

PRO AG

PROJECT AGREEMENT
BETWEEN THE DEPARTMENT OF STATE, AGENCY FOR INTERNATIONAL DEVELOPMENT (AID),
AN AGENCY OF THE GOVERNMENT OF THE UNITED STATES OF AMERICA, AND
Ministry of Commerce

Fy-1971

Royal
AN AGENCY OF THE GOVERNMENT OF Afghanistan

The above-named parties hereby mutually agree to carry out a project in accordance with the terms set forth herein and the terms set forth in any annexes attached hereto, as checked below:

1. PROJECT/ACTIVITY NO. 306-11-910-116	PAGE 1 OF 5 PAGES
2. AGREEMENT NO. ID #1	3. <input checked="" type="checkbox"/> ORIGINAL OR REVISION NO. _____
4. PROJECT/ACTIVITY TITLE Industrial Development	

PROJECT DESCRIPTION ANNEX A FOREIGN CURRENCY STANDARD PROVISIONS ANNEX
 STANDARD PROVISIONS ANNEX SPECIAL LOAN PROVISIONS ANNEX

This Project Agreement is further subject to the terms of the following agreement between the two governments, as modified and supplemented:

<input checked="" type="checkbox"/> GENERAL AGREEMENT FOR TECHNICAL COOPERATION	DATE 2/7/51
<input checked="" type="checkbox"/> ECONOMIC COOPERATION AGREEMENT	DATE 6/23/56
<input checked="" type="checkbox"/> (to be) IC Program Agreement as amended	DATE 6/30/53

5. PROJECT DESCRIPTION AND EXPLANATION
(See Annex A attached)

6. AID APPROPRIATION SYMBOL 72-1111004	7. AID ALLOTMENT SYMBOL 154-50-306-00-69-11
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	8. AID FINANCING <input checked="" type="checkbox"/> DOLLARS <input type="checkbox"/> LOCAL CURRENCY	PREVIOUS TOTAL (A)	INCREASE (B)	DECREASE (C)	TOTAL TO DATE
					(D)
(a) Total			251,000		251,000
(b) Contract Services			247,000		247,000
(c) Commodities					
(d) Other Costs			4,000		4,000
9. COOPERATING AGENCY FINANCING - DOLLAR EQUIVALENT					
(a) Total		Afs 1,000,000			Afs 1,000,000
(b) Technical and other Services					
(c) Commodities					
(d) Other Costs					

10. SPECIAL PROVISIONS (See Additional Construction Sheets, if necessary)

11. DATE OF ORIGINAL AGREEMENT November 21, 1970	12. DATE OF THIS REVISION	13. ESTIMATED FINAL CONTRIBUTION DATE November 21, 1973
14. FOR THE COOPERATING GOVERNMENT OR AGENCY Dr. Akbar Omar	15. FOR THE AGENCY FOR INTERNATIONAL DEVELOPMENT Bartlett Harvey	
SIGNATURE: <i>[Signature]</i> TITLE: Minister of Commerce	SIGNATURE: <i>[Signature]</i> DATE: 11/21/70 TITLE: Director, USAID/A	

PROJECT AGREEMENT
BETWEEN AID AND

Ministry of Commerce

AN AGENCY OF THE GOVERNMENT OF
Afghanistan

Project/Activity No.
306-11-910-116
2. Agreement No.
1071
3. Project/Activity Title

PAGE 2 OF 5 PAGES

Original of
Register No.

Industrial Development

PROJECT OBJECTIVES AND COURSE OF ACTIONS

A more detailed description of this project is set forth in the Project Proposal "Industrial Development", dated 8-17-70, copy of which is attached. This project's objectives are as follows:

1. To further improve the investment climate created and implemented under the 1967 Foreign and Domestic Private Investment Law and to increase reliance on indirect rather than direct controls.
2. To provide more technical support for existing small private industry through the provision of counseling services in the area of industrial extension.
3. To help create better overall support facilities for private enterprise by acting as a catalyst or limited supporter in the creation of new sources of commercial and industrial credit, and in general all those vital elements which normally operate in support of the private sector but which are still lacking in Afghanistan, including recommendation of any needed improvements in commercial legislation.
4. To provide the insights and information needed to guide the RGA in the development of industrial policy (Research) and to strengthen the indigenous private sector by providing a limited amount of training for people from local firms and institutions (Training).

For these purposes the Ministry of Commerce intends to the extent of its ability and in line with the Foreign and Domestic Private Investment Law of 1967 and under the leadership of the inter-ministerial Investment Committee, to:

1. Continue the encouragement of non-Government industrial and commercial investment in the public interest, and eliminate administrative obstacles to private investors.
2. Develop criteria and policies favorable to investment in the private sector without the need for direct Governmental participation.
3. Endeavor as a matter of urgency for the establishment of the Industrial Development Bank.
4. Assure the provision of needed Afghan staff in adequate number and of the best available quality for the Investment Committee and the Investment Advisory Center.

For the Cooperating Government or Agency

For the Agency for International Development

SIGNATURE: _____ DATE: _____
TITLE: _____

SIGNATURE: _____ DATE: _____
TITLE: _____

PROJECT AGREEMENT
BETWEEN AID AND

Ministry of Commerce

AN AGENCY OF THE GOVERNMENT OF
Afghanistan

1. Project/Activity No.
306-11-910-116

2. Agreement No.

3. Project/Activity Title

U. S. Original or

Revision No.

Industrial Development

and the provision of adequate budget and quarters for these.

5. Seek needed expert assistance for the Investment Advisory Center through the UN program or other donors.

6. Foster the growth of such supporting institutions for the growth of business and industry as schools of accounting, management and other productive skills and consulting services on marketing and management problems.

In support of these efforts the United States Government intends to provide a resident group of senior experienced management and economic advisors, supported by additional short-term specialists and provision of participant training in the U. S. and other friendly countries, to assist in the work of the Investment Committee and the Industrial Advisory Center.

More specifically, it is intended that the contributions to this joint effort starting as soon as feasible after January 1, 1971 and covering the Afghan FY 1350 will be as follows:

U. S. Contributions

1. Three resident U.S. contract advisors, as follows:
 - Senior Industrial Economist
 - Investment Consultant
 - Financial-Management Expert
2. Four man-months per year of short-term advisor services for special tasks to be determined by the resident advisors in agreement with the Ministry of Commerce and USAID/A.

Commodities: \$5,000 is provided under following codes and descriptions:

<u>Code</u>	<u>Description</u>	<u>\$ Amount</u>
71	Typewriters, calculating machines	1,650
89	Small industrial library (initially)	1,000
39	Miscellaneous manufactured articles as necessary	2,350
Total		\$ 5,000

For the Cooperating Government or Agency

For the Agency for International Development

SIGNATURES _____ DATE _____

SIGNATURES _____ DATE _____

TITLE _____

TITLE _____

PROJECT AGREEMENT

INTERNATIONAL AID AND

Ministry of Commerce

AN AGENCY OF THE GOVERNMENT OF
Afghanistan

1. Project/Activity No.
306-11-910-116

2. Agreement No.

3. Project/Activity Title

Industrial Development

3. Original to

Division No.

Participants:

To be provided by amendment of this Project Agreement.

Other costs:

An amount of \$4,000 is provided for three TCN's to conduct in-country seminars.

RGA Contributions:

The Ministry of Commerce and the Investment Committee in cooperation with the Chamber of Commerce are to provide adequate Afghan professional staff for both the Center and the Secretariat of the Investment Committee to work with the foreign advisors as well as office space and office equipment. Initially, the number of Afghans employed for this purpose shall be a minimum of 12. The total amount to staff and operate the Secretariat of the Investment Committee and the Agency established to support the private industrial sector (Investment Advisory Center) would be around Afs 1.0 million (Afs 700,000 for the Secretariat and Afs 300,000 for the Center). For 1350 the Ministry will require a budget to maintain Secretariat at at least the present level and will endeavor to provide at least Afs 600,000 for the IAC.

FOR OCEAN SHIPMENTS:

Clearing, handling and onforwarding of commodities shall be provided by AID from supplier's Delivery Point, i. e., designated ocean port to F. O. B. RGA - provided vehicle at the USAID Terminal Delivery Point nearest the project site, i. e., Peshawar or Chaman, Pakistan, Meshed, Iran or such other locations outside Afghanistan as USAID and RGA may jointly establish as an appropriate USAID Terminal Delivery Point for AID-financed surface shipments. Shipments will be made via Pakistan unless otherwise mutually agreed.

FOR OCEAN-AIR SHIPMENTS:

Clearing, handling and onforwarding of commodities from Supplier's Delivery Point for ocean-air shipments via Beirut, Lebanon, i. e., Beirut, Lebanon to USAID

For the Cooperating Government or Agency

For the Agency for International Development

SIGNATURE: _____ DATE: _____

SIGNATURE: _____ DATE: _____

TITLE: _____

TITLE: _____

AID 1984-18
(10-84)
PROAG
CONTRIBUTION
SHEET
ANNEX A

PROJECT AGREEMENT
BETWEEN AID AND
Ministry of Commerce
AN AGENCY OF THE GOVERNMENT OF
Afghanistan

1. Project/Activity No.
306-11-910-116
2. Agreement No.
3. Project/Activity Title

PAGE 5 OF 5 PAGES
3. [] Original or
Revision No.

Industrial Development

Terminal Delivery Points, i. e., appropriate airports in Afghanistan, shall be financed by USAID.

FOR DIRECT AIR SHIPMENTS:

Clearing, handling, and forwarding of commodities from source of procurement to Supplier's Delivery Point, i. e., appropriate airports in Afghanistan, shall be financed by USAID. These are further designated as USAID Terminal Delivery Points.

The Royal Government of Afghanistan undertakes to accept delivery of commodities at any of the above mentioned USAID Terminal Delivery Points within the free period and will provide and pay onward transportation and all other charges to Ultimate Destination, Afghanistan. The USAID similarly undertakes to so schedule shipments to Terminal Delivery Points at a rate commensurate with RGA capability for supplying onforwarding transportation.

Maintenance of Commodity Records.

The recipient Ministry/Agency will prepare and issue reports for all commodities furnished under this project which are titled with the Royal Government of Afghanistan within ten days after receipt of those commodities and will maintain necessary records to ensure proper control and use of the commodities for their intended purpose. These records will be maintained in English and AID personnel will be granted ready access to them upon request.

Source Requirement for Commodity Procurement.

Authorized source of procurement for all commodities covered under this Project Agreement will be United States only. Any procurement required to be made from non U. S. sources shall be financed by the Royal Government of Afghanistan.

For the Cooperating Government or Agency

For the Agency for International Development

SIGNATURE: _____ DATE: _____
TITLE: _____

SIGNATURE: _____ DATE: _____
TITLE: _____

PRO AG

FY 1971

PROJECT AGREEMENT
BETWEEN THE DEPARTMENT OF STATE, AGENCY FOR INTERNATIONAL DEVELOPMENT (AID),
AN AGENCY OF THE GOVERNMENT OF THE UNITED STATES OF AMERICA, AND

Ministry of Commerce
 Ruyat

AN AGENCY OF THE GOVERNMENT OF Afghanistan

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- PROJECT DESCRIPTION ANNEX A FOREIGN CURRENCY STANDARD PROVISIONS ANNEX
 STANDARD PROVISIONS ANNEX SPECIAL LEAS PROVISIONS ANNEX

This Project Agreement is further subject to the terms of the following agreement between the two governments, as modified and supplemented:

- GENERAL AGREEMENT FOR TECHNICAL COOPERATION DATE: 2-7-51
 ECONOMIC COOPERATION AGREEMENT DATE: 6-23-56
 (other) TC Program Agreement as amended DATE: 6-30-53

1. PROJECT/ACTIVITY NO. 30C-11-910-116 OP. 2. 58
 2. AGREEMENT NO. ID #1 PD. 3. 58
 3. PROJECT/ACTIVITY TITLE: Industrial Development PD. 4. 58

BEST AVAILABLE COPY

8. AID FINANCING		PREVIOUS TOTAL (A)	INCREASE (B)	REVISION (C)	TOTAL TO DATE (D)
<input checked="" type="checkbox"/> DOLLAR	<input type="checkbox"/> LOCAL CURRENCY				
(a) Total		251,000	73,000	4,000	328,000
(b) Contract Services		247,000	73,000	---	320,000
(c) Commodities		---	---	---	---
(d) Other Costs		4,000	---	4,000	8,000
9. COOPERATING AGENCY FINANCING - DOLLAR EQUIVALENT					
(a) Total					
(b) Technical and other Services					
(c) Commodities					
(d) Other Costs					

10. SPECIAL PROVISIONS (or Additional Conditions Should It Necessary)
 The purpose of this revision is to add funds in order to provide 18 months funding for the Chacchi and Company Contract No. AWD 116-116. Funds shown in the decrease column are not needed for the purpose of funding. All other provisions of the original ProAg remain unchanged.

