PRIVATE INDUSTRIAL INVESTMENT IN AFGHANISTAN

PRIVATE INDUSTRIAL INVESTMENT

in

AFGHANISTAN

Review and Guidelines

by

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INTRODUCTION

The purposes of this report are threefold. First, the Private Investment Program in Afghanistan, which, for practical purposes, started with the promulgation of the 1967 Foreign and Domestic Private Investment Law, will soon be five years old. Since the United States, as well as other donor nations, have lent considerable support to it, it should be interesting to elaborate on what was accomplished during these five years and what remains to be done. Hence, the first purpose is that of review.

Secondly, since the results are believed to be impressive, they should be given wider publicity, particularly among potential foreign investors and international financing organizations. Even though a number of foreign investors have already committed themselves to projects in Afghanistan, it would seem that by making the Private Investment Program better known, others could be attracted.

Apart from this, the methodology used, the early mistakes made and subsequently corrected, could well be of interest to some other developing countries. There are, indeed, lessons to be learned from the Afghan experience, particularly since the Program, which was carried out under difficult conditions, is now attracting more foreign investors than in the entire history of the country. One of these lessons is that if the indigenous investor is happy and the investment climate is right, the foreign investor will soon take notice and follow. To accomplish this result the government must be able to convey a sense of investor participation and support instead of merely imposing a program. This the government of Afghanistan was able to do through the dynamic action and understanding of a number of prominant government officials who supported the program wholeheartedly.

The need for publicity and exposition of the lessons learned is all the more important at a time when economic development through a greater use of the potential of the private industrial sector is receiving renewed attention on the part of many development economists and bilateral and multilateral aid organizations. Unfortunately, all too frequently lipservice only is paid to this concept. Yet, the experience in Afghanistan shows that once a government is willing to lend its full support to such a program as the government of Afghanistan has done for a period of five years, the results can be very favorable as compared to the modest costs, including technical assistance costs, involved.

The third and main purpose of this report is to provide guidance to potential foreign investors, showing them how to go about investing in Afghanistan.

In order to accomplish the first purpose of this triple goal, the report concentrates in Chapter I on the history of the private investment program, the gradual development of the proper institutions to support it, and the results achieved. These results, in terms of new industries established and under construction, as well as in terms of new investment applications, are discussed in more detail in Chapter II-C dealing with industry in Afghanistan, a subject about which relatively little is known outside the country. This information is recorded up to July 1971. However, for those interested in following the further development of the program, additional information will be made available on a periodic basis in the form of a "Directory of Approved Private Investments under the Foreign and Domestic Private Investment Law", as well as a "Quarterly Status Report", both published by the Investment Advisory Center.

With regard to the second purpose, publicity for the program, the publication of the report as a whole seeks to achieve this end. The report, by discussing the problems as well as the successes of the program, attempts to illustrate the lessons of the program and to drive home the point that, in spite of the problems, the program offers a valuable avenue to economic development.

As said before, the report gives most of its thrust to the third purpose. Thus, it tells the potential foreign investor, in Chapter I, how to submit an investment application, and what conditions he faces as regards his obligations, protection and privileges, taxation, and employment, etc. Chapter II is designed to familiarize him with the general economic conditions in the country which may affect his decisions. Finally, Chapter III deals with the legal basis for doing business in Afghanistan, stressing the fact that much remains to be done in the area of commercial and business legislation. Copies of the most important laws affecting the investor are provided in the Appendix.

As regards this third objective, the report is inevitably somewhat inadequate even if most of its attention is devoted to it. It constitutes only a first attempt to make some of this information available. In time -- as the program develops further -- this information should be

broadened and put together in the form of an Investors Guide, similar to those used in Turkey and Iran. Thus, it is hoped that by inviting constructive criticism, this initial effort will help to pave the way for the subsequent publication of an Investors Guide by the government of Afghanistan and the Investment Committee.

Although this report is expected to be useful, a more complete investors guide is needed because, at present, every potential investor has to go through a considerable effort in finding out how to go about investing in Afghanistan. Unfortunately, in doing so, the investor's first approach is usually to consult busy government officials who patiently keep repeating the answers to the same basic questions. If a proper investment guide was available, both the investor and the Afghan government officials would gain, inasmuch as they could address themselves immediately to the investor's special and specific problems. For the moment, it is hoped that by providing the potential investor with some sort of a compendium, the burden on the part of the investor and the Afghan officials will be correspondingly reduced.

Obviously, this initial effort does not necessarily represent the views of the government of Afghanistan nor those of the government of the United States or its agencies. While the information provided is believed to be up-to-date, the best available and correct, such correctness cannot be guaranteed. Thus, in the area of investment, the potential investor is reminded of the old Roman rule of "Caveat Emptor", i.e., let the buyer beware. Fortunately, competent officials of the Royal Government of Afghanistan, assisted by a multi-national group of foreign advisors, are there at all times to help minimize the investor's problems.

CHAPTER I

INVESTING IN AFGHANISTAN

A. THE INVESTMENT CLIMATE

1. National Planning and the Private Sector

Since the mid-1960's, the development policy of the government of Afghanistan has looked toward a mixed guided economy, with a major role allocated to the private sector. During the previous decade, a statist philosophy had been in vogue, and very little development had occurred in the private industrial sector. Under its current policy guidelines, as stated in the Third Five Year Plan (1967-72), the economic program and enterprises of the State should be directed towards economic infrastructural projects, power production, heavy industry and the like, while private enterprise, undertaken within the framework of government planning, should be encouraged and protected by the State. 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".

2. The "Private Enterprise Program"

In implementing its mid-1960 change in policy towards the private sector, the government requested the assistance of the United States (USAID) and several other donor countries. Thus a modest "Private Enterprise Program" was started in 1964 in response to the government's concern about a growing lack of dynamism and problems in the public industrial sector which now controls some thirty of the larger plants. A subsequent consideration was the need to create more industrial jobs for a growing number of educated unemployed after the government had decided to make a major effort in the area of University education.

Originally the program was started as a private investment program aimed at attracting the foreign investor through the preparation of a number of feasibility studies. After a considerable analytical effort, eight fields were selected for pre-investment feasibility studies (animal casings, sheepskins, cigarette manufacturing, corrugated boxes, spice and herb processing, carpet manufacturing, karakul processing, and

tourism). Upon completion and approval by the government, each feasibility study was given a relatively wide promotion effort among potential American, European, and Japanese private investors as well as lending institutions.

By and large, this approach was unsuccessful. Therefore, in 1966 the direction of the program was changed radically. A new approach looked to the creation of a proper investment climate which would primarily attract indigenous investors rather than foreigners. In making this change it was assumed that if an attractive investment climate could be created and if the domestic investor would successfully move ahead, the foreign investor was likely to take notice and follow. This assumption proved to be essentially correct.

The basic elements of the new program were the enactment of the 1967 Foreign and Domestic Private Investment Law and the creation of the related institutions established to help implement the Law. These are discussed in the sub-sections which follow.

3. The Foreign and Domestic Private Investment Law

The key to the success of the redirected private investment program, which started in 1966, was the promulgation of a Foreign and Domestic Private Investment Law, early in 1967. In addition to providing the usual incentives to the private investor, such as duty-free import privileges for equipment and raw materials, a five year tax holiday, etc., this law established an Investment Committee composed of the Ministers of Commerce, Finance, Planning, Agriculture, and Mines and Industry. Approval of a proposed investment by this Committee, chaired by the Minister of Commerce, now means personal endorsement by five Ministers, and hence, relatively ready cooperation in implementing decisions by five Ministries. Also, this arrangement provided the new investor with a direct recourse to higher authority in case his efforts were met with opposition from officials of the various key ministries with which he would have to deal at one time or another.

What was important about the 1967 private investment 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.

Through the establishment of the Investment Committee, the law tries to provide actual support to potential investors and to eliminate

many of the previous administrative difficulties. Since the older laws 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 government 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, and the nature and amount of any technical assistance. The actual implementation of these agreements was often disastrous to the investor.

The 1967 law changed all that. The key elements of the 1967 Foreign and Domestic Private Investment Law - apart from those mentioned above - consist roughly of expanded fiscal benefits and guarantees on repatriation of profits and salaries to provide increased incentives for private investments, equal treatment for new investments, foreign and domestic, and greatly improved, clarified, and centralized procedures for the administration of the law and for the settlement of disputes.

The law provides benefits for approved new private investments, Afghan or foreign, in industry, mining, agriculture, tourism, or in any other service industry or priority enterprise designated by the Investment Committee (Article 2). It specifically provides that although all mineral deposits are owned by the State, the conclusion of individual agreements in the field of mineral exploitation or basic industry remains possible (Article 26).

In more specific terms the law provides for the following benefits:

-- Exemption from taxes on company income for five years beginning with the date of first sale of products of the new investment (Article 3).

-- Exemption from import duties on essential imports (machinery, raw and intermediate materials) for five years after the approval of the investment (Article 3).

-- Exemption from personal and corporate income taxes on dividends for five years after the first distribution of dividends, but not more than eight years after approval of the investment (Article 3).

-- Tax exemption for interest on foreign loans which constitute part of an approved investment (Article 3).

-- Exemption from export duties for ten years after approval of the investment (Article 3). Except in the above cases, foreign companies and their employees are subject to the normal tax laws. The law states that investments under this law are subject to an independent annual audit by auditors who meet international standards (Articles 10, 11).

-- Repatriation of profits, capital, interest, salaries, royalties and approved fees is guaranteed within reasonable limitations and rules (Articles 5, 6, and 9).

-- Shareholders may freely dispose of shares, except that they may not sell to foreign governments. There is a saving clause on this latter limitation to allow for subrogation under foreign governmental investment guarantees (Article 12).

-- Joint ventures are explicitly encouraged, but the law does not require any specific percentage of domestic participation (Article 15). One hundred percent foreign-owned investments are not precluded. However, the law empowers the Investment Committee to negotiate sell-back arrangements, among other things (Article 14).

The law requires all government agencies and departments of the government to purchase their necessary supplies and services from enterprises established under this law, provided that these products are "substantially" competitive with imports (Article 16).

The law includes nothing more specific than the foregoing provisions with regard to protective trade measures available as incentives to investments. These, of course, are in no way precluded by the law, and protection of domestic industry is an established policy of the Government of Afghanistan. Nevertheless, the problem of policing Afghanistan's vast land frontiers is so great that there are limitations upon the government's ability to enforce protection through trade barriers and high import duties. Further, in actual practice, the government has rarely increased import duties to protect local private industry. During the period when incentives are in force, this is not a serious problem because existing duties are relatively high.

According to Article 17, rights of investors in the event of expropriation are reaffirmed by reference to Article 29 of the Afghan constitution, which reads, in part, as follows:

" Property is inviolable.

No one's property can be confiscated except in accordance with the provisions of the law and the decision of a competent court.

Expropriation is allowed only for securing public interest, against an advance equitable compensation, in accordance with the provision of the law."

The law makes suitable provision for arbitration procedure, as well as for settlement according to the Convention of the Settlement of Investment Disputes between States and Nationals of other States, if the government and the foreign investor so agree. Such agreement may be reached either at the time of investment or when a dispute arises, as provided in the Convention. Afghanistan signed this Convention in September, 1966. (Article 19)

The "single license" provision (Article 24) establishes that an investment finally approved by the Investment Committee shall require no other license to operate in Afghanistan. The law provides, furthermore, that the controversial Licensing Regulations for Private Foreign Traders and Firms in Afghanistan shall not apply to investments approved under the new law. (Article 25) It remains Government policy, nevertheless, to draw sharp distinctions between "foreign investors" and "foreign traders" and to attempt to separate the two types of activity as well as the rules applicable to them. Understandably, the law restricts enterprises approved for benefits under the Investment Law from exporting goods which they do not produce, or from importing goods other than those necessary for their own production or use. (Article 24) A complete text of the law may be found on page A-1 ff, 1 of the Appendix.

4. Supporting Institutions

The Private Investment Law, valuable as it is, would not have been able to attract or promote new investment without supporting institutions. Indeed, as noted above, the law itself provides for an Investment Committee. The Committee, and, more importantly, its Secretariat, is the first and probably most important of the institutions with which the investor must deal. Others are the Investment Advisory Center and, in the future, the Industrial Park Authority and the Industrial Development Bank. All four are described in this sub-section.

a. Investment Committee

The Investment Committee Secretariat is located in the Ministry of Commerce, Darulaman Road, Kabul. It is headed by a Secretary General who reports directly to the Chairman of the Investment Committee; i.e., the Minister of Commerce and to the Deputy Minister. The Secretariat has a staff of about ten people, including two typists, which handles the day to day administration of the law. The staff is currently assisted by two foreign advisors provided by Checchi and Company under a USAID contract. Activities, described in detail under "Investment Procedure" below, include giving initial approval for projects before applications are prepared, processing applications for the Committee and preparing letters to the Ministry of Finance each time a duty free importation is requested. The telephone number of the Secretariat is 41041.

b. Investment Advisory Center

The second institution established to assist with the program is the Investment Advisory Center (IAC). The IAC was established in March, 1969, with local funding from the Chamber of Commerce and the technical assistance provided by one advisor each from the United States, the Federal Republic of West Germany, France, the United Kingdom, and UNIDO.

The IAC assists investors with the preparation of their applications and provides technical assistance in the construction and operation of factories as requested. Most of the domestic investors originated in the bazaar and have a keen sense for markets but little organization or managerial ability. Hence, their need for this type of assistance which in time is expected to develop into a small industrial extension service. The IAC is currently located on the third floor of the Chamber of Commerce building, Darulaman Road, Kabul. The telephone number is 41296.

c. Industrial Park

After the new law proved to be successful in attracting new investments, the next logical step was to provide the investors with adequate industrial building sites since land for industrial purposes, complete with adequate water and power facilities, is extremely scarce in Kabul. To meet this problem, the government made available about 800 acres for the establishment of an Industrial Park near Kabul. The tract of land provided for this purpose is ideally located on the outskirts of the nation's capital city. It is

located near major highways and sub-surface water of good quality is available in adequate volume and at a reasonable cost. The availability of electric power is ample and sewerage facilities can be built at a nominal cost.

The infrastructural development of the Park is to be developed with a $1.5 million loan from the Asian Development Bank, which is under active consideration by the Bank. Within the area of the Park there are some 35 acres which are to be developed with assistance from the government of India. Currently, four factories have been located in the Park area, but the Park as an institution has yet to be established since the above loan has not been made as yet.

d. Industrial Development Bank

The fourth step, namely the provision of adequate industrial financing to existing and potential investors, is about to be completed. The legislation authorizing the establishment of an Industrial Development Bank was finalized in August, 1971 and an effort is now being made to establish such a bank with capital assistance from abroad. This may well turn out to be the most important step in accelerating the implementation of the program, which has been hampered by an almost total lack of industrial credit facilities. A copy of the law authorizing the establishment of the Bank may be found on page A-15 ff of the Appendix.

5. Results

The effect of the private investment law was almost immediate. As soon as the potential investors realized that there was a "Court of Appeal" to which they could take their administrative problems encountered at the lower levels of the government, as well as competent advisors to help them in overcoming their difficulties, they began to file investment applications. Consequently, 153 investment applications had been approved as of October 1, 1971, out of a total of 188 submitted. About twenty percent of these are export oriented and a number were filed by foreign investors, many in partnerships with Afghans. Thirteen applications were disapproved for various reasons, while others are still awaiting action by the Committee. This seems to prove that, given proper surroundings, Afghan businessmen appear to be eminently responsive to those incentives which seem to operate so well in other developing countries. Prior to 1967 there had been doubts about this.

Out of the above total number of investment applications, 61 new industrial establishments are now operating in fields such as rayon textile

weaving (18), raisin processing (9), animal casings (3), wine making, cold storage, steel rerolling, chinchilla and mink fur production, thread production, metal furniture, tiles, chemicals and pharmaceuticals, and a number of service industries such as dry cleaning establishments. The total amount actually invested in these plants since 1967 comes to about $6 million and they employ some 4500 workers. For more details the reader is referred to Chapter II-C.

Encouraged by the law, a significant number of foreign investors have applied to the Investment Committee. As of October 1, 1971, an estimated 28 foreign investments have been approved, and five enterprises with foreign participation are in operation. These include a distillery producing wine, vinegar, and industrial alcohol (100 percent Italian), a steel rerolling mill (100 percent Pakistani), a textile mill combined with a plastic bag manufacturing enterprise (100 percent Pakistani), a tile factory (100 percent Pakistani) and the country's largest leather and leather shoe manufacturing company (49 percent Swiss). In addition, the largest investment under the program, the Hoechst pharmaceutical factory, is completed and ready to begin operations. It is eighty percent West German.

Several other relatively large enterprises with foreign participation are under construction and expected to begin operations in the near future. These include a company to grow roses and produce rose essence (Originally 50 percent Italian, now being reorganized), a factory to produce toilet and laundry soap (60 percent Pakistani), a lubricating oil blending plant (75 percent Pakistani and American), a furniture factory (100 percent Pakistani), and a factory to produce polyurethane foam for mattresses and other products (100 percent British-Indian). In addition to these foreign investments, a number of others are in earlier stages of project implementation or have been recently approved by the Committee.

Although the foreign investments do not account for a large percentage of the total projects approved or implemented, in terms of funds invested and in terms of diversification of product lines, foreign investment is playing a major role in the development of Afghanistan's private industrial sector.

B. INVESTMENT PROCEDURE

1. Investment Proposals

All investment proposals, whether foreign or domestic, are handled in first instance by the Secretariat of the Investment Committee.

The first step is usually a discussion of the project with the Secretary of the Investment Committee. The Secretary explains the operation of the Private Investment Law, discusses the various aspects of company formation, and checks if there are any other proposals similar to the one submitted.

Depending on the case, at this point, there may also be a discussion with the Minister of Commerce.

The Secretary then prepares a letter to the Investment Advisory Center (IAC) advising the IAC that initial approval has been granted and requesting that the Center assist the investor if necessary. In most cases, such assistance is necessary and welcomed by the investor.

In case the investor has no specific investment idea but has money to invest, the Secretary may refer him to the Center in the first instance. In this case, the staff and the foreign advisors at the Center will explore the various possibilities with the investor and refer him back to the Secretary of the Investment Committee once the investor has been able to decide on a specific proposal.

2. Preparation of the Investment Application

After his initial proposal has been received, the investor proceeds with the making of a formal application to invest. In order to do this he is expected to present as much information pertaining to his project as possible, such as:

- -- Technical Analysis
- -- Cost of machinery and raw materials
- -- Operating costs
- -- Market information
- -- Personnel requirements and how they will be met (training, etc.)
- -- Foreign exchange implications
- -- Sources of financing
- -- Import requirements, etc.

The above list is merely illustrative. In any specific case the advisors at the Investment Advisory Center will assist the applicant in the detailed preparation of the application so that it will meet the criteria established by the Investment Committee.

The careful preparation of the application form is very important to the future of the project. In the first instance, of course, the application, and related documents, are the basis for the Committee's consideration of

the project. Equally important, however, is the fact that, once approved, the subsequent implementation of the project is tied to the application. With regard to the duty-free importation of machinery and raw materials, the specific items and amounts which will be permitted are those shown in the application. Should the applicant underestimate his requirements, he will be expected to pay duty on the excess unless his application is amended or, for small amounts, unless specific approval of the Minister of Commerce is obtained.

The advisors also prepare other required forms, such as an investment analysis, a project summary sheet and a recommendation to the Investment Committee. These together with the application and a letter from the investor himself, are forwarded to the Secretariat for translation and presentation to the Committee.

3. Amendments and Referrals

In some cases the proposal may involve the expansion or change in an existing investment application. In others the application may have been sent back by the Investment Committee to the IAC for the purpose of obtaining additional information. This often involves a partial repetition of some of the steps outlined above.

4. Approval

The approval process starts after all the above requirements have been met and after various documents have been formally submitted to the Secretary of the Investment Committee, at which point the application is officially given a number.

At this stage there is usually a discussion of the project by the advisors with the Secretary of the Investment Committee, the Minister of Commerce, or other members of the Ministerial Committee.

The project is then placed on the agenda for the next Committee meeting of the five Ministers. The Secretary of the Investment Committee presents it to the Committee, which usually decides on it by unanimous vote. In some cases the Committee will attach certain limiting conditions to its approval, such as price or quality standards, or a requirement that the investor pay duty on some or all of his raw materials, or obtain them locally. In certain cases the Committee may call on the advisors for additional explanation in discussion of the project. The decision does not become final until the five Ministers have all affixed their signatures to the appropriate documents. At that point the Secretary of the Investment Committee advises the investor of the approval, as well as of the implementation steps required.

5. Implementation

The steps needed towards implementation may be summarized as follows:

-- Company formation. This is needed before any further steps can be taken. Since the Secretary of the Investment Committee is also the Registrar of Companies in Afghanistan, a new company can be formed without much trouble. This usually can be done in about one to two weeks.

-- Issuance of License. The Investment Law provides for the issuance of a single license to operate in the country. This license is issued by the Chamber of Commerce on the instruction of the Secretary of the Investment Committee. This license is very important since at times it must be physically produced when the investor is exercising a right under the Investment Law.

-- Land Acquisition. The investor must purchase or obtain a long lease on the necessary land. If he does not locate within the area set aside for the Industrial Park, this may involve approval by the Urban Planning Authority and the Municipality of Kabul.

-- Building. The investor has to obtain or construct a suitable building.

-- Provision of utilities. In the absence of a fully developed industrial park, the investor must arrange for the necessary utilities such as water, power, etc. This may involve considerable effort and expense.

-- Importation of Machinery. The investor provides the Secretary of the Investment Committee with the Elm-wo-Khabar (document issued at the border attesting legal entry) and the invoice, certified in the country of origin, to request duty-free customs clearance of his machinery.

The Investment Committee Secretariat staff and the advisors compare these documents with the application, determine that the machinery is shown on the application and or is appropriate to the investment, and prepare a letter to the Minister of Finance requesting an order to Customs to release this machinery duty-free. The staff also maintains records of the items and quantities imported to insure that the respective allowances in the application are not exceeded.

-- Certification. Once the factory is ready to operate (building complete, machinery installed), the investor requests a certification to this effect from the Secretariat of the Investment Committee. In practice a foreign advisor and a secretariat staff member visit the factory to determine and certify that it is in operating condition.

-- Raw Material Importation. Once certification is given, the investor may request duty-free importation of raw materials. Steps:

(1) The investor gives the Secretariat the Elm-wo-Khabar and the invoice.

(2) The Secretariat and the advisors examine these documents to determine whether the requested raw materials are appropriate for the project and/or listed in the application.

(3) The Secretariat and the advisors determine whether the quantities requested should be permitted duty-free entry. For the initial importation, this determination is based on the demonstrated capacity of the factory. For subsequent importation, it is based on documents showing previous raw material utilization and production, inventory of raw materials and other evidence. In certain cases, the imported raw material must be stored in an approved bank warehouse and released to the investor as needed.

(4) On the basis of the staff and advisor recommendations, the Secretary writes a letter to the Ministry of Finance requesting duty-free import.

(5) The staff maintains records of duty-free importation to ensure that allowances are not exceeded.

-- Implementation of tax holiday benefits. This is largely in the hands of the Minister of Finance, but the Committee as a whole is also involved.

6. Comments on Implementation Procedures

During the past four years the above procedure has been developed into what it is today. The procedure is gradually being streamlined, although it is expected to remain somewhat cumbersome. While there have been a number of problems in implementation, the hopeful fact is that once a problem is solved, usually an administrative procedure is set up so that it does not repeat itself.

On the administrative side fear of government intervention still continues to haunt the private investor. Without a certain amount of tradition in this area, investors are still afraid that the rules could be changed on them. This presses all the more when so many investors can make attractive short-term profits by investing in trade or by lending out money in the bazaar.

It should be noted that the present Committee is very sensitive to the possible abuse of duty-free raw material importation, and to the accusations regarding such abuse which are made from time to time. While this sensitivity persists, some raw materials may be refused duty-free entry and controls will be strict.

The lack of clear policy guidelines pertaining to the criteria for approvement of new investments has been a deterrent to some new investors, a problem which could partially be remedied by publicizing the Investment Committee's detailed reasons for turning down certain investment applications. The Committee is still in the initial stage of formulating its industrial development policy with the assistance of the IAC and other advisors.

Likewise, the failure of the Investment Committee to meet regularly has, in the past, resulted at times in a considerable backlog of applications which tends to discourage those who are waiting. However, more recently the Committee meetings have been frequent enough to keep the backlog at a minimum.

C. TAXATION IN AFGHANISTAN

1. General

To provide general guidance on taxation in Afghanistan is difficult because so much depends on interpretation of the law by the respective tax authorities. In addition to the law there are a number of modifying decrees. Furthermore, there exists a fairly detailed tax manual which is not always consistent with the law. Another difficulty is that the depreciation allowances appear to be somewhat unrealistic, while the fact that there is no statute of limitations constitutes a most serious problem.

The legal basis for taxation in Afghanistan is the Income Tax Law of 1965, as amended by decrees relating to a four percent import - two percent export tax, creditable against the corporate business receipts tax. A copy of the law may be found on page A-26 ff of the Appendix.

Direct taxes of interest to the investor are the corporate income tax, the corporate business receipts tax, the individual income tax, the individual contractors tax, and the withholding provisions applicable to dividend payments and salaries and wages. Customs duties are also of great interest to the investors. These levies and two other minor taxes are discussed below.

2. Corporation Taxes

a. Types of taxes. Corporations, limited liability companies, and state enterprises are subject to the following taxes:

-- a two percent tax on sales of products and services;

-- a five percent tax on receipts of commissions, fees, interest, dividends, and rent;

-- a twenty percent tax on annual taxable income;

-- a levy of one percent of income tax for the Kabul Municipality;

-- a four percent import - two percent export tax.

Taxable income is defined as profit less the following: cash dividends paid, and one-third of the annual losses carried forward from any three years immediately preceding the tax year; in the case of banks, additions to reserves for losses on loans up to 25 percent of the increase in outstanding loans during the tax year. Necessary business expenses and depreciation at moderate rates straight line are also deductible. Foreign travel and other expenses for the benefit of officers, contributions, and additions to reserves except those specified for banks and insurance companies are not deducted in determining taxable income.

The two and five percent corporate receipts tax, payable at the same time as the income tax, is deductible from taxable income of the year of the receipts.

A fixed tax levied on importers and exporters and paid at customs is allowed as a credit against the two percent business receipts tax on sales of the goods imported or exported. The import tax is four percent of the value including freight and duties of the imported goods, and the export tax is two percent.

b. Withholding by Corporations. Corporations are required to withhold and remit 20 percent of all cash dividends paid. Remittance is due at time dividend is paid.

Corporations are also required to withhold and remit a predetermined amount from salaries and wages on each payday. The amount withheld from each employee is determined as follows:

-- gross salary or wage for pay period is multiplied by the number of pay periods in any one year;

-- personal exemptions of the employee are deducted from the total for the year, and the tax rate schedule of Article 3 of the Income Tax Law is applied to remainder.

-- the tax thus computed, divided by the number of pay periods in a year, is the amount to be withheld and remitted to the State.

Schedules for withholding from wages can be obtained from the Central Revenue Department. These do not cover salaries in the higher ranges, however.

c. The Business Receipts Tax. All corporations, limited liability companies, and state enterprises are subject to the gross receipts tax which is two percent of sales and five percent of dividends, interest, rent, fees, and commissions received.

A credit is allowed against the gross receipts taxes accrued for fixed import-export taxes paid at customs during the taxable year. This credit extends only to the business receipts tax attributable to sales of the imported and exported items taxed.

The import-export taxes mentioned are deductible as part of the cost of goods sold. Only that part of the business receipts due and payable after allowances of credit is deductible in the computation of taxable income.

The two percent business receipts tax also applies to insurance premium receipts of insurance companies.

The business receipts tax is assessed at the same time as the income tax and the total is due and payable on or before the last day of the sixth month, Sombola (September 21).

3. Personal Income Taxes

Article 3 of the Income Tax Law applies progressive tax rates on taxable income of individuals. Taxable income is the total income from sources subject to income tax less personal exemptions and expenses of business.

The personal exemptions are 15,000 afghanis for the taxpayer, 10,000 for dependent spouse, 2,000 for each dependent child; the total exemptions not to exceed 35,000 afghanis.

Withholdings from wages and salaries by the employer and from dividends received, as provided by the Income Tax Law, are credited against the computed income tax. No refunds are made.

No personal expenses and contributions are deductible.

If an employer pays the employee's personal income tax or does not deduct withholding from employee's wages, these benefits are treated as additional compensation subject to income tax.

Personal income subject to tax includes wages, salaries, dividends, interest, rent from non-agricultural real property, gain from sale of securities or a business establishment, and profit from trade, business, and occupations not subject to fixed taxes by law in lieu of income tax.

Retail shops, service shops, transport businesses, contractors, rural mills, and other proprietory business owned by individuals and specified in the Income Tax Law are subject to fixed taxes in lieu of income tax.

Foreigners are subject to the same tax as nationals, but their taxable year begins on the date of arrival unless they remain in Afghanistan for at least one calendar year. For periods less than twelve months, personal exemptions are allowed one-twelfth for each month of taxable year in Afghanistan.

Individuals are required to go to the tax office of the district in which they reside and report their income of the previous year in time for assessment and payment to be completed before the end of the sixth month. Any housing allowance is to be included, but travel expense and lodging during temporary residence is not included in taxable income.

Foreigners intending to leave Afghanistan must obtain tax clearance certificates before exit visas will be issued. They are advised to report to the Foreigners Tax Section, second floor above Khyber Restaurant, Pashtunistan Square, well in advance of planned departure. Taxes on income earned to the date of departure become due and payable before departure.

4. Contractors and Contract Taxes

All registered contracts are subject to a document tax equal to one-half of one percent of the amount of the contract. In addition, all individuals who furnish supplies, materials, or services to the State under contract are subject to a fixed tax in lieu of taxes on income from such activities. This includes individuals in partnership.

This fixed tax applies to the sum of all payments received on contracts during the taxable year. The rates are as follows:

Amount of Contract or Amount Received:				Tax:
FROM				
Afs. 1 to Afs. 20,000			1%	
20,001 " 40,000	Afs. 200	plus	2%	of excess over 20,000
40,001 " 70,000	600	"	3%	of excess over 40,000
70,001 " 1,000,000	1,500	"	4%	of excess over 70,000
1,000,000 above	38,700	"	5%	of excess over 1,000,000

It should be noted that the document tax of one-half of one percent applies to all registered contracts, but the individual contractor's tax applies only to individuals doing business with the State. The exceptions applying to construction and leasing of public baths, serais, and ice houses are a vestige of older laws.

5. Other Minor Direct Taxes

The Kabul Municipality is authorized to collect an annual building tax of 0.3 percent of property value, and it receives an income surtax of one percent of the income taxes assessed.

A personal tax is assessed against recorded owners of land. Of nominal amount, this tax is based on the value of crop shares taken by the State prior to 1920 at which time this tax was monetized.

6. Tax Administration and Appeals

Tax administration is decentralized, district finance offices supervised by the provincial mustofiat being responsible for assessment and collection of taxes. Foreigners and foreign controlled corporations are assessed, however, at the central offices of the Ministry of Finance. As noted above, the Foreigners Tax Section is on the second floor above the Khyber Restaurant.

Annual operations and balance sheet statements in the Dari language must be submitted within six months of the end of the tax year. The tax year is the Afghan calendar year ending March 20. Early submission of these financial reports is advisable. The tax office may require supporting schedules before assessments are made. These include lists of employees, wages, and salaries, shareholders and their dividends, physical assets cost and depreciation, details of commission receipts, import documentation and other subjects.

The tax office assesses the business receipts tax, credits as much of fixed import-export taxes as is allowable, and deducts the balance payable before assessing the 20 percent income tax, and municipal surtax. Assessment orders setting forth the business receipts tax, income tax, and municipal surtax payable are then prepared. These orders are presented at the Da Afghanistan Bank or its local branch and the tax paid. The bank issues a tax receipt and sends copies to the tax office.

In case of dispute, an advance payment may be accepted; penalties are thereby avoided on the tax covered by the advance.

Although the Constitution provides that collection of dues to the State can be enforced only on order of the Court, a workable procedure has not yet been developed for judicial enforcement of tax collection. Therefore, appeals are ordinarily made to higher administrative authorities such as the chief financial officer (mustofi) of the province, and the central revenue department in the Ministry of Finance.

7. Customs Duties

The State collects import and export duties on most commodities. The importance of these duties is made clear by the fact that they represent the largest single source of government revenues. For most items, the duties are apparently designed to raise revenue and not to protect domestic enterprises

or promote the import of raw materials in preference to finished products. Thus, there are numerous cases where duties on imported raw or semi-finished materials are higher than those on equivalent finished goods.

Import duties are of importance to investors (1) because they do, in fact, provide some degree of protection and (2) because, after the five year incentive period under the Investment Law, local industries must begin to pay duties on imported raw and semi-finished materials. For this reason, the present duty schedule is included in the Appendix. In reviewing this schedule, it will be noted that, although the rates appear to be ad valorem, the frequent use of standard prices rather than invoice prices makes most rates, in effect, specific. In any event, potential investors are urged to check directly with the Customs Department, Ministry of Finance (Telephone 26041-5) to obtain detailed, up-to-date rates on commodities of interest.

D. LABOR AND WAGES

1. Industrial Employment

Since Afghanistan's economy is largely based on subsistence agriculture, disguised unemployment is widespread. More recently it is also proving more difficult for those coming out of the University to find jobs. Previously, almost all the new graduates could be absorbed by the Ministries and the public sector industries but today this is no longer the case. The government has constantly tried to create conditions and opportunities for workers which would orient them towards occupations, rather than family and tribal groups. Obviously, to do this is a long-term process.

Afghanistan's population is estimated to be around sixteen million, of whom three million are migrating, and some one to two million urbanized, leaving a sedentery rural population of about eleven million. The rate of population growth is estimated to be about 2.3 percent annually.

The labor force is estimated at about five million. Most of them are engaged in some form of agriculture or stockraising. As regards industrial employment, which accounts for less than one percent of the labor force, the figures are more accurate since, recently, an industrial census of industries having more than fifty employees was completed by the Ministry of Mines and Industries with the assistance of West German advisors. According to this census, the total number of people employed in these industries is about 30,000. About seventy percent of these are working in the Kabul area. Thirty-one factories employ from 100 - 500 persons, while only seven have more than 1,000 employees.

Percentage-wise the distribution of the industrial labor force is as follows: Textiles 30.9 percent; mineral products 11.4 percent; power generation 9 percent; mining, food processing, and cotton ginning about 7 percent each; printing 4.4 percent; metal working 3.8 percent; transport equipment 3.7 percent; footwear 2.8 percent; woodworking 2 percent; other 11 percent. Industrial employment is growing under the impact of the new factories created as a result of the introduction of the 1967 Private Investment Law. The total number employed in these new factories is estimated at 4,500.

The employers are largely landlords, market craftsment, tribal groups operating as collective units, and a growing number of factory owners or managers. Because of Afghanistan's strong attachment to independence and outdoor occupations, most people prefer to be self-employed as craftsmen or traders. Working for themselves, these people usually put in long hours without complaint. As employees, they tend to take life more leisurely.

2. The Labor Code

The basic law governing employment is the labor code of 1946, which covers mainly those working full time in industrial establishments. In practice this means only those workers and apprentices working in modern factories or shops and not store clerks or other commercial office help. The law is mainly an intellectual exercise, based on labor laws governing in more industrialized countries and, hence, it does not reflect the real conditions prevailing in Afghanistan.

The law consists of eight chapters dealing respectively with (I) Conditions of Employment, (II) Obligations of Employers, (III) Obligations of Workers, Employees, and Apprentices, (IV) The Termination of Employment or Apprentice Shop Contracts, (V) Working Hours, (VI) Prevention of Industrial Accidents, (VII) Industrial Hygiene, and (VIII) Miscellaneous items.

Although according to the letter of the law, employment starts with a written contract specifying the terms of employment, in practice this is hardly ever the case. Pirating practices are discouraged since an employer who hires away the other employer's employees is liable to the previous employer if he knows the employee had not given proper notice or if he continues to employ him after discovering the facts.

The law refers to apprentices, but it should be noted that there exists no formal apprentice system in the country. Young boys usually start working with an older worker who is not necessarily a master craftsman.

Employers' rights and obligations are spelled out in some detail. For example, the employer is allowed to deduct the employees debt to him from his wages. A welfare fund must be established to pay for the cost of industrial accidents. Annual vacations are mandatory. Great emphasis is placed on training and the law provides that the employer shall be deemed to be a teacher as regards his apprentices. The minimum age limit for apprentices is fifteen years, a clause frequently violated, especially in the textile industry.

