is becoming better positioned to reconnect old trade routes. After more than two decades of war, Afghanistan is in the midst of political, economic, and social transition. During the years of international and internecine conflict, much of Afghanistan's infrastructure was destroyed. Today only 17 percent of Afghanistan's 3,700-mile road system remains in good condition. Rebuilding the physical infrastructure is a key priority of the Afghan government. Restoring the road network within Afghanistan and to neighboring countries is critical to reviving Afghanistan's economy. Construction and refurbishing of schools, homes, medical facilities, and government buildings is under way throughout Afghanistan, but there is much more to do.

U.S. companies interested in Afghanistan must be prepared to think long-term in pursuing commercial opportunities. Challenges include the lack of a banking system, proper

telecommunications, and a functioning legal system. The Afghan government, working with the international community, has made progress in addressing these issues. In September 2002, an investment law was passed, and more than 2,000 businesses have registered with the Afghan High Commission on Investment. In January of this year, the Afghan government successfully completed the introduction of a new currency. The U.S. government is creating provincial reconstruction teams (consisting of U.S. Army Civil Affairs units and representatives from the U.S. State Department and U.S. Agency for International Development) to assist with reconstruction activities while enhancing security throughout Afghanistan.

AFGHANISTAN RECONSTRUCTION TASK FORCE

In February 2002, U.S. Secretary of Commerce Donald L. Evans created the Afghanistan Reconstruction Task Force to serve as the commercial coordinator for rebuilding Afghanistan. One of the roles of the task force is to act as a liaison with the U.S. business community. The task force

works closely with the U.S. embassy in Kabul, other U.S. government agencies, and international organizations to provide U.S. companies with counseling on the latest developments in and opportunities for rebuilding Afghanistan. U.S. companies interested in information about reconstruction activities in Afghanistan and major project tenders can sign up to receive alerts by sending an e-mail to afghaninfo@ita.doc.gov. For business counseling on opportunities, call the task force at (202) 482-1812, or visit www.export.gov/afghanistan.

OPPORTUNITIES FOR U.S. CONSTRUCTION COMPANIES

According to the U.S. embassy in Kabul, best prospects for U.S. companies include:

- Architectural, construction, and engineering services;
- Building materials for both residential and commercial properties;
- Heavy equipment, including trucks, trailers, buses, motor graders, concrete mixers, dumpers, paving finishers, and bulldozers;



- Irrigation planning and technologies;
- Road upgrades, lighting, and signage;
- Civil aviation sector and airport construction.

About one-fourth of urban housing has been damaged or destroyed by the two decades of war. Many houses, factories, businesses, and apartment buildings are being built or refurbished in Kabul. Most of the construction is small in scale and includes one-to-three story new buildings using old machinery and methods. After the Soviets pulled out of Afghanistan, most heavy equipment was either destroyed or sold, with much going to Pakistan. Due to the lack of finances, there is a need for rented or used equipment.

Since most building materials in Afghanistan are of poor quality, there are great opportunities for U.S. suppliers. Much of Afghanistan's lumber was once purchased locally, but lumber is scarce and the Afghan government is trying to reduce illegal cutting of trees. Afghanistan once produced its own cement, but now only a few small cement factories remain and they require extensive rehabilitation. Currently, Pakistan and Iran are the major suppliers of cement in Afghanistan.

Short-term opportunities in Afghanistan are related to reconstruction projects led by U.S. agencies and international donors. Such projects and sources of financing are available through the World Bank, Asian Development Bank, U.S. Agency for International Development, U.S. Trade and Development Agency, and the Overseas Private Investment Corporation. Information about these sources and how to pursue the opportunities is available on the Afghanistan Reconstruction Task Force Web site.

THE WORLD BANK

In the construction and infrastructure sector, the World Bank provides financing and technical assistance for infrastructure development at the village and provincial levels, as well as in urban areas. It also provides assistance for national highways. The World Bank recently approved \$108 million in funding for the Emergency Transport Rehabilitation Project, which includes rehabilitating roads, bridges, and tunnels as well as civil aviation construction. The World Bank's Emergency Public Works and Community Project includes grants for small-scale rehabilitation projects.

