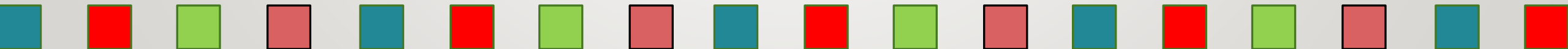


Bangladesh's Gold Policy: Achievements and Expectations

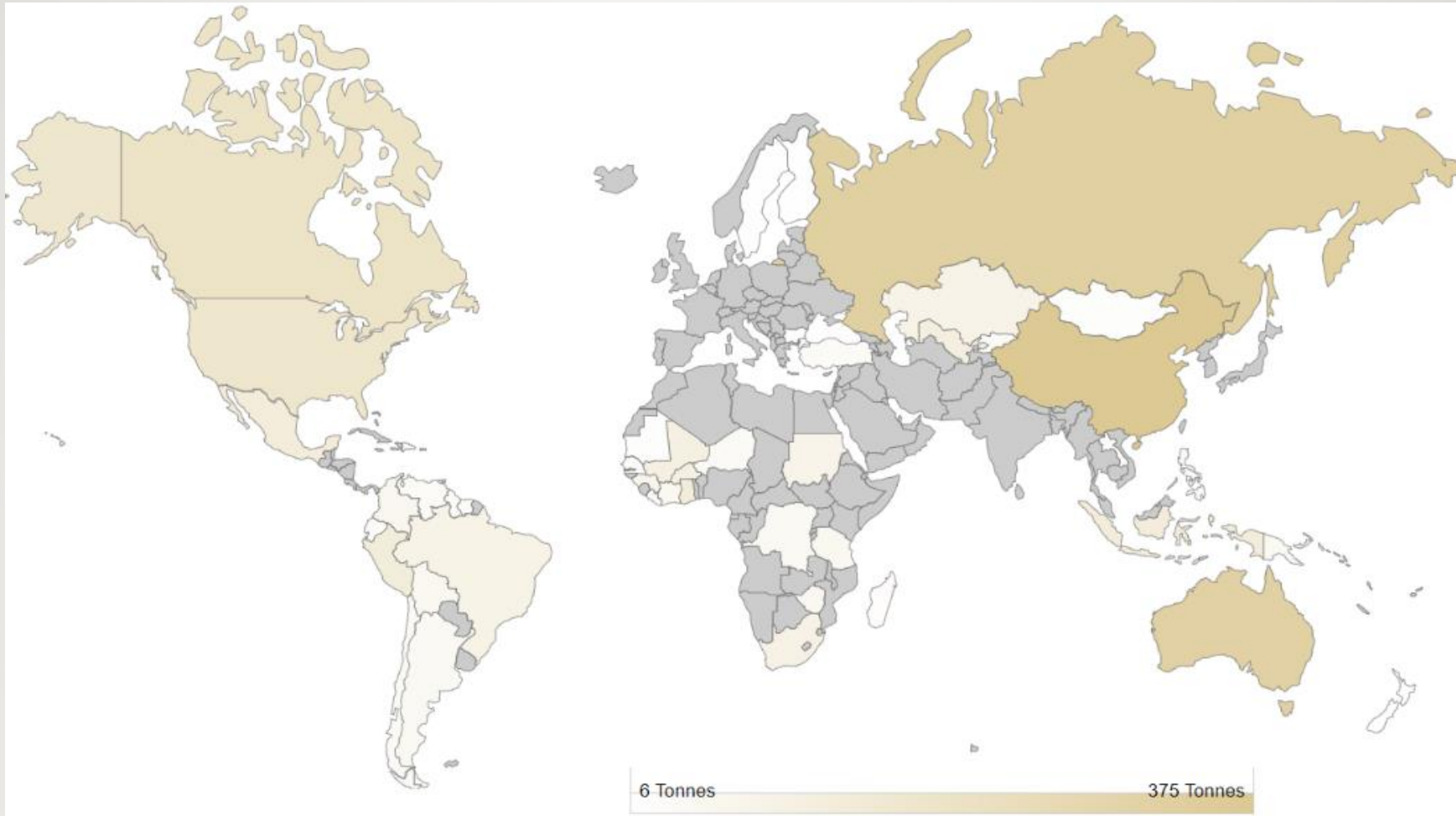
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Presented at the seminar on "Gold Policy: Achievements and Expectations"
Organised by BAJUS

