AFGHANISTAN

PRIVATE ENTERPRISE PROGRAM

PREPARED FOR

THE AGENCY FOR INTERNATIONAL DEVELOPMENT

DECEMBER 1970

by

THOMAS H. MINER & ASSOCIATES, INC.

135 SOUTH LA SALLE STREET

CHICAGO, ILLINOIS 60603

AFGHANISTAN

PRIVATE ENTERPRISE PROGRAM

PART I: PRIVATE INDUSTRY DEVELOPMENT PROGRAM
PROJECT HISTORY AND FINAL REPORT
USAID Project 306-11-990-087
14 February 1964 to 31 December 1970

PART II: KARAKUL INDUSTRY MODERNIZATION PROGRAM
PROJECT HISTORY AND FINAL REPORT
USAID Project 306-11-990-004
1 January 1967 to 31 May 1969

Prepared For

THE AGENCY FOR INTERNATIONAL DEVELOPMENT
U.S. DEPARTMENT OF STATE
WASHINGTON, D.C.

By

THOMAS H. MINER & ASSOCIATES, INC.
135 SOUTH LA SALLE STREET
CHICAGO, ILLINOIS 60603
312-236-8745

DECEMBER 1970

PART I

PRIVATE INDUSTRY DEVELOPMENT PROGRAM

TABLE OF CONTENTS

Part I

TABLE OF CONTENTS

Part I (Continued)

Part II

KARAKUL INDUSTRY MODERNIZATION PROGRAM

PROJECT HISTORY AND FINAL REPORT

APPENDICES

Chapter I

INTRODUCTION

Chapter I

INTRODUCTION

As USAID Project 306-11-990-087, Private Enterprise Program - Afghanistan, is now terminating, we therefore submit the Project History and Final Report in accordance with the terms of THOMAS H. MINER & ASSOCIATES, INC. contract. This project, in operation for almost seven years, was initiated on what proved to be a "wrong" premise, seemed almost a failure, was re-directed after fundamental re-analysis, and went on to make a significant mark in the development of Afghanistan. We, the Contractors, are proud of our work on this Project and of the results achieved under considerable odds and against very numerous difficulties.

Consequently, in this Report we will attempt to give a brief history for the purpose not only of recording major events and activities but, above all, because we believe that this Project can perhaps serve as a sort of model for other Private Enterprise Projects in countries at a similar level of development. At least, there are many lessons that can be learned from our experience.

Chapter II

THE EARLY PROJECT AND ITS "WRONG PREMISE"

Chapter II

THE EARLY PROJECT AND ITS "WRONG PREMISE"

In the RFP for Afghanistan, dated October 1963, this Project was first proposed to "assist the Royal Government of Afghanistan through private enterprise to develop new industries for processing of agricultural products so that they are acceptable to move in the hard currency export trade and to increase production of commodities for local consumption in order to effect savings in foreign exchange." Subsequent CAPs of October 1964 and 1965 held to essentially the same rationale in defining the purpose for this Project.

The more specific historical justification for this Project can be defined as follows:

1. During the years 1958-1963, Afghanistan had witnessed a continuing unfavorable balance of payments, particularly in its hard currency trade.

2. A central commercial reason for this unfavorable position was the nation's lack of export commodities which, quantitatively and qualitatively, could compete in hard currency markets or substitute for those currently imported.

3. Commodities available for export were and are largely agricultural. However, to compete effectively, improvements had to be made in basic agricultural practices, processing methods and general marketing techniques.

4. Such improvements required an input of investment capital, both debt and equity. Heavy RGA capital commitments to infrastructural projects and operating expenses barred the RGA from advancing capital to develop these commodities, while those direct efforts the RGA had made in the field had not been overly successful.

5. To attract private enterprise, both domestic and foreign, the technical, economic and operating feasibility of each commodity area would have to be justified.

Based on this general purpose and rationale, in 1963 the Ministries of Planning and Commerce, using available hard currency import-export data, selected six industries holding a heavy promise of foreign exchange savings or earnings if each could be developed effectively. Thus in the PIO/T dated November 1963, these industries were defined as: casings, hides and skins, corrugated containers, edible oils, fresh and dried fruits, and cigarettes. Further, each of these industries was included in the nation's Second Five Year Plan with the Ministry of Commerce designated as responsible for making such pre-investment surveys of them as may be necessary.

Under the PIO/T November 1963, USAID Washington invited bids from USA consulting firms to conduct said pre-investment studies in the aforementioned commodity areas. The terms of this bid, in addition, made the selected firm responsible far assisting the RGA and private investors in the implementation of favorable studies.

THOMAS H. MINER & ASSOCIATES, INC., of Chicago, Illinois was awarded this contract in December 1963. The team leader arrived in Afghanistan on February 7, 1964 and began his work in Kabul on February 14, 1964.

In March 1964, it became known that two of the contracted study areas had already been assigned to other donor countries and agencies. Thus at that time, USAID Afghanistan deferred interest in edible oils to the United Kingdom and fresh and dried fruits to the Asia Foundation (USA).

A study of tourism was later approved (November 1964) as a feasibility area to replace edible oils. Then, too, because of its relation to the hides and skins study, the contract team undertook an independent study of the Karakul industry.

A brief summation of the results of these studies can be found as Appendix 10 of this report. All but one showed marked feasibility (the one "negative" study, corrugated containers, merely showed that consumption was still too low).

Upon completion and approval by the Royal Government of Afghanistan, each study was then published and the second phase, that of attracting a foreign investor, was commenced. These potential investors included large and sophisticated companies with previous worldwide experience, and were located in the United States, Great Britain, Germany, Sweden, Japan, and other nations. When one considers the professional efforts involved in performing the feasibility studies and in promoting the specific opportunities (many of which were extremely attractive), the results of this approach are somewhat startling.

Investors Contacted	57
Investors with Interest	31
Investors Visiting Afghanistan	13
Investments Made	0

As the above figures indicate, over 50% of the investors were interested in making an investment. In 23% of the cases, they were sufficiently committed to visit Afghanistan and inspect or analyze the opportunities. But not one investment was made in Afghanistan on the basis of the approach which was utilized. The failure to attract foreign investment was disheartening for two reasons: first, many of the opportunities represented an economically sound and attractive investment; and second, considerable personal effort had been expended without any positive results.

Thus, it became apparent that implementation of any study, irrespective of inherent merit, would be difficult so long as the following factors affecting private investment decisions were present and of overriding importance:

1. <u>Security and Encouragement</u>

The country offered minimal security to private investments and minimal incentives to encourage private investments.

2. <u>Medium and Long-Term Credit Institutions</u>

The country had no financing institutions capable of extending debt capital on favorable terms.

3. <u>Communications</u>

Through lack of effective communications, little trust and mutual understanding existed between the RGA and the Afghan private sector.

4. <u>Administration of Studies</u>

Pre-investment studies were conducted in various RGA Ministries by several different donor groups without coordination. In addition, within the RGA no Ministry was clearly assigned the responsibility for implementing studies.

Thus, quite outside the literal terms of the contract, the contract team assumed responsibility for working with other donor groups to achieve a more favorable business climate. This responsibility became, eventually, the project's long-term goal, defined as follows:

a. To develop private investment laws which would offer the necessary security and encouragement to private investors, both domestic and foreign.

b. To develop a credit institution, i.e., an industrial development bank, through which medium and long-term credit could be provided on favorable terms.

c. To develop an institutional framework through which the RGA and private investors could better communicate and thereby share a greater responsibility for solving mutual business needs and problems.

d. To encourage the formation of an Investment Advisory Center through which administration investment studies could be centrally conducted and implemented.

While these goals may have represented a legitimate, eventual long-term ob ective, nevertheless, at the time referred to, the Program did not comprehend them. What it did comprehend was a string of eight feasibility studies, none of which could be implemented for reasons having nothing to do with the studies themselves.

Faced with this situation, the Contractor's Chief of Party went to the then USAID Mission Director in the early summer of 1965 and gave him a frank report of the stalemate which was resulting. He also asked for the Mission Director's comments on what he thought the next step in the Project should be.

The Mission Director, while naturally disappointed, still suggested that at least one good crack be taken at the environmental problem before any final conclusions be drawn. The result was a locally famous paper, "The Investment Climate of Afghanistan," reproduced as Appendix 11, written by the Chief of Party and supported and widely distributed by the Mission Director. The surprising resonance this write-up had, and the attention it then received were due to its frank analysis and criticism as well as the fact that, by plan or by accident, its timing was excellent.

The first version of "The Investment Climate in Afghanistan" was distributed in the late summer of 1965 just as the new Government was about to be formed. At the same time, considerable Afghan concern was being voiced at the general "stagnation" of Afghanistan, at the falling balance of payments and at the highly disappointing record of the relatively elaborate government industrial sector. In this moment of change and questioning, "The Investment Climate" (actively promoted by AID) created something of a bombshell by underlining the existence of an alternative, and what Afghanistan was doing to discourage it.

The resulting polemics, arguments and discussions brought to light the existence of a small group of people of importance who were willing to give private enterprise a try and willing to mutually support the idea. In this regard, it is not too much to say that Prime Minister Maiwandwal's famous policy pronouncement in favor or private enterprise was an indirect result of the furor and discussion caused by "The Investment Climate in Afghanistan."

In the early fall of the year, while the issue was still in the air, the new Government was appointed containing Dr. Nour Ali as Minister of Commerce. Dr. Nour Ali, who was to hold this position until the end of 1969, was a charter member of the group of private enterprise supporters, and as Deputy Minister had long and often discussed the matter with the then Chief of Party. His first act was to create an emergency ad hoc committee consisting of himself, the MINER Chief of Party, the Legal Advisor from the Asia Foundation (Mr. William McCulloch) and the President of Trade of the Ministry of Commerce (Dr. Ali Nawaz). This committee's sole purpose was to hammer out an Investment Law conforming to the specific requirements of Afghanistan as illustrated in "The Investment Climate."

While this committee was holding almost daily sessions with Mr. McCulloch doing the actual drafting, and the Law was beginning to take form, the question of the MINER Contract renewal began to be discussed. After much consideration, and in view of the recent Afghan awareness of the problem of investment climate, it was finally decided to continue, but on another track--that of tackling the environment for Private Enterprise.

At that time and under those conditions, it was a truly courageous decision. The outlook was gloomy, to say the least (some claimed "hopeless"). Today it is difficult to remember how discouraging it all looked then: the only silver linings were a Minister of Commerce who said he was interested in a law and a Prime Minister who had spoken encouragingly of Private Investment in a public policy statement--not much to go on, certainly.

Nevertheless, the new contract renewed on February 15, 1967, and back-dated to January 1, 1967, listed in its Scope of Work the following in addition to the previous feasibility studies:

"2. Additional studies, surveys and services which will aid the industrial development and/or improvement of the investment climate of Afghanistan, including possible assistance to the prospective industrial development bank and/or industrial development center, including, but not necessarily limited to:

(a) Further studies and surveys reporting on and appraising investment legislation--foreign and domestic, commercial codes, monetary provision for exporters/importers including official exchange rate policy, empirical business practices, incentives and deterrents facing local industry, domestic markets, etc.

(b) Renewed implementation efforts (superseded contract Phase II type activities) by both the contractor's field staff and/or Home Office on industrial projects . . . .

"3. Additional contractor services rendered in support of selected Afghan organizations and/or improvement of existing industries which will contribute to achievement of contract objectives . . . ."

Sep 66

Just prior to the conclusion of this contract, the original Chief of Party of the MINER team returned to Chicago and was replaced by a new Chief of Party who remained with the Program until the end of the project. Oct 66

Chapter III

THE NEW PROGRAM

New Directions

Initial Operations

Investment Procedure

Chapter III

THE NEW PROGRAM

A. New Directions

Thus, the decision was made, and the way was clear to begin to try and influence the environment, fundamental to any progress. Perhaps it would be well to briefly recall what conditions were like at that time (the last quarter of 1966), and what problems the program faced; in other words, what was the starting point for this second phase of the Program.

In essence, at that time, Afghanistan was an industrial desert, particularly insofar as private industry was concerned. In addition to the lack of industry, as such (and the cause of this condition), was an environment and a general attitude which could hardly be classed as helpful. Many people, Afghans and foreigners, and perhaps the Afghans more than the foreigners, considered that Afghans lacked many of the basic elements for establishing private industry. Afghanistan was considered to have little or no savings available for industrial investment, and from this was deduced the theory that investment funds could only come by way of Government collection and investment. Afghan businessmen were characterized as unqualified and uninterested in industry. An important official of the Ministry of Mines & Industry remarked in regard to the new Investment Law, "You'll never get even one investment proposal."

On top of this, the attitude of most people in the Government was a combination of hostility and skepticism. Proposals for private investment were so few that when one appeared, the first reaction was to assume that there must be a catch in it somewhere and to examine it carefully for the "trick." In view of the then widely-held concept of the "guided economy," it also irked Government officials that businessmen would be so presumptious as to be interested in new, unguided activities.

To top it all off, there was a strong conviction through all levels of the Afghan Establishment that Afghans were not a "commercially minded" people. Rather, they still held to the "warrior traditions" of their forefathers. And, for this reason, nothing much could be expected in the field of private industry without Government control and guidance.

As far as investment laws were concerned, Afghanistan had not one, but two. The first was the "Code for the Encouragement of Industries in Afghanistan" of 1949 and the second was the

"Law Encouraging the Investment of Private Foreign Capital in Afghanistan" of 1954 and 1958. These two laws were administered by two different ministries, the first being administered by the Ministry of Mines & Industry and the second by the Commerce Ministry.

The laws in themselves contained nothing basically detrimental to investment, although they were hardly world-shaking examples of encouragement and incentive. The major fault of these two laws was the fact of two different administrations, both of which were arbitrary and fundamentally hostile. In the case of the Ministry of Commerce, the principal problem was an almost total lack of understanding and, therefore, of criteria with which to judge such investments. In those few instances of proposals being made under the "Foreign Investment Law," they, without exception, foundered in a welter of negotiation and counter-negotiation as if the Ministry of Commerce's purpose was to drive the hardest possible bargain in a bilateral trade agreement.. This happened to a tanning and shoe manufacturing proposal as well as to a proposed cigarette factory.

In the case of the Ministry of Mines & Industry, the home of the "guided economy" concept, the principal problem was that of guiding to such an extent that the project soon became a Government proposal being implemented with somebody else's money. Mines & Industry regularly dictated capital requirements, machinery requirements, source of machinery, method of payment, type and quantity of production and any other detail which caught their fancy. Under these circumstances, only the hardiest investors persevered. This happened to a very large rayon weaving plant which was approved over four years ago and which only now is actually being implemented under the more relaxed atmosphere engendered by the Investment Program.

The rather depressing atmosphere described above may be rapidly contrasted to the situation today. A mere three and one half years after the passage of the Foreign and Domestic Private Investment Law, replacing the above two pieces of legislation, there have been 218 investment proposals of which 133 have been approved. Of these, 53 projects are actually open and operating, giving employment to more than 3,000 workers.

The original estimate of the Afghan entrepreneur has been proved to have been totally wrong except possibly in one instance, that of the "warrior tradition." This "warrior tradition," if it means anything, means the instilling into people of the virtues of courage, competitiveness, individual initiative, determination and personal pride. All these characteristics are very strongly evident among our investors and would appear to provide exactly the cultural background necessary to successfully create and maintain a private factory in a difficult country like Afghanistan.

Hindsight, of course, is now easy. But at the beginning, all this was yet to come. And the handful of supporters of private industry, together with their American advisors, were left to create the most elementary essentials of the program. The first of these, of course, was the new Investment Law.

After Dr. Nour Ali's ad hoc committee had finished the drafting, the Law was discussed exhaustively with the Ministry of Planning, the Ministry of Justice, the Ministry of Mines & Industry and finally with the Cabinet. Due principally to Dr. Nour Ali's drive and insistence, coupled with outside prodding from AID, IBRD and the IFC, the Law was approved by the Cabinet and, Parliament not being in session, it was signed into law by the King and published in the Official Gazette on the 1st of Hoot 1345 (February 22, 1967) under Article 77 of the Constitution. A full copy of this Law is appended to this Report.

At this point, the real battle began. The opponents of private enterprise, who had considered the whole concept too far-fetched to worry about, suddenly realized that the new law had passed and that Dr. Nour Ali intended to give it every serious trial. Attempts were immediately made to insure that the Law would never be enforced, and a furious political battle broke out. The tone was set by an opposing Cabinet Minister who remarked, "In Afghanistan, we often pass laws, but that doesn't mean we enforce them. We also just put them on the shelf." An important official of the Ministry of Mines & Industry stated bluntly, and ominously, "You'll never hold an Investment Committee meeting."

Obviously, under these circumstances, no useful action could be taken until the political battle was won. The opposition against which the small band of progressives were forced to battle consisted of the entire Ministry of Mines and Industry en bloc, as well as the then Minister of Finance, joined from time to time by the then Minister of Planning. Within the Ministry of Planning, opposition was strong at every level. Outside the government the older members of the power structure were almost solidly against it.

Under the leadership of Dr. Nour Ali and Mr. Farid Rafiq of the Ministry of Commerce, all "true believers" fell into the ranks and joined the fight for Private Enterprise--including the American advisors. The American advisors were an essential element inasmuch as some other foreign advisory groups (e.g. the French) were as adamently opposed to the private investment program as many of the Afghan hard-liners.

Fortunately, at the end of March 1967 when energies were beginning to flag due to the strength of the opposition, an opportunity was created by USAID for an investigatory and training trip to Nepal, India and Pakistan to look at investment centers, development banks and private investment programs in general. The group consisted of a USAID official, two American advisors and four Afghan officials. The importance of the trip was its eye-opening effect on the Afghans. When it was discovered that Nepal (!) was considerably further advanced at that time than Afghanistan in industrialization, the Afghans received a rather violent shock. There is no question that their pride was definitely hurt. When they could see with their own eyes that industrialization was actually possible on a large scale, as in Pakistan, and that the techniques for doing it were proved and known, when in fact they were patronized by Pakistani officials who, industrially speaking, obviously considered them outer barbarians, they returned to Afghanistan with renewed determination to force through at all costs the regular operation of the Investment Law. Particularly, Mr. Farid Rafiq threw himself even more whole-heartedly into the battle, giving political dinners at which he would address assembled Ministers (with an advisor sequestered in a separate room--in case of difficult questions), taking appointments, using influence and every other means at his command.

Finally, in May 1967, worn down by the determination of the Free Enterprise "party," the opposition , which was still a large majority, agreed to roll a few logs; in exchange for one last enormous industrial boondoggle on the part of the Government, they would permit the private enterprise experiment to be made. Thus, the Ministry of Commerce's opposition to a $7,000,000 Government-sponsored factory project was withdrawn (the factory is still not operative in December 1970), and the other side agreed not to interfere with the operation of the Investment Law.

This "agreement" was almost certainly based on a complete miscalculation on the part of the opposition. Unable to believe in either the real possibilities of private enterprise or in the determination of Dr. Nour Ali, they surely felt that the experiment would be "harmless" and that nothing would or could come of it. They felt, apparently, that they risked very little--particularly since they would not in any way assist the Program or cooperate with it, but merely ignore it totally, leaving it to die on the vine.

The consequences of this attitude have been immense and varied. In the first place, the opposition liberated the Program at one fell swoop of their hostile presence, thus assisting in the immediate creation of an acceptable investment climate. At the same time, their absence permitted those really devoted to the Program to create its methods, procedures and criteria in a spirit of liberal enthusiasm without the drag of "oppositionists." Thirdly, the entire Program and everything connected with it was perforce dumped into the lap of the Ministry of Commerce, since nobody else would touch it; thus giving Dr. Nour Ali a clear field and complete authority. The extent of the lack of understanding can be gauged today by the efforts now being made by more than one Ministry to wrench the Program (or at least part of it) back from the Ministry of Commerce.

This first, fundamental battle was won by the same essential combination that has carried the Program through at every step; Afghan initiative and drive assisted by the American advisors in any and every way possible. While only the Afghans achieve and implement policy, their lack of experience and knowledge in this particular field makes it difficult for them to combat strong opposition. Thus, the technical and moral support of more expert foreigners becomes a key element in their defending themselves. And this will continue to be true until such time as the Afghans have absorbed enough practical experience in industrial policy and factory operation to be able to be sure of their facts and confident of the details of their policies.

B. Initial Operations

One day at the end of May 1967, a gentleman walked into the writer's office and said, "Tell me, this new Investment Law--is it serious? Will they enforce it? If so, I have a project."

We were actually in business. We had received Investment Application No. 45/001*.

---

*The first two numbers indicate the Afghan year (1345)--wrongly in this case. We didn't think to change the year number for four or five months.

Unfortunately, the previous period's intense politicking had left us little time to organize a system to analyze projects, submit them to the Investment Committee, grant licenses, etc.

Dr. Nour Ali, in his capacity as Chairman of the Investment Committee, first tried to set up an "Advisory Sub-Committee," consisting of representatives of the Ministries of Mines & Industry, Planning and Commerce, together with foreign advisors. The Sub-Committee was charged with project analysis, final recommendation for approval and the creation of procedures. It met just once, and for just long enough for the representative of Mines & Industry to make it clear that his Ministry would have nothing further to do with it.

This attempt at cooperation having failed, Dr. Nour Ali, at the suggestion of the writer, created the "Investment Committee Secretariat." The Secretary already existed, Mr. Farid Rafiq having just then been appointed as Secretary to the Committee. Originally, this post was intended merely to be the usual recording secretary, but the opportunity to build on the basis of this one and only dependent of the Committee itself was too good to be missed.

Thus, Mr. Rafiq's office in the Ministry was transformed into an instant Secretariat, and his bewildered staff found themselves also working for the Investment Committee. In this way, the most characteristic (and advantageous) element of Afghan investment procedure was born, partly by accident: the "one-stop service." In his capacity as a Director-General of the Ministry, Mr. Rafiq was already Registrar of Companies for Afghanistan and, in addition, handled the issuance of Trade Licenses. This, when added to the full operational responsibility for the Private Investment Program, already constituted quite a large base. To this base, other useful attributes have been consciously added over the years (official power to sign Customs Releases, to grant Investors' Visas, etc.) so that at the present writing, there is very little of an investor's official business he cannot do with one stop at the Secretariat office.

Once an organization began to take some form, thought had to be given immediately to a procedure to handle applications, their preparation, submission, approval and eventual implementation. In regard to this problem, the Afghans simply stated that they had no experience at all and asked the advisors to please work out the whole thing, subject to their review. The advisors had to start with writing the Application Form and take it from there, including the License itself, through to an Implementation Certificate for operating projects.

This clerical-seeming job was one of the most important ever done, for the simple reason that no procedure whatsoever can be laid out without expressing some criteria and philosophy. Since we were creating the procedure, we were in the best possible position also to influence the general attitude and philosophy of the whole Program. Among the fundamental points established then and built into the system (and which have never been challenged) are:

1. It is the investor's money. He can spend it on manufacturing any item he likes, providing that he can prove reasonable feasibility. The corollary to this is that industrial investors are probably as smart as anybody else, at least, and stand in need of relatively little "guidance" by bureaucrats.

2. It is a fundamental service of the Program to give potential investors as much assistance as possible, of all kinds, in preparing a project.

3. Protection of industry is <u>out</u>, except in the most special circumstances, as being unforceable in Afghanistan as well as totally unsuited to its size and present condition.

4. The Investment Committee is uninterested in where a man's capital comes from, or in what form, as long as it comes.

5. The selection of partners (or lack of them) is the investor's problem--whether he is foreign or Afghan. There are no imposed partners, nor quotas, nor "Afghan percentages."

6. The purchase and selection of machinery, including second-hand equipment if desired, is entirely up to the investor himself without any interference by bureaucrats who will not be responsible for the operation of the plant.

7. The application basically consists of a feasibility study comprising all relevant information and projections for five years. This study, when approved, <u>is</u> the license as far as capital, imports, foreign personnel, etc., are concerned.

8. The project is considered by the Committee on the basis of the Application-Feasibility Study without further negotiation or "agreements."

9. The letter of the Investment Law is our only guide and rule. An excess of zeal to foresee and prevent any possible abuse of Investment Law privileges is not to be used as an excuse for bureaucratic harassment and interference in industry.

The above criteria, it will be realized, are not always those in vogue throughout Asia. In fact, potential investors from the sub-continent are almost always totally disoriented by this approach, and require considerable reassurance before they can believe that they will actually be permitted to spend their own money as they see fit.

Not surprisingly, once an investor (foreign or Afghan) is really sure that the Investment Committee means what it says, after two or three of his questions have been answered with the statement "however _you_ want to do it" or "as _you_ wish" or "that's _your_ decision, not ours," then both the Secretary and the advisors are normally overwhelmed by pleas for help and guidance, together with assurances that their every suggestion will be followed to the letter. In short, once the investor is sure that nobody is trying to force anything on him, he then becomes voluntarily receptive to suggestions and even "guidance."

An excellent example of this is the problem of Afghan participation in foreign investments. This whole question is one where foreign businesses have learned to be extremely gun-shy in view of the shotgun marriages they have been forced into elsewhere. Yet in Afghanistan, especially after a few 100% foreign-owned enterprises were actually established, the problem _hardly_ exists. Once the foreign company's representative becomes convinced that he will not be _required_ to have an Afghan partner, nor to grant a pre-established quota of his business to Afghan investment, his attitude invariably changes. After a moment's hesitation, he will almost always ask, "But do you think we _ought_ to have an Afghan partner?"

When he is told that due to the great differences between Afghanistan and other places, as well as the objective difficulties of doing business here, it is most advisable to have a good Afghan partner, almost always he agrees and begins to look for one.

In short, due entirely to the liberal attitude and practice of this Program, it is in fact possible to quietly arrange for Afghan participation in foreign investments where it seems desirable and to the degree it seems useful. In no instance have we failed to "place" an Afghan partner in a foreign investment where either the advisors or the Secretary thought it advisable. And this without any constraint, pressure or "negotiation" required, but with the continuing goodwill of the foreign investor.

C. Investment Procedure

The results of our efforts together with those of the Secretary can best be summed up in the following precis of Afghan investment procedure. At one side is a note on the role the advisors have played and are now playing.

Steps in the Process	Miner Team Contribution
I. Proposal & Applications	
Steps in the Process	
A. Preliminary interview. An investment almost always begins with a potential investor arriving at the Ministry of Commerce with an "idea." A brief interview is held with the Secretary of the Investment Committee who explains: 1. The Investment Law and its operation. 2. Afghan company formation. 3. Whether there are any similar proposals. and answers any questions raised by the investor. The investor is then normally directed to a foreign advisor for preparation of the proposal.	Originally this preliminary interview was conducted by the Miner team advisor, the Secretary acting as interpreter. However, the Secretary now conducts 90% of the interview, informing the advisor of what is developing and asking his help or opinion as the interview develops. The Secretary still counts on the advisor to prevent obvious mistakes, point out any complications and to "brief" the Secretary on the proposed idea and its implications.
B. Preparation of Application. Normally, this will now be handled through the Investment Advisory Center, and consists of the following: 1. Five-year analysis of Investment Costs (fixed and operating capital), operating costs, market and selling prices, personnel requirements (foreign and Afghan), availability	This work is almost entirely done by foreign advisors with the investor limiting his efforts to collecting information and other leg-work, discussion of and learning about his project and final approval of the results. With the creation of the Investment Advisory Center, it now becomes possible to hire and train good Afghans to slowly take over this project preparation work.

Steps in the Process	Miner Team Contribution
of technical know-how and training programs, import requirements, type of company and its formation, sources and availability of adequate finances.	For many years, the Afghan investors' role must be that of learning, not of preparing. For foreign investments, considerable help must be provided in regard to Afghan costs, Afghan company law, etc.
2. Preparation of "Recommendation" to Investment Committee by the advisors.	It should be noted that the whole process, even the forms, have been invented by the advisors.
3. Preporotion of opplication form itself.	
4. Preparation of explanatory letter in five copies signed by investor.	
All of the above is done for the investor at no charge.	

II. Approval

A. The approval process begins when the above-mentioned application, analysis, recommendation and letter are formally delivered to the Secretary of the Investment Committee and the Project officially given a number.	The advisors explain in great detail every project to the Secretary, assist in the translation into Farsi, discuss with the Secretary any problem or objection which might develop, and advise on the drafting of the suggested approval.
Then the Secretary's Office translates the whole thing into Farsi (from the original English) ond prepares a suggested draft approval. When this is complete and from 4 to 12 finished projects are on hond, every project is explained in detail to the Minister of Commerce (Chairman of the Investment Committee) and he negotiates the date of o Committee Meeting with his four other colleagues.	Although originally the presentation to the Minister of Commerce was conducted wholly by the advisor with the Secretary present to assist, the roles are now reversed, the Secretary explaining the whole project with the advisor present to help with any problems which may develop.
B. Investment Committee Meeting. At the next Meeting, the Projects are submitted one by one to the Committee of five Ministers (Commerce, Mines & Industry, Finance, Agriculture and Planning), by the Secretary of the Committee who explains each in detail. The Secretary must be prepared to handle many and varied questions, to convince the Committee of the merits of each	Since for many months no advisor has been physically present ot a Meeting, the Secretary is now on his own. An advisor is generally "handy" just outside the door in case of an emergency call. Generally, the Advisors' activity now falls into the category of "picking up the pieces" after the Meeting. If a good project has been refused approval (e.g. nail manufacture), or approved with an unworkable proviso

Steps in the Process	Miner Team Contribution
proposal, to avoid the Committee's tendency to impulsive modifications of long studied projects, and to try and get them to accept the wording of the Approval as drafted. At the end, the Committee by majority vote approves or disapproves. If it approves, it sets the wording of the Approval, generally with some modification to the draft.	(generally re: imported raw materials), then it is up to us to explain to all concerned the effects of the decision, to prepare an amending proposal, to negotiate its prior acceptance and to see that it is submitted to the next Meeting. It is also our job to call attention to the new or modified Industrial Policy resulting from those Committee decisions--as the Ministers seem often unaware that their decisions <u>are</u> the nation's Industrial Policy.

III. Implementation

The steps toward implementation can be summarized as follows:

1. Company formation
2. Issuance of license
3. Land and building
4. Machinery importation
5. Certification
6. Raw material importation
7. Visas

A. Company Formation. Since the Secretary of the Investment Committee is also Registrar of Companies of Afghanistan, the new, approved company can be formed without excess trouble. The provisions of the Commercial Code for the recognized forms of legal organization are too complex to be illustrated here. In general, however, the process can be completed in a week or ten days.	The advisors are always consulted in regard to establishing the official authorized capital of approved projects, rate of capital pay-in, division among the shareholders, etc. in order that the capitalization shall reflect both the needs of the Project as well as the conditions of the Approval.
B. Licensing. As an Investment License is issued in the name of the new, approved company, the license must await the legal existence of such company. Once the company is formed, the Secretary instructs the Chamber of Commerce to issue the License itself. The License is of especial importance under Afghan conditions, as it must be physically produced (and scrutinized)	The License, as a document, was designed and formulated in its entirety by the advisors. We are not now directly concerned with its issuance, except to try and determine that the descriptive wording used corresponds to the Project in question.

Steps in the Process	Miner Team Contribution
on all occasions when exercising any right under the Investment Law--with the exception of business with the Secretariat itself.	
C. Land and Building. Particularly as concerns the land and its location, the Secretary's office must take an interest. Between the lack of documentation of land ownership and the new rules for industry of the Urban Planning Authority, great care must be exercised to avoid later paralyzing complications. With the recent creation of the Industrial Park under the control of the Investment Committee (in operation, the Secretary's office), the problem has been eased enormously as suitable sites may now simply be assigned.	The advisors are expected to pass on the suitability and appropriateness of selected sites. The Industrial Park, being brand new and in the organizational stage, is still a 100% advisors' activity. We are expected to organize it, plan it physically, prepare the costs, arrange the construction contracts, fix the prices for the sites and assign them. Slowly, all this will begin to pass into the hands of Afghans starting, say, a year from now.
D. Machinery Importation. When machinery and equipment arrive in the Afghan customs, the investor brings the following to the Secretariat: 1. "Elm-wo-Khaber" (document issued at the frontier attesting legal entry). 2. Invoice certified in country of origin. 3. Shipping documents. After examination of these documents the Secretary signs an Order for the Customs to allow duty-free entry.	Originally, all machinery invoices had to be examined by an advisor, their contents explained to the staff, and the advisor had to certify on the invoice that the equipment was part of the investment as approved. This is still true in those cases where any question arises in the minds of the Afghan staff.
E. Certification. Before any duty-free raw material may be brought in, a factory must be inspected and receive a Certificate of Implementation stating that machinery has been installed and that it is in running order (and therefore can utilize the raw material).	The whole procedure of inspection of the factory and preparation of the Certificates by Implementation is performed by the advisors. The Secretary accompanies the inspection and counter-signs the Certificate after the advisors have signed.

Steps in the Process	Miner Team Contribution
Certificates are prepared by the Secretary on the basis of percents (50%; 100%; etc.) of the capacity as described in the Application.	
F. Raw Material Importation. When a factory receives a Certificate, it can clear duty-free raw material through Customs. Basically, the procedure is the same as that described for equipment, except that a very close control is kept of volume vis-a-vis the quantities listed in the Application. Certain "sensitive" items (e.g. rayon yorn) must be stared in approved warehouses and are issued on a ration system, month by month.	In general, the advisors suggest and advise at every phase to make sure the system remains as liberal in practice as it is in intention. The problems and duties are too many and too varied to be described in detail, but include: 1. Explanation and certification of invoices. 2. Inspection of the materials. 3. Procedural problem-solving. 4. Justificotion of changes in original quantities and items. 5. Operation of "rationing" systems for "sensitive" items. 6. Warehouse inspection and sealing.
G. Visas. Under the investors' Visa Decree, an established foreign investor may obtain a six-month renewable, multiple entry and exit visa. This visa is obtained through the Secretary's office which instructs the Ministries concerned to issue the visa.	The idea of this visa as well as most of the wording in the Decree come from the advisors. At present, the only involvement by the advisors is to advise the Secretary as to the state of the investment itself which represents the investor's permanent guarantee for toxes, duties, etc. which may be due to the Afghan Government.

Chapter IV

THE PERSONAL ELEMENT

Advisor Activities

Afghan Counterparts

Afghan Investors

Chapter IV

THE PERSONAL ELEMENT

A. Advisor Activities

As can be seen from the above, the whole process calls for considerable advisor involvement, particularly in regard to new questions. Slowly, however, this direct involvement diminishes as the Afghan staff becomes more familiar with the operation, to the point where--for that particular question at least--the advisors merely advise. Nevertheless, there are two views about this type of activity; one view holds that foreign advisors should "advise," period, without any operational involvement, even initially.

Our own view is that, at least in Afghanistan, this is hardly possible. In the first place, an investment environment first of all consists of the daily treatment and procedures an investor meets with. In a very real sense, the environment is made by office staff, not by Ministers. At the time, the only concrete expression of industrial policy is the activities and procedures of the staff dealing with investors. The reverse is also true, the daily problems and operations of this same staff create policy both directly and indirectly. They not only have and use considerable discretionary power, but new problems are solved on the basis of specific recommendations made by the Secretariat to the Committee and growing out of this practical daily experience.

Thus to exert a useful influence on the course of events, the advisor must work with the Afghan staff, as a defacto member of it. He must work with the investors the same way, as if he were a de facto shareholder. Not only does this give him the detailed understanding necessary to advise, but helps create the feeling of complete confidence and trust in his desire to help which is essential to exerting any influence at all in the Afghan cultural environment.

Consequently, we feel that this involvement is the keystone of an advisor's work, without which everything else falls. We feel this to the extent that if we had to choose three slogans to paint on the side of our barn, they would be:

Procedure Is Policy
Operations Evolve Procedure
Advisors Are Operational

In this regard, the combination of circumstances created by the USAID operational pattern and the Afghan cultural pattern are almost perfect. First of all, Afghans have no national "inferiority complex," as is obvious (and in considerable contrast to some other Asian countries). They have never been colonized; in fact, they have killed more Englishmen that anybody. Consequently, they stand in no awe whatsoever of foreigners. Foreigners do not make them nervous, nor are they considered automatically a "danger."

The result of this is that they are quite willing on principle to make use of foreign advisors and even to allow them a position of close contact at high levels practically unthinkable elsewhere. It all depends on the foreigner as an individual, because if the Afghans have no complexes about foreigners, neither do they welcome them with open arms. In addition, they are traditionally hyper-suspicious until they know enough about a man's work, interests, position, etc. to feel that he is "safe." But above all, they want to know about his "dil."

"Dil" literally means "heart" but it is used to encompass a variety of concepts: devotion, trustworthiness, friendship, courage and other similar virtues considered essential in a man in Afghan tribal-based culture. Any man, foreign or Afghan, who can establish that his "dil" is both good and abundant is accepted. Any man who can't is out, even if he were to possess knowledge and abilities of the highest order.

The USAID contracting system seems almost designed in advance to fit this situation. In the first place, the contractor appears to the Afghans as an independent expert placed at the full disposal of the Afghans. They have signed papers for him; he is "theirs." He is presumed to be paid to have no other interests at heart but Afghan development and Afghan best interests. The slightest encouragement by the advisor toward strengthening this idea (or, at least, care not to destroy it) is generally sufficient to make him readily acceptable.

B. Afghan Counterparts

The Contractors in this Project were able to fulfill the Afghan requirements, be accepted and thus be in a position to produce results. We were also extremely fortunate, from beginning to end, in that we were able to work with people on the Afghan side whose quality, devotion and determination are second to none anywhere. In particular, we wish to call especial attention and to express our thanks to the following people:

H. E. Dr. Nour Ali (Minister of Commerce, 1965-1969)
H. E. Dr. Akbar Omar (Deputy Ministry of Commerce, 1965-1969, and Minister since November 1969)
Dr. Ali Nowaz (President of Trade, Ministry of Commerce)
Mr. Farid Rafiq (Secretary of the Investment Committee until September 1968)
Mr. Sarwar Bayat (Secretary of the Investment Committee since September 1968)

Without these five people, there could have been no Program. The Program obviously had to depend upon the Afghans, and these were the Afghans it depended on. Many other Afghans have made sizeable contributions and have been supporters in times of need, but without these five nothing could have been accomplished. Some illustrations of their efforts have already been given. More will be mentioned before this report is finished.

