

V. Feasibility Study for Carpet Subsector Plan: Operationalising Cut and Wash Facilities

The comprehensive **feasibility study** of the MRRD selected business opportunity ‘Operationalising Cut and Wash Facilities’ for the carpet subsector shall be presented in this section, covering both the economic viability and technical feasibility. The *Economic Viability* analysis includes market analysis, competitive analysis, business justification, marketing plan, alternative financing options, realistic cost flow statement, cost benefit analysis, breakpoint point, and contribution of potential entrepreneurs. The *Technical Feasibility* analysis includes: demand and supply analysis, availability of required resources, availability of technical know-how, and alternative supply sources. There is a special focus on Balkh.

5.1 Business Description

A washing and cutting facility with links to smaller units with quality control, which can put a label on the carpet, arrange transportation and contact with sales outlets in market (limited). Traders or carpet weavers / carpet production units / associations pay for cutting and washing services. The Company bulk buys inputs reducing costs. Customers would include weaver associations and traders who will then be able to sell directly to international markets. Company receives commission for sales of carpets.

Services	<ol style="list-style-type: none"> 1. <i>General cutting and washing services</i> for production units and associations in Mazar. Paid directly for their services. 2. <i>Cutting and washing for ‘member’ traders / associations with additional marketing services</i> in selling on commission base or acting as wholesalers, initially to Kabul and Pakistan. 3. <i>Training of cutting and washing workers and assisting with establishing small ‘cut and wash franchises’</i> (extension workers / training centre) including facilitating access to credit for cut and wash units. 4. <i>Labeling for cut / finished carpets</i> – general and customized.
Organisational model	Large existing facility connected to existing smaller sites.
End products	<i>Finished Carpets</i> for direct marketing / export.
Estimated employment	33+ 35 extra people employed

5.2 Economic Viability

The Market / Overview

A Industry Analysis

General carpet industry

Afghanistan's world famous **carpet** trade is steeped in history and tradition, reflecting Afghanistan's diverse culture and heritage. Characterized by cottage home based production (mostly by women), Afghanistan is "one of the last places in the world where carpets are produced following ancient traditions"²⁵. Afghanistan produces several types of handmade carpet including felted wool carpets (namads), flat 'non-pile' fabric woven carpets (kilims) and 'pile' and 'knotted carpets' made from wool, silk and cotton.²⁶

The carpet industry represents a strong subsector in Afghanistan and is heavily active in the North part of the country (Balkh, Jowzjan, Maimana and Kunduz provinces), where there is 70 per cent of production and 50-70 per cent of national trading. Approximately a quarter of villages in Balkh weave carpets.²⁷ It is estimated that there are over 10,000 weavers in this province with total production levels of ~150,000 m² / annum. Carpets are mainly made in Daulatabad, Aqcha, Dehdadi, Balkh and Chahar-Bolak districts.

Current export is quoted at \$140 M / annum (OTF 2006). Afghanistan Export Promotion Agency (EPAA) estimates that 2 million carpets are exported per year. With an average carpet size of 3.2 m², this equates to 6.4 million m² carpet / year. However, the real figure may be closer to 6.6 million m² carpet / year. Afghanistan Carpet Exporters Guild (CEG) estimates that there are over one million Afghans working in the production of carpets (with further millions involved in 'support industries' such as wool production, cutting / washing and design)²⁸.

The industry still relies largely on a traditional system for carpet / wool production and marketing. This means that carpets are produced at home, and the traders facilitate marketing. Mazar in Balkh is a key location for carpet trading, networks and services. Over 65 per cent of carpets made in Afghanistan (and probably 90 per cent in Balkh) are channeled through this city. Traders predominantly facilitate the finishing of the carpets (over 90 per cent) through Pakistan, and export directly from Pakistan onto Western markets. There is substantial scope to broaden the carpet (and wool) industry in Balkh creating a carpet business cluster zone through the development of support enterprises such as wool production (second grade wool), cutting and finishing services, design support and direct marketing services. There is also scope for broadening product development.

