

GEMSTONES & JEWELLERY
IN KENYA 2005



KENYA

EXPORT PROCESSING ZONES AUTHORITY



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Annual Average Exchange Rates (KShs to US\$)

Year	Rate
1998	60.4
1999	70.3
2000	76.2
2001	78.6
2002	78.4
2003	75.9
2004	80.0 (As at 31 st August 2004)

For latest rates click on <http://www.centralbank.go.ke/cbk/FXrates/archives.html>



1. Industry overview

The first major mineral discovered in Kenya was gold in 1893. However, the formalisation of mining only began in 1933 with the establishment of Mines & Geology Department under the Mining Ordinance of the same year. Today according to the Mines & Geology Department, 85% of Kenya is “mapped”, that is, subjected to geological analysis, and there is wide acceptance that Kenya largely remains unexplored.

According to the 2004 Economic Survey, which treats mining and quarrying as a single sector, the total sectoral contribution amounted to 0.3% of GDP in constant prices or net income contribution of KShs 1.6 billion in 2003. However, using newly updated economic measurement system of the 1993 System of National Accounts, the net economic contribution of the mining and quarrying sector is estimated at 0.6% of the GDP, or slightly over KShs 6 billion in Kenya’s trillion shilling economy. Gemstones are still not separately captured in official economic data.

Kenya is endowed with the occurrence of various types of minerals. Gold is by far the most important mineral within the greenstone belt of Western Kenya although copper and silver have also been mined. It occurs in quartz veins, alluvial and rubble deposits and as disseminations within the Nyanzian and Kavirondian rocks.

Gemstone sub-sector

Kenya is one of the countries with major occurrence of a variety of coloured stones. The country is the main source of tsavorite (emerald green grossular garnet). Its name is derived from the locality where it was first discovered. Other kinds of gemstones include amethyst, aquamarine, beryl, peridot, ruby, sapphire, tourmaline, various types of garnets (green, red, rose, almandine), zircon e.t.c.

Jewellery sub-sector

The jewellery sub-sector is much older than the gemstone sub-sector in Kenya. The jewellery trade is over a century old in Kenya. Initially most of the artisans were immigrants from the Indian sub-continent. Presently, informal sector operatives carry out the major portion of the trade. In general, jewellery manufacture is still a cottage industry in Kenya. In this situation, work is carried out often in small one-room workshops by skilled artists and workers using hand-operated tools. It is not a production line product and each item is priced and worked differently. Most of the products are re-cycled and re-shaped depending on the customer’s requirements and needs.

2. Industry structure

In Kenya, the Government’s role is limited to regulation and creation of an enabling environment for the private sector to invest and thrive. Apart from licensing the players in the industry, the Government also ensures that their operations are conducted in accordance with the requirements of the relevant regulations. In accordance with the requirements of the laws, one has to be licensed as a miner or a dealer to mine or trade in gemstones.

There are about 60 jewellers and 12 main gemstone mining companies in the country. However, for gemstones, there are also over 100 prospectors, some of whom are already undertaking limited mining.

The gemstone miners have a body known as the Kenya Chambers of Mines that articulates the aspirations and problems of its members. There is also the Nairobi Goldsmith Association formed by the Jewellers.

A listing of the major gemstone miners, mineral dealers and jewellers in Kenya can be found on page 7 under “Main Players in the industry”.



3. Production

3.1. Range of products

The gemstone discoveries in East Africa in the 1960s transformed the jewellery world: new varieties, new colours, and new variations on existing species made that decade the most exciting time in the gemstone industry.

