

# PRIME MINISTER'S TASK FORCE FOR GEMS AND JEWELRY

Chairman: Engr. Gul Asghar Khan



## Task Force Report

14-11-2020

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**MEETING WITH HONORABLE PRIME MINSISTER OF PAKISTAN  
IMRAN KHAN  
25-06-2020**



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## **(PRIME MINISTER’S TASK FORCE FOR GEMS AND JEWELRY)**

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Chairman: Engr. Gul Asghar Khan

Co-Chair: Mr. Zeeshan Khan

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16. Mr. Izhar Hunzai Chairman PGJDC
17. Mr. Naiz M. Khan, Sr. Joint Secretary, MOIP
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## **ACKNOWLEDGMENTS**

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The Task Force is truly grateful for the support of our working groups, co-opted experts/members, government departments and industry collaborators.

## **KEYWORDS**

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AIGS: Asian Institute of Gemological Sciences

APGMJA: All Pakistan Gem Merchants and Jewelers Association

BOI: Board of Investment

CFCs: Common Facility Center

DGMM: Directorate General Mines and Minerals

FATA: Federally Administered Tribal Areas

FBR: Federal Board of Revenue

GGIP: Gem and Gemological Institute of Pakistan

GIA: Gemological Institute of America

GJEPC: Gems and Jewelry Export Promotion Council, India

GOP: Government of Pakistan

GSP: Geological Survey of Pakistan

KPK: Khyber Pakhtunkhwa

NMP: National Mineral Policy

SBP: State Bank of Pakistan

SLGJA: Sri Lanka Gems and Jewelry Association

TGJTA: Thai Gems and Jewelry Traders Association

TDAP: Trade Development Authority of Pakistan

TEVTA: Technical Education & Vocational Training Authority

WGC: World Gold Council

## **WORKING GROUPS**

The chairman task force constituted working groups from members of task force, co-opted experts and industry experts. The working groups, their assigned TORs and tasks are listed below:

### **Policy Working Group:**

Team Lead:

Dr. Rashid Aftab

Supporting members:

- Dr. Saqib Ahmad Saki
- Mr. Zeeshan Khan
- JS (Dev.) Petroleum Division
- Secretaries Mining and Minerals KPK, GB, and Balochistan
- DG (Minerals)
- Rep. MOC
- Mr. Anoush Sohail

Assigned TORs:

A: To review existing policies, practices and institutional arrangement for exploration, mining, valuation, processing for value addition (cutting & polishing etc.), trading and export of gemstones in the country.

B: Propose a formal administrative structure of Gem & Jewelry Sector in accordance with the public sector reforms agenda and international best practices

### **Performance Review Working Group**

Team Lead:

Mr. Zeeshan Khan

Supporting Members:

- Dr. Saqib Ahmad Saki
- JS (Dev.) Petroleum Division
- DG (Minerals) Petroleum Division

Assigned TORs:

J: Review the performance of attached departments of Ministry of Petroleum and Natural Resources and Ministry of Industries and Inter provisional coordination and propose measures to bring in efficiency.

### **Gemstone City Working Group**

Team Lead:

Engr. Gul Asghar Khan

Supporting Members:

- Mr. Hassan Khan
- Rep of CDA
- Mr. Muhammad Nasir
- Engr. Harris Naeem

Assigned TORs:

C: To develop concept of Gems & Jewelry City in Islamabad.

### **Foreign Direct Investment Working Group**

Team Lead:

Mr. Atif Khan

Supporting Members:

- Rep. MoC
- Rep. State Bank
- Mr. Zeeshan Khan
- Rep. PGJDC
- Mr. Muhammad Nasir
- Rep. Bol
- Mr. Burnebey

Assigned TORs:

D: Develop action plan to attract FDI and local investment.

H: Exploring potential for investment on infrastructure development through public-private partnership.

I: Examine potential for development of clusters zones/Special Economic Zones with public-private sector partnership.

## **Ease of Doing Business Working Group**

Team Lead:

Mr. Muhammad Nasir

Supporting Members:

- Mr. Zeeshan Khan
- Mr. Anoush bin Sohail
- Rep. MoC
- Rep. State Bank
- Rep. PGJDC
- Rep. FBR
- Rep. Bol (co-opted)
- Mr. Burnebey (co-opted)
- Representative of All Pakistan Commercial Exporters Association, Peshawar

Assigned TORs:

E: Propose recommendations on developing customer friendly products/solutions by banking sector to facilitate foreign investment in Gems and Jewelry sector of Pakistan.

F: Formulation of business framework to ensure ease of doing business in Gems and Jewelry sector.

L: Identification of impediments in trade (including tariff and non-tariff barriers) and optimum exploitation of sector potential.

G: Propose coordination and consultation mechanism with provinces to establish one window facilitation centers for National and International Investors.

## **Gemstone & Jewelry Potential Working Group**

Team Lead:

Mr. Bakhtiar Khan

Supporting Members:

- Secretaries of all Concerned Provinces
- Rep. PGJDC
- Rep. NCEG Pakistan
- Rep. GSP



Assigned TORs:

K: Estimation of economic potentialMr. Bakhtiar Khan (revenue and employment generation) of indigenous gemstones industry.

## **Report Compilation Working Group**

Team Lead:

Dr. Saqib Ahmad Saki

Supporting Members:

- Mr. Zeeshan Khan
- Mr. Atif Khan
- Dr. Rashid Aftab
- Mr. Muhammad Nasir
- Mr. Bakhtiar Khan

Assigned TORs:

N: Recommendation on way-forward and measures for promotion of gemstone industry and allied infrastructure (including the gemstones trade city establishment etc.) along-with a time-bound action plan for each activity.

## **Gemstone and Jewelry Value Addition Working Group**

Members:

- Mr. Mati ullah Shiekh
- Mr. Asad ullah Shiekh
- Mr. Asad ur Rehman
- Representative of Pakistan Gems Jewelry Traders & Exporters Association, Karachi

Assigned TORs:

Review of policies existing pertaining to jewelry.

Recommendations on development of Jewelry Value Chain.

Concept paper Gemstone & Jewelry City w.r.t gold and jewelry sector.

Basic requirements of jewelry sector in Gemstone & Jewelry City.

## **Overall Co-Ordination of Task force**

Engr. Harris Naeem

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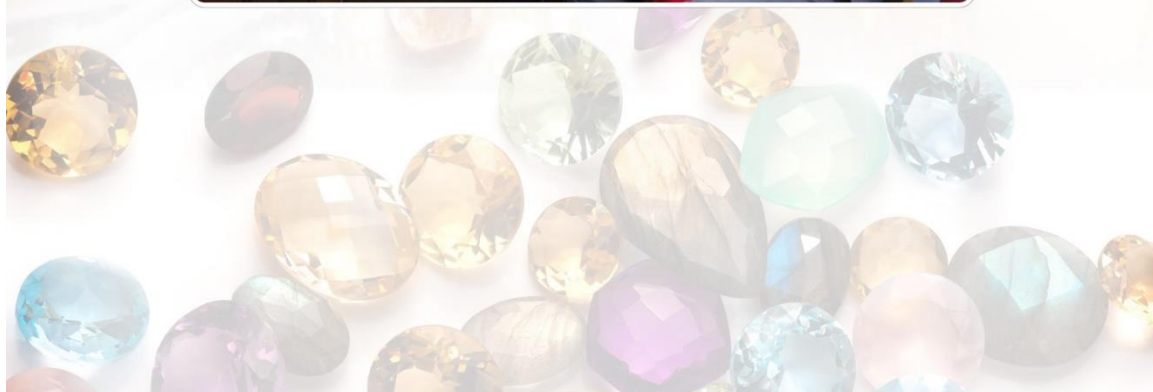
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## FIRST MEETING OF PM TASK FORCE GEMS & JEWELRY 17-09-2020



## Meeting With Chief Minister Of Punjab



## **1. SUMMARY OF TASK FORCE FINDINGS (GEMS & JEWELRY PACKAGE)**

The Prime Minister Task Force on Gems and Jewelry sector completed its work within 2 months in accordance with its TOR's and conducted an in-depth analysis by taking all the stakeholders on board. The report was submitted on 14-11-2020 to DG minerals, Ministry of Energy (Petroleum Division). The contribution of gems and jewelry sector in terms of national GDP can reach 2% (US \$ 5-6 Billion) in the next 2 to 3 years from the existing 0.07%, if the following recommendations of the Prime Minister Task Force on Gems & Jewelry are implemented:

1. Gems and Jewelry sector was upgraded and declared as an industry. However, it is not recognized as an industry by banks. SBP need to resolve this issue.
2. Pakistan Gems & Jewelry Export Promotion Council (draft bill of the Council is under review by the legal team) may be constituted, backed by the law, to cover the whole value chain of gemstones and jewelry industry, from mine to the domestic/foreign export market. The existing federal Govt entities on Gems and Jewelry sector (PGJDC, etc.) will be merged into the Council. Every actor in the G&J industry value chain need to register and licensed by the Council to run the business, it will bring the industry in the national tax net. The Council will facilitate the gemstone and jewelry industry exports.
3. According to Prime Minister's vision, a vertical Gems and Jewelry city will be established in the capital Islamabad to provide one window operations for gemstones and jewelry industry players to enhance the export of this sector. The proposed city will include Gold refinery, cutting & polishing center, Gold Soak, Gem & Jewelry Mall and a five star Hotel. The city will be financed and run by public private partnership. Government will provide land and relevant department's offices for one window operation. The Gems and Jewelry City will be an Export Processing Zone. Upon the successful completion of G&J city, such cities will be established in Karachi, Peshawar etc.
4. A customs desk dedicated to the export/import of gemstones, precious metals and Jewelry industry must be created. A valuable goods terminal within the premises of Islamabad International Airport (later same facility can be introduced at all International Airports) of Pakistan must be established.
5. Assaying and Hallmarking system for the precious metals and its standards under a Law to be developed under the proposed Council. Internationally recognized Gems and Jewelry accredited certification lab (e.g. GIA etc.) need to be established in Gem and Jewelry city.



6. Introduction of E-Commerce with international on-line transaction system along-with courier/logistic services to transfer export proceeds (as presently DHL,UPS,TCS are not providing these services)
7. Establishment of Gold Bank (Precious Metals) and their availability through financial institutions is recommended.
8. Foreign missions of Pakistan in each country may be directed to coordinate with Task Force and Gems and Jewelry Council in future to promote the gems and jewelry products of Pakistan and be provided promotion material on the available natural resources of Pakistan to attract foreign direct investment.
9. Gold monetization policy which allows idle gold sitting in private households and lockers to be put to productive use. The scheme will allow opening up of gold dominated bank accounts and gold electronic traded funds. The scheme is a success in neighboring country and has given rise to digital gold deposits.
10. Allow E-form for participating in international exhibitions. Pakistan does not allow sale of goods at international exhibitions. Goods are sold to multiple customers at the exhibitions, not to one dedicated customer. E-form requirements are to provide the name of the person or the business, from which export proceeds will be realized, which is not possible for local businesses.
11. E-Forms require the exporter's bank approval, as private banks are the SBP's authorized agents for issuance of these approvals. The terms of payment and mode of shipping are specified on each E-Form. It could be argued that the E-forms primary purpose is to allow the SBP to hold private banks responsible for the collection of their client's FOREX, within the specified time frame. E-forms should only be Declaration of Export. These should be made by the exporter at the customs dedicated office or website (WEBOC) without the requirement of bank approval.
12. Rejections/returns of merchandise are impractical because:
  - These require an EIF form, which are opened and approved by the bank.
  - On being returned, Pakistani made products or gemstones, may be taxed up to a total of 28% of the declared value or as assessed by Customs.

This restricts the promotion of goods overseas, through trade shows, visits to customers or consignments; as such exports do implicate that at least some of the merchandise will be returned to Pakistan. Furthermore, because rejections/returns can be taxed by Pakistan Customs, exporters may adjust their invoices in anticipation and even, open a trading company in a third country (Dubai, Hong Kong, Thailand), where they will not be dealing with such issues.

- EIF Form should be a Declaration of Import made by the exporting/importing company through WEBOC or at customs dedicated center

- Customer's should keep the right to reject/return items and therefore, the exporting Pakistani company should not penalized by taxes, when the rejected products are returned to Pakistan. The "Import" of returned/ rejected items must be without tax and duties.
13. Import Policy Order 2020 and SRO 760 (I) 2013 to be amended to allow commercial import of precious metals and precious and semi-precious stones. SRO 760(I) 2013 is a major barrier for the jewelry export a structural change in the SRO is required or new SRO may be issued.
14. Under S.R.O 266(I)/2001, exemption from cash deposit of cash margin@1% was extended to the exporters whose average annual export performance remained at 50 million during the last three fiscal years. However, such exemption had been withdrawn through S.R.O 760(I)/2013. It is proposed that this provision is reinstated to create attraction for the existing and prospective exporters.
15. Policy issue in Import Policy Order 2016 whereby the concerned authorities, i.e. SBP and Customs have to have clarity that what is meant by "importer shall arrange his own foreign exchange", as prescribed in Part II of Annexure B of Import Policy Order 2016.
- The same condition still exists in Import Policy Order 2020.
- Clarification for arranging Foreign Exchange from own source, by allowing importer to make payment from his foreign currency bank account, will be Issued
  - To allow authorized banks and other licensed persons to import Precious Metals and Precious Stones in bulk for supply in the market, as being done in many countries.
16. To facilitate FDI, in the gems and jewelry sector, changes have been suggested in FE Manual of State Bank Of Pakistan
17. Taxes on Import of Precious Metals (Gold & Silver).
- Elimination of customs duty on import of Gold and Silver.
  - Elimination of Sales tax on import of Gold and Silver.
  - Elimination of Income Tax on import of Gold and Silver.
18. Taxes on Import of Diamond, Precious & Semi-Precious Stones.
- Elimination of customs duty on import of Diamond, Precious & Semi-Precious Stones.
  - Elimination of Sales Tax on import of Diamond, Precious & Semi-Precious Stones.
  - It may be noted that rate of Sales Tax on import of diamond jewelry is 0.5%, whereas diamond imported as raw materials in loose form is subject to 1% Sales tax.

- Elimination of Income Tax on import of Diamond, Precious & Semi-Precious Stones.
  - Reducing Income Tax rate to 1% from existing 5.5%.
19. Withholding Tax on purchase/documentation of supply chain.
- Elimination of withholding Tax on purchases by the sales tax registered jewelers exceeding the threshold of Rs.100 Million.
  - The above recommendation is in line with the already provided concession to distributors of pharmaceutical goods and dealers and sub dealers of sugar, cement and edible oil. (clause 24A and 24C of Part-II of Second schedule)
20. Withholding Tax on services/documentation of supply chain.
- Elimination of withholding tax on payments to Zargars, karigars, workers engaged in Jewelry Manufacturing.
21. National online database for gemstone deposits may be developed in terms of quality and quantity to attract the local and foreign investors by Mineral Wing, Ministry of Energy. The task can be completed with the help of Geological Survey of Pakistan and Mining and Minerals Departments of provinces, AJ&K, FATA and Gilgit-Baltistan.
22. Establish common machinery and tool facilitation centers for the availability of equipment to the miners, gemstones cutters, and jewelry manufacturers in Gilgit-Baltistan, Baluchistan, KPK and AJ&K. Gold, jewelry and gems manufacturing machines and parts related to them which are imported, should be allowed into Pakistan duty free.
23. Currently, Exporters/Importers/manufacturers are not allowed to maintain/operate an account in FOREX. This restricts the Pakistani gemstone and Jewelry industry as the rates for the rough material is set usually, in USD. This exposes members of the trade to the volatility of the currency market. Exporters/Importers/manufacturers should be allowed to maintain accounts in USD/EUR/GBP etc., while remaining legally obliged to complete all local expenses in PKR. This would be a major incentive for members of the industry seeking to upgrade and import of raw material, foreign machinery and technology.
24. Latest Technology may be introduced in the mining sector to overcome wastage of more than 75% and licensing process may be re-visited in consultation with provincial Govt's for leasing the gemstones deposits.
25. Getting credit in Pakistan is next to impossible for Gems Sector, it is therefore recommended that a package should be given for this sector so that Gems sector should rise and stand on its own feet. Allocation of Rs.100 Billion through SBP to Commercial Banks for Easy Soft loans on subsidized rates (2-3%) to overall G&J Industry without security collateral on personal guarantees and availability of mining licenses/agreements. Disbursement of Loan of Rs.50 Million to Rs.1 Billion for each

mining company in Gems on above terms. 50% of such allocated loan should be given to small and medium enterprises in G&J value chain players including manufacturers

26. We should allow Jewelry export goods through ATA CARNET and without TDAP approval and custom's procedures. Only basic ATA carnet checks should apply as those are already very strict. Jewellers should be given relaxation in percentage (i.e. 45% of invoice value) of security deposit of issuance of ATA Carnet as these goods value goes really high (at the moment ATA CARNET is issued by a private 3rd party in Pakistan). Solution to this is government should issue ATA CARNET with no or very nominal security deposit.
27. SBP need to develop mine collateralization framework in consultation with mining departments of provinces, AJK, FATA and GB.
28. An incentive package from Prime Minister for Gems and Jewelry sector is attached in Annex A.

In accordance with the para 2(n) of the Task Force notification, the term of the Task Force is 60 days. However the scope of the value chain of Gems & Jewelry Sector i.e. Mine-Market falls under Federal and Provincial domain. For inter-provincial consultation and to meet constitutional requirements, the provinces have to be taken on board and the consultative process of the task Force may be carried out at provincial headquarters.

Hence the term of the Task Force may be extended further to continue the consultation process with Provinces and to monitor the implementation of the recommendations, and till the successful achievement of targets set by Task Force in the best interest of Pakistan.