²⁵ CNFA 2005

²⁶ McCord 2007.

²⁷ See Appendix 5.

²⁸ McCord 2007

Cutting and washing carpet support industry

Cutting and washing is often an independent support industry to the carpet production industry (perhaps 20 per cent of traders carry this out 'in-house'). The cutting and washing of carpets "is as integral to [the] overall production process as is weaving"²⁹. This process helps remove excess dye, washes out loose fibres and brings out the 'sheen and lustre' of the carpet.

The current capacity within Afghanistan to do this is limited (both in terms of quantity and quality). Facilities are mainly based in Kabul (maximum 1-15 facilities), Mazar (maximum 10 facilities) and Herat (maximum 5-10 facilities). Of these, perhaps only 25 per cent are able to offer services of competitive quality. It is indicated that 80-90 per cent of carpets currently produced are exported to Pakistan for cutting and finishing (and are then subsequently branded 'Made in Pakistan'), although OTF (2006) quotes as high as 95 per cent. This means that current capacity only meets a maximum of 10 per cent of demand. Pakistan has a number of excellent quality cutting and finishing facilities in Peshawar.

Financial incentives to invest in cutting and finishing in Afghanistan have been low due to the high costs of land etc. Pakistan also benefits from a number of advantages in this business: ease of access to chemicals (made in Pakistan), access to expertise and skilled labour, a warm climate (year round warm weather means that carpets can be dried outside) and efficient / secure export. Afghan capacity to carry out good quality of cutting and washing exists but requires scaling up with appropriate assistance.³⁰

The following SWOT analysis provides a comprehensive overview of strengths, weaknesses, opportunities and threats in the carpet subsector (with a focus on Balkh).

²⁹ McCord 2007

³⁰ OTF 2006

SWOT-analysis CARPET SUBSECTOR/BALKH PROVINCE

STRENGTHS	OPPORTUNITIES
<ul style="list-style-type: none"> - Perception/appreciation in the world market for (uniqueness of) traditional handmade Afghan carpet - Long historical tradition of weaving by hand at home in villages/unique product - Large number of skilled weavers in Balkh (~10,000), high level of production (>150,000m² / annum with approximately 12,500 m² produced per month) - Quantity and quality of traditional designs and patterns - Availability of raw material (wool, but it is unprocessed) - Availability of antique carpets - Availability of the natural dyes - Favorable conditions in Mazar (electricity, water?) 	<ul style="list-style-type: none"> - Export directly, instead of via Pakistan - Adding value by cut and wash (but environmental unfriendly); as long as quality is guaranteed - Learn new styles and adopt to market demand - Target specific niches in world market - Zero tax tariff with a number of countries - Creating a (socially-conscious) branding - Wool-processing (spinning, dyeing, washing) - US market recovering and pushing world demands - World market for carpets is growing at 2-3 yearly - Access to vertical looms for larger carpets (US market) - Small expat-community in the domestic market - Product-differentiation - Developing a marketing entity representing Balkh producers - Plant for washing chemicals
WEAKNESSES	THREATS
<ul style="list-style-type: none"> - Cutting and washing facilities in the north / Balkh are not sufficient (only meet ~10% demand) - Quality of available cut and wash facilities is low or varying - Constraints in access to chemicals, have to be imported from Pakistan, and they are expensive - Limited market linkages for exports - Limited to zero domestic demand for traditional handmade Afghan carpets - Access to raw materials: quality white wool and natural dyes, for limited supporting services in wool subsector - Use of child labour to make costs low - Not able to adapt to market demands (new color and styles) - Poor working conditions for weavers - Little quality control with home-based weavers - Transportation from Mazar is expensive - Lack of marketing capabilities with traders - Low technical expertise level on processing wool, dyeing, cutting and cleaning of carpets - High-level carpet market (handspun, hand woven) is limited 	<ul style="list-style-type: none"> - Government of Pakistan subsidizing carpet industry (transportation) - Strong Pakistani market linkages - Development of a strong Pakistani brand, by carpets made by Afghan weavers) - The competition of cheaper machine made carpets from other countries (Iran, - The competition of modern style carpets from other countries (India, Kashmir) - Western attitude towards child labour - Appreciation for product is subject to fashion influences (interior decoration) - Growing tendency among customers to buy lower quality carpets and change more often (instead of focusing on durability) - Irregularities of hand-spun, hand woven carpets are unappealing to some markets

