ASIA INVESTMENT RESEARCH

Tracking Global Investment Flows Into China & Asia

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Special Economic & Trade Feature: Bangladesh

AIR

BANGLADESH TRADE, DEVELOPMENT & ECONOMIC PROSPECTS IN THE EMERGING ASIAN-EUROPEAN SUPPLY CHAIN

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OVERVIEW

Bangladesh has come such a long way since Henry Kissinger's famous quip in 1971 and the 2014 World Bank "corruption challenge". Examples abound across the country and ultimately both were proven wrong!

More recently, within its economic development progress, Bangladesh has been a star. During the period 2017-2019, its economy grew at 7.8%, and managed 2.4% in the 2020 Covid pandemic, one of the very few countries worldwide to show growth during this time. While Bangladesh continues to make improvements across many parts of its economy, growth in inbound FDI has lagged and still hovers just above 1% of GDP, below its 5-year plan and well below the FDI of neighbouring India, and Vietnam's 10-15%.

In 2020, Bangladesh received US$2.56 billion of inbound FDI, of which US$1.6 billion represented reinvested earnings by companies already operating in Bangladesh (USA led). This US$2.56 billion was a decrease of 10.8% from US$2.9 billion in 2019.

Below we cite a few reasons underlying this sluggish FDI growth – separate from the effects of the Covid pandemic:

- In 2019, the World Economic Forum's Global Competitiveness Index (GCI) ranked Bangladesh 105th among the 141 countries surveyed, down 2 spots from 2018,citing its declining competitiveness in 10 out of 12 pillars, in particular in macroeconomic stability, the labour market, ICT adoption and infrastructure.
- In 2020, Bangladesh ranked 168 out of 190 countries in the World Bank's 2020 ease of doing business index, up 8 places from its 2019 ranking. Despite the uptick, there remain numerous competitive disadvantages and bureaucracy to obtain licenses and hidden costs which increased the cost of doing business.

Meanwhile, exports have come under pressure as changes in the global markets have put pressure on Bangladesh's ready-made garment (RMG) industry, which accounts for 84% of Bangladesh's exports, and where it is one of the world's largest garment exporters (6.7% global market share in 2019).

However, according to McKinsey, in 2020, the value of Bangladesh's RMG exports fell by 17% in the representing revenue losses of up to US$5.6 billion. Also, in 2020 the EU and Vietnam signed a trade agreement which could weaken Bangladesh's EU sales: Vietnam has outpaced Bangladesh's RMG industry in sales to the United States for some time; in 2020, Vietnamese apparel imports into the US were 2.5 times those from Bangladesh.

In preparing this study, we did not receive any compensation from any government, or corporate of individual – it was funded internally by our respective firms.

Despite these hurdles, Bangladesh has been able to build a pipeline of future investments, throughout the pandemic, which should lead to substantial future growth in FDI, including:

- More than US$21.2 billion of investment proposals since the beginning of the Covid-19 pandemic in January 2020. Of these, the Bangladesh Investment Development Authority (BIDA) recorded US$14.8 billion such proposals. The Bangladesh Economic Zones Authority (BEZA) has attracted US$5.0 billion while the Bangladesh Export Processing Zones Authority (BEPZA) has attracted US$1.4 billion.
- In 2020, BIDA attracted US$7.1 billion in investments; US$4.9 billion from local investors and US$2.26 billion of foreign investors/ JV proposals. In 2021 (through 20/12), BIDA received US$7.65 billion investment proposals; US$6.95 billion from local and US$806.3 million in Foreign/Joint Ventures.
- The Bangladesh Export Processing Zones Authority (BEPA) plans to set up 539 industrial plots on 1,150 acres of land in Mirsharai, Chattogram including 140 plots for factories. Seventy –eight domestic and international companies have applied for more than 250 plots; Japan alone has sought 50 plots. The companies together have proposed to invest over US$1.4 billion in the 9th Special Economic Zone (SEZ, offering tax incentives) set up by BEPZA.

As an independent research organization, Asia Investment Research decided to issue the first of our Special Country reports on Bangladesh. Since so much has already been written on Bangladesh by others, we focus our report on providing granularity on 2021 financial data/progress as well as 2022 onwards pipelines in the following areas:

- Progress of key infrastructure projects funded internally (Padma Bridge), or in combination with financing partners in Japan, South Korea, and China.
- 2021 Multi-lateral infrastructure, COVID health/SME loans from AIIB, ADB and the World Bank.
- Selected 2021 inbound investments/pledges from China, Japan, Korea, and the European Union.
- Detailed analysis of 2021 Venture Capital investments; a record year in volume, in aggregate amounts (including its first unicorn) and initial investments by global VC firms to Bangladesh.

The largest component of our analysis focusses on increased issuance and liquidity resulting from prior management actions within the Dhaka Stock Exchange (DSE).

- Detailed analysis of 2021 record year, both in volume and in amounts, of IPOs at the DSE.
- IPOs were dominated by financial services companies- proceeds of which were focused around building a domestic institutional asset management platform.
- Analysis of the and the regulatory changes made which helped drive this performance.
- Launch of an SME platform (as India and China have done).
- Launch of Bangladesh's first green deal.
- Significant increases in perpetual bond issuance – very much needed to fund the growth related to its significant infrastructure needs.

Throughout the document we focus on the "mental toughness" Bangladesh has shown, in particular by the Prime Minister on Padma Bridge, and the Finance Ministry and BSEC in building the domestic institutional platform as well in balancing inbound investment across numerous countries. These have not been simple to construct when dealing with other global economies and recent systemic shocks.

To show balance, we close the document with a number of key challenges that Bangladesh and potential investors should also consider in terms of future development.

Asia Investment Research

TABLE OF CONTENTS

Bangladesh Demographics	6
Diversifying Your Asian Supply Chains: What Does Bangladesh Have to Offer?	10
Bangladesh: 2021 Inbound & Outbound Investments	12
Bangladesh 2021/22 Infrastructure Developments	16
Bangladesh: Recent Multilateral Loans	21
Bangladesh - Venture Capital Investments	23
Scarcity of Land - Challenges for Realizing A Shift to Renewable Energy Strategy	26
Private Equity Expansion	33
Bangladesh Market Entry Structures & Incentives For Foreign Investors	35
Business Taxes For Foreign Investors in Bangladesh: Incentives, TP, DTAs & Profits Repatriation	42
Bangladesh & Europe's Developing Supply Chains	48
Executive Summary	49
Appendix	50
Further Recommended Reading	54

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BANGLADESH DEMOGRAPHICS

Bangladesh's urban population in 2020 was approximately 64.81 million, about 37 percent of the total population. The country's population is also young – with 34 percent in the age group of 15 years and younger and five percent aged 65 years and older. At present, more than 65 percent of Bangladesh's population is of working age, that is, between 15 and 64 years. The government is keen to channel this demographic dividend into achieving sustainable development goals – through investments in education and infrastructure and increasing formalization of the economy. These goals will need an increasing influx of FDI.

Proximity to India

With India to its west, China to the north, and Southeast Asian markets to the east, Bangladesh is in the middle of a combined market of four billion people. Bangladesh is also actively courting investments from its neighboring countries, including India, whereby foreign firms can set up low-cost production bases in the country and export to their home markets. The Bangladesh government, has for example, offered three special economic zones for Indian investors at Mongla, Bheramara, and Mirsarai. Indian companies have invested in telecommunications, pharmaceuticals, FMCG, automobiles, power and energy sectors in Bangladesh.

Both India and Bangladesh are members of various regional trade agreements, including APTA, SAPTA, and SAFTA which facilitate concessionary tariff regimes. Under SAFTA, India grants duty free and quota free access to Bangladesh on all items, except alcohol and tobacco. Further, on April 20, 2021, the Indian government approved a Memorandum of Understanding reached on March 27 between India's Director General of Trade Remedies and the Bangladesh Trade and Tariff Commission to increase cooperation in the area of trade remedies. The MoU aims to promote better cooperation between the relevant authorities of both the countries, discourage unfair trade practices, and facilitate rule based bilateral trading.

Regional connectivity infrastructure between Bangladesh and India is also improving. In March, the 'Maitri Setu' or Friendship Bridge, constructed over the Feni River, was inaugurated to provide the landlocked northeastern Indian region (Tripura state) access to Bangladesh's Chittagong Port. Connectivity projects in the pipeline include water, shipping, railways, road, and air links. Four Border Haats, two each in Tripura state (Srinagar and Kamalasagar) and Meghalaya state (Kalaichar and Balat), have been established to ease travel among communities living along the border areas of both countries. Ten additional Border Haats along the India-Bangladesh border are soon to be established which will again increase trade potential. Bilateral trade has been growing and is currently running at about US$9.5 billion per annum, with the bulk of this in India's favor.

ASEAN

Bangladesh's 271km border with Myanmar can play a strategic role as a potential trade corridor between the two countries. However, at present, the area is militarized due to ongoing internal conflicts in Myanmar.

Were this to be resolved, Bangladesh could develop routes via Myanmar to access China to the east, the Association of Southeast Asian Nations (ASEAN) countries to the south, and the South Asian Association for Regional Cooperation (SAARC) to the west.

Cambodia is also close to Myanmar, with Thailand a neighboring state of both countries. Were the Rohingya conflict to be resolved, Myanmar and other ASEAN countries could access South Asia through Bangladesh. If the Bangladesh-Myanmar-Thailand-India trilateral highway project and the Bangladesh-China-India-Myanmar (BCIM) corridor were integrated, ASEAN members could access the markets of Bangladesh, northern India, and the Himalayan countries of Bhutan, and Nepal. Achieving improved ties between Bangladesh and Myanmar is therefore very important to develop strategic trade and investment.

Myanmar can also use Bangladesh as a transportation route to reach markets such as Nepal, Bhutan, and India. Both Bangladesh and Myanmar are members of the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC), an organization consisting of Bangladesh, Bhutan, India, Myanmar, Nepal, Sri Lanka, and Thailand that seeks to foster regional and economic cooperation. Other ASEAN nations, such as Cambodia should join BIMSTEC to utilize the benefits. Bangladesh trade with ASEAN is fairly evenly dispersed, with Malaysia and Thailand front runners, with plenty of room for expansion to fellow Muslim nations such as Indonesia. Total trade with ASEAN is currently running at about US$12 billion.

China

China reduced tariffs for Bangladeshi imported products under its Preferential Tariff Program from July 1, 2020. The result means some 97 percent of all Bangladeshi products from 60 percent. China now provides duty-free export benefits to an additional 5,161 products from Bangladesh, taking the total number of products to 8,256, including the items admissible under the agreement of the Asia Pacific Trade Agreement (APTA).

Major export items from Bangladesh to China include jute and jute products, plastic products, raw hide and skins, frozen fish and crabs, live eel fish, sesame seeds, and cotton waste products.

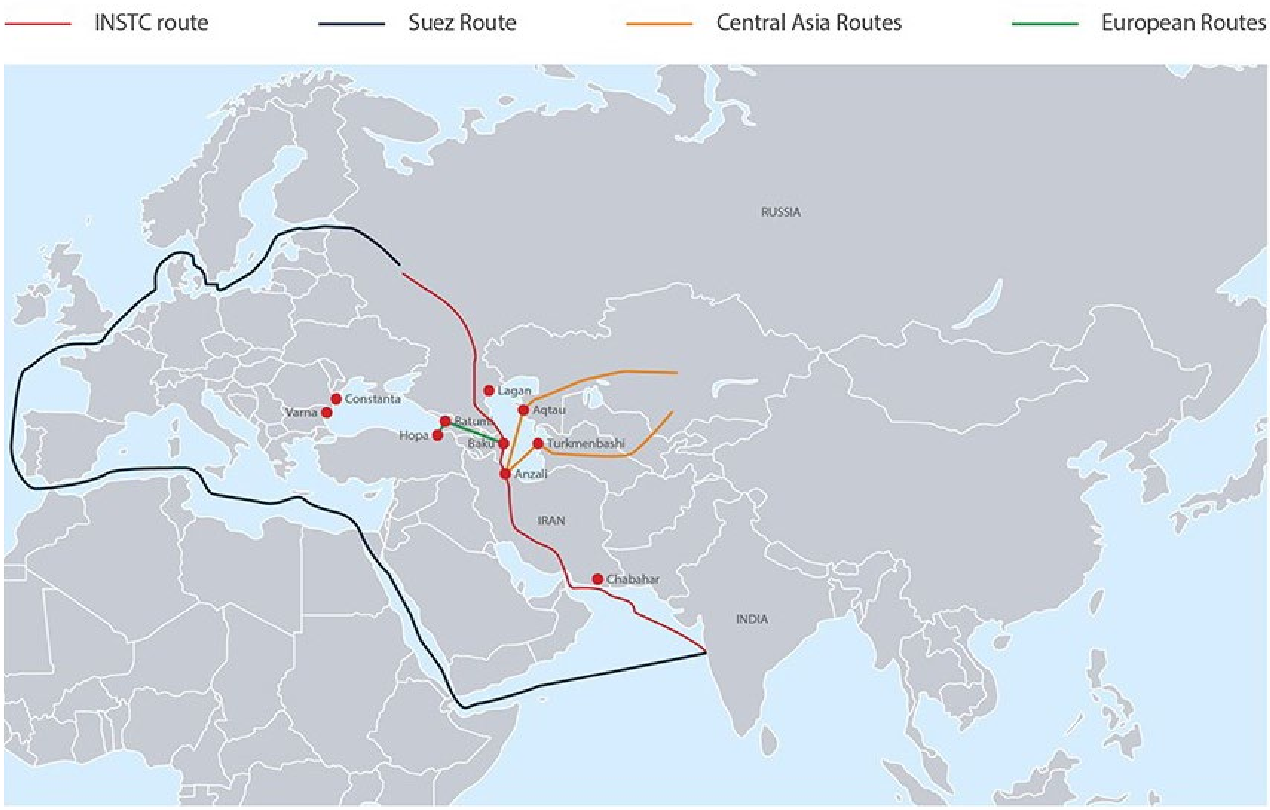
Additionally, duty benefits have also been accessed for many Bangladeshi products exported to China under the third round of the APTA negotiation. Under the fourth round of negotiation, Bangladesh enjoys duty benefits at different rates for 2,372 products. Bilateral trade has jumped as a result and is currently running at about US$22 billion.

The Bangladesh Reach To Europe

The global supply chain shocks created by continuing port and supplier lockdowns in China, and disruptions created by the Ukraine conflict, are now making Bangladesh a contender for supply chain considerations. This is especially pertinent as developments along the International North-South Transportation Corridor, (INSTC) are set to boost South Asia trade with the EU. In addition, Pakistan's 'China Pakistan Economic Corridor' offers access deep into Pakistan from Gwadar Port, with road and rail heading north across the country, and has potential future access to the redevelopment of Afghanistan.