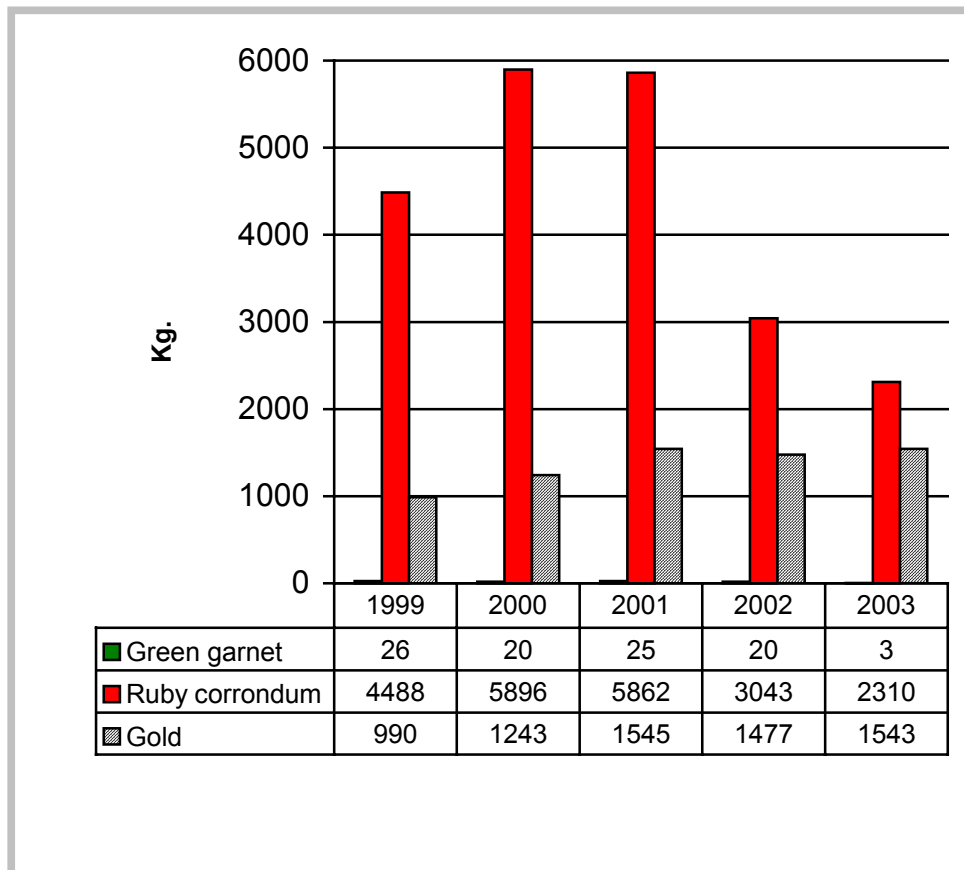
Some of Kenya's gemstones and precious minerals consist of the following, among others:

- Green garnet
- Ruby corrondum
- Tsavorite
- Gold
- Ruby
- Zoisite

As regards deposits, Ruby is currently being mined in Taita Taveta, Kwale, Kitui, West Pokot and Baringo Districts; Tsavorite in the Taita Taveta and Kwale District; Sapphire in the Kitui, Mwingi and Isiolo Districts; Tourmaline in Taita Taveta, Kajiado, Kwale and Kitui Districts and Aquamarine in Meru and Tharaka Districts.

3.2. Volumes and values

Chart 1: Quantity of Gemstones/Gold Production, 1999-2003 (Kg)



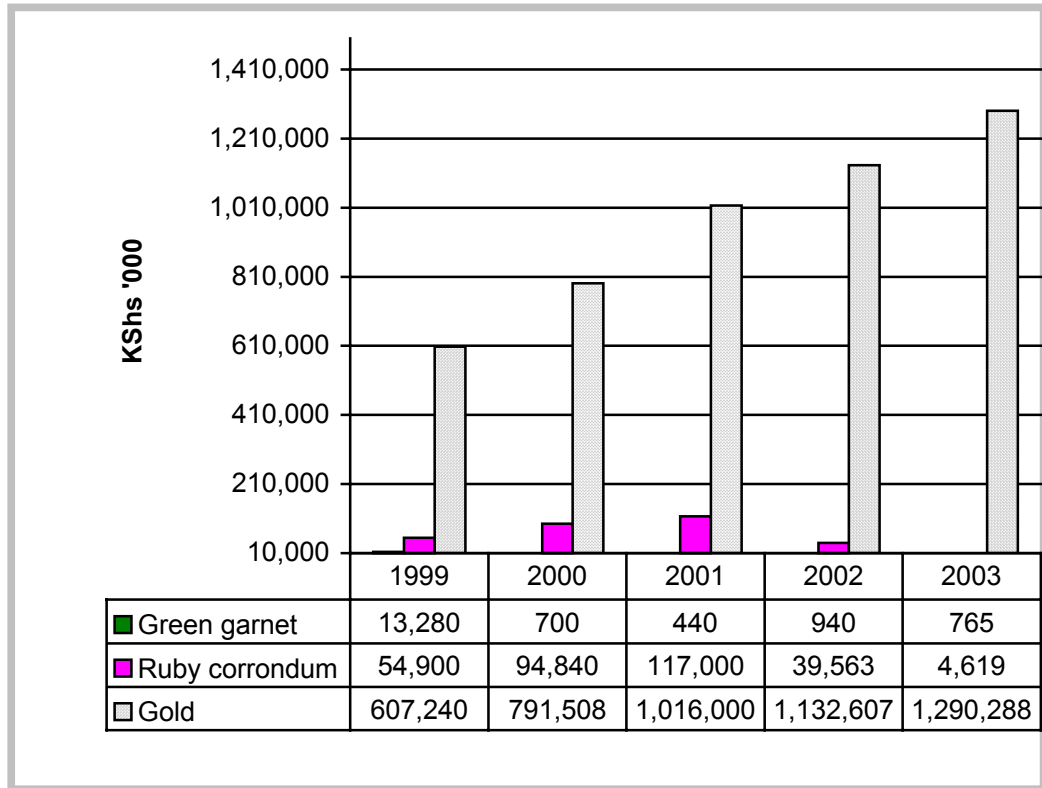
Source: Mines & Geology Dept. Ministry of Environment & Natural Resources 2004

