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ORGANIZATION AND ADMINISTRATION OF INDUSTRIAL SERVICES  
IN  
AFGHANISTAN

Technological Division  
Industrial Institutions Section

66-04644

We regret that some of the pages in the microfiche copy of this report may not be up to the proper legibility standards, even though the best possible copy was used for preparing the master fiche.

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## INTRODUCTION

The present report on the organization and administration of industrial services in Afghanistan is one in a series of country studies covering thirty-four developing countries in Africa, Asia, and Latin America. Its purpose is to describe the objectives, organization and functions of important public agencies involved in industrial development activities, their specific role as well as their interrelationships.

In order to ensure some measure of uniformity in the country studies, the Centre for Industrial Development prescribed a general outline and drew up a questionnaire for the guidance of the consultants in charge of the studies. In accordance with these guidelines, the study discusses the organization and functions of some of the principal public agencies involved in industrial development, namely: (A) Objectives; (B) Planning; (C) Research and Standardization; (D) Promotion and Development; (E) Public Industrial Enterprises; (F) Finance; (G) Manpower and Training; (H) Extension Services; (I) Legal and Regulatory Provisions.

Dr. Kemper W. Merriam was sent to Afghanistan by the Centre for Industrial Development as a consultant. This report is based on the data collected by Dr. Merriam in October 1965, and was prepared by the Centre with his assistance.

1.

## THE GOVERNMENT OBJECTIVES

1. The Government of Afghanistan has adopted the system of the "guided economy" to fulfil the economic and social needs of the country. This system provides for the preparation and launching of a development plan to guide the Government and private enterprise and to establish a suitable economic organization. On the basis of these requirements, therefore, a general development plan is formulated after a series of studies and investigations which take into consideration the lack of statistical data and experience in planning. The objective of the general plan is to utilize both physical and financial resources for the purpose of increasing production and at the same time to raise the standard of living. Practically no differentiation is made between public and private enterprises as far as these objectives are concerned. It is felt that private enterprise has social implications and its activities are conducted under regulations laid down by the Government. Because of the social implications of private enterprise, the Government grants it special privileges and exemptions in respect to custom duties and financial assistance. As will be noted on the following pages, the Government has done what it could to facilitate the development and progress of private enterprise, especially in the industrial sector. Because of this identity of purpose between private and Government enterprise, a considerable amount of co-operation between them is evident.

2. Prior to the development and passage of the First Five-Year Plan covering the period 1956-61, the Prime Minister, in explaining the objective, made the following statement:

My Government's economic policy is based on the principle that both Government and private enterprises should function for the benefit of the country and general welfare of the people. In the future, the full economic resources of the country, private and public, will function in such a manner as to provide maximum benefit to all sections of the population. Therefore, for the co-ordination of the country's economic activities it is necessary that the Government, which represents all sections of the population, guide and regulate such activities.

### History and Background

3. At this point it might do well to consider a brief history of the problems confronted in the earlier, non-guided, attempts in development of the economy that eventually resulted in a formalized plan. The first factory in Afghanistan was built in 1887 in Kabul and consisted of a mint for coinage of money, an ammunition production division, and a workshop.

a wool factory was built some years later and these few factories were established by the Government for its own requirements. At that time the country was isolated due to the lack of transportation facilities and it proved to be extremely difficult to start any industry. Therefore, these first factories were not followed by any further industrialization for many years. At the beginning of the twentieth century, the first hydro-electric power plant was built by the Government for domestic consumption in Kabul. When Afghanistan became a sovereign country in 1919, the enterprises mentioned were the only factories in operation. However, independence resulted in a better environment for industry and the doors to foreign countries were opened for cultural and economic relationships.

4. Several small factories such as a match factory, a small cotton mill, a knitting mill, a carpentry and stone cutting factory, a wool factory, and a printing house were established by the Government after its independence. The lack of roads made the exploitation of natural resources difficult especially in the Northern part of the country where most of the raw materials, as well as the coal deposits, are located. This situation improved in 1932, when a road was opened from Kabul through the Hindukush to the North.

5. In 1933 the Banke Milli was established in order to divert private funds into industrial activities rather than just Government investments. Initially, the Banke Milli was partly financed by the Government, but later it became wholly-owned by private interests. The Banke Milli was given certain concessions and monopoly rights in the field of foreign trade such as the imports of petroleum, sugar, motor vehicles and the export of cotton and wool. In return, it was obligated to promote and to finance Afghanistan industry. This resulted in the establishment of several factories in cotton ginning, sugar, and textiles, but the outbreak of World War II ended this movement due to the unavailability of machinery and equipment.