B Market Analysis

General carpet industry

The major Afghan hubs for carpet trading include Kabul, Herat, and Mazar (primary). It is said that more than 90 per cent of carpets are exported out of Pakistan and onwards (EU, USA). Value chain analysis has shown that Afghanistan can capture 3-5 times more value “by trading closer to the end customer” and processing / exporting out of Afghanistan.³¹ Exports include finished and unfinished carpets.

The US and Germany are the largest global carpet buyers (with the US just marginally ahead).³² There is strong demand for (some) Afghan carpets (the market is more stable for high quality, traditional Afghan carpets) in regional markets as well as in the US and Europe (Germany).

The hand-knotted carpet market remains “highly competitive” although competition from good quality machine-made carpets is pushing prices down and decreasing their value.³³ Two new characteristics in the global market include³⁴: the desire for a ‘one stop shop’ for all types of carpets (machine made and hand spun, different designs) rather than dealing with smaller product specific traders. Another new and worrying development for the Afghan handspun carpet is the decreasing differentiation between (mid range) handspun and machine woven carpets. Style and colour seem to be the most dominant factors in the purchase of carpets, and “are changing rapidly”³⁵. The table below describes attributes most desired by the two largest markets, US and Germany.

Attributes sought after by major markets

Attribute	German market	US
Colour	<input type="checkbox"/> Earthy tones <input type="checkbox"/> Bright colours very popular	<input type="checkbox"/> Earthy tones <input type="checkbox"/> No bright colours
Design	<input type="checkbox"/> Contemporary designs as well as simple florals <input type="checkbox"/> Tribal designs (some) <input type="checkbox"/> Intricate design not favoured	<input type="checkbox"/> Tribal designs in contemporary as well as simple florals <input type="checkbox"/> Intricate design not favoured
Type	<input type="checkbox"/> Chobis in natural dyes <input type="checkbox"/> Bright colours / earth tones in contemporary design may be popular	<input type="checkbox"/> ‘Khazakhs and Chobis in natural dye would do well’ <input type="checkbox"/> Gabbeks may also be popular

Source: derived from OTF 2006

Cutting and washing carpet support industry

Cutting and washing facilities are mainly based in Kabul, Mazar and Herat in Afghanistan. Clients are Afghan based companies including high-end, medium-end and low-end carpet dealers. At present the capacity to offer good quality cutting and finishing is low although in each location it does exist. In Mazar, there is one renowned cutting and finishing service near the ‘Silo’ run by Naim company.

³¹ CNFA 2005

³² OTF 2006

³³ OTF 2006

³⁴ OTF 2006

³⁵ OTF 206

This facility offers excellent quality services although at higher prices than its local competitors. Demand for this service is high however. The carpet finishing service (cutting and washing³⁶) in Pakistan (Peshawar) is quoted at \$4.89 / m2 (not including costs of transport however) compared to Afghanistan at \$4-7 / m2.

C Competitor Analysis

General carpet industry

International competitors include Pakistan (export \$246 M), Iran (export \$391 M), Nepal (export \$100M), China (export \$121M), and India (export \$148 M).³⁷ Trends in the market indicate that contemporary designs are becoming more popular. India and Nepal are responding quickly to these changes and are strong competitors in the handspun market. The carpets produced in China are increasingly made with machine-spun wool and high wages are diminishing the hand knotted carpet industry. Afghan exports in 2004 were worth \$140M, up 10 per cent on the previous year.³⁸ More recently though, the marketing of high value Afghan carpets has been challenged with the sudden mass production of cheap, machine made carpets from China. Going forward, Afghanistan's predominant competitive advantage lies with branding their carpets 'handspun / made in Afghanistan' (with local 'Afghani / Ghazni wool') to capture their higher value, although ultimately – with modernization - a range of products may make the industry more sustainable. The Afghan *chob rang* type is the most sought-after on the international markets.

