



Factors Effecting Small and Medium Saffron Enterprises in Afghanistan

By

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**AUAF Declaration of Authorship**  
**Masters in Business Administration Thesis**

I hereby declare that:

- This thesis for the Masters in Business Administration at the American University of Afghanistan is my original work. I wrote this myself under the supervision of the MBA faculty assigned to me by the program director.
- To the best of my knowledge, I have cited accurately all sources I have used for this thesis.
- I have acknowledged those parts of this thesis that are based on the collaborative work with third parties other than my supervisor.
- I have not submitted this thesis or substantial parts of it for a degree or any other qualification at another institution.

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## **Abstract**

Afghanistan Saffron was ranked first in the world, but it has not been improved as much as possible in recent years. The overall purpose of this study is to find why Afghan Saffron with rank first in the world still facing obstacles to growth as well as to analyze the current situation of Saffron SMEs to understand the fundamental characteristics of this industry in Afghanistan. In addition, to recommend policies and strategies to overcome these constraints to reach full potential of this industry. The most significant problems which prevent Saffron Small and Medium Enterprises to grow is access to capital, lack of access to the market, lack of processing and packaging machinery, lack of equipped labs, and lack of technical support by government. To address these issues, research of existing literature on Saffron was conducted in addition to interviews with number of constituents. Nvivo soft ware was used for survey analysis. In addition, a SWOT analysis is used to performed findings which were obtained from the thematic analysis. The Streanths, Opportunity, Weaknesses, and Threats (SOWT) analysis is done based on the transcript from interviews. less attention is paid to the research oriented studies to provide benefit for economy of country is one of the findings in this study as well as Saffron SMEs are supported by government as a strategical product but it is not adequate to growth Saffron as much as possible in the future. Moreover, problems and challenges in front of Afghanistan saffron are; lack of access to market, problem in processing and packaging, financial issues and problems, not having land, unhealthy Saffron, problem in cultivation and lack of knowledge, importing Iranian Saffron, lack of adequate equipped labs, lack of Brand, and lack of barcode. Concerns of the Saffron SMEs are more about the access to proper domestic and global markets as well as access to modern processing and packaging machineries. Most of the Saffron SMEs can't growth effectively due to challenges which some of them can be solved by government.

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## **List of Abbreviations**

WTO	World Trade Organization
SME	Small and Medium Enterprises
GI	Geographical Location
TOT	Training for Trainers
FFS	Farmer Field Schools
IBM	Integrated Based Management
ICM	Integrated Crop Management
IDN	Integrated Diseases Management
IFM	Integrated Farm Management
AREDP	Rural Enterprise Development Program (AREDP)
ASMED	Afghanistan Small and Medium Enterprise Development
EBRD	European Bank for Reconstruction and Development
SWOT	Strength, Weakness, Opportunity, and Threats
AISA	Afghanistan Investment Support Agency
MAIL	Ministry of Agriculture, Irrigation & Livestock

## Chapter One: Introduction

Small and Medium Enterprises (SMEs) have a vital role to create jobs with less capital compared with larger companies. The SME sector balances the economy by creating jobs in the country. Although SMEs have a key role in improving the economy in each country, their low level of production compared with large companies makes it difficult to compete in the global economy.

Research shows these are factors which affect the development of SMEs in countries. (Dassanayaka, (2007) Gamage A.S shows the main problems that SME faces. The problems include finance issues, market issues, management issues, human resources issue as well as challenges regarding to the government and its support from SMEs. The ‘Vicious Cycle of SME’ show despite the main challenges SMEs face.

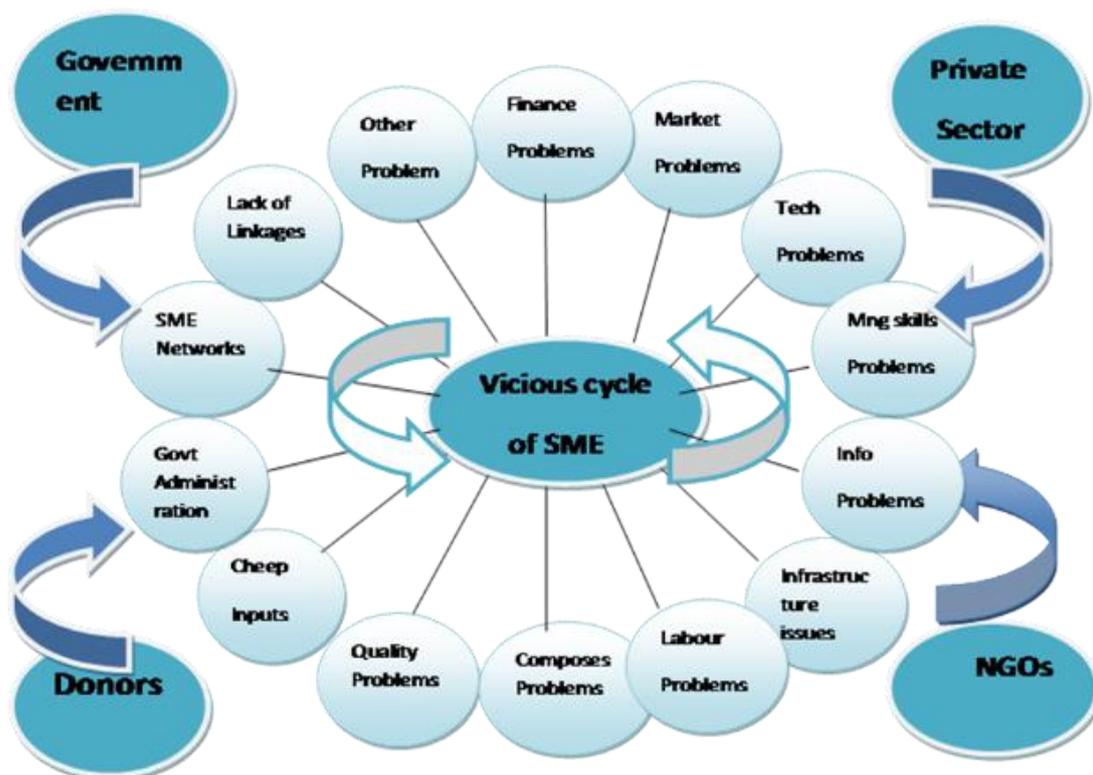


Figure 1.1: Vicious Cycle of SME

Source; Dassanayaka, 2007

Based on the Vicious Cycle Dassanavaka (2007), all SMEs problems and challenges are related to the industry, and they are interconnected to each other problem.

Empirical research on Saffron SMEs industry is so limited, and it is difficult to find in Afghanistan, so in this study the literature review focuses research papers and articles regarding to the Small and Medium Enterprises performed in Afghanistan and other countries. In addition, relevant documents, websites, and other printed documents on Saffron SMEs are referenced and considered in this review.

## **2.1 A Review on Small and Medium Enterprises in Afghanistan**

The literature review concentrates on a brief look on SMEs and its role on economy growth in Afghanistan as a developing country and next data was collected regarding to the Saffron industry characteristics.

In Afghanistan like other developing countries, SMEs have a very critical role to economic growth. Although there is organizations that provide foreign aids but most of them are being spent for the military and government has not focused on SMEs to provide a strategy to assist growth. Having a practical strategy ensures sustainability of economy through SMEs. The current SME strategy of Afghanistan, which was not completed until 2009, has concentrated on alternatives as target industries and sector to imports but SMEs challenges and problems still remain. Business in Afghanistan is unstable and unpredictable, most SMEs are supported by foreign donors; however, there is not proper access to the market which is one of the most important issues. It has negative affect on SMEs growth. The problems and chalenges are intensified by traditions if a business is managed by a woman. Traditional situations dominate in Afghanistan trade although it has changed in last years; however, gender gaps exist which promote inequality.

Although Afghanistan imports many goods from other countries but the exports have increased from \$100 million in 2002 to \$470 million in 2012. SMEs in Afghanistan are affected negatively by challenges which are related to transportation, corruption, and taxation. Although there are many SMEs in Afghanistan, most of them are not legitimate and are operated by individuals owned by the mafia and other organizations that are corrupt. For example, the existence of the mafia causes Afghan products to be exported to Pakistan and transferred back to Afghanistan which creates an economic drain on the economy.

SMEs in Afghanistan make up half of the country's GDP and create jobs for one-third of the labor force as well as have a significant role in economic growth, but this sector faces very critical challenges and problems in Afghanistan where Saffron SMEs are not exceptional (Action Plan for Developing Afghanistan's Agri-Business Sector 2011-2013).

During the first eight years after the Taliban period Afghanistan didn't have a strategy for SMEs. Although one strategy was provided in 2009 it has not been implemented until 2011 when the directorate of Small and Medium Enterprises was assigned in the Ministry of Commerce and Industry. In this strategy, the focus was on developing import and some industries are targeted like vegetable oil, food, dairy and poultry production due to there was big gaps in Afghanistan trade. Meanwhile, exports remain limited except for minerals because the export promotion was not a key element of the strategy. Regarding SME development, neither a clear awareness about the new economic system was launched nor has significant attention been given to the value of chain. However, a focus on short term trading and lack of a strategy for long term could be the result of aids which flown in Afghansitan (Action Plan for Developing Afghanistan's Agri-Business Sector 2011-2013).

To support SMEs many donors like USAID in ASMED program tried to conduct projects trough them. The goal of this program was to support Afghan businesses to increase

their benefit and profits by job creating in different portions. Moreover, this program assists enterprises with technical assistance in different kind of jobs.

SMEs have a very vital and key role in any country to develop the economy, but in Afghanistan it has not been supported very well by the government. SMEs face challenges which raise the questions regarding to their competitiveness and their ability to survive after transition. Moreover, they face with uncertainty of the business and decreasing confidence in the market, lack of energy in industrial level, lack of qualified human technological capacity, and so on.

### **Statement of the problem**

Afghanistan was ranked first in Saffron quality in the world by the International Taste and Quality Institute, because it was not addressed that the Saffron industry needs development. Saffron SMEs still face challenges and problems which prevent them from development. Saffron SMEs don't have access to adequately equipped labs, modern machinery, and packaging tools to meet global standards. The Afghan government is undeveloped and can't support the industry properly. Although Saffron cultivation has very long history in Afghanistan, it has not been economically optimized. In 1995, planting Saffron restarted in Herat province; however, Afghans have not had enough experience to produce Saffron with high quality.