Between 1999 and 2003, *Ruby* was the leading gemstone produced in Kenya. Gold was also produced in sizeable quantities with production averaging 1000 Kgs for the period 1999 to 2003. Production of Green garnets was lower with production levels



being about 20 Kgs for the same period. In terms of value, however, Gold production was more valuable for the sector than the other precious minerals peaking at KShs 1,290,288,000 in 2003. The production values are detailed in chart 2 below.

Chart 2: Value of Gemstones/Gold Production, 1999-2003 (KShs '000)



Source: Mines & Geology Dept. Ministry of Environment & Natural Resources 2004

4. Market conditions

The gemstone and jewellery sub-sector in Kenya is liberalized; there are no trade restrictions. So long as a miner or dealer is licensed, he or she can trade in an otherwise free market. However, licensed dealers are only allowed to conduct their business from licensed premises. Dealers can sell their products either as raw material or as finished products. The value addition process is highly encouraged.

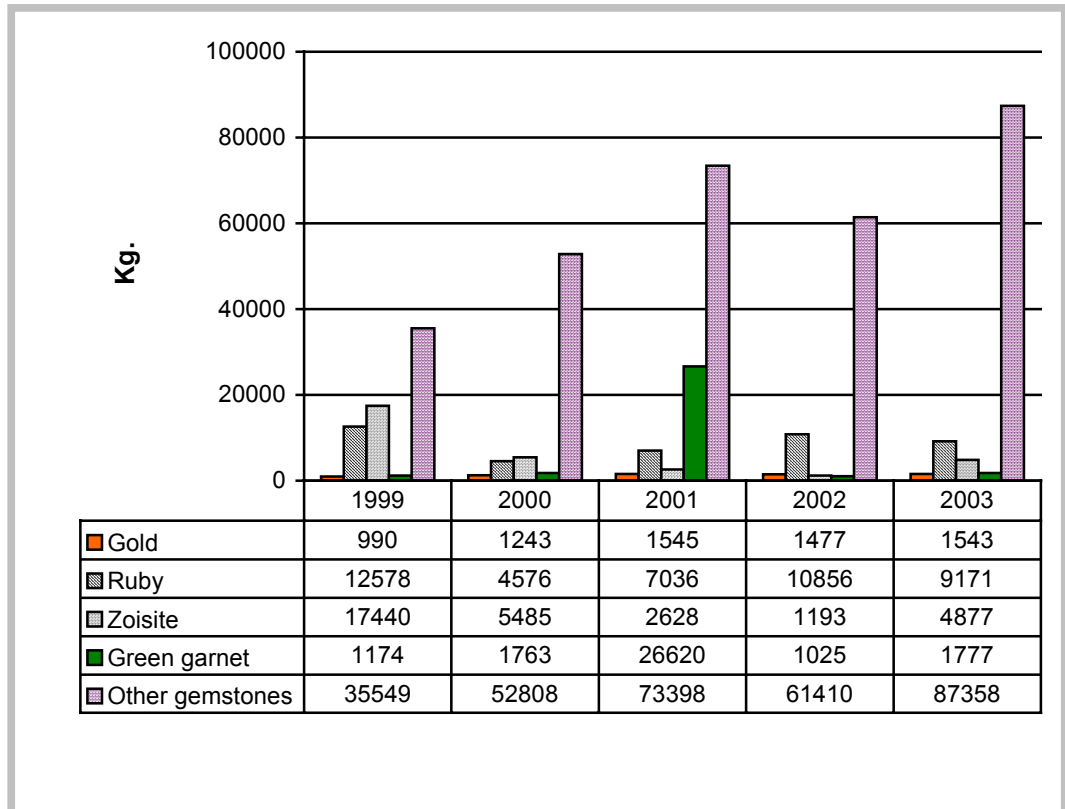
The responsibility of searching for markets rests with the producer and the dealer. The Government only facilitates exports as stipulated in the relevant laws, and participates in promotional conferences and workshops.

