3rd Bangladesh-China Renewable Energy Forum

Addressing Institutional Challenges in the Investment Cycle of the Renewable Energy:
Case of Chinese Overseas Investment

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1. Introduction

1. Introduction

- **Overseas investment** is essential for Bangladesh's growth, especially in the **renewable energy** sector
- Bangladesh has **much to learn from China's experience**
  - Bangladesh **could leverage Chinese investments** to enhance its own renewable energy sector, while also benefiting from knowledge transfer (Ahn, Kim, Li, & Manera, 2024)
- Chinese investments are among the **largest in Bangladesh** - totaling US$2.65 billion (including Hong Kong)
  - It constitutes 15.1% of Bangladesh's total foreign direct investment (FDI) stock in 2024
  - China's investment in the renewable energy sector is **over 50% of the total investment**
- The Bangladesh-China Bilateral Investment Treaty (**B-C BIT**) provides Chinese investors with **several advantages**
  - These include **fair and equitable treatment**, protection no less favorable than that for third-party nations, guarantees for the transfer of investments and returns, and a proper dispute resolution mechanism
- To access these benefits, Chinese investors **must navigate** various legal, operational, and logistical **requirements,** especially during the pre-establishment phase.
  - These compliance challenges are often seen as **administrative hurdles** by Chinese investors.
  - If these barriers are not addressed, Bangladesh may **struggle to attract** and retain valuable foreign investments
- The study will **focus** on the **institutional challenges in the investment cycle**, particularly during the pre-establishment and post-establishment phases, for Chinese overseas investments in Bangladesh's renewable energy sector

1. Introduction

Objective of the Study

The study seeks to achieve the following objectives:

a) To **review current institutional and operational practices** that Chinese investors must comply with across the pre-establishment and post-establishment phases of investment in the renewable energy sector.

b) To **identify key weaknesses** in institutional and administrative frameworks that contribute to unnecessary delays, inefficiencies, and ultimately deter foreign investment.

c) To **examine international best practices**—especially successful Chinese models—for investment facilitation and **extract lessons** for reforming Bangladesh's institutional processes.

d) To **propose actionable, time-phased recommendations** (short-, medium-, and long-term) aimed at improving the policy, institutional, and procedural landscape surrounding foreign investment in renewable energy.

1. Introduction

What is Investment Facilitation?

Investment facilitation and Investment promotion are two separate issues. **Investment facilitation** refers to a set of policies and measures designed to make it easier for investors to **start, operate, and expand** their businesses.

- It focuses on eliminating practical, day-to-day barriers that investors face on the ground.
- These include improving **transparency**, **streamlining administrative procedures**, increasing predictability in regulatory enforcement, and **strengthening communication** between the government and investors.

While many governments around the world have made efforts to **promote investment** through incentives and special zones, a significantly **smaller portion** of attention has been given to **facilitation measures.** And Bangladesh is not an exception.

- According to a UNCTAD study, only 20% of global investment-attraction measures since 2010 focused on facilitation.
- The rest leaned heavily on **promotional tactics** like tax holidays and marketing strategies, often implemented via **Investment Promotion Agencies (IPAs).**
- This imbalance limits the practical ease of doing business for incoming investors.

1. Introduction

UNCTAD's Global Action Menu for Investment Facilitation

1. Promote **accessibility and transparency** in investment policies, regulations, and procedures.
2. Enhance **predictability and consistency** in policy application.
3. Improve **efficiency** of investment-related administrative processes.
4. Build **constructive relationships** with stakeholders involved in policy formulation and implementation.
5. Designate a **lead agency or focal point** to handle investor complaints and mitigate disputes.
6. Create **monitoring and review mechanisms** to track and improve facilitation processes.
7. Promote **international cooperation** on investment facilitation.
8. Provide **technical assistance** to developing-country partners to strengthen their facilitation capacity.
9. Build **institutional capacity** for proactive investment attraction.
10. Align investment facilitation with **international agreements** and development goals.

1. Introduction

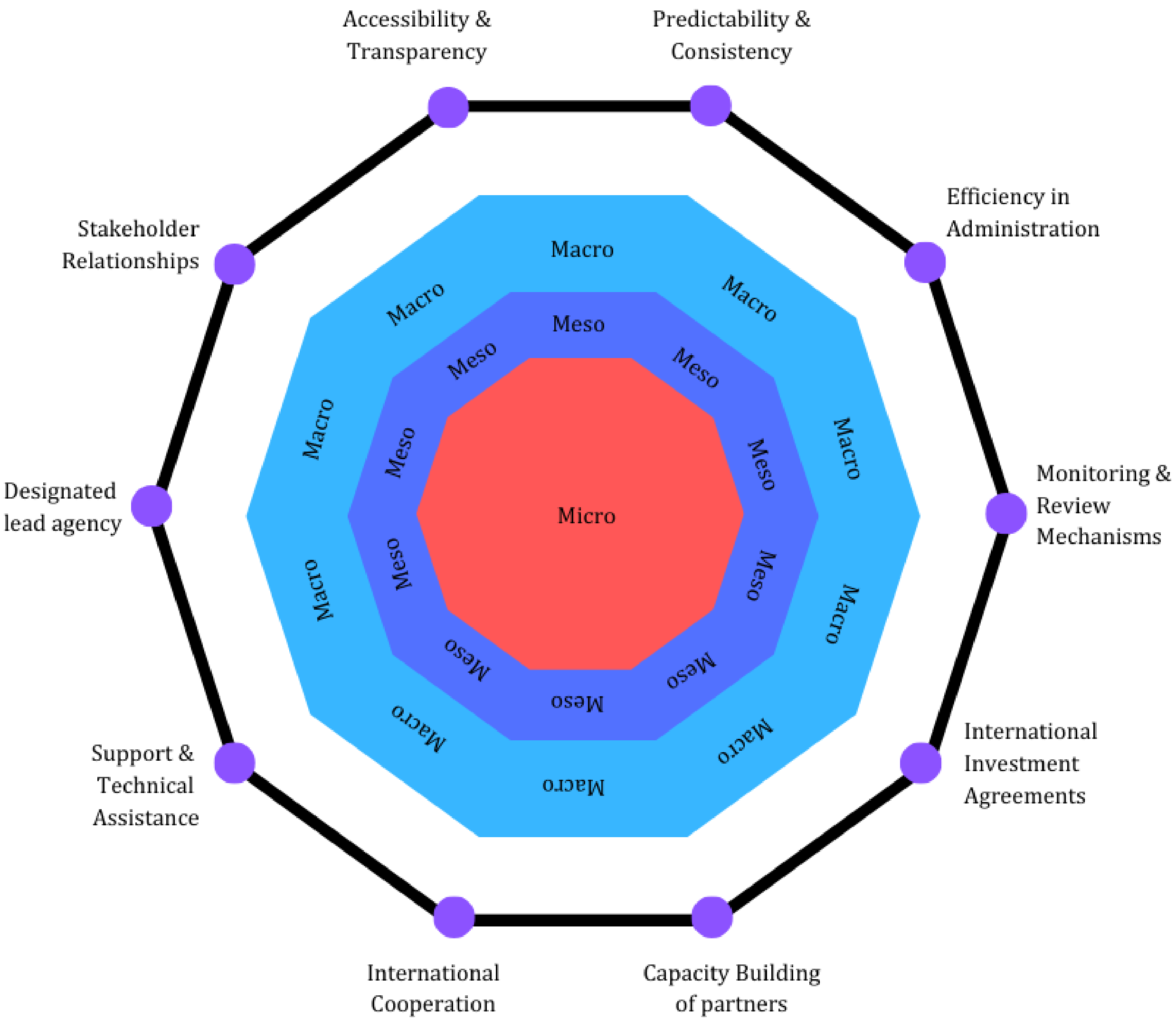
Global Action Menu for Investment Facilitation: Level of Analysis

Chinese investors in the renewable energy sector must interact with Bangladesh's institutions at all three levels:

A. Macro: Navigating BITs, repatriation rules, and sectoral policies
B. Meso: Applying for generation licenses, land clearance, and PPA contracts
C. Micro: Registering companies, handling customs, or obtaining work permits

A structured diagnosis along macro-meso-micro lines will **highlight where frictions are most acute and actionable**.