### **1.2 Significance of the Study**

There is lack of data on Afghan Saffron. Saffron in Iran and Spain, as these countries have worked in this industry for a long time, had a very important role to economy growth and job creation. Most of workers in this industry are women and this industry can provide jobs not only for males but also for females. Iran is the first country in the world that exports

around 90% of its saffron to global market which could have very significant role on economy of this country. Although Afghanistan can't correctly compete with these countries now due to low saffron production the quality of Afghan Saffron is the best in the world which is a factor for future growth.

### **1.3 Scope of the study**

Many countries in the world cannot cultivate Saffron due to weather conditions. Iran has a very good climate to grow saffron, and it is the biggest exporter of Saffron. The Saffron industry is started in Afghanistan, but right now around 33 SMEs are registered which provide saffron in domestic and international markets. The scope of this study is restricted to SMEs saffron to identify the obstacles which affect on development of this industry in Afghanistan.

### **1.4 Research Questions**

This research paper addresses the following research questions;

1. What are the characteristics of Saffron SME industry in Afghanistan?
2. What are the main problems and challenges encountered by Afghan Saffron SMEs?
3. What can be done to improve the performance of Afghan SME in Afghanistan?

### **1.5 Research Objectives**

The objective in this research is to find why Afghan Saffron which was ranked first in the world is still facing obstacles to growth.

The aim of research in this study is categorized in the below;

1. To analyze the current situation of Saffron SMEs to understand the fundamental characteristics of this industry in Afghanistan;

2. To recommend policies and strategies to overcome these constraints to reach full potential of this industry.

### **1.6 Research Methodology**

In this study, two data types are analyzed, the primary data which is collected by interviews with different professionals who work in high level of government in Saffron portions, professors of universities, and farmers and business people who have Saffron SMEs. Two types of structured questions are prepared to analyze type of people (government people and Saffron SMEs people). The secondary data is based on the different sources from Afghanistan and outside of Afghanistan pertaining to Saffron SMEs. Secondary data is collected through websites, articles, and e-books. The interviews record and convert into transcripts to use thematic analysis by using Nvivo software to develop to report the collected data.

### **1.7 Limitations of the Study**

There are some limitations in this study. First, the lack of appropriate data in Afghanistan to analyze was one of the challenges in this research. Although Afghanistan is one of the countries where Saffron is cultivated with high quality, few studies exist. In addition, security issues in this country were another challenge which limits trade only to Kabul. Moreover, as this industry is a business, some of interviewees didn't trust interviews and they didn't provide proper information to be analyzed. SMEs owners were illiterate, not fully informed and consequently didn't provide reliable answers. It was hard to find solid data that is reliable. However, the importance of this research is that it will provide some insight to an important agriculture segment in Afghanistan.

## **Chapter Two**

## **2. Literature Review**

### **2.1 The Agriculture Sector in Afghanistan**

A 2009 survey by Afghanistan Rural Enterprise Development Program (AREDP) showed that besides the obvious problems of security and access to credit, SMEs lacked capacity in business planning and marketing. About 60% of the surveys SMEs expressed a need for “knowledge-based business development” (AREDP 2009). Afghanistan’s SME strategy aims to grow the rural areas and assist poor people by creating jobs which noticeably need development. Agricultural processing is one of the industries which is needed for Afghan SMEs.

Providing an environment and secure conditions for Agricultural sector speed the process of creating high quality and high value product in Afghanistan to enter in international market as a sector in Afghanistan which estimated that provide 30.6% of this countries GDP. Most of Afghanistan’s population is around 85% and are farmers and work in agricultural sector.

Agriculture and Agri SMEs have vital role in Afghanistan economy and economic development strategy. Afghanistan with proper weather and variety of agriculture products in the past, 40-50 years ago, had very proper place for fresh and dried fruits. Unfortunately, the wars destroyed most of infrastructure in agriculture product and processors. The majority of Afghan people are illiterate and living in rural areas and agriculture and agribusinesses are still primary income for them. In the last decade with government support and donor projects agriculture SMEs have grown intensely in different provinces of Afghanistan.

Improving the telecommunication system, irrigation systems, and rebuilding the roads pave the way for an agricultural development in this country. In Afghanistan, the agri-business

and SMEs face with lack of liquidity, financing, lack of capital to invest for long time and commercial and trade.

## **2.2 Saffron Industry in Afghanistan**

There are different historical sources which show Saffron was in Afghanistan from 2000 years ago (DACCAR.n.d). Additionally, there are some testimonies and records for beginning growing Saffron in Herat province almost from 80 years ago (DACCAR. n.d). Some refugees who worked in Saffron portion in Iran and had adequate experience brought back the corm of Saffron to Herat to work and grow this plant in Afghanistan especial in the Ghorian district. After 15 years which Afghan people in Herat started Saffron cultivation seriously, this industry has been growing in this province. Herat is known as the capital of Saffron in Afghanistan and farmers and investors are interested in working in Saffron portion. The Afghan government with focus on Saffron industry and its result on economy growth try to support as much as it can farmers and Saffron SMEs to cultivate Saffron and harvest Saffron with high quality. Also other provinces like Kabul, Mazar and some other provinces which have a hot climate cultivate Saffron.

Afghanistan Saffron has very high quality (Head of Herat Saffron Union, 2013). The climate in Afghanistan is very appropriate to cultivate Saffron in this country. Iran and Herat has similar climates and in this areas Saffron is cultivated very well, so Afghanistan can be a big competitor for Iran Saffron in the future. In addition to, Iran there are other countires which cultivate saffron in the world like Span, and Greece. Iran produces 200 tons Saffron each year and supplies 95% of global saffron. Right now Greece produces 5-8 tons in a year and Afghanistan produce 4 tons Saffron in a year and the majority is exported to other countries.

Saffron is a suitable plant in Afghanistan agriculture because it needs little water, provide jobs for people, low labor cost, has high income, has high global market, provide 6-7

years of production, gender (women and men both can work in this industry), and it is a corm which is adaptable to the climate of Afghanistan.

Although Saffron is appropriate plant to be cultivated in Afghanistan its production is so complicated and need great attention and care. Before cultivating Saffron corm, the land must be prepared two times, once in autumn or winter and second in March and April. Corm must be prepared before planting as well. The proper corm must be selected and storage, packaged and transported, and treated. Saffron is delicate and sensitive plant which needs highly precise techniques when it is being harvested and dried to protect its color and smell. In Afghanistan, there are some highlighted barriers in front of farmers who work on Saffron such as:

1. Lack of internal and global market,
2. Lack of knowledge of Afghan farmers to plant and harvest,
3. Protected and healthy product,
4. Lack of capital to buy standard machineries to dry Saffron standardly,
5. Lack of Saffron corm in Afghanistan,
6. Lack of laboratorys to analys the quality of Saffron for farmers and for exports,
7. Lack of policys and regulations for export Saffron in Afghanistan.

### **2.2.1 Organic Saffron**

Based on the Afghanistan Investment Support Agency (AISA) data, there are approximately 33 SMEs engaged in Saffron production in whole Afghanistan. Since Afghanistan Saffron is organic and with high quality (was ranked first in the world in last two years), some countries are interested to buy Afghanistan Saffron like US and Europe.

Developed countries use modern machineries to cultivate and process Saffron, in Afghanistan most Small and Medium Enterprises dry it by air based on a traditional system.

Drying by air almost takes one week. Some Saffron SMEs use electric driers in some cities like Herat and Kabul to dry Saffron and obtain a better result regarding to the quality of this product. This process takes minutes to be dried. The Saffron farmers or companies with this electric machine can control humidity and temperature which require for drying. There are few companies in Herat that use this machine due to it is so expensive, and all are not able to buy it. Moreover, this machine is not available in Afghanistan, and it is not easy for some Saffron SMEs to import it from other countries.

Saffron or Crocus is the most expensive and sensitive spice in the world. It is cultivated and harvested in different countries in the world such as Iran, India, Greece, Spain, China, and in Afghanistan. It is significant for customers to buy organic Saffron and with high quality. All Saffron which is sold in domestic and global market are not organic. The quality of Saffron in global market is developed by International Organization for Standardization (ISO) which measure Saffron color, aroma smell, and flavor by using spectrophotometer.

ISO standards help to determine fraud Saffron from organic and with high quality one. Based on the ISO standard, a pure Saffron match with ISO 3632, with no external matter with the natural product. “The two parts of the standard, ISO 3632-1: 2011 and ISO 3632-2 2010, specify test methods for the different categories of dried Saffron included powder, filaments and cut filaments” (Dr. A. Jayatilak, Chairman of the ISO subcommittee ISO/TC 34/SC 7).

The ISO standards help to consider and analyze the spices of Saffron, Color and aroma which the fake Saffron doesn't have none of them and it doesn't appropriate value for culinary. Fake Saffron mostly added to powdered Saffron which can be determined in laboratories. In addition, the humidity of Saffron is checked in laboratories since the humid of powdered Saffron has more weight than the dry one.

Although Afghanistan Saffron was ranked first due to its quality in the world, just a few Saffron SMEs have ISO certificate which meets the standards. Quality of Afghanistan Saffron approves that this country can be one of the countries which has Saffron with best quality in the world.

Table 1. Saffron quality test results, Saffron from local compared with Saffron from Dutch corm(PashtoonZargon district, Herat Province, Afghanistan, 2006).

Character	ISO 3632 Standard value	Local Saffron		Local Saffron		Holland Saffron	
		dried in open air		dried on local dryer		dried in electric kiln	
		quality	Grade	quality	Grade	quality	Grade
Moisture	12%	9.72 %	II	7.46 %	I	9.88 %	I
Flavour (picrocrocine)	70	74.88		100.06		85	
Aroma (safranal)	20 - 30	42.31		35.01		36.62	
Color strength (Crocine)	190	195.39		278.36		210.83	

Table 2. Branch Saffron sample: light absorbance at specified wave lengths. (Herat province, Afghanistan)

	ISO 3632	With styles	Stigmas only
Picrocrocine	70	60.05	88.67
Safranal( aroma)	20-50	25.42	35.03
Crocines( color)	190	141.12	244.195

Different types of Saffron are graded based on their quality which is tested in equipped labs. The characteristic like color, taste, fragrance is considered to test the level of Saffron quality. Although lack of equipped labs in Afghanistan recently built a laboratory to control the quality in Herat but “the cost to have a equipped lab is \$ 50,000 provided by the

Ministry of Agriculture, Irrigation and Livestock (MAIL) in this lab the Saffron quality will be tested and about 18 tests will be conducted” Ahmadi, head of Saffron Union.