6. After the war the development of industry continued with the Banke Milli playing a major role. In addition to several small factories, the construction of the Gulbahar Textile Mill was started. Due to the nature of the general economy, it proved rather difficult to finance these larger developments through the use of private savings alone. Without general industrial and commercial employment, the savings cannot develop, and without the savings the industries cannot develop at a rapid rate. Consequently, in order to speed up the development of both industry and other economic sectors, the Government

7  
7  
decided to participate directly in the financing of these projects and also to make an appeal for foreign aid and investments.

7. At this point in time, the Government leaders felt that in order to most profitably utilize Government funds as well as foreign assistance, an over-all economic development programme was necessary to co-ordinate the different projects and sectors of the economy. This led to the drafting of the first Five-Year Plan which started September, 1956.



11.

PLANNING

THE FIVE-YEAR PLANS

8. Afghanistan regulates its development programme by means of five-year plans, the first of which commenced in 1956. The first Five-Year Plan (1956-1961) set forth that the policy of the Government was to adopt a system of guided economy without direct interference in the affairs of private industrial enterprises. "The Government shall conduct leadership in a measure to provide maximum use from industrial activities and to harmonize it with the public benefit in accordance with the rules and regulations for the encouragement and protection of industry." Again stressing the importance of the role of private enterprise, the Plan says: "Excluding the industrial branches connected with the manufacture and production of war materials, or power and energies such as electricity, coal, oil, and atomic energy, the establishment of all other industrial enterprises shall be free within the framework of existing and future regulations."

9. Since industry had not made much progress in Afghanistan because of the lack of adequate transportation facilities, communications, education, and private investment, the further development of manufacturing industries in this plan received secondary priority. The emphasis was more on the development of power, exploration of possible petroleum deposits, and other natural resources such as coal, salt, etc.

The Present Plan

10. The Second Five-Year Plan, for the years 1961-1966, follows closely the format of the First Plan.

11. The principle of the "guided economy" adopted for the First Plan was also adhered to in the Second Plan.

12. Stated in very broad terms, the objectives of the Second Five-Year Plan are:

1. Higher agricultural output
2. Establishment of basic industries
3. Development of light and consumer industries
4. Expansion of Social Services

13. In the Second Five-Year Plan more attention is given to industries since the demand for industrial products had increased and considerable results had

been achieved in the First Plan on the provision of the essential infrastructure facilities. Besides the establishment of new industries, the consolidation and improvement of the industries established earlier were important matters to be considered. One of the important objectives was the establishment of consumer goods industries which would result in savings in foreign exchange. Products such as cotton, vegetable oil, sugar, shoes, and porcelain have a bright future and it was proposed to improve their production both in volume and quality.

14. The planned outlay for industry under the Second Plan is approximately five times as much as the actual outlay during the First Plan but a large proportion of this was for basic industries. In terms of percentages, however, mining and industry together take up slightly more than 23 per cent of the total planned investment. The core of this sector is the development of fuel and energy, i.e., the production of petroleum and natural gas, the expansion in coal production and a rapid increase in hydro-electric power generation.

15. At the time of this writing, the Third Five-Year Plan is being prepared by the various Ministries for submission to the Ministry of Planning and final approval by the Cabinet and Parliament. It is expected that this Third Plan will emphasize industrial development, both in the public and private sector and, in addition, provide the means for the implementation and financing of industrial development. This Development Plan is expected to emphasize the consumer goods industries and those providing a fast return on the investment.

#### The Planning Framework

16. The Ministry of Planning plays the key role in the formulation of the plans. Unlike certain other countries, there is no organization such as a Planning Board or Planning Commission, but the various individual ministries prepare the development programmes in their respective fields of activity and the Ministry of Planning then undertakes the task of co-ordinating and integrating the individual programmes into a national economic plan. The programmes of the individual organizations are usually prepared on the basis of guidelines prepared by the Ministry of Planning taking into account the overall

goals, priorities and strategy. The Ministry of Planning is also assisted in its tasks by experts in various aspects of the economy who help in evolving properly co-ordinated and sound economic programmes. The Industrial Development Plan is an integral part of the total programme. A close liaison is maintained with the Ministry of Finance whose representatives always participate in all of the deliberations on the formulation of the Five-Year Plan. It is also understood that decisions concerning major projects in the plan involving very large financial outlay are considered by the Cabinet and approved. (A chart indicating the organization of the Central Government of Afghanistan will be found on the following page.)

