Policy Brief

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Highlights

- Bangladesh now needs to prioritise investment facilitation, moving beyond investment promotion Facilitation emphasizes improving the ease, transparency, and predictability of procedures for investors.
- The overall investment facilitation environment in Bangladesh's renewable energy sector remains weak, as reflected by the UNCTAD Action Menu for investment facilitation. Key deficiencies include poor digitalization, ambiguous focal point mechanism, fragmented inter-agency coordination, limited transparency, and weak enforcement of responsible business conduct.
- Abrupt policy shifts and regulatory uncertainty are undermining investor confidence. The sudden discontinuation of the unsolicited to solicited process, followed by the cancellation of 37 renewable projects, has disrupted investor expectations and stalled renewable energy expansion plans.
- Chinese investors, despite being key contributors to Bangladesh's renewable energy development, face challenges at multiple stages of the investment cycle. These include difficulties in company registration, navigating overlapping licensing requirements, managing land-related complexities, and dealing with inconsistent interpretations of policy provisions by different agencies under the power ministry.

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

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1. Introduction

Bangladesh needs a significant amount of foreign investment for transitioning to the renewable energy-based energy ecosystem and reaching its national targets for renewables. The country is recognised for having one of the most liberal overseas investment policies in South Asia, offering no prior approval requirements, unlimited equity participation, unrestricted repatriation, and non-discriminatory treatment (Bangladesh Investment Development Authority (BIDA), n.d.). However, this liberal framework has not significantly translated into higher foreign investment. Despite the liberal policy, less than one-third of submitted foreign investment proposals are successfully realised due to various legal, institutional, and operational barriers.

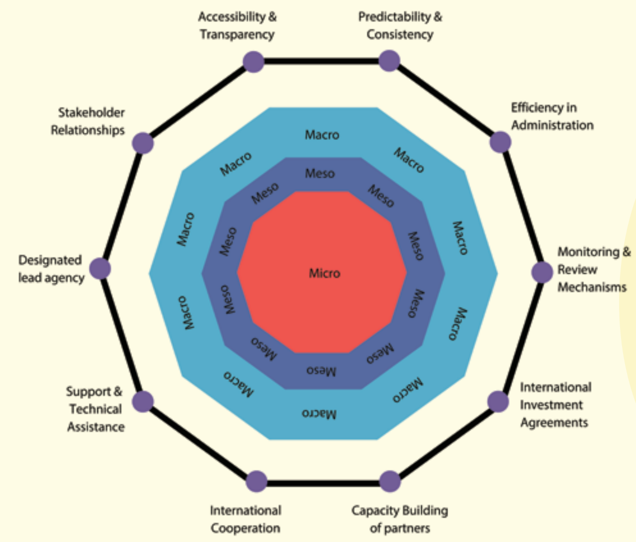
Though Chinese investment is playing a key role in the renewable energy sector in Bangladesh, the Chinese investors are facing challenges in different stages of the investment cycle. They have been facing uncertainty over policy inconsistency, different interpretations of same policy, transparency issues, and other obstacles. Most importantly, the interim government has discontinued the unsolicited process introducing the open tender process for renewable power plant projects and halted 34 projects after issuing Letters of Intent (LOIs). The investors who have spent their time, money, and other resources are the major sufferers of this sudden change.

From time-to-time different government agencies responsible for the growth of foreign investment have been putting effort into it. But most of the activities fall under what is called investment promotion. These efforts will fall short without simultaneous and increased focus on investment facilitation to boost foreign investment growth, especially for countries like Bangladesh. This policy brief, based on a study by the Centre for Policy Dialogue (CPD), examines the investment facilitation landscape in Bangladesh's renewable energy sector, with a focus on challenges faced by the Chinese investors. The study reviewed institutional and operational practices across pre and post-establishment phases, identifies key bottlenecks causing delays, draws insights from international best practices, and proposes short-to long-term policy and institutional reforms to improve the overall investment environment. It introduced a structured model for investment facilitation, diagnoses current challenges, examines the cancellation of significant projects, and concludes with actionable, agency-specific recommendations.

2. A Model for Investment Facilitation

The study examined the investment facilitation status of Bangladesh using a framework developed from the UNCTAD Action Menu for Investment Facilitation (Figure 1). Since facilitation means making the process more efficient, transparent, and predictable for both domestic and foreign investors, a detailed analysis was necessary. For this purpose, a questionnaire was designed with modules on regulatory transparency and predictability, e-governance, focal point, application process, inter-agency cooperation, responsible business conduct, and anti-corruption. The study proposes a multi-level approach. At the macro level, it stresses policy coherence and legal clarity. At the meso level, it looks at sector reforms and coordination, especially in the infrastructure. At the micro level, it highlights service delivery, institutional responsiveness, and simplification of procedures.

