



Ministry of  
**Industry and Commerce**  
Islamic Republic of Afghanistan

# AFGHANISTAN'S NATIONAL EXPORT STRATEGY 2018-2022

## PRECIOUS STONES AND JEWELLERY SECTOR

*Revealing Afghan beauty  
to international markets*



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# AFGHANISTAN

## NATIONAL EXPORT STRATEGY

2018-2022

### PRECIOUS STONES AND JEWELLERY SECTOR



Ministry of  
Industry and Commerce  
Islamic Republic of Afghanistan



International  
Trade  
Centre



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Afghanistan Chamber Of Commerce & Industries  
اتاق تجارت و صنایع افغانستان  
د افغانستان د سوداګرۍ او صنایعو اتاق



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This document reflects the ambitions of the public and private stakeholders who defined the enhancements and future orientations for the sector with the objective of increasing export performance and social dividends.

## NOTE TO THE READER

Afghanistan's NES was developed based on a participatory approach during which over 500 Afghan industry leaders, small business owners, farmers and public sector representatives held consultations to reach consensus on key sector competitiveness issues and priority activities. **These inclusive consultations were held throughout the country, including in Mazar-e-Sharif, Herat, Kandahar and Kabul, with participation of stakeholders coming from Nangarhar Province.**

Besides in-depth research and value chain analysis, these consultations were complemented by:

- **Factory visits** through which supply chain assessments were carried out to gain further knowledge on key issues such as quality procedures, technical skills, lean management, quality of raw materials, access to market, etc.
- **Interviews with domestic, regional and international buyers** to guide the NES with strategic insights and market intelligence as well as buyers' requirements in terms of quality standards, food safety, packaging, buying cycles, distribution channels, prices, etc.
- **Donor coordination meetings** to identify synergies with ongoing/planned initiatives of development partners to eventually result in collaboration during the implementation phase.

**In spirit and in action:** The NES is aligned with existing national and sector-specific plans and policies and builds on ongoing initiatives in areas related to private sector development, regional integration, investment, and youth and women's economic empowerment.

Equally important, the NES initiative already accommodates budgeting to support implementation of critical pilot activities identified during the design process. This will ensure that impact and momentum are generated from early on, and support further resource mobilization and confidence-building.

The principal outputs of the NES Afghanistan design initiative are endorsed, coherent and comprehensive export Strategy documents with a five-year detailed plan of action (PoA) and implementation management framework. These documents include:

1. A main NES document, which contains Trade Support Functional strategies, offering critical support across value chains and acting as enablers for sector development.
2. Individual NES priority sector strategies packaged as separate documents but in alignment with the main NES findings and overarching strategic objectives.

## NES Afghanistan

### Main NES document comprising Trade Support Functional Strategies:

- Quality management
- Trade facilitation
- Trade information and promotion
- Skills development
- Business and professional services
- Access to finance

### Individual NES priority sector documents:

- Saffron
- Fresh fruits and vegetables
- Dried fruits and nuts
- Carpets
- Marble and granite
- Precious stones and jewellery

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# ACRONYMS

The following abbreviations are used:

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<b>ACCI</b>	Afghanistan Chamber of Commerce and Industries	<b>MoE</b>	Ministry of Education
<b>ACIM</b>	Afghanistan Chamber of Industries and Mines	<b>MoF</b>	Ministry of Finance
<b>ANSA</b>	Afghanistan National Standards Authority	<b>MoLSAMD</b>	Ministry of Labour, Social Affairs, Martyrs and Disabled
<b>AWCCI</b>	Afghanistan Women Chamber of Commerce and Industry	<b>MoMP</b>	Ministry of Mines and Petroleum
<b>EPAA</b>	Export Promotion Agency of Afghanistan	<b>NES</b>	National Export Strategy
<b>EU</b>	European Union	<b>PoA</b>	Plan of action
<b>FACT</b>	Federation of Afghan Craftsmen and Traders	<b>PSU</b>	Precious Stone Union
<b>ICC</b>	International Chamber of Commerce	<b>SMEs</b>	Small and medium-sized enterprises
<b>ITC</b>	International Trade Centre	<b>TVET</b>	Technical and vocational education and training
<b>MoCI</b>	Ministry of Commerce and Industries	<b>UAE</b>	United Arab Emirates





# EXECUTIVE SUMMARY

The Afghan precious stones and jewellery sector offers a shining future to the country's handicraft industry. With its many stages of production, the sector holds opportunities to generate inclusive employment for women, youth and people in rural areas at different value chain steps.

Precious stones and jewellery production are deeply rooted in the Afghan culture. In recent years, greater use of e-commerce has facilitated access to Afghanistan's hidden gems and unique Afghan pieces have been rediscovered by international markets. The increasing visibility of Afghan jewellery paired with international demand for unique, handmade products contributes to a brilliant outlook for the sector. Unlocking this potential will unveil Afghan art and tradition to world markets.

At present, the sector's export potential is constrained by supply-side and business environment challenges, as well as difficulties entering new markets. Improvements across the value chain are needed to overcome these hurdles, in areas ranging from mining techniques to processing methods and introducing modern technology.

The Strategy thus aims to achieve the following impacts, with the overarching goal of strengthening the Afghan precious stones and jewellery sector's value proposition to international buyers. Some of the specific objectives are:

- Increase precious stone and jewellery production in terms of volume and value;
- Diversify product and design variety and target markets;
- Establish Afghan precious stones and jewellery as unique, handmade products with a lasting brand in international markets;
- Increase the inclusion of women, youth and people in rural areas, and spread socioeconomic benefits to actors across the value chain.

The Strategy is driven by the following overall vision:

**“ Precious stones and jewellery:  
revealing Afghan beauty  
to international markets ”**

To achieve this vision, the Strategy focuses on three strategic objectives.

## STRATEGIC OBJECTIVE 1: INCREASE PRODUCTIVE CAPACITY WHILE SUPPORTING DIVERSIFICATION AND ENTREPRENEURSHIP

This strategic objective aims to professionalize and standardize both mining and processing practices in order to achieve larger-scale production. As a part of this objective, entrepreneurship will be encouraged and management skills enhanced. Efforts will be made to improve access to finance in order to facilitate purchasing the modern machinery and tools needed to perform advanced value addition.

## STRATEGIC OBJECTIVE 2: IMPROVE THE REGULATORY FRAMEWORK AND INFRASTRUCTURE SUPPORT

This strategic objective will focus on improving coordination between the various actors involved in the value chain, including miners, intermediaries, exporters, processors, researchers and other sector stakeholders. Success in this area will be achieved through improved sector governance, improved access to quality testing and certification, institutional support and empowered sector associations, with a particular focus on organizations led by women.

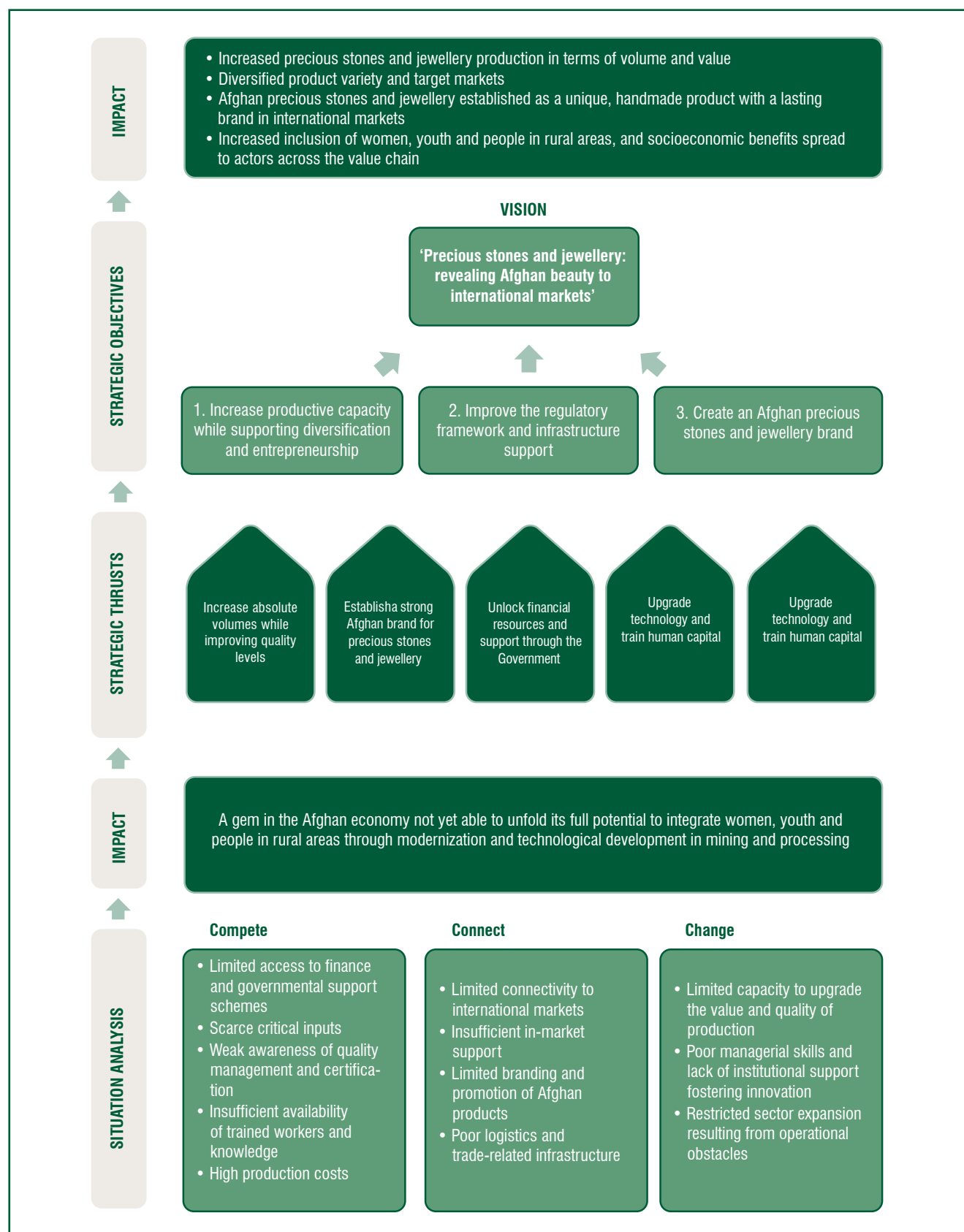
## STRATEGIC OBJECTIVE 3: CREATE AND PROMOTE AN AFGHAN PRECIOUS STONES AND JEWELLERY BRAND

The aim of this objective is to build on recent but still fragile achievements of the Afghan precious stones and jewellery sector in order to cement a high reputation in international markets. This objective can be attained by supporting an integrated approach to promoting and commercializing the unique products within the sector export basket. Adequate support is needed for the quality-testing institutions and certificates that will protect the reputation of Afghan precious stones and jewellery.

Finally, this objective will focus on building the capacity of select enterprises to modernize their brand and thereby appeal to a larger pool of potential buyers, as well as develop the analytical ability to identify and adapt to dynamic global trends.

Figure 1 captures the vision and strategic objectives of the precious stones and jewellery sector.

Figure 1: Theory of change





# PRECIOUS STONES AND JEWELLERY: A BRILLIANT OUTLOOK AT THE GLOBAL LEVEL



Photo: ITC

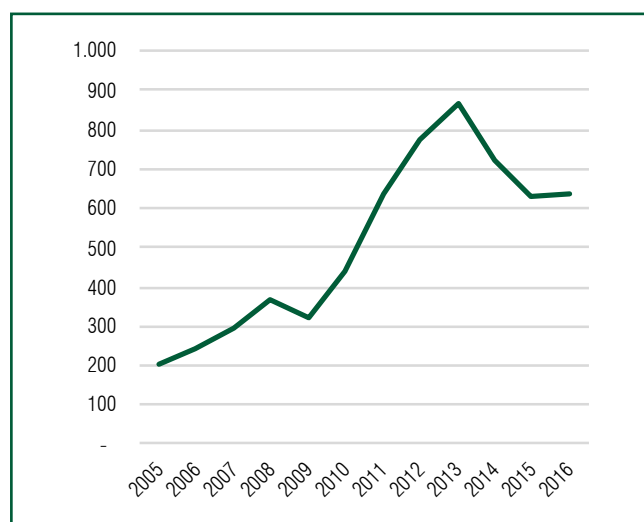
Throughout history, human beings around the world have desired precious stones, attracted by their beauty and luminosity. These physical characteristics come from different minerals being subjected to varying environmental conditions, such as soil, pressure and heat. Colombia, for instance, is the biggest producer of emeralds, contributing 75% to 90% of the world's supply. Sri Lanka is known for more than 50 varieties of gems, ranging from sapphires to rubies. In Africa, Madagascar is responsible for almost 50% of the world's total production of sapphires. Botswana is one of the most important sources of diamonds. Approximately 90% of the world's opals come from Australia.

While the above countries, among others, are known as the best sources for various precious stones, the largest exporters of precious stones and jewellery are Switzerland, Hong Kong (China), the United States of America, India, the United Arab Emirates (UAE) and the United Kingdom of Great Britain and Northern Ireland.<sup>1</sup> Many countries without precious stone resources are among the world's largest exporters; their advanced technology, expertise and long history of processing has allowed them to capture enormous profits through value addition.

Exports of precious stones and jewellery experienced a slowdown in growth after the 2008 financial crisis. The sector returned to stable growth in 2013, led by growing demand from rapidly developing emerging markets. After 2013, falling gold prices hurt export totals, as gold products account for more than half of the sector's value. The sector experienced a decline until exports stabilized at around US\$630 billion in 2015.

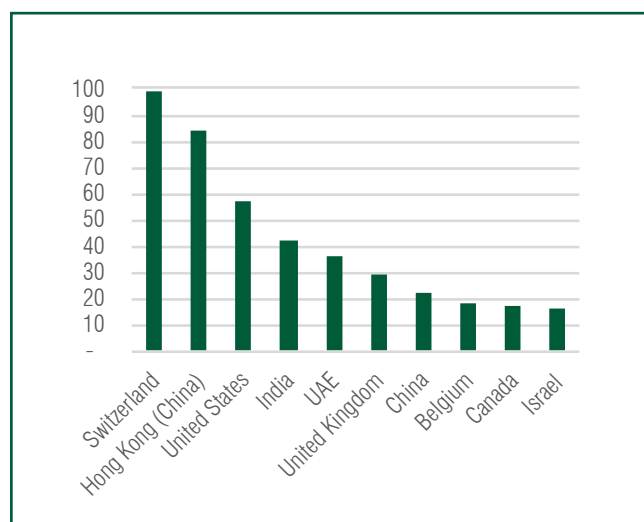
1.– Based on HS71.

**Figure 2:** World exports in the precious stones and jewellery sector, 2005–2016 (US\$ billions)



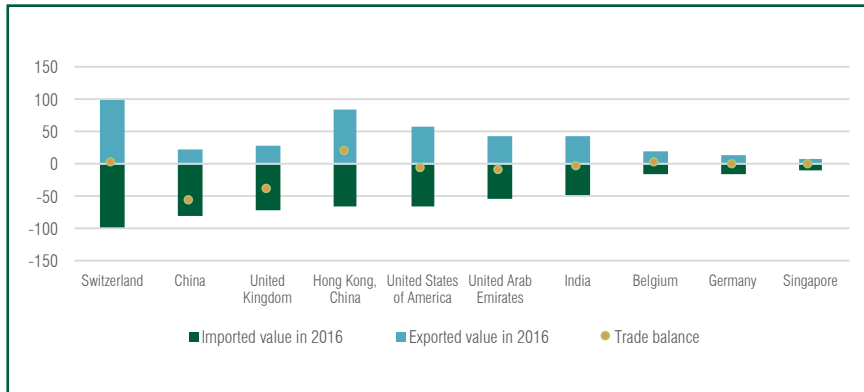
Source: Trade Map (2017).

**Figure 3:** Top 10 exporters in the precious stones and jewellery sector (US\$ billions)



Source: Trade Map (2017).

Figure 4: Trade balance, top 10 importers of precious stones and jewellery, 2016 (US\$ billions)



Source: Trade Map (2017).

In this section, the following top importers and re-exporters in the sector will be analysed in detail. They include Switzerland, Hong Kong (China) and mainland China, the United States, the United Kingdom, India and the UAE.

## SWITZERLAND

Switzerland is the largest exporter in the sector, with an exported value of US\$98.5 billion in 2016. The country supplies clients in the United Kingdom, China, Hong Kong (China), India, the United States and France. Diamonds, rubies and other precious stones in worked form (polished and cut but not set in accessories) contribute to Switzerland's world-leading export basket. With advanced cutting, polishing and trimming technologies, the country exports semi-processed and processed precious materials to worldwide markets based on market ties and trust established over many years. The majority of these materials are

not sourced domestically. The country instead imports them from worldwide markets to re-export after value addition.

Because Switzerland lacks mineral resources but has world-leading technology, it is also the greatest importer of precious stones and jewellery, recording imports worth \$100 billion in 2016. The main suppliers are the UAE, United Kingdom, United States, Hong Kong (China), France and Thailand. The main import goods are raw and semi-processed precious metals and stones that undergo various forms of value addition. At the same time, Switzerland is an attractive market for the sector, with high consumer demand for luxury goods.

### Box 1: Switzerland

#### Switzerland as a consumer market

The Swiss precious stones and jewellery sector has a high-quality brand image. The price bracket, therefore, lies between mid-price and premium. When it comes to fine jewellery, silver products are preferred over gold. As gold and platinum are generally too expensive for the average consumer, demand has shifted to more affordable metals. Modern and contemporary designs are popular with younger consumers. Diamonds are usually regarded as out of most consumers' budgets except for special occasions, such

as engagements. More affordable non-diamond jewellery enjoys high popularity in Switzerland. Jewellery as part of the fast fashion scene is increasingly popular. Many consumers buy affordable jewellery to complement their outfits and to highlight the wearer's personality and individuality. Jewellery consumption for fashion purposes translates to high frequency of buying and selling items. Products made of trendy but low-cost materials – such as leather, plastic, silver, ceramic and zircon – find a large market in Switzerland, especially among younger consumers.\*

\* Euromonitor International (2017). *Jewellery in Switzerland*. Available from [www.euromonitor.com/](http://www.euromonitor.com/).