The INSTC meanwhile can be accessed from Iran's Chabahar Port, which from 2023 will be connected by rail to Caspian Sea ports on Iran's Northern coastline. From there, goods can be shipped via three main corridors: east to Caspian ports at Turkmenbashi (Turkmenistan) and Aqtau (Kazakhstan) which give access to markets in Central Asia, including an increasingly affluent Uzbekistan. North, they can head to Russia's Caspian ports at Lagan and Astrakhan and access the huge Central Russian region of the Volga River basin, which is navigable and possesses ten cities with populations in excess of 1 million.

The International North-South Transportation Corridor



West, goods can be shipped to Azerbaijan's Caspian Sea Port at Baku, where again containers can be loaded onto rail and transported West to the Caucasus nations and Turkey. Both Georgia and Turkey have significant Black Sea ports, which are rapidly developing and can ship onward to EU markets via ports in Bulgaria and Romania. With the northern, Russian border access to Europe now suspended, the EU route via the INSTC is of considerable interest. Taking advantage of Bangladesh manufacturing and sourcing given the available export incentives and competitive labour should be a matter for consideration when evaluating Asia-EU supply chains.

Top Bangladeshi Exports

In 2019, Bangladesh's top 10 exported goods accounted for 96.1 percent of the overall value of its global shipments.

Knitted or crocheted clothing and accessories: US$20.3 billion (44.5 percent of total exports)

Clothing and accessories that are not knitted or crocheted: US$19.4 billion (42.4 percent)

Footwear: US$1.1 billion (2.4 percent)

Miscellaneous textiles and worn clothing: US$1 billion (2.2 percent)

Paper yarn and woven fabric: US$603.3 million (1.3 percent)

Fish: US$532.9 million (1.2 percent)

Leather and animal gut articles: US$68.3 million (0.8 percent)

Headgear: US$332.6 million (0.7 percent)

Raw hides (skins) and leather: US$139.8 million (0.3 percent)

Plastics and plastic articles: US$113.2 million (0.2 percent)

Top Imports

In 2019, Bangladesh's top 10 imports accounted for 59.7 percent of the overall value of its global product purchases.

Machinery including computers: US$5.8 billion (11.5 percent of total imports)

Cotton: $5.4 billion (10.8 percent)

Mineral fuels including oil: US$4.4 billion (8.7 percent)

Electrical machinery, equipment: US$3.2 billion (6.4 percent)

Iron, steel: US$2.9 billion (5.8 percent)

Plastics, plastic articles: US$2.2 billion (4.4 percent)

Vehicles: US$1.7 billion (3.5 percent)

Manmade staple fibers: US$1.6 billion (3.2 percent)

Manmade filaments: US$1.42 billion (2.8 percent)

Knit or crochet fabric: US$1.35 billion (2.7 percent)

New, foreign investment friendly policies, massively improved infrastructure and a relatively well educated, competitive worker dynamic are driving Bangladesh to become a new supply chain driver for Asian and Global trade as manufacturers and sourcing executives look to diversify options during these globally uncertain times.

DIVERSIFYING YOUR ASIAN SUPPLY CHAINS: WHAT DOES BANGLADESH HAVE TO OFFER?

Bangladesh has a competitive investment climate, relatively large and young labor market, and is ambitious to grow its agribusiness, garment and textiles, energy, IT, and infrastructure sectors. Dhaka wants to attract foreign companies seeking to relocate from China or countries wanting to diversify their investment footprint in Asia. Bangladesh offers a low-cost and skilled labor market and imposes few limits on the level of foreign equity participation allowed.

The country's consumer economy also offers rising prospects, with Bangladesh's GDP per capital income now higher than India's, after registering a 9% growth over the past year.

In this article, we look at the entity structures open to foreign investors, briefly discuss Bangladesh's trade and investment profile, including top traded products, and spotlight incentive zones for foreign investors.

Bangladesh Investment Profile

The government of Bangladesh is keen to attract greater foreign direct investment (FDI) to build up capacity in its export-oriented industries and burgeoning technology and services sector. The country's political leaders have asserted a development-first strategy, and FDI plays a prominent role in advancing their goals in this regard.

For years, its 'least developed country' (LDC) status allowed Bangladesh to tap into the Generalized System of Preferences (GSP) for benefits on exports as well as access concessions in various trade treaties.

However, the country is now on its way to graduate from this group and is expected to be taken off the United Nations' list of LDCs by 2026 due to progress made on three fronts: per capita income, human assets, economic and environmental vulnerability. Bangladesh will, however, enjoy preferential market access to the EU and UK for an extra three years, till 2031.

So far, Dhaka has responded to this eventuality by aggressively expanding and modernizing its infrastructure, setting up investment-friendly zones, targeting key countries for greater FDI, and liberalizing relevant policies.

Moreover, Bangladesh's export industries are dominated by the readymade garment (RMG) industry – an outsize contribution that the government hopes will reduce as other industries grow in output and value. This is also critical for the country's financial stability as export income will fall after the withdrawal of LDC-linked benefits in international trade.

Overall, the Bangladesh economy grew at around 5.2 percent in the fiscal year ending June last year and is projected to grow 7.4 percent in the ongoing financial year. Despite the blip in growth – when compared with previous forecasts – Bangladesh is still doing much better than its regional peers.

Bangladesh currently allows foreigners to privately invest in all its industries, except the defense, nuclear energy, mining, and forest plantation industries.

Foreign investment is especially sought in export-oriented industries, industries in export processing zones (EPZs), and high-tech products as import substitutes or meant for export.

However, in areas where FDI policy is liberal on paper, there may still be hidden barriers for investors if the government seeks to promote local capacity creation or privilege domestic players. In this scenario, foreign investors may have to modify their market entry strategy. Nonetheless, Bangladesh should be a serious contender for new supply chain considerations given the current pandemic problems still apparent in China, and disruptions created by the Ukraine conflict.

In the following articles we examine the hard data as concerns investment flows into and out of Bangladesh.

Dhaka, an emerging Asian consumer capital, bisected by four rivers. With a population of 9.5 million and a metro catchment area of 22.5 million, it is one of the world's most densely populated cities.

Chittagong Port, Bangladesh's largest. Located at the mouth of Karnaphuli river in Patenga, the Chittagong port is the main seaport in Bangladesh and also the core port of countries that are dependent on the Bay of Bengal.

BANGLADESH: 2021 INBOUND & OUTBOUND INVESTMENTS

In this section, we set out 2021 actual investments as well as investment pledges into Bangladesh by international organisations based in Japan, South Korea and Japan. While amounts in the table appear low relative to its peers, they portend future inbound FDI increases. We also include a small section on Bangladesh outbound, even though in 2021, only $15 million was authorised for outbound investment. We believe that this figure is likely to change substantially in the future as larger Bangladesh companies continue to increase in market capitalisation.

Table 1 - International Investment into Bangladesh 2021

Country	Target	Sector	Investor Name	Amount ($m)
JAPAN	Araihazar (SEZ)	Pharmaceuticals	NIPRO	1,000.0[1]
	bKash	Fintech	Softbank Vision Fund	250.0[2]
KOREA	Shibpur Plant (Fair Electronics)	Consumer Electronics	Samsung	ND[3]
	KEPZ	Solar Power Dept	Youngone	40.0[4]
CHINA	HungryNaki	e-commerce	Alibaba	ND[5]
	Gazipur Plant	Consumer Electronics	Xiaomi	ND[6]
EUROPE	Brac Bank	Micro Finance	FMO Bank (Netherlands)	50.0[7]

1 JMI Group/NIPRO pledged $1.0 billion investment into Araihazar SEZ by up to 100 Japanese companies.

2 Softbank acquired a 20% stake in bKash.

3 Samsung launched its new production plant for air conditioners via partner, Fairfax Electronics.

4 Youngone launched solar plant in KEPZ zone.

5 Alibaba, via Daraz, acquired HungryNaki, the first acquisition of a Bangladesh start-up.

6 Xiaomi opened its 1st Bangladesh manufacturing plant in Gazipur.

7 Netherlands based development bank targeting microfinance loans.

INBOUND

Japan

NIPRO/JMI Group – Pharmaceuticals

In October 2021, Standard Chartered and Bangladesh Investment Development Authority (BIDA) held a virtual forum which showcased the partnership potential between Bangladesh and Japan highlighting strategic opportunities for Japanese investments, high-potential sectors and Bangladesh's commitment to attract foreign capital.

The October forum followed an August 2021 statement by NIPRO, a leading Japanese healthcare company that in the last 10 years, NIPRO Corporation and JMI Group have jointly invested $100 million in Bangladesh since the launch of their JV in 2012. NIPRO also noted that a new SEZ is being developed at Araihazar (outside of Dhaka), with a goal of attracting 100 Japanese companies to $1 billion in that SEZ with a focus on pharmaceuticals.

Softbank/bKash (Fintech)

In November, SoftBank announced that it would enter Bangladesh by acquiring a 20% stake in bKash, the largest mobile financial service (MFS) provider bKash. On completion of the transaction, SoftBank will be the fifth foreign stakeholder in bKash.

BRAC Bank, the majority owner of bKash, approved both the share purchase and subscription agreements and announced that this new investment would not change its shareholding in bKash

In a stock market disclosure posted on the DSE website, BRAC Bank announced that in accordance with the terms and conditions of the agreement, both primary and secondary investments will be made by SoftBank into bKash, where SoftBank will a acquire 20% share.

Korea

Samsung

In January 2021, Samsung launched its new production plant at Shibpur in Narsingdi, focussed on air conditioners (ACs). The plant is owned by Fair Electronics, Samsung's sole authorised manufacturer of mobile phones and consumer electronics products in Bangladesh, which stated that at least 100,000 units of ACs were expected to be produced in the next five years.

As much as 95% of the handsets sold in Bangladesh by Samsung are assembled in its plant in Narsingdi, which started assembling Samsung-branded handsets in its 58,000 ft2 state-of-the-art manufacturing plant from 2019. The Bangladeshi assembled Galaxy Note 10 | 10+ | 10 Lite reached the market in January 2020.

Solar Power

In June 2021, Youngone Corporation (South Korean conglomerate), launched Bangladesh's largest rooftop solar power plant in its Korean Export Processing Zone (KEPZ) to meet its electricity demand through renewable sources. The company will produce 40MW of solar power on the rooftops of the factory buildings with an investment of $40 million. The first phase of the project has already begun producing 16MW of electricity. Separate solar PV (photovoltaic) units to generate the remaining 24 MWs of power will be established within the next 1.5 years.

There are 34 factories currently operating in the KEPZ. Solar panels were installed on the roofs of 16 factories to generate electricity in the first phase. The other units will be equipped with panels over the next two phases. Solar panels that will generate 4MW of power will be installed on six more factories in the future.

China

Alibaba

In March 2021, Alibaba Group Holding, through its ownership of Daraz Group (Pakistan) announced the acquisition of HungryNaki, a leading Bangladeshi online meal delivery service: this marks the first acquisition of a Bangladeshi start-up.

In 2018, Alibaba took full control of Ele.me, China's second-largest food delivery service and expanded its platform to include numerous new services growing it to a business with circa $5 billion revenues.

HungryNaki, founded in 2013, reportedly has more than 500,000 regular customers ordering from 4,000 restaurants in five cities including some 500 drivers. Daraz plans to extend HungryNaki's network to around 100 cities, with investments in infrastructure, technology and human capital.

Xiaomi

In October 2021, Xiaomi opened their first Bangladeshi manufacturing plant in Gazipur, partnering with DBG Technology BD Ltd, an electronics manufacturing service provider headquartered at Huizhou, Guangdong in China. The Gazipur plant will be producing approximately 3 million mobile phones/year. Around 1,000 employees will be working in the plant initially. The factory is situated in a standalone four-storied building with a total area of around 55,000 ft^2.

The first phone of the company to be assembled in Bangladesh belongs to Redmi sub-brand, which is expected to be available in the market during November. Subsequently POCO and Xiaomi series will be made in the country.

Europe

In April 2021, FMO development bank (the Netherlands) announced an investment of $50 million in BRAC Bank. The five-year facility is earmarked to financing the microfinance portfolio of BRAC, as more than 50% of its loan portfolio (less than €10,000) is in microenterprise loans. Currently, BRAC is the domestic market share leader in microfinance with a microfinance loan portfolio of $3.2 billion and 7.4 million customers (85% females) in more than 69,000 villages.

This investment marks a milestone achievement for the microfinance sector as a foreign bank is directly investing in a microfinance institution in Bangladesh for the first time.

OUTBOUND

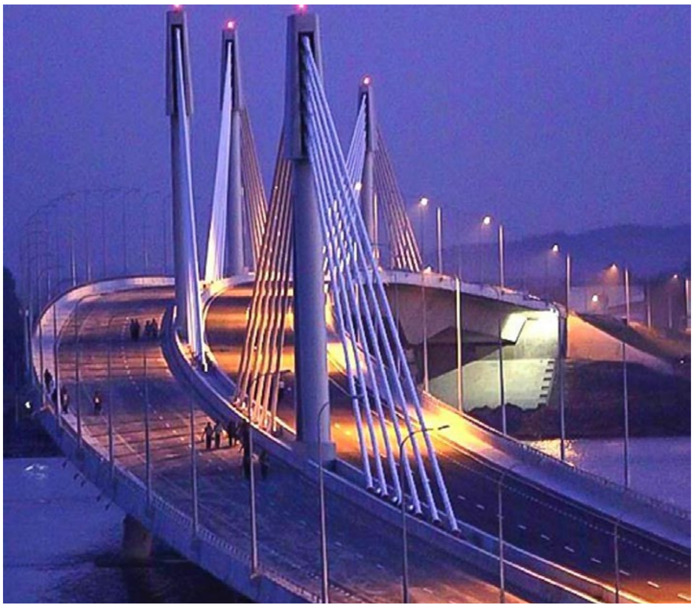
In February 2022, Bangladesh Bank gave permission to four private businesses to invest a total of $13.5 million in 5 foreign countries. Three companies were already operating internationally, the 4th, Columbia Garments, represents the 18th Bangladesh company with international operations.

- Square Pharmaceuticals Limited, a subsidiary of Square Group, will invest $1 million in The Philippines. Previously, in 2017, Square Pharmaceuticals invested $17million constructed its manufacturing plant in Nairobi. Square looks to participate in $30 million drug market in Kenya and five other East African countries – Tanzania, Rwanda, Burundi, Uganda and South Sudan.