The worker's obligations to his employer are likewise spelled out. Of note, in the case of absenteeism he can, at least in theory, be brought back by force.

Since, as mentioned before, the law does not reflect the conditions actually prevailing in the country, the government has demonstrated a good deal of flexibility in interpreting the provisions of the law.

An important amendment was passed recently providing that a worker, upon termination of his contract, shall receive two weeks salary for every year of employment.

3. Wages and Salaries

Although reliable data on wages in private industry are hard to obtain, it would seem that wages in the private sector are increasing rapidly. The previous tendency for wages in the private sector to stay in line with the government scale is gradually disappearing. At the same time the gap between the salaries paid to skilled and unskilled labor is widening, which seem to reflect a shortage of skilled workers at the vocational levels. Lately, the compensation in kind, such as food and lodging, is more and more being replaced by cash payments. In general, the compensation package (fringe benefits, etc.) for blue and white collar workers, tends to become more similar. Public sector salaries outside Kabul tend to be somewhat higher than in the Capital because special allowances are granted for work outside the capital city.

Since, until recently, private industry tended to follow the government wage scale, it may have some merit to provide some data on the latter. At least it is indicative of the type of wages being paid in Afghanistan.

The respective scale is as follows:

Civil Service

Rank	Salary/Mo.	Title
1	5,700	Presidents, Governors, Deputy Ministers
2	4,800	Presidents, Governors, Chief Province Finance Officers
3	3,900	Directors General
4	2,700	Directors
5	2,400	Directors
6	2,100	Supervisors
7	1,800	Supervisors
8	1,500	Head Clerks
9	1,350	Head Clerks
10	1,200	Clerks

Contract Employees

1.	4,050	10.	780
2.	3,450	11.	690
3.	2,850	12.	660
4.	2,550	13.	630
5.	1,950	14.	600
6.	1,650	15.	570
7.	1,350	16.	540
8.	1,050	17.	510
9.	870		

The government fringe benefits are as follows:

A. Educational Allowance

Civil Service Employees - Afs. 100 per month for 12th Grade graduates
Afs. 200 per month for B.A.
Afs. 300 per month for M.A.
Afs. 400 per month for Ph.D.

Contract Employees - (Same as above)

B. Pushtoo Degree Allowance

Civil Service Employees	-	Afs. 50 per month if passed the Sixth Grade of Pushtoo.
Contract Employees	-	(Same as above)

C. Lunch Subsidy (at Government facility)

Ministers, Governors	-	Afs. 3,000 - 5,000 per month paid with salary.
Civil Servants	-	Free lunch on all working days except Thursday. If lunch is not taken, Afs. 4 per day is paid with salary.
Contract Employees	-	No lunch allowance. If lunch is taken, Afs. 4 is deducted from the salary for each lunch taken.

D. Cooperative Subsidy

Ministers, Governors	-	None
Civil Servants	-	56 kilograms (8 seers) of wheat flour is allowed @ Afs. 30 per seer for the married employee, irrespective of the number in a family.
	-	28 kilograms (4 seers) of wheat flour is allowed @ Afs. 30 per seer for the unmarried employee.
For some Contract Employee	-	28 kilograms of wheat flour.

E. Pension

Civil Servants	-	3% of salary deducted monthly from salary.
Contract Employees	-	1% of salary deducted monthly from salary.

F. Health Insurance

Civil Servants	2% of salary deducted monthly. Coverage optional. Must use Government Health Insurance Dispensary. Family members also eligible.
Contract Employees -	In some cases may be eligible.

As mentioned before, in the private sector salaries tend to be somewhat higher. The monthly salary of a good mechanic is about Afs. 5,000 per month with some earning as much as Afs. 8,000. For clerks and weavers these figures are Afs. 3,000/2,000 a month, while unskilled labor, on a year-round basis, earns about Afs. 1,200 a month. In rural areas this figure may be as low as Afs. 500 a month. In recent years mechanics and electricians have been the biggest gainers, followed by power loom weavers.

Labor turnover is high because the Afghan industrial worker is just now beginning to develop a sense of commitment. Hence, it is quite common for industrial workers to run off periodically to agricultural pursuits when the opportunity or the need for such action arises. For engineers and other skilled workers, tight contracts sometimes limit mobility, so turnover among this small group is sometimes low. Unfortunately, this situation has been deterring some engineers from taking industrial jobs.

Incentive schemes are few and far between since the system is still characterized by few rewards and even fewer punishments.

Almost all plants in Afghanistan are on a 42-48 hour week, except during the holy month of Ramazan, with about 50 days set aside for absenteeism for various reasons. The larger private factories are now beginning to switch more and more to retirement schemes financed from employee salary deductions with occasional employer contributions.

4. Recruitment

The lack of recruitment facilities constitutes a problem, especially for university graduates. In any case, the government has first call on their services because all education is free and government financed. In first instance they are referred to the Ministry of Planning for placement. If there are no jobs for them, they are allowed to look for employment in the private sector.

Recruitment facilities in the private sector are virtually non existent. Information on most job opportunities is communicated by word of mouth, with all hiring performed at the factory gate. Sometimes ethnic preferences prevail to reduce the rate of friction, although few will admit to it.

5. Labor Unrest

There appear to be no formal procedures for handling employee grievances. These usually are of a non-wage nature and related to such items as the quality of the food served, over crowding in company housing, or work assignments.

In recent years there has been an increase in labor unrest which is complicated by the fact that when this occurs management frequently has problems in finding out with whom of the labor force they should deal in trying to solve the problem. Labor unions do not exist and even the formation of political parties is impossible at present.

E. INSURANCE FOR INVESTORS

1. General

Though few may realize it, insurance is the keystone of any modern credit system. Security pledged by itself is not enough, unless the continued physical existence, with the promise of indemnity in the event of its destruction, is assured. This important role of insurance has yet to be fully recognized by Afghan entrepreneurs, agencies, banks, and lending institutions. The irony is that in spite of various attempts towards industrialization, as described elsewhere in this presentation, the majority of the industrial enterprises remain uninsured. This is not because insurance protection is unavailable but largely because of a lack of understanding of the importance of insurance.

Although the matter is under study there still exists no specific insurance legislation in Afghanistan. However, the Commercial Code contains one sub-chapter relative to insurance. This section is modeled on French, Swiss, or German practice and it deals primarily with the relationship between the various parties to the insurance contract. The section is subordinate to the policy wording, i.e., it applies only in cases where the specific provisions set forth in the policy would not cover the situation in question.

2. Insurance Companies

All usual insurance coverages needed by a business firm are available in Kabul. The Sterling General Insurance Company of New Delhi, operating through an agency, has fourteen years of experience in Afghanistan. Its address is:

Sterling General Insurance Company
Charai Sadarat, P. O. Box 558
Kabul, Afghanistan

The Afghan Insurance Company was organized in 1964, with Afghans owning 51% of the capital and the Guardian Royal Exchange Insurance Company of London owning 49%. Currently, management is vested in the latter. Its address is:

Afghan Insurance Company
26 Mohd. Jan Khan Wat, P. O. Box 329
Kabul, Afghanistan

Insurance within the USSR and the socialist countries can be handled by Ingostrakh, the overseas branch of the Soviet Insurance Trust which has a full-time representative in Kabul, located in the Embassy of the Soviet Union (Commercial Section). They also write local insurance.

Although not registered as such, a few more companies are also represented. Almost all companies follow policy wordings, customs, and practices of the London market.

3. The Servicing of Claims

A considerable amount of cargo imported into Afghanistan is insured abroad. The following firms act as surveyors and settling agents for policies written outside the country:

-- Indamer Afghan Industries, Inc., representing Lloyds Agency, as well as Toplis and Harding.
-- Afghan Swiss Trading Company, representing Commercial Union and General Superintendence Corporation.
-- Shourie Freres.
-- Afghan Insurance Company.

4. Insurance Coverages

The discussion and recommended coverages in this presentation are divided into four parts. The first part discusses the insurance needs

before production begins. Then follows a discussion of annual contract needs during the years of operations. Next there is a brief enumeration of those policies usually purchased by foreigners residing in Afghanistan, and finally a short reference to life insurance.

a. Insurance prior to production.

The bulk of business investment is absorbed by buildings, machinery, and equipment. The combined marine-cum-erection policy provides continuous coverage on machinery and equipment in transit and during the course of erection. It operates during test runs and can include third party liabilities.

The builders All Risk Policy covers the building under construction, plus a period of maintenance. Here, too, third party liabilities is available, if desired.

b. Insurance after production starts.

(1) Fire Insurance

After construction is completed and the factory is ready for operation, the building, machinery, and equipment should be insured against fire and allied risks. In Afghanistan, the inclusion of earthquake risk is advisable.

Even though fire fighting facilities have improved, water supply is sometimes a problem, especially during unusual drought periods. Water supply with adequate pressure and installment of fire fighting equipment on the premises of industrial plants must receive special consideration. The best course is to consult an insurance expert before finalizing construction plans. His suggestions can save a substantial premium every year. Even more important, his advice is likely to prevent some losses.

Indemnity offered by fire insurance alone is not enough, and should be coupled with Business Interruption Risk insurance. This policy requires careful analysis of various factors to arrive at the proper indemnity period and sums to be insured.

Raw materials, once they reach the factory, should be insured during processing and as finished goods until they have been sold to the customer.

A major fire at a large factory in the recent past caused heavy damage, part of which was not adequately insured. The Company is only now recovering from the loss, which illustrates the need for full fire coverage.

(2) Automobile Insurance

The number of vehicles in Afghanistan has grown considerably in the last few years but traffic sense is lacking. Many of the roads are inadequately lit, and automobiles are the only vehicles having lights. The driving hazard at night includes loaded donkeys and camels.

All cases involving automobile accidents are handled by the Traffic Courts. Investigation of an accident is rather swift. Negotiated settlements outside the court are encouraged. Even insurance companies recognize such settlements, if made with their approval. However, no claim should be settled without the insurance company's approval.

Automobile insurance is not yet compulsory, except for tourists and visitors. Facilities are available at main border points where third party liability insurance can be purchased. Compulsory third party liability insurance may, however, be introduced before long for all vehicle owners and operators. It is none the less recommended that proper coverage be obtained on all vehicles. Premium costs are reasonable and repair facilities, on the whole, satisfactory.

Any accident involving bodily injury commences as a criminal case before the Traffic Courts, which are only a few years old. Traffic Courts exist now in Kabul, Kandahar, and Herat. There is a prison sentence of one day to six months for the accident in which the driver has killed someone or a cash fine ranging from Afs. 1,000 to Afs. 130,000 or both. Apart from the criminal aspect, the injured party has, of course, the right to obtain compensation under the civil law. During the brief period of their existence, the Traffic Courts have handled a substantial number of cases involving foreigners, most of them tourists.

(3) Workmen's Compensation Insurance

There is a Workmen's Compensation Law which stipulates specific death and disability benefits. Insurance of workers is not mandatory; however, a number of firms now take out insurance policies and arrange benefits to suit their requirements. Similarly for senior staff, personnel accident coverage can be obtained.

(4) Marine Insurance

Because of Afghanistan's land-locked condition, movement of cargo necessarily involves numerous trans-shipments enroute. A marine form of insurance is most popular for this risk. Marine insurance covering exports and imports is vital to Afghan industry because foreign trade is the lifeline of the national economy. Complete coverage can be written in Kabul.

The closure of the Suez Canal has resulted in a further diversion of cargo traffic via Russia. In addition to the traditional route via Pakistan, goods now also come and go through Russia or Iran. The use of air freight is also increasing for certain items, such as karakul pelts.

A number of Afghan firms, including Banke-Millie and Pashtany Tejaraty Bank, in collaboration with foreign freight forwarders and agencies, provide satisfactory clearing, transporting, and forwarding services for all routes.

Marine cargo policies written locally follow the English form and conditions and are available in any currency, but are mostly expressed in dollars, pound sterling, deutsche mark, and afghanis.

(5) Miscellaneous Insurance

Insurance companies are prepared to invite almost any type of insurance, including burglary, cash in safe, cash in transit, and fidelity bonds; subject, of course, to maintenance of certain controls and physical safeguards.

General Liability insurance is considered somewhat sophisticated at present, except for a motor vehicle, but most of the foreign firms carry these policies. There is a growing awareness of the need for liability coverage, and third party awards are steadily increasing.

c. Insurance for foreigners living in Afghanistan

Resident aliens are warned that life and sickness insurances are not normally available and, therefore, must be arranged elsewhere, preferably in one's country of origin. British citizens can arrange life insurance through the Afghan Insurance Company.

The following contracts are recommended as personal and family protection during residence in Afghanistan:

-- Liability on the part of the tenant to the landlord in the event of fire.

-- Insurance for personal automobile.

-- Accident insurance.

-- Workmen's Compensation Insurance for servant personnel.

-- Fire/burglary or all risk insurance on personal property.

d. Life Insurance

Although the commercial code makes specific reference to life insurance, at present, life insurance is not written in Afghanistan. Life insurance if it could be developed, would be a means to gather the small citizen's savings and make them available for investment purposes.

CHAPTER II

THE ECONOMIC ENVIRONMENT

A. SOCIO-ECONOMIC OVERVIEW

1. The Country

Afghanistan is a landlocked country bordering on the Soviet Union, the People's Republic of China, Pakistan, and Iran. About three-fourths of its area consist of high mountains dominated by the Hindu Kush, which extend into the Western end of the Himalayas. Altitudes above sea level vary from 6500 meters in the East to 200 meters in the West.

Roughly, the country can be divided into three major regions: the plains north of the Hindu Kush where most of Afghanistan's agricultural wealth is concentrated; the southwestern plateaus which comprise desolate arid deserts and steppes; and the central highlands consisting of a vast mountain range.

The three major rivers which drain the country are the Amu Darya and its tributaries in the North, the Helmand-Arghandab in the Southwest, and the Kabul river, a tributary of the Indus, in the East.

The climate is semi-arid, with cold winters and dry summers. The estimated annual rainfall is about twelve inches. Most of the rivers provide ample water in the spring, but run dry in the summer. Hence, almost all of the country is heavily dependent on irrigation.

About fourteen percent of the total area of some 635,500 square kilometers (roughly the size of Texas or France and Portugal combined) is arable but much of the non-cultivated countryside provides summer grazing land for large herds of sheep, goats, and camels, all of which are an important source of income. Only about six percent of the area is cultivated in any one year.

Afghanistan's three long borders make customs rules hard to enforce so that considerable smuggling takes place. The border with Iran, which presents no physical barriers, is particularly difficult to police. On

the Pakistan side, the mountainous nature of the terrain tends to restrict the trade routes. However, the fact that Pushtoon tribesmen reside on either side of the border makes for a fairly unrestricted movement between the two countries.

The country's central government and present name were established in 1747 by Ahmad Shah Duranni, a tribal chief of the Pushtoons, but only since the beginning of the twentieth century has it emerged from cultural and geographic isolation through the development of better communication facilities with the outside world. Under the effective leadership of its King, Mohammed Zahir Shah, who ascended the throne in 1933, Afghanistan is now gradually changing from a traditional society into an increasingly modern state.

Afghanistan's four major cities, Kabul, Kandahar, Herat, and Mazar-i-Sharif (Balkh) are all of great antiquity and are located at the intersection of the old intercontinental trade routes. Partly because of this fact, Afghanistan was invaded numerous times, from the days of Alexnnder the Great (331 B.C.), when part of the country was known as Bactria, until the time the British occupied the country during the latter part of the 19th century. In between there were the Kushans (56 BC - 425 AD), the Arabs (870 AD) and the Mongols under Genghis Khan and Tamerlane (1200-1500 AD).

2. People and Society

Afghanistan has never had a population census. The population, officially estimated at sixteen million, but probably lower, consists of a large number of tribal groupings. The largest group, or some six million, is formed by the Pushtoons, followed by some three million Tadjiks, one to two million Uzbeks, one and a half to two million Hazaras, and one million Turkmen.

About twenty percent of the population consists of migrating nomads with about one to two million living in cities with over 25,000 population. Thus, the society is a heterogeneous collection of ethnic groups linked by blood and history with the peoples of the neighboring areas and these various groups use some twenty languages or dialects. Both Farsi and Pushtu are the country's official languages.

The percentage of literate persons aged fifteen years and over is estimated to be about twelve percent. The total number of people who completed their vocational or secondary education comes to about 80,000.

Since the reform program, initiated by King Amanullah Khan in the 1920's, education has been stressed all along, culminating in the establishment of the Kabul University in 1946. Free education is provided through a centrally controlled school system, which was built with assistance from various foreign countries. Efforts are now being made to change the type of education provided through teacher training and the introduction of proper text books, as well as by getting away from rote memory learning which was practiced in the old Mosque schools. Vocational training has also been stressed in an effort towards modernization.

During the Third Five Year Plan (1967 - 72) progress in education has been relatively rapid. As an example, during 1970 125 new primary schools, 128 middle schools and 60 secondary schools were opened, a number which exceeds the number planned by a large margin. However, it would seem that because of this rapid increase in the number of schools, the quality of the end product is beginning to suffer. At present there is a serious shortage of qualified teachers.

There are about 3,000 primary schools, 400 middle schools, and 130 secondary schools in the country. The current enrollment in middle and secondary schools is about 82,000 and 26,000 respectively. On the other hand the number of vocational schools has recently been reduced to forty in an effort to improve the quality of this type of education.

The number of people currently enrolled at the Kabul University has increased to a total of some seven thousand, but here again easier admission standards and overenrollment have affected the quality of the academic training negatively. The total number of university graduates, including people trained abroad, is about six thousand. Of these, the largest percentages are in medicine, law, education, and letters with only some 400 and 322 respectively in economics and agriculture and 318 in engineering.

Insofar as health services are concerned, there are currently 66 hospitals, 2429 hospital beds, 689 medical doctors and 16 laboratories in Afghanistan. In other words, there is about one hospital for every 250,000 persons and one doctor per 24,000 persons. About 90 percent of the hospital beds are maintained in Kabul. Even in Kabul there is only one doctor per 3,000 persons.

Since 1964 when a new constitution was introduced, Afghanistan has been engaged more directly in a major political experiment to improve its democratic parliamentary system. It is too early to predict the outcome but at this stage it would seem that the cooperation between the executive and legislative branches of the government is still rather limited. The situation is further complicated by the fact that political parties are not as yet legal in Afghanistan so that representatives have tended to think generally in terms of the most narrow interests of the district which they represent.

Being the country's traditional and official religion, Islam has moulded Afghanistan's laws, social system, and social structure. In the absence of a strong ethnic unity, Islam provides at least a sense of common identity. Because of this racial diversity in Afghanistan, it is difficult to point to Afghan common characteristics. All that can be said is that in the area between the Indus and Oxus rivers, which roughly constitutes the territory of Afghanistan, there live some of the hardiest people the world has ever known. Intensely proud, incredibly hospitable, fierce fighters, loyal friends, and terrific enemies if given cause, all mixed with frankness and a commendable sense of humor, eternally divided among themselves but immediately rallying in block against any foreign invader, these are the Afghans. These are the people who for thousands of years provided the link between the East and the West and who, because of their geographical location, suffered some of the most brutal invasions and destruction known to men. Yet they never were conquered.

3. The Economy

The total of goods and services (GNP) produced annually in Afghanistan amounts to a little less than $1 billion or about $60 per capita. Roughly, fifty percent of the GNP is derived from agriculture and stock-raising, twelve percent from handicrafts and manufacturing, twenty percent from trade and transport, two percent from construction activities, one percent from mining activities, five percent from government services, and the remainder from other economic sector activities. The annual rate of growth is estimated at about three percent.

Although in recent years there has been an increasing development of industry and mining, about seventy-five percent of the country's population is still engaged in some form of subsistence agriculture or stock-raising. About 2.5 million hectares are irrigated under a rather primitive irrigation system which the farmer is unable to improve without outside assistance. The total output of food grains, including wheat, corn, barley, and rice is about three million tons a year, with wheat accounting for about

two million tons of the total. Dry land farming is mostly limited to low yield farming of winter wheat. Except for sugar, tea, and wheat, the country is largely self sufficient in agricultural production.

Afghanistan's agricultural wealth is mostly concentrated in the north where land gradually descends into the plains of the Amu Darya (Oxus) river. The land is fertile but requires irrigation to make it productive. However, one of the basic constraints in irrigation is that water is not always available when and where it is most needed.

The southwestern plateaus consist of a desolate arid desert, part of which, at one time, was transformed into a flourishing agricultural area by an intricate irrigation system, which was destroyed by subsequent invasions. The Helmand Valley project, now being executed with assistance from the United States, represents the first major effort to restore the southwestern part to full productivity. Other major regional development projects are the Pakhtia and Nangarhar projects, carried out respectively with aid from the West German Republic and the USSR.

Since Afghanistan has been importing considerable quantities of wheat during the past decade, currently a high priority is placed on achieving self sufficiency in wheat production through the use of better seed and fertilizer.

Cotton production is maintaining a fairly steady level of some 70,000 - 80,000 tons a year which reflects the fact that cotton has to be surrendered at a controlled rate of exchange which, in fact, amounts to an export tax. Some remedial action is being taken in this area. Hence, cotton output is likely to increase in the future. In essence, increased productivity and a better price for cotton in relation to other crops, constitute the key to the solution of this problem. The annual production of oil seeds and sugar beets comes to about 35,000 and 55,000 tons respectively.

The future for agriculture is more hopeful once the large investments that are currently being made in irrigation and other agricultural activities are beginning to pay off. The agricultural potential of the Helmand valley and other areas is considerable, provided sufficient incentives and organizational support in the form of extension services, better seed, and fertilizer, can be provided to the farmer.

Truck gardening plays an important role in Afghan agriculture and melons, watermelons, squash, and cucumbers are an important item in the diet of both the urban and rural population. Fruit and nuts, particularly grapes, constitute Afghanistan's major agricultural export items.

Afghanistan's livestock sector, which accounts for twenty-five percent of all agricultural production, and a substantial part of the country's export earnings, is somewhat more dynamic since by tradition its producers tend to react more quickly to commercial incentives. According to the official statistics there are some twenty-two million sheep, 6.5 million of which are karakul sheep, three million goats, and four million cattle in the country. However, overgrazing is beginning to be a problem.

Forestry constitutes a diminishing prospect because of the indiscriminate cutting of trees by tribal interests. On the other hand the outlook for the production of hydrocarbons and minerals appears to be promising as is the case for small industry. Both of these sectors, as well as others, are discussed in more detail below.

During the past decade foreign aid and development loans have played an important part in the development of Afghanistan's infrastructure. Almost forty percent of the total of well over $1 billion of foreign aid went into infrastructural projects. A large number of foreign advisors is assisting in the development effort. During 1969 there were about one thousand Russian, two hundred Chinese, two hundred United Nations, 150 German, 110 United States, 85 French, and 60 Indian technicians assisting the various projects. The annual level of technical assistance is about $20 million, but currently the amount of aid provided by the various donor nations is being reduced.

B. TRANSPORTATION AND COMMUNICATIONS

1. General

Since Afghanistan is a landlocked country without any railroad and only a few rivers, the country is much dependent on road and air transportation. Hence, it is not surprising that the Government of Afghanistan has devoted a considerable part of its resources to highway construction. During its First and Second Five Year Plans the government set aside more than forty percent of its development expenditures for transportation, while the Third Five Year Plan, ending in 1972, devoted about sixteen percent to

the development of additional transport facilities. However, more is needed. For instance, there is a distinct need for more feeder roads, as well as for better road maintenance.

With assistance from the United Nations (UNDP) and the International Development Association (IDA), the Ministry of Public Works has established a road maintenance organization which, so far, operates only in the Eastern regions of Afghanistan. In time, the whole country will be covered.

2. Existing Roads

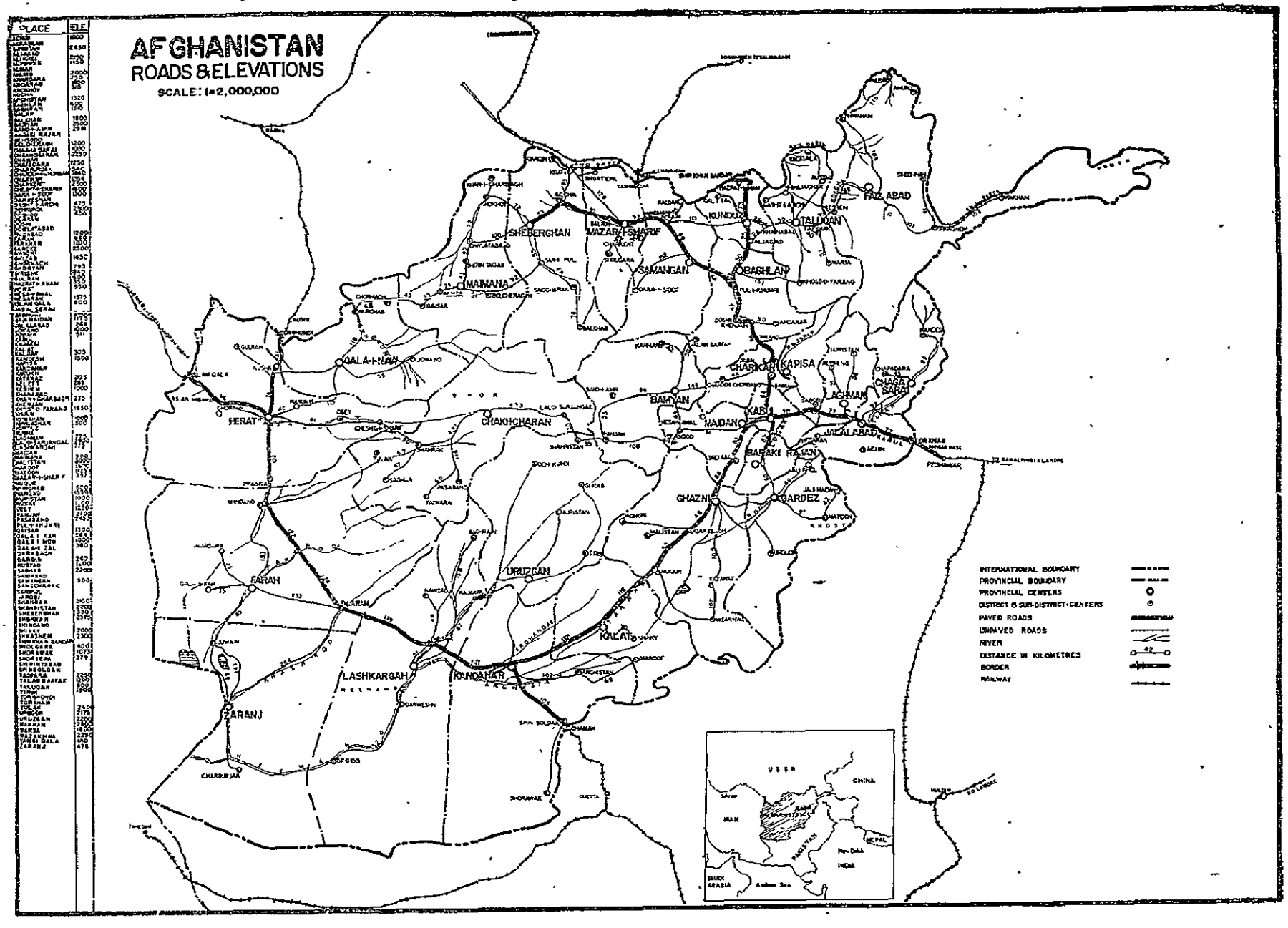
Even until a few years ago, an internal road system was virtually non-existent in Afghanistan. However, during the past fifteen years a paved circular highway was constructed around the high mountain plateaus in the center of the country. This paved road runs from Herat via Kandahar, Kabul, and Mazar-i-Sharif to Sheberghan, with branches going from Pul-i-Khumri to Kunduz and Shir Khan Bandar (Russian border), from Kabul to Jallalabad and Torkhum (Pakistan border), from Kandahar to Chaman (Pakistan border), from Herat to Islam Qala (Iranian border), and from Herat to Turghundi (Russian border). The stretch from Sherberghan to Herat via Maimana, 715 kilometers long, remains to be completed. To do this, at the going rate, will take about eight years.

The total of paved highways comprises about 2,500 kilometers. At present, there is a total of 10,000 kilometers of "usable" roads in the country. Almost all of the present paved roads were constructed with financing and technical assistance from abroad. The roads from Kabul to Sheberghan and Kunduz and from Kandahar to Herat and Turghundi were constructed with assistance from the USSR. The roads from Kabul to Kandahar and from Kabultto Torkham, from Herat to Islam Qala, and from Kandahar to Chaman were constructed with American aid.

The remaining roads, including the road from Kabul to Herat, which goes through the heart of the country (Hazarajat), are all unpaved and generally in very poor condition.

3. Additional Road Construction

There are some additional roads which are projected under the Fourth Five Year Plan (1972-77). The Kabul-Khost road, 244 kilometers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SHEBERGHAN
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FAIZ ABAD
QALA-I-NAW
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DISTRICT & SUB-DISTRICT CENTERS
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USSR
CHINA
IRAN
PAKISTAN
NEPAL
INDIA
SAUDI ARABIA
Arabian Sea

long, going via Gardez, the center of Paktia province, was started in 1965-1966 and, hopefully, it will be finished by the end of the Fourth Five Year Plan. The Nayebabad-Hairatan road, 55.7 kilometers long, which was started in 1967-68, connects Afghanistan with the Russian port on the Amu Darya (Oxus River). The Jallalabad-Konar road, which was started in 1965-66, will connect Jallalabad province with Konar province. It will have a length of 90 kilometers and it is to be finished in 1975. This road is expected to expedite domestic trade and develop the economy of Konar, as well as of Jallalabad.

The USSR has provided a credit to survey and construct the Kunduz-Faizabad road via the Taluqan province. This road, having a length of 250 kilometers, which was started in 1965-66, is expected to be completed in 1974-75.

The projected Kabul-Herat highway, via the central provinces, with a length of 828 kilometers, which was started in 1965-66 with U. N. technical assistance, is one of the most expensive projects. Being an alternate route of the projected Asian Highway, this road is shorter than the Herat-Kabul road via Kandahar. The Kabul-Gardandewar-Punjab part of this road (240 kilometers) is expected to be improved by 1975.

4. Traffic Density

Apart from Kabul and some other larger cities, the traffic density on the roads and highways is low. The road from Kabul to Charikar may carry as much as 1,000 vehicles a day but on some of the other asphalted roads this figure is closer to 150. The projected growth in traffic is about ten percent per year. The number of trucks, cars, and buses, registered in Kabul, is said to be about 50,000, a number which reportedly is increasing by about 2.5 percent annually. Outside the Kabul areas there are some 7,500 motorvehicles registered, making a total of some 57,500. Of the total number of motor vehicles in Afghanistan, about 19,000 are trucks, 3,000 are buses. While the number of trucks and buses appears to be well accounted for, the exact number of passenger vehicles is hard to estimate since the figure of about 35,500, which would result from the above calculation, seems to be high. One explanation is that this figure includes a large number of passenger vehicles once registered which subsequently went out of commission.

5. Internal Transport

There are about 118 private transport companies in Afghanistan, which, together, own some 4,400 trucks and tankers. Most of the remaining 14,600 trucks are individually owned. Among the more important transport companies are Mumtaz Transport Co., Kandahar Transport, Senai (Ghazi) Associate Transport Co., Rezai Transport, Masumi Transport, and Ansari Transport Company.

The highway transportation activities are coordinated by the Department of General Transport of the Ministry of Commerce, which was established to utilize the respective means of transportation efficiently. The department also makes regulations pertaining to transportation, and it maintains close contact with international transportation companies. To cover the cost of its operations it charges a commission of five percent on private cargo handling, half of which is charged to the owner of the goods and the other half to the transport company.

Cargo rates vary slightly for the Western (Herat-Kandahar) lines and the Northern and Southern and Eastern truck lines, but in general the rates are about 0.18 - 0.20 pul (one afghani = 100 pul) per kilogram/kilometer. For large cargoes, which fill an entire truck, special rates may be negotiated.

6. International Trade Routes

Afghanistan's traditional isolation is rapidly becoming a thing of the past. At present, Afghanistan has six points connecting it with international trade routes, as follows:

a. With Russia: The three connecting points crossing the Afghan-Russian border are:

-- Shirkhan Bandar: There is a ferry service having a length of 165 kilometers, connecting Shirkhan Bandar with the Termez railway in Russia.

-- Tashguzar: There is also a ferry service, with a length of only 16 kilometers, connecting Tashguzar with the Termez railway.

-- Torghundi: There is only five kilometers of road needed to connect Torghundi to the Kusk railway in the USSR.

To show the importance of these three connections it may be mentioned that during 1970 a total of 264,000 tons of cargo moved in and out via the above border points. When the Hairatan bridge is built on the Amu Darya (Oxus river), which will take an estimated two years, there will be another point connecting Afghanistan with the Termez railway which means that Russian goods could then be trucked via this route to both Pakistan and India.

From the Afghan-Russian border the goods are usually transported via rail to Leningrad and from there to London, Hamburg, and other German ports by ocean steamer, in accordance with the respective bilateral agreements between the two countries. Altogether it may take from 60 - 210 days for Afghan goods to reach their destination via this route.

b. With Pakistan: There are two gateways which connect Afghanistan to the port of Karachi in Pakistan:

-- Torkham: This route, with a length of 276 kilometers, connects Kabul to the Peshawar railway via the Jallalabad-Torkham-Khyber Pass road. There is a railway with a length of 1,600 kilometers from Peshawar to Karachi, making a total of 1,875 milometers from Karachi to Kabul.

-- Spin Boldak-Chaman: There is a road of 105 kilometers from Kandahar to Spin Boldak, connecting Kandahar to the Pakistan railway at Chaman. The railway between Chaman and port of Karachi is about 900 kilometers long.

Here again, a bilateral transit agreement exists between the two countries governing this type of traffic. While theoritically this route takes about sixty days for goods to reach the European ports of destination, in practice, it has taken as much as 120 days.

c. With Iran: This route connecting Kabul to the port of Khoram Shahr via Meshhed-Teheran consists of 1,650 kilometers of road and 2,100 kilometers of railway. The road from Kabul to Teheran, crossing the border at Islam Qala, is about 2,500 kilometers long, all of which is paved except for some 100 kilometers which are likely to be completed in 1972. A shift from road to rail is possible since as of June, 1971, both passengers and freight can be taken directly from Meshhed to Frankfurt and other points in Western Europe.

A new transit agreement covering this latter route is now under negotiation. In time, when the road from Afghanistan via Zahedan to the port of Bandar Abbas on the Persian Gulf is completed, Afghanistan would also have access to another seaport. Following this projected route the distance from Kabul via Kandahar to Bandar Abbas would be 1,800 kilometers.

Beyond these border points there is a good road which connects Kabul to New Delhi via Peshawar and Lahore. The total distance of this route is about 1,200 kilometers. However, this road has been closed at times because of the Indo-Pakistan conflict. There is also a super Karakoram highway which connects Gilgit in Pakistan with the Chinese border in Sinkiang, and Gilgit is connected by a road to Islamabad, which, in turn, connects with the Afghanistan road system.

7. International Transit Rights

As pointed out above, at present, Afghanistan's transit rights providing for free transit through the countries in question, are governed by bilateral agreements. To further simplify such traffic, Afghanistan has applied to join the TIR Convention (Transport International Routier), which governs international transit by road. Among other things, this convention is designed to eliminate costly trans-shipments and thus reduce travel time to Western markets.

Under the TIR Convention, goods covered by a TIR Carnet can be shipped in sealed trucks or in sealed containers, placed on trucks, across various borders provided that the containers stay on trucks and are not at any one point transferred to rail, in which case the convention no longer applies. (There are some exceptions to this.)

The legal basis for the TIR system is the "UN sponsored CUSTOMS CONVENTION FOR THE INTERNATIONAL TRANSPORT OF GOODS UNDER COVER OF TIR CARNETS" signed at Geneva on January 15, 1959. Its potential membership covers all of Europe, eastward to the Bosporus, Turkey, and Iran. Although Turkey has signed this Convention, Iran has not, but may soon do so.

The Convention applies to duty-free, inspection-free transport of goods without intermediate reloading across one or more frontiers between a customs office of departure of one contracting party and a customs office of

destination of another contracting party, or of the same contracting party, in road vehicles or in containers carried on such vehicles. In other words, if Iran and Afghanistan both had signed the Convention, uninterrupted traffic by truck from Kabul to points in Western Europe would become a real possibility.

The Central Agency for the administration of the Convention is the International Road Transport Union (IRU) with headquarters in Geneva, Switzerland, whose main objective is to coordinate and support national efforts to develop international road transport without undue encumbrances.

