

## Afghan bottled-water market tapped by foreign and domestic firms

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KANDAHAR AIRFIELD, Afghanistan -- Each time a Canadian soldier brushes his teeth, he is under strict orders: don't use the tap water.

Instead, soldiers tramp outside in their flip-flops to a pallet stacked with bottles of water, which they use to wet their toothbrushes and rinse their mouths.

NATO authorities are so worried about contamination from the local water supply that the food-services contractor must ensure it can provide roughly six one-litre bottles a day to every person on base.

With more than 10,000 soldiers and support staff at Kandahar Airfield, the multinational base that serves as home to most of Canada's 2,500 troops in Afghanistan, that works out to nearly 22 million bottles of water a year. It offers entrepreneurs a profitable opportunity and is a niche that several Afghan companies have exploited.

The trend is not confined to military bases. Elsewhere in Afghanistan, foreign government officials and aid workers also tend to drink nothing but bottled water, resulting in a business modestly worth more than \$100 million.

It is no wonder that, in the six years since the fall of the Taliban, the bottled-water market has grown from virtually nothing into a thriving business, making plastic water bottles a nearly ubiquitous sight in the more developed parts of the country.

The industry's emergence exemplifies the unexpected opportunities the war has created for foreign and domestic entrepreneurs, while underscoring the inability of the Afghan government to build the infrastructure to provide even the most basic public services.

While Afghanistan actually has more than enough water resources to supply its people, the United Nations Development Program indicates less than one in four Afghans has access to safe drinking water. The situation is particularly dire in rural areas, where access drops to 18 per cent of the population.

Water deposits are especially rich around the country's central Hindu Kush mountain range and river systems to the north, said David Banks, a British hydrogeology



CREDIT:

Day 5 - Wire photos of Canadian troops and water, James Frasche, chief operating officer for Afghanistan Natural Beverages, and wire photos of workers work on the five star hotel The Kabul Serena Hotel

consultant who has studied Afghanistan's water supply.

"The water resources, particularly the groundwater resources, of Afghanistan are huge," said Banks.

But decades of war, mismanagement and neglect have left the country without the infrastructure necessary to harness those resources.

Industry insiders say the flood of bottled water into the country began in 2001, after the defeat of the Taliban by U.S.-led forces.

"The locals drink the local water. They're not the bottled-water drinkers," said Cecil Galloway, operations director of Afghan Beverage Industries (ABI), an Afghan-owned company that opened a bottling plant in Kabul last year. The company produces a water brand called Cristal.

"You've got your expat community, which drinks bottled water. You've got your Afghans who have grown up outside of Afghanistan and have now come back -- they will drink bottled water. Your more affluent local Afghans -- it's because of the status -- they will start leaning toward bottled water."

At first, foreign suppliers, mostly from neighbouring Pakistan and the United Arab Emirates, dominated the market. The biggest player initially was Nestle Pakistan, a subsidiary of the Swiss food and beverage giant Nestle. The company did not reply to an interview request.

But this year the government imposed a hefty 40 per cent tariff on bottled-water importers in an effort to encourage domestic producers.

Development agencies believe nurturing local industry is crucial to breaking the country's dependency on foreign aid. An NGO based in Ottawa, Peace Dividend Trust, has launched a project that encourages international agencies and companies to "buy Afghan first."

By linking international buyers with Afghan companies, the organization has facilitated about \$46 million US in contracts with domestic businesses since September 2006, said Shirine Pont, Peace Dividend's country director in Afghanistan. The organization has also convinced the U.S. military and NATO to revise their procurement policies to emphasize buying local.

The strategy has had some success in the bottled-water industry. Last year, ABI became the first Afghan company to win a contract to supply bottled water with the U.S. military.

"The playing field is very level now," said Galloway. "Now we can talk about competitive pricing. Before, we were just blown out of the water. We couldn't compare."

At its new \$26-million US plant on the outskirts of Kabul, ABI can churn out 13,000 half-litre bottles per hour.

The company gets its water from three wells on premises, drilled about 160 metres deep.

The plant boasts state-of-the-art German equipment that automates the entire bottling process, from blow molding of preformed plastic bottles to rinsing, filling, labeling and packaging.

In a glass-encased quality-control lab, workers in white lab coats test everything from the torque on the caps to microbacteria levels.

Galloway, a former PepsiCo manager with experience in other developing countries, was brought in by the company's Afghan owners to oversee the plant. In addition to

about 15 foreign workers, the company employs about 170 Afghan workers.

The company, now believed to have the largest market share in the industry, is adding a production line that will nearly triple capacity, said Galloway.

ABI has also rolled out a line of cola, orange and lemon-lime soft drinks, and plans to expand into milk and juices.

Still, domestic bottlers face a host of obstacles. Just maintaining the sanitary environment needed to produce high-quality bottled water is an enormous challenge, said James Frasche, chief operating officer of Afghan Natural Beverages, which says it is the only company in Afghanistan that bottles spring water. The company produces a brand called Tabiyat.

Afghanistan groundwater is contaminated with high levels of E. coli and other bacteria, as well as industrial and military chemicals. Meanwhile, its air has one of the highest concentrations of fecal matter anywhere on Earth.

"Right now it's in your hair, on your clothes and in the food you eat, and there's nothing you can do about it," says Frasche.

On top of that, companies have to deal with an unstable electricity supply, tortuous supply chains, a shortage of qualified personnel, and the always-looming security threat.

Penetrating the military procurement market can also be a time-consuming, tricky affair. At Kandahar Airfield, for example, Supreme Foodservice, the Swiss firm hired by NATO as its prime food-services contractor, handles procurement of bottled water.

To become NATO suppliers, bottled-water companies must ensure their products meet U.S. and European food-safety standards.

"These contracts are won by what I would call international logistical platforms," said Pont. "They have long-standing contracts with other international companies ... Getting them to change their procurement behaviour is really difficult."

The Afghan Ministry of Health, meanwhile, simply doesn't have the expertise or resources to test products against international quality standards, say industry insiders.

As a result, the market has been flooded with counterfeit or poor-quality brands that undercut legitimate producers on price.

"There's no book of rules in Afghanistan. You make your rules up as you go along. Because what works in the western world doesn't work in this market," said Galloway.

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