- Renata Pharmaceuticals plans to invest $2 million into its existing Irish subsidiary. The approval for this equity investment allows Renata to sell its medicines directly instead of via a third party; the same logic to its $5 million investment into the UK.
- Bangladesh Steel Re-Rolling Mills Ltd (BSRM) was permitted to invest $0.5 million in its Hong Kong subsidiary, as due to the low capital, the company was not allowed to procure raw materials from China as well as to facilitate exports. In 2016, BSRM was permitted to invest $4.6 million from its balance in the export retention quota to build a factory in Kenya.
- Colombia Garments Limited, a subsidiary of M&J Group – a leading global manufacturer specialised in jeans production, was given permission to invest $1.5 million in Hong Kong for procurement and business promotion.

Not receiving foreign investment approval were Sonargaon Seeds Crushing Mills, which requested to invest $25,000 to set up a Singapore subsidiary and Venture Capital Limited sought permission to invest $10,000 to acquire 0.85% stake in BrioAgro, a Spanish agro-tech based start-up.

BANGLADESH 2021/22 INFRASTRUCTURE DEVELOPMENTS



In this section, we focus on major infrastructure projects which demonstrated specific progress during 2021 or are expected to do so during 2022. We present them below as financing led domestically, led by Japan and led by China.

As can be seen, many of these are transformational to the country.

Padma Bridge – Local Financing (2022 opening)

The Padma Multipurpose Bridge, 6,150 metres long, longer than the Oland Bridge of Sweden, is expected to be operational by June 2022 after nearly a decade of effort.

The bridge was slated to be commissioned by 2013. The World Bank had pledged $1.2 billion, to help lead fund the construction. Later the World Bank cancelled its pledge, after it claimed to have identified 'possible corruption risks'. The Bangladesh Government decided to fund the construction itself. Rejecting the allegations, in 2014, Bangladesh Prime Minister Sheikh Hasina challenged the World Bank, where she had vowed that the country would complete the project by itself after its allegations of corruption.

In December 2015, the Prime Minister inaugurated the construction work (which saw costs increase ultimately to $2.9 billion). In September 2017 the first span was installed. After 38 months, all the spans had been installed. On 31st December 2021, Sheikh Hasina, accompanied by her sister Sheikh Rehana, visited the Padma Bridge for the first time since winning her challenge with the World Bank, also taking a 2 kilometre stroll.

Padma Bridge is now set to be open for traffic by June 2022, only 3 months after the original completion date; however, the railway links on both sides of the Padma Bridge will not be launched until later in 2022 (funded by China EXEM Bank loan committed during 2018).

Japan Financed- 6 projects

In June 2017, the Japan International Cooperation Agency (JICA) signed loan agreements with the Government of Bangladesh to provide Japanese ODA loans of up to a total of 178.223 billion yen for six projects included in the national "7th Five-Year Plan (2016–2020)." These are key steps in the Government of Bangladesh's goal ("Vision 2021") of achieving middle-income status as a country by 2021. We list below 3 of these projects with 2021/2022 developments

1. Hazrat Shahjalal International Airport Expansion Project (I) (loan amount: 76.825 billion yen) (as at November 2021, planned to be inaugurated in 2023)
2. Dhaka Mass Rapid Transit Development Project (Line 1) (E/S) (loan amount: 5.593 billion yen) (loan signed with JICA in November 2021 discussed below)
3. Matarbari Ultra Super Critical Coal-Fired Power Project (III) (loan amount: 10.745 billion yen)(on course to produce 600MW –out of 1,200 MW –power generation by 2024; 76% of funding)

Trial running begins on Dhaka metro Line 6 (August 2021)

The first trial run on the Dhaka Mass Rapid Transit Line 6 was carried out in Bangladesh's capital in August 2021. A six-car train made a return trip from the Uttara Terminal depot, passing three stations. The Transport Minister announced that should all the trials and inspections go as planned then the line will open by December 2022 as planned. Trains will run every four minutes in each direction, and it is expected that 60,000 passengers will use the line each hour.

In September 12 the fifth MRT Line 6 train was sent to sea port for transport to Dhaka. Kawasaki Heavy Industries (and its JV partner Mitsubishi Corporation) built these in Japan as part of its $369.1m contract (signed in 2017) to build 24 six-car electric trains capable of 100km/hr. (the first set was sent in March) The trains are 118.8m long, made of lightweight stainless steel.

The 20.1km line, which will cost $2.8bn, consists of 16 elevated stations, each 180m long. Apart from the depot and some of the accompanying infrastructure, the entire Line 6 is elevated. Sinohydro Corporation (China) and Italian-Thai Development Public Company were contracted in May 2017 to undertake the civil construction work for the new line.

Metro Rail/Other Q4 2021 loans

In November, Japan confirmed a US$ 2.665 billion (JPY 292.279 billion) loan for developing the Matarbari power plant and the MRT line-6 as well as for facilitating recovery from the Covid-19 pandemic shocks (discussed in a separate section)

Under the 42nd ODA package, JICA will provide $1.2 billion (JPY 137,252 million) for the Matarbari Ultra Super Critical Coal-Fired Power (6th tranche), and $1.1 billion (JPY 115,027 million) for the Dhaka Mass Rapid Transit Development Project (Line-1) (2nd tranche). For the two development projects under the 42nd ODA package (1st batch), the terms included an interest rate of 0.60% for construction-related financing, 0.01 per cent for consultancy service, and 0.2% for the front-end fee (at a time), maturity of 30 years with a grace period of 10 years.

MRT Line-1 will extend nearly 31.2 km and will have 19 stations:

- A 19.8 km underground section will be served by 12 stations between Hazrat Shahjalal International Airport and Kamalapur railway station.
- An 11.3 km elevated line, which will have 7 stations and will provide transport connection between Purbachal and Bashundhara. From there, it will run in a mix of elevated and underground line to the Notun Bazar underground station.

It is expected that the early construction works will start in early 2022, after a delay of one year. Initially the works were set to begin in December 2020, and due to pandemic, the schedule was pushed to June 2021, but the health crisis once again delayed the start of the works. The project is forecast to be finished by December 2026.

Japan has provided more than $27 billion worth of assistance to Bangladesh through June 2021.

China-2021/2022

Dhaka-Ashulia Elevated expressway – Q4 Loan

In October 2021, Bangladesh signed a $1.2 billion loan deal with China for the construction of an elevated expressway linking Dhaka and Ashulia. The 24-kilometre expressway will be constructed from

Shahjalal International Airport to Dhaka Export Processing Zone near the Nabinagar-Chandra Highway via Abdullahpur, Ashulia and Baipail.

CEXIM will fund 65% of the estimated cost of the project under Preferential Buyer's Credit. Bangladesh will have to repay within 20 years, with 2% interest and a grace period of five years.

Bangladesh and China signed MoUs worth around $21 billion for the financing of 27 projects during Chinese President Xi's Dhaka visit in 2016. China had already signed deals on $7.8 billion credit for eight projects following the MoUs. Current exchange rates put the latest deal at Tk 94.72 billion. The estimated cost of the Dhaka-Ashulia expressway project is over Tk 169 billion.

The government approved the project in October 2017 to ease traffic jams on the ways to 30 districts in the north and west. The construction was supposed to end in June 2022 but it took time to launch the project due to the delay in signing the deal with China. He said the new deadline for the completion of the project has been set at June 2026

Chinese Loans needed for additional new infrastructure projects- Q4 2021

In November, it was reported that the Bangladesh Government sought to borrow US$701 million from China to partially fund four projects, two labelled top priority, after a pause of nearly two years when in October CEXIM signed a $1.2 billion loan for funding the Dhaka-Ashulia Elevated Expressway project.

These four projects were on a list of 27 priority projects ones agreed between two countries during the Dhaka visit of Chinese President Xi in 2016:

- $276 million for the water-treatment plant for Rajshahi Water Supply and Sanitation Authority (RWASA)
- $450 million for the digital connectivity projects
- six vessels for the Bangladesh Shipping Corporation
- upgrading six TV stations of Bangladesh Television

The digital-connectivity project of the ICT Ministry and water-treatment plant for RWASA are the most essential projects at this moment.

Bangladesh has so far signed $7.80 billion worth of loan deals for 8 projects out of the 27 listed ones with China since 2016.The 27 proposed projects will require some $20 billion of funding.

Currently, different megaprojects like Padma Bridge railway link, power supply in DPDC area, tunnel down the Karnaphuli river, Info-sarker project of the ICT division, and single-point mooring for Bangladesh Petroleum Corporation are being implemented in Bangladesh partially funded by Chinese loans.

Bangladesh buys 580 train wagons from China – Q4 2021

In late December 2021, Bangladesh Railway (BR) announced a deal with CRRC Shandong Co to purchase 580 wagons to expand its freight train service capacity and rail networks within and beyond borders to meet growing needs. The metre-gauge wagons will be bought over the next 18 - 30 months at a cost of Tk 3.18 billion. Though the new wagons would be in metre-gauge measure, the minister says the BR is also trying to convert gradually all its metre-gauge lines to broad gauge to improve the train services.

Bangladesh's rail minister said that demand for wagons has been on the increase due to taking various projects to expand the railway network across the country, including between the port cities, from the "sustainable development point of view"."Besides," he said, "rail link with neighbouring India has also been established for cross-border trade which is increasing the demand for wagons."

Sujon says the BR has so far opened five interchange points with India among eight and efforts have already been taken to open the rest of the interchange points. Projects to establish a link with Mongla Port and a dedicated rail bridge over the river Jamuna as well as link with the tourist city of Cox's bazaar have been taken. beyond borders to meet growing needs. The metre-gauge wagons will be bought over the next 18 - 30 months at a cost of Tk 3.18 billion. Though the new wagons would be in metre-gauge measure, the minister says the BR is also trying to convert gradually all its metre-gauge lines to broad gauge to improve the train services.

2022

Dhaka Bypass Expressway – Q1 2022 PPP

For nearly a decade, the Bangladesh Government wanted to expand the two-lane Joydevpur- Debogram-Bhulta-Madanpur road, widely known as Dhaka Bypass Road, into a four-lane highway for better communication between Chattogram port and the country's north-western regions. The 48 km road connects the Joydevpur-Tangail National Highway, Dhaka-Chattogram National Highway, Dhaka-Sylhet National Highway, Dhaka-Mymensingh National Highway along with some regional highways and district roads. The underlying logic was that once the project was completed, buses, trucks and other vehicles will be able to easily travel from northern and western parts of the country to eastern and southern parts without entering Dhaka city.

There were a number of key dates in this project: 2012- Government approval to construct this on a PPP basis (first ever in Bangladesh); in 2016, the Government agreed to provide support for the project including acquiring the land and leading resettlement; and in 2018 signing an initial contract with the Chinese (60%)-Bangladesh (40%) consortium which permitted it to finance, build, operate and maintain the road for a concession period of 25 years.

The work for expansion of the highway, with service lanes on both sides, was supposed to begin within nine months of signing of the deal and the road was expected to be opened to traffic by 2022. However, the private partner could not secure funding until April 2021 and the Government could not complete land acquisition, leading to 2-3 X cost increases in land acquisition costs, causing the delay in project implementation. Further, while the project's foundation stone was laid in December 2019, the project did not see any progress mainly due to Covid-19 pandemic.

In April 2021, the private partner, formally known as Dhaka Bypass Expressway Development Company Ltd, signed a financing agreement with China Development Bank (CDB) and Bangladesh Infrastructure Finance Fund Ltd (BIFFL). As per the deal, CDB will provide Tk 1,614 crore and BIFFL Tk 1,075 crore. Earlier, ADB agreed to provide a credit of $100 million to BIFFL for granting the loan to the private partner.

In January 2022, the Bangladeshi government signed a contract with the consortium to convert the road to a major expressway on a PPP basis, a first for a roadway in Bangladesh. The consortium will invest 20.94 billion taka in the project, while the Bangladeshi government will invest 12.09 billion taka. (circa $400 million)

The expressway, which bypasses Bangladesh's congested capital, Dhaka, will link the industrial belts around Dhaka with the seaport at Chattogram and the northeastern Sylhet region (240 km northeast of Dhaka). The Dhaka-Sylhet Road will open up opportunities for the entire northeast region of Bangladesh, and act as a strategic corridor for subregional, regional and international trade.

The Dhaka-Sylhet corridor, once completed, will support a new trade route that connects Chattogram port with India's northeastern states through the three Bangladeshi land ports of Akhaura, Sheola, and Tamabil, according to the ADB. It will also ease traffic north to south in Dhaka improving local economies in the road's route and boosting development across the country.

Construction on this motorway began in October 2020. As of December 2021, 70% of the initial work had been completed, with 50% of bridge pile foundation completed. The entire expressway is expected to operational in 2024. Nearly 1,000 local people are working -- a number set to double -- alongside the Chinese staff.

Joint Research (January 2022)

DIU holds meeting with experts from Bangladesh and China to develop research topics on the Belt and Road Initiative

In January, Daffodil International University Belt and Road Research Centre (DBRRC) successfully hosted the first idea exchange meeting with experts from China and Bangladesh as a part of the series of activities. The aim of the research center is to publish academic papers and enable the development of area-specific research topics on the BRI. Mohammad Saiyedul Islam, Doctoral Fellow at Jiangxi University of Finance and Economics.This center is the first of its kind in Bangladesh to be focused on the belt and road initiative,

Attending the meeting were Prof Mohammed Masum Iqbal, Dean of the Faculty of Business and Entrepreneurship (FBE) at Daffodil International University, Dr AKM Mohsin, convener of the DIU Belt and Road Research Centre , Dr MD Misbahul Ferdous, a cardiologist at Fuwai Hospital, Beijing, and Mohammad Saiyedul Islam, Doctoral Fellow at Jiangxi University of Finance and Economics.

Joint Secretary General of BCCCI Al Mamun Mridha Mentioning tourism, he also brought to attention the scope of medical tourism for Bangladeshis in China; a second sector was banking; Establishing a formal banking channel could play a vital role in improving bilateral trade conditions.

Prof Dr Md Fokhray Hossain, Director of DIU International Affairs brought to attention the scope of a cultural exchange program for Bangladesh in China. Dr Md Misbahul Ferdous appreciated the initiative and was promised to work with DBRRC in the field of Health Silk Road research while Mohammad Saiyedul Islam, focused and suggested working on digital Silk Road.

BANGLADESH: RECENT MULTILATERAL LOANS

In this section, we set out the various multilateral bank loans received by and/or pledged to Bangladesh during 2021 led by AIIB and ADB with support from Japan and Korea.

As you can see below, it was a very busy year for Bangladesh, which attracted $2.51 billion in multilateral loans in 2021. These were split $2.0 billion for COVID related (80%) and $0.51 billion (20%) infrastructure related. AIIB led $1.06 billion, ADB $0.9 billion, JICA (Japan) with $347 million, Korea (EDCF) $100 million and the OPEC Fund for International Development (Austria) $100 million.