At present, the practice is to unload all cargo at the Afghan border, inspect it, and then transfer it to another truck, all of which takes time. However, it should be noted that in practice Afghanistan has admitted some large, internationally operating container trucks without inspection or transshipment but this is merely up to the Afghan customs officials and, at present, no such right can be claimed.

8. Air Transportation

In Afghanistan the first regular scheduled air service started in 1955. The air transport operation was being handled by Ariana Afghan Airlines, hereafter abbreviated AAA. Originally AAA was a privately owned enterprise, but now it is owned jointly by the government and Pan American (49 percent). In 1968 Bakhtar Afghan Airlines (abbreviated BAA), a public enterprise, was formed to widen the domestic transportation facilities.

Kabul is connected to Amritsar, Beirut, Delhi, Frankfurt, Istanbul, Lahore, London, Moscow, Peshawar, Tashkent, and Teheran by Ariana. Other international airlines, such as Indian Airlines, Aeroflot, Pakistan International Airlines, and Iran Air, also offer service. In 1970, about 70 percent of the incoming and 63 percent of the outgoing passengers were carried by AAA. As to cargo, in 1970, AAA carried 78.7 and 70.2 percent of the total incoming and outgoing cargo, respectively. In absolute numbers, AAA carried 61,000 passengers and 27,000 ton/kilometer of cargo during 1970, an 18 and 100 percent increase respectively over the previous year. Its total income from these operations was about Afs. 300 million.

There are two major airports in the country: Kabul International Airport and Kandahar International Airport. The former one was completed in 1960 with Russian credit. The Kandahar International Airport was completed in 1964 with the help of U.S. financial and technical assistance.

9. Communications

During the past few years there has been a four-fold expansion in the number of telephones, of which there are about 16,000. Subject to available funding, a further expansion is projected under the Fourth Five Year Plan. Better telephone communications with outlying areas are urgently needed in support of the growing tourist traffic.

While there has been an expansion in postal services, this has tended to concentrate on foreign mail service rather than an expansion in the about 230 post offices.

C. INDUSTRY IN AFGHANISTAN

1. Historical Perspective

Afghanistan's attempt to develop industry dates from the late 1920's when the Banke-Millie was founded, which was instrumental in establishing the first large private industrial enterprises without any assistance from abroad. Thus, the Banke-Millie did play an almost unique role in the early development of Afghanistan's private industrial sector.

This example was soon followed by others who set up additional small industries, such as animal casings, dried fruit processing, and the like. During World War II, most of the new private enterprises did very well and some of them enjoyed almost a monopoly. This situation irritated some of the leftist groups and finally resulted in a strong reaction against private enterprise.

Partly because of this disenchantment with the performance of the private industrial sector, the regime of Prime Minister, Prince Daud Khan (1953-1963) placed a relatively strong emphasis on infrastructural development and the establishment 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 these professionals, much later, turned their eyes again to private enterprise in an effort to move ahead faster than they were able to do in the government structure.

By the mid 1960's, financial losses in the public industrial sector were beginning to reach such proportions that gradually a number of prominent Afghans again became interested in stimulating economic growth through better incentives for private industry. As a result, the Foreign and Domestic Private Investment Law was promulgated in 1967 to stimulate private investment.

2. The Composition of Afghan Industry

Mining, manufacturing industry, and handicrafts account for about twelve percent of the gross national product. Altogether, there are about ninety factories having more than fifty employees. About one-third of these, and particularly the larger ones, are in the public sector, and are generally 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.

As pointed out, the heavy concentration of industry in the public sector was largely intentional. Yet it also occurred in part by default whenever the government was forced into a complete or partial takeover in those instances when private initiative was unable to follow through, as was the case with the Balkh Textile Company and the Kandahar Fruit Company, both of which were started as private ventures. In other cases, the government was forced to bail out the private company by taking a partial interest. On an overall basis it can be said that the government is represented in almost every sector of Afghan industry.

In terms of capital investment, power generation is the most important industrial activity in Afghanistan, followed by textiles, coal mining, cotton ginning, and food processing.

In terms of employment the most important establishments are the Karkar coal mine, Afghan Textile Company at Gulbehar, the Spinzar Cotton Company in Kunduz, the prefabricated housing plant in Kabul, the Afghan Power Company and the Jangalak Industrial Works in Kabul. Most of these are either government owned or have a government participation.

In terms of sales, textile manufacturing and cotton ginning rank highest, followed almost immediately by food processing.

Broadly speaking, Afghanistan's industrial sector can be divided into two groups; namely, those industries either in the public or private sector which were developed prior to or aside from the Foreign and Domestic Private Investment Law of 1967, and those which were started quite recently under the incentives provided by this law. For the sake of simplicity we shall refer to these two groups as the "old" and the "new" industries.

3. The "Old" Industries

Most important among the old industries is the Afghan Textile Company, which operates Afghanistan's largest cotton textile mill at Gulbehar. It has an annual capacity of some 85 million meters of cloth and 2.5 million pounds of yarn. The company owns three other small weaving mills located at Jabul Seraj, Pul-i-Khumri, and Gulbehar. In addition, there are two large public sector cotton textile mills, one at Balkh with a capacity of some eleven million meters a year, which is not in operation as yet because of the lack of a power plant, and one at Bagrami, with a capacity of twelve million meters a year.

Woolen weaving factories exist at Kabul and Kandahar. The Kandahar plant, which employs from two hundred to six hundred people seasonally, is over thirty years old and its processing equipment is in an advanced stage of obsolescence. It produces mainly blankets and piece goods for the local market, as well as a course twill fabric for the military. Its output is about 200,000 meters a year. The Kabul plant of Afghan Woolen Industries was opened in 1965. It is operated by West German interests and employs about six hundred workers. The plant works on both woolen and worsted systems. Its principal products are fabrics and blankets for the military. It also produces a variety of camel-hair woolen goods. Output ranges from 400,000 to 600,000 meters a year. The two plants are now planning to merge.

Cotton ginning and cottonseed processing facilities exist in Kunduz, Herat, Mazar-i-Sharif, and Lashkar Gah. The Spinzar Cotton Company of Kunduz, partly owned by the government and Afghan Textile Company, is by far the largest organization engaged in buying, processing, and selling cotton. It normally processes more than one-half of the total cotton crop, about half of which is exported and the other half sold to Afghan Textile Company. It is the largest producer of edible oil, oil cake, and soap. It also produces ceramics and baled wool.

In the Mazar-i-Sharif area four more companies, including one larger company, Bakhtar, operate cotton gins accounting for about 25% of all the baled cotton produced. The Herat Cotton Company, which was founded in 1966, operates a modern ginnery. Finally, there is the State owned Helmand Cotton and Vegetable Oil Company, which operates a modern cotton gin and oil expelling and refining facility. The plant is also capable of producing about 1,500 tins a year of hydrogenated oil but because of a lack of raw material, it has been operating well below its capacity. The same is true for some of the other cotton and vegetable oil mills.

There are a number of small establishments for the pickling, drying, and baling of karakul skins scattered across the Northern provinces from Herat to Mazar-i-Sharif. Their products are sent to the Afghan Karakul Institute's sorting house at Kabul, from where these skins are exported to the London and New York karakul markets. Currently, some 1.5 million skins are exported, valued at about $10 million.

There is one large leather shoe factory in Kabul, the Ahu Shoe Factory, which was started in 1962 by some Afghans with Swiss participation and subsequently expanded under the 1967 Private Investment Law. It produces about four hundred pairs of shoes and one thousand half processed (pickled) hides a day. There is one other, smaller leather shoe factory in Kabul.

Apart from the Kabul Silo and Bakery, which are government owned and operated, the most important food processing plant is the Baghlan Sugar Refinery, which has a capacity of handle 80,000 tons of sugar beets, but with an annual production of only 7,000 tons of sugar, all of which is sold to the government sugar monopoly. The plant is a high-cost producer which is operating below capacity because of the inadequate supply of beets. It accounts for only ten percent of the national consumption. The balance is imported.

The first raisin cleaning factory in Kabul was completed in 1963 and has a capacity of some 10,000 tons a year. At Kandahar there is a modern mechanical fruit processing and canning plant owned by the government, which can produce canned fruit and jams, as well as dried fruit, but it has not been in operation since 1964. At Kabul there is a modern slaughter house and refrigeration plant with a storage capacity of some 38,000 carcasses.

Cement production started with the completion of the Afghan Cement Company's 100 ton per day plant at Jabul Seraj, which was followed in 1962 by the construction of the government owned 400 ton per day Ghori mill at Pul-i-Khumri. Both plants were planned, equipped, and constructed by the Czechs.

The Hajari-Najari Factory in Kabul operates a marble cutting and polishing plant, a furniture factory, and a foundry and machine shop. The marble works uses marble from Kabul and Kandahar; lack of transport precludes hauling from other areas. Its capacity is about 8,000 square meters of cut and polished marble yearly. It also cuts and polishes lapis lazuli. In Lashkar Gah there is an alabaster and woodworking factory which is owned and operated by the Ministry of Mines and Industries. The plant was started in 1962 but so far its operation has not been very successful.

The country's largest metal working facility is the government's Jangalak complex, located in Kabul. It has a foundry and several machine shops equipped with the assistance of the USSR. The complex produces a full range of metal items, from truck and bus bodies to furniture to hardware, steel doors and windows, cast iron stoves, filing cabinets and water pumps. Jangalak also has a large woodworking unit.

4. The "New" Private Sector

The statement is sometimes made that prior to the enactment of the 1967 Private Investment Law there were only four private industrial establishments in Afghanistan. This statement is wrong. In 1966 some 21,000 people were employed in industry, many of them in private factories.

What can be said, however, is that recently, largely under the impact of the 1967 Private Investment Law, government influence in the industrial sector has been declining, although this was partly offset by the fact that in 1970 the government established the Bagrami Textile Company.

The number and variety of new industrial establishments founded after the promulgation of the 1967 Private Investment Law is quite impressive.

Altogether, there are sixty-one new industrial establishments giving employment to some 4500 people. Knitting and rayon textile weaving lead the parade with eighteen new factories, followed by nine raisin processing plants and three establishments producing animal casings.

A one hundred percent Italian-owned wine factory is producing wine and cognac for export and to supply the local foreign community. There is a steel rerolling mill, three new automobile work shops and three metal working establishments (metal furniture making etc.) in Kabul. There are three new printing and dry cleaning establishments. A sausage factory produces German-style meat products, while four new factories are engaged in pickling and tanning. An existing shoe factory was expanded under the new investment law. Fur production is represented by two establishments engaged in mink and chinchilla fur production. There are two new plastic factories including the manufacture of plastic shoes and two producing plastic bags. Pharmaceuticals are represented by the new Hoechst pharmaceutical plant, as well as by one pharmaceutical laboratory. A tile factory, a plant to produce cardboard containers, and a recently opened Coca Cola plant, complete the list.

The total investment in these new industrial establishments is estimated at $6 million, which may well be on the low side.

A total of 153 applications for investment under the 1967 law have been approved, as of October 1, 1971. This figure includes the 61 projects already in production discussed above, but excludes eleven approved applications which have been superseded by subsequent amended applications approved by the Committee. Of the 92 approved applications which are not yet producing, 18 are actively under construction or ready for production, and 26 more are in the planning stage. Of the remaining 46, four have closed, and 42 are inactive for one reason or another.

Among the more significant projects under construction are an oil blending plant (lubricants), an edible oil mill (cotton seed), two textile mills, a soap plant, a detergent plant, a high quality furniture factory, an ice plant, a plant to manufacture polyurethene foam, and several plastic products factories. Significant projects in the planning stage include three additional steel re-rolling mills, three factories to produce aluminum products, a rayon yarn spinning mill, a leather shoe factory, three metal working operations, a modern honey producing unit, a neon sign factory, a data processing service company, two additional ice factories, a factory producing wet cell storage batteries, and a factory to produce cardboard cartons for the raisin export trade.

Among the approved projects, approximately twenty percent are export oriented, generally upgrading the quality and value of traditional

Afghan exports (fruit, hides, and skins, etc.). A few represent new activities, such as mink raising for export or semi-industrialized handicraft production for export. All of these export oriented projects have a very favorable effect on Afghanistan's balance of payments. Many of the other projects are import substituting. Since many of these depend entirely or partially on imported raw materials, the favorable balance of payments effects are to some degree offset. Nevertheless, analysis of most such projects shows sufficient foreign exchange savings to more than cover the foreign exchange costs involved in capital goods imports. Finally, some projects in the service industry, such as dry cleaning, data processing or public accounting, represent direct foreign exchange costs, because the activities did not exist in Afghanistan before. Even in such cases, however, secondary balance of payments benefits (for example, tourism from dry cleaning plants) can be projected.

Perhaps a few words should be added about the characteristics of those investors who have committed themselves under the encouragement 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 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.

The risks taken by some of these people are considerable 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 should be high inasmuch as they have to be competitive with the roughly twenty percent annual interest which could be obtained by merely lending out money in the bazaar.

While impressive in itself, if one considers that most of the new private factories were established without the benefit of industrial credit facilities, the expansion of the private sector is expected to proceed at a much faster rate once the Industrial Development Bank becomes operational. Based on the number of applications filed in the past, as well as on demonstrated investor interest, the private industrial sector could - with

the availability of industrial credit - expand at the rate of some fifteen to twenty factories a year. On a strictly comparative basis this would seem to be a modest goal if one considers that even in the early 1950's West Pakistan, with about four times the population of Afghanistan, had about one thousand manufacturing (registered) establishments, employing a total of some 50,000 workers.

5. Handicrafts and Cottage Industry

Handicrafts, an important branch of the economy, provide a livelihood for a large number of persons who produce a variety of essential articles and luxury goods. A few of the latter are exported and provide an additional source of foreign exchange, but an increasing amount is now sold directly to tourists.

It is in the field of handicrafts and small cottage industry that the country can develop industrially without heavy dependence upon great capital outlays. The most important handicrafts are felt-making and the weaving of carpets and cotton, woolen and silk cloth. There are looms in many homes in the countryside. Leather goods (saddles, bridles, boots, and shoes) and pottery are produced almost universally. Istalif, about 40 kilometers north of Kabul, is particularly noted for its glazed blue pottery.

Mazar-i-Sharif, in the north, and Ghazni are famous fur centers, selling sheepskins or skins of locally trapped wild animals. Mazar-i-Sharif produces fur-lined overcoats (khalats); Ghazni and Kabul, the embroidered sheepskin coats (pushtins). Nuristan is especially noted for the production of carved furniture and cooking utensils, dishes, and milk pails made of wood.

Most metalworking is carried on in urban bazaars; Charikar, however, is particularly known for decorated silver and cutlery. All other handicrafts have developed as a result of locally available raw materials such as hides, wool, silk, cotton, dyes, and clay.

Silkworms are cultivated throughout the northern provinces, and silk is handspun from cocoons. The traditional silk weaving center is Herat, followed by Andkhoy and Maimana. In addition to these centers, there are many individual silk weavers in Kabul, the Baghlan-Kunduz area, Mazar-i-Sharif, Kandahar, and Ghazni.

Of the handicrafts, only carpets - which are known throughout the world for their quality and brilliant colors - are exported to any extent. Annual exports average about 400,000 square meters, valued at some $6 million.

Potters are found in almost every bazaar; they produce a pottery of rather poor quality which breaks easily. The only artistic pottery is produced at Istalif; shaped like Persian pottery and glazed in blue and green, it has a sizable local market.

D. MINING AND NATURAL GAS

1. Exploitation Activities

Although in ancient times Afghanistan seems to have been known as a source of metals and minerals, present mining activities of note in Afghanistan are confined to the mining of some sub-bituminous non-coking coal up to bituminous, salt, architectural and building stone, lapis lazuli, as well as the production of natural gas.

The known coal occurrences of Afghanistan run from East to West along the Hindu Kush mountains. Eleven deposits of coal have been identified so far and, of these, four are of potential importance in meeting future energy demands. At Karkar and Ishpushta, Baghlan and Bamiyan provinces, reserves are estimated at a combined total of 5.5 million tons of low grade coal (7,700 - 9,900 B.T.U.), and at Dara-i-Soof, Samangan province, some 75 million tons of coal (7,500 - 13,000 B.T.U.) are reportedly blocked out The Sabzak deposit near Herat is said to contain reserves of nine million tons of coal (7,100 - 9,500 B.T.U.). In general, Afghan coals exhibit ash content up to twenty-five percent with moderately high volatile matter (25-30%) and low sulfur (less than 1%).

At present, only the Dara-i-Soof, Karkar, and Ishpushta mines - all of which are controlled by the nation - are in production, accounting for a combined annual output of some 160,000 tons. The other two deposits are located in more isolated areas with difficult working conditions.

The Karkar mine, located near a major road, about 240 kilometers north of Kabul, is presently operated with about 900 men underground and 400 on the surface. It accounts for about seventy percent of all the employ-

ment in coal mining. Transportation costs exceed mining costs by about one-third and the coal is sold at about Afs. 900 per ton in Kabul, involving a government subsidy of about thirty percent.

In the future the Dara-i-Soof mine may well become the country's major source of coal supply north to Mazar-i-Sharif and south to Kabul. The minability of the coal is considered good. However, because of its isolation, only about 10,000 tons of coal are mined annually at Dara-i-Soof. To connect the mine with the hard surface road passing Samangan-Pul-i-Khumri would require about 152 kilometers of new road construction.

Marble is mined commercially at three different locations in Afghanistan; Kandahar province, Kabul province, and Nangarhar province. The annual output comes to some 10,000 metric tons. Most of this production is being used in local construction. Exports have been insignificant because of transportation costs, although the quality of Afghan marble, varying from white to black, compares favorably with Italian and North American marble. There are some promising alabaster deposits near Galichah, close to the Pakistan border. A government-owned alabaster and woodworking factory at Lashkar Gah has been exploiting some of these deposits, but its principal problem has been the lack of an adequate market for its products.

Lapis lazuli is mined from State-controlled mines in Badakhshan with hand labor (during the summer only). Annual production averages five to ten tons of jewelry grade lapis lazuli. Its quality is excellent.

Good quality Kaolin is found in Takhar and neighboring provinces in the Northeast.

The reported production of salt comes to about 28,000 tons of rock salt a year and 16,000 tons of brine salt, all of which is consumed domestically. The respective rock salt deposits are located in the Takhar province, while salt lakes occur in Herat, Andkhoy, and Kandahar. Salt output has increased steadily since 1954 and the existing distribution outlets appear to be adequate. All salt mines are owned by the State and are operated by the Salt Department of the Ministry of Mines and Industries, which sells directly to local dealers and traders.

Afghanistan's present production of natural gas is concentrated in the northern part of the country. Over a period of some fifteen years,

sizable deposits of natural gas were developed with technical assistance from the USSR, the risk capital being supplied by the Government of Afghanistan. The territory currently under survey in the northern part of the country covers some 120,000 square kilometers.

Sweet natural gas was discovered in the Hauterivian cretaceous sandstone of the Yatim Tagh, Khwaja Gogerdak, and Khwaja Borhan fields with total proven reserves of 70 million m^3. Sour gas was discovered in the Jurassic limestone of Khwaja Gogerdak and Yatim Tagh. Recently additional gas deposits have been found in cretaceous sandstone near Sheberghan.

Currently, the gas is being exported from Sheberghan to the USSR through a 91.5 kilometer 820 millimeter pipeline to the Russian border at Keleft. This pipeline was opened on April 22, 1968, and over the next fifteen years, the Afghans will repay some of their Russian development loans with this gas which was discovered in 1960. At present, about 2.5 billion m^3 of gas is exported annually to the Soviet Union. Cumulative gas exports since 1967 to mid-1971 represent a value of some $45 million. An additional 88 kilometer 325 millimeter pipeline will feed gas to a chemical fertilizer plant at Mazar-i-Sharif, now under construction. This plant, which is scheduled to go into production in 1973, is to produce 105,000 tons of urea annually. The first power unit of 12 mw is about to start operating, with three more units of 12 mw each to follow.

For the moment, Khwaja Gogerdak is the only producing field with cumulative producible gas reserves of 46 billion m^3. Out of this, 5 billion m^3 have been allocated to the needs of the fertilizer plant, leaving 41 billion m^3 for export.

The total past expenditure incurred in exploration is about $80 million and the construction cost of the exploitation and transportation installations comes to about $25 million. The actual cost of production is reportedly about $700,000 per billion m^3.

2. Exploration -- Prospects

Afghanistan's potential in mining appears to be favorable. Realizing the existence of this potential, the Third Five Year Plan (March 1967 - 1972) called for larger allocations in the area of mineral and petroleum development. Exploration is being helped by the fact that the entire country

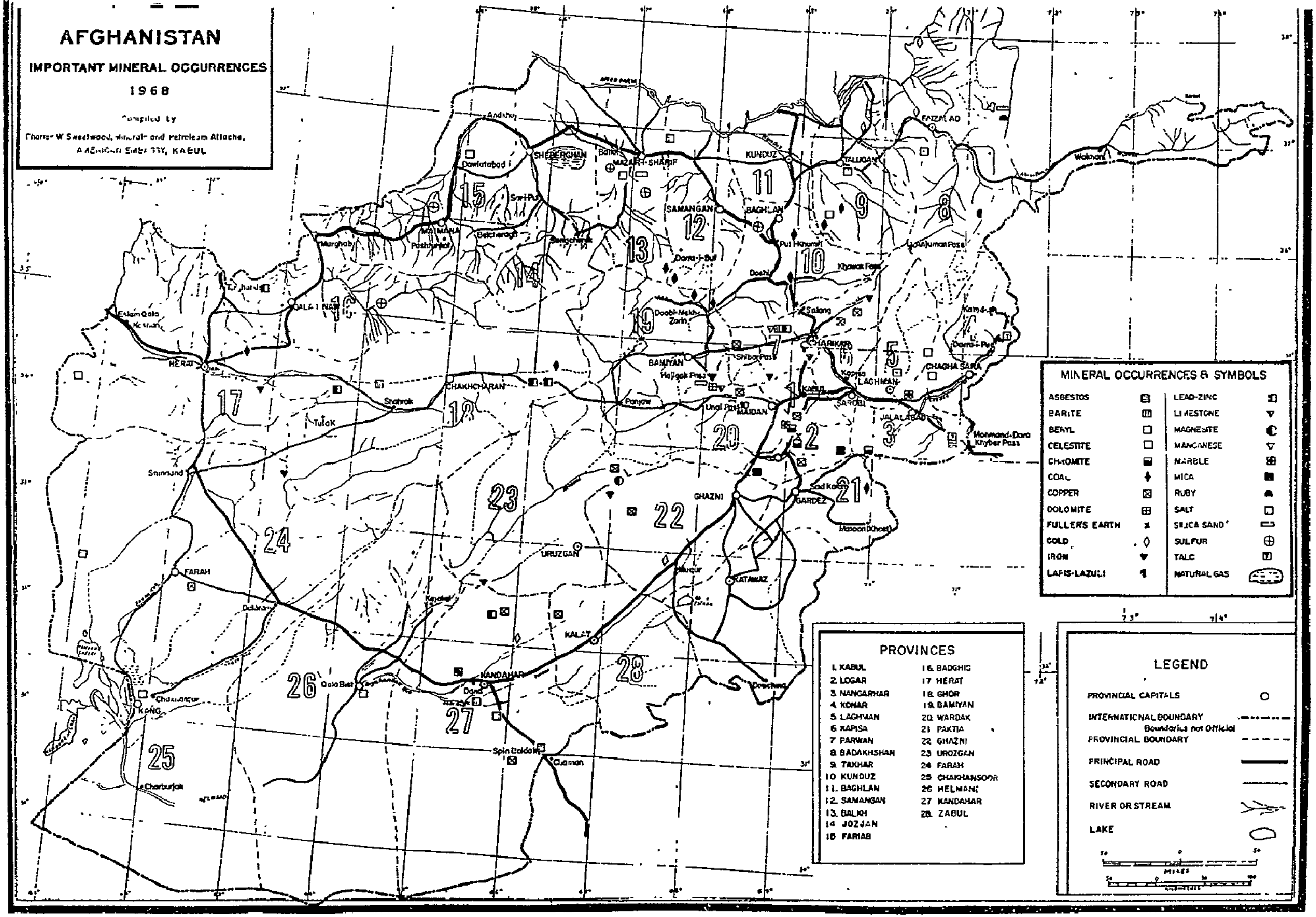
has been mapped topographically by aerial photography, while detailed geological studies of specific locations have either been completed or are now under way. In spite of the mineral occurrences identified thus far, the following appear to be worth mentioning.

Excellent beryl occurrences in the pegmatites of eastern Afghanistan have been known for many years. Little commercial importance was attached to these deposits until 1957. A small scale attempt to recover marketable beryl for export failed at that time due to a lack of mining know-how and inadequate development of the ore bodies. In 1970 the Ministry of Mines and Industries began active exploration and development of its beryl resources. Exploitation is currently viewed as an early possibility.

Good grade manganese ore has been found southeast of Kabul in the Safed Koh Range and nickel ores have been spotted in Badakhshan but none of it in commercial quantities. Chromite has been found in Hesarak in Nangarhar province and in the Logar Valley, respectively about 112 and 65 kilometers southeast of Kabul, but the geological data are sketchy and indications are that low grade Afghan chromite ore would have a hard time competing in world markets.

Copper mineralization is widespread within some ten provinces, extending from the Northeast to the Southwest. Occuring in veins and disseminated in acid igneous rocks, pegmatites and in contact metamorphic zones bordering (and extending into) limestones, Afghan copper ores are principally the sulphides with projected mine-run values ranging upward to 2% Cu. While each of the occurrences studies to date appear to be of limited tonnage, most are located within important "sulfide belts". Each of the known sulfide belts deserve intensive study utilizing sophisticated and integrated airborne and ground exploratory techniques to either (1) accurately measure existing mineable vein-type deposits or (2) identify the presence of important anomalies (porphyries) at depth.

The mining of gold from many locations in Afghanistan dates back to ancient times, but its exploration over the centuries has been sporadic and of limited importance. Nonetheless, recently activated exploratory efforts in the Badakhshan and Ghazni provinces have been encouraging, suggesting that, with the employment of modern methods of development and recovery, gold mining in Afghanistan may yet achieve some measure of importance to the economic development of the country.


AFGHANISTAN
IMPORTANT MINERAL OCCURRENCES
1968
MINERAL OCCURRENCES & SYMBOLS
ASBESTOS
BARITE
BERYL
CELESTITE
CHROMITE
COAL
COPPER
DOLOMITE
FULLER'S EARTH
GOLD
IRON
LAPIS-LAZULI
LEAD-ZINC
LIMESTONE
MAGNESITE
MANGANESE
MARBLE
MICA
RUBY
SALT
SILICA SAND
SULFUR
TALC
NATURAL GAS
PROVINCES
1. KABUL
2. LOGAR
3. NANGARHAR
4. KONAR
5. LAGHMAN
6. KAPISA
7. PARWAN
8. BADAKHSHAN
9. TAKHAR
10. KUNDUZ
11. BAGHLAN
12. SAMANGAN
13. BALKH
14. JOZJAN
15. FARIAB
16. BADGHIS
17. HERAT
18. GHOR
19. BAMIYAN
20. WARDAK
21. PAKTIA
22. GHAZNI
23. UROZGAN
24. FARAH
25. CHAKHANSOOR
26. HELMAND
27. KANDAHAR
28. ZABUL
LEGEND
PROVINCIAL CAPITALS
INTERNATIONAL BOUNDARY
Boundaries not Official
PROVINCIAL BOUNDARY
PRINCIPAL ROAD
SECONDARY ROAD
RIVER OR STREAM
LAKE
MILES
Andkhoi
SHEBERGHAN
Balkh
MAZAR-I-SHARIF
KUNDUZ
TALUQAN
FAIZABAD
Wakhan
Dawlatabad
Sar-i-Pul
MAIMANA
SAMANGAN
BAGHLAN
Murghab
Belcheragh
Pul-i-Khumri
Darra-i-Suf
Doshi
Khawak Pass
Salang
Anjuman Pass
QALA-I-NAW
Eslam Qala
HERAT
Doabi-Mekh
Zarin
CHARIKAR
BAMIYAN
Shibar Pass
Hajigak Pass
CHAKHCHARAN
Shahrak
Tulak
Panjaw
Unai Pass
MAIDAN
KABUL
Kapisa
LAGHMAN
CHAGHA SARAI
Darra-i-Pech
SAROBI
JALALABAD
Mohmand Dara
Khyber Pass
Shindand
GHAZNI
GARDEZ
Sad Kalan
Matoon (Khost)
URUZGAN
FARAH
Mukur
KATAWAZ
Dilaram
KALAT
Qala Bist
KANDAHAR
Daman
Spin Baldak
Chaman
Chakhansur
KANG
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Lead-zinc studies are currently only of a preliminary nature but about seven occurrences may hold some promise for future exploration.

Insofar as iron ore is concerned, only the Hajigak deposit can be rated as impressive ore body. It is situated near the Hajigak Pass in Bamiyan province, about 150 kilometers west of Kabul and some 65 kilometers south of Bamiyan. According to estimates by the Ministry of Mines and Industries, possible reserves could run as high as two billion tons of plus 60% Fe ore. Assuming that large reserves exist and considering that open pit mining costs should be low, as well as that the reduction of Hajigak ore may be possible by using natural gas from Sheberghan, the transportation costs would nonetheless beem to present a major economic obstacle to ore exports. According to some studies made, the cost of transporting ore from Hajigak to Spin Boldak and onward to Pakistan, (a distance of some 670 kilometers) would be about twice the cost normally encountered by iron ore products elsewhere. Hence, the possibilities of using Hajigak ore to supply the steel mill at Karachi, Pakistan, for example, are remote at best.

Asbestos, fuller's earth, silica sand, and sulfur may be mentioned. Potentially commercial asbestos deposits exist at Loya Dakka in the Nangarhar Province, about 200 kilometers east of Kabul. Deposits of fuller's earth are reportedly large and the material compares favorably to the imported product.

Silica sand and quartzites for structural aggregates, foundry uses, and container grade glass are in abundance at many localities in Afghanistan. While Afghanistan's known deposits of elemental sulfur (in solid form) appear to be limited to only a few small deposits and warm spring, sulfur-precipitate, occurrences, recently identified sulfur in sour gas wells in northern Afghanistan, hold excellent promise for significant recoveries.

3. Mining Legislation

Although all mineral deposits belong to the State, Article 26 of the Foreign and Domestic Private Investment Law of 1967 provides specifically for the conclusion of individual investment agreements in the field of mineral exploitation between the government and any investor, whether foreign or domestic. Such agreements may contain greater or lesser benefits or obligations than those stated in the law.

At present, neither a mining code nor a petroleum code are in existence in Afghanistan. However, complete drafts have been prepared for both and the proposed legislation which would have to be passed by the Parliament contains a number of provisions which are considered to be quite favorable from the point of view of the investor.

E. ELECTRIC POWER

The bulk of Afghanistan's power generating capacity (about 207 mw) consists of hydro-power and most of this is concentrated in the Kabul area. Present facilities are as follows:

1. Hydro-Power in the Kabul area

Plant	Present Installed Capacity			Planned Expansion	Total (Present & Planned)
Darunta (Nangarhar)	3 x 3.5 mw	=	11.5 mw	--	--
Jabul Seraj	2 x 1 mw	=	2 mw	--	--
Sarobi I	2 x 11 mw	=	22 mw	25 mw	47 mw
Sarobi II	--			50 mw	50 mw
Naghlu (Kabul River)	3 x 22.5 mw	=	67.5 mw	22.5 mw	89.5 mw
Mahipar	3 x 22 mw	=	66 mw	--	66 mw
Total			169.0 mw	97.5 mw	252.5 mw

The above does not reflect the true situation, however, since at present only one turbine is functioning at Mahipar, which reduces the total operating capacity to 125 mw. Furthermore, originally Mahipar was scheduled for only seven months use during the peak consumption period.

The Mahipar problems result from the fact that in designing the plant not sufficient consideration was given to the fact that the hard rock sediment (ruby-like materials) in the area is going into the turbines at a 340 meter fall, which blasts and damages the turbine walls. Consequently,

the turbines are constantly being repaired on a rotating basis. This calls for a reconditioning of the turbines and a correction of the structural defects which will take about one year to complete.

The Naghlu plant expansion plans were for a fourth turbine; but it now appears that because of the diversion of waters by the Chinese irrigation project in Parwan Province, a fourth turbine may not be feasible.

Assuming an eleven percent growth rate, peak consumption will reach installed capacity in 1975-76 without the two Mahipar turbines, and in 1979 with the two turbines in operation.

Although present capacity is adequate for the next four years of projected demand, even if all plants are working at full capacity, a critical period will be reached between 1976-79. However, the high costs involved in the expansion of any one plant could delay construction for many years. Yet the potential is there as a United Nations survey in 1961 estimated that the Kabul Basin has a hydro-electric potential of about 750 mw or more than four times the present installed capacity.

2. Hydro-electric Power Stations in other Areas

Apart from the above stations, there are a number of small power stations in other parts of Afghanistan such as the Pul-i-Khumri station built primarily for running the Ghori Cement Factory, which has a capacity of 9 mw. There are additional small hydro-electric plants accounting for another 10 mw, making a total of some 19 mw.

3. Thermal Stations

There are numerous small diesel generating stations all over the country. At the present the total installed diesel power capacity is about 14 mw plus about 4 mw of steam generation, making a total of 18 mw of thermal power. There are additional private and government thermal plants for standby purposes.

4. Planned Expansion

In addition to the existing power supply, the government is trying to increase the number of power stations, as well as the capacity and production of the existing ones. The Kajakai hydro-electric power project,

one of the bigger power stations with a capacity of 33 mw, was started in 1970-71, and is expected to be completed by the end of 1974-75.

A thermal power station at Khwaja Gogerdak and a diesel plant in Herat with a capacity of 3 mw are to be completed by the end of the Fourth Five Year Plan, in addition to ten more small diesel power stations. The first 12 mw unit of the thermal power station at Mazar-i-Sharif is about to start up. For the time being this will relieve the power shortage in that area somewhat, although subsequently this power will be needed for the fertilizer factory. Its total projected capacity is 36 mw. An additional 12 mw turbine is planned to meet, eventually, the growing demand of Mazar-i-Sharif and Balkh cities.

5. Power Distribution

Afghanistan's power distribution system is not very efficient. Furthermore, the system is unbalanced. Out of the total power generating capacity in the country, about eighty percent is located in the Kabul area. This is having an undesirable effect upon the country's efforts to industralize, in that it prevents the geographic diversification of industry. While there are private entrepreneurs who would be glad to locate in Kunduz, Kandahar, or Herat, they are virtually forced to establish themselves in the Kabul area because it is the only area which, at present, has an adequate supply of power.

6. Revenue Source

In 1965 there were an estimated 40,000 meters within Kabul city. By 1969 there was a fifty percent increase in metered consumers or an increase of 20,000. However, some of the meters are old and not very reliable while it is estimated that about 3,000 consumers are not metered. Billing and collections constitute another problem for the power company. Furthermore, people tend to hook on to an existing line and avoid the installation charges and service charges. The total loss of power for the country is estimated at forty-two percent. All this places the power company in a most difficult position.

7. Rate Structure

As a result of some German and Russian studies, the Afghan Electric Company (ABM) is recommending the rates in Kabul be changed

from the present basic Afs. 1 to Afs. 2/kwh. However, an increase in rates requires approval of the Council of Ministers and Parliament.

Current utility rates at selected locations are as follows:

Kabul	.75 Afs.	first 50 kwh/mo
	1.00 Afs.	over 50 kwh
Kandahar	1.50 Afs.	first 50 kwh/mo
	3.00 Afs.	over 50 kwh
	1.87 Afs.	Industrial and Special
Herat	2.00 Afs.	first 50 kwh/mo
	4.00 Afs.	Industrial
	6.00 Afs.	Shops
Mazar-i-Sharif	2.50 Afs.	first 50 kwh/mo
	5.00 Afs.	over 50 kwh

While the cost per kilowatt-hour ("the electric rate") charged for power in Afghanistan is quite acceptable from the industrial viewpoint, there are complications in regard to the charges for power connections. The system used is exactly that for connecting a residence or home or a charge of Afs. 200 per ampere installed. However, while for a home the power is delivered into the house, already transformed to low tension and with the meter installed, for industry none of these services are provided. In fact, for industry, the factory must, among other things, pay for the connection and cable to bring the high-tension line into the transformer, the construction of transformer house, the transformer itself, the low tension line from the transformer house to the factory panel, the meter and meter installation, and, in addition to this, there is an Afs. 200 per ampere installation charge. This charge, when calculated on industrial power needs, can be severe indeed. In several instances, for rather smallish factories, it has amounted to over Afs. 200,000 and this charge must be absorbed just at the moment of starting operations when factories need all the cash they can get.