The wholesale price per m2 of Afghan carpets is between \$74-131. In India, Indian knotted 'high quality carpets are given at \$102 / m2, and medium quality 'Chobi' is \$97 / m2 (OTF 2006). Afghanistan's prices are competitive with those from India and Nepal, but will be challenged by low prices of the machine made carpets in the region (\$40 /m2) if they do not pursue branding.

Afghanistan carpet price structures

Knot density	Best (\$)	Good (\$)	Poor (\$)
35x40	90	85	74
40x40	107	98	79
50x50	131	115	82

Source: derived from ADB Landell Mill Limited March 2007

Cutting and washing support industry

Competitors in the cutting and washing industry include both Afghan and international companies. Within Afghanistan, there are a few good quality cutting and finishing units as discussed, although in general the capacity remains 'thin'. The quality of services is not externally verified or graded, so it is difficult to differentiate between the providers except by reputation. In Mazar, there are a total of 10 facilities but only one facility (run by the Naim company near the Mazar 'Silo') remains fully competitive (cost and quality). The table below contrasts the prices of the 'Silo' cutting and finishing

³⁶ ADB Landell Mill Limited March 2007

³⁷ OTF 2006

³⁸ OTF 2006

against two other units. As a result of inconsistent quality, nine of the facilities are struggling to survive, whilst the ‘Silo facility’ is inundated in contracts. In Kabul, the prices are similar (and quality likewise). Kabul’s cutting and washing facilities are generally further from the Northern production areas, and do not currently pose a threat to cutting and finishing in Mazar.

International competition is mostly based in Peshawar, Pakistan. The quality of the services is high and the costs are low (see earlier / \$4.89 / m²). However, carpets from Afghanistan must be transported to Pakistan (\$2 / m²).³⁹ Yet, if carpets are still exported from Pakistan, incentives exist for the finishing of carpets to be carried out there too. Research indicates that increasing numbers of carpets are now being exported from Kabul.

Typical costs of cutting and finishing in Mazar

Facility	Dusting / m ²	Washing / m ²	Cutting / m ²	Total cutting and finishing / m ²
Large C/F ‘Silo’	(Not given)	(Not given)	(Not given)	\$6 / m ²
Small C/F ‘Haji Surajudi’	\$0.2 / m ²	\$2 / m ²	Not currently using	~\$3-5 / m ²
Small C/F ‘Ali Khan’	\$0.2 / m ²	\$2 / m ²	\$0.6 / m ²	\$3 / m ²

D Customers/markets Kabul/direct export

General carpet industry

Over 90-95 cent of Afghan produced carpets are exported. Only 5 per cent of locally carpets are purchased in Afghanistan (predominantly by internationals), mostly in Mazar and Kabul (with a small fraction in Herat). Carpets are predominantly exported through Pakistan (80-90 per cent) – part motivated by cutting and washing services - and onto customers in the US and Europe (often through Germany). A small percentage is exported from Kabul directly (10-20 per cent).

In terms of the value chain, traders tend to have contracts with weavers through local trading agents. Traders issue the inputs, and the weavers provide the ‘weaving service’. Traders usually have contact with a Pakistani agent that is linked to the end buyer in US / Europe and the agent facilitates direct export from Peshawar.

