



# Bangladesh

|  |             |
|--|-------------|
| Population <sup>1</sup>  | 161,356,039 |
| Area (km <sup>2</sup> ) <sup>1</sup>                                 | 147,630     |
| GDP per capita (USD) <sup>1</sup>                                    | 1,698.35    |
| TES (Mtoe) <sup>2</sup>  | 41.90       |
| Energy intensity (toe/10 <sup>3</sup> 2015 USD) <sup>2</sup>         | 0.17        |
| CO <sub>2</sub> emissions - energy (MtCO <sub>2</sub> ) <sup>3</sup> | 82.0        |

Data by Orbis Crossborder Investment on completed energy projects and deals from 2015-2021<sup>4</sup>

| Target industry  | Number of projects and deals          | Project CapEx and deal value (million EUR) by source country   |
|--|---------------------------------------|--|
| Electric power generation, transmission and distribution | 1 expansion project<br>5 new projects | India: 2 FF projects of 4,113 mEUR<br>Canada: 1 RE project of 3,833 mEUR<br>United States of America: 1 RE project of 444.7 mEUR<br>Singapore: 1 FF project of 352 mEUR<br>China: 1 FF project of 305.5 mEUR |
| Manufacture of refined petroleum products                | 1 new project                         | Indonesia: 1 project of 4 mEUR   |

Sources:

1. The World Bank 2018
2. ©IEA (2021), World Energy Balances (<https://www.iea.org/data-and-statistics>). All rights reserved.
3. ©IEA (2021), CO<sub>2</sub> Emissions from Fuel Combustion (<https://www.iea.org/data-and-statistics>). All rights reserved.
4. Orbis Crossborder Investment (2021), Bureau Van Dijk. Bangladesh is the destination country of the investment. Data represents the period 1 April 2015 - 1 April 2021 (accessed on 1 July 2021). For more information see Annex II of this report.

RE: Electricity generation from renewable resources

FF: Electricity generation from fossil fuels

Bangladesh’s overall risk level against the assessed areas is **moderate**.

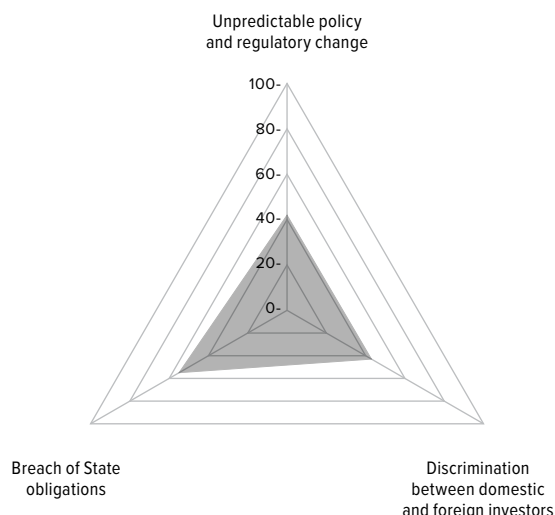
Of the three risks assessed in EIRA, *unpredictable policy and regulatory change* is lower compared to *discrimination between domestic and foreign investors* and *breach of State obligations*.

Bangladesh has a moderate performance on three of the EIRA indicators and a good performance on one indicator. Its score on the *management of decision-making processes* indicator is 69. The country has maintained its scores from EIRA 2020 on the indicators *foresight of policy and regulatory change* (59), *regulatory environment and investment conditions* (58), and *rule of law* (45).