F. FOREIGN TRADE

1. Exports

Except for natural gas, Afghanistan's exports consist almost entirely of primary and processed agricultural products. At present, all

of Afghanistan's natural gas production, which comes to some $14 million a year, is exported to the USSR to service its external debt with the latter.

The major traditional exports are fruit and nuts, karakul skins, raw cotton, wool, and carpets. The magnitude of these exports is as follows:

Exports
(in millions of US dollars)

Traditional Exports	1968/69	1969/70	1970/71
Fruit and nuts	26.9	28.4	29.2
Carpets and rugs	4.5	6.2	5.7
Karakul skins	8.3	13.1	10.6
Raw cotton	5.9	5.6	8.9
Wool	7.0	6.7	7.0
Other	10.1	9.9	8.2
Natural Gas	9.0	12.1	14.0
Total Exports	71.7	82.0	83.6

Although the above table shows some progress in increasing exports, the record is not very satisfactory if one considers that the foreign debt service is increasing faster than the increase in income from exports. For instance, last year there was an increase in exports of $1.6 million, while at the same time the debt service increased by $2.5 million.

This tendency is all the more regretable since in spite of Afghanistan's geographic isolation, a number of Afghan export items hold considerable promise for the future. Some of them are light weight, high value products, which can absorb the additional transportation cost, while others, such as dried apricots, are increasingly in demand in the world market.

For this reason it would seem that the current difficulties in increasing traditional markets do not arise from a lack of demand but rather from

the fact that the supply is limited. In some cases a lack of proper organization, quality control, or standardization create additional problems.

As an example, by 1966 karakul exports reached an all time low, Becoming quite concerned with the future of one of its most important foreign exchange earners, the government acted and established the Afghan Karakul Institute to reorganize the industry. Emphasis was placed on better sorting and grading, dust control, and general improvement of the product. As a result the downward trend was reversed and karakul exports started rising again. Likewise, the increase in the export of fruit and nuts reflects the establishment of better raisin processing facilities following the introduction of the 1967 Private Investment Law. A similar result could be obtained by a better organization of the carpet trade, while exports of wool could be stimulated by better cleaning and scouring methods.

In the case of cotton, as mentioned before, there has been the problem of forced surrender, which virtually amounts to an export tax. Current figures are deceiving since they represent largely sales from inventory. A parallel to this exists in the export of vegetable oil seeds, which also have to be surrendered at a domestic low price.

It would seem that the export of mutton offers considerable promise since Afghan mutton commands a premium over Australian and Argentine mutton in Iran. At present, this important trade is largely handled through illegal channels by walking the animals across the border, which constitutes not only a loss of revenue but also a loss of income because of the loss of weight and the impossibility of utilizing important by-products.

2. Imports

Commercial imports consist mainly of foodstuffs, manufactured transport equipment, petroleum products and other commodities. Afghanistan imports almost all kinds of goods both from the Socialist countries, as well as from the Western world. For the last five years Afghanistan has imported an annual average of $65 million worth of consumer and capital goods. In addition, it has imported an annual average of about $12.5 million goods through commodity assistance.

Afghanistan's imports by major categories, are as follows:

Imports
(in millions of US dollars)

Categories	1966/ 1967	1967/ 1968	1968/ 1969	1969/ 1970
Consumer Goods	33.4	34.0	34.9	35.7
Intermediate Goods	18.4	19.2	20.6	24.9
Capital Goods	5.0	5.5	5.7	6.3
All Other Commodities	10.0	5.1	4.3	5.7
Total Commercial Imports	66.8	63.8	65.5	72.6
Aid & Loan Financed Imports	84.1	75.4	58.9	52.2
Total Imports	150.9	139.2	124.4	124.8

Since 1967-68, the commercial imports have shown an upward trend, rising from $63.8 in 1967-68 to $72.6 in 1969-70 and to $76 million in 1970-71. However, the trend of project loans and grants has been decreasing from $62 million in 1967-68 to $27.6 million in 1970-71. This trend reflects the fact that there is a lack of feasible projects in the country, as well as a hardening in the conditions for aid.

3. Geographical Distribution of Foreign Trade

The USSR is Afghanistan's largest trading partner. It takes about 38 percent of Afghanistan's exports and supplies about 18 percent of its imports.

Trade between the two countries is carried out under bilateral trade and payments agreements with the major exports being natural gas, cotton, wool, dried fruits, and nuts. Imports under the agreement include petroleum products, sugar, wheat, and a variety of consumer goods. In recent years exports to the USSR have increased because of stepped up gas exports, while imports from the Soviet Union have declined sharply as a result of a decrease in project assistance from the USSR.

Afghanistan has signed five additional bilateral agreements with countries from the Socialist Block but the amount of this trade is rather insignificant.

Afghanistan's other trading partners include India, Pakistan, the United States, the United Kingdom, the Federal Republic of West Germany, and Japan. Trade with India, which consists largely of fruits and nuts, has been increasing in recent years because of an increase in the ceiling for such exports. Actually, this trade accounts for twenty percent of Afghanistan's exports, while imports from India amount to sixteen percent of all imports. Official trade with Pakistan is relatively small, six percent of all exports and five percent of imports. Exports to the U.S. and West Germany come to four and two percent respectively of all exports with imports from these two countries amounting to twelve percent of all imports. Imports from Japan are constantly increasing, although Afghanistan sells almost nothing in return to Japan. During 1969/70 imports from Japan amounted to $15 million or twenty percent of all imports.

4. Unrecorded Trade

If, in addition to looking at the official statistics, one also takes into account Afghanistan's unrecorded or contraband trade, which is substantial, it becomes clear that Afghanistan's foreign trade sector is considerably larger than is indicated by the official statistics. On the export side there appears to be a substantial contraband trade in karakul, sheep, wool, lumber, and lapis lazuli. On the re-export side there are manufactured products such as radios, watches, gold, and jewelry which leave the country again, in many cases, after first paying the duty and in return for black market curriencies which can be converted internationally. Finally, on the import side there appears to be a large contraband trade in textiles and similar commodities. Contraband with Pakistan appears to be most active in both directions. The value of this trade has been estimated at about $10 million, and this business is reportedly conducted by some four thousand tribesmen. As mentioned before on the Iran side there is a considerable contraband traffic in live animals (sheep). According to some estimates the unrecorded trade comes to some 20 percent of all registered foreign trade.

5. Tourism

In recent years tourism has been Afghanistan's shining light. The amount of people visiting Afghanistan came to well over 100,000 in 1970-71.

Although most of these were visitors from Pakistan, about 9.5 percent came from the United States, 9.3 percent from the United Kingdom, 6.5 percent from France, 5.5 percent from West Germany, and 18 percent from other places, excluding Pakistan. As a result net earnings from tourism increased again from $3 million the year before to $4.7 million in 1970-71, a 57 percent rate which surpasses the growth of total exports.

The increase in tourism has also favorable side affects inasmuch as it affects the handicraft industry, thus providing more jobs during a period of generally lagging employment opportunities.

The potential of tourism has barely been scratched since Afghanistan has several tourist attractions which are unique, such as the combination of Bamiyan, a historical Buddhist monument, and Band-i-Amir, a lake surrounded by an upright natural wall. However, lack of hotels in both places, which should only be visited during the summer season, is at present placing a ceiling on potential earnings from the tourist dollar.

6. Balance of Payments

The net official foreign exchange position of the Da Afghanistan Bank changed very little during 1970-71 as compared to the previous year. However, during 1970-71, as in the year before, Afghanistan received $4 million of Special Drawing Rights (or SDR's as they are usually referred to), from the International Monetary Fund, which offset an otherwise large loss of reserves. Without the 1970-71 allocation of SDR's, the foreign exchange position of the Da Afghanistan Bank would have shown a decline, following the same pattern of recent years.

Given rising debt payments, slow increase in exports and rising imports, losses of foreign exchange are to be expected in the coming years unless corrective measures are taken.

The depreciation of the Afghani during 1970-71 is an indication of the seriousness of the balance of payments position. At the end of 1969-70, the average Afghani rate for one U.S. dollar was Afs. 79.10, but at the end of 1970-71, the rate was Afs. 90.13 per U.S. dollar. Taking an average of monthly rates during these years, the Afghani depreciated by 12 percent in 1970-71.

7. External Debt

Afghanistan's external debt outstanding comes to about $493 million and the debt service runs about $28 million this year; i.e., about 35 percent

of the country's merchandise exports. This percentage is likely to increase to fifty percent in the near future.

Almost seventy-five percent of the servicing of the government debt is to the USSR and at present about seventy percent of this is met by the export of natural gas to the Soviet Union. However, in the near future an increasing share of the proceeds from exports will have to be used to finance the rising debt service payments with Russia.

On the other hand the debt servicing to other countries than the Soviet Union is much less and comes to about eleven percent of total merchandise exports.

G. THE BANKING SYSTEM

1. The Financial Environment

Commercial banking services in Afghanistan are confined to only a small sector of the economy while almost no sources of industrial financing exist, at present. There is no general law regulating the formation and operation of commercial banks. Even the existing legislation governing commercial transactions is deficient as pointed out in Chapter III.

In practice, loans are available to only a relatively small number of the larger, more successful business firms for purposes that are generally not industrial. The total amount of credit provided by the banking system to the private sector in 1970-71 was only Afs. 2.86 billion.

In general, the Afghan commercial banks are well equipped to collect deposits because of their large number of branches, which attract a certain amount of idle money from private people and businessmen. However, when it comes to making loans the situation is quite different. Thus, in practice, all the money so collected is ultimately transferred to only a few big, very well known enterprises, a share of whose capital is either in the hands of the banks or the government. At worst, the deposits of private investors are used to finance the operations of the government.

Although the exchange rate is free, an official exchange rate of Afs. 45 per dollar is being applied to certain transactions. Some exports, such as wool, cotton, and karakul, are subject to a surrender requirement after which they are given a refund ranging from Afs. 10 to Afs. 25. Trade

with the socialist countries and the People's Republic of China is settled in inconvertible, bilateral accounting dollars and pounds sterling under bilateral payments agreements.

2. The Three Commercial Banks

There are three commercial banks in Afghanistan, one of which also combines commercial banking with some central banking functions, as follows:

-- The Da Afghanistan Bank (DAB)

This bank was established in 1941 and is government owned. Its capital and reserves total about 700 million Afghanis. Although it is not a full fledged central bank, it does perform some central bank functions such as note issue, on which it has a monopoly. Among other functions, the DAB acts as a banker for the government municipalities and semi-public institutions. There exists no discount business between the DAB and the commercial banks. Even a daily clearance between the different banks does not occur. A proposal has been made to give the DAB additional central bank functions, including the supervision of the commercial banks which, at present, is nonexistent. This would provide additional protection for both depositors and banks and establish a basis for the expansion of the banking system. At present, the DAB has neither the tools nor the information to perform the principal central bank functions, namely, to regulate credit and the money supply.

The DAB may serve as a banker for the two commercial banks but its powers of credit control are not formalized and there are no deposit reserve requirements or other control measures presently in effect. The DAB's commercial banking activities are limited to providing export credit, buying and selling foreign exchange, and to handle demand and time deposits, both public and private. The bank has some fifty branch offices, mainly for the purpose of mobilizing savings but these branches cannot make loans. In 1970-71 it provided only about thirty percent of the total credit given to the private sector.

In general it can be said that the credit activities of the DAB are government oriented. Loans to the private sector are made only upon instruction of the Cabinet, and the government has to rely on the DAB

to cover its budgetary deficits. In recent years its credit to the private sector has been fairly stable but claims on the government have about doubled. Hence, the DAB cannot possibly maintain an independent monetary policy even if it wanted to do so.

-- The Banke-Millie

The Banke-Millie constitutes Afghanistan's only privately owned bank. It was established in 1930. Until the Da Afghanistan Bank was established, it also acted as a bank of issue in addition to handling some other central bank functions. Its capital and reserves amount to some 800 million Afghanis.

The Banke-Millie's business is almost exclusively with the private sector and it holds a substantial participation in a few of the larger business firms. It also provides export credit against certain commodities such as karakul pelts and carpets and it deals in foreign exchange and the financing of foreign trade. The Bank's most important industrial investments are the Afghan Textile Company, Baghlan Sugar Company, and the Jabul-Seraj Cement Factory. It has nine branches in Afghanistan and it maintains some offices abroad.

-- Pashtany Tejarity Bank

This bank was established in 1954 to help finance and develop trade. Its capital and reserves are about Afs. 350 million and the government has a majority interest in it.

The bank's principal function is to make short-term loans to finance the export-import trade, in particular the export of carpets and karakul pelts. It engages in buying and selling foreign exchange. It has six branches in Afghanistan. It also maintains offices abroad which are mostly engaged in forwarding and clearing.

3. <u>The Special Banks</u>

In addition to the above, there are two special banks, namely:

-- The Mortgage and Construction Bank

This bank is a relatively small one. Its capital is about Afs. 100 million. Its principal business is the making of construction loans

to individuals. Most of this credit is limited to three to five year credit to finance the construction of homes and apartments for sale or rent. At present it is facing serious difficulties because of customer default on repayments.

-- The Agricultural Development Bank of Afghanistan

This bank was established in 1954 as the Agricultural and Cottage Industries Bank. With the assistance of the World Bank (IBRD) and the Special Fund of the UNDP, it was reorganized in 1970 as the Agricultural Development Bank of Afghanistan, an almost wholly-owned government joint stock company. Its authorized share capital is Afs. 500 million. Its purpose is to finance the expansion, development and improvement of agriculture in Afghanistan, including the storage, processing, and marketing of agricultural products. Among other items it has been financing the purchase of fertilizer, water pumps, tractors, and agricultural tools, as well as the foreign exchange component of some small irrigation projects. The bank maintains ten branches within the country.

-- The Industrial Development Bank

The Industrial Development Bank is not in operation as yet, although the legislation authorizing its creation was passed by the Parliament in August 1971. (See text of the law on page A-15). Present expectations are that this bank will start operating some time in 1972. Its principal functions are visualized as (1) to supply long, medium, and short term credit for the construction and expansion of industrial establishments including working capital needs, and (2) to provide managerial and technical assistance to new and expanding private enterprises. The proposed funding of the bank would consist of Afs. 240 million of equity capital of which 40 percent would be foreign and a government loan of Afs. 560 million on very liberal terms. The foreign component would be provided by a consortium of U.S. and European bankers and international organizations.

4. Bazaar Money Lending

Besides the few banks mentioned, the major other source of financing in Afghanistan continues to be the bazaar where the average interest rate is about 24 percent annually. This high rate of interest tends to attract savings and idle funds, making it difficult for the larger banks, which pay only six percent, to attract funds. Hence, it appears that, at

present, the largest volume of credit is supplied by money lenders in the bazaar, which offers nearly the same services as the commercial banks, including the financing of export-import transactions, the buying and selling of foreign exchange, and short term loans. Bazaar lenders are very skillful and they maintain close connections with Afghan and foreign banks. To the borrower, one of the attractions of the bazaar is that, at a price, he can get a loan whenever he needs it and without administrative difficulties. In general bazaar lending is largely based on personal acquaintance, credit reputation and family connections.

Outside the bazaar there exists some other sources for private loans which fill the gap between the banking system and bazaar lending. In this organized market are landlords, traders, and other rich people who frequently charge interest as high as sixty percent a year.

In summary, it can be said that lack of adequate industrial financing, the relatively low interest rates paid by the official banks, combined with an ever declining value of the Afghani, and the need for investors to think mostly in short range terms, encourage people at best to engage in the export-import business rather than in development oriented activities. At the worst, the system promotes capital flight to the detriment of an already weak balance of payments. As a matter of fact, considering these problems, it is amazing that so many people showed their willingness to engage in private industrial ventures.

CHAPTER III

GOVERNMENT AND THE LAWS OF BUSINESS

A. GENERAL DISCUSSION

1. Historical Background

Although Afghanistan is a country largely built on disparate tribal elements, in recent years the central government has been able to add more and more to its power by reducing tribal conflict and by the building of modern military forces. The colorful, proud, and independent Pushtoon tribes, which constitute the largest single ethnic group in the country, are the dominant factor in politics.

The Pushtoons have constituted the country's ruling elite for over 200 years and, hence, their tribal characteristics have put their mark on Afghan society. Leadership among this group is much more dependent on the personal qualities of the leader than on obedience or loyalty to a hierarchy or ideology. Although authority begins in the family, there is a hierarchy of councils (Jirgah) for each lineage and each tribal division, culminating in the grand assembly of chiefs (Loya Jirgah)at the national level. Through this line of authority, the King, in spite of the 1964 constitution, may be said to occupy a position still somewhat similar to European Kings during the Renaissance.

Nation building in Afghanistan has been an ongoing process of fusion and fission, depending on the presence or absence of a strong charismatic leader on the throne. The last cycle of fission occurred when King Amannulah (1919-1929) was overthrown by a major tribal revolt, partly because of his attempts at rapid modernization. The current cycle of fusion commenced with the reign of Nader Shah (1929-1933) and is continuing through the reign of the present King, Zahir Shah, who ascended the throne in 1933.

One of the effects of modernization has been to strengthen the role of the central government. The basic law of Afghanistan is the constitution of 1964, which confirmed the principle of constitutional monarchy but prevents other members of the Royal Family from participating in politics and from occupying certain high positions within the government.

2. The Government

The Executive Branch consists of the Council of Ministers headed by the Prime Minister, including fourteen Ministries and a Department of Tribal Affairs. The Prime Minister, who is appointed by the King, forms his own Cabinet, which is subject both to the King's approval and to a vote of confidence of the Lower House of Parliament. In the executive establishment the center of gravity lies with the Prime Minister, who has general control over the civil service.

The Parliament consists of two houses, the Wolesi Jirgah (or House of the People) and the Meshrano Jirga (or Senate). The House of the People, or Lower House, has 216 members representing single member constituencies, who are chosen for a four-year period through direct electoral procedures. The Senate, or upper house, consists of 84 members, one-third of whom are appointed by the King for five-year terms from "well informed and experienced persons", another one-third are elected for three-year terms by provincial councils from among their own elected members, and the remaining one-third are elected every four years from the 216 constituencies throughout the country.

Provincial government, which used to be run primarily along tribal lines, is now based on provincial boundaries which cut through tribal territories. In 1967, the country was divided in 28 provinces, each of which is divided into districts, and each district into sub-districts. Each province is headed by a governor, who is usually a high ranking civil official, appointed by the Prime Minister and approved by the King on the recommendation of the Minister of Interior to whom he is responsible.

Each governor is assisted by a small provincial administrative staff composed of the principal officials of the provincial administration. The key to the provincial administrative structure is the district, headed by the district governor, whose main duties are to collect the taxes and to maintain law and order.

Apart from the provincial structure there exists still a certain amount of tribal rule to handle administrative problems caused by the periodic migration of nomads, which is usually controlled by the tribal chiefs. For instance, some of the Eastern tribes along the Afghan-Pakistan frontier have retained many of their own economic and administrative functions; they have a considerable military capability as well.

3. The Courts

The Afghan court system is headed by the Supreme Court consisting of nine judges, of whom only six have been appointed by the King, and an administrative staff of some 270 employees. Approximately 870 judges sit on the various courts in the system and they are responsible to the Supreme Court for their performance.

The Supreme Court's duties are both judicial and administrative. The High Cassation Tribunal is divided into three collegia, civil and criminal (seven judges), commercial (four judges), and public security (four judges). Each collegium is headed by a Supreme Court justice and cases referred to it are decided on the cassation principle, i.e., it either upholds the verdict or overturns it and refers it for re-trial by a court of equal juristiction; if the second court disagrees with the first, the three collegia meet in plenary session and make a final decision by two-thirds majority. The cassation principle is not strictly followed, particularly in civil and criminal cases, and the Parliament, based on its interpretation of the Constitution, is seeking to drop the concept and make the Supreme Court the final court of appeal on all cases.

Between the Court of Cassation and the provincial courts is a High Central Court of Appeals which considers all appealed cases, except civil and criminal litigation arising out of religious law (sharia); these go directly to the Civil and Criminal Collegium of the Court of Cassation. The High Central Court of Appeals may consider both questions of fact and law and can uphold, change, or invalidate lower court decisions. As in the case of Supreme Court justices, its president and members are appointed by the King.

The Provincial Courts are also divided into three divisions, including two with original jurisdiction (public rights and public servants cases) and one with appellate jurisdiction (civil and criminal cases). The president of the Provincial Court is appointed by the King on the recommendation of the Chief Justice.

At the base of the system is the primary court. Each primary court consists of a presiding judge and two member judges, though depending on need, some may have only one. There is at present a shortage of primary court judges. The primary court has jurisdiction in all civil and criminal cases arising under sharia law and all civil cases involving less than 2,000 Afghanis.

In addition to the above, there are six specialized courts in Kabul to handle commercial and tax matters, government, civil servants, and public security cases. There are also two courts headed by Supreme Court Justices to hear cases against Judges and to settle juri dictional conflicts.

4. Legal System

Since this presentation is largely addressed to foreign investors, including Westerners, a few remarks should perhaps be made about Islam which, in spite of better communications, is still not well understood even among many educated people in the West. Perhaps this misunderstanding goes back to the Crusades and the overpublicized concept of Jahad or Holy War, which, apparently, left an indelible imprint on the average Christian's mind. Yet, few Christians realize that a large part of the Judeo-Christian writings were preserved by the enlightened rulers of the Islamic world, shortly after the year one thousand. Even fewer realize the greatness of Islamic civilization at that time, even if this greatness is still reflected today in the magnificant Muslem monuments for everybody to see from the Alhambra in Spain to the Taj Mahal in India. Still, fewer seem to be aware of the fact that as early as the second Crusade there was a clearcut accomodation and general admiration among Muslems and Christians for each others bravery and magnanimity. As one scholar puts it "the Muslem warriors were full of courtesy for the Christian Knights and had no other regret than that such fine fellows were not Muslems . Among the Christians this feeling was similar except, of course, that they regretted their adversaries for their disbelief in Jesus Christ as anything more than a prophet .

The main point to be made is that one has to see Islam not as merely a religion but more so as a religion combined with a social system which affects everybody's life. In this sense, Islam is comparable to any other theocracy such as the Mormons in Utah or perhaps the Catholics in Quebec. If sometimes there appears to be religions intolerance among the less educated elements, it certainly is no less than the intolerance found in the other groups mentioned.

What is all too frequently overlooked among Westerners is that Islam acknowledges its foundation of Christianity and Judaism. It clearly distinguishes between the people who believe in one God and those who do not, such as Hindus and Atheists. As such, Islam even has a strong democratic implication since one basic tenet of Islam is that all people are equal before God.

In one sense Islam may seem to be somewhat inflexible, namely, that it does not recognize any laws which are contrary to the Koran, which in itself constitutes, in part, a respectable legal codification. However, this idea is not very different from the American's view of the Constitution.

Thus, under Islamic Law, rulers are envisioned as enforcers of the divine law who are empowered only to make derivitive regulations for putting the divine law into effect. However, the government of Afghanistan recognizes the role that modern legislation has to play in the economic and legal life of the state and much effort has been and is being expended to draft and to obtain the approval of Parliament on a wide variety of legislation.

Afghanistan adheres to the Hanafi School of Islamic Jurisprudence, which is fairly liberal and leaves considerable room for people to make the contractual arrangements which they deem to be necessary. It also has considerable flexibility so that laws can be made which are in accordance with the requirements of modern times. Article 64 of the Constitution specifically prohibits laws to run contrary to the principles of Islam or the Constitution. It is not clear whether Parliament or the Supreme Court is the final authority on the validity of legislation, but the Supceme Court has made it clear that it will refuse to enforce or apply any part of a law which it considers in violation of Islamic law or of the Constitution. So long as legislation is consistent with Islamic principles and the Constitution, it is the law of the land and is entitled to full enforcement by the courts.

Although the growing body of legislation is theoretically binding on the courts of Afghanistan, the tendency, in practice, is for the courts to apply general Islamic principles in nearly all cases. There are several reasons for this, including the unfamiliarity of the judges with the meaning and application of the western-model laws, the unavailability of lawyers schooled in the western based legislation, and the subsequent lack of published opinions by the Court of Cassation giving authoritative interpretations of this legislation.

Although Article 102 of the Constitution provides specifically that the courts shall decide in accordance with the Constitution and the existing laws, the tendency of the courts to ignore modern legislation in favor of traditional principles and practices is strongly evident in commercial cases. There is a well-developed body of Islamic law governing commercial cases and in most of the transactions the local businessmen prefer to rely on traditional practice instead of on the modern Commercial Code. For this

reason it is important that the parties concerned, or in practice their lawyers, know and invoke the Commercial Code so that the judge will be encouraged to apply it. On the other hand, the Code of Commercial Procedure is fairly well adhered to in commercial cases.

B. SPECIFIC LAWS OF INTEREST TO THE INVESTOR

1. The Foreign and Domestic Private Investment Law

Apart from the Tax Law and the Labor Code, which were discussed in sections C & D of Chapter I, the principal law to affect the private investor is the Foreign and Domestic Private Investment Law of 1967, which was described in some detail in the first chapter because it constituted such a crucial factor in creating a favorable investment climate. For this reason its main provisions are not repeated here. Instead, only a few legal and administrative problems under the law are referred to, which may help the investor in his efforts to operate under this law.

One of the principal obstacles in applying the law is the fact that the English translation used by the Investment Committee does not always reflect the exact meaning of the official Farsi text. To give only a few examples, the English translation of Article 3-b, regarding the exemption from import duties on capital goods, replacements and raw materials, states that items "not available in the country" may be imported duty-free for a period of five years. Since the meaning of "available" is somewhat obscure, in the light of the Farsi text, the Investment Committee has taken the position that "available" means "produced in" since almost anything is or could be available in the bazaar, either duty paid or as a contraband item.

Likewise, Article 3-c seems to be obscure inasmuch as according to the Farsi text it could be interpreted to mean that the individual foreign investor or his foreign personnel are exempt from the personal income tax.

It would seem that in Article 2 (3) the expression "processing of agricultural or animal products" does not correctly reflect the words used in the Farsi text.

These are only a few examples. There are others which would seem to make it advisable to include a paragraph in the license to the effect that in the case of foreign investors, the English translation would be binding. Pending such a solution the foreign investor should be aware of these problems.

Another problem of a more general nature is the fact that the investment law only deals with new enterprises which would seem to involve a certain discrimination against those industries established prior to the 1967 investment law.

The fact that the fiscal benefits are only given for a period of five years, may deter some foreign investors in a relatively isolated country like Afghanistan. Furthermore, as already pointed out on page 22, the present duty structure would have to be revised inasmuch as there are a few cases where, without the duty-free privilege, the imported raw material alone would cost more than the price for which the finished product could be sold. Otherwise, some enterprises would be forced to close after five years.

Different incentives for the establishment of new enterprises, for expansion projects, and for the rationalization of existing enterprises could also be considered.

One important item for the investor is that he choose the correct form of incorporation, i.e., a corporation or limited liability company in order to qualify for certain tax benefits under the tax law, as well as for other reasons.

Because of Afghanistan's bad experience with some large foreign debtors who merely vanished from the scene, there are rather strict provisions regarding exit visas. However, in the case of reputable foreign businessmen, this procedure has been greatly simplified and can be handled by the Investment Committee.

2. The Commercial Code

This code, which contains 945 Articles, was enacted in 1955. It is based largely on the Turkish Commercial Code which, in turn, was based on French law and on the jurisprudence of the Commercial Courts. In other words, in some instances the Turkish text was adapted to meet Afghan conditions. However, the main problem here is that the Farsi translation from Turkish is poor.

Unfortunately, the code has some other very serious defects, as follows:

-- There are no adequate provisions governing commercial establishments, their registration, their rights, and protection under the law, protection of the creditor, the available recourse in case of non payment, etc.

Furthermore, there is no mortgage on chattels in actual practice and mortgages on real property are usually handled only through a bank. For instance, in actual practice land is only mortgaged through the Agricultural Bank, while a mortgage on other forms of real property, such as a house, can only be held by the Mortgage and Construction Bank. For individuals among themselves it is almost impossible to engage in this type of transaction. In part this is due to the fact that the preconditions for a mortgage as a suitable loan security are insufficient. The administrative process simply takes too long and most of the landed property is not registered since there exists no cadastral survey to speak of.

Foreclosure for the non payment of a debt is possible in theory but in practice this is not often resorted to. For this reason, the banks make it a practice to lend only to those people who are well known to them.

The law contains provisions against illegal competition and it provides for criminal sanctions for those engaging in this type of activity.

Even getting title to land can be a problem since, as pointed out above, the registration of real property exists only in its most rudimentary form. This has proved to be particularly complicated in the case of industrial sites. Besides, there are other issues involving city planning which create additional complications. This problem was partially overcome in 1969 when the government took the initial steps to establish an Industrial Park in Kabul so that prospective manufacturers could have an easier way to obtain industrial sites for their factories.

According to the Constitution (Article 29) foreigners cannot own land in Afghanistan. However, this problem has been circumvented by the granting of long, 99 year, leases for industrial purposes, although arranging for this is also very complicated.

-- In the matter of commercial bookkeeping, the law provides that three books are to be kept, a journal, an inventory, and a general ledger of accounts, but no rules as to how to keep the latter are given, which has led to the interpretation that it is not legally required (in practice very few books are kept anyway). Still another difficulty is that for these three types of books to be admitted as evidence in court, they must be kept in accordance with the law but, since the law does not state how these books are to be kept (erasures, blank spaces, proper sequence of entries, etc.) no one is sure how sensitive the courts will be on this issue.

-- On the subject of negotiable instruments such as checks, notes, and drafts, Afghanistan's Commercial Code adheres to the principles of the Geneva Convention of 1930, which is based on western legal practice. However, this convention leaves certain items to be provided for in the national legislation, such as who may write a check, who is to protest it in case of non-payment, and how this is to be handled, who is the owner of the funds in question, etc; yet these important items have never been provided by Afghan legislation.

There are no sanctions, either civil or criminal, against the issuance of a check without funds. The bank merely returns the check to the bearer with the statement that there are no funds in the account.

3. The Code of Commercial Procedure

This code, which has 324 Articles, is concerned with the manner in which lawsuits have to be presented and decided under the Commercial Code. It is generally well written so that it does not lend itself to erroneous interpretation.

As provided for in the law, normal legal process should not be too time consuming. According to Article 99 of the law the court fixes the time for the defendent to appear in court. This period cannot exceed 30 days after initiation of the action, except in those cases where the defendent lives in a remote area. In this case, one day is added for every 16 kilometers distance. Subsequent steps usually have to be taken by the parties concerned within a period of ten days. If one of the parties, without just cause, fails to appear at the date set by the court, or refuses to answer the court's questions, judgement is automatically rendered against him. In the extreme case, where a defendent to a suit cannot be found at all, he can be given notice via the radio or the newspapers, and after a waiting period of a maximum of four months he will be judged in his absence.

The maximum period for lodging an appeal from the trial court's decision is two months from the date the judgement was rendered. The period for appeal from a judgement of the High Central Court of Appeals is one month.

The code does not provide for an accelerated legal process in certain cases, such as in cases involving negotiable instruments, but it requires speedy process in all cases.

A procedure for arbitration exists and here the law leaves a good deal to the contractual arrangements which the parties in question may want to make. It should be noted that the law specifically rules out the possibility of court review of arbiters decisions once the arbiters have been selected in accordance with the law.

4. The Law of Bankruptcy

This Law, which contains 101 Articles, was introduced in 1942 and is also based on French law, but in practice it only applies to merchants and corporations. For individuals it is difficult if not impossible to engage in bankruptcy procedure.

The law makes the distinction between simple and fraudulent bankruptcy. According to the law, all property can be attached to satisfy the debts of a bankrupt business. However, a person's home escapes the creditors because, in accordance with Islamic law, it is felt that he has to have a place to sleep. To limit potential abuses, the courts have established a 200,000 Afghani limit on homes so that "luxury residences" over this amount can be sold publicly to satisfy the creditors. In practice this is rarely done.

The bankruptcy is declared by a Commercial Court at the request of one or several creditors and the property is sealed in accordance with the detailed provisions of the law.

C. CONCLUDING REMARKS

As a final conclusion, it can be said that except for some serious defects, the commercial laws of Afghanistan are generally way ahead of the requirements of the society rather than reflecting its current views. There is obviously a danger in this but this cannot be helped. The same problem existed when Japan and Turkey introduced modern western legislation at a time when the society was not quite ready for it. In this type of a situation justice sometimes tends to go beyond the law since the judges cannot altogether ignore custom and the peculiarities of the respective society. For instance, in Afghanistan and other developing countries, there usually is a tendency on the part of the courts to protect the party who, because of ignorance or illiteracy or for economic reasons, tends to be the weaker.

Particularly, the foreign investor should be aware of such problems. He should also familiarize himself to some extent with the Islamic concept of contract. True, all contractual arrangements between

people follow more or less the same pattern in all countries. Yet there can be differences and the fact that under Islamic Law marriage constitutes merely a contractual arrangement provides one illustration.

Thus, in summary, it can be said that foreign companies and persons who wish to rely on the modern codes would be well advised to clearly state and to clearly write into all contracts and agreements that the Afghan codes shall rule in any difficulties arising from such transactions. Foreign companies and persons should also anticipate that in interpreting the codes, Afghan judges will, as they inevitably must, interpret them in light of Afghan customs, practices, and needs. Above all they should consult a reputable lawyer before entering into any serious negotiations.

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FOREIGN AND DOMESTIC PRIVATE INVESTMENT LAW

ARTICLE 1. PURPOSE

The purpose of the present law is to encourage and protect new, private investments by both foreign and Afghan nationals so as to promote economic development and to advance the standard of living in Afghanistan.

ARTICLE 2. SCOPE

The privileges, rights and obligations of this law shall extend to all new, private investments in Afghanistan by any real person or non-governmental legal entity, whether Afghan or foreign, provided that the following conditions are met:

a. The investment is approved by and registered in detail with the Investment Committee in accordance with this law.

b. The investment is made within the framework of a corporation, limited liability partnership or other form of company established pursuant to the Commercial Code of Afghanistan or by a legal entity or person authorized to do business in Afghanistan pursuant to this law.

c. The accounts of the investment are subject to an annual independent audit by auditors who meet internationally acceptable standards of accounting.

d. The investment is made in any of the following fields of activity:

(1) Industry;

(2) Mineral exploitation, provided such investment is in accordance with the Mining Law of Afghanistan;

(3) Agriculture, animal husbandry or the processing of agricultural or animal products;

(4) Tourism, especially the construction or operation of hotels;

(5) Any service industry or priority enterprise not included in the above categories which the Investment Committee may designate by regulation pursuant to this law.

ARTICLE 3. FISCAL BENEFITS

Investments within the scope of this law, hereinafter called "approved investments," shall receive the following fiscal benefits:

a. Exemption from taxes on all income of the company for a period of five consecutive years beginning with the year in which the first sale of goods or services of the approved investment occurs.

b. Exemption from import duties on capital goods, replacement parts, raw materials not available in the country or semi-finished goods necessary for the establishment or current production of the approved investment for a period of five consecutive years beginning with the date of approval by the Investment Committee.

Such customs-free imports must, however, be registered as such by the Customs Department of the Ministry of Finance and a duplicate copy of the registration must be sent by the Customs Department to the Chairman of the Investment Committee.

If a dispute arises as to whether a specific import is to be regarded as "essential" within the meaning of this law, such dispute shall be resolved in the first instance by majority vote of the Investment Committee. If the Committee's decision should be adverse to the petitioner, it may be appealed by the petitioner to the Primary Commercial Court in Kabul, whose decision shall be final and binding.

Passenger automobiles shall in no event be exempted from import duties under this law.

c. Investors shall be exempted from personal income tax and corporate tax on all dividends for a period of five consecutive years, beginning with the year in which a dividend is first distributed, provided that such exemption shall in no event extend beyond the eighth year after the date of approval of the investment.

d. Interest on foreign loans which constitute part of an approved investment shall be completely exempt from personal income tax and corporate tax.

e. Products of approved investments shall be exempted from all export duties for a period of ten years from the date of approval of the investment.

ARTICLE 4. OTHER BENEFITS

An approved investment shall also be entitled to such other fiscal benefits as may be provided by the Income Tax Law, such as depreciation allowances and investment credits.