Figure 1: UNCTAD's Global Action Menu for Investment Facilitation in Multiple Levels



1. Introduction

Table: Description of the Aspects of the Framework in Three Levels

Aspects of Framework	Macro Level	Meso Level	Micro Level
1. Accessibility and transparency in investment policies and regulations	Provide clear and up-to-date information on the investment regime	Establish a single window for inquiries regarding investment policies	Maintain a mechanism for providing notice of changes in procedures and standards
2. Enhance predictability and consistency in the application of investment policies	Ensure consistent application of investment regulations across institutions	Avoid discriminatory bureaucratic discretion in applying laws	Establish clear criteria and procedures for administrative decisions
3. Improve the efficiency of investment administrative procedures	Shorten processing time for investment applications	Promote time-bound approval processes	Foster cooperation between institutions and streamline approval procedures
4. Build constructive stakeholder relationships in investment policy practice	Maintain mechanisms for regular consultations with investment stakeholders	Provide a platform for stakeholders to comment on proposed laws and regulations	Promote responsible business conduct and improve corporate governance standards
5. Designate a lead agency or investment facilitator	Address investor complaints and track disputes	Ensure greater transparency in investment legislation	Provide information on legislative and regulatory issues, track investor problems
6. Establish monitoring and review mechanisms for investment facilitation	Adopt diagnostic tools to assess the efficiency of administrative procedures	Benchmark performance of investment institutions in line with international best practices	Continuously monitor and review investment facilitation mechanisms
7. Enhance international cooperation on investment facilitation	Establish consultations between authorities to monitor facilitation measures	Collaborate on anti-corruption in the investment process	Exchange expertise and design work plans for investment facilitation
8. Strengthen investment facilitation efforts in developing-country partners	Support transparent and effective administrative processes	Build capacity in investment promotion agencies (IPAs)	Foster effective dialogues with the private sector to prevent investment disputes
9. Enhance investment policy and proactive investment attraction in developing-country partners	Build expertise in IPAs for investment project development	Focus on sustainable development and green investments	Provide aftercare services and facilitate local enterprise linkages
10. Complement investment facilitation by enhancing international cooperation for investment promotion	Encourage home countries to provide outward investment support	Encourage responsible business conduct from outward investors	Foster formal collaboration between outward investment agencies and IPAs

1. Introduction

Analysis Plan of the Study

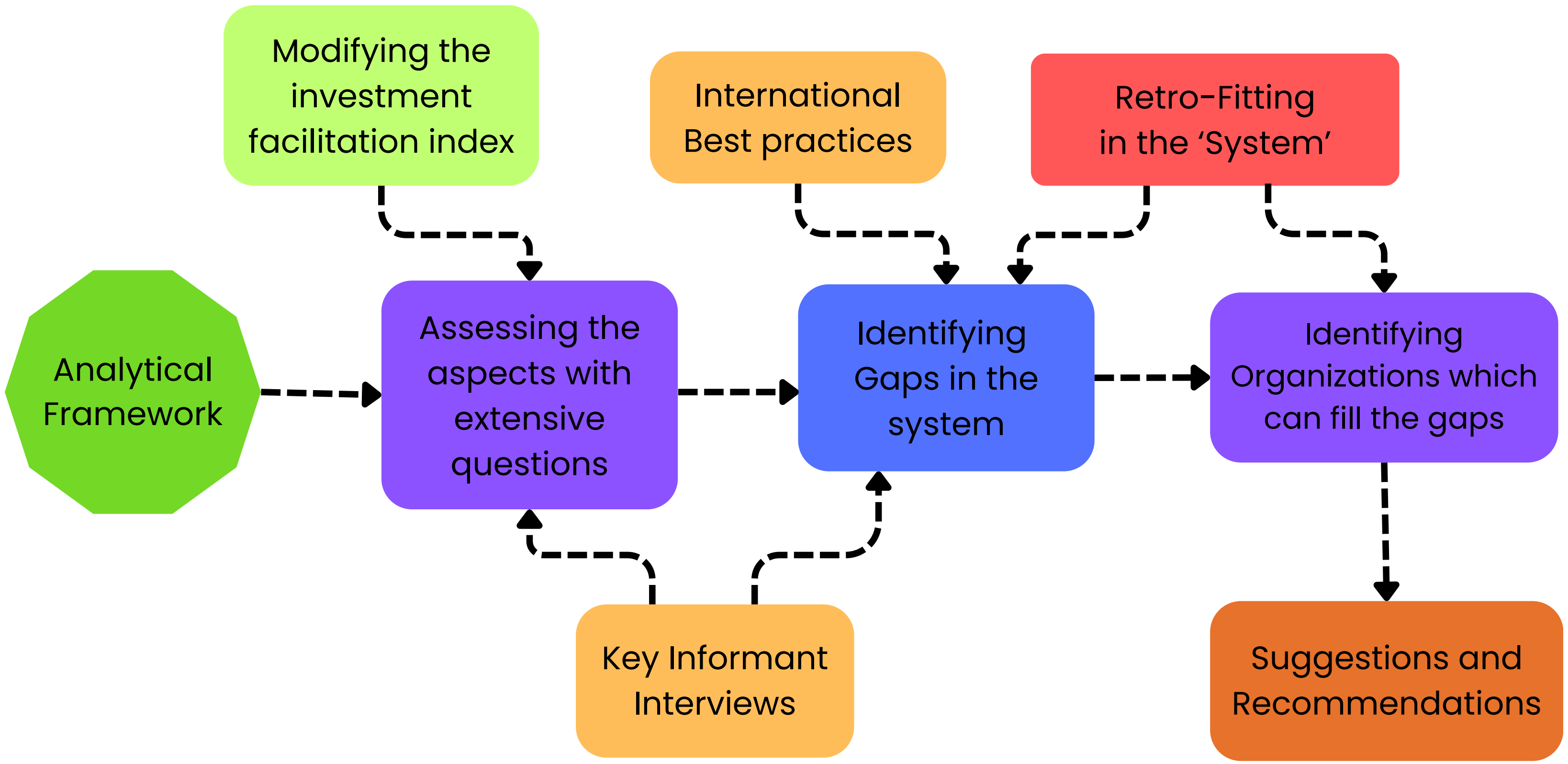
A Strategic Reform Methodology
Retrofitting = **Upgrading existing systems** without full-scale replacement

In investment facilitation, this means:

a) Diagnosing and improving inefficient processes
b) Avoiding disruptive institutional overhauls
c) Redefining agency roles where coordination breaks down
d) Making rules and standards clearer and more accessible

Retrofitting enables feasible, stepwise improvement while preserving system stability.

Figure 2: Analysis Plan of the Study



Source: Author's Illustration

2. Overview of the Stages of Overseas Investment in Renewable Energy Sector

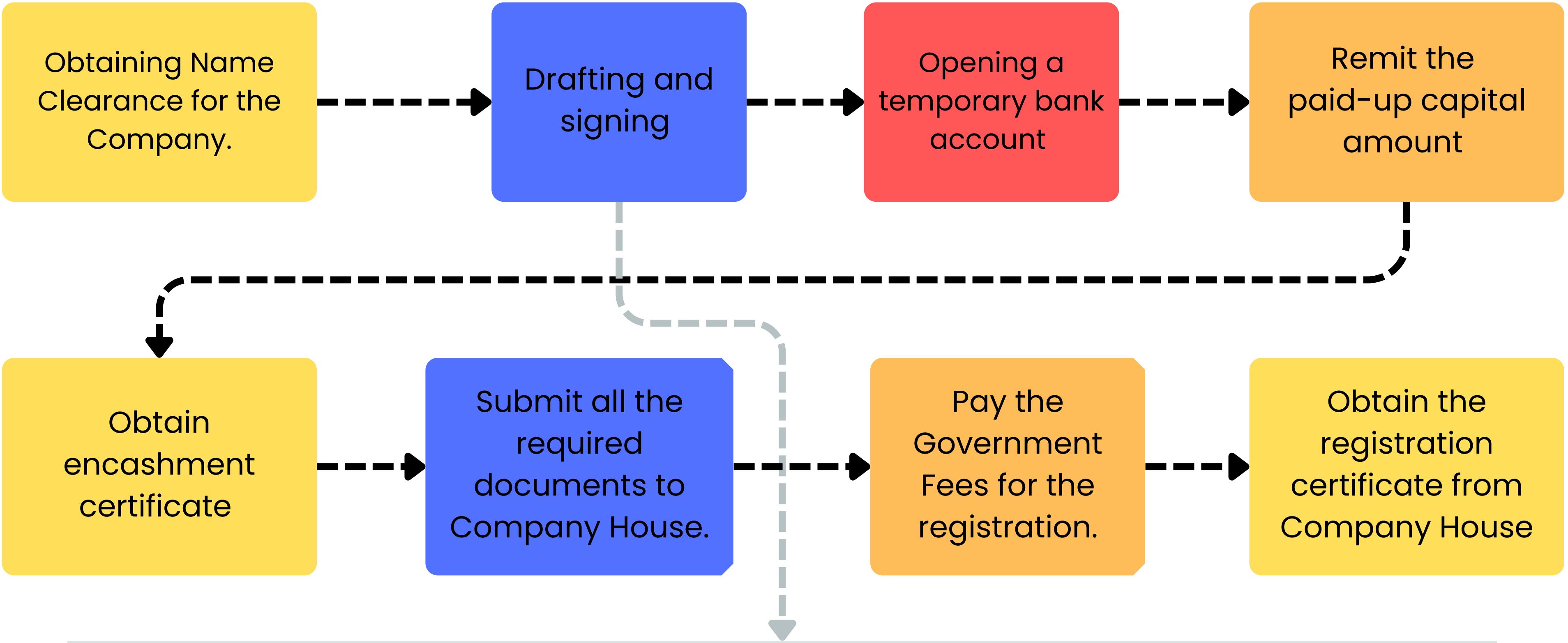
2. Stages of Overseas Investment in the Renewable Energy Sector

- For a more effective analysis, this study focuses on solar businesses and projects, as solar energy is the most dominant renewable energy source in Bangladesh. For Chinese investors, investment and returns are linked to different stages of the energy business:
  a) **Business Establishment**: Initial investment is required to obtain a license, set up an office, and establish the business.
  b) **Project Implementation**: Various projects differ in scale and solicitation, each following specific procedures. Investment requirements vary depending on the business model and project type.
  c) **Post-Establishment Operations**: This stage involves key aspects such as operations, equipment imports, profit repatriation etc.
- In this study the **first two stages** will be discussed at length as investors are facing major issues in these stages. In the context of Bangladesh majority of the project have not yet reached the stage. However, issues regarding the post establishment issues were included in the discussion as necessary.