#### The Five-Year Plans

17. At the time of consideration of the First Five-Year Plan, it was quite apparent that every sector of the economy needed improvement and development. The most pressing needs were distinguished from those with lower priority and those in the first priority were given the most important projects and programmes. This was necessary in order that all development programmes of the country would be carried out in an orderly manner.

18. The stages in the drawing up of the overall plan (Five-Year Plans and then the subsequent annual programmes) is as follows:

1. After guidelines have been sent down to various ministries and other governmental agencies involved, the individual ministries draft their plans (in consultation with the directors from the Ministry of Planning).
2. When the plans from the individual ministries have been submitted to the Ministry of Planning, the following committee meets for discussions:

President of the Planning Department,  
Assistant to the President of the Planning Department,  
Director General of Programmes,  
Director General of Co-ordination,  
The Director of the Sector involved,  
The President of the Statistics Department,  
Any foreign experts in the area involved.

CENTRAL GOVERNMENT OF AFGHANISTAN

[SUPREME COURT]

[JUG]

[PRIME MINISTER]

[DEPUTY  
PRIME MINISTER]

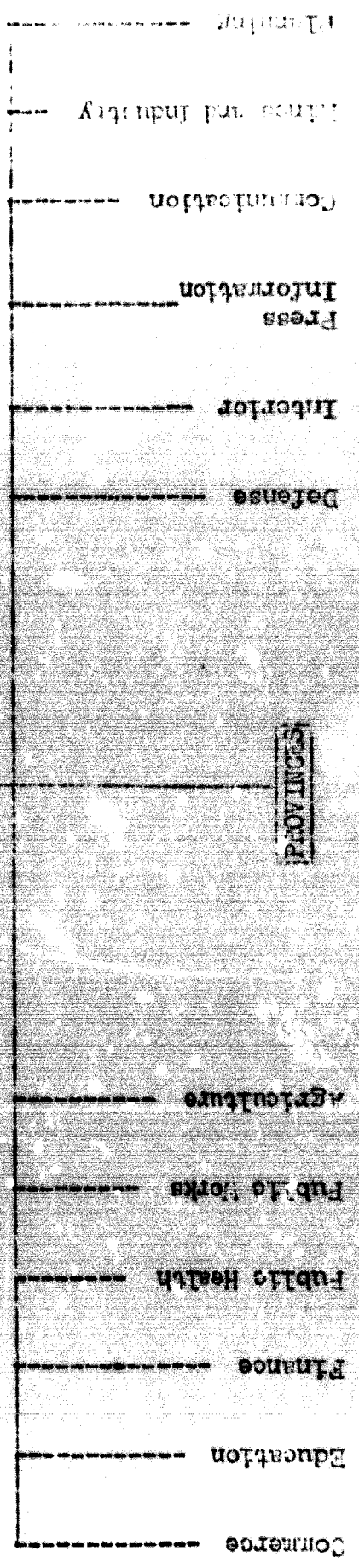
[MINISTERS  
(CABINET)]

[PROVINCES]

[PARLIAMENT]

[House of  
the  
Elders]

[House of  
the  
People]



3. After recommendations for adjustments have been sent to the Ministry presenting the plan and these have been accomplished, the adjusted plan is then submitted for another discussion meeting that includes all of the above persons, and, in addition, the Minister of Planning and the Deputy Minister of Planning.
4. The next step, after approval by the Ministry of Planning, is the submission of the Plan to the Cabinet.
5. With Cabinet approval, it is then sent to the Parliament for final approval.
19. The implementation of all plans then takes place at the individual ministry levels in accordance with the Plan and its budget.
20. At the present time, the overall governmental budget is divided about 50 per cent for governmental administration and 50 per cent for development. The Directors operating under the Planning Department work closely with the Planning Departments of the ministries of their sectors of specialization in the preparations of the development plans after the President and his Council have set the formulas and guidelines.
21. In addition, the Directors and their staff work on the budgets for their areas of interest and continuously accumulate information on progress from the ministries. On a quarterly basis each ministry then presents a progress report and the Planning Department prepares an annual report on the progress of the entire development plan. This Annual Report is published under the title "Survey of Progress" and it is a very detailed report on all development progress under the country's Development Plan for the preceding year.
22. The Director General for Co-ordination works with the initial preparation and drafts of the development plan and pays particular attention to the needs of manpower and financing. He also works with advisors on the overall budget.
23. The organizational departments under the Director General of Co-ordination are as follows:

DIRECTOR GENERAL FOR CO-ORDINATION

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Money and  
Banking

Manpower

Supply and Balance  
of Materials  
(Imported and  
local raw  
materials)

Investment  
(Foreign  
Capital and  
Government)

Foreign Consultants and Experts within the Planning Framework

24. The Government of Afghanistan, through its various ministries, leans heavily on the use of consultants and experts, both local and foreign. For example, The Ministry of Planning has the following teams working within its framework:

Consultants from the USSR

Manpower Specialist, Energy Advisor, Investment Advisor, Statistician and a Chief Economist.