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



Source: Authors' Illustration.

For providing timely improvement, the study recommends a retrofitting approach instead of a full reform; that is targeted changes to improve existing systems and remove inefficiencies without disturbing core structures. Such steps can build investor confidence and encourage investment in the renewable energy sector.

3. Status of the Investment Facilitation Ecosystem In light of the Modified UNCTAD Framework

The study captured the real on ground scenario by collecting information against the questionnaire through interviews with key experts, investors, officials of foreign and local companies, government representatives, and through extensive desk research. A snapshot of the findings is presented in table 1.

The framework demonstrates a mixed and uneven performance and overall indicates an inefficient system. Overall, Bangladesh is at a transitional stage, needing targeted reforms in digitalisation, institutional strengthening, and transparency to effectively facilitate foreign investment in the renewable energy sector.

Table 1 **Level of Renewable Energy Support Mechanism**

Module Name	Module Status
A. Regulatory transparency & predictability	**Moderate, fragmented** – Basic transparency exists, but information is scattered, poorly localised, and often inaccessible.
B. Electronic governance	**Poor to nascent** – Most processes remain manual; online systems are partial or non-functional.
C. Focal point & review	**Weak institutional capacity** – Mechanisms exist but are poorly implemented. Focal point role is minimal and fragmented.
D. Application process	**Opaque and inconsistent** – Lack of clear timelines, feedback, and centralised procedures; visa info partially available.
E. Cooperation	**Limited and developing** – Weak coordination; some efforts underway, but institutional linkages are minimal.
F. Responsible business conduct and anti-corruption	**Framework aligned, enforcement weak** – Legal commitments exist but practical enforcement and investor confidence are low.

Source: Authors' compilation based on the IFI document and KII.

4. Key Institutional Challenges in the Investment Cycle for Chinese Investors

4.1. Challenges of the Process of Establishing Renewable Energy Business for Chinese Investors

There are several practical and procedural challenges that investors face when trying to start renewable energy businesses in Bangladesh. These problems can discourage both local and foreign stakeholders. A detailed explanation of each issue is provided below:

a) **Complexity of Administrative Procedures:** Company registration in Bangladesh requires multiple legal documents and forms. Coordination across several agencies related to the registration is limited, causing delays and confusion for foreign investors.
b) **Mixed Use of Online and Offline Processes:** As part of digitalisation, some steps are online, while many steps require physical visits and paper or document submissions to the authorities. This partial digitalisation slows the process and adds extra time and cost for the investors.
c) **Barriers for Foreign Investors:** Foreign investors must handle bank account setup, capital transfer, and obtain encashment certificates. Language barriers and unfamiliarity with local regulations make this challenging.
d) **Overlapping and Numerous Licencing Requirements:** Starting operations in Bangladesh requires many licences, each with separate applications. The process is lengthy and involves multiple agencies, delaying project development.
e) **Duplication of Document Submissions:** Most government offices do not share documents, forcing repeated submissions and increasing the chance of mistakes.
f) **Lack of Clear Information and Support:** Majority of the government websites often lack updated instructions, step-by-step guides, or contact points. Investors frequently need private consultants, adding cost.
g) **Absence of Centralised Digital Portal:** No single online platform exists to complete all steps for starting a renewable energy business. Multiple sites and physical visits are required, increasing difficulty.

4.2. Challenges in Open Tender Process for Solicited Projects for Chinese Investors

The government of Bangladesh has introduced an open tender system, mainly managed by the Bangladesh Power Development Board (BPDB), to improve transparency and fairness. However, in practice, several key challenges remain:

a) **Digital Infrastructure:** Paper-based submissions remain common, creating delays and administrative errors. Foreign investors without local offices face difficulties for the lack of digital infrastructure.
b) **Prolonged and Multi-Layered Approval Process:** Multiple approvals by the BPDB, Ministry of Power, Energy and Mineral Resources (MoPEMR), and Cabinet Committee on Government Purchase (CCGP) take months or years, increasing financial risk due to idle capital.
c) **Unpublished Proposal Status:** Investors are not updated on their submissions, causing uncertainty and discouraging participation.
d) **Challenges Related to Land Development:** Investors must buy land after Notification of Award, often facing inflated prices and legal challenges, unlike the previous unsolicited model.
e) **Absence of Notifying Mechanism:** Minor errors can disqualify proposals. No automated notifications or helpline/FAQ support exist.
f) **Risk of Informal Pressure:** Despite multiple approval layers, non-transparent influence is possible. No independent monitoring or grievance system exists.
g) **Absence of Separate Page on the PPA Website:** Tender announcements are not sector-specific, making it difficult for foreign investors to find power-sector opportunities.