11. DATE OF ORIGINAL AGREEMENT: November 21, 1970 12. DATE OF THIS REVISION: May 31, 1971 13. REVISED BY: November 21, 1971

14. FOR THE COOPERATING GOVERNMENT OR AGENCY: Dr. Akbar Omar
 SIGNATURE: [Signature] DATE: _____
 TITLE: Minister of Commerce

15. FOR THE AGENCY FOR INTERNATIONAL DEVELOPMENT: Bartlett Harvey
 SIGNATURE: [Signature] DATE: _____
 TITLE: Director, OIA

5/31 1971
 2/2 51

PROAG CLEARANCE RECORD

A. IDENTIFICATION

- 1. Project Title Industrial Development
- 2. Project No. 803-11-910-126 3. Period Covered thru August 1972
- 4. USAID Project Manager C. H. Zondag
- 5. Division Private Enterprise 6. ProAg No. ID #1, Rev. 1

B. CLEARANCE

BGA

Project Manager

Other

Other

USAID

Project Manager

Division Chief

AD/DP - Liaison Officer

AD/EP

CO - B&A

CO

AD/M

	DRAFT DATE	FINAL DATE
BGA Project Manager	-	Apr 21 1972 CZH
BGA Other	-	-
BGA Other	-	-
USAID Project Manager	OKR P 5/14/72	OKR P
USAID Division Chief	OKR P 5/14/72	OKR P
USAID AD/DP - Liaison Officer	-	OKR P
USAID AD/EP	-	OKR P 5/25/72
CO - B&A	OKR P 5/14/72	OKR P 5/14/72
AD/M	B	B 5/25

PROJECT AGREEMENT
BETWEEN THE DEPARTMENT OF STATE, AGENCY FOR INTERNATIONAL DEVELOPMENT (AID),
AN AGENCY OF THE GOVERNMENT OF THE UNITED STATES OF AMERICA, AND
Royal MINISTRY OF COMMERCE
AN AGENCY OF THE GOVERNMENT OF Afghanistan

The above-named parties hereby mutually agree to carry out a project in accordance with the terms set forth herein and the terms set forth in any annexes attached hereto, as checked below:

- PROJECT DESCRIPTION ANNEX A FOREIGN CURRENCY STANDARD PROVISIONS ANNEX
 STANDARD PROVISIONS ANNEX SPECIAL LOAN PROVISIONS ANNEX

This Project Agreement is further subject to the terms of the following agreement between the two governments, as modified and supplemented:

GENERAL AGREEMENT FOR TECHNICAL COOPERATION DATE 2/7/51

ECONOMIC COOPERATION AGREEMENT DATE 6/23/56

~~Technical Cooperation~~ **TO Program Agreement as amended** DATE 8/30/53

B. AID FINANCING
 DOLLARS LOCAL CURRENCY

(a) Total

(b) Contract Services

(c) Commodities

Participants
 (d) ~~Commodities~~

C. COOPERATING AGENCY FINANCING - DOLLAR EQUIVALENT
 \$1.00 =

(a) Total

(b) Technical and other Services

(c) Commodities

(d) Other Costs

1. PROJECT/ACTIVITY NO.
306-11-910-116

2. AGREEMENT NO.
ID #2

3. PROJECT/ACTIVITY TITLE

Industrial Development

PAGE 1 OF 1 PAGES

3. ORIGINAL OR REVISION NO.

H. PROJECT DESCRIPTION AND EXPLANATION

(See Annex A attached)

C. AID APPROPRIATION SYMBOL

72-1121004

7. AID ALLOTMENT SYMBOL

254-50-306-00-69-21

	PREVIOUS TOTAL (A)	INCREASE (B)	DECREASE (C)	TOTAL TO DATE (D)
(a) Total		112,500		112,500
(b) Contract Services		105,000		105,000
(c) Commodities				
Participants (d) Commodities		7,500		7,500
C. COOPERATING AGENCY FINANCING - DOLLAR EQUIVALENT				
\$1.00 =				
(a) Total	Afs.	1,300,000	Afs.	1,300,000
(b) Technical and other Services				
(c) Commodities				
(d) Other Costs				

D. OTHER PROVISIONS (See Schedule of Conditions Sheet, if necessary)

X

11. DATE OF ORIGINAL AGREEMENT

December 8, 1971

12. DATE OF THIS REVISION

13. ESTIMATED FINAL CONTRIBUTION DATE

December 8, 1971

14. FOR THE COOPERATING GOVERNMENT OR AGENCY

SIGNATURE

Minister of Commerce

15. FOR THE AGENCY FOR INTERNATIONAL DEVELOPMENT

SIGNATURE

Director, USAID/A, Kabul

[Signature]
 DATE: 7 Dec. 1971

[Signature]
 DATE: 12/8/71

The goals and objectives of this project are as follows:

1. To conduct a study to report the results of the private industrial sector in Afghanistan and to submit the report to the Investment Committee in its operations. This report can be used as a basis for the development of industrial policy.

2. To assist the Government in the process of project approval and project implementation.

3. To assist the Government in the development of industrial development policies and strategies.

4. To assist the Government in the preparation and presentation of a project proposal to the Investment Committee to improve the relationship between the private and public sectors in Afghanistan and to assist the Government in the development of industrial policy.

5. To assist the Government in the development of industrial policy by providing technical support in project approval and project implementation.

6. To assist the Government in the development of industrial policy by providing technical support in project approval and project implementation.

7. To assist the Government in the development of industrial policy by providing technical support in project approval and project implementation.

8. To assist the Government in the development of industrial policy by providing technical support in project approval and project implementation.

9. To assist the Government in the development of industrial policy by providing technical support in project approval and project implementation.

10. To assist the Government in the development of industrial policy by providing technical support in project approval and project implementation.

11. To assist the Government in the development of industrial policy by providing technical support in project approval and project implementation.

**PROJECT AGREEMENT
BETWEEN AID AND**

1. Project/Activity No.
306-11-910-116
2. Agreement No.
ID #2
3. Project/Activity Title

PAGE 3 OF 7 PAGES
2. [X] Original of
Revision No.

**PROAG
CONTINUATION
SHEET
ANNEX A**

**Ministry of Commerce
Royal
AS AGENT OF THE GOVERNMENT OF
Afghanistan**

Industrial Development

COURSE OF ACTION

To achieve these goals and objectives, the Ministry of Commerce intends to the extent of its ability and in line with the Foreign and Domestic Private Investment Law of 1967 and under the leadership of the inter-ministerial Investment Committee, to:

1. Continue the encouragement of non-Government industrial and commercial investment in industrial projects, as defined in the Law, and eliminate administrative obstacles to private investors.
2. Develop criteria and policies favorable to investment in the private sector in order to assist the decision-making process and assist the investor in preparing projects.
3. Endeavor as a matter of urgency to achieve the establishment of the Industrial Development Bank.
4. Make every effort to establish and ensure the operation of an industrial park near Kabul including, if necessary, the creation of an independent Industrial Park Authority.
5. Assure the provision of needed Afghan staff in adequate number and of the best available quality for the Investment Committee and the Investment Advisory Center, and the provision of adequate quarters and budget to support the Investment Advisory Center. USAID will also cooperate with Ministries' efforts to provide adequate quarters for the Investment Advisory Center.
6. Seek additional needed expert assistance for the Investment Advisory Center through the UN program or other donors.
7. Foster the growth of such supporting institutions for the growth of business and industry as schools of accounting, management and other productive skills and consulting services on marketing and management problems.

USAID will assist the RCA by continuing a resident group of senior experienced management and economic advisors, supported by additional short-term specialists and provision of participant training in the U. S. and other friendly countries, to assist the Investment Committee and the Investment Advisory Center accomplish the tasks cited in this Section and the goals set forth in Project Objectives, above.

For the Cooperating Government or Agency

For the Agency for International Development

SIGNATURE
TITLE:

DATE:

SIGNATURE
TITLE:

DATE:

PROJECT AGREEMENT

DRYWARR AID AND

Ministry of Commerce

Royal

AN AGENCY OF THE GOVERNMENT OF

Afghanistan

1. Project/Activity No.
306-11-910-116

2. Agreement No.

ID #2

3. Project/Activity Title

Industrial Development

3. Original or

Revision No.

PROAG
CONTINUATION
SHEET

ANNEX A

PROGRESS TO DATE

Progress in the private investment program has been considerable. As of October 1, 1971, a total of 61 plants promoted under the program were in operation, 18 more were under construction or ready for operation, and 26 more in the planning stage. Five of the operating plants have foreign participation, and 23 additional plants with foreign participation have been approved by the Committee. About 20 percent of the new factories are export-oriented and make a substantial contribution to Afghanistan's export earnings. During the year since the previous project agreement, Checchi and Company has provided a three-man team, which arrived in April 1971, to begin implementation of the joint USAID/RCA Industrial Development goals. The progress in private investment project approval and implementation has continued in spite of a considerable hiatus resulting from a change in government. In addition to helping maintain the momentum in the program, the new Checchi team and the other foreign advisors to the program have assisted in making improvements in the organization of the Investment Advisory Center, taken steps to improve the project analysis work and have provided the Investment Committee with initial policy recommendations. Signs of progress include a sharp increase in the frequency of Investment Committee meetings, the recent appointment of a director and two new counterpart staff members for the Investment Advisory Center, and the finalization of legislation for the Industrial Development Bank in August 1971.

U. S. CONTRIBUTIONS

Personnel

Under a contract with Checchi and Company, USAID will provide:

1. Three resident U. S. contract advisors, as follows:

Senior Industrial Economist
Investment Consultant
Financial-Management Expert

2. Three man-months per year of short-term advisor services for special tasks to be determined by the resident advisors in agreement with the Ministry of Commerce and USAID/A.

For the Cooperating Government or Agency

For the Agency for International Development

SIGNATURE

DATE

SIGNATURE

DATE

TITLE

TITLE

PROJECT AGREEMENT

RETURNED MAIL

Ministry of Commerce

Royal

AN AGENCY OF THE GOVERNMENT OF

Afghanistan

1. Project/Activity No.

306-11-910-116

2. Agreement No.

ID #2

3. Project/Activity Title

Industrial Development

3. (1) Original or

Revision No.

Commodities

Funds for commodities NTE \$5,000 will be made available through an amendment to the ProAg, when specifications are ready.

Other Assistance

In addition to other assistance normally provided in support of the above, the U. S. Government will assist in locating and administering, on a temporary basis, adequate facilities as quarters for the Investment Advisory Center and for foreign advisory personnel. Furnishing these quarters will be a joint effort of Ministry, the Chamber of Commerce, and USAID.

Participants

The United States Government will provide during the year covered by this agreement for participant training programs, consisting of special training and visits to industrial promotion and project evaluation institutions in the United States and third countries. In addition, the United States Government will, subject to the availability of funds, undertake to provide support for attendance by staff members of the Investment Committee Secretariat and Investment Advisory Center at important meetings and conferences which promote the goals of this project. Funds for these activities will be made available when specific programs are developed and persons are nominated.

\$7,500 is included in this ProAg for the continuation of one participant.

Other Costs

Necessary funds will be provided for invitational travel and seminars at the time of determination of need.

RGA CONTRIBUTIONS

The Ministry of Commerce and the Investment Committee in cooperation with the Chamber of Commerce are to provide a qualified Afghan professional staff for both the Center and the Secretariat of the Investment Committee to work with the foreign advisors as well as office furniture and office equipment. Qualifications shall include background in economics, business administration and/or engineering, and civil service rank at appropriate levels. The Ministry will make an immediate effort to bring the number of Afghans employed for this purpose to a minimum of sixteen.

For the Cooperating Government or Agency

For the Agency for International Development

SIGNATURE: _____

SIGNATURE: _____ DATE: _____

TITLE: _____

TITLE: _____

**PROJECT AGREEMENT
BETWEEN AID AND**

**Ministry of Commerce
Royal
AN AGENCY OF THE GOVERNMENT OF
Afghanistan**

1. Project/Activity No.
306-11-910-116

2. Agreement No.

ID #2

3. Project/Activity Title

Industrial Development

Original or

Revision No.

**PROAG
CONTINUATION
SHEET**

ANNEX A

eight for the Secretariat and eight for the Investment Advisory Center. The Secretariat shall be headed by a qualified person holding at least Director General rank. The Investment Advisory Center staffing will include a Director, a Deputy Director and at least six other qualified counterparts. The Director shall be of Director General rank, have a background in economics, business administration or engineering, and have demonstrated initiative and managerial talent. Should Peace Corps accountants be assigned to the Investment Advisory Center at the Ministry's request, one additional counterpart will be assigned for each Peace Corps accountant.

The budget required to staff and operate the Secretariat of the Investment Committee and the Investment Advisory Center would not be less than Afs. 1.3 million (Afs. 700,000 for the Secretariat and Afs. 600,000 for the Center). The Ministry will take steps to provide higher than normal salaries to the Afghan staff of the IAC, according to pertinent regulations, in those cases where the individual staff members have shown effective performance. The Ministry will place both the Secretariat and the Investment Advisory Center under permanent budgets before the end of the period covered by this agreement (within one year).

FOR OCEAN SHIPMENTS

Clearing, handling and onforwarding of commodities shall be provided by AID from supplier's Delivery Point, i.e., designated ocean port to F. O. B. RGA-provided vehicle at the UNAD Terminal. Delivery Point nearest the project site, i.e., Peshawar or Chaman, Pakistan, Meshed, Iran or such other locations outside Afghanistan as USAID and RGA may jointly establish as an appropriate USAID Terminal Delivery Point for AID-financed surface shipments. Shipments will be made via Pakistan unless otherwise mutually agreed.

FOR OCEAN-AIR SHIPMENTS

Clearing, handling and onforwarding of commodities from Supplier's Delivery Point for ocean-air shipments via Beirut, Lebanon, i.e., Beirut, Lebanon to USAID Terminal Delivery Points, i.e., appropriate airports in Afghanistan, shall be financed by USAID.

FOR DIRECT AIR SHIPMENTS

Clearing, handling, and forwarding of commodities from source of procurement to Supplier's Delivery Point, i.e., appropriate airports in Afghanistan, shall be financed by USAID. These are further designated by USAID Terminal Delivery Points.

For the Cooperating Government or Agency

For the Agency for International Development

SIGNATURE: _____ DATE: _____
TITLE: _____

SIGNATURE: _____ DATE: _____
TITLE: _____

**PROJECT AGREEMENT
BETWEEN AID AND**

**Ministry of Commerce
Royal
AN AGENCY OF THE GOVERNMENT OF
Afghanistan**

1. Project/Activity No.
306-11-910-116
2. Agreement No.
ID #2
3. Project/Activity Title
Industrial Development

3. Original or
Revision No.

**PROAC
CONTINUATION
SHEET
ANNEX A**

The Royal Government of Afghanistan undertakes to accept delivery of commodities at any of the above mentioned USAID Terminal Delivery Points within the free period and will provide and pay onward transportation and all other charges to Ultimate Destination, Afghanistan. The USAID similarly undertakes to so schedule shipments to Terminal Delivery Points at a rate commensurate with RGA capability for supplying onforwarding transportation.

Maintenance of Commodity Records

The recipient Ministry/Agency will prepare and issue reports for all commodities furnished under this project which are titled with the Royal Government of Afghanistan within ten days after receipt of those commodities and will maintain necessary records to ensure proper control and use of the commodities for their intended purpose. These records will be maintained in English and AID personnel will be granted ready access to them upon request.

Source Requirement for Commodity Procurement

Authorized source of procurement for all commodities covered under the Project Agreement will be United States only. Any procurement required to be made from non-U. S. sources shall be financed by the Royal Government of Afghanistan.

