

Industrial Parks in Afghanistan

Office of the Senior Economic Advisor

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EXECUTIVE SUMMARY

The purpose of this report is to discuss the industrial parks in Afghanistan. Industrial parks in Afghanistan are government managed sites that provide industrial land to the investors. We will cover the following points in this report: (1) The background of industrial parks in Afghanistan, (2) Demand and supply analysis of industrial land in Afghanistan (3) Existing industrial parks & infrastructure in Afghanistan, (4) construction process of new industrial parks, (5) Case studies of industrial parks development and management in UAE, India and Thailand, (6) Establishment of economic zone in Afghanistan, we will conclude this report with providing recommendations for efficient management of IPs in Afghanistan.

The industrial parks in Afghanistan are currently managed by MoCI. However, in the last three decades there have been numerous ministries who were responsible for managing the industrial parks of Afghanistan. For the Frist time the industrial parks directorate was established within the ministry of mines, later in 1383 it was shifted to the ministry of light industries. In 1385 the responsibility was re-shifted to ministry of mine, but in 1386 it was re-shifted to ministry of commerce and industries. Moreover in 1391 the management responsibility was shifted to AISA and 2016 its again shifted to MoCI. There are 25 Industrial parks (9 Operational, 10 under construction and 6 Planned) that are managed by MoCI. There are 555 active factories and 69 under construction factories are across these industrial estates. Please see the Annex for more detail.

Demand for industrial land in Afghanistan is considerably high. Since 2014-2016 AISA has received more than 184 applications for industrial land, but land is not available . Based on above figures and high demand for land in these city, we recommended that MoCI, MUDH and Kabul Municipality (KM) must work together to allocate a new area in Kabul city or near to Kabul city.

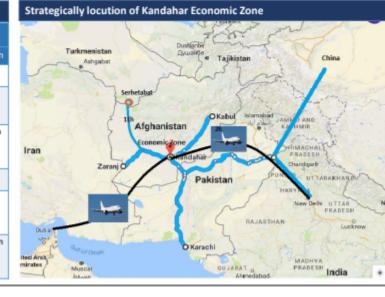
AISA were collecting the revenue from investor against the industrial land, based on the declaration of H.E President AISA/MoCI should charge only the basic infrastructure cost which is \$10K per Jireab. The previous cost was \$30K per Jireab . Currently, for FY-1396 the MoF allocated \$3.5M for developing industrial parks. MoCI has limited capacity to undertake future development of industrial parks in Afghanistan. In order to consolidate industrial activities and

efficiently utilize public land we recommend that an independent industrial parks authority should be formed. It should be an independent managing authority like NEPA & ANSA. This authority should be responsible for development, management and ownership of all industrial parks and economic zones in Afghanistan.

ESTABLISHMENT ECONOMIC ZONE IN AFGHANISTAN

Why do we need to establish Economic Zones in Afghanistan? According to Keynesian theory, if the trade level is increased it will directly impact on domestic productions and leading to increase the output, as result of that the employment level will switch positively which case national welfare at all. So the GoIRA should start the economic growth work on different phases, let consider that we should establish economic zone Kanadahar province, because we can target our neighbors countries markets such Iran, Pakistan, India, china and Turkmenistan. The detail of major trading partners with transited source is discussed below table and map.