***The Prime Minister is requested to chair the Task Force weekly meetings or at least once a month. It will facilitate the implementation of the recommendations to successfully achieve the targets set by Task Force.***

## MEETING OF PM TASK FORCE GEMS & JEWELRY

24-09-2020



## 2. EXECUTIVE SUMMARY

Pakistan is naturally blessed country having large reserves of mineral ores and 18 varieties of gemstones widely used in ornament Like; Swat has reserves of 70 million carats of emerald, Mardan has reserves of 9 million carats of pink topaz, Kohistan has 10 million carats worth of reserves of peridot, In Hunza, pink to red crystals of ruby are found. Pakistani Kashmir has one mine and one exploration site. Pakistani Kashmir region has reserves of approx. 200 million carats of ruby.

Gemstone market has a great export potential for Pakistan. Globally Gems & Jewelry industry size reached to US\$255 billion per annum while annual growth rate of G&J industry is 5.2%. Currently, Pakistan's Gems & Jewelry industry is extremely unorganized with 0.31% global share in gemstone trade. Pakistan is the 8th largest G&J consumer of the world that contributes 0.07% to the national GDP. Globally, Pakistan ranks at 79th in the world in jewelry exports. The analysis of export since 2006 reflects very uneven trends from \$ 47 M and now \$ 6.7 M, for the year 2019-2020, according to statistics provided by the Pakistan Bureau of Statistics. The minimum export potential is of G&J sector is US\$ 5 Billion annually. India does not have any gemstones or its own gold, its G&J net export is US \$ 29 billion and Import is \$ 26 billion whereas only cut & polish stones export of India is \$ 18.6 billion.

200 Tons of Gold consumed domestically of which 50% imported and 50% recycled. According to Pakistan Bureau of Statistics, Pakistan officially imported 275 kg of gold in the year 2019-2020. The import figures, for gold, are erroneous as Pakistan is counting gold bought through entrustment scheme as official import. Gold through entrustment scheme is bought for re-export purposes and must not be counted as import. Reality is that Pakistan has not allowed gold import for the last 7-8 years. India officially imported 600 tons of gold while Sri-Lanka imported 15 tons of gold in the year 2019-2020. Pakistan is endowed with significant mineral resources with an outcrop area of 600,000 Sq. Kms having 92 known minerals. This sector is comprised of 5,000 operational mines with more than 50,000 SMEs, average annual production of 68.52 million metric tons per year and direct employment of 300,000 workers.

In Pakistan, most of the gemstone mining is carried out with traditional mining techniques. Individual miners or group of miners dig and search for these precious stone using old tools and traditional drill and blast mining method. During mining, which is done manually or by small blasting, 40 to 75 percent of the value of the stones is lost. When stones mined by blasting are cut, there is good probability of damage and cracks from inside. Approx. 60% of gems mined go to waste due to inefficient cutting and polishing technologies. 75% gems are sold unpolished and in uncut form, which are later processed in Thailand or India. Traditional mining tools, lack of investment in infrastructure, non-efficient mining techniques, lack of skilled miners, outdated cutting/polishing facilities and technology, lack of modern marketing, and absence of trained personals are major hurdles for Pakistan to be a significant player in the international gemstone industry.

The Task Force has identified all known problems in Pakistan's Gems and Jewelry industry with the help of all stake holders. Task force has engaged the stake holders from government institutions, mining sector, academia, gemstone traders, lapidary industry, trade associations, and other sectors involved in gemstone and jewelry industry value chain. Task Force report presents the findings on issues and their solutions which have been identified.

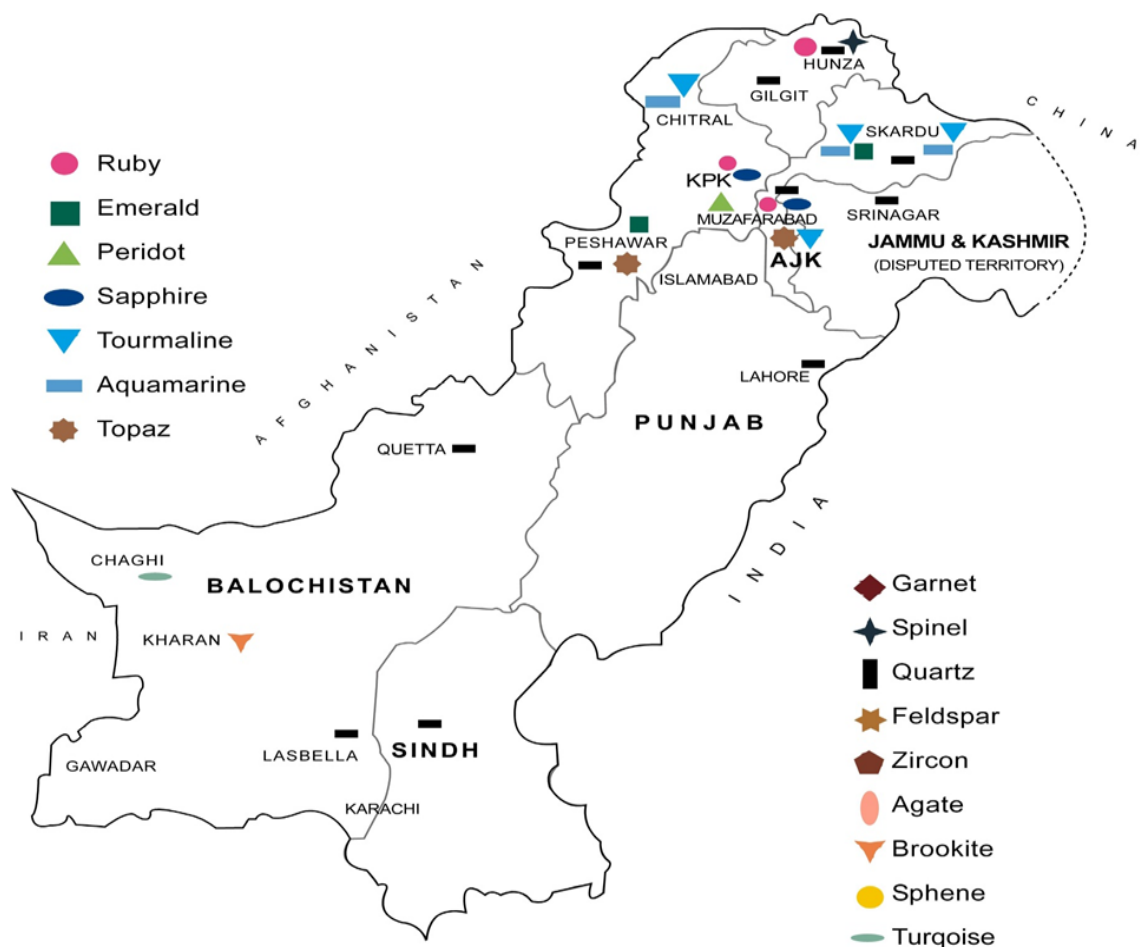
## MEETING OF PM TASK FORCE GEMS & JEWELRY 02-10-2020





### 3. GEMSTONE & JEWELRY POTENTIAL WORKING GROUP REPORT

#### 3.1 Gemstones and Ornamental Stones Potential of Pakistan



<u>Stone</u>	<u>Location</u>	<u>Province</u>
<b>Ruby</b>	Between Hunza and Ishkuman Valley	Gilgit-Baltistan
	Shantor and Neelum Valleys	Azad Kashmir
	Bata Kundi, Hazara and Dir	Khyber Pakhtunkhwa
<b>Aquamarine</b>	Gilgit, Skardu and Nagar	Gilgit-Baltistan
	Ghram Chashma	Khyber Pakhtunkhwa
<b>Tourmaline</b>	Stak Nala	Gilgit-Baltistan
	Garam Chashma, Chitral	Khyber Pakhtunkhwa
	Upper Neelum Valley	Azad Kashmir
<b>Topaz</b>	Gilgit and Skardu District	Gilgit-Baltistan
	Kallan, Mardan	Khyber Pakhtunkhwa

<b>Spinel</b>	Hunza Valley	Gilgit-Baltistan
<b>Pargasite</b>	Hunza Valley	Gilgit-Baltistan
<b>Moonstone</b>	Gilgit and Skardu	Gilgit-Baltistan
<b>Garnet</b>	Gilgit and Skardu	Gilgit-Baltistan
	Chitral, Swat and Malakand	Khyber Pakhtunkhwa
	Bajaur Agency	Merged Area (erstwhile)
	Kharan and Chaghi	Balochistan
<b>Quartz</b>	Hunza, Skardu and Gilgit	Gilgit-Baltistan
	Chitral	Khyber Pakhtunkhwa
	Nagarparker	Sindh
	Lasbela	Balochistan
<b>Epidote</b>	Gilgit and Skardu	Gilgit-Baltistan
<b>Emerald</b>	Mingora, Gujar Killi, Shamoza, Makkad and Charbagh	Khyber Pakhtunkhwa
	Mohmand and Bajaur Agency	Merged Area (erstwhile)
	Khaltaro Valley	Gilgit Baltistan
<b>Peridot</b>	Sput, Kohistan	Khyber Pakhtunkhwa
<b>Pink Beryl</b>	Dunga Nar Area	Azad Kashmir
<b>Turquoise</b>	Chaghi	Balochistan
<b>Lapis Lazuli</b>	Chitral and Afghan Border	Khyber Pakhtunkhwa
	Chaghi	Balochistan
<b>Zircon</b>	Chilas	Gilgit-Baltistan
<b>Feldspar</b>	Gilgit and Skardu	Gilgit-Baltistan
	Chitral	Khyber Pakhtunkhwa
<b>Agate</b>	Nagarparkar	Sindh
	Dir Kohistan	Khyber Pakhtunkhwa
<b>Kunzite</b>	Chitral (Garam Chashma)	Khyber Pakhtunkhwa
<b>Brookite</b>	Kharan	Balochistan

## 3.2 Introduction

### 3.2.1 Gems and Jewelry Industry

#### Global Scenario

Global Gems and Jewelry Industry Size

US\$ 255 Billion per Annum

Annual Growth Rate

5.2 Percent

Annual Consumption (Precious Metals)	4,065 metric tons
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#### Gems and Jewelry Profile of Pakistan

Total National Jewelry Market per Annum	US\$ 9 – 10 Billion
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Annual Consumption (Precious Metals)	170 tons
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Total Employment	0.53 million
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Total Enterprises	90,000 units
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Export (from 2006-07 to 2018-19)	USD 4.06 Billions
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### 3.3 Building Blocks for Pakistani Gems and Jewelry Industry

- Presence of highly skilled, low-cost labor.
- Combination of Traditional and Contemporary Designs of Jewelry
- Exploitation of Gemstone Resources through Scientific Mining and value addition.
- Government interventions to exploit Gems and Jewelry potential.

Pakistan has been blessed with vast deposits of precious and semi-precious gemstones located mostly in Gilgit–Baltistan, Khyber Pakhtunkhwa, Azad Jammu & Kashmir, Balochistan & newly merged area (erstwhile FATA). The inland trade volume of gem and Jewelry is to the tune of about US\$9 to 10 billion annually encompassing traditional as well as contemporary class. The volume of gems mining, Jewelry manufacturing & inland trade can be enhanced manifold through appropriate interventions .The export growth can also be enhanced from the present 3% of the Inland trade to 12.5% of the total trade in 3 years' time, coupled with creation of 80,000 new jobs. This can be achieved by creating enabling environment through facilitative regulatory framework, Fiscal & Policy rationalization supported by infrastructure development to ensure one stop shop arrangements. Adequate interventions will culminate into increased public /private investments; lure foreign direct investment leading towards maximizing local trade & exports.

Pakistan's western and northern areas are home to three mountain ranges; Hindukush, Himalaya, and Karakorum which are the major source of the minerals found in Pakistan. Pakistan, based on its potential in gem mineral wealth, can become a great hub of the gemstone industry.

Gemstone like other mineral deposits is product of complex geological processes. Gemstones mineralization in Khyber Pakhtunkhwa, Merged Area, Gilgit Baltistan and Azad Jammu and Kashmir occur in Indian plate, Eurasian plate and in the suture zones. Therefore, the northern Indus Suture, southern Suture Zone and adjacent areas, and major faults with high shear density in Karakoram, Kohistan and NW Himalayas are the main target areas for minerals and gemstones exploration

### **3.4 Gemstone Occurrences in Pakistan**

With respect to Geological Genetic Types of Deposits, Gemstones of Pakistan can broadly be classified into following main categories:

#### **3.4.1 The Pegmatite Associated Gemstones**

Gem Pegmatites are abundant in Chitral, Gilgit, Hunza, Skardu & AJK in the northern part of Pakistan. The entire northern area of Pakistan, comprising the high Hindu Kush, Himalayas and Karakorams, bears large extensive batholiths, which contain pegmatite fields along the granitic margins. This region is located in one of the most geologically dynamic environments in the world at the suture zone along which the Indo-Pakistan and Asian crustal plates have collided. Thousands of pegmatite occur in this mountainous region of Gilgit-Baltistan. Gems and most of the collector Mineral specimens are produced from these Pegmatite Bodies, of Gilgit-Baltistan. The region has been a very prolific producer of outstanding crystals of Aquamarine, Morganite, tourmaline, garnet and Goshenite. Topaz is also most available gem species from the pegmatites of Northern Areas. In AJK region pegmaties from various locations contain green tourmaline, pink beryl, and colorless topaz. There are at least two sets of pegmatites in the upper Neelum valley. A few of these contain green tourmaline, pink beryl, and colourless topaz. One of the pegmatites near the village of Phullawai contains bluish green tourmaline and gem garnet

The gem pegmatites of northern Pakistan, fortunately, show little or no deformation. This suggests that they formed after the main phases of Cretaceous-Tertiary tectonometamorphic activity.

#### **3.4.2 Suture Associated Gemstones**

(a) Gemstones from Contact Metamorphic Rocks (Marble);

World-famous, economically viable marble-hosted ruby deposits are located within the Himalayan mountain belt. The deposits from the Hunza Valley in Pakistan are located in the Baltit metamorphic formation from the Karakoram metamorphic complex. Marble-hosted ruby deposits in the Hunza valley (Pakistan), Mogok (Myanmar), and Yen Bai (Vietnam) share many structural and mineralogical features. Along with ruby, blue, purple to red Spinel are also found in these metamorphosed carbonate rocks. Similar rocks near Aliabad and Ganesh are producing emerald green Pargasite as well as bluish to purple corundum, some of which is color changing.

Ruby deposits from Nangimali in Azad Kashmir are located in the southeastern termination of the Nanga Parbat.

(b) Suture-Associated Gem Mineralization of Swat Emerald Deposits & Spat Peridot Deposits

Mingora Swat is the classic locality in case of emeralds. The most easiest mines of emerald are in the heart of Mingora city and village of Gujar Killi near Shangla Swat, these are soft rock mines and the factors responsible for emerald mineralization in Swat are the granitic rocks and talc carbonate rocks. Gujar Killi emerald is large in crystal size 3-4 or 4-8 gram pieces are found while good quality emerald from Mingora are smaller in size, its colour is bright green when it comes in small size, but when it comes in larger size its colour changes into dark green due to its over tone of green colour its value decreases in market, darkness of colour is due to mixture of trace elements & fractures. Emerald is the most prominent gem of the Indus Suture zone, it represents the collision zone between Kohistan Arc and Indo Pakistan plate, spread over 1500 km from west of Ladakh to Pakistan then goes to east of Afghanistan, well exposed region in Pakistan is between Besham and Mangora Swat, and also in the newly formed districts of Malakand, Mohammad and Bajaur. Emerald is the most precious gem of beryl group.

In 1994, new deposit of Peridot was discovered in Sapat Kohistan, and these stones were among the finest ever seen. The new mine is located 5000m above sea level in the Nanga Parbat region in the far west of Himalayan Mountains. Peridot is mineralized in the ultramafic part of the Spat Ultramafic Complex. It is mostly yellowish green, takes a good polish, and suitable specimens are faceted into brilliant stones of highest quality. Similarly

nephrite occurrences in the districts of Mohammand & Bajaur are quite significant with high economic value.

### **3.4.3 Gemstones Found In Hydrothermal Veins**

Hydrothermal veins are fractures in rock that have been filled with minerals (most commonly quartz and /or calcite) precipitated from groundwater or hot fluids of magmatic origin. Hydrothermal veins are transitional to cooler setting that those associated with pegmatite. Open pocket can also be filled with gem minerals and metals ores including gold, silver, and copper. Most of the world's copper comes from large copper porphyry deposits. These copper-rich deposits contain precious stone and minerals including azurite, chrysocolla, malachite, turquoise, and others.

The most prominent of Hydrothermal Gemstones, an unusual topaz of high brilliance and light to deep pink colour occurs along with milky quartz in calcite veins near Katlang, Mardan. The country rocks are little-deformed limestone of the sequence of the Lesser Himalaya, and the topaz has been considered hydrothermal in origin.

Other important gemstones from hydrothermal veins include Zircon from Chilas, Epidote and Azurite etc. Good quality gem grade Epidot crystals are found in hydrothermal veins near Hanochil (Gilgit) and Gludas (Skardu). The localities have reportedly produced some of the most fascinating mineral specimen.

### **3.4.4 Miscellaneous Gemstones Occurrences**

Various type of quartz from Waziristan includes faden quartz, diamond quartz, phantom quartz, quartz with chlorite, and window quartz. Quartz, xenotime, and bastnaesite are found in Khyber Agency. Other gems from newly merged area include clinozoisite, sphene, epidote and scapolite.

Various regions of Balochistan are famous for variety of Gemstones include: Kharan District for Brookite, anatase, and quartz, Chaman for Quartz, Taftan for Quartz and brookite, Chagai for Malachite, touquise, azurite, garnet, zircon, obsidian, lapis lazuli, and brookite, Panjgur for Auriferous quartz, Kalat for Brown garnet and fluorite, Qilla Abdullah for Aragonite, Loralai for amethyst variety of quartz and Lasbela district for hercumer and diamond quartz.