## HONG KONG (CHINA) AND MAINLAND CHINA

Hong Kong (China) and mainland China are important exporters of precious stones and jewellery, with export totals in 2016 of US\$84 billion and US\$22 billion respectively. Hong Kong (China) is a rapidly growing exporter to China; Switzerland; India; Thailand; and the United Kingdom, United States and UAE. Hong Kong (China)'s export basket consists of gold, diamonds and other precious stones, and jewellery. China has shown remarkable growth, from less than US\$7 billion in exports in 2006 to US\$22 billion in 2016. China's major export destinations are Hong Kong (China), the United States, Belgium and the UAE.

With imported values of US\$79 billion and US\$67 billion respectively, China and Hong Kong (China) are two of the most important import markets for the sector. In 2016, China's top supplier was Switzerland, followed by South Africa, Hong Kong (China), Australia, the United States and India. The Chinese import basket includes gold, platinum, diamonds and other semi-precious stones, and precious materials in raw and semi-processed forms. Hong Kong (China) imports precious metals and stones for further processing predominantly from India, Switzerland, China, Australia and South Africa. Both China and Hong Kong (China) are major purchasers from Switzerland of high-quality cut and trimmed precious stones processed using advanced technology.

While Hong Kong (China)'s imports in the sector are balanced by its exports, in 2016 China had a negative trade balance of \$58 billion. This indicates that China is more of a consumer market, whereas Hong Kong (China) would be classified as a re-exporting hub for the Asian market. Hong



Photo: ITC

Kong (China)'s greatest export destination is the Chinese market, where processed products reach a growing number of high-income, luxury-focused consumers.

### Box 2: Hong Kong (China) and China

#### Hong Kong (China) and China as a consumer market

Chinese demand for fine jewellery is growing fast, driven by China's rapid economic growth. With rising consumer incomes, jewellery is no longer an unaffordable luxury and has become a part of daily fashion considerations. Not only are luxury brands becoming more recognized and finding a growing consumer market, but more affordable jewellery is gaining popularity among millennials. At the same time that fast fashion is demanding cheaper products, high-end diamond jewellery has also gained popularity among millennials. Rings are the most popular type of fine jewellery. The main distribution channel for jewellery in China

remains watch and jewellery special retailers, but e-commerce retailing is emerging.

Fine jewellery is also the most popular segment of the sector in Hong Kong (China), where gold products – worn as part of traditions and festivals – remain highly popular. Gold jewellery contributed to more than 50% of sales in Hong Kong (China)'s domestic market. Earrings remained the most popular type of costume jewellery in Hong Kong (China), due to the ease of pairing them with different outfits and their relative affordability. As in China, specialist retailers are the main distribution channel in Hong Kong (China), with online sales on the rise.\*

\* Euromonitor International (2017). *Jewellery in China*. Available from [www.euromonitor.com/](http://www.euromonitor.com/).

## UNITED STATES

Some of the world's most renowned diamond mining and processing companies are American-owned. As a result, the United States is one of the largest exporters of diamonds. Other export products include jewellery made of precious stones and metals. The main export destinations are re-exporters such as Switzerland and Hong Kong (China), as well as India, the United Kingdom, Israel, Canada and Belgium.

As with Switzerland, the United States is known not only as a world exporter of precious stones and jewellery (US\$57 billion in exports in 2016) but also as a world importer, with imports valued at US\$65 billion in 2016. India, Israel, Canada, Mexico, Switzerland and Belgium were the main suppliers to the United States market. The United States imports raw and semi-precious stones for further processing from developing countries, and also imports finished jewellery from worldwide suppliers. In 2016, the principal imported item was semi-processed diamonds, predominantly from India and Israel, which make up more than 35% of the import basket.

The United States had a negative sector trade balance for precious stones and jewellery of US\$8 billion in 2016, indicating that imports dominate exports. The United States can be seen as a hybrid consumer and re-exporter of precious stones and jewellery. The country uses advanced technology for further value addition, manufacturing many jewellery brands that supply world markets. At the same time, it is also a major consumer market.



Photo: ITC

### Box 3: United States

#### The United States as a consumer market

In a market where consumers are spending more money on experiences than goods, the United States precious stones and jewellery sector is declining slightly. Younger consumers interested in fast fashion are showing less interest in jewellery as accessories become less necessary for outfits geared to casual and active lifestyles. The new generation prefers to spend money on mobile phones and other tech items rather than luxury jewellery.

A clear trend in distribution is the shift in market share from traditional specialized retailers to online sales platforms. With the rise of e-commerce and the emergence of fast fashion retailers in the United States, traditional brick-and-mortar jewellery

retailers are finding it more and more difficult to maintain their businesses. Consumers prefer to shop at fast fashion brand stores where they are able to purchase a complete outfit, including accessories, all at once. Consequently, the growth of fast fashion retailers also supplying jewellery has become a major threat to traditional costume jewellery retailers. United States-made products face fierce competition from cheaper foreign brands. In terms of consumer preferences, gold jewellery outsells silver products, while earrings, necklaces and bracelets are the most popular products in the United States market. The most desirable items are fashionable, affordable and long-lasting jewellery that can be purchased on impulse.\*

\* Euromonitor International (2017). *Jewellery in the USA*. Available from [www.euromonitor.com/](http://www.euromonitor.com/).

## UNITED KINGDOM

The United Kingdom exported US\$29 billion of precious stones and jewellery in 2016. The main export destinations were Switzerland, Hong Kong (China), the United States, China, Belgium and Germany. Gold dominated the British export basket, followed by worked jewellery, platinum and diamonds. The importance of gold has led to a remarkable export decline since 2013, caused by falling gold prices. While exports stood at nearly US\$100 billion in 2013, United Kingdom exports in the sector have declined more than a third since then. Many export products are semi-processed and processed precious stone and jewellery items manufactured using advanced British technology.

With an import value of US\$71 billion in 2016, the United Kingdom is also one of the largest importers in the sector. The United Kingdom predominantly imported from Switzerland, Canada, South Africa, Hong Kong (China), the United States and Australia. The United Kingdom's import basket consists of precious stones and metals as well as worked products.

With a trade deficit of US\$42 billion in the sector, imports dominate exports. As a result, the United Kingdom is best viewed as a consumer market rather than a re-exporter of precious stones and jewellery. The United Kingdom imports raw and semi-worked materials for further processing, and following value addition, the finished jewellery products are primarily sold domestically.

### Box 4: United Kingdom

#### The United Kingdom as a consumer market

Gold is the most popular material for fine jewellery, with a 44% share of the United Kingdom market. The most popular articles are rings, accounting for 43% of fine jewellery sales in 2017. They are purchased primarily for weddings and engagements. United Kingdom consumers are willing to spend more on rings because they are meant to last a lifetime. Earrings and necklaces are the most important types of costume jewellery. These articles are most popular as fashion accessories complementing the outfits

of the fast fashion industry. The border between fine jewellery and costume jewellery is continuing to blur; consumers who typically purchase fine jewellery for a special occasion or as a gift are increasingly buying fine jewellery for themselves. With the trend of mixing high- and low-priced jewellery, both types of jewellery have started to attract a wider range of customers. When it comes to distribution, online sales are increasing. Online shopping is especially suited to costume jewellery, which sells at lower prices and thus carries a lower purchasing risk. Fine jewellery is still purchased primarily in specialized brick-and-mortar retail outlets.\*

\* Euromonitor International (2017). *Jewellery in the UK*. Available from [www.euromonitor.com/](http://www.euromonitor.com/).

## INDIA

With US\$42 billion in exports in 2016, India has established itself as the largest Asian exporter of precious stones and jewellery after the Chinese. India is the world's most competitive producer of polished stones. Its exports have not been affected by the decline in gold prices as much as other countries'. India has strong ties to Asian markets as well as the UAE, which was the largest export destination for India in 2016. India produces some precious and semi-precious stone varieties. The Indian export basket consists of diamonds, jewellery, gold articles, and other precious metals and stones. India has a long history of jewellery production using its own technology and traditional designs.

While the country exports raw materials as well as processed jewellery, India is also a growing consumer market for precious stones and jewellery products. The trade balance showed a comparatively small deficit of US\$6 billion in 2016. India's precious stones and jewellery sector imported US\$48 million in 2016. The main exporters to the Indian market were Switzerland, the UAE, Belgium, Hong Kong (China) and the Russian Federation. The main import goods were raw or semi-worked precious stones and metals for jewellery production. Resources are also supplied domestically; however, many precious metals and some varieties of semi-precious and precious stones cannot be found in the country.



## Box 5: India

### India as a consumer market

Indian consumer preferences have shifted in favour of international jewellery brands. As a result, many well-known brands have opened branches in major Indian cities. Trends in design have shifted from bulky, traditional jewellery to more lightweight products for everyday use. A major factor influencing this trend is the increasing number of Indian working women who want jewellery appropriate for everyday and business wear. While growth in consumption has slowed recently, India has experienced continuous growth in sales over the last several years, as

a result of the country's remarkable economic growth. Although fine jewellery far outsold costume jewellery, sales of the latter have picked up pace. The most popular type of costume jewellery in India remains bracelets, with neckwear and other forms of wristwear also high-selling product categories. Jewellery and watch specialty retailers remain the most common retail channel, as the majority of jewellery retailers throughout the country are small-scale. Family-owned local retailers enjoy the loyalty of their customers, although online shopping is becoming more popular among young professionals.\*

\* Euromonitor International (2017). *Jewellery in India*. Available from [www.euromonitor.com/](http://www.euromonitor.com/).

## UNITED ARAB EMIRATES

The UAE is a fast-growing exporter of precious stones and jewellery, with exports valued at US\$35 billion in 2016. The UAE has close trade relationships with Middle Eastern countries, although its largest export destination for sector products is Switzerland, followed by India, Turkey and Belgium. Different unprocessed and semi-processed stones, as well as gold and silver products, make up the majority of the UAE's sector export basket.

India, Hong Kong (China), Turkey, Belgium, Switzerland, the United States and Egypt were the main suppliers of precious stones and jewellery to the UAE, with imports totalling US\$38 billion in 2016. As with other countries heavily involved in this sector, the UAE has been affected by gold

price declines since 2013. However, the Emirati market has since stabilized as a result of rapid economic growth. The UAE mainly imports worked jewellery made of precious metals, and raw to semi-processed precious stones and metals.

The sector trade deficit for the UAE stood at US\$2 billion in 2017, which indicates a relative balance of sector imports and exports. A large portion of imported goods are intended for domestic buyers, while the UAE's main exports are raw materials extracted in the country. Domestic demand is growing because of the UAE's booming economic growth in recent years. At the same time, the country is benefiting from its resource-rich environment, allowing the UAE brand to become established in international markets.

## Box 6: United Arab Emirates

### The UAE as a consumer market

Many global brands have entered the UAE market recently, creating stronger competition in the Emirati precious stones and jewellery sector. Sales of jewellery are predominantly seasonal and event-centric. For instance, demand for gold jewellery increases around religious festivals like Diwali and Akshaya Tritiya because of the

large Indian population. Shopping festivals like Dubai Summer Surprises and the Dubai Shopping Festival also boost sales. Many luxury costume jewellery brands have experienced fast retail sales growth as Emirati consumers have become increasingly attracted to international brands and more aware of fashion trends. Jewellery and watch specialty retailers tend to dominate the distribution of fine jewellery, despite increasing online sales.\*

\* Euromonitor International (2017). *Jewellery in the United Arab Emirates*. Available from [www.euromonitor.com/](http://www.euromonitor.com/).

# AN OVERVIEW OF PRECIOUS STONES AND JEWELLERY IN AFGHANISTAN

Notable deposits of gemstones in Afghanistan can be found in north-eastern provinces such as Badakhshan, Nuristan, Panjshir, Kunar and Laghman, with several known deposits in Kabul Province as well. There are four primary gemstone producing areas: the Panjshir Valley (emeralds), the Jegdalek region (rubies and blue sapphires), Badakhshan (lapis lazuli) and Nuristan (tourmaline, kunzite, aquamarine, spodumene and beryl).<sup>2</sup>

2.– Afghanistan, Ministry of Mines and British Geological Survey (2007). *Minerals in Afghanistan – Gemstones of Afghanistan*. Available from [www.bgs.ac.uk/afghanminerals/docs/gemstones\\_a4.pdf](http://www.bgs.ac.uk/afghanminerals/docs/gemstones_a4.pdf).

According to one case study, jewellery making in Afghanistan takes place in small workshops, with skills passed down from master to apprentice. Only in the past 10 years have there been efforts to provide formal education in traditional jewellery artisanship, with the British non-profit Turquoise Mountain a prominent example of an institution serving this purpose. Most jewellery producers are focused on satisfying local demand, although small-scale exports of Afghan jewellery are taking place to such destination markets as China, Pakistan, India, Europe and the United States.

## KEY CURRENT PRODUCTION STATISTICS

Afghan small-scale artisans produce handmade jewellery with minimum use of machines to cut and polish stones and fix them within a metal framework, which is made by hand with traditional tools. Stones are categorized as precious or semi-precious as delineated in box 7. Current production figures are unavailable but before the civil war it is said that

only emerald production used to be between US\$8 and US\$10 million.<sup>3</sup> Gold and silver are considered precious metals, while bronze and gelite<sup>4</sup> are semi-precious.

3.– *Ibid.*  
4.– Opal or chalcedony

Box 7: Varieties of raw materials

Precious stones	Semi-precious stones	Metals
Emerald	Sapphire	Gold
Ruby	Amethyst	Silver
Spinel	Aquamarine	Bronze
Turquoise	Kunzite	Gelite
	Garnet	
	Peridot	
	Tourmaline	
	Lapis lazuli	
	Topaz	
	Carnelian	
	Fluorite	

There are 3,000 handicraft shops in Chicken Street in Kabul but disaggregated data is not available. According to the database of the Afghanistan Women Chamber of Commerce and Industry (AWCCI), there are around 20 women-owned or -run jewellery and gemstone retailers in Kabul, Mazar-e-Sharif, Herat and Bamyan. Production capacity and numbers are not available.

## SOCIOECONOMIC IMPACT

The Kabul jewellery production sector is still developing. Workshops are willing to take orders at low per-piece minimums (20–50 pieces per style) in order to prove themselves, grow their businesses and establish Afghanistan as a competitor in jewellery production.<sup>5</sup> Overall data – such as the number of producers, retailers and skilled/unskilled workers – is not available, nor is it available for women's participation. Women are active both as owners and producers in the last two stages of the value chain: production and selling.

Jewellery making is a core artisanal skill that presents immense opportunity for job creation and niche sector growth in Afghanistan. Kabul workshops can meet international

5.– McColm & Company (2015). Case study: Accelerating value chain development in Afghanistan's gemstone jewelry sector. Available from [www.mccolmandco.com/insights/-accelerating-quality-jewelry-production-in-kabul](http://www.mccolmandco.com/insights/-accelerating-quality-jewelry-production-in-kabul).



Photo: ITC

demand for small jewellery manufacturing orders. The challenge for sector producers has been fulfilling large orders while maintaining consistency in quality.<sup>6</sup>

Skills exist in small jewellery manufacturing, with most workers trained in a traditional manner. One non-government organization, Turquoise Mountain, and one Government institution, a vocational training centre managed by the Ministry of Labour, Social Affairs, Martyrs and Disabled (MoLSAMD), exist and can be further developed. On the other hand, the skills of workers in the first stage of the value chain – mining – remain extremely underdeveloped.

6.– McColm & Company (2015). Case study: Accelerating value chain development in Afghanistan's gemstone jewelry sector. Available from [www.mccolmandco.com/insights/-accelerating-quality-jewelry-production-in-kabul](http://www.mccolmandco.com/insights/-accelerating-quality-jewelry-production-in-kabul)

## AFGHANISTAN'S EXPORT PERFORMANCE

The Central Statistics Office *Year Book* provides data on export and import commodities derived from Afghan Customs data. Official Afghan statistics lack export data (direct data) relevant to the sector, except for the years 2014–2015, 2015–2016, and 2016–2017, which contain an added item under the label 'Handicraft' under export commodities. However, there is no data disaggregation on the type of handicraft. With this noted, handicraft exports have decreased since 2014, from around US\$1 million in 2014 to US\$350,000 in 2015, and then another decline resulting in a mere US\$42,000 in recorded exports in 2016.<sup>7</sup>

The World Bank 2004 report *Transitional Islamic State of Afghanistan: Mining as a Source of Growth* includes the following quote from the Ministry of Mines and Petroleum (MoMP):

Afghanistan has made around US\$2.75 million worth of exports of stones. Afghanistan does not receive much

revenue from the export of its gemstones, as they are exported to Pakistan uncut. Pakistan cuts and processes them for use in jewellery. The high-quality stones are exported from there to other countries and the low quality is used in Pakistan production.

Due to lack of Afghan export data, the following analysis is based on reported data from export destinations (mirror data). Historically, the Afghan precious stones and jewellery industry is recognized for its fine handicraft tradition, both among domestic buyers and on international markets. Export figures fluctuated between US\$1 million and US\$5 million per year until 2011, when, with recognition of Afghan products in major importing markets, the Afghan precious stones and jewellery sector reached an export value of US\$184 million in 2012 (see figure 5). Because of unreliable reporting and cross-border smuggling, Afghan figures might be biased. Nevertheless, the greater reach of Afghan products, as well as increasing export volume, indicate significant growth and visibility of the sector.

7.– Afghanistan, Central Statistics Organization (2017). *Year Book* 1395 (2016–2017).



