



TURQUOISE MOUNTAIN

Women’s Economic Empowerment Carpet Value-Chain Pilot

Final Report

27 May 2019

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Turquoise Mountain Trust is registered in Scotland as a charity no. SC037343 and as a company no. SC299579



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Introduction

Turquoise Mountain along with Label STEP developed a pilot project for women empowerment in the carpet value chain with the goal of providing income-generating opportunities for women by increasing the quantity of high-value, fair trade-certified, women-produced carpets being exported directly from Afghanistan to international markets

Production and Sales

1. Production Level interventions

1.1. Total # of producers supported

Four producer companies received technical support under the pilot:

- 1) Kerki Rugs (Aqcha, Jawzjan)
- 2) Yamood Rugs (Aqcha, Jawzjan)
- 3) Baba Zada Carpets (Mazar-e Sharif, Balkh)
- 4) Zareen Handicraft (Mazar-e Sharif, Balkh)

1.2. Total # of visits to producers

Over the life of the pilot, the Technical Support team visited each supported producer company 17 times

1.3. Summary of technical support topics and results

The Carpet Technical team provided support to these four producers companies in wool spinning, dyeing, weaving, washing, and finishing.

- 1) Wool spinning, the Technical Expert provided a Training of Trainers to each supported producer company on the spinning of Ghazni wool, focus was on not spinning wool too tightly so that it can optimally absorb the dyes and an 'abrash' effect is visible in the final carpet. At least 13 wool spinners were directly trained by the producer companies subsequently.





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- 2) Dyeing: on average, each producer company worked in *ca.* 25-30 colors (synthetic and natural dyes). With Turquoise Mountain support, each company increased its color palette to 56 vegetable dyes and *ca.* 200 synthetic dyes to cater to a wider variety of international demand.
- 3) Weaving: each company worked in a limited number of qualities (or textures), usually between 4 and 5. Two of the supported companies now are able to produce 14 different qualities to cater to a wider variety of international demand.
- 4) Washing: in order to meet international industry standards and trends, companies were introduced to different types of washes, including the chemical composition of washing formulas, to bring out lustre and depth of color. Companies were also trained in waste water management during the washing process to ensure environmentally responsible production.
- 5) Finishing: in order to meet international industry standards and trends, companies were introduced to different types of finishes such as low pile, medium pile, high pile, antique, and semi-antique as well as techniques relating to shearing, fringes, coloration of fringes, and folded fringes using kilim.

1.4. Total # of weavers trained

327 weavers were trained as part of the production process for orders generated under the pilot to ensure they mastered the weaving techniques required to fulfil these international orders. Turquoise Mountain enlisted three production supervisors/trainers: Zarmina, Nooria, and Khair-ul Nesa.

Zarmina, Aqcha

Zarmina is an energetic woman who grew up in a refugee camp in Peshawar, Pakistan, where she started weaving carpets when she was 15 years old. At that time her earnings were the family's only source of income. She continued weaving also after her family returned to Aqcha and her marriage at 23 years.

Despite all difficulties in life, Zarmina always shows a positive attitude; she believes in the availability of opportunities, also for women – and even in Afghanistan. When she heard about Label STEP setting up Weaver Groups in her town she immediately wanted to join. Zarmina was selected to act as a Weaver Representative of her group and after receiving Training of Trainers and with the support of Label STEP staff, she was put in





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charge of passing on her learnings to the other 32 weavers in the group, leading them and building their capacity.



Zarina proved to be a natural leader, and a quick learner. She benefited from the training provided and the industry knowledge gained – and she decided that she wanted to become an entrepreneur, working as a production supervisor and thus act as the link between the producer company and the weavers. Her talent did not remain undiscovered and today Zarina works for Kerki company, managing 133 women weavers under her supervision. She is motivated to help and support other women, showing them that with passion, hard work, knowledge and determination, any goal can be achieved.

2. Sales and Promotion

2.1. Total number of carpets ordered (in SQM and \$ value)

Under the pilot, 306 rugs or sample rugs were ordered, totalling 1,848 SQM for a total value of \$256,594

2.2. Total number of clients from whom orders were received

These orders came from 8 international buyers:

- 1) Christopher Farr (UK and LA)
- 2) Eliko (New York)
- 3) Nomad Rugs (San Francisco)





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- 4) Oritop (Vienna)
- 5) Kebabian Rugs (New Haven)
- 6) Creative Matters Inc. (Toronto)
- 7) Ishkar (London)
- 8) Matt Camron (Houston)

As well as 15 private individual buyers.