Q1

Mymensingh Kewatkhali Bridge Project -$260 million AIIB infrastructure loan plus Grant

The project is to reduce congestion and improve mobility and connectivity by addressing the crossriver bottleneck between Mymensingh and Shambhugonj on the Dhaka-Mymensingh-India corridor. AIIB $260.0; AIIB Grant $ 2.1 million; Government of Bangladesh $121.4; Total $383.5 million

COVID-19 Emergency and Crisis Response Facility -$300 million AIIB COVID related loan

The facility was designed to reduce liquidity constraints related to the COVID-19 pandemic to Bangladesh SMEs and cottage industries. The project, financed by a sovereign-backed loan to the Bangladesh, will be implemented by Bangladesh Bank, which will on-lend the proceeds of the AIIB loan for short-term refinancing loans (up to 12 months) to participating financial institutions, to provide liquidity support to commercial banks and non-bank financial institutions that will lend working capital financing to sub-borrowers under the Government's existing stimulus package.

Q2

Social Development Loan - $250 million by ADB

In June, ADB approved a $250 million policy-based loan to the Government of Bangladesh to help finance reforms aimed at improving the inclusiveness and responsiveness of the country's social development and resilience programme.

Q4

COVID-19 Emergency and Crisis Response Facility - $500 million AIIB/ADB COVID related loan

The proposed Program is a policy-based financing to help the Government of Bangladesh implement reforms to accelerate economic recovery from the COVID-19 pandemic by enhancing: (i) fiscal space through improved public financial management (PFM) for revenue and public expenditure, and (ii) enabling environment to foster the growth of cottage, micro, small and medium-sized enterprises (CMSMEs) and associated employment, in line with initiatives of country's Eighth Five Year Plan, 2021–2025. This is to be supported under AIIB's COVID19 Crisis Recovery Facility $250 million and co-financed with the ADB for $250 million.

COVID recovery loans - $700 million, Korea, ADB and AIIB

In November, Korea's Economic Development Cooperation Fund (EDCF) signed an agreement with Bangladesh to provide $100 million concessional loans to assist in Bangladesh's economic recovery from the pandemic. This is focussed on SMEs. To date, Bangladesh is the 2nd largest recipient of EDCF loans worldwide, with $1.2 billion funding for 24 projects.

EDCF's $100 million represents 14% of $700 million in concessional loans pledge in October to Bangladesh, which also includes $250 million from ADB, $250 million from AIIB and $100 million from the OPEC Fund for International Development. It is the first time the EDCF and the AIIB have provided joint financing to an economic project in developing countries.

COVID related loan; 2 infrastructure loans - $347 million – Japan JICA

On 22nd November, the Japan International Cooperation Agency (JICA) signed loan agreements with the Government of Bangladesh to provide Japanese ODA loans of up to a total of 292.279 billion yen for the following one program and two projects:

1. COVID-19 Crisis Response Emergency Support Loan Phase 2 (loan amount: 40 billion yen)
2. Dhaka Mass Rapid Transit Development Project (Line 1) (II) (loan amount: 115.027 billion yen)
3. Matarbari Ultra Super Critical Coal-Fired Power Project (VI) (loan amount: 137.252 billion yen)

Since we have already included (2) and (3) in the prior 2021/2022 Projects section, we only include (1) here.

COVID related loan; $150 million – ADB

At the end of November, ADB and the Government of Bangladesh signed agreements for a $150 million loan to provide financing for the cottage, micro, and small-sized enterprises (CMSEs) operated by youth, returning migrant workers, and rural entrepreneurs, particularly women, who have been hit hard by the COVID-19 pandemic. The loan to Bangladesh Bank, the nation's central bank, will be on-lent to participating financial institutions (PFIs), which in turn will help 30,000 CMSEs operated by the beneficiaries.

At the end of December, and following all of its 2021 commitments, ADB announced that it had lent Bangladesh $2.6 billion to date including $500 million for budgetary support in April 2020 and then pledged an additional $1.96 billion over the next five years,

BANGLADESH - VENTURE CAPITAL INVESTMENTS

Historical Overview

2016-2019

The Bangladesh VC ecosystem is just half a decade old and growing quickly as Bangladesh plans for IT to become a key component of its economy and exports

There were VC/PE funds investing in Bangladesh before 2015, but most of these funds were based in Singapore or the USA. In 2016, there were 3 small VC capital raises; Aavishkaar Venture Management (AVM -India) investing $2 million in CloudWell (payment solutions), Innovate (Japan) invested $1.3 million in AkjerDeal (ecommerce) and Razor Capital (Bangladesh) invested $1.0 million in Direct Fresh (ecommerce).

In 2017, Go-Jek (Indonesia) invested $2.0 million in Pathao. However, in 2018, Bangladesh's ecosystem took a big leap forward with 2 strategic investments and 8 VC capital raises, including 3 over $5 million:

- Golden Gate Ventures (Singapore) invested $15 million into Shohoz, a ride sharing platform
- Pathao (logistics), received $10 million in equity and $13 million in loans from Go-Jek (Indonesia) and Open Space Ventures (Singapore)
- Chaldal (USA based ecommerce group with a Bangladesh operation), raised $5.5 million from IFC (World Bank), IDLC finance (Bangladesh) and Y-Combinator (USA)

The two largest VC investments in 2018 by far were corporate: Alibaba's Ant Financial acquired a 20% stake in bKash, Bangladesh's largest fintech group for $56 million as well as a controlling stake in Daraz (ecommerce) for $180 million.

In terms of funding, in October, Bangladesh Angels, its first angel investment network was launched and Brac Bank, an international development organization based in Bangladesh, partnered with the Osiris Group (US PE firm) —to establish the Impact Fund Partnership in 2018.

VC equity capital raisings in 2019 declined to only 5, with of none over $5 million in amount. The largest was Sindabad.com (Dhaka-based ecommerce) which raised $4.2 million in its Series-A from AVM. Sindabad.com is Bangladesh's first and largest B2B e-commerce services, providing businesses a platform for their manufacturing and consumption purchases with direct-to-office deliveries. This marked AVM's third investment in Bangladesh.

There were also two privately placed debt deals in 2019; CDC (UK) made a $30 million loan to Brac Bank (described above) and Go-Jek made a $4 million loan to Pathao, linked to its 2018 loan.

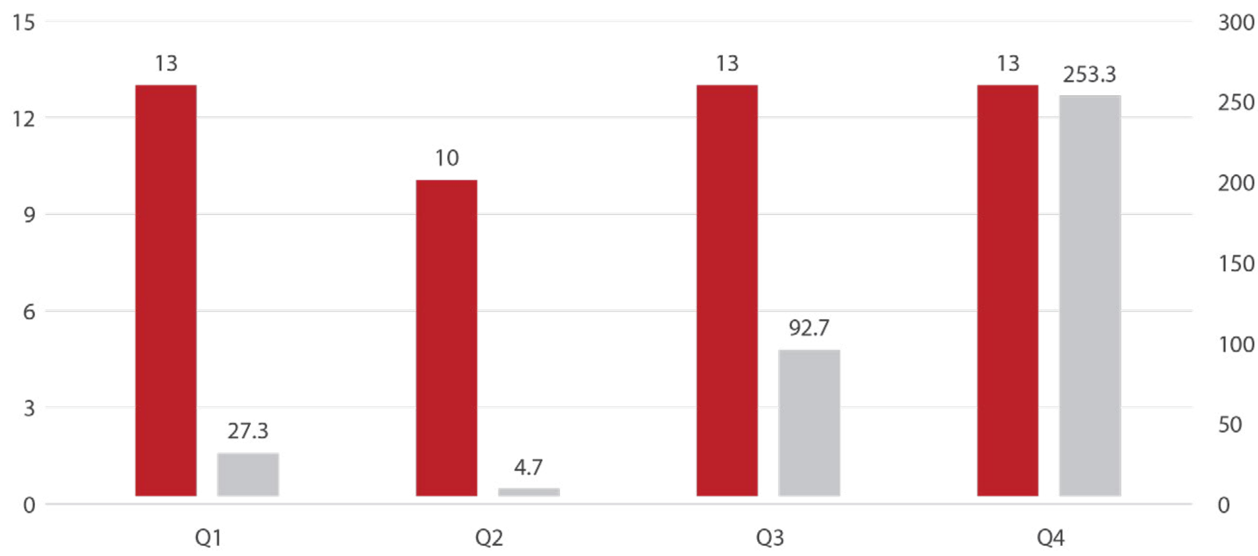
VC capital raising in 2020 saw volume fall to 6, with only 1 investment over $2 million: ShopUp's (a leading B2B commerce platform) $22.5 million Series A. These deals represented the largest Series A to date in Bangladesh. This round was co-led by Sequoia Capital India and Flourish Ventures (USA) and also included VEON Ventures (Netherlands), Speedinvest (Austria) and Lonsdale Capital (Singapore).

In terms of financing in 2020, Anchorless Bangladesh, which is based in the USA (whose CEO is from Bangladesh) launched $40 million VC fund focused on early-stage VC, from seed to Series B. Two of the 6 Bangladesh VC investments in 2020 were made by Anchorless Bangladesh.

Government Support during the Pandemic

In early 2020, due to the COVID pandemic, many of previously funded VC companies in prior years came under serious threat; nearly 25% claimed to have stopped operations, over 50% saw their revenues drop by 50% and the majority saw their runways shortened by a number of months. It became apparent that if these firms were not supported, the pandemic could not only damage the ecosystem but also adversely affect both employment and economic growth in a key future growth industry for the country. Thus, in March 2021, the Government launched Startup Bangladesh Ltd - with 500Crore BDT ($65million) Fund to be deployed into the ecosystem. By August 2021, this vehicle had invested 15Tk crore to 7 Bangladesh start-ups (as set out in the appendix).

Table 2 - Bangladesh VC Capital Raises (2021)



Key highlights

- Asset out in Table 2 above, there were a record circa 50 VC investments involving a record amount (disclosed amounts) of nearly $380 million, another record
- With the Softbank investment into bKash, it became Bangladesh's first unicorn
- This is particularly noteworthy in light of economic conditions early in the year: 7 of the 13 announced during Q1 were related to the Government Fund
- This year also saw the first corporate takeover since 2018 as well as two domestic VC M&A: Chaldal/ BanglaMeds and Shikho/ Bohubrihi
- As shown in the Appendix, only 11 of the capital raises involved Series A-C
- Also in the Appendix, 6 of the capital raises were in excess of $5 million with disclosed values (bKash, ShopUp, Paperfly, Chaldal, Frontier Nutrition and Praava Health).
- Industries attracting investment continue to broaden from the early years (2016-2019) focus on ecommerce, fintech and logistics. Other industries attracting focus include healthtech, edtech, TMT/software, tourism, SMART foods/nutrition.

It is also worth noting that from such a short list in 2016-2018, the list of investors, both within Bangladesh and throughout many international financial hubs has grown exponentially over the past 2-3 years, especially in 2021, with their involvement in the larger investments.

We list some of these below.

- Accelerating Asia (Singapore)
- Bangladesh Angels (2018)
- BD Venture (BDVL -Bangladesh) invested in 4 start-ups
- Ecom Express (India)
- Falcon Network (UAE)
- Golden Gate Ventures (Singapore)
- IDLC Venture Capital
- IFC (World Bank)
- Osiris Group (USA)
- Prosus (Netherlands)
- SBK Tech Ventures (Singapore) -launched in 2019
- Sequoia Ventures India
- Valar Ventures (USA — Peter Thiel)
- Veon Ventures (Netherlands)

It is likely that this list will grow exponentially once a few of the largest VC companies are IPOd- which might take some time due to the tech valuation downturn since the start of 2022.

Mongla Port, Bangladesh's second largest. Mongla is a significant Bengal Delta port, connected to other large inland river ports and the industrial heartland.

SCARCITY OF LAND - CHALLENGES FOR REALIZING A SHIFT TO RENEWABLE ENERGY STRATEGY

Overview

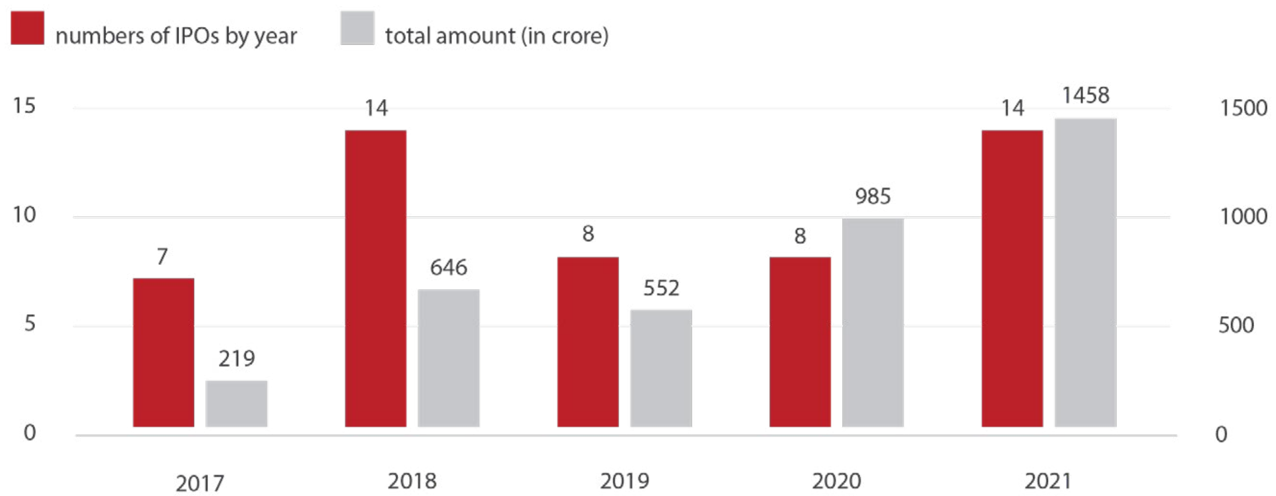
The 2021 performance of the DSE was transformational; record volumes and aggregate amounts of IPOs, further rises in DSEX index levels, aided by a number of regulatory reforms including increased speed en route to market, regulations to increase employee incentives to participate and hold the shares, launch of the SME exchange platform, further developments in perpetual bond issuance (critical for future infrastructure finance), launch of a green bond business including its first green sukuk. We explore each of these components below.

In 2021, Bangladesh saw 24 issuers raise funds from the primary market; 14 on the main DSE, five on the SME exchange board and five debt issues. We set out details on most of these issues in the text below

Record Volumes and Amounts

Table1 below sets out both volume and aggregate amounts raised in DSE IPOs from its 2017 lows to its 2021 peaks. As can be seen, there was nearly annual progress, even during the pandemic year of 2020 when the DSE was actually closed for 66 days due to the pandemic.

