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Trade and Investment Opportunities in Afghanistan

Sunirmal Ray, ATAR

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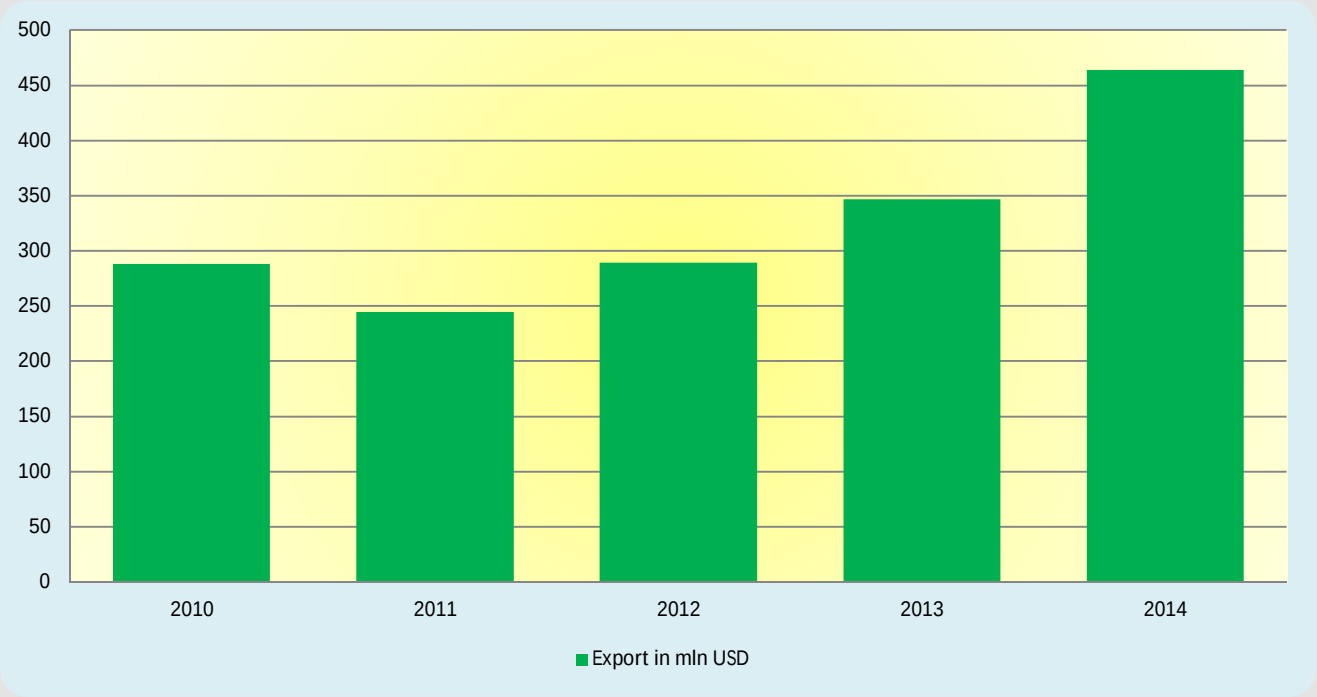
Afghan Exports at a Glance



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Challenges in promoting Afghan Exports

- Lack of Institutional mechanism
- Lack of availability of reefer containers
- Lack of pack houses
- Lack of available credit at international rate
- Quality certification
- High transaction cost
- Absence of favorable mining policy
- Introduction of modern machinery for mining
- High export duties / taxes on marble and gemstone

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Challenges for Afghan Exports Transiting through Pakistan

- Afghan exporters are allowed to export only fresh fruits through Wagah and not other products that were agreed upon during last APTTCA meeting
- Afghan trucks are not allowed to carry return cargo from Wagah
- Lack of availability of parking space and refrigeration facility at Wagah
- Enormous delay in customs clearance and inspection at Karachi port

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Challenges for Investing in Afghanistan

- Improving legal framework – investors need protection and confidence in legal system
- Improving financial market – Afghan financial institutions do not provide long-term credit
- Improving infrastructure – poor road network, limited air cargo facilities
- Developing investor-friendly tax regime
- Perception of a high level of corruption
- Poor security situation