2.3. Total # and names trade shows attended

Turquoise Mountain on behalf of its supported carpet producer companies attended the following trade shows to gather international orders:

- 1) Domotex Hannover, January 2018
- 2) Domotex Hannover, January 2019
- 3) Ambiente Frankfurt, February 2019
- 4) The New York Rug Show, August 2017
- 5) The New York Rug Show, August 2018

2.4. Total # of local sales events organized

5 local carpet sales events were organized under the pilot:

- 1) Carpet Night at the Turquoise Mountain Guest House
- 2) Woven Tradition at American University of Afghanistan
- 3) Sales event at UNHCR Compound
- 4) Sales event at the Turquoise Mountain Guesthouse
- 5) Sales event at the Turquoise Mountain Guesthouse

3. Beneficiaries:

3.1. Total # beneficiaries having received LS support:

Label STEP provided support in the field of health and hygiene, economic and women's empowerment to 620 beneficiaries across Balkh and Jawzjan over the life of the pilot, 370 in Jawzjan, and 250 in Balkh.

3.2. Total # beneficiaries having woven at least 1 carpet:





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327 beneficiaries engaged in weaving at least one carpet over the life of the pilot, 247 in Jawzjan, and 80 in Balkh.

Women's Empowerment

From March to May 2017, Turquoise Mountain and Label STEP surveyed 377 female weavers across four provinces: Bamiyan, Kabul, Jawzjan and Balkh. Leaders from each of the women's fifteen villages were interviewed, and key informant interviews were undertaken with 24 local carpet industry actors and 16 international carpet retailers. On top of these interviews focus group discussions were held with female weavers in all four provinces. The survey highlighted female weavers faced the following challenges:

1. Poor wages: 52 percent of the interviewed weavers received less than \$1 per day and in 73 percent of cases female weavers did not receive their money directly.
2. Lack of market knowledge: Only 3 percent of weavers' families sold directly to the market. Many weavers were hindered by poor levels of education – 70 percent having had no education at all. 56 percent of respondents claimed to bargain for their wages, with the higher the education level of the weaver the more likely they were to bargain.
3. Health issues and poor working conditions: Back ache and eye problems were issues mentioned by 63 percent and 58 percent of weavers respectively.
4. Long and tiring work hours: 44 percent interviewed spend 8 hours weaving per day and 33 percent more than ten. 44 percent said their 'working hours are too long', and 55 percent complained their work was 'tiring'.

Based on the diagnostic result, these main interventions and activities in the field of Women's Empowerment were implemented:

- 1. Improving poor working conditions through**
 - a) Label-STEP Audits
 - b) Producer Company Dialogues
 - c) Weaver Groups (Formation & Development)
 - d) Medical Doctor Visits
 - e) Lighting





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- f) Ventilation & Dust
- 2. Reducing economic vulnerability by addressing the issue of**
 - a) Low Wages
 - b) Lack of Economic Independence
- 3. Improving market knowledge by addressing the**
 - a) Lack of Industry-Specific Knowledge
- 4. Discussing Socio-Cultural Norms including**
 - a) Prevailing Socio-Cultural Norms and Women's Role & Community Hierarchy
 - b) Home-based Weaving – Leading to Poor Working Conditions

The results of these activities are discussed below.

1. Poor Working Conditions

1.1. Label STEP Audits

The field teams conducted a series of visits in the target communities to review, understand and monitor working conditions of female weavers. A total of 331 field audits were conducted. As part of the audits, 1560 bi-weekly beneficiary visits were completed, whereby weaver households were individually visited and observed to ensure better working conditions. Visits further focused on market rates, current industry demands, working conditions, Label STEP standards, and wage calculations. To further deepen the understanding of working conditions, weaver representatives from each target area were required to send monthly reports, highlighting issues and progress. 152 weaver reports from the field were received, highlighting the issues of low wages and demand for improving wages in all reports.

Issues highlighted and observed on the ground were then discussed with the supported producer companies. Additionally, regional coordination meetings were conducted with the Carpet Exporters Association as well as multi-stakeholder dialogue with relevant actors of all levels of the value chain for handmade carpets and with government bodies. Issues discussed included low wages and increases, foster the set-up of centralized carpet production like workshops or manufacturing units in





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villages or/and cities, logistic problems of transport, sustainable production and fair working conditions.

1.2. Producer Company Dialogues

To raise awareness among producers about international standards and working hours, 21 dialogue meetings were held with supported producer companies as well as six contractors. In addition to creating awareness around international standards and appropriate working hours, the need to increase wages was also highlighted. Discussion further included the inclusion of advance payment options and transportation costs.

1.3. Weaver Group Dialogues & Sessions

Weaver Groups were created, following Label STEP's signature 'Participatory Verification and Monitoring' (PVM) approach. PVM is an innovative way of enabling weavers and workers to monitor their working conditions and compliance with standard requirements themselves. Label STEP established 17 Weaver Groups (initially 20 groups, but three pulled out due to the withdrawal of a producer's company support and cooperation) each group gathering between 20 to 30 weavers.

Weaver Groups are the main unit for the implementation of Label STEP's interventions and for conducting participatory monitoring and verification. Label STEP conducted 56 awareness sessions with 17 groups, reaching out to 396 weavers who shared and highlighted the issues surrounding their working conditions and how they would like to see them resolved. The sessions served as systematic inspections of workplace conditions (homes) to identify and report unsafe and unsatisfactory conditions and practices. Circumstances and causes of occupational illnesses were reviewed and recommendations for corrective measures implemented. Discussions included unsafe or unsatisfactory conditions at the workplace, assessment and suggestions that weavers make about safety and planning, and educational activities in workplace safety.