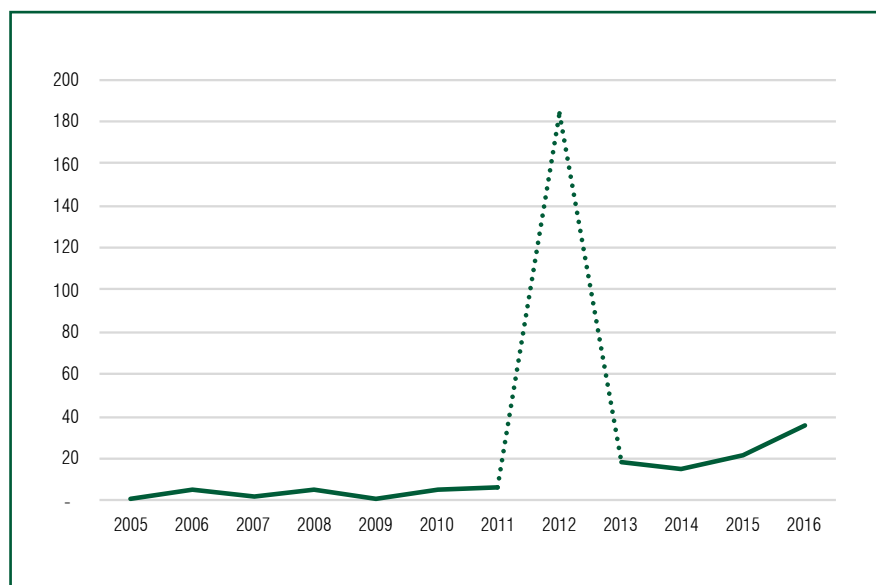


Photo: ITC

Afghanistan's precious stones and jewellery sector not only experienced impressive growth in exported value (18-fold increase in the 10 years since 2005) but also in export destinations. The country exported to just 10 countries in 2005. New Zealand was the largest importer of Afghan goods in the sector in 2005, with US\$1 million in imports. Ten years later, Afghan precious stones and jewellery reached 21 countries all over the world. The top export destination was the United States, with almost US\$8 million in export value, followed by the UAE, with an export value of US\$7 million. France and China also imported more than US\$1 million from the Afghan precious stones and jewellery sector in 2015.

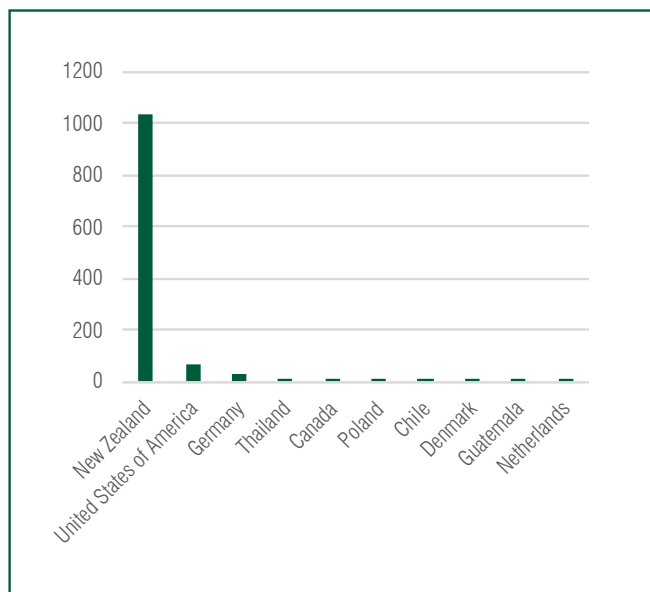
Afghanistan has a long export relationship with the United States. It has gradually increased its traded volume by gaining market recognition and trust. Similarly, France, Germany and China had only a small volume of trade with the Afghan sector in 2005 but have recently increased their traded volume. The UAE is a newly accessed market with great promise. Its growing demand for precious stones and jewellery is the result of remarkable economic growth. Switzerland is another recently accessed export destination, significantly increasing its traded value since 2012. Although traded volume is still low, many other countries – such as the United Kingdom, Japan, Australia, Canada and Italy – have recently started to establish trade relations with the Afghan precious stones and jewellery sector. Based on the experience with other countries where export ties were established a decade earlier, these newly accessed markets have the potential to become stable and growing importers within a few years.

Figure 5: Afghanistan's exports of precious stones and jewellery, 2005–2016 (US\$ millions)



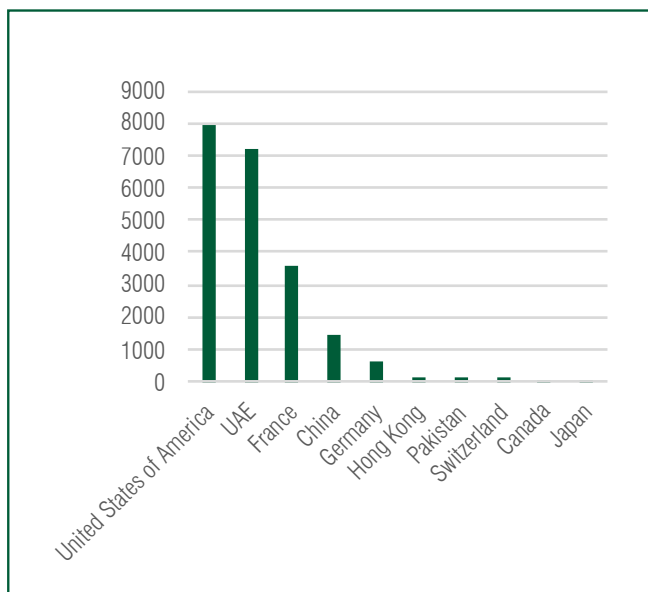
Source: Trade Map (2017).

**Figure 6: Afghanistan's top export destinations for precious stones and jewellery, 2005 (US\$ thousands)**



Source: Trade Map (2017).

**Figure 7: Afghanistan's top export destinations for precious stones and jewellery, 2015 (US\$ thousands)**

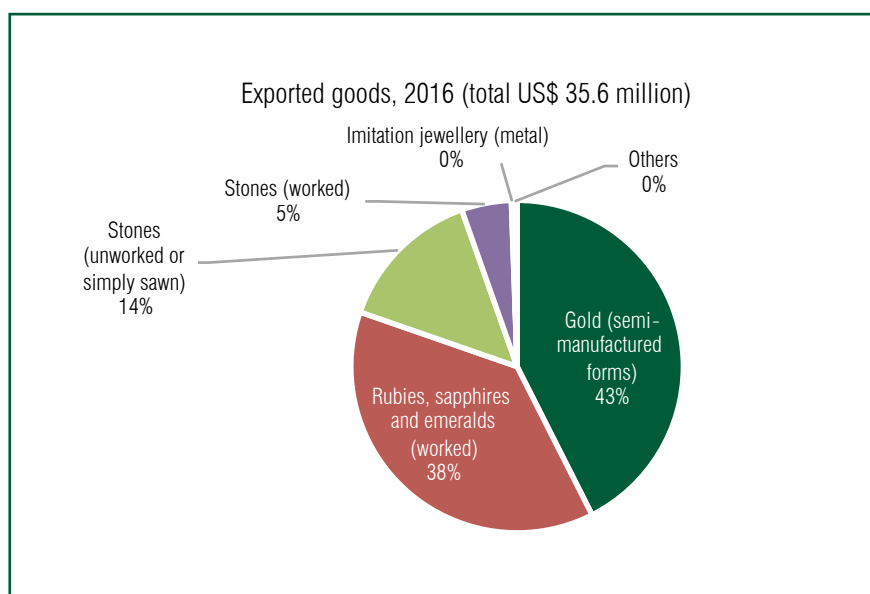


Source: Trade Map (2017).

Major exported goods of Afghanistan's precious stones and jewellery sector in 2016 were precious metals and stones in raw and semi-manufactured form. There is no quantitative data available from previous years for comparison. As the home of many precious stone and metal mines, Afghanistan serves world markets with its rare, indigenous varieties. Processed and traditional imitation jewellery have only a small share in Afghanistan's export basket in this

sector. Greater visibility of Afghan handicrafts in world markets would stimulate the Afghan jewellery industry, which employs many women and young Afghans. The majority of precious stones entered markets in France, the United States, Switzerland and Germany for further processing. Switzerland and the UAE were major Afghan gold importers. Processed jewellery is known only in the United States and a few European markets through Afghan diaspora networks.

**Figure 8: Afghanistan's exported precious stones and jewellery, 2016**



Source: Trade Map (2017).

# VALUE CHAIN ANALYSIS

## INPUT SUPPLY

In Afghanistan, gemstones are mined in a traditional way using explosives and other primitive methods that destroy the gems' quality and quantity. The mines are often controlled by local warlords, with the labour force consisting of villagers who live close to the mines. The Government has minimal control over these mines and has not been able to implement recent laws. Raw stones are typically transported to cities that are known for trade in particular types of gems and precious stones; for example, lapis lazuli is transported to Badakhshan and rubies to Kandahar. Some are transported to Kabul's *Kocha-e-Murgha* ('Chicken Street' in Persian), a famous area for handicrafts and antique shops where gemstone processing and jewellery making often takes place in out-of-sight workshops.

The largest share of gemstones are smuggled into Pakistan. Pakistani producers then cut and polish the stones and sell them to their own jewellery producers or to Afghan jewellery producers. For Afghan miners, smuggling precious stones to Pakistan is the best way to avoid paying royalty fees to the Afghan Government (which currently stand at 17% of estimated stone value) or being asked to formally register a mining operation and comply with mining and tax laws.

The most popular metals are silver matched with semi-precious stones, and gold matched with precious stones. The majority of producers buy the metals from the Kabul markets, which obtain them from India, Pakistan, the Islamic Republic of Iran and the Middle East (most gold comes from this region). Afghanistan has a gold deposit in Badakhshan, estimated to hold 2,698 kilograms according to MoMP. According to sector producers, a processing outlet in Badakhshan used to supply gold chips to Kabul but this facility is now closed because of security issues.

The most popular precious stones are emeralds, sapphires, rubies and spinels. The gemstones used in Afghan jewellery are lapis lazuli, kunzite and tourmaline. In each major urban centre of Afghanistan, jewellery collectors go door-to-door and purchase old pieces of jewellery, which are then sent to Kabul. Craftsmen in Kabul either rework them for sale or disassemble them and use the materials to make new jewellery.

## PRODUCTION

Small workshops that employ 1–20 workers buy smaller refined gemstones to produce traditional and non-traditional jewellery in Kabul and some other major cities, such as Balkh, Herat and Kandahar. Workshops and jewellery



Photo: ITC

making skills are passed down from generation to generation, and many of these workshops have operated for over 50 years (or longer).

At the production stage for jewellery, one of the critical raw materials is metal. Metals such as silver, bronze, gold, copper and gilet (a non-precious metal like brass) are used for jewellery making. Silver is the most-used metal in general, while gilet is commonly used for non-precious and inexpensive jewellery. Some workshops have traditional gemstone and metal-cutting machines and do half of the work by hand; others have more modern cutting, melting and moulding machines and do less than half of the work by hand. Challenges at the production stage include finding and training skilled workers, sourcing raw materials and dealing with inadequate machinery and erratic (or non-existent) electricity.

The list below summarizes some of the key challenges for the sector:

- Lack of institutional training: Most workers learn their skills in workshops as apprentices. Few formal training centres exist.
- Difficulty sourcing raw materials: Maintaining a consistent supply can be a problem at times, although the responses of interviewees showed that they can now more easily source them locally. One interviewee mentioned Tajikistan and one mentioned that they used to source materials from Pakistan but not anymore.
- Lack of advanced machinery: Some companies interviewed mentioned that they outsource the cutting of stones or the making of parts such as rings because they do not have proper tools and machinery to make them in standard sizes.
- Deficient power infrastructure: Electricity supply is erratic (especially during the winter) and many rural areas do not have access to the national power grid.
- Transportation: Shipping products to buyers in overseas markets can be difficult.



Photo: ITC

## PROCESSING

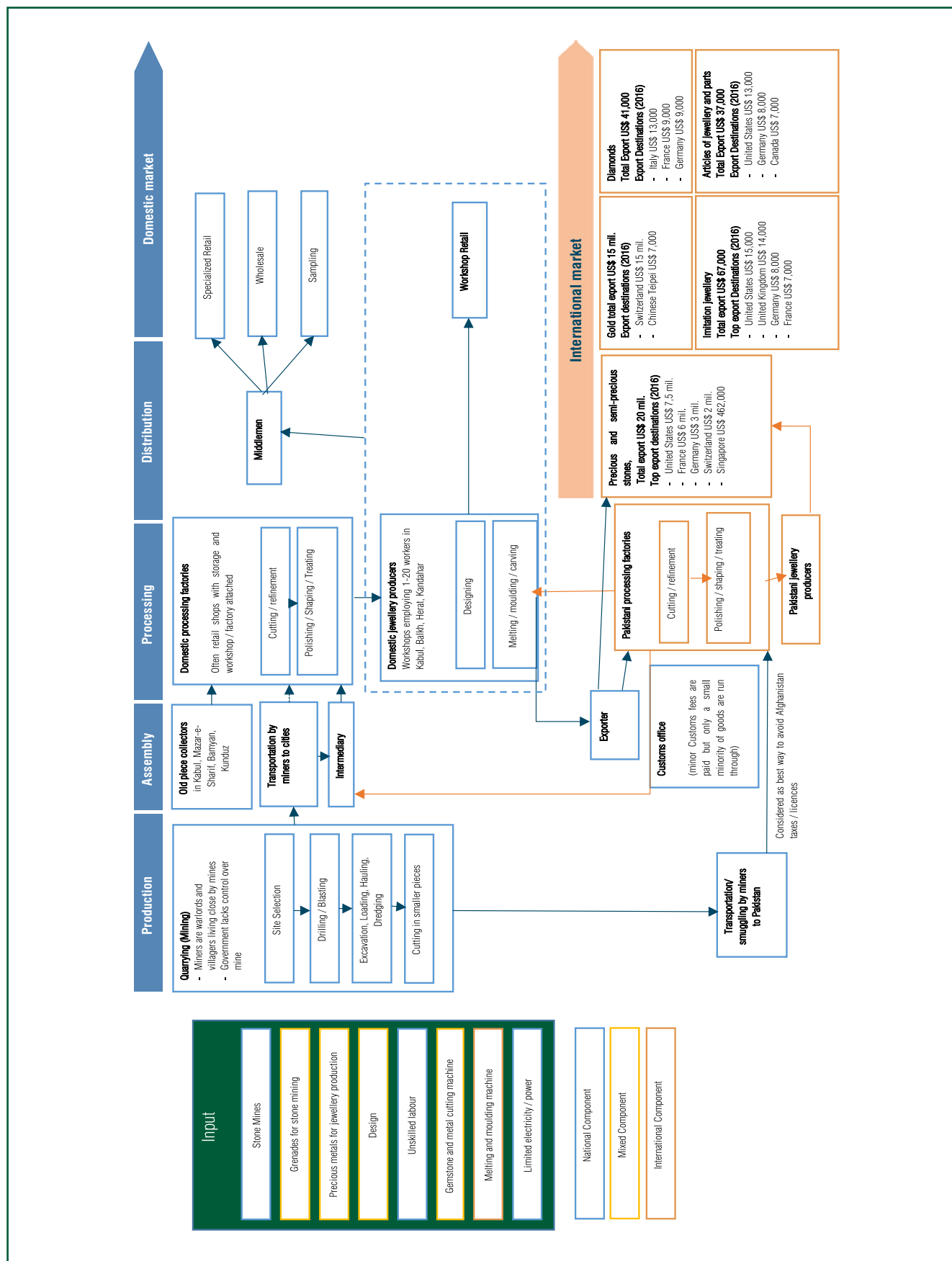
For bespoke jewellery orders, the process starts with selecting the design and materials, such as the type of metal and stones. Once the design, materials and quantity are determined, the customer checks the quality of the stones. Then the moulding of the metal and cutting of the stones takes place. Metal is moulded for rings, earrings, bracelets and necklaces, and then the stone is fitted. Usually about half the work is done by machine and the rest, such as carving and designing in a traditional way, takes place by hand. For general retail sales, the artisan will create new designs, copy old jewellery or look for inspiration on the Internet. Then the same process as above is followed.

## DISTRIBUTION

The last stage of the value chain is distribution. Small workshops are also retailers and even the wholesale orders they get are not for large amounts. Jewellery sales in Kabul mainly take place on Chicken Street. Herat, Mazar-e-Sharif and Kandahar also have well-known hubs for handmade jewellery. Regarding exports from Afghanistan, a smaller volume is sold to India, the United States and Tajikistan. Afghan gemstones are also sold in Dubai. In the majority of cases, Afghan jewellery is exported in retail-ready form.

The most popular metal/gemstone combinations are silver with lapis lazuli, kunzite or tourmaline. For precious stones, the combinations are white gold with emerald, ruby and spinel. Afghan traditional designs are highly valued by international consumers. One recent trend is to redesign or modify traditional designs with the help of international designers. This option is not available to all jewellery makers but only to the few who are connected to the Turquoise Mountain Institute.

Figure 9: Current value chain





# POLISHING THE KNOWLEDGE OF KEY COMPETITIVENESS CONSTRAINTS

## Key issues constraining the sector's ability to compete /connect/change

The following section analyses sector challenges across three levels – firm compatibilities; institutional and trade support; and national environment, policy and regulations. For this analysis, the issues that are crucial for the competitiveness of Afghan exports can be sorted into three dimensions.

**Compete:** Issues limiting the sector's capacity to compete in national and foreign markets. This includes challenges related to access, inputs, productivity, quality management and complying with standards, and national infrastructure.

**Connect:** Issues restraining connectivity to suppliers, markets and clients. This dimension includes challenges related to market information, marketing and trade promotion, branding and trade agreements.

**Change:** Issues limiting the sector's capacity to change, innovate and tap into emerging trends. This dimension relates to challenges to access trained/skilled labour, intellectual property, pre-production, institutional support to innovate, investment promotion and protection, corporate social responsibility, and youth/women's employment.

## COMPETE

### Limited access to finance to purchase machinery and inputs degrades the competitiveness of the sector

Difficult access to financial resources for sector enterprises limits the availability of adequate technology and machinery for the mining and processing of precious stones and jewellery. Financing is a particular burden for Afghan women, as they rarely hold titles to land, which is a requirement for loan collateral. Most machines and tools needed to quarry and process precious stones and jewellery are expensive. There are no ways to access machinery other than purchasing, since lease or rental of machinery and tools does not exist in Afghanistan. Most modern machinery is imported from foreign countries, which further increases costs.

Restricted access to finance also inhibits input supply. In the case of larger orders, producers are not able to purchase enough input materials to supply customers. Because repayment periods are very short, many producers are not able to fill orders despite demand. In addition, many input materials are smuggled to Pakistan for processing and then re-exported back to Afghanistan.