C. Afghan Investors

It should not be thought, however, that only within the Government was support and dedication to be found. That supposedly non-existent species, the Afghan investor, was obviously even more important.

In terms of cool risk taking, the writer has never seen anything comparable, particularly to the early investors. Not only were the first Afghan investors turning out their guarded capital to the light of day, they were doing so under a brand-new Program whose strength and staying power were unproved in a still fundamentally hostile environment.

In addition to this, credit and financing--either short-term or long-term--were unobtainable and industrial land hard to find.

On top of this, they had no assurance of how the Investment Law would be administered, and prior experience was not encouraging. Under the previous legislation, the Herat Cotton Company had been formed and put into operation and had made a profit. When, however, they submitted their License as proof of tax exemption under the provisions of that Law, the Ministry of Finance refused to accept it. The Ministry of Mines & Industry, which was responsible for the administration of the then investment law, refused to intervene. Result: the company had to pay taxes in direct contravention to the provisions of the law under which they were licensed.

What proof did early investors have that this sort of thing would not happen again? Only Dr. Nour Ali's word, plus the symbolic presence of American advisors.

What evidence did they have that they would not be jumped on to document the origin of the capital they were now admitting they owned? Nothing at all--except the promise of Dr. Nour Ali.

It is unlikely that General Motors would have considered this sufficient. But many Afghans had the guts to try, risking not only monetary loss, but unending harassment and trouble if anything went wrong.

It is difficult not to admire them, particularly when it is considered that only a small fraction of the investors belong to the Afghan "Establishment." Mostly, they are "people nobody ever heard of;" educated sons of bazaar merchants, engineers on borrowed (family) capital who are tired of Government work, and even bearded tribal elders from the Frontier who have made a bundle in "trade" (i.e. smuggling--maybe even a little brigandage from the looks of some).

At the same time, the spread over the various ethnic groups--even those who traditionally suffer from lack of status--was remarkably large: city Kabulis, of course, but also tribal Pashtoons, Kizelbash, Uzbeks, Turkomans, Tadjiks (ethnic not linguistic) and even (lately) a Hazara.

The social implications of all this were not always appreciated in all quarters, but this situation will be discussed more fully later in the Report. What is important here is to note the very widespread response throughout all groups of society (except the top Establishment) to a new opportunity for progress--a response which came even in the early days when it took real courage.

Chapter V

METHODS AND APPROACH

Chapter V

METHODS AND APPROACH

Before discussing the results of this Program, one word might be said about methods and approach used to achieve these results. The basis of these is that the principal goal of the MINER "philosophy" is to create that which is self-sustaining. Obviously, our business and industrial background has rigorously disciplined us in this direction: the recommendation of a non self-sustaining (and therefore un-economic) solution in business is unthinkable.

In consequence, our first concern, automatically, is to find a solution which the clients will be able to carry on by themselves--if not immediately as in Afghanistan, at least in the reasonable future. If a permanent crutch is needed, it is no "solution." The first consequence of this outlook under Afghan conditions, is to pitch recommendations within the present capabilities and experience of the Afghans we are dealing with.

This often means that, both organizationally and financially, recommendations may seem to fall short of some theoretical standard; but the Afghans will be capable of carrying out and continuing these recommendations in spite of their "experience gap."

For example, we have carefully avoided the organizing of large, public-held corporations even when they were theoretically indicated and even though the money is there. Afghan experience is not yet sufficient to sustain them on the organizational-administrative level.

As a result of this approach, we feel that our record is rather outstanding:

1. Of 55 factories which had been opened by the end of 1970, 53 were still in operation. This survival rate is very good for early industrialization. If 25% had closed in the first two years, it would have been not unusual.

2. The Industrial Park will be a fully economic, self-sustaining commercial corporation.

3. The Karakul Institute has carried on successfully for over four years and is in good administrative and financial condition (see Volume II).

4. The Investment Advisary Center is financed ond supported by the voluntary contribution (voted by the Members) of the business cammunity through the Chambers of Cammerce.

The methods used in securing this gaal of self-sustaining entities can only be described os flexible. This is not a situation where an overly rigorous ond logical approach is of much use. In the first place, the logic of the people with whom you have to deol, the Afghans, is not aur logic; ond, secondly, their experience up to the present is still so small thot you cannot yet expect them to go ot it very logically.

Rother you con only accept each problem os on opportunity. When faced by a concrete problem, the Afghans are anxious to find o rapid solution. Such problems then become the instruments for finding and implementing solutions. And the sum of the solutions slowly builds into a unified whole. Naturally, during this process you often find yourself working from "Z" back to "A," or starting from "M" and working in both directions. This is offset, however, by the assurance that you have people's full interest and attention, and that the solution will be actually implemented.

In order to maintain coherence under these conditions, it is essentiol thot the advisors have a clear and concrete picture of exactly where they wish to arrive. Only then can they make sure that each piece as it is developed will fit the desired unified whole. If they have to have a complete "design" for their goals, it makes little difference which piece they work on next. If they lack such a concrete mental picture, they will be condemned to "ad hoc" themselves into total confusion . . . . Because there is little choice but to do the daily work largely on just such an ad hoc basis.

This does not mean that lang-range efforts are never made. It does mean, however, that the long-range plans will only come to be realized and implemented as the result of some ad hoc problem. While the necessity of setting up the Investment Advisory Center had long been foreseen and recommended, it was only put in the works when the Spinzar Company (51% Government) appealed for management consultancy to bail them out of their problems, and none was easily available due to the shortage of time and people and the distance to Kunduz.

What has been accomplished in Afghanistan has been achieved following these methods and approaches. While they may seem to lack neatness, they have proved effective. To sum up, we have tried:

1. To creote only self-sustaining entities.

2. To implement our recommendations through finding solutions to actual concrete problems.

3. To coordinate and unify such activity by having always firmly in mind the total, overall goals of the Project.

Chapter VI

PROGRAM RESULTS

Security and Encouragement

Credit and Credit Institutions

Communication Between Business Community and Government

Unified Administration of Studies and Projects

The Industrial Park

Chapter VI

PROGRAM RESULTS

The results obtained in three and one-half years, under the circumstances described above, can best be shown by means of the attached chart. Appendices to this report contain the details, including a list of Approved Projects and various analyses concerning foreign investment, geographical distribution, open factories, and others. In view of these Appendices, it is hardly appropriate to go into detail here; rather, it seems more important to examine our record in regard to the long-range goals which we had fixed for ourselves at the start of the second phase of the Program. It will be recalled that, essentially, these were to attempt to create:

1. Security and encouragement for private investment;

2. Long- and short-term credit facilities;

3. Communication between the business community and the Government;

4. Unified administration for studies and projects.

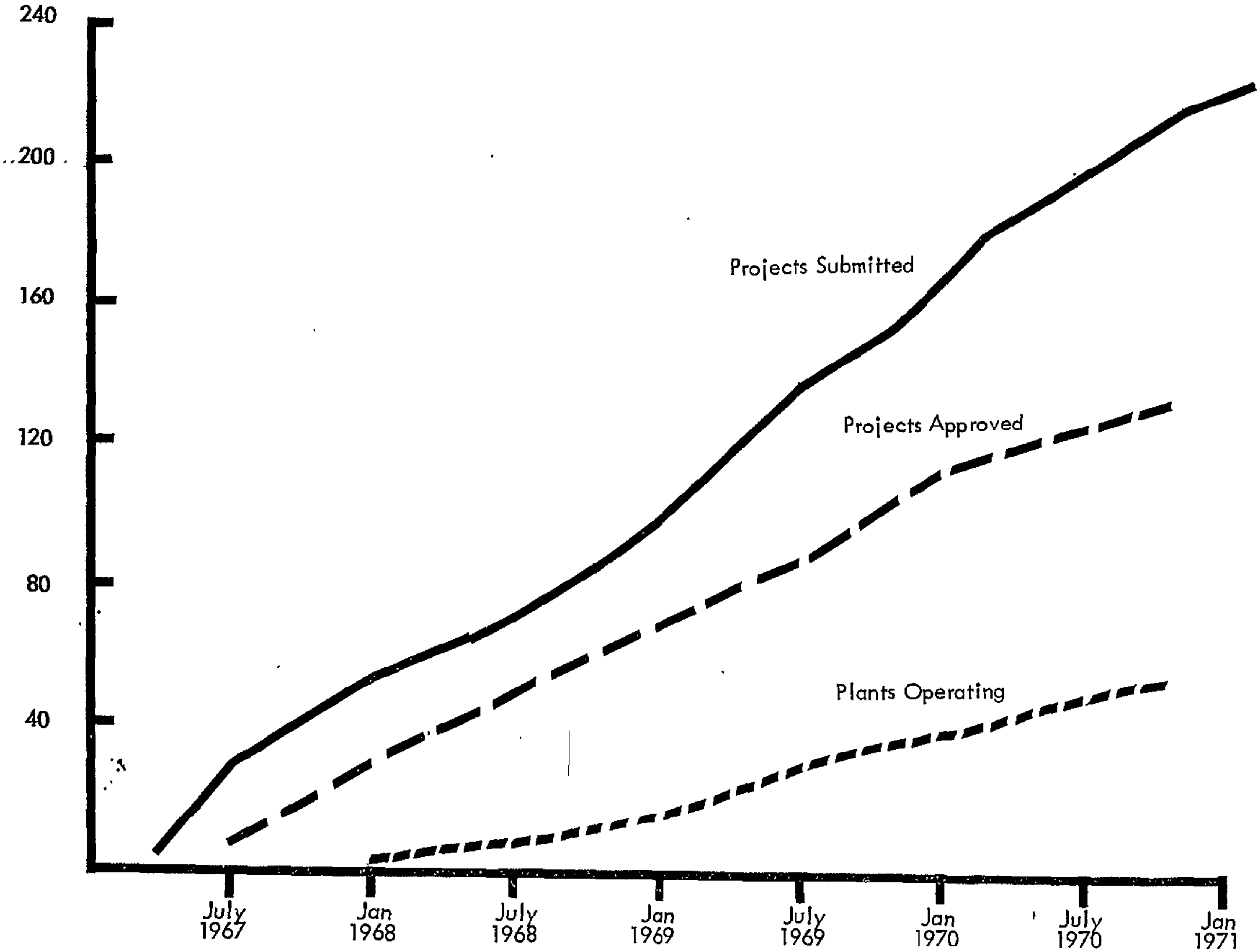
To these four, later practical necessity added a fifth:

5. An industrial area with adequate infrastructure for building factories.

A. Security and Encouragement

In regard to the first objective, security and encouragement for private investment, there is little question that it has been achieved beyond anything which could have reasonably been expected at the beginning of 1967. The mere statistics of applications submitted (217), of foreign investments approved (22), of the ever-increasing size of the investments (first application: $80,000; among the latest: $2,400,000) are more eloquent than any other statement. Obviously, there has been a most notable change in the last three and one-half years. It is sufficient just to compare it to the original environment described earlier in this report.

The symbol of this revolutionary change is, of course, the Foreign and Domestic Private Investment Law. Whatever omissions or imperfect provisions the Law may contain (and it contains several),



240
200
160
120
80
40
Projects Submitted
Projects Approved
Plants Operating
July 1967
Jan 1968
July 1968
Jan 1969
July 1969
Jan 1970
July 1970
Jan 1971

it was drawn by a group of people who understood exactly what was needed and what the psychological and cultural milieu was in which they had to work. It is almost perfect in answering the worries and fears that then beset the Afghan business community.

The principal technique for accomplishing this was to make the Law "non-ministerial" and to place it under the aegis of a separate Investment Committee of <u>five</u> Ministers (Commerce - Chairman, Mines & Industry, Planning, Finance, and Agriculture). Even now, though due to a historical accident its administration rests entirely inside the Commerce Ministry, it is not considered the "property" of that Ministry, and a conscious effort is made to separate and keep separate its operation from that of the Ministry itself. Thus, there can be none of that private, intra-Ministry policy making that helped ruin the previous laws.

In addition, the Law specifically states that the Investment Committee shall decide by majority vote. This technique is anything but obvious in traditional Afghan culture where group decisions are an ancient institution (jirgah) but are supposed to be made by unanimous agreement. There is no question that without this specific proviso, the Committee would have automatically considered that it should continue to discuss each item until unanimous agreement was reached -- with what results for the Program can be imagined. The group unanimity instinct is so strong in Afghan culture, that even with this proviso, after a vote the losing minority members of the Committee regularly sign the majority decision -- thus at least outwardly preserving this cultural requirement.

From this, however, the Program derives a subsidiary benefit. Since all five Ministers' signatures are on each decision and since they represent all the Ministries that an investor is likely to deal with, lower echelon sabotage or sandbagging can be dealt with by producing the original decision paper and showing the recalcitrant bureaucrat his boss's signature. And this has been done many times. However, in view of the inter-Ministerial nature of the Committee, cooperation is generally quite acceptable throughout the whole Afghan Government, and such incidents are not really frequent.

While on this subject, note should be taken of the really remarkable cooperation which has always been shown by the Afghan customs, due largely to the participation of the Minister of Finance on the Investment Committee. The Afghan customs (like others) is not known for its broadness of outlook nor fondness for import innovations, and we had expected that our first battle royal would be with them. No such thing took place. On the contrary, they have always shown great understanding and helpfulness. In this regard, of course, considerable credit must also go to the personal caliber of the Presidents of Customs, which has been very high.

Other examples could be given in great volume, but the point to be stressed is that whatever minor defects the Law may have operationally or economically, it is a masterpiece of cultural anthropology. And for this reason, it works. Enormous credit is due to those who drafted this legislation for their experience, understanding, and judgment in grasping this point. The moral, obviously, is that this type of legislation is not a "short term" project, nor can it simply be imported from elsewhere. The Asia Foundation legal advisor, the principal drafter, as well as the MINER Team Party Chief, had both spent almost three years in Afghanistan before they put a pen to paper, while on the Afghan side the drafters were Dr. Nour Ali personally and Dr. Ali Nawaz.

Nevertheless, no matter how excellent the legislation, it is never enough by itself. The day-to-day administration must be infused with the same spirit. That it was, is to the great credit of Dr. Nour Ali, who absolutely insisted that the Law be administered liberally, fairly, and in a manner to encourage investors. He carefully hand-picked the personnel who were to work with the Program, particularly the first Secretary of the Investment Committee, Mr. Farid Rofiq, as well as his successor, Mr. Sarwor Boyat. It would be hard to imagine better choices.

Nevertheless, particularly at the beginning, while Afghan goodwill and good intentions were abundant, they had very little idea of how they could carry these out in daily practice. Here, too, Dr. Nour Ali made a decision which was basic to the success of the Program: he decided to let those who did know (the American advisors) tell him. Thus, rather than try and "re-invent Puerto Rico" by trial and error, the Program was able to get off to a relatively fast, good start down the right track. The details of this process have been described elsewhere; here we will limit ourselves to the result.

The result we refer to almost amounts to a discovery: environment, by itself, is enough. What we mean by this is that the Program offered nothing but environment: we had no credit facilities to offer, no subsidies, not even good industrial sites (even for payment, let alone free), nothing at all of all those other services and incentives normally associated with private industry promotion. Yet, we successfully promoted private industry. To us, therefore, Afghanistan's experience seems a textbook example, or controlled laboratory test, of the fact that for private investment, environment comes close to being everything. Not that all the rest is not useful; on the contrary, the rate of implemented investment may well depend on the rest, but it is not the "philosopher's stone" of private enterprise. That, if there is one, is environment and environment alone.

Our experience would seem to show that if the environment is really good, then investment comes -- both foreign and domestic -- and all the rest is merely an "extra." Exceedingly useful, but an extra. The converse is undoubtedly true: without a good basic environment and investment climate, private investment is hard to come by no matter how much credit, plans, advice, industrial estates, or Centers are available. The present situation of the Peshawar area may well be the example of this.

From a purely economic viewpoint, it is hardly understandable that a business would prefer Kabul to Peshawar with its access to banks (including PICIC), plentiful electric power, huge national market, and ready-to-occupy Industrial Estate. Yet practically no one is investing in Peshawar, and everyone (including the citizens of Peshawar) is coming to Kabul. There are only two possible reasons: lack of currency control and more encouraging environment. We are convinced that it is the latter that counts.

Environment cannot, of course, determine the rate of such investment by itself. What it presumably can assure is that "significant" investment will be forthcoming. In the specific case of Afghanistan, the rate was determined by various factors, not the least of which was that the time was ripe economically speaking. In 1966 Afghanistan was full of frustrated investors. We know personally of projects which had been planned and mulled over for 10 years. Obviously, when investment came, it started with a shock-wave consisting of this pent-up demand, which itself was a factor in creating both the better environment and a rapid rate of additional investment.

Yet it is important to remember that while there was a considerable backlog (largely unsuspected) of frustrated projects and money to go with them, in fact not a penny was spent until the environment was changed -- and only the environment. Then the dam broke and the money poured forth without waiting for credit, industrial sites, or supporting services. On February 23, 1967, Afghanistan was just the same economically as it had been on February 22 -- the only novelty was that now the Investment Law was in force.

The logic of this position also leads to the conclusion that most private investment is, therefore, in a very basic sense also non-economically motivated. We feel this is true. Not that the economics don't count -- they most certainly do: but, in our view, they are practically never the sole determining factor. The subject will be discussed more fully at a later point in the report.

B. Credit and Credit Institutions

As we have already noted, the Program -- during its life -- did not seem very successful in regard to this second objective. Only in January 1971, technically after the period of this report, did the Lower House of Parliament finally pass the enabling legislation for the "Industrial Development Bank of Afghanistan (IDBA)." This legislation, however, had been sitting before Parliament for over two years without being acted on, while at the same time the two private banks in the country were admirably restraining their enthusiasm for industrial finance.

Consequently, during the period dealt with here, financing for industry was, for all practical purposes, nil; and for many months yet the situation will remain the same. Rarely has an industrial program been so successful with so little credit. One can only conclude that with adequate credit progress would be really startling, even in spite of the trained management problem. As it is, the investors cannot even make use of foreign suppliers' credit which may be offered them, as this generally entails a bank guarantee from the Afghan end. Even this is normally beyond the purview of Afghan banking operations. What this situation does to the rate of implementation of approved investments can well be imagined.

While the investors have the necessary resources (they have to!), they rarely have them as liquid cash in their pocket. Thus, they are forced to implement their projects in bits and pieces. The classic example is the textile industry, where a typical factory's history would be something like this:

1st Stage	Jerry-built building with 20 looms
2nd Stage	Add 20 more looms
3rd Stage	Re-build building slightly larger, add 30 more looms
4th Stage	Add 20 more looms
5th Stage	Build separate building (empty) for dyeing and finishing
6th Stage	Buy a dye vat and install
7th Stage	Buy a boiler and install
8th Stage	Buy a calander and install
9th Stage	Buy a dryer and install

and so on ad infinitum. The process goes on as rapidly as the investor can collect liquid cash.

Fortunately, early-type textile production lends itself to this type of implementation without too much wostoge. It is hardly the same in other industries, who may have to woit a year or a year and a half after project approval before they can collect enough cash to even begin.

The only silver lining in this situation is that it automaticolly prevents starting "too big." This is not an indifferent benefit in Afghaniston, where industrial management experience is still exceedingly rare. For totally extraneous financial reasons, an entrepreneur is normally prevented from beginning with a project bigger than he can manage adequately.

The greatest immediate danger for the future lies in the total lack of working capitol financing or re-financing. One mistake and the investor is dead -- even if he has now learned what not to do. One month of slow collections and he is dead again -- even if he has plenty of good invoices against first class customers. There is just no place to go for help.

The danger here, of course, is that of wasting Afghanistan's scarcest resources: trained management. Just as the entrepreneur begins to learn his job -- albeit the hard way -- he is likely to be out of business. His successor, who might buy the plant for a song, has to start all over again at Square One -- with an equal danger of repeating his predecessor's fate. The worst aspect of this is that the "failure" of the company would not, in fact, be tied to "poor management." The owner could be the best of our neophyte managers and still go down for what amounts to extraneous financial reasons. How many top members of the American Management Association could run their businesses without any bank at all?

Under the circumstances, the Afghan investors do what they can -- the money bazaar at 20%, short-term personal loans from family and clan -- a very dangerous proceeding -- and any form of finagling which their 2500 years of trading experience might suggest.

What else can they do? Their only alternative would be to close the factory and throw away the key at the first financial bind. So far, the investors have managed to keep going. But in the future? In the writer's view, the fastest way out of this situation consists of two steps, both difficult:

1. Implement the IDBA on a crash basis; and

2. Obtain permission for a foreign commercial bank to open in Kabul;

plus a third, most difficult of all (which would represent the optimum):

3. Passage of a general Banking Law covering bank operation, collateral, chattel mortgages, etc.

In regard to the IDBA, it should be remembered that the enabling legislation, while it has passed its one real obstacle -- the Lower House -- still has to be passed by the Senate and signed by His Majesty. At present writing, the Senate cannot pass it as it lacks a quorum, being short 28 appointed Senators. For contingent political reasons, the King appears to wish to delay the nomination of these Senators, and it would appear that some time in the spring is the earliest the announcement can be hoped for. Once the Senate can legally convene, one can only hope that the IDBA will be their first order of business, and that the King will not delay his signature.

Thus while the greatest problem -- the Lower House -- has been solved, for which the strenuous and unremitting campaigning by the MINER team certainly deserves a fair portion of the credit, we still have quite a way to go before there is really a legal basis for the Bank.

Once this is secure, the Bank must be organized. Chase International by this time has long since dismantled its original plans. Even the consortium of other investing foreign banks must be reconstructed, not to mention the foreign personnel destined for Kabul. Furthermore, an Afghan President of the Bank must be chosen and approved -- knowing Afghanistan, this ought to be quite a process. Therefore, the beginning of 1972 as a starting date for a real Bank is already optimistic. Consequently, every effort ought to be made to speed up this process. First of all, by influence and encouragement, the RGA should be kept heading on course and urged to hurry. At the same time, certain preliminary measures can be taken in preparation for the Bank's opening. Chief among these would be the completion of a Survey of Afghan Industry Financing Needs.

This survey, which has already been discussed with Chase, would be aimed at giving them a detailed schedule of probable loan demand for the first three years of the IDBA's operation with detailed comment on the Project, the investors, and the feasibility-bankability of each.

Such a survey would get the IDBA off to a good head start if performed immediately. It could also be performed in a fraction of the time it would take a newly organized bank to collect the same information.

No more time should be lost in getting the IDBA operational, even in an initially small scale. Even a mini-IDBA could play a very essential role. One example of its effect would be to offer the required Afghan bank guarantee to overseas machinery suppliers. By this simple activity, literally millions of dollars of medium and long-term credit would be generated for the economy, and the bank's already subscribed private capital would be more than sufficient reserves.

Another important effect would be the pressure immediately exerted toward solving the short-term working capital loan problem. As mentioned above, the writer feels that this can only be satisfactorily solved by the introduction of a foreign commercial bank. And the IDBA could play a key "political" role in achieving this.

In regard to the presence of a foreign bank, the greatest advantage would be that from the moment it opened its doors, Afghanistan would have not one, but two effective commercial banks: the other being Bank-i-Mille. Bank-i-Mille has the resources, know-how, experience, and connections to do the job as well as any foreign bank. They will not, however, do it until forced by some effective competition, and the President of the bank is quite willing to admit it. They will not, under any circumstances, allow another bank to get the jump on them. If forced to, they will become a real bank and a very effective one.

It may surprise some to learn that in spite of this attitude, the Bank-i-Mille is not the stumbling block to foreign bank operation in Afghanistan. In fact, Bank-i-Mille is anxious to go partners with a suitable foreign bank. Even if a foreign bank were to represent pure competition, it would hardly "scare" Bank-i-Mille. In fact, the President would welcome a foreign bank as a competitor almost as much as a partner, being perfectly convinced personally of the fact that such modern, foreign bank operation would only increase the total banking business -- of which Bank-i-Mille would again get the lion's share.

The obstacles to foreign bank operation must be looked for elsewhere. Apparently the Da Afghanistan Bank (the Afghan central bank) is most reluctant in this regard, being afraid of what would happen to their notoriously inefficient commercial operations. The fact that such competition would force them out of commercial operations and back to strict central banking is something which can only be welcomed from the point of view of the economic development of the country.

This same negative attitude seems to have been adopted also by the Deputy Prime Minister, who, we understand, is more fearful of the effects of foreign bank operation on the Da Afghanistan and Pashtany Tejaraty banks than he is of the effects of lack of credit on the national economic development.

Yet, in our view, the problem is soluble. Although the representatives of the American Government are always very rightly reluctant to appear as "promoters" of specific American businesses, in this case it is the writer's feeling that the requirements of Afghan development coincide with the interests of certain American banks (e.g. First National City Bank). We would strongly recommend, therefore, a major effort by both USAID and the Embassy to convince the Royal Government of Afghanistan of the value and even essentiality of having a foreign commercial bank (even if one or more of the contenders will be American). We are sure that with the latent support already existing within the Afghan Government, such a "campaign" would bear fruit. Certainly, the future of the factories established under this Program may well depend on it.

As far as a comprehensive Bank Law is concerned, the future does not seem as sanguine -- in spite of the various (and contradictory) drafting efforts now being undertaken. However, in view of the lack of such legislation, it is not entirely fair to totally blame Bank-i-Mille and the others for the absence of industrial finance.

Among the points not covered, or inadequately covered, by present Afghan legislation are the following:

1. Bad checks;
2. Chattel mortgages;
3. Liens;
4. Legal status of collateral.

These four alone are enough to put a sizeable crimp in any banking operation. In addition, the traditional Moslem Common Law (Sharia') is often applied by the courts to purely commercial cases, inappropriately and probably illegally. Among the many problems this causes is the one created by the ancient tradition of continuously extending the Sharia' concept of the "inalienable homestead." Muhammad originally taught that a man's house and his field could not be taken from him for debt, thus reducing him and his family to starvation.

Today this humane and liberal concept from the 7th century has been so extended by interpretation, that if a businessman's eighth cousin, via his grandfather's number four wife, is employed as a watchman at the businessman's warehouse, there is a donger a court will hold the warehouse to be part of that family's "inalienable homestead," as it is a fixed osset from which a member of the family gains his livelihood.

In general, the courts are very reluctant in any foreclosure proceedings. This reluctance manifests itself first of all in very great delays both before and during a case.

An added problem is that of enforcing judgments when, after two or three years, the courts finally decide in the bank's favor. The mechanism of enforcement is commercial cases is decidedly inadequate, and if the defaulter simply refuses to deliver up the money or the collateral, the bank more often than not ends up with nothing more than a beautifully inscribed Persian document on gold-bordered paper.

As a result, percentage of default and bad debts on the few loans actually made is astronomical. The situation is such that the clients are positively invited not to pay, since they well know that they have an exceedingly high probability of getting away with it. This should also be seen in connection with the temptation to re-lend borrowed funds on the Money Bazaar, or otherwise, at rates of up to 30%. These interest rates, incidentally, are often masked to appear to conform with the Koranic injunction forbidding interest. One of the usual techniques is the phony trading transaction: the lender agrees to "buy" a certain amount of wheat from the borrower at a price, and the borrower agrees to "buy" it all back again in 30 or 60 or 90 days at a considerably higher price.

While there are definite techniques for operating a bank under such conditions (a similar situation did not prevent an immense growth of banking in old China), still it cannot be expected that the local banks will be wildly enthusiastic about exploring new types of financing. On the other hand, legislation in Afghanistan is an agonizing process. Even if a single, agreed, adequate draft of a banking law is produced in the near future, how long will it take to get it passed by Parliament? Yet no piece of legislation -- not even the IDBA -- would mean as much to the economic development of the country.

C. Communication Between The Business Community and Government

Such communications cannot be invented, they have to evolve over a period of time. Even with this qualification, however, the situation has improved vastly over the past three years. At least today some dialogue exists, whereas previously there was none -- unless a businessman happened also in his own right to have a family or non-business position such that he would be listened to anyway, in spite of being a businessman.

The original instinct of the Government was that businessmen were there to be told, not listened to. This was evident in many instances. The private investors in both the Kandahar Fruit Company and the Balkh Textile Mill were simply called in by Mines & Industry and told they were going to invest (and how much). Even in the Ministry of Commerce, in the early days, the writer can recall officials examining an application to form a corporation, laughing at the name, and then striking it out because it was "silly." After a moment's thought, a new name was suggested and inserted in the application without even informing the shareholders. The thought never passed through anybody's mind that the shareholders had anything to say about it.

We have certainly come a long way from that, at any rate. The first channel of communication which began to be opened was indirect: since Afghan officials would listen to advisors, and advisors would listen to businessmen, the advisors became a message center passing opinions, complaints, and suggestions back and forth in both directions.

Slowly, as factories began to open and products began to be physically visible, the Afghan investor began to acquire a minimum stature of his own. To keep this industrial progress rolling, it became obvious that he, too, would have to be listened to. However, it was so against the training and procedures of Afghan officialdom, that for many months the advisors' suggestions in this regard came as shocks of an almost revolutionary nature.

A problem would occur where no one could understand an investor's procedures, or imports, or written request. After much puzzling and discussion, during which suspicion of the investor's intentions arose like a fog, an advisor would be asked if he could make head or tail of this action by the investor. Upon the advisor's remarking, "Why don't we ask him?" there would be a stunned silence. On the advisor's further suggestion that "we all get in a car and go over to the factory and look," the silence would deepen. Finally somebody would say, "Yes, I guess we could, couldn't we?"

It was not that they were against the idea. It had just never occurred to them. Businessmen were simply not people one conferred with. They lacked the necessary status.

Although the situation is vastly improved, they still lack the status that is really required. Afghan investors are very conscious of this and inhibited by it. Since it is only recently that they have been "authorized" to speak at all, they are still very cautious about using this new "privilege." So cautious, indeed, that we have seen them refuse to join together and speak up even when their industrial lives were at stake.

Probably the best improvement, and one which will eventually institutionalize such Government-business communication, was the decision of the Ministry of Commerce to reserve one-third of the membership of the Chamber of Commerce to investors (previously industry was excluded), thus creating, in effect if not in law, a "Chamber of Commerce and Industry."

The Chambers of Commerce themselves are a prime example of the problem, not being Chambers of Commerce at all in our sense of the term, but merely the "lay branch" of the Ministry of Commerce. Nevertheless, they do represent the "authorized forum" for discussion of commercial questions, and for this reason, membership seats are hotly contested among trade license holders who constitute a sort of voting constituency. In addition, membership in the Chambers of Commerce finally gives a businessman that minimum of official status he so desperately needs.

So it has been that for the last year in the Chamber, the old traditional "Uncle Toms" from the bazaar have been joined by a newer, younger and more dynamic element made up of our investors. The results have been very noticeable and, in fact, cause for some "scandal." They have gotten into several head-on collisions with the President-General of the Chamber of Commerce (a Government official) and in general continue to press for more control by the members, more modern activities, and more change in everything.

It will take time for this situation to mature, but it is unlikely that the clock can be turned back. Communication is on its way and in time will bear its fruit. Its rate of progress will undoubtedly be proportional to the rate of factory openings, since the real cause of the Government's increased readiness to listen is the increasingly important economic role played by the investors, which simply cannot be ignored.

D. Unified Administration of Studies and Projects

This has been accomplished very successfully, at least as far as private investment is concerned. The first impetus was given by the original spurning of the Program by the other economic Ministries. Thus, all the activity came to rest exclusively in the Ministry of Commerce.

The degree to which this policy was insisted on by the other Ministries seems hard to credit today. At one time, for example, we attempted to interest the foreign advisors at the Ministry of Mines and Industry in helping with project analysis and had proceeded to the point where an English U.N. advisor was working on an investment project. He was called in officially by the then Deputy Minister and ordered to drop it, and warned that in the future he was expected to have nothing whatsaever to do with the private investment program.

Under the circumstances, "unified administration" was hardly a problem. The problem was the reverse: how to find enough hands to cope with the work. The Projects as such and the Program as a whole were (and still are) handled exclusively through the Secretariat of the Investment Committee.

Initially, the project preparation work was done entirely by the MINER Chief of Party, who divided his time between this work and policy consultancy to the Secretary and the Committee. Just in time to prevent him from being totally overwhelmed by the volume of work, a second MINER advisor arrived.

The second advisor concentrated on project preparation and investor consultancy. Finally, a third advisor also arrived and he operated in the field of open-factory trouble-shooting as well as project preparation. It should not be assumed, however, that there were any water-tight compartments. The basic operational principle -- which almost can be classed as an Afghan instinct -- is that of a customer-by-customer approach. Once an Afghan investor begins working with a specific advisor, he comes to consider him "his" advisor and will change to working with another with visible reluctance.

Consequently, we would try and divide up the "customers" according to whomever appeared to be most familiar with that project's presumed problems and operation. After which the same advisor would normally assist the investor all the way through: feasibility, approval, implementation, and start-up and beyond.

In addition to the maximum of three MINER advisors, at one time (1969) we were joined by a German advisor from the Hendrickson Group and a part-time Indian U.N. tanning and leather specialist. These, being generically assigned to help the Program, aggregated themselves to us, and we, in our turn, offered them full use of our offices, equipment, and secretary. Thus we were able to blend all of us into a sort of "super-team" which worked as a unit on behalf of and under the direction of the Secretary of the Investment Committee.

This total staffing of four-and-a-half advisors (3 Americans, 1 German, 1 U.N. part-time) was able to carry the load quite satisfactorily at that time. However, it will be obvious that while projects got prepared and implemented (the first requirement), nothing was being institutionalized, except possibly the foreign advisory services. For this reason, we began to campaign intensively for the Investment Advisory Center as an organized Afghan institution.

The purpose of the Center is to provide in a permanent and organized fashion all those services originally provided by the foreign advisors alone. In addition, it is hoped that under the more ample organization of the Center, time could be found to do advance feasibility studies to locate new and interesting fields for investment. Under the present set-up, time is simply not available to the advisors to even begin this work, faced as they are with a flood of current projects, problems, policies, and expansions.

A further, and vital, purpose of the Center is to provide and train Afghans in such consultancy work. While this is certainly a long-term project, it had best be begun, and in the least bureaucratic environment possible.

Initially, the Center project suffered a severe set-back in being tied to the IDBA. It had been conceived as a wholly-owned subsidiary of the Bank, principally to ensure its independence and financing. When, however, the Bank ran into trouble in Parliament, the Center also had to suffer.

Dr. Nour Ali then looked for a temporary alternative and found one in the Chamber of Commerce. He arranged to have the Center born as a temporary department of the Chamber; however, lack of suitable quarters and the requirement of gearing its operation to the unsuitable procedures and outlook of the Chamber proved in practice that this was not right either. When this became fully apparent, Dr. Nour Ali's successor, Dr. Akbar Omar, began to explore other possibilities. Since Dr. Akbar, as Deputy Minister, had been closely involved with the Program since its inception and since it was and is his object to fully implement the plans drafted during Dr. Nour Ali's tenure, he was very much aware of the need to institutionalize industrial assistance and to introduce an Afghan component.

Consequently, it has now been decided by Dr. Akbar Omar that while the Chamber will continue to carry the Center on its budget, the Center will be physically removed to newly re-modeled quarters where it will operate under its own Director-General.

At the same time, it is intended to remove an expanded Secretariat to the other floor of the same building, thus creating in practice a unified private investment "division."

In terms of advisory personnel, the Center will now have, in addition to the three presumed American advisors, one German advisor (Hendrickson Group) and possibly a second; one French advisor (CINAM); one British advisor (Colombo Plan) supposedly on the way; and the Indian U.N. part-time tanning and leather specialist.

Besides administrative staff, there will be up to twelve Afghan trainee-counterparts of whom four are already selected.

Thus, it would seem that the third requirement, unified administration, had been not only well met but also put on the road to permanent organization.

E. Industrial Park

A problem which became acute as soon as factories began to be implemented was: where to put them? There are only two small areas in the whole of Afghanistan which are, at the present time, at all suitable for private investment. These are: (1) the suburbs of Jalalabad and (2) the Pul-i-Charkhi area of Kabul. All other areas still either lack roads, water, or power, or are government factory company towns.

Under these circumstances, that one zone of the capital, Pul-i-Charkhi, which lent itself to industrialization, became immediately over-crowded even before the factories were built, as all the investors were forced to search there for land. In roughly a year and a half, prices of land along the Jalalabad Road shot up from around Afs. 40,000-50,000 per jereeb (1/2 acre) to Afs. 200,000 and even more.

The situation was complicated by the Urban Planning Board's decision to bar new industrial establishments within the city limits, thus restricting the area even more.

A further problem was the fact that foreigners and foreign concerns may not own land, but must only rent through a burdensome and complicated official procedure.

In spite of the problems and in spite of the cost, some seventeen new factories (at the time of writing) managed to squeeze in along the Jalalabad Road between the city limits and the Military Camp. However, long before this it became obvious that something organized would have to be done or the Program would strangle itself. The only reasonable solution, given the demand for sites and the lack of suitable land, was an organized Industrial Park. This was first tried in relation to a large block of private land owned by a single individual, located on the Jalalabad Road near the Military Camp. A portion of the area, some 375 jereebs out of a total of more than 1,000, were surveyed. A plan was prepared. An attempt by the Army to block the project for "security reasons" was frustrated. Costs were obtained and a complete project finalized. Even the promise of a certain amount of bank financing was obtained.

The Investment Committee, however, was upset at the idea that the private owner (now very enthusiastic for the project) would make a profit on what they considered "land speculation," particularly on an activity which in other countries was normally subsidized to reduce cost. After a dangerous moment in which they considered simply condemning the land for the Government, by which the investor would have lost his shirt instead of making a profit, they finally decided after much lost time simply not to approve the project.