After losing some of the initial beneficiaries, Label STEP enlisted 60 weavers from Sheberghan as beneficiaries. A second Training of Trainers (ToT) session was organized for ten weaver representatives selected from that group of 60 beneficiaries. Upon completion of the ToT, the new trainers passed on the learnings to the other 50 beneficiaries in Sheberghan, supported by Label STEP's field staff.





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1.4. Medical Doctor Visits

Label STEP organized more than 1,800 medical check-ups in private households, whereby the most common issues reported included back pain, bronchitis, vision weakness, and mother and child issues. Where needed, the visiting doctor prescribed weavers medicine and/or referred weavers to specialized doctors and provided physiotherapy exercise demonstrations and videos. Label-STEP provided 274 hygiene packs and medical kits where they were required.

High visual accuracy and involvement in near work for long hours can cause visual fatigue and refractive errors in carpet weavers. To diagnose and address this problem an eye specialist was arranged to accompany the field team. Eyesight tests for 450 weavers were provided in three different locations across Balkh and Jawzjan. 320 weavers were diagnosed with refractive errors and received prescription eye glasses (funded by a third party donation through Label STEP). The importance of keeping 90 Lux (minimum) standard light at the workplace was further reinforced by Label STEP staff to weavers in order avoid future or further eye problems.

To address the issue of back pain, a physiotherapist visited 6 communities (Camp Sakhi, Qaleen Bafan, Balkh Baston, Aqcha City, Sheberghan and Saxsan Keppa), teaching physiotherapeutic exercises to 396 women weavers. Beneficiaries' feedback analysis suggests that the weavers better respected breaks on working hours and 30% of the weavers reported a decrease of their back pain as a result of physiotherapy exercises. Finally, 12 patients were referred to the local hospital for their ailments. It is imperative to note that 3 to 4 visits were made to each household over the course of the reporting period.

Lighting: as part of the objective of the audit visits, the teams were required to analyze if the standard of 90 Lux (lighting) was observed at the weaving locations, and make recommendations for the placement, organizing and designing of the room and loom at the weaving locations. 331 audits were conducted in the six target locations, and recommendations for loom replacement were made in 4 houses; all of them respected and implemented.

Ventilation & Dust: the awareness sessions also addressed another working conditions related health issue, respiratory issues, and highlighted the importance air ventilation and prevention of dust. Wearing masks and the opening windows were recommended.





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Feroza, Qaleen Bafan



Feroza is a 45 year old weaver from Qaleen Bafan village. She was born in a poor family and started weaving when she was 15. Her mother was also a weaver, and so were the women in her husband's family. In order to contribute to her family's income, she was used to working hard. Soon she started to have strong back pain, and due to her economic situation, she was not able to get treatment.

Feroza describes what happened when she joined one of Label STEP's weaver groups: "At the time when the project started, my back was so bad that I wasn't able to weave anymore. Through the weaver group I got help from a medical doctor – and more important, was introduced to physiotherapy. I follow all the exercises I've learned thoroughly and practice them at home every day. Now, my back is relieved and I started working again. I'm now weaving on the second carpet order since I'm a member of the Weaver Group. I have learned the value and importance of health breaks from weaving and I follow it accordingly. In my opinion, a healthy weaver can produce a healthy carpet! ... and earn good money from it. For me it's true that 'health is wealth' because only after learning these things, I could start working again – and even earn better wages than before."

2. Economic Vulnerability

Economic vulnerability encompasses not only low wages but also the lack of economic independence.



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Low Wages

Living wages allow the weavers, workers and their families to meet basic needs and have a life in dignity. Furthermore, decent wages contribute to the sustainability of the industry. 360 households were visited by the field team to verify that wages were paid according to the conditions set out by the order agreements. Wages were being paid reliably and timely on a weekly or bi-weekly basis. On average wages were 10% above market rates, which was verified by Label STEP auditors and the weavers themselves.

For example, for an order from the Austrian wholesale company Oritop, a specific carpet quality was produced by the export company Kerki, who paid the weavers 3'520 AFN per square meter; while the market rate for this quality is estimated at 3'200 AFN per square meter. After working for Kerki for the first time, some weavers reported to have received follow-up orders and raw materials to commence production of new carpets, also without Turquoise Mountain providing specific orders from international buyers.

Label STEP conducted one comprehensive training on wage issues and bargaining strategies to all 500 targeted weavers. They were provided technical and business/industry knowledge related training. The following were the topics discussed during the training workshop:

- Orientation about Label STEP Standards
- Wage calculation methods, including market rate and living wage, highlighting justified/unjustified reasons for wage deduction etc.
- Quality aspects, market demands;
- Market prices and mechanisms of local bazars
- Rights based approaches (women, workers and children's rights)
- Responsibilities as weavers (respecting the agreements etc.)
- Weavers' role within the carpet production value chain and required qualifications
- Socio-cultural norms within the carpet industry

As a result, the weavers working on the Creative Matters order were able to negotiate and bargain for better terms of payment with the overseeing producer company Kerki.