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Value Chains to Promote Investment and Exports

The following value chains were identified considering Afghanistan's competitiveness:

- Agriculture products (fresh fruits, dry fruits and nuts, processed products)
- Marble (rough and polished)
- Gemstones
- Carpet

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Agriculture Value Chain for Trade and Investment

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Priority Markets

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- India
- UAE
- Central Asia

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Priority Items

- Pomegranate: Kandahar, Samangand
- Melon: Kandahar, Kunduz
- Apple: Wardak
- Apricot: Wardak, Maidan
- Grape: Shamaly, Kandahar, Mazar e Shariff
- Saffron: Herat

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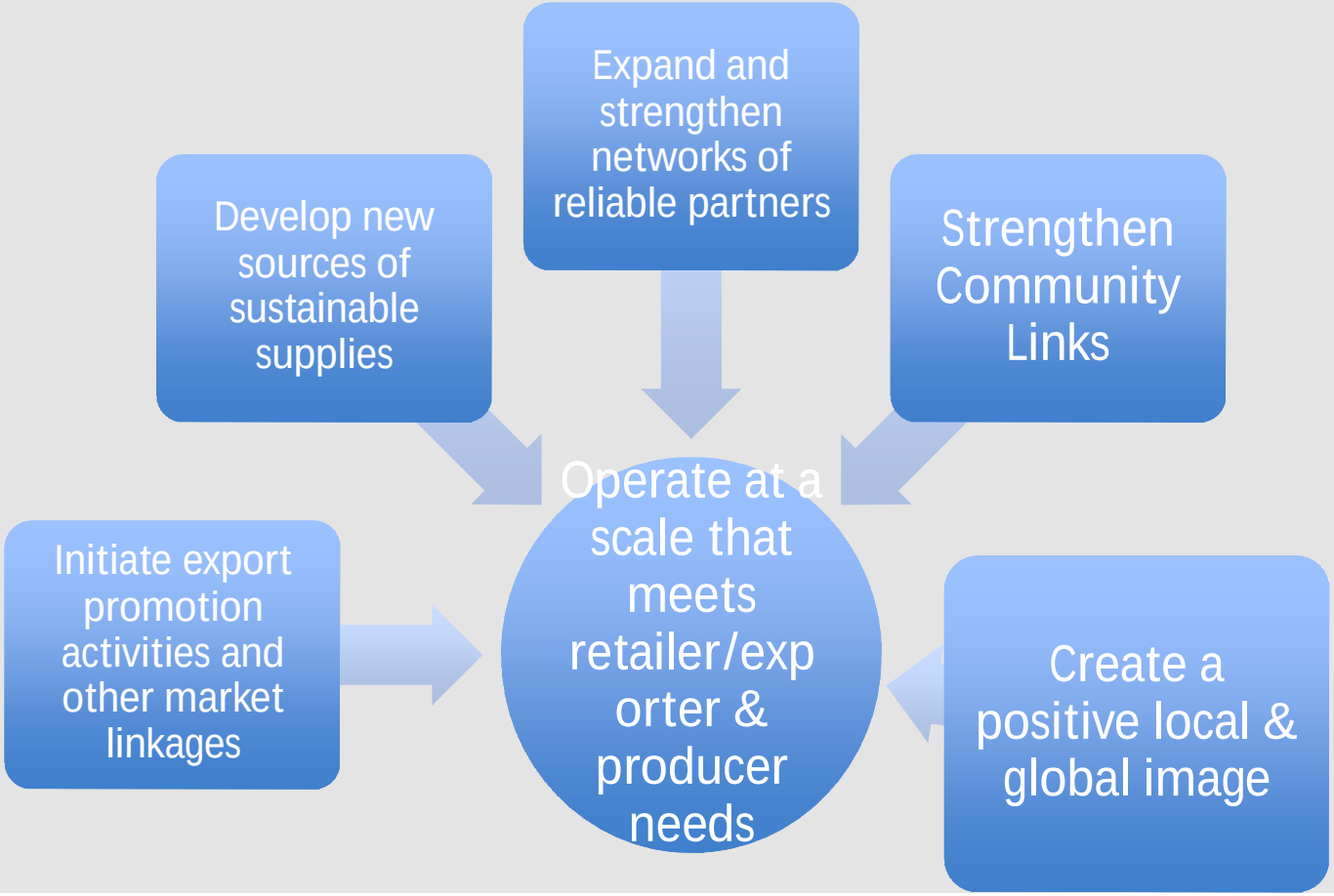
Multi-party Partnership in Afghan Fresh Fruit Value Chain