For the Cooperating Government or Agency

For the Agency for International Development

SIGNATURE: _____ DATE: _____
TITLE: _____

SIGNATURE: _____ DATE: _____
TITLE: _____

3060116 (6)
PD-AAF-011

APR 13 1976
PRO AG
FY-1974

PROJECT AGREEMENT
BETWEEN THE DEPARTMENT OF STATE, AGENCY FOR INTERNATIONAL DEVELOPMENT (AID),
AN AGENCY OF THE GOVERNMENT OF THE UNITED STATES OF AMERICA, AND
Ministry of Commerce
Royal
AN AGENCY OF THE GOVERNMENT OF Afghanistan

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- FOREIGN CURRENCY STANDARDS PROVISIONS ANNEX
- STANDARD PROVISIONS ANNEX
- SPECIAL FORM PROVISIONS ANNEX

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GENERAL AGREEMENT FOR TECHNICAL COOPERATION DATE: 2/7/51

ECONOMIC COOPERATION AGREEMENT DATE: 6/23/56

EC Program Agreement as amended DATE: 6/30/53

B. AID FINANCING DOLLARS LOCAL CURRENCY PREVIOUS TOTAL (A)

(a) Total 266,000

(b) Contract Services 266,000

(c) Commodities

(d) Participants

9. COOPERATING AGENCY FINANCING - DOLLAR EQUIVALENT \$1.00 =

(a) Total

(b) Technical and other Services For RGA Contributions see Page 5

(c) Commodities

(d) Other Costs

10. SPECIAL PROVISIONS (Use Additional Guidelines hereto if applicable)

1. PROJECT/ACTIVITY NO. 306-11-910-116
2. AGENCY NO. ID #S
3. ORIGINAL OR REVISION NO.

4. PROJECT/ACTIVITY TITLE
Industrial Development
7p

5. PROJECT IDENTIFICATION AND EXPLANATION
(See Annex A attached)

6. AID APPROPRIATION SYMBOL 72-1131004
7. AID ALLOCATION SYMBOL 354-50-306-00-69-32

	INCREASE (B)	DECREASE (C)	TOTAL TO DATE (D)
(a) Total	266,000		266,000
(b) Contract Services	266,000		266,000
(c) Commodities			
(d) Participants			

11. DATE OF ORIGINAL AGREEMENT February 27, 1975
12. DATE OF THIS REVISION February 27, 1975
13. ESTIMATED FISCAL CONTRIBUTION DATE February 27, 1976

14. FOR THE COOPERATING GOVERNMENT OR AGENCY
SIGNATURE: *[Signature]*
Dr. Ali Nawaz, Deputy
TITLE: Minister of Commerce

15. FOR THE AGENCY FOR INTERNATIONAL DEVELOPMENT
SIGNATURE: *[Signature]*
Arthur H. Boehme DATE: 2/27/75
TITLE: Actg. Director, USAID/A, Kabul

AF 150
11-73
PROJAS
COORDINATION
AGREY
ANNEX A

MINISTRY OF COMMERCE
VIETNAM AID AND
Ministry of Commerce
Royal
AN AGENCY OF THE GOVERNMENT OF
Afghanistan

1. Project/Activity No.
306-11-910-118
2. Agreement No.
ID #3
3. Project/Activity Title
Industrial Development

PAGE 2 OF 6 PAGES
3. Original of
Revision No.

PROJECT OBJECTIVES

The goals and objectives of this project are as follows:

1. Goal I: To assist the continued expansion of the private industrial sector in Afghanistan through assistance to the Investment Committee in its operations. This goal can be divided into three objectives:

- a. Accelerate the pace of the project approval and project implementation process.
- b. Assist the Investment Committee to develop industrial development policies of general application.
- c. Assist the Investment Committee in the preparation and presentation of a program of import duty modification to improve the relationship of duties on raw materials and finished goods to promote domestic industrial production and expand the industrial sector. Assist in taking other steps to expand the private industrial sector.

2. Goal II: To improve the investment climate by providing technical support to prospective and existing private industry. This goal can also be divided into three objectives:

- a. Work with the director, staff and other foreign advisors of the Investment Advisory Center to create a strong industrial extension institution.
- b. Assist directly the IAC to provide services to investors and the Investment Committee.
- c. Assist the private investors in consolidating and strengthening the association of private investors/making it capable of rendering assistance to them as a group as well as to represent the views of the private industrial sector vis - a - vis the government.

3. Goal III: To improve the investment climate by providing support for the creation and/ or operation of other legislation and institutions which are needed for the development of the private industrial sector and strengthen financial institutions. These include the establishment of the Industrial Development Bank and the Industrial Park.

For the Cooperating Government or Agency
SIGNATURE: _____ DATE: _____
TITLE: _____

For the Agency for International Development
SIGNATURE: _____ DATE: _____
TITLE: _____

PROAG
CONTINUATION
SHEET

AGENCY A.

**PROJECT AGREEMENT
BETWEEN AID AND
Ministry of Commerce
Royal
AN AGENCY OF THE GOVERNMENT OF
Afghanistan**

1. Project/Activity No.
306-11-910-116
2. Agreement No.
ID #3
3. Project/Activity Title

Page **8** OF **6** PAGES
3. [A] Original or
Revised No.

Industrial Development

4. Goal IV: To perform research on industrial development topics and on related topics to supplement other efforts in this field, as needed and requested by the RGA.

COURSE OF ACTION

To achieve these goals and objectives, the Ministry of Commerce intends to the extent of its ability and in line with the Foreign and Domestic Private Investment Law of 1967 and under the leadership of the inter-ministerial Investment Committee, to:

1. Continue the encouragement of non-Government industrial and commercial investment in industrial projects as defined in the Law, and eliminate administrative obstacles to private investors.
2. Develop criteria and policies favorable to investment in the private sector in order to assist the decision making process, provide clear guidance to the investors and Government officials and make more efficient the project implementation process.
3. Make every effort through the assignment of qualified personnel and the institution of rational procedures to make more efficient the work of the Investment Committee Secretariat in order to provide better service to the investors.
4. Make every effort to establish and ensure the operation of an industrial park near Kabul including if necessary, the creation of an independent Industrial Park Authority.
5. Assure the provision of needed Afghan staff in adequate number and of the best available quality for the Investment Advisory Center and the provision of an adequate budget to support the Investment Advisory Center.
6. Seek additional needed expert assistance for the Investment Advisory Center through the UN program or other donors.
7. Foster the growth of such supporting institutions for the growth of business and industry as schools of accounting, management and other productive skills and consulting services on marketing and management problems.

USAID will assist the RGA by continuing a resident group of senior experienced management and economic advisors, supported by additional short-term specialists and provision of participant training in the U. S. and other friendly countries, to

For the Cooperating Government or Agency

For the Agency for International Development

SIGNATURE: _____ DATE: _____
TITLE: _____

SIGNATURE: _____ DATE: _____
TITLE: _____

PROG AS
CONTINUATION
OF
AMEN A

PROJECT AGREEMENT
BETWEEN AID AND

Ministry of Commerce
Royal

AN AGENCY OF THE GOVERNMENT OF
Afghanistan

1. Project/Activity No.
306-11-010-116
2. Agreement No.
ID # 3
3. Project/Activity Title

PAGE 4 OF 5 PAGES
2. Original or
Revision No.

Industrial Development

assist the Investment Committee and the Investment Advisory Center, accomplish the tasks cited in this Section, and the goals set forth in Project Objectives, above.

PROGRESS TO DATE

Progress in the private investment program has been considerable. As of February 15, 1973, a total of 86 plants promoted under the program were in operation, 14 more were under construction or ready for operation, and 47 more in the planning stage. A total of 201 investment applications have been approved by the Committee. About 20 percent of the new factories are export-oriented and make a substantial contribution to Afghanistan's export earnings. On the institutional side, an association of Afghan Private Investors with 56 members was created and the Industrial Development Bank is scheduled to be open for business by the end of March 1973. During the year, Checchi and Company has continued to provide a three-man team, and one short-term advisor, to further implement the joint USAID/RGA Industrial Development goals. In addition to helping maintain the momentum in the program, the Checchi team and the other foreign advisors to the program have assisted in making improvements in the organization of the Investment Advisory Center, taken steps to improve the project analysis work and have provided the Investment Committee with a number of policy recommendations including a change in the tariff structure as well as a conceptual framework for the development of the private industrial sector under the Fourth Five Year Plan. Investment Committee meetings were held regularly resulting in a sharp increase in the number of approved investment applications.

U. S. CONTRIBUTIONS

Personnel

Under an extension of the present contract with Checchi and Company, USAID will provide:

1. Present resident U. S. contract advisors, as follows:
 - Senior Industrial Economist
 - Financial-Management Expert

2. Research capability by a resident specialist and/or short-term advisory services for special tasks to be determined by the resident advisors in agreement with the Ministry of Commerce and USAID/Afghanistan.

For the Cooperating Government or Agency
SIGNATURE: _____ DATE: _____
TITLE: _____

For the Agency for International Development
SIGNATURE: _____ DATE: _____
TITLE: _____

PROJECT
CONTINUATION
SHEET
A

PROJECT AGREEMENT

BEYWEEN AID AND

Ministry of Commerce
royal

AN AGENCY OF THE GOVERNMENT OF
Afghanistan

306-11-910-116

2. Agreement No.

ID # 3

3. Project/Activity Title

Industrial Development

PAGE 5 OF 6 PAGES

3. Original or

Revised No.

Commodities

Funds for commodities, such as books for the IAC library or necessary equipment, NTE \$5,000, are included.

Participants

Subject to the availability of funds, and the availability of suitable candidates in the private sector development program who can be spared from their work, the United States Government will provide training of one or more of the following kinds.

- Long term (more than one year) advanced university or related training in the United States or third countries.
- Shorter term (six months or less) on the job training in industrial development promotion institutions or related institutions in the United States or third countries.
- Provision for attendance at important meetings and conferences which promote the goals of the project.

Funds for these activities will be made available when candidates become available and are nominated, if and when funds are available.

Other Costs

Necessary funds will be provided for invitational travel and seminars at the time of determination of need.

RGA CONTRIBUTIONS

The Royal Government of Afghanistan, through the Investment Committee and Ministry of Commerce, and with the Cooperation of the Chamber of Commerce, are to provide Afghan personnel in adequate numbers and qualifications for both the Secretariat and the Investment Advisory Center. With regard to the Investment Advisory Center, the existing budgeted staff consists of 10 professionals, which includes a Director and a Deputy Director as well as eight other professionals, and six non-professionals

(continued)

For the Cooperating Government or Agency

For the Agency for International Development

SIGNATURE: _____ DATE: _____

SIGNATURE: _____ DATE: _____

TITLE: _____

TITLE: _____

AM INT-13
PINDAG
CONVERSATION
TABLE
ANNA A

PROAG AGREEMENT
BETWEEN AID AND

Ministry of Commerce
Royal
AN AGENCY OF THE GOVERNMENT OF
Afghanistan

1. ProAG/Agency No.
306-11-910-116
2. Agreement No.
ID #3
3. ProAG/Agency Title

PAGE 6 OF 6 PAGES
3. Original or
Serial No.

Industrial Development

(clerks, secretaries and porters). At present, one professional slot is unfilled and two professionals are overseas on non-U. S. financed training. The RGA agrees that the staff will be increased as soon as possible, to not less than 14 professionals or contract professionals (one Director, one Deputy and 12 others), plus six non-professionals (2 clerks, two typists, three porters and one driver). Qualifications of the professionals will include background in engineering, business administration or economics, plus facility in the English language.

The budget required to staff and operate the Investment Committee Secretariat and Investment Advisory Center for Afghan year 1352 will not be less than Afs. 1.7 million, of which Afs. 1,000,000 will be allocated to the Investment Advisory Center and Afs. 700,000 to the Investment Committee Secretariat. The Ministry will take steps, where possible, to provide higher than normal incentive salaries to personnel of the Investment Advisory Center. In accordance with the budget submitted by the IAC through the Chamber of Commerce, the budget approximately Afs. 1,000,000 will include funds for transportation, supplies and equipment adequate to the performance of the work of the IAC.

In addition to budgetary support, as described above, the Ministry of Commerce will make available to the Secretariat, the IAC and to all advisors provided under this ProAg adequate office space, furniture and fixtures, utilities (electricity, heat, water) telephone service and other normal support required to operate an effective office.

For the Cooperating Government or Agency

For the Agency for International Development

SIGNATURE: _____ DATE: _____
TITLE: _____

SIGNATURE: _____ DATE: _____
TITLE: _____

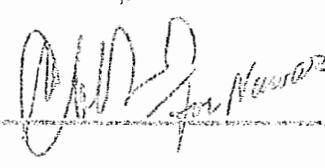
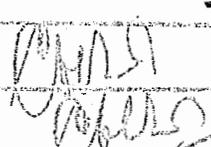
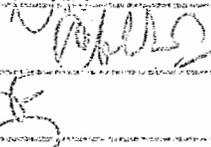
ProAg CLEARANCE RECORD

A. IDENTIFICATION

1. Project Title Industrial Development
2. Project No. 306-11-910-116
3. U.AID Project Manager Mr. C. H. Zondag
4. Division Private Enterprise 5. ProAg No. ID #3

B. CLEARANCE

PGA
Project Manager

Signature	Date
	9-22-73
	2-27-73
	2-27-73
	2-27-73
	2-27-73
	2-27-73

USAID
Project Manager

Division Chief

DP Liaison Officer

AD/DP

CO (1)

CO (2)

MGT

3060116(7)

AID 100-1 (8-69)

DEPARTMENT OF STATE
AGENCY FOR
INTERNATIONAL DEVELOPMENT

Worksheet Issuance

PAGE 1 OF 7 PAGES

PIO/T
ACTION
REQUEST

PROJECT IMPLEMENTATION
ORDER/TECHNICAL
SERVICES

1. Cooperating Country AFGHANISTAN	2. PIO/T No. 306-116-3-10024
3. Project/Activity No. and Title 306-11-910-116 PD-AAF-011 INDUSTRIAL DEVELOPMENT	

4. Appropriation Symbol 72-1111004	5. a. Allotment Symbol & Charge 154-50-306-00-69-11	5. b. Funds Allotted to: <input type="checkbox"/> AID/W <input checked="" type="checkbox"/> Mission
---------------------------------------	--	--

6. Obligation Status <input type="checkbox"/> Administrative Reservation <input type="checkbox"/> Obligation <input checked="" type="checkbox"/> Funds Obligated by ProAg	7. <input checked="" type="checkbox"/> Original or Amendment No.: 49 p.
--	---

8. No. of Technicians 3	9. Services to Start (Mo., Day, Yr.) Between: Dec. '70 And: Mar. '71	10. Duration (Months) a. Of Services 24 b. Of Financing 15
----------------------------	---	---

11. a. Type of Action
 AID Contract Cooperating Country Contract Participating Agency Service Agreement Other

11. b. Authorized Agent AID/W

Financing \$1.00 =	A. Previous Total	B. Increase	C. Decrease	D. Total to Date
12. AID Financing a. Dollars		247,000		247,000
b. U.S.-Owned Local Currency				
13. Cooperating Country Contributions a. Counterpart				
b. Other				

14. Mission References

15. Objective for which the Technical Services are to be used (Describe)

The purpose of this PIO/T is to provide funding for a new industrial development project as explained in TOAID A-357, dated 8/17/70, to be staffed initially by three U.S. contract advisors, with four months annually of short-term consultants, home office consultations as needed, and usual backstopping.

TOAID A-357

16. Mission Clearances	Date	Mission Clearances	Date

17. Date of Original Issuance December 11, 1970	18. Date of this Issuance December 11, 1970
--	--

19. For the Cooperating Country
The terms and conditions set forth herein are hereby agreed to:

SIGNATURE

DATE

TITLE

20. For the Agency for International Development

Russell Dilts
SIGNATURE
Deputy Director, NESA/TECH

TITLE

AID 1980-1 (8-83)	DEPARTMENT OF STATE AGENCY FOR INTERNATIONAL DEVELOPMENT	<input type="checkbox"/> Worksheet	<input checked="" type="checkbox"/> Issuance	PAGE 2 OF 7 PAGES
		Cooperating Country AFGHANISTAN		PIO/T No. 306-116-3-10024
		Project/Activity No. and Title 306-11-910-116 INDUSTRIAL DEVELOPMENT		

SCOPE OF WORK

21. Scope of Technical Services

A. Description (See ATTACHMENTS A and B for full description)

- (1) To further improve the investment climate and to increase government reliance on indirect, rather than direct, controls.
- (2) To assist in Afghan industrial extension services to coordinate technical support for small private industry through the provision of counseling services.
- (3) To help create better overall support facilities for private enterprise by acting as a catalyst or limited supporter in the creation of new sources of commercial and industrial credit, better commercial legislation and, in general, all those vital elements which normally operate in support of the private sector but which are lacking in Afghanistan.
- (4) To identify the insights and information that are needed to guide the RGA in the development of industrial policy (topics for research).