International Convention City Bashundhara (ICCB), Dhaka
8-10 February 2024



Global mine production of gold*

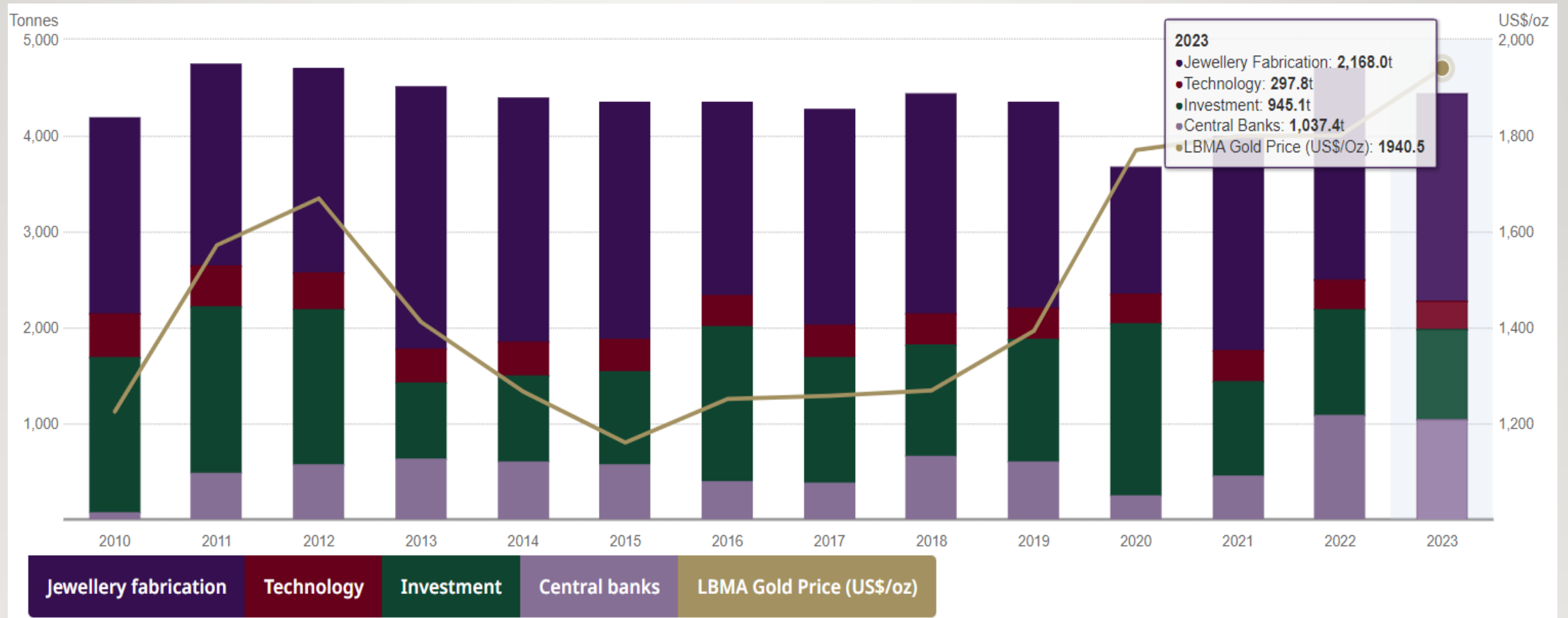


*Data as of 31 December, 2022

Source: Metals Focus; World Gold Council



