

## Golbahar Textile Factory Rehabilitation

### Project Summary

<b>Subsector</b>	Textile Manufacturing
<b>Location</b>	Golbahar, Afghanistan
<b>Project Cost</b>	\$2.5 Million
<b>Project Type</b>	Factory Rehabilitation
<b>Project Executing Firm/Agency</b>	ACATCO, LLC
<b>Funding Agency</b>	Not Identified



## Project Outline

The Karzai government is committed to the development of a competitive private sector, which will become both the engine of growth and the instrument of social inclusion through the creation of opportunity. Therefore, it is important to locate industries that have a potential to jump-start the economy by creating much needed employment for a population center. At one time, Afghanistan was able to produce 120,000 tons of cotton per year, satisfying the booming textile industry. It is estimated that a mere 19,000 tons were produced in 2002, substantially below the capabilities of the country.

The Golbahar Textile Plant, located approximately 90 km north of Kabul, was once the largest manufacturer of textiles in Afghanistan. It employed 10,000 workers and processed 15,000 tons of cotton for textile production. The plant produced 80 million meters of cotton cloth, 10,000 meters of which were exported. Two Afghan businessmen envision the rehabilitation of the Golbahar Textile Plant with the combination of local textile expertise and foreign direct investment. The rehabilitation of the textile plant would provide employment opportunities for the local population as well as stimulate economic growth in rural communities by creating a demand for cotton production.

## Technical Description

The Golbahar Textile Plant is a state-owned enterprise and has been closed to production for the last 15 years. The current state of the facility includes a leaky roof and numerous un-serviced textile-producing machinery. It is suggested that a contract be established with the Afghan government to rehabilitate, operate, and manage the facility and once the factory is realizing a profit, privatize the plant by selling shares to the initial investors. Steps involved in revitalizing the factory would include:

- Rehabilitate factory structure and service existing equipment
- Train managers and staff for production efficiency
- Develop marketing strategy for selling finished products
- Privatize the facility

The implementation plan has three phases:

**Phase 1:** The first phase would include a site survey of the factory's general conditions, which would assess the machinery, power and water supply systems, distribution systems, and status of fixed capital and buildings. The next step would entail a feasibility study, which will provide different low-cost options for machinery repairs and facility rehabilitation that are the bare minimum to reactivate the factory. The study will also include a risk analysis choosing different scenarios that characterize Afghanistan's economy. The final step in this process is to prepare a business plan with a marketing strategy and an investment plan that optimizes long-term profitability at minimum cost. This overall assessment will take approximately three months with a cost of \$100,000.

**Phase 2:** The second phase will be to rehabilitate the facility, repair the existing machinery, purchase new machinery parts, make repairs to fixed capital assets, extend and improve power and water supply, and train employees and managers for efficient production. This phase would have a duration of 15 months with a cost of \$2.4 million.

**Phase 3:** The third phase will take place once the production of textiles begins to realize a profit and the government can privatize the plant by selling shares to the initial investors.

## Project Site

The project site is in Golbahar, Afghanistan.

## **Project Status/Timeline**

Once co-investors have been identified, the project duration will be approximately 18 months.

## **Equipment and Services**

ACATCO, LLC is primarily looking for investment partners. Once the partners have been identified, the developers will seek suppliers to rebuild the fixed assets. Specifically, they are looking for:

- Water treatment and supply technologies
- Power generators, electrical wiring, and lighting
- Electronic security systems, CCTV, and perimeter walls
- Computers, printers, photocopiers, scanners, office supplies, and office furniture

Other production-related equipment in demand includes:

- Ginning equipment
- De-linting equipment
- Dyeing
- Center and surface winders
- Accumulators
- Dry and wet lint removal and brushing equipment and chemicals
- Plaiting equipment
- De-curling/centering equipment
- Guiding equipment
- Production and laboratory pads
- Washing and softening equipment
- Low wet pick-up finishing equipment

## **U.S. Competitiveness**

U.S. firms are major producers of textiles and textile-related machinery, as well as water supply technology and power generators. High quality at competitive prices will be of vital importance, especially if ACATCO will be working with U.S. investors.

## **Project Financing**

The project developer, ACATCO, LLC is looking for co-investors to assist in financing the development works. ACATCO has obtained all the necessary government permits to rehabilitate the factory.

## Conclusion

After over 20 years of war and communist rule, the private sector in Afghanistan is just beginning to come to life again. Under quite difficult conditions and with considerable expense, ACATCO has been able to establish a presence here, employing presently some 50 people, who are engaged in management, accounting, rehabilitation, and renovation works. In connection with the proposal to rehabilitate the Golbahar plant, they have lined up about 400 experienced workers so that the plan could be implemented immediately. Among the staff, they have an experienced construction overseer, a resident mechanical engineer, a trained accountant, and a computer expert. They believe they now have the nucleus of an organizational structure to rapidly expand operations.

ACATCO also has ample office space, allowing growth without having to move locations. Further, they have access to storage and repair facilities to take proper care of equipment, machinery, and parts that would come from overseas.

## Key Decision Makers

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