The discussion, however, did serve to rivet their attention on the existence of the problem and the urgent need for a solution. They, therefore, had a search made of Government records to see if there were not a suitable piece of Government land in the same area. The search fortunately turned up a plot of 1,600 jereebs (800 acres) lying parallel to the Jalalabad Road and roughly 400 yards north of it. By Cabinet Decree No. 1760, dated September 15, 1969, this land was conveyed to the Investment Committee for an industrial park.

The question of how to develop it with the minimum necessary infrastructure became the next agonizing problem as the land in question was a zeppelin-shaped piece of empty scrub flats between some low hills on the north and the built-up area along the road to the south. There was nothing on it (except squatters); it needed everything and no sign of a budget to work with. While we were studying this problem of moking something from nothing, it came to our attention that the Asion Development Bank was searching for a good feasible Afghan project. When an ADB team next visited Kobul in early 1970, the MINER team talked with them over a period of several days and succeeded in convincing them that the Industrial Park should be taken into consideration as their first Afghan project. In view of the many still open questions which had to be answered and on the basis of mutual proposals between the Afghan Government and the Bank, a separate contract was let to THOMAS H. MINER & ASSOCIATES, INC., to provide a feasibility study as a basis for long-term financing.

A separate MINER ADB team arrived in September 1970 to conduct the field study and left in early November. The engineering side of this study was fairly excruciating due to the general vagueness of Afghan data (boundaries, size and direction of airport extension, test boring of trial wells, etc.). However, the study is now (December 1970) near final completion. It is assumed that the outcome will be favorable and that the Asian Development Bank will rapidly proceed with the project. In this manner, we hope that within the next few months this basic problem will be well on its way to solution, and, hopefully, within a year the Industrial Park will begin to offer services to investors. It should be noted that this solution will be independently organized and financed through commercial loans. While some ad joc initial assistance from AID may be useful, it will not require any AID money, nor an AID Project, nor even AID-sponsored advisors. It is a successful example of what MINER strives to achieve: the creation of self-sustaining, self-financing entities which, while they may require consultancy during their teething periods, can then be left to go their own way.

Chapter VII

IMPACT OF THE PROGRAM

Sociological Impact

Economic Impact

Chapter VII

IMPACT OF THE PROGRAM

At this point, having given a brief history of what happened and how it happened, and having summarized our results against the principal goals we had set for ourselves, it would seem appropriate to evaluate the general impact of what has been done on the development of Afghonistan. This can be divided into two headings, sociological impact and economic impact. Frankly, we feel the first is probably the more significant in spite of the many and very visible results of the second.

A. Sociological Impact

It must be realized that in Afghanistan this Program is highly "revolutionary." Basically, this is because for the Program to succeed, it must turn a vast number of traditional Afghan habits, attitudes, practices, and mores upside down. Further, the more it succeeds, the more habits, ottitudes, etc., come under attack; and finally, once these have changed, the dynamics of industrializotion will not permit them to slip back. All this leads to change, social mobility, new life styles, and a new attitude to authority; but above all, to change: change in everything from principles to details in rapidly widening circles. In a country where change has been practically unknown, any change is revolutionary; and its psychological impact is hard for Westerners to comprehend. Yet such change cannot be escaped; it is the first quality of industrialization and always has a social content.

One quick example: how do women factory workers, employed together with "strange men," manage to get their job done while wearing a "chaderi" (a long, flowing garment covering head, face -- with a small piece of netting to see through -- body, and legs to the ankles)? Afghan solution: first you have them fold it back over the top of the head, thus freeing the face and hands. Now they can work but cannot be considered "out of chaderi." Next you wait until some paor lady gets her chaderi caught in moving machinery (hoping she doesn't get killed); after this, the question will not arise. Even in this silly (but true) example, the social implicotions are obvious and are affecting the poorer classes who are not only the most numerous but also the most orthodox and the least affected by the many Royal Pronouncements on Modern Women and Feminine Progress.

That there was any social implication at all to industrialization was totally unsuspected at the beginning by the overwhelming majority of the Afghan Establishment. Those who knew (e.g.

Dr. Nour Ali) made sure to keep their mouths shut. If the "news" had leaked out, it is highly doubtful if the log-rolling "agreement" of May 1967 could ever have been made.

Thus we are not only "revolutionary," we are also a sort of Trojan Horse, which, under the guise of providing industrial products, managed to introduce all kinds of sociological surprises into the ancient Afghan fortress. For a long time -- once this began to be realized -- the reaction on the part of the old-fashioned Establishmentarians was understandably bitter, and some rather nasty efforts at "counter-revolution" ensued.

It is worth pausing a moment to consider what is so upsetting to the traditionalists -- at least as it appears from our experience. While there are many things which they find disturbing, there are three that seem to stand out especially.

1. Any change is frightening. While today even the most dyed-in-the-wool orthodox reactionary admits the need for change in Afghanistan, the shock of coming face to face with it is considerable. To talk about it is one thing; to live through it is quite another, particularly if you have been formed in a society where any change was an enormous rarity. This reaction of a sort of shock is visible at all levels of Afghan contacts, including those of the most proven dedication to changing things. When it actually happens they act, literally, as if their breath had been taken away. If even the convinced innovators often have this reaction, how will the traditionalists react (who generally have nothing personally to gain by the change)?

2. Neither the rate nor nature of these social changes can be properly "controlled." It must be remembered that up to the present one of the fundamental lessons of history, learned by every thinking Afghan, was that the opposite of control is not freedom but bloody anarchy. If the King and his Government were not more than strong, even tyrannical, with everything under complete control, society regularly fell apart.

Example: the story of King Amanullah (1919-1929) who made heroic attempts at modernization, including representative democracy, freeing women from "purdah" and even an attempt at industrialization, but who neglected the apparatus of control -- the Army and the Palace. He was evicted by a revolt of tribesmen led by mullahs, and the country suffered a year of total anarchy under the usurping bandit-"king" Baccha-e-Seqao, under the dynasty was restored militarily in the person of King Nadir Shah, the present king's father. Amanulloh, instead of being the Ataturk or Reza Shah of the Afghans, died alone in exile in 1963, and only now is his work beginning to be understood and appreciated. Any Afghan over the age of 50 remembers with horror the year of Baccha-e-Seqao's anarchy.

Example: the fact that since Dost Mohammad Khan (d. 1868) only one king has died in bed and still king -- Abdur Rahman (1878-1901), whose specialty was blowing his opposition out of the Noon Gun. Every other king either died assassinated or in exile with the exception, of course, of his present Majesty. It might be noted, incidentally, that His Majesty's reign of 37 years so far constitutes the all-time record since the Kingdom was founded.

Not surprisingly, therefore, the basic function of Government (and society) in Afghanistan has not been to do, but to control. Immobility is accepted easily; better to stagnate rather than let somebody do something you can't thoroughly and totally control. He may break completely loose and do who knows what.

The social changes brought about by industry are too many, too fast, and too unexpected to be brought under this kind of control, whereby nothing can happen unless approved in advance and re-approved daily as it is carried out. By their nature, the changes we ore talking about are uncontrollable. And it is this very sensation of things being "out of control" which is so upsetting.

In an Afghan context, the risks the traditionalists instinctively feel they are running may be historically valid, but if progress is wanted, the risks will simply have to be taken.

3. The changes benefit unknown people. This is perhaps the most frightening, especially in a society as oriented to personal relationships as this one. The investors, as mentioned before, are almost all "people nobody ever heard of" who are using the private industry program to make an end run around the Establishment.

Traditionally, one could progress in stature in Afghanistan only if one's family were vouched for, if one were well-known, if one's activities fell into the "safe" and controlled repertory, and if nobody had any doubt whatsoever as to one's loyalty to the Establishment and the system. Now unknown people are becoming important and powerful without any reference to the traditional system of advancement, merely through making money. In addition, they have followers -- workers -- whom they can control and influence, thus multiplying the "danger" enormously.

Worse yet, very many come from ethnic groups whose rise in the society has always been very carefully supervised (and minimized) and who normally do not possess much stature. This situation is especially annoying and tends to undermire the unspoken Pashtoon dominance within Afghanistan. It is a fact which brings home the idea of change with a vengeance.

A corollary to the rise of the "nobodies" is obviously the counterbalancing relative decline of the Establishment. Every time an "unknown" Uzbek (for instance) rises to importance, the Establishment's monopoly of power is just that much less. Many of the Establishment feel they can only watch their own eventual demise unless they can stop or control the Program.

This, in the writer's view, was the basic motive for the very serious and dangerous attempt made on the Program which came to a head in the spring of 1970. This attack, known as the "Rais-e-Dewan Incident," has been thoroughly documented elsewhere; here -- rather than give another detailed history -- we feel it more important to examine what we feel to be the causes and significance of this vicious attack.

The "Rais-e-Dewan-e-Masabat" is, in English, the President of the Government Investigation and Auditing Department of the Prime Ministry: a theoretical equivalent of the American Government's General Auditing Office. Based on rumors circulating around the bazaar of abuses concerning imported duty-free rayon yarn for the new textile factories, the investigators from this office suddenly descended on the Program in the spring of 1969.

In order to put the matter in its true proportion, a word should be said about these abuses. There is no question that certain of our new textile factories had dumped duty-free rayon yarn on the bazaar, instead of weaving it, for "export" to the apparently insatiable Pakistan market. The reason almost always was to create liquid cash in the lack of any banking system. The only proven case, incidentally, was not proven by the elaborate investigation of the Rais-e-Dewan but by the Secretary of the Investment Committee.

The following figures are important in understanding what was taking place: of all the rayon yarn imported in 1348 (1968-69), approximately $10,000,000 worth, some 5% only was imported duty-free by our factories. The other 95% was imported solely for the purpose of smuggling it to Pakistan, as there was no other possible use for it.

Of the 5% imported duty-free, only 3% was actually delivered to the factories. The rest was kept in the sealed warehouses which were part of the extremely tough (too tough) control system set up by the Investment Committee as soon as they were aware of the problem. This control system was so tough, including rationing, inspection, weighing and stamping of finished goods, etc., that no more than 10% of the factories' yarn ration could possibly have been made off with under any circumstances.

Thus, the real problem concerned 10% of 3%, or 0.3% of the rayon yarn imported into Afghanistan. In view of this, the large-scale production put on by the Rais-e-Dewan was obviously otherwise motivated. A further interesting detail is that no legal written instruction to the Rais-e-Dewan to perform the investigation has ever been produced. The instructions were purely verbal from a "high authority" known for his caution in regard to progress.

The "investigation" included: seizure of books and documents from private factories, seizure and sequestration of private property (raw materials), temporary seizure of the persons of the workers and their interrogation, temporary occupation of private factories by Government officials. None of this was even minimally legal, since the Rais-e-Dewan has no authority over private citizens. The whole was accompanied by a drumfire of derogatory articles in the less reputable sector of the "private" press.

Special aim was taken at Uzbek factory owners. While others got off with a pro forma visitation or two, in Uzbek-owned factories (the most successful) the "inspectors" camped for months and normally succeeded in closing them for long periods. Is it possible that someone was trying to tell them that it is not wise to be "uppity" ?

This sort of thing continued for <u>thirteen months</u> without any written charges being made against anyone. When they were finally made, they were made against ... the Secretary of the Investment Committee. Obviously, if you can turn the Secretariat into the super-cautious, immobile, suspicious nest of bureaucrats that the average Afghan ministry office consists of, you have effectively killed the Program. So the Secretary, Mr. Sarwar Bayat, was officially charged in the Ministry of Justice with a series of criminal offences, all of which boiled down to the crime of liberal administration.

During the last few months of his administration, Dr. Nour Ali fought this harassment with all the determination and fury of his personality and convictions, including personally insulting the "high authority" above-mentioned in an official document. While he was demonstrably 100% correct in his statements, it only added personal animosity to our other problems.

After his departure, the higher echelons on "our side" took a very cautious tack, largely due to the extreme cleverness of the attack. Were they to risk their reputations and positions defending Uzbeks, who in addition were probably guilty? An unfashionable position at best; at worst, they would pit themselves against their own class and relatives, risk the enmity of very powerful people and end up on the losing side. It was obvious that Dr. Akbar Omar, the new Minister, was holding his fire until he was sure he would win.

Through all this, one figure in particular emerged in an outstandingly admirable light: Sarwar Bayat, the Secretary of the Investment Committee. Officially accused of criminal charges in the Ministry of Justice, subject to daily "question papers" and interrogations by the "investigators" and the victim of planted rumors that he was participating in "fabulous profits," he sat every day at his desk and continued to sign customs releases, Implementation Certificates, company formation papers and all the other documents necessary to keep the Program functioning. Without any "family" or connections, or even any visible political support, he never changed pace. The Program's administration remained as liberal and helpful as before.

It was one of the more dramatic demonstrations of what the virtues of the Afghan character really are. Even the writer begged him to stop: nobody is required to commit suicide. But he had "taken the pledge" with Dr. Nour Ali and committed himself to the development of Afghanistan through private enterprise. Therefore, he plowed ahead as calmly as he could manage.

In desperation, the writer asked for the assistance of the Mission and the Embassy, both of which responded in a manner for which we will always be grateful. But even their maximum efforts with the Prime Minister and his office seemed to have no effect beyond providing moral support -- especially to Sarwar Bayat.

In the end, as it had to be, it was the Afghans themselves who solved the problem. In a single, and evidently dramatic, Cabinet meeting the issue was solved, closed, and finished once and for all. When the economic Ministers finally decided that, unfashionable or not, the Private Investment Program was too valuable to sacrifice on the altar of traditionalism, they presented a united front, pounded the table, and insisted the comedy be stopped. It was. Instantly. And nothing more has ever been heard of the Rais-e-Dewan.

Such a victory obviously gave the Program a reputation of being "strong." It also, oddly enough, made it fashionable. Now we are beginning to see members of the Establishment visiting us to talk about making investments -- ex-Ministers who used to jeer at the Program, and highly-placed people whom we know were recently our worst enemies.

It is most unlikely this can last. Except for a very few, these people have neither the training nor vocation to set up factories. Soon they will be driven back to their original position of resentment and hostility, while the Program will return to its original position of providing a method of out-flanking the Establishment for the socially disenfranchised.

When this happens, we can expect another attack.

B. Economic Impact

The problem in assessing the economic impact of the Private Enterprise Program is the lack of numbers. With no national statistics, no data, no auditing, it is extremely difficult to come up with any really reliable numbers. Without these, any attempt at measuring the economic impact is necessarily a matter of educated guesses. This ought to be borne in mind when reading the comments which follow.

The first point is that with only some three-plus years of operation, with no credit facilities, one can hardly expect an enormous physical impact. In absolute terms, all the money, including working capital, which we estimate to have been so far spent on the 53 open factories -- $7.5 million -- is less than many single medium-sized American factories would require. Even the entire sum of resources in all the Approved Projects at their full implementation is only approximately $45,000,000 to date.

Of course, these figures look different in an Afghan context. We are operating in an economy whose total annual imports do not exceed $100,000,000 annually. Especially considering the circumstances of 1965-1966, the amount of investment is actually little short of amazing. There can also be no question that if a source of credit were available, the investment would already be many times higher.

Even the money already laid out, in an economy as small as this, is making a considerable and visible impact. Briefly, this can be summarized as follows:

1. The program has already created around 3,000 new jobs. This compares favorably with the grand total of approximately 30,000 industrial jobs (government and private) in the whole country.

2. The Program has already installed new productive capacity for export products with a capability of producing an additional $8,600,000 annually of foreign exchange, mostly hard currency. This is roughly a 10% increase in the country's export potential and compares well with the returns from the biggest earner, karakul, which fluctuates around $12,000,000.

3. The value of the production of the already installed productive equipment is approximately $16,700,000 per year including the above exports. As Gross National Product has been estimated at $1,400,000,000 this would already represent a 1.2% increase -- with the larger factories still to come on stream. In a country whose GNP is so overwhelmingly non-industrial, this is a significant increase, particularly when we started from zero. In addition, as practically nothing was manufactured in Afghanistan, its import replacement function can be considered very high (80%). In fact, certain items such as cheap Japanese rayon have practically disappeared from the bazaar.

4. The variety of new products is already large: casings, pickled skins, structural iron, tiles, raisin processing, metal fabricating, pharmaceuticals, textiles, and many others. In textile weaving alone 24,000,000 meters per year of rayon weaving capacity are already working.

5. Almost $2,000,000 worth of foreign investment is already open and operating. More than $4,000,000 more is under construction at this writing (December 1970).

The reader may refer to the Appendices at the back of this report for a fuller statistical explanation of the Program in economic terms.

Although we are presently unable to measure it, there can be no question that there is a strong multiplier effect to all the above results. While this could not be measured as it would require a special study all by itself, its effect cannot be less than in other countries in a similar stage of development. We can see this in the field of subsidiary employment from our own experience (new sales personnel in bazaar distributors, small service shops near factories, etc.).

A further important point is that the Program is a continuing process. The figures listed above increase almost daily. At this moment, there are at least seventeen additional factories under construction which are not included in the above figures whose total employed resources will be approximately equivalent to the entire 53 already open. This is also because the larger projects and the foreign projects are naturally the slowest to get finished. Consequently, the economic impact, already noticeable, can be counted on to increase geometrically in the future.

But the major economic influence of this program is that it has opened the door to new activity. Probably the most significant economic figure in the entire program is that of the 218 investment proposals which have been received since June 1967. If one was not in Afghanistan in late 1966, one cannot fully realize the impact of this upwelling of activity. We ourselves, by far the most optimistic of any in regard to the private enterprise potential for the country, in the initial days of the Program put up a ruled sheet on the wall with space for 25 investment proposals and considered that this would last us for who knows how long.

An additional economic activity, largely through the effect of tourism promotion (a direct result of the MINER study) as well as a result of the overall improvement in business initiative and environment set off by this Program, is the astonishing number of new shops, stores, and hotels which have sprung up, particularly in Kabul. In 1966, Kabul was literally a city without a single store by Western standards, and remarkably few of any kind. Today, we have entire shopping streets, and the shops themselves, if not up to the standards of Via Condotti, are at least real shops and are visibly improving month by month.

Spurred on by the construction of the Kabul Intercontinental, an entire hotel industry has sprung up. While for the moment the mass of these consists of large traditional Afghan houses converted into hotels catering excessively to the hippie trade, it is definitely a new industry, created almost overnight and very successfully. The Intercontinental would be delighted to have the occupancy rate of the Noor Hotel or the Nuristan. Again, this is another demonstration of the Afghan business community's remarkable ability to learn, to seize opportunity, and to implement rapidly--talents which are and will continue to be of the utmost importance in an economy whose overriding problem has been a massive lack of activity of all kinds.

Nobody suspected the latent drive for entrepreneurship which existed just below the surface in Afghanistan, but which had always been frustrated in the past by both a hostile environment and by administration aimed directly at discouraging entrepreneurship. That this Program has succeeded in liberating this drive and in awakening the average Afghan businessman to the possibilities of new and more advanced types of economic activity is the most important thing it has done in the field of economics.

The list of the 133 approved investments and the analysis by category appended to this report will give a general impression of the variety of interest and imagination which the Afghan business community has demonstrated. In three and one-half years, we have seen no signs of slackening of this interest. In fact, if anything, it has continued to increase. At the present time, the Investment Committee has more completed projects (27) awaiting its consideration than at any time in the past. Even in the provinces, with all the physical disabilities for erecting factories, and their psychological isolation from what is happening in the capital, we are now noticing a particularly strong upsurge of interest in investment. In the coming years, this tendency can only grow and will begin to make a physical impact on the economy which can not be estimated now but which could easily totally transform the country.

Chapter VIII

LESSONS FROM OUR EXPERIENCE

Non-Economic Motivation

Environment

Development Legislation

Local Investment

Evaluation

Chapter VIII

LESSONS FROM OUR EXPERIENCE

1. In New Private Investment, Non-Economic Motivation Is As Important As Economic.

Perhaps it is more important. There is a large emotional content in any form of pioneering, and new private investment is certainly that -- above all in a place like Afghanistan. We have many investors who are risking a considerable amount for a still uncertain return which would normally be no more than they could get on the Money Bazaar. Often they already have considerable sums of capital, and while there is a maximum amount of capital that commodities bazaar activities can consume, there is little limit to the Money Bazaar or to foreign deposits. So why invest in a factory?

Those who lack capital finance themselves very frequently by family, clan, and tribal borrowings, which is a very dangerous proceeding, made worse by the lenders' total ignorance of things industrial. It's no fun to owe money to your brother-in-law in any event: think what it would be like if he were armed, had a tribe back of him, and had never laid eyes on a factory. Why do they take this risk? The potential money isn't worth it, and the investors will often admit it.

There has to be a very strong, non-economic motivation to explain these procedures. We are convinced that more times than has ever been suspected, such non-economic motives are actually determinant in new private investment. In our experience, the Afghan investor seems to be motivated principally by:

Desire for status -- "status" in a modern sense. In addition, for many this new type of status is the only one they can reasonably aspire to. A good example is the very typical investor who is the educated son of a well-to-do bazaar merchant and who does not want to spend his life cross-legged in the family shop.

Moral encouragement -- simply telling the investor that his investment is welcome, that the Government is grateful, and so on, provides an enormous impulse to invest.

Patriotism -- in the sense of national pride. This is very strong in Afghans. They are acutely conscious of a moral "duty" to bring Afghanistan up to an acceptable level as compared with other nearby countries.

The foreign investor seems to have a slightly different set of non-economic motives:

Moral encouragement -- this is even more important for foreign investment than for local. If a foreign investor or company can manage to feel "loved," you have an almost sure investment even if the economics are marginal.

Appearance of safety -- this is very closely akin to moral encouragement. In fact, "safety" to a foreign investor is an emotion, not a specific condition. To a surprising extent, safety is what somebody tells him is safe.

Freedom -- in the sense of control of their own activities. Foreign investors have to feel that they will be left alone to run their own business, at least to a reasonably large extent.

Pioneering instinct -- most people in foreign business operations have the same instinct for virgin territory as a nineteenth century pioneer: it's there to be developed. And there is something vaguely immoral about not trying.

Often, it seems to us, only after these emotions and motivations have come into play do the economics exert their influence. Nobody is going to invest if he can't see a profit -- at least eventually. But the economics almost seem a conditioning process for the non-economic motivation, which is generally something like the items listed above.

II. Environment Is The Only Really Essential Element In An Investment Program.

This has already been discussed at length, but we wish to stress again that this is probably the most important lesson of the Afghan experience. While it is commonly accepted that without a proper environment a private investment program cannot function, the concept that with only a proper environment a program can be successful, even if it has nothing else, is not so widespread. Yet we feel we have proven it here.

While this may not be universally transferrable in all circumstances, the "laboratory experiment" which has been made in Afghanistan should certainly provide considerable food for thought in organizing other similar programs.

III. <u>The Most Important Requirement Of Development Legislation Is That It Be Drawn To Suit Local Conditions And Mentality.</u>

While development legislation must obviously contain the necessary specific provisions to encourage development, these must be presented in a "package" that suits the local environment. An example of an outstanding success in this direction is the Foreign and Domestic Private Investment Law, while an equally noteworthy example in the other direction, unfortunately, was the Industrial Development Bank Law, which required over two years before it could be understood and assimilated even by educated Afghans. This subject has been dealt with elsewhere; we would only like to add that one often hears the comment that a country is "not ready" for a certain step -- but this may well be merely a question of how the step is presented.

IV. <u>Without Strong Local Investment, Foreign Investment Cannot Be Expected.</u>

At least not in today's world. The time of United Fruit in Honduras or Firestone in Liberia is past. Unless there is a live and active domestic private sector, the conditions for attracting foreign investment are lacking. This has been amply proved by the fate of the eight Feasibility Studies originally prepared under this Project.

Until a strong local activity was created, not one study could be implemented through foreign investment. Since the creation of such local activity, six of the seven favorable studies are being implemented.

Should a foreign company move into an area which is without active domestic investment, they run a very high risk. Their visibility is enormous and they are perforce dealing with people who have little or no idea of how to handle private industry. The early history of the Afghan Woolen Industry is a perfect case in point.

V. <u>A Program Of This Nature Does Not Always Lend Itself To The Usual AID Evaluation Procedures.</u>

As explained above, what we are really dealing with in this Program is environment, which is not easily quantifiable. The measurable, countable elements in the Program can only come <u>after</u>

the principal job of creating an enrionment is done. For instance, the first countoble result wos the Investment Law, which came three years after the beginning of the Program. Our first approved factory applicotion came almost three and one-half years after.

By ony purely quantitotive analysis, the time spent prior to this would end up being evaluoted ot almost zero. Yet this was the period when the most fundamental work was occomplished. The long hours spent by the first Chief of Porty discussing privote enterprise with Dr. Nour Ali, or those spent by the second Chief of Party arguing against the opposition at the flank of Farid Rofiq, oppeared at the time to produce no concrete physical result ... except that they were essentiol if the Program were ever to get started.

In addition, the AID programming of project objectives is often set up so that it becomes a form of de facto scheduling and is so construed when evaluation begins. This, unfortunotely, is extremely inoppropriate for a progrom of this nature. In the first place, private investment is essentially o spontaneous, uncontrolled activity and what hoppens next simply cannot be scheduled. At the same time, such a concept of scheduling also ossumes that the Afghan Government's activities will adhere to the inherent schedule. This rarely, if ever, happens. The Afghons ore totally unaware of any need to conform the details of their Program to that of AID's, even when they most whole-heartedly accept the mutual objectives.

Under these circumstances, it is useless to look for progress toward project objectives either on the basis of ony presupposed "priorities" or by any series of scheduled "deodlines." The Program just does not proceed that way, and attempting to evaluate the Program on such a basis is not only irrelevant but even misleading.

Chapter IX

SUGGESTIONS FOR THE FUTURE

Chapter IX

SUGGESTIONS FOR THE FUTURE

Our principal suggestion for the future is simply to make every effort to continue the Program in the same basic direction as in the past. We also hope that AID's strong support, both moral and physical, will continue to be forthcoming. This support has been invaluable to us from the beginning, and many instances of moral and policy support have been cited in this report. The Program could not have achieved the results that have been achieved without this backing by the Mission and the Embassy.

Equally important is the physical and logistical AID support without which it would be almost impossible, under Afghan conditions, to get through the volume of work required by this Program. AID has provided office space, transportation, secretarial services, reproduction facilities, and innumerable other services which have been worth their weight in gold.

We strongly recommend, therefore, that AID continue to give their fullest support to this Program since such support is an essential element in its success.

In regard to the operational conditions of the Program, we would suggest that they be based on the following general criteria:

1. AID should decide definitively to continue the Program for a long enough period of time to get the job done. The efficiency of the Program has undoubtedly suffered from the doubt cast on several occasions as to its continuation and from the starting and stopping involved in deciding to continue.

2. During the life of the Program, sufficient advisory services should be provided to see that all the bases are covered, again for a long enough time to nail down the success. The advisory services should be sufficient so that not only is industrial policy consultancy effectively covered, as well as project preparation and analysis, but also that there are sufficient man-hours available for research work, economic analyses, pre-feasibility studies, and all the many other useful activities for which this Team has never had sufficient time.

3. The phase-out of the Program should be based on the achievement of two critical phenomena:

a. The "critical mass" of factories and industries. By this term we mean that number which is sufficient to give private industry enough status, influence, and power so that it can defend itself and maintain by itself the momentum of this Program. The creation of such a critical mass would be institutional development in its most effective form.

b. A sufficient quantity of knowledge, practice, and sophistication on the part of the Afghan Government officials operating the Program so that they are not only fully competent but adequately self-confident.

It is impossible to say in advance when either of these may occur. That depends on too many factors which cannot be evaluated in advance. In the first place, we have no real idea of how many factories constitute this "critical mass." It may be as low as c hundred or as high as 300. We will only know when we get there.

We strongly recommend the avoidance, insofar as possible, of commitments or even concepts which attempt to schedule the end of this Program at any fixed time. If it took three full years just to get the environment into an acceptable condition so that the Program could really start, who would wish to guess how long it will take before we have fully competent Afghan officials?

In many respects, the achievement of these objectives has proceeded very well indeed. But we are still a long way from being finished. The only principle that we would wish to recommend is thot since we have got something going, we ought to stay with it until it is finished.

In this regard, it might be well to recall how many years it took in Iran, with all the advantages that country possesses over Afghanistan, before the development process caught fire.

Our last recommendation is that every effort should be made, both by the advisors and by the Mission and the Embassy -- officially and unofficially -- to make a break in the credit situation. We have been unusually lucky so far that this has not put a crimp in the Program. There is no possible way of knowing how long this situatian can continue. But one thing is sure: if nothing is done, eventually the Program will begin to dwindle and to grind to a halt. The credit problem is not insoluble but may require strenuous efforts and considerable rethinking.

Chapter X

CONCLUSION

Chapter X.

CONCLUSION

In conclusion, we would like to say that we are very proud that we have been able to take part in a Program of such interest, which has developed so successfully. We are happy to think that we have been connected with a Program of such enormous potential for the development of Afghanistan.

Whot we have done in the seven years so far is still no more than a base from which real development can take off. While we would never presume to estimate how much time will be required, still we are morally certain that this take-off can and will occur, providing the Program maintains the support and the devation it has so far received, both from the Afghans and from the Americans.

PART II

KARAKUL INDUSTRY MODERNIZATION PROGRAM

PART II

THE AFGHAN KARAKUL INSTITUTE

FINAL REPORT

AFGHAN KARAKUL INSTITUTE

FINAL REPORT

At the request of the Royal Government of Afghanistan, USAID agreed to support the karakul industry in Afghanistan.

Thomas H. Miner & Associates, Inc., under contract to USAID, was assigned the responsibility for developing the karakul industry in early 1966.

The first step taken by contractor representatives was to organize an "organizing committee" made up of Government officials and private businessmen engaged in various phases of the karakul industry. The income from the export of karakul skins provided the single largest hard currency producer in Afghanistan, thus the Government of Afghanistan was vitally interested in the future of the industry as were private entrepreneurs engaged in production, export and financing.

Chronologically, the following steps were taken:

(1) March, 1966 an "Organizing Committee" was formed to plan the program.

(2) March, 1966 the "Organizing Committee" agreed on program objectives.

(3) April, 1966 the "Organizing Committee" agreed on the desired organization and sources of income.

(4) May, 1966 the "Organizing Committee" presented and discussed its recommendations with all members of the karakul industry.

(5) June, 1966 the industry approved "Organizing Committee" recommendations were presented to the Cabinet and King for approval.

(6) July, 1966 the Afghan Karakul Institute was started. A president was appointed by the Institute Board of Directors to administer the program.

The USAID Mission in Afghanistan formally approved the technical assistance program in June, 1966 after the Cabinet and King gave their respective final approvals.

The Afghan Karakul Institute is the first organization of its kind in Afghanistan. Heretofore, coordinating efforts made by the Government and by financial interests met with little success due primarily to distrust and indications of exploitations of the karakul producers. The Afghan Karakul Institute was established as a private, independent, non-profit self-financing organization by those exporters and producers as an organization to meet the commonly shared development needs of the industry, as those needs are defined by its members. The Institute is not a cooperative, nor a trade association, in the strict definition of these terms. All members of the Institute retain rights of ownership. Thus, unlike a producers' cooperative, members do not assign ownership to the Institute, nor is there any sharing of sale profits. Also, unlike a trade association, though the Institute does represent member interests, it also owns and operates the facilities used by the members to improve their product.

The Afghan Karakul Institute is, therefore, an organization built upon the advantages of cooperatives and trade associations, but without assuming their respective disadvantages in a developing nation. It is a cooperative of commonly needed programs and facilities, but one in which each member retains his own personal business interests. It is a trade association of voluntary effort, yet each member is bound by common operating policies, procedures and facilities. Further, the Institute is not Government-dominated, but is a totally independent organization. It is non-profit and self-financing. The fees charged to its members for services rendered are sufficient to meet its operating and industry development expense. The Institute was granted tax-free status by the Government. The Institute's income is a self-imposed tax on members. The income is based on three-fourths of 1 percent of gross sales at auctions plus Afs. 1.5 per pelt for sorting, grading and preparing for shipment. An additional fee will be charged in the near future for processing through newly installed dust removal machines. During the first two years of operation, the Institute reinvested about $155,000 back into the industry, including $135,000 for the construction of a new sorting and grading house in Kabul. The Institute currently has in excess of $200,000 on deposit at interest pending future development investment.

The major industry needs and accomplishments to date follow:

<u>Marketing</u> -- Definitive sales policy - auction management and advertising.

Accomplishments: (1) A new sales policy was introduced and implemented whereby virtually all skins offered at auction were sold. Withdrawals have been practically eliminated. (2) A small advertising budget was approved and agency-prepared advertisements were inserted in major trade publications preceding each auction. Through the direct efforts of H. N. Sallee, Thomas H. Miner & Associates, Inc. consultant, (a) a "press release" system was established whereby the market was kept informed of all efforts taken by the Afghan Karakul Institute to improve marketing practices and quality, (b) a commemorative postage stamp, featuring the karakul lamb, was printed by the Government of Afghanistan and distributed free by the Institute to all requesting same, (c) Arrangements were made with Pan American to feature Afghan karakul in the October 1969 issue of their publication "Marketing Horizons." The front cover, in full color, and accompanying write-up was distributed world-wide in seven languages. The total distribution was 200,000 copies. This promotion arranged without cost was to the Institute.

Production -- Controlled breeding, land management, improved pasturage, veterinary medicine and abbatoirs.

Accomplishments: A long range program to increase quantity and quality production has been submitted to the World Bank. The program will include all phases outlined as "industry needs." Initially the RGA indicated certain lands would be donated for this purpose; however, this has not and will probably not materialize. The Institute is now considering purchasing land in the Northwest provinces for their permanent range program.

Curing -- New curing facilities, standardization of cure, quality control and cleaner skins.

Accomplishments: Land for a new curing house has been purchased in the Mazar-i-Sharif area. Controlled curing techniques are being tried and statistical data accumulated.

An objectionable (to buyers) coating of residual dust remained on skins as the result of curing methods used. In order to overcome this objection, a hi-vacuum type dust removal machine was designed by H. N. Sallee of Thomas H. Miner & Associates, Inc. Three machines were fabricated in the U. S. at a cost of (about) $12,000.00 through an AID grant. These machines were used during the 1970 sorting season and were highly successful. Additional machines are to be ordered (and paid for) by the Institute to be fabricated locally.

Sorting -- Objective sorting standards, new sorting facilities, re-organization and training of sorters, elimination of mixed and single bales.

Accomplishments: Sorting standards have been established and sorters trained accordingly. Mixed and single bales have virtually been eliminated.

Shipping -- Improved packaging, faster shipping methods, coordination with marked demand, lower transportation and insurance rates.

Accomplishments: Through the concerted effort of H. N. Sallee of Thomas H. Miner & Associates, Inc., a new rate classification was granted by IATA, effective January 1, 1970, whereby the air freight rate Kabul/London was reduced to $.80/kg. from $1.10/kg. As a result of this rate reduction, a large percentage of karakul skins were flown to London arriving in time for the September auction whereas heretofore shipment by the circuitous overland route through the USSR, it was not possible to make the fall auction. Most Afghan goods shipped overland were thusly held over and became, in the opinion of buyers, old goods. Shipment by air freight has enhanced Afghan karakul's competitive position.

Finance -- Lower interest rates and more credit.

Accomplishments: Efforts are being made to establish better credit facilities for Afghan shippers.

Taxes -- Removal or more effective use of domestic taxes and a more realistic rate of exchange.

Accomplishments: The RGA imposes a tax on karakul by reimbursing exporters at a rate less than the free market rate of exchange. Initially, when the Institute was organized, exporters were reimbursed at the rate of Afs. 45 per $1.00 when the free market rate was (about) Afs. 75 per $1.00. This differential encouraged smuggling. Through the efforts of the Institute, the rate was increased to Afs. 55 per $1.00 and later to Afs. 65 per $1.00. The objective is now to establish a flexible rate of reimbursement at Afs. 5 below the free market rate.

Afghan Karakul Institute achievements during its first four years in existence can be summarized as follows:

(a) The Afghan Karakul Institute has grown in stature and is now the country's leader for planning, developing, and coordinating the Afghan karakul industry. Product quality has been upgraded significantly as may be noted from the fact that in 1966 only 47% of the karakul auctioned in London was rated as first quality, as compared with 77% during the latest auction.

(b) During 1968-69, karakul exports came to $14.5 million or an advance of some $4 million over 1968. The average price of skins rose from $6.50 in 1967-68 to $8.16 in September 1970, while quality skins were sold in the $10 and $14 range.

(c) The produce mix changed materially to 70 percent grey and 30 percent black, which greatly improved Afghanistan's competitive position with Africa and Russia. Previously, in 1966, these percentages were almost reversed. Furthermore, four years ago only five percent of the exports were of the desired curl pattern. Today, this figure has been increased to about 20 percent.

(d) AKI's flockowners' education program and a program for broadening buyer competition have increased prices to flockowners from an average of Afs. 250 per skin in 1968 to Afs. 400 in 1970, which is very significant from a point of view of grassroot economic and social development.

(e) A firm policy was established that all Afghan karakul pelts offered at auction will be sold at the bid price. This eliminates the possibility of withdrawals which for so long ruined the Afghan marketing position. As a result, 89% of all the pelts offered at the September 1970 London auction were actually sold as compared to a previous withdrawal rate of some 80%.

(f) Afghan fur is now actually sought after by certain buyers as compared to an earlier lack of interest in buying Afghan karakul because of the problems which this entailed (lack of quality, uniformity, dust problems, etc.). This in turn represents a change from the earlier bazaar mentality to the establishment to a true international market for Afghan karakul.

(g) AKI lobbying has been a strong factor in raising the exchange rate for karakul pelts from Afs. 45 to Afs. 65 per dollar as compared to a free market rate of Afs. 75. This tends to reduce the smuggling of skins, and provides greater benefits to the producer.