4.3. Challenges in Developing Rooftop Solar Projects for Chinese Investors

Compared to utility-scale projects, rooftop solar is easier to implement. However, it still faces important technical and financial challenges, especially under the widely used OPEX model.

a) **Capacity Limitations for Establishments:** Net metering rules limit installation to match on-site demand. Grid and transformer capacity restrict larger investments and scalability.
b) **Risk Associated with Projects Using the OPEX Model:** If the SSP defaults, there may be no responsible party for operation or maintenance. The Bangladesh Sustainable and Renewable Energy Association (BSREA) proposes a tripartite agreement with government involvement to mitigate risk.

5. Cancelled Projects: A Signal for Policy Reform

In late 2024, Bangladesh's interim government cancelled 42 power plant projects, of which 37 were renewable energy initiatives (Solarbe Global, 2024). Many of these had already received LoIs and were in advanced stages of planning, including land acquisition and financial arrangements. This abrupt cancellation followed a High Court ruling that invalidated two key provisions of the Quick Enhancement of Electricity and Energy Supply (Special Provisions) Act, which had allowed the government to bypass open tendering.

Among the cancelled projects, four were major Chinese-financed solar power plants with a combined capacity of 450 MW. These projects alone accounted for an estimated USD 300 million in investment. Investors had already incurred substantial costs and legal commitments. The absence of compensation or even formal explanation has created a sense of betrayal and uncertainty within the investor community.

Table 2 shows the timeline of the events related to LoI cancellation.

Table 2 **Timeline of the Events Related to LOI Cancellation**

Timeline	Events
Year 2010	Quick Energy Supply (Special Provision) Act is passed that enabled bypass bidding.
14 Nov 2024	High Court annuls 2 provisions of Quick Energy Act (Section 6(2) & immunity clause)
18 Nov 2024	PDB sends letters to 31 companies: no electricity will be purchased
24 Nov 2024	Full HC judgment published: past actions condoned, calls for review if needed
05 Dec 2024	PDB floats new tenders for 10 solar plants, ignores earlier projects
Dec '24 – Jan '25	15 companies filed 11 writ petitions against PDB
20 Jan 2025	Government adviser said: no final contract were signed, thus, no obligation; companies may reapply
11 July 2025	The High Court has issued a rule asking why the government's decision to cancel the LOIs of 10 companies should not be declared illegal.

Source: Authors' compilation form KII and desk research.

This development highlights the risks associated with unpredictable policy shifts and underscores the importance of building a transparent, rule-based investment framework. It also calls for a careful reassessment of the legal status of LoIs and the need for performance-linked guarantees and dispute resolution mechanisms.

6. Actionable Recommendations for Key Agencies for Improving the Investment Facilitation Environment

This section provides several detailed and specific recommendations to improve the renewable energy investment environment in Bangladesh. These suggestions are based on the challenges identified earlier in the investment cycle and are meant to help both local and foreign investors enter and operate in the renewable energy sector more easily.

6.1. Recommendations on Improving the Business Establishment Process

Now, truly it is difficult to commence a renewable energy project or business in Bangladesh for multiple time-consuming steps which slow down the investment pace and form obstacles for both local entrepreneurs and international investors. Hence, it is imperative for the government to reduce these difficulties to attract more investment in this sector. The following steps can help improve the process:

Simplify the Administrative Process: The government should make it easier to register a company. Many forms and rules confuse investors. The Bangladesh Investment Development Authority (BIDA) can help by making a simple checklist that shows what documents are needed and giving example templates online. These tools will help investors follow the rules more easily and save time.

Fully Digitalise the Registration and Licencing Steps: The full process of company registration and getting licences should be made online. Investors should be able to submit forms, pay fees, and check updates on the internet. A fully paperless system will reduce mistakes and save time. It will also help people avoid extra travel or unofficial payments.

Foreign Investor Support Desk: Foreign companies, especially Chinese investors find it difficult to understand local rules and language. A special helpdesk at the BIDA, especially for Chinese investors should be created. This helpdesk should give clear step-by-step support, language translation help, and connect officers to assist these foreign investors many of whom are not present in Bangladesh.