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2.1. Lack of Economic Independence

A key activity was lobbying to Kerki for direct wage payment to weavers. Weaver groups (17) and weavers were also encouraged in bi-weekly meetings, visits and sessions to bargain with producers to increase their wages, in accordance to the international standards. The Label STEP team regularly conducted awareness sessions and discussed issues, standards and alternatives to the current practices of wage payment. Such grassroots collective action can be more effective than top-down (international donor) imposed demands for higher wage payments.

2.2. Lack of Market Knowledge

Bi-weekly meetings held with 17 weaver groups provided comprehensive industry knowledge focusing on market rates, current industry demands and requirements, working conditions, Label STEP standards, and wage calculation; but also current market trends including popular designs and colors.

3. Socio-Cultural norms

Women's economic empowerment is the process of achieving women's equal access to and control over economic resources, and ensuring they can use these to exert increased control over other areas of their lives. Through capacity building activities, all supported weavers acquired technical and business-related information to help them become more economically empowered.

Training on Corporate Social Responsibility (CSR) was also provided to producer companies on improving working conditions, social cooperation across the carpet value chain, empowering weavers and workers, and environmental sustainability.

Khairul Nesah, Qaleen Bafan Village

Khairul is another Afghan woman who learned to weave at a very young age. And like many other families, hers also lived in Pakistan as refugees. It was there that Khairul did not only engage in weaving, but also in wool spinning and yarn dyeing. She is quite a handmade carpet expert, and at the age of 17 she already taught sisters and neighbors how to weave.





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When her family returned to Afghanistan, she wanted to weave her own carpets and she sold her jewelry to purchase the raw material. But due to the bad economic situation Khairul was unable to find buyers on the local market. Her husband was jobless and Khairul's life had arrived at a low point. It was around that time that she joined a Label STEP Weaver Group in her village. This is what happened then, in Khairul's own words: "The Label STEP team interviewed me and I was selected as a Weaver Representative. I participated in the Training of Trainers and learned about women's rights and many other things. I am illiterate and never received such training and education. It was a new world for me and it opened my eyes about my own rights and responsibilities in my community. My husband is quite a bit older than me and rather traditional. He never allowed me to talk to other men or to go to the bazaar by myself. But after the trainings, I talked with him many times, also discussing women's rights in Islam – and finally I got permission to carry out my role as a Weaver Representative. As a group leader I provided awareness raising to 40 other women and I felt like I became stronger day by day."

"I used my new liberties, to talk with other men, negotiating for better wages. This was a new chapter in my life – for the first time I was able to talk with the producer myself and I asked him to provide us more orders and to hire me as a contractor. At the beginning it was thanks to Label STEP's trust building that Kerki company agreed, ordering three carpets to test our weaving quality, accuracy and timeliness. But with the support of my fellow weavers we were able to satisfy the producer. Now we have





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received our third order and I'm working as a Kerki production supervisor, supervising 40 other weavers."

Asked for ideas on how to further improve the industry, Khairul suggests: "it would be great if we could get support in constructing and setting up weaving centres – it would improve the weavers' situation and make it easier to produce good qualities. Our community has the land, we just need support in construction."

3.1. Prevailing socio-cultural norms, women's role and community hierarchy

An awareness session was conducted with 20 male village leaders to create an understanding and a support system for the female weavers. Organizing weavers into weaver groups was key to establish pressure groups to challenge not only the prevalent business cultures and practices but also the status-quo of the society.

Umolbanin, Camp Sakhi

Umolbanin was married when she was only 12 years old. She is illiterate, wasn't allowed to attend school and had to start weaving carpets when she was 15 years old instead. She suffered a lot of violence at that time and her husband forced her to work very long hours. In Umolbanin's experience, an Afghan woman must bow to her husband's and in-laws' will and is excluded from decisions making on key issues like health, education and work; a woman's concerns are not heard.



Umolbanin: "When Label STEP's Weaver Group activity came to our village I wanted to participate. But I wasn't sure if I'll be allowed by my husband. You know, being a woman you need your husband's permission to join a group, to work, or even to simply leave the house. As a woman, you might also not have control





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over your income. Luckily STEP team discussed with my husband and finally I was allowed to join the Weaver Group. Now I'm a member and I have learned a lot. Now I know why I have a lot of back and joint pains – it's all for the long working hours – and I have learned how I can address them. More importantly I have learned about my rights and how I can defend them.”

Umolbanin continues: “I have a very important message for other women in my situation: When a woman challenges her subordinate role, she's likely to face resistance from her family and community. This can be difficult – but it is worth it, as an important first step in her path to empowerment.”