(h) The dust problem has been virtually eliminated. First, the Institute stimulated better washing of skins in the curing houses. Second, it encouraged truck drivers to cover the skins when they were transported to Kabul from the North. Third, the Institute began exporting skins through cleaner transport methods. Fourth, and most important, before shipment all karakul exports are now cleaned by three large vacuum cleaning machines which were installed in the AKI sorting house under a grant from the United States Government.

(i) Substantial progress was made in the sorting and grading of skins. Institute studies now confirm that accurately sorted and graded skins will sell up to $1.00 more depending upon the type, than poorly sorted and graded skins.

From its start the Afghan Karakul Institute has recognized this problem. To solve it, the Institute constructed a new sorting house in Kabul. It searched the country for the best sorters and graders and placed them on its payroll to assure independent judgment. The Institute has further adopted strong policies to control sorting and it has used all media to instruct exporters in the proper buying of skins.

(j) Effective January 1, 1970, the per kilogram air freight rate for shipping karakul skins to London was reduced to $0.80, as compared to the previous rate of $1.10 per kilogram. The new rate to Frankfurt is $0.75 per kilogram. This enables Afghanistan to meet the September-November auction schedules which, before, the country was never able to do because of the fact that its skins exported via land or sea through Russia or Pakistan usually arrived too late for the Fall auction period. Hence they were classified as "old goods."

(k) Considerable progress was made in the area of market orientation and market policies. At its start, the Afghan Karakul Institute had no authority to change Afghanistan's auction policies. Yet informally, largely through difficult educational efforts, the Institute has brought significant changes in Afghan auction policies. Public auction has become the major means for selling Afghan karakul. Very few skins are now sold outside of the auction and none are sold directly from Afghanistan.

(l) Likewise, good progress was made in the handling of buyer complaints. When the Institute started, Afghanistan had few men in London and New York auctions who spoke English. Complaints, therefore, fell largely on deaf ears. Then, too, each auction had three representatives and hence buyers did not know who to complain to. Further, these representatives had no authority to act upon complaints and even if they did, there was no central organization in Afghanistan to whom they could turn for help. Fortunately, these problems are all now largely solved. The representatives in London and New York speak English; they are well schooled businessmen; there is only one in each auction; they have the authority to act and the Institute exists as a central organization in Afghanistan to back them up.

(m) Some 1,000 suppliers, most of them small operators, now deal through the Institute. Since the larger suppliers are showing increasing interest in taking advantage of other investment opportunities in Afghanistan and are moving out of the karakul trade, this provides the smaller entrepreneurs with an opportunity to enter the trade through the use of the Institute's services.

(n) The Institute was put on a sound financial basis and is now self-supporting. It receives 3/4 of one percent of the gross proceeds of the sales in London and New York City, plus a fee of 1-1/2 Afghanis per pelt for sorting, grading, preparing for shipment, and arranging for shipping which altogether comes to about $100,000 a year.

(o) The Afghan Karakul Institute was established as a non-profit organization. The non-profit concept was adopted as a means for re-investing surplus funds back into the industry. Previous to the existance of the Institute, everyone was taking from the industry and returning very little. The Institute has re-invested nearly $155,000 back into the industry, beyond operating expenses. Of this total, $135,000 was invested in the construction of a much needed sorting house. Located just east of Kabul, this building is now considered one of the finest in the world for the sorting and grading of furs.

Of the balance re-invested, $2,000 was used for education and training of the Institute staff and members, $10,000 for European and United States advertising and public relations, $2,000 for industry research, and $6,000 for new machinery and equipment. All of these funds were generated by the industry.

(p) The administration of the AKI in Kabul is steadily improving. Currently the Institute has about $200,000 in the Westminister Bank in London which amount is to be used for further development purposes.

(q) The proceeds from 1,700,000 skins sold at auction in 1969 fetched (approximately) $12,000,000 while in 1970 the proceeds from the sale of 1,400,000 fetched $12,000,000. The increase in 1970 revenue was realized in a year of general market decline and in a year when bid prices for South West African and USSR karakul was down from the previous year.

We feel the Afghan Karakul Institute is an example of successful institution building in a developing country and the Thomas H. Miner & Associates are proud of their contribution in making it a success.

Prepared by: H. N. Sallee
Date: January 20, 1971

APPENDIX 1

PERSONNEL RESOURCES EMPLOYED

APPENDIX 1

Personnel Resources Employed

FIRST PHASE OF THE PROGRAM TO DECEMBER 31, 1966

A. U.S. Technicians (All Contract Personnel)

1. Industrial Investment Analyst - Team Leader

   - Employed 31 man months in Afghanistan (Feburary 1964 - September 1966)

   - Responsible for planning studies, financial analysis and preparation of study reports.

2. Industrial Engineer

   - Employed 18 man months in Afghanistan (March 1965 - September 1966)

   - Responsible for advising on construction and engineering aspects of feasibility studies in addition to periodically providing such consulting services to the RGA and AID/A on projects of respective importance to them, i.e., wool scouring, power generation, cold storage, vehicle replacement parts, light manufacturing.

3. Casings Specialist

   - Employed 2 man months (November-December 1964)

   - Provided technical evaluation of casing quality, processing requirements and marketing opportunities.

4. Hides and Skins Specialist

   - Employed 2 man months (October-November 1964)

   - Provided technical evaluation of goat and sheep skins, processing requirements and market opportunities.

5. Corrugated Container Specialist

   - Employed 2 man months (March-April 1965)

   - Documented present and future domestic corrugated box applications, specified sheet plant requirements, made operating-investment cost study of proposed plant.

6. Tourism Specialist

- Employed 6 man months (December 1964 - June 1965)

- Surveyed country's present tourist needs and future potential, prepared program for developing tourist industry.

7. Cigarette Specialist

- Employed 3 man months (March - May 1965)

- Evaluated indigenous tobacco and analyzed market requirements, specified manufacturing requirements, taxes and other legislation.

8. Rug and Carpet Specialist

- Employed 3 man months (May - July 1966)

- Surveyed U.S.A. and European markets, analyzed domestic production, recommended program to expand Afghan sales.

9. Medicinal Herbs Specialist

- Employed 1 man month (August 1966)

- Surveyed U.S.A. and European market demand and requirements; based on these data recommended herbs having greatest commercial potential, processing and marketing requirements.

SECOND PHASE OF THE PROGRAM FROM JANUARY 1, 1967

A. U. S. Technicians (All Contract Personnel)

1. Industrial Investment Analyst - Chief of Party

- Employed 57 man months in Afghanistan (Oct. 1966 - December 1970)

- Responsible for coordinating program, advising Ministry of Commerce Investment Committee Secretariat, preparation of Investment Analysis and Application forms in addition to advising investors commencing investment application procedures as well as those already operating factories

2. Financial/Technical Consultant

   - Employed 38 man months in Afghanistan (October 1967 - December 1970)

   - Responsible for planning financial analysis and preparation of Investment Analysis and Applications; advising investors both for commencing project applications as well as those already operating factories

3. Industrial Engineer

   - Employed 18 man months in Afghanistan (February 1969 - August 1970)

   - Responsible for technical evaluation of industrial matters and preparation of Investment Analysis and Application forms in addition to advising new investors and those already operating factories

APPENDIX 2

FOREIGN AND DOMESTIC PRIVATE INVESTMENT LAW OF AFGHANISTAN

FOREIGN AND DOMESTIC PRIVATE INVESTMENT LAW
OF
AFGHANISTAN

INVESTMENT COMMITTEE OF AFGHANISTAN

FOREIGN AND DOMESTIC PRIVATE INVESTMENT LAW

OF

lst. HOOT 1345

(22 FEBRUARY 1967)

TRANSLATION

Prepared and Published by

Investment Committee of Afghanistan

c/o Ministry of Commerce

Kabul, Afghanistan

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.

ARTECLE 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 Investnent 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 Commettee. 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 capitalinvested 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 pursant to this law, especially as regards the levying of taxes and duties, the keepin gof 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 comparisions 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 Centre 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 Centre.

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 arbtirators.

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 thier authorized representatives:

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

The Minster 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 simple majority vote.

The Innvestment 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 pertain ing 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 necesary 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.

ARTICAL 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.

* * *

Published in the official Gazette,
No. 23 of 1st. Hoot 1345

APPENDIX 3

APPROVED INVESTMENTS UNDER THE

FOREIGN AND DOMESTIC PRIVATE INVESTMENT LAW

APPROVED INVESTMENTS

UNDER THE FOREIGN AND DOMESTIC PRIVATE INVESTMENT LAW

(From its entry into force 20 February, 1967 to 4 October, 1970)

Investment Applications Received: 213

Total Number Approved: 133

(1) 45/001 Name: Da Nabatat Sherkat
Type of company: Limited liability partnership (50 Italian)
Type of production: Rose essence and rose oil, near Kabul
Rated capacity: 1 ton petals /18 hours (3rd year)
Fixed assets: Afs. 6,000,000 ($80,000)
Working capital: /
Markets: 100% export
Estimated sales potential: $200,000 (5th year)
Skilled employees: 5 (2 foreign)
Unskilled employees: 160

(2) 45/002 Name: Hafizullah Rahimi
Type of company: Sole proprietorship
Type of production: Meat chilling and cold storage, Girishk
Rated capacity: 60,000 lambs/year (5th year)
Fixed assets: Afs. 3,750,000 ($50,000)
Working capital: Not given
Markets: local urban
Estimated sales potential: Afs. 48,000,000 ($640,000)
Skilled employees:
Unskilled employees: 40

(3) 45/003 Name: Sherkat Sahami Sanahati Kishmish Faki
Type of company: Corporation
Type of production: Raisin cleaning, processing & packing, Mazar
Rated capacity: 20 tons/16-hr. day
Fixed assets: Afs. 11,725,000 ($150,000)
Working capital: Afs. 30,000,000 ($400,000)
Markets: 100% export
Estimated sales potential: Afs. 74,800,000 ($1,000,000)
Skilled employees: 10
Unskilled employees: 45

(4) 45/004 Name: Balkh Textile Co.
Type of company: Corporation
Type of production: Cotton Weaving, Mazar
Rated capacity: 10,000,000 M/year
Fixed assets: Afs. 404,000,000 ($4,400,000)
Working capital: Afs. 131,000,000 ($1,750,000)
Markets: National
Estimated sales potential: Afs. 128,000,000 ($1,700,000)
Skilled employees:
Unskilled employees: 418 (7 or 9 foreign experts for 6 months)

NOTE: Projects approved October 4, 1970 at end of report.

(5) 45/005 Name: Arian Casings Co.
Type of company: Simple partnership
Type of production: Animal casings processing, Kabul
Rated capacity: 150,000 hanks/year
Fixed assets: Afs. 2,670,000 ($35,000)
Working capital: Afs. 5,730,000 ($76,000)
Markets: Export, 50% hard - 50% soft currency
Estimated sales potential: Afs. 36,450,000 ($480,000)
Skilled employees: 9 (2 foreign)
Unskilled employees: 50

(6) 45/006 Name: Saaed Industrial Co., Ltd.
Type of company: Limited liability partnership
Type of production: Animal casings processing, Kabul
Rated capacity: 2,000 sets/18 hours
Fixed assets: Afs. 3,827,000 ($50,000)
Working capital: Afs. 5,673,000 ($75,000)
Markets: Export, 50% hard - 50% soft currency
Estimated sales potential: Afs. 34,500,000 ($450,000)
Skilled employees: 2
Unskilled employees: 30

(7) 45/007 Name: Soc. CIEMD
Type of company: Corporation (100% Italian)
Type of production: Industrial alcohol & wine, Kabul
Rated capacity: 120,000 liters year @ 12% alcohol (average)
Fixed assets: 10,420,000 ($140,000)
Working capital: Afs. 7,080,000 ($94,000)
Markets: 100% export
Estimated sales potential: Afs. 12,000,000 ($160,000)
Skilled employees: 5 (3 foreign)
Unskilled employees: 35

45/008 Name: Shahabud-din-Yasaury (superseded by 47/125)

(8) 45/009 Name: Da Pashtano Yawali Sherkat Sahami
Type of company: Corporation
Type of production: Raisin processing & packing, Mazar
Rated capacity: 20 tons/16 hrs.
Fixed assets: Afs. 11,055,000 ($146,000)
Working capital: Afs. 29,945,000 ($385,000)
Markets: Export
Estimated sales potential: Afs. 80,200,000 ($1,070,000)
Skilled employees: 10
Unskilled employees: 45

(9) 45/010 Name: Afghan Mawa Samoon Sherkat
Type of company: Corporation
Type of production: Raisin processing (expansion)
Rated capacity: 25 tons/8 hrs.
Fixed assets: Afs. 9,092,000 ($121,000)
Markets: Export
Working capital: Afs. 3,676,000 ($49,000)
Estimated sales potential: Afs. 15,000,000 ($200,000)
Skilled employees: 3
Unskilled employees: 73

45/011 Name: Wais Textile Co., Ltd. (Superseded by 47/088)

(10) 45/012 Name: S. S. Pashtun Kandahar
Type of company: Corporation
Type of production: Cold storage of fruit, Kandahar
Rated capacity: 100 tons (to be expanded to 2,000 tons)
Fixed assets: Afs. 818,000 ($10,900)
Working capital: Afs. 561,200 ($7,500)
Markets: Export
Estimated sales potential: Afs. 1,500,000 ($20,000) (initial)
Skilled employees: 4
Unskilled employees: 6

(11) 45/013 Name: Desgah-e-Khalin Shoyi
Type of company: Sole proprietorship
Type of production: Carpet washing on service fee basis, Kabul
Rated capacity: 84,000 M^2/year
Fixed assets: Afs. 14,770,000 ($195,000)
Working capital: Afs. 3,230,000 ($42,000)
Markets: Services the export trade
Estimated sales potential: Afs. 7,560,000 (5th year) ($100,000)
Skilled employees: 10
Unskilled employees: 80

(12) 46/021 Name: Century Re-Rolling Mills
Type of company: Sole proprietorship (100% Pakistani)
Type of production: reinforcing rods, window grills, etc., Kabul
Rated capacity: 2,000 tons/year
Fixed assets: Afs. 7,005,000 ($93,000)
Working capital: Afs. 4,495,000 ($59,000)
Markets: National
Estimated sales potential: Afs. 20,100,000 ($270,000)
Skilled employees: 8 (3 foreign)
Unskilled employees: 35

(13) 46/023 Name: Arghandab Fruit Co., Ltd.
Type of company: Corporation (30% Pakistani)
Type of production: Raisin processing, Kandahar
Rated capacity: 10 tons/16 hrs.
Fixed assets: Afs. 5,796,000 ($77,000)
Working capital: Afs. 11,704,000 ($155,000)
Markets: Export
Estimated sales potential: Afs. 37,400,000 ($459,000)
Skilled employees: 25
Unskilled employees:

(14) 46/024 Name: Adalat & Sons, Ltd.
Type of company: Limited liability partnership
Type of production: Fiat franchise garage (eventual partial assembly), Kabul
Rated capacity: 25,000 skilled man hours/year
Fixed assets: Afs. 5,710,000 ($76,000)
Working capital: Afs. 2,290,000 ($30,500)
Markets: Local
Estimated sales potential: Afs. 2,572,000 ($30,600)
Skilled employees: 14 (7 foreign)
Unskilled employees: --

(15) 46/025 Name: Kadeer Weaving Co.
Type of company: Sole proprietorship
Type of production: Rayon weaving, 60 looms, Kabul
Rated capacity: 420,000 M/year (2nd year) (1st year 360,000 M/year)
Fixed assets: Afs. 3,250,000 ($43,000)
Working capital: Afs. 3,400,000 ($45,300)
Markets: National
Estimated sales potential: Afs. 7,560,000 ($60,000)
Skilled employees: 7
Unskilled employees: 42
Contact: Abdul Kadir
Telephone: 20590

(16) 46/026 Name: Sherkat-e-Tazamoni Taya Mawad-e-Tamirati
Type of company: Simple partnership
Type of production: Aggregate and masonry stone
Rated capacity: 480 M^3/10 hrs. (but equipment could handle 800 M^3)
Fixed assets: Afs. 11,050,000 ($146,000)
Working capital: Afs. 3,950,000 ($52,000)
Markets: Local
Estimated sales potential: Afs. 9,960,000 ($132,000)
Skilled employees: 50
Unskilled employees: 20

46/027 Name: Maqsudi Co. (superseded by 47/085 and 47/121)

(17) 46/030 Name: Afghan Industries S.R.L.
Type of company: Limited liability partnership (60% Pakistani)
Type of production: Laundry and toilet soap
Rated capacity: 4,500 tons/year
Fixed assets: Afs. 15,850,000 ($212,000) Working Capital: Afs. 59,150,000 ($788,000)
Markets: National
Estimated sales potential: Afs. 176,625,000 ($2,350,000)
Skilled employees: 30
Unskilled employees: 272

(18) 46/031 Name: Warasta Industrial Press
Type of company: Sole proprietorship
Type of production: Industrial printing, Kabul
Rated capacity: 3 reams/hr. - 7,200 reams/year
Fixed assets: Afs. 1,230,000 ($16,400)
Working capital: Afs. 2,570,000 ($34,300)
Markets: Local
Estimated sales potential: Afs. 8,640,000 ($115,200)
Skilled employees: 7
Unskilled employees: 18

(19) 46/033 Name: Haq Mured & Modares
Type of company: Limited liability partnership (33% Iranian)
Type of production: Plastic shoes
Rated capacity: 6,000 kg./24 hrs.
Fixed assets: Afs. 2,990,000 ($40,000)
Working capital: Afs. 44,010,000 ($587,000)
Markets: National
Estimated sales potential: Afs. 72,855,000 ($971,000)
Skilled employees: 3
Unskilled employees: 146

(20) 46/039 Name: Espojhamy Nasawji
Type of company: Partnership
Type of production: Cotton and rayon textiles, 48 looms
Rated capacity: 600,000 M/2nd year, 360,000 M/1st year
Fixed assets: Afs. 13,030,000 ($173,700)
Working capital: Afs. 8,170,000 ($109,000)
Markets: Domestic
Estimated sales potential: Afs. 16,740,000 ($223,200)
Skilled employees: 15
Unskilled employees: 130
Contact: Nandkishore Mehra, Serai Shahzada, Kabul
Telephone: 24700

(21) 46/040 Name: Baraderan Ghavnavi Nasawji
Type of company: Partnership
Type of production: Cotton weaving - greycloth, 48 looms
Rated capacity: 600,000 M/2nd year, 360,000 M/1st year
Fixed assets: Afs. 8,400,000 ($112,000)
Working capital: Afs. 6,600,000 ($88,000)
Estimated sales potential: Afs. 13,200,000 ($ 176,000)
Skilled employees: 22
Unskilled employees: 118
Contact: Idi Mohammed, Rm. 15, Pashtoon Market, Kabul
Telephone: 24604

(22) 46/041 Name: Shusa Industrial Press, Inc.
Type of company: Corporation
Type of production: Industrial printing
Rated capacity: 3,600 reams/year
Fixed assets: 1,150,000 ($15,000)
Working capital: Afs. 950,000 ($13,000)
Markets: National
Estimated sales potential: Afs. 3,215,000 ($43,000)
Skilled employees: 7
Unskilled employees: 4

(23) 46/042 Name: Modern Dry Cleaning Co., Ltd.
Type of company: Limited liability partnership
Type of production: Dry cleaning, Kabul
Rated capacity: 25,000 garments/year
Fixed assets: Afs. 1,331,400 ($17,750)
Working capital: Afs. 215,000 ($2,750)
Markets: Local
Estimated sales potential: Afs. 1,625,000 ($21,500)
Skilled employees: 4
Unskilled employees: 7

(24) 46/043 Name: Newi Saaed Murtaza Nasawji
Type of company: Sole proprietorship
Type of production: Rayon and silk cloth, 100 looms
Rated capacity: 1,875,000 M/3rd year, 1,688,000 M/2nd year, 1,500,000 M/1st year
Fixed assets: Afs. 14,260,000 ($190,000)
Working capital: Afs. 17,740,000 ($236,500)
Markets: National
Estimated sales potential: Afs. 62,719,000 ($835,000)
Skilled employees: 41
Unskilled employees: 355
Contact: Saaed Murtaza, c/o Omeed Textile Co., Kabul
Telephone: 20720

(25) 46/044 Name: Koh-i-Noor Industrial Mill
Type of company: Partnership (100% Indian)
Type of production: Sewing supplies, thread products
Rated capacity: 100,000 kg./year, 400 kg./8 hr.-day, 250 days
Fixed assets: Afs. 2,760,000 ($37,000)
Working capital: Afs. 4,240,000 ($55,000)
Markets: Domestic
Estimated sales potential: Afs. 16,376,000 ($218,000)
Skilled employees: 11
Unskilled employees: 95
Contact: Abdul Har
Telephone: 40230

(26) 46/048 Name: Sherkat Sanati Tel Kushi
Type of company: Corporation
Type of production: Edible oil, Herat
Rated capacity: 4,000 tons/yr. oil seed
Fixed assets: Afs. 17,195,000 ($230,000)
Working capital: Afs. 7,805,000 ($104,000)
Markets: Regional
Estimated sales potential: Afs. 30,488,000 ($405,000)
Skilled employees: 12
Unskilled employees: 48

(27) 46/051 Name: Sherkat-e-Sahami Chinchilla Parwar
Type of company: Corporation
Type of production: Chinchilla fur production
Rated capacity: 9,590 pelts/year
Fixed assets: Afs. 16,812,800 ($224,000)
Working capital: Afs. 2,800,000 ($37,000)
Markets: 100% export
Estimated sales potential: Afs. 186,750,000 ($2,490,000)
Skilled employees: 13
Unskilled employees: 482

(28) 46/052 Name: Afredi Auto Service
Type of company: Partnership
Type of production: Auto maintenance service, Kabul
Rated capacity: N. A.
Fixed assets: Afs. 1,598,000 ($21,000)
Working capital: Afs. 402,000 ($5,600)
Markets: Local
Estimated sales potential: Afs. 2,628,000 ($35,000)
Skilled employees: 8
Unskilled employees: 8

(29) 46/054 Name: Sherkat Sahami Donyaye Felez Afghan
Type of company: Corporation (100% Iranian)
Type of production: Metal fabricating
Rated capacity: 1,500 tons/year
Fixed assets: Afs. 12,175,000 ($162,000)
Working capital: Afs. 27,825,000 ($360,000)
Markets: Domestic
Estimated sales potential: Afs. 109,000,000 ($1,450,000)
Skilled employees: 20
Unskilled employees: 71

(30) 46/055 Name: Saleh Metal Industries, Inc.
Type of company: Corporation
Type of production: Venetian blinds and related items
Rated capacity: 30,000 M^2/yr.
Fixed assets: Afs. 1,625,000 ($21,666)
Working capital: Afs. 7,375,000 ($98,338)
Markets: Domestic
Estimated sales potential: Afs. 12,000,000 ($160,000)
Skilled employees: 5
Unskilled employees: 4

(31) 46/056 Name: Wazir Fruit Co., S.R.L.
Type of company: Limited liability partnership
Type of production: Raisin processing
Rated capacity: 20 tons/16 hrs. (4,000 tons/yr.)
Fixed assets: Afs. 7,745,000 ($103,008)
Working capital: Afs. 32,255,000 ($428,991)
Markets: Export
Estimated sales potential: Afs. 71,580,000 ($952,014)
Skilled employees: 11
Unskilled employees: 74

(32) 46/057 Name: Ghulam Assan Fariadi & Bros.
Type of company: Partnership
Type of production: Sheepskin & karakul tanning & garment manufacture
Rated capacity: Tanning - 20,000 sheepskins & 10,000 karakul/yr.
Garments- 22,500 sewn skins/yr.
Fixed assets: Afs. 4,500,000 ($59,850)
Working capital: Afs. 6,100,000 ($81,130)
Markets: Local & export
Estimated sales potential: Afs. 32,625,000 ($433,912)
Skilled employees: 12
Unskilled employees: 58

(33) 46/058 Name: Pashtoon Food Processors, Inc.
Type of company: Corporation
Type of production: Raisin processing
Rated capacity: 10 tons/16 hrs. (2,000 tons/yr.)
Fixed assets: Afs. 3,865,000 ($51,404)
Working capital: Afs. 3,935,000 ($42,335)
Markets: Contract processing and direct export
Estimated sales potential: Afs. 18,745,000 ($249,308)
Skilled employees: 3
Unskilled employees: 46

(34) 46/060 Name: Kabul Felez
Type of company: Simple partnership
Type of production: Metal fabricating
Rated capacity: 350 kg./8 hrs.
Fixed assets: Afs. 1,145,000 ($15,000)
Working capital: Afs. 1,055,000 ($13,000)
Markets: Local
Estimated sales potential: Afs. 6,540,000 ($87,000)
Skilled employees: 13
Unskilled employees: 32

(35) 46/062 Name: S. S. Nawsaji Muhayya
Type of company: Corporation
Type of production: Textile weaving, 40 looms
Rated capacity: 480,000 M/3rd yr., 360,000 M/2nd yr., 180,000 M/1st yr.
Fixed assets: Afs. 6,600,000 ($87,780)
Working capital: Afs. 9,500,000 ($126,350)
Markets: National
Estimated sales potential: Afs. 9,600,000 ($127,680)
Skilled employees: 7
Unskilled employees: 86
Contact: Haji Abdul Mukhtar Muhayya, Sarai Shahzada, Kabul, P. O. Box 103
Telephone: 23480

(36) 46/063 Name: Doost Hagen Battery Co., Inc.
Type of company: Corporation (33% German)
Type of production: Auto batteries
Rated capacity: 150 units/8 hrs.
Fixed assets: Afs. 32,950,000 ($439,000)
Working capital: Afs. 6,050,000 ($81,000)
Skilled employees: 9
Unskilled employees: 42

(37) 46/064 Name: Sherkat-e-Tazamoni Naiz & Mohammed Amin
Type of company: Simple partnership
Type of production: Marble and other stone work
Rated capacity: 2/3 M^3/8 hrs.
Fixed assets: Afs. 3,241,000 ($43,000)
Working capital: Afs. 1,286,000 ($17,000)
Markets: National
Estimated sales potential: Afs. 3,976,000 ($53,000)
Skilled employees: 21
Unskilled employees: 19

(38) 46/066 Name: S. S. Taulid-i-Sanati Chapoh Lastic u Plastic Bella Afghan, Inc.
Type of company: Corporation (100% Iranian)
Type of production: Plastic products, especially shoes
Rated capacity: 8,200 kg./24 hrs.
Fixed assets: Afs. 7,240,000 ($96,000)
Working capital: Afs. 32,760,000 ($437,000)
Markets: National
Estimated sales potential: Afs. 61,200,000 ($816,000)
Skilled employees: 7
Unskilled employees: 101

(39) 46/067 Name: Ahmed Silk & Textile Mills
Type of company: Sole proprietorship (100% Pakistani)
Type of production: Textile weaving and finishing, Kabul, 150 looms
Rated capacity: 27,860 M/24 hrs., 7,245,000 M/yr.
Fixed assets: Afs. 16,025,000 ($214,000)
Working capital: Afs. 72,081,000 ($961,000)
Markets: National
Estimated sales potential: Afs. 177,502,000 ($2,367,000)
Skilled employees: 29 (7 foreign)
Unskilled employees: 456
Contact: Mr. Ahmed Khan, Rawalpindi, Pakistan
Telephone: 23246 or 23436 (Kabul)

(40) 47/068 Name: Hoechst Afghanistan Company, Inc.
Type of company: Corporation (80% German)
Type of production: Pharmaceutical products, baby foods and cosmetics
Rated capacity: N. A.
Fixed assets: Afs. 50,000,000 ($666,700)
Working capital: Afs. 46,800,000 ($624,000)
Markets: National
Estimated sales potential: Afs. 68,175,000/5th yr. ($909,000)
Skilled employees: 25
Unskilled employees: 34
Contact: Mr. Ernst Roehrig, P. O. Box 477, Kabul
Telephone: 21296 or 25295

(41) 47/069 Name: Wais Fruit Products Co., S.R.L.
Type of company: Limited liability partnership
Type of production: Raisin processing
Rated capacity: 2,000 tons/yr.
Fixed assets: Afs. 2,983,000 ($40,000)
Working capital: Afs. 4,517,000 ($60,000)
Markets: Export
Estimated sales potential: Afs. 36,235,000 ($483,000)
Skilled employees: 8
Unskilled employees: 48

(42) 47/070 Name: Samadzada Fruit Export Co., S.R.L.
Type of company: Limited liability partnership
Type of production: Raisin processing
Rated capacity: 2,000 tons/year
Fixed assets: Afs. 4,235,000 ($56,000)
Working capital: Afs. 4,871,000 ($65,000)
Markets: Export
Estimated sales potential: Afs. 36,325,000 ($483,000)
Skilled employees: 8
Unskilled employees: 48

(43) 47/071 Name: Hakimans Fruit Industry, S.R.L.
Type of company: Limited liability partnership
Type of production: Raisin processing
Rated capacity: 2,000 tons/yr.
Fixed assets: Afs. 4,235,000 ($56,000)
Working capital: Afs. 4,871,000 ($65,000)
Markets: Export
Estimated sales potential: Afs. 36,325,000 ($483,000)
Skilled employees: 8
Unskilled employees: 48

(44) 47/072 Name: Da Kaduku Sakirwolu Mahdood Shirkat, S.R.L.
Type of company: Limited liability partnership
Type of production: Bonemeal, Kandahar
Rated capacity: 2,500 tons/yr.
Fixed assets: Afs. 1,818,000 ($24,000)
Working capital: Afs. 1,782,000 ($24,000)
Markets: Export
Estimated sales potential: Afs. 17,813,000 ($238,000)
Skilled employees: 9
Unskilled employees: 20

(45) 47/074 Name: Hakim Dry Cleaning
Type of company: Sole proprietorship
Type of production: Dry cleaning, Kabul
Rated capacity: 90,000 lbs./yr.
Fixed assets: Afs. 335,000 ($4,500)
Working capital: Afs. 215,000 ($2,900)
Markets: Local
Estimated sales potential: Afs. 1,315,000 ($17,200)
Skilled employees: 4
Unskilled employees: 10

(46) 47/075 Name: Ahmadzada Container Company
Type of company: Sole proprietorship
Type of production: Paperboard cartons and plastic bags
Rated capacity: 1,260,000 kg./yr.
Fixed assets: Afs. 6,602,500 ($88,000)
Working capital: Afs. 6,650,000 ($88,600)
Markets: Local
Estimated sales potential: Afs. 29,520,000 ($393,600)
Skilled employees: 3
Unskilled employees: 30
Contact: Bahadur Ahmadzada
Telephone: 23567

(47) 47/077 Name: Nasawji Jalili, S.R.L.
Type of company: Limited liability partnership
Type of production: Textile, rayon, 50 looms
Rated capacity: 625,000 M/3rd year, 250,000 M/1st yr., 375,000 M/2nd yr.
Fixed assets: Afs. 8,500,000 ($113,000)
Working capital: Afs. 3,500,000 ($47,000)
Markets: National
Estimated sales potential: Afs. 11,250,000 ($150,000)
Skilled employees: 4
Unskilled employees: 110
Contact: Abdul Karim Jalili, Sarai Abdul Raham, Kabul
Telephone: 23147

(48) 47/078 Name: Da Amir Zada Nasawji Fabrika
Type of company: Sole proprietorship
Type of production: Textile, rayon (Jalalabad), 50 looms
Rated capacity: 375,000 M/1st yr., 462,500 M/2nd yr., 942,500 M/3rd yr.
Fixed assets: Afs. 8,500,000 ($113,000)
Working capital: Afs. 3,500,000 ($47,000)
Markets: National
Estimated sales potential: Afs. 11,250,000 ($150,000)
Skilled employees: 4
Unskilled employees: 110
Contact: Amir Moh'd. Amir Zada, Sarai Kaleen, Kabul
Telephone: 24564

(49) 47/079 Name: Bagram Fruit Packing Co., Inc.
Type of company: Corporation
Type of production: Raisin processing
Rated capacity: 2,000 tons/yr.
Fixed assets: Afs. 4,235,000 ($56,000)
Working capital: Afs. 4,871,000 ($65,000)
Markets: Export
Estimated sales potential: Afs. 36,235,000 ($483,000)
Skilled employees: 8
Unskilled employees: 48

(50) 47/081 Name: Ahmad Tile Co.
Type of company: Sole proprietorship (100% Pakistani) Appendix 3
Type of production: Cement tiles, Kabul Page 11 of 29
Rated capacity: 19,250 M^2/yr.
Fixed assets: Afs. 300,000 ($4,000)
Working capital: Afs. 700,000 ($9,000)
Markets: Domestic
Estimated sales potential: Afs. 2,400,000 ($32,000)
Skilled employees: 2
Unskilled employees: 18

(51) 47/082 Name: Sherkat Sahami Naft Afghanistan (Oil Blending Plant)
Type of company: Corporation (75% Pakistani & American)
Type of production: Petrol lubricants
Rated capacity: 32 tons/8 hr. day
Fixed assets: Afs. 36,114,000 ($481,500)
Working capital: Afs. 93,886,000 ($1,251,800)
Markets: National
Estimated sales potential: Afs. 249,450,000 ($3,326,000)
Skilled employees: 21
Unskilled employees: 20
Contact: Lt. Gen. M'd. Yousuf Khan, 1 N. Circular Rd., Peshawar Cant.
Telephone: 2716 or 2714 (Peshawar)

47/083 Name: Afghan Tanning, Dyeing & Garment Industry, Inc. (superseded by 47/108)

47/085 Name: Abdul Rauf Maqsudi Textile Mills (superseded by 47/121)

(52) 47/088 Name: AMU Textile Co., Inc. (supersedes 45/011, Wais Textile Co., Ltd.)
Type of company: Corporation
Type of production: Rayon, silk, nylon & wool weaving, 150 looms
Rated capacity: 1,400,000 M/1st yr., 2,800,000 M/2nd yr., 4,200,000 M/3rd yr.
5,600,000 M/4th yr., 7,000,000 M/5th yr.
Fixed assets: Afs. 21,930,000 ($292,400)
Working capital: Afs. 72,081,500 ($961,100)
Markets: Local
Estimated sales potential: Afs. 177,500,000 ($2,366,700)
Skilled employees: 29
Unskilled employees: 456
Contact: Khoja Mohammed Wais (Hazargul Market)
Telephone: 24618 (home: 23781)

(53) 47/090 Name: Wahedi Senati, S.R.L.
Type of company: Limited liability partnership
Type of production: Knitted goods
Rated capacity: 13,200 dozen pair socks/yr.
Fixed assets: Afs. 2,600,000 ($34,700)
Working capital: Afs. 1,000,000 ($13,300)
Markets: Domestic
Estimated sales potential: Afs. 4,695,000 ($62,600)
Skilled employees: 7
Unskilled employees: 21

(54) 47/091 Name: Tuloh Raisin Packing Co., Inc.
Type of company: Corporation
Type of production: Raisin processing, Charikar
Rated capacity: 2,000 tons/yr.
Fixed assets: Afs. 4,235,000 ($56,000)
Working capital: Afs. 4,865,000 ($65,000)
Markets: Export
Estimated Sales potential: Afs. 36,325,000 ($483,000)
Skilled employees: 8 Unskilled employees: 48

(55) 47/092 Name: Mijrab Cheese Cooperative
Type of company: Corporation
Type of production: Cheese making and dairy products
Rated capacity: 144,000 lbs./yr.
Fixed assets: Afs. 1,079,000 ($14,400)
Working capital: Afs. 119,500 ($1,600)
Markets: Domestic
Estimated sales potential: Afs. 5,760,000 ($76,800)
Skilled employees: 2
Unskilled employees: 7
Contact: Dr. Moh'd. Aslam Khamoush
Telephone: Ministry of Agriculture, 40841, ext. 20

(56) 47/093 Name: Farhad Dry Cleaning, Laundry and Pressing Co.
Type of company: Sole proprietorship
Type of production: Dry cleaning
Rated capacity: 72,000 kg./yr.
Fixed assets: Afs. 2,009,000 ($26,800)
Working capital: Afs. 44,000 ($600)
Markets: Domestic
Estimated sales potential: Afs. 2,232,000 ($29,800)
Skilled employees: 2
Unskilled employees: 6
Contact: G. T. Mohammed Schah Farhad
Telephone: 42947

(57) 47/094 Name: Roshandel Balkhi Sanati Maesaset S. S.
Type of company: Corporation
Type of production: Edible oil extraction
Rated capacity: 42 tons/yr.
Fixed assets: Afs. 470,000 ($6,300)
Working capital: Afs. 240,000 ($3,200)
Markets: Domestic
Estimated sales potential: Afs. 1,388,000 ($18,500)
Skilled employees: 3
Unskilled employees: 13

(58) 47/095 Name: Mohamad Aman & Ramatullah Textile Co.
Type of company: Limited liability partnership
Type of production: Textiles, 12 looms
Rated capacity: 180,000 M/3rd yr., 90,000 M/1st yr., 120,000 M/2nd yr.
Fixed assets: Afs. 1,000,000 ($13,300)
Working capital: Afs. 1,850,000 ($24,600)
Markets: Domestic
Estimated sales potential: Afs. 9,900,000 ($132,000)
Skilled employees: 9
Unskilled employees: 13
Contact: Mohamad Aman, Afghan Market
Ramatullah, Afghan Market
Telephone:

(59) 47/096 Name: Mohebbi Fruit Processors, Inc.
Type of company: Corporation
Type of production: Dried fruit
Rated capacity: 90 tons/yr.
Fixed assets: Afs. 3,400,000 ($45,300)
Working capital: Afs. 600,000 ($8,000)
Markets: Export
Estimated sales potential: Afs. 3,825,000 ($51,000)
Skilled employees: 3
Unskilled employees: 90