2. Stages of Overseas Investment in the Renewable Energy Sector

2.1 Overview of the Business Establishment Process

Figure 3: Steps to Setup an Energy Business in Bangladesh



- Memorandum and Articles of Association of the company.
- Declaration On Registration of Company.
- Notice Of Situation of Registered Office.
- Consent of director to act.
- List of Personal Consenting to be Directors.
- Particulars of the directors, manager and managing agents.

Source: Author's Illustration from (FM Associates, n.d.)

2. Stages of Overseas Investment in the Renewable Energy Sector

Different authorities and varied processes are associated with these additional licenses.

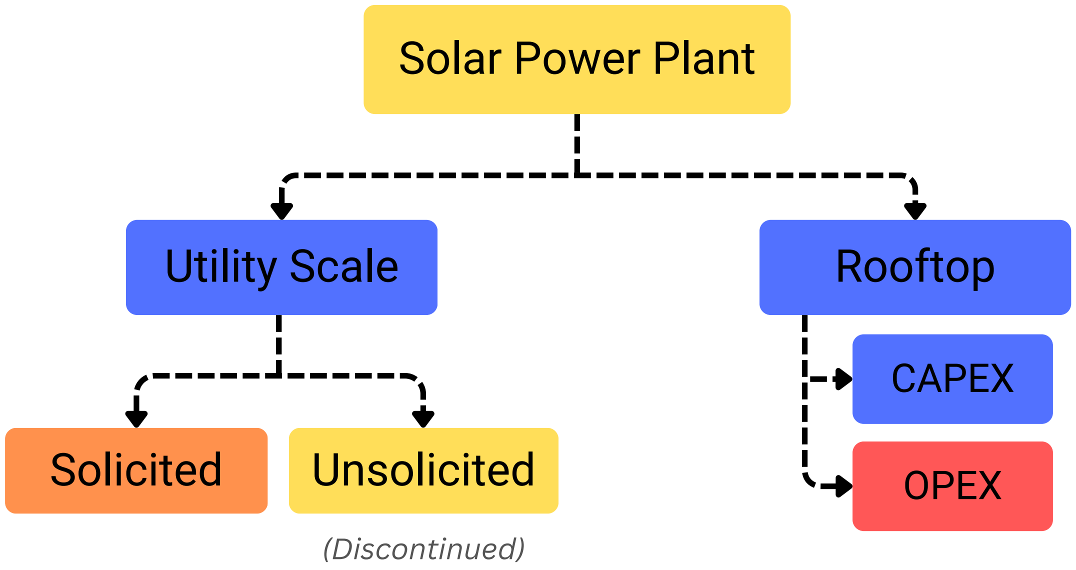
Table 4: Licensing Institutions and the Process of Application

Institution	License Name	Process
Before BIDA Clearance		
City Corporation / Municipal Corporation / Union Parishad	Trade License	Submit an application with necessary documents
National Board of Revenue (NBR)	TIN Certificate	Submit an online application
	VAT Certificate (BIN Registration)	Submit an online application
Office of the Chief Controller of Imports and Exports (CCI&E)	Import Registration Certificate (IRC)	Submit an online application
	Export Registration Certificate (ERC)	Submit an online application
Bangladesh Investment Development Authority (BIDA)	Industrial Investment Project Registration	Submit an application with necessary documents (with previous 5 documents)
After BIDA Clearance		
Department of Inspection for Factories and Establishments (DIFE)	Plant Layout Approval	Submit an application with necessary documents
	Plant License	Submit an application with necessary documents
Chamber of Commerce & Trade Associations. (BSREA Proposed)	Membership Certificate	Submit an application form
Department of Environment	Environment Clearance Certificate (ECC)	Submit an application with necessary documents
Fire Service and Civil Defense (FSCD)	Fire License	Submit an application
Department of Patents, Designs, and Trademarks (DPDT)	Trademark Registration	File an application with necessary documents
Bangladesh Energy Regulatory Commission (BERC)	Captive Power Plant (CPP) License	Application to the Secretary of BERC

2.2 Overview of the Process of Project Implementation

- Solar power plants in Bangladesh are mostly utility-scale and rooftop.
- Utility-scale solar plants can be solicited or unsolicited, and in past years mostly the unsolicited process was used, which is now discontinued.
- Recently, new solicited solar projects from the government have started.

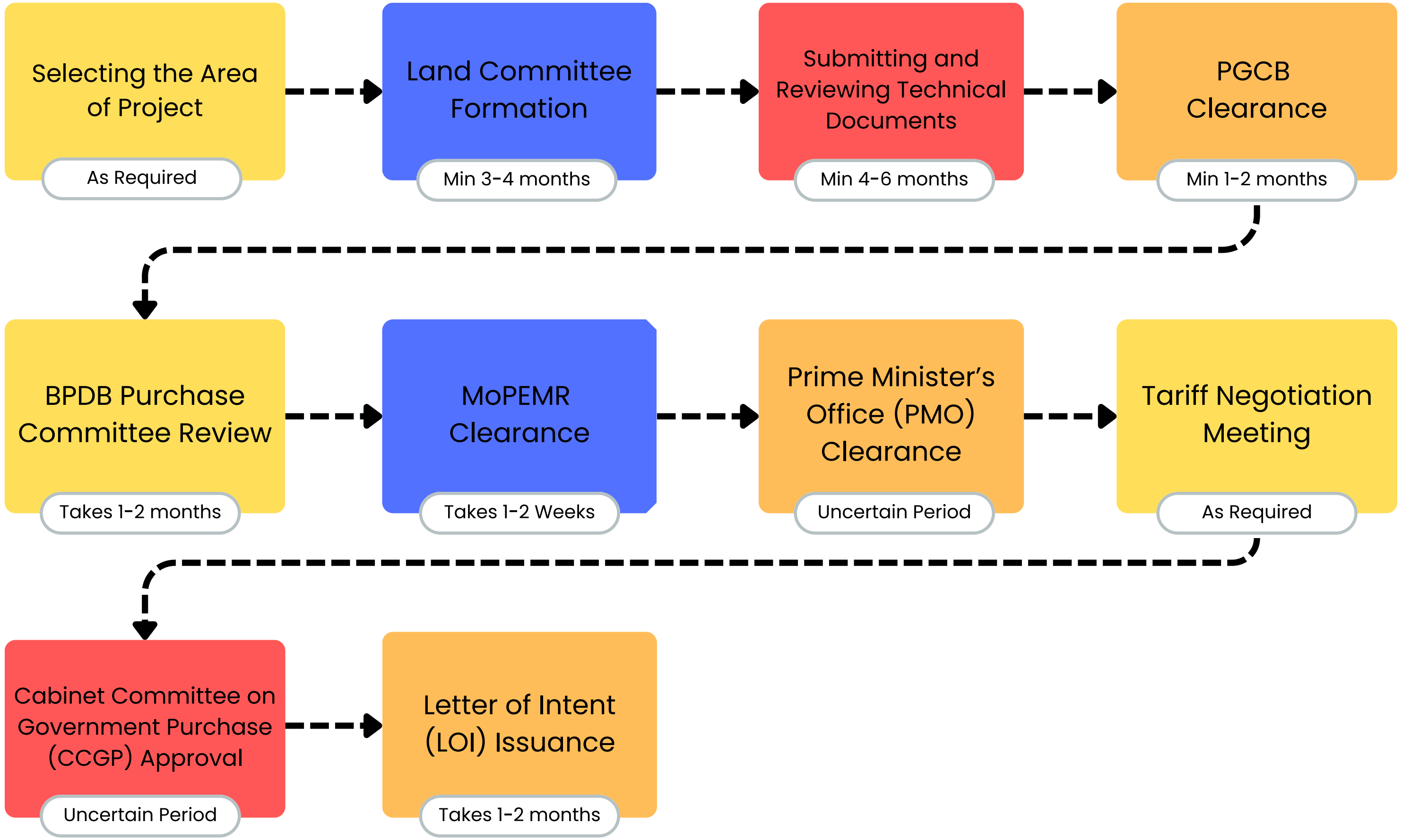
Figure 4: Types of Solar Power Plant Projects in Bangladesh



2.2.1 Overview of the Process of Project Implementation: Unsolicited Process

The implementation of the unsolicited solar power plant project is relatively complex and lengthy.