Consultants from the USA

Chief of Party, Development Economist, Industrial Economist, Agricultural Economist and Fiscal Economist.

Consultants from the Federal Republic of Germany

General Economic Planning, Regional Development Accounting for the private sector, Feasibility Experts on German-financed projects.

Consultants from the United Nations

Two Economic Advisors.

ORGANIZATION OF THE MINISTRY OF PLANNING

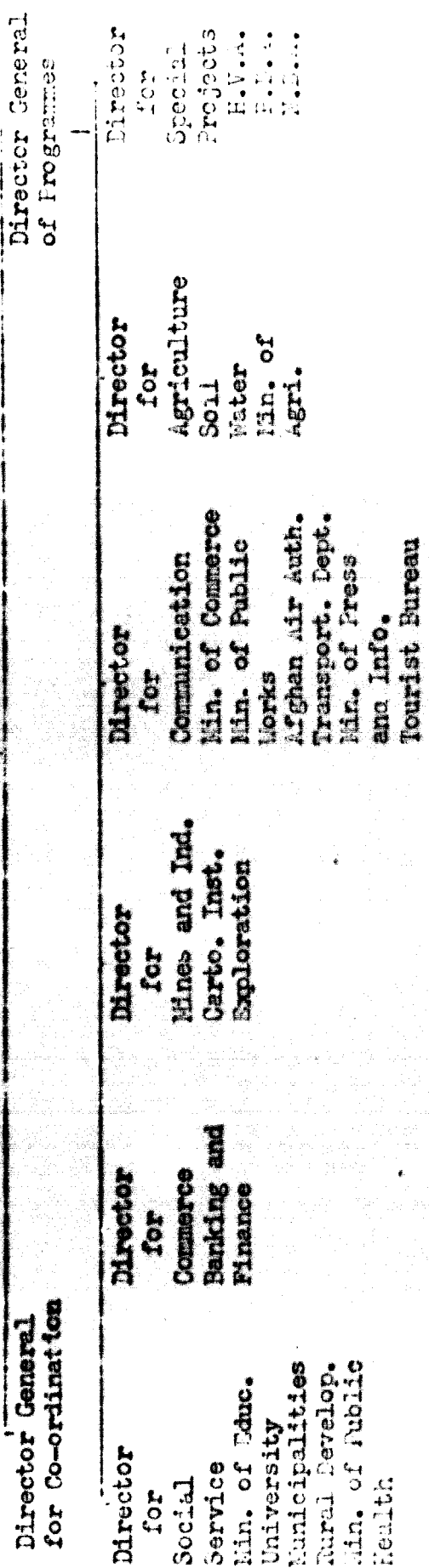
MINISTER

DEPUTY MINISTER



The Planning Department is then broken down as follows:

President  
Assistant



111.

RESEARCH, STANDARDS, AND TESTING

Research, Testing, and Statistics

25. No special provisions were made in the Second Five-Year Plan for industrial research other than those centres established within the Ministry. The Ministry of Planning, for example, has a Research Department that concerns itself, at the present, with the gathering of statistics of a local nature. In the Ministry of Mines and Industries, the Statistics Department gathers industrial statistics but probably could not be termed a research department.

26. The Ministry of Agriculture is actively engaged in the research and testing of products closely related to industry. For example, the Central Wool Research Laboratory undertakes research in wool production, standardization of wool exports, and training of the personnel for the Kabul Wool Laboratory.

27. The Kabul University faculties probably are providing the greatest amount of "research" for Afghanistan. According to their latest report (June 1965), research programmes are being carried out in many faculties such as the Faculty of Agriculture and Faculty of Biochemistry.

28. The Faculty of Engineering is presently in the process of setting up a well-equipped research and testing laboratory. Their immediate interest is in the fields of construction materials and sub-soil analysis for the construction industry. When their total equipment is finally installed, the facilities of this testing centre will be available for private industrial use on a fee basis. It is also expected or planned that they will acquire a mobile testing facility. This is probably the only "multi-purpose" research centre in Afghanistan.