(60) 47/097 Name: Gul Mohammad Merzazadah and Brothers (Ariana Felez)
Type of company: Partnership
Type of production: Metal fabricating
Rated capacity: 300 tons/yr.
Fixed assets: Afs. 5,031,000 ($67,000)
Working capital: Afs. 5,354,500 ($71,400)
Markets: Domestic
Estimated sales potential: Afs. 19,500,000 ($260,000)
Skilled employees: 4
Unskilled employees: 26
Contact: Gul Mohammad Merzazadah
Telephone: 22160 or 42733 (Afghan Market)

(61) 47/098 Name: Sherkat Tazamoni Nesaji Habibullah & Balmarkandas
Type of company: Simple partnership
Type of production: Rayon weaving, 50 looms
Rated capacity: 240,000 M/1st yr., 480,000 M/2nd yr., 720,000 M/3rd yr., 960,000 M/4th yr., 1,200,000 M/5th yr.
Fixed assets: Afs. 4,880,000 ($65,000)
Working capital: Afs. 6,270,000 ($83,600)
Markets: Domestic
Estimated sales potential: Afs. 25,200,000 ($336,000)
Skilled employees: 5
Unskilled employees: 2
Contact: Mr. Habibullah (Serai Kalin)
Telephone: 24712, 21842

(62) 47/099 Name: Osman Sultana Packing Co.
Type of company: Sole proprietorship
Type of production: Raisin processing & packing
Rated capacity: 2,000 tons/yr.
Fixed assets: Afs. 4,250,000 ($56,700)
Working capital: Afs. 4,871,000 ($65,000)
Markets: Export
Estimated sales potential: Afs. 36,235,000 ($483,000
Skilled employees: 8
Unskilled employees: 48
Contact: Mohammed Osman (Mazar-i-Sharif)
Telephone: None, Osman Bldg., No. 32

(63) 47/100 Name: M. Bahdor Textile Mill
Type of company: Sole proprietorship
Type of production: Cotton & rayon weaving, 20 looms
Rated capacity: 524,000 M/1st yr., 1,048,000 M/2nd yr., 1,518,000 M/3rd yr., 2,160,000 M/4th & 5th yrs.
Fixed assets: Afs. 2,925,000 ($39,000)
Working capital: Afs. 16,565,000 ($221,000)
Markets: Domestic
Estimated sales potential: Afs. 38,800,000 ($517,000)
Skilled employees: 10
Unskilled employees: 72
Contact: Bahadur Ahmadzada (Serai Shahzada)
Telephone: 23567

(64) 47/101 Name: Ice Manufacturing Plant
Type of company: Tazemoni
Type of production: Ice manufacturing
Rated capacity: 5,000 tons/yr.
Fixed assets: Afs. 4,217,500 ($56,200)
Working capital: Afs. 110,000 ($1,500)
Markets: Domestic
Estimated sales potential: Afs. 6,750,000 ($90,000)
Skilled employees: 8
Unskilled employees: 12
Contact: Mohammad Baz (Jalalabad)
Telephone: 24654 (Serai Kalin)

(65) 47/102 Name: Karami Knitting Co.
Type of company: Anferadi
Type of production: Nylon, cotton, rayon & wool knit goods (25 knitting machines)
Rated capacity: 52,000 jackets
Fixed assets: Afs. 1,402,000 ($18,700)
Working capital: Afs. 4,598,000 ($61,300)
Markets: Local
Estimated sales potential: Afs. 16,200,000 ($216,000)
Skilled employees: 2
Unskilled employees: 63
Contact: Muhammad Amin Mamur (Rahimi Market)
Telephone: 24007 (home, 22713)

(66) 47/105 Name: Haji Abdul Mahbood & Haji Gulstan Textile Mill
Type of company: Tazamoni
Type of production: Rayon weaving, 50 looms
Rated capacity: 3,400,000 M/4th yr., 1,350,000 M/1st yr., 2,050,000 M/2nd yr., 2,725,000 M/3rd yr.
Fixed assets: Afs. 2,326,500 ($31,000)
Working capital: Afs. 23,145,200 ($308,600)
Markets: Local
Estimated sales potential: Afs. 71,400,000 ($952,000)
Skilled employees: 12
Unskilled employees: 153
Contact: Haji Abdul Mahbood (Sarai Kalin Labudarya)
Telephone: 24712

(67) 47/106 Name: Azmudin Textile Co., Inc.
Type of company: Corporation
Type of production: Rayon weaving, 300 looms
Rated capacity: 18,000,000 M/2nd yr., 9,000,000 M/1st yr.
Fixed assets: Afs. 36,480,000 ($486,400)
Working capital: Afs. 92,175,000 ($1,229,000)
Markets: Local
Estimated sales potential: Afs. 558,000,000 ($7,440,000)
Skilled employees: 68
Unskilled employees: 1,250
Contact: Mohammed Hakim (Serai Shahzada), Mr. Kamarudin
Telephone: 23978 or 20095

(68) 47/108 Name: Afghan Tanning, Dyeing & Garment Mfg. Co., Inc. (supersedes 47/083)
Type of company: Corporation
Type of production: Tanning, dyeing and garment manufacturing
Rated capacity: 1,000,000 skins/yr.
Fixed assets: Afs. 20,300,000 ($270,700)
Working capital: Afs. 99,700,000 ($1,329,300)
Markets: Local & export
Estimated sales potential: Afs. 585,000,000 ($7,800,000)
Skilled employees: 125
Unskilled employees: 3,876
Contact: Sayed Abdullah Ibrahimi (Karte Char)
Telephone: 40822 or 40803

(69) 47/109 Name: Khawja Nooruddin and Mahmood Thread Co.
Type of company: Limited liability partnership
Type of production: Thread Mfg., dyeing and winding
Rated capacity: 1,215,000 lb./yr.
Fixed assets: Afs. 4,370,000 ($58,000)
Working capital: Afs. 10,373,000 ($138,300)
Markets: National
Estimated sales potential: Afs. 100,238,000 ($1,336,700)
Skilled employees: 10
Unskilled employees: 10
Contact: Kameruddin (Jada Temur Shahi)
Telephone: 20095 (home: 23092)

(70) 47/110 Name: Siddiqi Laboratories
Type of company: Sole proprietorship
Type of production: Pharmaceutical products, Kabul
Rated capacity: N. A.
Fixed assets: Afs. 1,167,000 ($15,600)
Working capital: Afs. 4,190,000 ($55,900)
Markets: National
Estimated sales potential:
Skilled employees: 4
Unskilled employees: 12
Contact: Ghulam Siddiqi, Roshan Pharmacy, Kabul
Telephone: 22649 Siddiqi

(71) 47/111 Name: Zamiri Knitting Co.
Type of company: Sole proprietorship
Type of production: Rayon, nylon & wool knit goods (25 knitting machines)
Rated capacity: 52,000 jackets/yr.
Fixed assets: Afs. 1,332,000 ($17,800)
Working capital: Afs. 3,168,000 ($42,200)
Markets: National
Estimated sales potential: Afs. 16,200,000 ($216,000)
Skilled employees: 2
Unskilled employees: 63
Contact: Ghulam Reza Zamiri (Rahimi Market)
Telephone: 20790

(72) 47/112 Name: Raheemi Textile Mills
Type of company: Tazamoni
Type of production: Rayon weaving, 50 looms
Rated capacity: 1,350,000 M/3rd yr., 945,000 M/1st yr., 1,148,000 M/2nd yr.
Fixed assets: Afs. 4,830,000 ($64,400)
Working capital: Afs. 7,170,000 ($95,600)
Markets: Local
Estimated sales potential: Afs. 28,350,000 ($378,000)
Skilled employees: 12
Unskilled employees: 205
Contact: Fazle Raheemi (Shahshahid)
Telephone: 24346

(73) 47/113 Name: Sherkat-e-Limited, Pickle Saza Aqcha
Type of company: Limited liability partnership
Type of production: Sheep & goat skin pickle plant
Rated capacity: 900,000 skins
Fixed assets: Afs. 6,900,000 ($92,000)
Working capital: Afs. 25,100,000 ($334,700)
Markets: Export
Estimated sales potential: Afs. 84,600,000 ($1,128,000)
Skilled employees: 8
Unskilled employees: 53
Contact: Haq Murad (Chaman Hoduri)
Telephone: 22908

(74) 47/116 Name: Osman Textile Co.
Type of company: Sole proprietorship
Type of production: Rayon textile, 50 looms
Rated capacity: 1,924,000 M/5th yr., 385,000 M/1st yr., 770,000 M/2nd yr., 1,155,000 M/3rd yr., 1,540,000 M/4th yr.
Fixed assets: Afs. 8,500,000 ($113,300)
Working capital: Afs. 25,000,000 ($333,300)
Markets: National
Estimated sales potential: Afs. 42,328,000 ($564,400)
Skilled employees: 9
Unskilled employees: 152
Contact: Abdul Ghafar Osman, Sarai Shahzada, Kabul
Telephone: 40195

(75) 47/117 Name: Nangahar Nasaji Sahami Sherkat
Type of company: Corporation
Type of production: Rayon textiles, 150 looms
Rated capacity: 4,680,000 M/3rd yr., 1,560,000 M/1st yr., 3,120,000 M/2nd yr.
Fixed assets: Afs. 10,514,000 ($140,200)
Working capital: Afs. 49,588,000 ($661,200)
Markets: National
Estimated sales potential: Afs. 93,600,000 ($1,248,000)
Skilled employees: 44
Unskilled employees: 436
Contact: Partab Singh (Sarai Shahzada)
Telephone: 23336

(76) 47/118 Name: Aminzada Rayon & Cotton Textile Mill
Type of company: Sole proprietorship
Type of production: Rayon textiles, 50 looms
Rated capacity: 2,100,000 M/2nd yr., 1,050,000 M/1st yr.
Fixed assets: Afs. 6,227,000 ($83,000)
Working capital: Afs. 22,070,000 ($294,300)
Markets: National
Estimated sales potential: Afs. 46,200,000 ($616,000)
Skilled employees: 12
Unskilled employees: 137
Contact: Moh'd. Murtaza (Sarai Shahzada, Kabul)
Telephone: 23485

(77) 47/119 Name: Noman Metals & Motor Workshop
Type of company: Sole proprietorship
Type of production: Metal fabricating and motor repair, Mazar-i-Sharif
Rated capacity: N. A.
Fixed assets: Afs. 6,245,000 ($83,300)
Working capital: Afs. 470,000 ($6,300)
Markets: Local
Estimated sales potential: Afs. 4,416,000 ($58,900)
Skilled employees: 6
Unskilled employees: 12
Contact: Haji Moh'd. Noman, Darwaza-e-Balkh, Mazar-i-Sharif
Telephone: 23796, Kabul

(78) 47/120 Name: Da Abdullah Ltd. Nasaji Fabrika
Type of company: Limited liability partnership
Type of production: Rayon textiles, 150 looms
Rated capacity: 4,680,000 M/5th yr., 1,558,000 M/1st yr.,
2,340,000 M/2nd yr., 3,119,000 M/3rd yr.,
3,898,000 M/4th yr.
Fixed assets: Afs. 10,647,000 ($141,900)
Working capital: Afs. 48,589,000 ($647,900)
Markets: National
Estimated sales potential: Afs. 88,920,000 ($1,185,600)
Skilled employees: 44
Unskilled employees: 436
Contact: Abdullah Jan Jaji (Sarai Sayed Habibullah)
Telephone: 23362

(79) 47/121 Name: Abdul Rauf Maqsudi Textile Mills (supersedes 47/085 & 47/027)
Type of company: Sole proprietorship
Type of production: Rayon textiles, 300 looms
Rated capacity: 9,360,000 M/1st yr.
Fixed assets: Afs. 29,192,500 ($389,200)
Working capital: Afs. 60,645,000 ($808,600)
Markets: National
Estimated sales potential: Afs. 187,200,000 ($2,496,000)
Skilled employees: 33
Unskilled employees: 926
Contact: Abdul Rauf Maqsudi (P. O. Box 210, Kabul)
Telephone: 23436

(80) 47/122 Name: Sherkat Siddiq & Ghafour Sanahati, Ltd. - Mazar-i-Sharif
Type of company: Limited liability partnership
Type of production: Rayon textiles, 60 looms
Rated capacity: 1,800,000 M/5th yr., 600,000 M/1st yr., 900,000 M/2nd yr., 1,200,000 M/3rd yr., 1,500,000 M/4th yr.
Fixed assets: Afs. 3,491,000 ($46,500)
Working capital: Afs. 7,888,000 ($105,200)
Markets: National
Estimated sales potential: Afs. 37,800,000 ($504,000)
Skilled employees: 18
Unskilled employees: 240
Contact: Haji Ghulam Siddiq (Sarai Market Qoumi)
Telephone: None

(81) 47/123 Name: Da Sadozai Katanjulawulu Fabrika (Jalalabad)
Type of company: Sole proprietorship
Type of production: Rayon textiles, 45 looms
Rated capacity: 1,350,000 M/3rd yr., 600,000 M/1st yr., 1,050,000 M/2nd yr.
Fixed assets: Afs. 2,817,000 ($37,600)
Working capital: Afs. 6,053,000 ($80,700)
Markets: National
Estimated sales potential: Afs. 28,350,000 ($378,000)
Skilled employees: 17
Unskilled employees: 194
Contact: Daulat Khan (Yakatoot, Kabul)
Telephone: None

(82) 47/124 Name: Pamir Textile Mill
Type of company: Limited liability partnership
Type of production: Rayon textiles, 230 looms
Rated capacity: 8,280,000 M/1st yr.
Fixed assets: Afs. 20,620,000 ($274,900)
Working capital: Afs. 47,021,900 ($626,900)
Estimated sales potential: Afs. 165,600,000 ($2,208,000)
Skilled employees: 28 Markets: National
Unskilled employees: 602
Contact: Sayed Jalaluddin (Sarai Shahzada)
Telephone: 23551

(83) 47/125 Name: Shahabuddin Yasaury Textile Mills (supersedes 45/008)
Type of company: Sole proprietorship
Type of production: Rayon textiles, 40 looms
Rated capacity: 2,100,000 M/1st yr.
Fixed assets: Afs. 8,794,000 ($117,300)
Working capital: Afs. 18,991,000 ($253,200)
Markets: National
Estimated sales potential: Afs. 44,100,000 ($588,000)
Skilled employees: 8
Unskilled employees: 144
Contact: Shahabuddin Yasaury (Sarai Shahzada, Kabul)
Telephone: 23418

(84) 47/126 Name: Leather & Shoe Manufacturing Co., Inc.
Type of company: Corporation (49% Swiss)
Type of production: Tanning and shoe manufacturing, Kabul
Rated capacity: 300,000 sq. ft. leather
480,000 pr. shoes
750,000 pickled skins
30,000 wool skins
Fixed assets: Afs. 49,101,000 ($654,700)
Working capital: Afs. 98,595,000 ($1,314,600)
Markets: Export 50%
Estimated sales potential: Afs. 212,900,000 ($2,838,700)
Skilled employees: 80
Unskilled employees: 873
Contact: Ghulam Rasul, President, P. O. Box 116, Kabul
Telephone: 21433

(85) 47/127 Name: Sherkat-e-Limited Pickle Saza (Kabul branch of Aqcha Co.)
Type of company: Limited liability partnership
Type of production: Casings
Rated capacity: 84,000 banks/yr.
Fixed assets: Afs. 7,690,000 ($102,500)
Working capital: Afs. 8,310,000 ($110,800)
Markets: Export
Estimated sales potential: Afs. 23,100,000 ($308,000)
Skilled employees: 5
Unskilled employees: 32
Contact: Haq Murad, Kabul; Chaman Hoduri,
Telephone: 22908,

47/128 Name: Da Abdullah Had Plastics & Rubber Fabrika, Ltd. (superseded by 47/194)

(86) 47/129 Name: Sherkat-e-Sahami Mawad-e-Tamirati Balkh
Type of company: Corporation
Type of production: Bricks, Kunduz
Rated capacity: 11,250,000 pc./yr.
Fixed assets: Afs. 13,370,000 ($178,300)
Working capital: Afs. 3,630,000 ($48,400)
Markets: Local
Estimated sales potential: Afs. 9,000,000 ($120,000)
Skilled employees: 7
Unskilled employees: 65
Contact: Ghulam Nabi Nasher, Qala-e-Fatullah Khan, Kabul
Telephone: 40312

(87) 47/130 Name: Sherkat Sahami Shirbaz Massussa
Type of company: Corporation
Type of production: Tannery and garment, Maimana
Rated capacity: 225,000 sheep skins/yr.
25,000 karakul/yr.
Fixed assets: Afs. 7,682,000 ($102,400)
Working capital: Afs. 25,969,000 ($346,300)
Markets: Export
Estimated sales potential: Afs. 86,875,000 ($1,158,300)
Skilled employees: 15
Unskilled employees: 456
Contact: Abdullahbhoi, c/o Cumberbhoi, Shar-i-Nau, Kabul
Telephone: 20227

(88) 47/131 Name: Karkhana Sanati Naghizeda
Type of company: Sole proprietorship
Type of production: Glazed Tiles, Herat
Rated capacity: 1,250,000 tiles/yr.
Fixed assets: Afs. 1,647,000 ($21,000)
Working capital: Afs. 1,501,000 ($20,000)
Markets: National
Estimated sales potential: Afs. 6,250,000 ($83,300)
Skilled employees: 8
Unskilled employees: 29
Contact: Moh'd. Hashim Naghizada, Serai Zelmei Market, Herat

(89) 47/132 Name: Sherkat-e-Sahami Mink
Type of company: Corporation
Type of production: Fur animal production, Herat
Rated capacity: 2,100 skins/yr.
Fixed assets: Afs. 2,305,000 ($30,700)
Working capital: Afs. 1,859,000 ($24,800)
Markets: Export
Estimated sales potential: Afs. 3,525,000 ($47,000)
Skilled employees: 6
Unskilled employees: 51
Contact: Moh'd. Yakub, c/o Mohammed's Sons, Shar-i-Nau, Kabul
Telephone: 21390

(90) 47/133 Name: Fabrika Nasaji Razaki
Type of company: Sole proprietorship
Type of production: Rayon textiles, 100 looms
Rated capacity: 5,200,000 M/1st yr.
Fixed assets: Afs. 13,600,000 ($181,300)
Working capital: Afs. 24,075,000 ($321,000)
Markets: National
Estimated sales potential: Afs. 98,800,000 ($1,317,300)
Skilled employees: 21
Unskilled employees: 301
Contact: Moh'd. Amin Razaki (Hazargul Market, Kabul)
Telephone: 41677 (home)

(91) 47/134 Name: Anatullah Textile Mill
Type of company: Sole proprietorship
Type of production: Rayon textiles, 30 looms
Rated capacity: 1,260,000 M/1st yr.
Fixed assets: Afs. 3,470,000 ($46,300)
Working capital: Afs. 6,622,000 ($82,900)
Markets: National
Estimated sales potential: Afs. 38,460,000 ($379,500)
Skilled employees: 8
Unskilled employees: 116
Contact: Anatullah (Sarai Kalin, Kabul)
Telephone: 22444

(92) 47/135 Name: Haji Gulzada & Moh'd. Zia Textile Mill
Type of company: Partnership
Type of production: Rayon textiles, 50 looms
Rated capacity: 2,100,000 M/1st yr.
Fixed assets: Afs. 4,340,000 ($57,900)
Working capital: Afs. 10,660,000 ($142,100)
Markets: National
Estimated sales potential: Afs. 44,100,000 ($588,000)
Skilled employees: 8
Unskilled employees: 199
Contact: Haji Gulzada (Sarai Kalin, Kabul)
Telephone: 24213

(93) 47/137 Name: Abdul Karim Noor Textile Mill
Type of company: Sole proprietorship
Type of production: Rayon textiles, 30 looms
Rated capacity: 1,260,000 M/1st yr.
Fixed assets: Afs. 3,636,000 ($48,500)
Working capital: Afs. 6,622,000 ($88,300)
Markets: National
Estimated sales potential: Afs. 28,460,000 ($379,500)
Skilled employees: 7
Unskilled employees: 117
Contact: Abdul Karim Noor (P. O. Box Kabul, Khaban)
Telephone: 20305

(94) 47/138 Name: Allah Nazar Dastookhail Textile Co.
Type of company: Sole proprietorship
Type of production: Rayon textiles, 100 looms
Rated capacity: 5,200,000 M/1st yr.
Fixed assets: Afs. 17,805,000 ($237,400)
Working capital: Afs. 19,877,000 ($265,000)
Markets: National
Sales: Afs. 98,800,000 ($1,317,300)
Skilled employees: 21
Unskilled employees: 301
Contact: Allah Nazar (Sarai Kalin, Kabul)
Telephone: 20661

(95) 48/140 Name: Sherkat-e-Sahami Deri Barsok
Type of company: Corporation
Type of production: Casings and pickled skins
Rated capacity: 120,000 hank casings
300,000 pickled skins
Fixed assets: Afs. 6,700,000 ($89,300)
Working capital: Afs. 25,637,000 ($341,800)
Markets: Export
Estimated sales potential: Afs. 83,400,000 ($1,112,000)
Skilled employees: 10
Unskilled employees: 54
Contact: Bikibhoi, Baghwan Kucha, Serai Khalil, Kabul
Telephone: 20987, Kabul

(96) 48/141 Name: Homa Industrial Press
Type of company: Anferadi
Type of production: Printing
Rated capacity: 24,000 sheets/24 hrs.
Fixed assets: Afs. 1,675,000 ($22,333)
Working capital: Afs. 820,000 ($10,933)
Markets: National
Estimated sales potential: Afs. 6,000,000 ($80,000)
Skilled employees: 9
Unskilled employees: 12
Contact: Gul Mohammad
Telephone: P. O. Box 343, Kabul

(97) 48/143 Name: Sherkat Bahr
Type of company: Partnership
Type of production: Rayon textiles, 50 looms
Rated capacity: 1,800,000 M/5th yr., 360,000 M/1st yr., 1,080,000 M/2nd yr., 1,440,000 M/3rd & 4th yrs.
Fixed assets: Afs. 4,700,000 ($62,700)
Working capital: Afs. 8,996,000 ($119,900)
Markets: National
Estimated sales potential: Afs. 37,800,000 ($504,000)
Skilled employees: 15
Unskilled employees: 191
Contact: Sarwar
Telephone: 23157

(98) 48/147 Name: Sufi Yakh Sazi
Type of company: Anferadi
Type of production: Ice production, Kabul
Rated capacity: 15 tons/day
Fixed assets: Afs. 3,385,000 ($45,133)
Working capital: Afs. 79,000 ($1,053)
Markets: Local
Estimated sales potential: Afs. 1,200,000 ($16,000)
Skilled employees: 10
Unskilled employees: 12
Contact: Sufi Wali Mohammed
Telephone: 2492, Kandahar

(99) 48/146 Name: Abdullah Jan Industries
Type of company: Partnership (100% Pakistani)
Type of production: Pots and pans, aluminum, copper, stainless steel
Rated capacity: 1 ton pots and pans/8 hrs./300 days
Fixed assets: Afs. 6,000,000 ($80,000)
Working capital: Afs. 14,500,000 ($193,000)
Markets: National
Estimated sales potential: Afs. 75,400,000 ($1,005,300)
Skilled employees: 27
Unskilled employees: 3
Contact: Abdullah Jan
Telephone: 18-A, Gulberg II
Lahore, Pakistan

(100) 48/151 Name: Pashtoon Container Corporation
Type of company: Corporation
Type of production: Plastic bags and other containers
Rated capacity: 120,000 kg./yr.
Fixed assets: Afs. 2,589,000 ($34,533)
Working capital: Afs. 2,411,000 ($32,147)
Markets: National
Estimated sales potential: Afs. 6,240,000 ($83,200)
Skilled employees: 5
Unskilled employees: 13
Contact: Ahmad Moosa
Telephone: 21591, Kabul

(101) 48/152 Name: Kabul Chemical Industries
Type of company: Corporation
Type of production: Caustic soda - chlorine
Rated capacity: 720 kg. caustic soda/24 hrs.
Fixed assets: Afs. 2,970,000 ($39,600)
Working capital: Afs. 283,000 ($3,773)
Markets: National
Estimated sales potential: Afs. 8,064,000 ($107,520)
Skilled employees: 5
Unskilled employees: 24
Contact: M. Zahir
Telephone: 20200, Kabul

(102) 48/153 Name: Faizy Plastics Industry
Type of company: Anferadi
Type of production: Plastic products
Rated capacity: Product mix not known
Fixed assets: Afs. 185,235 ($2,470)
Working capital: Afs. 58,590 ($785)
Markets: National
Estimated sales potential: Afs. 400,000 ($5,333)
Skilled employees: 2
Unskilled employees: 7
Contact: Abdul Rahim Faizy
Telephone: 24102/43, Kabul

(103) 48/155 Name: Mosasi Sanaty Azizi
Type of company: Limited liability partnership (49% Iranian)
Type of production: Biscuits and candy
Rated capacity: 6,000 kg./12 hrs.
Fixed assets: Afs. 16,600,000 ($221,300)
Working capital: Afs. 12,400,000 ($165,300)
Markets: National
Estimated sales potential: Afs. 71,250,000 ($950,000)
Skilled employees: 10
Unskilled employees: 39
Contact: Ghulam Sarwar Azizi
Telephone: Nawab Market, Kucha Harndawij. Kabul

(104) 48/156 Name: Da Afghan Lebanyat, Inc.
Type of company: Corporation (50% American)
Type of production: Milk
Rated capacity: 7,500 qts./8 hrs.
Fixed assets: Afs. 17,452,000 ($232,700)
Working capital: Afs. 6,796,000 ($90,613)
Markets: National
Estimated sales potential: Afs. 38,750,000 ($517,300)
Skilled employees: 10
Unskilled employees: 7
Contact: Sher B. Afredi
Telephone: 20811, Kabul

(105) 48/159 Name: Haschmat Sausage Factory
Type of company: Anferadi
Type of production: Sausage
Rated capacity: 200 kg. in 8 hrs.
Fixed assets: Afs. 1,653,000 ($22,040)
Working capital: Afs. 99,000 ($1,320)
Markets: National
Estimated sales potential: Afs. 3,000,000 ($40,000)
Skilled employees: 4
Unskilled employees: 5
Contact: Abdullah Ali
Telephone: 41982, Kabul

(106) 48/160 Name: Afghan Palst Co., Inc.
Type of company: Corporation
Type of production: Plastic products
Rated capacity: 3,200 kg./16 hrs.
Fixed assets: Afs. 10,450,000 ($139,300)
Working capital: Afs. 11,400,000 ($153,067)
Markets: National
Estimated sales potential: Afs. 79,600,000 ($1,061,333)
Skilled employees: 5
Unskilled employees: 51
Contact: Abdul Rahim
Telephone: 21470, Kabul

(107) 48/161 Name: Da Karimi Sanati Musassa
Type of company: Anferadi
Type of production: Thread winding
Rated capacity: 1,215,000 lbs./yr.
Fixed assets: Afs. 2,880,000 ($38,400)
Working capital: Afs. 10,373,000 ($138,300)
Markets: Domestic
Estimated sales potential: Afs. 100,238,000 ($1,336,500)
Skilled employees: 10
Unskilled employees: 217
Contact: Haji Abdul Aziz, Sarai Atajan, Kandahar
Telephone: 2250, Kandahar

(108) 48/163 Name: Sakhi Sanate Moasesa
Type of company: Partnership
Type of production: Raisin processing
Rated capacity: 10 tons/16 hr.-day/200 days
Fixed assets: Afs. 5,125,000 ($68,300)
Working capital: Afs. 4,871,000 ($64,900)
Markets: Export
Estimated sales potential: Afs. 36,235,000 ($483,100)
Skilled employees: 8
Unskilled employees: 48
Contact: Abdul Ghaus, Chardi, Kabul
Telephone: 41359 Kabul, P. O. Box 1; 37, Charikar

(109) 48/165 Name: Mazaruddin Textile Co.
Type of company: Anferadi
Type of production: Rayon textiles, 50 looms
Rated capacity: 1,200,000 M/yr.
Fixed assets: Afs. 5,450,000 ($72,700)
Working capital: Afs. 5,550,000 ($74,000)
Markets: Domestic
Estimated sales potential: Afs. 20,400,000 ($272,000)
Skilled employees: 3
Unskilled employees: 80
Contact: Haji Mazaruddin, Pashtoon Market, Kabul
Telephone: 24301

(110) 48/169 Name: Barekzaie Co.
Type of company: Partnership
Type of production: Spare auto parts & metal furniture mfg., Herat
Rated capacity: N. A.
Fixed assets: Afs. 3,620,000 ($48,300)
Working capital: Afs. 9,091,500 ($121,200)
Markets: Domestic
Estimated sales potential: Afs. 37,500,000 ($500,000)
Skilled employees: 10
Unskilled employees: 13
Contact: Haji Moh'd. Rassul
Telephone: Sarai Oumandan, Herat

(111) 48/170 Name: Coca Cola (Bottling) & Afghan Fruit Juice Co., Inc.
Type of company: Corporation (5% American)
Type of production: Coca Cola and fruit juices
Rated capacity: 400,000 cases Coca Cola
500 tons fruit concentrate
Fixed assets: Afs. 42,562,500 ($567,500)
Working capital: Afs. 5,800,000 ($77,300)
Markets: Export & national
Estimated sales potential: Afs. 58,000,000 ($773,300)
Skilled employees: 21
Unskilled employees: 65
Contact: Sher B. Afredi, P. O. Box 107, Kabul
Telephone: 20811

(112) 48/171 Name: Da Afghan Body Mfg. Factory Corp.
Type of company: Corporation
Type of production: Truck body manufacturing
Rated capacity: 40 truck bodies
Fixed assets: Afs. 2,234,000 ($29,800)
Working capital: Afs. 5,262,250 ($70,200)
Markets: Export 20%
Estimated sales potential: Afs. 10,600,000 ($141,300)
Skilled employees: 7
Unskilled employees: 24
Contact: Haider Ali Paikar
Telephone: 20715 (home: 40576)

(113) 48/173 Name: Afghan Cigarette Company
Type of company: Partnership
Type of production: Cigarettes, Jalalabad
Rated capacity: 216 M/yr.
Fixed assets: Afs. 14,191,500 ($189,200)
Working capital: 3,983,300 Afs ($53,100)
Markets: Domestic
Estimated sales potential: Afs. 27,648,000 ($368,600)
Skilled employees: 28
Unskilled employees: 21
Contact: Hadji Ghulam Rasool Sahab, Pashtoon Market
Telephone: 24802

(114) 48/175 Name: Khalil Detergents, Ltd.
Type of company: Limited liability partnership
Type of production: Detergent
Rated capacity: 2 M lbs./yr.
Fixed assets: Afs. 5,890,500 ($78,500)
Working capital: Afs. 3,725,000 ($49,700)
Markets: Domestic
Estimated sales potential: Afs. 30,000,000 ($400,000)
Skilled employees: 1
Unskilled employees: 8
Contact: Khalil Urrahman Wais, Pashtoon Market (Rm. 63)
Telephone: 24056 (home: 21400)

(115) 48/176 Name: Afghan Boring Co.
Type of company: Corporation
Type of production: Well drilling
Rated capacity: 10 M/day
Fixed assets: Afs, 140,000 ($1,900)
Working capital: Afs. 364,000 ($4,850)
Markets: Local
Estimated sales potential: Afs. 180,000 ($2,400)
Skilled employees: 8
Unskilled employees: 18
Contact: Abdul Samad Saleem, 283/5 Dehnaw, Mirweiss Maidaan
Telephone: 41528, Kabul

(116) 48/177 Name: Hayat, Inc.
Type of company: Corporation (100% Pakistani)
Type of production: Furniture
Rated capacity: 50 cu. ft./yr.
Fixed assets: Afs. 1,870,000 ($24,900)
Working capital: Afs. 13,130,000 ($175,000)
Markets: Partial export
Estimated sales potential: Afs. 18,000,000 ($240,000)
Skilled employees: 13
Unskilled employees: 92
Contact: Abdul Aziz, c/o Hayat Bros., Peshawar
Telephone: 2311

(117) 48/180 Name: Whinney Murray & Co.
Type of company: Partnership (100% British)
Type of production: Auditing
Total capital requirements: Afs. 1,550,000 ($20,666)
Estimated sales potential: Afs. 4,000,000 ($53,300)
Skilled employees: 18
Unskilled employees: 3
Contact: Byron B. Nelson, P. O. Box 1783, Teheran, Iran

(118) 49/181 Name: Afghan Reinforced Cement Industry
Type of company: Simple partnership (100% Pakistani)
Type of production: Reinforced cement
Rated capacity: N. A.
Fixed assets: Afs. 1,415,000 ($18,900)
Working capital: Afs. 831,250 ($11,100)
Markets: National
Estimated sales potential: Afs. 3,700,000 ($49,300)
Skilled employees: 10
Unskilled employees: 54
Contact: Serai Hazar Gul, Kabul
Telephone: 21856

(119) 49/186 Name: Maiwand Corporation
Type of company: Simple partnership
Type of production: Pickle skins & casings, Kandahar
Rated capacity: 167,000 hanks; 250,000 skins
Fixed assets: Afs. 2,496,000 ($33,300)
Working capital: Afs. 21,739,100 ($289,900)
Markets: Export
Estimated sales potential: Afs. 67,250,000 ($896,700)
Skilled employees: 7
Unskilled employees: 58
Contact: Haji Noor Ali, Kandahar
Telephone: 2179, Kandahar (Kabul, 23636 or 26722)

(120) 49/187 Name: Premsec, Ltd.
Type of company: Partnership (100% British)
Type of production: Polyurethane Foam manufacturing
Rated capacity: 110,000 cu. ft./yr.
Fixed assets: Afs. 7,275,000 ($97,000)
Working capital: Afs. 8,752,500 ($116,700)
Markets: Domestic
Estimated sales potential: Afs. 26,400,000 ($352,000)
Skilled employees: 8
Unskilled employees: 39
Contact: K. K. Patel, Premsec, Ltd., P. O. Box 89, Baroda, India

(121) 49/190 Name: Kochi Sarmano Factory
Type of company: Simple partnership
Type of production: Pickle skins & casings, Jalalabad
Rated capacity: 405,000 hank casings; 450,000 pickled skins
Fixed assets: Afs. 3,242,000 ($43,200)
Working capital: Afs. 27,143,771 ($361,900)
Markets: Export
Estimated sales potential: Afs. 82,620,000 ($1,101,600)
Skilled employees: 5
Unskilled employees: 21
Contact: Mr. Marahb, Sarwari Market, Kabul
Telephone: 24831 or 24726

(122) 49/192 Name: Da Abdullah Had Plastic & Rubber Fabrika, Ltd. (supersedes 47/128)
Type of company: Limited liability partnership
Type of production: Plastic footwear
Rated capacity: 1,620,000 pr. shoes/yr.
Fixed assets: Afs. 8,818,500 ($117,600)
Working capital: Afs. 6,900,000 ($92,000)
Markets: Domestic
Estimated sales potential: Afs. 70,660,000 ($942,100)
Skilled employees: 7
Unskilled employees: 39
Contact: Abdullah Jan Jaji, Serai Sayed Habibullah
Telephone: 23362

OUT OF SEQUENCE:

(123) 49/191 Name: Afghan Certified Seed Company (Kandahar)
Type of company: Personal Business (100% Canadian)
Type of production: Guar seed and certified cotton and wheat seed
Rated capacity: NA
Fixed assets: Afs. 7,767,200 ($103,500)
Working capital: Afs. 598,500 ($800)
Markets: Local
Estimated sales potential: Afs. 12,972,000 ($172,900)
Skilled employees: 4
Unskilled employees: 81
Contact: L. C. H. Halley, Indamer, Kabul
Telephone: 20617 home: 20394

(124) 49/193 Name: Azami Plastic Bag and Pipe Co.
Type of company: Personal Business
Type of production: Plastic bags and pipe
Rated capacity: 227 kg. plastic bags
519 kg. plastic pipes/16 hours
Fixed assets: Afs. 1,813,500 ($24,000)
Working capital: Afs. 3,836,200 ($51,000)
Markets: Local
Estimated sales potential: Afs. 13,860,000 ($184,800)
Skilled employees: 7
Unskilled employees: 24
Contact: Nasrullah Azami, Nekzad Market, Kabul
Telephone: home - 41547

(125) 49/197 Name: Kabul Spinning Mill
Type of company: Limited Liability Partnership (50% Pakistani)
Type of production: Viscose rayon yarn
Rated capacity: 14,236 lbs./24 hours
Fixed assets: Afs. 131,504,700 ($1,753,000)
Working capital: Afs. 53,845,800 ($718,000)
Markets: Local
Estimated sales potential: Afs. 124,475,000 ($1,660,000)
Skilled employees: 19
Unskilled employees: 146
Contact: Abdul Rauf Maqsudi, P. O. Box 210, Sarai Shahzada, Kabul
Telephone: 23246-23436 home: 23624

(126) 49/199 Name: Wakhan Plastic Co., Inc.
Type of company: Corporation
Type of production: Plastic shoes, boots, sandals, etc.
Rated capacity: 12,000 pair/20 hours
Fixed assets: Afs. 12,855,000 ($171,000)
Working capital: Afs. 22,387,700 ($298,000)
Markets: Local
Estimated sales potential: Afs. 103,500,000 ($1,380,000)
Skilled employees: 8
Unskilled employees: 48
Contact: Sayed Ibrahim Balkhi, Mandevi Jadid, Rahimi Market, Kabul
Telephone: 25662 - 24668

(127) 49/208 Name: Afghan Tire Retread Co.
Type of company: Personal Business
Type of production: Automobile Tire Retreading
Rated capacity: 6 units/8 hours
Fixed assets: Afs. 4,082,000 ($54,000)
Working capital: Afs. 1,202,300 ($16,000)
Markets: Local
Estimated sales potential: Afs. 5,400,000 ($72,000)
Skilled employees: 2
Unskilled employees: 7
Contact: Abdul Hamid Aziz, Shar-i-Nau, Kabul
Telephone: 32568

127 projects presented
6 re-submissions (due to increased capacity and/or capitalization)
133 Total Projects Approved

Date Prepared: October 10, 1970
Prepared for: Ministry of Commerce
By: Thomas H. Miner & Associates, Inc.
Kabul, Afghanistan
Telephone: 42441, ext. 347

ADDITIONAL COPIES AVAILABLE UPON REQUEST

APPENDIX 4

INVESTMENT COMMITTEE OF AFGHANISTAN

BOX SCORE

INVESTMENT COMMITTEE OF AFGHANISTAN

BOX SCORE

(Approved Private Sector Investment Applications by Category)

as of October 4, 1970

STATISTICS

Total Applications Approved		133
Expanded (increased capitalization) applications in above . .		5
Factories Built and in Operation		51
Total Financial Resources Required (above) Applications . . .	Afs.	3,498,380,300
(U.S.) . . .	$	45,588,200
Personnel Required: (New Jobs Created-Projected) TOTAL . . .		18,694
Skilled:		1,684
Unskilled:		17,010
Number Applications with Foreign Participation		22
Participating Countries: Pakistan, Italy, India, Germany, United Kingdom, Switzerland, USA, Canada		
Total Financial Resources of Projects which include Foreign Capital	Afs.	1,019,888,500
(U.S.) . . .	$	13,425,400
Percentage to Total Resources		29.5%
Total Foreign Resources included in above	Afs.	697,956,300
(U.S.) . . .	$	9,250,900
Average Percentage of Foreign Participation		68.4%
Percentage Foreign Resources to Total Resources		19.9%
Total Potential Annual Sales - Approved Applications	Afs.	6,726,718,000
(U.S.) . . .	$	89,435,000
Total Potential Annual Export Sales (included in above) . . .	Afs.	1,503,470,000
	$	26,604,900

NOTE: Financial resources and sales data referred to in this report are based upon projected results at end of fifth year of operation of each approved application.