ARTICLE 5. REPATRIATION OF PROFITS, INTEREST AND CAPITAL

Capital, profits accruing to foreign investors and interest installments on loans received from abroad may be freely repatriated in the original foreign currency on the basis of Da Afghanistan Bank's free market rate, in accordance with the following conditions:

a. Payment of principal and interest to the extent of the legal obligation to do so.

b. Profits of the foreign investment may be repatriated at the end of any fiscal year, after submission to the Ministry of Finance of an auditor's certificate in accordance with ARTICLE 11.

c. Registered foreign capital and such reinvested profits as shall have been registered may be repatriated after five years from the date of approval of the investment at an annual rate not to exceed twenty-five percent of the total foreign capital invested and registered.

d. If the repatriation rights granted by this Article should be impaired by foreign exchange controls imposed for balance of payments reasons, such controls shall be imposed so as to cause the least possible impairment of repatriation rights and, in any event, foreign investors shall be guaranteed national treatment on an equal footing with Afghan nationals with respect to availability of foreign currency.

ARTICLE 6. REPATRIATION OF ROYALTIES AND FEES

The purchase price or licensing fees for patents or know-how, which are part of an approved investment, may be repatriated in accordance with the legal obligation to make such payments, provided that such purchase price or licensing fees have been approved by the Investment Committee as constituting a part of the investment and as being reasonable in relation to the total investment and return thereon.

ARTICLE 7. FOREIGN CAPITAL

Foreign capital invested in Afghanistan pursuant to this law shall enjoy the benefits established herein, as well as the regular facilities benefits and assistance available to Afghan capital.

There shall be no discrimination between foreign capital and Afghan capital invested pursuant to this law, especially as regards the levying of taxes and duties, the keeping of commercial books and judicial or arbitration proceedings.

ARTICLE 8. EVALUATION

Investments in kind and intangible property shall be evaluated at current international market prices. In case of disagreement, the valuation shall be done by an independent, professional appraiser acceptable to the Investment Committee.

ARTICLE 9. REPATRIATION OF SALARIES

Foreign personnel of approved enterprises may repatriate up to seventy per cent of their income, net of taxes, through Da Afghanistan Bank at the latter's free market rate.

ARTICLE 10. TAXATION OF FOREIGNERS

Foreign companies, investors and personnel within the scope of this law shall be subject to the same obligations as similarly situated Afghan nationals, with respect to taxes, duties and other fiscal obligations.

ARTICLE 11. INDEPENDENT AUDIT

Enterprises within the scope of this law are required to maintain regular books of account, a balance sheet and a profit and loss

statement which must be audited annually by an auditor who meets international standards and who is acceptable to the Ministry of Finance of Afghanistan.

Copies of the auditor's report shall be submitted annually to the Ministry of Finance and to the Chairman of the Investment Committee.

ARTICLE 12. RIGHT TO DISPOSE OF SHARES

Shares of approved investments may be freely sold to any Afghan or foreign national. No foreign government or agency thereof may acquire such shares. The foregoing limitation shall not apply in cases where the investment is guaranteed by a foreign government or agency thereof; and the government or agency thereof would be subrogated to the rights of the owner of the shares on the basis of the provisions of a valid agreement between the Government of Afghanistan and the government of the investor concerned.

ARTICLE 13. FOREIGN SHAREHOLDERS' RIGHTS IN THE EVENT OF SALE OR LIQUIDATION OF THE APPROVED INVESTMENT

The proceeds of the sale of shares of foreign nationals in an approved investment, sold to an Afghan national or to the Government of Afghanistan, may be transferred abroad through the Da Afghanistan Bank at the latter's free market rate of exchange in accordance with the provisions of ARTICLE 5 of this law.

In case of liquidation or bankruptcy, the remaining net assets belonging to foreign nationals are also transferable abroad as provided above.

ARTICLE 14. AGREEMENTS CONCLUDED BY THE INVESTMENT COMMITTEE

Separate arrangements for the possible sale of shares belonging to foreign nationals in an approved investment may be made between the Investment Committee and the foreign investor.

Furthermore, the Investment Committee may negotiate, on behalf of the Royal Government of Afghanistan, supplemental agreements such as management contracts, agreements for the expansion of productive capacity, the training of Afghan personnel, etc., which are necessary and appropriate to the particular investment.

Any such agreement must, however, be published in the Official Gazette within three months of its conclusion, and shall be of no force and effect until so published.

ARTICLE 15. MEASURES FOR ENCOURAGING JOINT VENTURES

The encouragement of joint ventures in Afghanistan between Afghan nationals and foreign nationals is among the objectives of this law. Therefore, no specific amount of investment by Afghan nationals is required in such investments under this law.

ARTICLE 16. OBLIGATIONS OF GOVERNMENT AGENCIES AND DEPARTMENTS TO PURCHASE THE PRODUCTS OF APPROVED INVESTMENTS

All Government agencies and departments are required to purchase their necessary supplies and services from enterprises established under the provisions of this law, provided that such supplies are substantially similar in quality and price with importable equivalents.

For purposes of this Article, price comparisons shall be made on the bases of the Da Afghanistan Bank's free market rate of exchange.

ARTICLE 17. PROTECTION AND GUARANTEE OF THE RIGHTS OF INVESTORS IN CASE OF EXPROPRIATION IN ACCORDANCE WITH THE CONSTITUTION OF AFGHANISTAN

Property within the provisions of this law is protected against Government expropriation in accordance with ARTICLE 29 of the Constitution.

ARTICLE 18. APPEAL FROM ADMINISTRATIVE ACTIONS

If administrative actions are regarded by an investor as not being in conformity with the provisions of this law, the investor shall have the right of appeal to the Investment Committee.

If the decision of the Investment Committee is unsatisfactory to the petitioner, he may appeal to the Primary Commercial Court in Kabul, whose decision shall be final and binding.

ARTICLE 19. ARBITRATION

Except for cases mentioned in the foregoing Articles, disputes arising from the application of this law between the Royal Government of Afghanistan and foreign nationals shall be settled in accordance with the Convention on the Settlement of Investment Disputes Between States and Nationals of other States, provided that the Government of Afghanistan and the foreign investor have agreed to do so. Such agreements shall be transmitted to the General Secretary of the International Center for the Settlement of Investment Disputes as provided by the above Convention.

Other disputes arising between the above-mentioned foreign nationals and the Royal Government of Afghanistan shall be settled by arbitration as provided below. Each party shall appoint one arbitrator, who shall then jointly select a mutually-acceptable third arbitrator within thirty days. If within this period a third arbitrator is not selected, or if the second arbitrator is not appointed within thirty days after the other party has appointed and given notice of its arbitrator, then such arbitrator or arbitrators shall be appointed by the Secretary General of the above-mentioned International Center.

The arbitral tribunal composed of the above three arbitrators shall determine its own rules of procedure and shall assess costs between the parties.

Decisions shall be taken by majority vote of the arbitrators.

The arbitral award shall be in writing, shall contain a statement of the reasons on which it is based and shall be published in the Official Gazette.

The arbitral award shall be accepted by the parties as the final adjudication of the dispute.

ARTICLE 20. INVESTMENT COMMITTEE

The Investment Committee shall be composed of the following ministers or their authorized representatives:

Minister of Commerce
Minister of Planning
Minister of Mines and Industries
Minister of Finance
Minister of Agriculture

The Minister of Commerce shall serve as Permanent Chairman of the Investment Committee. In his absence, the Minister of Planning shall act as Chairman.

The Investment Committee shall convene as often as shall be necessary to consider investment applications and other matters before it. Individual members of the Committee may consider such applications without formally convening the Committee and shall give their decision in writing to the Chairman.

Decisions of the Investment Committee shall be by simple majority vote.

The Investment Committee is herewith empowered to issue regulations and necessary administrative procedures within the scope of this law in order to fulfill the objectives of this law. Such regulations or procedures will be effective after publication in the Official Gazette.

The Investment Committee may delegate such authority and duties as it deems necessary to fulfill the objects of this law.

The Chairman of the Investment Committee shall cause publicity to be given to this law in order to explain it and prepare the ground for private investment in Afghanistan, and shall generally undertake all effective measures in accordance with the provisions of this law in order to fulfill the objectives of this law.

ARTICLE 21. LIST OF PROJECTS

The Investment Committee shall publish at least once a year a list of investment opportunities which would qualify as approved investments under this law.

ARTICLE 22. DECISIONS OF THE INVESTMENT COMMITTEE

Within three months of the date of submission of a formal investment application according to ARTICLE 23, the Investment Committee shall issue a preliminary acknowledgment to the applicant stating:

a. Whether the proposed investment is within the scope of the present law;

b. Any recommended changes the Committee wishes to propose with respect to the investment; and,

c. Such additional information the Committee deems necessary.

As soon as is reasonably possible thereafter, the Investment Committee shall give its Final Decision in writing to the applicant.

Every Final Decision of the Investment Committee, whether approving or rejecting an application, together with every agreement pertaining thereto between an investor and the Investment Committee, shall be published in the Official Gazette within two months.

ARTICLE 23. INVESTMENT APPLICATIONS

Applications for investments within the scope of this law shall be prepared in five copies and submitted to the Ministry of Commerce. The Minister of Commerce shall forthwith cause a copy to be given to every other member of the Investment Committee.

Applications may be accepted in Pashto, Dari, English, French or German. The Committee may require the applicant to submit a Pashto or Dari text of the application and all relevant documents.

Applications must contain the following information:

a. Name, nationality, and a brief summary of the investor's business background.

b. Detailed description of the proposed investment, including the following relevant information as required by the type of investment:

(1) Estimations of capacity and a pro forma profit and loss statement for the first five years of operation;

(2) Amount and source of necessary raw materials;

(3) Imports of goods and services necessary to establish the enterprise and estimated additional imports during the first five years of operation;

(4) Anticipated domestic sales and exports;

(5) Contracts concluded by the applicant for the sale of the products of the proposed investment, and such contracts as the applicant has an expectation of concluding;

(6) Personnel; including management, foreign experts, and estimated number of other employees;

(7) Type and degree of training to be given to Afghan personnel.

c. Amount, type and country of origin of capital.

d. Degree of Afghan participation in the proposed investment.

e. Applicant's representative in Afghanistan.

f. Articles of Incorporation of the applicant, if a legal entity; and Articles of Incorporation of the proposed enterprise, if it is in the form of a company.

g. Land, services and other facilities which the applicant wishes the Royal Government of Afghanistan to provide.

h. Adequate financial information about the applicant.

i. Such other information as the Investment Committee may require according to the type of investment.

ARTICLE 24. SINGLE LICENSE

The license issued on the basis of final approval by the Investment Committee shall constitute the only license required under the laws of Afghanistan for an approved investment. Such investment may not, however, export goods which are not produced by it or import goods other than those necessary for its own production or use.

ARTICLE 25. ACTIVITIES NOT WITHIN THE SCOPE OF THIS LAW

Afghan nationals whose proposed investments do not qualify under the present law may carry on business in accordance with the Commercial Code and other relevant commercial and fiscal laws of Afghanistan.

Foreign nationals who do not qualify under the present law may only be licensed to do business in Afghanistan pursuant to the Licensing Regulations for Private Foreign Traders and Firms in Afghanistan.

The above-mentioned Licensing Regulations shall not, however, be applied to investments approved under the present law.

ARTICLE 26. SPECIAL AGREEMENTS

Nothing contained in this law shall be construed as preventing the concluding of individual investment agreements in the fields of mineral exploitation or basic industry between the Royal Government of Afghanistan and any investor, whether foreign or domestic, which agreement, due to the importance of the investment or the nature of the undertaking, may contain greater or lesser benefits or obligations other than those provided herein.

ARTICLE 27.

After the effective date of the present law, the following laws shall stand repealed:

a. The Foreign Investment Law; and

b. The Law Encouraging Industries.

In the case of foreign investments made under the Foreign Investment Law of 1958, the legal provisions applicable thereto shall continue until they expire.

ARTICLE 28. DATE OF COMMENCEMENT

This law may be cited as the "Foreign and Domestic Private Investment Law" and shall enter into force after publication in the Official Gazette.

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Published in the Official Gazette,
No. 23 of 1st Hoot 1345
22 February 1967

TRANSLATION
Prepared and Published by
Investment Committee of Afghanistan
c/o Ministry of Commerce
Kabul, Afghanistan

REGULATIONS ENACTED FOR
FOREIGN AND DOMESTIC PRIVATE INVESTORS
IN AFGHANISTAN
(dated Nov. 6, 1969)

The following regulations based upon instructions of Article 20 of the Foreign and Domestic Private Investment Law, which entered into force on 1st Hoot, 1345 (February 22, 1967), have been enacted by the Investment Committee of Afghanistan in order to further implement the above-mentioned law.

(1) In addition to the fact that the investors are required to abide by the provisions of the Foreign and Domestic Private Investment Law, the following regulations do also apply to private investments, both foreign and domestic.

(2) Before making a decision to make their investment, all investors are required, with respect to the Private Investment Law, to make proper feasibility studies of the projects concerned in order to satisfy themselves that the projects will bring fruitful and positive economic results.

(3) From the date of the investment's approval and until one year thereafter, the foreign or domestic investors are required to take practical and satisfactory steps toward the respective project's establishment and implementation. Every three months, a written progress report should be submitted to the Secretariat of the Investment Committee; otherwise, the Investment Committee has the right to refuse the renewal of the license.

(4) Construction materials (e.g., for constructing buildings) and passenger automobiles and their spare parts are not exempt from import duties.

(5) Anyone desirous of investing in working and cutting precious stones would be subject to the provisions of the Foreign and Domestic Private Investment Law and the regulations enacted by the Ministry of Mines & Industries for these cases.

(6) Based upon item (b) of Article 3 of the Foreign and Domestic Private Investment Law, the importation of capital goods, spare parts, and the raw materials which are not available in the country or semi-finished goods necessary for the establishment or current production of the

approved investment, shall be duty-free for a period of five consecutive years from the date of approval of the investment by the Investment Committee. If an operation related to the approved investment requires the importation of goods which are neither raw materials nor semi-finished goods and which are readily consumed, the investor can import these goods, but the import of such consumer goods is not entitled to the duty-free privileges.*

(7) Since, according to Article 6 of the Foreign and Domestic Private Investment Law, intangible investments (patents, goodwill, know-how, etc.) are also accepted as part of the respective investment, the following information should be given about their characteristics:

a. The amount of the intangible investment should be established.

b. The type of the intangible investment should be described.

c. The kind of intangible items should be certified by the relevant organizations of the country of origin.

(8) Approved investments are required to take proper advantage of the privileges offered by the Private Investment Law and accordingly, to use the raw materials and accessories for productive purposes. In the case of violation of the rules, especially by not using equipment and related materials in the plant and instead using them in the bazaar for commercial purposes, after the respective violation is proved to the Investment Committee, the investors must pay all the import duties from which they were considered exempt according to the Investment Law, and in the future they cannot take advantage of the exemption from income taxes and import duties.

Comment 1: In cases considered necessary by the Investment Committee, the raw materials shall be imported through letters of credit and shall be made available in accordance with the needs of the production process.

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*NOTE: The translation appears to be correct, but the meaning is not clear. This clause appears to mean that if the Committee determines that a product needed by an investor as a raw material or semi-finished material, could easily be diverted to the bazaar as a consumer goods, the investor will not be allowed duty-free privileges.

Comment 2: In cases where additional safeguards are required, the duty-free privilege shall be subject to the provision of such guarantees as are acceptable to the Investment Committee.

(9) According to Article 14 of the Foreign and Domestic Private Investment Law, the Investment Committee, on behalf of the Royal Government of Afghanistan, may make supplemental agreements with the domestic or foreign investor, such as management contracts and agreements for the expansion of productive capacity, the training of Afghan personnel, etc., which are necessary and appropriate to the particular investment. The characteristics and importance of such contracts shall, in no case, exceed the limits of the subsidies and privileges which are clearly described in the Foreign and Domestic Private Investment Law.

(10) If the products of private investments require inspection and evaluation from the points of hygiene and international standards, the investors are required to obtain the necessary certificate for their products from the respective authorized sources in Afghanistan prior to supplying them to the market.

Unofficial translation by
USAID/Afghanistan

THE INDUSTRIAL BANKS LAW OF AFGHANISTAN

CHAPTER 1. General Provisions

Article 1. Any bank established in accordance with this Law shall be a legal entity and shall be represented by its President.

Article 2. Industrial Banks shall be established for the following purposes:

1. To assist in the establishment, expansion, or modernization of industrial enterprises in Afghanistan.

2. To advise, and encourage the participation of both foreign and Afghan nationals in industrial enterprises, in accordance with the Foreign and Domestic Private Investment Law of Afghanistan.

3. To facilitate the purchase of industrial securities through private investment in industrial enterprises concerned with manufacturing and assembly.

Article 3. Industrial Banks shall have the following rights and obligations:

1. To provide medium and long-term loans to industrial enterprises.

2. Purchase of bonds and debentures issued by industrial private enterprises and issue of bonds and debentures.

3. Underwrite the sale of shares, bonds and other securities issued by industrial enterprises. Participation of the Bank in industrial enterprises to be for the purpose of resale of these securities. Bank's participation shall not exceed 20% of the total capital of the enterprise in question.

4. Guarantee loans and other obligations of industrial enterprises in case such loans and obligations are obtained from other investment sources.

5. Cooperate in obtaining technical, managerial and professional assistance for industrial enterprises.

6. Make short-term loans of less than one year.

7. Accept a guarantee in the form of real and/or personal property in accordance with the objectives of the Bank and to sell the same in case the borrower is late in fulfilling his obligations, in accordance with the provisions of the Law, or on the basis of authority given to the Bank by prior agreement between lender and borrower.

8. Cooperate in the preparation of feasible industrial projects and assist in the organization of industrial enterprises with the Government's consent.

9. Provide consulting services to borrower and non-borrower industrial enterprises.

10. Conduct research and feasibility studies and publish information of interest to potential investors and borrowers in accordance with the Bank's objectives.

11. Accept gifts or grants in its own name. Grants from foreign institutions are subject to Government approval.

12. Bring and defend law suits in the Bank's name.

13. Possess a Bank seal.

14. Make contracts and incur liabilities in the Bank's own name and in accordance with the objectives of the Bank.

15. Appoint officials, representatives and local and foreign experts in accordance with the pertinent regulations and laws. In appointing officials and experts priority is given to Afghan nationals. The Bank shall pay special attention to the training of Afghan personnel, and shall try to replace its foreign staff by competent Afghans as soon as possible.

16. Engage in other activities in accordance with the Bank's Articles of Incorporation, within the limits of the law.

Article 4. Authorized capital and the form of its payment shall be determined in the Articles of Incorporation of the Bank.

Article 5. Tax exemptions of the Bank are determined in accordance with the Foreign and Domestic Investment Law of Afghanistan.

Article 6. In each of its credit agreements or contracts to provide services, the Bank shall establish suitable conditions in accordance with the provisions of the law.

Article 7. Under any of the following conditions the Bank can demand, through a written note, the repayment of its loans:

1. If incorrect information has been found on the loan application form.

2. If the borrower fails to meet the terms of the loan.

3. If the property held as security by the Bank has not been adequately insured by the borrower, or if the property depreciates in value in such a way as to require additional guarantees and the borrower refuses to provide such guarantees.

Article 8. The Bank's bookkeeping and accounts shall be in accordance with the provisions of the Commercial Code and banking practices.

Article 9. The accounts of the Bank shall be subject annually to an audit in accordance with the Foreign and Domestic Private Investment Law. Such audit shall be performed by a firm of auditors of international standing, elected annually by the shareholders in general meetings. Such auditing firms must be licensed in Afghanistan.

Article 10. If any transactions of the Bank would be contrary to the Law, the Government is obliged to take appropriate actions, according to the law.

Article 11. Participation by foreign shareholders shall be limited to a maximum of 49% of the subscribed capital of the Bank. No individual, family, legal entity, or single interest may own more than 15% of the

subscribed capital of the Bank. The foregoing limitations shall be observed in the allocations and registration of shares sold and/or transferred to a person by any form of ownership.

Article 12. For the purpose of this Law "single interest" shall mean:

1. A person, together with any legal entity or business enterprise in which such person is a principal owner, manager or officer;

2. Any two or more legal entities or business enterprises in which the ownership or management are substantially the same.

CHAPTER II. Administration of the Bank

Article 13. The administration of Industrial Banks shall be in accordance with their respective Articles of Incorporation. However, the Articles of Incorporation of these Banks shall not be contrary to the spirit and context of the laws of Afghanistan.

CHAPTER III. Special Provisions

Article 14. 1. At the first stage an industrial bank will be established as an industrial development bank in accordance with the provisions of this law.

2. Da Afghanistan Bank shall lend this Bank Afs. 560 million. This loan will have a grace period of ten years. Repayment will start in the 11th year and will consist of 10 equal annual installments. A sum of Afs. 60 million shall be paid to the Bank immediately after it is established. The remaining Afs. 500 million will be paid over a period of five years. The loan will carry an interest rate of two per cent.

3. In the case of dissolution of the Bank the repayment of Government loans and money borrowed from other sources will be given priority over repayments to the shareholders.

4. The Government shall appoint one observer to the Bank's Board of Directors until the full repayment of its loans. The Government observer shall have no voting rights.

5. The Bank will have to abide by the interest rate fixed by the Government for such banks.

Article 15. The Government is hereby authorized to guarantee, in accordance with this law and on such terms and conditions as it establishes, the loans obtained by the Industrial Development Bank. Such loans, and the guarantee therefor, may be denominated in a foreign currency.

Article 16. As long as any sum remains outstanding on Da Afghanistan Bank loan; made pursuant to Article 14, the Bank shall annually set aside in the form of a special reserve, a sum equal to 10% of the profits of the Bank, until such reserve equals the amount of Da Afghanistan Bank loan then outstanding.

Any amount of profit set aside annually for other reserves by the Bank up to a maximum of 15% of the profits for the year, as well as any sum set aside for the special reserve prescribed in the first part of this Article shall, insofar as the exemption from taxes is concerned, follow the Foreign and Domestic Private Investment Law of Afghanistan.

Article 17. The Bank shall be established only when the following conditions have been met:

1. Sixty per cent of the authorized capital has been subscribed and allocated.

2. One-half of the subscribed capital has been paid into a special account in one of Afghanistan's banks.

3. A general meeting of the shareholders has been held at which the Articles of Incorporation has been approved by two-thirds of all shareholders attending in person or by proxy. The Board of Directors shall also be elected in this meeting.

4. Written notification setting forth the facts mentioned in items 1, 2, and 3 of this Article has been lodged with the legal registration source.

Article 18. If any shareholder fails to pay any amount due on Bank shares to which he has subscribed, he shall have a grace period of 60 days in order to complete payment. Such a shareholder shall be informed by registered mail. If he still fails to make payment for the shares so subscribed, the money deposited earlier is to be considered as a share and he loses the right to buy the remaining shares.

Article 19. Members of the Board of Directors need not be shareholders. They shall be elected for a period of four years. The composition of the Board shall be determined by the Articles of Incorporation.

The President of the Bank will be appointed by the Board of Directors in accordance with the Articles of Incorporation. He shall be an Afghan national.

Article 20. All foreign exchange transactions of the Bank shall be effected through Da Afghanistan Bank on the basis of its free market rate effective on the date of the transaction. Da Afghanistan Bank shall make available all foreign exchange necessary to meet the obligations of the Bank to foreign lenders or for the distribution of profits among foreign shareholders for dividends payable as well as for repatriation of the proceeds of any sale of shares of the Bank in accordance to the Foreign and Domestic Private Investment Law.

Payment for foreign-held shares can be made only in free convertible foreign exchange.

When selling foreign exchange the Bank is obligated to sell to Da Afghanistan Bank at the free exchange rate.

Article 21. Within six months of the close of the fiscal year, a condensed balance sheet and a profit and loss statement shall be published in Pashtu, Dari, and in one foreign language.

Article 22. If the bank is involved in a court case either as defendant or as prosecutor the case shall be referred to a court of competent jurisdiction in Afghanistan.

Article 23. Any legal dispute or claim between the Bank and any foreign shareholder shall, upon mutual agreement, be settled by arbitration in Kabul. In case of foreign creditors the place of arbitration is not limited to Kabul. The arbitration award is final and binding on both parties. Such an arbitral award shall be entered in a court of competent jurisdiction for enforcement.

CHAPTER IV. Miscellaneous Provisions

Article 24. Provisions concerned with the private enterprises in this law shall not prevent the establishment of Industrial Banks as Government enterprises or of other types of corporations in which the Government holds more than 50% of the total shares.

Article 25. Matters not governed by this Law are to be determined in accordance with the Commercial Code, the Foreign and Domestic Private Investment Law, and the law pertaining to Government Enterprises.

Article 26. This Law will take effect after it has passed through the respective legislative stages.

Effective date August 22, 1971

Unofficial Translation by
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LAW OF GOVERNMENT ENTERPRISES

All government enterprises are subject to the following rules of this law:

1. A government enterprise is a legal entity, established by the government in order to carry out social and educational activities and to develop economic activities on the basis of the rules set forth in its individual Charter.

2. The purposes of a government enterprise are:

   (a) carrying out social and educational activities

   (b) developing economic and financial activities

3. The Charter of a government enterprise, proposed by the interested government agencies, shall become effective only after its approval by the Ministry of Finance, the Council of Ministers, and His Majesty the King.

4. The different activities handled by a government enterprise, as far as its Charter permits, shall be handled only by this enterprise and the duplication of such activities by other government enterprises shall be avoided.

5. No government enterprise may make an investment in any entity which falls outside of its own terms of reference as defined by its Charter.

6. Government enterprises shall be liable for all taxes and duties due to both the Royal Government and its Municipalities.

7. The authority over each government enterprise is vested in:

   (a) the President

   (b) the Management Committee

8. The respective Minister, or at his designation, the President (of the enterprise) shall be responsible for the activities of the respective enterprise.

9. The President of the government enterprise shall be authorized to:

(a) set up an advisory committee

(b) set up a department of supervision and control

NOTE: The members of both these bodies shall be appointed for a period of not exceeding three years by the President after receiving Ministerial approval.

(c) enact internal regulations of the enterprise in accordance with the law

(d) approve the annual budget

10. The President's duties shall be:

(a) to establish the policies of the enterprise

(b) to approve the appointment of senior positions in accordance with enacted regulations

(c) to review the balance sheet and Annual Report of the Management Committee

(d) to have complete authority and be responsible for all important activities of the enterprise

(e) to handle all other activities of the enterprise in accordance with its Charter

11. The Management Committee constitutes the executive administrative personnel of the enterprise and shall consist of the Chairman and Assistant Chairmen as provided in the Charter.

12. The appointments to the Management Committee shall be proposed by the President and approved by higher authority.

13. The civil service grade of the Chairman and Assistant Chairmen, as well as the period of their employment, shall be set forth in the Charter.

14. The Chairman of the Management Committee will be Vice President of the enterprise, administratively responsible to the President.

NOTE: During the absence of the Chairman, the Assistant Chairman shall take over his duties as Acting Chairman.

15. Duties of the Management Committee:

(a) implementation of the objectives of the enterprise

(b) preparation of the annual budget and its submission to the President

(c) preparation of the Annual Financial Report and its submission to the President

(d) preparation of required reports for submission to the President and the Ministry of Finance

(e) carrying out the President's orders

(f) appointment of employees up to sixth grade and obtaining the approval of the President

(g) any other duties listed in the Charter

16. The Ministry of Finance shall provide the capital of the enterprise and shall audit its accounts.

17. The amount of capital assigned to each enterprise shall be in accordance with its volume of activity and objectives as set forth in its Charter.

18. Increases and decreases in the capital of the enterprise shall take place in accordance with the President's judgment and within the provisions of the Charter.

19. Government enterprises shall be liquidated under the following circumstances:

(a) expiration of the indicated time period or completion of its respective duties

(b) merger or integration of one or more government enterprises

(c) impossibility of carrying out the purposes and objectives of the enterprise due to factors known to the President

20. Upon the proposal of the respective authorities, an enterprise may be liquidated after approval by the Council of Ministers.

21. Liquidation activities of an enterprise are handled by the respective Ministry.

22. After paying the debtors and other expenses, the assets of a government enterprise shall be transferred back to the Ministry of Finance.

23. Procedures for auditing accounts of a government enterprise shall be drawn up by the Ministry of Finance and be handed to the enterprise.

24. Personnel and employees of government enterprises shall have all the rights and responsibilities of other government civil servants.

25. The Ministry of Finance and its dependencies and other agencies concerned are responsible for the execution of this law.

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INCOME TAX LAW OF AFGHANISTAN

CHAPTER I

IMPOSITION OF A TAX ON INCOME OF ALL PERSONS, CORPORATIONS, LIMITED LIABILITY COMPANIES, AND OTHER ENTITIES

Article 1 A tax is imposed on the income of all persons, corporations, limited liability companies, and other entities in Afghanistan, and on the income of Afghan citizens abroad, and on the income of aliens and foreign companies from sources within Afghanistan in accordance with this Law and its regulations.

Article 2 The income tax is imposed for each taxable year on the taxable income of each person, corporation, limited liability company, or other entity. The taxable year is the solar year except as otherwise provided in this Law. The taxable income is the sum remaining after all the deductions and exclusions authorized in this Law and its regulations are deducted from the total of all receipts of the person, corporation, limited liability company, or organization.

Article 3-1 The income tax of a corporation and limited liability company is 20 per cent of its taxable income in the taxable year. The income tax of a person or entity other than a corporation and limited liability company is the amount computed in accordance with the following schedule:

TAXABLE INCOME:					INCOME TAX:		
	Afs. 1		10,000		4%		
	10,000		20,000	Afs 400 plus	5%		Afs. 10,000
	20,000		30,000	900 "	6%		20,000
	30,000		40,000	1,500 "	7%		30,000
	40,000		50,000	2,200 "	8%		40,000
	50,000		75,000	3,000 "	12%		50,000
FROM	75,000	up to Afs.	100,000	6,000 "	18%	of excess over	75,000
	100,000		125,000	10,500 "	21%		100,000
	125,000		150,000	15,750 "	24%		125,000
	150,000		175,000	21,750 "	27%		150,000
	175,000		200,000	28,500 "	30%		175,000
	200,000		250,000	36,000 "	33%		200,000
	250,000		300,000	52,500 "	36%		250,000

	300,000		400,000	70,500	plus	39%	Afs. 300,000
	400,000		500,000	109,500	"	42%	400,000
	500,000		750,000	151,500	"	45%	500,000
FROM	750,000	up to Afs.	1,000,000	264,000	"	48%	750,000
	1,000,000		1,500,000	384,000	"	51%	1,000,000
	1,500,000		2,000,000	639,000	"	54%	1,500,000
	2,000,000		2,500,000	909,000	"	57%	2,000,000
	2,500,000	above		1,194,000	"	60%	2,500,000

of excess over

Article 3-2 Income in foreign money shall be converted to Afghanis for purpose of taxation. The rate of conversion shall be the average free rates used by Da Afghanistan Bank at the end of each month of the taxable period to purchase such foreign money.

Article 3-3 This provision shall be effective as of Hamal 1, 1348 and with the effectiveness of this provision, Article 3 of the Income Tax Law (1344) shall be abrogated.

Article 4 Tax on Foreign Income of Citizens:

a. Every citizen of Afghanistan, whether residing in Afghanistan or not, is subject to the annual income tax on his taxable income, including income from sources outside Afghanistan.

b. Any income tax paid to the government of a foreign country by a citizen of Afghanistan may be taken as credit only against that part of his annual income tax attributable to his foreign income.

c. If the income of an Afghan citizen is derived from more than one foreign country, the income tax credit shall be in proportion to the income from each country as provided in the Income Tax Manual established by the Ministry of Finance.

Article 5 Aliens residing in Afghanistan, not covered by the provisions of Article 10, are subject to the annual income tax on taxable income from sources within Afghanistan. Income of an alien from sources outside Afghanistan is not part of his taxable income, but income because of services rendered in Afghanistan, regardless of where it is paid, is part of his taxable income. The taxable year of an alien employed in Afghanistan for a period which does not include a full solar year shall begin upon his arrival in Afghanistan. One-twelfth

of his personal exemptions shall be allowed an alien for each month of residence in Afghanistan during the taxable year.

Article 6 All corporations and limited liability companies organized under the laws of Afghanistan, including subsidiaries of foreign companies, are subject to the income tax on all taxable income from all sources within Afghanistan and outside Afghanistan. Credit for taxes paid to foreign countries may be taken under the same conditions, in the same manner, and to the same extent as is provided for Afghan citizens in Article 4.

Article 7 All nonresident aliens are subject to income tax on income from all sources within Afghanistan. In determining the taxable income of a nonresident alien, all the exclusions and deductions provided in Articles 15 and 19 of this Law shall be allowed but no deduction for personal exemptions provided in Article 18 is allowable in determination of the taxable income of such alien. Earnings of a nonresident alien employed by a foreign company operating aircraft under the flag of a foreign country are exempt from taxation provided, however, that the said foreign country grants a similar exemption to citizens and companies of Afghanistan.

Article 8 Foreign companies not engaged in trade or business in Afghanistan are subject to the income tax of 20 per cent of the amount received from sources within Afghanistan as interest, dividends, rents, royalties, and gain or profit of any kind. Deductions allowed to companies under this Law are only allowed to those foreign companies that file a true and accurate return including all information required by this Law and the Income Tax Manual established by the Ministry of Finance.

Article 9 Foreign companies engaged in a trade or business in Afghanistan are subject to the income tax of 20 per cent of all taxable income from sources within Afghanistan. Deductions are allowable only if and to the extent that they are connected with income from sources within Afghanistan. A correct apportionment of expenses with respect to sources within and without Afghanistan shall be determined as provided by this Law and the Income Tax Manual established by the Ministry of Finance. Earnings derived from the operation of aircraft under the flag of a foreign country are exempt from taxation, provided that the said foreign country grants a similar exemption to citizens and companies of Afghanistan.

Article 10 The taxability of income in Afghanistan of foreign governments, international organizations, and of their employees not citizens

of Afghanistan shall be determined by provisions of existing treaties and contracts with the State.

Article 11 Organizations which are Exempt from Taxation: Contributions received and income from the necessary operations of organizations that meet the qualifications and conditions stated in this Article are exempt from taxation under this Law. The qualifications that must be met are the following:

a. The organization must be formally and legally organized under the laws of Afghanistan.

b. The organization must be organized and operated exclusively for educational, cultural, literary, scientific, or charitable purposes.

c. The organization must be so organized and operated that no profit or gain except those services rendered to anyone else goes to or accrues in the account of any contributor, shareholder, member of officer either during its operation or upon its dissolution.

Remark 1: Such income becomes exempt only upon approval of an application for exemption. Such application shall be made by the organization in the form and manner stated in the Income Tax Manual prescribed by the Ministry of Finance. The application shall be filed with the Ministry of Finance within six months of the enactment of this Law, or, in case of a new organization, within six months of its formation. The Ministry of Finance shall consider the facts presented in the application and other information available and as a result shall approve or reject the application.

Rejection by the Ministry of Finance of an application for exemption may be appealed from by the organization to the appropriate court as provided in Chapter XII of this Law. In case the application is rejected by the Ministry of Finance. and by the appropriate court if appealed, all income of the organization is subject to taxation as provided by this Law.

Remark 2: Income from any commercial activity not in keeping with the purposes of the organization according to its charter, cannot be exempted from taxation under any provision of this Article.

Article 12 The income of agencies and departments of the State and of municipalities is exempt from taxation but government enterprises, including monopolies and Da Afghanistan Bank, are subject to income tax.

CHAPTER II

DETERMINATION OF TAXABLE INCOME

Article 13 Taxable Income is the total of all receipts less those exemptions and deductions authorized in this chapter.

Exemptions are allowances, such as personal exemptions, authorized by provisions of this Law.

Deductions are expenses of production, collection, and preservation of income, which are allowed, by provisions of this Chapter, to be deducted from receipts.

Expenditures and costs not specifically defined as exemptions or deductions are not to be allowed.

Article 14 Receipts in cash, or otherwise, subject to income tax include but are not limited to the following items: salaries, wages, fees, and commissions, all receipts derived from business and industry, receipts from sale of property, interest, dividends, rents, royalties, awards, prizes, winnings, bakhshishis (gratuities, bonus payments), distributive shares of partnerships gross income, income of persons claimed as dependents, and any other return from labor, capital, or economic activity, except as is otherwise provided in this Law.

Article 15 Receipts which are excluded from the gross income of persons, corporations, limited liability companies, and other entities are limited to the following items:

a. grants, gifts, and awards of the State;

b. grants, gifts, and awards of foreign governments, international organizations, or non-profit organizations for contributions to science, art, literature, social progress, and understanding among people;

c. all scholarships, fellowships, and grants for professional and technical training;

d. health, accident, and unemployment insurance benefits;

e. life insurance paid on death;

f. compensation or damages for personal injuries or sickness;

g. proceeds of borrowing;

h. proceeds of issues of stocks and bonds by corporations;

i. acquisition of property in connection with mergers of domestic corporations and other entities;

j. acquisition of property through foreclosures of mortgages;

k. payments on principal received from debtors;

l. any other receipts made exempt by this Law;

m. interest from internal banks on savings and deposits of individuals;

n. interest on bonds issued by the State and by municipalities of Afghanistan.