Figure 5: Steps for Setting Up Unsolicited Utility-Scale Solar Plants in Bangladesh



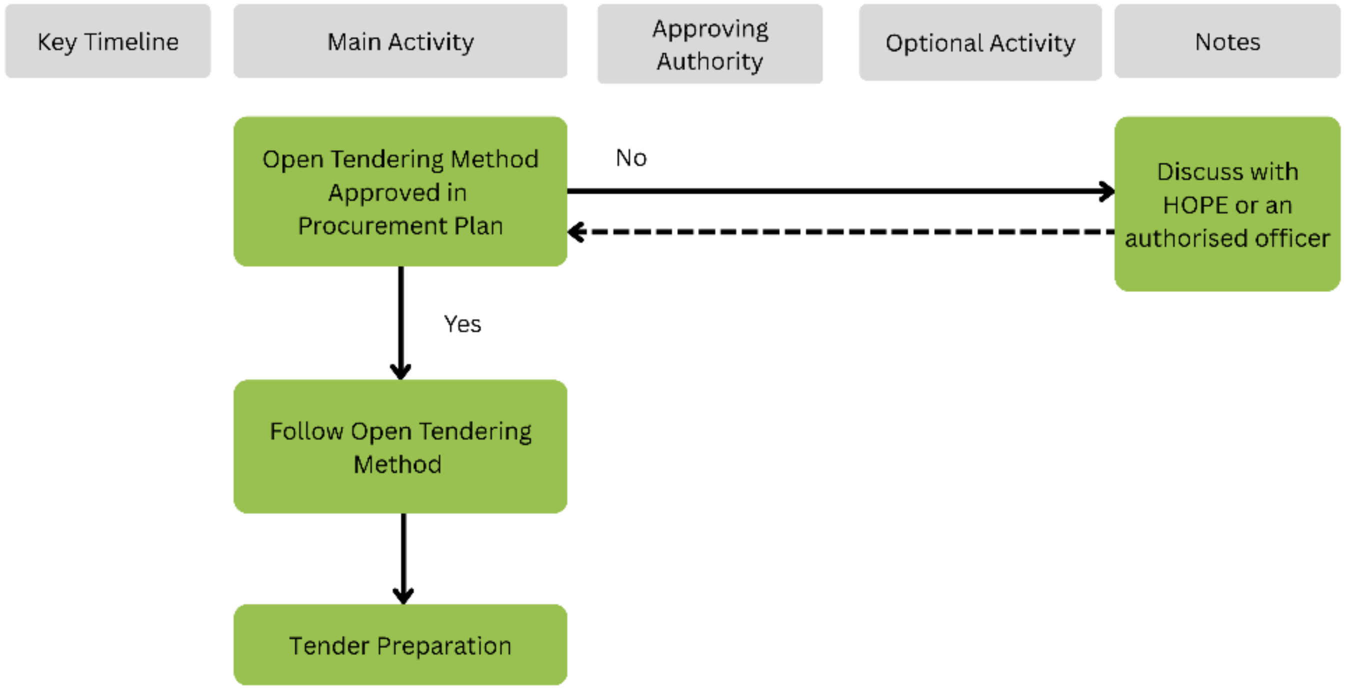
2.2.2 Overview of the Process of Project Implementation: Solicited Process

- At present, all utility-scale solar power projects in Bangladesh are developed under a solicited mode through an Open Tender Process administered by the Bangladesh Power Development Board (BPDB).

- The process comprises several key steps, that is designed to ensure transparency, technical viability, and financial competitiveness.

- The tender follows the **One Stage Two Envelope Tendering Method (OSTETM).** Bidders submit two envelopes: one with technical documents and another with financial documents. First, only the technical envelope is opened. If the bidder meets all technical standards, then the financial envelope is opened.

Figure 6: Tender Procurement Plan



2. Stages of Overseas Investment in the Renewable Energy Sector

Figure 7: Tender Preparation

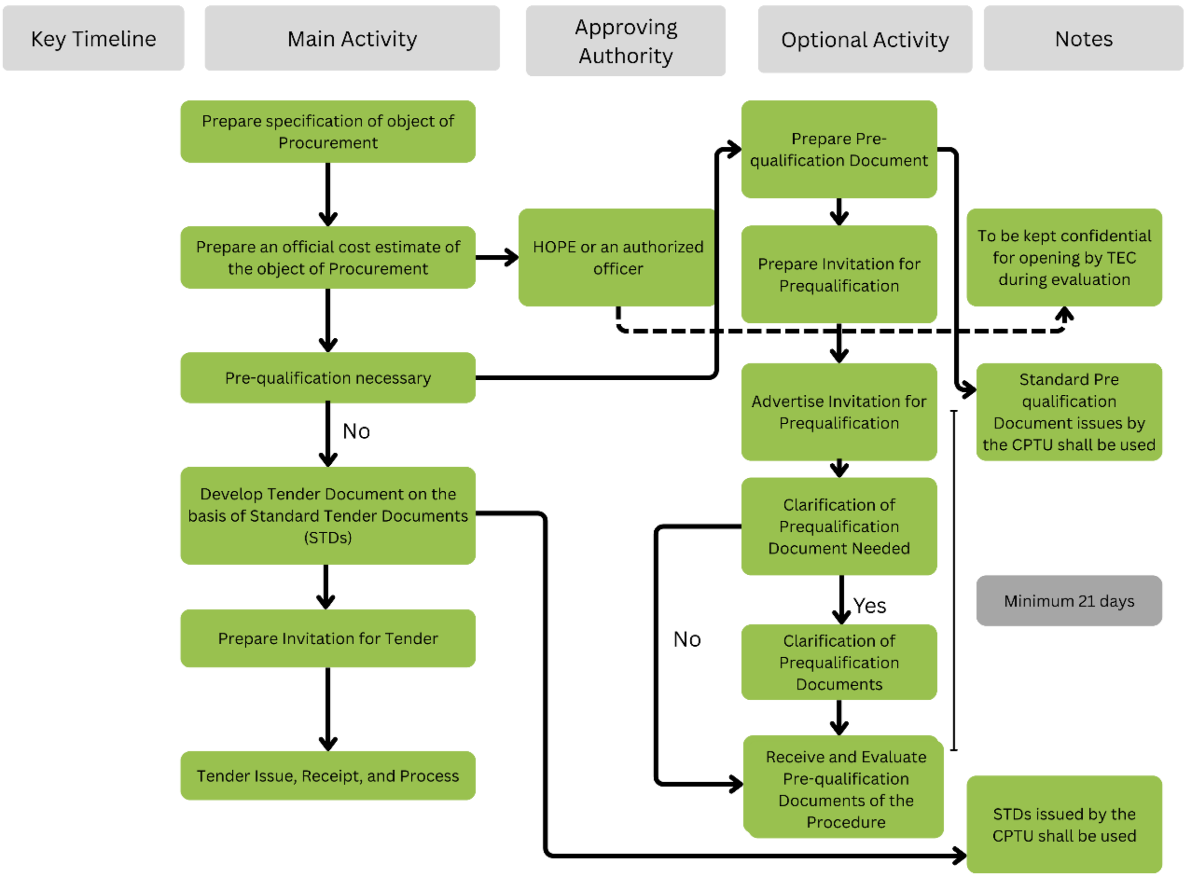
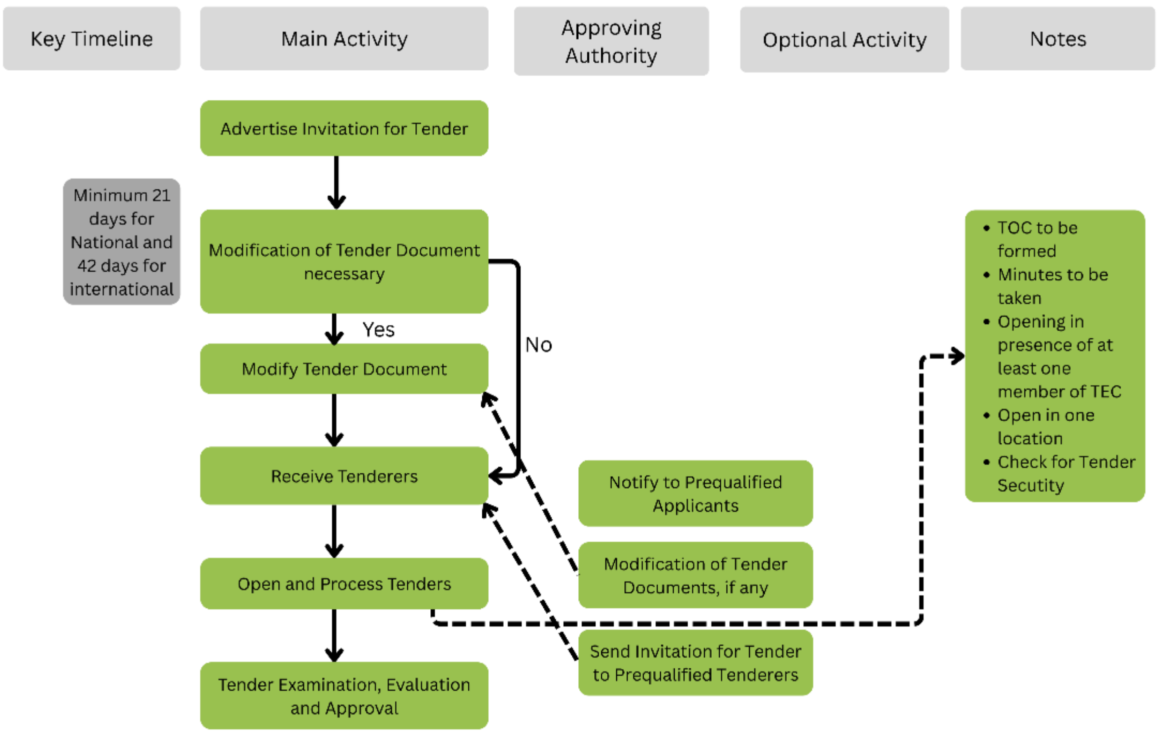