ASIAN DEVELOPMENT BANK

The Asian Development Bank (ADB) plays an important role in rebuilding the transportation network in Afghanistan. In December 2002, the ADB approved a \$150-million loan for an emergency infrastructure rehabilitation and reconstruction project to rebuild crucial infrastructure in the transportation and energy sectors. This will restore much of the northern section of Afghanistan's so-called ring road or highway.

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

In September 2002, President George W. Bush pledged \$80 million through the U.S. Agency for International Development (USAID) to help rebuild the road linking Kabul, Kandahar, and

Useful Web Sites

Afghanistan Reconstruction Conference
www.trademeetings.com

Afghanistan Reconstruction Task Force
www.export.gov/afghanistan

Asian Development Bank
www.adb.org/afghanistan

The Louis Berger Group, Inc.
www.bergerafghanistan.com

Overseas Private Investment Corporation
www.opic.gov

U.S. Agency for International Development
www.usaid.gov/afghanistan

U.S. Trade and Development Agency
www.tda.gov

The World Bank
www.worldbank.org/afghanistan

Photo courtesy of Afghanistan Reconstruction Task Force.



Construction in Bamiyan Province, northwest of Kabul.

Herat. Additional funding is coming from Japan and Saudi Arabia. About one-third of this road is nothing more than gravel or dirt, and it can take days to travel the 600 miles from Kabul to Herat. In addition to rehabilitating the highway, the project calls for infrastructure development along the road. This project, managed by the Louis Berger Group, holds many opportunities for U.S. companies, including the following:

- Roadwork;
- Irrigation systems;
- Water and sanitation;
- Power transmission;
- Construction of schools, medical centers, administrative centers, and bridges.

U.S. companies interested in serving as a subcontractor or supplier should visit the Louis Berger site (www.bergerafghanistan.com). The Afghanistan

Reconstruction Task Force can also counsel interested U.S. companies.

U.S. TRADE AND DEVELOPMENT AGENCY

The U.S. Trade and Development Agency funds feasibility studies and definitional missions that support the development of modern infrastructure and an open trading environment. The U.S. Trade and Development Agency has approved funding of more than \$2 million for Afghanistan that includes an assessment of the hotel sector and a definitional mission for the aviation sector.

OVERSEAS PRIVATE INVESTMENT CORPORATION

The Overseas Private Investment Corporation (OPIC) plays an important role in financing and is active in the construction sector. OPIC offers a \$100-million line of credit for projects that demonstrate substantial U.S. participation and ensure significant benefits to the economic and social development of Afghanistan. In February 2003, OPIC announced that

it would provide up to \$35 million in financing and political risk insurance to build the Hyatt Regency Kabul, a 200-room, five-star hotel.

AFGHANISTAN RECONSTRUCTION CONFERENCE

U.S. companies seriously interested in doing business in Afghanistan should attend the Afghanistan Reconstruction Conference, which is co-sponsored by the U.S. Department of Commerce and the U.S. Trade and Development Agency. Taking place June 8–10 in Chicago, the conference will include the presentation of projects by Afghan officials and offer participants the opportunity for one-on-one meetings with Afghan officials as well as U.S. government officials. About \$3 billion worth of projects will be presented.

The conference will highlight many construction projects, including the USAID/Louis Berger road and infrastructure project, the Hyatt Regency Hotel construction project, and the World Bank transportation project. For more information about the conference, visit www.trademeetings.com.

Although there are many challenges still to be overcome in Afghanistan, the commercial climate is improving and there are various opportunities for U.S. companies to help rebuild Afghanistan. For more in-depth information about the construction sector in Afghanistan, read *The Afghan Construction Sector: Opportunities and Obstacles*, available at www.export.gov/afghanistan. ■