B. Technicians

(1) (a) Number	(b) Specialized Field	(c) Grade and/or Salary	(d) Duration of Assignment (Man-Months)
1	Senior Industrial Economist (to act as Chief of Party)	\$30,000 level	24 mos. starting Jan. 1971
1	Investment Consultant	\$25,000 level	" "
1	Financial-Management Expert	\$25,000 level	" "

(Continued)

(2) Duty Post and Duration of Technicians' Services

Kabul - 24 months.

(3) Access to Classified Information

Only the Senior Industrial Economist should be cleared up to CONFIDENTIAL on a "need to know" basis. However, clearance procedure should be started after arrival at post in order not to delay his arrival.

(4) Dependents Will Will Not Be Permitted to Accompany Technician

C. Financing Costs of Technical Services

(1) By AID - \$ 242,000

(2) By Cooperating Country - (as stated in the ProAg)

AID 1880-1 (8-68)	DEPARTMENT OF STATE AGENCY FOR INTERNATIONAL DEVELOPMENT	<input type="checkbox"/> Worksheet	<input checked="" type="checkbox"/> Issuance	PAGE 3 OF 7 PAGES
		Cooperating Country AFGHANISTAN		PIO/T No. 306-116-3-10024
		Project/Activity No. and Title 306-11-910-116 INDUSTRIAL DEVELOPMENT		
PIO/T	PROJECT IMPLEMENTATION ORDER/TECHNICAL SERVICES			

22. Equipment and Supplies (Related to the services described in Block 21 and to be procured outside the Cooperating Country by the supplier of these services)

A. (1) Quantity	(2) Description	(3) Estimated Costs
<u>Code</u> 71	Typewriters, calculating machines	\$1,650
89	Small industrial library (initially)	1,000
89	Miscellaneous manufactured articles as necessary	2,350

B. Financing Costs of Equipment and Supplies

(1) By AID - \$ 5,000

(2) By Cooperating Country - ---

23. Instructions to Authorized Agent

AID/W will negotiate and execute a contract for the services requested herein. The contract should allow for the local employment of one bilingual secretary and one local liaison man in support of the contract team, as well as other logistical support such as transportation, etc. (to be paid for out of Mission Trust Fund Budget).

The contract should contain provision for the recruitment of short-term advisors (four man-months a year) for special tasks to be proposed by the resident advisors in agreement with USAID/A. These would be provided by the contractor on a task order basis to provide specified consulting services in such specialized fields as financial law, export marketing, fruit processing, etc.

(See also ATTACHMENT D)

24. Special Provisions

- A. This PIO/T is subject to AID contracting regulations.
- B. Except as specifically authorized by AID/W, or when local hire is authorized under the terms of a contract with a U.S. supplier, services authorized under this PIO/T must be obtained from U.S. sources.
- C. Except as specifically authorized by AID/W, the purchase of commodities authorized under this PIO/T will be limited to the United States under Geographic Code 000.

PIO/T	DEPARTMENT OF STATE AGENCY FOR INTERNATIONAL DEVELOPMENT	<input type="checkbox"/> Worksheet <input checked="" type="checkbox"/> Issuance	PAGE 4 OF 7 PAGES
	PROJECT IMPLEMENTATION ORDER/TECHNICAL SERVICES	Cooperating Country AFGHANISTAN	PIO/T No. 306-116-3-10024
		Project/Activity No. and Title 306-11-910-116 INDUSTRIAL DEVELOPMENT	

25. Reports by Supplier of Services (Indicate type, content and format of reports required, including language to be used if other than English, frequency or timing of reports and any special requirements)

A. Bi-Weekly Status Report

The contractor shall submit to the Industrial Development Division, USAID/A, a bi-weekly status report on his current activities.

B. Semi-Annual

The reports required by sub-clause 29.(a)(1) of the General Provisions of the contract shall also evaluate the rate of accomplishment and analyze any circumstances that cause the progress to be other than expected. The report shall be submitted in 20 copies to the Industrial Development Division, USAID/A, and three copies to the Contracting Officer.

C. Annual

The contractor shall submit to the Industrial Development Division, USAID/A, annually a report on head office backstopping activities (20 copies).

(Continued)

26. Availability of Background Information (Additional information useful to Authorized Agent and Prospective Suppliers; if necessary, cross reference Block 21.B(3) above)

There exists a considerable amount of written material concerning the development of the private industrial sector in Afghanistan. This material is available both within AID offices and the Mission and will be made available to the contractor, at his request.

27. Relationships of Supplier to Cooperating Country and to AID.

A. Relationships and Responsibilities

The Ministry of Commerce is the Host Government counterpart agency responsible for the implementation and operation of this project activity. In addition to being the counterpart agency, the Ministry of Commerce will also serve as the

B. Cooperating Country Liaison Official

Ministry of Commerce, Dr. Akbar Omar, and other RGA officials as designated.

(Continued)

C. AID Liaison Officials

Chief, Industrial Development Division, USAID/Afghanistan, or his designee.

AID 1380-1 (8-63)	DEPARTMENT OF STATE AGENCY FOR INTERNATIONAL DEVELOPMENT PROJECT IMPLEMENTATION ORDER/TECHNICAL SERVICES	<input type="checkbox"/> Worksheet <input checked="" type="checkbox"/> Issuance	PAGE 5 OF 7 PAGES
		Cooperating Country AFGHANISTAN	PIO/T No. 306-116-3-10024
		Project/Activity No. and Title 306-11-910-116 INDUSTRIAL DEVELOPMENT	

LOGISTIC SUPPORT

28. Provisions for Logistic Support	In Kind Supplied By		From Local Currency Supplied By	
	AID	Cooperating Country	AID	Cooperating Country
A. Specific Items (Insert "X" in applicable column at right. If entry needs qualification, insert asterisk and explain below in C. "Comments")				
(1) Office Space		X		
(2) Office Equipment		X		
(3) Housing and Utilities				X
(4) Furniture	X			
(5) Household Equipment (Stoves, Refrig., etc.)	X			
(6) Transportation in Cooperating Country	X			
(7) Interpreter Services		X		
Other: (Specify)				
(8) Per Diem - Local Travel			X	
(9) Commercial - Local Travel			X	
(10) Per Diem - International Travel *	X			
(11) Commercial - Internatl. Travel *	X			
(12) Secretarial Services			X	
(13)				
(14)				
(15) *To and from Third Countries				

B. Additional Facilities Available From Other Sources

Cooperative Commissary will be made available. The U.S. contract technicians are entitled to all other benefits and logistic support on the same basis as AID direct-hire employees, except that they shall not be entitled to R&R until they have served a full 24 months within the country.

C. Comments

Semi-annually, international travel (round trip, economy class) and per diem may be reimbursed in U.S. dollars under this PIO/T for a visit by the project supervisor in the home office of the contracting firm. The visits will be authorized by the Contracting Officer after USAID and AID/W clearances.

DEPARTMENT OF STATE
AGENCY FOR
INTERNATIONAL DEVELOPMENT

Worksheet Issuance

PAGE 6 OF 7 PAGES

PIO/T

PROJECT IMPLEMENTATION
ORDER/TECHNICAL
SERVICES

Cooperating Country
AFGHANISTAN

PIO/T No.
306-116-3-10024

Project/Activity No. and Title

306-11-910-116

INDUSTRIAL DEVELOPMENT

FINANCIAL AGREEMENT

29. A. Cooperating Country Financing

Pursuant to paragraph _____ of the PROAG or Other underlying document signed on _____ and subject to the amount shown in Block 13.D above, the Cooperating Country will provide all local currencies required for the expenditures within the country, during the period starting on the Date of this Issuance (Block 18 above) and ending on the Final Contribution Date of the [PROAG or other enabling document]: _____ authorized under this Project Implementation Order, with the exception of the following types of expenditures, which AID hereby agrees to assume:

--

B. As of the effective date of any contract or agreement executed under this Order, the country will establish in the name of the supplier of the services described herein, a local currency advance in the amount of: _____

30. AID Financing

ProAg dated November 21, 1970

Pursuant to the provisions of the above-referenced Project Agreement or other document, and subject to the limitation of the Total to Date as shown in Block 12.D above, AID will provide all U.S. Dollar Currencies required for expenditures, during the period starting on the Date of this Issuance (Block 18 above), and ending on the Final Contribution Date of November 21, 1973 authorized under this Project Implementation Order, with the exception of the following types of expenditures which the Cooperating Country hereby agrees to assume:

--

AFGHANISTAN 306-116-3-10024

306-11-910-116
INDUSTRIAL DEVELOPMENTBlock 21-B-(1) - Continued

In addition, up to four man-months per year of short-term advisory services, plus home office consultation as needed, for special tasks to be determined by the resident advisors in agreement with the Ministry of Commerce and the USAID/A, as well as the usual backstopping.

(See also ATTACHMENT C)

Block 25 - ContinuedD. Final

Prior to the permanent departure of the contractor, a comprehensive descriptive final report will be submitted to the Industrial Development Division, USAID/A, covering the various activities since the inception of the contract. The report will provide a complete descriptive listing of the activities, problems and accomplishments against project targets. The report shall be submitted in 25 copies.

E. Other

The contractor shall provide, from time to time, such other reports as deemed necessary and requested by the Director, USAID/Afghanistan or the Chief of the Industrial Development Division.

Block 27-A - Continued

responsible liaison agency for coordinating those activities undertaken by the contractor with other RGA ministries and agencies in seeking achievement of contract objectives.

Background Information1. Summary Descriptiona. Project Goals

Afghanistan is stressing the development of private industry in response to the developmental needs of the country. Among other things, this project is designed to assist the RGA in the elimination of specific obstacles which inhibit its industrial development and to support accelerated industrial growth. Our joint goals are:

- (1) To further improve the investment climate and to increase government reliance on indirect rather than direct controls.
- (2) To assist an Afghan industrial extension service to coordinate technical support for small private industry through the provision of counseling services.
- (3) To help create better overall support facilities for private enterprise by acting as a catalyst or limited supporter in the creation of new sources of commercial and industrial credit, better commercial legislation and, in general, all those vital elements which normally operate in support of the private sector but which are lacking in Afghanistan.
- (4) To identify the insights and information that are needed to guide the Royal Government of Afghanistan in the development of industrial policy (subjects for research).

b. Purposes Served

While recent progress in the industrial sector is impressive, in good part it reflects the promotional thrust stimulated by the previous U.S. Private Sector Development Project (087). That project was largely the brainchild of the previous Minister of Commerce, Dr. Noor Ali. However, to start the wheels of small private industry spinning is one thing, but to keep them running at an ever increasing speed constitutes another much more difficult task. For this reason this new project is directed at the consolidation of and greater support for newly established, small private industry in Afghanistan. Psychologically, this distinction is also relevant, since it shows that the RGA met its original commitments under Project 087 and is now ready to take the next step.

(Continued)

At this stage, the country needs help of a somewhat specialized nature. In one sense an existing and cumbersome bureaucracy must be taught how to handle private investors so that they are actually encouraged to start new ventures and, in another, the project should have a built-in component to diminish the role of this bureaucracy so that gradually more emphasis will be placed on policy, indirect controls, and getting the government out of the business of handling problems which the industrialists themselves should handle.

c. Significance of Intended Results

It its totality, the project is designed to:

- (1) Increase wealth through the proper motivation and mobilization of the private sector, as well as through diminishing the influence of monopolies and, in general, of those groups resisting change (economic).
- (2) Create a group of private entrepreneurs who could gradually become a driving force in modernizing the economy. This, in turn, would lead to a certain degree of social change, resulting ultimately in a more democratically oriented society (political).
- (3) Increase the belief that economic and social advancement can be obtained through individual competence and effort rather than through preference based on influence, kinship, caste, social status or race (social).

As already mentioned, in time the side effects of a dynamic private sector could well prove to be much more important than the mere creation of a number of new productive facilities. The ultimate test lies in whether or not private industry in Afghanistan will become self-sustaining, as well as whether or not the new methods and training derived from it will become a part of a greatly modified and modernized Afghan way of life.

d. General Approach and Plan of Action

At its minimum level, the project is designed to consolidate present gains achieved under the 1967 Foreign and Domestic Private Investment Law and to support further growth in the private industrial sector. The general approach is to support RGA efforts to foster the continued growth and improved efficiency of infant industrial enterprises, through

(Continued)

the service of a small group of resident advisors and short-term consultants of varying capability, as needed.

The advisory team, to be provided by a consultant firm under contract with A.I.D., will work with the Investment Committee as indicated and will assist and support the Investment Advisory Center as it develops the ability to offer an industrial extension service. Important amounts of technical services provided by other donors will need to be coordinated into this service.

2. Economic, Social, Legislative and Administrative Obstacles to be Overcome for Project Success

Apart from the traditional obstacles facing the development of the private industrial sector such as: (a) lack of management skills at all levels, (b) an inadequately trained industrial labor force, (c) a lag in agricultural production to support the expansion of agricultural processing industry, and (d) a serious lack of experience at the working level of the government to deal effectively with the problem of a budding private industry, there is an almost total lack of supporting facilities which even in most LDCs usually stand behind the private industrial sector. There is no proper legal base for business, there are no industrial banking facilities, no external economics, and transport is expensive. Even the cashing of a check frequently presents a major problem. Repossession is unheard of in the absence of a chattel mortgage law. Obviously, the project cannot address itself to all of these problems. For this reason, it can only stress a selective and, as the case may be, catalytic approach.

While the general problems are more or less typical for a developing country, unfortunately the specifics are not. Yet these specifics are frequently crucial in the micro-economic environment of the private sector. The role of a contract team in policy guidance and institution building will have to be filled in the context of that kind of specifics. Furthermore, many of the problems the team will cope with are of a very specific nature. For instance, the trouble at one point may be the elimination of the cumbersome visa procedure for visiting businessmen, at another the reversal of an unworkable decision by the power company, and at a third the reversal of a lower echelon decision to harass private investors. Problems of this nature may appear to be minor, yet if no proper guidance is provided on how to solve them, the individual investor's prospect may well remain blocked. Obviously, this type of activity on the part of foreign advisors can only be justified by the fact that once a solution is found and a policy is established, the same problem will not occur again.