Table 3 - DSE Volume and Amounts (2017-2021)



It is worth noting that even before 2021, there was also positive momentum for new issues on the DSE, especially in H2. In December 2020, Robi Axiata , the Bangladesh unit of Malaysia's Axiata Group and India's Bharti Airtel, raised TK 5.23 billion ($62 million) in its IPO selling 10% of the company in what was the largest Bangladeshi IPO since MJL Bangladesh(energy) in 2011. The 2021 issue was oversubscribed 6X, which led to shares rising rapidly post IPO (50%).

In 2021, DSE saw a record volume of 14 IPOs, surpassing the prior high of 13 in 2011. Aggregate amounts in 2021 were Tk 1,658 crore, just slightly below 2011's Tk 1,678 crore record and well above 2017 lows. Of the 14 2021 DSE IPOs, 11 were fixed price while 3 used book build. Union Bank raised Tk 428 crore during its 2021 IPO, the largest IPO to date in the banking sector and the fourth-largest IPO to date after Robi Axiata Tk 523 crore, Grameenphone Tk 486 crore and MJL Bangladesh Tk 460 crore.

Other factors leading to this success included the overall financial performance in Asian stock exchanges as well as Bangladesh's 6.8% GDP growth rate, the fastest in the region. DSEX, the key index of the DSE, advanced by 1,354.6 points in 2021 to close at 6,756.7 points, an increase of 25.1%. This follows a 950 point rise in 2020 or 21.3%.

Regulatory Changes to enhance growth

As shown in Table 3, DSE IPOs hit their nadir in 2017. This led the Government and regulators to undertake moves to reverse the trend. One of their conclusions was that the market was struggling due to a shortage of good companies on the market for long term investment led by large companies that were reluctant to list on the capital market as the market lacked incentives and benefits and had many rules and regulations.

Speed to Market

One action taken was to increase the speed to market of pending deals to actual launch. The Bangladesh SEC (BSEC) decided to make decisions over any application of IPO as quickly as possible. So, in 2021 the BSEC made positive or negative decisions on IPO applications which had remained pending for years. Table 4 tracks the timing of each component of all 11 fixed price 2021 DSE IPOs.

Incentive Packages

Other reforms were also made. For example, the DSE introduced a new module with a provision of allotting 15% shares of an IPO for the employees of the issuer. As per the new module, when a company goes public, its employees are allotted 15% of its shares without a deposit of Tk20,000 in their beneficiary owner's (BO) accounts, mandatory for general investors.

About the new module, BSEC Executive Director said, "Due to an increase in compliance and accountability when a company gets listed, employees often have a negative perception of listing in the capital market. Now, employees will encourage a company's listing due to the 15% share allotment incentives" and the company can be assured of continuity based upon the 2 year lockup.Again, this is illustrated in Table 4 below.

Table 4 – DSE Fixed Price IPOs 2021								
Company Name	Industry	Amount Crore	NRB Close Date	Sub. Close Date	Open Date	Consent Date	Oversub.	Employee Investment
Tauflka Foods & Agro Induslries, Lid.	Consumer	30.00	07/01/21	07/01/21	03/01/21	30/11/20	24.5X	N/A
E Generation Ud.	Sottware Tech	15.00	18/01/21	18/01/21	12/01/21	10/12/20	40.8X	N/A
NRB commercial Bart	Banking	120.00	09/02/21	09/02/21	03/02/21	04/01/21	10.9X	N/A
Desh General Insurance	Insurance	16.00	18/02/21	18/02/21	14/02/21	13/01/21	40X	N/A
Sonali Life Insurance	Life Insurance	19.00	03/06/21	03/06/21	30/05/21	09/12/20	36.5X	N/A
South Bangla Agriculture and Commerce Bank, Ltd.	Banking	100.00	11/07/21	11/07/21	05/07/21	01/06/21	14X	N/A
Sena Kalyan Insurance CO., Ltd.	Insurance	16.00	07/10/21	07/10/21	03/10/21	26/08/21	35.3X	N/A
ACME Pesticides Ltd.	Agriculture	30.00	18/10/21	18/10/21	12/10/21	07/09/21	20.2X	N/A
Union Insurance Co., Ltd.	Non-life Insurance	19.36	22/12/21	22/12/21	15/12/21	11/11/21	12.2X	15%; 2yr lockup
BO Thai Food & Beverage Ltd.	Food	15.00	29/12/21	29/12/21	23/12/21	18/11/21	29X	15%; 2yr lockup
Union Bank Ltd	Banking	428.00	30/12/21	30/12/21	26/12/21	24/11/21	2.6X	15%; 2yr lockup

Table 5 - DSE Bookbuild IPOs 2021			
Company Name	Industry	Amount Crore	Date
Lub-rref	Lubricants	150	08/03/21
Index Agro Industries	Agro manufacturing	50	06/04/21
Baraka Patenga Power	Energy/Solar	225	16/06/21

Banks and Insurers

The BSEC, with the help of the Finance Ministry, also put pressure on banks and insurance companies to be listed on the market as part of their regulatory obligations. These moves not only added capital to the banks and insurance issuers, they helped progress the infrastructure to a very much needed domestic institutional asset management business.

In 2021, there were 3 Bangladesh banks which IPOed out of the 11 fixed price 2021 DSE IPOs.

- In early 2021, NRB Commercial Bank, a 4th generation private commercial bank, launched a capital raise of Tk 120 crore. In doing so, it was the first private commercial bank in the last 12 years to get listed with the stock market (First Security Islami Bank was listed in 2008). With the IPO proceeds, it agreed to use Tk 110 crore to buy government securities, Tk 6 crore to acquire shares in the secondary market and the rest for IPO related expenses.
- In May 2021, BSEC approved South Bangla Agriculture and Commerce (SBAC) Bank to raise Tk100 crore by an IPO with shares to be offered to the public at a face value of Tk10 each. SBAC agreed to use the funds primarily to buy government securities.
- Finally in 2021, BESC authorised Union Bank to raise Tk428 crore by issuing shares through a fixed price IPO with two conditions, one being that it must invest Tk200 crore in the capital market in 2021 (at year end 2020, Union Bank had an investment of only Tk4 crore in the capital market).

2021 Insurance IPO activity was driven by a broader list of considerations which have been debated for several years. Historically, the insurance sector's returns on low yielding fixed assets (land, buildings) had raised concerns on insurers' claims paying capacity. In late 2019, Bangladesh Insurance Development and Regulatory Authority (IDRA), devised regulations for future insurance investments which included 30% of assets in government securities, 15% of its assets in bonds rated 'AA' or above, 25% of its assets in either ordinary/pref shares of a company, 20% of its assets in undisputed immovable assets located in the areas of city corporations and municipalities.

Earlier in 2019, the Finance Minister sought faster stock market listings of all the non-listed insurers, (both life and non-life), but set thresholds which did not lead to the desired outcome. In September 2020, the Finance Ministry announced that insurance companies would lose their licences if they failed to go public within three months. To facilitate the transition, in November 2020 the Finance Ministry halved both the minimum IPO size to Tk15 crore and the Tk75 crore in post-IPO paid-up capital to Tk37.5 crore to expedite these IPOs. By year end 2020, four insurance companies were approved for an IPO: Express Insurance, Crystal Insurance, Desh General Insurance and Sonali Life (26 others applied for exemption).

In 2021, 4 of the 11 fixed price DSE IPOs involved insurers:

- In February, Desh General Insurance Company launched the public subscription for its IPO to raise Tk16 crore. Desh General agreed to invest the IPO funds in the capital market, fixed deposit receipts (FDRs) and treasury bonds.
- In December 2020, BSEC allowed Sonali Life Insurance to go public and raise Tk 19 crorefrom the DSE. In May, it was announced that distribution of a company's IPO shares on a pro-rata basis instead of lottery will commence with the Sonali Life's IPO share subscription. On 30 June 2021, Sonali Life made its debut the on stock exchanges.
- In August 2021, the BSEC authorised Sena Kalyan Insurance Company Ltd, a 4th generation life insurer, to raise Tk16 crore in a fixed price IPO. Out of Tk16 crore, the company agreed to invest Tk3 crore in government treasury bonds, Tk3.20 crore in listed securities in the capital market, Tk2.5 crore in land and Tk6.2 crore in FDR.
- In June 2021, BSEC approved Union Insurance's IPO proposal for an IPO of Tk19.36 crore. The subscription began on December 15 and ended on December 22, 2021. The IPO proceeds will be invested in fixed deposit receipts (Tk 4.5 crore), stock market investment (Tk9.69 crore), floor space purchase (Tk 4 crore) and IPO expenses (Tk 1.16 crore).

SME Platform Launch

In 2019, after reviewing the listing success stories of bourses in India, China and other countries, BSEC undertook the initiative to have a separate market for SME companies to raise public capital and to have their shares traded. India's Bombay and National Stock Exchanges together have already helped over 200 SMEs raise capital and have shares traded on the bourses.

On 2nd September, Chinese President Xi announced that China will set up a Beijing Stock Exchange (BSE) and build it into a major base for SMEs. The BSE is designed to play different role from the existing Shanghai and Shenzhen exchanges and is expected to better serve the development of innovation-oriented SMEs. On 15th November, the stocks of 81 SMEs began trading on the BSE.

On 30th September share trading on the DSE SME Platform was inaugurated with six companies while the CSE unit of the platform was inaugurated on 10 June with one company. As part of this platform, a company must grow its paid-up capital to at least Tk5 crore after raising money from the SME platform and it cannot cross Tk30 crore. As soon as a listed SME firm grows bigger than the threshold, it must apply to shift to the main market.

Unlike the main trading boards, the SME platforms are dedicated to qualified investors which include only registered eligible institutional investors and individuals having at least Tk50 lakh invested in the stock market. Retail investors are allowed to only sell in the SME boards as the market tends to be more volatile because of the low-cap nature and a comparatively wider range of daily price deviation allowed.

In October 2021, Mamun Agro Products, incorporated in 2003 and which focusses on the manufacturing and marketing of agricultural products, received approval from the BSEC to raise Tk10 crore from the capital market with a qualified investor offer (QIO). On 15th February 2022, trading of the shares of Mamun Agro Products Ltd commenced under the SME Platforms of the DSE and the CSE. Mamun Agro raised Tk 100 million by issuing 10 million ordinary shares of Tk 10 each through QIO offer under the fixed price method. The company will not be allowed to issue bonus shares for three years after it is listed on the SME platform.

Despite this successful listing, as at February 2022, 5 out of the 9 firms on the DSE/CSE SME platforms see their shares trading below IPO prices. Nevertheless, the formation of the SME platform is one of the best decisions of the year by BSEC as spoken by a director of the DSE who believes that this platform will play a very important role in the future.

Bond Market

Similar to other high growth emerging countries with significant infrastructure needs, Bangladesh needs a sizeable and high growth bond market, which it has historically lacked. Bond market sizes of high growth economies such as Malaysia (circa $350 billion), Indonesia ($235 billion) and Pakistan ($65 billion) tower over Bangladesh's, which currently stands at less than $20 billion.

This small Bangladesh bond market has been dominated by government debt securities and capital bonds issued by banks and non-bank Financial Institutions (NBFIs). Lack of an adequately sized bond market put banks, which depend on short-term deposits to run their business and provide long-term loans, with increased liquidity risk and the possibility of asset liability mismatch. Combining these conditions with the issue of local banks requiring longer term capital to attain Basel III capital requirements has led to a number of regulatory changes by BSEC and the Bank of Bangladesh.

Rise of Perpetual Bonds Issuance

One of those changes is in the marked increase in issuance of perpetual bonds, which count as long term capital. In June 2020, City Bank and Jamuna Bank were both approved to begin issuing perpetual bonds of Tk 400 crore each to strengthen their additional tier-1 capital base. Since then, the BSEC has approved a number of perpetual bonds of other banks. In December 2020, BSEC gave permission to issue perpetual bonds worth Tk 14 billion by three listed banks - First Security Islami Bank (Tk 6.0 billion), Trust Bank (Tk 4.0 billion) and City Bank (Tk 6.0 billion) - to strengthen their additional Tier-1 capital base.

In September 2021, the BSEC asked issuers to accelerate the listing process of perpetual bonds on bourses as part of the regulatory move to diversify Bangladesh's bond market. By then, a total of 11 banks had received BSEC approval to issue Tk55.0 billion perpetual bonds. Of these banks, 4 banks, Southeast Bank, Trust Bank, The City Banka and Mutual Trust Bank had already completed TK 17.0 billion perpetual issuance.

On 5th September, BSEC authorised Islami Bank to raise Tk 8.0 billion through the IBBL 2nd Mudaraba Perpetual Bond as additional Tier- I capital; Tk 7.20 billion through a private placement, the remaining Tk800 million through a public offering. BESC also approved Shahjalal Bank to raise Tk 5.0 billion through SJIBL Mudaraba Perpetual Bond as additional Tier-1 capital, to strengthen the bank's capital; Tk 4.50 billion through private placement and the remaining Tk500 million through public offering. On 22nd December, both of these bonds began trading on the DSE.

Earlier in December, after a hiatus of 14 years, AIBL Mudaraba Perpetual Bond became the second such security to get listed on Bangladesh exchanges after IBBL Mudaraba Perpetual Bond (2007).

Green Bond Issuance

In January 2021, Bangladesh's central bank mandated 2% of loans issued by banks and other financial institutions be devoted to green projects. In addition, a $125 million revolving fund has been established to finance technology development and support exports, including renewablesrelated products.

In April 2021,Bangladesh approved its first green bond to finance environmentally-friendly projects including renewables. The near-$12 million instrument has been floated by NGO the SAJIDA Foundation, which is owned by the Renata Ltd, a pharmaceuticals and animal health business spun out of Pfizer in 1993. The SAJIDA Foundation, which received $7.5 million from FMO(Netherlands) in December 2020, will use the proceeds of the bond to provide micro loans to small businesses and social initiatives.

On July 8, 2021, BSEC authorised Bangladesh Export Import Company (Beximco) as originator for issuance of Beximco Green Sukuk Bond of Tk 30 billion, Tk 7.50 billion of which was raised through public markets. In January 2022, Bangladesh's first Green Sukuk Bond, designed to raise $400 million to fund 230 MW of solar power generation, made its trading debut on the DSE and the CSE. Beximco Group is using the funds for two solar PV power plants: the 200 MW Teesta Solar Limited in Rangpur district and the 30 MW Korotoa Solar Limited in Panchagarh district. Its Chinese partners, TBEA Xinjiang Sunoasis Co. and Jiangsu Zhongtian Technology Co. are also investing in the projects. The Bangladesh government has agreed to acquire solar power from the two plants for a period of 20 years at the rate of US$0.16/kWh.