Consolidating Licencing Processes: Right now, investors need to apply for many licences separately which wastes time and energy. A 'single window' online platform should allow investors to apply for Trade Licence, TIN, VAT, and Industrial Registration all in one place. BIDA is already working on this. The government can also follow global models like the UNCTAD Global Action Menu to improve this platform.

Establishing a Central Document Repository: There should be a central online platform where investors can upload necessary and relevant documents like passport, TIN, or photo just once. Then, these documents can be reused for other applications including obtaining licences. This will reduce repeated work and lower the chance of errors.

Improve Access to Information and Support: Many government websites are outdated or hard to understand. Websites like BIDA, BERC, and DOE should have step-by-step instructions, timelines, and FAQ pages. Also, a 24/7 helpline or chatbot can answer common questions from investors, saving time and avoiding confusion.

Launching a One-Stop Online Business Portal: One single online platform should include all business services like name clearance, licence applications, approvals, and more. This portal should also give updates on application progress, send alerts about missing papers, and make everything more transparent. Also, this will reduce the need for investors to hire middlemen or agents.

6.2. Recommendations on Improving the Current Open Tender Process

For utility-scale solar projects, investors face many problems with the open tender system. The rules are unclear, the process is slow, trust is low, and the process can be termed as half-digital. The following suggestions can help the Ministry of Power, Energy, and Mineral Resource (MoPEMR) and Bangladesh Power Development Board (BPDB) improve this situation:

Enhancing Digital Infrastructure: A strong and secure online platform should be built for submitting and tracking tenders. This will make it easier for both local and foreign companies to take part in the bidding process. This system should also help reduce physical paperwork and improve accessibility.

Institutional Streamlining of Approval Process: The approval process should follow a clear timeline. Each stage should be defined with specific deadlines. This would reduce delays and build trust among investors (both domestic and international), who now fear their capital will be idle for a long time due to uncertain approvals.

Structuring Proposal Status Disclosure: Even if some parts of the evaluation remain confidential, investors should be informed regarding the proposal update like it crossed the basic stage or failed. This simple communication will increase trust and reduce doubt in the system.

Facilitating Land Price and Development: High land price is one of the major problems for investors. After a project is approved, investors often face trouble in buying land for issues such as high costs and legal problems. The government can help by selecting land areas for renewable projects in advance, or by leasing public land. In this case, the government can consider Vietnam's land leasing model. Ministries like Power, Land, and Agriculture should work together on this issue.

Improving Bidder Communication: Sometimes, applications are rejected for minor mistakes. A proper system should notify bidders if anything is missing or submitted wrong. A website with clear guidelines, FAQs, and a helpdesk will also help bidders submit better proposals.

Establishing the Monitoring and Grievance Systems: To reduce political influence and ensure fair evaluation, there should be an independent monitoring body and a complaint resolution system. This will also improve investor confidence.

Creating a Dedicated Power Sector Tender Portal: Power-related tenders should be placed under a special category on the PPA website. This would make them easy to find, especially for foreign investors. A user-friendly website with good design is essential, and hiring web experts can improve this experience.

Foreign investors often feel the open tender process is unreliable given the current state of the country when LoIs got cancelled. After taking adequate preparations and spending funds in proposal preparation, they fear the project might be canceled later. Besides, the government does not sign Implementation Agreements (IAs), which increases the risk. Also, land is often not available in the required 10-kilometre radius of substations, making project implementation hard. Though problematic, the discontinued unsolicited process allowed more flexibility in choosing land.

6.3. Recommendations to Improve the Development of Rooftop Solar Projects

Though rooftop solar systems have high potential in Bangladesh, policy and operational barriers are undermining them. These two steps can help promote rooftop solar:

Addressing Capacity Limitations for Establishments: Currently, the law allows rooftop solar only up to the amount of electricity the establishment uses. This slows down growth. The government should allow higher solar capacity, especially in industrial zones and economic areas where energy demand may grow in future. Also, the government should improve local electricity infrastructure, like transformers and substations, to support higher capacities safely.

Mitigating Risk in the OPEX Model: Under the OPEX model, the customer does not need to pay upfront. But problems arise for the investor (provider) if the customer backs out. A tripartite agreement between the provider, the customer, and a government agency will help protect the interest of both sides. This kind of formal contract will ensure continued energy supply and reduce financial risk.