3.2. Weaver Conference

A conference was organized to commemorate Women's Day (8 March 2018) at Khalid Ibne Walled Park in Mazar-e-Sharif. 230 people participated, including women from the weaver communities, but also producers, contractors and government representatives. The objective of the event was to help create a strong network and allow communication among the different stakeholder groups. They also addressed the issues of women's rights and improvement of working and living conditions of the female weavers. The distinguishing feature of the event was that women from distant areas came together for the first time in such a large number. The event was broadly covered by national and regional media.

4. Home-Based Weaving leading to Poor Working Conditions

It is widely accepted in the industry that weaving centers generally provide better overall working conditions than home-based production. Three weaving centres operated by the producer company Afghan Bazaar in Mazar-e Sharif were proposed to be included in the project activities. Unfortunately, the company decided to withdraw its cooperation.

It's encouraging to learn that almost all the weavers are ready to work in centres. And while some families, especially their male head of family, are reluctant in allowing their women to work outside the house, most communities seem to be ready and willing to work with and in these new weaving facilities.

But for the time being there seem to be very few producing companies ready to invest in the setup of weaving centres.





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Close-Out of Activities Supporting Female Weavers

At the beginning of the Weaver Group activities all beneficiaries have been comprehensively informed about the project duration and its end date. The closure of project activities by the end of May 2019 has again been officially announced to Weaver Group members and the leaders of their communities or villages in March 2019. Ownership for the Weaver Groups is passed on to the groups' representatives and members. Weaver Groups are designed with sustainability requirements as a key component. Label STEP's vast experience from previous projects with Weaver Groups in Afghanistan and other countries prove that many of these groups continue to meet and work long after Label STEP's active involvement.

Monitoring and verification of working conditions and auditing compliance with fair trade standards is Label STEP's core mandate and doesn't depend on third party funding. A majority of the beneficiaries are now linked to Kerki producer company, which is a key supplier to Turquoise Mountain, a Label STEP certified fair trade partner. Hence these weavers (and their employer) continue to fall under STEP's audit mandate, even if monitoring frequency and intensity will not be as high as during the project duration.

Beneficiaries have received Label STEP's contact details and know they can call STEP office anytime in case of work related concerns or emergencies.

Label STEP has a record of all beneficiaries' contact details, including mobile phone numbers of most of the weavers. A new USAID-funded TM x Label STEP project that started in February 2019 includes the set-up of virtual weaver groups, using IT and social media services. All beneficiaries on record will be invited to join the new virtual weaver group program.

Summary of Key Results

S/No	Description	Target	Result
		Number/Quantity/ Value	Number/Quantity/ Value



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1	Number of weavers engaged in carpet weaving under the project	400	327 - 110 Original - 217 Replacement
2	Number of three-way partnership arrangements signed	1	1
3	Orders received for pilot (numbers)	-	306 carpets
4	Orders received for pilot (square meters)	-	1,848 sqm
5	Number of weaver groups	20	24
6	Total number of women in weaver groups	400	720 - 500 Original - 220 Replacement
7	Number of weavers trained in weaving skills	400	327 - 110 Original - 217 Replacement
8	Number of women supported in other roles (other than weaving) in the carpet value chain	15	15
9	Number of entities (carpet workshops, factories or enterprises) linked with international buyers	-	4
10	Sales (SQM of carpets sold)	-	1,711 sqm
11	Sales (\$ value of carpets sold)	-	\$212,895

Key Project Activity Results

S/No	Description	Result
		Number/Quantity/Value
1	Poor working conditions including Health	





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	1. Number of households visited	- 500 Original - 210 Replacement
	2. Number of households benefitted from medical check-ups.	- 500 Original - 220 Replacement
	3. Number of households received medicine	- 448 Original - 220 Replacement
	4. Number of households received training on health and hygiene	- 500 Original - 220 Replacement
	5. Number of households/weavers received health/hygiene packages and first-aid kits.	- 274 Original
	6. Number of patients visited by a Medical Doctor	- 500 Original - 220 Replacement
2	Economic vulnerability (wages)	
	1. Number of weavers visited, and wages verified	- 110 Original - 217 Replacement
3	Lack of market knowledge	
	1. Number of weavers informed about market rates and market trends	- 500 Original - 220 Replacement
	2. Number of weavers informed about Label STEP standards	- 500 Original - 220 Replacement
	3. Number of weavers informed about working conditions	- 500 Original - 220 Replacement
	4. Number of weavers trained in wage calculation	- 500 Original - 220 Replacement





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4	Socio-cultural norms	
	Number of producer companies trained on CSR such as improving working conditions, social cooperation, empowering weavers and workers, and environmental sustainability	2
5	Sales promotion	
	1. Number of promotional sales events organized (local)	5
	2. Number of promotional events organized (international)	1
	3. Number of international trade fairs attended	5

Recommendations for Export Promotion

1. Access to finance for producer companies

Exporting to international markets entails order-driven production with each order having design, quality and quantity specifications as well as a deadline. In order to produce the required quantity within the agreed-upon time frame, producers need to be able to finance raw material purchases and payments to weavers (under the pilot these were made bi-weekly). Order driven production requires different cashflow management and cash needs then continuous stock production for the Afghan-Pakistani 'domestic' trade – which can intensify or wane along with cash availability.