The Bangladesh government has reportedly prepared a roadmap to generate 40% of Bangladesh's total electricity from renewables by 2050. Green bond issuance can be one effective method of funding these projects.

Challenges remain

CPD Survey

In late January 2022, The Centre for Policy Dialogue (CPD), considered to be Bangladesh's top think tank, revealed the findings of the survey on Bangladesh Business Environment 2021. Findings from the

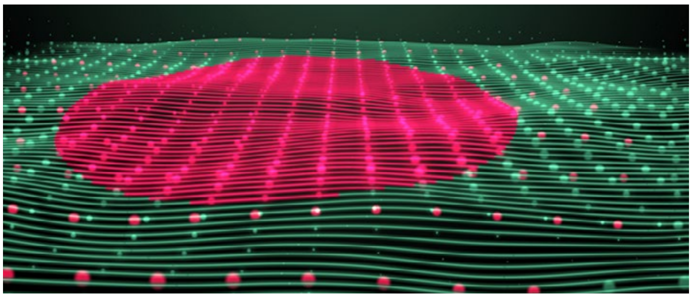
Entrepreneurs' Perception Survey (April-July 2021) after interviewing 73 entrepreneurs from Dhaka, Chattogram, Narayanganj, Gazipur and Faridpur – were:

1. More than 56% said the IPO quality is poor – a historical analysis of 91 prior IPOs shows they have underperformed post IPO
2. 53% said regulatory enforcement is weak
3. 50% said anomalies in financial reporting and suspicious trading in the secondary markets are the major challenges of the capital market
4. 34% of respondents questioned the behaviours of institutional investors – which "sometimes behave like that of small investors"
5. 30% of respondents said there is a lack of due diligence of the DSE and CSE
6. 23% said transparency lacks in maintaining BO accounts.

Other Observations/Future Improvements

- Derivatives market-- it is also imperative to build a meaningfully sized derivatives market
- Average daily DSE turnover in 2021 increased to Tk 1,475.22 crore from Tk 648.95 crore in 2020—an excellent improvement but this average needs to continue to increase.
- Large cap companies – as at December 2020, DSE had only six such companies with market capitalisation over $1 billion: by Q3 2021, this number had increased to 12 companies. While progress was made in 2021 both through new issuance and valuation uplift, this trend needs to continue to attract global more institutional investors.
- VC IPOs- we believe that there are at least 3 VC/tech companies which could be near term future IPO candidates. One or more of these can raise attention to Bangladesh much like the successful IPO of Kaspi has done to Kazakhstan and Ozon has to Russia tech. This might take some time to effect in light of the recent global tech downturn across markets.
- Corporate bond market – the topic has been studied for years, still needs to be developed but still faces hurdles.

PRIVATE EQUITY EXPANSION



Our report highlights the many recent decisions the Bangladesh Government and its regulatory agencies have made and several of the positive results which have resulted from these moves. While we have discussed these in the various prior sections, before concluding our document, we also wanted to flag some areas which still require attention.

Bureaucracy slowing inbound deal closings

As we noted in our overview, while Bangladesh has shown vast improvement financially, it still has a long climb in rankings of doing business: ranking 105th out of 141 countries in the 2019 the World Economic Forum's Global Competitiveness Index and 168th out of 190 countries in the World Bank's 2020 ease of doing business index. A significant component of this relates to bureaucracy and lack of ability to drive cooperation across

A recent example of this involves Japan and Bangladesh. In August 2020, Japan raised a list of 27 issues relating to investment in Bangladesh which founds its way to the Prime Minister's office. Some 15 months later, only 3 of these 27 issues had been sorted. While some of blockage was related to major infrastructure projects not being completed (only 22% of the new airport had been completed), many of them were related to inter-agency mixed communications-which has arisen at a time when Japan is relocating some manufacturing from China to Bangladesh. In the views of some observers, this blockage could also risk the continued presence of the existing players.

Private Equity Expansion

In 2019, of the larger countries, Bangladesh was the most densely populated country in the world, 3 times more than neighbouring India. In July 2021, Bangladesh scrapped plans for 10 coal-fired power plants involving China, Japan and others axed due to environmental concerns, problems finding funds, raising concerns over the country's energy mix and relations with foreign investors

Previously, it was the perception of many that Bangladesh had been slow to embrace/develop renewable energy. The installed renewable energy capacity as at July 2021 was 650.5 MW (solar energy – 416 MW and hydropower – 230 MW); the total figure was up from 579 MW in 2018. This equates to circa 4% compound annual growth. Wind remains at near-zero values.

In May 2021, a junior Power Minister speaking at a signing ceremony of a MoU of a 50/50 JV between Marubeni Corporation (Japan) and state-owned utility the Electricity Generation Company (EGCB) for a planned 100 MW project, warned technology would have to develop to require less surface area for solar modules. EGCB is already developing a World Bank-funded 50 MW project at the site and aims to install a further 100 MW of solar generation capacity nearby.

In November 2021, Guopu Renewable Energy Technology (Shanxi) made a renewable generation capacity proposal to BIDA. Under this proposal, Goupu proposed to invest $50 million in groundmounted solar and wind projects if Bangladesh sells both the land and water to house the construction at an acceptable price. This proposal came after Bangladesh cancelled new coal-fired power plants earlier in 2021 and opted to aggressively grow renewable (mostly solar).

Scarity of Land/Challenges for Realising shift to Renewable Energy Strategy

Frontier Bangladesh fund I, raised in 2009, was the first Bangladesh focused PE fund raised. Frontier Bangladesh II LP fund, successor to Frontier Bangladesh I, invests in mid-sized companies in the healthcare, agriculture, energy, solar power, food and beverage, consumer electronics and consumer finance sectors.

In 2015, CDC (UK) invested $20 million into Frontier Bangladesh II, alongside the IFC and other European investors including Germany's DEG, the Netherlands' FMO and Norway's Norfund. In 2017, the Fund made two investments into Bangladesh; Zero Gravity Ventures (ecommerce) and Fiber@Home (telecomms infrastructure provider). By year end 2020, CDC had invested $215 million to date in Bangladesh, its 9th largest country for (cumulative) investments.

We envisage strong growth in Bangladesh PE, both domestically as well as inbound activity. Domestically, we can see Bangladesh building a domestic PE industry, just as China (one decade ago), India, Hong Kong, Singapore and other Asian countries have done. The model will be similar to the Chinese model, where PE firms collaborate with domestic strategics rather than the western model, in which PE firms complete against strategics. Internationally, we can envisage a number of major international PE firms interested in taking equity stakes in Bangladesh companies, just as we saw in H2 2021 in Bangladesh VC.

Cox's Bazar, the world's longest natural sandy beach stretching for 150km along Bangladesh's coast. To the south is Myanmar, to the east, China.

BANGLADESH MARKET ENTRY STRUCTURES & INCENTIVES FOR FOREIGN INVESTORS

In Bangladesh, foreigners can begin their businesses and further investments by establishing any of the following entities.

Branch or liaison office

As we noted in our overview, while Bangladesh has shown vast improvement financially, it still has a long climb in rankings of doing business: ranking 105th out of 141 countries in the 2019 the World Economic Forum's Global Competitiveness Index and 168th out of 190 countries in the World Bank's 2020 ease of doing business index. A significant component of this relates to bureaucracy and lack of ability to drive cooperation across

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Wholly owned subsidiary

A wholly owned subsidiary (WOS) is allowed, with foreign equity ownership up to 100 percent in most sectors. WOS companies require no prior government approval to incorporate in Bangladesh, can freely access the market, and can be formed as a private limited or public limited company. The incorporation process is handled by the Registrar of Joint Companies & Firms, beginning with name clearance. There is no minimum investment requirement for WOS-entities; however, companies that employ expatriates are required to invest a minimum of US$50,000. Incorporation of subsidiary companies by foreign investors does not require prior regulatory approval but some formalities must be cleared with the Bangladesh Investment Development Authority (BIDA) and the Bangladesh Economic Zones Authority, after the type and location of the company has been decided. The newly formed WOS company must obtain a trade license and secure income tax and VAT registrations. Additional permits, no-objection certificates (NOCs), and licenses, such as import-export licenses, may also be required depending on the nature of the business. Bangladesh is yet to approve the formation of a one-person company as a wholly owned subsidiary.

Joint venture company

Foreigners can incorporate a joint venture company (JV) with either its Bangladeshi subsidiary, a local investor, or another foreign entity. It is recommended that foreigners first enter into a joint venture agreement before incorporating a JV, as the agreement will address all the intricate details that are to do with conducting a business in Bangladesh.

Special purpose vehicle

A JV with a local investor, or another foreign company that owns existing projects is preferred most of the time, as foreign entities may want to invest in a specific project and not be stakeholders to other projects and their assets or liabilities. In such a scenario, foreign investors opt for incorporating a project company or a special purpose vehicle (SPV), which will focus on investing and participating in a specific project.

Acquisition of shares

Another market entry option is via the acquisition of shares in a Bangladeshi company. To do this, a share purpose agreement (SPA) is drawn up that details every aspect of the share acquisition. However, if the foreign investor does not want to acquire all the shares of the target Bangladeshi company, they can either acquire a portion of the company's existing shares from its existing shareholders or inject capital into the company in the form of a share money deposit for the issuance of new shares. In fact, regardless of which option foreign entities go for, the involved shareholders must enter into a shareholders' agreement (SHA) and the articles of association of the Bangladeshi company must be accordingly amended.

Where to Locate Investment

According to the Central Bank of Bangladesh, foreigners may invest in all of Bangladesh's sectors (except those reserved for the government).

To better facilitate incoming FDI inflows, the Bangladeshi government has several facilitating agencies, out of which BIDA is the principal authority for promoting and supervising private investment and the Bangladesh Export Processing Zone Authority (BEPZA) is the principal investment supervisory authority of the EPZs.

Countries with a significant investment presence in Bangladesh include China, Japan, Malaysia, Egypt, South Korea, UAE, and the UK – with India being the largest presence.

Export Processing Zones

To attract foreign investors, the Bangladesh government has set up export processing zones (EPZs) since 1980. Initially, three special zones were set up in Chittagong (Halishahar), Dhaka (Savar), and Khulna (Mongla) with favorable facilities provided to Bangladeshi and foreign investors. The Chittagong Export Processing Zone (CEPZ) started in 1983-84 while the Dhaka Export Processing Zone (DEPZ) started operations from 1993-94. Later, EPZs were classified into three types, that is, A-type (100 percent foreign investment), B-type (joint venture between Bangladeshi and foreigners), and C-type (100 percent Bangladeshi enterprises). These EPZs are located in:

Chittagong, Dhaka, Mongla, Ishwardi, Comilla, Uttara, Adamjee, and Karnaphuli.

Export Processing Zones in Bangladesh				
Name of EPZ Zones	No. of Operation	Investment in million US$	No. of Employment (Local)	No. of Employment (Foreign)
Type-A	363	3,707	313,104	1,900
Chittagong	96	1,124	94,038	260
Dhaka	89	1,249	74,969	522
Mongla	33	55	3,697	32
Ishwardi	17	64	6,217	63
Comilla	45	245	24,314	198
Uttara	15	163	22,712	381
Adamjee	35	310	27,806	160
Karnaphuli	33	497	59,351	374
Type-B	93	481	47,097	131
Chittagong	24	124	20,088	28
Dhaka	18	42	3,231	21
Mongla	9	3	48	0
Ishurdi	5	29	544	0
Comilla	15	110	4,768	33
Uttara	1	0	0	0
Adamjee	16	136	16,534	49
Karnaphuli	5	38	188	0
Type-C	219	1,102	101,259	93
Chittagong	60	524	61,749	31
Dhaka	33	234	7,941	21
Mongla	18	27	470	2
Ishurdi	22	60	5,912	15
Comilla	24	31	2,567	3
Uttara	22	41	3,908	4
Adamjee	24	108	10,583	14
Karnaphuli	16	77	8,129	3
Total	**675**	**5,290**	**461,460**	**2,214**

Note: As of end of June 2020.

Source: Bangladesh Export Processing Zone Authority (BEPZA)

The Bangladesh government provides up to 100 percent tax exemptions for operations in export-processing zones.

Private Economic Zones

The government has also set up 11 private economic zones (PEZs) in key districts:

Abdul Monem PEZ – Munsigonj

A K Khan PEZ – Narshindi

Aman Private EZ – Narayangonj

Arisha Private EZ – Dhaka

Bay Private EZ – Gazipur

Bosundhora Special EZ – Dahaka

East-West Special EZ – Dahaka

Megna Economic Zone PEZ – Narayangonj

Megna Industrial Economic Zone PEZ – Narayangonj

Sirajganj EZ – Sirajganj

Besides the above, the Bangladeshi government is also keen to attract investments to support large infrastructural projects.

Special economic zone for Japanese firms

As Japan incentivizes its companies to shift operations out of China, Bangladesh has emerged on the list of attractive low-cost destinations that can assist with the diversification of company supply chains. A special economic zone (SEZ) is being set up on 405 hectares of land in the Araihazar sub-district, which is about 32 km from Dhaka. In terms of financing its development, it is reported that Japan has earmarked US$350 million in special loans to set up the US$1 billion industrial zone. As per the Bangladesh Economic Zones Authority, this industrial zone is expected to attract US$20 billion in Japanese investment. There are presently about 300 Japanese firms operating in Bangladesh.

Trade Agreements

Asia Pacific Trade Agreement (APTA)

The Asia Pacific Trade Agreement is a preferential trade agreement that seeks to promote intra-regional trade between its member countries via the exchange of their mutually agreed concessions. Member countries include Bangladesh, China, India, Lao People's Democratic Republic (PDR), South Korea, and Sri Lanka. Special concessions are granted to those member countries that are considered to be a least developed country (LDC).

Bangladesh-Bhutan Preferential Trade Agreement (PTA)

Bangladesh and Bhutan signed their first preferential trade agreement, that will allow them duty free access to a range of each other's goods on December 6, 2020. Under this agreement, 100 Bangladeshi goods will be provided duty free access to Bhutan, and 34 Bhutanese goods will be provided duty free access to Bangladesh. The Bangladeshi goods include jute and jute products, infant clothes and accessories, and men's trousers, blazers, and jackets whereas the Bhutanese goods include jams, jellies, honey etc.

South Asian Association for Regional Cooperation Preferential Trading Arrangement (SAPTA)

Members of the South Asian Association for Regional Cooperation (SAARC), namely Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka aim to promote trade and economic cooperation among themselves through this preferential trade agreement via the exchanges of tariff concessions. Over 6,500 products have been covered so far under this agreement.