Expanding sector enterprises is difficult to fund, as loans from commercial banks in Afghanistan are very expensive. Interest rates tend to fall between 12% and 25%, with required collateral ranging from 100% to 200% of the value of the loan. Very few producers have the collateral

to apply for loans under these circumstances, which makes precious stone and jewellery producers dependent on support from third parties. The result is that only participants with initial funding sources (usually networks of family and friends) can enter the market.

Value chain segment	All segments
Severity	● ● ● ● ●
PoA reference	Activities 1.3.1., 1.3.2.

### Inconsistent supply of critical inputs hinders productivity

The limited availability of necessary equipment and machinery hinders productivity. Many producers use simple tools such as hammers to shape metal rather than modern machines. Some producers of items such as rings and bangles do not even have access to basic equipment to measure sizes in order to align with international sizes and standards. Because moulding and melting machines are rare, outdated methods are used, making production inefficient.

Value chain segment	Inputs/production
Severity	● ● ● ● ○
PoA reference	Activities 1.4.1. to 1.4.3.

## Weak awareness of quality management and certification creates difficulties for Afghan precious stones and jewellery when competing on international markets

Current substandard mining and gemstone processing techniques limit the ability of sector enterprises to compete in international markets. Mining of precious materials is not adequately regulated; as a result, unethical practices and unsafe workplace conditions are common in Afghan mines. At the enterprise level, there is a lack of understanding and implementation of quality management, as well as a lack of awareness of international certifications across the value chain.

At the input level, the use of lower-quality materials results from frequent imports of uncertified Pakistani inputs and lack of access to market information on quality premiums. There are no effective measures to prevent smuggling to and from Pakistan. Low awareness of and limited access to quality certification leads to a failure of sector products to align with international standards. According to the International School of Gemology, the Afghan precious stones and jewellery sector has been overwhelmed with fake stones and metals. Because of limited quality control, fake and real precious stones and jewellery cannot be distinguished in the domestic and international end-consumer markets. A specialized lab for quality control, testing and certification is needed to enforce standards and thereby rehabilitate the reputation of the sector.

Moreover, poor on-site quality control results in frequent mixing of similar stone varieties, leading to uncertainties about the quality, size and grade of Afghan products. There are also variations in quality among Afghan regions, due to lack of standardized national control procedures. A particular problem is the uncontrolled and uncertified recycled materials sourced by input collectors. Such materials lower the quality of the end products.

Limited quality management has already limited the ability of sector enterprises to enter developed markets. Awareness of international standards among producers is constrained by the limited availability and quality of certifying institutions. Investment in quality control infrastructure and awareness-raising campaigns is critical to establish Afghan precious stones and jewellery in international markets.

Value chain segment	All segments
Severity	● ● ● ● ●
PoA reference	2.5.1. to 2.5.9.

## Insufficient availability of skilled workers hinders sector competitiveness

The majority of jewellers need more training in new technology and design creation, as well as greater exposure to design and fashion trends. Miners and processors lack training in the use of modern machinery and equipment. A few years ago, a limited number of women were trained by American volunteers in jewellery design and production. A few producers have accessed training in Jaipur, India. Nevertheless, they lack the ability to develop products and use new technology. Limited access to training and information on new designs means that only a few varieties of jewellery design are being offered and they are of lower quality than those of regional competitors.

Value chain segment	All segments
Severity	● ● ● ● ○
PoA reference	Activities 1.2.1., 1.2.2.

## High production costs hinder competitiveness in world markets

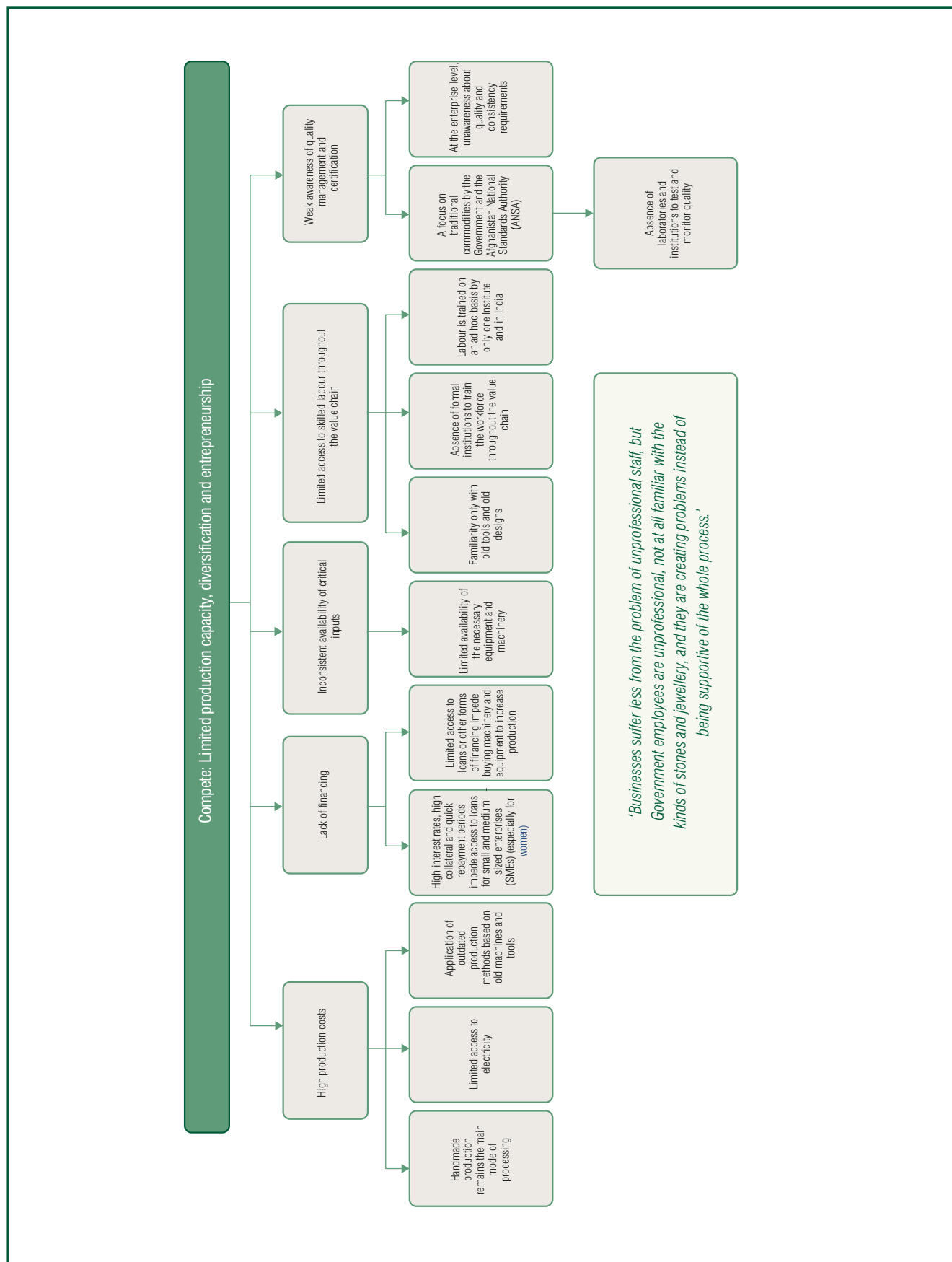
The sector's competitiveness is constrained by high production costs throughout the value chain. Limited access to electricity necessitates the use of generators, making operating machinery more expensive. Outdated production methods keep Afghan production costs above regional levels. The use of old machinery leads to higher electricity costs and inefficiencies in mining and processing of stones for jewellery products.

The dominance of handmade, traditional production can add value to Afghan products but it also adds costs compared with competitors using machinery. Therefore, whether or not to rely on handmade production methods is a trade-off between value addition through handmade uniqueness and additional costs throughout the production process. In addition, Afghan workers' wages are higher than those of their Pakistani counterparts, despite the fact that Pakistani workers are more skilled. Pakistani products cost less due to greater access to modern techniques, a stable electricity supply and lower wages.

Other problems in Afghanistan include the lack of security and access to transportation infrastructure. For these reasons, operations are not systematic and delays occur throughout the value chain. Such delays and security issues translate into additional costs for the whole sector, lowering the competitiveness of Afghan products.

Value chain segment	All segments
Severity	● ● ● ● ○
PoA reference	Activities 2.6.1., 2.2.3.

Figure 10: Problem tree – compete





## CONNECT

### Complicated export permit systems hinder smooth trading of precious stones and jewellery products

Ambiguous rules, procedures and forms needed to obtain export permits hinder smooth transactions in international markets. Forms containing unfamiliar terminology are usually too complicated for ordinary Afghans with little, if any, secondary education. Support during the application process is insufficient, due to the lack of trained Customs staff in ports and airports. Lack of coordination among different ministries involved in Customs operations –including the Ministry of Industry and Commerce (MoIC), Ministry of Finance (MoF) and MoMP– complicates exporter applications for trading permits. Applicants for trading licences need to reach out to multiple organizations for clearance, making the process unnecessarily complicated and time-consuming.

Value chain segment	Marketing/distribution
Severity	● ● ● ● ○
PoA reference	Activity 2.4.2., 2.3.3., 2.3.4.

### The ability of Afghan enterprises to connect directly to international buyers and maintain relationships is inhibited by weak institutional support and market intelligence

Not enough work has been done on developing and maintaining contacts with international buyers. Nor are there any bilateral agreements related to the precious stones and jewellery sector between Afghanistan and target markets. Given that a significant quantity of Afghan precious stones and jewellery is exported under a foreign label, it is crucial for Afghan exporters to introduce their products directly to global markets.

The sector also lacks market intelligence regarding fashion trends and consumer preferences in target markets. Such information would make sector stakeholders more responsive to buyer requirements and help exporters and producers make informed production decisions. More efforts are needed to disseminate market information through sector associations. A working e-payment system for online sales is also needed; currently Afghan traders (in all sectors) cannot receive credit or debit card payments from international buyers.

Many exporters in the precious stones and jewellery sector complain about not receiving any kind of support from the Government or international community to help them maintain trade relationships and access new markets. The number of commercial attachés is limited, and existing ones lack the capacity and training to effectively help traders

connect to international businesses. Additional institutional support is needed to assist producers to connect with international buyers and maintain commercial relationships.

Value chain segment	Marketing/distribution
Severity	● ● ● ● ●
PoA reference	Activities 3.1.1., 3.1.2., 3.2.1.

### Insufficient in-market support prevents Afghan companies from creating links with international buyers

Sector enterprises struggle to connect with buyers in international markets, due in part to insufficient in-market support from relevant institutions. Sector enterprises have particular difficulty participating in international exhibitions and fairs and obtaining short-stay visas for business purposes. More pre-exhibition training is needed. There is neither enough participation in exhibitions nor trainings before exhibitions. When such exhibitions and trainings do take place, they are not organized in a systematic way but rather on an ad hoc basis. Furthermore, ministries and sector associations need to provide more information about exhibitions and international trade fairs.

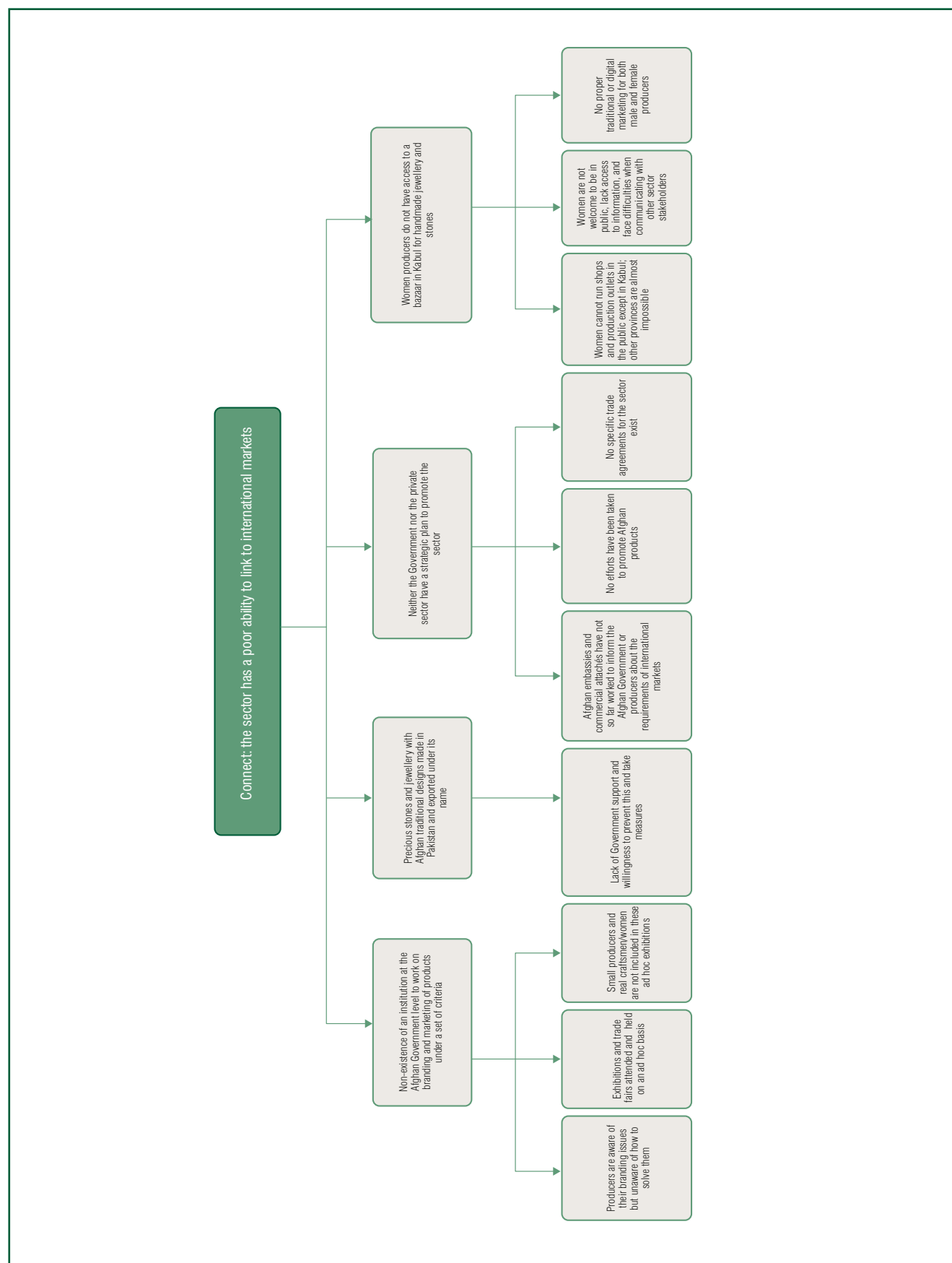
Value chain segment	Marketing/distribution
Severity	● ● ● ○ ○
PoA reference	Activities 3.3.1. to 3.3.3.

### Limited branding and promotion of products hinders recognition of Afghan precious stones and jewellery products in international markets

Weak marketing skills among sector enterprises constrain the ability of the sector to create brand differentiation through labelling and promotion of Afghan products. Afghanistan is known for high-quality emeralds, rubies and spinels as well as lapis lazuli; however, many of the stones are smuggled to Pakistan for further processing and then sold to the end consumer as Pakistani goods. Because of weak Afghan brand recognition, many Afghan products are being confused with Pakistani goods. The majority of jewellery makers and precious stone traders do not have websites, nor do they use digital marketing to promote the Afghan brand. Catalogues and regular sector publications do not exist. Consequently, the Afghan precious stones and jewellery sector struggles to build its brand in global markets.

Value chain segment	Marketing/distribution
Severity	● ● ● ● ○
PoA reference	3.4.1. to 3.4.5.

Figure 11: Problem tree – connect



## CHANGE

### Poor processing knowledge and skills limit the sector's capacity to upgrade the value and quality of production

There are no concrete data on skilled and unskilled workers in the sector, but the presence of large numbers of unskilled labourers is commonly responsible for irregular and lower-quality products compared with international competitors. Miners of precious stones do not have proper training in extracting stones or distinguishing between varieties. Blasting in mines and application of outdated quarrying methods lowers the quality and market value of extracted stones.

Processors who cut stones into smaller pieces and extract gems from the stone block lack training and have limited access to modern machines and tools. Consequently, stones and metals are cut and polished using outdated methods, which hurts the value of the final product. Using adequate and modern technology would not only enhance productivity but also contribute to environmental sustainability. Using explosives in mines and processing stones with outdated methods wastes stones and metals and lowers quality.

Many workers need skills diversification in order to expand production capacity and variety. Sector growth is hindered by the paucity of institutions helping producers develop new designs and products by applying modern technology. Access to information on new techniques and existing designs is also limited. Some jewellers have received some training from jewellery companies or institutions such as Turquoise Mountain. Currently, training of workers in design and gemstone cutting takes place in India, Turkey, Thailand and Spain. Nevertheless, in an industry where the skill of the jeweller is crucial to the quality and design of the piece, further skills development is needed to upgrade the value and quality of products. As the sector employs a number of women, training programmes need to be tailored to women's needs.

Value chain segment	Processing
Severity	● ● ● ● ●
PoA reference	Activities 1.2.3. to 1.2.10.

### The ability of sector companies to innovate is constrained by weak managerial skills and limited institutional support

Limited managerial skills constrain entrepreneurial and innovative development of the sector, due to low capacity to enhance knowledge and facilitate implementation of new ideas. Decentralized production by small household

producers limits knowledge management and information-sharing between stakeholders. Combined with weak communication between producers, this means opportunities for development and implementation of innovative ideas are limited.

Weak institutional support hinders innovation. Many firms complain about not receiving any kind of support from the Government and international community to upgrade production and sales skills. Very few enterprises have received support to upgrade machinery or train staff in improved production and managerial skills.

Value chain segment	All segments
Severity	● ● ● ● ○
PoA reference	Activities 1.1.1., 1.1.2., 2.4.1.