Additionally, we have very valuable occurrences of ornamental stones in various parts of the country including Nephrite & jadeite in Merged area, variety of onyx, different colors of calcite & Jasper & brookite in Balochistan, agate in Nagar Parkar, Sind, moonstone & feldspar Gilgit, kunzite & fluorite in Khyber Pakhtunkhwa. These stones have tremendous potential for local as well as exports, therefore, export of value-added products be incentivized.

### **3.5 Brief History of Gemstone Mining & Trade**

Initially the task of Industrial Mineral/Gemstone Development was assigned to PIDC and since its inception it has contributed towards the development of some of the gemstone deposits of the country. Subsequently, Pakistan Mineral Development Corporation (PMDC) was established to work for the development & promotion of mineral resources of the country. Meanwhile, some provincial organizations like SDA also carried out mining activities in gemstone mines.

Later on Gemstones Corporation of Pakistan was established in 1979 dedicatedly to explore and develop Pakistan's own share of wealth in gemstones and to facilitate gemstone mining and business in Pakistan. It had some valuable influences but ultimately was liquidated in 1996 and hence abandoned. Currently all mining activities are either conducted by the private sector through grant of mining leases issued by provincial governments or informally.

In 2004 Gems & Jewelry sector was picked up by the Government for strategic intervention through SMEDA with the support of USAID/J.E Austin under the auspices of MOI&P. A strategic working group was formed comprising of relevant stakeholders both from public & private sectors to develop a comprehensive strategy for the development of Gems & Jewelry sector of the country. The strategy was developed & approved by the Govt. of Pakistan. Pakistan Gems and Jewelry Development Company (PGJDC) was established in 2006 as a subsidiary of Pakistan Industrial Development Corporation (PIDC), working under the Ministry of Industries & Production, Government of Pakistan to implement the strategy.

### **3.6 Gemstone Prospecting & Mining:**

In gem exploration is done through mining, the miner explores a deposit while developing (with tunnels or a pit) the structure until he finds something to exploit. He must gently take apart the rock so not to damage the minerals any more than they might already be. The deposit may have outward signs that it may produce minerals or gemstones of value but after some exploration the miner may find nothing valuable but he has to have retention power & patience to continue with his efforts to tap the reserves. Like other mining ventures gem mining is very risky job therefore all required geotechnical studies must be carried out before going for mining activities.

### **3.7 Proposal for Strengthening Mining Clusters**

In order to upgrade and facilitate mining clusters in gem bearing areas of Pakistan and to ensure growth in GDP in these under developed regions. It is imperative to establish common facility centers to provide one window operation through which scientific usage of machinery can be made possible from the available machinery pool. The machinery will be accessible to the mining community on rental rates for a specific period of time. Moreover, the facility centers aim to create awareness among miners about expected wastage so that efficiency and enhanced value addition can be achieved of mined gemstones.

Through establishment of common facility centers and machinery pools, these centers will provide training of mining techniques/methods and machinery for the collective benefit of groups and clusters of miners promoting the mining business.

The objectives of these facility centers, as stated previously, will be to upgrade the skills of gemstones miners, introduce modern mining techniques, provide infrastructure to the miners to add value to their gemstone products, create awareness about scientific mining techniques and promote the mining businesses.

The major beneficiaries of this intervention shall be the small miners and local inhabitants holding mining rights. Moreover, this assistance shall result in better productivity from mines in terms of high quality yield, smart mining, less safety hazards, more mechanization, better understanding of market potential, marketability of products and understanding of international requirement



The geographical focus will be mainly in Gilgit-Baltistan, Khyber Pakhtunkhwa, Newly Merged Area, Azad Kashmir & Balochistan as these are the main regions for raw material supply.

### **3.8 Target Market**

The demand of Pakistani gemstones / mineral specimens continues to grow rapidly in the international market and there is a need to exploit the country's natural resources. Pakistani gems and jewelry sector has huge potential to become a global leader by adopting modern techniques and methodologies. Pakistan has gained a prominent position in the international market for supplying a wide variety of gemstones and mineral specimens. Pakistan is blessed with numerous gemstones deposits & can enhance value added exports of highly valuable gemstones to the target market.

### **3.9 Marketing**

The production of gemstones in rough / processed form and also minerals specimens extracted in the mining operation can be marketed through different means of conventional as well as online marketing. Websites, E-Commerce portals and social media platforms will be the ideal tools for marketing of gem-minerals. The prospective entrepreneur could also market their products in the local auction centers, where national / international buyers frequently visit on various events / calendar days during mining season, as practiced in the mining areas of Gilgit-Baltistan. The miners could also avail the opportunity of displaying their products in national / international gem exhibitions by own participation or through third party under some terms and conditions set by the parties.

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## MEETING OF PM TASK FORCE GEMS & JEWELRY

09-10-2020



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## PAKISTAN GEMS & JEWELRY EXPORT PROMOTION COUNCIL ACT, 2021

AN ACT TO ESTABLISH THE PAKISTAN GEM & JEWELRY EXPORT PROMOTION COUNCIL FOR THE DEVELOPMENT, REGULATION AND PROMOTION OF THE GEMS AND JEWELRY INDUSTRY EXPORT; TO PROVIDE FOR THE ESTABLISHMENT OF GEMS AND JEWELRY CITY/PARK/EXCHANGE, DEVELOPMENT OF ZONE TO ACCELERATE EXPORT DEVELOPMENT IN THE COUNTRY AND TO PROVIDE FOR MATTERS CONNECTED THEREWITH OR INCIDENTAL THERETO.

WHEREAS it is expedient to provide institutional and legislative support for the Gems and Jewelry Industry with internationally competitive and export oriented structures in order to attract foreign direct investment, develop collaboration, connecting academia, research and technology industry, to initiate innovation in production systems and products, to increase the standards and quality of Gems and Jewelry goods and services, to increase productivity and decrease the costs of production through high-tech interventions, intensive innovation and futuristic entrepreneurship, to enable job creation, to commercialise technological knowledge and for that purpose to establish a Council with the vision that the Gems & Jewelry Industry as a whole shall function as a key driving force for achieving rapid and sustainable growth in all national, economic and social fields and to provide for matters connected therewith or incidental thereto. NOW THEREFORE it is hereby enacted as follows:

1. **Short title, extent and commencement** (1) This Act shall be called the Pakistan Gems and Jewelry Export Promotion Council Act, 2021.

(2). It extends to the whole of Pakistan.

(3). It shall come into force at once.

2. **Definitions**- In this Act, unless there is anything repugnant in the subject or context otherwise requires:-

(a) **"Board"** means the Board of Governors constituted under section 6 of this Act.

(b) **"Council"** means the Pakistan Gems and Jewelry Export Promotion Council constituted under section 3 of this Act.

(c) **"Chairman"** means the Chairman of the Council appointed by the Prime Minister, pursuant to the provisions of this Act and includes the person when acting as the Chairman;

(d) **"Capital Equipment"** means plant, equipment, devices, instruments, accessories, machinery, hardware, materials, software (licensing, certifications etc.), tools and component parts required to perform functions of zone developers and zone enterprises;

- (f) **"Committee"** means any committee constituted under this Act.
- (g) **"Company"** means a company formed under the Companies Act 2017 or under the earlier Company Ordinance, 1984 etc.,
- (h) **"Division Concerned"** means the Division to which business of this Act stands allocated;
- (i). **"Development Plan"** means a comprehensive document outlining the details and design of development of land, property or real estate and other matters pertaining to the construction.
- (j) **"Development Agreement"** means a duly approved agreement between Council and a zone developer, agreed to and endorsed by the Approvals Committee, that authorizes zone developer to develop and establish a zone.
- (k) **"Export any gems/jewelry"** means the carrying or taking out of Pakistan or causing to be carried out or taken out of Pakistan any gem/jewelry, whether by sea or air, except gems worn on any person or carried or taken out of Pakistan by such person subject to the limits imposed by the Council;
- (l). **"Gems/Gemstone"** means agate, alexandrite, amber, apatite, aquamarine, brookite, chrysoberyl, danburite, diamond, diopside, emerald, epidote, feldspar, fluor spar, garnet, iolite, jade, jadeite, kunzite, lapis-lazuli, moonstone, morganite, nephrite, opal, pearl, pargasite, peridot, phenakite, pink beryl, quartz, ruby, sapphire, spinel, topaz, tourmaline, turquoise or zircon. The said expression also includes stones of gem quality of the quartz group and substances which may be declared by the Council by notification from time to time to be gemstone;
- (m) **"Gem industry"** means any trade or business of all or any of the following classes or descriptions:
- (a) mining for gems or gemming,
  - (b) importing gems into or exporting gems from Pakistan,
  - (c) selling, purchasing or supplying gems,
  - (d) valuing gems,
  - (e) cutting, polishing, engraving or carving gems,
  - (f) heat treatment of gems and any other method of enhancing the value of gems,
  - (g) examination and certification of gems and assaying of precious metal,
  - (h) lapidary training;
- (n) **"Import any gems/jewelry"** means the importing or bringing into Pakistan or causing to be imported or brought into Pakistan, any gems/jewelry whether by sea or by air of such jewelry except jewelry worn on any person or brought into Pakistan by such person subject to the limits imposed by the Council;

(o) **“Internet drop-off store”** means a person, corporation, or firm that contracts with other persons, corporations, or firms to offer its precious items for sale, purchase, consignment, or trade through means of an internet website and meets the conditions described in section 3(3).

(t) **“Jewelry”** means an ornamental item made of a material that may include a precious or semi-precious gem.

(p) **“Jewelry industry”** means any trade or business relating to the assaying of precious metals or the manufacture of ornaments from precious metals or precious stones, for personal adornment, or the export of such ornaments;

(q) **“Licence”** means a licence issued under this Law to enable sale/purchase of raw or finished gemstone or jewelry etc., in local/foreign currency by opening a shop, business out let etc;

(r) **“Management”** means the management team of the Council appointed under section 7;

(s) **“Master plan”** means an overarching planning document providing conceptual spatial, landscape and infrastructure layout, which is used to structure land and development.

(t). **“Member”** means a member of the Council and includes the Chairman, Director General, Secretary, Independent or Private registered member;

(u) **“Postal article”** means any letter, parcel, packet or newspaper or any other article whatsoever in the course of transmission by post / courier or intended to be transmitted by post / courier;

(v) **“Precious item”** means jewelry, gemstone or an item containing gold, silver, or platinum etc., but does not include the following:

(i) Coins, commemorative medals, and tokens struck by, or in behalf of, a government or private mint.

(ii) Bullion bars and discs of the type traded by banks and commodity exchanges.

(iii) Items at the time they are purchased directly from a dealer registered under this act, a manufacturer, or a wholesaler who purchased them directly from a manufacturer.

(iv) Industrial machinery or equipment.

(v) An item being returned to or exchanged at the dealer where the item was purchased and that is accompanied by a valid sales receipt.



(vi) An item which is received for alteration, redesign, or repair in a manner that does not substantially change its use and returned directly to the customer.

(vii) An item which does not have a jeweler's identifying mark or a serial mark and which the dealer purchases for less than \$5.00.

(viii) Scrap metal which contains incidental traces of gold, silver, or platinum that are recoverable as a by-product.

(ix) Jewelry which a customer trades for other jewelry having a greater value, and which difference in value is paid by the customer.

(w) "**Prescribed**" means prescribed by rules or regulations made under this Act;

(x) "**Registered**" means registered under this Act;

(y) "**Regulations**" means regulations made under this Act;

(z) "**Research and Development**" mean regular activities carried out with the purpose of obtaining new knowledge that shall enable the development of science and technology or creating new equipment, products and tools using the available information and resources, creating new 'systems, processes and services including software production or improving those that are available;

(aa) "**Rules**" means rules made under this Act;

(ab) "**Schedule**" means schedule made under this Act;

(ac) "**Technology sector**" means sectors identified, notified and approved by the Council for the purpose of this Ordinance;

(ae) "**Valuation, Certification, Attestation Body**" means the Gemstone etc., Valuation, Certification or Attestation Body as formed under this Act.

(af) "**Zone Developers**" means a public, private or a Public-private legal entity, group of companies or consortium notified by the Council as such;

(ag) "**Zone Enterprise**" means any public, private, or public-private legal entity investing, operating, functioning within the zone and notified as such by the Council;

3. **Constitution of the Council:-** (i) There shall be constituted in accordance with the provisions of this Act, a Council to be called the Pakistan Gems and Jewelry Export Promotion Council.

(2) The Council shall be a body corporate by the name of the Pakistan Gems and Jewelry Export Promotion Council having perpetual succession and a common seal, with power, to purchase, acquire, sell, hold and dispose of property, to enter into contracts and shall in the said name sue and be sued.

(3) The headquarters of the Council shall be at Islamabad and the Council may establish it such Regional or sub-office(s) elsewhere either within or outside of Pakistan as is/are required.

(4) The Council shall have power to constitute as many committees, sub-committees etc., nationally and internationally to achieve its goals, as it may deem fit.

4. **Powers of the Council.**—(1) Subject to the provisions of this Act, the Council may take such measures and exercise such powers as may be required for performance of its functions.

(2) Without prejudice to the generality of the powers conferred by subsection (1), the Council shall—

- (a) establish and develop Gems and Jewelry City/Park/Tower/Exchange within the country.
- (b) help, support, promote, coordinate and facilitate growth of the Gems and Jewelry Industry., by way of helping, supporting, promoting, coordinating and facilitating, conducive business environment for the enterprises operating in the industry which includes but not limited to the gemstone miners, processors (cutters/ polishers), jewelry manufacturers, dealers, traders (retailers / wholesalers / importers/ exporters), Internet drop-store, both among Small and Medium Enterprises (SMEs) and larger companies, Firms operating in the Industry and to facilitate them to pool / channelize their resources in a collaborative manner for the development and up-gradation of the Gems and Jewelry Sector, as a whole.
- (c) establish offices for evaluation, certification of origin, attestation, assaying and hallmarking etc., of Gems and Jewelry items/products etc., in view of internationally acceptable quality standards.
- (d) primarily be responsible for planning, policy formulation, execution, operation's, monitoring and evaluation of zones which may be assigned to it, approved by it or developed by it from time to time;
- (e) approve and notify zones with the approval of Board;
- (f) have the power to grant license to zone developers and zone enterprises for carrying out activities related to zones;

- (g) be responsible for development, implementation and functioning of zones;
- (h) make arrangements for provision of security, utility, roads, basic infrastructure, high speed internet and any other services required to ensure smooth development and functioning of zones;
- (i) allow any additional incentive over and above those provided in the Act, subsidies and rebates, for zone developers and zone - enterprises, with approval of the Federal Government; and
- (j) seek assistance from any officer, Ministry, Division, department or agency for the performance of its functions under this Act;

5. **Functions of the Council.**—(1) To perform its functions, the Council may—

- (a) from time to time, review national investment policies, laws and regulations that impact zones and propose any amendments, modifications and relaxations therein to the Federal Government;
- (b) initiate and consider zone investment proposals and categories for investment which may require specific treatments and interventions and recommend, where appropriate, additional incentives or relaxations of conditions or criteria to the Federal Government for approval;
- (c) be associated in the formulation of all policies that may have an impact on investment in technology sector in Pakistan, including inter-alia, economic, fiscal and trade policies;
- (d) coordinate with Ministries, departments, agencies and Provincial Governments with-regard to policies and their implementation having impact on investment in Gems and Jewelry sector;
- (e) develop or cause to be developed national special technology zone strategy, national emerging technologies strategy, and national information and communication technology strategy;
- (f) identify and promote Gems and Jewelry sector investment opportunities and their promotion in Pakistan and abroad; develop and approve mechanisms and arrangements for management and operations of zones including one-window facility for provision of all services and utilities, physical infrastructure, logistics infrastructure, human capital development and digital infrastructure for the zone;
- (g) identify, create and upgrade technological and scientific clusters and industrial support systems within zones including, but not limited to, inter-alia, research and development centres, skill development centres, training institutes, data centres, universities, hospitals, and other hard and soft infrastructure related to successful execution of zones;

- (h) attract investment into zones that include inter-alia foreign direct investments, venture capital funds, public sector investments, public private investments and private funds;
- (i) marketing and promotion of zones by developing a marketing, image building and public relations strategy to generate interest in the potential and opportunities of the Pakistani market and publicize its activities;
- (j) make recommendations to Federal and Provincial government to provide and procure lands for the zones;
- (k) identification and approval of locations for setting up zones;
- (l) procure and acquire land or any infrastructure for the zones;
- (m) appoint commissions, expert bodies and consultants to study various aspects of attracting investments in Gems and Jewelry related businesses and improving the investment climate, procedures and other related matters;
- (n) develop studies, feasibility reports, experiments, public-private partnership frameworks, financial vehicles, technical research and surveys related to zones;
- (o) develop or cause to be developed master plans for zones and approve them;
- (p) act as one window for investors dealing with other relevant government entities on behalf of these investors;
- (q) issue letters of recommendation or invitation letters, which shall be deemed sufficient for the purpose of issuance of business and work permits or visas by relevant Authority;
- (s) collect, compile, analyse, maintain and distribute zones related information, from time to time publish analytical reports, trends and insights;
- (t) promote a congenial environment for investment into zones;
- (u) negotiate and finalize all such acts, deeds, initiatives, agreements for protection and promotion of Gems and Jewelry related investments with other countries and represent Pakistan on regional and international level, that may be necessary or expedient for the purpose of successful planning, development, execution, implementation, management and maintenance of zones;
- (v) liaise with private sector trade bodies and associations for their active participation in promotion of Gems and Jewelry related investment;
- (w) approval, issuance and cancellation of licences of zone enterprises and zone developers,

- (x) allocation of land, space, lots within zones developed by the Council itself;
- (y) from time to time, determine and review the fees and charges for services provided by the Council; and
- (z) perform any other function assigned to it by the Federal Government.

(2) The Federal Government may, from time to time, assign more functions and issue guidelines to the Council.

