

G2G Economic Zone

A Brief Note for the Developer

0.1 Preamble

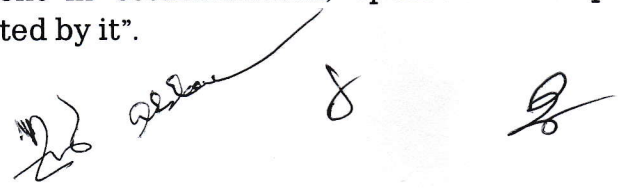
With an object to establish Economic Zones on mutual cooperation and/or partnership basis between the Government of Bangladesh (GoB) and the Government of other country or the entities selected/ nominated by the respective Governments, necessary provisions have been incorporated in the Bangladesh Economic Zones Act, 2010 by the Amending Act No. 29 of 2015. After such amendment enabling environment has been created to establish, operate and maintain G2G economic zones (on design, build, finance, operate and transfer basis) in Bangladesh by a developer (a Joint Venture between selected foreign entity and BEZA) in accordance with necessary legal instruments including Development Agreement, to be executed upon agreed terms and conditions. BEZA is mandated to process and implement the G2G economic Zones initiatives keeping in view the GoB's willingness to attract investment in Bangladesh by the Governments of other countries or their nominated entities thorough G2G arrangements.

02. Legal Framework

Development and Operation of Government to Government (G2G) Economic Zones, are governed mainly by the Bangladesh Economic Zones Act, 2010 (the Act), as amended by Act No. 29 of 2015 and Bangladesh Economic Zones (Appointment of Developer) Rules, 2020. Also other applicable laws, rules and regulation regarding approval permission, NoC etc. from the other relevant authorities are applicable.

As defined in Clause (vii) of rule 2 of the Bangladesh Economic Zones (Appointment of Developer) Rules, 2020 (the Rules) **"G2G Economic Zone"** or **"G2G EZ"** means the Economic Zone established under clause (e) of section 4 of the Act on mutual cooperation and/or partnership basis between BEZA and any Foreign Entity.

As specifically mentioned in Clause (e) of section 4 of the Act, G2G economic Zone is the "Economic Zone established by partnership or initiative between Government of Bangladesh or Agency(ies) or Authority(ies) or Organization(s) nominated by it and the Government of any other country or any Industrial Entrepreneur, Consortium, Joint Venture Company or Group of Industries, competent in establishment, operation and promotion of Economic Zone nominated by it".



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“Foreign Entity”, according to Clause (vi) of the Rules, means any Enterprise, Company, Consortium, Joint Venture Company or Group of Companies or Industries nominated, recommended or selected through any due process by the Other Government (Government of any country other than Bangladesh)

According to sub-section (1) and (2) of Section 3 of the Act, 2010, any eligible foreign entity may submit proposal for establishing G2G EZ in Bangladesh with the authorization of the Government of its country with the supporting documents showing its competency of designing, building, financing, maintenance and promotion of G2G EZ.

Regarding eligibility, sub-section (3) of Section 3 of the Act provides that a Foreign Entity must have:

- (a) experience in establishing Economic Zone, Special Economic Zone, Industrial Park or Free port or operation thereof or experience in development, construction of infrastructure, management and operation of any Large Project;
- (b) the amount of gross revenue of US\$10 (Ten) million per year within last 3 (three) years for operation of Economic Zone, Special Economic Zone, Industrial Park or Free Port or any Large Project; and
- (c) net worth of at least USD 25 (Twenty-Five) million.

Explanation: For the purpose of this sub-rule “Large Project” means a Project, which, has a total of investment of above 30 (Thirty) million US Dollar excluding ongoing capital for expansion.

03. Selection and Appointment of Developer

According to Rule 4 and 9 of the Bangladesh Economic Zones (Appointment of Developer) Rules, 2020 and based on practice, the processes of selection and appointment of Developer are as follows:

- i. Nomination, selection or recommendation of the Foreign Entity by the Other Government in response to any invitation of proposal by BEZA or on own initiative of the Other Government;
- ii. The Authority may, if required, sign MoU with the Foreign Entity for a specified period;
- iii. Submission of proposal;
- iv. Evaluation of proposal;
- v. Negotiation;
- vi. Preparation, finalization and vetting of draft Joint Venture Agreement;

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- vii. Approval of Joint Venture Agreement by Cabinet Committee on Economic Affairs (CCEA);
 - viii. Signing of Joint Venture Agreement;
 - ix. The Special Purpose Company (SPC) shall be formed by and Between BEZA and the Foreign Entity;
 - x. Preparation, finalization and vetting of draft Development Agreement including Land Lease Agreement;
 - xi. Approval of Development Agreement including Land Lease Agreement by Cabinet Committee on Economic Affairs (CCEA);
 - xii. Signing of Development Agreement including Land Lease Agreement; and
 - xiii. Issuance of Letter of Award (LoA).

The Legislative and Parliamentary Affairs Division shall perform the vetting and, if required, the necessary consent/opinion may be obtained from other relevant Ministry(ies)/Division(s) of the Government.

According to Section 7B of the Act, a Processing Committee formed by the Government shall have the powers to take decision from the proposal evaluation stage to the finalization of draft Development Agreement stage before putting up the matter to the Cabinet Committee on Economic Affairs (CCEA).

The Authority and the Processing Committee, as the case may be, may, where necessary, follow any other process in addition to above processes or follow the aforesaid processes without maintaining the sequential order.

04. Financing and Shareholding Arrangement

The financing and shareholding arrangement is fundamental consideration of the G2G arrangement that may be captured as follows:

- The financing and shareholding under G2G arrangement is determined depending on the mutual discussion of the Parties (BEZA and the Foreign Entity) in Development and Operation of G2G EZ.
- Shareholding ratio is to be determined
 - as per agreed ratio of capital contribution in the SPC; or
 - as per equity share of BEZA by capitalizing lease rental of the demised land and other non-fiscal support.
- SPC will not be entitled to obtain any loan until proportionate capital injection is exhausted. However, if any debt financing is required before full capital injection by the Foreign Entity, such



loan can be obtained by the Foreign Entity without creating any liability to SPC or BEZA.

A Land Lease Agreement with right of lease hold interest will be executed between BEZA and SPC for a period to be agreed upon.

05. Returns to BEZA

As Authority: Service charge and other returns to BEZA as may be agreed in the Development Agreement.

As Equity Shareholder: Proportionate profit-loss sharing as may be agreed in the Development Agreement.

06. Development of Off-site Infrastructures

BEZA will, so far agreed in the Development Agreement, arrange for construction of necessary off-site infrastructures.

07. Financing in EZ by BEZA

BEZA may, if required, need soft loan from the corresponding Development Partner. The prospective foreign partner of SPC shall make necessary arrangement for obtaining such soft loan.

08. Regulatory Function

BEZA shall exercise its regulatory function in accordance with the applicable laws, rules, regulations and government orders.

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