29. The Department of Mines within the Ministry of Mines and Industries has a geological testing facility.

Standards

30. The only "standards" now existing pertain to the agricultural products for export in competing markets. The Ministry of Commerce plans to set up Boards within the Ministry to establish standards on such additional items as carpets, casings, etc. The Research and Statistics



Department within the Ministry of Commerce is concerned primarily with data on internal and foreign trade. This information is for the Planning Section.

31. In October 1965, some preliminary discussions were scheduled with certain members of the Kabul Engineering staff relative to the possibility of developing a Bureau of Standards.

32. Local investigations on the possibilities of small-scale industries in the Kabul and Kandahar areas have been conducted. This resulted in the establishment of the industrial area at Pulicharki near Kabul for the manufacture of plastic goods, glassware and prefabricated building materials, assembly of bicycles and a factory for the cleaning of raisins. Similarly small-scale industries for the manufacture of woolen goods, and for fruit canning and drying have been planned in the Kandahar area. The authorities in the Government are conscious of the usefulness and importance of overall industrial feasibility studies in working out co-ordinated and sound plans for industrial development.

IV. PROMOTION AND IMPLEMENTATION OF INDUSTRIAL DEVELOPMENT

33. The Ministry of Mines and Industry is the central agency of the Government responsible for the implementation of the bulk of industrial development. To a lesser degree the Ministries of Commerce, Education, and Finance are indirectly involved in the overall industrial development programme.

34. The organization of the Ministry of Mines and Industry includes a Deputy Minister and two separate departments. One department is for Mines and the other for Industry. These two departments, or divisions are headed by a "President". Other agencies or sections under the Industry Department include Statistics, Labour, Planning and Projects, and Economics (financial management). The Statistics Section is involved with industrial and production statistics and does very little true research. The Labour Section is concerned with the arranging of fellowships for local and foreign training, the distribution of university graduates, labour legislation, labour compensation and protection plans. The Planning and Projects Section undertakes arrangements for feasibility studies, physical planning of projects, tenders, and final contracts. No formal organization chart seems to exist and the duties and responsibilities of the various areas is written out only to the extent of their job descriptions.

35. The Ministry is willing to assist potential investors in all ways by providing feasibility studies, assistance in financing if possible, and the provision in some cases of consultants and experts for the establishment of a new industry.

Licensing

36. A potential investor has to submit an application for the establishment of an industry to the Ministry of Mines and Industry giving full particulars of the project including its financial viability. The Ministry, if the proposal is approved, would grant a license to the investor which entitles him to all assistance needed from the government in embarking on the venture. The assistance which the Ministry of Mines and Industry would be able to offer to the entrepreneur would cover a variety of jobs such

as processing of applications with various Government departments, planning, negotiating with suppliers of plant and equipment, training of personnel, etc.

37. Afghanistan does not provide patent protection to industry and standardization applies only to certain items produced for export. The Commercial Code governing business organizations, business contracts and forms, legal proceedings, etc. is presently undergoing a thorough revision by foreign experts. The only inspection that might take place in industrial concerns would be through the Ministry of Finance in matters involving taxation, or through the Ministry of Mines and Industries when calculations may be needed to determine a "just price" for the product.

#### Industrial Policy

38. It is the declared policy of the Government to encourage freely the growth of private enterprise and to provide all possible facilities conducive to its growth. Except for industries of strategic military importance and public utilities such as electric power, the entire field of investments is open to the private sector. However, the private sector has shown considerable reluctance to undertake investment in industries. The retail and wholesale trades and transport industries are known to give quick and assured returns so these have been the most popular areas of investment for the private investor in Afghanistan. In order to encourage the private sector in new fields, the Government has in several cases attempted to establish various industries and when these have been brought to a stage of active operation, hand them over to the private sector for management.

39. With regard to prospective foreign investors, lack of knowledge of the prevailing conditions and possibilities have been the major deterrents. There are at present no institutions which can provide the essential information on resources, working conditions, etc. to a possible investor in order to help him decide to undertake new investments in the country.

#### Encouragement and Promotion

40. To encourage and regulate foreign investments in Afghanistan, three laws had been enacted even before the commencement of the First Five-Year

11m. These are the Law for Encouragement of Industry (1949), the Commercial Law (1953), and the Law for Encouragement of Private Foreign Capital (1958). These laws are presently being revised to insure more uniform treatment.