Figure 8: Tender Issue, Receipt, and Process



2. Stages of Overseas Investment in the Renewable Energy Sector

Figure 9: Tender Examination, Evaluation, and Approval

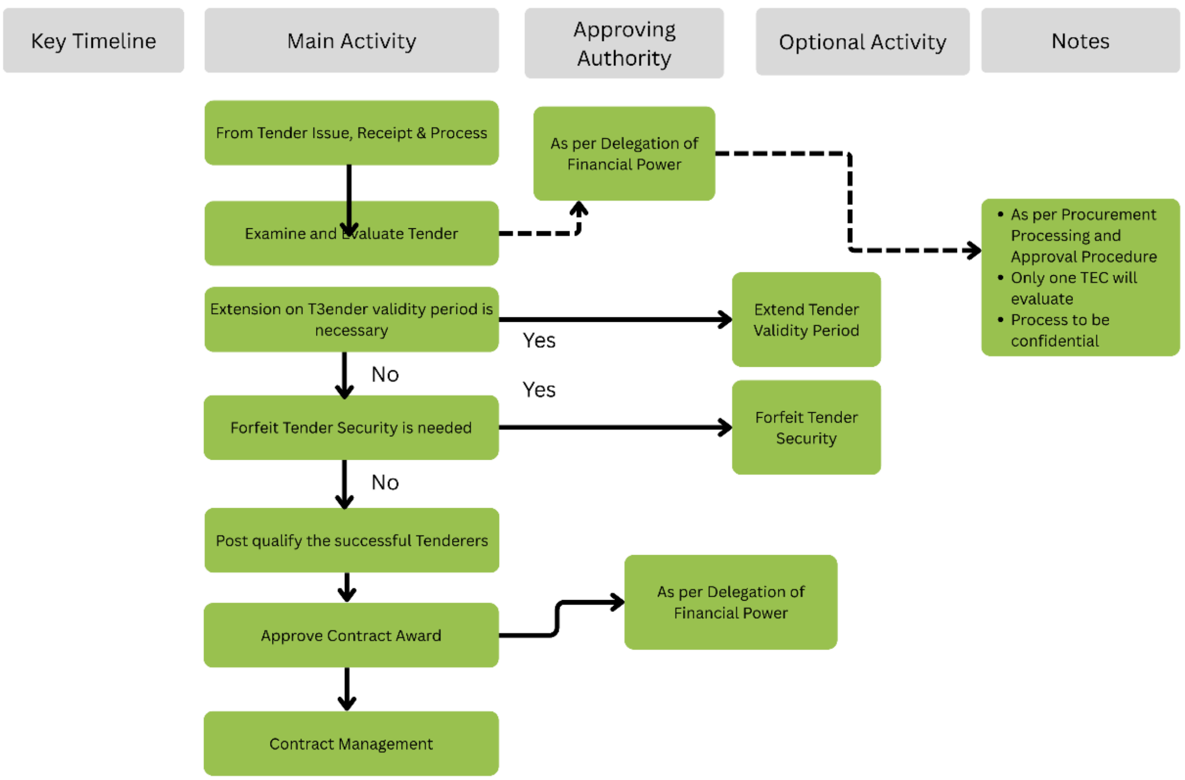
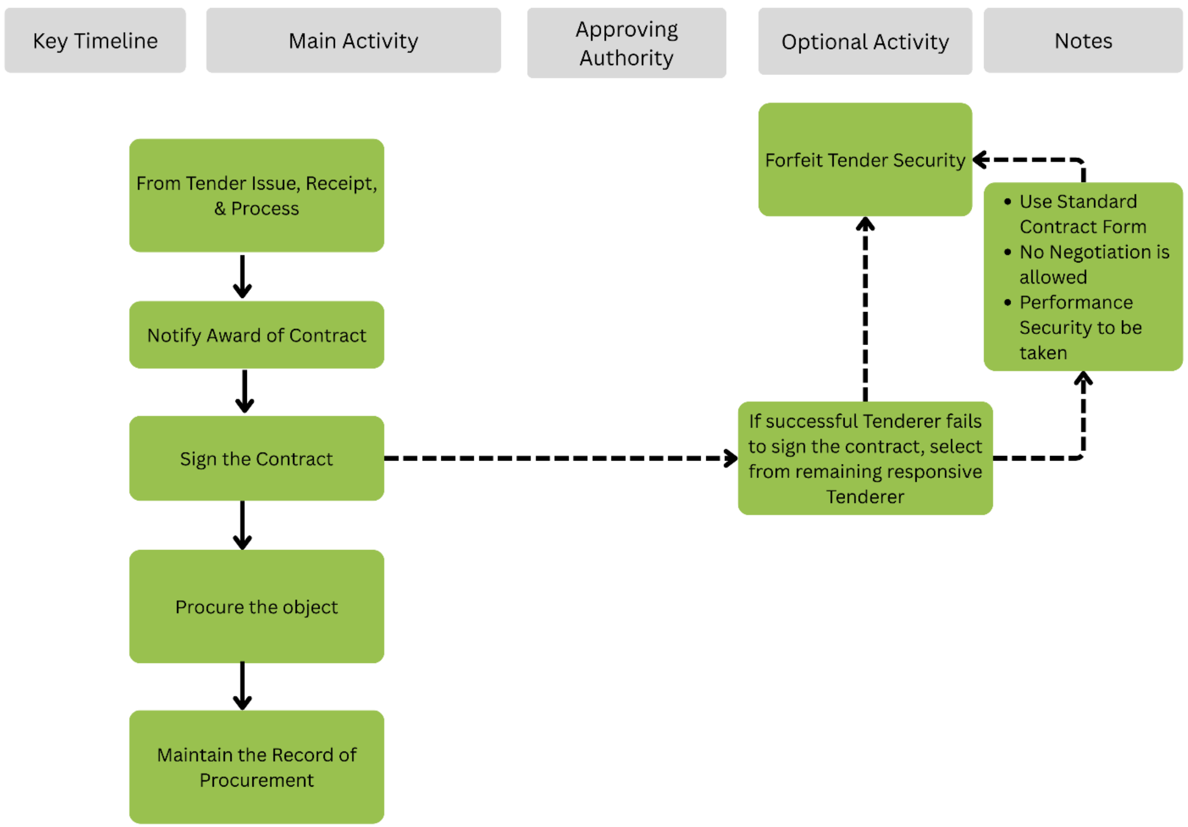


Figure 10: Contract Management



2.2.3 Rooftop Solar Project Implementation Process

Rooftop solar projects follow a structured, multi-stage process involving technical, financial, and administrative steps:

- **Stage 1: Prospect Analysis**
  An initial site survey assesses rooftop condition, space, shading, and energy usage patterns to determine the project's feasibility.
- **Stage 2: Design & Proposal**
  A preliminary solar layout and electrical design are developed, followed by a technical and commercial offer detailing system specs, expected generation, and costs.
- **Stage 3: Agreement & Financing**
  Once approved, a formal agreement is signed. Clients arrange financing and submit required documents such as trade licenses, tax records, and structural integrity reports. Legal and financial securities like **bank guarantees and roof lease agreements** are also prepared.
- **Stage 4: Installation & Commissioning**
  After procurement, the system is installed, tested, and commissioned to ensure proper functioning. A maintenance plan is established for ongoing support.

3. Challenges of the Stages of Overseas Investment in the Renewable Energy Sector

3. Challenges of the Stages of Overseas Investment in the RE Sector

3.1 Challenges in Business Establishment Stage

Administrative Challenges in Company Formation

a) Complex Procedures:

- Forming a company requires **numerous documents** (e.g., Memorandum, Articles of Association, Forms I, VI, IX, X, XII), demanding legal and technical expertise.
- First-time foreign investors often face delays due to complex norms **and lack of coordination** among multiple agencies.

b) Partial Digitalization:

- While some steps are online, many still require **physical visits** and paper submissions.
- **Inconsistent digital platforms** across agencies cause confusion and prolong the process.

c) Foreign Investor Barriers:

- Foreigners must open temporary bank accounts, transfer capital, and obtain encashment certificates, all involving **complex banking** and strict documentation.
- Limited **English-language resources** add further difficulty.

d) Multiple Licensing Requirements:

- Post-registration, investors must secure several licenses (e.g., Trade License, TIN, VAT, Factory License, Environmental Clearance), each with **separate applications and procedures**, leading to long delays and administrative burden.

3. Challenges of the Stages of Overseas Investment in the RE Sector

Additional Administrative Barriers

e) Duplicate Document Submissions:

- Investors must submit the **same documents** (e.g., passport copies, TIN, photos) **multiple times** to different offices due to the lack of a shared digital system.
- This duplication wastes time, increases paperwork, and leads to errors.

f) Limited Information and Support:

- Government websites often **lack clear, updated guidance** on licensing procedures. As a result, investors frequently depend on paid consultants.
- There is **no central support system** to guide them through the full setup process.

g) No Centralized Digital Portal:

- There is **no single online platform** covering all steps to start a renewable energy business.
- Investors must navigate multiple websites and **visit various offices**, causing delays and added frustration.