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More recently, some of these problems have shifted from the specific into the more general, in line with the growing complexity of industrial development. A good example of this is the most recent investigation of industrial management by the government's investigation team. Based on the alleged abuse of free import privileges by some of the textile mills, which in the end proved to be false, production in some of these plants was halted for weeks. It took action by the five cabinet members who constitute the Investment Committee to straighten out this problem, which was spotted in the first instance and brought to the attention of the proper Ministers by American advisors. Obviously, matters of this kind can easily put the whole program in jeopardy and this explains why, at some point, the U.S. advisors still have to become operational within the existing government structure. Again, once solved, such problems are not likely to occur in the same area. For instance, partly as a result of this incident, an Interministerial Textile Committee was created to establish government policy concerning textile production for the next three years for which, again, some involvement on the part of the foreign advisors is required.

Likewise, in handling applications from too many people interested in establishing a cigarette factory considering the limited consumer capacity of the country, the RGA has now requested advice as to what factors are to be taken into consideration in arriving at a proper decision. Here, again, the advisors' role is to help dig out the proper facts and implications.

Even more complicated is the matter of allowing truck assembly in Afghanistan which almost requires a total revision of government regulations regarding imports, a problem formerly handled almost entirely by the government monopoly handling all imports. As a corollary, new regulations must be developed pertaining to the area of private agencies handling such imports, an area in which the RGA is much in need of advice.

Even at this stage, operational matters still continue to present a problem such as how to find a way to import duty-free dyestuffs under the 1967 Investment Law while avoiding the burden of physical control, i.e., getting the advisors involved in certification which would constitute the easy but least desirable way out. In the same vein, an important investor who already has a sizeable textile plant is now interested in setting up a spinning mill with the help of an Export-Import Bank loan for the U.S. equipment component. It is almost inconceivable that this investor, who only recently came out of the bazaar, could handle this problem without some help on the part of the U.S. advisors. As a final example, the Pakistan National Oil Company has prepared an application for an oil blending plant

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and, in doing so, requested some help in enlightening them (considering the differences between Afghan and Pakistan company law) on how to draw up its Articles of Association. In addition, it is having some problems in finding a suitable construction site in the Industrial Park.

In view of all this, it should come as no surprise that recently the West German pharmaceutical firm of Hoechst was emphatic in stating that the approval of its currently projected one million dollar investment in a Kabul plant would not have materialized without a substantial involvement by various foreign experts. Yet, partly because of this involvement, Kabul can now look forward to the plant's coming into operation in the course of the next calendar year. Indeed, it would seem that constant vigilance must be applied to nurse the delicate plant of private enterprise in a general environment of cumbersome controls.

3. Strategy

This project is not designed to provide all or even the major elements needed for the development of private industry in Afghanistan but, rather, to make catalytic contributions in two limited areas for which the U.S. assistance is comparatively well suited. One of these is advisory assistance to the central RGA institution dealing with private investors, the Investment Committee and its staff in the Ministry of Commerce, with a view to improving its competence in the development of general criteria for the approval of investment proposals, and in the use of market forces and general laws and regulations, rather than direct bureaucratic involvement, to guide private enterprise to operate in the public interest. The second limited area is the provision of technical assistance based on small business management experience through the industrial (Investment) Advisory Center (IAC) of the Chamber of Commerce, since beginning Afghan entrepreneurs have virtually no body of experience in the successful management of competitive private industry in their own country from which to learn.

Many other elements are needed for the successful development of private industry in Afghanistan. This project rests on the assumption that they can be provided better from other sources, Afghan or foreign, and will be provided in sufficient degree and timeliness to permit the modest inputs under this project to be effective and industrial development to proceed apace.

Government policies and laws favorable to private investment are already enacted and enjoy continuing, if mixed, political support. The Government, however, lacks experience in their sensible application. One element of this project is aimed specially to that end.

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Financial institutions needed to support industrial development are missing but a law authorizing an industrial Development Bank is under active discussion between the economic ministers and members of Parliament, with the likelihood that such a bank will be established within a year either with the assistance of a multinational group of private bankers or under the leadership and participation of the IBRD. The statutory basis for commercial banking, mortgages, installment credit, savings and loans, and other forms of financial institutions are seriously deficient, but this is increasingly a matter of concern and may well be attacked by the legal expert recently placed here by the International Legal Center of New York. In addition, the Asia Foundation is considering again placing a legal advisor in the Ministry of Commerce.

At the request of the RGA, a U.N. legal expert from New York is drafting a mining code for the consideration of the RGA, and there are indications of foreign investor interest in Afghanistan's mineral potential once an attractive mining code is enacted.

The RGA has set aside a large tract adjoining Kabul for an industrial park. The Indian Government has undertaken to develop a small part of this for small shops and the Asian Development Bank has approved a feasibility study which should serve as the basis for a loan for the development of the park.

There is a critical lack of accounting skills in the country, but the application of a British auditing firm to establish a subsidiary here has recently been approved. There continues to be some potential interest, both here and in Iran, in the establishment in Kabul of a branch of the very successful private school of accounting in Tehran.

The Government has authorized the establishment of an Investment Advisory Center (IAC) which has come into being under the sponsorship and with the support of the Chamber of Commerce, which in turn derives its support from the business community and the new industrialists. It provides a basis from which foreign technical advisors can work with private investors and it will provide young Afghans trained in engineering or economics to assist them. It has the potential in the long run of developing into a useful training center and consulting service for Afghan businessmen but will not for some years have sufficient local market for its services or sufficient experience and skill among its staff for useful service independent of foreign advisors. The U.N., Germans, British and French have expressed considerable interest in the development of this Center and have promised, and to a limited degree provided, technical expert advice for it. They generally tend to be fairly narrow, production specialists in particular

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fields such as leather tanning, fruit processing, plastics molding and textile finishing. Provision of such expertise is essential and useful, but Afghan entrepreneurs tend to have at least equal need for management advice on problems of cost accounting, quality control, work supervision, inventory control, short-term financing, market development, and personnel relations, which are common to small businesses in any field. Thus, the second part of this project is aimed to provide financial and other management consultation to help fill the gaps between the specific services from other donors and the broad needs of Afghan industries, between the limited experience of the IAC staff and the comprehensive coordinating task that will be falling on its shoulders. The project will provide the services of the contract team that is expected to supply the necessary management advice and, at the same time, to develop the ability of the IAC to make use of outside advisors, including eventually those from Kabul University and the International Executive Service Corps.

4. Course of Action

a. Investment Committee

After the 1967 Private Investment Law had laid the legal foundation for the creation of an improved investment climate, the Investment Committee started to review new investment applications which so far has resulted in the approval of some 140 proposals for new industrial establishments. Of them, 49 were implemented and are actually in operation. As a result, the Secretariat of the Investment Committee which deals with these applications in the first instance and helps in preparing them for submission to the Committee of five Ministers, has gained considerably in stature. Investors appear to be pleased with the services which they are receiving since, on many occasions, the Committee has acted in their defense vis-a-vis other government agencies which tried to place administrative obstacles in their way. It has also made faint attempts at making industrial policy, although at present it lacks experience in this area. For instance, recently it established an arbitrary and rather meaningless upper limit on the number of new rayon textile mills which could be established. This was done without much analysis or study and merely to appease critics who had expressed a fear of over-investment in this area.

This clearly points to the problem faced in the future operation of the Committee. While under present conditions its role as the defender of potential and existing private investors is quite crucial, it is even more necessary to change gradually those "present conditions" which are

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partly responsible for the Committee's existence. The Committee's role is obviously legitimate when it tries to assure that potential applicants are indeed entitled to the substantial benefits provided under the 1967 private Investment Law (Five-year tax holiday, duty-free importation of machinery and raw materials, etc.). It is on less firm ground when it should try to overact or tackle areas in which it lacks competence. However, since it is so common for any government operation anywhere to mushroom, the danger is always there that under the wrong leadership, the Investment Committee could turn into something entirely different from what it was planned to be. For this reason the project attempts to maintain the presently essential and positive features of the Committee's work, while at the same time trying to assure that the Committee's direct involvement in the private industrial sector will gradually diminish as a more normal private industrial environment develops. In other words, once an environment can be created which begins to resemble that of other countries where the investor is largely on his own in making decisions and is not faced with lower echelon government officials trying to block almost every move on his part, it should become possible for many of the Committee's functions to gradually fade away.

The project attempts to revolve this somewhat tricky problem by providing two experts to the Investment Committee, one an Investment Consultant - "ombudsman" type advisor who for a period of no more than two years, will provide assistance in the further elimination of obstacles to private investment; and one Senior Industrial Economist to lend more substance and market orientation to the Committee's decisions and to assist in working out the linkage between the private industrial sector and the Fourth Plan. In other words, in the short run, while the Committee still tends to get involved in areas which ultimately should be left free, the role of the ombudsman-type expert remains important, but by the time his two-year tour ends, policy measures and indirect controls are expected to replace some of the Committee's present operational involvements. In spite of an apparent contradiction here, an effort has to be made to see to it that the role of the Investment Consultant will be self-liquidating.

At any rate, at this crucial stage in the life of the Investment Committee and with so many more potential investors, both domestic and foreign, now showing interest in investing in new industries, American advisory services are required to provide both additional sophistication and consolidation of the ground gained so far.

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b. Investment (Industrial) Advisory Center (IAC)

In spite of having been constituted legally, the Investment Advisory Center (IAC) is still in embryonic form. Its present status is as follows: The Investment Advisory Center has a charter, a budget of some 600,000 Afs. (\$7,500) provided by the Chamber of Commerce, as well as a small office made available by the latter. Although the Chamber is traditionally controlled by the bazaar, it is gradually developing into a Chamber of Commerce and Industry as may be noted from the fact that recently 10 industrialists were chosen out of a total of 30 members comprising the Chamber. Although capable Afghans to head such a Center are scarce, one potential high-level candidate has already been offered this position, and he has expressed interest provided certain administrative problems can be resolved. Other candidates to become counterparts in the Center are also on the horizon and a higher rate of pay will be provided for them in order to attract the best available talent.

Current plans to organize the Center are shown in the organizational chart below - see page 11. Until further action is taken by the RGA, the Mission intends to provide only one industrial extension advisor (Financial Management Expert) as a Center advisor, supported by two Afghan assistants, to work with the existing industrial clients. Depending on the growth of industry, evolution of government policy, the number and kind of advisors provided to and through the Center by the U.N., British, French and West Germans, the services of additional U.S. technicians could be required.

For the time being, the Mission attitude is much in line with that of other donors, such as the U.N., the French, and West Germany--all of whom seem to be more than prepared to support a feasible IAC once the RGA decides to appoint a responsible and active Afghan to head the Center. While the Mission remains convinced of the need for institutional development in supporting private industry, it is not prepared to push institutional development for institutional development's sake. It intends to keep this program small and of a high leverage consistent with requirements and opportunities.

c. Research

Research in support of the private industrial sector is almost non-existent. It may be needed as a guide to the design of some sections

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of the next Five-Year Plan, and to the refinement of policies for the private sector. Examples of research topics which the resident advisors might propose, after studying the pertinent conditions and need are:

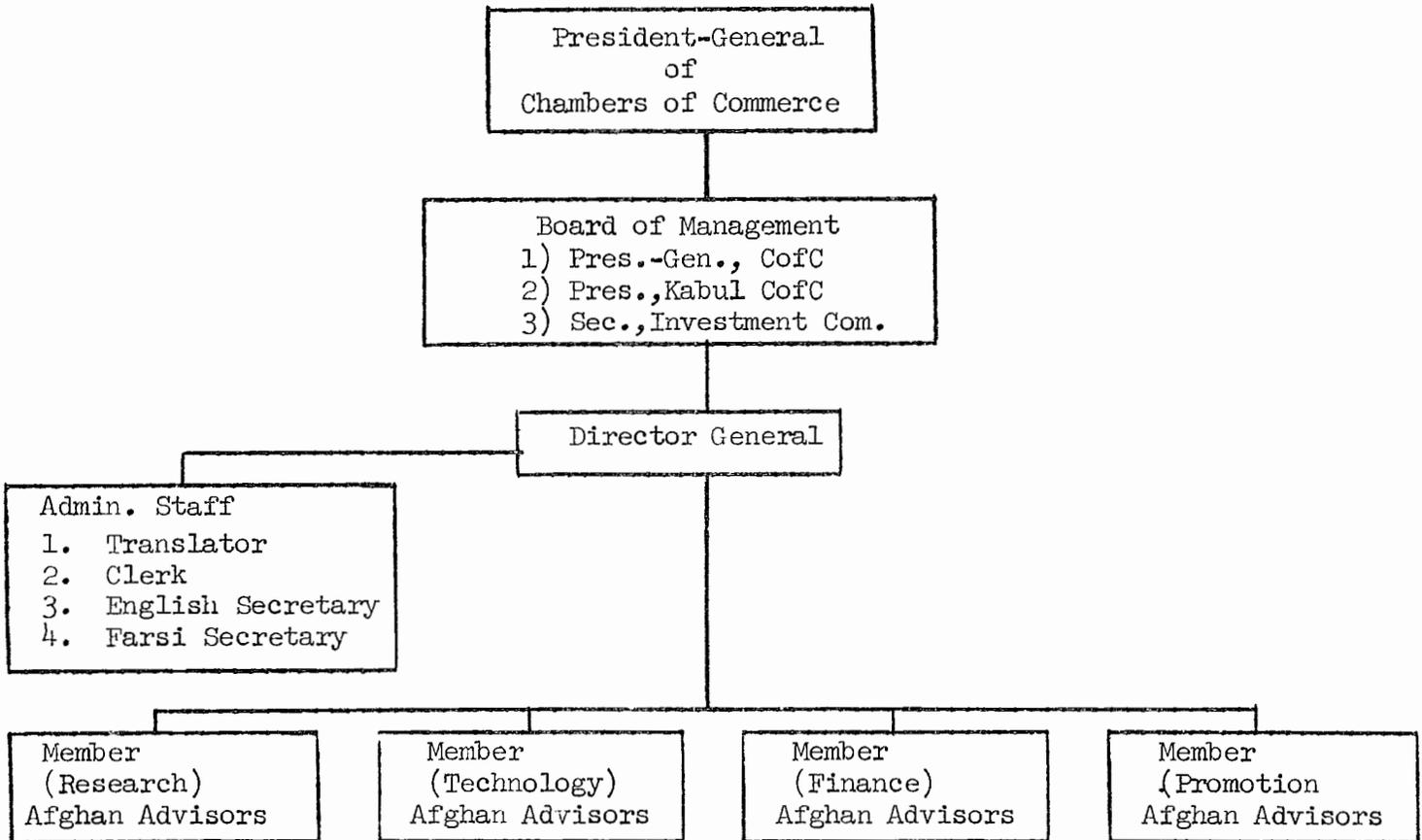
- (1) Identifying the deficiencies in Afghanistan's commercial and banking laws and needs for remedial legislation.
- (2) Providing a better insight into the operation of the money bazaar and the possibilities of creating from it a source of industrial credit.