Article 16 Income represented by the value of food, fuel, and goods consumed or used by the producer of the same or by members of his household is excluded from income tax.

Article 17 Rent received in money or otherwise from renting and leasing immovable property used for commercial or industrial purposes is subject to income tax. Taxation of agricultural lands, gardens, and livestock is subject to other laws.

Article 18 A deduction called personal exemption is allowed to persons who are citizens of Afghanistan or aliens residing in Afghanistan. The personal exemption is:

a. 15,000 afghanis for the person who is the taxpayer;

b. 10,000 afghanis for the spouse of the taxpayer, who is limited to one such exemption;

c. 2,000 afghanis for each dependent child of the taxpayer under 19 years of age;

d. 2,000 afghanis for each dependent child over 19 years of age who attended school not less than six months in the taxable year;

e. 1,000 afghanis for each dependent parent certified by the Ministry of Justice.

A personal exemption may not be claimed for a spouse or for any dependent child unless two conditions are met:

First, the support of the spouse or dependent child must have been furnished by the taxpayer during the taxable year.

Second, all of the income of the spouse or dependent child must be included with the income of the taxpayer claiming the exemption.

The total amount allowed under this Article for personal exemptions of any taxpayer shall not exceed 35,000 afghanis.

Article 19 Deduction of all ordinary and necessary expenses of the production, collection, and preservation of income is allowed to persons, corporations, limited liability companies, and other entities. To be deductible, these expenses must have been incurred during the taxable year, or one of three previous years, in accordance with provisions of this Law. Personal expenses and expenses of going to and coming from the place of work and other expenses not specified in the following paragraphs are not deductible.

a. Whatever is related to the cost of productive articles and/or expenses of sale and business, such as insurance and transportation, and other expenses is deductible.

b. The cost of supplies, materials, fuels, electricity, water, and ordinary and necessary expenses used in the production of income, or in a trade or business, is deductible.

c. Wages, salaries, commissions, and fees paid for services rendered by employees in the trade or business are deductible.

d. Interest on business debts is deductible.

e. Rental paid on property necessary to and used in trade or business is deductible.

f. Cost of repairs and maintenance of property necessary to and used for purposes of the business or trade is deductible.

g. Depreciation of property (except agricultural land) used in a trade or business or held by the producer for the production of income, is deductible according to the Income Tax Manual. The total of deductions for depreciation of any item of property over a period of years shall not exceed its cost to the taxpayer.

h. Any tax or duty which in itself is a necessary expense of doing business, holding property for income, or of producing income, if paid or accrued during the taxable year, is deductible. Taxes imposed by this Law and taxes not qualifying as necessary business expense are not deductible, except as otherwise provided by this Law.

i. Damages to property, with recorded or other evidence of cost, are substantiated by records or other evidence caused by fire, earthquake, and by casualty or disaster of any kind are deductible over a three-year period, to the extent not recovered by insurance.

j. Losses in business or trade from bad debts are deductible according to the Income Tax Manual established by the Ministry of Finance.

k. Dividends paid in money by a corporation or limited liability company organized under the Laws of Afghanistan are deductible from the taxable income of that company. Such dividends are to be included in the taxable income of the person, corporation, limited liability company, or other entities receiving them.

l. Other expenses of work or business, of holding property and goods for production of income and expenses of producing income recognized necessary and legitimate expenses of productionoof income and so set forth in the Law and regulations are deductible.

m. Advertising and entertainment expense evidenced by documents and up to two per cent of net income is deductible.

Article 20 Personal expenses including but not limited to the following items are not deductible:

a. Wages or other compensation paid to any person for services rendered to the taxpayer or his family for his or his family's benefit and enjoyment;

b. expenses and costs of maintenance, repair, construction, improvement, furnishings, and other expenses of the taxpayer's or his family's house or residence or any property devoted to his own personal or family's use;

c. interest on personal indebtedness;

d. costs of commuting to and from work and cost of travel for personal purposes;

e. cost of life, accident, health, and liability, insurance for the protection of the taxpayer and his family; and

f. cost of insurance of any kind for the protection of property used for personal purposes.

Article 21 The cost of acquiring land, buildings, durable items such as machinery: equipment, fixtures, and furniture, or costs of additions or improvements to the same are not deductible, except in the form of depreciation expense allowed under paragraph "g" of Article 19, and except at the time of sale of property as provided in Chapter III.

Article 22 Additions to reserves for contingencies, for bad debts, and for other purposes are not deductible except as such additions are necessary to provide reserves required by law.

Article 23 Taxes paid to foreign countries by foreigners on income from sources within Afghanistan are not deductible from income, nor allowable as credits against the income tax, except as provided by an existing treaty.

Article 24 According to this Law, income from sources within Afghanistan includes but is not limited to the following items:

a. interest from loans, deposits, investments, etc., within Afghanistan;

b. dividends received from domestic or foreign companies doing business in Afghanistan;

c. any compensation, such as salaries, wages, self-employment income, and the like for services performed within Afghanistan;

d. rentals and royalties from any property located in Afghanistan or from any right or interest in such property;

e. gain from sale of real and moveable property located in Afghanistan; and

f. commissions on sales of any kind, including insurance, earned in Afghanistan.

CHAPTER III

GAIN OR LOSS FROM SALE, EXCHANGE

Article 25 Gain from the sale or exchange of fixed assets and investments in business and trade is subject to the tax on income as specified in this Chapter.

Article 26 Gain from the sale or exchange of any asset of a corporation or limited liability company is taxable income in the taxable year the asset was transferred.

Article 27 Gain from the sale, exchange, or transfer, except by inheritance, of an asset, belonging to an individual and specified below is taxable income:

a. a trade or business, including good will;

b. a factory, including equipment, machinery, building and land, or any part of such assets;

c. equipment used in the business of transporting persons and property; and

d. shares of stock in corporations or limited liability companies.

Article 28 Proceeds from sale, exchange, and transfer of assets, except by inheritance, shall be reported in full. The following deductions from proceeds of sale or exchange are allowed in determination of taxable gain:

a. Cost to the taxpayer of the asset and investment sold, less the total amount allowable for its depreciation, since it was acquired.

b. Expenses of sale including sales commissions, advertising expense, legal expense, transaction and document taxes, and other expenses of selling and transferring the asset.

Article 29 In transfers of property except inheritance and other than by sale, the market value shall be the basis for computation and determination of tax.

Article 30 The nature of the transfer shall not affect taxability of gain from the transfer, except by inheritance, which is not taxable.

Article 31 Losses from the sale or exchange of fixed assets used in trade or business are deductible from the taxable income of the taxpayer in the taxable year in which the sale or exchange took place, provided that the gain from such sale or exchange is actually taxable.

Article 32 Loss from sale or exchange of shares of stock is not deductible except from gain from sale or exchange of shares of stock in the same year. For any such gain, if in excess of loss from such transactions, the excess is taxable, but if any such loss is in excess of gain, the excess loss is not deductible.

Article 33 Method of Determination and Computing Tax on Increase in Value of Property

a. Gain, taxable under Article 27, from sale or exchange of an asset owned by an individual 18 months or more is subject to the provisions of this Article if one or more of the following criteria and conditions are met:

   1. the transfer (except by inheritance) of property was not a sale;

   2. the asset transferred was a capital asset;

   3. the asset was transferred in the sale or liquidation of a business.

b. The income tax of any individual in any taxable year during which fixed assets and investments owned by him eighteen months or more were transferred under any of the circumstances described above, shall be the product of his taxable income from all sources multiplied by the special rate imposed by paragraph "c" of this Article.

c. The special rate imposed by this Article shall be determined as follows:

   1. the gain from transfer of any assets (except by inheritance) subject to the provisions of this Article is divided by the number of

years (to the nearest year) it was owned;

2. the average annual gain or gains so determined are added to all other taxable income;

3. a tentative tax is computed on this total by applying the rate schedule in Article 3;

4. the tentative tax so obtained, divided by the amount on which it was computed, is the special rate referred to above, except that if the resulting rate is less than four per cent the special rate shall be four per cent.

Article 34 Gain from sale or transfer (except by inheritance and those mentioned in paragraphs "b" of Article 27) of land and buildings by an individual owner is not subject to income tax. Instead, the sale or transfer price of such property is subject to a tax hereby imposed on the individual owner (or owners) selling or transferring the same. This tax, due and payable at the time of transfer, shall be one per cent of the price received, or, if the transfer was not a sale or inheritance, one per cent of the market value of the property at the time of transfer.

CHAPTER IV

PARTNERS AND PARTNERSHIPS

Article 35 The following definitions apply with reference to provisions of this Law:

a. A partnership is an association of two or more persons joining under an agreement, in accordance with the provisions of the Commercial Code, to carry on business and share the profits.

b. A partner is one of the members of the partnership.

c. The partnership agreement is the body of provisions agreed to by the partners under which they operate the partnership.

d. A general partnership (Sherkat-Tazamoni) is one in which the partners are liable for payment of debts of the partnership, individually or collectively.

d. A special partnership (Sherkat-Tazamoni-Mekhtalet) is one in which one or more partners have unlimited liability for debts of the partnership and the rest of the partners have liability limited to their shares of capital in the partnership.

f. A limited liability company (Sherkat-Mahdudul-Masseliat) is a partnership in which the partners are not individually liable for debts of the company, but each partner has liability limited to his shares of capital in the company.

Article 36 A limited liability company is subject to the same provisions of this Law as corporations (Sherkat Sahami). Partners in such companies are considered shareholders, and distributions of earnings are considered dividends for purposes of this Law.

Article 37 A special partnership is subject to the same provisions of this Law as a general partnership.

Article 38 A general partnership in itself is not subject to the income tax imposed by this Law. Partners are liable for income tax only in their separate and individual capacities. The income of the general partnership is taxable as income of the partners individually, each of whom is required to include his share of the partnership income in his taxable income.

Article 39 Every general partnership is required to make an annual report of all its receipts, expenses, and disbursements, and to determine its net income in the same manner as an individual, except that no deductions for personal exemptions (Article 18) may be made. The partnership is required to report separately for each partner his share of the following items:

a. the net income or net loss;

b. the gains or losses from sale or exchange of movable and immovable property; and

c. salary, interest, dividends, advances, etc.

Article 40 The income, expenses, and net earnings of a general partnership shall be deemed to have been shared by the partners according to the terms and conditions of the general partnership agreement.

CHAPTER V

RULES FOR ACCOUNTING

Article 41 All persons with taxable income in a taxable year, all partnerships, limited liability companies, corporations, and other entities shall keep records of all transactions, of all movable and immovable property owned or leased, and of all income. Such records together with all statements, receipts, and other documents pertaining to transactions, leases, contracts, and other business shall be preserved by the owner and be available to the Ministry of Finance upon request.

Article 42 Corporations and limited liability companies shall determine their income, using the accrual method of accounting which recognizes income and expense when due.

Article 43 A taxpayer except a corporation and a limited liability company, shall determine taxable income using the cash method of accounting which recognizes income and expenditures when payment is made. The Ministry of Finance may, however, give permission to such taxpayer to determine his income using an accrual method. When a change to an accrual method of accounting has been approved, the taxpayer is required to adopt and use such method.

Article 44 The Ministry of Finance is authorized to prescribe the records that shall be kept by any taxpayer or class of taxpayers to reflect income clearly and to require such reports as it deems necessary to administer the income tax.

Article 45 Inventories of goods, products, and materials used in business shall be taken at the close of each taxable year and priced at cost or market value, whichever is lower. All taxpayers engaged in manufacturing, trade, or other business are required to take inventories on such basis as the Ministry of Finance may prescribe.

Article 46 In case two or more organizations, trades, or businesses are owned or controlled directly or indirectly by the same person, group of persons, corporation, or other entities, the Ministry of Finance may distribute, apportion, or allocate receipts, deductions, credits, or allowances between or among such organizations, trades or businesses to reflect accurately the income and prevent evasion of taxes.

CHAPTER VI

SPECIAL PROVISIONS RELATING TO CORPORATIONS AND LIMITED LIABILITY COMPANIES

Article 47 Carry-Over of Losses. A net operating loss is defined as the amount by which deductions allowed under this Law exceed receipts. A corporation or limited liability company incurring a net operating loss in taxable year should deduct this loss from its taxable income of three succeeding years, deducting each year one-third of the loss.

Article 48 Distribution of Property, not Dividends, by Corporations and Limited Liability Companies. Except payments of dividend, and except when made in connection with liquidation of a corporation or a limited liability company, the distribution of the assets of the corporation or limited liability company to its shareholders or partners shall be treated by the shareholder or partner as a reduction in the cost of his stock or capital share.

Article 49 Liquidation of a Corporation or a Limited Liability Company. A distribution of assets in connection with liquidation of a corporation or a limited liability company shall be treated by the shareholder or partner as proceeds from sale or exchange of assets as provided in Chapter III of this Law. The amount distributed in money plus the market value of any other asset distributed less the shareholder's cost of the stock or the amount of partner's capital on which distribution is made, is taxable income of the shareholder or partner. No gain or loss shall be recognized to the corporation or limited liability company on the distribution of its assets in partial or complete liquidation.

Article 50 Dividends in Money and Securities. A dividend is any distribution of money or assets made by a corporation or a limited liability company to its shareholders or partners out of earnings. Dividends are subject to the following provisions:

a. Dividends in money paid by any corporation or limited liability company organized under the laws of Afghanistan are deductible from the income of the corporation or limited liability company paying such dividends.

b. Dividends paid in the form of securities of any kind are not deductible from income of the corporation or limited liability company;

c. Dividends in money are taxable income of the recipient at the time received, but dividends in the form of securities of any kind are not considered taxable income of the recipient at the time received.

Article 51 Withholding of Tax on Dividends, Wages, and Salaries by Corporations and Limited Liability Companies. Any corporation or limited liability company organized under the laws of Afghanistan is required to withhold income tax from wages and salaries paid, as provided in Chapter IX of this Law. Such corporation or limited liability company is also required to withhold 20 per cent of all dividends or distributions paid in money. An additional 10 per cent (total 30 per cent) shall be withheld from such dividends upon anonymous investments in shares of the corporation or limited liability company. The amounts withheld are to be paid by the corporation or limited liability company to the State at the time of payment of the dividend. At the same time a report shall be filed with the Ministry of Finance listing the names of all shareholders or partners, the amount of dividend withheld, and the amount paid each shareholder or partner. When distributing dividends, a corporation or limited liability company shall issue to each shareholder or partner a statement of the amount of his dividend, the amount withheld, and the balance paid to him. The amount withheld shall be a credit against the income tax of the shareholder or partner on all of his income, including the dividend before withholding. That statement from the corporation or limited liability company shall be attached to his income tax return for the taxable year in which the dividend was paid.

Article 52 To corporations meeting the following conditions, for the purpose of expansion, a credit for five years, of not more than 15 per cent in total nor more than five per cent in any taxable year is allowed only for importation of new machinery, equipment and apparatus based on the certification of the Ministry of Mines and Industries and only against tax liabilities of five consecutive years beginning with the first day of the taxable year during which the new machinery, equipment, or apparatus was required:

a. the corporation is engaged in manufacturing or mining;

b. the corporation has purchased and acquired new machinery, equipment, or apparatus which has been or will be placed in operation in Afghanistan;

c. the corporation has furnished copies of all documents pertaining to the purchase and delivery of the property involved to the Ministry of Finance in accordance with the Income Tax Manual.

The allowance of this credit shall affect neither depreciable value nor the deductibility of depreciation of the assets acquired.

Article 53 A newly established industrial company may be granted exemption of its profits from taxation as provided by the Industrial Encouragement Law for specified periods. Any company receiving such exemption shall not receive credit against future taxes for purchase of machinery, equipment, and apparatus made prior to the end of the period of exemption.

CHAPTER VII

TAXATION OF INSURANCE COMPANIES

Article 54 Insurance companies, to qualify for the provisions of Articles 55, 56, 57, and 58, shall meet the following conditions:

a. They shall have been organized as corporations under the laws of Afghanistan.

b. If the company is engaged in more than one field of insurance -- such as casualty-risk insurance, life insurance, or in any other business -- the company must have separate accounting and reserves for each of its fields of insurance and other activities.

Article 55 Taxable Receipts of Insurance Companies. The following receipts of insurance companies are subject to income tax:

a. Interest, dividends, rent, and other income from investments and property;

b. All receipts from activities other than insurance;

c. All premiums for insurance against fire, theft, accident, sickness, casualty, or risk, the insurance of which is for a specified term, and from which no claim may be made by the insured except for losses from the eventuality insured against;

d. Gains from capital transactions which are taxable as provided in Chapter III of this Law.

Article 56 Premium Income that is Exempt from Income Tax. All premium income for insurance written in contracts that require ultimate payment of specified benefits to the policyholder or his beneficiaries is exempt from income tax.

Article 57 Nondeductible Expenses of Insurance Companies. The following expenses and payments made in connection with insurance for which premium income is tax exempt under Article 56 are not deductible:

a. Commission expense and other costs of issuing such insurance;

b. Payments of benefits to the policyholders or their beneficiaries.

Article 58 Deductible Expenses of Insurance Companies. The following expenses and payments of insurance companies are deductible from their income:

a. Claims paid on insurance for which premium income is taxable;

b. Commissions and other costs of writing insurance for which premium income is taxable;

c. Reinsurance costs of insurance for which premium income is taxable;

d. Additions to reserves for claims, provided such reserves do not exceed 100 per cent of premiums for marine insurance and 50 per cent of premiums for any other risk insurance received during the taxable year;

e. Additions to reserves for losses in operations in the field of insurance for which premium income is taxable, provided such reserves do not exceed twice the amount of paid-in capital for such field of insurance;

f. All necessary expenses of doing business as provided in Chapter II except those cited in Article 57.

Remark: Any transfers or payments from reserves cited in Clause "d" and Clause "e" above, except for actual claims and losses or for dividend payments in money, are taxable income in the taxable year during which the transfer or payment was made.

Article 59 Any foreign insurance company or underwriter receiving premium income of any kind from within Afghanistan is subject to tax. Such income shall be determined as follows:

a. the premium received by the company from Afghanistan in the taxable year shall be determined;

b. the total premiums received world-wide by the company in the same period shall be determined;

c. the net income before income tax and dividend payments of such company from its world-wide business during the same period shall be determined;

d. the amount determined in "a" divided by the amount determined in "b" multiplied by the amount determined in "c" shall be the taxable income.

CHAPTER VIII

TAXATION OF BANKS, LOAN AND INVESTMENT CORPORATIONS

Article 60 Banks and loan and investment corporations are subject to income tax on all income from dividends, interest, discounts, rents, service charges, fees, commissions, and on gain from capital transactions.

Article 61 Necessary business expenses, as provided in Chapter II, are deductible from the income described in Article 60. Losses from capital transactions, dividends paid in money, and additions to a reserve against losses on loans are also deductible.

Article 62 Additions to reserves against losses on loans are deductible only if such reserve does not exceed 25 per cent of loans outstanding at the end of the taxable year. Any transfers or payments from such reserve, except in accordance with the purpose of the reserve, are taxable income in the year the transfer or payments was made.

Article 63 Increase or decrease in value of securities owned is not recognized for purposes of this Law until realized through sale or exchange of the securities. When gain or loss is realized through sale or exchange of the securities, such gain or loss shall be income or loss in the year in which the sale or exchange took place.

CHAPTER IX

WITHHOLDING TAXES AT SOURCE OF INCOME

Article 64 Withholding of Taxes on Salaries and Wages. All partnerships and organizations employing 10 or more persons in any month of a year, all agencies, departments, and enterprises of the State, and municipalities, all corporations, and limited liability companies are required to withhold taxes as provided in this Chapter from all salary and wage payments. The amount withheld from each salary or wage shall be determined by reference to the tax tables issued in accordance with Article 65, and the amount withheld shall be paid by the employer to the Treasury of the State, as provided in Article 66.

Article 65 Amount of Tax to be Withheld from Salaries and Wages. All persons receiving salaries and wages subject to tax withholding as provided above are subject to taxes specified in tax tables issued by the Ministry of Finance. Such tables shall list monthly salaries or wages and the tax to be withheld from each amount, shall reflect as closely as practicable the individual income tax rates in Article 3, and shall also take into account personal exemptions allowable.

Article 66 Remittance of Tax Withheld to the State. Any employer required to withhold taxes by Article 64 is required to remit to the State the amount withheld within one week. The remittance shall be made to Da Afghanistan Bank or to an agent authorized in the Income Tax Manual to receive tax payments. The employer shall submit with this remittance a Tax Withholding Report in such form as is prescribed in the Income Tax Manual of the Ministry of Finance.

Article 67 Annual Salary and Tax Statement to be Furnished Each Employee. At the end of the taxable year each employer required to withhold taxes from salaries and wages shall prepare for each person on the payroll during the taxable year a salary and tax statement in the form prescribed by the Ministry of Finance.

Article 68 Annual Summary Report of Taxes Withheld from Salaries and Wages. Every employer required to withhold taxes from salaries and wages shall file an Annual Summary Report of

Taxes withheld from Salaries and Wages in the form and at the time and place prescribed by the Ministry of Finance.

Article 69 Persons Who Discharge Tax Liabilities through Taxes Withheld. The income tax liability for a taxable year is discharged by a person filing his salary and tax statement, certified by his employer, within six months after the end of the taxable year, provided he meets the following conditions:

a. He has no taxable income in the taxable year other than the salary or wage from which taxes were withheld.

b. He was not employed during the taxable year by more than one employer.

c. The taxes withheld were in accordance with the tables of instructions issued by the Ministry of Finance as provided in Article 65.

Article 70 Additional Tax Liability of Person Employed by More than one Employer Subject to Tax Withholding. Any person with income from salaries or wages subject to tax withholding from more than one employer, but with no other taxable income, shall file an income tax return as provided in the regulations under Chapter XII. The taxes withheld at the sources from salary or wages shall be a credit against his tax liability.

Article 71 Tax Liabilities of Persons with Income Other than Their Salaries and Wages. Any person with taxable income in addition to his salary or wages shall file an income tax return as provided in the regulations under Chapter XII. The taxes withheld shall be a credit against the taxpayer's tax liability.

CHAPTER X

BUSINESS TRANSACTIONS TAX OF LIMITED LIABILITY COMPANIES AND CORPORATIONS

Article 72 By the provisions of this Chapter, a tax called the business transactions tax is imposed on the business activities of limited liability companies and corporations, in the manner and at the rates specified.

Article 73 The business transactions tax is collected from limited liability companies and corporations as follows:

a. five per cent of the receipts (before deductions) during the taxable year of commissions, fees, interest, dividends, rent, royalties, and similar income;

b. two per cent of all receipts (before deductions) during the taxable year for materials, equipment, services, transportation, and construction provided under terms of a contract;

c. two per cent of the receipts (before deductions) during the taxable year from premium income for insurance;

d. two per cent of the receipts (before deductions) from sale of admissions to public entertainment including cinema, shows, plays, concerts, exhibitions, and carnivals; and

e. two per cent of all the receipts (before deductions) during the taxable year from sales of products, goods, assets, and services, not included in "a", "b" "c" and "d" above, less the total paid during the same year of a tax of four per cent of the total cost (including customs duties) of goods imported and two per cent of the total cost (including customs duties) of goods exported. This tax on imports and exports imposed herewith on corporations and limited liability companies shall be paid at the customshouse through which the goods are cleared.

No part of this tax shall be refunded, or applied as a credit to the net income tax.

Article 74 The business receipts tax is due and payable within six months after the close of the taxable year. The taxable year is the solar year in which the receipts and income were realized. The business receipts tax must be paid either before or at the same time as the income tax is paid except as provided in Article 73 Clause "e".

Article 75 Business Transactions Tax Not Affected by Income Tax: Profit or loss in the same or preceding year does not affect the business transactions tax provided in this Chapter.

Article 76 Business Receipts Tax Subject to Exemptions for New Industries and by Investment Laws. Exemption given to companies under laws to encourage new industries or under the Foreign Investment Law shall apply with respect to the collection of business transactions tax provided by this Chapter.

Article 77 Business Receipts Tax is Deductible from Income. The business receipts tax paid or payable shall be a deductible expense in computing taxable income for the same taxable year.

CHAPTER XI

FIXED TAXES OF INDIVIDUALS

Article 78 The taxes imposed by this Chapter are called fixed taxes and are imposed on commercial activities of individuals who are engaged in the activities or who own the properties described in this Chapter, and in the manner and at rates specified.

Article 79 The taxable year is the year in which the individual is engaged in the activity or owns the property. Fixed taxes are payable during the taxable year unless otherwise provided in this Chapter.

Article 80 Fixed Tax of Importers. All individuals in the business of importing goods from foreign countries for sale in Afghanistan are subject to a fixed tax of four per cent of the cost including customs duties of the goods imported. This tax shall be paid at the customshouse through which the goods are cleared. Fixed taxes are deductible from income of the year of the activity and the remaining income is subject to income tax as provided in this Law.

Article 81 Fixed Tax of Exporters. All individuals in the business of exporting goods and products from Afghanistan are subject to a fixed tax of two per cent of the cost including customs duties of such goods and products. This tax shall be paid at the customshouse through which the goods are cleared. Fixed taxes are deductible from income of the year of the activity and the remaining income is subject to income tax as provided in this Law.

Article 82 Fixed Tax of Internal Traders. All individuals not having business licenses and who are engaged in trade from one province to another are subject to a tax of four per cent of the total cost of foreign goods purchased and two per cent of the cost of domestic goods purchased except foodstuffs and fuel, and raw materials for domestic manufacturing. The tax shall be paid at the customshouse of the district in which the goods were purchased. Such tax is in lieu of taxes on income from such trade.

Article 83 Fixed Tax of Individuals Engaged in Transporting Persons or Property. The fixed tax of individuals in the business of transporting persons or property is a tax on each vehicle used in such business. The owner of the vehicle is liable for and shall pay the tax at the tax office of the district in which he resides on or before expiration of the highway-use license of the vehicle. No highway-use license may be issued for a vehicle used in the business of transporting persons or property until the fixed tax has been paid as evidenced by a receipt. The tax per vehicle shall be as follows:

a.	Taxi	600 afghanis per unit
b.	Truck or bus	500 afghanis per ton of rated capacity
c.	Animal-drawn vehicle	100 afghanis per unit
d.	Hand-drawn vehicle	50 afghanis per unit

Article 84 Fixed Tax of Individual Contractors. Individuals who furnish supplies, materials, or services to the State under contract, and those who under contract, construct, lease and operate public baths, serais, and ice storage houses are subject to a fixed tax in lieu of taxes on income from such activities. The fixed tax is computed on the sum of all payments received on contracts during the taxable year. A preliminary tax shall be paid on each contract at the time the contract is made or a payment is received. Such tax payment shall be computed in accordance with rules and regulations of the Ministry of Finance. The final payment of tax shall be the balance, if any, after subtraction of all preliminary tax payments from total fixed tax computed on the sum of all payments received during the year. The following schedule shall be used both in computing the preliminary tax payment and in determining the total fixed tax for the year:

	Amount of Contract or Amount Received:				Tax:		
	Afs.	1 to Afs. 20,000		1%			
FROM	20,001 "	40,000	Afs. 200 plus	2%	of excess over		20,000
	40,001 "	70,000	600 "	3%			40,000
	70,001 "	1,000,000	1,500 "	4%			70,000
	1,000,000 above		38,700 "	5%			1,000,000

Article 85 Fixed taxes of cinemas, theaters, exhibitions, carnivals, and other organizations not subject to taxation under Chapter X of this Law or individuals who are in the business of operating cinemas, theaters, exhibitions, and carnivals are subject

to a fixed tax of ten per cent of receipts from sale of admissions. This fixed tax is in lieu of taxes on income from such business. The fixed tax on admission sales during the month shall be paid before the sixth day of the following month, at the tax office of the district in which the showing took place.

Article 86 Fixed Tax of Grain and Processing Mill, Cane and Seed Oil Machinery. Owners of mills grinding grains or processing rice, cane or seed oil extracting machines other than those included in Article 87 and its regulations are subject to a fixed tax in lieu of taxes on income from such property. This tax shall be ten per cent of the estimated gross income per year from such mills or machines. The estimated gross income per year shall be determined in accordance with rules and regulations of the Ministry of Finance, and the tax shall be paid by the owner at the tax office of the district in which the mill or machine is located.

Article 87 Fixed Tax on Power of Grain Processing Mills and Saw Mills. Owners of mills, operated by any kind of power other than those included in Article 85 and its regulations are subject to fixed tax in lieu of taxes on income tax from such property. This fixed tax is 200 afghanis per horse-power per year of the motors providing power for the mill and is paid at the tax office of the district in which the mill is located.

Article 88 All individuals selling goods and services from established places of business are subject to taxes specified in the schedule of tax categories of businesses. These taxes are in lieu of income taxes from the sale of such goods and services. The tax due from an individual owner (or owners) of a fixed place of business is the amount specified for the related category and grade of such establishment. This tax shall be paid at the tax office of the district in which the business establishment is located. The schedule of tax categories of business establishments shall be prepared by the Ministry of Finance with due consideration for the following points:

a. categories shall be established in accordance with the kinds of goods and services sold;

b. each category shall be divided into grades reflecting estimated net income potential;

c. a fixed tax shall be specified for each grade of a category.

Article 89 The schedule of tax categories of business establishments shall be submitted to the Council of Ministers for its approval. Following such approval, the Minister of Finance shall appoint and instruct a committee to classify all business establishments of individuals into appropriate tax categories. The committee shall estimate the net income potential of each establishment with due consideration for the following factors:

a. the kind of goods and services offered;

b. the estimated volume of business;

c. the size and rental value of the establishment;

d. the economic advantages of its location;

e. the population of the village or city.

At least once every three years the committee shall review the classifications of the business establishments in each of the categories. The committee shall consult representatives of the business involved so that each establishment is taxed in accordance with the principles expressed in this Article.

Article 90 TAX CATEGORIES LISTED IN APPENDIX I. The tax categories, as listed in Appendix I of this Law, are in effect with enactment of this Law. Additional categories may be added in accordance with Article 89.

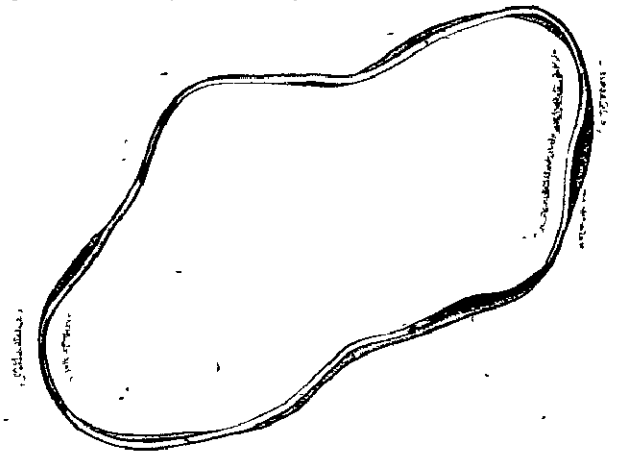
Article 91 Fixed Taxes Provided in Appendix II. Until such time as the provisions of Article 89 have been carried out with respect to a fixed place of business of an individual, the tax on that place of business shall be collected in accordance with the provisions of Appendix II of this Law. Such tax is in lieu of taxes on income from business in such places.

Article 92 Fixed Taxes Provided in Appendix III. Individuals engaged in income earning without a fixed place of business, and not taxed under any other article of this Chapter, are subject to fixed taxes specified in Appendix III of this Law. Such taxes on income from the occupation taxed, and the owner of the occupation shall pay the tax specified at the tax office of the district in which he resides.

Article 93 The schedule of tax categories of occupations shall be prepared by the Ministry of Finance in the same manner as that of fixed establishments as provided in Article 90. Upon approval of such schedule by the Council of Ministers, individuals subject to fixed tax on their occupations shall be classified into the appropriate tax categories of the schedule, so that each individual shall be taxed in accordance with the estimated net income potential of his occupation.

Article 94 The schedule of tax categories of occupations listed in Appendix III shall be effective with approval of this Law. As provisions of Article 93 above are carried out with respect to other occupations, tax categories shall be added to Appendix III, and shall become effective.

Article 95 Until such time as the provisions of Article 93 above have been carried out with respect to occupations subject to fixed taxes, the taxes provided in Appendix IV of this Law shall remain in effect.



CHAPTER XII

FINAL ARTICLES

Article 96 A willful evasion from paying taxes is a crime and the taxpayer will be prosecuted by the Ministry of Justice according to the provisions of the Law.

Article 97 Disputes arising out of the application of this Law shall be heard in the public security tribunal of the related provincial court in accordance with the Law.

Article 98 This Law shall be effective after it is published in the Official Gazette.

Article 99 The Ministries of Finance, Justice, and other agencies of the State are responsible for the administration of this Law.

Effective date: May 19, 1965

Translation and comments by
the Ministry of Finance.

LABOR CODE OF AFGHANISTAN

Regulations to govern the employment of persons in industrial establishments in Afghanistan. Dated 16 January 1946 (24 Djady 1324). (As modified up to 13 June 1950.)

These regulations are made for the purpose of regulating the relations in industry between workers and employees on the one hand, and employers on the other hand.

These regulations are based upon the following two principles:

1. freedom to choose one's vocation: all persons are free to choose any lawful vocation provided that they obtain permission in writing from the Ministry of National Economy and carry on the vocation chosen in accordance with rules made by the public authorities;

2. protection of employed persons by applying the following rules:
   - (a) regular payment of full remuneration;
   - (b) compensation for accidents occurring in the course of employment;
   - (c) regulation of hours of work in accordance with the rules of equity;
   - (d) weekly rest day;
   - (e) accident prevention;
   - (f) hygiene.

CHAPTER I. CONDITIONS OF EMPLOYMENT

1. For the purposes of these Regulations, the expression "employer" means any person who, under the terms of a contract, employs another in his undertaking for manual or non-manual work or both.

2. The expression "employee" means any person who, under the terms of a contract, performs work which is both manual and non-manual.

3. The expression "foreman" means any person placed in charge of a number of workers or apprentices to direct and superintend their work. In these regulations, a foreman shall have the same legal status as an ordinary worker.

4. The expression "worker" means any person who, under the terms of a contract, performs manual or non-manual work, or both, in an undertaking belonging to his employer.

5. The expression "apprentice" means any person not practising an occupation, who is engaged in an undertaking with a view to learning a trade.

6. No employer shall engage a worker or employee without having concluded with him a written contract of employment.

"Contract of employment" means any contract under the terms of which the worker or employee undertakes to perform certain work in the undertaking in return for a given wage. The employer, for his part, undertakes to pay a specified wage to the worker or employee. Such contracts shall be concluded by mutual agreement.

NOTE: Two copies of every such contract shall be signed and each of the contracting parties shall keep one copy.

7. One month's notice of termination of a contract shall be given in every case, whether or not the term of the contract has been stipulated.

8. Industrial establishments shall be required to post up notices containing their conditions of employment. Workers and employees shall be engaged by mutual agreement in accordance with Regulation 6.

9. Apprentices shall likewise be engaged by means of a written contract, known in this case as a "contract of apprenticeship". No apprentice shall be under the age of fifteen years. Every contract of apprenticeship shall stipulate that the employer undertakes to train the apprentice in a given trade, either himself or through a foreman. The apprentice shall undertake to work for a given period under the direction of the employer or of a foreman appointed by the employer.

NOTE: The term of apprenticeship shall be of three years. Young persons under the age of fifteen years shall not be employed in any undertaking other than as "adjoureh" without pay. They shall not be employed under contract of any kind.

10. If any worker or apprentice enters the service of an employer under a contract for a definite or indefinite period, quits his employment before the end of the contract or without giving the notice referred to in

Regulation 7, and enters the service of another employer, the new employer shall (irrespective of any compensation payable by the worker or apprentice by reason of loss caused to his former employer by such breach of contract) be required to pay compensation in the following cases:

(a) if the new employer whose service the worker or apprentice entered incited the latter to break his contract;
(b) if the new employer agreed to employ the worker or apprentice though fully aware of what the latter had done;
(c) if the new employer continued to employ the worker or apprentice after becoming aware that he had broken his contract.

CHAPTER II. OBLIGATIONS OF EMPLOYERS

11. The wages of workers and employees shall be determined by agreements between them and the employer and duly specified in the contract of employment. The employer shall be required to pay the wages in full and at the times fixed.