Cutting and washing support industry

For cutting and finishing facilities in Kabul, Mazar and Herat in Afghanistan, customers are Afghan only. For the smaller facilities, business is piecemeal with local carpet owners or small traders negotiating individual contracts per job. These facilities do not take on larger consignments due to their limited capacity; they also have poorer reputations (and their quality is not competitive with cutting and finishing in Pakistan) and thus find it difficult to secure larger and regular contracts. For the larger facilities (e.g. the Naim company near the Silo in Mazar), large / medium and small traders negotiate the cost of bulk cutting and washing contracts. The quality is high and competitive with Pakistan on both end quality and cost (if transport costs are included). As stated, services in

³⁹ OTF 2006

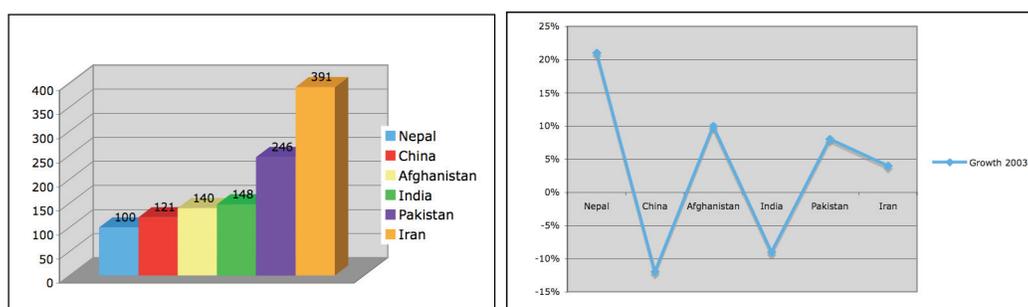
Afghanistan could theoretically be increased nine fold, since only 10 per cent of local market demand is currently met.

E Demand and supply analysis

General carpet industry

Afghanistan has seen a rise of 10 per cent in direct export (2003-2004). Afghanistan is the fourth largest global exporter of carpets (direct export). Yet while Pakistan appears to be the second largest exporter, over 70 per cent of these ‘Pakistani’ carpets are in fact Afghan. Afghan carpets are currently cut and finished in Pakistan, and exported as Pakistan carpets. Market demand is thus significant for ‘Afghan carpets’ although a lack of appropriate branding (as handspun, made in Afghanistan etc) has recently been forcing Afghan carpets to compete with Chinese / Indian machine made carpets.

Global exporters of carpets and growth 2003-04



Source: derived from USAID 2004, cited in OTF 2006.

As stated earlier, EPAA (2007) estimates that 2 million carpets are exported per year. With an average carpet size of 3.2 m², this equates to 6.4 million m² carpet / year. However, the real figure may be closer to 6.6 million m² carpet / year. Carpet production zones are based around the north of Afghanistan. Balkh province is estimated to produce over 150,000 m² of carpets a year or >12,000 m² a month. Carpets are mainly made in Daulatabad, Aqcha, Dehdadi, Balkh and Chahar-Bolak districts (see Appendix 2 for district breakdown).

Cutting and washing support industry

Demand for Afghan cutting and finishing services has increased dramatically in recent years (since 2001). In the past, these services existed and the same companies also facilitated direct export (e.g. to Frankfurt). Currently the services on the ground in Afghanistan only meet 6-10 per cent of demand (demand includes cutting and finishing of Balkh carpets as well as other Northern provinces). At present, it is estimated that Balkh cutting and finishing facilities complete 4,000-6,000 m² / month against a potential demand of over 60,000 m² (derived from research data in Mazar). There is obvious demand for quality cutting and finishing services in Mazar if they are competitive with Pakistani (Peshawar) services on both price, and quality.

As stated previously, cutting and finishing facilities are mostly based in Kabul, Mazar and Herat. Services vary in quality. In Mazar, there is only one good quality service provider available. The other units (nine) are only barely operational. See earlier for details.