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ATAR's Value Chain Approach to Strategic Intervention

Production → Processing → Marketing

AG. Production

- TA to Growers
- Ag Depots
- Direct Assistance to farmers

Agribusiness

- Assistance in sorting, grading
- Assistance in packaging
- Assistance in transportation
- Cold Storage
- Participation in Trade Shows
- B2B, Road shows

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Impact of Value Chain Intervention by USAID IPs – Indian Woman in Delhi Buying Afghan Afghan Apricot

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Major Constraints - Infrastructure

- Lack of Cold Storage Facility in the provinces
- Lack of City Power
- Poor Access to irrigation
- Poor infrastructure at land border
- Lack of good roads and other physical infrastructure

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Major Constraints - Quality and Standards

- Grading, Sorting and Packaging
- Food Safety Standards
- Pack-houses
- Need to introduce Afghan GAP
- Introducing Regulations

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Other Challenges in Fresh Fruit Export Value Chain

- Lack of institutional mechanism
- Lack of availability of reefer containers
- Lack of available credit at international rate
- High transaction cost
- Lack of encouragement to private sector
- Private Sector capacity building – harvest, post-harvest, business skills, documentation etc
- Export Readiness Program for potential exporters
- Absence of an Export Promotion Scheme

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Suggested Short-Term Interventions

- Negotiate a good rate for Air Cargo over the next two years for India and UAE
- Build trade capacity at MOCI, MAIL, EPAA and other institutions
- Develop a National Export Strategy for the Afghanistan
- Develop a Grievance redressal Mechanism
- Provide assistance in packing, sorting, and grading
- Provide credit to exporters
- Promote Afghanistan as a brand

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MARBLE VALUE CHAIN

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Major Constraints in Marble Value Chain:

- High royalty cost is levied by Afghan Government (Pakistan levies Rs 50 and opposed to AFA 612 levied by Afghan Government)
- Government policies are not clear and a favorable climate for mine owners needs to be developed
- Recent ban imposed on export of rough marble is detrimental to investment in this sector

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Major Constraints in Marble Value Chain:

- Blasting method used for mining marble destroys deposits and spoils quality – need to introduce modern techniques
- Cutting and polishing facilities are few in number
- International marketing effort is not at national level

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Interventions That are Needed to Move up the Value Chain

- Favorable mining policy need to be announced
- Favorable investment climate for the sector
- Removal of ban on export of rough marble
- Encouraging investment in cutting and polishing sector
- Encouraging investment in introducing modern mining techniques as opposed to blasting
- Supporting participation in international shows (it is supported by Government of Pakistan, India and other south Asian countries)

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Gemstone Value Chain

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Major Constraints in Gemstone Value Chain

- Exorbitantly high transaction cost (Ministry of Mines charges 15%, Customs collect 9% as levies and taxes, Mustofiats collect Afa 7.5/Kg)
- Exporters bear 31% of the value of consignment in the name of tax and illegal extortion
- Absence of cutting and polishing facilities in the country
- Lack of favorable investment policies in this sector
- Absence of a capacity building program

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ATAR Interventions Planned for this Sector

- Organizing capacity building and training in gemstone cutting and polishing in collaboration with ABADE
- Promoting investment in cutting and polishing in Afghanistan
- Build capacity of association
- Assist Afghan producers in participating in international trade shows

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Interventions Needed to Move up the Value Chain:

- Favorable mining policy needs to be announced for gemstone mining
- Favorable investment climate for the sector
- Encouraging investment in cutting and polishing sector
- Encouraging investment to introduce modern mining techniques as opposed to blasting
- Supporting participation in international shows (it is supported by the Government of Pakistan, India and other south Asian countries)

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Thank you