Meanwhile, the lab would help prevent the misuse of Afghanistan’s Saffron by other countries and global countries would trust Afghanistan Saffron more than ever. “International countries will be now convinced and satisfied that Afghanistan Saffron is the best on global level.” Governor Mohammad Asif Rahimi.

### **2.2.2 Saffron Processing and Packaging**

Processing of Saffron is one of the most important parts for having a product with high quality. After flowers are picked, the stem is cut with finger to care from damaging. After harvesting and separation of stigmas, they need to be dried as soon as possible in proper temperatures (110 Centigrade for almost 3 minutes). To keep more quality of Saffron, it could be dried in 70 Centigrade and in 6 minutes as Spanish research shows but brightness of color in this product obtain in quick temperature.

To obtain a kilogram of Saffron, around 450,000 stigmas are required while require 150,000- 170,000 flowers to produce one kilo Saffron. The red stigmas which are attached in flowers called style and many customers prefer this part of pure Saffron. To have clean processing based on the standards, the separation of stigmas must be done in a clean place and free of dust. The separation of stigma from flowers are done based on the buyers both wholesalers and retailers preference which can be with style or without that.

After separation, to keep the stigma in high quality they must be dried immediately. The drying Saffron must be done properly. If it is too dry, it breaks easily and would be a Saffron powder which loses its weight.

ISO recommends Saffron packaging to protect from environmental effects to keep the quality and standards high. To keep the quality of Saffron in high level, it should be packed in air tight and packed in dark glasses and cans. Although most of the customers prefer to see Saffron without removing the package light has a negative effect on Saffron. If saffron is packed in light glasses they must be kept in dark environment before selling. To meet the ISO standards in packaging they must be packed in glasses not plastic bags or solid one. The solid plastic effect on the quality of aroma and the spice of the Saffron is decreased.

### **2.3 Saffron Industry Today**

Saffron cultivation and harvesting has been growing in different provinces of Afghanistan. Since Afghanistan climate is proper to cultivate Saffron, it can be planted in many areas. Currently Afghanistan Saffron is sold wholesale at approximately \$2000 in global market. In Herat, which is the center of Afghanistan Saffron, more than 800 hectares of land are under Saffron cultivation. Afghanistan government drew special attention to expand growing Saffron in different provinces and got the good result. As Afghanistan is the top country which cultivate poppy in the world Saffron could be a best replacement to reduce planting poppy in this country.

There is less demand in domestic market for Saffron in Afghanistan and as Mr. Bashir Ahmad Rashidi, head of Saffron Union in Herat, says “We have very few contracts through which the farmers can officially export saffron, but it is individually exported to India, Dubai, and Turkey”. He believes “using Saffron has increased in Afghanistan, but has not become part of the culture yet”. Saffron production in Afghanistan, according to the country's Minister for Agriculture, Assadullah Zamir, “has been on a constant rise over the past few years. 3.5 tons of Saffron was harvested in 2015 and 6.5 tons in 2016.” He is hopeful that “the country's

Saffron product would rise to 8 tons in the current year”. Although this industry is almost new comparing with other countries in Afghanistan, now it is developing very fast due to the below reasons;

Source: Saffron, Afghanistan Red Gold, DACCAR

1. Low water requirement, 1 or 2 irrigations usually suffice in Afghanistan
2. Labour Intensive, 250 person days per year
3. Simple Machinery, all activities are possible by hand manually
4. Easy Transportation, compared to other crop product Saffron is not bulky
5. Higher Income, At least \$5,000 USD income per year
6. International Market, Demand Increases year by year
7. Short Growing Season, one month labour required per year
8. Suitable Water Requirement, During Saffron growing season other crops do not need water
9. 7 Years production, Land preparation can cultivation labour requirements only in the first year
10. Low Risk, Drought resistance no specific Saffron diseases
11. Gender, 80% of activities can be carried out by women
12. Good Storage Abilities, Up to 2 years after drying
13. High Productivity, Afghanistan soil and climate are very suitable

Therefore, Saffron industry has adequate potential to develop and increase demand in domestic market and also with government support get more opportunity in the global market.

### **2.3.1 Global Saffron Consumption**

Next the global Saffron industry is discussed. Future demand for Saffron is driving the Saffron consumption in US, China, Iran, Belgium, Netherlands, luxerrburg, Germany, Italy, Spain, France, UK. Saffron is used more now in medical as anti- depressant, anti- oxidant, and anti- convulsion. In addition, Saffron product is used for asthma, different dry skinn, and chough. Moreover, it is used in food, cosmetic too which it is anticipated it will be increased from 2016-2025 (Saffron Market Analysis by Application 2018-2025)

## 2.4 Factors which affecting development of SMEs Saffron industry

Table 3; SMEs definition in Afghanistan by world bank financial and private sector development;

Enterprises	Number of employees	Manufacturing sector	Services sector
Micre	<5	Up to AFN 2.5 million	AFN 1 million
Small	5-19	AFN 2.5-5 million	More than2 million AFN but not exceed AFN 2 million
Medium	20-99	AFN 5-10 million	More than AFN 2 but does not exceed AFN 5 million
Large	More than 100	More than10 million AFN	More than 5 AFN million AFG

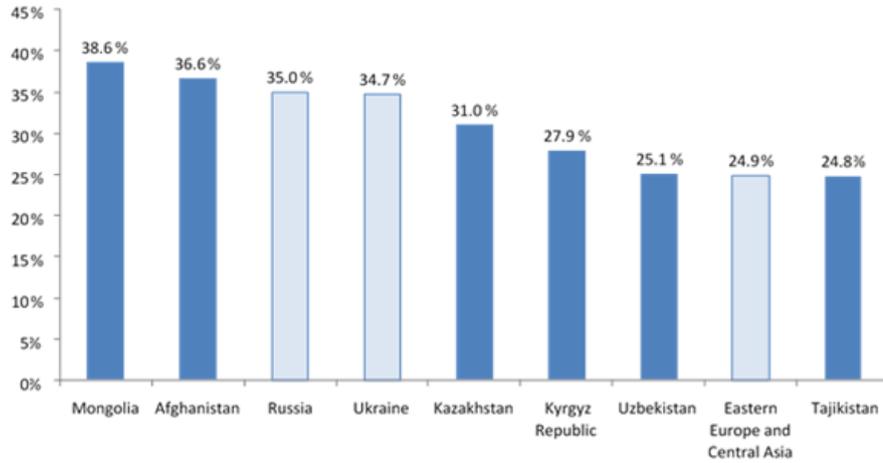
Source: Ministry of Commerce 2015

The economy of Afghanistan is a complex mix of illicit, formal, informal, and aid sustained elements which the result is lack of capacity, conflict, and aid dependence. The role Afghan Small and Medium Enterprise (SME) in gross domestic is around 10-12% but they are not supported well to be an engine for economy of the country like other counties. Lack of security, lack of access to economic resources, and not proper public service are the reasons of dissatisfaction of people from economy situation. Private sector in Afghanistan can have a key role to lead the economy improvement if the Afghan government provides more facilitation for this sector. The next issues addressed are the obstacles to Saffron economic development.

### 2.4.1 Restricted Access to Finance

Access to finance sources is one of the big problems for Saffron SMEs in Afghanistan. The Saffron business is very expensive. To cultivate and process Saffron as well as packaging, SMEs need to have adequate capital due to this industry need more investment. Although many of farmers and SMEs interested in Saffron business, most of them don't have finance sources to invest in this industry. Some of the Saffron SMEs try to find a proper financial source to invest in this industry. Financial aid is one of those sources which just some SMEs are interested in use them because of its interest. They believe paying interest is prevented in Islam. In addition, those SMEs which use from financial aid must pay its interest from first stage either they have profit or not. In addition, there is no any finance sources specifically for agro business to be provided by banks to SMEs or farmers and if there is they have very difficult and inflexible conditions.

Figure 2. 2. SMEs That Identify Access to Saffron as a Primary Obstacle



Source: World Bank Enterprise

Research confirms that financial issues are a key problem of SMEs in Asia. According to 2008-2009 EBRD world bank and Enterprise Performance Survey (BEEPS) financial issues and access credit is a major limitation for Mongolia, Afghanistan, and Kazakhstan (Figure 2.2).

#### 2.4.2 Marketing Issues

The Saffron industry is new in Afghanistan, and it is not recognized in the domestic and global market properly due to there is no any known brand for Saffron of Afghanistan. Lack of famous brand cause the global market has interest in Iranian Saffron even among Saffron in Afghanistan. In addition, lack of capacity of Saffron SMEs to meet ISO standards is a challenge for Afghan Saffron business which can't find proper market especially in the global market. ISO standards are high for Afghan Saffron SMEs and except two or three Afghan SMEs other don't have the ISO certificate. Moreover, there is lack of knowledge regarding to the market both domestic and global. Saffron as newly product in Afghanistan require own marketing skills which Afghan SMEs don't have that skills to find market for their product especial between other big competitors like Iran and Spanish. Since Afghan Saffron export to other countries and there is no any proper brand for it, SMEs prefer to export their product with coordination and cooperation of each other to get support and more profit in global market.

### **2.4.3 The Lack of capacity to Produce Saffron**

It is not easy to produce Saffron with high quality specially if SMEs want to export their Saffron to global market. The level of ISO careteria is so high for Afghanistan with a weak economy. Afghansitan tolerated a long period of wars and its farmers have not been trained to produce Saffron with high quality to meet global standards quality. Although Saffron production started newly again after a while in Afghanistan, farmers are not supported by Afghan government properly e.g Saffron SMEs don't have access to healthy Saffron corm and lack of support of government push them to import Saffron corm from Iran. Afghan farmers and SMEs have to increase their capacity to make themselves sure that they produce Saffron with high qulity. They try to use the experience of each other to be sure that they have a proper product which can be sold in domistic of global market.

### **2.4.4 Lack of Product Standards**

As it has been mentioned above, Saffron farmers and SMEs are not aware about global standards for Saffron and they are not trained by government to know about them, so it makes it difficult to compete with international competitors. In addtion, there is lack of grading system for quality of Saffron in Afghanistan. Afghan Saffron farmers and SMEs have to know about global standards for Saffron to find proper customers and sell their product in both markets. Afghan government has not the capacity to lead Saffron SMEs to follow global standards to grow Saffron industry.