Currently the domestic market consumes less than 10% of the jewellery produced and 50% of the local buyers are tourists while the rest is exported. Most Kenyan gemstone products are exported to the Indian sub-continent, U.S.A., Germany, England and Middle East. The demand for jewellery is price elastic. Nevertheless, the sector has a bright future, although the demand is also dictated by international markets particularly in U.S.A., China and Japan where there are major consumers of these products.

Kenya's quantity and value of exports of Gemstones/gold for the period 1999 to 2003 are summarised in charts 3 and 4 below respectively:



Chart 3 Quantities of Gemstones/Gold Exports, 1999-2003 (Kg)



Source: Mines & Geology Dept. Ministry of Environment & Natural Resources 2004

Table 1: Value of Gemstones/Gold Exports, 1999-2003 (KShs '000)

YEARS	1999	2000	2001	2002	2003
Mineral	Value	Value	Value	Value	Value
Gold	607,241	791,508	1,018,616	1,132,607	1,290,288
Ruby	153,853	91,246	143,865	111,787	86,932
Zoisite	134,324	104,383	43,555	46,265	30,346
Green Garnet	59,955	57,265	47,241	48,776	31,664
Other Gemstones	78,110	163,980	197,113	184,952	107,395

Source: Mines & Geology Dept. Ministry of Environment & Natural Resources 2004

NB: the variation between quantities and value of minerals produced and exported is attributed to the fact that while Kenya itself produces the minerals in fairly small quantities, there is a lot of trade with Tanzania and DRC, with products being re-exported from Kenya.

5. Legal and regulatory framework

The gemstone and jewellery sub-sector is regulated under the Mining Act Cap. 306, the Trading in the Unwrought Precious Metals Act Cap. 309 and the Diamond Protection Industry Act Cap. 310 of the Laws of Kenya.

All un-extracted minerals are the property of the Government according to the Mining Act. Their exploration and exploitation is controlled by the Department of Mines and Geology, which also undertakes geological surveys, geo-scientific research and the general regulation of the mining sector. The department, which falls under the Ministry of Environment and Natural Resources, also grants licenses to miners and prospectors.



The most onerous license is that of mining location, which is granted to small-scale miners. It is onerous because a single location can consist of a block with more than 10 claims. The ministry defines a claim as an area of 20,000 square metres in the case of precious metals like gold and silver, and precious stones such as ruby, emerald and opal. For other minerals, a claim is regarded as an area of 50,000 square metres and the minerals there could be copper, lead, graphite, barite or others.

The Ministry issues an Exclusive Prospecting License for an area selected by an applicant who has a valid prospecting right and has deposited KShs 2,000 with the Provincial Commissioner of the province in the area over which the application made is situated. The prospector must also get written consent from the relevant local authorities and a written consent from landowners where he would want to survey.

The Government is in the process of preparing a new mineral and mining policy and reviewing its Mining and Mineral laws to provide for tax and other incentives. Currently, the Government does not charge any duty on capital goods that are imported into the country for production purposes.