### Operational obstacles such as limited access to land and weak infrastructure hinder sector expansion

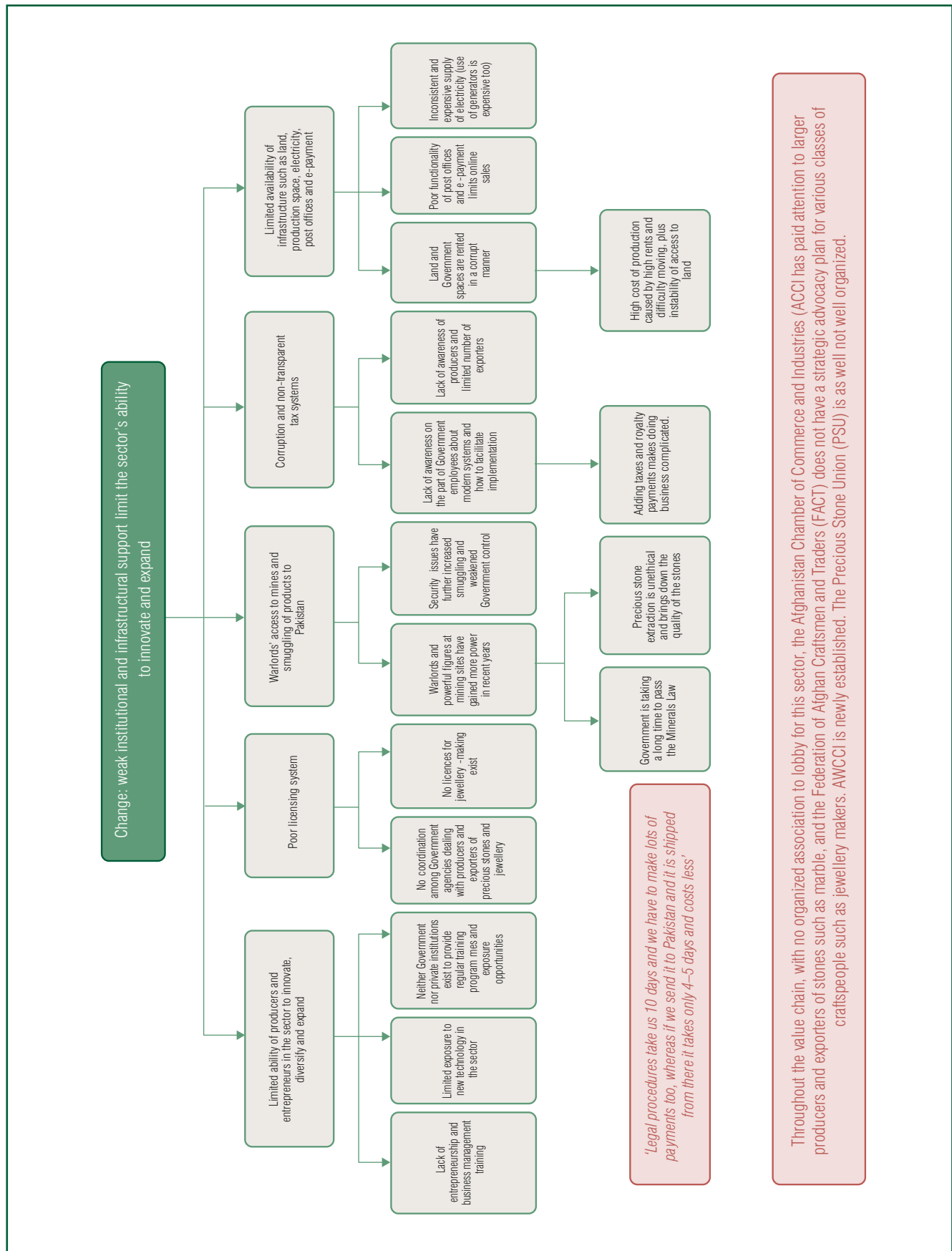
Access to land is a major challenge in Afghanistan, limiting the development of consolidated production sites such as industrial parks. The Government regulates the leasing and renting of land and production spaces. The current system lacks clarity on property rights, and land conflict resolution is weak. Moreover, land ownership is highly informal because there is a virtual absence of authentic title deeds. Such circumstances severely constrain producers when moving workshops from one location to another to access better facilities. They also hinder business expansion into additional processing activities; for example, establishing workshops equipped with modern technology.

Difficulties with licensing for artisans hinder development. MoCI provides licences for businesses in all sectors. Municipalities provide licences and permits to shops and outlets selling to the public. Craftsmen/women, such as jewellery makers, tailors and other handicraft producers have no option but to get permits from both MoCI and their municipality, which complicates operations. The majority of sector stakeholders would prefer a separate licensing procedure by sector, so that jewellery producers would not have to deal with municipal governments.

The sector has a high ability to create jobs for women and men in rural and urban areas, thus contributing to higher living standards. Removing operational obstacles to expanding the precious stones and jewellery sector would unlock its capacity to contribute to poverty alleviation, gender inclusiveness and regional integration.

Value chain segment	All segments
Severity	● ● ● ● ●
PoA reference	Activities 2.1.1., 2.1.2., 2.1.3., 2.2.1., 2.2.2., 2.2.4., 2.3.1., 2.3.2.

Figure 12: Problem tree – change



# MARKETS FOR AFGHANISTAN'S PRECIOUS STONES AND JEWELLERY SECTOR

## SHINY FUTURE FOR THE PRECIOUS STONES AND JEWELLERY INDUSTRY AND TRADE

The global precious stones and jewellery sector has remained resilient even with adverse economic conditions. The jewellery subsector experienced the fastest growth of global sales of personal accessories in 2016. Fine jewellery accounted for the largest share (87%) of total jewellery sales in 2016. Increases in global demand for jewellery are driven by growth in consumption in South-East Asian markets, particularly for fine jewellery. Among the principal Asian markets, India and China account for the largest share of regional demand for jewellery. Other emerging markets in South-East Asia should be explored, as they offer significant opportunities for Afghan jewellery because of proximity and growing ties with these markets.

## MARKET SEGMENTATION

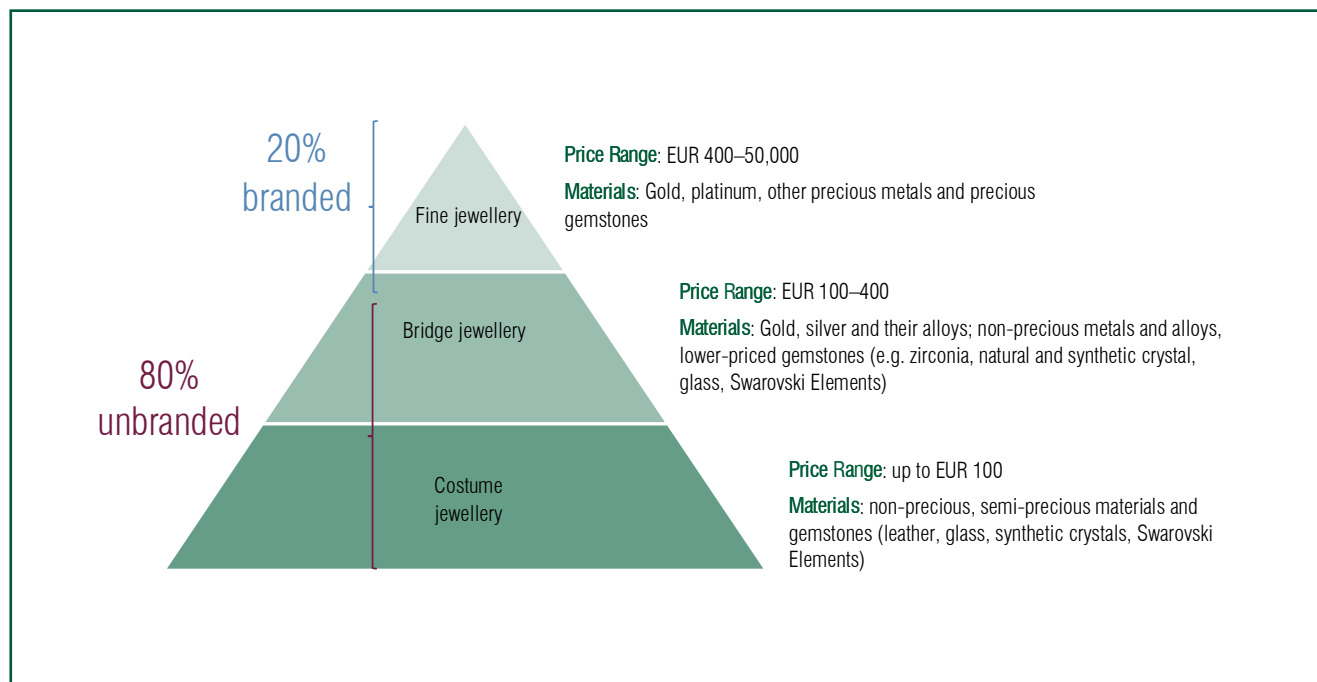
The jewellery market is highly fragmented at the global level, with 80% of jewellery sold without a brand. The share of branded jewellery in the total market is expected to increase.

According to the Centre for the Promotion of Imports from Developing Countries (2015), the jewellery market can be subdivided into three main categories: fine jewellery, bridge jewellery and costume jewellery. Fine jewellery, a growing market, refers to jewellery made with precious metals such as gold and precious gemstones such as rubies, emeralds and sapphires – the big three coloured gems. Bridge jewellery is defined as jewellery designed with more affordable materials, such as gold and silver metals and alloys, and lower-priced gemstones, including zirconia and glass. Finally, costume jewellery, the least expensive segment, is made with non-precious and/or semi-precious metals and gemstones, such as synthetic crystal.



Photo: ITC

Figure 13: Jewellery segmentation and indicative prices



Source: Centre for the Promotion of Imports from Developing Countries.

## FOLLOWING THE LATEST TRENDS

The global jewellery sector is evolving rapidly. Changes include further consolidation of a handful of global players, increasing demand in emerging markets and growth of new distribution channels.

### INTERNATIONALIZATION OF BRANDS

Although the jewellery industry is predominantly local, it is expected that a few thriving national or regional brands will further capture and consolidate expansion into global markets. One of the main strategies for jewellery houses will be acquisition of local players. Branded jewellery accounts for roughly 20% of global jewellery sales. This proportion is expected to continue expanding in the next few years, to as much as 40% of the global market by 2020. The growth of branded jewellery is driven by emerging-market consumers and young consumers, among others.

### E-COMMERCE IS THE FASTEST-GROWING CHANNEL FOR JEWELLERY

Jewellery distribution channels are also experiencing a reconfiguration as Internet retailing continues to grow. There are substantial variations in the use of e-commerce,

depending on region, brand and type of jewellery. For example, sales outlets for fine jewellery are expected to remain largely unchanged, as brick-and-mortar stores are considered more reliable for expensive items. Online sales of fashion jewellery are expected to increase slightly. Affordable branded jewellery will probably have the largest increase in online sales.

### APPEALING TO YOUNG AUDIENCES REQUIRES PRODUCT DEVELOPMENT AND AN ACCELERATION OF SUPPLY CHAIN PROCESSES

As mentioned above, young audiences will be among the main drivers behind the increasing consumption of branded jewellery. 'Fast fashion', largely associated with millennial shoppers, offers a blueprint for the jewellery industry. In this type of retailing, products can go from concept to store shelves in a month. Firms will have to react to trends quickly and accelerate their product development cycle. In the future, millennials are also expected to be a key target audience for fine jewellery. Innovations in materials and contemporary design will be important in targeting this cohort within the fine jewellery market segment.



## PRECIOUS OPPORTUNITIES: CONSOLIDATED AND EMERGING MARKETS

The following analysis is divided into two broad phases: one related to the immediate, short-term perspective and the other to the medium-to-long term outlook, when it is expected that a significant portion of the NES and the sector PoA will have been implemented. This phased approach is aimed at alignment with the evolving capacities of the sector's trade and investment support institutions and enterprises as NES implementation moves forward.

### SHORT-TERM PRIORITIES (1–3 YEARS)

Short-term priorities are product–market combinations which are exporting well but could either: a) be better performing in existing markets with implementation of shorter-term improvements recommended in this Strategy; or b) be translated into quick success with promising markets through variations on successful products.

#### Domestic market

Afghanistan faces fierce competition in its domestic market by –mostly– informally imported jewellery products from neighbouring and international producers. Imported jewellery competes on design with locally produced handicrafts, rather than on the authenticity of the semi-precious and precious stones being used. Traditional outlets and Kabul's famous Chicken street retailers are the main distribution channels in the domestic market.

#### India

India	Mandatory market requirements
	<ul style="list-style-type: none"> <li>• Permission from the Ministry of Environment, Forest and Climate Change is needed to import precious metals, imitation jewellery and gemstones</li> <li>• Kimberley Process Certificates are issued, mainly to prevent import of conflict diamonds</li> </ul>

India presents a highly competitive and fragmented landscape in the jewellery sector, as a large number of domestic jewellery brands operate and compete in this market. India is a leading player in the global precious stones and jewellery sector. Indian designs are intricate and hence consumers prefer to purchase luxury jewellery products domestically. Sales are led by the Indian company Kalyan Jewellers.

Indian consumers consider luxury goods, including jewellery, an investment. For this reason, they place a greater emphasis on the brand name and its heritage when acquiring these products. Jewellers' brands are promoted through



Photo: ITC

billboards as well as print media such as fashion magazines and local newspapers.

The luxury jewellery segment is expected to continue its strong growth in the Indian market, with sales expected to reach INR 74 billion (US\$ 1.13 billion) in 2021. The men's luxury jewellery segment is expected to grow fastest, driven by an increasing focus on jewellery as a fashion statement among Indian men. Indian consumers are expected to shift gradually towards lighter jewellery and away from heavy, bulky items. Indian customers prefer gold jewellery, and India accounts for about 27% of the global gold jewellery market. However, it should be noted that India imports only modest amounts of gold jewellery – mostly high-end or machine-made – because handmade jewellery is India's area of expertise. Brick-and-mortar stores will remain the dominant outlet for luxury jewellery products, while e-commerce is expected to continue as a niche market over the next few years.

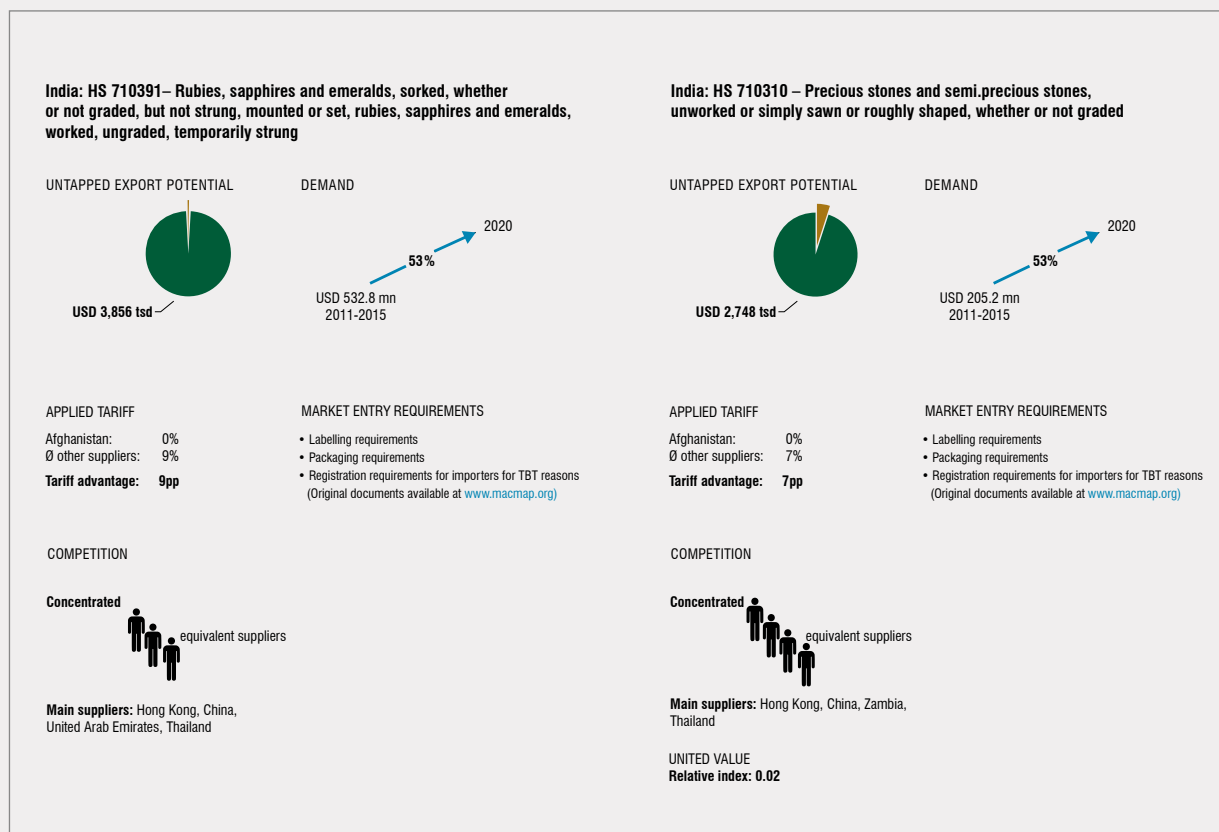
India is currently an important market for exports of Afghan-made jewellery. Certain regions such as South India offer additional opportunities. Because of increasing disposable income among consumers in this region, sales of innovative imported products are expected to grow. Indian jewellery makers are proficient in traditional designs but design-led innovations could open opportunities for Afghan exporters.

## Box 8: Export potential in India

### Export potential in India of selected products

International Trade Centre (ITC) analysis on the export potential of Afghan products reveals that India is, by far, the market with the greatest untapped potential. Afghan exporters can benefit from the significant size and expected growth of the Indian market, as well

as tariff preferences. Already existing strong trade links between the two countries will open up further opportunities. More than 95% of the total export potential in India currently remains unused for worked rubies, sapphires and emeralds, as well as other semi-precious and precious stones, both worked and unworked. The potential additional exports equals US\$6.6 million.\*



\* Source: ITC (2017).

## MEDIUM-TO-LONG TERM (+3 YEARS)

The markets listed in the short-term section above also have export potential in the medium-to-long term, unless specified otherwise. However, additional market research, product development and Strategy implementation would be required and is unlikely to be completed in less than two years.