3. Challenges of the Stages of Overseas Investment in the RE Sector

3.2 Challenges in Project Implementation Stage: Solicited Process

While BPDB's open tender process is a positive step toward transparency, several operational and structural issues remain:

a) Digital Infrastructure:

- The process remains **partially paper-based**, requiring **physical document submissions**.
- This increases the risk of administrative delays and errors, especially for **foreign investors without a local office** to support the process.

b) Prolonged and Multi-Layered Approval Process:

- After technical evaluation, proposals must pass through the BPDB Board, the Ministry, and the Cabinet Committee on Government Purchase (CCGP). This extended clearance timeline discourages serious investors and **delays project initiation**.
- While implementation in India can take 3–4 months, in **Bangladesh it may take years**, posing **financial risk due to the time value of idle capital**.

c) Unpublished Proposal Status:

- The current process **lacks status updates** for bidders during evaluation.
- Though meant to avoid external influence, this **lack of transparency** creates uncertainty and lowers investor confidence.

3. Challenges of the Stages of Overseas Investment in the RE Sector

3.2 Challenges in Project Implementation Stage: Solicited Process

d) Challenges Related to Land Development:

- BPDB only identifies a general development area; bidders must acquire land after receiving the Notification of Award (NoA). This can lead to **price inflation** and disputes, as landowners raise prices once an area is announced.
- Foreign investors face added difficulty due to **unfamiliarity with local systems**. Previously, under the unsolicited process, investors could secure land before submitting proposals, avoiding such challenges.

e) Absence of Notifying Mechanism:

- The One Stage Two Envelope Tendering Method disqualifies proposals over **minor technicalities** or formatting errors, even if otherwise viable.
- There is no system to notify bidders of incomplete submissions. Additionally, there is no active bidder helpline or FAQ section on official websites.

f) Risk of Informal Pressure:

- Despite the multi-layered submission process meant to limit political interference, the absence of a unified monitoring or grievance redress system still leaves room for informal influence.

g) Absence of Separate Page on the PPA Website:

- Currently, tender announcements across all sectors are listed together, without a **dedicated section for power sector tenders**.
- This makes it difficult for foreign investors, especially those unfamiliar with the **user interface**, to find relevant opportunities.

3.3 Challenges in Developing Roof-top Solar Projects

a) Capacity limitations for establishments:

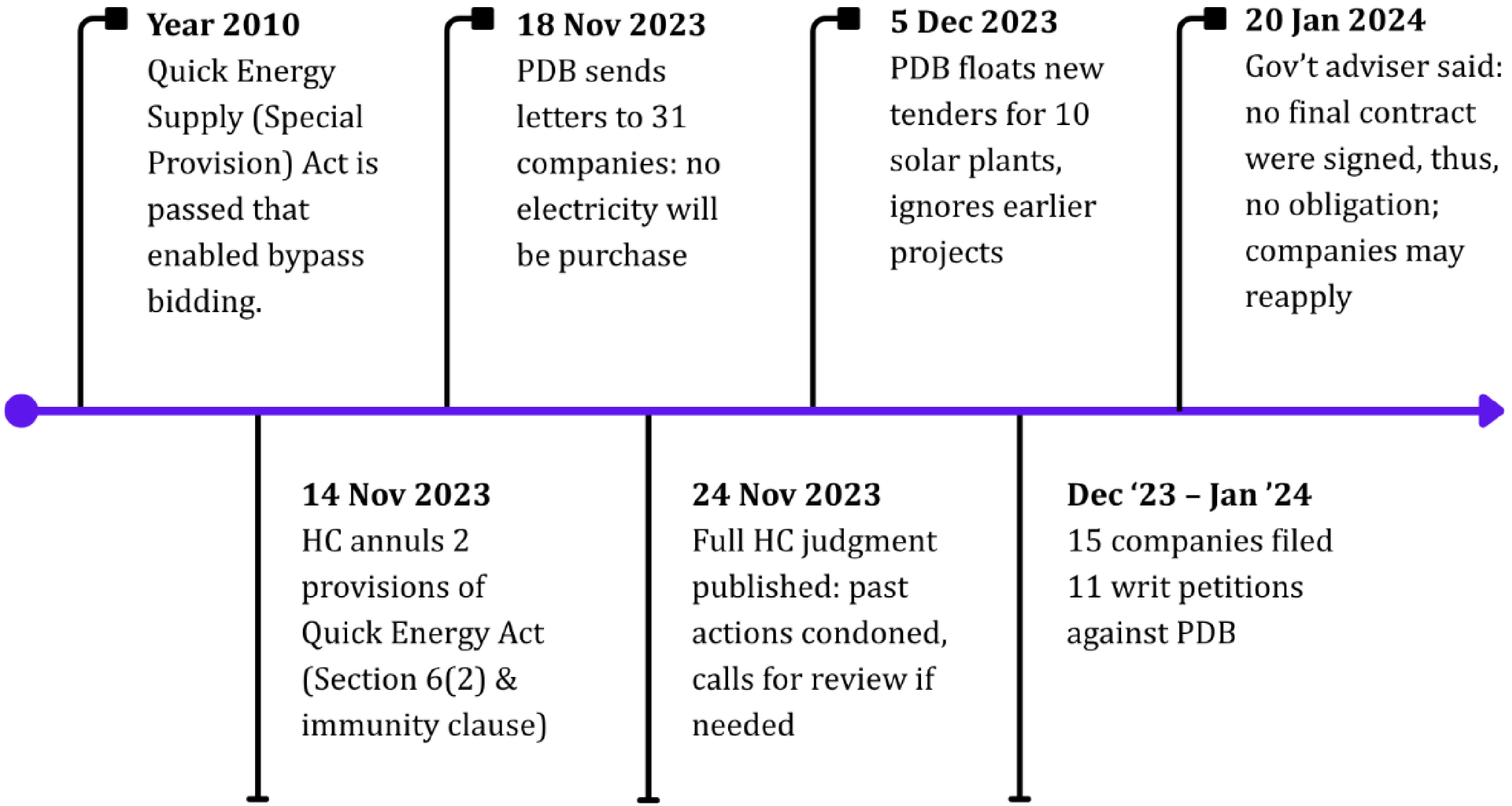
- For example, if an establishment has a demand of 2MW, it is not allowed to install more than 2MW of solar capacity.
- If there is excess production, that would feed into the grid, **requiring the government to pay** for the surplus energy. From the perspective of the government, if there is higher limit, it would be an issue while **balancing supply and the demand** of power at a moment.
- Additionally, the **capacity of the nearby transformer** is also a critical factor in determining installation limits.

b) Risk associated with projects using OPEX model:

- The Operational Expenditure model of rooftop solar is a financing and ownership arrangement where the consumer does not buy or own the solar system. Instead, **a third-party solar service provider (SSP)** installs, owns, operates, and maintains the rooftop solar system on the consumer’s premises.
- The consumer only pays for the electricity generated by the solar panels, usually through a Power Purchase Agreement (PPA).
- If a firm installs solar **defaults**, the solar system will continue producing power, incurring costs with no responsible party to cover them.
- The BSREA is suggesting a **tripartite agreement** involving the government to mitigate risks and ensure financial security.

4. Case Study:
Cancellation of Projects after Issuance of Letters of Intent (LoI)

Figure: Timeline of the events



Source: Authors' compilation

4. Case Study: Cancellation of Projects after Issuance of Letters of Intent (LoI)

- These 31 projects represent a total of **3,287 MW** of solar power and involve potential foreign investment worth $6 billion.
  - Investors have already invested around **$300 million** from foreign lenders through banking channels for these projects.
  - **15 companies** already purchased the required lands as they received ‘go-ahead’ signal.
- These developments deeply disappointed the investors. They had **already paid taxes**, made financial commitments, and some had even **bought land** for the projects.
  - Despite this, they received **no refunds**, which they consider the bare minimum that should be expected from the government.
- The land purchased for these projects is another pressing issue. **In Bangladesh, selling land is much harder than buying it**. Investors are stuck with assets that are difficult to liquidate.
- Though the government formed a committee to review the cancelled projects for any irregularities or corruption, the **authority of the committee is still in question**. Because, according to the investors, the outlook of the government portrays a picture that does not support the future of renewable energy projects in Bangladesh.