6. Reasons to invest in Kenya's gemstone & jewellery sub-sector

The Government of Kenya welcomes, promotes and protects private enterprises and offers attractive incentives to investors. The country's advantages as a location for foreign investment include an abundance of resources, a relatively well-developed infrastructure and pleasant living conditions, as well as:

Availability of affordable skilled & unskilled labour

Kenya offers current and potential investors with an abundant supply of affordable skilled and unskilled labour.

Access to the regional market

Kenya's membership in regional trading bodies such as COMESA, African Union and the East African Community provides potential investors with a large regional market for their products.

Investor friendly arrangements

The Kenya government can guarantee investor friendly arrangements such as:

- the Export Processing Zones (EPZ) program which offers attractive incentives to export-oriented investors and EPZ Authority to provide one-stop-shop service for facilitation and aftercare
- the Investment Promotion Centre (IPC) to promote all other investment in Kenya including in Manufacturing under Bond (MUB) program
- the Tax Remission for Export Office (TREO), a program for intermittent imports for export production
- Generous investment and capital allowances
- Double taxation, bilateral investment and trade agreements

Investment protection and insurance

The Constitution of Kenya provides guarantees against expropriation of private property. In addition, capital repatriation, remittance of dividends and interest are guaranteed to foreign investors under the Foreign Investment Protection Act (FIPA) (Cap 518).

Kenya as a member of MIGA (Multilateral Investment Guarantee Agency) provides investors with an opportunity to insure their investment in Kenya against a wide range of non-commercial risks. Kenya is also a member of the African Trade Insurance Agency (ATI), a multilateral export credit and political risk agency for COMESA member states as well as the International Council for Settlement of Investment Disputes (ICSID).



Strategic location

Located on the East African coast and having the port of Mombasa, Kenya is strategically located for investors wanting to access the East and Central African markets. Kenya is also a regional hub for airlines allowing for easy access from and to any part of the world.

Stable political climate

Kenya has been one of the politically stable countries in Africa since independence. The country has had three presidents with smooth transition taking place from one government to the next and peaceful elections held regularly. This is also manifested in the number of international and regional organizations headquartered in Nairobi including the UNEP, IGAD etc.

Policy and legislative framework

The Government is in the process of preparing a new mineral and mining policy and reviewing its mining and mineral laws to provide for tax and other incentives. Currently, the Government does not charge any duty on capital goods that are imported into the country for production purposes.

7. Investment opportunities

Kenya's mineral potential remains largely untapped. There are, therefore, vast opportunities in mining of new and existing varieties of gemstones for the high international demand. This could be undertaken solely or in partnership with claim holders.

There are also opportunities for investors wishing to carry out gemstone cutting, setting and polishing as well as manufacture of gemstone cutting/polishing machines.

8. Main players in the industry

The main players in the industry are the private mining companies and individuals. The role of the Government, through the Department of Mines and Geology is that of a facilitator and regulator.

Some of the major companies in this sector are listed in table 2 below below:

8.1. Major gemstone miners

Table 2: List of Major Gemstone Miners

	NAME & ADDRESS OF THE LICENSEE	MINERAL (S) MINED
1	Aqua Mines Ltd., P.O. Box 42542, Nairobi	Ruby
2	Baraka Mining & Minerals Ltd., P.O. Box 196, Voi	Green Garnet
3	Bridges Exploration Ltd., P.O. Box 49192, Nairobi	Green Garnet & Tourmaline
4	David Visram	Tsavorite, other garnets, etc.
5	Gemkit Enterprises Ltd., P.O. Box 63344-00619, Nairobi	Ruby, Sapphire
6	Geo-Exploration Mining Co. Ltd., P.O. Box 48181, Nairobi	Sapphire
7	John Gitonga Kihara, P.O. Box 28258, Nairobi	Ruby
8	Kikisa Ltd., P.O. Box 48786, Nairobi	Ruby, Sapphire
9	Kutima Investments Ltd.,	Tsavorite, other garnets, etc.