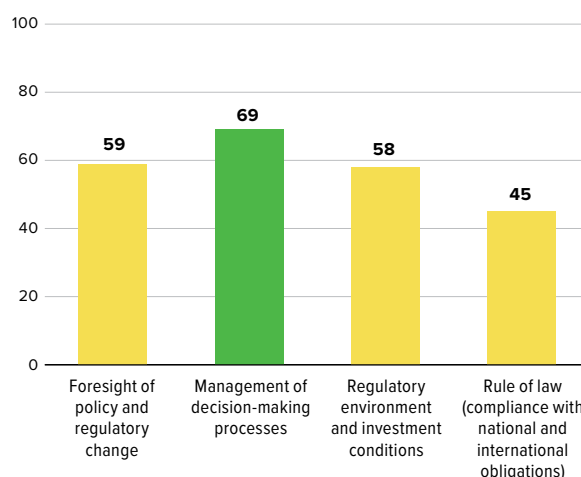
On a more detailed level, Bangladesh’s overall sub-indicator performance is moderate. The highest-scoring sub-indicators are *communication of vision and policies* and *transparency*, both at 70. On *institutional governance* (69), *regulatory effectiveness* (67), *management and settlement of investor-State disputes* (65), *restrictions on FDI* (50) and *robustness of policy goals and commitments* (48), it has the same scores as in EIRA 2020. Its score on the sub-indicator *respect for property rights* continues to be the lowest at 25.

While there are some improvements in Bangladesh’s performance compared to EIRA 2020, further steps must be taken to build on the work done. Particular attention should be given to strengthening the respect for property rights in the country.

## RISK LEVEL



## INDICATOR PERFORMANCE



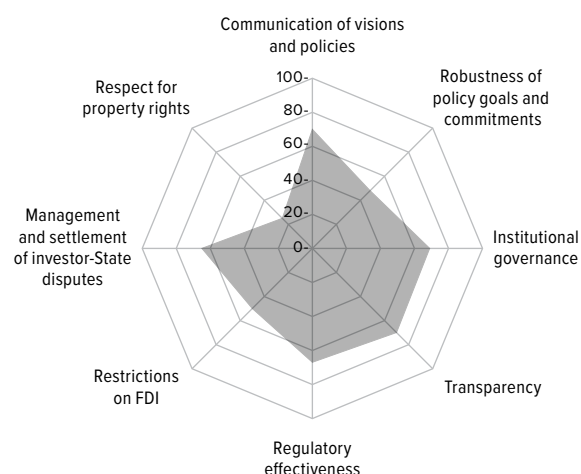
## YEAR-ON-YEAR COMPARISON

| RISK AREAS  | 2018 | 2019 | 2020 | 2021 |
|---|------|------|------|------|
| Unpredictable policy and regulatory change            | 45   | 44   | 43   | 42   |
| Discrimination between domestic and foreign investors | 44   | 43   | 43   | 43   |
| Breach of State obligations                           | 55   | 55   | 55   | 55   |

| INDICATORS                                       | 2018 | 2019 | 2020 | 2021 |
|--|------|------|------|------|
| Foresight of policy and regulatory change        | 56   | 56   | 59   | 59   |
| Management of decision-making processes          | 65   | 68   | 68   | 69   |
| Regulatory environment and investment conditions | 58   | 58   | 58   | 58   |
| Rule of law                                      | 45   | 45   | 45   | 45   |

## SUB-INDICATOR PERFORMANCE



## Foresight of policy and regulatory change

### QUICK FACTS

In March 2020, the Government adopted the Second Perspective Plan of Bangladesh 2021-2041 (Second PP).

In December 2020, the Government approved the Eighth Five-year Plan 2020-2025 (EFYP) to fulfil the Second PP.

### STRENGTHS

Over the last years, Bangladesh has substantially increased its power generation. It has also strengthened the transmission and distribution infrastructure to ensure 97% of its population has electricity access. The Second PP aims to adopt a least-cost power expansion strategy to meet the country's growing energy demand. It sets an ambitious target to increase the country's total grid-based generation capacity from 18,961 MW in 2019 to 56,734 MW by 2041. It also prioritises cross-border connectivity and energy imports from India, Bhutan and Nepal to improve energy security. The EFYP complements the Second PP by proposing new power generation targets until 2025 and strategies to identify and finance the most efficient and optimal primary energy mix.