6. **Board.**—(1) There shall be a Board of Governors of the Council comprising the following members, namely:—

- (a) the Prime Minister of the Islamic Republic of Pakistan shall be its President;

Provided that if the President is temporarily unable to discharge the duties of his office on account of ill-health, absence from Pakistan or any other cause, the Chairman will act as President on his behalf.

- (b) Chairman of the Council; and
- (d) not less than ten and not more than twenty-five ex-officio, Independent and private members, provided that not less than five Independent members shall be appointed from private sector from amongst persons of renowned integrity, expertise, experience and knowledge.

**Explanation:** Except other than the ex-officio & Independent members, the selections of the private members shall be made from amongst of the registered members with the Council through adult franchise process for a term of three years, as may be prescribed.

(2). An ex-officio member shall hold office as member till such time he holds the office by virtue of which he is a member and upon his transfer, retirement, resignation or removal etc., from office, the person appointed in such person's place shall be the member, thereof.

(3) Secretary of the Board shall be appointed with the approval of The President or in case of his absence due to any reason, by the chairman.

(4) The Board shall meet at least twice in a year. The Secretary of the Board may take approval of any decision through circulation among members of the Board. The Chairman of the Council may call a special meeting with the approval of the President of the Board.

(5) The quorum for a meeting of the Board shall be one-third of the total membership of the Board, and decisions of the Board shall be made with majority of total present members of the Board.

- (6) The Board shall approve rules, strategic plans and policies of the Council.

(7) No act or decision of the Board shall be invalidated by reason only of the existence of a vacancy among its members or any defect on the appointment of any member.

**7 Annual general meeting of the Council.**- (1) An annual general meeting of the Council shall be held at the headquarters of the Council or at its regional offices by rotation at such time as may be appointed by the Governing Body.

(2) The following business may be transacted at the annual general meeting namely:-

(a) presentation of annual report;

(b) presentation of audited accounts;

(c) presentation of annual budget;

(d) appointment of auditors; and

e) such other business as may be placed before the meeting by the Governing Body or as the meeting may decide.

**8 Extraordinary general meeting of the Council.**- (1) An extraordinary general meeting of the Council shall be called by the Chairman at the headquarters of the Council —

(a) within fourteen days of the receipt by him of a requisition signed by not less than one hundred members and stating the business proposed to be transacted at the meeting; or

(b) at any time, if the holding of such meeting for the consideration of any urgent matter is in his opinion necessary.

(2) At a meeting called in pursuance of clause (a) of sub section (1), no business other than the business stated in the requisition referred to in that clause shall be transacted.

**9 General provisions relating to meetings of the Council.**- (1) An annual or extraordinary general meeting of the Council shall be held and conducted as prescribed thereof.

(2) To constitute a quorum at an annual or extraordinary general meeting of the Council, the presence of such members as prescribed thereof.

(3) All decisions of the Council at an annual or extraordinary general meeting shall be taken by majority of the members present and voting.

**10. Council to approve import/export of gems and jewelry etc.,**

No person shall import/export any gems, jewelry, precious metal in any form etc., from Pakistan except with the approval of the Council.

11. **Management.**—(1) The management of the Council shall consist of Chairman, Director General and any other officer of the Council as approved by the Chairman,

(2) The first Chairman shall be appointed by the Prime Minister of Pakistan for a period of three years and shall be eligible for re-appointment for one more similar term.

(3) The Chairman shall be preferably from the private sector and shall be eligible for such remunerations as determined by the Prime Minister.

(4) The qualifications, experience and terms and conditions for appointment of the Chairman, Director General, management team and members of the Council shall be prescribed by rules.

(5) The Chairman may resign from his office by writing under his hand addressed to the Prime Minister. The Prime Minister may after providing the opportunity of being heard remove the Chairman from office if, on an inquiry conducted by a person or persons designated with the approval of the Prime Minister, he is found inefficient or unable to perform the functions of his office due to mental or physical disability, or to have committed misconduct.

(6) The management of the Council shall formulate and, from time to time, vary the organogram, job descriptions, human resource policies and terms and conditions of employment of all its employees in addition to doing the following acts such as;

- (i) to create or abolish posts and oversee the performance of its employees;
- (ii) to take disciplinary action against employees in the prescribed manner;
- (iii). to establish all kinds of committees for assistance and advice in relation to the performance of its functions and determine the membership and terms of reference of a committee;

12. **Maintenance of Membership Register**, etc.- (1) The Council shall maintain in the prescribed manner a Register in which shall be entered the names and other particulars of individual(s), person(s), operator(s), trader(s), association or professional etc., engaged in dealing, trading or carrying business etc., in Gems and Jewelry Sector, whose application for registration as such registered member, from time to time, granted by the Council.

(2) Every application for registration under this Act shall be made to the Council in the prescribed form and be accompanied by the prescribed fee.

(3) Every registered individual(s), person(s), operator(s), trader(s), association or professional etc., under this Act shall be entitled to receive a certificate of registration under the hand of the Chairman.

(4) A certificate of registration issued under sub section (3), shall, subject to the provisions of this Act, remain in force until the thirty first day of December of the year in which it is issued and shall thereafter be renewable for any number of years not exceeding three at a time upon payment of the prescribed fee.

(5) Notwithstanding anything to the contrary in any other law for the time being enforced, the Council shall be the sole authority responsible for the issue of membership to carry on the gem, jewelry industry etc., whether such industry etc., is, or is proposed to be, carried on in or over any Province(s), ICT, AJK, and GB.

**13. Registration and removal of names from Register.-** (1) Every application for registration and every case of removal of a name from the Register shall be considered by an enrolment committee consisting of the such members as may be prescribed.

(2) The enrolment committee in its discretion may refuse to permit the registration of any person or direct the removal altogether or for a specified period from the Register of the name of any registered individual(s), person(s), operator(s), trader(s), association or professional etc., engaged in dealing, trading or carrying business etc., in Gems and Jewelry Sector, who has been convicted of any such offence as implies in the opinion of the committee a defect of character after providing such person an opportunity of being heard, and shall record reasons for action under this section.

(3) The enrolment committee may direct that any name removed from the Register under sub section (2) shall be restored.

**14. Budget, finance and audit.—**(1) The Council, in respect of each financial year shall prepare its own budget in accordance with prescribed procedures and shall maintain complete and accurate books of account of its annual expenses and receipts.

(2) In respect of each financial year, the Council shall submit for approval of the Federal Government, by such date and in such form as may be specified, a statement showing the estimated receipts and expenditure and the sums which are likely to be required from the Federal Government during the next financial year.

(3) The budget prepared by the Council shall be reviewed by the budget committee consisting of three members and officers to be nominated by the Council from amongst the staffs, members and any senior office bearers within the Council. The budget committee shall ensure that Council complies with all requirements of this Act, the rules and the regulations pertaining to such budget.

(4) The Council may charge a fee for its services rendered to zone developers and zone enterprises as may be prescribed.



(5) The accounts of the Council shall be audited annually by an auditor appointed by the Council who is a chartered accountant within the meaning of the Chartered Accountants Ordinance, 1961 (X of 1961). Copies of the Auditor's report on the accounts shall be provided to the Council and the Federal Government.

(6) The Chairman of the Council shall be its principal accounting officer.

15. **Grants.**— (1) The Federal Government may, from time to time, place annual grants at the disposal of the Council for the smooth discharge of its affairs.

(2) The Council may apply for international grants for the purpose of achieving objectives of this Act.

16. **Funds.**—(1) There shall be constituted a fund to be called the Pakistan Gems and Jewelry Export Promotion Council Fund, which shall vest in the Council and shall be utilized by the Council to meet all expenses and charges properly incurred in connection with carrying out the purposes of this Act. The fund shall be credited all sums received by the Council. The Fund shall consist of—

- (a) funds provided by the Federal Government for payment of salaries, establishing infrastructure and running day-to-day business of the Council;
- (b) grants made or funds allocated by the Federal Government;
- (c) foreign aid, loans or investments obtained or raised by the Council;
- (d) all other sums including but not limited to fees, commission, charges and revenue as accrued or receivable by the Council;
- (e) proceeds of any investments made by the Council in utilising any amount of fund which is not required for immediate use;
- (f) funds raised through Public-Private Partnerships by the Council; and
- (g) funds from bonds, sukuk and other forms of finances and investments on the basis of participation term certificates, musharika certificates, term finance certificates or any other financial or debt instruments or securities issued by the Council.

(2) Without prejudice to any other law for the time being in force, the Council may invest, as per needs and requisites, in other specialised funds and financial vehicles with public, private or international entities to achieve objectives defined under this Act.

17. **Bank accounts.**—(1) The Council may subject to the provision of any other law for the time being in force open and maintain one or multiple bank accounts in local and foreign currency in any scheduled bank in the Pakistan as may be prescribed by rules.

(2) Bank accounts of the Council shall be opened with the prior approval of principal accounting officer.

18. **Approvals committee.**—(1) There shall be a committee, hereinafter called approvals committee, headed by the Chairman and four other officers of the Council nominated by the Chairman for this purpose.

(2) The Chairman may call any person as an expert to assist the approvals committee and such person shall not be eligible to cast vote.

(3) The meeting of the approvals committee shall be convened on the orders of the Chairman.

(4) The approvals committee shall meet as frequently as required but not less than once every quarter.

(5) Fifty percent or more of the members shall constitute quorum of the approvals committee.

(6) Where the Chairman is not present, Director General or an officer of the Council nominated by the Chairman shall chair the approvals committee.

(7) The decisions of the approvals committee shall be taken by majority of the total membership present and voting. In case of the equal voting, the Chairman of the committee shall have the discretion to take decision.

(8) The Chairman shall appoint an officer from the Council to be the secretary of the said committee.

(9) The Chairman shall be competent to remove or substitute any member of the committee if desired.

19. **Functions and responsibilities of the approvals committee.**— The functions and responsibilities of the approvals committee shall be—

- (a) to approve such procedures, mechanism and regulations for implementation of this Act as are applicable to all zones or a particular zone;
- (b) to review and recommend amendments in national Gems and Jewelry strategy, national emerging technologies strategy and other technology and other related initiatives;
- (c) to approve or amend development plan and master plan for each zone;
- (d) to approve all strategic initiatives of the Council including, but not limited to, inter-alia, establishing new zones, entering into agreement with other entities, joint ventures, public private partnerships etc.
- (e) to notify with approval of relevant authorities' additional incentives for zone developers and zone enterprises;
- (f) to review and direct actions on annual and bi-annual reports submitted by the Council;

- (g) to annually review the implementation of this Act with a view to improving policies relating to zones;
- (h) to take any other steps it deems appropriate in order to advance the objectives of this Act;
- (i) to approve any existing or new zone proposed by any investor, whether public or private;
- (j) recommend applicable incentives for zone developers and zones , enterprises;
- (k) approve or cancel licences issued by the Council for any zone enterprises and zones developers; and
- (l) consider and approve zone developers and zone enterprises applications and agreements.

20. **Criteria for approval of zones.**—(1) The Council shall develop criteria for approval of zones under its rules and regulations.

21. **Licensing of zone enterprises and zone developers.**—(1) The Council shall develop the criteria and procedures for licensing of the zone enterprises and zone developers.

22. **Sanctions against zone enterprises and zone developers.**—A mechanism may be developed by the Council for sanctions against zone enterprises and zone developers for violations as per rules and regulations of the Council.

23. **Land regime.**—(1) The Council may acquire land itself or request to the Federal or Provincial Governments to acquire land on its behalf, subject to prevailing laws.

(2) The Federal Government may transfer any land, property, asset, infrastructure, facility to the Council, subject to prevailing laws.

24. **Public utilities and other facilities.**—(1) The Council shall provide infrastructure facilities such as electricity, water, gas, roads, telecommunication services and other essential facilities necessary for efficient operations in a zone:

Provided that the cost of providing such facilities shall be borne by the zone developers and zone enterprises.

(2) The zone developer shall have the right to set up a renewable, geo-thermal, hydel or other captive electric power generation plant or install power generator of sufficient size to cater the expected demand for electricity within a particular zone as per rules and regulations of the Council and to sell only the excess electricity generated outside that particular zone as per prevailing laws.

25. **Incentives for zones.**—(1) On execution of relevant agreement with the Council, the zone developers as well as zone enterprises in a zone shall be entitled to incentives outlined in sections 21 and 22.

(2) With the objective of promoting a particular sector, industry or Zone, the Council may grant additional benefits to zone enterprises and zone developers, provided that—

- (a) such additional benefits may only be granted if the Council finds these to be justified on the basis of an economic impact assessment.
- (b) such additional benefits, if granted conditionally, may be liable to be forfeited with retroactive effect if it is finally determined that a zone developer or zone enterprise has failed to comply with the conditions prescribed for the additional benefits in question; and
- (c) the Council shall make economic impact assessment of the zone within five years from the date of the agreement is signed and within the first year of operations of an enterprise.

(3) Any additional benefits granted by Council—

- (a) shall be deemed to be included in the relevant development agreements; and
- (b) shall become effective on such conditions as the Council may stipulate.

(4) Nothing in this Act shall be construed to limit the authority of any Federal, Provincial and Local Government authority to grant such additional benefits to zone developers and zone enterprises as are within the scope of their respective statutory powers.

(5) The State Bank of Pakistan may issue special foreign exchange regulations for special Gems and Jewelry zones.

**26. Protection of incentives.**—(1) Incentives under this Act shall be additional to all incentives, benefits and protections, which May be applicable to zone developers and zone enterprises under generally applicable legislation and international agreements of Pakistan.

(2) These incentives shall not be withdrawn prematurely and retrospectively and any change therein shall be to the advantage of the zone developer and zone enterprise.

**27. Incentives for zone developers.**—The following shall be incentives for zone developers namely:—

- (a) exemption from all taxes on income accruable in relation to the development and operations of the zones for a period of ten years, starting from the date of signing of the development agreement;
- (b) exemption from all custom duties and taxes for a period of ten years from the date of signing of the development agreement on capital goods including but not limited to materials, plant, machinery, hardware,

equipment and software imported into Pakistan for consumption within zones by the Council and zone developers; and

- (c) exemption from general sales tax (GST) on goods and services on import of plant, machinery, equipment and raw-materials for consumption of these items within zones by the Council and zone developers.

28. **Incentives for zone enterprises.**—The following shall be incentives for zone enterprises, namely:—

- (a) exemption from all income taxes (withholding tax, presumptive tax) for a period of ten years from the date of issuance of license by the Council;
- (b) exemption from all custom duties and taxes for a period of ten years from the date of issuance of license by the Council on capital goods including but not limited to materials, plant, machinery, hardware, equipment and software imported into Pakistan for consumption within zones by the Council and zone enterprises;
- (c) exemption from property tax for ten years from the date of issuance of license by the Council;
- (d) exemption from G.S.T on goods and services on import of plant, machinery, equipment and raw-materials for consumption of these items within zones by the Council as well as zone enterprises; and
- (e) tax exemption on dividend-income and long-term capital gains from investments in a venture capital (VC) undertaking for a period of ten years from the date of issuance of license by the Council.

29. **Alternate dispute resolution mechanism.**—(1) The Council shall establish alternate dispute resolution mechanism for settlement of any disputes between zone enterprises and zone developers, for the purpose of this Act.

30. **Powers to make rules.** —(1) The Council may, with approval of the Federal Government, make rules as deemed necessary for implementation and to carry out purposes of this Act.

(2) Until the rules referred to in sub-section (1) are made, the President of the Board shall be competent to determine, the terms and conditions for appointment of the Chairman, Director General, officers and employees of the Council.

31. **Powers to make regulations.**—(1) The Council may, with the approval of the Board, make regulations as deemed necessary for implementation and to carry out purposes of this Act.

32. **Annual report.**—(1) The Council shall prepare and submit to the Federal Government, within four months of the expiry of each financial year, a report on the conduct of its functions and affairs for that year.

- (2) Each such annual report shall include—

- (a) an audited statement of income and expenditure;
- (b) an audited balance sheet;
- (c) a short financial statement of preceding financial year;
- (d) activities of the Council during previous financial year;
- (e) an outline of the investment programs for the year ahead; and
- (f) any other matter which the Federal Government may direct or the Council may consider appropriate to make its report more self-speaking about its initiatives and achievements.

33. **Delegation of powers.** —(1) The Board may delegate any of its powers and assign its functions subject to such conditions as it may deem fit to impose, to the Chairman or a committee.

34. **Recruitment:** — (1) The Council may, from time to time, determine the need to employ and appoint such officers, members of its staff, advisers, consultants, and other employees, as it considers necessary for efficient performance of its functions on such terms and conditions as may be prescribed by regulations, provided that all appointments shall be made in accordance with the prescribed educational, technical or professional qualifications and experience.

35. **Employee of the Council to be public servants.**—(1) For the purposes of this Act, the officers and members of the staff, advisers, consultants and experts of the Council shall be deemed to be public servants within the meaning of section 21 of the Pakistan Penal Code, 1860 (Act XLV of 1860).

36. **Assistance from agencies.**—(1) The Council may seek any information from all sources including any Ministry, Division, department, statutory body, corporation, agency of the Federal Government which, in its opinion, concerns any matter relating to the Council and the requisite information shall be provided to the Council within time frame stipulated by it.

37. **Indemnity.**—No suit, prosecution or other legal proceedings shall lie against the Council, the Chairman, members of the Council, the employees and consultants of the Council for anything done in good faith or intended to be done under this Act or any rule or regulation made there under.

38. **Act to override other laws.**—The provisions of this Act shall have effect notwithstanding anything to the contrary contained in any other law for the time being in force and any such law shall, to the extent of any inconsistency, cease to have any effect on the commencement of this Act.

39. **Removal of difficulties.**—If any difficulty arises in giving effect to any of the provisions of the Act, the Federal Government may, within one year of the commencement of this Act, make such order, not inconsistent with the provisions of this Act, as may appear to it to be necessary or expedient for the purpose of removing such difficulty.