Producer companies use their working capital to purchase raw materials (wool, dye stuffs,) and pay intermittent weaver wages (a rate per square meter woven usually on a bi-weekly basis) as well as overheads. Producer companies are usually paid once the rugs are received by the client. A payment term of 30 days upon receipt of the rugs is common. As it can take several months to weave one carpet, the strain on working capital can be significant. To ensure producer companies have sufficient





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access to working capital, private and government loans – either fixed-term or revolving credit, micro-finance, private sector debt investments can be considered.

2. Market-making

Market identification and development: the market best suited for growth of Afghan carpet exports is the custom market. This is the market that supplies to retailers – including department and interior design stores - as well as the interiors and hospitality market. It is also the market where margins are still attractive (as opposed to the stock or merchandize market where margins are depleted).

At present, *ca.* 70 per cent of global demand for handwoven rugs goes to India, with the remainder going to Nepal, and to a lesser extent China, Turkey, North-Africa, and Iran. Creating a market for Afghan handwoven carpets consists of convincing buyers they can source their product – of a similar or even higher quality – at competitive price-points in a way that is as easy and reliable as is sourcing in India or any of the other aforementioned countries. One of the main ways of doing this is by educating buyers about the production capacity that exists within Afghanistan, whilst being able to offer efficient, price-competitive, and reliable logistics and shipping options.

Trade shows, in this respect, are not sufficient (see the below section also). Intensive buyer engagement – visits, follow-up, sampling – is necessary. To this end, Turquoise Mountain is putting in place an international sales and client relationship management force. Bringing buyers to Afghanistan, though not always feasible, is another way in which Turquoise Mountain familiarizes buyers with and ‘hooks’ them on Afghan carpets. The government could partner with organizations like Turquoise Mountain to organize trade missions to Afghanistan – or if needs be (given insecurity) in Turkey, Dubai, or Delhi.

The international rug industry is very small and everyone knows each other. To be taken seriously within this group one has to have not only a high-quality product, but an on-trend aesthetic, and a strong network of clients and media. Engaging the right staff-members to drive sales is one way of doing this – albeit an investment – as is engaging a niche PR-firm focused on interior and design.





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Creating linkages between consuming and producing markets requires a market-maker that speaks the languages of both markets, understands the constraints and opportunities in each, and can bridge cultural differences, and erase financial and communicative barriers to doing business. A key role, therefore, exists for a broker-type firm that is able to do so.

3. A role for local broker companies

The phenomenon of broker companies that act as platforms that aggregate demand and intermediaries between international buyers and local producers is well accounted across industries. For almost four decades, Afghan carpet producers have effectively been cut off from international markets on account of war and insecurity. Pakistani companies, often run by Afghans living in Pakistan, have continued to connect Afghan producers to international markets over this period of time, thereby enabling the Afghan carpet industry to continue to operate despite its isolation. Carpets, unwashed and unfinished, are traded to Pakistan where washing and finishing is done, and from there exported to international markets. International buyers are also able to travel to Pakistan, visit production locations, and liaise with managers, who in turn have ties with Afghan producers.

This pilot project has shown that with the right support, Afghan producers can wash and finish carpets in Afghanistan, creating higher-value finished projects. An example is Kerki Rugs.

Kerki Industrial Carpet Company was founded by two brothers, Haji Sakhi and Haji Ghafar, in 2012, in Aqcha district of Jawzjan province in the north of Afghanistan. When Turquoise Mountain started working with Kerki in early 2016, the company exported all of its carpets to Pakistan for washing and finishing, from where they were exported to international markets under a 'Made in Pakistan' label. With the support of Turquoise Mountain, Kerki today washes and finishes 80% of woven carpets on-site, and exports them directly to international markets, with a 'Made in Afghanistan' label and at a significantly higher margin, supporting over 2,000 weaver families in the region.

This remarkable progress has been made possible on account of three developments:

- a. Firstly, Turquoise Mountain's Technical Carpet Expert helped Kerki increase their color options from 20 to 250 colors over the course of two years. This variety of colors and shades allows Kerki to better cater to international design requirements.*





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Turquoise Mountain's Business Development team also helped Kerki in the development of color charts that have been shared with international clients, greatly facilitating the color-matching process.

