

READINESS AND POSSIBILITIES OF REGIONAL CONNECTIVITY: ROLE OF PRIVATE SECTOR IN BANGLADESH

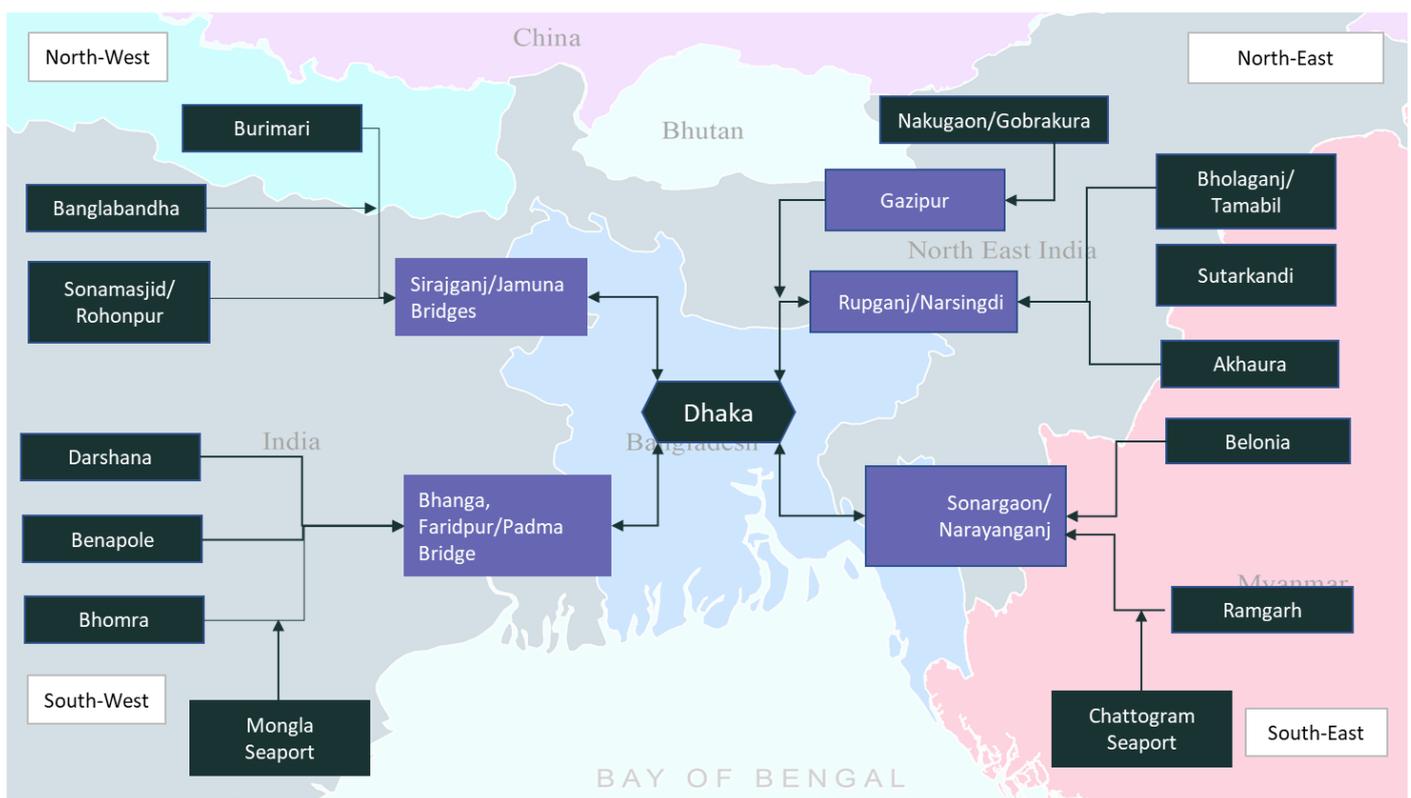
Connectivity across borders and within the regional landscape is a stepping stone for boosting regional trade and promoting consumer interest. Only better connectivity with neighboring countries can help achieve cost-effective cross-border business. The time and cost factors are vital to transforming the transport corridors into the economic corridors.

Geographically, Bangladesh is positioned at the intersection of two important regional connectivity blocks namely BBIN (South Asia) and BIMSTEC (South-Eastern Asia). BBIN Motor Vehicle Agreement and BIMSTEC Motor Vehicles Agreement for the Regulation of Passenger, Personal, and Cargo Vehicular Traffic are the two pressing connectivity initiatives that make

Bangladesh a connecting hub in the regional context. Though BBIN countries signed the motor vehicle agreement in 2015, successful implementation of this agreement is yet to be.

Disagreements among concerned countries have ended up in a tripartite MOU being signed among Bangladesh, India and Nepal. The sluggish pace of developing the standard operating procedures and irregular meetings among the three countries' BBIN wing has resulted in decaying interest among the different agencies, authorities, and business people. Recently, a meeting was held with the presence of all four BBIN nation representatives which does signal some movement at the policy level. On the other hand, BIMSTEC MVA is only at drafting stage.