### **2.4.5 Lack of Packaging Capabilities**

Packaging is a part of Saffron business which is of vital importance. Saffron farmers and SMEs have to pack Saffron in proper package to meet global standars. There is lack of

appropriate packaging factory to produce standards and beautiful package in Afghanistan to compete with packaging of other countries. The global standards for Saffron are both quality and packaging which Saffron producers have to meet them to approve the product. Lack of packaging capacity in Afghanistan cause most of farmers and SMEs to import the package for their Saffron from Iran. Saffron SMEs in Afghanistan use plastic bags and plastic containers for packaging of Saffron which are not recommended due to it has effect in the quality of the spice. Packaging is likely to be expensive for Afghan small business or for women who are in this business and want to sell their product. Packaging issues would be problem when the amount is limited and Saffron doesn't meet the international standards. Unpackaged Saffron are sold in bulk which has lower return to the sellers.

## **Chapter Three**

### **3. Methodology**

#### **3.1 Research Strategy**

Kabul city is the second city of Afghanistan which most of Saffron SMEs are located second to Herat. Kabul is selected for the further analysis in this research and the data has collected through in-depth interview. In-depth interviews, due to the lack of data in Afghanistan, provide an in-depth understanding of issues or factors affecting Saffron SMEs in Afghanistan from different approaches and perspectives.

### **3.2 Research Data Collection and Sample Selection**

Qualitative methods are used for data collection in this paper. Individuals were randomly selected for in-depth interviews. Additionally, qualitative methods are used by conducting interviews and interview data is analyzed by Nvivo software.

In this study, the data which is collected identify the factors which affects on development of SMEs Saffron in Afghanistan. The primary data are collected from the Afghanistan Ministry of Agriculture and also farmers and companies who work in Saffron SMEs. Face to face interview and observations are then performed with the main constituents of the Saffron industry in Afghanistan.

### **3.3 Collecting Primary Data**

To explore Saffron production, processing, packaging, and distribution, the interviews are conducted with Saffron farmers and SMEs to collect the required data. In this interview, different questions are designed which some of them help researcher to go into details and the interviewer can answer them openly. The in-depth interview is done in two stages with different prominent constituents including government officials focusing on the Ministry of Agriculture, Professors of Kabul University who are in contact with the Saffron farmers, the first constituents in the value chain, and companies (SMEs) sellers who are in the second stage of the value chain.

In-depth interview questions are below:

Table 3-1: interview questions for the relevant government actors and professor of university

1. What is the current situation of SMEs Saffron in Afghanistan?
2. In your perspective, what are the most problems and challenges which SMEs Saffron industry face with?
3. How could address the challenges and barriers? What has the government done in this regard? Or what do you want the government to do?
4. Does the government have any program to assist SMEs Saffron? If so, what are the programs?
5. What is the policy of the government for SMEs Saffron?
6. In your perspective, those polices need to be reformed or changed?
7. What strategy does the Afghan government follow for Afghanistan Saffron?
8. Is there any linkage between SMEs Saffron and Afghan government?
9. What facilities does the government provide to empower SMEs and Saffron SME?
10. In your point of view, how does the government assist SMEs Saffron to have access to international market?
11. In your perspective, how can Saffron SMEs have a positive impact on development of economy growth in the country?
12. Iranian imports Saffron to Afghanistan and sells it rather than Afghan Saffron. What is government program and strategy to protect internal producer?
13. Can be Saffron be an alternative to Poppy? If so, what is the government strategy and policies in this regard? If not, why?
14. What is your recommendation on the current policies and strategies? Is there any policy? If there is need to be improved?

<b>Name:</b> <b>Organization:</b> <b>Position:</b> <b>Age:</b>
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According to the reports, the major cities in Afghanistan which cultivate most of Saffron in this country are first Herat and second Kabul. In this research, the in- depth interviews are conducted with Saffron farmers and Saffron Small and Medium Enterprise from Kabul. Table 3-2 lists the questions:

Table 3-2: interview questions for Saffron SMEs and farmers

1. Do you cultivate Saffron or you provide it from somewhere else? If you provide Saffron from somewhere else, please let me know from where do you provide it?
2. If you have your own land, how many hectares do you have for Saffron planting?
3. What are the most important problems and challenges that you face in your business?
4. In your point of view, how can these problems and challenges can be solved? Who is responsible for solving these problems and challenges?
5. Did you try to solve the problems and challenges? If so, how and when? What was the result?
6. How can the government assist you to overcome the problems and challenges in your business?
7. Did government do anything to solve your problems until now?
8. Where do you sell you Saffron? Domestic or international market?
9. Do you have any problems to selling your product? What are they? How can be solved?

10. What are the domestic market problems to sell your product?
11. What are the problems regarding to the international market that you face?
12. In your perspective, what policies and strategies government has for Saffron growth?
13. How your business can be grown?

**Name:**      **Age:**      **District:**

### **3.4 Secondary Data Collection**

In this study to answer the research questions, both primary and secondary data are the sources for the data collection. Journals, eBooks, magazine articles, websites, government publications and donor reports are the main source for the secondary data collection. Although the secondary data relevant to the Saffron and SMEs is so limited in Afghanistan, this research paper also integrates information from other countries where working in Saffron data is more detailed and comprehensive.

In this study, the researcher focuses on Kabul province, and population is selected based on the simple sample randomly. At the present, there are around 33 Saffron SMEs registered in Afghanistan Investment Support Agency (AISA) which are largely involved in cultivating, planting Saffron and some of them work just in processing and packaging.

Saffron SMEs and the factors which effect for development of Saffron are analyzed. For primary data collection the selected population in this study is from Kabul Saffron farmers and SMEs who are working in cultivation, harvesting, processing, packaging, and marketing.

### **3.6 Ethical Issues**

All collected data during the research is confidential. The concept of “do no harm” is applicable in each portion of interview and consent form is available during the data collection from interview. All information and data is quoted and the name of authors is cited and recorded in references portion when permitted by the individual interviewed.

### 3.7 Analysis Of The Qualitative Data

This study was mainly based on qualitative data. Qualitative data refers to all non-numeric data or data that have not been quantified and can be a product of all research strategies (Saunders,2011).

Transcribed interviews are then analyzed with Nvivo software which is used for thematic analysis and used for coding and relationships between themes and coding.

To analysis the data with thematic analysis, three stages are used:

1. Coding main themes; 2. Creating sub themes; and 3. Reviewing themes and filtering themes

In this study, data analyzing focus on research objectives of the Table 3-3

Objective	Data Analysis techniques
1. To analysis the impacts of current Situation Saffron SMEs on the economy of Afghanistan	Using primary and secondary data
2. To ascertain the main problems encountered by the Saffron SMEs in	Thematic analysis

<p>their growth and process of internationalization</p>	
<p>3. To recommend policies and strategies to overcome these constraints to reach full potential. The study focuses on SMEs related to the Saffron and other Saffron products in Afghanistan.</p>	<p>Compare result from first two objectives</p>

Finally, SWOT analysis is used to performed findings which were obtained from the thematic analysis. The SOWT analysis is done based on the transcript from interviews. The strength, weakness, threats, and opportunity are identified in this analysis.

## **Chapter Four**

### **4.1 Data Analysis, Interpretation and Findings**

This chapter focuses on analyzing and collecting data and categorizing the data. The aim is to obtain objective conclusions based on the answers from the survey.

For this purpose, numerous key constituents in the Saffron industry identified; however, only 15 Saffron SMEs in Kabul were accessible and were available for interviews. In addition, to obtain data and have government's perspective about the Saffron situation in the country, a focus was on government officials who are in the Ministry of Agriculture and one professor from Kabul University. Separate questions were provided for other government officials. The first questions were about Saffron problems and challenges which SMEs face to concentrate on solutions and to solve the challenges for the business growth. The second type of questions focus on the governments perspective regarding to the Saffron SMEs and their challenges and current polices and strategies to support Afghanistan Saffron to improve in domestic and international markets.

### **4.2 Data Analysis and Discussion**

As it is mentioned in the first chapter, the objective behind this study is to find out the current situation of Saffron SMEs to understand the fundamental characteristics of this industry in Afghanistan. To ascertain the main problems encountered by the SMEs and to recommend policies and strategies to overcome these constraints to reach full potential of this industry.

In this study, the researcher selected saffron SMEs operating in Kabul city. Additionally, four other government officias related to Saffron were interviewed. In this interviews 13 Afghan SMEs and 14 government officials are involved. The reason behind the questions were to know and find out the challenges and factors which Afghan Saffron SMEs

face with and to know about the current situation of Saffron SMEs by interviewing government people who are involved in making policy and strategy for growing Saffron in Afghanistan.

The data analysis in this research is done by using the Nvivo software as a Qualitative Data Analysis (QDA) to organize the transcripts which was obtained from interviews. Nvivo software organize and analyz non-numerical or unstructured data. It is very useful softewar to classify, sort, and arrange information and examine relationships in the collected data.

NVIVO accomodtes a wide range of research methodes to network and organizational analysis, action or evidence-based research. In addition, it supports data formats like audio files, videos, digital, and PDF.

Three main themes were chosen to be analyzed based on the research objective and provided questions in interview; the challenges of the Saffron development, the growth of saffron, knowledge about Saffron policy made by governme. These themes divid to sub-themes and coded in different categories.

#### **4.2.1 Thematic Analysis**

As it is mentioned by the researcher in chapter three the analysis of data was done in different steps which included transcribing the interviews and creating the codes.