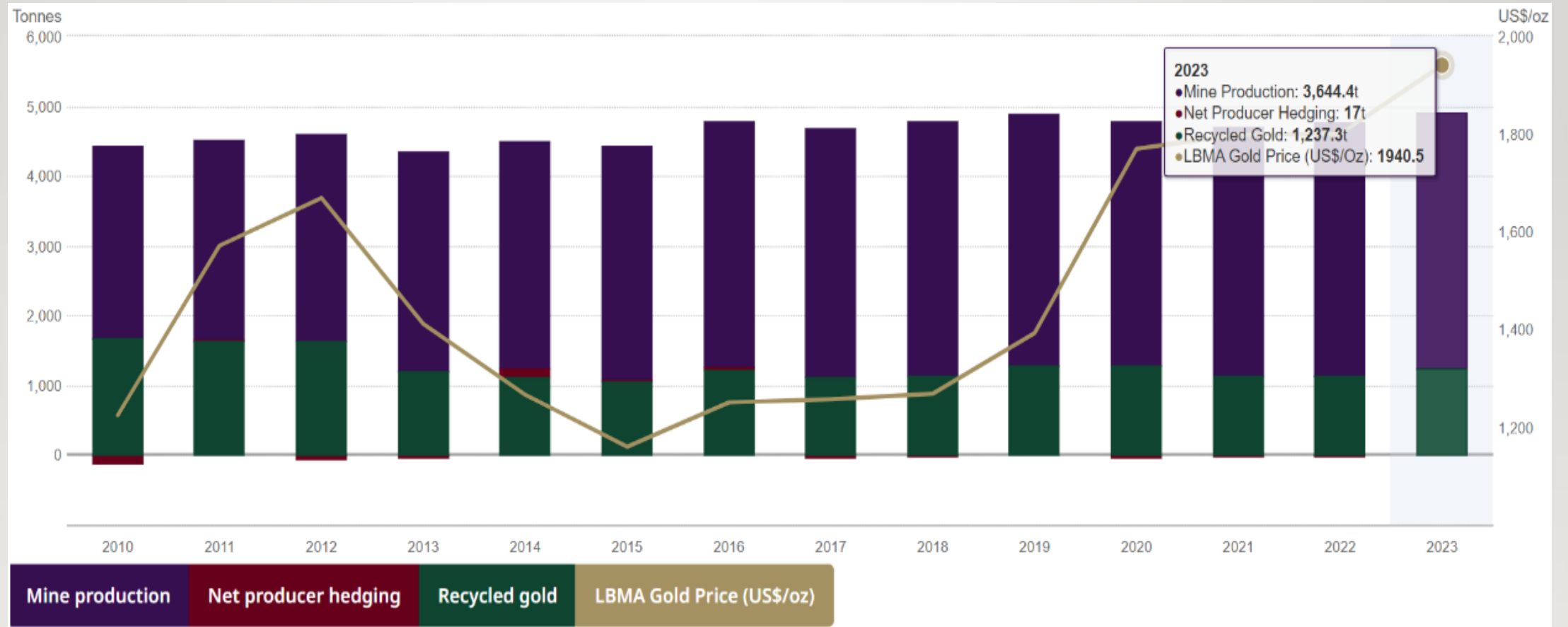
Global demand for gold



Source: World Gold Council (as of 08 February 2024)



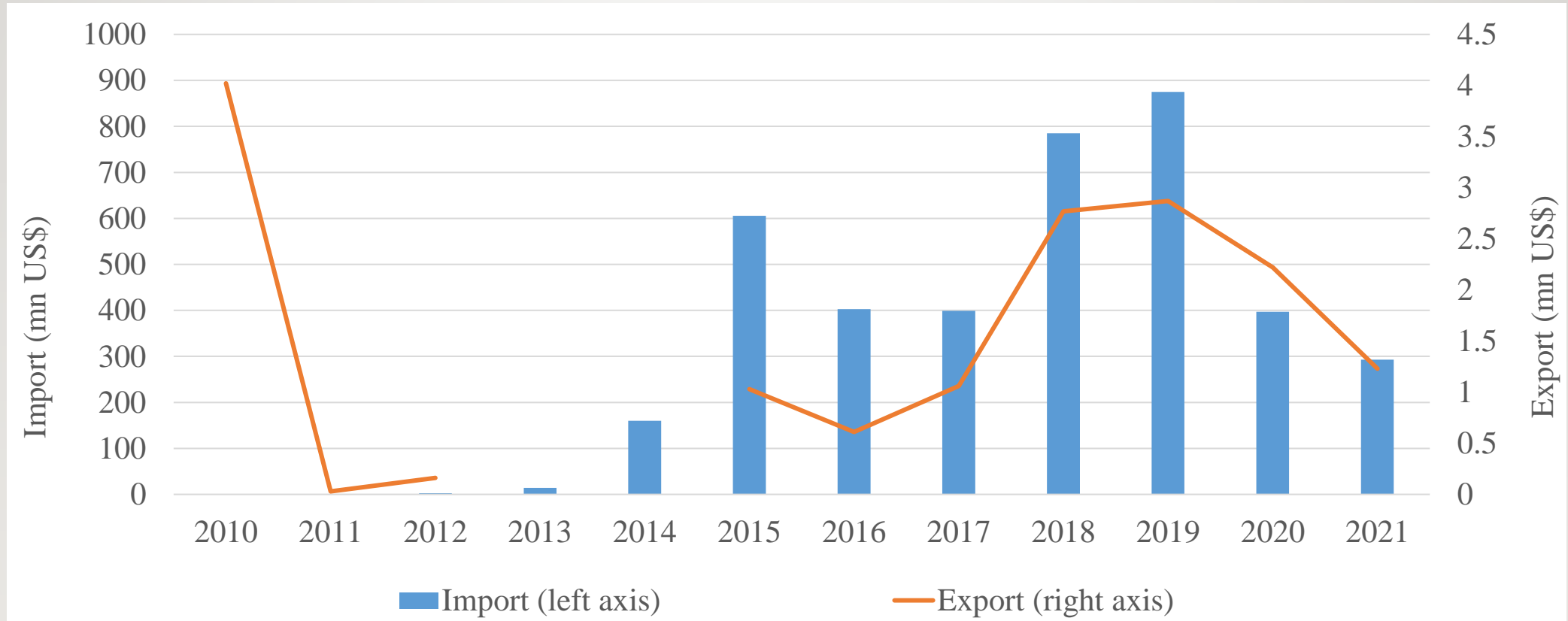
Global supply of gold



Source: World Gold Council (as of 08 February 2024)