In 2020, the Planning Commission of Bangladesh published the SDG report assessing the progress made on indicators such as electricity access, primary reliance on clean fuels and technology and the share of renewable energy in the total final energy consumption. In addition, the Ministry of Power, Energy and Mineral Resources (MPEMR) published its Annual Performance Agreement for 2020-2021. To ensure fiscal accountability, it also published its Budget Implementation Plan for 2020-2021. The EFYP requires results-based monitoring and evaluation to assess the completion of financial or physical targets. It mandates a mid-term review in 2023 and a final one in 2025.

### AREAS FOR IMPROVEMENT

The MPEMR should conduct technical studies to assess the accuracy of future demand forecasts and the methodology to estimate electricity demand. The stability of policies may be adversely affected if there is no long-term plan to deal with the overcapacity risk in a cost-effective manner. Efforts should also be made to gradually develop a competitive power market in Bangladesh, which will help in the economic optimisation of various power sector infrastructures.

The Integrated Power Development Plan (2016-2041) does not include solar power since the country's peak load is at night. This approach undermines the country's plans to increase renewable power generation. Instead, the Government should develop mechanisms to shift the peak load to the most appropriate time of the day by creating awareness among consumers on Demand Side Management measures. It should make the country's future NDC targets ambitious enough to offset the planned increase in fossil-based power generation. Furthermore, the Government should develop a policy framework on large-scale energy storage systems.

## Management of decision-making processes

### QUICK FACTS

The MPEMR defines the national energy policy.

The Bangladesh Investment Development Authority (BIDA) is the country's leading investment promotion and facilitation agency.

Bangladesh enacted the Right to Information Act in 2009.

### STRENGTHS

The ministries and State agencies implement national development programmes collaboratively. The Planning Commission of Bangladesh drafted and approved the Annual Development Programme 2020-2021 (ADP) after consultation with the relevant ministries. The ADP allocates funds for projects to be implemented within the year in coordination with State-level ministries, divisions and agencies. In May 2020, BIDA published the One-Stop Service Rules to support the One-Stop Service Act of 2018. The new rules aim to expedite the implementation of local and foreign projects by facilitating the licensing and registration procedures. For instance, they set a one-day timeframe to issue a trade licence. The rules also require the Registrar of Joint Stock Companies and Firms to provide all the necessary registrations within defined timelines.

Bangladesh makes legal and regulatory information available to the public. The Legislative and Parliamentary Affairs Division hosts the online Laws of Bangladesh portal, which contains all Acts of Parliament, ordinances and presidential orders promulgated and approved in 2020. The Bangladesh Energy Regulatory Commission (BERC) has published the electricity and gas tariffs on its website. In August 2020, it also invited comments from the public on its Draft Dispute Resolution Regulations. The Bangladesh National Portal has updated the information on business registrations, taxation system, trade licences and foreign investment climate. It also offers e-services facilitating investors' requests for tax filing applications, power energy permits, and online application for new electricity connections.

### AREAS FOR IMPROVEMENT

The Government should institutionalise stakeholder consultation procedures and enact legal provisions to make public engagement mandatory in policy development. The method and timeframes of public consultation must be decided at an early stage and made widely known. Moreover, it should consider waiving fees charged by public authorities for disclosing information under the Right to Information Act of 2009.

The Government should develop an open data policy to improve transparency in the extractives industry. It can create a real-time online portal that registers ownership of extractive companies and records the licences and permits issued to these companies, the fiscal terms under which they operate, and their revenues. It may also adopt the EITI principles to design the framework for implementing an open data strategy.

## Regulatory environment and investment conditions

### QUICK FACTS

BERC regulates the electricity, natural gas, and petroleum sub-sectors.

The Foreign Private Investment (Promotion and Protection) Act of 1980 protects foreign investment.