## United States

### Mandatory market requirements

#### United States

- Commercial imports of diamonds, jewellery, pearls, and precious and semi-precious stones valued at US\$2,500 or more require additional Customs clearance steps
- A Customs Bond CBP Form 301 is required for all formal entries
- Suppliers of children's plated metal jewellery and other children's items (such as rattles) must provide proof of the lead-content testing and certification required of manufacturers and direct importers of children's jewellery



The United States jewellery sector is also highly competitive, as international and national players, as well as small and large manufacturers, are present in this large market. Estimates indicate that the average American household spends roughly US\$600 annually on fine jewellery and watches. The top buyers of fine jewellery, excepting watches, are millennials, aged 24–35. The fine jewellery segment, paired with technology, offers opportunities to engage millennial consumers.

The costume jewellery sector is expected to follow a 'fast fashion' path similar to the apparel sector. Major distribution channels will be multi-brand boutiques, followed by online retailers. Rings and earrings are expected to be the leading segment in the costume jewellery market. Because of its convenience, online retailing will increase

in the coming years in market segments such as costume jewellery. E-commerce will also be driven by the increasing purchasing power of young consumers who are digital natives. E-commerce will become more price competitive as more retailers use this buying platform.

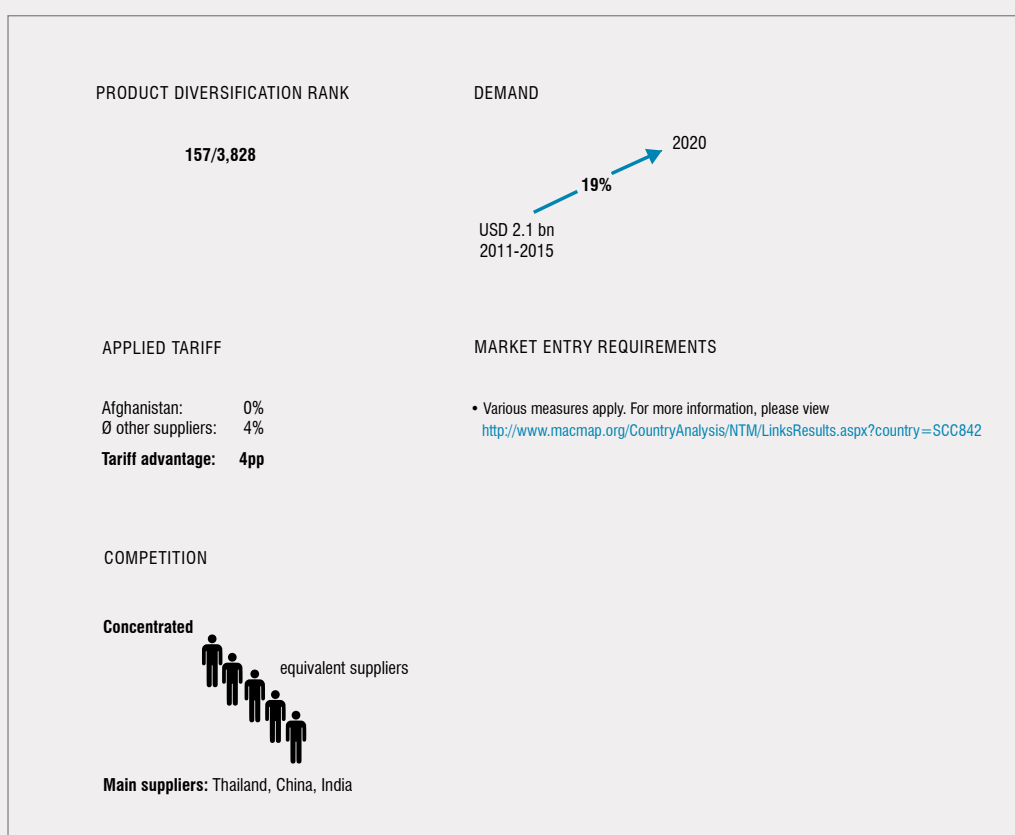
The United States offers opportunities for Afghan jewellery exporters. Demand for coloured stones has remained stable, particularly in the flourishing fine jewellery segment, which uses high-quality gems as well as unique or rare stones sought by collectors. To tap into opportunities at the lower end, which also presents a healthy outlook, marketing focus should be on gem colour rather than type. Thus, tourmaline, widely used in Afghan jewellery, can be marketed to the more price-conscious segment of the United States market.

## Box 9: Export potential in the United States

### Export potential in the United States of selected products

Afghanistan currently exports both precious stones and jewellery to the United States market, but the share of worked jewellery remains comparatively small. ITC analysis predicts a 19% increase

in demand for jewellery articles in the United States market through 2020. Silver-based jewellery is a feasible option with good prospects for export diversification. Afghanistan could also benefit from the United States tariff advantage of 4% on average over competitors in Thailand, China and India.\*



\* Source: ITC (2017).

## EU

EU	Mandatory requirements	Non-mandatory requirements
	<ul style="list-style-type: none"> <li>• General product safety – applicable to all products</li> <li>• Chemicals – as jewellery is usually worn on the skin, the use of hazardous chemicals is restricted</li> <li>• Convention on International Trade in Endangered Species – applicable to products made from wild plants and animals</li> <li>• Hallmarks – applicable to gold and silver jewellery in some countries</li> </ul>	<ul style="list-style-type: none"> <li>• Two retail initiatives have gained ground, particularly in western European countries:</li> <li>• Business Social Compliance Initiative and Ethical Trading Initiative</li> <li>• Others: International Council on Mining and Metals (sustainable mining), Responsible Jewellery Council and the Initiative for Responsible Mining Assurance.</li> </ul>

A competitive market, the European jewellery sector is characterized by fierce competition from countries with established reputations, such as France and Italy, particularly for fine jewellery. Nonetheless, the EU offers significant opportunities for costume and bridge jewellery. To tap into these market segments, Afghan exporters will have to compete with manufacturers from other developing countries such as China, Malaysia and Mauritius.

Niche products hold the best opportunities for Afghan jewellery exporters. Although niche products are sold in lower volumes, they offer better margins because the added value and labour intensity are higher. Niche designs that

could be profitable for Afghan jewellery makers include customizable jewellery, storytelling (socially conscious) designs, and designs with a local or ethnic touch.

Of critical importance are buyer requirements in European markets. In addition to legislative requirements to protect the health and safety of end users, certain European buyers may impose codes of conduct related to jewellery manufacturing conditions or environmental performance across the supply chain. Intellectual property rights are also regarded as crucial in creative sectors such as jewellery. Lastly, European markets hold high standards regarding product consistency from suppliers.

### Requirements for jewellery in the EU market

#### Legal requirements – ‘musts’

- General product safety: all products entering the EU market must be safe to use (General Product Safety Directive).
- Chemicals: the EU has restricted a great number of chemicals in products that are marketed in the EU, restricted chemicals are listed in the Registration, Evaluation, Authorization and Restriction of Chemicals Regulation (European Commission) 1907/2006.
- Metals: The EU has restricted the use of certain heavy metals to avoid allergic reactions:
  - » Cadmium and its compounds in bracelets, necklaces, rings, piercing jewellery, wrist watches, wristwear, brooches and cufflinks
  - » Nickel in earrings, necklaces, bracelets, chains, anklets, finger rings, wristwatch cases, watch straps and tighteners
  - » Lead and its compounds in bracelets, necklaces, rings, piercing jewellery, wristwatches, wristwear, brooches, cufflinks and any individual part or component.
- Restriction of azo dyes in textiles and leather.
- Restriction of chromium VI in leather.
- Non-usage of parts of wild plants or animals from endangered species under the restrictions of the Convention on International Trade in Endangered Species.
- Hallmarks for gold and silver jewellery: in some member states of the EU, control and hallmarking of every article by an independent body is compulsory.
- General requirements on packaging and liability.

#### Non-legal requirements – ‘good to have’

- Sustainable performance: EU buyers appreciate a good story.
- Fair trade concept: niche initiative, which supports fair pricing and improved social conditions for producers and communities.
- Fair and responsible practice in the whole jewellery supply chain respecting human rights (e.g. Fairgold, Fairmined, Oro Verde).
- Environmental awareness.
- Fair wages.
- Traceability.
- Greenpeace standard – in addition to the Regulation on Registration, Evaluation, Authorization and Restriction of Chemicals standard – The Detox Campaign for a toxic-free future.

## UAE

### UAE

#### Mandatory market requirements

- Kimberley Process Certificates are issued, mainly to prevent conflict diamonds
- A duty of 5% is imposed on gold jewellery

The UAE represents a significant opportunity for the Afghan jewellery sector because of its market proximity and cultural affinity. Moreover, the UAE is a major exporter and re-exporter worldwide. Dubai is a supply hub for the Middle Eastern jewellery market. The main suppliers are from Saudi Arabia, India, Pakistan, Thailand and Italy, among others. Major companies operating in this market include Al Ruwais Jewellery, Asia Jewellery, and Motiwalla Jewellery. Several

international fairs and exhibitions are held in the UAE market, including Dubai International Jewellery Week.

In the costume jewellery segment, there are well-established luxury brands as well as mass-market brands that provide competitively priced products. Costume jewellery suppliers seek to capture increasingly savvy consumers. In fine jewellery, UAE consumers show preferences for solitaire diamonds as well as coloured stones such as emeralds. Consumption of the latter is also driven by young consumers who prefer precious stones over gold-based jewellery. Afghanistan emeralds are considered among the finest in the world, and the abundance of this natural resource gives Afghan traders a competitive edge in the market. Precious stones and jewellery are sold through a wide variety of distribution channels, including exclusive showrooms, the Dubai Gold Souk and online retail.

## Box 10: Export potential in the UAE

### Export potential in the UAE of selected products

Similar to the United States market, the UAE has untapped opportunities in worked jewellery. Afghanistan has already established trade relationships in the UAE but worked jewellery represents

only a small share of its export basket. According to ITC analysis, the UAE market for jewellery is expected to grow by 24% through 2020. The Emirati market has space for new Afghan suppliers to enter a market currently dominated by Indian exporters.\*

#### United Arab Emirates: HS 711311 – Articles of jewellery and parts thereof, of silver, whether or not plated or clad with other precious metal (excluding articles > 100 years old)

##### PRODUCT DIVERSIFICATION RANK

174/3,646

##### DEMAND

USD 262.3 bn  
2011-2015

24%

2020

##### APPLIED TARIFF

Afghanistan: 5%

Ø other suppliers: 5%

**Tariff advantage: Opp**

##### MARKET ENTRY REQUIREMENTS

- Testing requirement
  - Inspection requirement
  - Marking requirements
  - Product identity requirement
  - Product quality of performance requirement
  - Import monitoring and surveillance requirements and other automatic licensing measures
  - Labelling requirements
- (Original documents available at [www.macmap.org](http://www.macmap.org))

##### COMPETITION

**Concentrated**



equivalent suppliers

**Main suppliers:** India, Italy, Pakistan

\* Source: ITC (2017).



# STRATEGIC OPTIONS FOR REVIVING AND PROMOTING AFGHAN PRECIOUS STONES AND JEWELLERY

## VISION

This sector is united by the following vision:

“ Precious stones and jewellery:  
revealing Afghan beauty  
to international markets ”

In order to achieve this vision, the following main strategic objectives are proposed:



Photo: ITC

## STRATEGIC OBJECTIVE 1: INCREASE PRODUCTIVE CAPACITY WHILE SUPPORTING DIVERSIFICATION AND ENTREPRENEURSHIP.

To develop production capacity and diversification for increased sales in local and international markets, Afghanistan needs to develop skills throughout the value chain. The following issues especially must be addressed:

- Miners are completely unprofessional, and in the past 15 years, MoMP has taken no action to improve the situation. There is an urgent need to train miners to stop using explosives and outdated extraction tools that decrease the quality and value of gemstones.
- Entrepreneurs need regular business training and wider exposure in order to feel equipped to operate and expand their businesses.

- At present, production workers are being trained in the traditional way. Each company trains its workers in cutting, polishing, moulding and other facets of jewellery making. An institution is needed to provide standard courses and the certification needed to enhance the credibility of the sector.

Access to finance is another critical requirement to enhance production capacity. Lack of financing restricts both men and women in the sector, in different ways. The sector needs to increase advocacy with the Government to provide loans with lower interest rates, decreased or different types of collateral and longer repayment periods, including a grace period.



Figure 14: Future value chain – strategic objective 1

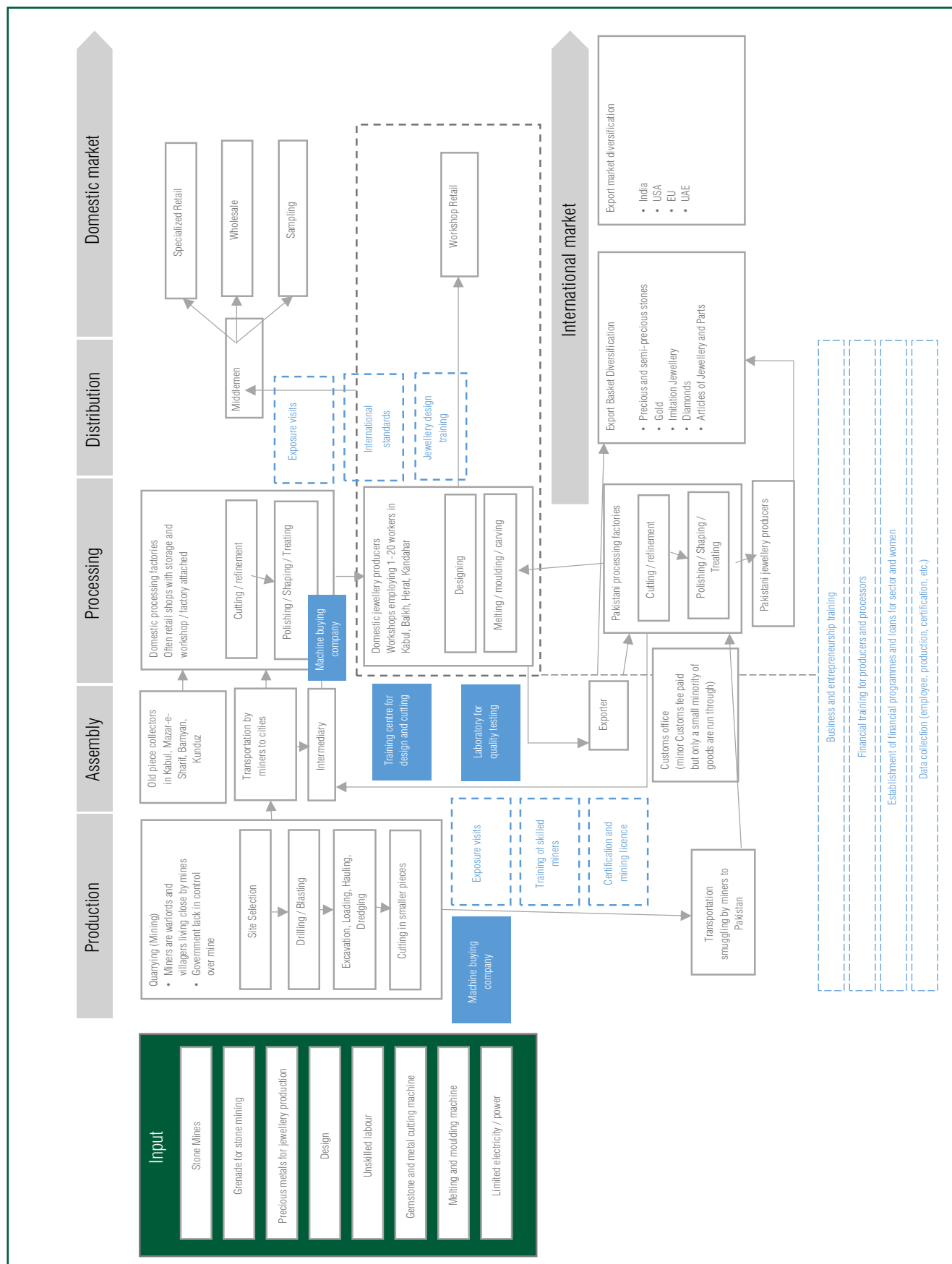






Photo: ITC

## STRATEGIC OBJECTIVE 2: IMPROVE THE REGULATORY FRAMEWORK AND INFRASTRUCTURE SUPPORT

The most complicated problem in this sector is the need for mining regulations and lack of monitoring of existing mining laws, which has led to a tremendous waste of Afghanistan's mineral resources and to smuggling from Afghanistan to Pakistan. The sector would benefit greatly from simpler processes and rapid implementation of mining laws. The current means of extraction result in large losses for Afghan producers and the Government.

This strategic objective also involves tackling the issues of multiple licensing and multiple taxation. Improving access to quality testing and certification will also be crucial

for the sector. This will entail establishing standards for this sector and laboratories focusing on the sector, and providing appropriate training to technical staff to support compliance with mandatory and buyers' requirements in target markets.

Overall, there is a need to strengthen the advocacy capacity of sector groups such as AWCCI, the Afghanistan Chamber of Industries and Mines (ACIM), ACCI, FACT and PSU. A committee with representatives from each of these entities can use the strategies outlined in this report to guide their advocacy work.