- b. With the support of Turquoise Mountain's carpet team, Kerki was able to build on-site facilities to cover all aspects of the carpet value-chain, notably: design, the dyeing of yarn, washing, finishing, and stretching of carpets. Turquoise Mountain introduced Kerki to types of washes and finishes (such as the antique finish) which are currently favored within the international market. Without on-site facilities, Kerki would have remained dependent upon Pakistan for washing and finishing, and ultimately exports. Laudably, Kerki has made its washing and finishing facilities available to other producer companies based in Aqcha against a small service fee, thus facilitating value-retention within Afghanistan.*
- c. With the quality of production thus improved, Turquoise Mountain was able to link Kerki with leading carpet designers, retailers, and wholesalers in North America and Europe. Kerki's clients today include top-end names such as Christopher Farr, Matt Cameron, Creative Matters Inc. and Eliko – to name but a few. Kerki has consequently seen its monthly sales-value rise to almost \$15,000.*

This capacity building – focused on the technical ability of Afghan producers to meet the quality requirements of the international market with finished projects – however, is not sufficient to connect Afghan producers directly with the international market. International buyers oftentimes remain unwilling to travel to Afghanistan due to the high levels of insecurity; Afghan producers often do not speak English, and not all are literate, banking with an Afghan entity is opaque and at times impossible due to European banking regulations, and due to Afghanistan's relative isolation, producers – who are often based in rural and conservative parts of the country – are not up to speed with current design trends. Direct participation of Afghan producers in international trade-shows with the aim of connecting buyers and consumers directly with producers has, accordingly, rarely resulted in long-term and sustainable business relationships. In the few cases where such relationships have been built, the Afghan producer has a business partner – often a family member – based in Europe or North America.

Turquoise Mountain has worked to build the capacity of producers in regard to financial management, communications, and so on, through our business mentoring





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activities. Trust, however, is not easily gained – not from Afghan producers and not from international buyers, especially when it concerns large money transactions (note that pre-payment is not the norm in the carpet industry and that producers use their own working capital to finance production, meanwhile wholesale buyers have to manage relationships with retailers who are expecting continuous stock replenishment).

Turquoise Mountain, therefore, fulfils the role of a trusted partner, facilitating sourcing directly from Afghanistan at high-volume in a manner that is transparent and reliable. Our local team liaises with producers whilst our international team manages client relationships, bank transfers are made to our UK-account, and from there passed on to Afghan producers, we oversee production, ensuring products are delivered on-time and on-budget, and to the specification of the client. We speak both languages, Dari and English, the language of production in rural, highly-conservative parts of a country that can be inaccessible, and the language of design, trade, and international commerce.

In the future, this is a role that could be fulfilled by local broker firms led by Afghans who equally speak both languages, who ensure that products are finished in Afghanistan to the satisfaction of international buyers. These could be Afghans that performed this work historically in Pakistan, or a new generation that is being trained by Turquoise Mountain. Middle-men are often considered to exert downward pressure on weaver wages and margins for producers but Turquoise Mountain shows that the intermediary role can be one of facilitation, erasing barriers to doing business in Afghanistan, as well as one ensuring that international standards are upheld during the production process, and that weavers receive pre-agreed wages.

4. Training and capacity building

The pilot has shown that significant gap exists in the technical capacity of Afghan producers. With washing and finishing done historically in Pakistan, many of these skills are lacking among Afghan producer companies. In addition, the market nurtured by Pakistani exporters was one that focused on stock and only encompassed a small variety of textures and qualities. A wider range of weaving techniques, qualities and textures, and the ability to respond technically to international buyer requests is largely absent but necessary if Afghanistan is to be integrated in international markets.





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Turquoise Mountain engaged technical support from Turkey; Technical Carpet Export Bulent Ozozan, a renowned name in the industry. Bulent has started to train Afghan production supervisors and technical assistants but these men and women are only just starting. What is missing in Afghanistan is mid-level and high-level production expertise.

Mid-level expertise could be engaged from Turkey or India, and the government should explore exchange programs or other incentives for foreign nationals from either country to spend time in Afghanistan (possibly through joint ventures with Turkish or Indian producers – many of whom are struggling to find sufficient skilled weavers due to urbanization in both countries). Turkish nationals have the advantage of being able to communicate directly with the Turkmen-speaking people in northern Afghanistan, whereas many Afghans in other parts of the country understand Hindi, thereby allowing communication with Indian technical experts.

5. Weaving centers

Weaving in Afghanistan is predominately home-based with few weaving centres in urban areas such as Kabul and Mazar-e Sharif. By contrast, in Nepal, almost all weaving is done in centres, whilst in India a mix of centres and home-based weaving exists. International buyers like weaving centres because the entire production process, from wool dyeing and spinning to washing and finishing can be done within the same location, under the supervision of a single producer company. Oversight is intense, production updates can be shared regularly, sampling is responsive, quality control more stringent, and consistency of quality better. In addition, weaving centres can ensure that wages are paid directly to the female weavers rather than to male heads of households, and working conditions can conform more easily to international labor standards. Centers are also means for female weavers to work together, if necessary to take collective action, and for empowerment as women are more easily able to work in other parts of the value-chain such as production supervision, graphing, administration or management.

