

REPORT ON
TECHNICAL ASSISTANCE TO AFGHANISTAN
FOR PROJECT PREPARATION
OF THE
KABUL INDUSTRIAL PARK

TABLE OF CONTENTS

	<u>Page</u>
I. Background	1
II. Brief Project Background	2
III. Project Description	3
IV. Proposed Technical Assistance	4
V. President's Decision	6

I. Background

1. In response to a request from the Government of Afghanistan for technical assistance for project preparation of an industrial park on the outskirts of Kabul, the Bank sent a Mission to Afghanistan in May 1969. Following this visit, the Mission recommended the proposed technical assistance for Management's approval. In the meantime, the Vice-President paid a visit to Afghanistan, and during the course of discussion, the Afghan authorities indicated that the Government of India would also render assistance to them by taking responsibility for development of a portion of the proposed industrial park, under a bilateral program. Subsequently, the Management agreed to consider the proposed technical assistance on the bases that (a) the Government settle problems surrounding the transfer of ownership of a piece of land owned by a private party in the proposed industrial park site and (b) the bilateral assistance requested from India in connection with the establishment of the industrial park proposed for the Bank's consideration be so coordinated as not to conflict with the intended program with ADB assistance.

2. The Bank sent a Mission to Afghanistan in March 1970 to discuss with Government officials various potential operational activities by the Bank in that country, including the proposed technical assistance for the industrial park project. This Mission was composed of Dr. B. H. Kay (Mission Chief), Messrs. Zaki Azam and M. Ganesan, who had extensive discussions on the matter with the Minister of Commerce and the Minister of Planning as well as their respective staffs. The Mission was informed that the two issues noted in para. 1 above had been resolved and that the Government had selected a new site in the vicinity of the project proposed earlier, by making Government land available for this purpose. A preliminary engineering survey had been completed for the proposed industrial park, together with its basic layouts.

3. The Mission examined the project from all relevant aspects and came to the preliminary conclusion that certain requirements of the industrial park may in due course be appropriate for consideration for Bank financing. However, the industrial park project as such, in a concrete form, had not been formulated. Essential data on infrastructural requirements such as source and availability of industrial water, power, drainage and sewerage and communication and transport facilities had to be collected and evaluated along with details regarding the scope of investment, cost estimates in foreign and local currency, and institutional arrangements for operation and maintenance of the industrial park. The Mission discussed with the Ministers of Commerce and of Planning the importance and need for further technical and economic investigations including hydrological tests.

4. Against this background, the Minister of Planning, His Excellency Dr. Abdul Wahed Sarabi, on 3 June 1970, wrote to the Bank requesting the provision of technical assistance to carry out further investigations and preparation of the Kabul Industrial Park Project.

II. Brief Project Background

5. Afghanistan has a population of about 15.4 million (1966/67) and a total land area of 245,000 square miles. Agriculture is the main-stay of the Afghanistan economy; some 75 per cent of the population are directly engaged in agricultural pursuits and 15 per cent are nomads. The industrial sector is composed mainly of small scale and handicraft enterprises. Many parts of the land are semi-arid, and inadequate water supply is one of the crucial limiting factors to agricultural production. The climate is dry with substantial variation of temperature, from Alpine (with the elevation from 5,000 to over 15,000 ft.) in the northeast to continental in the plains and deserts in the south and west.

6. Industrial development has been slow and piecemeal due to a number of constraints, including lack of a consistent set of industrial development policies and inadequate infrastructure facilities such as an industrial park. However, in order to help accelerate the pace of industrial development, the Government has adopted certain promotional measures. The "Foreign and Domestic Private Investment Law" was enacted in 1967. The "Investment Committee" established under this law has approved 113 new small industrial units, 37 of which are working. An Industrial Development Centre has been established to help entrepreneurs in preparing detailed pre-investment studies. A bill is pending in the Parliament for the establishment of an Industrial Development Bank to provide medium and long term credit.

7. As an additional promotional measure, the Government has decided to establish an industrial park in the vicinity of Kabul. The main objective for establishing such an industrial park is to promote rapid development of small-scale industries in one of the most important centers in the country. The development of small-scale industries is intended to facilitate more effective mobilization of resources and to provide larger employment facilities. The establishment of the proposed industrial park will, therefore, serve as an instrument to facilitate private investment in industrial ventures.

8. Other possible sites considered for the park were Gazni, Kandhar, Laskargarh, Mazari Sharif, Kunduz and Baglan. The selection of Kabul as a site for the proposed industrial park has been done after careful

consideration of economic and other related factors, e.g., proximity to market, the location of distributing centers and the availability of entrepreneurs and infrastructure facilities like roads, power, water and suitable land. Besides, the availability of workshop facilities and repair services and proximity to official agencies concerned with industrial development have also been considered. For these and other reasons, Kabul rightly received higher priority.

9. Several years ago, the Government of Afghanistan chose a tract of land in the outskirts of Kabul for the purpose of developing an industrial park for the use of public and private enterprises. To date, 10 acres of land have been sufficiently developed to satisfy industrial requirements. The main constraints at that stage were financial limitations as well as legal difficulties involved in negotiating the purchase of land from several landowners in the area.