F Business justification in Balkh

At present, there are limited facilities for cutting and washing in Mazar despite increasing market demand (only 10 per cent of market demand is met). One large facility (run by the Naim company near the Mazar 'Silo') has a thriving business and has more contracts than they can manage whilst several smaller units - almost non-operational - face high costs of inputs and provide inconsistent quality services with few trader links. Recently, the government issued subsidized land for expanding cutting and finishing businesses but this has no water / electricity or proper drainage, and thus businessmen have been hesitant to invest. This situation has led to the following:

- Currently, only approximately 10 per cent of carpets traded in Mazar are cut and finished in Balkh,
- Weaver / production units and associations sell unfinished products to Kabul or Pakistani traders losing the opportunity to sell higher value products directly, or use local marketing channels,
- Small local cutting and finishing facilities in and around Mazar suffer from limited trader contracts, a lack of quality inputs (chemicals – see below) and poor / inconsistent cutting and finishing standards (putting off prospective traders),
- (Increasingly expensive) chemicals for finishing / washing the carpets are being imported from both Turkmenistan and Pakistan due to a lack of local supplies (and these degrade in transit - increasing the costs (since more of the chemical must then be used to compensate).
[A new dealer based in Mazar will resolve this problem]

Financial Plan⁴⁰

A Capital requirement

Owners Equity:	35,000 US\$
MRRD grant:	35,000 US\$
Bank Loan:	35,000 US\$
Total:	105,000 US\$

B Capital Investments

Capital Investments	US \$
Land	0
Building	0
Drainage (2)	30,000
Equipment	
Blow dryer (2)	10,000
Washing material (2)	6,000
Cutting machine	4,000
Stabilizer (2)	8,000
Transportation	0
Generator	0
	58,000

C Financing options (and contribution of potential entrepreneurs)

See A. Loan will be paid back within 18 months, at an interest rate of 13% with a grace period of four months.

D Landed costs

N/A

⁴⁰ In the final Business Plans, some of this data may be tweaked.

E Operations Forecast

The production capacity will double with the two new sites. Current production is 100m² a day.

The below table will state the production capacity with the expansion.

Operation Forecast							
	Summer			Winter			
Capacity	Day	Month	TTLHYR	Day	Month	TTL/HYR	TTL/YR
<i>Finished carpet m²</i>	200	6,100	36,600	100	3,050	18,300	54,900

During the winter months, capacity will be at 50%, due to the weather conditions.

Income Statement		
	US\$	US\$
Sales revenue		296,460
Costs of goods sold		
Chemicals	59,292	
TOTAL	59,292	
Gross Profit		237,168
Expenses		
Rent	36,000	
Utilities (water, electricity, fuel)	7,896	
Salaries	114,468	
Other labor costs	24,000	
Transportation Costs	7,488	
Other administration costs	6,000	
Loan	26,600	
Deprecation	6,000	
TOTAL	228,452	
Net Income before Tax		8,716
Less: Income Tax	1,743	
Net Income		6,973

F Cash Flow and Break-Even Analysis

Cash flow Overview			
	year 1	year 2	year 3
Opening balance	35,000	119,716	142,328
Grant	35,000	0	0
Loan	35,000	0	
Collection from sales	296,460	296,460	296,460
Total receipts	401,460	416,176	438,788
Payments			
Purchase of land	0	0	0
Building	0	0	0
Purchase vehicle	0	0	0
Rent	36,000	36,000	36,000
Chemicals	59,292	59,292	59,292
Transportation	7,488	7,488	7,488
Labor costs	114,468	114,468	114,468
Other labor costs	24,000	24,000	24,000
Administrative costs	6,000	6,000	26,600
Loan payments	26,600	26,600	0
Utilities	7,896	0	0
Total payments	281,744	273,848	267,848
Balance	119,716	142,328	170,940

Break Even Analysis

	US\$	Total Production m2	Variable Costs m2 (US\$)	Sales Price m2 (US\$)	Fixed Costs (US\$)	BEP (m2)
Direct labor costs	95,040	54,900				
Chemicals	59,292	54,900				
Total Direct Costs	154,332	54,900	2.81	6.00	133,412	41,691

G Cost benefit analysis *CBA)

Please refer to all of the above for preliminary cost / benefits. A full CBA will be included in the Draft Final Report / Business Plan.

Marketing Plan

A Targeting Strategy

The company will continue working with existing customers, over time sorting out the better customers and creating a customer relationship that is based on mutual trust.

The company is by nature independent, which means that is able to work with any trader, carpet production factory, carpet producers association and/or carpet weavers directly. Herewith it differs from other cutting and washing facilities, which are usually owned by a trader.