The main themes as below;

- Challenges of the Saffron development
- The current business situation of Afghan SMEs
- Growth of Saffron
- Saffron policy and strategy made by government

The hierarchy of coding process is in table 4;

Table 4.1: Coding in thematic analysis

Data	Coded for
------	-----------

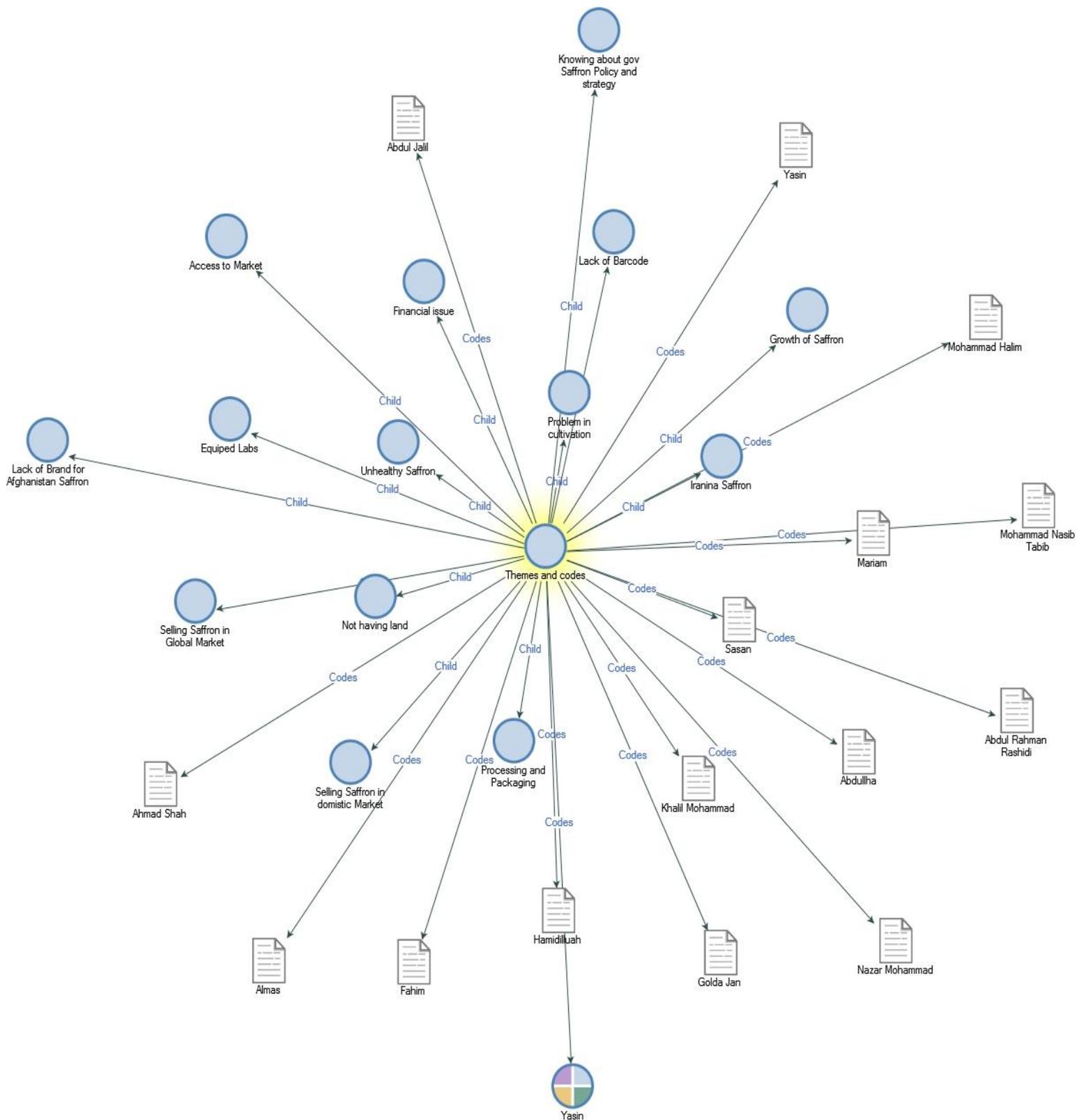
<p>1. What are the most important problems and challenges that you face in your business?</p> <p>Process and packaging we don't know how do it. We didn't sell it. We have enough investment and it is secure for Saffron cultivation.</p> <p>2. In your point of view, how these problem/ challenges can be solved? Who is responsible? Ministry of agriculture can conduct workshop and practically show us how we do processing</p>	<p>Challenges to develop Saffron</p>
<p>3. How your business can be growth? By supporting government in process and packaging, find market and conduct exhibitions.</p>	<p>Growth of Saffron</p>
<p>4. In your perspective, what policies and strategies government has for Saffron growth? There is a five years plan which was started from last year to improve Saffron in Afghanistan.</p>	<p>Saffron policy and strategy made by government</p>

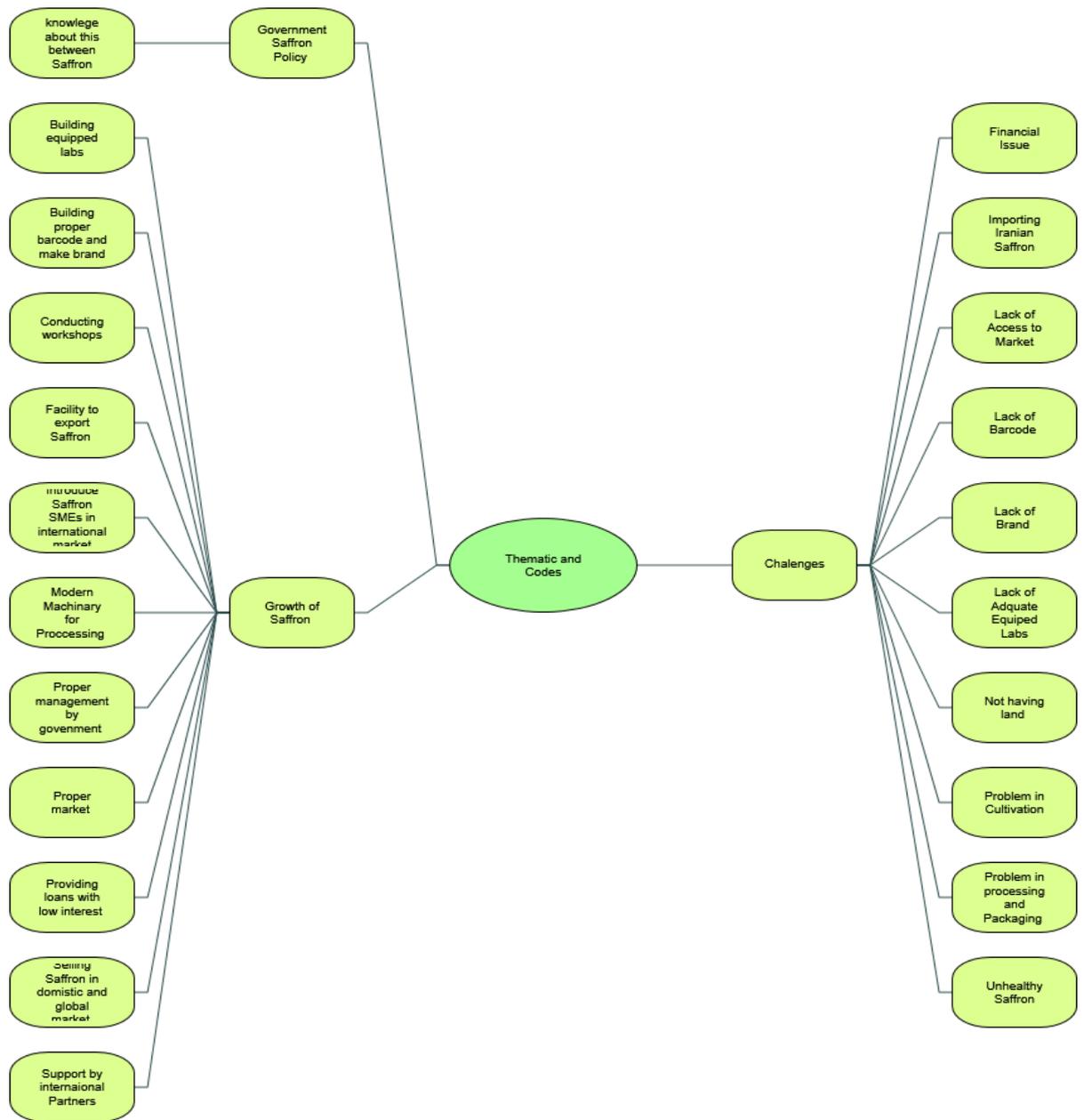
Figure 3: Coding the interviewed cases

The above themes and codes are made based on the research objective and questions, and next broken down in sub- themes.

The words which used repeatedly by the interviewer were coded as shown in the above figure and codes were assigned e.g C 1,2,3... as each code name for the interviewer, then the coded data was broken down to provide objective answers to the the research questions. The diagram bellow shows all codes which are used for theme analysis process:

Figure 4: Final thematic map





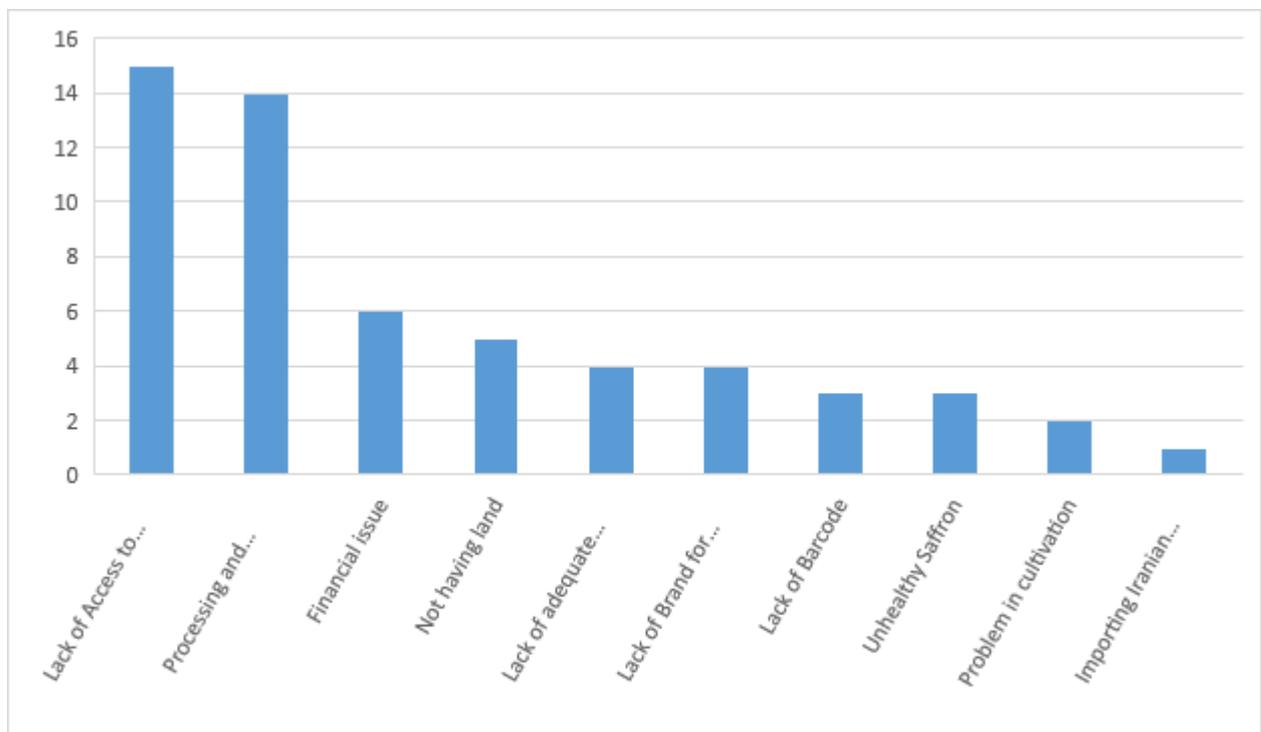
By analysing the current situation of Afghan Saffron SMEs, I identified many challenges which Saffron SMEs face to be developed and growth. Based on the thematic analysis and summarizing the data by the researcher, the Saffron SMEs are faced by following challenges which affect development of Saffron SMEs in Afghanistan.