### STRENGTHS

In November 2020, the Parliament passed the Bangladesh Energy Regulatory Commission (Amendment) Bill of 2020, which empowers BERC to adjust electricity tariffs more than once per fiscal year to reflect changes in the international market. Power reliability in Bangladesh has improved, with total network losses dropping from 12% in 2019 to 11.23% in 2020. The target for 2025 is to reduce these losses to 9.5%. In May 2020, the Power Grid Company of Bangladesh (PGCB) signed a contract with the Malaysian-based HG Power Transmission to construct 140 km of new transmission lines. In June 2020, it also signed four contracts with China National Technical Import and Export Corporation to build new grid substations and expand the power network.

Private sector participation in power generation has increased from 2,104 MW in 2010 to 9,454 MW in 2019, including power import. The Government estimates that the rate of private investment will grow from 23.6% of GDP in 2020 to 27.4% in 2025. According to the Bangladesh Power Development Board (BPDB), ten privately funded power generation projects were commissioned in 2020 with a total installed capacity of 1,063 MW. There are 11 solar photovoltaic independent power plant projects currently under construction with a total installed capacity of 488 MW. The BPDB plans to develop three more solar power plants with a collective installed capacity of 175 MW. In April 2021, the PGCB signed a contract with the Indian company Transrail Lighting Ltd. to construct two high voltage transmission lines of 400 kV to improve grid reliability.

### AREAS FOR IMPROVEMENT

The Government may relax some of the existing restrictions on the repatriation of dividends, interests, royalties, and capital proceeds. For instance, the repatriation of sale proceeds of non-listed securities by a non-resident requires the prior permission of the Bangladesh Bank. Moreover, in-kind investment by a foreign investor can only be through the import of capital machinery. Finally, the outward remittance of any royalties, fees for technical knowledge and technical assistance in an industrial sector, such as energy, requires BIDA's prior approval.

The Government should establish competitive pricing policies to incentivise large-scale solar projects. It should also introduce regulation to streamline and facilitate land acquisitions or rentals of uncultivated State-owned Khas land and water bodies for large-scale solar projects.

## Rule of law

### QUICK FACTS

Bangladesh acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards in 1992.

Provisions against expropriation of immovable property are in the Acquisition and Requisition of Immovable Property Act of 2017.

### STRENGTHS

Efforts are being made to improve the judiciary's case management systems. According to the EFYP, judicial reforms are ongoing to reduce the backlog of cases. At the district level, the Case Coordination Committees are classifying cases by nature and type and forwarding these to the appropriate venues to minimise case congestion. During the EFYP's implementation from 2020 to 2025, the Government plans to establish an inter-ministerial coordination committee to complete the policy-evidence feedback loop from the municipal to the central government level. Moreover, investors are increasingly seeking recourse to alternative dispute resolution to resolve commercial disputes. According to the latest estimate of the Law and Justice Division under the Ministry of Law, Justice and Parliamentary Affairs, the number of cases settled through alternative dispute resolution was 14,000 in 2014. The Ministry's target is to reach 17,000 settlements in 2021.

The land digitalisation process is underway, and once completed, it will ensure more access to data and quicker disposal of land disputes. In 2021, the Government attempted to improve the land administration system by making cadastral surveys, registered deeds and transfer deeds available online. As of 2020, Bangladesh has 25 BITs in force. The BITs consider IP rights as "investment" and grant protection to all investment against any form of expropriation and through the unqualified operation of Most-Favoured-Nation and National Treatment obligations.

### AREAS FOR IMPROVEMENT

The Government may establish an investment ombudsperson to resolve conflicts between investors and public authorities. It can also seek guidance from the Energy Charter Model Instrument on Management of Investment Disputes, which aims to assist States in handling investment disputes while keeping in mind their particular needs and circumstances.

Timelines should be set in law for domestic courts to render final judgements. The Government may also introduce legally binding deadlines for different stages of a hearing, such as the first date of hearing and the completion of appeals.

A definition of the term "public purpose or in the public interest" should be incorporated in the Acquisition and Requisition of Immovable Property Act of 2017.