**40. Penalties and procedure.-** (1) After such date as the Federal Government may, after consultation with the Council, by notification in the official Gazette, appoint in this behalf, whoever undertakes any professional activity related to Gems and Jewelry Sector, if his name is not for the time being borne on the Register, be punishable with imprisonment for a term which may extend to six months, or with fine which may extend to ten thousand rupees, or with both, and, in the case of a continuing offence, with a further fine which may extend to two hundred rupees for every day after the first during which the offence continues.

(2) After the date appointed as aforesaid, whoever employs for any professional activity related to Gems and Jewelry Sector, any person whose name is not for the time being borne on the Register shall be punishable, on first conviction, with imprisonment for a term which may extend to six months, or with fine which may extend to five thousand rupees, or with both, and on a second or subsequent conviction, with imprisonment for a term which may extend to one year, or with fine which may extend to ten thousand rupees, or with both.

(3) Whoever willfully procures or attempts to procure himself or itself to be registered under this Act as a registered member by making or producing or causing to be made or produced any false or fraudulent representation or declaration, either orally or in writing, and any person who assists him therein shall be punishable with imprisonment for a term which may extend to three months, or with fine which may extend to five hundred rupees, or with both.

(4) Whoever falsely pretends to be registered under this Act, or not being registered under this Act, uses with his name of title any words or letters representing that he is so registered, irrespective of whether any person is actually deceived by such pretence or representation or not, shall be punishable with imprisonment for a term which may extend to three months, or with fine which may extend to five hundred rupees, or with both.

(5) No person undertaking any professional activity related to Gems and Jewelry Sector shall, unless he is registered under this Act, be entitled to recover before any court or other authority any sum of money for services rendered in such work.

(6) No person shall, unless registered hold any post in an Gems and Jewelry Association, Organization etc., where he has to perform professional work etc.,

(7) No court shall take cognizance of any offence punishable under this Act save on complaint made by, or under the authority of, the Council.

(8) No court inferior to that of a Magistrate of the first class shall try any offence punishable under this Act.

#### **41. Transfer and savings**

On the commencement of this Act,-

- (a) all assets, rights, powers, authorities and privileges and all property, movable and immovable, bank balances, bank accounts, reserve funds, investments and all other interests and rights in or arising out of such property and all liabilities and obligations of whatever kind of the Pakistan Gems and Jewelry Development Company (hereinafter called as PG&JDC), established before commencement of this Act, shall stand transferred to and vested in the Council;
- (b) all contracts and agreements entered into, all rights acquired and all matters and things agreed to be done by the PG&JDC and obligations incurred shall be deemed to have been entered into acquired or agreed to be done by the Council;
- (c) all contracts, projects, schemes, works, whether in progress or not and all guarantees undertaken, obligations, liabilities executed or subsisting in the name of the PG&JDC shall be deemed to be contracts, projects, schemes, work, guarantees, undertakings, rights, obligations. liabilities of the Council;
- (d) all land owned, purchased, acquired or procured and developed by the PG&JDC shall be deemed to be the property of the Council;
- (e) all leases executed in the name of the PG&JDC before commencement of this Act shall be deemed to be leases executed in the name of the Council;
- (f) all suits, appeals, petitions or legal proceedings by or against the PG&JDC shall be deemed to be suits, appeals, petitions or legal proceedings by or against the Council;
- (g) all pending disputes or matters, if any, before the PG&JDC shall stand transferred to the Council and shall be decided by the Council and any aggrieved party shall have the right to appeal before the Board etc., as provided here under
- (i) all by-laws, rules, policies and regulations in force immediately before commencement of this Act shall continue to remain in force until altered amended or repealed;
- (j) Notwithstanding anything mentioned herein before, all and every rights and obligations of the PG&JDC shall stand transferred to the Council and the PG&JDC shall be wound up in accordance with law; and
- (k) Notwithstanding the provisions of this Act, everything done, action . taken, appointments made either through initial recruitment, induction, absorption, promotion, regularization or on contract basis,



deputations made, obligation, liability or penalty incurred, powers conferred or exercised, prior to the commencement of this Act, shall continue and be deemed to have been respectively done, taken, incurred, conferred and exercised under this Act.

(2) Nothing in this Act shall be deemed to-

- (a) affect the right of any person who was, immediately before the date specified in a notification issued under sub-section (1) of section 27, *ibid*, entitled to execute, undertakes any professional activity related to Gems and Jewelry Sector, subject to his registration in due course of time as prescribed thereof.
- (b) affect the right of any person to execute or undertake any professional activity related to Gems and Jewelry Sector for which he has been trained in an institution specified by the Council, by notification in the official Gazette, for the purposes of this clause;
- (c) affect the right of any person who was, immediately before the date specified in a notification issued under sub-section (1) of section 27, entitled to execute or undertake any professional activity related to Gems and Jewelry Sector or allowed to continue such work, or
- (d) restrict the normal practice of his art or trade by an artisan or skilled workman; or
- (e) affect the rights of the members of the Governing Body constituted for the term specified till the last day of holding such office, accordingly.

## MEETING OF PM TASK FORCE GEMS & JEWELRY 16-10-2020



## 5. GEMS AND JEWELRY CITY WORKING GROUP REPORT

According to Prime Minister's vision, a vertical Gems and Jewelry City will be established in Islamabad. The present situation of Pakistan's gem and jewelry sector is in need of a Gem and Jewelry city. To give Pakistan G&J sector a right direction, a Gem and Jewelry City is the need of the hour. Functioning the Gem and Jewelry City properly would not only enhance exports but would also make Pakistan's name appear on the world Gems and Jewelry map. Gem and Jewelry City would be a one- window operation where all facilities such as training, manufacturing, display, marketing, technological and export will be under one roof. The Gem and Jewelry City would not only be a one stop facility but would be a place where exporters and other interested people would get all the relevant information relating to the world gemstone sector. Buyers as well as sellers would be able to interact with each other. People will not be reluctant to buy stones as all gemstones would be certified by the gem-testing laboratory to be set-up in the same vicinity.



Being a hub for the gemstones entrepreneurs willing to start their own units will be able to easily get space on rental basis along with ample availability of skilled people coming out of the training school or the commercial unit. Display centers as well as manufacturing units for exporters to come give orders for cutting and polishing will not only promote the SME sector but would also enhance exports of the value added segment of gemstone. Besides all functions, the Gem and Jewelry City would be a great attraction for tourists and foreign agencies. India is in process of establishing Gem & Jewelry Park on 200 Kanals of land with investment of USD 2.0 Billion. It is recommended to Build Pakistan's largest Gems and Jewelry City in Islamabad on 200 Kanals with a capacity to having more than "1500" jewelry units of various sizes ranging from "100" - "5000" square feet.

### **5.1 Funding For Gems and Jewelry City**

The proposed Gem and Jewelry City will be run by public private partnership. Land will be provided by CDA and sold to interested parties by open auction. Pakistan having lack of the technological know-how will require in the earlier phase to bring in teachers, machinery from abroad. In the later phases more and more local teachers will be trained and spare parts and even new machinery could be produced by reverse engineering as the demand of gemstone processing will grow. For the working capital of this project, following options could be taken into consideration:

1. Private investors
2. Foreign Direct Investment (FDI)
4. Donor agencies

The cost of the land and the construction of the building, import of machinery and other funds for the running of different operations could be done by the combination of Private investors and Foreign Direct Investment (FDI).

### **5.2 Target Audience**

The target audience for the Gems and Jewelry City will be:

- Gem professionals
- Gem manufacturers
- Jewellers
- Pakistan Gem and Jewelry Export Promotion Council

- Government officials
- Laborers

The Gem and Jewelry City would benefit the gem lovers, gem professionals and jewelers in a way that people who cannot afford to go abroad would be able to avail the state-of-art facility in Pakistan. Our customs and other government offices have no background in gemstones appraisal due to which they cannot judge the value to the gemstones being exported. Formal training could be provided to them so that under invoicing does not take place.

### **5.3 Location**

The location for the first Gems and Jewelry City is proposed to be in Islamabad. The following advantages make it most suitable:

Islamabad is an established market for both gems and jewelry and therefore has lots of traders and miners coming in for the supply of gemstones. Having ample of semi-skilled people knowing the art of cutting and polishing also gives Islamabad an edge over other cities. Other than the labors there are people who are graduates from the Gemological Institute of America. Being near the capital airport it will be easy to import/export the machinery, gems and jewelry. There is advantage of law and order and security for foreign tourists and traders in Islamabad.

It is recommended that land for the Gem & Jewelry City should be located at Kashmir Highway or Islamabad Expressway. Plus minus 200 Kanals of land should be allocated by CDA and sold to interested industry players by open auction. According to Prime Minister's vision, a vertical Gems and Jewelry city will be established there.

### **5.4 Facilities and Features of Gems and Jewelry City**

Gems and Jewelry City as mentioned earlier would be a one-roof stop over, thus the working of this revolutionary idea will be as follows:

- Smart City
- Sustainable City
- Echo Friendly
- Green Technologies

- Zero Carbon Emissions
- Circular Economy
- One Window Facilities
- Manufacturing Unit for Gem Industry Machinery
- Tourist Facilities
- Immigration Center
- Gold Refinery
- Administrative offices; Customs, FBR, MOC, etc.
- Taxes/Duty Free
- Training Center
- Display Center/Exhibition Hall
- Gem Cutting and Polishing Institute
- Gem Testing and Certification Lab
- Manufacturing Center
- Marketing Center
- Business Development Center
- Synthetic Gems Lab
- Artificial Diamonds Lab
- Technology and R&D Center
- Assay Center
- Hallmarking of Precious metals

#### **5.4.1 Gems Cutting and Polishing Institute**

Gems cutting and polishing institute will be the center where different courses regarding cutting and polishing will be catered to all level. The diploma course would be for people who want to learn the different sort of cuts, faceting, cabochon and polishing. Certificate courses would be for beginners to learn in general the basis of cutting and polishing along with learning with practical lab classes and videos. Short courses would cater for those who have gone through with the certificate or the diploma course. There will also be other technical and marketing short courses, which would teach the technicalities of the

different machines and slight on the different markets and how gemstone marketing is done.

#### **5.4.2 Gem Testing Laboratory**

The gem-testing laboratory will be a breakthrough in Pakistan's history. A gem-testing laboratory has become a very essential part of the gemstone trade. Gemstone trading is not simple as it was. Earlier, the trade functioned purely on personal experiences and trust. Increased awareness about the types of gemstones available in the market, the advent of numerous entrepreneurs and the technological advances in the field of synthetics and gem enhancement has completely changed the trader's attitudes to business. Today, even an experienced jeweler has to be more careful while buying and selling stones. A gem testing laboratory in the Gems and Jewelry City will not only set a standard for comparison of quality and price but would also insure people for the money they are paying for gemstones. A certified gem from the laboratory would not only have a resale value but would also stop people from being cheated.

The people coming out from the institutions would have three career prospects:

1. The students would either set-up their own units or
2. Get hired by the commercial workshops and laboratory or
3. Get absorbed in the industry

#### **5.4.3 Manufacturing Centre**

The manufacturing center of the Gems and Jewelry City would constitute of a commercial workshop owned by the Gems and Jewelry City itself. Cutting and polishing will be done on a regular basis for export purposes and for specific orders from other exporters. A lapidary of 10 people would be established in the beginning. A commercial gem-testing lab would also be a part of the manufacturing center where by charging on a per caratage basis gems would be tested and certified. Other than these workshops, there will also be rental space for people who wish to start their own small set-up for cutting and polishing.

#### **5.4.4 Display Centre**

The display center will constitute of shops given to individuals on rental basis for the display of gems, jewelry and machine manufacturers involved in the gemstone business.

There will also be an exhibition cum auction hall where regular exhibitions on small as well as large scale would be held.

#### **5.4.5 Marketing Center**

Marketing is one of the most important departments of the Gems and Jewelry City. Gemstone is such a field where extensive marketing is necessary. The marketing department of the Gems and Jewelry City would not only handle clients, and conduct proper research of the global scenario and trends but would also be responsible for extensive advertisement of the Gems and Jewelry City itself. Being a new venture in Pakistan unless and until proper marketing via Internet and other media is not done people around the world would not be able to become aware of it. It is due to the marketing department that Pakistan and its potential and credibility in the gemstone field would be recognized and acknowledged.

#### **5.4.6 Machines Manufacturing Center**

The Gems and Jewelry City being a state of art set-up will need a mixture of manual and semi-automatic machines. This mixture is important for the up-gradation of the skill level of the labour. Manual machines will be required in the institution during the learning phase. The commercial workshop should have both, the manual as well as semi-automatic machinery. In the later stage once this industry gets started there would be a need for automatic machines.

An important feature would be a manufacturing unit to manufacture all machines required in Gemstones and Jewelry industry. That manufacturing unit will not only meet the domestic needs but can help export the machinery.

#### **5.4.7 Training Centre**

The training center would include principal/dean who will be responsible for all the functions taking place in the training center. Under him will be in charge for the testing institute and for the cutting and polishing institute. In the beginning these in charges would be the consultants who would come for a short while to train the other teachers. Under both the in charges will be teachers each. They will also be lab assistants for the gem testing and for the cutting and polishing. There will be in charge for the technical,



computer, library and admissions. The technical and the computer in charge will have assistants under them.

#### **5.4.8 Business Development Centre**

The business center would also have a business development head responsible for all marketing activities. The in charge for both the gem cutting and gem testing will report to the head of the business center. Under them will be cutters and testers. There will also be a person responsible for the different auctions taking place in the Gems and Jewelry City. The marketing side in the business development center will have relationship manager who will be responsible for the corporate clients. Under him will be marketing officers who will take care of the rented shops and units, research and development, and advertisements etc.

#### **5.5 Consultants/Instructors**

The Gems and Jewelry City being a revolutionary venture in Pakistan would in the beginning need consultants who would come for a month or two and regulate the working of the Gems and Jewelry City. The foreign machinery manufacturers who will install machinery in the Gems and Jewelry City would send in their consultants who would formulate a course outline and teach the technical aspect of the machines as well as the cutting and polishing of different stones. These consultants would in a month or two train a couple of people who have background in the gemstone field and the trained people then would decimate information further. Later on if felt necessary good cutters could be brought in from India and Sri Lanka till the time, the people get familiar with the machines and the international demands.

#### **5.6 Supply of Gemstone**

The supply of gemstones is one of the most crucial parts, which has to be organized. As mentioned earlier that there is an inconsistent supply of gemstones from the mines. To properly regulate the production of the Gems and Jewelry City it is necessary to organize the mining sector and have regular traders who would consistently supply gemstones. Other than our local supply the import of gemstones should be allowed. Most of the countries import gemstones from various countries. As Pakistan is located in such a

feasible location thus importing gemstones from Afghanistan, Russia, Vietnam, Myanmar, Sri Lanka and China. The flourishing value addition sector in the Gems and Jewelry City would compensate for the dollars spent on imports. The gemstones to be processed in the Gems and Jewelry City would constitute of emeralds, ruby, topaz, tourmaline, aquamarine and peridot. All these above-mentioned stones are easily available in Pakistan in sufficient amount.

## **5.7 Organization of Management**

The management structure of the Gems and Jewelry City will be as follows:

### **5.7.1 Board of Directors**

The Gems and Jewelry City would have governed by the board of directors.

### **5.7.2 CEO**

The CEO of the Gems and Jewelry City will be the owner of the Gems and Jewelry City. He will also be in the board of directors and responsible for making all strategic decisions in coordination with heads of all departments.

## **5.8 Finance and Planning**

The finance and planning department head will be responsible for the financial as well as planning ahead the budgeting of the Gems and Jewelry City.

## **5.9 Human Resource and Admin**

The human resource and admin department's head as the name says will be responsible for the hiring and firing as well as handling the different administration operations. Under him will be personnel assistants and an admin in charge. The driver, electrician, photocopier, plumber/janitorial staff, security guards and the receptionist/operator all will be the responsibility of the admin in charge.

## MEETING OF PM TASK FORCE GEMS & JEWELRY

23-10-2020



## **6. POLICY REFORMS WORKING GROUP REPORT**

### **6.1 TORs**

- 1: To review existing policies, practices and institutional arrangement for exploration, processing of value addition.
- 2: Trading and export of gemstones in the country.
- 3: Propose a formal administrative structure for Gem & Jewelry sector in accordance with the public sector reforms agenda and international best practices.

### **6.2 Scope**

The working group has studied the relevant policies and subsequent instruments like SROs, procedures related to Gemstones and Jewelry value chain in terms of; existing system, proposed system and justification supporting the new regimes as identified by the task force. The sub-committee will place an action plan on short term/medium term/long terms basis varies from 6 month to 4 years. Further the structural reform needed in respect of the organizations dealing with G&J Sectors and operating under Federal Govt. will be proposed in accordance with their assessment.

### **6.3 Overview of Gems & Jewelry Sector**

#### **6.3.1 Potential**

Pakistan is naturally blessed country having large reserves of mineral ores and 18 varieties of gemstones widely used in ornament Like; Swat has reserves of 70 million carats of emerald, Mardan has reserves of 9 million carats of pink topaz, Kohistan has 10 million carats worth of reserves of peridot, In Hunza, pink to red crystals of ruby are found. 200 Tons of Gold consumed domestically of which 50% imported and 50% recycled. According to Pakistan Bureau of Statistics, Pakistan officially “imported” 275 kg of gold in the year 2019-2020. The import figures, for gold, are erroneous as Pakistan is counting gold bought through entrustment scheme as official import. Gold through entrustment scheme is bought for re-export purposes and must not be counted as import. Reality is that Pakistan has not allowed gold import for the last 7-8 years. India officially imported 600 tons of gold while Sri-Lanka imported 15 tons of gold in the year 2019-2020.

## **6.4 Global System /Export /Human Capital Share of Pakistan**

### **6.4.1 Global System**

Gems & Jewelry Industry Size reached to US\$255 Billion per annum while annual growth rate of G&J industry is 5.2%. Currently, Pakistan's Gems & Jewelry Industry is extremely unorganized with 0.31% global share in gemstone trade. Pakistan is the 8th largest G&J consumer of the world that contributes 0.07% to the national GDP.