- Financial issues,
- Importing Iranian Saffron to Afghanistan,
- Lack of access to markets,

- Lack of barcodes,
- Lack of brand for Afghanistan Saffron,
- Lack of adequate equipped labs,
- Not having land,
- Problems in cultivation,
- Problems in Processing and packaging and poor quality,
- “Unhealthy” Saffron.

The most important challenges, which affect on Saffron development in Afghanistan, were the lack of access to proper market, problem in processing and packaging of Saffron, and financial issues. Below is a chart which show the percentage of each challenge in current Saffron SMEs which came up by doing interview with Saffron SMEs.

Figure 5: Percentage of confronting challenges by Saffron SMEs in Kabul city



The above challenges are classified by the researcher in two internal and external challenges.

Table 4-2: Internal and External Challenges in Afghan Saffron SMEs

Internal Challenges	External Challenges
Lack of Access to Market	Importing Iranian Saffron to Afghanistan
Problem in Processing and Packaging	Lack of adequate Equipped Labs
Financial Issues/ problems	Lack of Brand
Not having land	Lack of Barcode
Unhealthy Saffron	
Problem in cultivation	

### 4.3 SWOT analysis

Development of Afghan Saffron depend on many internal and external business issues. Next a SWOT analysis is used to performed findings which were obtained from the thematic analysis. The SOWT analysis is done based on the transcript from interviews. Knowing the strengths and opportunities of the businesses can largely affect the success of business (Kokemuller, 2017). The factors affecting development of Saffron SMEs which based on the interviews are shown in following SWOT analysis:

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Afghanistan Saffron is in the first rank in the world</li> <li>• Afghanistan is supported by donors for business development</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of Access to Market</li> <li>• Problems in processing and packaging</li> <li>• Financial issues/ problems</li> <li>• Not having land</li> <li>• Unhealthy Saffron</li> </ul>

<ul style="list-style-type: none"> <li>• Government provided a five year polices to grow Afghan Saffron</li> </ul>	<ul style="list-style-type: none"> <li>• Problem in cultivation</li> <li>• Lack of brand</li> <li>• Lack of barcode</li> <li>• Weak government to support</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>• There is very good global market for Afghanistan Saffron and some of SMEs prefer to trade Saffron to outside of country to get more profit</li> <li>• Supporting by donors and some countries like India to cut Tarifa for Afghan products</li> </ul>	<ul style="list-style-type: none"> <li>• Importing Iranian Saffron to Afghanistan</li> <li>• Insecurity</li> <li>• Corruption</li> </ul>

As it is mentioned, one part of primary data collected through interview with people who work in government and have authority to make policy and strategy in Saffron industry. In this study she focusses on the Ministry of Agriculture which is more involved in Saffron than others. 13 open-ended questions were asked to do the interview. Open-ended question gives this opportunity to interviewer to answer the questions openly and widely. In this part four people who is working in high positions and involve in Saffron industry in government was interviewed. All interviews recorded and transcribed.

**Current Condition of Saffron SMEs in Afghanistan:**

To analyze the current conditions of Afghan Saffron SMEs the interviews focused on government authorites who are involved directly or indirectly in policy making in Saffron portion or had adequate information about Saffron SMEs and its current situation in Afghanistan.

In AISA approximately 33-35 Saffron SMEs are registered and have obtained an official license to work in Saffron. It is not just internal interest to invest in Saffron portion, but also external investors are interested to invest in Afghanistan Saffron due to Afghanistan got the first rank in the world for having Saffron with high quality. “Saffron is not just part of agriculture sector it is own an industry” Mr. Aslami Saffron Senior Advisor. Current Saffron SMEs could create lots of jobs not only for male but also more for female.

The head of Agricultural Department of Kabul University believes that SMEs in Afghanistan need to be supported by government and there is a need to increase the coordination between them to solve SMEs problem and challenges. He added “Saffron SMEs is so profitable and women involve more than men in this industry.

Each themes and codes are discussed in below section:

#### **4.4 Challenges Effecting Saffron SMEs Development**

From the analysis, it was revealed that Saffron SMEs like other SMEs has challenges which effect on development of this industry. These challenges could be addressed by both saffon SMEs and government to be solved. Some of the issues are discussed as below:

##### **4.4.1 Financial Issues**

Financial issues are one of the challenges which Saffron SMEs face to develop their business. All SMEs need financial resource for growing. In Afghanistan some of Saffron SMEs have their own capital to invest, but many of them don't have adequate capital to invest in this industry to produce Saffron with high standard. Mariam, an owner of Saffron SMEs, says “We cannot start our business seriousl because Saffron is one of the products which need lots of capital and financial sources and it is difficult for us to get loans due to it has high interest”. Not having access to proper financial sources is a big challenge for saffon SMEs. In each

portion of saffron, SMEs need to invest a lot in each part e.g. Saffron corm is so expensive and this product needs lots of labors. To have Saffron with high standard and quality SMEs need modern processing and packaging machineries. In Afghanistan, there is no financial sources for agro business with low interest. Based on the analysed data most of Saffron SMEs use traditional ways to cultivate, processing and packaging which affect on the quality of this product.

#### **4.4.2 Lack of Access to Market**

Saffron cultivation after long time is new for Afghan people, so it is not officialy in the market. Based on the conducted interviews, most of Saffron SMEs don't know about the global market. In additon, they don't know how and with which price they can sell their Saffron in the market. They don't have enough awareness about Saffron demand in domestic and global market. Most of Saffron SMEs dont know which market, domestic or global, bring more benefit for them. Abdul Jalil, one of the Saffron business owners, says "we don't have access to domestic and global market, and we don't know about the market standards. Although Afghan Saffron got rank first in the world, it has not marketed in global market to find own place. Moreover, Afghanistan doesn't have enough capacity like Iran to meet market requirement. In addition, Afghan government is weak to do marketing for Afghan Saffron in global market. Although domestic market could be a good market for Afghan Saffron but most of Afghan people don't have awareness about Saffron product or it is expensive for them, so they prefer to use an alternative, color of food, in their usages.

#### **4.4.3 Problems in Processing and Packaging**

In Saffron industry, processing of Saffron is one of the most important portion to have Saffron with high quality and find a proper market for it. Saffron SMEs in Afghanistan process in a traditional way and most of them don't have modern machineries for processing of saffron.

Abdul Jalil, one owner of a Saffron SMEs, says “One of my challenges in Saffron is that I don’t have proper machine to process my Saffron and I don’t know from where I can get it”, he continues, “If I have machine to dry my Saffron properly I would process it in short time and get high profit due to I could keep the quality of my saffron”. Based on the conducted interviews and analysis them processing and packaging is the second challenge of saffron SMEs in Afghanistan. After processing Saffron SMEs have challenges with packaging their product in appropriate way to find market. Khalil Mohammad, one of Saffron SMEs, says “I have not been packaging my Saffron yet because I don’t know from where I should get healthy packages with good quality for my saffron”. There is not any company in Kabul to provide standard package for saffron.

ISO recommends a Saffron businesses keep the quality of Saffron and protect it from light and pack it in air tight in dark glasses and cans. Sun light has negative effect on Saffron to meet the ISO standards in packaging they must be packed in glasses not plastic bags or solid one. The solid plastic effect on the quality of aroma and the spice of the Saffron is decreased. Majority of Saffron SMEs don’t know about ISO standards and packaging which is one of the issues that they cannot find proper market for their product.

#### **4.4.4 Lack of Barcode and Brand**

The saffron industry in Afghanistan still doesn’t have a proper barcode and brand which is a challenge for Afghanistan Saffron in the market. Although Afghanistan Saffron obtained rank first in the world, it needs to have barcode and proper brand to meet global standards for a product. Sasan, one of Saffron SMEs, says, “We don’t have a specific barcode for Afghanistan Saffron as well as there is no any brand to identify Afghanistan Saffron in global market”. He continues, “The lack of barcode has negative effect on our Saffron in global market”. Having barcode and brand for Afghanistan Saffron with the quality of it can bring

positive effect on Saffron growth in the country. Afghan government has very effective role to eliminate of this challenge in Saffron industry.

#### **4.4.5 Importing Iranian Saffron**

Importing Iranian Saffron to Afghanistan is another challenge which Saffron SMEs face with. Iranian Saffron covers around 95% of market in the world which even it is imported to Afghanistan too. Afghan people still is not familiar with Afghan saffron and they prefer to use Iranian Saffron due to they think it has high quality.

#### **4.4.6 Lack of Adequate Equipped Labs**

If Afghan Saffron SMEs want to meet ISO standards and find proper market especial global market, they have to have Saffron with high quality, standard processing and packaging. To check the quality of Saffron and level of drying and wet of saffron, SMEs need to have equipped labs to make sure that the Saffron is healthy and with high quality. Mr. Aslami, Senior Advisor of Saffron in MAIL, says “we don’t have enough equipped labs in Afghanistan. We have three equipped labs which is not enough. Moreover, having equipped labs is not adequate we need expert people to work in these labs. We don’t have educated people in Saffron to work in these labs”. He suggested “government and donors can help in this part. They can provide equipped labs and government can bring expert people in Saffron to train Afghan people or send some educated people to foreign countries to get knowledge in saffron”. Sasan, an owner of SMEs, says “we try to have Saffron with high quality, but still we need equipped labs to check the quality and make it based on the ISO standards. This lab is so expensive for us to have it and government must provide for us to growth Afghanistan saffron”. Although recently an equiped lab has been build in Heart but still there is need to have more labs in different provinces of Afghanistan espicial in Kabul.