# IMPLEMENTATION STATUS



## Bangladesh

| PROPOSED IN        | EIRA AREAS FOR IMPROVEMENT  | IMPLEMENTATION STATUS AS OF 1 APRIL 2021   |
|--------------------|---|--|
| <b>Indicator 1</b> |   |  |
| 2018               | Make the policy impact assessment reports publicly available. Ensure that the authorities implementing the national energy policy are different from those evaluating its progress.                                 | <b>Work ongoing.</b> The Ministry of Power, Energy and Mineral Resources (MPEMR) published its performance reports for 2020 and its consolidated Annual Performance Agreement (APA). The Ministry of Environment, Forests and Climate Change published the APA implementation report for 2020 and the first quarter of 2021. |
|                    | Conduct technical studies to assess the accuracy of future demand forecasts and the methodology for estimating electricity demand.  | <b>Pending</b>   |
| 2020               | Review the Integrated Power Development Plan and update it to incorporate renewable energy sources in the power generation mix.   | <b>Work ongoing.</b> The National Solar Energy Action Plan 2021-2041 of the Sustainable and Renewable Energy Development Authority sets targets for renewable electricity.   |
|                    | Set future NDC targets that are ambitious enough to offset the planned increase in fossil-based power generation.   | <b>Work ongoing.</b> Bangladesh is currently drafting its second NDC.  |
|                    | Create greater awareness among citizens on Demand Side Management measures to shift the peak load time from night to day and develop policy options to address the low efficiency of existing thermal power plants. | <b>Pending</b>   |
| 2021               | Develop a policy framework on large-scale storage systems.  | <b>Improvement suggested in 2021.</b> Status will be updated in 2022.  |
| <b>Indicator 2</b> |   |  |
| 2018               | Create a legislative framework for a one-stop investment centre and make it operational.  | <b>Fully implemented.</b> Bangladesh adopted the One Stop Service Act in 2018. The Online One Stop Service became operational in 2019.   |
|                    | Introduce legal provisions for regular and mandatory public consultation on draft laws and regulations.   | <b>Partially implemented.</b> In 2020, the Bangladesh Energy Regulatory Commission (BERC) consulted the public on the LPG pricing policy and on its draft dispute resolution regulations.  |
| 2021               | Develop an open data policy to improve transparency in the extractives industry.  | <b>Improvement suggested in 2021.</b> Status will be updated in 2022.  |
| <b>Indicator 3</b> |   |  |
| 2018               | Increase the share of operating revenue in the BERC fund and reduce reliance on government resources and loans.   | <b>Work ongoing and partially implemented.</b> There has been a consistent fall in government funding to BERC. Between 2003-2004 to 2016-2017, Government grants constituted 1.4% of BERC's total funds.   |
|                    | Lower restrictions on the repatriation of dividends, interests, royalties and proceeds of capital.  | <b>Pending</b>   |
| 2020               | Enact the BERC (Amendment) Bill into law as soon as possible.   | <b>Fully implemented.</b> The BERC (Amendment) Bill of 2020 was passed in Parliament. It empowers BERC to revise the electricity tariff more than once per fiscal year.  |
|                    | Encourage regular filing of tariff submissions by power utilities.  | <b>Pending</b>   |
| 2021               | Establish competitive pricing policies to incentivise large-scale solar projects.   | <b>Improvement suggested in 2021.</b> Status will be updated in 2022.  |
| <b>Indicator 4</b> |   |  |
| 2018               | Set deadlines for various stages of a hearing, such as the first date of hearing, the completion of appeals and the final delivery of judgements.   | <b>Pending</b>   |
|                    | Consider establishing a foreign investment ombudsperson to settle conflicts arising during energy projects.   | <b>Work ongoing.</b> The Government has set up Case Coordination Committees that catalogue disputes and forward these to the appropriate venues to minimise case congestion in the domestic courts.  |
|                    | Define the term "public purpose or in the public interest" in the Acquisition and Requisition of Immovable Property Act of 2017.  | <b>Pending</b>   |