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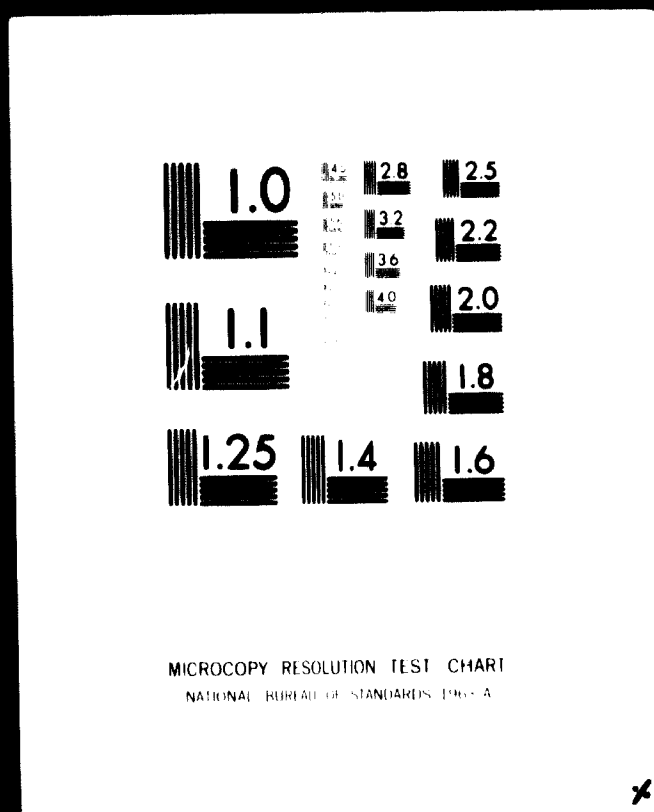
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United Nations Industrial Development Organization

**Technical Seminar on Contracting Methods and
Insurance Schemes for Fertilizer and Chemical
Process Industries**

Lahore, Pakistan, 25 - 29 November 1977

COUNTRY PAPER OF AFGHANISTAN

By

A. OLOMI

002585

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COUNTRY PAPER OF AFGHANISTAN

The Republic of Afghanistan is at present primarily an Agricultural country. But according to the seven year Economic and Social Development plan, The Republic of Afghanistan pays close attention to reestablishing various kind of Industries such as Agro-based Industries, textile, Iron, and steel, chemical, petrochemical and fertilizer Industries and so on.

Realising the significance of the Agricultural sector in the social and Economic Development of the country has assigned due importance to this sector and has given priority to it in the context of its development policy. In present the total area under cultivation is a bout (3885) x 1000 hectors. The major Agricultural products are:

- Wheat
- Corn
- Barley
- Sugar Beat and
- Sugar cane
- Oil seed
- Vegitables
- Fruits

For increasing such products the fertilizer industries have a vital role for this purpose. In present one fertilizer factory is under running, and producing 105,000 tones of urea per annum, which are used for Domestic purpose and also some of them for export.

To meet future needs and attain self-sufficiency and to take advantage of the natural resources of the country the seven years plan has envisaged the construction of a new chemical Fertilizer Plant, with a capacity of 300,000 tones. The contract for providing feasibility study report of the plant is under consideration of the Ministry of Mines and Industries.

Parallel to establishing of those plants, it is envisaged to set up other chemical Industries during seven years plan such as:

- China making factory
- Caustic Soda project
- Glass factory - plastic Bags factory
- Starch and paper Industries.

Considering the above mentioned description the seminar which is held now in Pakistan about contracting method and Insurance schemes for fertilizer Industries and exchange of experience between delegates of developing countries is very important and has a vital role for acquiring:

A success for installation of new fertilizer plant, and formulating a proper draft of contract in which all commitments of buyer and seller must be clear on it. And should be based according to international practice and regulations, concerning also Insurance scheme and compensation for consequential losses incurred by chemical manufacturing Companies.

It would be convenient at this time to give a brief explanation about the contracts which are being held between the different Companies and the Ministry of Mines and Industries of the Republic of Afghanistan.

At the commencement, the different companies should be contacted to supply the means and services such as the specifications of the goods required and the terms and conditions concerning the quantity and number of articles wanted, the shipment, terms of insurance and time of delivery etc. and the offers for the same should also be asked for. The offers received should all be compared and evaluated from the standpoint of price, quality, and the time-limit for achieving such services and after the bidding

process is ended, the contract be concluded with the company whose terms will be most useful and reasonable.

Of course, some important matters such as obligations, and responsibilities of both the parties, terms of payment and insurance, the acceptance and rejection of the contract and terms of Force-Majour and the settlement by an Arbitrator of the differences arising between the parties concerned etc, should also be included with the agreement of both the parties into the contract. From the actual experience that is gained the most important subjects that are considered to be the working basis of the contract should be indicated as hereunder:

The delivery of the goods and the equipments which are needed and the services that are to be fulfilled should also be carried out at the appointed time. For, in the case otherwise, the normal operations of the Factory both during the time of Construction and also during the time of production will be seriously effected and hampered and also a great loss will be incurred and sustained by the Owner.