10. The Government expressed in April 1969 its intention to acquire 315 acres of land belonging to a private individual for the establishment of a public-owned industrial park. This land was part of a larger area of 1,400 acres in the vicinity of Pul-i-Charke, a suburb of Kabul City which the Government eventually wished to develop as an industrial park under its full control and ownership. In its earlier proposal, the Government requested the Bank to extend technical assistance for project preparation of an industrial park consisting of about 400 acres (including the land belonging to the private individual).

11. In September 1969, the Government decided not to proceed with the acquisition of private lands but to make government land of 800 acres available for this purpose in the same vicinity.

III. Project Description

12. The project for the preparation of which technical assistance has been sought is to develop 400 acres as the first phase of an industrial park eventually totalling 800 acres in the vicinity of Pul-i-Charke, a suburb of Kabul City.

13. The new site is situated off a major paved highway (the Kabul-i-Jalabad road) and is serviced by two 15-thousand volts high tension electrical lines which at present appear adequate for providing adequate power for some years. The new site is better situated than the former site and has better scope for industry and infrastructure. It is within 900 meters of a sewerage water disposal plant.

14. The industrial park will provide not only developed land and factory sheds but also other physical facilities including power, water, drainage and roads, and administrative services, e. g. , marketing, training, and technical and labor services. The availability of built-up factory sheds with other facilities will enable private entrepreneurs to convert much of what would have been a capital cost into operational expenditures. This is vital for a developing country like Afghanistan where credit facilities are lacking. Moreover, availability of built-up factory sheds on reasonable terms of rent will reduce the risk margin for the entrepreneurs, besides reducing the time-lag between investment by the entrepreneur and the actual production of goods.

IV. Proposed Technical Assistance

15. The technical assistance sought will be provided by engaging qualified consultants, experienced in project preparation of industrial parks in developing countries. The following is the outline of the scope of work to be performed by the consultants:

(a) Objective

The consultants shall assist the Government of Afghanistan by examining and preparing the engineering, hydrological, economic, legal and management requirements necessary for the development of a successful industrial park in Kabul area for possible financing by the Asian Development Bank.

(b) Scope of Work

In pursuance of this objective, the consultants will:

(i) After reviewing the industrial policy of the Government of Afghanistan, determine and assess the projected demand for an industrial park, taking into consideration the existing government facilities and other factors promoting industrial development; and based on such demand projections, examine the possibility of phasing the construction of the proposed industrial park.

(ii) Conduct the necessary economic studies for the evaluation of the feasibility of the proposed industrial park and to examine and recommend institutional arrangements for the operation and maintenance of such park including appropriate action regarding the executing agency.

(iii) Evaluate the technical feasibility involved in the construction of the park, including preliminary design, location, suitability of land, the precise infrastructural requirements and particularly, the source and availability of industrial water, power, drainage and sewerage, and communication and transport facilities.

(iv) Assess precisely the financial costs of the construction and maintenance of infrastructure facilities, the ways in which these costs should be met and draft a financial plan regarding local cost financing as well as foreign exchange requirements and examine the need for any economic incentives and institutional arrangement for other promotional facilities to encourage the use of the park including their financial cost over a five-year period.

(v) Submit a final report and such other reports as may be reasonably necessary to the Bank for the appraisal of the proposal to develop the industrial park for possible Bank financing.

16. It is anticipated that the duration of the work of the consultants would be about two and half months, including the time for report writing.

17. The estimated foreign currency cost of such assistance, to be furnished by the Bank will be US\$44,000. The Mission recommended that the technical assistance be provided in the form of a grant. The foreign currency cost may be broken down as follows:

Consultants' remuneration	US\$ 30,000
Per diem and travel expenses	7,140
Contingencies including equipment	<u>6,860</u>
 T o t a l	 US\$ 44,000

18. The following table shows the position of the current proposal vis-a-vis the current Budget of the Bank; the present proposal can be accommodated within the current Budget.

Figures in US \$ Thousands		
I t e m	Commit- ments	Disburse- ments
1) Provision for "Services to Member Countries" in current Budget of ADB	4,200.00	3,295.7
2) Amount out of (1) above utilized as of May 31, 1970	2,593.00	1,012.6
3) Balance available as of May 31, 1970 from Budget provision (item 1 minus 2)	1,607.0	2,283.1
4) Provision required for present proposal	44.0	44.0

19. The local cost of the technical assistance will be borne by the Government. It will take the form of the provision of services, in particular local counterparts, internal transportation, office accommodation, administrative support, communication facilities, living accommodations and some operational apparatus and equipment at the disposal of the Government. It is estimated that the local cost of the technical assistance would amount to about US\$2,500.

V. President's Decision

20. On 18 May 1970, acting under the provisions of para. 7.2. of the Guidelines on Technical Assistance Operations of the Bank, the President approved in principle of the provision of technical assistance, on a grant basis, not exceeding US\$44,000 for the expert services described above and required for the Industrial Park Project in Kabul, subject to certain final consultations with the Government of Afghanistan. With the subsequent completion of these consultations, the decision has become operative with effect from 3 June 1970.