41. Some of the more important features of the Law for the Encouragement of Industry in Afghanistan are:

- Article 3. The industrial firm can import materials and goods which are not produced in large quantities in Afghanistan free of customs duty as follows:
- a) Material and supplies for construction or for expansion of industries.
  - b) All kinds of material needed for the manufacturing of industrial products.
  - c) All types of machines, tools, equipment and spare parts.
  - d) Equipment for weighing and measuring, motors, vehicles, and transport equipment.

Article 16. If a person or a firm intends to establish a factory an application together with the plan and papers of the factory must be submitted to the Ministry for consideration and approval. The Ministry evaluates the feasibility of this factory and may approve or disapprove its establishment.

Article 18. The Ministry of Economy would decide definitely about the determination and priority of industries, possible utilization of the materials of the country, employment of workers, and the fact that the products are needed by the country.

Article 22. Industrial firms can import materials and supplies required for their operations free of customs duty. Such goods cannot be sold to other licensed undertakings without prior consent of the Ministry. They can, however, sell such materials to other persons who do not have an industrial permit subject to approval of the Ministry of Economy and due payment of customs duty.

Article 25. The Ministry of Economy has the right to supervise and inspect at any time the activities of the industrial works.

#### Industrial Estate

42. A start has been made in the establishment of an Industrial Park or "Estate" at a location about ten miles from Kabul. At the present time it could only be termed an "area" where land is available at a low price, but none of the usual services of roads, power, housing, etc. are currently available. The following operations are now located in this area: a wool and textile factory financed by foreign capital; a raisin-cleaning facility financed by a combination of private and foreign capital; a construction materials factory which is owned by the Government and operated as a department; a bicycle assembly factory financed by foreign investors; and a rayon fabrication factory now under construction with private local financing. The construction materials plant also serves as a training centre for work in glass and plastics.

43. A very comprehensive survey and feasibility study for an Industrial Estate or Park in Kandahar was completed approximately five years ago by a team of foreign experts, but this project has not yet been initiated. Some interest has re-developed in recent months to review and revise this plan for early consideration by the Government.

44. The Ministry of Mines and Industry currently has a department of one man for the small-scale industries, but it is their intention to develop this sector intensively under the Third Five-Year Plan.

45. In recent years Afghanistan has participated in many international exhibitions and fairs. These have included the International Exhibitions held in Cairo; the Commercial and Industrial Fair in Milan, Italy; the Indian Agricultural Exhibition held in New Delhi; and the Polish International Exhibitions in 1960 and 1961. These events have provided Afghanistan with opportunities to display the products of Afghan textile factories, karakul skins, precious stones, mineral products, carpets and rugs, oil seeds, and fruits, and have served to acquaint foreigners with the resources and opportunities for trade and investment in Afghanistan.

V. PUBLIC AND FOREIGN INVESTMENT

46. The Government of Afghanistan does not actually have an agency devoting its time and interest to the promotion of investments in private sector industries. This is, however, an integral part of the work of the Ministry of Mines and Industries as previously discussed relative to their licensing activities.

47. Insofar as public-owned companies and mixed companies are concerned, these are very limited in number as it generally is not the intention of the Government to enter the industrial world as an entrepreneur. The Government has indirectly participated in the financing of certain industrial projects through the means of loan guarantees from foreign governments to private companies. In most cases, it is hoped by the Government that the few actual direct investments of the Government will be acquired from it by private investors.

48. Substantially all of the consumer goods industries are privately owned, but the Government has assisted in their financing and also has offered some incentives or subsidies. The lack of an industrial bank has meant that almost all industrial projects of substantial investment requirements have been dependent upon foreign assistance or direct foreign ownership.

49. Some of the major Government investments in industry are as follows:

Jangalak Factory

50. This facility was developed for the repair of motor vehicles, construction of certain types of buses, the manufacture of furniture, and the production of certain types of simple tools. The financing was part Government and part private, but the Government exercises control at the present time. The Jangalak Factory is also used for some on-job training programmes.

Ghori Cement Company

51. This is a Government-owned corporation with a President who is responsible to the Ministry of Mines and Industries. The other cement factory has mixed ownership with the Banke Milli, which is privately owned, the Government, and some private interests. It is not, however, Government controlled.

Kunduz Cotton Company

52. This is an autonomous operation owned partly by the Government, partly by Banke Milli, and the balance from private sources.

Gulbahar Textile Plant

53. This is a plant of the textile company that is owned 45 per cent by the Banke Milli, partly by the Government through Da Afghanistan Bank, and there are over 8,000 other stockholders who are mostly private merchants with interests obtained through the tax on sales of karakul.