#### **4.4.7 Lack of Access to Land**

Some of the Saffron SMEs who are interested in work in saffron and know how to cultivate it but they have lack of access to land. Mariam and Fahim, owners of SMEs saffron, says “we want to work in Saffron and do business, but we don’t have our own land and it is so expensive to rent it as well as we cannot trust on landlord to give us the land for around 6-7 years or not. lack of access to land is another challenge of Saffron SMEs which discourages them to continue working in Saffron. Although governmental land is available for those people who want to work in agriculture sector, as Mariam says, “the quality of government land is low and there is corruption, so high quality soil is not available to some like us”.

#### **4.4.8 Problems in Cultivation**

Having a healthy cultivation is so important for the quality of saffron. Based on the interviews, most of Saffron SMEs don’t have adequate knowledge to cultivate Saffron in proper way. MAIL provides trainings and workshops for Saffron SMEs but as most of Saffron farmers and SMEs says, “the workshops are not enough and we need MAIL show us practically when we cultivate saffron”. Problem in cultivation is a challenge for Saffron SMEs which create obstacles for them. If they cannot properly cultivate they may damage corm of Saffron and they could not obtain a high level of Saffron in each year.

#### **4.4.9 Issues with Unhealthy Saffron**

Unhealthy Saffron is another challenge of Saffron SMEs which harms the market. Having equipped labs help Saffron SMEs to check the health of Saffron before exporting. Faizi says “We export our Saffron to global market but some of them are returned because they are

not healthy enough to meet global standards”. Abdullah says, “I do not know how make my Saffron clean.

As Kokemuller (2017) said the internal challenges can influence on a business operations and expansion, but they can be controlled, and external challenges are those which businesses don’t have control on them. The internal challenges can be solved by Saffron SMEs or with cooperation of government, but the main actor to solve the external challenges is government.

Table 4.3: Ideas provided by Saffron SMEs to Grow their Business;

Case Number	Willing to grow	Strategy for growth	Supporter
C1	YES	Having Modern machineries processing and packaging,  Improve/ find domestic and global market by conducting exhibitions	Government (MAIL) and Donors
C2	YES	Conducting exhibition to find proper market	Government (MAIL)
C3	YES	Having Modern machineries for processing and packaging	Government (MAIL)
C4	YES	Proper market in domestic and global level	Government (MAIL)
C5	YES	Finding market	Saffon SMEs

C6	YES	Proper market	Government (MAIL)
C7	YES	Modern machineries for processing and packaging	Government (MAIL)
C8	YES	Modern machineries for processing and packaging finding proper market	Government (MAIL)
C9	YES	Modern machineries for processing and packaging Finding a proper market	Government (MAIL)
C10	YES	Modern machineries for processing and packaging Finding proper market	Government (MAIL)
C11	YES	Modern machineries for processing and packaging	Government (MAIL)
C12	YES	Modern machineries for processing and packaging Finding proper market	Government (MAIL)
C13	YES	Modern machineries for processing and packaging Finding proper market	Government (MAIL)
C14	YES	Supporting by Donors, packaging tools	Donors and Government (MAIL)
C15	YES	Practical workshops, knowledge about ISO standards, access to capital with low interest, access to international market through holding exhibitions	Government (MAIL)

Interviews also noted that the growth of the Saffron SMEs depends more on having access to market and access to modern machineries for Saffron processing and packaging. It

looks that these two highlighted issues for growing of Saffron SMEs depend on government support to be solved.

The MAIL Policy Manager believes that, “The government can support Saffron SMEs to growth them and create jobs by them in society.” He continued that, “To grow Saffron SMEs in Afghanistan we need to find market both in domestic and international market. We need to learn from other countries and do the best practice.”

The Head of Agricultural Department of Kabul University states that, “Not only Saffron SMEs but also the Ministry of Economy, Ministry of Commercial, and Foreign of Affairs have a very key role to develop Saffron industry in Afghanistan. A triangle of cooperation is needed between government, SMEs, and farmers.” Senior extension advisor believes that “SMEs Saffron can have very positive role in economy growth and job creation if this industry managed properly and effectively.

“Saffron is a product which export to other countries and can attract currencies from other countries. We estimate that yearly we can earn \$200 million by exporting Saffron from Afghanistan which can have positive impact in development of Afghanistan”, Saffron Senior Advisor.

#### **4.5 Analysis of Collected Data**

It is anticipated that by collecting primary data through in-depth interviews as well as collection data by doing secondary data, current situation of SMEs in Afghanistan is cleared in this research. The salient features of SMEs industry in Afghanistan is that Afghan SMEs like other SMEs in other countries have very significant role to economy growth and creating jobs for people. In Afghanistan, the majority of people is involved and worked in SMEs. In addition, it is anticipated that the current Saffron SMEs have some major problems and challenges which

prevent them to be developed in Afghanistan. The problems could be financial issues, lack of support from government, lack of access to international markets, and low standards of Saffron in global market. Moreover, regarding to existent of any policy and researcher for Saffron SMEs, researcher believes that may there is new policies and strategies to support Saffron industry in Afghanistan, however it needs to be improved because it is a new policy for Saffron SMEs which as a new document absolutely that needs to be improved.

#### **4.6 Research Findings**

The key findings and results found from the analysis the data by the researcher as follows:

1. In Afghanistan less attention is paid to the research oriented studies to provide benefit for economy of country.
2. Although Saffron SMEs are supported by government as a strategical product but it is not adequate to growth Saffron as much as possible in the future.
3. Saffon SMEs were facing problems and challenges based on the interviews such as
  - a. Lack of access to market
  - b. Problem in processing and packaging
  - c. Financial issues and problems
  - d. Not having land
  - e. Unhealthy Saffron
  - f. Problem in cultivation and lack of knowledge
  - g. Importing Iranian Saffron
  - h. Lack of adequate equipped labs
  - i. Lack of Brand
  - j. Lack of barcode

4. Concerns of the Saffron SMEs were more about the access to proper domestic and global markets as well as access to modern processing and packaging machineries. Most of the Saffron SMEs can't growth effectively due to challenges which some of them can be solved by government.

## **Chapter Five**

### **5.0 Conclusions**

The importance of this study was to identify the problems and challenges which Saffron SMEs face which cause to be developed. Although Afghanistan was ranked first in the world for its quality of saffron, but it has not been growth remarkably until now. In addition, Saffron SMEs have very vital role to create jobs and economy growth in Afghanistan. The government supports Saffron SMEs and provides technical services and fill the current gaps this industry could growth very fast in this country.

### **Discussion**

The findings of this research would be that the existence Saffron SMEs are not supported strongly by government and they suffer problems and challenges which prevent them to be developed. The problems and factors which Saffron SMEs face with could be financial issue, lack of access to market both internal and external, lack of knowledge regarding to do standard Saffron cultivating and processing, lack of support by government to provide technical services, lack of equipped labs, lack of knowledge about global standards.

It is anticipated that if there is any policy and strategy to support Saffron SMEs they need to be improved because they could not pave the way for current Saffron SMEs to grow fast. The anticipated findings could be addressed by both government and Saffron SMEs to be solved. The government can build equipped labs to test Saffron quality before exporting to global market. These labs could be in those provinces which have top in Saffron cultivation. In addition, government can stablish agriculture bank to provide financial loans for farmer and

SMEs to get the loans and buy modern machinery for Saffron processing and with high quality Saffron can compete in global market. Moreover, Afghanistan embassies can have very vital role to introduce Afghanistan Saffron in the world and through them Saffron SMEs find global market. Although there is five years plan and strategy to growth Afghanistan saffron, but it needs to be improved. There is a strong need of a perfect policy for discovering solutions for the Saffron SMEs problems and challenges. To address other problems and challenges, Saffron SMEs need to have very close cooperation with government to share their issues and challenges which can be solved by government.

### **Recommendations**

Based on the analysis analysis the following recommendations have been developed:

1. Practical governmental policy to cover all Saffron SMEs challenges;
2. Speed up the process of establishing agriculture bank to provide loans with low interest;
3. Raising fund to build more equipped labs and invite expert people in Saffron or send educated Afghan people to other countries to be expert; and
4. Practical policy to cover all Saffron SMEs challenges

The Afghanistan government needs to have a comprehensive policy or strategy to growth Saffron in global market. To have kind of policy government should have gathering with Saffron SMEs to get their feedback and get real problems and challenges which this industry faces with. The five years' policy need to be monitored in practice to address the gabs as soon as it creates. The Afghan government should not wait for years to evaluate the policy it could be done immediately. In addition, the policy should available for all Saffron SMEs to know about it due to based on the interviews most of the Saffron SMEs don't know about the

five-year policy for Saffron growth. If the Afghan government wants to growth Saffron in this country strategically it needs to have close coordination and cooperation with Saffron SMEs.

1. Speed up the process of establishing agriculture bank to provide loans with low interest.

To solve the Saffron SMEs, the government must establish a bank to provide loans for those farmers and SMEs who working in agriculture sector. Saffron is a planet which need lots of investment starting by buying corm, recruit labor, buying processing and packaging machineries and etc. The Afghan Saffron SMEs are not able to invest in all portions and have Saffron with high quality. The Afghan government with strategic perspective regarding to Saffron must speed up establishing agriculture bank to provide loans to farmers and Saffron SMEs with low interest to encourage them to improve Afghanistan Saffron in both national and international level. This service, an agriculture bank, would pave the way for other investors to be interested in Saffron portion. Although exist financial institutions which provide financial services for business men and women, but they are not interested in them due to the level of interest is so high or they have very tough conditions which SMEs can't prepare them.

Establishing agricultural bank with easy conditions and low interest would bring a positive impact on Afghan Saffron growth in both national and international level.

2. Building more equipped labs and invite expert people in Saffron or send educated Afghan people to other countries to be expert.

Lack of equipped labs in Kabul to test the quality and health of Saffron is one of the issues which Afghan Saffron in some Europe counties are rejected and the quality especial health of Saffron is not acceptable by them. Having adequate equipped labs help the saffon SMEs to make sure about the quality of their Saffron before exporting to other counties. Government must have plan for building the equipped labs which have very high effect on

Afghanistan Saffron to find market especial in global market. But having equipped labs are not enough to improve Afghan saffron.