### **6.4.2 Export**

Globally, Pakistan ranks at 79<sup>th</sup> in the world in jewelry exports. The analysis of export since 2006 reflects very uneven trends from \$ 47 M-220-640-1000-330-14-11 and now \$ 6.7 M, for the year 2019-2020, according to statistics provided by the Pakistan Bureau of Statistics. The minimum Export potential is of G&J sector is US\$ 5 Billion annually. India does not have any gemstones or its own Gold its G& J export is US \$ 29 billion and Import is \$ 26 billion whereas cut & polish stone export of India is \$ 18.6 billion (65% of 29).

### **6.4.3 Human Capital in G&J Sector**

Employment to more than **1 million people** in the country's workforce and there are approximately 90,000 gems and jewelry enterprises existing currently.

### **6.4.4 Gemstone Value Chain**

Mining (70% wastage)→ Rough (75% of 30% Goes to Informal/Formal Export→ 25 % Lapidary (10% finished and 15% waste)→ Local Market availability-Namak Mandi (10%)→ 1% Local Market.

### **6.4.5 Gold Jewelry Value Chain**

Assaying Hallmarking→ Cad/Cam (New Softwares) → Finished Products' Diversification (Gravel Mach) → Branding

## **6.5 Challenges**

Policy regimes with respect to tariff & non-tariff barriers and regulatory regimes of SROs and duplication of taxes creating hurdles for the growth of the sector.

### **6.5.1 Tariff Barriers Regime**

- Proposal to revisit the requirements of SRO 760(I)/2013.
- Export of gemstone and Jeweler was previously govern by SRO-266/2001, which is replaced by SRO 760(1)/2013 through which Government has introduced various measures due to which export has been reduced and exporters are facing difficulties in fulfilling their requirements. Some major issues faced by the sector due to SRO 760(1). Recently TDAP has stopped exporters who have not settled their proceeds within 120 days so can't get more orders.

### **6.5.2 Non-Tariff Barriers Regime**

- Still G&J is sector although declared as Industry in 2010 but still facilities applicable like Construction industry those advantages are not applicable.
- Geological mapping of gemstones in terms of quantity & quality is not available.
- Cutting & polishing and lab facilities absent. We do have few cutting and polishing facilities but lacking in terms of international standards.
- Not enough ACCREDITED (GIS/GIA) vocational training programs and facilities for development and promotion of 'jewelry designers' who are the backbone of jewelry industry as they impact the quality of jewelry production and designs. Pakistan institute of Fashion design, Indus Valley School of Arts and Beacon House National University have jewelry departments. The graduates from these university lack experience in stone cutting and advance jewelry making techniques. Most importantly most of the students end up changing profession as there is very little demand for jewelry designers in Pakistan.

## **6.6 SRO Regime**

We need to expand the scope of SRO 760(I) 2013. Currently, the SRO only covers jewelry made from precious metal. The need is to add separate paragraph for the following:

- Jewelry products made from base metal using precious and semi-precious stones.
- Precious and semi-precious in rough form.
- Calibrated precious and semi-precious, strings, beads made from precious and semi-precious stones.

- Mineral specimen of precious and semi-precious stones.
- SRO 204(I) 2014 stipulates that gemstones exporters need not to register with TDAP. India and Sri-Lanka tightly regulates its gems and jewelry industry. All exporters, of gems, jewelry and cut stones have to register with a government authority, providing business addresses, bank account details and other related information. It's recommended that Pakistan follows the same and ensure that all the exporters of jewelry and gemstones have national tax numbers and sales tax registration number.

## **6.7 Gold Policy**

- The gold mining sector has seen little or no development and thus the lucrative gold reserves within Pakistan are not fully utilized which means that the demand for gold in Pakistan is quenched through imports.
- The absence of Gold Bank in Pakistan to facilitate trading of gold within and abroad Pakistan. (Purchasing and selling physical gold and silver, regardless of how much you are looking to invest). India regulates its industry through Gold Act of 1990. The 1990 Act allows private banks to act as gold bank and import gold into the country. Any private citizen or a jewelry manufacturer can purchase gold from these banks. Bangladesh enacted its own Gold ACT 2019, allowing one private bank and 17 businesses to import gold into the country, Sri-Lanka allows private banks to import and sell gold through Exchange Control Act 1992.
- Proper standards (PRECIOUS METALS) (No National Standards)
- Assaying & Hallmarking System is missing.
- Courier services for the easy transportation of gold and jewelry, airport locker facilities and testing labs are missing
- International transactions through PayPal etc. are not available.

Due to foreign exchange constraints, Government has put import of precious metals on restricted items in all consecutive Import Policy Orders including latest 2020. Government as per S.No.16 of Import Policy Order 2020 prescribed a condition to arrange foreign exchange by importer himself which if translated leads to import through unofficial channel. Due to this odd condition, no precious metals could be imported through official channel.

As per World Gold Council, besides annual consumption of 180 tons, there is 3000 tons of gold valuing UD\$ 180 Billion owned in Pakistan for which Government has not provided a single dollar. The Government has also imposed restriction on export of gold. Hence huge part of this mammoth asset is lying idle. The Government has allowed temporary import of precious metals for export of jewelry through SRO 760(I)/2013. The SRO has put very stringent conditions which has eroded export by 97%. Presently export figure is hovering around 2/3 million dollars which is not even peanut in comparison of our arch rival India.

In order to utilize the idle gold and ease the foreign exchange constraints, we propose to include export of pure and scrap gold with revolving capping of 25 kg in SRO 760 with condition to remit full value in foreign exchange with exemption of 1% With Holding Tax and 0.25% EDS. The exporters shall have immunity of scrutiny by tax authorities as regards to source of gold as immunity granted to construction industry recently. This will pour billions of dollars in Government's exchequer and will create a buffer to allow foreign exchange for official import of gold. Under this scheme the exporters of gold will be entitled to transferable quota to import equivalent gold quantity through official channel subject to payment of existing rate of custom duty and sales tax which shall be full and final discharge of tax liabilities. Besides Government will earn sizeable amounts by way of foreign exchange, duties and taxes; the gold and jewelry sector which has remained undocumented will attract thousands entities in main stream, opening more avenues of earning by way of Income Tax and Sales Tax.

If Government pays immediate attention to amend SRO 760 removing all harsh conditions and include gold, there is bright possibility of kick restart of closed factories, huge fresh investments and employment in manufacturing and export sector. Undoubtedly the export figure will be multiplied many fold, achieving billion mark soon. Certainly it's a win-win situation for Government.

#### BENEFITS OF THE POLICY

1. Idle asset in form gold and jewelry comes into circulation.
2. Overall foreign trade figures multiplied manifold



3. Export proceeds of Billions dollar will pour
4. Pave way for official import of gold and silver
5. Government will earn taxes and duty
6. Pave way of formalization of jewelry Sector
7. Will eliminate unofficial / undocumented trading of gold
8. Will eliminate trading of fake gold bars of inferior quality
9. Government will earn sizeable income tax and sales tax amounts
10. Unofficial imports will halt through hundi and hawala
11. Will stabilize exchange rates
12. Will support government efforts to meet conditions for FATF
13. No any additional strain on foreign exchange reserves
14. Will generate employment and economic activities

## 6.8 Key Enablers

- Competitiveness (Quality infrastructure, labor productivity, access to utilities, and level of technological development).
- Compliance to standards (Convergence of local and international standards)
- Policy environment (monetary policy, tariff and tax regime, and investment policies).
- Market access (Multilateral, regional and bilateral).

## 6.9 Timeline Action Plan

### 6.9.1 Short Term Plan (6 Months)

Existing System	Proposed	Justification	Relevant Department
<b>SRO 760 (I) 2013</b> <b>Clause General-Sub Clause (4)</b> <b>Clause 8</b> <b>Clause 4-sub-clause (II) Export</b>	1) Allow E-forms to be issued to exhibitors 2) Allow sales of goods at international exhibitions and remittance through normal banking channels 3) ATA Carnet document should be issued by Government of Pakistan, for products, meant for foreign exhibitions. 4) Issue E-form for orders received through a business owned website and paid using a credit/debit card.	1) Minimal participation of Pakistan based businesses, at international exhibitions due to restriction on selling to general public and multiple businesses 2) E-form is only issued after providing the name of a single designated person or business. 3) India/Sri-Lanka jewelry and gemstones exhibitors are allowed spot sales at the international exhibitions 4) ATA Carnet is accepted worldwide. It requires rigorous checking of material and documents before shipment. Currently the cost of document is very high as it is provided by a third party.	Ministry of Commerce FBR/ WEBOC TDAP

	5) Suggestion in bullet point 4 above should be added to SRO 760 (I) 2013, clause 4, sub-clause (II) Export	ATA Carnet can replace the regulations of TDAP and customs as its internationally recognized and can also be used for internal controls. 5) E-form is not issued for orders paid by credit/debit cards. State bank only allows E-form, for orders, which are paid through banking channels. Credit/Debit card paid orders have to be shipped under "gift/sample".	
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<b>SRO 760 (I) 2013</b> <b>Clause 4-</b> <i>Sub Clause (I) Import-</i> <i>Sub Clause (ii)</i> <i>Sub Clause (iv)</i>	<ol style="list-style-type: none"> <li>1) TDAP shall ensure that the contract, signed by foreign buyer, accompanied by a copy of Trade License and membership of local chamber of commerce of foreign buyer is genuine by calling or sending an email to the concerned party</li> <li>2) All details, as is, as contained in the contract as Annexure-D</li> <li>3) Allow export to third party nominated by primary foreign buyer.</li> <li>4) Sub Clause (IV) be amended as and export of jewelry to the supplier or his nominated party located elsewhere.</li> </ol>	<ol style="list-style-type: none"> <li>1) Foreign buyers do not agree to this Pakistan specific condition</li> <li>2) Embassies/trade offices are not present in all cities/countries. Restricts exports to few markets</li> <li>3) It's expensive, time consuming and impractical. Visa constraints restricts exporters ability to wait for authorizations at foreign trade offices</li> <li>4) Pakistan based exporter is, selling jewelry and gemstones, normally to a wholesales who in turn sells it all over the international market and requests Pakistan based exporter to supply directly to his/her nominated customer. India/Sri-Lanka allows this facility to its jewelry and gemstone exporters. Make changes to sub clause (iv) as mentioned above</li> </ol>	Ministry of Commerce TDAP
<b>Existing System</b>	<b>Proposed</b>	<b>Justification</b>	<b>Relevant Department</b>
<b>SRO 760 (I) 2013</b> <b>Clause 4-</b> <i>Sub Clause (ii)</i> <i>Sub Clause (vi)</i>	<ol style="list-style-type: none"> <li>1) Remove this condition as export consignments are tested by foreign buyer, before making payment to Pakistani exporter.</li> <li>2) Foreign custom agencies have dedicated jewelry labs and experts inspecting import shipments of jewelry products.</li> </ol>	<ol style="list-style-type: none"> <li>1) Pakistan Customs do not have jewelry and gemstone testing labs and experts at the airports. All random samples are sent to third party for testing. The samples are drawn from complete jewelry sets and thus result in breaking the sets which increases the cost to exporter and delays shipments</li> <li>2) E-commerce based exporters, shipping 1-2 items per shipment, have to deal with this condition for almost all their shipments thus causing them to find alternate routes for shipping</li> </ol>	Ministry of Commerce Pakistan Customs
<b>SRO 760 (I) 2013</b> <b>Clause 4-</b> <i>Sub Clause (iii)</i> <i>Sub Clause (i)</i>	<ol style="list-style-type: none"> <li>1. Replace caption "Export Proceed" with "Cash Margin"</li> <li>2. Cash margin be released by bank on submission of export documents.</li> <li>3. Allow exporters, who have achieved export</li> </ol>	<ol style="list-style-type: none"> <li>1) Squeezes working capital of the exporter.</li> <li>2) No benefit to government as margin is deposited with commercial bank</li> <li>3) Exporters have to deal with banks, TDAP, Pakistan Customs and local chambers to collect the required</li> </ol>	Ministry of Commerce Pakistan Customs TDAP

<i>Sub Clause (ii)</i>	<p>performance of Rs 30 million or exported 100 kg of precious metal jewelry, in last three years, to be exempted from 1% cash margin</p> <p>4. TDAP will issue, Exemption Certificate, to the exporters who meets above criteria and it will be valid for three years</p> <p>5. Pakistan Customs will accept, exemption certificate, in lieu of 1% cash margin certificate</p>	documents resulting in high cost of doing business in Pakistan	
<b>Import GD For Gold</b> <i>New Clause</i>	1) Import GD of gold, under entrustment scheme, must be generated showing NIL value	<p>1) Gold under entrustment scheme is supplied free of cost and without any foreign currency remittance and should not show up in import statistics. In order to process import GD, current value of gold in US dollars has to be inserted in the prescribed column of GD.</p> <p>2) Above records import of gold in the name of Exporter, which is not the actual case as the gold is imported for re export.</p> <p>3) The export document are prepared only for, value addition by Exporters, this results in huge difference of import and export figures by 85 to 90% which triggers alarm in customs and tax authorities and exporters are served recovery notices for millions of rupees resulting in harassment and intimidation</p>	Ministry of Commerce Pakistan Customs TDAP Pakistan Bureau of Statistics
<b>Existing System</b>	<b>Proposed</b>	<b>Justification</b>	<b>Relevant Department</b>
<b>SRO 760 (I) 2013</b> <b>Clause 5-</b> <i>Sub Clause (iv)</i>	<p>1) Sale proceeds against, exported gold content, and shall be realized either in form of gold or in form of foreign exchange.</p> <p>2) However value addition, of gold imported through entrustment scheme, shall be remitted in form of foreign exchange through banking channels.</p>	<p>1) In previous SRO's related to jewelry, 100 % import of gold content was allowed against exports</p> <p>2) Selling 50% gold in foreign country results huge loss to the exporter due to fluctuations in buying selling rates of dollars and gold.</p>	Ministry of Commerce TDAP
<b>SRO 760 (I) 2013</b> <b>Clause 10</b>	<p>1) Set value addition norms as follows:</p> <p>a) Bangles and Chains : \$1 per gram</p> <p>b) Plain Jewelry: \$1 per gram</p> <p>c) Studded and Embedded Jewelry: \$ 1.50 per gram</p>	<p>1) Current Value addition norms: Bangles and Chains : 8% Plain Jewelry: 12% Studded and Embedded Jewelry: 13%</p> <p>2) Current value addition norms are too high and unreasonable as it prescribes to make remittance four times of making charges of gold</p>	Ministry of Commerce TDAP

		jewelry and internationally not compatible	
<b>General Suggestions</b>	<ol style="list-style-type: none"> <li>1) TDAP website must contain example on how to fill out GD for import/export of gemstones and jewelry</li> <li>2) TDAP website must contain example on how to fill out a jewelry passbook</li> <li>3) TDAP website must contain a process flow diagram to describe steps and government departments an exporter/importer has to satisfy. All the relevant department head names and addresses be provided on the website</li> </ol>	<ol style="list-style-type: none"> <li>1) Sri-Lanka Gems and Jewelry authority and Sri-Lankan export promotion bureau has detailed instruction, with examples, on how to fill out form, for import and export authorization</li> <li>2) Website of both above entities contain instructions on: <ol style="list-style-type: none"> <li>a) Government offices to visit</li> <li>b) Timings of the offices</li> <li>c) Address and relevant contact information</li> </ol> </li> </ol>	Ministry of Commerce TDAP Pakistan Customs

Existing System	Proposed	Justification	Relevant Department
<b>Import Policy Order 2020 Part (II)</b> <i>Clause 16</i>	<ol style="list-style-type: none"> <li>1) Remove the ambiguous sentence "importer shall arrange his own foreign exchange for the purpose" .</li> <li>2) No government department has been able to define this sentence</li> <li>3) Allow commercial import of rough gemstones by adding the relevant HS Codes in import policy order 2020, Part (II).</li> </ol>	<ol style="list-style-type: none"> <li>1) Jewelry manufacturers require precious metal as a raw material. Since Pakistan is not a producer of precious metals, it becomes important that government allows the legal import of precious metals</li> <li>2) Precious metals are already being smuggled into Pakistan hence it is prudent to liberalize the imports and earn the taxes rather than lose it all to unofficial channels</li> <li>3) Allow commercial import of rough gemstones. Not all rough gemstone material is available in Pakistan. Unofficial channels are an efficient source of bringing rough gemstones into the country. Remove the barriers and earn the taxes</li> </ol>	State Bank of Pakistan Ministry of Commerce Pakistan Customs FBR
<b>Export Policy Order 2020 Clause 4</b> <i>Sub Clause (e)</i>  <b>Clause 8</b>	<ol style="list-style-type: none"> <li>1) Include gemstone and jewelry sector in Export Policy Order allowing \$5000 worth of parcels to be shipping through couriers.</li> <li>2) Allow exhibitors to carry \$5000 worth of inventory</li> </ol>	<ol style="list-style-type: none"> <li>1) Export Policy Order 2020 allows shipment of parcels worth \$5000. Hence, allowing \$5000, worth of goods, for international..... exhibitions should also be considered</li> <li>2) Reserve Bank of India allows \$5000 worth of goods to be taken, out of</li> </ol>	Ministry of Commerce Pakistan Customs FBR