The Coal Briquetting Plant (Kabul)

54. This plant is owned and operated by the Ministry of Mines and Industries.

55. The foregoing is a partial listing of some of the Government-owned, or mixed, industrial enterprises of major importance, but it should also be noted that the Ministry of Education operates a furniture factory for its school needs as well as a bread factory. Other ministries also operate various small plants for their specialized needs.

56. With the exception of those operating under a ministry, the Government plants are run by departments and their presidents are responsible to the Cabinet in a manner similar to a ministry.

VI.

FINANCE

57. The capital market has not been developed in Afghanistan and there is no credit institution specifically designed to assist, promote, and finance industrial development. The three commercial banks, viz., Da Afghanistan Bank (Central Bank), the Pashtany Tejaraty Bank, and the Banke Milli do extend credit to the private sector for industrial and other purposes, but not in sufficient amounts or on very desirable terms. In addition, the private sector has received loans from certain non-bank financial intermediaries, viz., the Agriculture and Cottage Industries Bank, the Industrial Fund, and the Mortgage and Construction Bank.

58. The Agriculture and Cottage Industry Bank has since discontinued the advance of loans as many of the loans were not used on productive projects and it could not recover major parts of the loans and interest at 6 per cent per annum. The Industrial Fund is not able to expand its credit to the private sector partly through the failure of the Banke Milli to pay in its agreed share of 100 million at the disposal of this Fund.

59. Now it is understood that the Government is giving consideration to (1) recapitalization and rejuvenation to the Agriculture and Cottage Industries Bank, and (2) the establishment of a new Industrial Bank with foreign and domestic capital that will go far enough to meet the credit needs of private enterprise in Afghanistan.

60. The Industrial Fund is not an industrial bank in the usual sense of the definition. It is merely a committee organization that operates through the existing banks as it does not have its own facility or staff. The Fund was planned to be capitalized in the amount of 200 million Afghanis with the original shareholders being Da Afghanistan Bank and Banke Milli on an equal basis. At present it has capital of 99 million Afghanis paid in by Da Afghanistan Bank, 9 million Afghanis paid in by Banke Milli, and approximately 30 million in shares owned by various karakul producers. The latter investments result from the practice of the Industrial Fund to obtain small amounts from each exporter of Karakul



as credit to this group is extended. The Fund has extended credit to a number of factories on an intermediate term basis of 5 to 6 years but this does not give the credits sufficient turnover to satisfy the industrial needs.

61. The Government is not an investor in this Industrial Fund, but it is represented on the board of Directors. The current acting president of the Fund is the President of the Pashtany Bank and the balance of the Board consists of the Presidents of the other two banks (Da Afghanistan and Banke Milli), the Minister of Mines and Industry, and the Minister of Commerce. The Fund has no income other than the 6 per cent interest charged, and no real costs of an organizational nature since it operates on the premises of the Pashtany Bank.

62. There is no loan "priority" arrangement, but the Board considers the following: type of person, the plan or project, benefits for the country and its people, the applicant's financial statement, and serious consideration about whether or not the product can compete with imports.

63. The Pashtany Tejaraty Bank is strictly a commercial bank and does not make long-term or working capital loans (with minor exceptions); the Banke Milli does make some investments in industry, but primarily on a short-term working capital basis; and the Da Afghanistan Bank is the central bank following the usual functions of a central bank and is not currently financing industry.

64. The bulk of new investment has been developed from foreign sources. The Third Five-Year Plan now being prepared anticipates a change in the credit structure to accelerate industrial investment with local funds.

VII.

MANPOWER AND TRAINING

65. At this time, organized technical training is almost non-existent in Afghanistan. By and large the industries have had to recruit unskilled men and to train them on the job as they work.

66. The Ministry of Education has organized in recent years courses and schools for vocational education designed to qualify young people to occupy the growing number of skilled and technical positions in government, agriculture, and industry.

67. No estimates for the requirements of technical personnel for the industrial and mining developments have been made on a comprehensive and systematic basis, but the requirements of those with university education during the First Five-Year Plan was estimated at 452 for mining and 198 for industry. In view of the urgent need for technical personnel, the Ministry of Mines and Industries has conducted courses in accounting and office work, and a few companies have established schools for training of their personnel.

68. Through the Ministry of Mines and Industries 168 people were sent abroad for higher studies and training during the Plan. The majority of these went on fellowships or scholarships given through a bilateral aid programme. Nevertheless, the demand for trained personnel has by no means been met and the shortage has been one of the greatest problems throughout the Plan.