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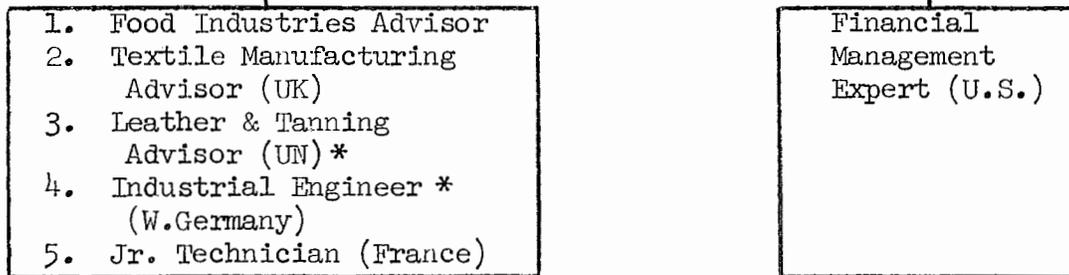
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INVESTMENT ADVISORY CENTER
ORGANIZATIONAL CHART



SUPPORTING FOREIGN EXPERTS



*Part-time Advisors

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Setting and Environment

A. The Face of Afghanistan's Industrial Sector

In a sense private enterprise is not new to Afghanistan, since the country provided for a natural link in trade between East and West even before medieval Venice had reached its peak. However, in a modern sense, Afghanistan's first attempts to develop private industry date from the late 1920s when Abdul Madjid Zabuli--an alert Afghan cotton trader who accumulated a fortune during the Russian Revolution--founded the Bank-e-Mille which was instrumental in establishing the first private industrial enterprises involving wool and cotton textile manufacturing, wheat milling, cement production, fruit canning and cold storage.

Subsequently, a few other Afghan traders began businesses in casings processing, Karakul hat and coat manufacturing, processing of goat and sheep skins and some service type businesses. They were joined by a few private foreign investors such as a Swiss-started shoe factory, an auto workshop and raisin processing plant started by an American, and Pan American with a 49 percent interest in Ariana Afghan Airlines.

Unfortunately, the first modern flirtation with private enterprise did not last long since this effort led to the establishment of a number of monopolies. It was Zabuli's view that very sizeable incentives had to be provided in order to get money, which normally would have been confiscated during previous periods of extreme financial stress, out of hoarding. In this he succeeded, but at the same time the profits made by these early investors led to much criticism on the part of those who were not members of the club.

Nevertheless, the Bank-e-Mille did play an almost unique role in the early development of Afghanistan's private industrial sector and even today it holds a participation in a number of major industries such as the Afghan Textile Company, Baghlan Sugar Co., Karakul Export Co., Carpet Export Co., the Jabul Seraj Cement Factory, Afghan Bus Transport Company, Afghan Insurance Co., the Herat Cotton Export Co., Kandahar Woolen Mills, Pashtoon Fruit Co. (Kandahar), Wool Export Co. (Kabul), the Pashtany Tejarati Bank, the Agricultural and Cottage Industry Bank and the Mortgage and Construction Bank.

World War II further accentuated the monopolistic position of the Zabuli system. For example, cotton textiles were imported from India under a quota which benefitted only a few corporations which in turn led to a vast accumulation of wealth in the hands of a few. This situation further irritated the leftist and university student groups and finally resulted in a strong reaction against private enterprise.

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Subsequently, the regime of Prince Daud Khan (1953-1963) placed a relatively strong emphasis on infrastructural development and the construction of a number of public sector industrial ventures. Most of these turned out to be unsuccessful. Yet, there were also some interesting by-products of this policy inasmuch as it contributed greatly to the training of a number of Afghan professionals through the construction of major infrastructural projects, some of whom, much later, turned their eyes again to private enterprise in an effort to move ahead faster. However, on the whole, strong government control of private enterprise during the Daud regime discouraged those people who had the means and the will to contribute to economic development through the private enterprise system. This even resulted in the liquidation of a number of existing corporations, capital flight and a channelling of money towards retail trade in the bazaars which largely escapes any form of government controls. This policy also contributed to an increase in inefficiency which adversely affected the cost of public sector industry.

By the mid 1960s, mismanagement in the public industrial sector, which still controls some 30 large plants, was beginning to reach such proportions that gradually a number of prominent Afghans again became interested in stimulating economic growth through better incentives to the private sector. As a result, a new Foreign and Domestic Private Investment Law was promulgated in 1967. This second flirtation with private industry turned out to be more successful, and it may well end up in a marriage. At least it was sufficiently important for A.I.D. and other donors to take notice.

What was so important about the 1967 law was not so much its coming into effect--two private investment laws were on the books prior to 1967, namely, the Law Encouraging Industries under the Ministry of Mines and Industries, and the Foreign Investment Law under the Ministry of Commerce--as the fact that it represented a change from investor control to investor support, i.e., through the establishment of an Investment Committee, the law tried to provide actual support to potential investors and to eliminate much of the previous red tape. Since the older laws, which in substance were not so much different from the 1967 law, were administered by two different Ministries, it was quite possible for one Ministry to block a project approved by another. Moreover, the previous laws failed to offer Afghan investors some of the key incentives now offered to foreign investors. These laws required private investors to negotiate what in effect were highly specialized agreements with the Royal Government of Afghanistan which governed all phases of their proposed operations. The stipulations embodied in these agreements included the form and amount of capitalization, type, price and suppliers of capital inputs, quality and origin of raw materials, nature and amount of any technical assistance. The results of these agreements were often disastrous and not without a note of tragi-comedy.

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To give only a few examples, the Afghan Woolen Industry (AWI) signed an agreement with the Ministry of Mines and Industries providing for the delivery of 85 percent of their production to the Army on a cost plus basis. AWI predicated its investment upon this agreement. Unfortunately, the Ministry of Defense refused to be bound by this agreement, arguing, appropriately enough, that it had never been consulted. As a result, AWI suffered operating losses in the neighborhood of a million dollars and has recently undergone total reorganization. The Herat Cotton Co. had a similar experience. In its first year of operation, the company made a profit and submitted its Profit and Loss Statement to the Ministry of Finance with its Investment License which guaranteed it an exemption from Income Tax for three years. The Ministry of Finance ignored the license and insisted upon payment of the tax. The Ministry of Mines and Industries, which issued the license, offered no assistance and ignored the investor's protests. In addition to these mishaps, a large number of investors were turned down because prospective investors refused to accept impractical stipulations that were insisted upon by the concerned Ministries, such as what machinery to order and from whom. Among those excluded were textile mills, a cigarette factory and a slaughterhouse.

This situation changed radically when the 1967 Private Investment Law established an Investment Committee, which in addition to making sure that the respective investor is entitled to the privileges provided under the law, i.e., watching over the government's interests, provides him with actual support in the solution of problems of abureaucratic nature which are always present in Afghanistan.

This Committee is composed of the Ministers of Commerce (Chairman), Planning, Finance, Mines and Industries, and Agriculture which virtually guarantees coordination with the respective Ministries with which the potential investor will have to deal at one time or another. The five Ministers' signatures on his approval signifying as they do that underlings should go along, is perhaps as valuable to the investor in his continuing relations with the government as the tax concessions.

Thus, apart from its approval functions, the Investment Committee has an even more important role in breaking bottlenecks and providing investor support. It serves as a general clearing house at a relatively high level where investors can take their problems in implementing a project. Experience in Afghanistan and many other countries has shown that this is frequently crucial in promoting private enterprise effectively.

In spite of all this, Afghanistan still presents a somewhat unique relationship between the public and the private industrial sector. While in other developing countries, such as Mexico or Brazil, the two often work hand in hand,

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in Afghanistan there exists almost a certain antagonism between the two, which is partly based on lower level personalities in the respective Ministries (Commerce and Mines and Industries). Another complication is that in the past a number of "private investments" were made on the basis of arm twisting by the government. Thus, what actually looks like a mixed company with a substantial private participation may still, for all intents and purposes, be operated as if it were entirely in the public industrial sector.

At present, manufacturing industry constitutes barely 2-3 percent of the GNP and it accounts for probably not more than one percent of the labor force. Most of the bigger plants or some thirty large enterprises remain in the public sector and are generally poorly managed and operating at a loss. This major part of Afghanistan's industry is much in need of technical assistance since better management and a more efficient operation would tend to vindicate much of the original investment. Of course, this aspect falls outside the scope of this project, although it does affect it sideways.

Next are a group of factories which were started with private participation and a contribution made by the government. Many of the larger industries operated by Bank-e-Mille fall in this category. A similar example is provided by the Spinzer Complex which runs some of the industries in the North. As may be noted from Annex II, prior to the enactment of the 1967 Foreign and Domestic Private Investment Law, some 35 industrial establishments, public, private or mixed, were operating in Afghanistan. They represented a total investment of some \$40 million and provided employment to an estimated 21,500 workers.

Then there is the newly emerging small, entirely private sector recently established under the protection of the 1967 Private Investment Law with which this project is primarily concerned. The general characteristics of this industry are as follows: of the 49 plants opened since 1967, some 15 plants are engaged in textile manufacturing followed by about 16 engaged in various export-oriented fields such as raisin processing, animal casings, rose essence, wine making, chinchilla and mink fur production. Another 10 produce items for local consumption, such as thread, metal furniture, tiles, pharmaceuticals and venetian blinds. The remainder consists of necessary service industries such as dry cleaning establishments, cold storage, printing, etc. The total amount invested in these plants since 1967 is estimated at about \$3 to \$4 million and they employ some 3,500 workers.

The general breakdown of the approved but not as yet implemented applications follows about the same pattern with additional emphasis on the construction, chemical and food industries. A little less than 20 percent of the

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proposed new factories include foreign participation while about 15 percent plan to locate in the provinces. Particularly, the new food industries, such as raisin processing, are highly dependent on foreign experts for management as well as for plant layout and the handling of technical details.

What stands out in the private industrial sector is that the Afghan businessman appears to be eminently responsive to those incentives which seem to operate so well in the Western world. This was frequently doubted before the passing of the 1967 Private Investment Law.

Perhaps a few words should be added about the characteristics of those investors who committed themselves under the protection of the new law. By and large, they consist of people who came out of the bazaar, with a keen sense for markets, but with little or no managerial ability. Another group represents certain young intellectuals, some of whom until recently broadened their experience by working for the government either in the Ministries or in the large publicly financed infrastructural development projects. They now look for more money and a challenge to accomplish something beyond the traditional pattern followed by most young people, i.e., seeking only government service. Whereas the investor's list contains a fraction of what might be termed "establishment people" such as ex-Ministers and former high-ranking government officials, these would not seem to be representative of the new industrial class.

The risks taken by some of these people are impressive and a large part of these risks are related not so much to production and local marketing problems, with which they are reasonably familiar, but rather to managerial weaknesses and the frequently unpredictable role of government, an aspect which the Investment Committee tries to minimize. In turn, if successful, their profits tend to be high, inasmuch as they have to be competitive with the roughly 20 percent annual interest which could be obtained by merely lending out money in the bazaar.

Traditionally, the elite's power in Afghanistan was associated not so much with land ownership or the possession of money but rather with the ability to control the tribes or other forms of naked power. Because of the emergence of a number of budding industrialists, the position of this elite is now being challenged somewhat by the previously unfamiliar smokestack! In part, this explains the painful dearth of management capability as well as the remarkable fear which the new Afghan entrepreneurial class still displays vis-a-vis the government in our environment representing a certain tolerance of extra legal activity (entrepot trading and the money bazaar) in which, at the same time, government permits or licenses are equivalent to economic survival. Yet, the net result of opening the gate, as was done by the 1967 Private Investment Law and other factors, has been an encouraging show of entrepreneurship where almost none was assumed to exist.

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Of the 49 new factories now operating under the 1967 Private Investment Law, 4 are foreign, leaving 45 Afghan investments to consider. Of these 45, no more than 15 percent can be linked with the traditional elite power structure. Almost all of the rest are made up of those "people about whom nobody ever heard before" whom one normally associates with a democratic society. Even from an ethnic point of view, at least 10 factories are easily identifiable as belonging to minority groups, and some of those are among the most active and dynamic investors.

Some 23 of the investors, many of them Pashtoons, are modest urban people who are reasonably well heeled and who merely saw an opportunity to grow both in stature and in the possession of worldly goods. Patriotic motives, concern about backwardness, and national pride also play a role which is probably another reason why, at least for the time being, at the highest level of the government, the new investor is viewed with more sympathy than fear, as was the case in the early development of both Iran and Pakistan.

In spite of the most heartening change in government philosophy, its impact is still limited inasmuch as the law will have to be applied in a general environment which is not geared to the support of modern industry. To the extent that they exist on the books, Afghanistan's business laws are hard to implement because of a general unpreparedness on the part of the people dealing with them. Perhaps even more serious is the almost total lack of adequate commercial and industrial credit. While it is true that in the past the Bank-e-Mille has provided a certain amount of industrial credit to a chosen few who were able to put up sufficient guarantees, the activities of the other two banks, the Da Afghanistan Bank and the Pashtany Tejarati Bank, are geared respectively to the financing of government operations and foreign trade. The Bank-e-Mille is also active in this latter area. Thus, commercial banking services in Afghanistan are confined to only a small sector of the economy while no source of industrial financing exists. Loans are available to only a relatively small number of the larger, more successful business firms for purposes that are not industrial. The major other source of financing in Afghanistan continues to be the bazaar where the average interest rate is about 20 percent annually. This high rate of interest tends to attract savings and idle funds, making it difficult for the larger banks which pay only 6 percent to attract funds. Bazaar lending is largely based on such factors as personal acquaintance, credit reputation and family connections. Most of this type of lending is short term and for non-development purposes.

B. Government Policy Towards Private Enterprise as Stated in the Five-Year Plan

In accordance with the Third Five-Year Plan philosophy, as explained by former Prime Minister Maiwandal, "the economic enterprises of the State should be directed toward economic infrastructural projects, power production, heavy

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industry and the like, while private enterprise, undertaken within the framework of government planning should be encouraged and protected by the State... Priority should be given to strengthening light industries...supported through guidance and assistance by encouraging domestic investment, securing reasonable credits, strengthening the Industrial Bank, and creating the necessary atmosphere to attract foreign investment within the framework of economic development." The second goal of the Plan after increasing production, especially in agriculture, is the "expansion of the private sector with the encouragement of quick-producing projects in agriculture and industry."

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List of Industrial Establishments Existing in 1966

(Public and Private Sector)

<u>Product</u>	<u>Number of Factories</u>	<u>Estimated Paid-In Capital (In Millions of Afs)</u>	<u>Estimated Number of Workers</u>
1. Building Materials (Cement, Tiles, Marble, etc.)	11	400	2,500
2. Food Industry (Flour Mills, Raisin Processing, Dried Fruit, etc., Excluding Oil Mills)	12	100	1,500
3. Cotton Ginning and Vegetable Oil Mills	14	450	4,000
4. Manufacturing Industry			
(a) Leather and Shoe	4	3	600
(b) Chemicals, Plastics, Ceramics	7	13	200
(c) Woodworking Industry	6	60	670
(d) Metal Construction, Motor Repair, etc.	13	250	3,000
5. Textiles	<u>18</u>	<u>1,500</u>	<u>9,000</u>
TOTAL	<u>85</u>	<u>2,776</u>	<u>21,470</u>

NOTE: Since 1966, several major industrial plants such as the Balkh and Bagrami textile mills, the nitrogen fertilizer factory at Mazar-e-Sharif have been constructed or are under construction. Consequently, this list is now in the process of being updated.