12. Wages shall be paid in the currency of the country. It shall be unlawful to pay them in kind or by means of vouchers exchangeable for products. Every contract containing terms under which remuneration is paid in kind or by means of vouchers exchangeable for products shall be deemed to be null and void: provided that an exception shall be made in this respect as regards employees or officials of foreign nationality whose employment is regulated by a contract of employment of a special kind.

13. Wages shall be payable monthly. If because of urgent need a worker or employee asks to be paid fortnightly, the employer shall comply with his request whenever possible.

14. An employer shall be permitted to open a canteen in his undertaking subject to the following conditions:

(a) he shall not employ his workers or employees in such canteen with or without remuneration;
(b) he shall not make any pecuniary profit from the provision of meals in the canteen;
(c) the canteen shall be placed under the control of a committee of which not less than one-third of the members shall be chosen by the workers and employees of the undertaking.

15. Wages shall be paid directly to the worker or employee. The employer shall not be entitled to withhold the remuneration of his workers or employees for the purpose of paying their creditors. Only in a case where a court order is made shall he be entitled to withhold a part of the wages of his workers or employees on behalf of their creditors.

16. Where a worker or employee owes a sum of money to his employer, the latter shall be entitled to deduct the amount thereof from wages during a period of from six months to one year.

17. Where an establishment becomes insolvent, all wages owing to workers and employees shall be paid in accordance with the Bankruptcy Regulations.

18. If a contractor refuses to pay the remuneration of any person employed on work of public interest or if he breaks his contract with the State, an institution, or private individual, the said person may obtain payment from any sums owed to the contractor by the State, institution or private individual when the said sums have been paid to the contractor.

19. Except in the cases mentioned under (a), (b) and (c) of Regulation 26, an employer shall be required to pay compensation in respect of accidents met with by workers and employees in the course of employment.

20. Any accident occurring in the following industries and activities shall be an accident for which compensation is payable, namely:

(a) the building, stone, wood, etc., industries, and in dyeworks;
(b) passenger and goods transport;
(c) loading, unloading and handling of goods;
(d) work in public or Government warehouses and repositories;
(e) work in stone quarries and mining industries;
(f) industries for the manufacture of explosives;
(g) all engineering industries;
(h) industries using power, whether water, gas, steam or electricity;
(i) commerce;
(j) agriculture (if the accident is caused by machinery or mechanical equipment).

21. Compensation for accidents shall be payable irrespective of the number of persons employed. A person who carries on an occupation alone or with the occasional help of a worker or domestic servant shall not be deemed to be an employer and shall not be required to pay compensation for accidents met with by their temporary staff. Only the person owning the machinery or implements causing the accident shall be liable for compensation.

22. Compensation for accidents shall be payable only to the following persons:

(a) employees;
(b) workers;
(c) apprentices aged fifteen years or over and employed for wages;
(d) apprentices under fifteen years of age employed without a contract or wages.

23. Lessees of public establishments who normally manage the establishment concerned shall be deemed to be employers. Lessees who do not normally manage the establishment concerned shall not be deemed to be employers, and shall not therefore be liable for compensation in respect of accidents to persons employed by them.

24. Commercial agents and travellers shall be entitled to compensation only for accidents if they work for one commercial establishment only. They shall not be so entitled if they work for two or more establishments in return for a commission. The latter shall be known as "commission agents".

25. Compensation shall be paid for the following types of accidents:

(a) accidents causing external or internal physical injury as a result of the violent action of a force and involving death or incapacity for work exceeding one week. Violent impacts causing wounds, sprains, or lesions, poisoning, etc., shall be deemed to be accidents of this type;
(b) accidents occurring during work even if the work was being performed by persons other than the injured person. Accidents during work for the employer performed outside the factory shall also give rise to compensation. Accidents occurring in the employed person's home or on the way to or from his home shall not give rise to compensation, nor shall accidents caused by an act of God such as lightning, earthquakes, floods, etc., do so.

26. An injured worker shall not be entitled to compensation if:

(a) at the time of the accident he was under the influence of drink or drugs;
(b) he willfully disregarded a rule expressly made for the purpose of ensuring his safety;
(c) he willfully removes or fails to use a protective device or other appliance provided by the employer for the purpose of ensuring his safety.

27. An employer shall be required to watch over the health of the person employed by him and to pay the cost of any treatment required by them in case of illness or accident (welfare fund set up under Regulation 31).

28. The compensation payable by an employer shall be as follows:

(a) in the case of permanent incapacity or loss of both arms, feet, eyes (or permanent loss of the use thereof), the compensation payable shall consist of a sum equal to the injured person's remuneration during the last two years, in addition to the cost of treatment. Such sum shall not exceed Afs. 12,000 or be less than Afs. 4,000;
(b) in the case of loss of the right arm above the elbow (or permanent loss of the use thereof), the compensation shall be thirty-five percent of the injured person's remuneration during the last two years, in addition to the cost of treatment. Such compensation shall not exceed Afs. 8,000 or be less than Afs. 3,000;
(c) in the case of loss of the left arm above the elbow (or permanent loss of the use thereof), or of the right arm below the elbow, or of a leg above the knee, the compensation shall be thirty percent of the injured person's remuneration during the last two years, in addition to the cost of treatment. Such compensation shall not exceed Afs. 7,000 or be less than Afs. 3,000;
(d) in the case of loss of the left arm below the elbow, of a leg below the knee, or loss of hearing, the compensation shall be twenty-five percent of the injured person's remuneration during the last two years, in addition to the cost of treatment. Such compensation shall not exceed Afs. 6,000 or be less than Afs. 3,000;

(e) in the case of loss of all fingers of both hands, the compensation shall be twenty-five percent of the injured person's remuneration during the last two years, in addition to the cost of treatment. Such compensation shall not exceed Afs. 6,000 or be less than Afs. 3,000;

(f) in the case of loss of one eye (or permanent loss of the use thereof), the compensation shall be fifteen percent of the injured person's remuneration during the last two years, in addition to the cost of treatment. Such compensation shall not exceed Afs. 4,000 or be less than Afs. 2,000;

(g) in the case of loss of a thumb (or permanent loss of the use thereof), the compensation shall be twelve percent of the injured person's remuneration during the last two years, in addition to the cost of treatment. Such compensation shall not exceed Afs. 2,000 or be less than Afs. 1,500;

(h) in the case of loss of all the toes, the compensation shall be ten percent of the injured person's remuneration during the last two years, in addition to the cost of treatment. Such compensation shall not exceed Afs. 2,500 or be less than Afs. 2,000;

(i) in the case of loss of an ear, the compensation shall be seven percent of the injured person's remuneration during the last two years, in addition to the cost of treatment. Such compensation shall not exceed Afs. 1,500 or be less than Afs. 1,000;

(j) in the case of loss of a joint of the forefinger or great toe, the compensation shall be five percent of the injured person's remuneration during the last two years, in addition to the cost of treatment. Such compensation shall not exceed Afs. 1,500 or be less than Afs. 1,000;

(k) in the case of loss of a finger other than the forefinger, the compensation shall be two and one-half percent of the injured person's remuneration during the last two years, in addition to the cost of treatment. Such compensation shall not exceed Afs. 1,200 or be less than Afs. 800.

29. In the case of persons who have been employed for less than two years in the factory concerned, the remuneration for two years shall be calculated in proportion to the last remuneration paid to him.

30. Where any person to whom Regulation 28 applies contracts in the course of his employment a disease in respect of which a medical practioner certified that treatment or rest for a certain time will be required, he shall be paid compensation by the appropriate public authority in proportion to the length of treatment.

31. Every industrial establishment shall deposit a sum of money in the bank to form its welfare fund. The said sum shall be used to pay compensation for industrial accidents.

32. The welfare fund of every establishment shall be constituted in the following manner:

(a) every industrial establishment shall deposit in the welfare fund a sum of Afs. 500 for each person employed;
(b) every worker and apprentice shall pay a monthly contribution of one percent of his wages to the welfare fund of the establishment in which he works;
(c) every employee shall pay monthly two percent of his wages by way of contribution to the welfare fund of the establishment where he works;
(d) any sums deducted by the employer under Regulation 46 from the wages of persons employed by way of fine or punishment shall be paid into the welfare fund of the establishment.

33. All the sums mentioned in the last preceding Regulation shall be deposited in the bank.

NOTE: One-half of the sums deducted from the wages of the persons employed shall be deposited in the bank to the welfare fund account and the other half to the account of the establishment. The latter amount shall be used in part to cover the cost of treatment of injured persons, and in part to establish dispensaries, infirmaries and other health facilities in the factory.

Where, at the time when an employed person's contract expires, it is found that his contributions have not been used to pay compensation for any accident, the amount of the said contributions shall automatically be refunded.

34. If the contributions paid by employed persons and sums deducted from their wages by way of fine or punishment are sufficient to meet the needs of the welfare fund, the employer shall be entitled, after obtaining permission from the competent authorities, to withdraw all sums paid by him to the welfare fund.

35. If the assets of the welfare fund are insufficient to cover the costs of treatment and compensation for accidents, it shall be the duty of the employer to make good the deficiency.

36. The permission of the director of the establishment where the injured person is employed and of the Ministry of National Economy or other competent authority shall be obtained before payment of compensation is made.

37. Where a factory becomes insolvent, all sums paid by it by way of contribution to the welfare fund shall revert automatically to the factory insofar as they are still available. The remaining moneys of the fund shall revert to those employees in the factory who have not had occasion to draw compensation of any kind. If there is any surplus in the fund, it shall be devoted to measures of public interest in accordance with special provisions to be made therefor.

38. If an employed person dies in the performance of the duties of his occupation or as a result of a fatal accident, compensation equal to the remuneration received by him during the last two years shall be paid to his lawful heirs or dependents: provided that such compensation (which shall be paid as a lump sum) shall not exceed Afs. 12,000 or be less than Afs. 4,000.

39. In addition to the obligation imposed upon him by Regulation 38, the employer shall be required to pay the cost of burial of any person employed by him who dies at the workplace. The employer shall withdraw the sum necessary for the purpose from the welfare fund of his establishment.

40. No claim to compensation shall be recognized or payment of the benefits prescribed in the preceding Regulations made unless an official report is drawn up, signed by a medical officer of the health service or a reliable medical practitioner of the locality and by the foreman. The said report shall be submitted to the Ministry of National Economy (in the case of accidents at Kabul), to the governor (in the case of the provinces), or to the deputy-governors (in the case of the districts). It shall contain full particulars of the accident or disease and certify that the accident or disease was the result of the employed person performing the duties or his occupation. The report shall be submitted within two to three days, excluding Fridays and public holidays.

41. The official reports mentioned in the last preceding Regulation shall be examined and the claims to compensation determined by a board of three persons constituted as follows:

(a) in the case of Kabul, by a representative of the Ministry of National Economy, an employer and an employed person, all appointed by the said Ministry;

(b) in the provinces, towns and districts, by a representative of the governor or deputy governor, an employer and and employed person, all appointed by the governor or deputy governor.

42. In pursuance of the undertaking given by him in the contract of apprenticeship, the employer shall teach (either himself, or through a foreman or worker) an apprentice in his service the trade which he will carry on in the factory. Except where expressly provided for in the contract, an employer shall not be entitled to use an apprentice on any work not stipulated in the contract, such as the work normally performed by a domestic servant. The employer shall be under no obligation to disclose trade secrets to an apprentice.

43. The employer shall be deemed to be a teacher as regards his apprentices. He shall, therefore, have all the duties of a teacher, namely, to concern himself with their vocational training, behavior and morals and, in case of need or sickness, communicate with their parents.

44. An employer shall be required to comply strictly with all the terms of contracts of apprenticeship.

45. On the expiration of a contract of apprenticeship, the employer shall deliver to the apprentice a certificate to the effect that the latter has successfully completed his term of apprenticeship. If it later appears that an apprenticeship certificate contains false particulars, the employer or other person who signed the certificate shall be liable.

CHAPTER III. OBLIGATIONS OF WORKERS, EMPLOYEES AND APPRENTICES

46. Every worker and employee shall be required to perform his work in accordance with the terms of his contract; if he does not do so, the employer shall be entitled to recover any loss from his wages and,

if the worker or employee does not amend his behavior, the employer may, with the consent of the competent authorities, terminate the contract.

47. All sums deducted by an employer from the wages of persons in his employ by way of fine or punishment shall accrue to the welfare fund in accordance with (d) of Regulation 32.

48. Any worker or employee who willfully causes damage to machinery, equipment, tools or other objects and materials entrusted to his care shall be tried by the Ministry of National Economy (in the case of Kabul), or by the governor or deputy governor (in the case of the towns, provinces or districts). If he is not acquitted, he shall pay compensation for the damage caused.

49. Every worker and employee shall be required to preserve the trade secrets of the factory in which he works and to make no use thereof for his personal advantage. If any worker or employee contravenes this provision he shall, on application being made by the employer, be tried and punished by the competent courts according to the gravity of his offence.

50. Every worker and employee shall be entitled to twenty days of compulsory annual holiday and to one month's sick leave. In order to obtain the latter, the worker or employee concerned shall submit an application in writing to the employer or director of the undertaking. If sickness lasts for more than thirty days or if a workers or employee absents himself without good cause for more than thirty days, the employer shall be entitled, with the consent of the competent authorities, to cancel the contract of the person in question. Where a worker or employee absents himself from the factory without good cause, the employer shall deduct an amount equal to two days' remuneration in respect of each of the first five days, and an amount equal to one day's remuneration in respect of each subsequent day. The employer shall attempt by all means at his disposal to persuade absentees to resume work.

NOTE: If any employer is unable to persuade a worker or employee who absents himself without good cause to resume work, he may request the competent authorities to take the necessary action to make the absentee resume work.

If an employee does not take his annual holiday, the employer shall pay him for the days worked during his holiday period.

51. In the case of apprentices, the annual holiday shall be of fifteen days and sick leave shall be for one month. In order to obtain the latter, the apprentice shall be required to make application to the employer or director of the undertaking in which he works. If an apprentice absents himself without good cause from the undertaking in which he works, the employer shall deduct from his wages an amount equal to one day's wages in respect of each of the first ten days. If the apprentice is absent for more than ten days, the employer shall be entitled to terminate his contract.

CHAPTER IV. TERMINATION OF CONTRACTS OF EMPLOYMENT OR APPRENTICESHIP

52. In the event of non-performance of the terms of a contract by one of the parties, the contract shall be terminable on any of the following grounds:

(a) if the employer fails to pay the employed person's remuneration under the terms of the contract;
(b) if the worker or employee absents himself too often from work;
(c) if the worker or employee commits larceny or a breach of confidence;
(d) if the worker causes damage to manufactured goods or to tools and the working implements entrusted to his care;
(e) if the worker or employee indulges in intrigue or agitation which hinders the work of other persons employed, or if he behaves badly towards his fellow workers in the undertaking.

In the five cases mentioned, the contract shall be terminated by the party concerned, with the consent of the competent authorities. If the board set up by order of the public authorities to judge the case and arbitrate therein finds that one of the contracting parties has failed in his obligations, the said party shall be condemned to pay damages to the other party.

53. In a case of vis major, the termination of a contract shall not involve liability for either party. In these Regulations, "vis major" means:

(a) death of the worker or employee;
(b) permanent illness of the worker or employee, or illness contracted by the worker or employee as a result of an epidemic;
(c) invalidity rendering the worker or employee incapable of work;
(d) destruction of the establishment by fire or act of God;
(e) death of the employer (if he owns the factory);
(f) insolvency or closing down of the factory, provided that, if there is a new owner, he has not contracted to continue to employ the staff;
(g) where the termination of one or more contracts of employment causes the factory to close down;
(h) the calling up of the employer or of the worker or employee for military service;
(i) where the employer or employed person is convicted by a court of an offence punishable by imprisonment;
(j) the transfer of the factory to a new site at which the employee is unable for good reasons to attend for work.

54. Either party shall be entitled to terminate a contract of employment within two months of making the same. Such termination shall not involve liability for either party.

55. A contract of apprenticeship may be terminated without formality in the following cases:

(a) the death of the employer or apprentice;
(b) recall of the employer or apprentice for military service;
(c) where the employer or apprentice is convicted by a court of an offence punishable by imprisonment;
(d) illness of the apprentice involving incapacity for work.

56. A contract of apprenticeship may be terminated at the request of either party, in the following cases:

(a) non-performance of the terms of the contract by one of the parties;

(b) constant misconduct by the apprentice;

(c) transfer of the undertaking to a place to which the apprentice is unwilling to go.

In the three cases mentioned, the contract shall be terminated with the consent of the competent authorities, and if either party suffers loss thereby the other party shall pay compensation.

NOTE: Where an apprentice's contract is terminated in the manner indicated above, the employer shall give the apprentice a certificate showing how long the latter had been in his service, so that the apprentice may produce it when being engaged by another establishment.

CHAPTER V. REGULATION OF HOURS OF WORK

57. Persons between eighteen and twenty years of age shall not work more than seven hours in the day. During the said seven hours, they shall be entitled to a break of one hour. No such person shall be employed underground.

58. No young person under the age of eighteen years shall be employed during the night.

59. The hours of work shall be nine hours in the day during the first seven months of the solar year, and eight hours in the day during the last five months. All workers shall be entitled to a break of one hour during the day's work. (Modified 1 Djady 1338.)

60. Where an act of God or an unforeseen and abnormal accident interrupts the regular work of an establishment, the persons employed therein shall not be obliged to work overtime if the interruption lasts for not more than one day. If the interruption lasts for more than one day, the employer shall be entitled, with the consent of the competent authorities, to ask the persons employed in the establishment to work overtime. Such overtime shall in no case exceed two hours in the day.

61. The reduction of the statutory hours of work shall in no case involve any reduction of wages. All overtime worked shall be paid for at rates of from fifteen to twenty-five percent higher than normal rates.

62. Certain categories of employed persons, such as inspectors, superintendents, watchmen, drivers, etc., whose work is discontinuous and normally includes intervals of rest, may be required to work beyond the normal hours without extra payment.

63. Where an undertaking suspends operations as a result of unforeseen natural causes or vis major, remuneration shall be payable according to the following rules:

(a) if the suspension does not exceed one month, remuneration shall be paid in full;
(b) during the second month, only fifty percent of the remuneration shall be paid;
(c) if the suspension exceeds two months, the employer shall be entitled with the consent of the employees either to terminate the contracts of employment or to pay fifty percent of the remuneration.

64. No industrial establishment shall employ a worker, employee or apprentice for more than six days in the week.

65. Employed persons shall be entitled to twenty-four consecutive hours' rest every week.

66. Friday shall be the weekly rest day.

67. Where, as in the case of a food factory or the like, the observance of a weekly rest day might involve deterioration of raw materials used for production, the employer shall be entitled to abolish the rest day in his undertaking and reduce the daily hours of work proportionately so as fully to compensate the persons employed by him. The employer may likewise fix a day other than Friday for the weekly rest day in his establishment, if he deems it to be necessary.

68. An employer shall be entitled to require persons employed by him to work a small number of hours on the weekly rest day for the following purposes:

(a) inspection of engines, generators, etc.;
(b) cleaning of machinery, etc.;
(c) cleaning of workplaces.

69. Where a person is required to work on his weekly rest day under the last preceding Regulation, he shall be entitled to overtime pay in accordance with Regulation 61.

70. The Government may, for reasons connected with national defense, require persons employed in certain establishments to work the whole day on Fridays with the exception of the hours of prayer described by religion.

CHAPTER VI. PREVENTION OF INDUSTRIAL ACCIDENTS

71. For the prevention of fire in industrial establishments, the following rules shall be strictly observed:

(a) no substance producing an explosive gas with a burning point below 35 degrees centigrade shall be used for lighting or heating;

(b) petrol or any other inflammable liquid shall not be poured into lamps while they are alight;

(c) the corridors and exits of industrial establishments shall be constructed of fire-resisting material. The number of such corridors and exits shall be sufficient to enable the persons employed to leave freely in the event of a fire;

(d) fire-fighting appliances shall be installed in sufficient numbers in all workplaces and in offices and corridors.

72. For the prevention of industrial accidents, the following measures shall be taken in all industrial establishments:

(a) the clothing of workers employed in close proximity to machinery and equipment shall be of a uniform design made so that it cannot catch in machinery and cause accidents,

(b) high-speed engines shall be fitted with protective devices so that in the event of sudden breakdown, the eyes of workers are not exposed to any danger;

(c) lifts shall be constructed in such manner that workers using them cannot be thrown down the shaft. The gates of lifts and landings shall close automatically;

(d) the starting of work in the factory shall be regularly announced by a whistle or bell sufficiently loud to be easily heard by all workers;

(e) electrical equipment shall be sited at some distance from the workplace so that workers are not exposed to danger;

(f) all necessary precautions shall be taken when running machinery is cleaned;

(g) the corridors shall be of sound construction and have substantial walls;

(h) wells, tanks and pipes shall be provided with strong walls at least 80 centimeters high;

(i) machines and equipment shall be at least 80 centimeters apart;

(j) in factories using steam boilers, the said boilers shall be carefully examined before being set in operation. They shall be re-examined at least once a year and all faults and damage noted in the registers kept for the purpose;

(k) the floor surrounding electrical installations shall be covered so as to prevent workers from slipping and falling;

(l) electrical wiring shall be properly covered so as to avoid all risk;

(m) no worker shall be employed on work carried out above charged electrical wires.

CHAPTER VII. HYGIENE

73. Every employer wishing to establish a factory shall take the measures indicated below for the protection of the health of the persons employed by him.

74. The said measures shall relate both to the construction of the buildings used as a factory and the installation of machinery, and to the conditions of work.

75. Every employer wishing to establish a factory shall be required under the provisions of Regulation 74 to submit beforehand to the Ministry of National Economy, in addition to the building projects and particulars, a complete plan of the intended factory, complying with the following conditions:

(a) a sketch of the building (with a longitudinal section) giving particulars of the four main aspects. The plan shall furthermore show annexes, dining rooms, washrooms, baths, sanitary conveniences, and (where appropriate) dormitories.

NOTE: The scale of the plans mentioned above shall be 1:200 for the buildings and 1:1000 for the installations;

(b) the plans shall also show the height of the buildings.

76. Where any change is made as to the articles produced in the factory or industrial establishment, this fact shall be communicated to the Ministry of Health.

77. The measures which shall be taken for the protection of the health of the persons employed in respect of:

(a) arrangements of workplace and hygiene;
(b) ventilation of workplace;
(c) lighting and heating;
(d) living accommodation (if persons employed live at the factory);
(e) prevention of industrial accidents and contagious diseases;

are set forth in the Regulations below.

78. The height of any building which covers an area not exceeding 100 square meters shall not be less than three meters, except in cases where it must be lower for technical reasons.

79. In the case of buildings covering an area exceeding 100 square meters, the height shall be increased by 50 centimeters for each 100 square meters of area.

80. The ceiling and walls of every factory shall be covered with a material which prevents heat and damp from penetrating and which is at the same time easily cleaned.

81. The walls shall be painted, according to the nature of the work, either dark green, orange or white. Other colors may be used, if required, in place thereof.

82. In factories where the floor is lower than the level of the surrounding ground, the floor and walls shall be covered with a layer of lime or cement to prevent the entry of damp.

83. The workplace shall be provided with an adequate number of doors and windows to permit proper ventilation and lighting.

84. The doors and windows shall have a total surface area equal to one-sixth of the area of the floor of the workplace.

85. The doors and windows shall be so constructed that the rays of the sun do not shine directly in the worker's face and so that violent draughts are not created.

86. The doors and windows shall have iron gratings to prevent the entry of flies into the workplace.

87. Factories which contain living accomodations for persons employed therein shall have an adequate number of bathrooms. The number of baths shall be in proportion to the number of persons living in.

88. Every factory shall have an adequate number of sanitary conveniences at the rate of one for every thirty workers. The said conveniences shall be situated well away from the workplace.

89. The sanitary conveniences shall be kept properly clean and regularly washed and disinfected.

90. The workplace shall be kept perfectly clean at all times. Cleaning shall be done at least once a day outside working hours, when the workers are absent. It shall be performed by means of spraying or with wet brushes and rags.

91. The employer shall place aluminum or copper spittoons at the disposal of the workers in different parts of the factory.

92. Every factory shall have adequate water tanks with taps, and one drinking cup shall be provided for each worker. Adequate water shall be provided for washing, cleaning, bathing and toilet purposes.

93. Measures shall be taken to protect workers engaged in stoking furnaces against heat and fumes given off by coal and other fuel.

94. In order to prevent the effects of heat, the workers engaged in stoking furnaces shall be relieved from time to time. If necessary, such workers shall wear goggles and special footgear.

95. The employer shall provide masks for workers engaged in wool washing or employed in lead mines and in the printing and allied industries, so as to protect them against the harmful effects of the substances handled.

96. In factories where considerable noise is produced, suitable measures shall be taken to prevent vibration and loud noises.

97. Chairs or seats shall be provided for the workers in such number that they may rest during breaks.

98. Workers shall be required to use the spittoons provided.

99. Every worker shall produce a medical certificate when he is engaged. The employer likewise shall have the duty of requiring the production of a medical certificate by every worker engaged by him.

NOTE; Medical certificates shall be delivered to workers free of charge by medical practitioners specially appointed for the purpose by the health department of the Municipality of Kabul and by the health services in the provinces and districts.

100. Workers in industrial establishments shall (according to the nature of their work) be examined at intervals of not less than three months, six months or nine months by a medical practitioner.

101. In the event of an illness or injury occurring in the course of employment and involving incapacity for work, the employer shall, on production of a medical certificate, cause the person concerned to be treated in the factory infirmary, if such exists, or send him to a hospital. In the latter case, the cost of treatment shall be paid out of the welfare fund provided for in Regulation 31.

102. Every establishment shall provide the workers with all they require for their toilet: wash basins, soap and towels.

103. Every worker shall be required to comply with all instructions and directions relating to the protection of health as well as with the rules of the factory and the general rules of hygiene in the establishment.

104. No person shall partake of food or drink tea or other beverages in the workplace.

105. The buildings of a factory shall be so constructed as to allow a space of seven to fourteen cubic meters for each worker.

NOTE: The air space of 14 cubic meters applies to persons employed in overcrowded workrooms, kitchens, etc.

106. Where it is impossible to prevent gases from being given off in a factory, the employer shall take the necessary steps to prevent the gases from spreading in the workplace. In factories where, owing to the nature of the work, an excess of dust is produced which normal ventilation is insufficient to dispel, dust extractors shall be used.

107. In factories where much dust is produced, a certain number of doors and windows shall be left continually open (in addition to the airing prescribed in section 108) so that the air may circulate freely.

108. The workplace shall be aired twice daily, before and after work.

NOTE: Airing after work shall be done in factories which work during the night.

109. Apart from such gratings as are intended to prevent the entry of flies, doors and windows shall not be covered with any gratings liable to prevent or hinder ventilation.

110. The workplace shall be situated at a distance from the sanitary conveniences so that no emanations penetrate. The conveniences shall be regularly disinfected and cleaned.

111. The grinding and sieving of materials liable to damage the health of workers if inhaled shall be done mechanically in hermetically sealed containers.

112. Where in a factory it is necessary to use artificial light, the light shall not be such as to cause eyestrain.

113. The lamps shall be sited so as not to throw too much shadow.

114. Lighting shall be of varying strength according to the nature of the work; that is to say, it shall be strongest for delicate work. Where strong lighting is needed, lampshades shall be fitted.

115. An adequate number of lamps shall be placed in corridors which require artifical lighting.

116. When a factory must be heated, the heating stoves shall not be placed too close to the workers. Chimneys should preferably be constructed of unbaked bricks.

NOTE: The heating of factories should preferably be electrical.

117. Braziers giving off smoke and fumes shall not be used to heat factories.

118. The temperature of a factory shall vary according to the nature of the work done. It shall be between 10 and 18 degrees centigrade.

NOTE: Every factory shall be provided with a centigrade thermometer.

119. Workers' dormitories shall be so constructed as to allow 14 cubic meters of air for each worker.

120. Dormitories shall be swept and washed every day.

121. Dormitory walls shall not be covered with paper or fabric.

122. Each person shall have his own bed.

123. The sheets will be changed once a month.

124. When a worker leaves the factory and a new worker takes his place, his bed and sheets shall be washed and cleaned before use by the new worker.

125. Each worker shall have a handkerchief and an apron.

126. Every employer shall be required to post up the statutory rules relating to hygiene in a conspicuous place.

127. No worker shall be employed on tasks unsuited to his physical powers.

128. If any epidemic, such as cholera, exanthematous typhus, smallpox, leprosy, trachoma, measles, syphilis, framboesia (yaws), gonorrhoea, influenza, encephalitis, tuberculosis, erysipelas, etc., breaks out among the workers, the employer shall forthwith inform the nearest health service and then the Ministry of Health.

129. The employer shall have his workers vaccinated once each year against exanthematous typhus. The cost shall be paid from the welfare fund referred to in Regulation 31.

130. Every industrial establishment employing 50-500 persons shall open a dispensary in accordance with the directions of the Ministry of Health.

131. Every establishment employing more than 500 persons shall, if it is more than 10 kilometers from the nearest hospital, establish an infirmary in accordance with the instructions of the Ministry of Health.

132. Every industrial establishment employing less than 50 persons shall establish a medical station consisting of one or two rooms and having the instruments, medicaments and dressings needed in the event of illness or injury, where the workers can receive immediate attention.

133. The public health services shall collaborate with the health services of industrial establishments and, in particular, assist them in setting up infirmaries under Regulation 131.

134. The Ministry of Health shall from time to time inspect industrial establishments from the point of view of hygiene and health protection by means of inspectors appointed directly by the Ministry of Health or the government authorities in towns and provinces.

135. A mosque shall be built by the employer at the place where he sets up an industrial establishment.

CHAPTER VIII. MISCELLANEOUS

136. The employer shall give each worker a docket when paying him his wages.

137. Within three months of the publication of these Regulations . . . the rules of the establishment, the statutory provisions relating to hygiene and safety, and, after submitting them to the Ministry of National Economy and obtaining their approval, post them up in several places in the factory.

NOTE: The said notices shall be posted up in places where they will be easily seen by the workers. If a worker asks for a copy, the employer shall provide him therewith.

138. When a worker leaves a factory, the employer shall issue him with a certificate.

139. Each factory shall have a clock showing the hours of work.

140. The employer shall keep a book showing the identity and previous history of every worker, employee or paid apprentice.

141. A standard form of contract of employment shall be drawn up by the Ministry of National Economy and sent to industrial establishments for use as a model when making contracts with their workers, employees and apprentices.

142. The Ministry of National Economy and the Ministry of Health shall together work out directions for the administration of these Regulations, for the prevention of contagious disease in industrial establishments, for rules of hygiene to be observed in workplaces, industrial establishments and factories, and for measures to be taken for the avoidance of contagious or occupational disease.

143. The Ministry of National Economy shall have power to inspect industrial establishments whenever they deem it necessary.

144. If the Ministry of National Economy in Kabul and the governors and deputy governors in the provinces and districts find that work in a factory is not being carried out in accordance with the rules relating to safety and hygiene or with these Regulations, they shall order the employer to comply with the said rules or regulations or to remedy the shortcomings in his factory. They may appoint a time limit within which he shall take the necessary steps. If, on the expiration of the time limit, the employer has not complied with the rules and regulations in question, the Ministry of National Economy shall have the right to suspend the working of the factory for such time as they deem fit.

145. If it appears that the work or processes carried on in any factory constitute a danger and must be stopped, the Ministry of National Economy shall suspend the said work or processes for a period determined by them.

146. If it appears that the operation of a factory constitutes a danger to the health of the workers in or about it, the Ministry of National Economy shall cause the work to be stopped and shall not permit it to be resumed until the causes of the danger have been removed.

147. If and when insurance institutions are established in this country, the provisions in these Regulations relating to the protection of health shall be revised.

148. Complaints made by workers and employees in respect of payment of wages shall be lodged with the Ministry of National Economy in Kabul and with the governors and deputy governors in the towns and provinces.

149. The Ministry of National Economy shall be responsible for the administration of these Regulations.

Unofficial Translation by
USAID/Afghanistan

IMPORT TARIFF FOR AFGHANISTAN

(1344)

Code No.	Item	Unit	Unit Price (Afs.)	Percentage of Custom duty
001	Foodstuff			
01	Meat animals, meat & meat products			
011	Fresh meat,preserved & dried meat	kilo	100	100
012	Meat not canned	"		
013	Canned meat & sausage	"	125	100
02	Dairy products, eggs & honey			
021	Fresh & condensed milk	liter	25	100
022-02	Canned condensed milk & cream	kilo	75	100
02-022	Powdered milk	"	36	10
03-022	Dried milk cream	"	150	100
01-023	Butter	"	25	100
02-024	Cheese	"	50	100
01-026	Honey	"	40	100
09-029	Powder for ice cream, etc.	"	150	100
03	Fish & fish products			
031	Fresh & refrigerated fish	"	20	100
01-032	Dried fish	"	20	100
01-032	Canned fish	"	50	100
01-032	Caviar	"	450	100
04	Grains & grain products			
01-041	Wheat	"	2	25*
02-402	Rice	"	10	25*
01-01-046	Wheat flour	"	3	25*
02-01-046	Rice flour	"	7	25*
03-01-046	Peas flour	"	7	25
09-047	Canned barley flour	"	15	25
1-048	Corn flakes, etc.	"	20	100
02-048	White powdered barley - canned	"	15	35

* exempted

Code No.	Item	Unit	Unit Price (Afs.)	Percentage of Custom duty
03-048	Various kinds of macaroni	kilo	30	100
04-048	Biscuits, cakes, bread, etc.	"	25	100
05-048	Poppadum	"	13	80
06-048	Barbecued peas	"	6	25*
07-048	Peshawari lentils	"	7	80*
05-0	Vegetables & fruits			
01-051	Tangerines, etc. & Indian Fruits	"	3	100
02-051	Lemons	"	10	100
03-051	Bananas	"	10	100
04-051	Pineapples & Mangoes (Indian fruit)	"	10	100
05-051	Cocoanut, etc.	"	15	35
0-052	Dried Fruit	"	10	100
02-052	Dates	"	6	100
02-053	Canned & bottled fruits	"	30	100*
03-053	Sugared fruits	"	50	100*
04-053	Pickles and jams	"	25	100*
5-053	Fruit juice	"	20	100*
054	Fresh & dried vegetables			
02-054	Peas, beans, etc.	"	5	100*
09-054	Fresh vegetables	"	4	100
055	Conserved vegetables			
01-055	Canned & refrigerated vegetables	"	20	100
2-055	Soup powder or tinned	"	100	100
05-055	Cornflour & starch	"	10	25
06-055	Currant	"	14	60
06	Sugar & sugar products			
061	Sugar	"	5.59	35
02-02-061	Sugar cubes	"	8	35
01-09-61	Brown sugar	"	4	35
02-09-61	Syrup	liter	20	100

* prohibited

(NOTE: Items marked prohibited or exempted are on the prohibited or free lists respectively. Tariffs shown for them applied before they were prohibited or exempted.)