Figure 15: Future value chain – strategic objective 2

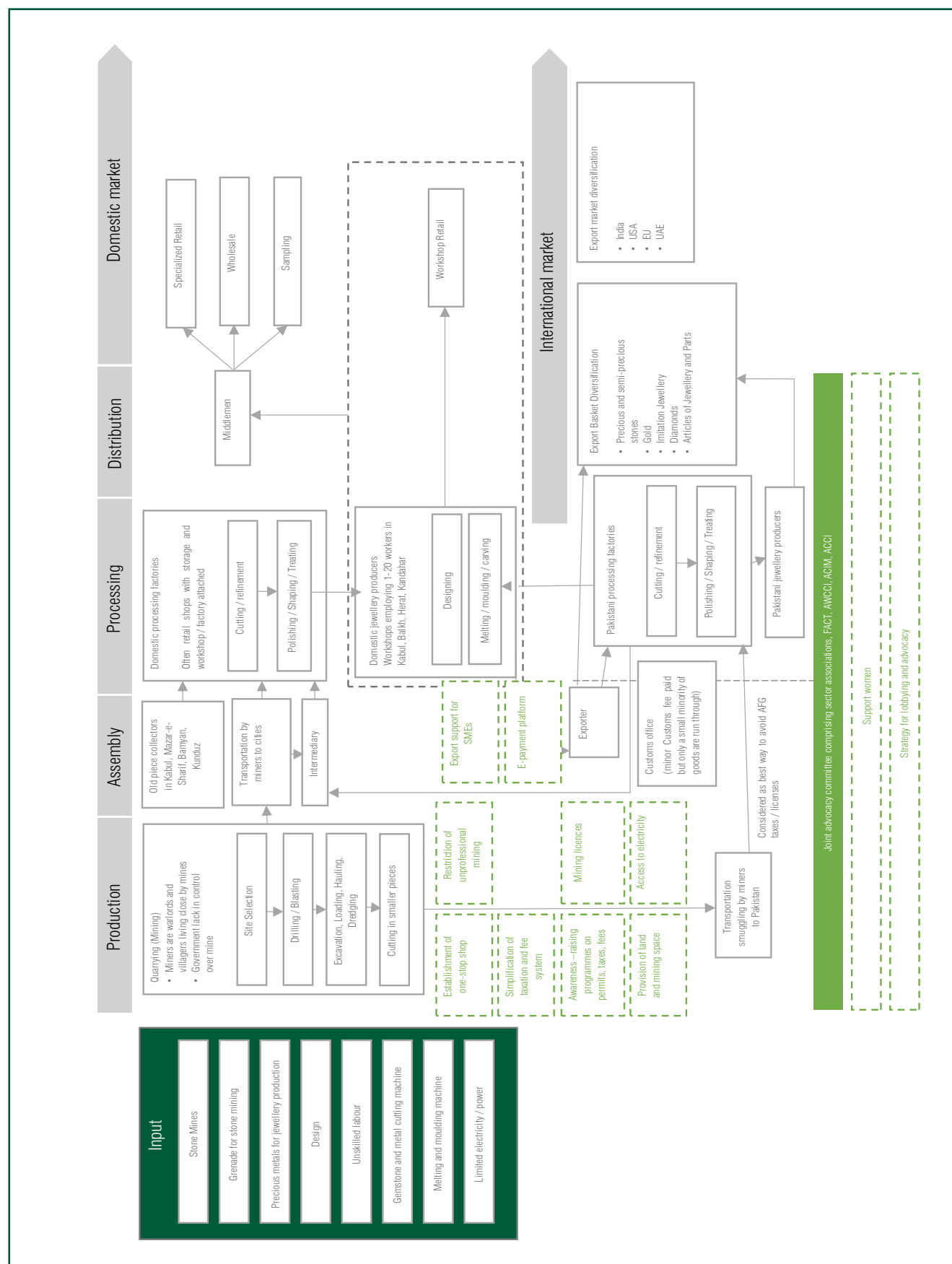




Photo: ITC

## STRATEGIC OBJECTIVE 3: CREATE AND PROMOTE AN AFGHAN PRECIOUS STONES AND JEWELLERY BRAND

A major requirement to ensure the long-term sustainability of the sector is properly branding and promoting the 'Made in Afghanistan' or 'Product of Afghanistan' brand on a global scale. Through this strategic objective, long-term marketing and branding strategies will be developed with the full participation of the private sector.

Individual enterprises with potential to export need help to develop individual marketing and promotion plans and materials. They can also be strategically supported to make connections with buyers and develop long-term relationships.

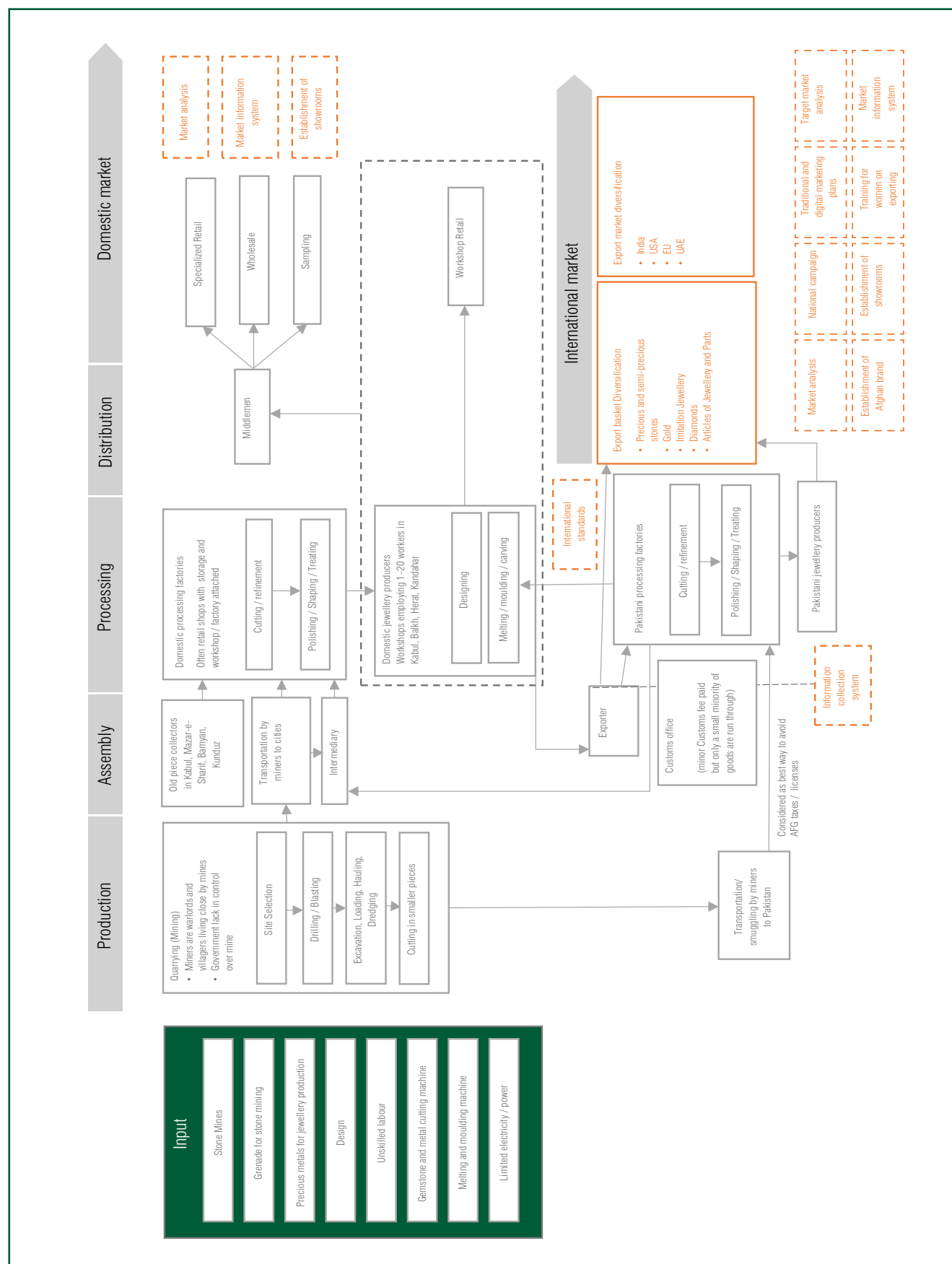
Women need special assistance to improve access to local and international markets, including long-term training and coaching in export management, financial management and order management. They also need special measures to access local markets, either through outlets or partnerships with men who would sell for them on a regular basis.

'I was astonished when a visitor approached me in my stall at an international exhibition and picked up the emerald and asked: "Is this emerald from Panjshir Pakistan?"

'I felt more determined to work from Afghanistan and for Afghanistan to change this kind of misperception.'

- Nahid Hamidi, a female precious stone and jewellery company owner

Figure 16: Future value chain – strategic objective 3



# MOVING TO ACTION

## KEY REQUIREMENTS FOR EFFECTIVE IMPLEMENTATION

The development of the future value chain for the precious stones and jewellery sector is a five-year project defined through a consultative process between Afghan public and private sector stakeholders. Achieving the strategic objectives and realizing the future value chain depends heavily on the ability of sector stakeholders to start implementing and coordinating the activities defined in the Strategy's PoA.

The Strategy in and of itself will not alone be sufficient to ensure the sector's sustainable development. Such development will require the coordination of various activities. While the execution of these activities will allow for the Strategy's targets to be achieved, success will depend on the ability of stakeholders to plan and coordinate actions in a tactical manner. Apparently unrelated activities must be synchronized across the public sector and private sector, non-governmental organizations and local communities in order to create sustainable results.

To ensure the success of the Strategy, it is necessary to foster an adequate environment and create an appropriate framework for implementation. The following section presents some of the key success conditions considered necessary for effective implementation.

### ESTABLISH AND OPERATIONALIZE A PUBLIC AND PRIVATE COORDINATING BODY AND EXECUTIVE SECRETARIAT

#### Precious stones and jewellery sector steering committee

A key success criterion for the Strategy is the ability to coordinate activities, monitor progress and mobilize resources for implementation. It is recommended that a steering committee comprising the key public and private sector entities be formed or supported (if such a committee already exists). This will function as a platform with balanced representation of all major precious stones and jewellery sector stakeholders to share information in open communication.

Overall it is proposed that the steering committee be responsible for the following responsibilities related to Strategy implementation:

- Coordinate and monitor the implementation of the Strategy by the Government, private sector, institutions or international organizations to ensure implementation is on track;
- Identify and recommend allocation of resources necessary for the implementation of the Strategy;
- Assess the effectiveness and the impact of the Strategy;
- Ensure consistency with the Government's existing policies, plans and strategies, and align institutions' and agencies' internal plans and interventions with the Strategy PoA;
- Elaborate and recommend revisions and enhancements to the Strategy so that it continues to best respond to the needs and long-term interests of the national business and export community;
- Propose key policy changes to be undertaken based on Strategy priorities, and promote these policy changes among national decision makers;
- Guide the sector secretariat for the monitoring, coordination, resource mobilization, and policy advocacy and communication functions to enable effective implementation of the Strategy; a criterion for success of the Strategy is the ability to coordinate activities, monitor progress and mobilize resources;
- Provide the sector secretariat with the mandate and the necessary resources to fulfil its functions effectively.

#### Composition of the steering committee

It is recommended that the steering committee be comprised of key entities involved in the sector, with a special focus on ensuring equitable involvement of both the public and the private sector.

#### Secretariat

A secretariat will assist the steering committee by acting as an operational body responsible for the daily coordination, monitoring and mobilization of resources for implementing the PoA. It is proposed that it takes on this role with technical support from key ministries and technical agencies. The secretariat will be composed of 1–2 technical operators.



The core responsibilities of the sector secretariat should be to:

- Support functioning of the steering committee;
- Collect and manage data to monitor the progress and impact of Strategy implementation;
- Liaise with and coordinate development partners for Strategy implementation;
- Elaborate project proposals and build partnerships to mobilize resources to implement the Strategy;
- Follow up on policy advocacy recommendations from the steering committee;
- Ensure effective communication and networking for successful Strategy implementation.

Both the steering committee and its secretariat will work hand-in-hand with existing entities established to streamline Government operations and enhance donor operations. These include the NES secretariat and others. It is possible that the secretariat is accommodated as part of an existing entity with an extended mandate and resources allocated to it.



Photo: ITC



# STRATEGIC PLAN OF ACTION

Strategic objective 1: Increase productive capacity while supporting diversification and entrepreneurship.									
Operational objectives	Activities	Priority 1 = high 2 = med 3 = low	Implementation period					Targets*	Lead and supporting implementers
			2017	2018	2019	2020	2021	2022	
<b>1.1. Improve producers' entrepreneurship and business management knowledge and skills.</b>	1.1.1. Organize regular exposure visits for producers to internationally well-established precious stone and jewellery exporters, institutions and producers in and outside of the region in order to enhance Afghan producers' view of their businesses / products and learn how to develop entrepreneurial and managerial skills.	2						<ul style="list-style-type: none"> <li>At least 25 exposure visits each year</li> </ul>	AWCCI Export Promotion Agency of Afghanistan (EPAA), ACIM, FACT and PSU
	1.1.2. Provide support to the Government to establish business and entrepreneurship trainings for the handicraft export sector. Trainings should be housed in the Economics Faculty in all major universities. EPAA could also establish a training wing. <ul style="list-style-type: none"> <li>Develop a business management and entrepreneurship training curriculum and materials.</li> <li>Train trainers.</li> <li>Create a training calendar and help relevant organizations implement it.</li> <li>Help organizations implement the agreement during the first year so that such training programmes will be part of their future workplans.</li> </ul>	1						<ul style="list-style-type: none"> <li>Quarterly trainings held every year</li> </ul>	Ministry of Higher Education and MoCI (EPAA)
<b>1.2. Improve access to skilled labour throughout the value chain.</b>	1.2.1. Conduct an independent assessment of existing technical and vocational education and training (TVET) courses on precious stones and jewellery, as well as a needs assessment of TVET institutions. Develop partnerships with precious stones and jewellery schools and other TVET institutions in India and Europe for exchanges of students and teachers; transfer of knowledge and technology; and improvement of technology and teaching standards and qualifications.	2						<ul style="list-style-type: none"> <li>Assessment of sector schools</li> <li>Training programmes and skills of trainers upgraded</li> </ul>	Ministry of Education (MoE)
	1.2.2. Train skilled labour in mining and processing. <ul style="list-style-type: none"> <li>Establish short-term courses at Kabul University's Geology Department on how to extract precious stones from mines without using hand grenades.</li> <li>Establish a memorandum of understanding with Kabul University to include short-term courses on a regular basis in coordination with MoMP.</li> <li>Develop a short-term course curriculum that builds mining and processing skills, as well as application of modern technology for improved mining and sorting, by teaching how outdated techniques harm the quality of stones.</li> <li>Teach practical use of professional tools.</li> <li>Connect short-term courses' certification to mining licences.</li> <li>Train participants on identification of metals and stones to avoid mixing up metal and precious stone varieties.</li> </ul>	1						<ul style="list-style-type: none"> <li>One course for each stage of the value chain</li> </ul>	MoMP and Kabul University AWCCI, ACIM, FACT, Afghanistan and PSU
	1.2.3. Establish an institution focused on providing training in jewellery design and cutting stones. Establishment based on a public-private partnership with an existing institutions is a possible solution. <ul style="list-style-type: none"> <li>Help this institution establish standard courses for each value chain step.</li> <li>Provide these courses as training opportunities for designers, cutters, polishers and jewellery makers on a regular basis.</li> </ul>	1						<ul style="list-style-type: none"> <li>One institution fully functional</li> </ul>	MoLSAMD AWCCI, FACT and PSU
	1.2.4. Develop an incentive framework as well as in-house training programmes to develop and enhance in-house training by enterprises for apprenticeship, vocational and on-the-job training. Inceptive types to be further defined based on best practices promoted by the International Labour Organization.	2						<ul style="list-style-type: none"> <li>One standardized framework for the sector based on best practices</li> </ul>	MoLSAMD, MoE
	1.2.5. Conduct a rapid assessment of the sector through field consultations with producers, buyers, young people and training institutions to: <ul style="list-style-type: none"> <li>Identify the skills demanded by the market in the different stages of the sector value chain.</li> <li>Map the existing formal training offer as well as the informal training practices active in the sector.</li> <li>Assess the interest of young people in engaging in the sector.</li> </ul>	1						<ul style="list-style-type: none"> <li>One youth assessment in all main extraction and production hubs</li> <li>One report with results of the sector assessment, including formal and informal training offered in the sector</li> <li>One interest survey conducted with 100 youth interested in working in the sector</li> </ul>	MoLSAMD, MoE

\* Targets are indicative only and will be the subject of further refinement at beginning of the implementation management stage. Similarly, the lead and supporting implementers column remains indicative because implementation will require collective efforts, so additional institutions may be added.