4. Case Study: Cancellation of Projects after Issuance of Letters of Intent (LoI)

Table : Overview of the cancelled projects

Country of Partnership	Number of Projects	Cancellation Status	
		Cancellation of LOI	Cancelled at the stage of requesting tender/piloting phase
ADB	1	0	1
China	4	4	0
France & Norway	1	1	0
Germany	1	1	0
Hong Kong	2	1	1
India	1	1	0
Japan	1	1	0
Malaysia	2*	2	0
Saudi Arabia	2	1	1
Singapore	7	7	0
South Korea	2	2	0
UK	2	2	0
USA	2*	1	1
Vietnam	1	1	0
Bangladesh	13*	10	3

*Note: * indicates few fossil-fuel-based power plants in the country's cancelled power plants.*

Source: BPDB Advancement of Power Sector, BWGED and Energy Transition Bangladesh

4. Case Study: Cancellation of Projects after Issuance of Letters of Intent (LoI)

Table: Overview of the Cancelled China-financed Projects

Power Plants	Fuel	Capacity (MW)	Ownership	Financing Stake
Madarganj, Jamalpur 100 MW Solar Power Plant	Solar	100	IPP	70% ownership
Lama, Bandarban 70 MW Solar Power Plant	Solar	70	IPP	Joint Venture
Ghoradhap, Jamalpur 180 MW Solar Power Plant	Solar	180	IPP	100% ownership
Gauripur, Mymensingh 100 MW Solar Power Plant	Solar	100	IPP	100% ownership

Source: BWGED and Energy Transition Bangladesh

5. Status of the Investment Facilitation Ecosystem In light of UNCTAD Model

5. Status of the Investment Facilitation Ecosystem In light of UNCTAD Model

5.1 Status of the Regulatory Transparency and Predictability

- **Limited Support Platforms**
  - BIDA functions as a **partial enquiry point** but lacks a dedicated, **comprehensive one-stop service** for renewable energy or Chinese investors.
- **Sudden Policy Changes**
  - Investment-related policies (e.g., VAT rules) may be enforced with short notice, sometimes within 30 days, leaving **limited time for businesses to adjust.**
  - Appeal and arbitration provisions exist under the Arbitration Act, but broader procedural clarity is lacking.
- **Incomplete and Language-Limited Information**
  - Laws and procedures are available in English, **but not in Chinese.**
  - Incentives, subsidies, and tax breaks are mainly found through external sources; **BIDA's offerings in EPZs are not clearly published.**
- **Limited Legal Transparency**
  - Judicial decisions in energy investment disputes are **not routinely published or accessible.**
  - Bilateral treaties or international agreements (e.g., with China) are also not publicly available.
- **Fragmented Financial Information**
  - Fees, charges, and other financial obligations are **scattered across sources** and not centralized.
- **Lack of Tailored Guidance and Contacts**
  - **No investor guidebook** exists for foreign or Chinese investors in renewable energy. Contact information for relevant authorities is hard to find and often not user-friendly.

5.2 Status of Electronic Governance in the Sector

- **Limited Online Resources and Payment Options**
  - The national investment website lacks comprehensive, **investor-focused content**.
  - Most payments for admission, setup, and expansion must be made in person; **no fully operational e-payment system exists**.
- **Incomplete Digital Registration**
  - Business registration **cannot be completed fully online**.
  - Some documents can be submitted electronically, but **full e-document acceptance is still limited.**
  - Business **registration certificates** must be collected in person.
- **Partial Digital Communication Tools**
  - Authorities communicate via email and social media.
  - **Electronic signatures** are only partially accepted, depending on context.
- **No Application Tracking or Centralized System**
  - Investors cannot **track application status online**.
  - Companies, especially foreign ones (including Chinese), **must appoint staff** to manage online tax registration and filing.
  - Though an e-GP system exists for open tenders, there is **no single-window platform** for all investment-related processes.
- **Absence of Support Mechanisms**
  - There is **no active helpdesk** or complaint mechanism on the portal for resolving registration-related issues.

5.3 Status of the Focal Point & Review Process

- **Appeals and Judicial Review**
  - Appeal **mechanisms and judicial reviews exist**, allowing investors to present evidence-based cases.
  - However, the process is often **lengthy and slow**, delaying resolution.
- **Weak Focal Point for Foreign Investors**
  - There is **no dedicated ombudsman** or structured focal point for handling foreign investor complaints.
  - BIDA plays a limited role in this regard **but lacks sufficient capacity and outreach**.
- **Poor Complaint Handling and Coordination**
  - No centralized platform exists for submitting complaints or feedback.
  - Inter-agency coordination is present **but not consistently** effective.
  - The focal point is **not actively engaged** in dispute resolution or policy feedback.
- **Underdeveloped Single Window and Public Interfaces**
  - A single window system is **under development**, but concerns remain about its future effectiveness.
  - The public procurement website is **difficult to navigate** and lacks investor-friendly features.
- **No Structured Follow-Up or Policy Feedback Loop**
  - There is **no system to track complaints**, follow up on appeal outcomes, or gather data on decision timeframes.
  - No mechanism exists for investors to suggest improvements or ensure solution implementation.
- **Lack of Regular Engagement**
  - **Government-investor meetings** are infrequent.
  - Transparency around appeal **fairness, timelines, and resolutions is missing**, contributing to investor uncertainty.

5.4 Status of the Application Process

- **Limited Review & Sector-Specific Guidance**
  - **No regular review of investment regulations** to reflect Chinese investor needs.
  - Sector-specific guidelines for Chinese investors in renewable energy are lacking.
  - Online checklists exist in some tender documents, but are not standardized or comprehensive.
- **Unclear Timelines & Communication Gaps**
  - No clear or published timeframes for processing applications.
  - Decisions are communicated via email or public notices, but **real-time updates are not provided**.
  - Inconsistent handling of incomplete applications, **some get clarification, others do not**.
  - **No standard practice** of giving reasons for rejections or delays.
- **Administrative Bottlenecks & Fee Uncertainty**
  - **No ‘silent yes’ system** to ease procedural delays.
  - Application **fees are listed** on platforms like e-GP, but not regularly reviewed for investor impact.
  - No clarity on lead time between fee revision announcements and enforcement.
  - Uncertainty about whether fees for accessing forms or documents are clearly communicated.
- **Visa Process: Mixed Progress**
  - **Multiple-entry visas are available**; temporary entry rules are communicated.
  - Processing times, renewal procedures, and document requirements are the **same as for general visitors**.
  - Costs: Regular visa – $34, Urgent – $100, Multiple-entry – $195.

5.5 Status Regarding Cross Agency Cooperation

- **Limited Coordination Among Agencies**
  - Cooperation between agencies managing investments is minimal, negatively affecting investor experience.
  - Exchange of investment-related information across agencies is limited, hindering informed decision-making for Chinese investors.
- **Capacity Building Efforts**
  - Officials from agencies like BIDA participate in international training programs, potentially improving facilitation in the long term.
- **Domestic Supplier Database**
  - BIDA is **developing a supplier database** to help Chinese investors identify local partners and streamline supply chains. This database is not yet operational or accessible.
- **Lack of Knowledge Sharing**
  - Best practices and facilitation information are rarely shared among stakeholders.
  - Institutional learning and support for foreign direct investment are thus limited.
- **Weak Inter-Agency Coordination**
  - Coordination mechanisms exist **but only to a limited extent**.
  - This reduces effectiveness in streamlining the investment process.
- **Positive Engagements**
  - Business-government networking events (e.g., Bangladesh Investment Summit) create occasional dialogue opportunities.
  - Consultations with investors happen but are infrequent, limiting long-term policy impact.

5. Status of the Investment Facilitation Ecosystem In light of UNCTAD Model

5.6 Status on Responsible Business Conduct and Anti-Corruption

- **UN Guiding Principles on Business and Human Rights (UNGPs)**
  - Recognized as an important framework to encourage respect for human rights and prevent abuses.
  - Not yet fully integrated into Bangladesh's overseas investment policies, including renewable energy investments from China.
- **ILO Fundamental Conventions**
  - Bangladesh has ratified all eight core ILO Fundamental Conventions covering: Freedom of association, Right to collective bargaining, Elimination of forced labour, Abolition of child labour, Non-discrimination in employment
  - This commitment enhances labor standards, benefiting Chinese investors focused on social compliance and decent working conditions.
- **UN Model Double Taxation Convention**
  - Forms the basis of Bangladesh's bilateral tax agreements, including with China.
  - Helps prevent double taxation, making investments smoother and more predictable.
- **United Nations Convention Against Corruption (UNCAC)**
  - Bangladesh is a signatory and has domestic laws like the Anti-Corruption Commission Act 2004.
  - Despite efforts, enforcement remains weak, and corruption continues to be a significant barrier in sectors including renewable energy.
- **Bribery of Foreign Public Officials**
  - No specific law targeting bribery of foreign public officials in international business exists in Bangladesh.
  - Both Bangladesh and China have general anti-bribery laws applying to such conduct.

6. The Scope of Merchant Power Plant in Bangladesh

6. The Scope of Merchant Power Plant in Bangladesh

The Government of Bangladesh is developing a policy framework for merchant power plants, guided by experts involved in the Public Procurement Act to address key issues:

a. Consumer Base Management

- Merchant power plants should **avoid serving the same consumers** as government grid-connected entities.
- Overlapping service areas could lead to **over-investment**, inefficiencies, and **resource duplication**.

b. Price and Subsidy Implications

- BPDB currently sells electricity below procurement cost, with government subsidies covering the gap.
- Introducing merchant power producers **may affect market prices**, necessitating analysis of price dynamics in a liberalized market.

c. Regulatory and Conflict of Interest Concerns

- Under the Corporate Power Purchase Agreement (CPPA) model, companies buy electricity directly from producers, potentially **bypassing state-owned entities** like BREB and PGCB.
- This could reduce regulatory oversight and **create conflicts of interest**, which the **government may find unacceptable**.

Note: A CPPA is a long-term contract where a company purchases electricity directly from a power producer at a fixed price to reduce costs and carbon footprint, often from renewable sources like solar or wind.