Investment applications require projection of anticipated productivity for each year through the fifth year of operation. In many instances, earnings will be retained and reinvested. A spot check of factories already in operation disclosed, however, that actual investment exceeded that forecast in most instances.

HNS/kl

Date Prepared: October 10, 1970
Prepared for: Ministry of Commerce
By: Thomas H. Miner & Associates, Inc.
Kabul, Afghanistan
Telephone: 42441, ext. 347

ADDITIONAL COPIES AVAILABLE UPON REQUEST

INDEX

ANALYSIS BY CATEGORY

Animal Products

Bonemeal (47/072)

No. of applications: 1
Total resources required: Afs. 3,600,000 ($48,000)
Total foreign participation: NONE
Estimated total capacity: 2,500 tons/year
Total employees: 29 Skilled: 9 Unskilled: 20
Total annual sales projected: Afs. 17,813,000 ($238,000)
Export sales projected: Afs. 17,813,000 ($238,000)

Casings and Pickled Skins (45/005, 45/006, 47/113, 47/126, 47/127, 48/140, 49/186, 49/190)

No. of applications: 8
Total resources required: Afs. 152,858,000 ($2,035,400)
Total foreign participation: NONE
Estimated total capacity: 1,046,000 Hanks; 2,650,000 skins
Total employees: 396 Skilled: 53 Unskilled: 343
Total annual sales projected: Afs. 482,920,000 ($6,416,300)
Export sales projected: Afs. 482,920,000 ($6,416,300)

Furs (46/051, 47/132)

No. of applications: 2
Total resources required: Afs. 23,776,800 ($316,500)
Total foreign participation: NONE
Estimated total capacity: 11,660 pelts/year
Total employees: 552 Skilled: 19 Unskilled: 533
Total annual sales projected: Afs. 190,275,000 ($2,537,000)
Export sales projected: Afs. 190,275,000 ($2,537,000)

Leather Tanning & Shoe Manufacturing (46/057, 47/108, 47/126, 47/130)

No. of applications: 4
Total resources required: Afs. 311,947,000 ($4,159,000)
Total foreign participation: Afs. 72,371,000 ($964,320), Swiss
Estimated total capacity: 1,245,000 pickle skins/year
35,000 karakul/year
22,500 goat/year
480,000 pr. shoes/year
300,000 ft.^{2} tanned leather/year
30,000 tanned skins/year
Total employees: 5,443 Skilled: 225 Unskilled: 5,218
Total annual sales projected: Afs. 856,900,000 ($11,290,000)
Export sales projected: Afs. 704,500,000 ($9,391,300)

Auditing (48/180)

No. of applications: 1
Total resources required: Afs. 1,550,000 ($21,000)
Total foreign participation: Afs. 1,550,000 ($21,000), British
Estimated total capacity: NA
Total employees: 21 Skilled: 18 Unskilled: 3
Total annual sales projected: Afs. 4,000,000 ($53,000)
Export sales projected: NONE

Automotive

Battery Manufacturing (46/063)

No. of applications: 1
Total resources required: Afs. 39,000,000 ($520,000)
Total foreign participation: NONE
Estimated total capacity: 150 units/8 hours
Total employees: 51 Skilled: 9 Unskilled: 42
Total annual sales projected: Afs. 75,000,000 ($1,000,000)
Export sales projected: NONE

Garages (46/024, 46/052)

No. of applications: 2
Total resources required: Afs. 10,000,000 ($133,100)
Total foreign participation: NONE
Estimated total capacity: NA
Total employees: 29 Skilled: 7 Unskilled 22
Total annual sales projected: Afs. 5,200,000 ($65,600)
Export sales projected: NONE

Tire Retreading (49/208)

No. of applications: 1
Total resources required: Afs. 5,284,300 ($70,500)
Total foreign participation: NONE
Estimated total capacity: 6 units/day
Total employees: 9 Skilled: 2 Unskilled: 7
Total annual sales projected: Afs. 5,400,000 ($72,000)
Export sales projected: NONE

Building Materials

Aggregate & Stone (46/026)

No. of applications: 1
Total resources required: Afs. 15,000,000 ($198,000)
Total foreign participation: NONE
Estimated total capacity: 483 M3/10 hours
Total employees: 70 Skilled: 50 Unskilled: 20
Total annual sales projected: Afs. 9,960,000 ($132,000)
Export sales projected: NONE

Building Materials (cont.)

Bricks (47/129)

No. of applications: 1
Total resources required: Afs. 17,000,000 ($226,700)
Total foreign participation: NONE
Estimated total capacity: 11,250 M/year
Total employees: 72 Skilled: 7 Unskilled: 65
Total annual sales projected: Afs. 9,000,000 ($120,000)
Export sales projected: NONE

Building Stone (46/064)

No. of applications: 1
Total resources required: Afs. 4,527,000 ($60,000)
Total foreign participation: NONE
Estimated total capacity: 2/3 M^3/8 hours
Total employees: 40 Skilled: 21 Unskilled: 19
Total annual sales projected: Afs. 3,976,000 ($53,000)
Export sales projected: NONE

Reinforced Cement Products (49/181)

No. of applications: 1
Total resources required: Afs. 2,246,000 ($30,000)
Total foreign participation: Afs. 2,246,000 ($30,000), Pakistani
Estimated total capacity: NA
Total employees: 64 Skilled: 10 Unskilled: 54
Total annual sales projected: Afs. 3,700,000 ($49,300)
Export sales projected: NONE

Structural Iron (46/021)

No. of applications: 1 (Re-rolling mill)
Total resources required: Afs. 11,500,000 ($152,000)
Total foreign participation: Afs. 11,500,000 ($152,000), Pakistani
Estimated total capacity: 2,000 tons/year
Total employees: 43 Skilled: 8 Unskilled: 35
Total annual sales projected: Afs. 20,100,000 ($270,000)
Export sales projected: NONE

Tile, Cement & Glazed (47/081; 47/131)

No. of applications: 2
Total resources required: Afs. 4,148,000 ($54,000)
Total foreign participation: Afs. 1,000,000 ($13,000), Pakistani
Estimated total capacity: 23,410 M^2/year
Total employees: 57 Skilled: 10 Unskilled: 47
Total annual sales projected: Afs. 8,650,000 ($115,300)
Export sales projected: NONE

Carpet Washing (45/013)

No. of applications: 1
Total resources required: Afs. 18,000,000 ($237,000)
Total foreign participation: NONE
Estimated total capacity: 84,000 M^2/year
Total employees: 90 Skilled: 10 Unskilled: 80
Total annual sales projected: Afs. 7,560,000 ($100,000)
Export sales projected: NONE

Cartons & Bags (47/075, 48/151)

No. of applications: 2
Total resources required: Afs. 18,252,000 ($243,600)
Total foreign participation: NONE
Estimated total capacity: 1,380,000 kg./year
Total employees: 51 Skilled: 8 Unskilled: 43
Total annual sales projected: Afs. 35,760,000 ($476,800)
Export sales projected: NONE

Chemicals (48/152)

No. of applications: 1
Total resources required: Afs. 3,253,000 ($43,000)
Total foreign participation: NONE
Estimated total capacity: 720 kg. (caustic soda)/24 hours
Total employees: 29 Skilled: 5 Unskilled: 24
Total annual sales projected: Afs. 8,064,000 ($107,520)
Export sales projected: NONE

Food Processing

Biscuits & Candy (48/155)

No. of applications: 1
Total resources required: Afs. 29,000,000 ($386,600)
Total foreign participation: NONE
Estimated total capacity: 6,000 kg./year
Total employees: 49 Skilled: 10 Unskilled: 39
Total annual sales projected: Afs. 71,250,000 ($950,000)
Export sales projected: NONE

Cheese (47/092)

No. of applications: 1
Total resources required: Afs. 1,198,500 ($16,000)
Total foreign participation: NONE
Estimated total capacity: 144,000 lbs./year
Total employees: 9 Skilled: 2 Unskilled: 7
Total annual sales projected: Afs. 5,760,000 ($76,800)
Export sales projected: NONE

Food Processing (cont.)

Dried Fruits (47/096)

No. of applications: 1
Total resources required: Afs. 4,000,000 ($53,300)
Total foreign participation: NONE
Estimated total capacity: 90 tons/year
Total employees: 93 Skilled: 3 Unskilled: 90
Total annual sales projected: Afs. 3,825,000 ($51,000)
Export sales projected: Afs. 3,825,000 ($51,000)

Milk (48/156)

No. of applications: 1
Total resources required: Afs. 24,248,000 ($323,000)
Total foreign participation: Afs. 12,124,000 ($161,500), American
Estimated total capacity: 7,500 qts./8 hours
Total employees: 17 Skilled: 10 Unskilled: 7
Total annual sales projected: Afs. 38,750,000 ($517,300)
Export sales projected: NONE

Oil - Edible (46/048, 47/094)

No. of applications: 2
Total resources required: Afs. 25,710,000 ($343,500)
Total foreign participation: NONE
Estimated total capacity: 4,042 tons/year
Total employees: 76 Skilled: 15 Unskilled: 61
Total annual sales projected: Afs. 31,876,000 ($4,235,000)
Export sales projected: NONE

Raisin Cleaning & Packing (45/003, 45/009, 45/010, 46/023, 46/056, 46/058, 47/069, 47/070, 47/071, 47/079, 47/091, 47/099, 48/163)

No. of applications: 13
Total resources required: Afs. 223,828,000 ($2,947,600)
Total foreign participation: NONE
Estimated total capacity: 35,000 tons/year
Total employees: 737 Skilled: 93 Unskilled: 644
Total annual sales projected: Afs. 551,370,000 ($7,311,300)
Export sales projected: Afs. 551,370,000 ($7,311,300)

Sausage (48/159)

No. of applications: 1
Total resources required: Afs. 1,752,600 ($23,000)
Total foreign participation: NONE
Estimated total capacity: 200 kg./8 hours
Total employees: 9 Skilled: 4 Unskilled: 5
Total annual sales projected: Afs. 3,000,000 ($40,000)
Export sales projected: NONE

Food Processing (cont.)

Soft Drinks & Fruit Concentrates (48/170)

No. of applications: 1
Total resources required: Afs. 48,362,000 ($644,800)
Total foreign participation: NONE
Estimated total capacity: 400,000 cases/year
Total employees: 86 Skilled: 21 Unskilled: 65
Total annual sales projected: Afs. 58,000,000 ($773,300)
Export sales projected: Afs. 15,000,000 ($200,000)

Metal Fabricating

Body Manufacture (48/171)

No. of applications: 1
Total resources required: Afs. 7,556,000 ($100,000)
Total foreign participation: NONE
Estimated total capacity: 40 units/year
Total employees: 31 Skilled: 7 Unskilled: 24
Total annual sales projected: Afs. 10,600,000 ($141,300)
Export sales projected: NONE

General Fabrication (46/054, 46/060, 47/097, 47/119, 48/169)

No. of applications: 5
Total resources required: Afs. 72,011,000 ($947,500)
Total foreign participation: Afs. 50,000,000 ($522,000), Iranian
Estimated total capacity: 1,900 tons (plus)/year
Total employees: 207 Skilled: 53 Unskilled: 154
Total annual sales projected: Afs. 176,956,000 ($2,355,900)
Export sales projected: NONE

Household Utensils (48/148)

No. of applications: 1
Total resources required: Afs. 20,500,000 ($273,000)
Total foreign participation: Afs. 20,500,000 ($273,000), Pakistani
Estimated total capacity: 15 tons/day
Total employees: 30 Skilled: 27 Unskilled: 3
Total annual sales projected: Afs. 295,056,000 ($3,932,200)
Export sales projected: NONE

Venetian Blinds (46/055)

No. of applications: 1
Total resources required: Afs. 9,000,000 ($120,000)
Total foreign participation: NONE
Estimated total capacity: 30,000 M^2/year

(cont.)

Metal Fabricating (cont.)

Venetian Blinds (cont.)

Total employees: 9 Skilled: 5 Unskilled: 4
Total annual sales projected: Afs. 12,000,000 ($160,000)
Export sales projected: NONE

Oil & Grease (Lubricating) (47/082)

No. of applications: 1
Total resources required: Afs. 130,000,000 ($1,733,300)
Total foreign participation: Afs. 97,500,000 ($1,299,000), Pakistani
Estimated total capacity: 32 tons/8 hours
Total employees: 41 Skilled: 21 Unskilled: 20
Total annual sales projected: Afs. 249,450,000 ($3,326,000)
Export sales projected: NONE

Pharmaceuticals (47/068, 47/110)

No. of applications: 2
Total resources required: Afs. 102,157,000 ($1,361,500)
Total foreign participation: Afs. 77,440,000 ($1,032,000), German
Estimated total capacity: NA
Total employees: 75 Skilled: 29 Unskilled: 46
Total annual sales projected: Afs. 83,175,000 ($1,109,000)
Export sales projected: NONE

Plastic Products (46/033, 46/066, 48/153, 48/160, 49/187, 49/193, 49/194, 49/199)

No. of applications: 8
Total resources required: Afs. 181,812,400 ($2,422,400)
Total foreign participation: Afs. 16,027,000 ($213,000), British
Estimated total capacity: 23,000 kg. plastic/24 hours
110,000 cu. ft. plastic foam/year
Total employees: 415 Skilled: 32 Unskilled: 383
Total annual sales projected: Afs. 428,475,000 ($5,712,500)
Export sales projected: NONE

Service Industries

Cold Storage (meat & fruit) (45/002, 45/012)

No. of applications: 2
Total resources required: Afs. 5,129,200 ($68,400)
Total foreign participation: NONE
Estimated total capacity: 60,000 lambs-100 tons fruit/year
Total employees: 50 Skilled: 4 Unskilled: 46
Total annual sales projected: Afs. 49,500,000 ($660,000)
Export sales projected: Afs. 1,500,000 ($20,000)

Service Industries (cont.)

Dry Cleaning (46/042, 47/074, 47/093)

No. of applications: 3
Total resources required: Afs. 4,149,400 ($55,300)
Total foreign participation: NONE
Estimated total capacity: 248,000 lbs./year
Total employees: 33 Skilled: 10 Unskilled: 23
Total annual sales projected: Afs. 5,172,000 ($68,500)
Export sales projected: NONE

Ice Manufacturing (47/101, 47/147)

No. of applications: 2
Total resources required: Afs. 7,791,000 ($103,700)
Total foreign participation: NONE
Estimated total capacity: 8,000 tons/year
Total employees: 42 Skilled: 18 Unskilled: 24
Total annual sales projected: Afs. 7,950,000 ($106,000)
Export sales projected: NONE

Printing (46/031, 46/041, 48/141)

No. of applications: 3
Total resources required: Afs. 8,395,000 ($112,000)
Total foreign participation: NONE
Estimated total capacity: 144,000 reams/year
Total employees: 57 Skilled: 23 Unskilled: 34
Total annual sales projected: Afs. 17,855,000 ($238,200)
Export sales projected: NONE

Well Drilling (48/176)

No. of applications: 1
Total resources required: Afs. 504,000 ($6,750)
Total foreign participation: NONE
Estimated total capacity: 10 M/day
Total employees: 26 Skilled: 8 Unskilled: 18
Total annual sales projected: Afs. 180,000 ($2,400)
Export sales projected: NONE

Soap & Detergents (46/030, 48/175)

No. of applications: 2
Total resources required: Afs. 84,615,000 ($1,128,200)
Total foreign participation: Afs. 45,000,000 ($600,000), Pakistani
Estimated total capacity: 5,310 tons/year
Total employees: 311 Skilled: 31 Unskilled: 280
Total annual sales projected: Afs. 206,625,000 ($2,750,000)
Export sales projected: NONE

Textiles

Knitting (47/090, 47/102, 47/111)

No. of applications: 3
Total resources required: Afs. 14,100,000 ($188,000)
Total foreign participation: NONE
Estimated total capacity: 13,200 doz. pr. socks - 104,000 jackets/year
Total employees: 148 Skilled: 11 Unskilled: 147
Total annual sales projected: Afs. 37,095,000 ($494,000)
Export sales projected: NONE

Spinning (49/197)

No. of applications: 1
Total resources required: Afs. 185,350,500 ($2,471,300)
Total foreign participation: Afs. 92,675,250 ($1,235,600), Pakistani
Estimated total capacity: 14,236 lbs. rayon yarn/24-hour day
Total employees: 155 Skilled: 19 Unskilled: 146
Total annual sales projected: Afs. 124,475,000 ($1,659,700)
Export sales projected: NONE

Thread Winding (46/044, 47/109, 48/161)

No. of applications: 3
Total resources required: Afs. 34,996,000 ($465,000)
Total foreign participation: Afs. 7,000,000 ($92,000), Indian
Estimated total capacity: 1,200,000 kg./year
Total employees: 558 Skilled: 31 Unskilled: 527
Total annual sales projected: Afs. 216,852,000 ($2,890,000)
Export sales projected: NONE

Weaving (45/004, 46/025, 46/039, 46/040, 46/043, 46/062, 46/067, 47/077, 47/078, 47/088, 47/095, 47/098, 47/100, 47/105, 47/106, 47/112, 47/116, 47/117, 47/118, 47/120, 47/121, 47/122, 47/123, 47/124, 47/125, 47/133, 47/134, 47/135, 47/137, 47/138, 48/143, 48/165)

No. of applications: 32
Total resources required: Afs. 1,553,734,200 ($19,726,800)
Total foreign participation: Afs. 88,106,000 ($1,235,600), Pakistani
Estimated total capacity: 108,427,500 M/year
Total employees: 9,226 Skilled: 670 Unskilled: 8,556
Total annual sales projected: Afs. 2,411,689,000 ($32,106,300)
Export sales projected: NONE

Tobacco

Cigarettes (48/173)

No. of applications: 1
Total resources required: Afs. 18,174,000 ($242,000)
Total foreign participation: NONE
Estimated total capacity: 216 million/year
Total employees: 49 Skilled: 28 Unskilled: 21
Total annual sales projected: Afs. 27,648,000 ($368,600)
Export sales projected: NONE

Wood Products

Furniture (48/177)

No. of applications: 1
Total resources required: Afs. 15,000,000 ($200,000)
Total foreign participation: Afs. 15,000,000 ($200,000), Pakistani
Estimated total capacity: 50 cu. ft./year
Total employees: 105 Skilled: 13 Unskilled: 92
Total annual sales projected: Afs. 18,000,000 ($240,000)
Export sales projected: Afs. 6,000,000 ($80,000)

Miscellaneous

Alcohol & Wine (45/007)

No. of applications: 1
Total resources required: Afs. 17,500,000 ($234,000)
Total foreign participation: Afs. 17,500,000 ($234,000), Italian
Estimated total capacity: 120,000 L./year
Total employees: 40 Skilled: 5 Unskilled: 35
Total annual sales projected: Afs. 12,000,000 ($160,000)
Export sales projected: Afs. 12,000,000 ($160,000)

Rose Essence (45/001)

No. of applications: 1
Total resources required: Afs. 6,000,000 ($80,000)
Total foreign participation: Afs. 3,000,000 ($40,000), Italian
Estimated total capacity: 2,000 lbs. rose petals/18 hours
Total employees: 165 Skilled: 5 Unskilled: 160
Total annual sales projected: Afs. 15,000,000 ($200,000)
Export sales projected: Afs. 15,000,000 ($200,000)

Miscellaneous (cont.)

Seeds - Certified (49/191)

No. of applications: 1
Total resources required: Afs. 8,365,000 ($111,500)
Total foreign participation: Afs. 8,365,000 ($111,500), Canadian
Estimated total capacity: NA
Total employees: 85 Skilled: 4 Unskilled: 80
Total annual sales projected: Afs. 12,972,000 ($172,900)
Export sales projected: NONE

APPENDIX 5

ANALYSIS OF 107 FACTORIES WHOSE APPROVALS ARE OVER ONE YEAR OLD AS OF 15 OCTOBER 1970

ANALYSIS OF 107 FACTORIES (PLUS 5 EXPANSIONS) WHOSE APPROVALS ARE WELL OVER ONE-YEAR OLD AS OF 15 October 1970

Summary

Attached are the lists of the 107 factories whose approvals were over one-year old as of October 15, 1970, divided into categories according to their state of implementation. These lists have been compiled on the basis of the best information available to us. It should be noted that no report is required by an investor in regard to implementation until one year has elapsed from the date of his approval.

Until specific inquiry is made, our only indication of implementation is the request for customs clearance documents on machinery, etc, as it arrives in the country. For this reason, the factories reported under the heading "No Information" represents exactly that, and it is be to be presumed that an unknown proportion of them will eventually implement their projects.

In general, it can be said that in view of the lack of any credit facility, the lack of the prepared Industrial Park and the lack of any other concrete assistance to the investors, our implementation rate is surprisingly high.

A summary of the status of these 107 factories gives the following figures:

Open and Operating	53	50%	
Known to be under construction and implementation	16	15%	67%
Open for business but now closed	2	2%	
Factories suspended for non-implementation after one year	10	9%	
Factories for which there is no information	26	24%	
	107	100%	

Since it is relatively certain that some percentage of the "No Information" factories will in the end be implemented, we can say that the implementation rate is almost certainly above 70%. Again, we would stress that in view of the lack of positive assistance to the investors, this is a very high rate indeed.

Another interesting feature of this review is the fact that only two investments have gone out of business since they opened; both of these were small garages and repair shops, not factories.

Again, we call attention to the fact that these are factories who have been approved for over one year. This cut-off date corresponds to the regulations of the Investment Committee and, in addition, makes good sense practically due to delays in company formation, equipment ordering, equipment delivery, etc. Factories approved more recently than one year, therefore, do not represent a valid sample.

Attached are the summaries of the 107 factories.

Prepared by: W. Briggs
Thomas H. Miner & Associates, Inc.
Kabul, Afghanistan

Date: October 22, 1970

FACTORIES OPEN AND OPERATING

	Project Number	Name	Production
1.	45/001	Da Habatat Sherkat	Rose Essence
2.	45/002	Rahimi	Meat Cold Storage
3.	45/003	S. S. Sanahti Kishmishi	Raisins
4.	45/005	Arian Casings	Casings
5.	45/006	Saaed Industrial Co.	Casings
6.	45/007	CILMD	Alcohol & wine
7.	45/009	Da Pushtano Yawali S. S.	Raisins
8.	45/010	Samoon	Raisins
9.	45/012	S. S. Pashtun Kandahar	Fruit Cold Storage
10.	45/013	Desgah-e-Khalin Shoji	Carpet Washing
11.	46/021	Century Re-Rolling Mills	Metals
12.	46/023	Arghandab Fruit Co., Ltd.	Raisins
13.	46/025	Kadir Weaving	Rayon textiles
14.	46/031	Warasta Press	Printing
15.	46/041	Shuaa Press	Printing
16.	46/042	Modern Dry Cleaning Co.	Dry Cleaning
17.	46/043	Newi Saaed Murtaza Nasawji	Rayon textiles
18.	46/044	S. San Spinghar	Thread
19.	46/051	Chinchilla Parwar	Furs
20.	46/055	Saleh Metal Industries, Inc.	Metals
21.	46/056	Nazir Fruit	Raisins
22.	46/058	Pashtoon Food	Raisins
23.	46/060	Kabul Felez	Metals
24.	46/062	Muhayya Textile Co.	Rayon textiles
25.	46/067	Ahmed Textile	Rayon textiles
26.	46/069	Wais Fruit Co.	Raisins
27.	47/074	Hakim	Dry Cleaning
28.	47/077	Nasawji Jalili, S.R.L.	Rayon textiles
29.	47/078	Amir Zada Nasawji	Rayon textiles
30.	47/079	Bagram Fruit Packing Co.	Raisins
31.	47/081	Ahmad Tile Co.	Cement tile
32.	47/088	AMU Textile Co.	Textiles
33.	47/093	Farhad	Dry Cleaning
34.	47/097	Merzazadah (Ariana Felez)	Metals
35.	47/098	Sh. Taz. Habibullah & Balmarkandas	Textiles
36.	47/100	Bahdor Textile Co.	Rayon textiles
37.	47/108	Afghan Garment Co.	Tanning & Garment Mfg.
38.	47/109	Nizam Manufacturing Co.	Thread
39.	47/110	Siddiq Laboratories	Drugs
40.	47/111	Zamiri Knitting Co.	Knit goods
41.	47/112	Raheemi Textile Mills	Rayon textiles
42.	47/116	Osman Textile Co.	Rayon textiles
43.	47/117	Nangarhar Textile Co.	Rayon textiles
44.	47/118	Aminzada Textile Mill	Rayon textiles
45.	47/121	Maqsudi Textile	Rayon textiles

	Project Number	Name	Production
46.	47/125	Shahabuddin Yasaury	Textiles
47.	47/127	Pickle Saza Aqcha	Casings
48.	47/132	S. S. Mink	Furs
49.	47/140	S. S. Deri Barsok	Casings
50.	48/153	Faizy Plastics Industry	Plastic products
51.	47/113	S. Ltd. Pickle Sazi Aqcha	Pickled skins *
52.	47/126	Leather & Shoe Manufacturing Co.	Shoes *
53.	47/141	Homa Industrial Press	Job printing *

* Open but not certified officially.

FACTORIES KNOWN TO BE UNDER CONSTRUCTION AND IMPLEMENTATION

	Project Number	Name	Production
1.	45/004	Balkh Textile Co.	Cotton textiles (Mazar)
2.	46/030	Afghan Industries S. R. L.	Soap
3.	46/048	S. Sanati Tel Kushi	Edible oil (Herat)
4.	46/068	Hoechst Afghanistan, Inc.	Pharmaceuticals
5.	47/075	Ahmadzada Container Co.	Cartons, plastic bags
6.	47/095	Moh'd. Aman & Ramatullah Textile Co.	Rayon textiles
7.	47/102	Karami Knitting Co.	Knitted goods
8.	47/105	Haji Abdul Mahbood & Haji Gulistan Textile Co.	Rayon textiles
9.	47/106	Azmudin Textile Co.	Rayon textiles
10.	47/120	Da Abdullah Ltd. Nasawji Fabrika	Rayon textiles
11.	47/128	Da Abdullah Had Plastics & Rubber Fabrika	Plastics (now 48/194)
12.	47/138	Allah Nazar Dastookhail Textile Co.	Rayon textiles
13.	48/147	Sufi Yakh Sazi	Ice
14.	48/151	Pashtoon Container Corp.	Plastic bags
15.	48/152	Kabul Chemical Industries	Caustic soda
16.	48/156	Da Afghan Lebanyat. Inc.	Milk

FACTORIES OPEN FOR BUSINESS BUT NOW CLOSED

	Project Number	Name	Production
1.	46/024	Adalat & Sons, Ltd.	Garage
2.	46/052	Afredi Service	Garage

FACTORIES SUSPENDED FOR NON-IMPLEMENTATION AFTER ONE YEAR

	Project Number	Name	Production
1.	46/039	Espojhamy Nasawji	Rayon textiles
2.	46/040	Baraderan Ghavnavi Nasawji	Rayon textiles
3.	47/122	S. Siddiq & Ghafour Sanati	Rayon textiles
4.	47/123	Da Sadozai Katanjulawulu Fabrika	Rayon textiles (Jalalabad)
5.	47/124	Pamir Textile Mill	Rayon textiles
6.	47/133	Fabrika Nasawji Razaki	Rayon textiles
7.	47/134	Anatullah Textile Mill	Rayon textiles
8.	47/135	Haji Gulzada & Moh'd. Zia Textile Mill	Rayon textiles
9.	47/137	Abdul Karim Noor Textile Mill	Rayon textiles
10.	48/143	Sherkat Bahr	Rayon textiles

FACTORIES FOR WHICH THERE IS NO INFORMATION AS TO IMPLEMENTATION

	Project Number	Name	Production
1.	46/026	* S. Taz. Taya Mawad-e-Tamirati	Building materials
2.	46/033	Haq Murad & Modares	Plastic
3.	46/054	S. S. Donaye Felez Afghan	Metal
4.	46/057	Ghulam Hassan Fariadi & Bros.	Tanning & garments
5.	46/063	Doost Hagen Battery Co., Inc.	Auto batteries
6.	46/064	Sh. Taz. Naiz & Moh'd. Amin	Marble
7.	46/066	** S. S. Taulid-i-Sanati Chapoh Lastic u Plastic Bella Afghan Inc.	Plastics
8.	47/070	Samadzada Fruit Export Co.	Raisins
9.	47/071	Hakimans Fruit Industry	Raisins
10.	47/072	Da Kaduku Sakirwolu Mahdood Shirkat	Bonemeal (Kandahar)
11.	47/090	Wahedi Sanati	Knitted goods
12.	47/091	Tuloh Raisin Packing Co.	Raisins (Charikar)
13.	47/092	Nijrab Cheese Cooperation	Cheese
14.	47/094	Roshandel Balkhi Sanati Masaset	Edible Oil
15.	47/096	* Mohebbi Fruit Processors, Inc.	Dried Fruit
16.	47/099	Osman Sultana Packing Co.	Raisins
17.	47/101	* Ice Manufacturing Plant	Ice (Jalalabad)
18.	47/119	Noman Metals & Motor Workshop	Workshop (Mazar)
19.	47/129	S. S. Mawad-e-Tamirati Balkh	Bricks (Kunduz)
20.	47/130	S. S. Shirbaz Massussa	Tannery (Maimana)
21.	47/131	Karkhana Sanati Naqhizada	Tiles (Herat)
22.	48/148	Abdullah Jan Industries	Pots & Pans
23.	48/155	Mosasi Sanati Azizi	Biscuits & candy
24.	48/159	Hashmat Sausage Factory	Sausage
25.	48/160	Afghan Palast Co.	Plastic
26.	48/163	Sakhi Sanati Moasasa	Raisins

* Probably abandoned.

** Being reorganized.

APPENDIX 6

ANALYSIS OF FACTORIES OPEN, 15 OCTOBER 1970

	Percent Productivity Certified	Total Resources* Listed in Application Afs.	Total Resources* Listed in Application $	Est. Total Resources* Employed as of 10/15/70 Afs.	Est. Total Resources* Employed as of 10/15/70 $	Present Productive Capacity	Estimated Present Labor	Estimated Present Sales Potential Afs.	Estimated Present Sales Potential $	Estimated Present Export Potential Afs.	Estimated Present Export Potential $
ANIMAL PRODUCTS											
Casings & Pickled Skins											
1. 45/005 Arian Casings	100	8,[illegible],000	111,000	6,000,000	80,000	150,000 hanks/yr.	30	[illegible]6,450,000	[illegible]	36,450,000	480,000
2. 45/006 Saeed Casings	100	9,500,000	125,000	6,000,000	80,000	120,000 " "	32	34,500,000	450,000	34,450,000	450,000
3. 47/127 Pickle Sazi Aqcha	33 1/3	16,000,000	213,300	4,000,000	53,000	28,000 " "	20	7,700,000	103,000	7,700,000	103,000
4. 48/140 S. S. Deri Barsok	100	32,337,000	431,100	20,000,000	230,000	120,000 " " / 300,000 skins/yr.	50	83,400,000	1,112,000	83,400,000	1,112,000
5. 48/108 Afghan Garment Co.	15	120,000,000	1,600,000	15,000,000	200,000	150,000 skins/yr.	300	64,000,000	852,000	64,000,000	852,000
	Av. 69.6%	186,237,000	2,480,400	51,000,000	643,000	430,000 hanks/yr. 450,000 skins/yr.	432	226,050,000	2,[illegible],000	226,050,000	2,997,000
Open but not certified											
1. 47/113 Pickle Sazi Aqcha (skins)											
2. 47/126 Leather & Shoe Manufacturing Co. (AIM)											
Furs											
1. 46/051 Chinchilla Parwar	NA	[illegible],300	261,000	20,000,000	260,000	3,000 (est.)	80	6,000,000	80,000	6,000,000	80,000
2. 47/132 S. S. Mirk (Herat)	NA	[illegible],000	55,500	3,000,000	48,000	500 "	30	900,000	12,000	900,000	12,000
		23,776,300	316,500	23,000,000	308,000	3,500 "	110	6,900,000	92,[illegible]	6,900,000	92,000
BUILDING MATERIALS											
Structural Iron											
1. 46/021 Century Re-Rolling Mills (100% Pak)	100	11,500,000	152,000	[illegible],000	150,000	[illegible],000 T/yr.	30	20,700,000	270,000	--	--
Tile, Cement & Glazed											
1. 47/061 Ahmad Tile Co. (100% Pak.)	100	1,000,000	13,000	[illegible],000	13,000	19,250 m^2/yr.	13	2,400,000	32,000	--	--
	Av. 100%	12,500,000	165,000	[illegible],000	163,000	--	43	22,500,000	302,000	--	--
CARPET WASHING											
1. 45/013 Desgah-e-Qalin Shoji	[illegible]	18,000,000	237,000	[illegible]	[illegible]	[illegible] m^2/yr.	[illegible]	600,000	8,000	--	--
FOOD PROCESSING											
Raisin Cleaning & Packing											
1. 45/003 S. S. Sanati Kishmish Paki (Mazar)	100	41,[illegible]25,000	550,000	[illegible]	530,[illegible]	4,000 T/yr.	50	[illegible]	1,000,000	74,[illegible]	1,000,000
2. 45/009 Da Pashtano Zawali S.S (Mazar)	100	41,000,000	531,000	[illegible],000	530,000	4,000 T/yr.	50	74,800,000	1,000,000	74,800,000	1,000,000
3. 45/010 Sawoon Raisins	100	17,760,000	170,000	[illegible]	[illegible]	[illegible]	95	93,750,000	1,250,000	93,750,000	1,250,000
4. 46/023 Arghandab Fruit Co. (Kandahar)	100	17,500,000	212,000	[illegible]	[illegible]	[illegible]	25	[illegible]400,000	[illegible]	37,400,000	452,000
5. 46/056 Wazir Fruit Co. (Charikar)	50	40,000,000	532,000	[illegible]	[illegible]	2,000 T/yr.	40	37,400,000	452,000	37,400,000	452,000
6. 46/053 Pushtoon Food Processors	100	7,800,000	93,700	[illegible] 000	[illegible]	2,000 T/yr.	50	18,745,000	249,000	18,745,000	249,000
7. 46/069 Wais Fruit Co.	100	7,500,000	100,000	[illegible]	100,000	2,000 T/yr.	50	36,235,000	483,000	36,235,000	483,000
8. 47/079 Bagram Fruit Packing Co. (Charikar)	100	9,106,000	121,000	[illegible],000	[illegible],000	2,000 T/yr.	50	36,235,000	483,000	36,235,000	483,000
	Av. 9[illegible]%	177,399,000	2,329,700	[illegible]	[illegible]	25,000 T/yr.	380	409,365,000	5,365,000	409,365,000	5,365,000

ANALYSIS OF FACTORIES
OPEN AS OF OCTOBER 15, 1970

Summary

The attached schedule represents the status of the 53 open factories as of October 15, 1970 to the best of our present knowledge. This schedule does not pretend to be truly accurate in all respects but, with the exception of installed productive capacity, represents the best educated guesses of those concerned with the matter. For this reason, conclusions of too definite a nature should not be drawn, but it should always be kept in mind that these are best estimates.

In regard to installed productive capacity, however, this has been inspected and represents the subject of the Implementation Certificate issued officially by the Secretariat of the Investment Committee. For this reason, the columns entitled "Present Productive Capacity" as well as "Estimated Present Sales Potential" and "Estimated Present Export Potential" are probably accurate to a considerable degree.

To summarize the findings of this report, a list of the important points follows:

New jobs so far created	3,224
Export Product Potential Installed	Afs. 654,315,000 ($ 8,632,000)
Total Estimated Sales Potential of Productive Capacity Installed (including export)	Afs. 1,262,421,000 ($ 16,694,300)
Total Resources Including Working Capital Estimated to be Employed as of October 15, 1970	Afs. 579,550,000 ($ 7,648,300)

In addition to the above, it is interesting to note that the average installed capacity is 69.6% of the total capacity listed in the Investment Applications. Those factories which are not up to their installed capacity are continually adding additional machinery, although in some cases this process is very lengthy due to lack of credit facilities.

On the following pages a detailed analysis of all the open factories, grouped by categories of production, can be found.