10	Nadan Mining Company, P.O. Box 157, Voi	Green Garnet
11	Rockland Kenya Ltd., P.O. Box 58511, Nairobi	Ruby
12	Ruth K. Mutua, P.O. Box 48181, Nairobi	Sapphire

Source: Mines & Geology Dept. Ministry of Environment & Natural Resources 2004

8.2. Major mineral dealers

Table 3: List of Major Mineral Dealers

	NAME & ADDRESS OF THE LICENSEE	MINERAL (S) MINED
1	Amhar Gem Centre (K) Ltd., P.O. Box 13407, Nairobi	Ruby, Zoisite, Spinel, Etc.
2	Bridges Exploration Ltd., P.O. Box 49192, Nairobi	Zoisite, Garnets, Ruby, Sapphire, etc.
3	Charming Gems, P.O. Box 49922, Nairobi	Garnets, Sapphire, Ruby, etc.
4	East African Gem Traders Ltd., P.O. Box 69744, Nairobi	Tsavorite, Zoisite, Aquamarine etc.
5	Gemkit Enterprises Ltd., P.O. Box 63344-00619, Nairobi	Ruby, Sapphire
6	Jacob Mbutu Gems, P.O. Box 11350, Nairobi	Zoisite, Garnets, Ruby, Sapphire, etc.
7	Jimbim Holdings Ltd., P.O. Box 1726, Nairobi	Tsavorite, Zoisite
8	Lapigems Ltd., P.O. Box 72202-00200, Nairobi	Tsavorite, Zoisite
9	Lapkenco Ltd., P.O. Box 48564-00100, Nairobi	Aquamarine, Tsavorite, Spinel, Zoisit, etc.
10	M&M Gems, P.O. Box 2195-00100, Nairobi	Garnets, Zoisite, Ruby, Spinel, etc.
11	Muthama Gemstones (K) Ltd., P.O. Box 58511, Nairobi	Ruby, Garnets, Zoisite etc.
12	Premier Gem Ltd., P.O. Box 22028-00400, Nairobi	Zoisite, Tsavorite, Sapphire, etc.
13	Relics International Ltd., P.O. Box 18747, Nairobi	Tourmaline, Garnets, Spinel, etc.
14	Swastik Kenya Gems Ltd., P.O. Box 13409, Nairobi	Tourmaline, Tsavorite, Sapphire, etc.
15	T.S. Ruby Gems Ltd., P.O. Box 8894-00100, Nairobi	Ruby, Zoisite, Garnets, Tourmaline etc.

Source: Mines & Geology Dept. Ministry of Environment & Natural Resources 2004

8.3. Major jewellers

Table 4: List of Major Jewellers

	NAME	CONTACT ADDRESS
1	Ali's Jewellers	P.O. Box 83056, Mombasa
2	Ali's Noor Jewellers Limited	P.O. Box 31745, Nairobi
3	Ali-Safa Limited	P.O. Box 52085, Nairobi
4	Allies Jewellers	P.O. Box 87935, Mombasa
5	Antiques and Jewels Ltd.	P.O. Box 44837, Nairobi
6	Art Jewellers	P.O. Box 46202-00100, Nairobi
7	Ashna Jewellers	P.O. Box 39288, Nairobi
8	Asif Jewellers	P.O. Box 83387, Mombasa



	NAME	CONTACT ADDRESS
9	Collectors Den	P.O. Box 22291, Nairobi
10	Craft Den Limited	P.O. Box 10718, Nairobi
11	Gem Source	P.O. Box 81006, Mombasa
12	Goldian Rockwood Africa Limited	P.O. Box 48589, Nairobi
13	Jewel Art Jewellers	P.O. Box 46137-00100, Nairobi
14	Jit Gems Limited	P.O. Box 44837-00100, Nairobi
15	Maru Craft	P.O. Box 47983-00100, Nairobi
16	Nagin Pattni	P.O. Box 11316-00400, Nairobi
17	Rajshyn Jewellers	P.O. Box 47206-00100, Nairobi
18	Sonals	P.O. Box 84127, Mombasa
19	Sonia Creations	P.O. Box 33649, Nairobi
20	The Treasure Gift Centre	P.O. Box 98402, Mombasa

Source: Mines & Geology Dept. Ministry of Environment & Natural Resources 2004

9. Useful contacts

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10. Sources of information & glossary

- Mines & Geology Department, Ministry of Environment & Natural Resources
- Central Bureau of Statistics

References

The following publications and references were used in developing this report

- *Statistical Abstract 2003* by Central Bureau of Statistics
- *Economic Survey 2004* by Central Bureau of Statistics
- *Unearthing of Kenya's Potential – A special report on Kenya's Mining Sector in the East African Standard Edition of July 18th 2004*