South Asian Free Trade Area (SAFTA)

Members of the South Asian Association for Regional Cooperation (SAARC), namely Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka aim to promote trade and economic cooperation among themselves through this preferential trade agreement via the exchanges of tariff concessions. Over 6,500 products have been covered so far under this agreement.

Eurasian Economic Union (EAEU)

Bangladesh has recently made an application for a Free Trade Agreement with the Eurasian Economic Union, which includes Armenia, Belarus, Kazakhstan, Kyrgyzstan, and Russia. With Russia now actively looking East in the wake of the Ukraine conflict, and having a significant domestic consume market, this FTA when, and if agreed has significant potential for Bangladeshi agricultural exports in particular.

Investment Treaties

Bilateral Investment Treaties (BITs)

Bangladesh has numerous bilateral and other investment treaties, with space limitations it is impractical to list all their salient points in this publication.

Bangladesh – Austria BIT

Bangladesh – Belgium Luxembourg Economic Union (BLEU) BIT

Bangladesh – China BIT

Bangladesh – Denmark BIT

Bangladesh – France BIT

Bangladesh – Germany BIT

Bangladesh – India BIT

Bangladesh – Indonesia BIT

Bangladesh – Iran BIT

Bangladesh – Italy BIT

Bangladesh – Japan BIT

Bangladesh – Malaysia BIT

Bangladesh – Netherlands BIT

Bangladesh – Philippines BIT

Bangladesh – Poland BIT

Bangladesh – Romania BIT

Bangladesh – Singapore BIT

Bangladesh – Switzerland BIT

Bangladesh – Thailand BIT

Bangladesh – Turkey BIT

Bangladesh – United Arab Emirates (UAE) BIT

Bangladesh – UK BIT

Bangladesh – United States of America (USA) BIT

Bangladesh – Uzbekistan BIT

Treaties with Investment Provisions (TIPs)

Bangladesh – EC (European Community) Cooperation Agreement

OIC (Member States of the Organization of the Islamic Conference) Investment Agreement

SAFTA

Special economic zone for Japanese firms

Foreign investors will be provided with special facilities and venture capital support if they are looking to invest in any one of the following export-oriented industries:

Artificial flower-making and floriculture

Computer software and information technology (IT)

Electronics

Frozen food

Jute

Jewelry, diamond cutting and polishing

Oil and gas

Leather

Sericulture

Toys

Textiles

Tourism

Sectoral Opportunities

Readymade Garments

Bangladesh's readymade garments (RMG) sector dominates its economy as it contributes over 80 percent to its total exports. In 2020, the overall global exports of the RMG sector amounted to an approximate US$27.95 billion, and of the total categories of garments exported, articles of apparel and clothing accessories accounted for 83 percent of the exports, followed by textile yarn and related products at 5 percent, and leather and footwear at 2 percent.

According to the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), Bangladesh is home to around 500 RMG factories and 91 are environmentally sustainable green garment factories, which have been awarded Leadership in Energy and Environmental Design (LEED) certification by the US Green Building (USGBC) Council.

Additionally, under the BEPZA, Bangladesh allows 100 percent FDI for only high-value products, such as jackets and protective outerwear. Foreign investments are especially encouraged for primary textiles, including fabric textiles, but discouraged for regular products, such as yarn. In 2018, the textiles and apparel industry under the RMG sector received FDI worth US$408 million.

Agribusiness

In comparison to the RMG sector's lead in exports, the agribusiness sector is Bangladesh's prominent domestic sector and is hailed as a pillar of its economy. Half of Bangladesh's population is engaged in agriculture, but the sector lags in productivity due to outdated modes of production and vulnerability to climate factors. Here the country is actively seeking technology investments. According to the government, Bangladesh is a major inland fish producer, freshwater fish producer, and rice producer, ranking in the top five producers in the world in these categories.

Infrastructure

To boost its industrial growth and support urbanization, Bangladesh needs foreign investment and financing to address critical infrastructure gaps. In 2018, the government revamped its public and private partnership (PPP) policy framework to allow opportunities for large and advanced infrastructural projects to be undertaken and financed by foreign investors and companies. Major infrastructure development goals include building better transport connectivity within the capital Dhaka and other parts of the country.

According to a report by The Economist Intelligence Unit, major projects that are expected to be completed in 2021-25 are: Karnaphuli underwater tunnel, Rampal coal power plant, Padma multipurpose bridge, Padma Bridge Rail Link, Chattogram-Cox's Bazar railway link, Dhaka elevated expressway, Dhaka-Chattogram express railway, Matarbari power plant, Dhaka metro rail, and the Roppur nuclear power plant.

BUSINESS TAXES FOR FOREIGN INVESTORS IN BANGLADESH: INCENTIVES, TP, DTAS & PROFITS REPATRIATION

Bangladesh's tax code contains many regulations of interest to prospective foreign investors. This article provides an overview of some of these topics, including tax incentives available for designated economic locations and special projects, transfer pricing requirements and methods, bilateral tax treaty countries, and rules for foreign exchange and outward remittances. The National Board of Revenue (NBR) is Bangladesh's tax authority and outlines these regulations.

Tax Incentives for Designated Economic Locations

Export Processing Zones

Companies that establish their facilities in Bangladesh's Export Processing Zones will receive the following tax exemptions based on their location for five to seven years, provided that proper books of accounts are maintained, and income tax returns are submitted as per Section 75 of Income Tax Ordinance 1984.

Area	Year	Percentage (%) of tax-exempt income
Chittagong, Dhaka, and Mymensingh divisions, excluding Bandarban, Khagrachari, and Rangamati districts	1 and 2	100
	3 and 4	50
	5	25
Barisal, Khulna, Rajshahi, and Sylhet dividions, and Bandarban, Khagrachari, and Rangamati districts	1, 2 and 3	100
	4, 5 and 6	50
	7	25

Companies that establish their facilities in Bangladesh's Special Economic Zones and Hi-Tech Park Zones will receive the following tax exemptions on business income for the first 10 years from the commencement date of commercial operations, provided that proper books of accounts are maintained, and income tax returns are submitted as per Section 75 of Income Tax Ordinance 1984.

Special Economic Zones and Hi-Tech Park Zones

Tax benefits for investment units

Tax exemptions on business income for the first 10 years after the commencement of commercial operations are as follows:

Year	Percentage (%) of tax-exempt income
1, 2, and 3	100
4	80
5	70
6	60
7	50
8	40
9	30
10	20

Tax benefits for development units

Capital gains from the transfer of share capital, declared dividends, royalties, and technical knowledge or assistance fees are tax-exempt for the first 10 years following the commencement of commercial operations.

Tax exemptions on business income for the first 12 years after the commencement of commercial operations are as follows:

Year	Percentage (%) of tax-exempt income
1 to 10	100
11	70
12	30

Tax incentives for specific projects

Foreign technicians appointed by the Development Unit receive an income tax exemption of 50 percent for the first three years of appointment, provided that commercial operations were commenced less than five years ago.

Industrial undertaking

The following tax exemptions are available to industrialists seeking to establish manufacturing plants for products like pharmaceuticals, automobiles, dyes and chemicals, bio-fertilizers, biotechnologies, etc.

<table>
<tr><th>Area</th><th>Year</th><th>Percentage (%) of tax-exempt income</th></tr>
<tr><td rowspan="4">Chittagong, Dhaka, and Mymensingh divisions, excluding Bandarban, Chittagong, Dhaka, Gazipur, Khagrachari, Narayanganj and Rangamati districts</td><td>1 and 2</td><td>100</td></tr>
<tr><td>3</td><td>60</td></tr>
<tr><td>4</td><td>40</td></tr>
<tr><td>5</td><td>20</td></tr>
<tr><td rowspan="6">Barisal, Khulna, Rajshahi, Rangpur, Sylhet divisions (excluding City Corporation areas), and Bandarban, Khagrachari, and Rangamati districts</td><td>1 and 2</td><td>100</td></tr>
<tr><td>3</td><td>70</td></tr>
<tr><td>4</td><td>55</td></tr>
<tr><td>5</td><td>40</td></tr>
<tr><td>6</td><td>25</td></tr>
<tr><td>7 to 10</td><td>20</td></tr>
</table>

Physical infrastructure facilities

The following tax exemptions are available to investors seeking to construct physical infrastructure, such as deep seaports, elevated expressways, information technology villages, water treatment plants, monorails, rapid transit, renewable energy, underground rails, waste treatment plants, roads, bridges, etc.

Year	Percentage (%) of tax-exempt income
1 and 2	100
3	80
4	70
5	60
6	50
7	40
8	30
9	20
10	10

Public-Private Partnerships

Business income, capital gains from the transfer of share capital, royalties, and technical knowledge or assistance fees are tax-exempt for the first 10 years following the commencement of commercial operations for companies engaged in the following Public-Private Partnership projects.

Additionally, foreign technicians appointed by the project companies receive a tax exemption of 50 percent for the first three years of appointment, provided that commercial operations were commenced less than five years ago.

1. Airports
2. Bus depots
3. Bus terminals
4. Eldercare homes
5. Elevated and at-grade expressways
6. Flyovers
7. Monorails
8. National highways or expressways and related service roads
9. Railways
10. River bridges
11. Riverports
12. Seaports
13. Subways
14. Tunnels

Transfer pricing

Transfer pricing is the accounting practice that determines the prices at which goods, services, and intellectual property are transacted between related parties that operate in different geographic markets or tax jurisdictions. The transactions in question can be between different divisions, subsidiaries, or affiliates of the same company or between a parent company and its subsidiary. It is essential for multinational companies, as these often involve large volumes of transactions between related parties located in different countries.

Transfer pricing is necessary to ensure that the appropriate amount of tax is paid to the local government of the countries in which the transacting parties are located. When transactions between related parties involve higher or lower prices than the market prices of the property, goods, or services exchanged, the transactions are said to be "mispriced".

Companies engage in mispricing to evade taxes. To reduce the overall tax burden, companies typically charge a higher price to divisions in high-tax jurisdictions to reduce profits, and a lower price in low tax jurisdictions to increase profits. However, tax authorities have strict rules against this, and the transfer prices must always be equivalent to the local market prices of the property, goods, or services exchanged.

Bangladesh's National Board of Revenue (NBR) outlined transfer pricing regulations in the Income Tax Ordinance 1984 (Chapter XIA) and the Finance Act, 2012, and enacted them in July 2014. These rules seek to ensure that profits taxable in Bangladesh are not transferred to foreign countries or misstated by manipulating related-party transactions to evade taxes.

Under transfer pricing rules, international transactions above BDT 30 million by a multinational company, or its associated entities in Bangladesh, in any given financial year will be inspected by the NBR and require a report from a Chartered Accountant at the end of each financial year. Failure to do so will result in a penalty not exceeding BDT 300,000.

Individuals and legal entities that have transacted internationally must provide a statement of international transactions to the local tax authorities and their annual income tax returns. Failure to do so will result in a maximum penalty of two percent of the value of each international transaction.

The transfer pricing return must disclose the following:

The total expenses incurred, and revenues generated from international transactions by item

The total value of international transactions

The nature of the transactions

The transfer pricing method used to determine arm's length prices

The percentage of international transactions under each item compared to the total value of international transactions for that category

Following OECD guidelines, Bangladesh transfer pricing legislation prescribes the following methods for the determination of arm's length price:

Comparable Uncontrolled Price Method (CUP): This method compares the price charged for property, goods, or services transferred in a controlled transaction to that charged in an uncontrolled transaction in comparable circumstances.

Resale Price Method (RPM): This method analyzes the price of a property, good, or service that a related sales company charges to an arm's length buyer to determine the gross margin that is retained to cover the sales company's selling, general, and administrative expenses and still make sufficient profit. The remaining profit is considered the arm's length price of the property, goods, or services exchanged.

Cost Plus Method (CPM): This method is typically applied to manufacturing, as it relates to tangible property, goods, and services. It conducts a price analysis of a related party manufacturer or service provider in a controlled transaction. It then adds an acceptable mark-up to this cost, which provides a gross margin amount suited to the transaction's circumstances. This gross profit mark-up is then compared to those earned by other similar companies.

Profit Split Method (PSM): This method can evaluate related party transactions involving tangible and intangible property, trading activities, or financial services. It divides profits from controlled transactions among the associated enterprises based on the relative value of their contributions as evaluated by market data.

Transactional Net Margin Method (TNMM): This method compares the net profit margin relative to an appropriate base in controlled transactions to that earned in uncontrolled transactions or other similar companies. It is used to evaluate related party transactions involving tangible and intangible property or services.

Any other method where it can be demonstrated that:

- None of the above methods can be reasonably applied to determine the arm's length price for the international transaction.
- Such other method yields a result consistent with the arm's length price.

Bilateral Tax Treaties

Bangladesh has signed bilateral tax treaties with the following 33 countries to address issues related to double taxation.

Bahrain	Pakistan
Belgium	Philippines
Canada	Poland
China	Romania
Denmark	Saudi Arabia
France	Singapore
Germany	South Korea
India	Sri Lanka
Indonesia	Sweden
Italy	Switzerland
Japan	Thailand
Malaysia	Turkey
Mauritius	UAE
Myanmar	UK
Netherlands	USA
Norway	Vietnam
Oman	

Foreign Exchange Laws

Bangladesh's foreign exchange regulations are covered under the Foreign Exchange Regulation Act 1947. Under this Act, only authorized dealers (ADs) are permitted to exchange foreign currency. An AD is a financial institution that facilitates transactions in the foreign exchange market and ensures that these transactions are carried out per the Bangladesh Bank's guidelines.

Registered money changers are sometimes available at hotels for the convenience of tourists. Still, these offer limited services and are merely intermediaries between foreign currency buyers and the AD.

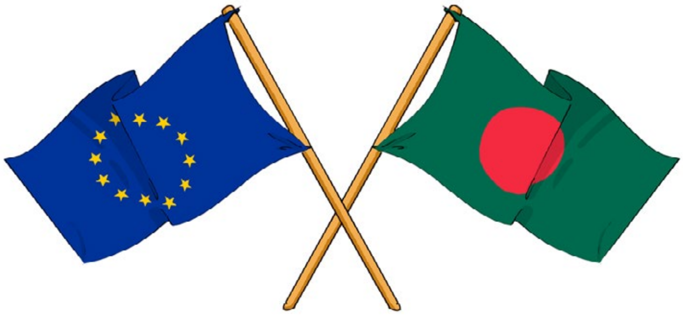
The Bangladesh Bank is responsible for administering foreign exchange transactions in Bangladesh and issues AD licenses to scheduled banks.