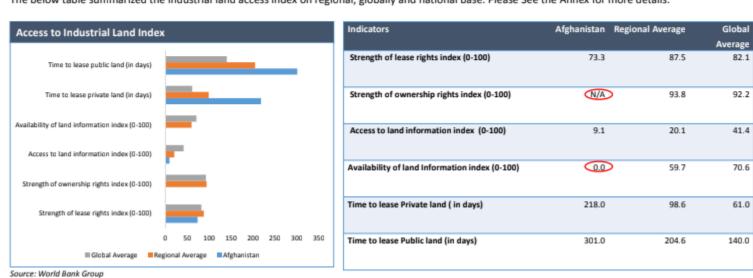


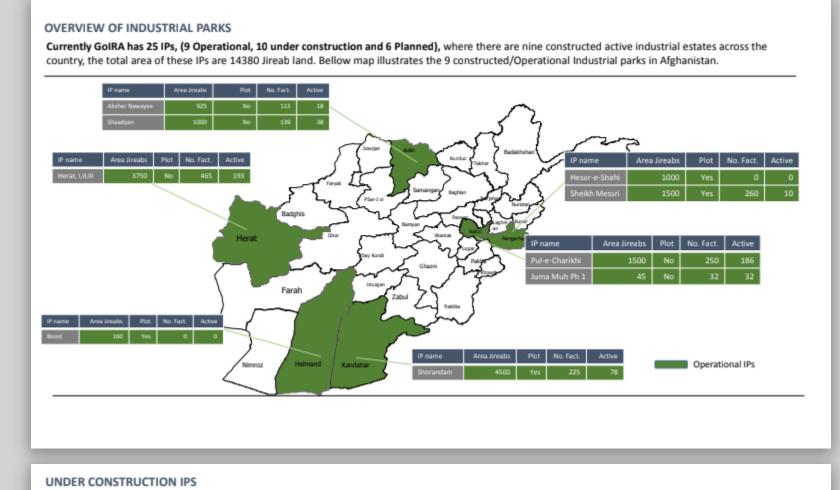


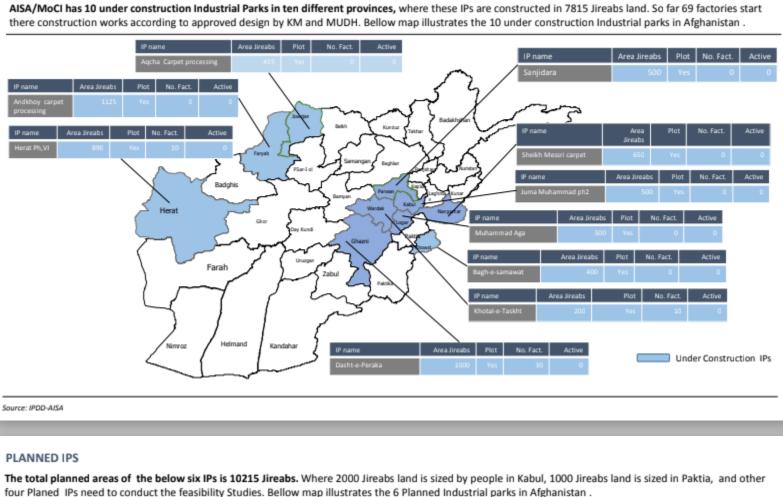
ACCESS TO INDUSTRIAL LAND INDEX

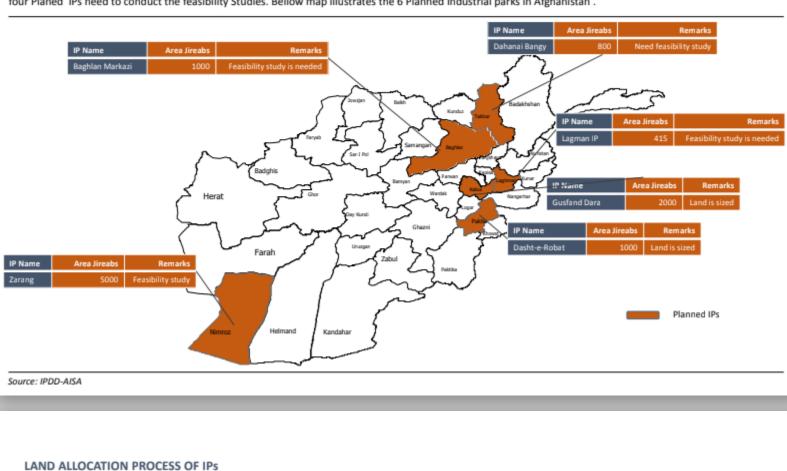
According to the World Bank, Afghanistan is among the countries with least overt statutory restriction on foreign ownerships as measured by the investing across sectors indicators.

Foreign companies can access to industrial land in Afghanistan. The have option to lease land from both private and public owners. The procedure involved in leasing private land in Afghanistan is 218days but for public land time will take about 301days, Moreover on regional base time to get lease private land is processing in 98.6days and public land in 204.6dyas but on global level the private land lease is processing in 61 days well public land is process in 140 days. The below table summarized the industrial land access index on regional, globally and national base. Please See the Annex for more details.









After completion of land transfer process the Industrial Parks Development Directorate (IPDD) is responsible for establishing the special construction plan of that IPs, There is five steps involved in construction & Management new industrial parks: (1) Technical survey by IPDD, (2) preparing master Plan for IPs, (3) infrastructure design, (4) project implementation and (5) land distribution, monitoring and controlling the all infrastructure.

The key aspects of development Industrial Parks are, (1) Land acquisition for the purpose of Industrial Park Development, (2) Provide basic infrastructure facilities like roads, water, electricity, sewage facilities and waste water treatment, (3) Allotment of plots/sheds, (4) Pricing of plots/sheds, (5) To the extent possible providing one stop services to the investors and (6) Assisting in management and maintenance of facilities within the Industrial Park. There are six steps involved in the process for get industrial land, (1) advertisement by AISA/MoCI through open media, (2) company must be registered

with AISA, (3) submission of required documents such as, production data, investment, job creation and required land area, (4) evaluation of submitted documents by AISA, (5) reviewing the submitted documents by High Commission of Investment-HCI,* (6) land payment&, both on down payment and installments, once the above process is completed the land title (Qabala) will be transfer to investors, These steps are provide in the process table below.