The company will consistently put efforts into business development, in order to attract new customers, over time ceasing to work with bad customers, that cannot or will not issue payments according to the given time schedules.

B Service Strategy

The company will firstly aim at good quality services, delivered timely and according to estimated time schedules. The company will do cutting and washing according to the customers specifications.

Over time, the company will diversify to three different products of cutting and washing, different quality and price levels.

C Pricing Strategy

The company will maintain its current pricing policy, over time aiming to develop different products at different price levels. The company will strive to check the prices of competition in Mazar-e Sharif and Kabul, Pakistan in order to maintain a level of competitiveness. Current sales price is 6 USD per m².

D Advertising

The company will use direct sales contact with potential new clients as a sales promotion tool. The company will use other sales tools, like discounts on larger orders, and/or special price offerings off-season.

E Sales Forecast

Sales Forecast					
	m2	Price (US\$)	TTL SALES (US\$)	10% 'Bad' Customers	TTL Yearly Sales Revenue (US\$)
Total Production Year	54,900	6	32,9400	32,940	296,460

5.3 Technical Feasibility

(Demand and supply analysis was presented under the previous section.)

A Management

Management

Managing Director/Business Owner: Naim Maimanaghi

End responsible for Overall Management, Finance, Marketing & Sales, and Human Resources.

Manager: Mr. Shams

Responsible for Finance, Administration, and Human Resources

Financial Administration

The company will do the financial administration in the main factory. Accounting software (QuickBook, etc.) will be bought for the financial administration. The company will receive technical assistance with the implementation of a professional computerized financial administration and the use of accounting software from MRRD. At the main factory Internet-connection will be present and at least one PC for the administration.

Administrative and financial controls

- Bookkeeping system
- Accounting system
- Accounts receivable and account payable management system

B Availability of required resources (technical, infrastructure and equipment)

(i) Infrastructure

Existing core infrastructure is present on the ground at the Naim company cutting and finishing facility with access to water and electricity. The business will link up this existing functional facility with several other smaller facilities in Mazar.

(ii) Equipment / materials

Equipment exists on the site. Additional equipment will need to be purchased including blow dryer (custom made locally), cutting machine (available locally), washing material (available locally) and stabilizer (available locally). (See financial plan)

(iii) Technical / Business Assistance

The business does not depend on this assistance to be 'operational'. The company will receive additional management, finance, marketing and technical training / support (the training support / plan is described under Appendix 4).

Management support: The Company will receive management support from a Kabul based consultant during the first year of operations which will be paid for by MRRD. The monthly meetings will be focused at Coaching, mentoring, troubleshooting, support service contract management, HR management, monitoring and evaluation. (Total cost = \$21,600)

Financial support: The Company will receive Accounting / *Quickbook* training and assistance from a Kabul based Consultant in the establishment of a Financial Management System. (Total cost = \$3,800)

Marketing and Business training: The Company will receive a three-day marketing and BDS training from a Kabul-based BDS provider which will be paid for by MRRD. Modules including marketing, business development, supply chain management and export. (Total cost = \$1,800).

Technical support: The Company will receive assistance for establishing guidelines for quality of cutting and washing, environmental friendly cleaning and working conditions, as well as training workers on general technical skills and quality control. (Total cost = \$1,500)

(iv) Raw Materials

Carpets: Local carpets are available for servicing in Mazar and the Company has links with traders. As stated earlier, there are at least 12,000 m² of carpets produced monthly from Balkh alone, which require cutting and finishing (other Northern provinces also channel their carpets through Mazar totaling at least three times the Balkh production).

Chemicals: The main raw material required for carrying out the 'cutting and finishing' service itself are the chemicals that are used for washing (sodium peroxide). A new dealer based in Mazar will enable the company to source the chemicals directly without facing high costs in transport and degradation of the chemical in transit. The chemical costs approximately x / litre.

Alternatively, chemicals are already imported from Pakistan and with increased volumes a better price can be negotiated.