6. The Scope of Merchant Power Plant in Bangladesh

Additional Considerations

- **Transparency and Investor Confidence**
  - For CPPA to work effectively, local companies must maintain **transparent financial and operational records.**
  - Lack of **transparency raises risks**, deterring international investors, especially those engaging with small and medium enterprises.
  - Foreign investors often require **government-backed guarantees** for confidence, unlike local investors who may have alternative protections.
- **Advantages of Local Conglomerates**
  - Local conglomerates can build power plants for their own use and sell excess electricity to others.
  - If buyers default, conglomerates can still **utilize the power themselves**, reducing risk.
  - Independent investors **lack this safety net** and depend more on **government support** due to difficulties securing reliable contracts with financially opaque local businesses.
- **Feasibility and Stakeholder Coordination**
  - The CPPA model is feasible but requires **collective consent and coordination** among power sector stakeholders.
- **Spot Market Development**
  - The Spot Market for electricity would centralize information on a platform, allowing buyers and sellers to trade like a stock market.
  - Transparency of legal and financial frameworks is essential.
  - Bangladesh **still needs to develop the necessary ecosystem** to successfully launch a spot market system.

7. Recommendations for Improving the Investment Facilitation Environment

7. Recommendations for Improving the Investment Facilitation Environment

7.1 Recommendations on Improving the Business Establishment Process

- **Simplify the Administrative Process**
  - Reduce the **number of forms and standardize documentation** requirements.
  - Provide simplified **checklists and sample templates** online to guide investors.
  - Engage BIDA to coordinate with relevant agencies/ministries for smooth implementation.
- **Fully Digitalize the Registration and Licensing Steps**
  - Develop an **integrated online platform** for all registration and licensing processes.
  - Accept all forms and documents digitally, with **online payment options**.
  - Implement online **application status notifications** to keep investors updated.
  - Aim for a paperless system to save time, improve efficiency, and reduce errors.
- **Establish a Foreign Investor Support Desk**
  - Set up a dedicated helpdesk under BIDA to assist foreign investors.
  - Offer step-by-step guidance in **English and translation support**.
  - **Assign officers** to support **companies without local presence**.
- **Consolidate Licensing Processes**
  - **Bundle** multiple licenses (Trade License, TIN, VAT, Industrial Investment Registration) into a single-window service.
  - Enable investors to apply through **one common portal**.
  - Reduce duplication, cut costs, and speed up approvals.
  - Consider **adopting guidelines** from the UNCTAD Global Action Menu.

7. Recommendations for Improving the Investment Facilitation Environment

7.1 Recommendations on Improving the Business Establishment Process

- ❑ **Establish a Central Document Repository**
  - Create a digital repository for investors to **upload and store common documents** once.
  - Allow **reuse of documents** across different license applications.
  - **Minimize paperwork duplication** and reduce errors across agencies.
- ❑ **Improve Access to Information and Support**
  - Regularly update government websites (BIDA, BERC, DOE) with clear guides, FAQs, timelines, and downloadable forms.
  - Introduce a **24/7 hotline or chatbot** to address common investor queries in real time.
- ❑ **Launch a One-Stop Online Business Portal**
  - Develop **a centralized** portal combining all services**, from name clearance to licensing**.
  - Include features for application **status tracking** and alerts for missing documents.
  - Ensure transparency in timelines and **reduce reliance on third-party consultants**.

7. Recommendations for Improving the Investment Facilitation Environment

7.2 Recommendations on the Current Open Tender Process

- ❑ **Enhancing Digital Infrastructure**
  - Increase **digitization** of the tendering system to **minimize physical paperwork**.
  - Introduce secure online submission and **tracking platforms** to ease participation, especially for foreign investors.
  - This will likely increase bidder participation and lead to **more qualified winners**.
- ❑ **Institutional Streamlining of Approval Process**
  - Review and simplify the approval hierarchy to establish a **time-bound mechanism** with clearly defined steps.
  - **Reduce implementation delays** and align with regional project timelines.
  - Improve investor confidence by **minimizing capital idle time** and associated financial risks.
- ❑ **Structured Proposal Status Disclosure**
  - Provide **basic status updates** (e.g., passed initial evaluation) without disclosing full technical assessments.
  - Enhance **transparency**, reduce confusion, and build trust in the **evaluation process**.
- ❑ **Land Price and Development Facilitation**
  - Treat **high land prices as a priority issue** affecting project costs and LCOE.
  - Government can:
    - **Pre-identify and prepare land** for solar projects. Establish designated **solar zones** with pre-cleared land.
    - Lease available government land, or offer **land lease exemptions**, similar to Vietnam.
    - **Facilitate coordination** among relevant ministries (Power, Land, Agriculture, etc.) to support this initiative.

7.2 Recommendations on the Current Open Tender Process

- **Improved Bidder Communication**
  - Create a **notification mechanism** for incomplete submissions and disqualifications due to minor issues.
  - Establish:
    - A helpdesk
    - Clear instructions
    - A **comprehensive FAQ section** on the relevant tender portal
  - These tools will promote fairness and improve the quality of submissions.
- **Establishment of Monitoring and Grievance Systems**
  - Set up a **dedicated oversight body** for utility-scale tenders to monitor processes and handle grievances.
  - Helps deter informal influence and ensures fair play throughout the procurement process.
- **Creation of a Dedicated Power Sector Tender Portal**
  - Add a separate section or searchable category on the PPA website exclusively for power sector tenders.
  - Improve accessibility and visibility for both local and foreign investors.
  - Consider hiring **UI/UX experts** to ensure a smooth, user-friendly digital experience.

7.3 Recommendations to Improve the Development of Rooftop Solar Projects

❑ Addressing Capacity Limitations for Establishments

Current policy caps rooftop solar capacity at the establishment's own energy demand, limiting expansion. Recommendations are:

- Introduce **flexible capacity thresholds** based on seasonal demand or strategic grid zones.
- Allow higher generation caps, especially in **industrial zones and economic areas** with projected demand growth.
- Plan **coordinated grid infrastructure upgrades** (transformers, substations) to safely accommodate higher rooftop capacity.
- Take bold policy steps to **phase out nonrenewables** and create room for more renewable energy injection into the grid.

❑ Mitigating Risk in the OPEX Model

The OPEX model improves solar access by minimizing upfront costs but carries financial and operational risks. Recommendations are:

- Introduce **structured risk-sharing mechanisms** to address provider defaults or early exits.
- Develop **tripartite agreements** involving: the solar service provider, the consumer, and a relevant government authority (e.g., SREDA, Power Division)
- These contracts would ensure continuity of service and financial protection in case of disputes, project abandonment, or transfer of ownership.

7.4 Recommendations on the Status of LoI

- **Keep Policy Stable During Government Change**
  - Changing from unsolicited proposals to reverse bidding is a big shift. Changes should be made slowly and with a plan.
  - Investors who followed old rules **should not be punished.**
  - Respecting **earlier investments** helps build trust and attract more investors.
- **Avoid Sudden Changes and Make the System Predictable**
  - Foreign investors want a **stable and predictable** system.
  - Some approved projects were stopped even after money was spent on land and bank deposits.
- **Make Implementation Agreements Strong and Reliable**
  - These agreements should act as **a government guarantee**.
  - If BPDB cannot pay, other government offices should step in to **keep promises**.
  - Without this support, long-term projects like power plants won't get needed funding.
- **Communicate Better with Investors**
  - Sudden actions, like cancelling many projects after a court ruling, send a bad signal.
  - Government should:
    - **share clear updates**,
    - **communicate** decisions properly, and
    - talk to private companies to **avoid confusion** and fear

7.4 Recommendations on the Status of LoI

- **Create a Fast System for Solving Disputes**
  - Some investors have gone to court after cancellations. A **quicker and fairer solution** mechanism is needed so investors don't face long legal battles.
  - This new mechanism could be used for future disputes as well.
- **Compensate Investors Who Got LoIs but Faced Cancellation**
  - Some investors already bought land and followed rules.
  - Even if LoI is not a final contract, **the investors trusted government signals**.
  - Government should think about **giving refunds** or other support to regain trust.
- **Make Project Review Process More Transparent**
  - Government should **clearly show** how cancelled projects are being **reviewed**.
  - If a project has made progress (e.g., land bought or clearances done):
    - Allow it to **reapply**
    - Give it some **priority** or fast processing
  - Ignoring early work sends a bad message and stops future investments.
- **Help Investors Who Already Bought Land**
  - In Bangladesh, **buying land is easier than selling it back**.
  - Government can help by:
    - **Allowing land** to be used in other clean energy projects
    - **Helping resell** land through official channels
    - Using the land in public-private partnerships for other productive work

7.4 Recommendations on the Status of LoI

❑ **Stay Committed to Renewable Energy**

- Treat both **old and new** contracts fairly.
- Make it clear:
  - When an LoI becomes strong enough to invest
  - When it's safe for investors to spend money
- Avoid **sudden policy shifts**. Use a clear plan when making changes.

❑ **Be Careful During Political Change**

- **Sudden decisions** during government transitions hurt investor trust.
- **A calm, steady approach** will protect Bangladesh’s long-term goals and **reputation**.

❑ **Publicly Recommit to Renewable Energy**

- Government should make a **clear** public statement to support clean energy.
- **Share realistic targets**
- This will help bring in new investors and reassure current ones.

8. Conclusion

8. Conclusion

Bangladesh is at a **turning point** in renewable energy investment. At this stage, reforms must be **clear, fair, and stable** to build trust with some key priorities

Key Priorities:

- ✔ Make business setup easier
- ✔ Improve tender and rooftop solar processes
- ✔ Manage system transitions carefully
- ✔ Support early investors & past commitments
- ✔ Ensure strong government coordination

A rules-based, predictable system will attract responsible investors and help Bangladesh meet its **clean energy goals** sustainably.