A careful attention should be paid in this respect and the panels imposed as penalties for the commission of them which are proved and accepted by the International aspect should be specified and included into the contract draft.

In the event the producing company may, on the basis of some reasons completely refuse or reject the export of the goods required what resolutions might be deemed necessary to make.

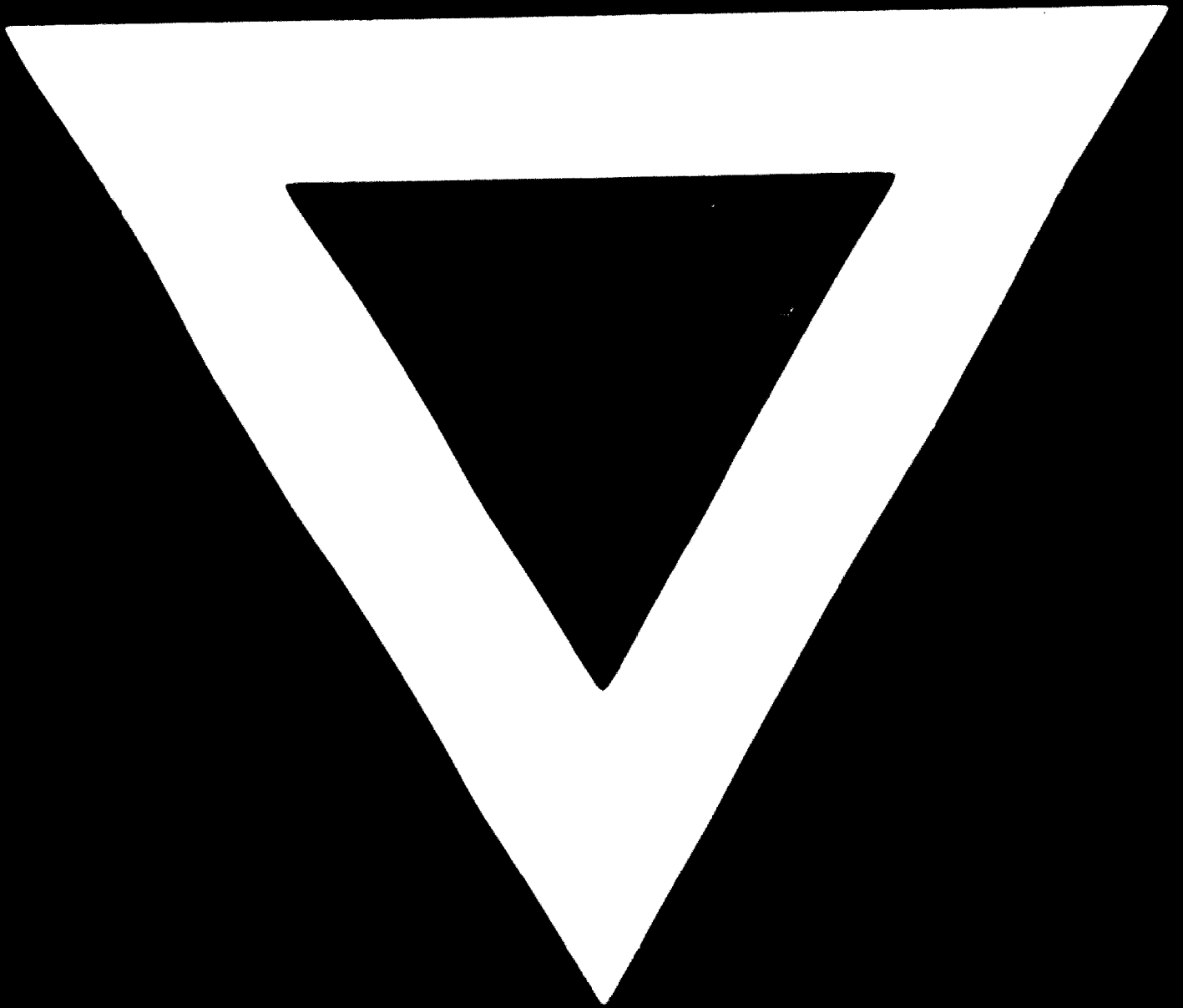
For the construction of the new factories, the supplier must guarantee for the period of at least - 10 to 15 years the production and the supply of the parts required by the Factory and which are needed for its operation and maintenance.

In other respects, it is sometimes noticed that after the expiration of a certain time the producing factory owing to some Technological changes or some other factors has ceased to produce the required parts and this action has resulted in great difficulties and obstacles for the activities of the Factory.

The subject of Arbitration for settling of certain disputes and differences which arises from non-fulfillment of the services contained in the contract should be so carried out that the international experiments are fully adhered to and profited by and be so outlined that its result will be acceptable to both the parties, and not to cause any space of dispute for the parties in future. The terms and place of Arbitration should also be mentioned. Another side of the terms pertaining to Force Major which besides keeping the international matters in view should be made clear to show what subjects are enclosed by it and what effects are produced from the point of view of the validity period and the services that exist in the contract.

With a brief account of the above subjects, I now conclude my talk with a strong hope that I will enjoy every prospect of a useful outcome of the subject matter.

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