<i>Sub Clause (5)</i>	without issuing an E-form under the condition unsold goods will not be returned to Pakistan	<p>the country for exhibitions. It allows goods to be sold at the exhibitions and outside of exhibitions to third parties. Unsold goods are not allowed to be bought back.</p> <p>3) E-commerce based jewelry businesses ship multiple orders every month to clients around the world. Orders range from \$50 to \$ 2000. Filling out jewelry passbook for each and every small order is cumbersome. Visiting banks and local chambers, for authentication documents is time consuming and a drain on resources of a business.</p> <p>4) Manual jewelry passbook entry is nowhere used in the world. Sri-Lanka allows export of jewelry and gemstone in an efficient manner with dedicated customs operations near airports. We must follow the example and setup our operations accordingly</p>	
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<b>Existing System</b>	<b>Proposed</b>	<b>Justification</b>	<b>Relevant Department</b>
<b>FE Manual</b>  <b>Chapter XVIII</b> <i>Clause 13</i> <i>Sub Clause 8</i> <i>Sub Clause (2)</i>  <i>Clause 16</i> <i>Sub Clause (i)</i> <i>Sub Clause (ii)</i>	<p>1) Allow commercial import of precious metals</p> <p>2) "Prohibited" should be changed with "Restricted"</p> <p>3) Allow export of jewelry and precious stones without requiring the "general or special permission of the State Bank". Treat the sector at par with other sectors</p> <p>4) FE Act 1947, Clause 16, sub clause (i) should be amended to allow commercial import of precious metal. Terms "Gold and silver" should be changed to precious metals</p> <p>5) FE Act 1947, Clause 16, sub clause (ii) should be amended to allow commercial import of rough precious and semi precious stones</p>	<p>1) Prohibited is a strong word, will deter foreign direct investment. Sri-Lanka and India do not use this word in their relevant laws</p> <p>2) Pakistan Customs/TDAP treats \$100 worth of jewelry shipments same way as they do with \$10,000 due to stringent regulations.</p> <p>3) FE Act 1947 Chapter XVIII, clause 16 sets up a condition that gold/silver and precious stones can only be imported against export of the gold/silver and precious stones. This clearly states that no commercial import is allowed.</p> <p>4) FE Act 1947 Chapter XVIII, clause 16 contradicts Import Policy Order 2020, Part II, Clause 16, the former clause allows import of gold/silver by arranging his/her own foreign exchange. Ambiguity should be removed</p> <p>5) Bangladesh, Sri-Lanka and India allow commercial import of precious metals and gemstones to cover the needs of their local industry</p>	State Bank Of Pakistan Ministry of Commerce Pakistan Customs FBR

<b>Pakistan-Afghanistan Trade Agreement</b>	<ol style="list-style-type: none"> <li>1) Allow import of Afghan rough gemstone material from Torkham and Chaman Border</li> <li>2) Charge 0% duty on the total value of rough. Import GD and related documents be provided to the importer after due diligence</li> </ol>	<ol style="list-style-type: none"> <li>1) Afghanistan is supplying rough material to Pakistani market for decades. Rough material is bought into the country through unofficial means. Since the import is unofficial, the material is declared, Pakistan origin, during exports as no document exists to verify its origin. This creates distortion whereby rough stone reserves are exaggerated in official records. Secondly, with interest in traceability of the rough material, world gemstone and jewelry market is asking for supporting documents.</li> <li>2) Pakistan based manufacturers, buy rough afghan material, payment made through unofficial channels. Manufacturers get in trouble as they cannot show their stone purchases to FBR.</li> <li>3) Allowing rough import will solve the above issues and bring the rough gemstone value chain into official radar of the concerned authorities</li> </ol>	Ministry of Commerce Pakistan Customs FBR
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Existing System	Proposed	Justification	Relevant Department
<b>Import of Precious metals</b>  <b>Import Policy Order 2020</b>	<ol style="list-style-type: none"> <li>1) We recommend for gold/silver: Income Tax = 0.00% Additional Custom Duty = 0.00% Customs Duty = 0.00% Sales Tax = 0.00%</li> <li>2) We recommend for platinum: Income Tax = 0.00% Additional Custom Duty = 0.00% Customs Duty = 0.00% Sales Tax = 0.00%</li> </ol>	<ol style="list-style-type: none"> <li>1) Current Tariff for gold/silver: Income Tax = 11.00% Additional Custom Duty = 2.00% Customs Duty = 0.00% Sales Tax = 17.00%</li> <li>2) Current Tariff for platinum: Income Tax = 11.00% Additional Custom Duty = 2.00% Customs Duty = 0.00% Sales Tax = 17.00%</li> <li>3) The cost of un-official imports is estimated at 3% which discourages official imports.</li> </ol> <p>• <b>Certain Exemptions apply</b></p>	Ministry of Commerce Pakistan Customs FBR
<b>3D Printers</b>  <b>Import Policy Order 2020</b>	<ol style="list-style-type: none"> <li>1) Allow import of 3D printers without the authorization of Ministry of Interior</li> <li>2) Make relevant changes in Import Policy Order 2020</li> </ol>	<ol style="list-style-type: none"> <li>1) 3D printers are playing an integral part in the manufacturing of all sectors of an industry.</li> <li>2) Pakistan has setup a regressive, by permission, import procedure for 3D printers which has made the import of the printers near impossible.</li> </ol>	Ministry of Interior/ Pakistan Customs/Ministry Of Commerce

		<p>India, Sri-Lanka and Bangladesh industry is benefiting greatly 3D printers as their young engineering and design graduates work on state of the art machine. Pakistan, as usual, is lagging behind in engineering technology</p> <p>3) Ministry of Interior mostly rejects the applications for import of 3D printers. Even if someone succeeds in getting a permission, the process is long drawn and a drain on resources. Remove the authorization and let the industry progress.</p>	
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Existing System	Proposed	Justification	Relevant Department
<b>SRO 760 (I) 2013 Clause 6</b>	<ol style="list-style-type: none"> <li>1. Special Industrial Adhesives or Gums</li> <li>2. Master Alloys (used in gold jewellery for mixing in gold)</li> <li>3. Graver, files and rotary burs or files</li> <li>4. Investment powder</li> <li>5. Rhodium and plating salts</li> <li>6. Waxes.</li> <li>7. Enamels for Jewellery</li> <li>8. Soldering Blocks/Plates Non Asbestos</li> <li>9. Tubes, Ceramic Plates, crucibles, lids, insulation for electric/electronic furnaces</li> <li>10. Gold melting furnace and equipments</li> <li>11. Elements, induction coils, thermocouples for electric/electronic furnaces/casting machines</li> <li>12. CNC, Wax 3D Printers, RP Machines, Jewelry casting, hollow casting machines and accessories.</li> <li>13.</li> <li>14. Solders, solder powders, solder pastes or precious and non-precious metal alloys</li> <li>15. Dies, Jigs, tools for chain making, hammering, facetting, welding/brazing, M/c/presses.</li> <li>16. Small tools, burrs, abrasives that operate on micro motors or hand held motors.</li> <li>17. Molds for hydraulic/pneumatic press</li> <li>18. Propriety Precious and Non-Precious salts, baths, brighteners, replenishes, additives and compounds for electroplating.</li> <li>19. All sorts and forms of media, compounds, chemical formulations proprietary/non proprietary for polishing burnishing, cleaning jewelry.</li> <li>20. Master alloys for making carat gold jewelry mainly constituting silver, copper, Zinc, Palladium and other adhesives in small quantity.</li> <li>21. Master alloys for making silver jewelry</li> <li>22. Master Alloys for making solders and Gold and Silver jewelry.</li> </ol>	<ol style="list-style-type: none"> <li>1) No list of eligible items is prescribed in SRO hence at the end of the clause following list to be added</li> <li>2) Import of precious metals and gemstones under this Order shall be exempted from normal import tariffs and taxes including sales tax and With Holding Tax</li> <li>3) Current clause is confusing and custom officials apply tariffs and taxes which increases the cost of business</li> </ol>	Ministry Of commerce FBR Pakistan Customs

	<p>23. All kinds of rubbers for making molds -vulcanized, unvulcanized or semi-vulcanized</p> <p>24. Silicon rubber/resin compounds for making molds</p> <p>25. Fluxes, heat guard/shields compounds, pickles, salts for annealing salt baths.</p> <p>26. Grinding wheels, buff wheels of all kinds for polishing</p> <p>27. Anodes for electroplating, special Platonize titanium</p> <p>28. All forms of media and tools required for texturing jewelry.</p> <p>29. Tags and labels, security censor on card, staple wire and poly bags.</p> <p>30. Precious and semi precious stones</p> <p>31. Zircon and imitations stones</p> <p>32. Diamond cutting tools (different sizes)</p> <p>33. Cutting, engraving, buffing, vibrators and finishing machines and tools.</p> <p>34. Diamond Sawing blades</p>		
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### 6.9.2 Mid Term Plan (2 Years)

Description	Existing Instruments	Proposed	Justification
<b>Lab facilities absent</b>	Not a single reputable gemstone lab exists in Pakistan. Not a single reputable gold refinery setup exists in Pakistan. Number of new gemstone labs have popped up in recent years but there certification is not recognized globally	Pakistan Standard and Quality Control Authority must take the lead and develop standards for gemstone labs and gold/silver refiners. All the labs and refiners must maintain active NTN, STN status and authorizations from PSQCA to run their operations	Jewelry and gemstones from Pakistan must be certified for export. To attract foreign direct investment Pakistan must show adherence to international best practices by developing globally accepted jewelry and gemstone standards.
<b>Cutting &amp; polishing and Vocational Training</b>	Not a single cutting & polishing and Vocational training institute exists in Pakistan. Few NGO's are working in this sector but there overall contribution is negligible	We must not repeat the mistakes of the past. Going ahead a public-private partnership should be considered for training. Private sector jewelry organizations in India and Sri Lanka run their own training institutes as corporate social responsibilities. Manuals for gemstone cutting, heating, jewelry making are available in local languages for aspiring individuals	A trained workforce is a must for the success of jewelry and gemstone sector. Private sector must take the lead.
<b>Standards (Assaying &amp; Hallmarking)</b>	Law is ready to be approved by the parliament.		Will make our product acceptable to the international customer. Protect the local consumer from unscrupulous jewelers.



## 6.9.3

## Long Term Plan (4 Years)

Description	Existing Instruments	Proposed	Justification
<p><b>Geological mapping of gemstones and Nobel Metals</b></p> <p><b>(Platinum-Gold-Silver)</b></p> <p><b>in terms of quantity &amp; quality is not available.</b></p>		<p>GiS mapping (geo-physical and geo-chemical survey for quantity and quality of precious metal and gemstones):</p> <p><b>Khyber Pakhtunkhwa and FATA:</b> emerald, aquamarine, fluorite, garnet, moonstone, pargasite, peridot, quartz, ruby, spinel, kyanite, topaz (pink topaz), tourmaline, etc.</p> <p><b>Gilgit-Baltistan:</b> Gold-silver-platinum, emeralds, rubies, topaz, tourmaline, quartz, aquamarine, garnet, tourmaline, peridot, moonstone, pargasite, fluorite, corundum, sapphire, spinel, kyanite, vesuvianite, quartz, flint, chert and jasper.</p> <p><b>Azad Kashmir:</b> ruby, green, bi-colour and tri-colour tourmalines, spessartine garnet and morganite, beryl, fluorite, quartz, topaz, etc.</p> <p><b>Balochistan:</b> Gold-silver-platinum, quartz, fluorite, garnet, tourmaline, vesuvianite/idocrase, chalcedony like flint, chert, jasper, etc and copper minerals like malachite, azurite, chrysocolla, chalcopryrite, etc.</p> <p><b>Punjab and Sindh:</b> Detrital gold, quartz, chalcedony like flint, chert, jasper, etc.</p>	

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## MEETING OF PM TASK FORCE GEMS & JEWELRY

06-11-2020



## **7. PERFORMANCE REVIEW GROUP REPORT**

Performance review group reviewed the performance of attached departments of Ministry of Petroleum and Natural Resources and Ministry of Industries. It required inter-provisional coordination to propose measures and to bring in efficiency. Inter-provincial consultation and to meet constitutional requirements, the provinces have to be taken on board and the consultative process of the task force have be carried out at provincial headquarters. Hence, this task requires more time and traveling to carefully evaluate the performance of these departments. The group is working to meet the goal.

Pakistan Gem Corporation was setup in the 70's to give a boost to gemstone mining sector of Pakistan. The corporation folded in the 90's after incurring huge losses while few individuals benefitted immensely from it. Pakistan Gems and Jewelry Development Company and Pakistan Stone Development Company were setup in 2007 to reinvigorate the stagnant sector. Pakistan sector development funds were provided, as seed money, to finance the running of aforementioned companies. According to the trade data provided by Pakistan Bureau of Statistics, for year Jul-Oct 20, the value of gems and jewelry exports is \$ 4.6 million and for onyx/marble the value is \$ 1.3 million. Clearly, the most recent intervention has also failed and lessons must be learned for any future success.

### **7.1 PGJDC**

The existing organization which exclusive deals with Gems & Jewelry Sector is Pakistan Gems & Jewelry Development Company (PGJDC) which is operating under section-42 of SECP under the administrative control of Ministry of Industries.

The primary objective of the company was to establish Pakistan as a high value added, internationally competitive, world class hub for adding value precious stone cutting and jewellery manufacturing. The other objectives are as under: a. Establish Common Facility Training and Manufacturing Centers (CFTMC) to up-grade existing technology and processes in mining gems processing and jewelry manufacturing. b. Establish gems identification and certification laboratories to ensure better understanding of gem stones and their properties. c. Establish / promote gem exchange centers to facilitate linkages between buyers and sellers and to conduct geological surveys to identify new stone deposits and quantity. d. Introduce "Assaying and Hall marking" centers at Karachi and

Lahore to ensure quality of gold jewellery for the local as well as international market and Geological Survey of Gemstones in terms of its quantity and quality.

The performance of PGJDC in the last 15 years is assessed on the basis of; Economy, efficiency and effectiveness despite of the fact that Federal Govt has injected more than Rs 1.5 billion but the organization failed to achieve sustainability and to undertake sustained initiatives in accordance with its scope which is in contradiction to the spirit of the organization. All of the centers/projects of PGJDC located at various locations of the country are closed and no project at present at their disposal and the machineries are lying idle without any ownership thus the organization is almost non-functional. The objectives of PGJDC was that the organization had to undertake imitative for its sustainability through public-private partnership instead of relying on public exchequer for indefinite period of time. The key areas of its malfunctioning includes; Loss of revenue, irregular appointments, irregular contracts/procurements, wasteful expenditures of non-functional laboratories and centers etc and total reliance of public money.

State of the art equipment and facilities were provided to PGJDC. Centers were setup in all the provinces manned by highly paid individuals. Advanced training in cutting and polishing techniques was provided to the staff of these centers, most of them were sent to foreign countries for training. 12,000 individuals were trained in gemstone cutting and polishing and most of them were unable to find gainful employment. Few of the reasons for failure are listed below:

- 1) Huge resources spent on rental properties to house the staff.
- 2) Machinery from Germany was imported while cheaper options of China were available. Machine maintenance and tooling required regular expense which in most cases was not granted.
- 3) Trained staff was more interested in setting up and expanding their private businesses. Few left the company after receiving training.
- 4) Issues with import/export were not resolved thus restricting the newly trained individuals to enter the export market. Restrictive export policies limited the investment required for gems and jewelry sector to expand. Pakistan Gems and Jewelry Company was supposed to solve the problems of exporters in cohesion with Ministry of Commerce and Pakistan Customs, which it failed to do so.

Most of the expenses incurred were of non-development nature leaving very little cash to invest in development of the sector. PGJDC failed to achieve their goals. There is no justification for further investment in this company. The resources of PGJDC should be transferred to the proposed Pakistan Gems and Jewelry Export Promotion Council which will not be burden on the Government.

## **7.2 Geological Survey of Pakistan**

Geological Survey of Pakistan (GSP) is an attached department of the Ministry of Energy (Petroleum Division), Government of Pakistan. The geological information is compiled and disseminated in the form of geological reports and maps. Geological maps provide a bird's eye view of the surface (and subsurface) distribution of various types of rocks and economic minerals that are found in a particular region. These maps are, thus, essential for all future detailed geological works including, mineral exploration, civil engineering, soil surveys, land use and soil conservation projects. Geological mapping and Geoscientific survey carried out for Natural resources like, metallic & nonmetallic and industrial minerals and rocks, fuels and groundwater.

GSP has the budget of about Rs 1. Billion and almost 50% for development and 50% for operational. However the institutional capacity is underutilized. There is Gemology laboratory at Islamabad with state of the art Gemology (Gemstones) equipment through the financial assistantship of Japan International Cooperation Agency however there is no utilization of the said laboratory.

Geological Survey of Pakistan lacks strong government support and is grossly underfunded. Geology field operations require resources in money and equipment which the GSP currently lacks. We recommend the following actions:

- 1) Increase the budget of GSP especially for Baluchistan, Gilgit Baltistan. Khyber Pakhtunkhwa and Azad Kashmir regions.
- 2) Foreign geological experts be allowed to be hired by GSP on project to project basis
- 3) Linkages must be pursued between United State Geological Survey or China Geological Survey and Pakistan Geological Survey.

- 4) GSP must not only pinpoint the existence of a gemstone or mineral deposit but also advise on the commercial viability of future exploration of the deposits

Close coordination between GSP and mining departments of the provinces is highly recommended for future success of any exploration activity. The proposed Pakistan Gems and Jewelry Export Promotion Council will direct GSP for activities related to Gemstones.

### **7.3 Mines and Mineral Departments**

After 18<sup>th</sup> amendment, mines and minerals have become a provincial subject. Provinces are free to enact their own laws. Gemstone resource rich province Baluchistan has been unable to benefit from 18<sup>th</sup> amendment and share of its revenue generated from rough gemstone is negligible. Khyber Pakhtunkhwa has been a success story in generating revenue from mining activity and its lessons can be replicated in other provinces. Gilgit Baltistan is a federal concern and currently provides 70% of the gemstones for the exports and local consumption. Here again official revenues generated from gemstones sale is negligible. Similarly, Ruby and Corundum mines in Azad Kashmir are not operational and illegal mining is rampant. Illegal mining, with the collusion of local government officials, is resulting in huge revenue losses to provinces and federal government. This has been the case for the last 70 years and no remedial action has been taken to eliminate the menace of illegal mining. The illegal mined material is, smuggled out of the country, again causes losses to the national and provincial governments. One of the reasons is lack of enabling export policies for gemstone sector. We recommend the following:

- 1) Identify and reduce overlap between provincial and federal regulations. Lessons should be learned from Reko Diq debacle
- 2) Simple procedures for obtaining exploration and mining licenses.
- 3) Uniformity of procedures among the provinces to make it easier for local and international companies to invest in the mining sector. Website layout and requirement form layouts should be uniformly enforced among the provinces for ease of doing business
- 4) Khyber Pakhtunkhwa is successful in implementing its “Mines Monitoring Project”. The project registered FIR against 1729 illegal miners and action initiated against

33 mining officials in the last two years. This should be implemented in other provinces.