Gold Trade in Bangladesh (million US\$)



- UAE, Malaysia, Singapore and Thailand are the main recent import sources
- UAE, Oman, Ireland, Thailand and Nepal are the recent export destinations. The only destination was UAE in 2021



Gold Policy of Bangladesh

- Gold Policy 2018, amended by the government on 28 October 2021
- A significant step towards formalising the gold trade, attracting investment, and boosting the country's economy.
- Introduced with the vision of creating an open and transparent gold market in Bangladesh
- World gold jewelry market is estimated at US\$2.4 trillion, and Bangladesh's policy is a strategic move to tap into this worthwhile market
- Policy included several incentives for exporters, such as tax benefits and the allocation of land for factories in SEZs



Gold Policy ...

- Formalise the gold sector, promote responsible practices, and enhance value addition in this sector through refinery
- Focus on sustainability, transparency, and inclusivity
- Standard Operating Procedure (SOP)
 - Ministry of Commerce issued an SOP for the establishment and operation of gold refineries, effective from 7 July 2021, which was subsequently amended and published as a gazette notification on 7 October 2021
 - allows for the import of unrefined (ore) or partially refined (doré) gold alongside gold and gold bars, as well as the establishment of refineries in the country

- 
- Authorised capital worth at least Tk.10 billion and paid-up capital worth Tk.1 billion
 - Required to set up the refineries on at least 20 bigha of their permanent and own land in the same plot
 - The local investment including refinery and jewelry have been encouraged in the policy through giving priority for 10 years
 - Global jewelry market is projected to reach US\$518.90 billion by 2030
- 

Procedures to Install and Operate Gold Refinery (Amended) 2021

Core objective

- Establish gold refinery to manufacture gold bar and coin for domestic use and international trade
- installing internationally utilised and recognised machinery and cutting-edge technologies
- adhering to environmental, social, managerial and standard-related compliances
- It will also allow Bangladesh to export gold bars and coins with a branding logo after meeting the local demand, thus helping diversify the country's export basket



Gold policy

- Mandatory hallmarks
- Establishing legal gold holdings is an important contribution
- Address technological and innovation gaps - technology, production processes, design, and innovation in the jewelry industry
- Data management, accountability and ensuring consumer protection





Drawbacks of the Policy

- Reduced VAT from 10 to 5 percent for jewelry traders and withdrawn the advanced tax on gold imports
- BAJUS has requested a further reduction of VAT to 2 percent
 - Risk of revenue loss
- Despite the government's efforts to curb informal trade of gold, it still remains a significant problem
- Issues related to quality, design, and production capabilities to emerge as a viable jewelry supplier to global market
- Tax removal - ensuring industry benefit and consumers' welfare is a considerable challenge
- Effective implementation and enforcement of the policy is a major challenge for the government given the inadequate absence from the private sector – refinery – in the present of high *interest rate*, and **contractionary** monetary policy

Way forward

- Focus on curbing the informal trade of gold and ensuring transparency in its trade and to promote ethical and legal practices within the industry
- Formulate a perspective plan for the sector
- Facilitate of domestic private investment and FDI with primary focus on local investors
- Create a special fund by Bangladesh Bank to provide fund to gold jewelry exporters, small and medium entrepreneurs, establishing large-scale lab and modernisation of the jewelry manufacturing
- Consider granting tax holiday for ten years on gold refinery and in the domestic private investment at SEZs for exporting gold jewelry



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- Create skilled manpower - can also work in the overseas labour market of gold refinery industry
 - Global market of gold and gold-plated jewelry, gold bar and coin is expected to grow in the future, and Bangladesh can position itself to capitalise on this growth by refining and exporting gold products
 - Provide incentives, policy support, rationalise bond facility and provide duty drawback for increasing export of gold jewelry, bar and coin
 - Ensure that all gold products are accurately hallmarked and that consumers are well-informed about the quality of the gold and jewelry they purchase
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Thank You