Code No.	Item	Unit	Unit Price (Afs.)	Percentage of Custom duty
	Candies			
01-062	Candy except chocolate	kilo	45	100
02-062	Indian rock candy	"	10	35
03-062	(some types of candy)	"	15	35
07	Coffee, tea, cocoa and spices			
02-071	Coffee & powdered coffee	"	70	100
03-071	Canned coffee	"	100	100
02-072	Cocoa	"	100	100
01-073	Chocolate & cocoa products	"	75	100
01-01-074	Black tea	"	30	35
02-02-074	Green tea	"	30	35
01-01-075	Black & white pepper	"	50	100
02-01-075	Red pepper	"	15	100
01-02-075	Tumeric, large cardamon, ginger, cloves, cinnamon	"	35	100
02-02-075	Saffron	"	690	100
03-02-075	Small cardamon	"	70	100
04-02-075	(spice) coloring (rangi shirin)	"	81	100
05-02-075	(spice) Betel nut	invoice	invoice	40
06-02-75	(spice) Tobacco leaves	"	"	100
08	Forage			
09	Vegetable oil, margarine etc.	kilo	5	35
01-09-099	Gum (chewing)	"	100	60
02-09-099	(essences)	"	230	50
1	Beverages & tobacco			
11	Beverages			
111	Non-alcoholic drinks such as Coca-Cola, Pepsi Cola	liter	15	100
112	Alcoholic beverages			
01-112	Wine	"	120	150
03-112	Beer	"	20	150
01-04-112	Gin, whiskey, brandy, vodka, etc.	"	200	150

Code No.	Item	Unit	Unit Price (Afs.)	Percentage of Custom duty
02-04-112	Vinegar	kilo	30	70
22	Tobacco & tobacco products	pack		
01-122	Cigars	of 50	invoice	100
01-122	Cigarettes (Cigarette tariff has been revised to a fixed charge of Afs. .1 each.)	carton of 200	50	100
01-03-122	Indian cigarettes	1000 pc.	200	100
02-03-122	Other types of tobacco & snuff	invoice		100
2	Raw materials except food & fuel			
21	Leather & raw skin	"		30
22	Oil seeds-			
09-221	Sesame, linseed, etc.	kilo	20	40
24	Timber & cork	"	10	35
26	Various weaving yarn		43	35
01-201	Coccoon	"		35
03-261	Silk	"	220	25*
01-262	Ginned cotton	"	17.50	35
27	Fertilizers & minerals (ore) with the exception of coal			
2	Crude petroleum & precious stones	invoice		35
271	Natural fertilizer	"		35
05-272	Salt	liter	2.50	40
06-272	Sulphur	invoice		35
08-272	Tiles for construction	"		35*
28	Raw metals & used metals			
01-282	Used metals	kilo	3	25
2	Non-edible animal & plant products			
29	Non-edible animal products	invoice		35
0-292	Plants for dyeing purposes	"		35

* prohibited

Code No.	Item	Unit	Unit Price (Afs.)	Percentage of Custom duty
04-299	Bamboo, mats, etc. (Medicinal herbs -- the next seven pages list a large number of medicinal herbs, most subject to duty at 10%. Most are unknown in the West and are untranslatable.)	invoice		35
01-313	Gasoline	invoice		(*
01-303	Benzene	"		*
313	Kerosene	gallon	6	100
313	Lubricants (grease, vaseline, etc.)	kilo	7	50
313	Diesel	liter	0.50	100
313	Sewing machine oil in bottles or cans	kilo	5	20
01-411	Fish oil	invoice		11
02-411	Animal oil	kilo	20	35
05-412	Olive oil	kilo	35	100
07-412	Cocoanut oil	"	20	35
19-412	Other vegetable oil	invoice	0	35
5	Chemicals			
03-511	Caustic soda & soda bicarbonate	kilo	8	35
09-511	Non-organic chemicals	invoice		35
05-512	Turpentine	kilo	15	30
521	Coal tar	"	7	35
01-531	Various kinds of dyestuff	"	80	30
532	Dyestuff for tanning	invoice		30
02-533	Printing dyes			
03-533	Pigment for paint	kilo	30	30
04-533	Oil paints	"	20	30
05-533	Varnish	"	30	30

* exempted

Code No.	Item	Unit	Unit Price (Afs)	Percentage of Custom duty
06-533	Oil paints - white	kilo	25	30
07-533	Gold powder (for dyeing)	"	50	30
08-533	Silver powder	"	40	30
09-533	Dried pigment powder	"	30	30
10-533	Other paints	"	20	30
54	Pharmaceuticals & medical equipment	"		10
05	Cosmetics & toilet articles such as soap, shoe cream, etc.			
100-0-522	Face cream & hand lotion, etc.	"	200	100
0-01-552	Cream & powder & toothpaste	"	70	35
0-01-552	Lipstick	"	1000	100
0-1-552	Deodorants & hair remover	"	250	100
0-01-552	Perfumes	"	1200	60
0-01-552	Face powder & rouge liquid or solid	"	150	100
0-01-552	Cologne & Lavender water	"	150	100
0-01-552	Baby powder	"	30	100
0-01-552	Shampoo	"	150	100
0-01-552	Hair dressing solution	"	200	100
0-01-552	Hair & beard dye	"	200	100
02-01-552	Hair tonic & dressing	"	200	100
03-1-552	Shaving cream & soap	"	50	100
04-01-552	Vaseline	"	20	100
05-01-552	India cosmetic patches (beauty spots) or powders	"	25	70
17-01-552	Nail polish	"	300	100
18-01-552	Aromatic smoke sticks (jors sticks) & blocks (incense)	"	100	60
01-02-552	Indigo	"	50	30
02-02-552	Laundry soap powder or detergent	"	15	30

Code No.	Item	Unit	Unit Price (Afs.)	Percentage of Custom duty
03-02-552	Laundry soap	kilo	5	30
04-03-552	Toilet soap	"	20	50
01-03-552	Shoe polish	"	10	25
02-03-552	Cleaning materials for leather, wood & metal	"	70	35
561	Artificial fertilizer	invoice		35
01-01-591	Dynamite for construction	"		35
02-01-591	Cartridges for shotgun	100	300	35
02-01-591	Cartridges, other	100	100	35
04-01-591	Gunpowder	invoice		35
05-01-591	Small shot	100	7	35
06-01-591	Small shot for shotgun	invoice		35
07-01-591	Empty cartridges (shotgun) - paper	100	50	35
08-01-591	Bronze empty cartridges (shotgun)	invoice		35
09-01-591	Explosive caps	100	7	35
10-01-591	Fireworks	invoice		35
01-599	Plastic sheets	"		60
02-599	Poisons & disinfectants for insects, animals and plants	"		35
03-599	Starch for stiffening collars, etc.	kilo	10	25
01-04-599	Liquid glue	"	50	35
02-04-599	Solid glue	"	10	30
03-04-599	Powdered glue	invoice		30
01-09-599	Ink eradicator	"		35
2-09-599	Other chemicals	"		35
6	Leather goods & things made of skin			
01-01-611	Bulgarian leather	kilo	60	30
02-01-611	Buraq leather (patent)	"	80	30
03-01-611	Dyed hide & skin (cow-hide & buffalo)	"	40	30
04-01-611	Undyed hide & skin (cow-hide & buffalo)	"	15	30

Code No.	Item	Unit	Unit Price (Afs.)	Percentage of Custom duty
05-01-611	Leather scraps	kilo	10	30
99-01-611	Other leather	"	40	30
01-612	Leather belts for machines	"	20	20
01-612	Saddle & harness	invoice		30
01-02-612	Shoe (soles & heels)	"	75	35
03-03-612	Other leather	invoice		30
04-03-612	Gold embroidered cloth for shoes & paizaars	kilo	200	60
09-612	Other leather goods not mentioned above	invoice		35
01-613	Fox skins & fur	"		35*
01-621	Rubber goods (rubber hose) incomplete	"		35
01-01-629	Bicycle tires	pair	150	25
02-01-629	Bicycle tubes	"	33	25
03-01-629	Motorcycle tire	"	550	25
04-01-629	Motorcycle tube	"	165	25
05-01-629	Car tires	each	770	50
06-01-629	Truck or tractor tires	"	1650	10
07-01-629	Car & truck tubes	"	110	50
08-01-629	Rubber for tonga wheels	meter	40	25
02-629	Medical rubber apparatus	kilo	90	10
09-629	Other non-medical goods of rubber	"	120	60
63	Things made of wood & cork	"	50	60
632	Wooden boards for household furniture & buildings	"	50	60
623	Pressed cork	invoice		35
01-633	Cutting boards, kitchen stools of wood & rope	kilo	5	35
64	Paper & paper products			
01-641	Printing paper	"	20	25
02-641	Writing paper & notebooks	"	20	25

* prohibited

Code No.	Item	Unit	Unit Price (Afs.)	Percentage of Custom duty
03-641	Used paper & old newspaper, brown paper	kilo	10	25
04-641	Card (paper)	"	6	35
06-641	Tar paper for construction	invoice		35
08-641	Wall paper	"		35
12-641	Blotting paper	kilo	20	25
01-19-641	All colored paper	"	40	35
19-641	Other paper	invoice		35
02-02-665	Sugar containers & salt containers & paperweights	kilo	60.50	60
01-09-665	Ash trays - glass	"	100	60
02-09-665	Glass beads (all kinds)	"	30	600
02-09-665	Mirrors	"	20	60
03-09-665	Medical glassware	invoice		10
04-09-665	Lamp reflectors	kilo	15	35
05-09-665	Kerosene lamps, china, glass & bronze	"	40	35
09-665	Lanterns, all kinds	"	20	35
01-66	Porcelain ware for decoration	invoice		35*
01-03-666	Ordinary porcelain ware - not in sets			
02-03-666	Large plates, dishes	kilo	22	35
02-03-666	All kinds of bowls & cups without saucers	"	13.20	35
03-03-666	Plates	"	16.50	35
04-03-666	High quality chinaware	"	275	35
03-03-666	Tea set, dinner sets & drinking sets	invoice		35
04-03-666	Cups & saucers - dozen	kilo	19.80	35

* prohibited

Code No.	Item	Unit	Unit Price (Afs.)	Percentage of Custom duty
05-03-666	Tea pots	kilo	32	35
671	Silver, platinum, jewelry			
1-01-671	Raw silver-unused	invoice		1
02-01-671	Raw platinum	"		1
03-01-672	Precious stones	"		5
04-01-672	Bezels made of precious stones	"		5
05-01-672	Natural & artificial pearls	"		50
02-11-673	Finished natural jewelry	"		60
02-01-673	Gold & silver vessels	"		60
03-01-673	Costume jewelry	kilo	200	60
	Glass necklaces	"	55	60
68	Metals			
681	Iron & steel			
10-681	New iron	kilo	10	35
03-681	Iron sheets, etc.	"	2	25
04-681	Iron bars, angle-iron, iron pipe	"	12	35
05-681	Cast iron pipe, T and bent	"	7	35
07-681	Baling hoops-iron	"	8	35
12-681	Iron wire	"	8	35
13-681	Iron anvils	"	13	20
14-681	Other ironware not mentioned	"	16	35
1-02-682	Copper sheets-all kinds	"	15	25
2-02-682	Brass sheets	"	15	25
03-02-682	Corrugated & plain iron sheets (galvanized)	"	8	35
02-02-684	Aluminum foil	invoice		35
01-685	Lead - all kinds	kilo	20	35
01-685	New zinc	"	10	35
	New lead	"	10	35
01-01-686	Solder	"	15	20
02-01-686	Carpenter's square	"	40	20
1-681	Zinc pipe 1/2" & 1"	ft.	7	35
	Zinc pipe 1-1/4" to 2"	"	11	35

Code No.	Item	Unit	Unit Price (Afs.)	Percentage of Custom duty
	Zinc pipe 2-1/4" to 3"	ft.	16	35
	Zinc pipe 3-1/4" to 4"	"	25	35
	Zinc pipe over 4"	"	30	35
2-01-681	Manufactured zinc	kilo	20	25
01-687	Tin for plating	"	60	35
1-01-687	Tin buckets & things made of tin, zinc or iron	"	20	35
69	Things made of steel and metal			
2-291	Shotguns	invoice		50
01-699	Iron doors & frames, etc.	"		35
02-699	Aluminum doors & frames	"		35
05-699	Screen, net, rings, etc. of iron	kilo	12	35
06-699	Aluminum & copper screen & net with the exception of wire for musical instruments	invoice		35
01-07-699	Small nails	kilo	30	35
02-07-699	All other kinds of nails, nuts & bolts	"	12	35
03-07-699	Brass nails & hooks	"	45	35
01-08-699	Sewing needles - all kinds	"	50	35
02-09-699	Pins	"	45	25
03-09-699	Iron knitting needles	"	43	35
03-09-699	Large needles for sewing saddles	"	20	35
11-699	Metal safe boxes & cupboards (other than cabinets)	invoice		35
1-12-699	Hammer, pliers, saws, plane blades, tongs, wrenches, screw drivers	kilo	25	20

Code No.	Item	Unit	Unit Price (Afs.)	Percentage of Custom duty
02-12-699	Drills, drill bits & planes	kilo	70	20
03-12-699	Gardening tools	"	7	35
13-699	Iron & cast iron tools	invoice		35
13-299	Steel rope	"		35
13-699	Aluminum vessels - all kinds	kilo	40	35
01-15-699	Brass vessels	"	50	60
02-15-699	Copper & zinc vessels	"	30	35
03-15-699	Tin utensils - enameled	"	20	25
04-15-699	Tin utensils nickel plated	"	65	35
01-16-699	Silver spoons, forks & knives	invoice		100
02-16-699	Nickel spoons, forks & knives	"		35
01-17-699	All kinds of clasp knives & scissors	"		60
02-17-699	Shaving equipment	"		40
03-17-699	Razor blades-all kinds	kilo	200	40
04-17-699	Hair clippers	"	150	40
05-17-699	Razors	"	150	40
06-17-699	Sharpening machines	invoice		40
01-18-699	Bolts, handles, hinges & clasps	each	20	35
18-699	Door locks, etc.	invoice		35
01-18-699	Other locks	kilo	35	35
02-18-699	Barrels, cans, tanks, etc.	invoice		35
03-18-699	Ovens, burners, and hotplates	"		50
04-18-699	Other things made of metal	"		35
05-18-699	Press irons	each	60	20
06-18-699	"Optimus" stoves (pressure)	"	120	60
07-18-699	Gas lamps	"	300	35
71	Electric transport machinery			
01-711	Steam boilers	invoice		35

Code No.	Item	Unit	Unit Price (Afs.)	Percentage of Custom duty
03-771	Steam engines & rollers	invoice		35
04-771	Airplane engines	"		35*
01-05-771	Diesel engines	"		35
02-05-771	Gasoline engines	"		35
09-771	Other big machines	"		35
712	Agricultural machines	"		35
01-713	Tractors for agriculture	"		35
01-714	Typewriters	"		20
02-714	Other office machines	"		20
715	Parts making machines	"		20
01-716	Water pumps	"		20
02-716	Hand barrows, wheel-barrows	"		25
03-716	Road building & mining machines	"		20
716	Steam engines without parts	"		20
05-716	Rock drills, etc.	"		20
06-716	Paper manufacturing machines	"		20
07-716	Printing and binding machines	"		20
08-716	Textile machines	"		20
01-11-716	Sewing machines, hand driven	each	1200	20
02-1-716	Sewing machines, electric	invoice		20
03-11-716	Sewing machines, foot driven	"		20
04-11-717	Ice-cream making machines	"		20
02-12-716	Coolers - house	"		20
03-13-716	Other non-electric machines	"		20
04-03-716	Sewing machine parts	"		20
716	Parts of manufacturing machines	"		20
72	Electric machines & generators	"		35
01-01-721	Electric motors	"		35

* Exempted

Code No.	Item	Unit	Unit Price (Afs.)	Percentage of Custom duty
02-01-721	Transformers	invoice		35
03-01-721	Radio & telephone dry batteries	kilo	25	35
03-721	Flashlight batteries - transistors	"	25	60
02-721	Light bulbs-Japanese, Russian, Indian & Chinese from 5 to 60 watts with box	"	86	30
	70 to 100 w with box	"	172	30
	150 to 200 w with box	"	215	30
	European bulbs - 5 to 60 w with or without box	"	115	30
	75-100 w	"	193	30
	150-200 w	"	528	30
	300-500w and over	"	286	30
	Colored bulbs - all kinds	"	63	30
02-03-721	Fluorescent tubes	"	100	30
03-03-721	Flashlight bulbs	"	120	60
04-03-721	Camera bulbs-photographic bulbs	"	150	35
05-03-721	Motor vehicle bulbs	"	100	10
07-03-721	Rubber tape	"	40	30
08-03-721	Electrical fittings with metal covers	"	15	30
09-03-721	Electric bells	"	80	45
10-03-721	Porcelain insulators with handle	"	16	30
11-03-721	Tin clips for electrical wiring	"	70	30
12-3-721	Porcelain fuses	"	23	30
13-3-721	Main switch with metal cover-small & large	"	15	30
14-3-721	Copper wire coils and other wire coils -- all kinds	invoice		30
15-3-721	Porcelain bases for electric stove (hot plate; burner elements)	kilo	60	30

Code No.	Item	Unit	Unit Price (Afs.)	Percentage of Custom Duty
16-3-721	Iron brackets	kilo	15	30
01-04-721	Electric radios	per tube	330	25
02-04-721	Battery operated radios	" "	297	25
03-04-721	Radiogramaphones	invoice		27,50
04-04-721	Amplifiers	"		25
05-04-721	Radio spare parts	"		25
06-04-721	Transmitter	"		25
07-04-721	Radio-telegraph	"		
	equipment	"		20
01-05-721	Telegraph equipment	"		20
02-05-721	Telephones	ea. set	500	20
03-05-721	Parts for telephones			
	& telegraphs	invoice		20
04-06-721	Electric blankets	each	400	35
02-06-721	Electric coffee makers	"	250	35
03-06-721	Electric kettles	"	200	35
04-06-721	Electric water heaters	"	40	35
05-06-721	Electric heaters	per kw	120	45
06-06-721	Electric heaters with			
	fan	" "	200	45
01-06-721	Electric fans	invoice		35
02-06-721	Electric irons	"		35
03-06-721	Electric mixers	"		20
04-06-721	Electric stoves -- hot			
	plates	"		20
05-06-721	Small size electric			
	ovens	"		20
06-06-721	Large electric ovens	invoice		20
07-06-721	Electric samovar	"		20
08-06-721	Electric welder	"		20
09-06-721	Bread Toasters	"		20
1-06-721	Electric welding			
	machines	"		35
11-07-721	Electric boilers			
	(bathroom)	"		20
12-07-721	Electric hair drying			
	machines	"		100
14-07-721	Heaters for households			
	& factories	"		20

Code No.	Item	Unit	Unit Price (Afs.)	Percentage of Custom Duty
07-721	Electric equipment for machines & motor vehicles	invoice		20
1-08-721	Electric meters - all kinds	"		20
02-08-721	Special equipment for measuring electricity, etc.	"	2	20
12-721	Electric medical equipment	"		10
01-12-721	Electric shaving machines & hair clippers	"		20
02-12-721	Electric washing machines & vacuum cleaners	"		20
03-12-721	Parts for small electric heaters	"		20
04-13-721	Electric wire	kilo	35	30
05-13-721	Lead coated wire	"	25	30
06-19-721	Plastic electrical goods such as switches, holders, etc.	"	120	30
07-19-721	Brass & metal lighting fixtures	"	70	30
08-09-721	Other electrical goods	"	70	30
09-19-721	Automobile batteries	invoice		10
0-9-721	Electrical lab equipment	"		35
0-19-721	Other electrical equipment not stated above	"		35
0-19-721	Other machines & equipment needed for factories	"		35
73	Transportation means & equipment			
01-732	Cars	according to regulation up to $1900		60

Code No.	Item	Unit	Unit Price (Afs.)	Percentage of Custom Duty
	Cars (cont.)	over US $1900		100
2-732	Motorcycles - large & small	invoice		35
01-3-732	Buses & trucks	"		10
2-03-732	Jeep-type vehicles	price according to regulation		100
05-732	Trucks & buses without bodies	invoice		10
06-732	Car & truck parts	"		10
07-732	Motorcycle parts	"	25	25
01-01-732	Ladies' & men's bicycles, all kinds	each	1200	25
02-01-732	Tricycles, children's	each	300	25
03-01-733	Bicycles, children's	each	600	25
02-733	Bicycle parts	invoice		25
01-09-733	Tonga, complete	each	8000	25
02-01-733	Tonga parts	invoice		25
03-09-733	Truck tarpaulins	"		7
04-09-733	Car tarpaulins	"		30
05-09-735	Sport boats	"		35
01-811	Godowns - constructed	"		35
02-812	Central heating	"		50
03-812	Bathroom fixtures, porcelain	"		35
4-812	Bathroom fixtures, metal	"		35
04-812	Ceiling, desk & table lamps	"		65
05-812	Thin & thick lamp shades, glass & plastic	kilo	50	30
06-812	Lamp shades, tin	"	25	30
82	Household furniture			
01-02-821	Tables & chairs, metal	invoice		60
1-02-821	Metal cupboards	"		35
03-02-821 04-02-821	Mattresses, rubber or inner spring	"		35
83	Traveling equipment			
01-01-831	Tin boxes	kilo	20	35
02-01-831	Leather suitcases	"	60	35

Code No.	Item	Unit	Unit Price (Afs.)	Percentage of Custom Duty
03-01-831	Cardboard & canvas boxes & bags (& imitation leather)	kilo	30	35
01-02-831	Handbags, wallets & purses	invoice		60
01-2-831	Plastic handbags, purses & wallets	kilo	150	60
02-02-821	Office file boxes	"	100	35
01-841	Rayon, nylon, woolen & silk stockings (both ladies & mens)	pair	15	60
1-01-841	Rayon, nylon, woolen & silk stockings (boys & girls)	pair	10	60
02-01-841	Rayon, nylon, woolen & silk socks (boys & girls)	pair	10	60
03-01-841	Ladies & mens nylon, woolen & silk socks	pair	10	60
04-01-841	Cotton socks	kilo	125	60
05-01-841	Pajamas, brassieres, skirts, underwear, sleeping gowns, etc., cotton	kilo	165	60
1-02-841	Woolen pajamas, underwear, slips, shorts (knitted)	"	253	60
1-03-841	Woolen & nylon sweaters (all ages)	"	308	60
2-03-841	Cotton jackets & blouses (all ages)	"	165	60
03-03-841	Children's woolen stockings	"	700	60
04-841	Nylon & woolen pajamas, brassieres, skirts, shorts, stockings, slips & light blouses	"	825	60
1-05-841	Cotton & rayon shirts & sport shirts (gents)	"	275	60

Code No.	Item	Unit	Unit Price (Afs.)	Percentage of Custom Duty
02-05-841	Gents nylon shirts & sport shirts	kilo	440	60
03-05-841	Corduroy velvet pants, rayon	"	123	60
04-05-841	All kinds of cotton pants & ready-made cotton work clothes	"	44	60
05-05-841	Cotton & rayon shirts, blouses & skirts & ladies' pants	"	275	60
06-05-841	Woolen suits, waistcoats, coats, ladies & gents sweaters	"	385	60
07-05-841	Cotton underwear	"	75	60
08-05-841	Boys & girls overcoats, cotton, rayon & woolen	"	275	60
09-05-841	Heavy coats (woolen) for men & ladies, boys & girls	"	247.50	60
06-841	Raincoats, plastic	kilo	165	60
1-06-841	Leather overcoats & jackets	"	275	60
02-08-841	Boys & mens hats (felt)	"	200	60
03-08-841	Caps (berets, fez, etc.)	"	120	60
01-11-841	Summer hats, etc.	"	150	60
02-11-841	Leather & plastic hats	"	120	60
03-11-841	Silk turbans	each	200	60*
04-11-841	Rayon turbans	"	90	60*
05-11-841	Cotton turbans	"	80	40*
06-11-841	Gold & silk hair nets	invoice		60
01-12-841	Cotton & flannel gloves for all ages	kilo	100	60
02-12-841	Heavy rayon & woolen gloves	"	150	60
03-12-841	Light nylon & perlon, silk & woolen gloves	"	700	60
04-12-841	Heavy nylon & perlon gloves	"	400	60
05-12-841	Ladies & gents leather gloves	"	250	60

* prohibited

Code No.	Item	Unit	Unit Price (Afs.)	Percentage of Custom Duty
06-12-841	Plastic gloves	kilo	150	60
07-12-841	Rubber work gloves	"	80	60
08-12-841	Cotton handkerchiefs	"	80	35
01-19-841	Silk & rayon ladies handkerchiefs	"	700	60
03-19-841	Belt cotton	"	100	35
04-19-841	Silk neckties	"	700	60
05-19-841	Cotton, rayon & nylon neckties	"	300	60
06-19-841	Nylon & silk scarves & mufflers, etc.	"	800	100
07-19-841	Rayon & cotton scarves, shawls & veils	"	275	60
08-19-841	Woolen mufflers, shawls, veils & elastic for men	"	300	60
09-19-841	Elastic for trousers, stockings, etc.	"	150	60
19-841	Leather belts	"	100	60
1-19-841	Used clothing	"	100	10
02-19-841	Other clothing, rayon, cotton & woolen	invoice		60
03-19-841	Fur clothes	"		100
85	Footwear			
01-851	Bedroom slippers	kilo	165	35
01-02-851	European & American ladies shoes	pair	52.50	100
02-02-851	Asian ladies shoes	"	37.50	100
03-02-851	European gents shoes	"	45	100
04-02-851	Mens Asian shoes	"	37.50	100
05-02-851	European boys & girls shoes	"	22.50	100
06-02-851	Asian boys & girls shoes	"	15	100
07-02-851	Childrens leather shoes	"	7.50	100
08-02-851	Bathroom slippers	"	10.50	100
09-02-851	Embroidered mens slippers (inferior)	"	37.50	100*
10-02-851	Embroidered ladies slippers (inferior)	"	52.50	100

* prohibited

Code No.	Item	Unit	Unit Price (Afs.)	Percentage of Custom Duty
11-02-851	Embroidered boys slippers (inferior)	pair	18.75	100
12-02-851	Embroidered girls slippers (inferior)	"	26.25	100
13-02-851	Embroidered mens high quality slippers	"	150	100
14-02-851	Embroidered ladies high quality slippers	"	225	100
15-02-851	Embroidered boys high quality slippers	"	75	100
16-02-851	Embroidered girls high quality slippers	"	112.50	100
17-02-851	Second hand leather shoes all kinds	"	4.50	100
18-02-851	Canvas shoes	kilo	120.50	35
19-02-851	Rubber shoes & boots	"	82.50	35
86	Photographic equipment, clocks & Watches			
01-01-861	Spectacle lenses, numbered	invoice		60
02-01-861	Reading glasses, complete	"		60
03-01-861	Sun glasses	"		60
04-01-861	Telescopes & binoculars	"		80
05-01-861	Microscopes & telescopes for lab.	"		20
02-861	Cameras, projectors, movie cameras & photographic equipment excluding film	"		50
03-861	Surgical & medical equipment & dental apparatus	"		10
09-861	Rulers, scales, measuring tapes	"		35
01-01-862	X-ray films	invoice		10
02-01-862	Black & white photographic films	roll	18	35
03-01-862	Colored photographic films	"	75	35

Code No.	Item	Unit	Unit Price (Afs.)	Percentage of Custom Duty
04-01-862	Photographic paper	invoice		50
05-01-862	Photographic plates	"		50
02-862	Movie film, colored & plain	"		50
03-862	Chemicals for photography	"		50
01-862	Movie film for showing	"		40
01-01-864	All kinds of watches, wrist & pocket	"		50
02-01-864	Watch parts	"		40
02-864	Table & wall clocks	each	220	60
01-02-864	Golden watches, wrist & pocket	invoice		60
1-11-891	Tape recorders, gramaphones, & loudspeakers	"		55
02-01-891	Gramaphone parts & needles	"		50
03-02-891	Gramaphone records - 10" and 12"	each	30	50
04-02-891	Gramaphone records - 12" 33 rpm	"	100	50
05-02-891	Gramaphone records - 6" & 7" 45 rpm	"	50	50
02-891	Blank recording tape	invoice		50
09-891	Musical instruments	"		75
01-892	Books	"		15
02-892	Newspapers & magazines			
03-892	Postcards & invitation cards, etc.	invoice		35
09-892	Envelopes, labels, etc.	kilo	70	35
01-01-899	Candles	"	15	30
01-01-899	Cigarette lighter fuel	liter	50	45
02-899	Safety matches	invoice		35
03-899	All kinds of umbrellas	"		60
04-899	Artifical flowers & fruits	kilo	180	35*

* prohibited

Code No.	Item	Unit	Unit Price (Afs.)	Percentage of Custom Duty
01-05-899	Buttons, hooks, press studs, bows, buckles	kilo	80	35
06-899	Decorative articles, wooden	invoice		60
07-899	Plastic goods	kilo	130	60
08-899	Cuff links	invoice		35
08-899	Refrigerators	"		40
12-899	Prayer rugs, baskets & other things made of mat	kilo	20	35*
13-899	Bracelets made of plastic	"	48	60
1-13-899	Knitting needles made of plastic	"	45	35
02-13-899	Playing cards, all kinds	dozen	100	60
03-13-899	Mouse trap	kilo	12	60
04-13-899	Iron & tin buttons	"	45	35
05-13-899	Thimbles	"	72	35
06-13-899	Combs - wooden	"	24	35
14-899	Carpet brushes & other brushes	"	30	30
01-14-899	Toothbrushes, shaving brushes & paint brushes	"	70	30
14-899	Sporting goods	invoice		20
15-899	Toys	kilo	200	60
01-16-899	Ball pens & refills	"	50	25
02-16-899	Fountain pens & their nibs	invoice		25
02-17-899	Writing pens & nibs	kilo	125	25
02-17-899	Pencils & colored pencils	"	50	25
03-17-899	Ink, all kinds	"	15	25
04-17-899	Pins, paper clips, blotters, pencil sharpeners, clip board paper holders	"	30	25

* prohibited

Code No.	Item	Unit	Unit Price (Afs.)	Percentage of Custom Duty
05-17-899	Paper punching machines staplers, large pencil sharpeners, etc.	kilo	70	52
899	Other stationery goods	invoice		25
899	Tobacco pipes	"		60
01-899	Antique goods & paintings	"		100
99-899	Artificial teeth	"		10
01-99-899	Hearing aids, trusses & similar medical appliances	"		10
02-99-899	Thermos bottles, all kinds	kilo	80	60
03-99-899	Combs, hair clips & hair flowers	"	80	35
04-99-899	Cigarette lighters	invoice		60
05-99-899	Dressmakers dummies	"		60
06-99-899	Zippers & chains	kilo	100	35
07-99-899	Flashlights with battery	"	65	35
08-99-899	Plastic sheets	invoice		60
09-99-899	Canvas sheets	kilo	15	60
10-99-899	Fiber doormat (coconut matting)	"	10	60
11-99-899	Watch bands, leather, plastic or metal	dozen	90	60
12-99-899	Key chains	kilo	15	60
13-99-899	Coat racks & hooks, all kinds	"	50	35
14-99-899	Baby bottles & nipples	"	18	35
92	Wild animals not for meat			
01-921	Live beasts of burden	invoice		25
09-921	Other animals	"		25

EXPORT TARIFF FOR AFGHANISTAN

(1344)

Serial No.	Item	Unit	Unit Price*	Percentage of duty
1	Dried long grapes	seer	8	25
2	Dried apricot without core	"	30	25
3	Dried prune	"	9	25
4	Dried fig	"	50	25
5	Grapes, all kinds	"	8	25
6	Grapes in crates & boxes	box	5	25
7	Cherries, sour (black)	seer	4	20
8	Prune	"	50	20
9	Pomegranate, all kinds	"	8	30
10	Animal bone	"	4	25
11	Dried prunella	"	3	25
12	(medicinal herb)	exempted		

1	Tomatoes	seer	2	5
2	Paper-shell almonds	"	150	25
3	Hard-shell almonds	"	70	25
4	(medicinal herb)	"	12	15**
5	Anise	"	2.50	15**
6	(medicinal herb)	"	2	15
7	(medicinal herb)	"	2	15
8	Castor-oil plant	"	3	20
9	(medicinal herb)	"	8	25
10	(medicinal herb)	"	1.50	15

1	Gray karakul, 1st grade	each	6	100
2	Broadtail skin, gray	"	6	100
3	Gray karakul, 2nd grade	"	5	100
4	Broadtail karakul, 2nd grade	"	5	100
5	Gray karakul, 3rd grade	"	3	100
6	Broadtail karakul, 3rd grade	"	3	100
7	Gray Baghana, 3rd grade	"	3	100
8	Gray Baghana, 4th grade	"	1	100

* price in Afs.

** exempted

Serial No.	Item	Unit	Unit Price	Percentage of duty
9	Black karakul, 1st grade	each	5	100
10	Broadtail black, 1st grade	"	5	100
11	Black karakul, 2nd grade	"	3	100
12	Black broadtail, 2nd grade	"	3	100
13	Black karakul, 3rd grade	"	1	100
14	Black broadtail, 3rd grade	"	1	100
15	Black Baghana, 4th grade, large	"	2	100
16	Gray Baghana with tail	"	1	100
17	Goat fine hair	seer	500	30
18	Beaver skin	each	60	15
19	Fox skin	"	30	15
20	Leopard skin	"	15	15
21	Wolf skin	"	12	15
22	White sheep hair (wool)	seer	33.34	30
23	Colored sheep wool	"	18	30
24	(rare fur)	each	150	15
25	Hide	"	25	25
26	Sheep skin	"	25	25
28	Goat and camel skin	each	25	25
29	Cotton	seer	100	10
30	Camel wool	"	10	30*
31	Onions	"	15	15
32	Dried onions	"	7	5
33	Salted cheese	"	11	5
34	Cotton seed	"	10	10
35	Pistachio with shell	"	20	36

1	Linseed oil	seer	70	30
2	Dried berries	"	1	15
3	Melon	"	1	5
4	Trefoil seed	"	3.50	30
5	(seed for animal feed)	"	6	20
6	Tobacco for hubble-bubble	"	4	15
7	Turnip seed	"	5	30

* exempted

Serial No.	Item	Unit	Unit Price	Percentage of duty
8	Pickles, all kinds	seer	12.25	20
9	Opium	Mesqal	11	15
10	Onion seed	seer	10	30

1	Liver & kidney, sheep	according to slaughter house bill		25
2	Sacks, jute	each	10	25

1	Unshelled walnuts	seer	3	25
2	Raw pinenuts	"	7	30
3	Green tanned leather	"	3	25
4	Sheep & goat leather	"	8	25
5	(fresh fruit)	"	2	5

1	Melons	seer	10	20
2	Shelled apricot seeds	"	20	25

1	(?)	seer	40	25
2	(?)	"	14	15
3	(?)	"	4	15

1	Sheep casings	each ring	2.50	100
2	Rhubarb	seer	4	5
3	Linseed	"	20	20
4	Apricot	"	4	20
5	Cumin seed, white	"	100	30

Serial No.	Item	Unit	Unit Price	Percentage of duty
1	Cumin seed, black	seer	100	30
2	Cumin seed, kajak	"	100	30
3	Sorb	"	4	25
4	Dried apple	"	5	25
5	Dried mushroom	"	16	15
6	Fresh mushroom	"	6	15
7	Fresh apple	"	4	20
8	Garlic	"	30	5

1	Powdered glue	seer	1.50	15
2	Vinegar	bottle	8	60
3	Construction rock containing lapis lazuli	kilo	$ 6	100

1	Shakarpara (a very sweet variety of apricot	seer	9	25

1	Soap	seer	45	50
2	Wooden boxes	"	6	20

5	(?)	seer	10.50	25
6	(?)	"	30	15
7	Apricot, dried, unseeded	"	2	25
8	Green grapes, unripe	"	2	20
9	Julube (medicinal herb)	"	16	10

1	Unfinished carpet	sq. meter	300	20
2	Finished carpet	" "	200	20
3	White apricot	seer	4	20
4	Curdled milk, dry	"	8	5

Serial No.	Item	Unit	Unit Price	Percentage of duty
1	Green raisins, cleaned	seer	30	25
2	Uncleaned green raisins	"	40	25
3	Red raisins, cleaned	"	20	25
4	Red raisins, uncleaned	"	30	25
5	Black raisins, cleaned	"	20	25
6	Black raisins, uncleaned	"	35	25
7	Dried apricot	"	30	25
8	Sesame seeds	"	16	30
9	Oil cake	"	80	15
10	Potatoes	"	8	15

	Rug, Qashgari type	each	35	10
	Rug, Qaghma	"	15	10
	(?)	seer	2	15
	(?)	"	2	15
	Dried corriander	"	4	20
	Roses (dried?)	"	8	15
	(medicinal herb)	"	2	15
	Red flower (medicinal herb)	"	3	15
	Sweet cherries	"	3	20
	Dried leeks	"	4	5
	Green leeks	"	1	5

1	Uncut lapis, 1st grade	kilo	$240	100
2	Uncut lapis, 2nd grade	"	$180	100
3	Uncut lapis, 3rd grade	"	$110	100
4	Uncut lapis, 4th grade	"	$ 72	100
5	Uncut lapis, 5th grade	"	$ 42	100
6	Cut & polished, 1st grade	"	$365	100
7	Cut & polished, 2nd grade	"	$240	100
8	Cut & polished, 3rd grade	"	$160	100
9	Cut & polished, 4th grade	"	$ 85	100
10	Cut & polished, 5th grade	"	$ 60	100

Serial No.	Item	Unit	Unit Price	Percentage of duty
1	Dried black grapes	seer	6	25
2	Walnuts, unshelled	"	150	25
3	Apricot seeds, shelled	"	40	25
4	Pistachio nuts	"	30	36
5	Goat hair	"	8	30
6	Lentils	"	2	20
7	Ground pepper	"	72	15
8	(spice)	"	10	15
9	Almonds, shelled	"	250	36
10	Table cloth, Kandahari	each	50	5
11	Poultry	pair	30	25
12	Poultry, inferior	"	10	25
13	(?)	"	5	25

1	Beans	seer	2.50	20

1	Pears	seer	4	20
2	Felt	sq. meter	2.50	10
3	Cotton yarn, bundle	bundle	190	30*

1	Asafetide (medicinal herb)	seer	100	30*

* exempted

Source
Ministry of Finance