			Percent Productivity Certified	Total Resources* Listed in Application		Est. Total Resources* Employed as of 10/15/70		Present Productive Capacity	Estimated Present Labor	Estimated Present Sales Potential		Estimated Present Export Potential	
				Afs.	$	Afs.	$			Afs.	$	Afs.	$
		METAL FABRICATING											
		General Fabricating											
1.	46/060	Kabul Felez	20	2,200,000	28,000	500,000	6,500	20 T/yr.	10	1,300,000	17,400	--	--
2.	47/097	Mersazadah	25	10,385,000	138,400	2,600,000	35,000	75 T/yr.	10	4,000,000	53,000	--	--
		Venecian Blinds	Ave. 22½%	12,585,000	166,400	3,100,000	41,500	95 T/yr.	20	5,300,000	70,400	--	--
1.	46/055	Saleh Metal Industries, Inc.	100	9,000,000	120,000	2,000,000	23,000	30,000 m²/yr.	10	12,000,000	[illegible]	--	--
		PHARMACEUTICALS											
1.	47/110	Siddiq Laboratories	10	5,357,000	71,500	1,000,000	13,000	NA	8	1,500,000	20,000	--	--
		PLASTICS											
1.	46/153	Faizy Plastics Industry	100	244,000	3,200	200,000	2,600	NA	9	400,000	5,300	--	--
		SERVICE INDUSTRIES											
		Cold Storage											
1.	45/002	Hafizullah Rahimi (Girishk)	16	37,500,000	50,000	7,000,000	94,000	10,000 lambs	15	8,000,000	106,000	--	--
2.	45/012	S. S. Pashtoon	100	1,379,200	16,400	1,500,000	20,000	100 T/yr.	10	1,500,000	20,000	--	--
		Dry Cleaning	Ave. 58%	38,879,200	68,400	8,500,000	114,000	--	25	9,500,000	126,000	--	--
1.	46/042	Modern Dry Cleaning	100	1,546,400	20,500	1,500,000	20,000	100,000 lbs/yr.	10	1,625,000	21,500	--	--
2.	47/074	Hakim's Dry Cleaning	100	550,000	7,400	1,200,000	16,000	90,000 lbs/yr.	15	1,315,000	17,200	--	--
3.	47/093	Farhad Dry Cleaning	100	2,055,000	27,400	1,800,000	24,000	158,000 lbs/yr.	8	2,232,000	29,800	--	--
		Printing	Ave. 100	4,110,400	55,300	4,500,000	60,000	348,000 lbs/yr.	33	5,172,000	68,500	--	--
1.	46/031	Maranta Press	60	3,800,000	50,700	1,200,000	16,000	4,500 reams/yr.	10	5,200,000	69,000	--	--
2.	46/041	Shuaa Press	100	2,100,000	28,000	2,000,000	26,000	3,600 reams/yr.	11	3,235,000	43,000	--	--
		Open but not certified	Ave. 80%	5,900,000	78,700	3,200,000	42,000	8,100 reams/yr.	21	8,435,000	112,000	--	--
1.	48/141	Homa Industrial Press											
		TEXTILES											
		Knitting											
1.	47/111	Zamiri Knitting Co.	50	4,500,000	60,000	1,500,000	20,000	26,000 jackets/yr.	33	8,100,000	108,000	--	--

No.	File	Enterprise	[illegible] Equity Ratified	Total Resources* Listed in Application Afs.	$	Est. Total Resources* Employed as of 10/15/70 Afs.	$	Present Productive Capacity	Estimated Present Labor	Estimated Present Sales Potential Afs.	$	Estimated Present Export Potential Afs.	$
		Thread Winding											
1.	46/044	S. Sanati Kohinoor (100% Indian)	40	7,000,000	92,000	2,000,000	26,000	40,000 kg/yr.	40	4,100,000	55,000	--	--
2.	47/109	Nizam Manufacturing Co.	33 1/3	14,743,000	196,000	4,000,000	53,500	184,000 "	60	34,000,000	441,000	--	--
		Weaving (rayon)	re. 36½%	21,743,000	288,000	6,000,000	79,500	224,000 "	100	38,100,000	496,000	--	--
1.	45/025	Kadir Weaving Co.	33	[illegible]	88,300	4,000,000	53,500	252,000 m/yr.	40	2,540,000	33,300	--	--
2.	46/043	Newi Saeed Murtaza Nasaji	100	32,000,000	426,500	32,000,000	426,500	1,875,000 m/yr.	390	62,719,000	835,000	--	--
3.	46/062	Muhayya Textile Co.	65	16,100,000	214,100	8,000,000	107,000	310,000 m/yr.	40	6,300,000	[illegible]	--	--
4.	46/067	Ahmed Textile Co. (100% Pak.)	62	88,165,000	1,175,000	55,000,000	730,000	4,500,000 m/yr.	200	110,000,000	1,465,000	--	--
5.	47/077	Nasaji Jalili, S.R.L.	65	12,000,000	160,000	8,500,000	113,000	405,000 m/yr.	75	7,300,000	97,000	--	--
6.	47/078	Amirzada Nasaji (Jalalabad)	100	12,000,000	160,000	10,000,000	130,000	942,000 m/yr.	100	11,250,000	150,000	--	--
7.	47/088	ANU Textiles	35	94,011,000	1,253,500	33,000,000	440,000	2,450,000 m/yr.	100	62,000,000	[illegible]	--	--
8.	47/098	Sh. Taz. Habibullah & Balmarkandas	80	11,150,000	148,600	9,000,000	120,000	960,000 m/yr.	90	20,100,000	2[illegible]1,000	--	--
9.	47/100	Bahador Textile Co.	100	19,490,000	260,000	10,000,000	130,000	360,000 m/yr.	50	7,200,000	95,000	--	--
10.	47/112	Rahimi Textiles	16	12,000,000	160,000	1,000,000	13,000	280,000 m/yr.	30	4,550,000	60,500	--	--
11.	47/116	Osman Textile Co.	40	33,500,000	446,600	9,000,000	120,000	615,000 m/yr.	50	11,340,000	151,000	--	--
12.	47/117	Nangahar Textile Co.	60	60,102,000	801,400	36,000,000	480,000	2,808,000 m/yr.	250	56,160,000	748,800	--	--
13.	47/118	Aminzada Textile Co.	48	28,297,000	377,300	12,000,000	160,000	1,000,000 m/yr.	75	23,100,000	308,000	--	--
14.	47/121	Maqsudi Textile Co.	46	89,837,500	1,197,800	45,000,000	599,000	4,300,000 m/yr.	360	85,500,000	1,140,000	--	--
15.	47/125	Shahabuddin Textile Co.	60	27,785,000	370,500	10,000,000	130,000	3,100,000 m/yr.	60	26,460,000	353,000	--	--
		MISCELLANEOUS	e. 61%	543,028,500	7,239,600	282,500,000	3.752,000	24,157,000 m/yr.	1,910	496,519,000	6,586,100	--	--
		Alcohol & Wine											
1.	45/007	CILMD Inc. (100% Italian)	100	17,500,000	234,000	22,500,000	300,000	120,000 l/yr.	40	12,000,000	160,000	12,000,000	160,000
		Rose Essence											
1.	45/001	Da Fabarai Sherkat (100% Italian)	--	6,000,000	80,000	1,750,000	23,000	NA	40	NA	NA	NA	NA
		GRAND TOTALS	69.6% [illegible]. of all	1,086,798,900	13,993,700	579,550,000	7.648,300	--	3,224	1,262,421,000	16,6[illegible],300	654,315,000	8,632,000

APPENDIX 7

ANALYSIS OF APPROVED FOREIGN INVESTMENTS

ANALYSIS OF APPROVED FOREIGN INVESTMENTS

Project No	Category	Total Resources As At 5th Year Projection Afs	Dollars	Foreign Participation Afs	Dollars	% Foreign and Country	Estimated Productivity 5th Year	Employees Skilled	Unskilled	Sales Potential Afs	Dollars	Export Sales Afs	Dollars
	Animal Products												
47/126 (1)	Leather Tanning & Shoe Manufacture	147,696,000	1,969,300	72,371,000	964,320	Swiss - 49%	480,000 pr. shoes 300,000 ft^2 leather 30,000 wool skins 750,000 pickled skins	80	873	222,900,000	2,838,700	70,500,000	940,000
	Auditing												
48/180 (2)	Auditing	1,550,000	21,000	1,550,000	21,000	Brit. - 100%	N.A.	18	3	4,000,000	53,000	---	---
	Automotive												
46/063 (22)	Battery Manufacture	39,000,000	520,000	13,000,000	140,000	Germ. - 33-1/3 %	150 units/8 hours	9	42	75,000,000	1,000,000	---	---
	Building Materials												
49/181 (3)	Reinforced Cement Products	2,246,000	30,000	2,246,000	30,000	Pak. - 100%	N A.	10	54	3,700,000	49,300	---	---
46/021 (4)	Structural Iron	11,500,000	152,000	11,500,000	152,000	Pak. - 100%	2,000 T./yr.	8	35	20,100,000	270,000	---	---
47/081 (5)	Tiles, Cement & Glazed	1,000,000	13,000	1,000,000	13,000	Pak. - 100%	19,250 m^3/yr	2	18	2,400,000	32,000	---	---
	Food Processing												
48/156 (6)	Milk	24,248,000	323,000	12,476,000	161,500	U.S. - 50%	7,500 qts./8 hours	10	7	3,875,000	517,300	---	---
	Metal Fabrication												
46/054 (7)	General	40,000,000	522,000	40,000,000	522,000	Iran - 100%	1,500 T./yr	20	71	109,000,000	1,450,000	---	---
48/148 (8)	Household Utensils	20,500,000	273,000	20,500,000	273,000	Pak. - 100%	15 T /day	27	3	75,400,000	1,005,000	---	---
	Oil and Grease (Lubricating)												
47/082 (9)	Oil and Grease	130,000,000	1,733,300	97,500,000	1,299,000	Pak. - 75%	32 T./8 hours	21	20	249,450,000	3,326,000	---	---
	Pharmaceuticals												
47/068 (10)	Under expansion	96,800,000	1,290,000	77,440,000	1,032,000	Germ. - 80%	N.A.	25	34	68,175,000	909,000	---	---
	Plastic Products												
46/033 (11)		47,000,000	627,000	15,666,000	209,000	Iran - 33%	6,000 kg/24 hours	3	146	72,855,000	971,000	---	---
46/066 (12)	Being reorganized	40,000,000	533,000	40,000,000	533,000	Iran - 100%	8,200 kg/24 hours	7	101	61,200,000	816,000	---	---
49/187 (13)		16,027,000	213,000	16,027,000	213,000	Brit. - 100%	100,000 ft^3/yr - foam	8	39	70,660,000	942,100	---	---
	Soap and Detergents												
46/030 (14)		75,000,000	1,000,000	45,000,000	600,000	Pak. - 60%	4,500 T./yr.	30	272	176,625,000	2,350,000	---	---
	Textiles												
49/197 (15)	Spinning	185,350,500	2,471,300	92,675,250	1,235,600	Pak. - 50%	14,236 lbs./24 hours	19	146	124,475,000	1,659,700	---	---
46/044 (16)	Thread Winding	7,000,000	92,000	7,000,000	92,000	Indian - 100%	100,000 kg/yr	11	95	16,376,000	218,000	---	---
46/067 (17)	Weaving	88,100,000	1,175,000	88,100,000	1,175,000	Pak. - 100%	7,245,000 m/yr	29	456	177,502,000	2,367,000	---	---
	Wood Products												
48/177 (18)	Furniture	15,000,000	200,000	15,000,000	200,000	Pak - 100%	50 ft^3/yr	13	92	18,000,000	240,000	6,000,000	80,000
	Miscellaneous												
45/007 (19)	Alcohol and Wine	17,500,000	234,000	17,500,000	234,000	Ital. - 100%	120,000 liters/yr	5	35	12,000,000	160,000	12,000,000	160,000
45/001 (20)	Rose Essence	6,000,000	80,000	3,000,000	40,000	Ital. - 50%	N.A.	5	160	15,000,000	200,000	15,000,000	200,000
49/191 (21)	Seeds, Certified	8,365,000	111,500	8,365,000	111,500	Canada - 100%	N A.	4	81	12,972,000	172,900	7,000,000	92,000
GRAND TOTALS		1,019,888,500	13,425,400	697,956,300	9,250,000			364	2,511	1,591,665,000	21,546,900	110,500,000	1,472,000

APPENDIX 8

ANALYSIS OF FOREIGN INVESTMENTS BY COUNTRIES

ANALYSIS OF FOREIGN INVESTMENT BY COUNTRIES

		5th Year Res. Afs.	5th Year Res. $	Foreign Afs.	Foreign $	%	Total Employees	Exports Potential $
	CANADA							
49/191	Seeds, Certified	8,365,000	111,500	8,365,000	111,500	100	85	92,000
	GERMANY							
47/068	Pharmaceutical (under expansion)	96,800,000	1,290,000	77,440,000	1,032,000	80	59	-
46/063	Automotive Batteries	39,000,000	520,000	13,000,000	140,000	33 1/3	51	-
		(135,800,000	1,810,000	90,440,000	1,172,000	Av 56.6	110	-)
	INDIA							
46/044	Thread Winding	7,000,000	92,000	7,000,000	92,000	100	106	-
	IRAN							
46/054	General Metal Fab.	40,000,000	522,000	40,000,000	522,000	100	91	-
46/033	Plastic Products	47,000,000	627,000	15,666,000	209,000	33 1/3	149	-
46/066	Plastic Products (being reorganized)	40,000,000	533,000	40,000,000	533,000	100	108	-
		(127,000,000	1,682,000	95,666,000	1,264,000	Av 77.7	348	-)
	ITALY							
45/007	Alcohol and Wine	17,500,000	234,000	17,500,000	234,000	100	40	160,000
45/001	Rose Essence	6,000,000	80,000	3,000,000	40,000	50	165	200,000
		(23,500,000	314,000	20,500,000	274,000	Av 75	205	360,000)

ANALYSIS OF FOREIGN INVESTMENT BY COUNTRIES (Continued)

		5th Year Res. Afs.	5th Year Res. $	Foreign Afs.	Foreign $	%	Total Employees	Exports Potential $
	PAKISTAN							
49/181	Bldg. Mat. - Reinforced Cement	2,246,000	30,000	2,246,000	30,000	100	64	-
46/021	Bldg. Mat. - Structural Iron	11,500,000	152,000	11,500,000	152,000	100	43	-
47/081	Bldg. Mat. - Tiles, Cement	1,000,000	13,000	1,000,000	13,000	100	20	-
48/148	Metal Fab., Utensils	20,500,000	273,000	20,500,000	273,000	100	30	-
47/082	Oil & Grease (Lubricating)	130,000,000	1,733,300	97,500,000	1,299,000	75	41	-
46/030	Soap & Detergents	75,000,000	1,000,000	45,000,000	600,000	60	302	-
49/197	Textiles - Spinning	185,350,500	2,471,300	92,675,250	1,235,600	50	165	-
46/067	Textiles - Weaving	88,100,000	1,175,000	88,100,000	1,175,000	100	485	-
48/177	Wood Products - Furniture	15,000,000	200,000	15,000,000	200,000	100	105	-
		(528,696,500	7,047,600	373,521,250	4,977,000	Av 87.2	1250	-
	SWITZERLAND							
47/126	Animal Prod. - Tanning & Shoe	147,696,000	1,969,300	72,371,000	964,320	49	953	940,000
UNI	UNITED KINGDOM							
49/187	Plastic Products	16,027,000	213,000	16,027,000	213,000	100	47	-
48/180	Auditing	1,550,000	21,000	1,550,000	21,000	100	21	-
		17,577,000	234,000	17,577,000	234,000	Av 100	68	-
	U.S.A.							
48/156	Food Products - Milk	24,248,000	323,000	12,476,000	161,500	50	17	-

APPENDIX 9

GEOGRAPHICAL DISTRIBUTION

APPENDIX 9

GEOGRAPHIC DISTRIBUTION

As can be seen by the accompanying map and chart, only 10 factories out of 53 (19%) are in operation outside of Kabul. The situation is almost identical with regard to approved applications: 28 out of 133 (21%).

The principal reason for this low proportion of provincial factories is not lack of interest, but lack of facilities. At the moment, investors from provincial areas are coming to Kabul to open their plants. This is true in regard to people from Kandahar, Aqcha, and Herat.

There are at present only two small areas suitable for building private industry in Afghanistan: the Jalalabad suburbs and the Pul-i-Charkhi area of Kabul. In addition, the string of "company towns" of Pul-i-Khumri, Baghlan, and Kunduz (shown on the mop) have the requisite facilities, but since they exist only by virtue of their large government or semi-government industries, they neither generate nor attract private investment.

It is expected that both Kandahar and Mazar-i-Sharif will have a full range of facilities in the near future: roads, water, power. It is hoped that Herat will follow. When this happens, these low proportions for the provinces will change dramatically by themselves. Until this happens, we must depend largely on our Industrial Park in Kabul as described in the attached Report.

AFGHANISTAN

Legend: 3(2) = 3 projects approved, 2 operating.

December 1970

APPROVED APPLICATIONS

Afghanistan

Key: K = capital
F = foreign capital
S = sales
E = employees

	KABUL	KANDAHAR	HERAT	MAZAR-I-SHARIF	KUNDUZ	JALALABAD	TOTAL
Animal Products 14	8 K = 364,145,800 F = 72,371,000 S = 1,194,725,000 E = 5,711	2 K = 27,835,100 F = nil S = 85,063,000 E = 94	1 K = 4,164,000 F = nil S = 3,525,000 E = 57	2 K = 65,651,000 F = nil S = 171,475,000 E = 532		1 K = 30,385,771 F = nil S = 82,620,000 E = 26	14 K = 492,181,670 F = 72,371,000 S = 1,537,408,000 E = 6,420
Audit 1	1 K = 1,550,000 F = 100% S = 4,000,000 E = 21						1 K = 1,550,000 F = 1,550,000 S = 4,000,000 E = 21
Automotive Parts 4	4 K = 54,284,000 F = nil S = 85,600,000 E = 90						4 K = 54,284,000 F = nil S = 85,600,000 E = 90
Building materials 7	5 K = 34,273,000 F = 14,095,000 S = 40,136,000 E = 237		1 K = 3,148,000 F = nil S = 6,250,000 E = 37	1 K = 17,000,000 F = nil S = 9,000,000 E = 72			7 K = 54,421,000 F = 14,095,000 S = 55,386,000 E = 346
Carpet Washing 1	1 K = 18,000,000 F = nil S = 7,560,000 E = 90						1 K = 18,000,000 F = nil S = 7,560,000 E = 90

Prepared by Mr. Alain Soulard (Cinam)

	KABUL	KANDAHAR	HERAT	MAZAR-I-SHARIF	KUNDUZ	JALALABAD	TOTAL
Cartons & bags 2	2 K = 18,252,000 F = nil S = 35,760,000 E = 51						2 K = 18,252,000 F = nil S = 35,760,000 E = 51
Chemicals 1	1 K = 3,253,000 F = nil S = 8,064,000 E = 29						1 K = 3,253,000 F = nil S = 8,064,000 E = 29
Food Processing 21	16 K = 232,170,600 F = 12,124,000 S = 539,915,000 E = 865	1 K = 17,500,000 F = nil S = 37,400,000 E = 25	1 K = 25,000,000 F = nil S = 30,488,000 E = 60	3 K = 83,435,000 F = nil S = 156,388,000 E = 126			21 K = 358,105,600 F = 12,124,000 S = 764,191,000 E = 1,076
Metal Fabricating 8	6 K = 89,641,000 F = 60,500,000 S = 233,040,000 E = 236		1 K = 12,711,500 F = nil S = 37,500,000 E = 23	1 K = 6,715,000 F = nil S = 4,416,000 E = 18			8 K = 109,067,500 F = 60,500,000 S = 274,956,000 E = 277
Oil & grease 1	1 K = 130,000,000 F = 97,500,000 S = 249,450,000 E = 41						1 K = 130,000,000 F = 97,500,000 S = 249,450,000 E = 41
Pharmaceuticals 2	2 K = 102,157,000 F = 77,440,000 S = 83,175,000 E = 75						2 K = 102,157,000 F = 77,440,000 S = 83,175,000 E = 75

Page 2 . .

		KABUL	KANDAHAR	HERAT	MAZAR-I-SHARIF	KUNDUZ	JALALABAD	TOTAL
Plastic Products	8	8 K = 181,812,400 F = 68,000,000 S = 428,475,000 E = 415						8 K = 181,812,400 F = 68,000,000 S = 428,475,000 E = 415
Service Industries	11	8 K = 16,512,400 F = nil S = 24,407,000 E = 138	2 K = 5,129,200 F = nil S = 49,500,000 E = 50				1 K = 4,327,500 F = nil S = 6,750,000 E = 20	11 K = 25,969,100 F = nil S = 80,657,000 E = 208
Soap & Detergents	2	2 K = 89,615,000 F = 45,000,000 S = 206,625,000 E = 311						2 K = 84,615,000 F = 45,000,000 S = 206,625,000 E = 311
Textiles	39	33 K =1,147,577,200 F = 187,781,250 S =2,426,443,000 E = 8,276	1 K = 13,253,000 F = nil S = 100,238,000 E = 227		2 K = 546,379,000 F = nil S = 165,800,000 E = 676		3 K = 80,972,000 F = nil S =133,200,000 E = 805	39 K =1,788,181,200 F = 187,781,250 S =2,825,681,000 E = 9,984
Tobacco	1						1 K = 18,174,000 F = nil S = 27,648,000 E = 49	1 K = 18,174,000 F = nil S = 27,648,000 E = 49
Furniture	1	1 K = 15,000,000 F = 15,000,000 S = 18,000,000 E = 105						1 K = 15,000,000 F = 15,000,000 S = 18,000,000 E = 105

Page 3 . . .

	KABUL	KANDAHAR	HERAT	MAZAR-I-SHARIF	KUNDUZ	JALALABAD	TOTAL
Miscellaneous 3	3 K = 23,500,000 F = 23,500,000 S = 27,000,000 E = 205						3 K = 23,500,000 F = 23,500,000 S = 27,000,000 E = 205
TOTAL 127	102 K =2,516,743,400 F = 674,861,250 S =5,612,375,000 E = 16,896	6 K = 63,717,300 F = nil S =272,201,000 E = 396	4 K = 45,023,500 F = nil S = 77,763,000 E = 177	9 K = 719,180,000 F = nil S = 507,079,000 E = 1,424		6 K = 133,859,270 F = nil S = 250,218,000 E = 900	127 K =3,478,523,470 F = 674,861,250 S =6,719,636,000 E = 19,793

Typed: December 29, 1970
Ministry of Commerce

APPENDIX 10

SUMMARY OF RESULTS OF ORIGINAL FEASIBILITY STUDIES

APPENDIX 10

SUMMARY OF RESULTS OF ORIGINAL FEASIBILITY STUDIES

Original Project Targets and Objectives

Preliminary investigation by the MINER team leader confirmed that the selected commodity areas could contribute to hard currency savings or earnings. Based on this investigation, the following short-term targets were assigned to each project with the assumption that such targets could be realized if subsequent studies proved each area to be commercially feasible and if each were properly and promptly implemented.

Casings. Increase dollar revenue by 25% or $250,000 per year.
Hides and Skins. Increase revenue by 20% or $200,000 per year.
Corrugated Containers. Save $100,000 per year.
Cigarettes. Save $100,000 per year.

Based on these preliminary data, both the Ministry of Commerce and USAID Afghanistan agreed to the following study priority: (1) Hides and Skins, (2) Casings, (3) Corrugated Containers, and (4) Cigarettes.

Original Project Results

The operation of the feasibility studies naturally divided itself into two phases: Phase I being the actual conduct of the studies and Phase II being the efforts to implement favorable studies.

Phase I Results

During the period June 1964 to June 1965, project effort was concentrated on these four study fields. In addition, a study of tourism was approved in November 1964 as a feasibility area to replace edible oils. Then, too, because of its relation to the hides and skins feasibility study, the contract team undertook an independent study of the Afghan karakul industry.

Essential results of these studies can be summarized as follows:

A. Casings. The country could earn a minimum of $250,000 to a maximum of $1,000,000 more per year if appropriate measures were taken to improve slaughtering, collection, processing and marketing practices. The industry represented an attractive private investment opportunity.

B. Hides and Skins. The country could earn an average of from $1 per skin more if exports were pickled, to $3 per skin more if exports were converted into tanned, semi-finished to finished jackets, coats, and novelties. Total industry earnings could thereby be increased from a minimum of $250,000 to a maximum of $750,000 over current revenues. The industry represented an attractive private investment opportunity provided assurance could be given to proper quality and quantity skin input, efficient operating conditions, and proper marketing practices.

C. Corrugated Containers. Annual demand for corrugated sheet was found to be about 110 tons, whereas the break-even point on the most economical sheet plant was determined to be 330 tons. The industry was thereby determined to be economically unfeasible until corrugated demand increased.

D. Cigarette Manufacturing. Net effective cost savings were estimated from $100,000 to $500,000, depending on manufacturing volume. The industry was an attractive investment, providing market demand exceeded 400,000,000 pieces per year and RGA supported effective tax and anti-smuggling policies.

E. Tourism. Under various assumptions regarding length of stay, volume, and daily expenditures during the next five-year period, tourism revenue could increase from the 1965 level of $906,000 to a minimum of $2,600,000 or a maximum of $13,100,000. The major private investment opportunities were a new hotel in Kabul and additional tourist service facilities.

F. Karakul. The industry could earn $1 to $2 per skin more, assuming more effective breeding and collection, curing, sorting, grading, and marketing practices were adopted. Thus, the total export gain could be increased a minimum of $1,500,000 to $3,000,000 per year over the then current receipts. (See Part II of this report.)

Upon completion of the above studies and under FY 65 funding, the contract team was assigned two other study fields: Rugs and Carpets and Medicinal Herbs.

G. Rugs and Carpets. Market demand indicated volume could be increased 15% a year to a level of 1,100,000 to 1,500,000 square meters. Square meter price could be increased from $15 to $27 if production were concentrated on medium and fine grades. Thus, over a five-year period, assuming recommended improvements were implemented, export receipts could increase from the then $6,000,000 to $8,000,000 to a minimum of $14,000,000 and a maximum of $27,000,000.

H. Medicinal Herbs. Afghanistan's full development of the very large world-wide market for its many spices and herbs was being inhibited by the following factors:

(1) Non-systematic cultivation.
(2) The habit of shipping the products ungraded and uncleaned to India and Pakistan.
(3) No concentration on those products offering the best economic advantage.

Correcting the above conditions, inclusive of minimum sized sorting and grading plants, could increase the export returns by perhaps $1,237,000 annually.

APPENDIX 11

THE INVESTMENT CLIMATE OF AFGHANISTAN

Howard Nyberg
27 January 1966

INTRODUCTION

The economy of Afghanistan, at present, is based largely on relatively simple commercial transactions. Export commodities are sold mainly in raw material form. Imports, on the other hand, enter most often as finished products. Then too, indigenous commodities sold domestically show little conversion into more advanced, packaged products. Accordingly, if the Afghan economy is to grow added value must be gained from the commodities and products currently sold or purchased.

One way of gaining this needed added value is through industrial processing, assembling and manufacturing. That is, converting essentially raw materials into more finished products on the export side and substituting domestically processed and made products for finished imports. Both Afghan officials and foreign advisors equally recognize this industrialization need. However to date, the requisites necessary to support industrialization, on a small or large scale, have been defined and enacted largely from a national governmental point of view. Stress has thus been placed on basic infrastructure, manpower development, loan and credit institutions and general fiscal-political stability. Each of these is vitally important and perhaps completely important if the Afghan government alone were to be responsible for industrial development. As a national policy, however, the Afghan government has stated that industrial development should be a responsibility shared with the private sector. This latter policy, it must be contended, has not been fully recognized in the industrialization requisites planned or undertaken to date.

To attract and encourage the use of private capital, beyond having viable investment opportunities, at least two other industrialization requisites must be present in Afghanistan.

First: The nation must protect private investment with the security of law and through the administration of such law with certainty and equity.

Second: Under law, the nation must provide those incentives which will attract private investment, both domestic and foreign, and the administrative mechanism through which these incentives can be promoted and applied effectively.

Admittedly, Afghanistan has not enjoyed a high incident of private investment. Perhaps to many, this is because the economic opportunities appear limited. Yet, a more basic argument can be advanced which questions whether Afghanistan really wants to attract private capital, whether sufficient security is offered to private capital and whether the incentives offered make the investment of private capital competitively attractive. In short, the question can be raised as to whether Afghanistan really has the basic foundation of a "good" private investment climate.

This report provides a brief, and thereby general, analysis of these aforementioned questions. Specifically, the report first covers the basic investment laws of Afghanistan; do these offer security and encouragement to private investment. Next considered is the administration of the investment laws; are they carried-out consistently to the true benefit of private investors. Finally, the report concludes with certain recommended improvements through which Afghanistan can realize a more favorable private investment climate.

SECTION I

LAWS, CODES AND REGULATIONS PERTAINING TO THE INVESTMENT OF PRIVATE CAPITAL IN AFGHANISTAN

Since 1941 Afghanistan has passed a series of laws, codes and regulations which are intended to direct, govern and encourage the investment of private capital in industrial projects. These legal actions have not been codified into a single document nor has their administration been assigned to a specific Ministry or Agency of government. Further, certain of the earlier laws, codes and regulations, though superceded by later actions, have in fact not been so cancelled. Recognizing these problems and for the sake of objectivity, this section presents first a abstract of the text of the major laws affecting investment followed by an integration and analysis of these laws.

This digest, and the discussion which follows, is restricted to only investment laws. In the actual conduct of business transactions other laws do come into play. The most important of these include the Commercial Code, Revenue Laws and Shariat Laws (Koran based laws operating in all areas where statutary law is absent or does not apply).

(1) THE AFGHAN CONSTITUTION

(Note: Private Investment, though not specifically so treated, is presumed sanctioned by the inherent right of the Afghan citizen to own, use and dispose of private property. Basic, therefore, to any statutes pertaining to private investment is this constitutional right of Afghans concerning the private acquisition and employment of property for their own account. Therefore, under the revised Constitution of Afghanistan, adopted in October, 1964, several key articles deal specifically with property, its use and obligations in business. These articles are quoted herein exactly as they appear in the Constitution's official English version.)

Article 29: 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 provisions of the law.

No one shall be prohibited from acquiring property and exercising the right of ownership of the same, within the limitations of the law. The ways of utilising property shall be regulated and guided by the law, for securing the public interest.

Foreign states and nationals are not entitled to own immovable property in Afghanistan. Subject to the approval of the Government, immovable property may be sold to the diplomatic Missions of foreign states on a reciprocal basis and also to those international organizations of which the State of Afghanistan is a member. (Note: Apparent conflict paragraph 3-4)

Article 33: Anyone who, without due cause, suffers damage from the Administration is entitled to compensation and may file a suit in court for its recovery.

Article 37: Work is the right and precept of every Afghan who has the capacity to do it.

The main purpose of laws designed to systematize labor is to reach a stage where the rights and interests of all categories of laborers are protected, suitable conditions of work are provided and the relations between the workers and employers are organized on a just and progressive basis.

The citizens of Afghanistan are admitted to the service of the State on the basis of their qualifications and in accordance with the provisions of the law.

Forced labor for the benefit of the State is not permissable. The prohibition of forced labor shall not be so construed as to affect the implementation of the laws governing the organization of collective work for the public interest.

Article 38: Every Afghan is bound to pay tax and duty to the State. No duty or tax of any kind shall be levied without the provisions of the Law. The rate of tax and duty as well as the method of payment shall be determined by law with consideration for social justice. The provisions of this Article are applicable to foreign persons as well.

(2) CODE FOR THE ENCOURAGEMENT OF INDUSTRIES IN AFGHANISTAN

(Note: This statute was originally enacted in 1941 and as such it probably represents Afghanistan's first so-called investment law. In 1949, the code was reviewed and amended into the present "Code for the Encouragement of Industries in Afghanistan". Though rescented by later law, the 1949 code is actually still in effect and constitutes today what is popularly known as "The Ministry of Mines and Industry's Investment Law". Recently, however, interest has been expressed to rescent this law. No action has been taken to date in this respect.)

1. Application: The code applies exclusively to manual or mechanical industries meeting respectively a minimal manpower or horse power requirement.

2. Provisions: To encourage investment in manual or mechanical

enterprises, the code provides that investors will enjoy these privileges:

a. Duty free import of foreign equipment, machinery and materials.

b. General assistance in acquiring bank financing.

c. Assurances of governmental purchases or products assuming competitiveness in quality and price.

d. Governmental assistance in securing technical advice.

e. Governmental action to protect domestic products against foreign imports.

f. Governmental assistance in promoting Afghan made products abroad.

3. Administration: The code specifies that its administration will be handled by the Ministry of National Economy. (Note: This Ministry was subsequently separated into the Ministries of Mines and Industries and Commerce. After this separation the code was assigned to Mines and Industry where it remains in effect, thus setting somewhat of a precedent that this Ministry is responsible for the nation's industrial development.)

4. Obligations Under the Code: Those receiving a permit to start a manual or industrial enterprise under the code are obligated, by provisions, to the Ministry of National Economy (Mines and Industry) for the proper exercise of duty free privileges.

5. Penalties Under the Code: Violations of this code fall into two categories: Failure to start the business within two years and abuse of duty free privileges. Such violations will be penalized by Ministry of National Economy (Mines and Industry) through cancellation of duty free privileges and withdrawal of all other concessions granted.

(3) RULES AND REGULATIONS

GOVERNING THE INVESTMENT OF FOREIGN

CAPITAL IN AFGHANISTAN

ANNEX 2

(Note: The industrial code of 1949 makes no specific reference to investment by foreign nationals in Afghanistan. Hence, in 1954 the following regulations were enacted to guide the application of foreign capital and to encourage its investment in Afghanistan. The major provisions of these regulations include:)

1. All investments by foreign firms or individuals must be approved by the Royal Afghan Government.

2. Foreign investments should be limited to the fields of industry, mining, public works, agriculture and transportation.

3. Foreign capital can be defined as money or in kind.

4. No discrimination will be made between foreign and Afghan capital.

5. The foreign investor is privileged to transfer after payment of Afghan taxes all audited profits, converted into the currency of the investor's country, at the official rate of exchange.

6. After dissolution or sale, the proportionate foreign investment interest can be freely transferred abroad.

7. Enterprises established by foreign capital are allowed to acquire immovable property in its name.

8. Foreign employees of companies in which foreign capital has been invested may transfer 70% of their salaries abroad at the official exchange rate.

9. To qualify under this regulation the foreign investor must first seek approval of an investment committee headed by the Minister of National Economy and including the President of Da Afghanistan Bank and the Ministries of Finance and Mines. However, the Council of Ministers must grant final approval over all foreign investments seeking qualification under this regulation.

(4) LAW ENCOURAGING THE INVESTMENT OF PRIVATE FOREIGN CAPITAL IN AFGHANISTAN

ANNEX 3

(Note: The 1954 regulations pertaining to foreign investment were amended by this law enacted in 1958. This latter law of 1958 explicitly cancels all previous laws which are "contrary to or conflict with this law". Furthermore, the administration of the law has been specifically assigned to the Ministry of Commerce. Major considerations of this law include the following:)

1. The law specifically defines private foreign capital as money, goods or legal rights having a private ownership. Exempt from privileges of the law is presumed loan capital from government sources and capital imported for the support of non-resident living expenses.

2. The law extends privileged investments to include all industrial fields defined under the regulation of 1954, plus the fields of communications, power development, tourism and "any other fields considered to be of high national interest." However, special priority will be given to investments in fields promising an increase in foreign exchange earnings or savings.

3. No discrimination will be made between Afghan and foreign capital in taxes and duties. However, enterprises formed with foreign capital will

enjoy these special privileges.

a. Exemption from corporate income taxes, for a period of three years from the commencement of production, not to exceed 15% per annum of the registered capital.

b. Exemption of import duties for three years.

c. Shareholders or owners will be exempt from income taxes for three years after production has commenced.

d. Government land will be made available under favorable long term leases.

e. Products of enterprises under this law will enjoy "moderate" tariff protection.

f. Foreign equity capital can be repatriated after five years from the date of investment on the basis of one fifth invested capital repatriated per year.

4. Under the law, foreign investors requesting qualification under the law will first submit their proposals to the Investment Committee of the Ministry of Commerce.

(5) LICENSING REGULATIONS FOR PRIVATE FOREIGN TRADERS AND FIRMS IN AFGHANISTAN

ANNEX 4

(Note: In 1965, Afghanistan passed a regulation affecting private foreign nationals engaged in domestic "trade". Unquestionably these regulations affect foreign commerce in the country. However, the regulation does not precisely define a "foreign trader", nor does it equally distinguish between a "Foreign trader" and a "Foreign investor". Though the regulation does not make this distinction it has been verbally stated by the Ministries concerned that investments qualified under the Foreign Investment Law are exempt from the regulations of this foreigner trader act.) ~~Therefore simply in order to assist the following summary has been provided.~~

1. The regulations distinguish between two types of foreign traders. Type A, are those who trade for their own account and Type B are those who work in exchange for commissions, brokerage fees or other fees from foreign firms.

2. Those traders operating as individuals who wish to obtain license A must submit an appropriately certified application to the Ministry of Commerce, stating that they have been in business and not been a judgment debtor for the

past three years. These individual traders must also furnish a bank statement concerning their financial and commercial standing over the last three years and make a transfer of capital in the amount of $10,000.

3. In order for branches of firms to qualify for Type A licenses the firms must furnish financial and other information concerning the parent company and transfer operating capital of $30,000 to the branch's account at the Da Afghanistan Bank as well as guaranteeing the branch's transactions.

4. Type A traders having a monopoly or quasi monopoly status, as determined by the Ministry of Commerce, will have maximum selling prices of such goods and price lists established by the Ministry of Commerce. Penalties will be provided for those who are guilty of concealment, deviation or fraud in connection with the established export prices and sales arrangements.