Remittance Laws

Foreign individuals may bring an unlimited amount of foreign currency into Bangladesh. However, amounts greater than USD 5,000 require a Foreign Money and Jewelry form declaration to be made to Customs when entering. The amounts brought in may be freely taken out, provided that the appropriate declarations have been made. Additionally, foreign individuals may repatriate their invested capital, profits, capital gains, dividends, and approved royalties and fees through ADs after obtaining approval from the Bangladesh Bank and paying the requisite taxes to the local tax authorities. They may also freely remit 75 percent of their basic salary to their respective countries of origin.

Foreign Branch and Liaison Offices may repatriate the balance available in their foreign currency bank accounts without restriction. Foreign Branch Offices and Private Limited Companies (PLCs) may repatriate profits after paying the appropriate amount of tax, the highest rate of which is 30 percent. Foreign PLCs may repatriate Technical and Royalty fees up to six percent of the previous year's turnover, or US$10,000 per year per contract without restriction. For remittances above six percent, permission from the Bangladesh Investment Development Authority and Bangladesh Bank is required. PLCs may repatriate dividends after paying tax at 20-30 percent rates.

BANGLADESH & EUROPE'S DEVELOPING SUPPLY CHAINS



The Russia-Ukraine conflict is having the effect of shifting Asia's supply chains to and from Europe as land ports and borders, previously linking China to the EU have now been closed. Instead, supply chains are moving south. Recognition by both global manufacturers and their clients in Europe and elsewhere have recognized that supply chain logistics now needs to factor in not just one chain, but several. Bangladesh and the EU can be expected to take advantage of this, as Bangladesh has had **a trade agreement with the EU** since 2001, offers an alternative export manufacturing and sourcing market, is relatively close to China, and has a **Free Trade Agreement** with the PRC. Bangladesh also has multiple regional South Asian FTA and as such can be considered a South Asian trade hub.

This, when connected with shipping access to Iran's Chabahar Port on the Persian Gulf, means Bangladesh can access EU markets via the INSTC network (as we discussed on pages 7 & 8) and connectivity through to EU ports in Bulgaria and Romania. This is a faster, and nearer route than the standard Suez canal maritime shipping access. It is true that the INSTC still has some bottlenecks - which we have pointed out - however by 2023 these should have been solved. Export manufacturers and sourcing companies should be considering Bangladesh as a China plus 1 or 2 acquisition to their EU focused supply chains.

EXECUTIVE SUMMARY

Henry Tillman

"Bangladesh Is A Great Story That Needs To Get Out"

In planning for Bangladesh 's 50th anniversary, we presented at the September Bangladesh Capital Markets hosted by the UK High Commissioner in Dhaka last year. In November 2021, we attended both Government and senior management during their UK presentations, in London and Manchester.

Bangladesh Minister Salman Fazlur Rahman stated, during his presentation, that in their US presentation, Larry Summers stated that Bangladesh has a "great story" but that the message needs to get out. Asia Investment Research has since spoken with a number of additional institutional investors who have echoed Professor Summers' comment.

The largest global banks with an Asian reach are Standard Chartered and HSBC, who provide excellent research on Bangladesh, while also operating very profitable Bangladesh businesses. When launching our independent research publication, Asian Investment Research last year, we decided that AIR would dedicate its first country specific issue to Bangladesh.

In light of all of the existing investment banking existing research, we decided that our AIR research would need to be different – value add. As such this document focusses specifically on 2021 actual investments and/or pledges, across asset classes, as well as major infrastructure projects which came on stream during 2021 or are coming on stream in 2022.

While all of these point to continued future growth, we have also closed with the challenges Bangladesh continues to face in its development from a low income to a middle-income economy. It is only natural that bumps will be encountered along the way, and it is for this reason that while we are optimistic about Bangladesh's potential, experienced advisory and research should also be undertaken to assess market conditions and operational risks.

Global supply chains are shifting and especially between Asia and Europe. We anticipate Bangladesh being a significant component of the emerging Eurasian supply chains.

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APPENDIX

Selected Q1 2021 Bangladesh VC Capital Raises				
Date	Company Name	Seed/Series	Amount($m)	Investors
12/01/21	Paperfly	Series A	11.8	Econ Express (1"investment outside India)
13/01/21	Arogga	ND	ND	Falcon Network (4th investment into Bangladesh)
04/02/21	Frontier Nutrition	Series B	6.0	IFC,Adjuvant Capital, DSG Consumer Partners
09/02/21	Maya	Seed	2.2	Anchorless Bangladesh, Orisis Group (Singapore)
12/02/21	Kludio	Seed	ND	Steve Vickers and Impiro (Singapore)
08/03/2	Praava Health	Series AX	5.6	SBK Tech Ventures, David H.Petraeus, Jeremy Lim, Esther Dyson, Rushika Fernandopoulle, Geoff Price
31/03/21	Pathao	ND	ND	Startup Bangladesh Ltd1
31/03/21	Dhaka Cast	Seed	ND	Startup Bangladesh Ltd1
31/03/21	Maner Bondhu	Seed	ND	Startup Bangladesh Ltd1
31/03/21	Chaldal	ND	ND	Startup Bangladesh Ltd1
31/03/21	EduHive	Seed	ND	Startup Bangladesh Ltd1
31/03/21	Sheba.xyz	ND	ND	Startup Bangladesh Ltd1
31/03/21	Intelligent Machines	ND	ND	Startup Bangladesh Ltd1
M&A				
Date	Target	Sector	Amount($m)	Acquirer Name
18/03/21	Hungry Naki	Food/eCommerce	ND	Daraz, (Alibaba)

Number of Q1 2021 Bangladesh VC Deals	13
Aggregate Amount of Q1 2021Bangladesh VC Deals (in USDm)	27.3

1 Collectively $1.7 million invested from flagship VC fund for all 7 companies

Selected Q2 2021 Bangladesh VC Capital Raises				
Date	**Company Name**	**Seed/Series**	**Amount($m)**	**Investors**
21/04/21	e-Desh	Series A	0.235	Maslin Capital
07/05/21	Strides Lo.	Pre-Seed	ND	Bangladesh Angels
11/05/21	Alice Labs	Seed	0.5	Anchorless Bangladesh, HoF Capital(USA)
12/05/21	Marlcopolo.ai	Pre-Seed	ND	Dekko ISHO Group
24/05/21	Data Bird	Bridge	3.0	Skycatcher (convertible)
25/05/21	Arogga	Pre-Seed	0.2	Falcon Network (Dubai)
01/06/21	ROOTs Edu	Pre-Seed	ND	Omicon Tech Ventures (lead)
01/06/21	Shuttle	Seed	0.75	Accelerating Asia, Rabi Aisa, Impact Collective (Korea),
04/06/21	Chaya	Pre-Seed	0.045	Mohammad Maaz Mamoon, Isra Mamoon
10/06/21	MedEasy (Daktar Bondhu)	Pre-Seed	ND	SBK Tech Ventures

Number of Q2 2021 Bangladesh VC Deals	**10**
Aggregate Amount of Q2 2021 Bangladesh VC Deals (in USDm)	**4.73**

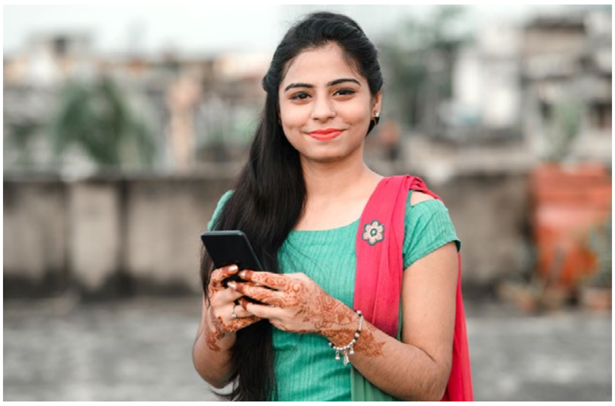
Selected Q3 2021 Bangladesh VC Capital Raises				
Date	**Company Name**	**Seed/Series**	**Amount($m)**	**Investors**
04/07/21	Ajke.live	Pre-Seed	0.05	Mohammad Maaz Mamoon
04/07/21	Shebika	Pre-Seed	0.60	ND
28/07/21	Shikho	Seed	1.3	Anchorless Bangladesh, Learn Start/Capital, Wavemaker Partners,Ankur Nagpal
21/08/21	Kludio	Pre-Series A	ND	Steve Vickers, Impiro (Singapore)
13/08/21	Zingo	Pre-Seed	ND	Bangladesh Angels Network
30/08/21	Protein Market	Angel	0.10	Shahjahan Jewel, Nazmul Rupok, Jahangir Alam
07/09/21	ShopUp	Series B	75.0	Valar Ventures (lead), Prosus Ventures, Flourish Ventures,VEON Ventures, Sequoia CapitalIndia, Naspers Ventures (South Africa)
13/09/21	Frontliners Technologies	Angel	ND	MAsif Rahman, Nazmul Hasan Rupok
13/09/21	Jatri	Pre-Series A	1.20	Reflect Ventures, Brian-Too-Free Ventures, SBK Tech Ventu res
14/09/21	Shadhin FinTech	Pre-Seed	0.165	Bangladesh Angels
15/09/21	ChalDal	Series C	10.0	Taavet Hinrikus (Wise),Sten Tamkivi (Topia), Xploration Capital, Mir Group
20/09/21	Truck Lagbe	Series A	4.0	IFC,IDLC Venture Capital Fund I, Shorooq Partner , Colopl Next, Millville Opportunities, Master Fund, TRU Fund I
24/09/21	Merchant Bay	Pre-Seed	0.26	Angel Investors

Number of Q3 2021 Bangladesh VC Deals	**13**
Aggregate Amount of Q3 2021 Bangladesh VC Deals (in USDm)	**92.675**

Selected Q4 2021 Bangladesh VC Capital Raises				
Date	**Company Name**	**Seed/Series**	**Amount($m)**	**Investors**
14/10/21	SWAP	Seed	1.25	Accelarating Asia (lead), ZA Capital Advisory, Bangladesh Angels
23/10/21	Bondstein	Seed	1.0	Runner Trading (Runner Group)
31/10/21	Open Refactory	Grant	0.10	Government
14/11/21	bkash	20% stake	250	Softbank Vision Fund II (Japan)
15/11/21	Happihub	Seed	0.685	ND
16/11/21	Pulse Tech	Pre-Seed	0.120	ND
17/11/21	SM^2	Accelerator	ND	SBK Tech Ventures, SOSV, Miaki
24/11/21	SME Vai	Pre-Seed	ND	Rahman, Rupok
29/11/21	Hype Scout	Angel	0.05	ND
07/12/21	Loop Freight	Seed	ND	ADB Ventures
10/12/21	Nuport	Pre-Seed	0.125	OXD Flexport, On Deck (USA)
23/12/21	E-Desh	Series B	ND	Maslin Capital, BD Venture, Asian Capital Venture Ltd
31/12/21	Green Grocery	Pre-Seed	ND	Shahjahan Jewel, Jahangir Alam, Nazmul Rupok, Pran Krisjna Paul, Ashif Anam Siddique
M&A				
Date	**Target**	**Sector**	**Amount($m)**	**Acquirer Name**
25/11/21	Bohubrihi	Edu Tech	ND	Shikho
16/12/21	BanglaMeds	e-pharmacy start-up	ND	ChalDal

Number of Q4 2021 Bangladesh VC Deals	**13**
Aggregate Amount of Q4 2021Bangladesh VC Deals (in USDm)	**253.33**

FURTHER RECOMMENDED READING



MACRO

United Nations 2021 Report

World Bank Overview

HSBC Bangladesh Navigator Report

McKinsey: Bangladesh Ready Made Garments Industry Outlook

MICRO

Mega Development Projects In Bangladesh: What They Are And Why They Matter

The INSTC And Bangladesh's West Asian Reconnection Opportunity

Bangladesh As A Gateway Between ASEAN & SAARC

Thailand & Bangladesh: The Chittagong-Ranong Port Connectivity Potential

BUSINESS

Starting A Business In Bangladesh: Legal Options

Intellectual Property Protections In Bangladesh

Opening A Bank Account In Bangladesh

Bangladesh: Business Travel, Culture & Etiquette

ASIA INVESTMENT RESEARCH

WHO WE ARE & WHAT WE DO

Asia Investment Research is jointly produced by China Investment Research www.chinainvestmentresearch.org

China Investment Research have been providing China financial data since 2008 and are based in London.

Asia Investment Research provides unique, primary source reconciled data related to China and Asian inbound investment on a quarterly basis in addition to specific monthly country profiles. We monitor all Asia inbound investment on a global basis, by country of origin, industry and by type, including both equity and debt. This is combined with pertinent regulatory updates to illustrate where current investment trends are appearing and where future trends will appear.

METHODOLOGY

Our M&A/equity investment numbers are comprised of three components; FDI, below FDI/venture and/or growth capital and announced China inbound.

The FDI component is drawn from data sources which virtually all major consultants, accountants and bankers use. However, we take the extra step of verifying what a reporter states and what actually makes it onto the data run. In Q3, we found one discrepancy of over US$1.3 billion. We also have China based sourcing and verification as sometimes the data is only reported in China and in Mandarin.

Below FDI and venture growth capital – we draw from numerous PE and VC specialty databases – Preqin, Crunchbase, Pitchbook, Traxcn to name a few. We then (systematically) remove all non-Chinese investors from these investments – which can frequently involve syndicates of 5+ non-Chinese investors, to provide data for China only.

China inbound – is built daily globally with input from China and the master data based held in London. It is literally announced deal by deal, JV by JV, day by day. All entries are linked to an specific announcement. For example, the Q3 inbound had 41 pages of backup data and story links.

The combination of these 3 components makes AIR unique among data providers.

We also provide notable regulatory updates that preclude investment. These provide a window into future investment trends are likely to be and include G2G intelligence on bilateral, free trade negotiations, trade impact analysis and track amendments to existing agreements. This is especially important when considering future global and regional trade flows and developments within them. The upcoming RCEP and CPTPP free trade agreements are examples of this ongoing tracking and analysis.

On a G2B basis we track industry-specific regulatory updates pertinent to new market opportunities in addition to where Government policy may discourage investment. This allows our subscribers to take remedial action on negative developments and potential investment action on positive regulatory developments.

Research is conducted from our permanent offices in the United States, European Union, United Kingdom, China, India, Russia, the ASEAN6 (Indonesia, Malaysia, Philippines, Singapore, Thailand & Vietnam) Hong Kong and allied partners within the Middle East (Dubai, Qatar), South Asia (Bangladesh, Sri Lanka, Pakistan) and East Asia (Japan, Mongolia, and South Korea).

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AIR provides bespoke, unique, data-driven analysis into markets throughout Asia. With 30 years of corporate banking, legal and tax experience, and offices throughout Asia, Europe, and the UK, we can provide the Asian research you need to make informed investment decisions about where to place your capital.

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