6.4. Recommendations on the Status of LoI

Bangladesh is now shifting from unsolicited to solicited renewable energy proposals. This is a substantial change and needs to be managed carefully to protect existing investors and keep trust in the system.

Avoiding System Shocks: Several projects that received LoIs have been cancelled suddenly, even after investors spent money in land purchase and completing early steps. The government should consider refunding or compensating these investors. Even if an LoI is not a full contract, the investors followed the government's direction in good faith.

Maintaining Policy Continuity and Implementation Agreements: For large investments like power plants, investors need long-term assurance. The IAs act as a form of guarantee. If the BPDB cannot fulfill its financial promises, the government should step in. Without these agreements, foreign investors will not be interested.

Improving Communication with Investors: The government should not make sudden decisions without serving any notice in prior. For example, cancelling many projects right after a court decision caused panic among the potential and existing investors. There should be clear and timely communication so that investors are not surprised or confused.

Fast-tracking Dispute Resolution: Investors who lost investment and projects should not have to wait years in court. A fast and fair resolution system should be introduced for handling disputes. This will help protect investor rights and prevent future legal delays.

Addressing Land Purchase Challenges: In Bangladesh, selling land is harder than buying it. Many investors have already bought land, and now they are stuck. The government can help by reusing this land for other clean energy projects or creating partnerships with the private sector to use the land properly.

Reaffirming Commitment to Renewable Energy: The government should make a clear public statement and prove with action that it still supports renewable energy strongly. It should publish updated targets and a future project list to show commitment. Clear transition plans are also important so that policy changes do not affect past agreements unfairly.

This is a sensitive time for the renewable energy sector in Bangladesh. Policy reforms related to renewable energy should be made and implemented thoughtfully and with gradual consideration, rather than abruptly. A balanced approach that respects past commitments while making smart changes for the future will build a strong, investor-friendly environment and help the country reach its clean energy goals.

6.5. Recommendations for Chinese Investors to Navigate the Ecosystem

Chinese investors face complex procedures, land disputes, and policy uncertainty whilst investing in Bangladesh's renewable energy sector. The following measures can help them navigate the ecosystem more effectively:

a) **Engage with Regulators Early:** Establish close ties with Sustainable and Renewable Energy Development Authority (SREDA), Bangladesh Energy Regulatory Commission (BERC), Bangladesh Investment Development Authority (BIDA), and the Power Division. The new Investor Relationship Managers introduced by the BIDA now provides a single point of contact, helping investors coordinate across agencies and resolve bottlenecks more efficiently.
b) **Form Local Partnerships:** Collaborating with Bangladeshi EPC contractors, financial institutions, and chambers of commerce reduces entry barriers and compliance risks. Local partners also provide cultural and institutional knowledge and now serve as important links into BIDA's matchmaking model.
c) **Invest in Knowledge Sharing:** By offering training, technical cooperation, and joint research, Chinese investors can build local capacity and strengthen their credibility as long-term partners in Bangladesh's green transition.
d) **Address Land and Infrastructure Issues Early:** Investors should secure land agreements and grid access as early as possible, engaging local governments and communities to avoid disputes. Early coordination with the Power Grid Company of Bangladesh (PGCB) is essential, whilst BIDA's new facilitation model can assist in navigating land and infrastructure hurdles.
e) **Advocate for Risk-Mitigation Tools:** Collective advocacy through chambers of commerce and bilateral platforms can push for: sovereign guarantees, standardised PPAs, and reliable dispute resolution. BIDA's facilitation channels now offer a structured way to escalate these issues and seek reform.

7. Conclusion and Way Forward

The renewable energy sector in Bangladesh stands at a critical juncture. Despite genuine interest from investors and an overarching policy framework that supports Foreign Direct Investment (FDI), the practical hurdles in doing business remain significant. The cancellation of major foreign investment backed projects, and the slow progress of ongoing ones signal the need for urgent reforms. This policy brief has outlined a roadmap for improving investment facilitation in the renewable energy sector. Key areas for intervention include simplifying the business establishment process, reforming the tender system, operationalising the one stop system, and building legal certainty around investment commitments.

For these reforms to succeed, a collaborative approach is essential. BIDA must lead the effort but cannot act alone. A coordinated platform involving all relevant ministries, agencies, and stakeholders must be institutionalised. Ultimately, if Bangladesh can deliver a predictable, transparent, and investor-friendly environment, it can unlock vast renewable energy investments, stimulate job creation, and take a giant leap towards a more sustainable future.

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