### **Limitations**

The main limitation in this study was that researcher noticed that some of Saffron SMEs didn't trust on her to share their information regarding to their Saffron business, so may some of them didn't provide real information which researcher looking for them. Moreover, lack of secondary resource was a limitation for researcher to have access to comprehensive studies in Saffron portion, so researcher tried to collect most of secondary data from studies which have been done in other countries.

### **5.1 Recommendations for Future Research**

Since the time limitation and lack of resource to do a comprehensive study, researcher recommend below issues to be researched in the future;

1. How the Saffron SMEs policy and strategy gaps can be reformed?
2. What are the right strategies and polices to move Saffron SMEs industry to their next leve to create more value to Afghan economy?
3. How Afghanistan Saffron can compete in WTO to protect saffron and what Afghan government must do in this regard?

## **5.2 Conclusions**

As other findings which mentioned in literature review the findings in this research would be almost the same. Financial issues, lack of access to market, lack of modern machinery, equipped labs are the most common challenges which Saffron SMEs in Afghanistan face with them.

To conclude this paper, the findings in this research are so important because there is lack of sources in this portion and this research could be source for other researchers and Saffron SMEs as well as government to address the problems and challenges and find a proper way for them.

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## Appendix A

List of interviewers in this study;

<b>Name</b>	<b>Position</b>	<b>Date of Interview</b>
Sasan	Saffron SME owner	4/15/ 1396
Fahim	Crocin company owner	4/13/1396
Maryam	Saffron SME owner	4/10/1396
Hamidullah	Saffron SME owner	4/ 13/1296
Golda Jan	Saffron SME owner	4/12/1396
Nazar Mohammad	Saffron SME owner	4/ 13/1296
Yasin	Saffron SME owner	4/12/1396
Almas	Saffron SME owner	4/10/1396
Ahmad Shah	Saffron SME owner	4/ 13/1296
Abdul Jalil	Saffron SME owner	4/10/1396
Mohammad Halim	Saffron SME owner	4/10/1396
Mohammad Nasib Tabib	Saffron SME owner	4/12/1396
Abdul Rahman Rashidi	Saffron SME owner	4/10/1396
Abdulla	Saffron SME owner	4/ 13/1296
Khalil Mohammad	Saffron SME owner	4/12/1396
Aslami	MAIL Saffron Senior Advisor	3/20/1396
Rezai	MAIL policy manager	3/22/1396
Musavi	Head of Agriculture Dep of Kabul uni	3/28/1996

## **Appendix 2**

### **Data collected from interviews with government**

As it is mentioned in the methodology section, primary data was collected with interviews of people who work in government and have authority to make policy and strategy changes in the Saffron industry. In this study researcher tried to focus on ministry of agriculture which is more involve in Saffron than others. Researcher provided 13 open-ended questions to do in-depth interviews. Open-ended question gives this opportunity to interviewer to answer the questions openly and widely. In this part four people who is working in high positions and involve in Saffron industry in government was interviewed. All interviews recorded in Dari and transcript by the researcher.

Additionally, the researcher provided in-depth interview questions based on the research questions to meet research objectives.

### **Orgianl interview about Current situation of SMEs Saffron in Afghanistan**

“Saffron is not just part of agriculture sector it is own an industry” Saffron Senior Advisor in MAIL. SMEs have very important role to create jobs in Afghanistan like other countries. “SMEs in Afghanistan are increasing and in Saffron portion we have around 33-35 SMEs which registered in AISA”. Senior extension advisor in MAIL. He continued “as Saffron of Afghanistan got first rank in the world there is more interest between internal and external investor to invest on this product. Saffron by government support cultivate in most of provinces and need less water and has high profit.”

Head of agricultural department of Kabul university believes that SMEs in Afghanistan need to be supported by government and have more coordination between themselves to solve SMEs problem and challenges in Saffron potion. He added “Saffron SMEs is so profitable and most

of women involve in this industry which not only can improve family economy but also have positive role on country economy.”

### **Original interviews about SMEs Saffron problems and challenges**

SMEs in each country have almost the same problems and we can address vicious cycle of an SME form Dassanayaka, 2007 which it could be a common problem of all SMEs in each country. “Saffron SMEs in Afghanistan have face with different challenges which insecurity and lack of support of SMEs by government could be part of them.” Head of agricultural department of Kabul university. In addition, Afghanistan SMEs cant meet international Standards to produce healthy Saffron as well as lack of equipped labs to test Saffron before exporting cause Afghanistan product to be checked in boarders and are damaged their packages. Policies manager in MAIL. Senior advisor believes that there is not any specific policy and strategy for SMEs in Afghanistan and there are no expert people in Saffron industry in high level to check Saffron in labs. Moreover, infrastructure in Afghanistan still a big problem. In addition, lack of proper Saffron onion, lack of access to the international market, financial problems and lack of loans for farmers and Saffron SMEs, Iranian Saffron which come to Afghanistan and is sold as Afghan Saffron, and lack of barcode for Saffron in Afghanistan are the most important problems and challenges which senior extension advisor mentioned them.

### **Original Interivew about Addressing SMEs Saffron problems and challenges**

Senior Advisor Saffron said about five years plan for growing Afghanistan Saffron which is for short term and long term. Current policy is for five years and after that we work on a plan for 8 years. Each year Saffron committee which provided this policy evaluate situation and work on policy and a live document to improve it for next years. This policy has 25 portions which supporting Saffron SMEs is its priority e.g Standardizing Saffron, grantee of quality,

and research in Saffron which help private sector to be supported better in the future. In addition, “government want to establish agriculture bank to provide loans with low interest to farmers and SMEs in Saffron which help to solve financial problems.” Senior extension advisor.

Policies manager added, air transportation is one of the most important part of government services for SMEs to export their product easily and in short time to other countries. Moreover, some equipped labs are being built to make sure the health of Saffron.

In addition, “government must work on capacity of farmers and Saffron SMEs to be improved special in processing and packaging. One way is to increase international market for Saffron SMEs which is possible through Afghanistan embassies in other countries”. head of agricultural department of Kabul university.

### **Original interview about Saffron SMEs support by government**

“Government must encourage farmers and SMEs to invest in Saffron by providing technical services and financial aid”. head of agricultural department of Kabul university

“Five years plan has been approved and we provided TOT for the first time based on this strategy to 26 provinces of Afghanistan which work as SMEs and technical staff of agriculture ministry. We did the TOT through Farmer Field Schools (FFS) in five portions; first, IBM, Integrated Based Management, second, ICM, Integrated crop Management, IDN, Integrated diseases management, IFM, Integrated farm management. They are for field management which supported by office of president. Most of them are in Herat”. Policies Manager

“In government, Agriculture ministry is not only responsible for Saffron growth and support in Afghanistan other ministries like Ministry of commercial and trade can facilitate Afghanistan Saffron to be introduce in the world to find market for it. Moreover, ministry of

agriculture can provide service for planting and in infrastructure process. Even president office need to be involved in this process and it is not limited to one or two ministry all parts of government must work to gather and have a common plan to growth Saffron in this country”.

Saffron senior advisor.

“Five years’ policy for Afghanistan Saffron is a very important part of work which government work on it”. A committee namely “Saffron national committee” is established by supreme economic council. The members of committee are from ministers, private sectors, and business champers. This committee try to solve the problems and challenges of ministries regarding to the Saffron. Senior extension advisor.

Saffron senior advisor added “ we need to see how the current plan , five years, implemented. We don’t have stable situation in Afghanistan and it is not secure. We should see how much private sector cooperate in this plan. All above need to be work to gather to have a strong private sector. If one of them is not ready or deleted, we can’t have a proper private sector.”

“There is public private partnership (PPP) which its aim is to link SMEs to government. In Saffron, private sector in this ministry has link with SMEs. Geographical location (GI) is given to Saffron of both Afghanistan and Iran. We joined to WTO recently which Afghanistan need to fit its self with WTO situation. It is good that we joined to WTO but it doesn’t have benefit to Afghanistan in current situation but Afghanistan must try a lot to fit with WTO criteria” Policies manager. He added, Government can provide loans for SMEs, provide technical service like FFS. Government had some contract with China, India to provide market for SMEs.

Barcode, market, proper packaging, work on quality of Saffron and government can work on Professional processing, equipped labs, participate in international exhibitions, proper packaging to pave the way for SMEs Saffron to have access to international market. senior extension advisor

We work from two or three portions. We work for improvement of farmers. We have Saffron union in different provinces which work in Saffron and head of each union is in member of Saffron national committee which participate in meetings. Saffron Senior advisor

Saffron senior advisor added “based on the SMEs problem we provide services e.g government provide equipped labs to test the quality of Saffron which SMEs can’t provide it. Second, government can do marketing for Afghanistan Saffron through Afghan embassy in different countries. Third, government can do contract with other countries regarding to the Saffron selling. Fourth, regarding to the regulation in Saffron portion, government can work on it. Fifth, government can build capacity of SMES to provide Saffron with high quality”.

Regarding to access to international market he added “Afghanistan is supported by international market. It is a best opportunity for private sector. One of the issue which government did with cooperation of other countries was tax exemption for Afghan products. Moreover, government have own budget for Saffron which can help to SMEs to have more access to international market. Government can pave the way for Saffron SMEs to participate in international exhibitions, invite expert people in Saffron from other countries to train our SMEs in Saffron, holding conference in national and international. We have enough development budget in our country.”

### **Original interview about reform Saffron polices and strategies**

“we have already one policy for Saffron and it is started from 2017 and every year we evaluate it and consider the problem and challenges we plan for next year and at the end of five years we provide plan for lone time”. Saffron Senior advisor

Senior extension advisor, policies manager, and head of agricultural department in Kabul university added, five years' policy is a live document and need to work on it each year to improve it.

### **Original interview about role of Saffron industry in economy growth**

“Government support them to create job by them in cultivation and processing. they can have very good coordination to bring positive impact on economy growth”. Policies manager we need to do market in domestic and international market. We need to use and learn from other countries (best practice). SMEs have very key role in this part. Ministry of economy, commercial ministry and foreign affairs have key role. Need a triangle cooperation, government, SMEs, and farmers. head of agricultural department of Kabul university.

Senior extension advisor believe that SMEs Saffron can have very positive role in economy growth and job creation if it is managed properly and effectively.

“Saffron is a product which export to other countries and can attract currencies from other countries. We estimate it that yearly we can have/ get \$200 million by exporting Saffron from Afghanistan which can have positive impact in development of Afghanistan”. Saffron senior advisor.