Source: Ministry of Planning.

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List of Industrial Establishments Open as of April 30, 1970

(Operating under the Private Investment Law of 1967)

Project Number	Name - Production	Estimated Present Number of Workers	Private Capital Investment (In U. S. Dollars) (Over 5-Yr.Period)
1	45/001 Da Nabatat Sherkat-Rose Essence	40	\$ 80,000
2	45/002 Rahimi-Meat Cold Storage	40	50,000
3	45/003 Sanahti Kishmishi Paki-Raisins	55	550,000
4	45/005 Arian Casings-Casings	59	112,000
5	45/006 Saaed Industrial Co.-Casings	20	125,000
6	45/007 Clemd.-Alcohol and Wine	40	234,000
7	45/008 Shababuddin Yasaury-Rayon Textile	76	371,000
8	45/010 Samoon-Raisins	76	170,000
9	45/011 AMU Textile Co.-Textiles	80	1,253,500
10	45/012 S.S. Pashtun Kandahar-Fruit Cold Storage	10	18,400
11	45/013 Desgah-e-Khalin Shoji-Carpet Washing	90	237,000
12	46/021 Century Re-Rolling Mills-Metals	42	152,000
13	46/023 Arghandab Fruit Co., Ltd.-Raisins	23	233,000
14	46/025 Kadir Weaving-Rayon Textiles	25	88,300
15	46/027 Maqsudi Textile-Rayon Textiles	385	1,197,800
16	46/031 Warasta Press-Printing	25	50,700
17	46/041 Shuaa Press-Printing	11	28,000
18	46/042 Modern Dry Cleaning Co.-Dry Cleaning	11	28,500
19	46/043 Newi Saaed Murtaza Masawji-Rayon Textiles	366	533,000
20	46/044 S. San Spinghar-Thread	25	92,000
21	46/051 Chinchilla Parwar-Furs	30	261,000
22	46/052 Afredi Service-Garage	8	26,600
23	46/055 Saleh Metal Industries, Inc.-Metal	9	120,000
24	46/056 Wazir Fruit-Raisins	85	532,000
25	46/058 Pashtoon Food-Raisins	45	93,700
26	46/060 Kabul Felez-Metal	20	28,000
27	46/062 Muhayya Textile Co.-Rayon Textiles	36	214,000
28	46/067 Ahmed Textile-Rayon Textiles	160	1,175,000
29	46/069 Wais Fruit Co.-Raisins	56	100,000
30	47/074 Hakim-Dry Cleaning	14	7,400
31	47/077 Nasawji Jalili-Rayon Textiles	114	160,000

(Continued)

Project Number	Name - Production	Estimated Present Number of Workers	Private Capital Investment (In U. S. Dollars) (Over 5-Yr. Period)
32	47/078 Amir Zada Nasawji-Rayon Textiles	42	\$ 94,000
33	47/079 Bagram Fruit Packing Co.-Raisins	56	121,000
34	47/081 Ahmad Tile Co.-Cement Tile	20	13,000
35	47/083 Afghan Garment Co.-Tanning & Garment Mfg.	750	1,600,000
36	47/093 Farhad-Dry Cleaning	8	27,400
37	47/097 Merzazadah (Ariana Felez)-Metal Mfg.	30	136,500
38	47/098 Habibullah & Balmarkandas-Rayon Textiles	15	148,000
39	47/100 Bahdor Textile Co.-Rayon Textiles	40	260,000
40	47/109 Nizam Manufacturing Co.-Thread	30	200,000
41	47/110 Siddiq Laboratories-Drugs	5	71,000
42	47/111 Zamiri Knitting Co.-Knit Goods	65	60,000
43	47/112 Raheemi Textile Mills-Rayon Textiles	40	160,000
44	47/116 Osman Textile Co.-Rayon Textiles	20	333,000
45	47/117 Nangahar Textile Co.-Rayon Textiles	88	800,000
46	47/118 Aminzada Textile Mill-Rayon Textiles	50	360,000
47	47/127 Pickle Saze Aqcha-Cashings & Pickle Skins	37	660,000
48	47/132 Mink-Furs Co.	30	55,500
49	47/140 Deri Barsok-Casings Co.	15	431,000
TOTAL		3,417	\$13,852,800

NOTE: Both employment and projected investment figures appear to be somewhat inflated.

Source: Ministry of Commerce,
Investment Committee

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Investment Committee of Afghanistan

Approved Applications as of May 31, 1970

Grand Totals

Total approved applications:	110
Approved applications amended:	5
Number of applications with foreign participants: (Pakistan, Italy, India, Iran, Germany, U.K., Switzerland, U.S.A.)	18

Analysis By Categories

	<u>Number of Applicants</u>
<u>Animal Husbandry</u>	
Pelts and Furs	2
<u>Construction Industry</u>	
Aggregate & Stone	1
Bricks	1
Marble & Stone	1
Tiles	2
<u>Chemical Industry</u>	
Bone Meal	1
Caustic Soda & Chlorine	1
Essential Oils	1
Ind. Alcohol & Wine	1
Soap	1
<u>Food Industry</u>	
Biscuit & Candy	1
Dairy Products	2
Edible Oil	2
Sausage	1

(Continued)

Analysis By Categories
(Continued)

Number of
Applicants

Manufacturing Industry

Automotive Parts	1
Cartons & Bags	2
Gem Stone	1
Knit Goods	3
Leather & Leather Products	4
Metal Fabricating	6
Plastic & Rubber Products	5
Textile Weaving	32
Thread Products	2

Pharmaceutical Industry

Drug Compounding	2
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Processing Industry

Animal Casings	4
Fruit Dehydration	1
Raisin Processing	13
Skin Pickling	2

Service Industry

Carpet Washing	1
Cold Storage-Fruit	1
Cold Storage-Meat	1
Dry Cleaning	3
Garage & Auto Repair	3
Ice	2
Industrial Printing	3

###

Brief Description of the Investment Procedure in Afghanistan

Steps in the Process

1. Proposal and Application

a. Preliminary interview. An investment almost always begins with a potential investor arriving at the Ministry of Commerce with an "idea." A brief interview is held with the Secretary of the Investment Committee who discusses:

- (1) The Private Investment Law and its operation.
- (2) Afghan company formation.
- (3) Whether there are any similar proposals.

At this point, the Secretary also answers any questions raised by the investor.

b. Preparation of application. Principal steps:

- (1) Five-year analysis of Investment Costs (fixed and operating capital), operating costs, markets and selling prices, personnel requirements (foreign and Afghan), availability of technical know-how and training programs, import requirements, type of company and its formation, sources and availability of adequate finances.
- (2) Preparation of a "Recommendation" to Investment Committee.
- (3) Preparation of the application form itself.
- (4) Preparation of explanatory letter in five copies signed by the investor.

2. Approval

a. The approval process begins when the above-mentioned application, analysis, recommendation and letter are formally delivered to the Secretary of the Investment Committee and the project is officially given a number.

When this is complete and from 4 to 12 finished projects are on hand, every project is explained in detail to the Minister of Commerce (Chairman of the Investment Committee) and he negotiates the date of a

(Continued)

Committee Meeting with his four other colleagues, namely, the Ministers of Planning, Finance, Mining and Industry, and Agriculture.

- b. Investment Committee Meeting. At the next meeting, the projects are submitted one by one to the Committee of five Ministers by the Secretary of the Investment Committee who explains each project in detail.

Whenever possible, a small "exhibition" must be prepared with samples of raw materials, finished products, photos or charts of the process involved. The Secretary must be prepared to handle many and varied questions, to convince the Committee of the merits of each proposal, to avoid the Committee's tendency to impulsive modifications of long-studied projects, to talk them out of ill-considered rejections, and to try and get them to accept the wording of the Approval as drafted.

At the end, the Committee by majority vote approves or rejects the application. If it approves, it sets the wording of the Approval, generally with some modification to the draft.

After the meeting, the final Approvals must be prepared and the signatures of at least three Ministers of the Committee obtained on each. Only then can the investor be officially informed that his project is approved.

3. Implementation

The steps toward implementation can be summarized as follows: (a) Company formation, (b) Issuance of License, (c) Land and building, (d) Machinery importation, (e) Certification, and (f) Raw material importation.

- a. Company Formation. Since the Secretary of the Investment Committee is also Registrar of Companies of Afghanistan, the new, approved company can be formed without much trouble. The provisions of the Commercial Code for the recognized forms of legal organization are too complex to be illustrated here. In general, however, the process can be completed in a week or ten days.
- b. Licensing. As an Investment License is issued in the name of the new, approved company, the license must await the legal existence of such company. Once the company is formed, the Secretary instructs the Chamber of Commerce to issue the License itself.

The license is of special importance under Afghan conditions, as it must be physically produced (and scrutinized) on all occasions when exercising any right under the Investment Law-- with the exception of business with the Secretariat itself.

(Continued)

- c. Land and Building. Particularly as concerns the land and its location, the Secretary's office must take an interest. Between the lack of documentation of land ownership and the new rules for industry issued by the Urban Planning Authority, great care must be exercised to avoid later, paralyzing complications.

With the recent creation of the Industrial Park under the control of the Investment Committee (in operation in the Secretary's Office), the problem has been eased enormously as suitable sites may now simply be assigned.

- d. Machinery Importation. When machinery and equipment arrive in the Afghan Customs, the investor brings the following to the Secretariat:

- (1) "Elm-wo-Khaber" (document issued at the frontier attesting legal entry).
- (2) Invoice certified in country of origin.
- (3) Shipping documents.

After examination of these documents, the Secretary signs an Order for the Customs to allow duty-free entry.

- e. Certification. Before any duty-free raw material may be brought in, a factory must be inspected and receive a Certificate of Implementation stating that machinery has been installed and that it is in running order (and therefore can utilize the raw material).

Certificates are prepared on the basis of percentage (50%, 100%, etc.) of the capacity as described in the application.

- f. Raw Material Importation. When a factory receives a Certificate, it can clear duty-free raw material through Customs. Basically, the procedure is the same as that described for equipment, except that a very close control is kept of volume vis-a-vis the quantities listed in the application.

Certain "sensitive" items (e.g. rayon yarn) must be stored in approved warehouses and are issued on a ration basis, month by month.

###

What Other Donors are Doing in the Area
of Industrial Development

Apart from the direct inputs by other donors into this project, there are a number of related assistance activities in the general area of industrial development, both public and private, which are worth noting. These activities are either of an operational or advisory type but in many cases the two are mixed.

The principal contributions are as follows:

France

In the area of industrial development, the French effort appears to be more closely related to the development of commercial ties between the two countries. French aid consists mainly of the preparation of feasibility studies, the financing of travel to Afghanistan by French investors, and the development of hydro-electric and infrastructural projects.

Technical Cooperation is carried out under the auspices of the Association pour l'Organisation des Missions de Cooperation Technique (ASMIC) while participant training is provided by the Association pour l'Organisation de Stages d'Etudes en France (ASTEF).

Assistance to private industry in Afghanistan is provided under a contract with the Compagnie d'Etudes Industrielles et d'Amenagement du Territoire (CINAM) which has resulted in a number of feasibility studies written mainly from a point of view of attracting French foreign investors. At present there is one senior French expert attached to the Ministry of Planning while a young French economist is due to arrive in Kabul shortly. The latter will be assigned either to the Ministry of Planning or to the Investment Advisory Center, depending on the need for his services.

The budget of ASMIC came to about \$200,000 in 1967 but has currently been reduced to about \$80,000, out of which it has also financed some short-term experts to do a specific study, such as looking into the possibility of paper manufacturing.

Currently, a new Afghan-French financial agreement is under consideration involving the possibility of making available loans for industrial purposes which will require further study of projects suitable for joint industrial ventures in Afghanistan.

Particularly for this reason, the French are very much interested in the early implementation of the Investment Advisory Center as a means to promote such

(Continued)

studies which could subsequently be financed by the Industrial Development Bank in which French banks are also supposed to participate.

Some of the projects presently proposed are:

1. A beet sugar factory
2. A paint factory (ASTRAL)
3. A match factory
4. A paper mill
5. A tobacco and cigarette factory
6. Tanning and pickling plants

The French also have been active in making some mineral surveys as well as in the composition of a vegetation map.

West Germany

Assistance in industrial development is largely provided through the Hendrikson group which provides one advisor to the Ministry of Planning in the area of general planning and feasibility studies, the collection of statistics, industrial policy, etc.

Another advisor is provided to the Ministry of Mines and Industry in the area of planning and the development of general industrial policy. At present this expert is engaged in making a study of all the industries located in the public sector.

One technician is attached to the Investment Advisory Center in the area of investment promotion, management assistance, market and feasibility studies.

Export promotion is being handled by one advisor in the Ministry of Commerce which includes the preparation of feasibility studies in this area.

Two German experts are currently assigned to a project involving the reorganization of accounting procedures for the major industrial complexes of Afghanistan, such as the sugar industry, the Spinzar complex, Afghan Textile Company, and others. Among other things, this assistance is directed at providing proper balance sheets for these enterprises. Two German technicians are providing courses in accounting.

A German "Industrial Management Institute" (Institut für Industrieverwaltung) has been active in Kabul for about six years in training people in the area of Commerce and Industry. Although originally this school was intended as a relatively low-level commercial school which would train bookkeepers, correspondents, storekeepers, typists, and statisticians, unfortunately the character of the institution was changed since, due to Afghan pressure, its status was made about equivalent to university training (which means that all graduates now expect to be "moodirs" or managers).

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At present the Institute provides a three-year program involving the study of bookkeeping, foreign exchange operations, salesmanship, commercial and labor law, business economics and economic geography, industrial technology and knowledge of materials, as well as German, English, and Farsi typing.

The Institute graduates about 40 students a year, of whom about 10 percent are women.

Great Britain

U.K. assistance in industrial development has been minimal. After a year long search, they now appear to have found a textile expert to be attached to the IAC.

Japan

Japan has been providing some short-term assistance in making mineral surveys such as the survey of beryllium resources in the Kunan Valley.

East Bloc Countries

The Soviet Union has been providing one Russian advisor for small industry who has been concerned mainly with the preparation of some 28 small factory projects. Russia is also providing technical assistance in the operation and maintenance of the Jangelak Metal Repair Shop. Apart from this, Russia is providing large-scale assistance in the construction of a nitrogen fertilizer plant at Mazar-e-Sharif, in the construction of a second grain silo in Kabul, in the operation of the natural gas fields in the North, and in the conducting of several geological and mineral surveys.

Czechoslovakia has been providing four experts in the operation of the Markar coal mines and four experts to assist in the operation of the Ghorri Cement Factory. It has also provided some eight engineers and architects to local construction companies in Kabul, as well as three experts to the Spinzar Hotel Company to assist in the running of hotels.