Strategic objective 1: increase productive capacity while supporting diversification and entrepreneurship.									
Operational objectives	Activities	Priority 1 = high 2 = med 3 = low	Implementation period					Targets*	Lead and supporting implementers
			2017	2018	2019	2020	2021	2022	
1.2. Improve access to skilled labour throughout the value chain.	1.2.6. Enhance young people's (particularly returnees') awareness of skills development and economic opportunities available in the sector through: <ul style="list-style-type: none"> <li>• Radio shows with local champions of the sector.</li> <li>• Exhibitions and fairs to promote the sector among young people.</li> <li>• Social media and other online platforms with high youth presence.</li> </ul>	2						<ul style="list-style-type: none"> <li>• One radio show every three months with local champions of the sector</li> <li>• Two exhibitions and fairs per year</li> <li>• One social media and online platform for the sector</li> </ul>	MolSAMD, MoE, PSU
	1.2.7. Based on the findings of the skills gap study, training institutions for youth will be supported to: <ul style="list-style-type: none"> <li>• Develop and improve curricula relevant to the sector in areas such as artisanal mining practices, cutting and polishing gemstones, jewellery design and jewellery making.</li> <li>• Integrate entrepreneurship and introductory business management modules such as accounting, sales and marketing.</li> <li>• Align with national or international standards and certification schemes to ensure recognition of the qualifications and meet market requirements.</li> </ul>	1						<ul style="list-style-type: none"> <li>• One youth-tailored curriculum for each sector-related field (mining, cutting, polishing, design and jewellery making, entrepreneurship / business management)</li> <li>• Certification schemes for youth who complete the course</li> </ul>	MolSAMD, MoE, MoMP, ACIM, Afghante
	1.2.8. Enhance and roll out technical skills training programmes related to the sector to Afghan youth, including school dropouts and returnees. The skill areas will be based on the sector skills gap assessment and the enhanced curricula in order to ensure alignment with market requirements. The training programmes will be deployed through: <ul style="list-style-type: none"> <li>• Existing local training institutions engaged in sector skills development.</li> <li>• Computer-based training on jewellery design and making, entrepreneurship and business management.</li> <li>• Skills competitions and award mechanisms on jewellery design and making.</li> <li>• Study trips to countries in the region (such as Thailand, India) to expose trainees to best practices in design and production.</li> </ul>	1						<ul style="list-style-type: none"> <li>• Quarterly technical skills and vocational training programmes for youth in the sector</li> </ul>	MolSAMD, MoE, MoMP, ACIM
1.3. Improve access to finance.	1.2.9. Establish arrangements between Afghan training institutions and regional / international training institutions, as well as with international companies, to: <ul style="list-style-type: none"> <li>• Exchange technical knowledge on precious stone cutting and polishing, and jewellery design and making.</li> <li>• Conduct training of trainer programmes to build instructor capacity.</li> <li>• Access firm-to-firm technical assistance in gemstone processing and jewellery production.</li> <li>• Promote Afghan gemstones and jewellery designs.</li> <li>• Facilitate technology and equipment transfer.</li> </ul>	2						<ul style="list-style-type: none"> <li>• At least one training partnership established per year</li> </ul>	Ministry of Foreign Affairs, MolSAMD, MoE, MoMP, ACIM
	1.2.10. Create a short-term paid apprenticeship programme for youth with master craftspeople to: <ul style="list-style-type: none"> <li>• Deliver hands-on skills training in precious stones processing, jewellery design and making.</li> <li>• Provide certification on completion of an apprenticeship programme.</li> </ul>	2						<ul style="list-style-type: none"> <li>• Creation of one short-term paid apprenticeship programme for 25 youth per year</li> </ul>	MolSAMD, MoE, MoMP, Ministry of Foreign Affairs, ACIM, Afghante
	1.3.1. Support producers of this sector to understand finance, and improve access to finance and financial understanding through longer-term training and coaching programmes. <ul style="list-style-type: none"> <li>• Incorporate trainings in the curriculum of the business management and entrepreneurship capacity-building initiative.</li> <li>• Improve financial systems and documentation in order to enable better financial planning by producers.</li> <li>• Review eligibility criteria for bank loans.</li> </ul>	2						<ul style="list-style-type: none"> <li>• Quarterly sessions</li> </ul>	Export Promotion Agency of Afghanistan/AWCCI, ACIM
	1.3.2. Provide support to private sector representatives in lobbying MoF and Da Afghanistan Bank for easy and inexpensive loans as well as for financing programmes for the sector by emphasizing the potential for exports. Lobby especially for women, as women's access to finance is limited. Women also have limited ability to provide property as collateral and need a longer grace period.	2						<ul style="list-style-type: none"> <li>• Number of men and women in the sector getting loans</li> </ul>	AWCCI and sector lobbying committee

Strategic objective 1: increase productive capacity while supporting diversification and entrepreneurship.									
Operational objectives	Activities	Priority 1=high 2=med 3=low	Implementation period					Targets*	Lead and supporting implementers
			2017	2018	2019	2020	2021		
1.4. Improve access to inputs.	1.4.1. Conduct a survey on existing and required input goods, functions and services for the industry as a basis for planning, sector development and investment promotion.  Based on the survey, conduct targeted investment promotion and design affordable loans in order to increase accessibility to expensive, modern machinery and tools for: <ul style="list-style-type: none"><li>Cutting, refining, polishing and finishing raw material (i.e. semi and precious stones and metals)</li><li>Gemstone and metal-cutting, melting and moulding machines</li><li>Based on the survey, design and implement measures to improve distribution of raw materials (e.g. semi- and precious stones and metals, such as gold and silver)</li></ul>	1						<ul style="list-style-type: none"><li>One survey in each hub</li><li>Investment promotion plan based on survey for each value chain step</li></ul>	MoCI, MoMP ACIM
	1.4.2. Conduct a feasibility study to assess the establishment of a precious stones processing area in Kabul (due to proximity to quarries and air corridor facilities)	1						<ul style="list-style-type: none"><li>One feasibility study developed to evaluate the establishment of a precious stones processing centre in Kabul</li></ul>	MoMP, MoCI, private sector associations
	1.4.3. Source precious stones and metals responsibly and transparently. <ul style="list-style-type: none"><li>Improve the traceability of precious materials sourcing through better certification, quality control and marketing.</li><li>Improve enforcement measures.</li><li>Encourage the private sector to adopt responsible sourcing standards and certifications (e.g. Responsible Jewellery Council certification) and adequate labelling for precious materials through tailored workshops.</li><li>Provide training and technical assistance for producers on responsible sourcing standards and labelling of precious stones and jewellery products.</li></ul>	1						<ul style="list-style-type: none"><li>Responsible sourcing label introduced to 10% of enterprises certified a year</li></ul>	ANSA, MoMP, ACIM, private sector associations
	1.4.4. Encourage and support establishment of companies that buy machinery for other companies on a long-term loan basis. A public-private partnership involving donors and private companies would support this initiative. Consider machine rentals in regional hubs and corporate ownership of expensive machines by associations or groups of producers.	2							<ul style="list-style-type: none"><li>List of companies that buy machinery for other companies</li></ul>

Strategic objective 2: Improve the regulatory framework and infrastructural support.											
Operational objectives		Activities	Priority 1 = high 2 = med 3 = low	Implementation period	Targets*	Lead and supporting implementers					
				2017	2018	2019	2020	2021	2022		
2.1. Improve the legal procedures for licensing and permits.	2.1.1. Cooperate with Government institutions in order to improve their coordination. Classify precious stones and jewellery as a scarcity area (short and medium term) to trigger special support measures by public authorities. Establish a one-stop shop for producers and exporters to obtain any permit and tariff clearances.	2							<ul style="list-style-type: none"><li>One-stop shop is serving all the producers and exporters of this sector</li></ul>	MoCI MoMP and municipalities, ACIM	
	2.1.2. Clarify and simplify taxation and fee types and procedures. Publish information brochures and pamphlets for relevant stakeholders to inform them of legal procedures. Provide ministries with written feedback and recommendations on relevant items in order to incentivize specific actions in responsible ministries.	1								<ul style="list-style-type: none"><li>Simplified fee types and procedures are documented and used</li></ul>	MoF and MoCI MoMP sector advocacy committee, ACIM
	2.1.3. Provide training and awareness-raising initiatives to both Government and the private sector on permits, taxes and fee procedures.	2								<ul style="list-style-type: none"><li>One training every quarter</li></ul>	MoF MoCI and MoMP, ACIM
2.2. Implement the Minerals Law and monitoring of precious stones extraction and export (preventing smuggling).	2.2.1. Restrict unprofessional mining and stimulate serious implementation of the Minerals Law by the Government. Identify best practices to progressively formalize artisanal and small-scale mining in regional countries and also in countries with a similar context (e.g. Colombia, Mongolia and the Democratic Republic of Congo). Engage gemstone miners (formal and informal) and community elders in further identifying measures to incentivize formalization of mining, such as: <ul style="list-style-type: none"><li>Economic and social incentives (e.g. community participation in revenues, safety for miners)</li><li>Assistance with new technology</li><li>Technical assistance to support formalization</li></ul> Incorporate relevant measures in the Mineral Law, currently under revision. Develop and formalize alliances with relevant international institutions to share knowledge and technical assistance on this matter.	1							<ul style="list-style-type: none"><li>By 2020 mining is fully legalized</li></ul>	MoMP, ACIM Ministry of Interior Affairs, Afghanistan	
	2.2.2. Streamline mining licences and ensure that all miners obtain them. Only miners with licences should be allowed to start mining. Improve coordination between MoMP and the Ministry of Interior Affairs at subnational level.	1								<ul style="list-style-type: none"><li>By 2020 mining is fully legalized</li></ul>	MoMP sector advocacy committee Ministry of Interior Affairs, ACIM
	2.2.3. Control the border to Pakistan in order to prevent smuggling and record numbers of precious stones and jewellery further processed/with value added in Pakistan. Use international media outlets in order to remove the image of financing terrorists by gemstones (especially lapis). 2.2.4. Monitor mines with licences and control quality of mined precious stones and metals (e.g. gold and silver) in Afghanistan. <ul style="list-style-type: none"><li>Include civil society in monitoring their coordination and monitoring the implementation of the Minerals Law.</li><li>Strategically communicate the implementation of the Minerals Law and its monitoring process to the international community</li></ul>	2								<ul style="list-style-type: none"><li>Border control posts established on each main route to Pakistan</li></ul>	Afghan Border Police, Customs, Ministry of Interior Affairs
		1								<ul style="list-style-type: none"><li>Annual monitoring report</li></ul>	MoMP, ACIM, sector advocacy committee Ministry of Interior Affairs

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Strategic objective 2: Improve the regulatory framework and infrastructural support.										
Operational objectives	Activities	Priority 1=high 2=med 3=low	Implementation period					Targets*	Lead and supporting implementers	
			2017	2018	2019	2020	2021			2022
<b>2.5.5. Improve access to quality testing and certification.</b>	2.5.1. Identify gaps and develop a plan to establish a lab focusing on the precious stones and jewellery sector. <ul style="list-style-type: none"><li>Conduct field visits to laboratories in Jaipur and Sri Lanka to absorb and adapt best practices for the establishment of laboratories in Afghanistan.</li><li>Conduct a feasibility study for the establishment of laboratories to conduct quality testing and issue certifications.</li><li>Assess the investment / cost estimation, infrastructure and technical training needed, among others, including geographical potential for operations.</li></ul>	1							<ul style="list-style-type: none"><li>Four feasibility study reports in all main production hubs</li><li>Two international field visits annually</li></ul>	<b>MoMP, ANSA</b> ACIM, MoCI
	2.5.2. Review the National Laboratory Policy and the outcome of the feasibility study/gap analysis to adjust its scope to sector-specific requirements.	2								<ul style="list-style-type: none"><li>All Government labs covered by the policy</li></ul>
<b>2.5. Improve access to quality testing and certification.</b>	2.5.3. Develop a lab establishment plan to support compliance with mandatory and buyers' requirements in target markets. <ul style="list-style-type: none"><li>Recruit and train staff for the labs.</li><li>Investigate possible locations for labs in main hubs.</li><li>Assess sector needs in terms of quality control in order to determine the required capacity for lab establishment.</li></ul>	1							<ul style="list-style-type: none"><li>At least 20 technical staff are trained for the first establishment of labs in all four main hubs</li><li>Four sector-specific labs established</li><li>Provide at least 80% of tests required for priority export products</li></ul>	<b>ANSA, MoMP</b> ACCI, AWCCI, ACIM, International Chamber of Commerce
	2.5.4. Support establishment of a national laboratory network to promote inter-laboratory cooperation.	3								<ul style="list-style-type: none"><li>Most labs (70%) covered by the network</li></ul>
	2.5.5. Establish international standards for this sector with ANSA. <ul style="list-style-type: none"><li>Publish information booklets on standards for producers and exporters.</li><li>Help Afghan producers get their process and management certified based on standards.</li></ul>	1							<ul style="list-style-type: none"><li>List of standards published</li></ul>	<b>ANSA</b> AWCCI, ACIM, FACT and PSU
	2.5.6. Review existing sector-specific laws on metrology and develop regulations to establish and enforce standards of legal metrology and regulate trade with regard to weights and measures, and enforce the legislation.	1							<ul style="list-style-type: none"><li>Documented set of sector-specific domestic regulations and standards</li></ul>	<b>ANSA</b>
	2.5.7. Create domestic standards for precious stones and jewellery based on existing sector-specific laws, regulations and international standards and requirements.	1							<ul style="list-style-type: none"><li>Domestic standards created</li></ul>	<b>ANSA</b>
	2.5.8. Train ANSA and private sector quality certification companies' staff to be able to issue certificates and distinguish handmade and machine-made products.	1							<ul style="list-style-type: none"><li>Four awareness-raising initiatives and combined training sessions annually in each of the four main production hubs</li></ul>	<b>ANSA</b> , private sector quality certification companies
	2.5.9. Raise producers' and exporters' awareness of international standards and domestic standards established for the sector.	2							<ul style="list-style-type: none"><li>Two quarterly awareness-raising workshops conducted</li></ul>	<b>AWCCI, ACIM, FACT and PSU</b>
<b>2.6. Improve data for the sector.</b>	2.6.1. Collaborate with the Central Statistics Office and other relevant organizations in order to capture data on producers, miners, mines, production hubs, workshops, through a detailed survey of the sector operations. This activity will have the aim of getting a better picture and greater overview of the precious stones and jewellery sector.  Improve the availability of data on the sector to facilitate gap analysis/needs analysis and impact measurement of activities through the publication of a comprehensive database in the MoMP's website.	1							<ul style="list-style-type: none"><li>Comprehensive database available through the MoMP's website</li></ul>	<b>MoMP, MoCI and Central Statistics Office</b>

Strategic objective 3: Create and promote an Afghan precious stones and jewellery brand.									
Operational objectives	Activities	Priority 1 = high 2 = med 3 = low	Implementation period					Targets*	Lead and supporting implementers
			2017	2018	2019	2020	2021	2022	
<b>3.1. Reinforce national trade and investment support institutions' and sector associations' market intelligence.</b>	3.1.1. Help PSU establish a system that collects and disseminates information to exporters regularly.	1							<b>AWCCI, ACIM, FACT and PSU</b> MoCI, an international research company that has experience in the sector, the sector associations
	<ul style="list-style-type: none"> <li>Institutionalize the use of distance learning support services on market analysis by trade and investment support institutions.</li> <li>Conduct a market analysis of target markets' potential for Afghan precious stones and handmade jewellery.</li> </ul>								
	3.1.2. Strengthen access to the international precious stones and jewellery network.	2							<b>AWCCI, ACIM, FACT and PSU</b> One annual session with embassies in countries with potential markets for this sector Two trainings per year for attachés
	<ul style="list-style-type: none"> <li>Roll out a capacity-building programme aimed at trade representatives, diplomats and managers of overseas trade offices to enable them to provide better advice to SMEs and to prepare a report on opportunities and the feasibility of exporting a selected product to a target market.</li> <li>Train commercial attachés to build their knowledge of the sector so they can provide necessary support to Afghan exporters.</li> </ul>								
<b>3.2. Improve women producers' access to markets.</b>	3.2.1. Train women producers to access domestic and international markets.	1							<b>AWCCI</b> Thirty women businesses from three provinces are able to access buyers
	<ul style="list-style-type: none"> <li>Analyse the role, activities and reach of Afghan associations designed to enhance the role of women in the country's economic life.</li> <li>Help women producers to run public shops, at least in Kabul, and ensure their safety.</li> <li>Develop specific export-ready capacity-building activities for women.</li> <li>Ensure women's participation in export-ready programmes by allocating a number of seats to women and promoting their participation through the different business associations and by developing an awareness-raising campaign.</li> </ul>								
<b>3.3. Improve market links and visibility (especially for handmade products).</b>	3.3.1. Establish Afghan precious stones and jewellery showrooms in cities with potential (according to sector actors, in the United Kingdom, Italy and Germany).	1							<b>PSU, AWCCI, ACIM</b> MoCI, Ministry of Foreign Affairs
	<ul style="list-style-type: none"> <li>Collect information on existing international showrooms and exhibitions.</li> <li>Organize participation based on a marketing plan.</li> <li>Develop materials for branding and advertising of Afghan precious stones and jewellery to be handed out at the showroom / exhibitions.</li> <li>Train attachés for each exhibition to have a good market understanding of the host country.</li> </ul>								
	3.3.2. Ensure greater participation in international trade fairs to enable exporters to meet international buyers and strengthen the visibility of Afghan companies.	2							<b>MoCI, ACIM, PSU, AWCCI</b> Increased number of international trade fairs attended Increased number of participating companies MoCI staff trained on international negotiations and agreements twice a year
	<ul style="list-style-type: none"> <li>Organize trade meets that will be leveraged to promote Afghan exports.</li> <li>Promote local products through international trade fairs.</li> <li>Organize bilateral trade facilitation forums to develop market links.</li> <li>Train MoCI staff to advocate better for sector when negotiating agreements at the international level</li> </ul>								
	3.3.3. Help producers develop marketing plans, with consideration of available tools and guidelines.	1							<b>PSU</b> Digital marketing plan template, tools and guidelines available AWCCI, ACIM
	<ul style="list-style-type: none"> <li>Train firms to sustain existing buyer-seller relationships / mutual trust and provide training on marketing and after-sales services, digital marketing and online promotion, promotional materials, etc.</li> <li>Provide training to build the capacity of SMEs to produce business plans, financial plans, and sales and marketing plans in order to access international markets.</li> </ul>								

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Strategic objective 3: Create and promote an Afghan precious stones and jewellery brand.									
Operational objectives	Activities	Priority 1 = high 2 = med 3 = low	Implementation period					Targets*	Lead and supporting implementers
			2017	2018	2019	2020	2021	2022	
<b>3.4. Improve Afghanistan's reputation and presentation in international markets.</b>	3.4.1. Organize brand awareness workshops on how the international reputation of a company or sector can be improved. Learn best practices on brand strategy, design and implementation, and adapting to the sector and market.	2							MoCI-EPAA, ACIM, ACCI, AWCCI, ICC, sector associations
	3.4.2. Coordinate services offered by Afghan precious stone and jewellery trade and investment support institutions and private sector providers to establish a joint national programme on branding, promotion, marketing and labelling of products. The objective is to raise firms' awareness; provide complete information about available services, advice and support; and increase the visibility and improve the visual aspect of Afghan precious stones and jewellery. Universities and consulting firms should be involved. Develop marketing and branding tools, e.g. website, leaflets, brochures, catalogues and a monthly magazine.	1							MoCI-EPAA, ACIM, ACCI, AWCCI, ICC, sector associations, entrepreneurs group
	3.4.3. Provide training and capacity-building organized around different modules (corporate branding, collective brand management, labelling, packaging, quality management, traceability, etc.). Modules can be developed on an incremental basis with new ones being added over time, depending on demand.	1							MoCI-EPAA, ACIM, ACCI, AWCCI, ICC
	3.4.4. Provide specific advisory services to sector associations and selected SME clusters in the precious stones and jewellery industry. <ul style="list-style-type: none"> <li>Assess firms' brand communications and the strength of their value proposition to customers.</li> <li>Test the demand for products with real customers and professional buyers.</li> <li>Design packaging that corresponds to market requirements and shows the product to its advantage.</li> <li>Brand awareness: learn best practices on brand strategy, design and implementation, adapted to the sector and market.</li> <li>Brand plan: structure a plan that is used to develop designs, communications and products.</li> <li>Brand kit: design and produce the marketing collateral associated with the brand design.</li> </ul>	1							MoCI-EPAA, ACIM, ACCI, AWCCI, ICC
	3.4.5. Develop a set of self-learning courses and materials tailored to the precious stones and jewellery sector that companies can use to educate themselves on the importance of branding and how to effectively brand their offerings, especially in international markets.	2							MoCI-EPAA, ACIM, ACCI, AWCCI, ICC





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