Both the government and private sector could look into investments in weaving centers – especially on land that is owned by weaver communities/villages that have expressed openness to working in centers. The heightened production oversight and quality control as well as more responsive sampling and product development is



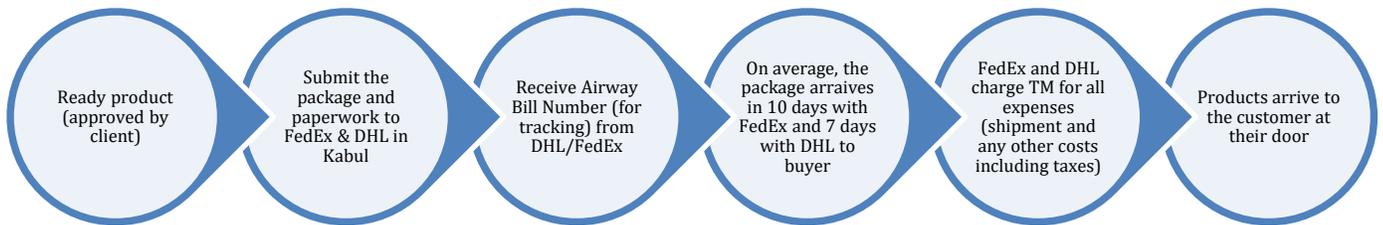


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likely to attract more buyers to Afghanistan, thereby allowing for the investment to be financially profitable. Again, joint ventures with Indian or Turkish producers could be explored.

6. Shipping using DHL/FedEX or the Istanbul Air Corridor

Shipping using DHL and FedEX



1. Final carpet picked up from Turquoise Mountain office located in Kabul by DHL or FedEX
2. DHL or FedEX creates an Airway Bill (AWB) and other paperwork for the shipment
3. TM sends AWB and shipping notification to customer
4. Package goes to Bagram Airbase.
5. Then the package goes to destination (customer address)

FedEx usually take 10 days to deliver the package

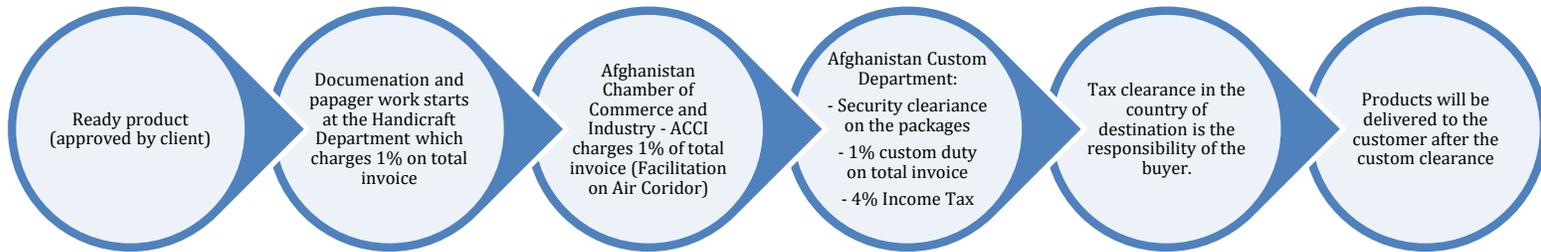
DHL usually take 7 days to deliver the package

Shipping using the Istanbul Air Corridor





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The Air Corridor allows for economic shipping rates for shipments from Afghanistan to Europe using Turkish Airlines. Note that the Government of Afghanistan subsidizes 80% of the shipment cost for shipments using the Air Corridor to Europe but not the United States. In order to take advantage of this subsidy, companies first need to register with the Afghanistan Chamber of Commerce and Industries and have a business license from the Ministry of Industry and Commerce. In order to make use of the Air Corridor, a company needs to undertake the following steps.

1. Handicraft Association: invoice of total goods to be shipped and an official letter of the producer company to the Handicraft Department. The Department charges 1% on total invoice. This amount goes to the association's administration activities.
2. Afghanistan Chamber of Commerce and Industry - ACCI: upon shipment, the company must submit an official letter with shipment details such as weight, type of products, and destination to the ACCI. The ACCI calculates the cost of shipping and provides the company with
 - a. An invoice of 1%
 - b. Certificate of origin,
 - c. A letter to Turkish Airlines which details the shipping cost.
 - d. All documents provided by ACCI are to be submitted to Turkish Airlines Cargo office and the Cargo Offices then provides an Air Waybill. These documents need to be presented at Kabul Airport for processing through customs.
3. Afghanistan Customs Department
 - a. Official letter of the company introducing the products,
 - b. Products (in this case carpets) will go for the security check to the security department of customs.
 - c. The supplier (sender) should pay 1% from total invoice to Afghanistan custom department.
4. Once passed through customs, the goods are loaded and shipped. Air Corridor delivery service is airport to airport.





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Annexes

1. Value-Chain Break-Down
2. Export: Carrier Options and Pricing
3. Afghan Producers Exporting Finished Carpets to International Markets
4. Directory of Ghazni Wool Suppliers



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