5. License A and B traders are only permitted to import those items produced in their own country.

6. In order to obtain a type B license, an application containing certain information, including relevant agency contracts, must be submitted to the Ministry of Commerce.

7. Holders of Type B licenses are considered commission or fee agents and must record the fee or commission for each transaction and pay annual taxes according to the income tax law of Afghanistan on their income. If fees are not recorded, tax liability will be determined by gross turnover. If there is concealment of the brokerage fee or fraud, the commercial activities of the Type B license will be terminated and he will be subject to punishment by the courts.

8. Type B licenses are required annually to convert into afghanis at least 30% of their net annual income at the official bank rate.

9. Type B licenses must furnish bank guarantee of at least $30,000 to provide security for fulfillment of tax and other liabilities.

10. Traders may hold Type A and B licenses concurrently. The following provisions apply to both types of licenses:

- a. Taxes must be paid according to the laws and requisitions of the Government.
- b. Commercial accounts and books are to be kept in accordance with the commercial code and one in the official languages of Afghanistan.
- c. External commercial transactions are to be executed through authorized Afghan banks.
- d. Various visa time limitations are imposed on foreign traders and their families.
- e. Foreign traders are required to personally be present in Kabul to conduct their business transactions. Their departure from Afghanistan is subject to approval by the Ministry of Commerce.
- f. Traders, their families and employees are required to observe all the laws and regulations of Afghanistan.

SUMMARY

AFGHAN INVESTMENT LAWS

(Note: As stated previously, laws, rules and regulations pertaining to investment in Afghanistan are scattered among several documents. Apparently also, the responsibility for administering these documents is equally scattered among various Afghan Ministries. The intent of the summary is to provide a compendium of these investment statutes in a single statement. Summarizing a series of laws into a single statement is admittedly dangerous. Though care has been exercised the possibility of error still remains.)

1. Property

Under the Constitution the rights and privacy of one's property cannot be violated by the State without prior court decision. Property cannot be confiscated by the State except by Court action. Expropriation, with equitable compensation, is allowed by Court action, but only in the name of public interest. Foreign States and nationals cannot own, in their own name, immovable property. Though not qualified, immovable property would normally include land, improvements of land, buildings and probably any equipment and machinery considered a permanent part of a building.

2. Security of Investment

The law provides that no discrimination will be made between Afghan and foreign capital. Provisions of the law offer guarantees against confiscation, expropriation and nationalization of property and improvements thereon. Repatriation of profits is guaranteed, in the currency of the investor at the official rate of exchange, to a maximum of 15% of the registered capital. Repatriation of total investment can be negotiated under a sell-back contract. The law, however, does not offer protection against any devaluation or inflation of currency.

3. Ownership

The law clearly states that a foreign national cannot own real property in Afghanistan. However, the law is unclear about corporate ownership and the disposition of assets owned in the name of a corporation having foreign participation. Though unclear, quite probably foreign investment will be limited to a maximum of 49% equity in a limited liability company and a corporation. Sell-back contracts can also be negotiated through which an initial 100% ownership can be acquired, though such ownership must be reduced to a maximum of 49% in probably a maximum of 10 years.

4. Forms of Organization

The law allows a business to be organized as a single propriatorship, limited liability company and as a corporation.

5. Foreign Exchange

Capital, constituting a foreign exchange value, can be in the form of money, machinery and equipment and patents. However, trademarks and foreign technical and management personnel do not constitute capital.

Foreign exchange is evaluated at the free market exchange rate quoted by the Da Afghanistan Bank. This rate varies; thus, the law does not allow for a fixed rate of exchange under any circumstances.

6. Capital Structure

The law fixes no proportionate ratio between equity and debt capital in the creation of a new business.

7. Investment Incentives

a. Land: Government lands can be made available on "favorable" long term lease (99 years) for projects having a high national interest. Similar concessions for government land will not be made for low national priority projects. Land for latter projects must be purchased or leased from private sources.

b. Land Improvements

The Government will assist in providing power, water and access roads to projects of high national interest. The extent of such assistance is negotiable and the law does not however mention any financial aid in this regard.

c. Tariffs

Preferential tariffs to protect industries and exemptions from import duties can both be granted based on the needs of the company and the assigned national priority of the product. The amount and duration of such protection is not fixed, but rather negotiated on an individual case basis.

d. Exclusive Market Rights

As an undefined policy the Government opposes granting monopolistic privileges to any domestic manufacture. However, temporary protection on a national or territorial basis of this nature has been granted to projects requiring a high initial investment and to projects requiring special government licensing.

e. Availability of Capital

All indigenous loan capital, whether Afghani or foreign, is valuated at the Da Afghanistan Bank free market rate of exchange. For projects of high national importance the Government can make available limited amounts of Afghani capital at interest rates of 8% - 12% for terms up to 10 years. Except for limited government resources and bazaar lenders there is really no domestic source for hard currency loans.

f. Taxes

The Afghan individual and corporate tax structure is on a graduated scale. The maximum corporate tax, applied to Afghans and foreigners alike, is 20% net profits. Similarly, the maximum personal income tax is a graduated minimum base plus 40% of all taxable income in excess of this base with allowable personal deductions.

In the computation of corporate taxes the law provides certain exemptions as a means to induce industrial investment. These exemptions are:

1. Amortization: Normally, plant and equipment is amortized on a straight line, life of the installation basis. However, an accelerated amortization schedule can possibly be negotiated for projects of high national interest. Presently, the country's depreciation concepts are under review.

2. Tax Holiday: Exemption from corporate income taxes for a period of three years, from the commencement of production, is granted to qualified companies, to a maximum of 15% per annum of the registered capital.

3. Personal Income Tax: Shareholders or owners of capital are exempt from personal income taxes arising from such investments for three years from the date of commencement of production.

4. Investment Credit: The new Income Tax Law, adopted in 1965, allows for a tax credit of 15% of the new investment to be credited directly against future tax liability over a period of 3 years providing that no more than 5% is exercised in any one year.

g. Marketing Incentives

Government procurement will favor domestically processed or manufactured products providing comparability in quality with competitive products is offered and the retail selling price not more than 10% higher than comparable foreign made products.

h. Repatriation of Profits

Profits or dividends arising from investments can be repatriated in the original foreign currency to a maximum of 15% per annum of the foreign investor's registered paid-in capital.

If profits or dividends exceed 15%, the excess can be carried forward for an unspecified period of time, and repatriated in years where dividends or profits are below 15%. Repatriation must take place at the authorized Da Afghanistan rate of exchange.

i. Repatriation of Investment

Equity capital invested can be repatriated five years after the date of the investment upon payment of all applicable taxes. This repatriation will be on the basis of one-fifth of the total investment concerned per year. Repatriation of all paid-in capital is allowed after one year should the business fail. All repatriated capital must be exchanged at the official Da Afghanistan Bank rate.

8. Favored Businesses: Exemptions and privileges granted by Afghan investment laws are restricted to capital invested in industry, mining, agriculture, transportation, tourism, communications and power development. Businesses requesting coverage by the investment laws, but which fall outside these areas, will be treated on their individual merit.

9. Qualification of Business Under Investment Law: Foreign private capital to qualify for the privileges of the investment law must follow this application procedure:

a. Application is made to the Ministry of Commerce.

b. The application should contain the following information in Farsi and either English or French:

Name of applicant
Country of origin of capital
Type of capital proposed
Amount of capital proposed
Type of enterprise proposed
Proposed location
Degree of Afghan participation
Applicant's representative in Afghanistan

c. Upon receipt of the application the Ministry of Commerce will turn it over to the Investment Committee. This Committee must act upon the application within three months after its receipt. If the action is favorable, the applicant must initiate his project within one year or the action is automatically rescinded.

ANALYSIS

AFGHAN INVESTMENT LAWS

Afghan Investment laws have two readily apparent limitations. Both of these are technical in nature and hence can be fairly easily corrected. The laws themselves have not been drafted with high regard for legal precision. There is duplication, points of seeming conflict, vagueness, and lack of clarity in administrative jurisdiction. Second, the laws carry a basic confusion between statutary and administrative concepts. Thus, to foreign lawyers the slight shadings which separate "laws" from "codes, rules and regulations" allow for only qualified legal opinion by even the most expert student. But these are again technical matters. Of greater importance, for the purpose of this report, is the actual substance of the law. Does the text of the law meet important business needs? How is the law applied? What remedies to injury does the law provide? Is social respect for the law sufficient to allow enforcement?

Private investment laws, to be effective, must serve three purposes. Primarily, they must offer security to the capital being invested. Next, they must offer encouragement by allowing certain types of investments to be potentially more profitable, to the nation and private investor. Finally, the law must offer an avenue to justice in the handling of disputes. It is this reports qualified opinion that Afghan Investment Law, with its many failings, can serve these purposes providing that each is entered into via formal written agreements between the government and the private investor at the time the initial investment is made. This point is so basic that perhaps further amplification is necessary.

Nowhere does the law explicitely state that government approval is necessary before starting a business in Afghanistan. Irrespective of size, type of venture or whether the business is to be qualified under the privileges of the investment laws, an agency at some level of government must register its approval. For the larger investments, and particularly where foreign capital is allowed, this approval is in essence a kind of contract entered into between the government and the private investor. This contract, often called a Charter by the Afghans, defines the business purpose, concessions and limitations which government will grant to the private business or investment. This contract, subject to negotiations between government and the private investor, may in its text be liberal or conservative. This is to say, depending upon the national urgency for the business and the skill in negotiation, the contract can contain all the provisions the private investor deems necessary to secure, encourage and adjudicate his investment. Conversely, the contract can be so written that few of these provisions are entered into. Hence, the real heart of Afghan investment law lies not so much in public documents but rather in the negotiated application of these documents into a formal agreement or contract between the private investor and government.

There are four major provisions which can be quite readily negotiated into an investment contract under the existing investment laws. These pertain to security of the investment, financial concessions to encourage investment, profit distribution and repatriation of capital. In a brief analysis, these provisions can be described as follows.

Security to Investment:

The security of the investment is grounded basically in the Afghan Constitution's regard for private property: it's ownership, confiscation, expropriation and nationalization. This regard is further amplified in other protective legislative acts. Investment risk can be minimized through various allowable ownership patterns and contracts. Repatriation of paid-in capital is also treated specifically in the law. No discrimination provisions between Afghan and foreign capital can further strengthen investment security in liability and taxes. Then to, where the law falls short or appears unclear recognition is made in support of negotiated contracts, as a means of specifically tailoring an enforceable agreement to fit the needs of the situation.

Encouragement to Investing:

Assuredly, with land, tax, loan, tariff and other exemptions, grants and privileges the law stands to encourage private investment. Some other countries do offer more attractive investment inducements, particularly with reference to selected industries. Yet, in terms of the law, Afghanistan appears to stand quite competitive in its encouragement provisions with neighbouring India, Pakistan and Iran. Freedom to manage is, of course, a personal and thereby relative concept. The law makes no mention of it. In this absence, it can be assumed that management may not enjoy the same definable and consistent areas of freedom common to countries having a longer private enterprise heritage. This latter may be particularly true for businesses having the Government as an equity partner.

Profit Distribution:

Profitability of an enterprise is also relative to the industry, success of the business itself, and the investment criteria being applied. The law cannot guarantee that a business will be profitable, nor should it. The Afghan law does suggest that special efforts can be made to assist profitability through duty free privileges and protective tariffs, low rentals on land, assistance in recruiting manpower, tax exemptions and preferential procurement by the Government.

Repatriation of Capital:

The law favors the retention and application of foreign earnings in Afghanistan. It does, however, provide for the repatriation of some profit and all capital, exemptions on corporate and personal income taxes, tax carry overs and credits, and possibly accelerated amortization schedules, to name a few benefits in support of foreign repatriation.

Whether these provisions are actually available and carry weight in the investment contract depends ultimately on how the law is actually applied and adjudicated. Herein are found the greatest failings in Afghan Investment Law.

1. <u>How is the law applied?</u>

The inherent technical weaknesses of the investment laws are such that application can only occur on a negotiated, case by case method.

A. The Investment Laws of Afghanistan, as such, have been published but not in compendium form. Accordingly, there is no single source to which one may refer with assurance that it contains all laws, rules, regulations and codes pertaining to private investment. Further, there is no body of administrative law, published or otherwise, to designate how these statutes are to be exercised. Finally, the country makes no publication of decisions rendered under the investment laws. Case law, in substance, is absent thus negating any confirmed assurances or precedent under the law.

B. The law is not based upon a normative system. Either by deliberate decision or as a result of an immature legal system, interpretation of the investment law is based largely on concession, and possibly the temporary concession of an appointed government official. There are no objective legal norms which offer certainty to the investor of impartial interpretation and treatment under the law. In its application the law can thus be made to favor some and disfavor others independent from case precedence or objective merit.

C. Though the Investment Law of 1958 clearly states that the Minister of Commerce, through the Investment Committee, will administer private foreign investment laws, this is in fact not always true. The law does not treat government investment nor all-Afghan investment. Hence in these latter cases nearly every Ministry and the Da Afghanistan Bank can enter into administering investment laws. As a consequence, the law in many instances is administered by no one.

D. Quite aside from the text of the law, extra-legal, political considerations can often become the deciding issue in an investment decision. This is to say, personal Ministerial decisions can make or change the law quite apart from precedence and normal legislative channels.

2. <u>What are the remedies under the law?</u>

From a strict judicial point of view there are virtually none. Provisions for third party arbitration can be negotiated into an investment contract. However, if such arbitration occurs in Afghanistan it can be questioned whether justice could be fully served. The country has no body of case law from which can flow legal interpretation. There is no formal method of appeal to remedy decisions by the government. The lawyers, judges and courts of the land are inadequate to plea, render and enforce a legal decision regarding investments. There is, in substance, no effective, independent judicial remedy for injury under the law. Thus, if such remedy can be negotiated it would have to be executive in character.

IN SUMMARY

WILL THE LAWS ACTUALLY ATTRACT CAPITAL?

Even in a very brief analysis reference must be made to the practical question of whether the existing Afghan Investment Laws will attract private capital to aid in industrializing the country. For varying reasons Afghanistan now offers only marginal private investment opportunities. Even so, the existing laws, with their manifold shortcomings, should have the potential to attract private capital. Or at least it can be said with greater confidence, the law could offer the foundation upon which private investors can negotiate terms more favorable to their business needs and investment goals.

From a hard, practical viewpoint it must be stated that the existing laws and their administration, quite apart from other considerations, are not in practice capable of attracting domestic or foreign capital on any appreciable scale. Placed more positively, if the investment laws are to serve their intended purpose certain changes and extensions to them must be provided.

1. <u>The law must truly represent a national desire for private business.</u>

A fundamental error is that the law speaks generally of private business without defining it specifically. Thus under a "mixed economy" philosophy, what specific segments are reserved only for government, what ones are reserved for private development and what is open for joint government-private development. In the absence of a clear definition between public and private ownership no investor can have confidence that his investment may not, at some time, be deemed a trespass upon public interest. Accordingly, if Afghanistan really wants private investment it must state so in unambigious terms; terms which at the minimum state without qualification those segments of the economy and industries which are exclusively reserved for government.

2. <u>The law must not discriminate against Afghan citizens.</u>

Afghan investment laws, at least in their text, are most heavily weighted toward foreign investment. There is nothing to suggest that a business having all Afghan capital or majority Afghan ownership can qualify for the exemptions and privileges the law presumably provides. The law therefore makes no effort, general or specific, to encourage Afghans to invest in their own country's industrial development. The Afghan businessman knows this full well. Hence, rather than investing in domestic industry, he favors applying capital to import-export trade, land and houses and more secure foreign investments. In the mind of the foreign investor this situation can raise only the gravest of reservations about Afghanistan; reservations which actually negate the avowed intent of the investment law.

What interest and confidence can the foreign investor have when he sees relatively little Afghan capital being invested in industry. Worse yet, the foreigner can feel that his role is to develop new industries but that once successful the pressure of Afghan capital will then force a sell-out.

All of this is to suggest that if the investment laws are to stimulate industrial development they must first encourage the Afghan to invest. Once seeing a flow of Afghan capital into domestic industry then the investment laws will have some real attraction to foreign interests. At the moment, with this absence, foreign investors must feel a national risk which is far greater than any provisions of the law can reduce.

3. <u>The law must be specifically integrated with the nation's economic plans.</u>

Right now, Afghanistan is preparing its Third Five Year Plan. In this plan certain industries, having high national importance, are projected for development. There is however no coordination between these industries and the concessions which the investment law is willing to grant private investors interested in aiding their development. The investment law, in substance, is not framed and so integrated with national economic policies and plans that it can make a contribution to desired industrial growth. For example, if a dairy industry is of high national importance then the law should be so integrated with this need to attract the private investors capable of developing a dairy.

This situation can only be resolved in one of two ways. In application, the nation's economic plans will lead the law or, conversely, the law will lead economic planning. If the former occurs the law can serve to help in meeting the over-all economic needs of the nation. However since this does not seem to be of concern, then application of the law must retreat to projects showing high private profitability over the short term, irrespective of national economic needs and aspirations.

4. <u>Investment rights and privileges under the law must be promoted.</u>

Few Afghans seemingly realize how keen world competition is for the investment dollar. Then too, few also seem to realize that Afghanistan is one of the less attractive investment opportunities. To meet this competition, with limited opportunities, is extremely difficult at best; and, it is virtually impossible if investments are not promoted.

Nowhere does the Afghan investment law make any provision for its distribution and promotion. How then can the law serve to attract capital if these sources are not aware of it nor if they are not personally persuaded of the country's desire to attract their capital. For all practical purposes the law is under lock and key. Means must be found for unlocking it, for publishing and distributing it widely and for providing the personal follow-through contacts and services which can sell and assist capital sources to invest in Afghanistan.

5. <u>Rights of independent judicial appeal must be written into the law.</u>

The legal security of an investment is only tested during the moment of dispute. The law does discuss three major disputes: confiscation, nationalization and expropriation. The law does not treat currency reforms nor does it offer protection against variations in foreign exchange rates. These latter should be important additions to the law, though they can be negotiated into the investment contract or charter.

Whether these areas of potential dispute are written into the law in fact makes only a minor difference if justice is absent. Though it is changing, the executive branch of the Afghan government is all powerful. It is the executive branch which approves private investments, grants concessions under the law, and to which remedy to disputes must be appealed. Quite obviously this, along with other factors, can create a natural conflict of interests. Administrators of the law stand both as legislature and judge. Hence the remedies they can apply depend heavily, not necessarily upon the law and equity, but upon the power the private investor can muster in support of his appeal. Quite frankly, no private investor, under this condition, is willing to assume anything but a minimal risk.

Afghanistan needs an independent judicial system. This need is recognized and work is now progressing toward such a system. However, even with best efforts years remain before such a system becomes operative and its decisions treated with the full respect for justice. Thus, in factual recognition of this problem Afghanistan should become a party to various investment treaties, arbitration processes and investment guarantees now made available by foreign countries and international monetary groups. None of these will require a compromise in Afghan sovereignty. Rather, all these conventions provide is a more effective legal and financial basis upon which security and encouragement of foreign investment can be developed.

SECTION II

ADMINISTRATION OF INVESTMENT LAWS

IN AFGHANISTAN

Reference has already been made to weaknesses in the administration of Afghan investment laws. These weaknesses are so serious that they warrant the more detailed enumeration and analysis of this section; for it is in the application of the law that a nation's investment climate is established. When laws are properly published, promoted and applied the investment climate can become "good" or at least "better". However, misapplication of the law, aside from the nature and extent of its substantive provisions, inevitably leads to a "poor" investment climate.

The Investment Law of 1958 assigns its administration to the Ministry of Commerce through investment approval of the "Investment Committee". More specifically, this Ministry, under the law, is responsible for:

1. Receiving and screening all new industrial investment proposals and particularly those involving foreign capital.

2. Approving or denying, through the "Investment Committee", the qualification of investments.

Thus, according to this law, in order to start a new business in Afghanistan, under the privileges of the Investment Law of 1958, the investor files his application first with the Ministry of Commerce. Thereafter, it is this Ministry's administrative responsibility to process this application by granting or denying its admission under the law. However, this law makes no administrative provision for businesses started outside of this law, nor does it assign responsibility for administration to any other body once the business is operating.

There is no available record of a private industrial enterprise actually being started under any other laws. Accordingly, the following examples of starting a business in Afghanistan will be based on this 1958 law.

Since the 1958 law came into effect two businesses have been started under its provisions. These two are, in a sense, the ideal examples of how businesses should be started. They also indicate sound service of the law as applied in the first instance by the Ministry of Mines and Industry and in the second by the Ministry of Commerce, investor's wishes and basic business needs.

In 1963, a minimum 10 year sell-back contract was negotiated to support the Afghan Woollen Industries, a private German owned and managed textile mill and factory, located in Kabul. Through the Investment Law this business received important duty free privileges, import tariff protection, export rights and concessions regarding land, taxes and repatriation of capital and profits. However, under the Afghan Constitution ownership of immovable property cannot be held by foreign nationals. Without such ownership, the foreign investor held he would lose the management control essential in developing this technical oriented business. Thus, under the law a sell-back contract was successfully negotiated through which the foreign national claimed temporary ownership and full management authority for a period of at least 10 years beginning with the commencement of production. Thereafter, ownership is to be relinquished to guaranteed Afghan nationals on a phased basis extending through the next 10 years and at a price predetermined by the so-called "Stutgart Formula".

Also in 1963, the Afghan Insurance Company was approved under the Law. Motivated by national need the Ministry of Commerce reviewed a number of foreign insurance companies capable of handling marine and property insurance. Guardian of London was in turn selected as being most qualified. The Ministry then constructed an attractive investment proposal and approached Guardian. The proposal was accepted, after further negotiations, leading to the formation of a joint-venture limited liability company.

In both of these cases the Investment Law was administered properly by using all its appropriate provisions to encourage, protect and start these two private enterprises. These are, however, only two instances of proper administration. Surely during the past eight years the law has been applied, or could have been applied, to other business proposals as well. None of these latter situations has been approved under the law. However, it can be contended that a number of these businesses could probably have been started with encouragement and protection of law, if the law had been so administered. Therefore, it will now be the intent of this discussion to focus upon the more common and serious shortcomings in administration of investment law in Afghanistan.

Investment law cannot be administered unless it has the prior sanction of a widespread need and desire to do so. Though Afghanistan has had such law for some years, it is only rather recently that government has had a renewed interest in applying it to the private sector. In the 1930s and up to about 1950, investment law was really the informal business practices and arrangements of several private institutions who were financially and otherwise capable of making investments. A holding company and through its associated operating companies, was the most notable leader in this regard. In reaction to questioned behaviour of these institutions, during the 1950s government actually did little to encourage private investment. Indeed, during this period the leading Afghan investors either left the country or became largely dormant. Hence, government then became the primary initiator and investor in industrial development. There then came, in effect, no practical need for applying investment laws. Lacking this need, quite obviously, no personal administrative skills were developed and likewise no agency in government was developed through which responsibility for consistently administering the laws could be assigned. Today, besides suffering from the backwash of these two historical approaches to industrial development, Afghanistan suffers a further penalty in administration through the lack of qualified personnel, institutionalized in some form. With such absence, confusion in responsibility and propable maladministration of the law are both bound to occur. The most serious of these errors appear most frequently to include the following:

1. There is today a serious conflict between Ministeries with regard to their respective responsibilities for administering investment laws.

2. There is discrimination in administrative decisions qualifying investors under the law.

3. Administration of the law favors government initiated projects over those which are privately initiated.

4. The private sector has no assurance that administrative decisions under the law will be sustained continuously nor has it any real rights of appeal on adverse administrative decisions.

5. The administrative process for gaining approval under the law is time consuming, confusing and uncertain; this, in conflict with the intent of the law, to many administrative action can offer more discouragement to investments than it does encouragement.

1. <u>Conflicts in Administrative Responsibility:</u>

The Investment Law of 1958 states again that the Ministry of Commerce, through the Investment Committee, shall approve all private foreign investments seeking qualification under this law. This law makes no specific reference to investments based on all Afghan capital nor projects which are largely government initiated and financed. In the absence of these latter and with the administrative conflicts between Ministeries currently existing, this law has been practically rendered ineffective. Hence, more often than not, businesses can, and in fact are, started and granted concessions through approvals received by the most receptive Ministry available. To the investor, however, the most serious and persistent of these conflicts have been between the Ministry of Mines and Industry and the Ministry of Commerce. At one time these Ministeries were together under a common body, the Ministry of National Economy. Under this Ministry, the 1949 investment code was passed with the administrative responsibility for it assigned to a sub-department, mines and industry. Then, probably in 1953, the Ministry of National Economy was abolished and replaced by the present Ministries of Mines and Industry and Commerce. In this reorganisation, Mines and Industry retained its responsibility for administering the code and thereby also its responsibility for individual development. Then, in 1958, without rescinding this precedence a similar investment law was passed with its administration assigned to the Ministry of Commerce. Hence, we have today two Ministeries competing with each other for jurisdiction over industrial development, administering two separate investment laws, qualifying and granting concessions based on their own concepts of the law, and with each holding essential veto authority over the other.

To the private business man this senseless conflict offers some serious problems. About a year and a half ago, an Afghan textile merchant wanted to start a small rayon factory. A year later approval was granted by the Ministry of Commerce to start the factory based on projected import savings. Since this business required the construction of a building and the importation of machinery, further approval had to be received by the Ministry of Mines and Industry. At last report, this Ministry has not granted its approval. Quite rightfully, the investor is discouraged and most uncertain about pursuing his investment further.

2. Discrimination in Administrative Decisions:

The investment law states that there shall be no discrimination between Afghan and foreign capital. The law does not state that there shall be no discrimination between Afghan capital. Herein can often lay the basis of a most serious problem, particularly when it is recognized that Afghan investment law is administered largely through concession. There should be no doubt that specifically the law can be administered to advance or protect the interests of one Afghan businessman over another; it can be shaped to protect or advance foreign interests over Afghan interests; and it can quickly extinquish private business initiative by denying access to certain investment opportunities or by assigning a lower governmental priority to others.

3. Favor to Government Initiated Projects:

Admittedly, most large industrial projects have been sponsored by the Government and implemented through Government to Government loans and credits. This financing thereby covers only buildings and machinery. It does not provide working capital to operate the business. This latter must be provided from government funds and private sources.

In order to raise the working capital for Government initiated projects, the Government assigns a higher priority to these than those initiated by the private sector. This priority, in effect, blocks the private sector from access to investment laws on projects similar to, or potentially in competition with, those being initiated by Government. Once so blocked, then the power of Government can be applied to the private sector, literally forcing them to invest in its projects irrespective of their apparent merits, the ability and choice of the investor, or other more attractive investment opportunities available to the investor.

Several years ago a fruit processing plant was constructed in Kandahar under a Government to Government barter and loan arrangement. At the outset it was questioned whether this plant would be successful, as no one had determined whether Kandahar had the quantity and quality of fruit needed for processing nor markets, beyond a presumed barter agreement, in which canned fruit could be sold. Further, merchants of the area wished to apply their capital to fresh and dried fruit, areas in which they had experience and which also offered a higher immediate return. All of these subsequently proved to be moot issues, since the plant was under Government sponsorship. Upon completion of construction Kandahar merchants were therefore requested strongly by the Government to invest in the project. This they did, but with reservation. Right now the plant is a business failure. All the fears of the private sector have proven to be correct. The company has not operated for the last year. Future prospects look quite dim unless more capital is invested. Needless to say, it will be years, if ever, before the private sector recovers, let alone profits, on its investment. Equally needless to say, Kandahar investors are decidedly less than excited by new Governemtn initiated investment opportunities.

4. Lack of Consistency and Appeal in Decisions:

Repeating again, administrative decisions regarding private investment are based mainly on concession. Respect for precedent under the law is largely absent, since such is not purlically available to the administrator. Hence, no investor can feel completely assured that an administrative decision rendered today will be consistently honored in future months and years. Fortunately, when these decisions appear in approved written agreements thay are so honored, but there still remains always the uncertainty of doubt. A further complication also is the fact that there are no impartial channels of appeal or arbitration for subsequent abridgements of administrative decisions. This problem may be admittedly present in most developing nations. Hence, Afghanistan is probably no better nor worse than many other countries in this respect. Yet what appears to be somewhat unique is the seemingly Governmental assumption in Afghanistan that starting a private business is not a basic extension of property rights, but a temporary privilege conferred by Government. The owning of physical property, in contrast, is held sacred by Government, but the private management of a business, particularly where foreign capital is involved, is under continuous governmental suspect. It may well be that there are grounds for this attitude. Abuses have been made of import privileges particularly involving automobiles. Administrative decisions pertaining to import-export licenses have been purchased. Taxes have been avoided by hidden ownership, phantom accounting and non-disclosure of income. In all of these business must accept guilt. Correspondingly, though, Government must also share its guilt for tolerating these abuses. By so tolerating abuses, business has correspondingly become suspicious of Government. Together, this environment of mutual suspicion has all but reduced the administration of investment laws, in the eyes of many, to a sequence of "private deals".

5. Laxity in the Administrative Process:

In the only law speaking of this matter, decisions regarding new private investments are to be rendered within three months. Afghan and Foreigner alike are lucky to find out in three months who has the authority to make the decision, let alone receive a decision. This is simply to say, that securing a private investment decision can be among the most time consuming, confusing and frustrating experiences a businessman in Afghanistan can face.

The fundamental problems in this regard are threefold. First, there is no central organization through which the businessman can process his investment. Accordingly, he may have to go from Ministry to Ministry seeking the separate support and approval of each. Second, only the Minister, and probably in all too many cases the Council of Ministers, can render an affirmative decision. The authority to say no to an investment proposal is present in all levels of government; while only the highest level can say yes, since there is no process for delegating authority. This fact the businessman soon knows as he waits patiently to seek his audience with an over-burdened Minister. Third, knowledgeable and skilled manpower is scarce. The Ministry of Commerce has no one assigned to the processing of investments. Likewise, the Ministry of Mines and Industry has no full time assignments in this field. The administration of investment laws is therefore at best a part-time job attended to whenever an investor happens to voluntarily enter a Ministry or when government seeks to initiate one of its projects through private sector support.

Law can be no better than its administration; and, private investment laws can be no better than the nation's desire to apply them properly and effectively. Until recently, Afghanistan expressed no real national desire to encourage private investment. Accordingly, administration of private investment laws was all but inoperative. Today this desire is present, but satisfying this desire is severely limited by maladministration of the laws. If private industry is expected to carry its share of industrial development, administration of the law must be upgraded substantially. In such upgrading, particular efforts must be made to eliminate these administrative abuses of the law.

1. Inter Ministerial conflicts must be eliminated through assigning administration of the law to a single unit of government and by enforcing standards of accountability on that unit to assure that the assigned law is administered properly.

2. Administrative decisions must cease being a series of private concessions through which discrimination, outside of law, can become a rule.

3. The law must stand above both Government and private investors, treating both by objective standards which thereby offers favoritism to neither.

4. Administrative decisions under rhe law must be rendered consistently and within an atmosphere of mutual trust. Further, where decisions are questioned, on substantiated grounds, injured parties must be extended the rights of appeal and arbitration.

5. Finally, the law must be administered with despatch, reducing the excessive time, confusion and general frustration encountered by anyone today seeking investment approval.

SECTION III

IMPROVING THE AFGHAN

INVESTMENT CLIMATE

At least three major elements make up a nation's investment climate. The first two are measurable and lend to more objective evaluation. The third element, though just as critical, is more a state of mind, a frame of attitudes or a set of feelings which pre-dispose a businessman to say, "This is a good country in which to do business."

For a climate to be conducive to private business a nation must have confirmed investment opportunities and the indigenous supporting framework of infrastructure, manpower, financing and socio-political stability through which advantage of these opportunities can be supported. These are a climate's more measurable aspects. They are also aspects which, in varying degrees, Afghanistan already possesses.

The third requisite, this so-called state of mind, can only be created personally out of the security, freedom and encouragement which businessmen experience directly from making and managing their investments. Admittedly this is an intangible, unrecognizable and unmeasurable dimension of a country. Even though abstract in nature, it is none the less a very real pre-investment condition which ultimately determines whether private business will elect to invest or not invest, both in a country as well as a specific business opportunity.

The third requisite is really a by-product of a nation's investment laws, their promotion, administration, and remedies. This is to say, time, money and talent can be poured endlessly into infrastructure, manpower training, feasibility studies and the like without any appreciable investment results accruing from the private sector unless corresponding attention is paid to the laws and their application from which the favorable investment climate is created. Frankly, it appears that this fact has been of little concern in R.G.A. economic planning and similarly of minor concern to foreign countries in their economic and technical support of such plans. Afghanistan does not have a favorable private investment climate; or more precisely, a climate which does not popularly encourage and extend equal investment opportunities to all. Accordingly, those concerned can no longer postpone actions which can create such a climate unless they decide that Government, in initiation and ownership, will be the exclusive agent for industrial development or they elect to continue concentration on the infrastructure tools of industrial development without assuming responsibility for procuring the capital through which these tools can be placed into income producing use.

This analysis upholds the Afghan desire to see industrial development become a more effective sharing of responsibility between the nation's public and private sectors. It is the intent, therefore, of this section to now recommend some general actions needed to encourage and direct the investment of domestic and foreign private capital in Afghanistan. Through these recommendations it is hoped that an investment climate can be created which suggests to all investors that "Afghanistan is a good country in which to do business."

RECOMMENDATIONS

1. The investment laws of Afghanistan must be completely and objectively reviewed through a process which allows the Afghan private businessman to recommend those changes in the law necessary to protect and encourage his investment interests. As collateral support, appropriate RGA officials, foreign legal specialists and foreign investment specialists should also participate in this review. Fundamentally though, if investment laws are to serve private interests then the needs of the Afghan investor must be framed into the law. In the past investment laws were drafted without involvement of the private Afghan investor. Corresponsingly, the Afghan investor is largely ignorant of the law and through this ignorance he has generated little desire and confidence in support of it.

2. To be successful this investment law must be supported by the popular national will of Afghanistan. The law can no longer be the private property of a Ministry to be applied or not applied according to this body's discretion. Therefore, upon completion of the aforementioned review the law should next be passed for approval to both the Council of Ministers and the Parliament. Here too, in free and open debate, the law should be reviewed completely as to its intent, text, administration and remedies. Once approved by these bodies the law should be published and placed into effect by wide domestic and foreign distribution.

3. Administration of private investment laws should have three practical results:

a. To direct private capital to projects of high national priority thro gh a set of objective, but differential, investment incentives.

b. To encourage private capital sources to invest under the law through the means of promotion, technical assistance, capital assistance and administrative decisions necessary to gain and sustain those legal approvals which the law may require.

c. To protect invested private capital through remedies of full legal appeal and arbitration.

Each of these is quite a separate function enjoying a potential conflict of interest between them. Each in effect represents a separation of power: legislative (direct), executive (encourage) and judicial (protect). Therefore, it is this report's contention that each should be performed by a separate division of government. To improve the administration of Afghan investment law it is thus recommended:

a. That under the law the High Economic Council* , with approval of their decisions by the Parliament, be responsible for determining (1) Specific investment areas reserved for private investment, (2) Priority of national urgency associated with the areas and (3) the investment concessions to be awarded each area. This action will then be a legislative mandate to those who are administratively responsible for executing the investment law.

b. To encourage, assist and otherwise administratively carry out the investment areas prescribed by the High Economic Council that an independent Investment Center be established under a Board of Directors composed of representatives from the Ministries of Planning, Commerce, Finance, and Mines and Industries. This Center would perform the following functions:

1. To determine the preliminary technical feasibility of all projects assigned to it by the High Economic Council.

2. To determine the probable investment requirements and under the concessions granted to the project by the High Economic Council develop a formal prospectus for the project.

3. To promote the prospectus of the project among all private investment sources qualified as appropriate by the High Economic Council.

4. To assist interested investment sources to form businesses under the law.

5. Through its Board of Directors, the Center will then seek approval for qualification under the law for the businesses it seeks to develop.

6. To maintain administrative responsibility and accountability for providing certain technical management support to industry created by the Center and also to supervise the use of concessi ons which the investment law may have granted these industries.

c. To protect private investment capital from abuse under the law and from injury of one party to the other two separate systems of appeal and arbitration are recommended.

1. To protect a private investor from unjust administrative action by the proposed Investment Center, a Court of Appeal should be established preferably in the Ministry of Justice. Every investor qualified under the Investment Law should have the legal right of judicial appeal on decision rendered by the Investment Center which, with substantiated just

* This Council is responsible for reviewing economic projects under the country's Five Year Plans. Hence, this is the basis for its inclusion in this recommendation.

cause, has brought injury to his investment. If this Court accepts the plaintiff's petition of appeal then the Investment Center becomes the defender responsible for legally proving its innocence in applying the statute of concern. If the Investment Center is proven guilty of violating the investment law, then the Court can grant to the investor that compensation it deems appropriate.

2. To settle disputes between the investor and the Government, where Afghan law does not apply and with approval of the parties concerned, it is recommended that Afghanistan become a signature to the "Convention on the Settlement of Investment Disputes between States and Nationals or Other States" of the International Bank for Reconstruction and Development. This convention provides adequate third party arbitration without superceding sovereignity of Afghanistan.

Admittedly these recommendations are quite general. Much additional detail must be provided. Yet, through them is proposed a process for developing investment laws which hopefully will achieve national support for private investment; which will provide an institutional framework through which administration of the investment law can be carried out effectively and efficiently; and, which provides greater security to an investment through impartial legal remedies of appeal and arbitration. Together it is further hoped that in practice these recommendations will correct the ills of past malpractices under the law and serve to create and sustain a more favorable private investment climate in Afghanistan.

In conclusion, it must be indicated that many of the points considered in this report have been under discussion for sometime. In response to weaknesses in the investment laws, for example, the Asia Foundation has supported the drafting of a new law. This revision has been included as an appendix to the report. Though prepared a year and a half ago this revised law has neither been formally reviewed nor enacted. It does however suggest a direction in thinking and it can serve as the basis for review and development of the law as proposed in this report.