Mainland China

Red China is providing some technical assistance to the Lapis Lazuli workshop in the Ministry of Mines and Industries.

China has also been providing large-scale technical assistance to the Bagrami Textile Factory. Other Chinese projects are the establishment of fish ponds and a large chicken farm near Jalalabad.

The Asia Foundation

The Asia Foundation has played a very important role in the development of the Private Sector since the Foundation was instrumental in bringing one legal expert

(Continued)

in connection with the drafting of the 1967 Private Investment Law. The Foundation also provided another expert to develop the food processing industry which ultimately resulted in the establishment of some 10 new raisin processing factories.

The Asia Foundation has also provided a senior economic advisor to the Ministry of Commerce in the area of international trade promotion and negotiations, private investment, customs and tariff reforms, as well as export promotion.

The Peace Corps (U.S.)

The Peace Corps is providing one volunteer in Karakul curing to the Afghan Karakul Institute.

U.N.

The U.N. is providing one advisor to the Ministry of Mines and Industries who is mainly concerned with the development of Public Sector Industry. Another U.N. expert is concerned with the improvement of the leather industry.

A third U.N. expert has been advising the Carpet Exporters Build and the Ministry of Commerce on necessary measures to be taken for the improvement of production, internal trading, export marketing, and export advertising of Afghan carpets.

As may be noted from the above expose, assistance by foreign donors is largely of an incidental and ad-hoc nature. At least insofar as the private sector is concerned, it does not address the problem as a whole. Only the U.S. has been showing primary concern with this problem as exemplified by the creation of a favorable investment climate and the need for institutional development. In other words, the U.S. umbrella seems to be an important factor in making other donor imports more effective.

International Executive Service Corps (IESC)

Over the past several years the IESC has made several inquiries about the need for its services and the likelihood of finding "clients" who would use an advisor on IESC's usual terms. In October 1970, IESC was willing to send one 30-90 day specialist to advise a group of enterprises with similar problems each time such a group was willing to act jointly for that purpose.

(Continued)

Kabul University

The faculty of Kabul University includes professions and capabilities that might be utilized in the industrial extension service as one method of helping private enterprises to find means of solving their problems. With good coordination, such arrangements could increase the practicality of students' education and the businessmen's understanding of the kind of capabilities to be found in a Kabul University graduating class.

###

AFGHANISTAN - INDUSTRIAL DEVELOPMENT

ATTACHMENT B

Scope of Services and Contractor Responsibilities

1. Scope of Services

The contractor is expected to provide the technical capabilities to perform the following services:

- a. Advise the RGA on the elevation of its Investment Committee to the level of a policy making and coordinating body for the encouragement of private initiative in the field of industry, and the development of legislation and institutions vital to the successful and productive operation of private industrial enterprises, recommending topics for and, if so authorized, conducting research where needed to define needed policies or describe needed institutions.
- b. Systematize the review of investment applications which the Investment Committee now reviews as individual cases.
- c. Improve and systematize the help the Investment Committee now offers to investors in preparing their applications and in getting into operation, so that this help can be transferred to private or quasi-private responsibility within two years.
- d. Lead the Investment Advisory Center in the effective utilization of foreign and Afghan resources available to it for the greatest benefit of existing and potential private industrial ventures.
- e. When occasion demands, recommend and, if so authorized, provide short-term technical services to fill gaps in the resources available to the Investment Advisory Center.

2. Contractor Responsibilities

The above services are to be applied toward the achievement of project targets, which are described below under the respective project goals.

To further improve the investment climate and to increase government reliance on indirect, rather than direct, controls.

(Continued)

The project will assist in the implementation of the 1967 private investment laws by providing advisory assistance to the Investment Committee, the institution created to process new investment applications, to formulate industrial policy, and to help investors overcome administrative and other obstacles. In the past, policy decisions were usually reached in the process of solving individual cases as they come up. What is needed now is a gradual shift from ad hoc policy making to more general policy directives and the use of indirect controls, an area in which the RGA lacks experience. In a nutshell, the major project goal is to prevent an existing organization dealing with private investors from making costly mistakes while at the same time trying to reduce the role of this organization over a period of time.

In more specific terms, the project's objective is to:

- a. Turn the Investment Committee gradually into a vehicle which can, on its own and without the help of foreign advisors, handle new investment applications and eliminate obstacles to private investment.
- b. Decrease the operational involvement of the RGA and the Investment Committee in day-to-day matters through the increased application of general policy and indirect controls, to the point where investors will gradually be able to make most of their own decisions consistent with national economic policy.

To assist an Afghan industrial extension service to coordinate technical support for small private industry through the provision of consulting services.

In addition to reducing direct government involvement in the private sector, the latter should be strengthened so that it will be in a better position to handle its own operational problems more effectively. For the initial period, this aspect will be handled through the Investment Committee as well as through the Investment Advisory Center.

To help create better overall support for private enterprise by acting as a catalyst or limited supporter in the creation of new sources of commercial and industrial credit, better commercial legislation and, in general, all those vital elements which normally operate in support of the private industrial sector, but which are lacking in Afghanistan.

In this broad area, which is largely concerned with the changeover from a traditional society into something more modern, the project has obviously to be somewhat eclectic. In the end, all this tends to reduce costs and thus make business in Afghanistan more efficient. Most important, this goal is obviously directly related to maintenance of the current competitive

(Continued)

AFGHANISTAN - INDUSTRIAL DEVELOPMENT

ATTACHMENT B
(Page 3)

environment engendered by Afghanistan's open border and free exchange rate which at present constitute the major pressures for competitive, market-oriented enterprise and against the mercantilist tendencies of many government officials.

To identify the insights and information that are needed to guide the RGA in the development and implementation of industrial policy (topics for research).

Improved knowledge is vital in guiding the development of the private sector in the coming year and in integrating it properly into the framework of the Fourth Five-Year Plan. Although in the past this aspect has been neglected with apparently almost no damage so far, this situation cannot be allowed to continue as private industrial development becomes more complex. For the same reason, there will have to be somewhat more emphasis on training.

The topics to be proposed for research are to be chosen in agreement with the RGA and AID. The research may be conducted under this contract, or otherwise, as USAID and AID/W will determine.

Two more specific responsibilities of the contractor are:

Propose the special tasks in Afghanistan, the United States or elsewhere, for which Afghan or other donor capability is not available and the contractor might provide short-term personnel.

Authorizations for such supplemental work will be issued individually by the Contracting Officer.

Within six months from the arrival of the Chief of Party, establish with the RGA and USAID a set of achievement targets against which project progress may be measured at one-year intervals.

###

Qualifications of Contractor Personnel

Apart from normal backstopping activities, the contract should provide specifically for project-related investigation by the home office, as requested. Personnel in the contractor's head office monitoring the project should be on top of the project at all times. For this reason they should quickly acquire sufficient familiarity with Afghan conditions so as to be knowledgeable of the environmental, political, and social background of problems encountered there. Proposed field staff should either speak the local language or give sufficient indication of the ability and intent to learn a working knowledge of spoken Afghan Farsi within a short period after arrival. USAID/Afghanistan will provide teachers for an initial six weeks of intensive in-country Farsi training.

The project calls for a small but high leverage and high quality U.S. input. For this reason much is expected from the contract technicians to be recruited, insofar as academic credentials, actual experience, and record of previous accomplishments are concerned. Each advisor is expected to be familiar with the techniques of public assistance to small business, and government policy and practices affecting small business, in addition to the experience with private enterprise he brings to the job.

The Senior Industrial Economist and the Investment Consultant will work out of their own contract office with the various Ministries concerned while spending about half of their time physically within the Ministry of Commerce where the Secretariat of the Investment Committee is actually located. The Financial-Management Expert will work primarily in the offices of the Investment Advisory Center. For all three advisors the duty post will be Kabul except for such travel, domestic or international, as necessitated by the position and responsibilities assumed.

Job descriptions and desired qualifications of the long-term personnel to be recruited are as follows:

1. Senior Industrial Economist

a. Nature of the Job

Advisor on planning, high-level policy making, and policy implementation. High leverage position. U.S. contract team leader (Chief of Party). Advisor's counterparts are at the highest level of the Ministry of Commerce and the Investment Committee composed of the five Ministers of Commerce, Industry and Mining, Planning, Agriculture, and Finance.

(Continued)

b. Qualifications of the Advisor(1) Education

MA in Industrial Economics with additional post graduate work, or the equivalent in work experience. PhD preferred for "status" reasons provided he is a pragmatic person.

(2) Experience

Must have considerable operational industrial experience with actual work experience in developing, preferably Moslem or Asian, countries. The advisor should be well versed in industrial planning, since he would be expected to make the proper contributions in visualizing and planning the development of the private industrial sector under the next five year plan.

A high degree of versatility is required since problems in Afghanistan generally do not lend themselves to pat solutions. Advisor's bio-data should show a practical approach in handling industrial development problems as well as a bent in favor of private enterprise.

(3) Personality Factors

Mature, high caliber professional able to conceive proper industrial policies and having the personal attributes to have these policies accepted and implemented by his counterparts at the highest level of the Ministry of Commerce and the Investment Committee. Job requires dedication, enthusiasm, patience, and adaptability. Proper candidate will have no 9-5 mentality and leave "foot prints."

The ability to get along with different kinds of people in an environment of tribal rivalries, as well as tact and perspicaciousness are important inasmuch as incumbent might find himself in the midst of feuds and personal controversies between the three Ministries with which he would have to maintain relations, i.e., the Ministries of Commerce, Mines and Industries, and Planning.

c. Languages

German and French are highly useful languages in communicating with Afghan officials. A knowledge of either one would be helpful and would be taken as an indication that the advisor would be likely to learn Farsi (Afghan Persian) within a reasonable period.

(Continued)

d. Health

Because of the environmental conditions in Afghanistan, the advisor and his family should be in excellent physical condition, capable of living in a high altitude (6000 feet) climate.

2. Investment Consultant

a. Nature of the Job

This position is visualized as being more operational in nature than the one described above, inasmuch as the consultant would be directly concerned with implementation problems and the breaking of bottlenecks rather than with actual policy making. This role can best be described as that of an "ombudsman" or trouble-shooter, reporting primarily to the Senior Investment Consultant and the Minister of Commerce. The job frequently requires long or irregular hours.

b. Qualifications of the Advisor

(1) Education

MA in Business Administration, or its equivalent, acquired through actual industrial work experiences in foreign countries.

(2) Experience

The advisor should be familiar with problems of production, marketing, plant management, finance, industrial relations, etc., in developing countries and should be able to demonstrate actual accomplishments in problem solving.

(3) Personality Factors

Advisor should be a mature industrial investment consultant having worked in an operational capacity in developing countries for a number of years. Must be result oriented. A practical approach to problems and enthusiasm and drive are to be stressed in bird-dogging actual or impending problems, as well as in working out solutions which may involve difficult compromises between high-level Afghan government officials and private businessmen. These problems may range from the very complex to the almost clerical level.

(Continued)

Considerable imagination would be required in working out ad-hoc solutions in a highly complex and sensitive social environment. Advisor's personal relationships with top officials would be crucial in achieving any measure of success.

c. Languages

The ability to speak the local language or to learn it in a minimum of time is crucial for this position.

d. Health

Because of the environmental conditions in Afghanistan, the advisor and his family should be in excellent physical condition, capable of living in a high altitude climate.

3. Financial-Management Expert

a. Nature of the Job

This position calls for a well-seasoned Financial-Management Expert with proven leadership capabilities. Actually, his responsibilities are likely to be broader than is implied in the position title, since initially his work would be concerned with helping to make the Investment Advisory Center more operational while at the same time providing guidance in the solution of problems encountered by individual investors. His counterpart would be the Director-General of this Center, to be recruited from the top echelon of the Royal Government of Afghanistan hierarchy. Since most of the other foreign technicians working for the Center are likely to be technical specialists, he would have to develop the coordinating capability of the IAC, i.e., assisting the Director-General in making their services available to the public.

b. Qualifications of the Advisor

(1) Education

MA degree, or better, in Business Administration or the equivalent in work experience with special emphasis on industrial management, accounting, and marketing. Some background in industrial engineering would help.

(2) Experience

The advisor should have actual industrial experience in developing countries in dealing with both institutional development and the solution of implementation problems of individual investors (industrial extension).

(Continued)

(3) Personality Factors

Should be a mature individual with ability to inspire confidence and trust.

Good judgment and astuteness are highly desirable characteristics as well as the ability to resolve multiple organizational and financial problems under complex and difficult conditions.

Apart from working with the Afghan business community, the ability to work with technicians from various developed countries is important.

c. Languages

The ability to speak Farsi, or to learn it in a relatively short time, is highly desirable for this position.

d. Health

Because of the environmental conditions in Afghanistan, the advisor and his family should be in excellent physical condition capable of living in a high altitude climate.

Basis of Selection and Contract DurationPeriod of Contract

The request for proposals is for a 24-month contract to include supplementary short-term services as indicated. The comprehensive objectives described in Attachment A comprise a total effort more on the order of five years. It may thus be assumed that amendments extending the term of the original contract will be considered before its expiry, provided that the need for services was continuing in substantially the same form, and subject to the availability of funds and performance by the contractor satisfactory to the Royal Government of Afghanistan and A.I.D.

The services of the Investment Consultant in the role of "ombudsman" are considered to be warranted for no longer than two years. That technician, accordingly, should not be included in any tentative planning beyond two years.

Previous Experience of Contractor

In view of the extremely catalytic and partial gap-filling nature of this project among a multiplicity of foreign contributions to industrial development, the project requires the maturity and the poise that the contract firm and its technicians would gain from successful parallel experience in developing countries. Potential candidates should submit functional resumes, stressing actual, measurable accomplishments rather than time spent in their respective positions. It is desirable for a candidate for a long-term position to be a permanent employee of the contract firm and for the previous development experience to be joint experience.

Acquaintance with the working of Moslem countries would be an asset, but work in other developing countries will be given due weight in judging proposals. Familiarity with the environmental, political, and social background of conditions in Afghanistan is essential for the contractor's home office supervisors, and it must be shown or plans given for gaining it promptly. Reasonable familiarization travel may be included in the contract.

Basis of Selection

In the review of proposals, criteria will be weighted as follows:

1. 25 percent for the firm's understanding of the project purposes, and the approach and methodology the contractor plans to use to assist in achieving the goals, as indicated by the firm's presentation.

(Continued)

AFGHANISTAN - INDUSTRIAL DEVELOPMENT

ATTACHMENT D
(Page 2)

2. 65 percent for evidence that the contractor is able to provide suitable personnel: three long-term advisors with the qualifications specified in project documents, plus headquarters personnel and consultants for field work in the U.S. and Afghanistan as requested by A.I.D., considering the following factors for each individual as appropriate: (a) prior experience and proven results demonstrating the capability of meeting project requirements, (b) cost, (c) time required for fielding the team, (d) prior overseas experience, and (e) personal characteristics (language facility, foreign culture adjustment, other).
3. 10 percent for total contract cost, including overhead and fixed fee.

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