· Evaluation of · Registration with Submission of · High commission Payment · Advertisement By AISA/MoCI required Business plan of investment documents review

INDUSTRIAL PAKS MANAGEMENT CASE STUDY, UAE , INDIA AND THAILAND

Industrial Parks have been commonly used as tool of investment, industrial growth and generation of employment across all the developing countries. The experiences of a few Asian/Middle East region of Asia countries that have used Industrial Parks/Estates as a catalyst for economic growth. The purposes of discussing Industrial Parks Development experience of other countries is to assess the industrial parks development experience in

* HCI members, MoF, MoCI, MAIL, MoMP, MoEc, MUDH, central Bank and commission was chaired by MoCI. & Under the differential model of pricing, the MoCI /AISA could charge more for Industrial Parks

Afghanistan in light of international best practices and take corrective action accordingly. The detail of industrial parks management is summarized in the following. Independent Authority **Government IPs** Country

close to the cities or developed locations and less for plots in an Industrial Parks which is coming up away from the main cities of Afghanistan

Private IPs Haryana state Industrial development The central government of India does not have any The state government of India has India corporation, Gujarat industrial industrial parks of its own. It has been left to the private IPs as well development corporation, and etc. individual's state government to construct and

manage the industrial parks

The Government of UAE has both private and public IPs To summarized the above case study of India, UAE and Thailand, for consolidating industrial activities in country it's needed to have an independent authority such as Industrial estate authority of Thailand (IEAT), independent free zone authority in UAE, Haryana State ind development corporation (HSIDC) in India and North American free trade authority (NAFTA). As result of the above studies we recommend the GoIRA must establish an independent management authority in Afghanistan, the suggested name for this authority could be Afghanistan industrial	Thailand	Industrial estate authority of Thailand	Yes, have public industrial parks	Yes, have private IPs
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ESTABLISHMENT PROCESS OF NEW INDUSTRIAL PARKS

There are five steps involved in construction of new industrial parks in Afghanistan as the following: (1) need assessment, (2) Social , environment impact and economic studies, (3) Studies of underground water, (4) studies of access to transport, electrics, raw material and labors and (5) request for

Need Assessment for investment

land transfer to MoCI

1 Pul-e-Charikhi

2 Juma Muhammad Kabul

trength of lease rights index (0-100)

Strength of ownership rights index (0-100)

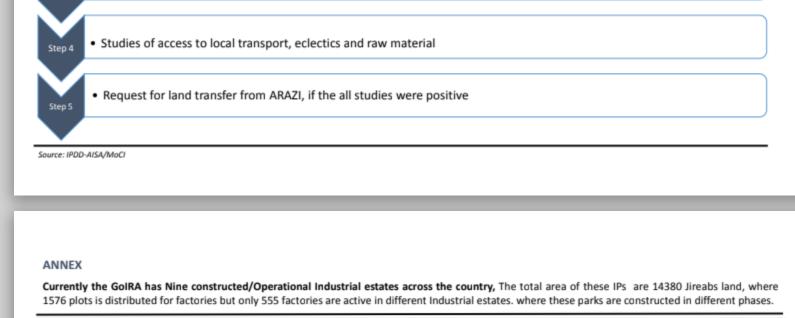
Muhammadi Phase I

Kabul

1500 None

Source: IPDD/AISA, MoCl. * Total Area is Jireabs. & Lack of Electricity there is no active factories, and investors are willing to start there business activities.

 Social, Environmental impact and economic studies Study of under ground water



250

186 Internal roads, Electrical distribution system First IP in Afghanistan

system, water supply system, internal roads USAID funds in 2005

87.5

93.8

82.1

92.2

32 Boundary wall, Electrical distribution

							and Guard rooms	
3	Alisher Nawayee	Mazar-e-sharief	925	None	113	18	Electrical distribution system, internal roads,	
							guard rooms and water supply system	
4	Herat Phase I,II,III	Hreat	3750	None	465	193	Internal roads, Electrical distribution system	
							and boundary wall	
5	Shorandam	Kandahar	4500	yes	225	78	water supply system and road leveling	
6	Hesar-e-Shahi	Nanagarhar	1000	yes	92	0&	internal roads, Electrical distribution system,	lack of electricity in IP there is
							waste water system, water supply network	no active factories ,the
							and boundary wall	implementation of power
								projects essential for the
								growth of this IPs
7	Sheikh Messri	Nanagarhar	1500	yes	260	10	Electrical distribution system, road leveling	250 factories is under
								construction
8	Boost	Helmand	160	yes	0	0	Internal roads, main gate and guard rooms	land issues with ARZAI, and
								Lack water supply & electricity
								system. The land of this IP is
								not distributed to investors
9	Shaadyan	Mazar-e-sharief	1000	None	139	38		
	Total		14380		1576	555		

Access to Industrial land	d in Afghani	istan Comp	arison with Regiona	and Global				
Region/Economy	Strength of lease rights Strength of ownership		Access to land information	Availability of land	Time to lease private	Time to lease public		
	index	(0-100)	rights index (0-100)	index (0-100)	information index (0-100)	land (in days)	land (in	days)
East Asia & Pacific		84.9	83.3	35.1	67.5	66		151
Eastern Europe & Central Asia		82.9	97.6	50.3	78.9	43		133
High-income OECD*		92.2	100.0	52.5	84.2	50		88
South Asia		87.5	93.8	20.1	59.7	99		205
Afghanistan		73.3	N/A	9.1	0.0	218		301
China		96.4	N/A	50.0	52.5	59		129
India		92.9	87.5	15.8	85.0	90		295
					s the membership of this cooper			

73.3

N/A