- 5) Improve logistics from mining areas to the international shipping areas.
- 6) Digitize and automate the process of application and approval. Set a time limit for approval.
- 7) New exploration licenses for unproven gemstone deposits should be given at a minimal fee. Fee can be raised after commercial viability, of the deposit has been established.

National Single Window Act 2019 is a huge leap forward for Pakistan. It will simplify cross border trade, reduce cost of doing business and facilitate trade on national and international level. Mining activity will benefit immensely from NSW if overlap of provincial and federal regulations is taken care of and mining departments of the provinces are also made part of NSW Act.

#### **7.4 Pakistan Stone Development Company (PASDEC)**

Pakistan Stone Development Company (PASDEC) was established in 2006 as a not for profit Company under section 42 of the Companies Ordinance 1984. The Company is a subsidiary of Pakistan Industrial Development Corporation (PIDC) working under Ministry of Industries & Production (MOIP) and is mandated to initiate multiple projects to uplift the existing set-up of marble and granite sector.

PASDEC's vision is "To make Pakistan globally competitive & socially responsible player of the international dimensional stone industry". PASDEC is moving ahead on fast track to achieve assigned target for development of marble and granite sector of Pakistan. PASDEC's short term goal is to facilitate development of quarrying sector of Pakistan in such a manner which results in reduction of quarrying wastage from 75% to 45%.

The performance of the company remained grey areas and even Senate Standing Committee on Industries expressed its concern over the unsatisfactory performance of Pakistan Stone Development Company (PASDEC) and is of the view that despite repeatedly issuing directions to the company, it did not take measures to minimize wastage of precious stones by using modern machinery in marble mines. Chairman of the Committee Senator Hidayatullah said that he himself visited 15 mines of precious



stones but it was unfortunate to note that 10 of them had been shut down. He said in FATA few factories were working without having proper license.

#### **7.5 Pakistan Mineral Development Corporation (PMDC):**

PMDC is an autonomous corporation under the administrative control of Ministry of Petroleum and Natural Resources , Government of Pakistan. It was established in 1974 with an authorized capital of Rs.1,000 million to expand and help mineral development activities in the country. It is involved in exploration and evaluation of economic mineral deposits, preparation of techno-economic feasibility reports, mining and marketing. PMDC is operating 4 Coal Mines, 4 Salt Mines/ quarries and a silica sand quarry. PMDC shares 17% of the coal and 58% of the total salt production in the country.

#### **7.6 Way forward (Recommendations):**

Keeping in view the above there are two organization under the administrative control of Ministry of Industries i.e PGJDC and PASDEC and two organizations under Ministry of Petroleum and Natural Resources.

In context with Gems & Jewelry sector and considering the scope of all the organization and in accordance with the restructuring of various entities in order to avoid duplication of work and wastage of public money, It is strongly proposed that Gems & Jewelry Export Promotion Council of Pakistan may be constituted with an empowered Board with majority of its members from private sector. This new Council may be constituted under Cabinet Division and following existing entities may come under the authority:

- i) Pakistan Gems & Jewelry Development Company (PGJDC).
- ii) PASDEC (although not directly related with Gemstone but the dynamics of Marble and granite is same as gemstones)
- iii) Gemology Laboratory of GSP to be under the Council.

## MEETING OF PM TASK FORCE GEMS & JEWELRY

13-11-2020



## **8. FOREIGN DIRECT INVESTMENT WORKING GROUP REPORT**

The working group has brainstormed for proposals to attract FDI. Mechanism for Public Private Partnership is being formulated for gemstone and jewelry sector of Pakistan. Chairman Task Force, Engr. Gul Asghar Khan and Mr. Atif Khan, PM focal person for FDI held meetings with Chinese Investors to attract the FDI in Gem City and Gem and Jewelry sector. Chairman Task Force and Mr. Atif Khan had several meeting with UPS courier Service company global management to bring its services in Pakistan for Gems and Jewelry export. UPS is ready to invest and increase presence in Pakistan.

If the recommendations of task force are implemented in their true spirit, FDI will start flowing into Gems and Jewelry sector of Pakistan. Chairman Task force have held meetings with private investors who are willing to invest in Gem and Jewelry city as well as in whole G&J value chain.

So far, Jiangsu Chamber of commerce, UPS and Motiwala Jewellers from Dubai has promised to invest millions of dollars in Gems and Jewelry city.

## MEETING OF PM TASK FORCE GEMS & JEWELRY

20-11-2020



## **9. EASE OF DOING BUSINESS WORKING GROUP REPORT**

### **9.1 TORs**

- Study of international practices & incentives for gemstone & jewelry business
- Study available data on gem and jewelry sector
- Proposal for ease of doing business
- One window operation
- Propose special incentives for the sector with a draft SRO
- Mine to market development
- Scenarios, barriers in gemstone sector and there solutions.

### **9.2 Analysis and Recommendations**

#### **9.2.1 Study of International Practices & Incentives for Gemstone & Jewelry Business**

- Jewelry and precious gems are considered to be a crucial part of several cultures across the globe besides being bought as luxury items.
- Asia Pacific is considered to be one of the leading regions in the global gems and jewelry market with India and China leading the charts in the regions with the maximum number of consumer of gems and jewelry.
- China and India are also leading the market in terms of processing Gems and jewelry.
- India is in process of establishing Gem & Jewelry Park on 200 Kanals of land with investment of USD 2.0 Billion.

#### **9.2.2 The Effects of Business Regulation**

- Improvements in firm entry regulation are associated with higher productivity.
- Better land property rights improve investment decisions by individuals.
- Court efficiency plays a major role in the process of economic development.
- Trading across borders, reduce the time required for import documentary compliance by introducing electronic certificates of origin.

#### **9.2.3 Starting a Business – Required Measure**

- Pakistan should adopt registration of a business through one-stop shop.
- Sole Proprietor Business should also be registered at one-stop shop.
- Firms should also be registered through one-stop shop.
- Relevant trade body registration/license should also be given through FBR /one-stop shop by introducing a single form (on-line) to obtain a business license, organization code and tax registration.
- License should automatically be issued, upon filing of income tax return.
- Name availability requirements may be relaxed and made easier.
- Business object clause should be made easy and any other lawful business should also be allowed
- All registration should be made on-line and automated. Registration approval should be given in a day.
- Just like registration of a company in SECP, tax registration is automatically done, it should also be done in case of individual and firm.
- Just like tax registration GST registration should also be automated and easy at the time of business registration being on-stop shop.
- Likewise, automated simplifying social security and EOBI registrations should also be done.
- No need of use of word “SMC” in the name in case of Single Member Company
- No need of use of word “SMC” in the name in case of Single Member Company.
- The minimum capital requirement should be eliminated
- The requirement to obtain a capital verification report from an auditing firm should also be eliminated in case of Company.
- Micro and Small Companies should be exempted from paying fees. Medium and Large Companies need to pay fixed low flat fee instead of on the basis of authorized capital.

#### **9.2.4 Trading Across Borders**

- In customs valuation should only be done by Bureau of Standards for imports and export of Gems and Jewelry or invoice value whichever is higher.

- Exporting and importing should be made easier by implementing advance Goods Declaration, upgrading port infrastructure, optimizing customs administration and harmonized HS Codes for valuation.

#### **9.2.5 Enforcing Contracts**

- Contract enforcement we should meet WTO standards for contracts and arbitrations.
- Special Commercial Courts should be dedicated for fast decisions by regulating the maximum number of adjournments that can be granted and limiting adjournments to unforeseen and exceptional circumstances.
- In Courts, Electronic Filing be allowed, scheduling should also be made electronic, decision should also be electronically published

#### **9.2.6 Getting Credit**

- SBP should allocate 100 Billion to support this sector, for financing to SMC and gems stone mining by reducing / ease of collateral and subsidies profit rates.
- Bank will be allowed concessions in reserve requirements equal to financing directed towards this sector.
- Improved access to credit information by starting to report payment histories from utility companies and providing credit scores to banks and financial institutions.

#### **9.2.7 Proposal for Ease of Doing Business-Opening a Business**

- Establishment of One Window Facilitation Centre in Islamabad at Gem & Jewelry City.
- Relevant department would be directed to setup their desks under one roof, to expedite process of applications for new businesses to further improve 'ease of doing business.
- Single Point of contact for the new and existing business clients to lodge information. It will facilitate business clients, such as investors and traders to set up new businesses, and to fulfill new & existing business queries.
- Matching business to government resources and providing business referrals.
- Advise exporters on appropriate market entry strategies.

- Provide information with the existing rules, procedures and processes to facilitate the businessmen in every possible manner under law of the land and policy of the Government.
- Provide Security to the Sector / Investors / Business through Economical Insurance Policies.

#### **9.2.8 Reforms for Ease of Doing Business - Dealing with Day to Day Operations**

- Form a Bureau of Standard, and establishment of Assay Office and its accreditation with International Assay Offices for Hallmarking of Gold, silver, or platinum to certify their standard of purity. It will carry a “Purity in Carat”, “Fitness” as well as the “Unit’s Identification” mark, the “Jeweler’s Identification” mark and “Year of Manufacturing”.
- Make Hallmarking mandatory for Gold jewelry and Certification of Gems. This will ensure a quality check on jewelry and certificate of origin of gems.
- Form a statutory body, which will also play an important role in the international cooperation by carrying out technology and economic exchange, as well as organizing trade delegations, in order to help the Pakistani jewelry enterprises to enter the international platform. It will develop collaborative relationships with other countries and regions in all aspects including gems and jewelry education, training and exhibitions.
- Build Pakistan’s largest jewelry Park in Islamabad (Gem & jewelry City) on 200 Kanals with a capacity to have more than “1500” jewelry units of various sizes ranging from “100” - “5000” square feet.

#### **9.2.9 Reforms for Ease of Doing Business –Accessing Finance**

- Gold Monetization Scheme. It will enable individuals, trusts and mutual funds to deposit gold in banks and earn profits in return or take financing against gold at lowest rates.
- Regulated e-market place for trading gems and jewelry and introduce a virtual-reality (VR) experience for the customers. The customer will have to wear a VR headset, through which they can select any jewelry, see it from different angles and zoom it in to view intricate designs.



- To organize Gems & jewelry Trade Association of Pakistan, so that, trading can be self-regulated.
- This system will be more efficient, workable and result-oriented.
- Establishment of Research & Development Institute.
- Banks to release soft loans, on subsidized rates to support this sector.
- Exempt or reduce any Federal Excise Duty (FED), Customs duty, General Sales Tax (GST), and Income Tax on imports of precious metals, gems & jewelry (including diamonds).
- On export of imported gems & jewelry after value addition, all duties and taxes paid on such import may be refunded.
- Abolish GST and Income Tax on sale of Gems and jewelry.
- Guarantee copyright protection of designs.
- Simplified import-export procedure will offer international buyers peace of mind and ease of operation when dealing with Pakistan accordingly revision of SRO 760 will be recommended.
- Establishment of an Import and Export Gem Office at the International Airport expediting the clearance of rough gemstones, export of cut & polished gems, jewels and diamonds.

#### **9.2.10 Special Economic Zones**

“Sector development zone” means a regional development zone in which permissible economic activity shall be limited to one or more sectors as notified by the BOA

Benefits for developers: Unless otherwise provided in a development agreement, developers shall be entitled to the following benefits, namely:-

(a) one time exemption from all custom-duties and taxes on plant and machinery imported into Pakistan except the items listed under Chapter 87 of the Pakistan Customs Tariff, for the setting up of an SEZ subject to verification by the BOI; and

(b) exemption from all taxes on income accruable in relation to the development and operation of the SEZ for a period of five years, starting from the date of signing of the development agreement.

### **9.2.11 Gold Monetization Scheme**

Gold monetization scheme was introduced by the Government of India in the year 2015-16 to mobilize the idle gold lying in the households for productive use. The investment in the gold monetization scheme can be made for a short term, medium-term or long term. This scheme has substantially strengthened the Indian rupee. It is strongly recommended that this scheme should immediately be adopted in Pakistan. It will enable individuals, trusts and mutual funds to deposit gold in banks and earn profits in return or take financing against gold at lowest rates.

### **9.2.12 Process of investing in gold monetization scheme**

- To register under the gold monetization scheme, one need to visit the authorized Purity Testing Centre (PTC) near your location. It is crucial to get your assets tested at the PTC, which will issue you the certificate about the value of your gold. After getting the certificate from the authorized PTC, one needs to visit your bank and show them the same. One may need to open a savings account if they don't have an account in the bank. The bank account will be opened equal to the value of gold, as mentioned in the certificate. The profit earned by the gold monetization scheme will be credited in bank account, and the rate will depend on the tenure of the scheme.
- Tenure: Investment in the gold monetization scheme can be made for short, medium and long tenures. For shorter tenures, you need to invest your gold for 1 to 3 years, and the mandate of medium and long term investment is 5 to 7 years and 12 to 15 years, respectively.
- Profit rate: The gold monetization scheme profit rate is dependent on the investment tenure:  
6.10.4 For short tenure (1 year) : 0.50% per annum  
(1-2 years): 0.60% per annum  
(2-3 years): 1.00% per annum  
For medium and long tenures: 2.00% - 4.00% per annum.
- Forms of investment: Investing gold for a short tenure provides you to choose between getting the physical gold or cash at the time of maturity. However, if you have invested

in a medium and long term gold monetization scheme, the current value of the gold is paid in cash.

- Source of investment: No source of invest will be asked from the investors if invested for five years plus.
- Gold deposit: To invest in the gold monetization scheme, you need to spend a minimum of 30 grams in various gold forms such as; coins, jewelry and gold bars. There is no maximum limit to invest in the scheme.
- Calculation of profit rate: The profit earned in the gold monetization scheme is paid either in grams or rupee form. For short term investments, one may get a profit in the grams form. For instance, if the rate of profit is 1% and one have invested 200 grams, will get 2 grams per annum as profit.
- Tax Free Profit: Profit on this scheme shall be tax free.
- Pakistan Gold Coin: To help in reducing the demand for gold coins minted outside of Pakistan, State Bank of Pakistan should allow minting of gold coins in Pakistan. Pakistan mint could be tasked to take this initiative or a license can be given to private entities. This initiative will also help in recycling the gold within the country. The minting of Pakistan Gold Coin, will be mostly used for investment purposes, and will contribute in generating employment while aide in retention of related profits within the country. Currently, illegal gold minting facilities are operating across Pakistan, which are working without any government oversight and purity standards.
- Gold Exchange Traded Funds: Gold ETF is a type of exchange traded fund (ETF) that is designed to move up and down in price as the market price of gold bullion moves up and down. It is one of the most popular forms of exchange traded commodity (ETC). Basically they are mutual funds that stock up gold and then issue units for the same value for investors to trade. Gold ETF allows investors to hold gold electronically in paperless form. This will help Pakistani households to invest in gold while avoiding the pitfalls of security and storage costs related to holding gold at homes.

## MEETING WITH GOVERNOR PUNJAB 25-09-2020



## Meeting With Governor Sindh



## **10. WAY FORWARD**

1. The Task Force was constituted in pursuance of the Prime Minister Office Notification No.380/DS (EA-1)2020 dated 08.09.2020.
2. The Task Force carried out its work in accordance with its scope immediately as soon the same is constituted. Various sub-committees were constituted and periodical meetings of the task force were held on a weekly basis. The deliberations were made and the valuable input was incorporated in the detailed reports.
3. The Chairman, Task Force has also issued letters to seek the input of the Federal and Provincial relevant public sector entities, however except few, the response remained lukewarm as no information is received till to-date.
4. In accordance with the para 2(n) of the Task Force notification, the term of the Task Force is 60 days. However the scope of the value chain of Gems & Jewelry Sector i.e. Mine-Market falls under Federal and Provincial domain. For inter-provincial consultation and to meet constitutional requirements, the provinces have to be taken on board and the consultative process of the task Force may be carried out at provincial headquarters.
5. Hence the term of the Task Force may be extended further to continue the consultation process with Provinces and to monitor the implementation of the recommendations, and till the successful achievement of targets set by Task Force in the best interest of Pakistan.
6. According to Prime Minister's vision, the conceptual design and plan for the vertical Gems and Jewelry City in Islamabad is ready to be presented on the availability of the Prime Minister, so that its proper inauguration can be planned.
7. The detailed recommendations of the task force are presented as summary of Task Force findings in the report. A comprehensive package for the revival of Gems and Jewelry industry requested from the Prime Minister is attached as Annex A.

***Prime Minister is requested to chair the Task Force weekly meetings or once a month. It will facilitate the implementation of the recommendations to successfully achieve the targets set by Task Force.***

### **Time Bound Action Plan**

Actions	Time
Announcement of Honorable Prime Minister Package	1 Month
Establishment of Pakistan Gems & Jewelry Export Promotion Council	4 Months
Gems and Jewelry city Inauguration	6 Months
Establishment of Customs desk and Goods Terminal	6 Months
Introduction Assaying and Hallmarking System	6 Months
Introduction of E-Commerce Facilities	6 Months
Establishment of Gold Bank (Precious Metals)	1 Year
Introduction of Gold monetization policy	6 Month
Banking Reforms	6 Months
Tariff and Non-Tariff policy reforms	1 Year
National online database for gemstone deposits	1.5 Years
Establishment of common machinery and tool facilitation centers	2 Years