69. In order to meet this personnel shortage, several factories have employed foreigners as advisors or executives in lower management positions. With regard to top management it has been decided, as an experiment, to obtain foreign management for the Gulbahar Textile Mill.

70. At the present time there is no national apprenticeship programme in existence in Afghanistan. Some technical training programmes, as may be noted from the following listing of training centres, do have a short, informal on-job training period. For example, the Industrial Management Institute requires two months in industry training after their first year of study; two months after their second year; and then five months after their third year before graduation.

71. The Ministry of Planning has a Liaison Advisor for the co-ordination of activity between the planning and training programmes, but the great time lag required for training completion is still a major deterrent. With the Third Five-Year Plan it is expected that this co-ordination between plans and training will prove effective because of the acceleration of vocational training programmes during the Second Plan period.

72. In the larger development projects the training of management and skilled personnel is under the supervision of the Ministry of Mines and Industries since the contracts with the proposed new industrial firms includes a requirement that they must assume the responsibility of training key personnel. The Ministry of Mines and Industries will not sign any new contract unless it is a "turnkey" programme guaranteed by the operator. In the new Sugar Factory, for example, the operator has been required to guarantee the provision of trained management, supervisory personnel and supporting staff for a period of two years.

73. No accelerated training centres for technician training now exists in Afghanistan, but many persons are sent to other countries for special skills needed.

74. A summary of technical and mechanical training schools under the Ministry of Education, but pertaining to industry, follows:

Technical Schools:

Secondary Levels:

Afghan Institute of Technology, Kabul, grades X - XII.  
Mechanical School, Kabul, grades VII - IX.  
Mechanical School, Khost, grades VII - IX.  
Mechanical School, Kandahar, grades VII - IX.  
Craft School, Kabul, grades VII - XII.  
Craft School, Farah, grades VII - X.

Post Secondary Levels:

Afghan Institute of Technology, Grade XIII.

Commercial Schools:

Secondary Levels:

School of Commerce, Kabul, grades VII - XII.

Post Secondary Levels:

Institute of Industrial Management, Kabul, grades XIII - XV.

Teacher Training Institutions:

Secondary Levels:

Technical Teacher Training College, Kabul, grades X - XII.

75. The Mechanical Schools listed above at Kabul, Khost and Kandahar are designed to train pupils coming from Grade VI (after an entrance examination). A three-year training programme is given in these schools for the following trades:

Mechanical School, Kabul:

|                    |                 |                 |
|--------------------|-----------------|-----------------|
| Basic Training     | Tinsmith        | Plumbers        |
| General Mechanics  | Fitters         | Foundry Workers |
| Tool Workers       | Blacksmiths     | Welders         |
| Electricians       | Pattern Makers  |                 |
| Radio Electricians | Motor Mechanics |                 |

Mechanical School, Kandahar:

|                  |             |            |
|------------------|-------------|------------|
| Basic Metal Shop | Tool Making | Locksmiths |
| Blacksmiths      | Welders     | Carpentry  |
| Auto Mechanics   |             |            |

Mechanical School, Khost:

|                |              |
|----------------|--------------|
| Basic Metal    | Machine Shop |
| Electricians   | Carpentry    |
| Auto Mechanics |              |

76. The Craft School listed above at Kabul trains pupils coming from grade VI and provides places for approximately 300 boarders. The pupils come from all provinces of Afghanistan and they are trained for a period of three years in craftsmanship (other than metal workers) in the following sections:

|           |           |          |
|-----------|-----------|----------|
| Weaving   | Carving   | Ceramics |
| Printing  | Carpentry | Building |
| Tailoring |           |          |

77. The Afghan Institute of Technology trains technicians and covers the grades X - XII. These graduates are entitled to continue their study at the Engineering Faculty of Kabul University and a fairly high percentage take advantage of this opportunity (50 per cent continued to the University in March 1964).

78. The Technical Teacher Training College, in addition to its regular educational programme, holds "in-service" courses for employed technical teachers during the vacation periods in order to acquaint them with new teaching methods and new teaching materials.

79. The Institute of Industrial Management has as its function the training of employees for industrial management, banks and public administrative positions. The duration of study is three years and at the termination of this period of time the student undergoes two comprehensive examinations - one theoretical and one practical - before receiving the Licentiate Diploma.

80. The Rural Development Department commenced some extension training programmes in 1962. The first programme was a carpentry course for ten students. A new course for the training of village workers in handicrafts and cottage industries was also launched in 1962 with a complement of 1,344 trainees. This is the only programme of extension advisory services for industry at the present time.



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