Connectivity Map of Bangladesh



Bangladesh's transport connectivity map can be best visualized by dividing Bangladesh into four regions namely Southwest, Northwest, Northeast, and Southeast. Southwest Bangladesh is connected with the West Bengal of India and the Rest of India. While Northwest part is not only connected with West Bengal but also acts the gateway to Nepal and Bhutan. The Northeast is connected with Meghalaya, Assam, Tripura, and further with the North-East Region of India. The Southeast is connected with Mizoram and Myanmar. From Ramgarh to Teknaf, the improved connectivity hubs will be the main gateway for Bangladesh to the ASEAN region. The latter is an untapped area which is ripe for investment in cross-border land-based connectivity initiatives.

Readiness and concerns of the connectivity hubs

Considering the connectivity landscape from the perspective of Bangladesh, the ports (roads, rail, river and seaports) along the four corridors under the BBIN MVA should be capacitated for better regional seamless connectivity. The major connecting hubs should be ready not only in terms of the economic point of view alone but also for regional trade enhancement by promoting an enabling environment. It is time to emphasize on

these major connecting hubs to attract regional investment and route development. It is expected that the development of those connectivity hubs in Bangladesh will benefit the BBIN MVA in future. It is also true that other connectivity initiatives like BIMSTEC MVA and BCIM (Bangladesh, China, India and Myanmar) corridor related trade opportunities will be unleashed in the long run.

Now, it is essential to consider the readiness of the significant connecting hubs of Bangladesh for implementing such regional connectivity initiatives all the while considering the concerns in the short run. Most of the land ports and river-ports are not ready to handle the MVA related future challenges. There are issues particularly regarding border infrastructures, transportation management system, operation of single window systems for customs and trade procedures, overall managing the off-border functionalities. Major issues need to be identified for making the investment plan accordingly for strengthening the port infrastructures. Conversely, the readiness and strength of the connecting hubs needs to be highlighted. These are shown in the following tables— one for river/sea ports and another for rail/land ports.

Regional integration readiness and concerns of major hubs: River and Sea Ports

| Rivers / Sea Ports | Readiness and Strength | Concerns and Weakness |
|---------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|
| Pangaon ICT | Mechanical transshipment facilities exist for container; International Cargo handling capacity ; ready for paperless trade | Chronic underutilization, no bulk goods handling facilities, lack of incentive for shipping line |
| Ashuganj | ICT is under development; geographically well positioned for regional context; | Rarely used for transit; bridge clearance is an obstacle; no customs facilities near port |
| Mongla Seaport | Well-equipped for intra-BBIN trade; Rail link with Khulna underway; Padma bridge completion may increase its utilization; | Poor Mongla-Khulna road condition; automation for container traffic management yet to start; No private ICD |
| Chattogram Seaport | Well-equipped and semi-automatic clearing system; cargo needs 6 hours to be loaded into ship after entry; deep draft seaport at Matarbari is under construction | Over-utilization, Maximum 8.5 to 9 draft; unloading container at jetty |



Regional integration readiness and concerns of major hubs: Rail and Land Ports

| Rail / Land Ports | Readiness and Strength | Concerns and Weakness |
|---------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Benapole | Dedicated roads for export and import; Truck shed and warehouses available; Awareness about MVA minimal; No single-window mechanism; Railway connectivity exists; Direct rail connectivity with Dhaka from 2024 | 2 to 6 hours for product dispatching; no private warehouse; 250km long Benapole -Dhaka route takes 20 hours or more; BRCP-1 implementation slow; Inter-agency data exchanges yet to start |
| Bhomra | Investing in infrastructures, systems and procedure modernization; holds geographic advantage in connecting with Kolkata; | No capacity to handle containerized cargo with ECTS lock; Poor facilities for digital testing certification and inspection; narrow port connecting road; |
| Darshana | Cargo wagon up to Sirajganj, Rohonpur, and Rangpur available; Future regional railway hub; Land port development underway; | Slow infrastructural development; Poor wagon managements; private sector involvement not encouraging; |
| Banglabandha | Road construction under AH2 underway; rail connection from Panchagarh to Banglabandha is approved; Has connectivity with Nepal and Bhutan border | Trade depends on manual documentation; insufficient evaluation from BLPA and lack of coordination; Archaic port design, traffic management and customs procedures; poor data connectivity; |
| Burimari | Customs-C&F digital link exists; potential for cargo wagon transportation; used for trade with Bhutan; | No integrated checking, seasonal load-shedding and poor internet access; lack of perishable items storage; |
| Tamabil | Good quality approach road; Dhaka-Sylhet highway (AH1) under construction; port structure developed recently; | Trade depends on manual documentation; no railway connectivity; |
| Akhaura | Transit hub for connecting with NE India; Raillyway connection with Tripura underway; Ashuganj riverport is near; | Very poor port and customs infrastructure; narrow approach road; not ready for containerized cargo handling; |

Increasing private sectors participation in connectivity infrastructure

Private sector involvement in the operation and infrastructure development in connectivity hubs has the potential to maximize efficiency of these important hubs to foster Bangladesh's incredible growth story. Presently, Build-Operate-Transfer (BOT) mode is the preferred model of investment when it comes to Public-Private Partner-

ship (PPP) in connectivity infrastructures. The model has the benefit of letting the Public Sector take part in the capital-intensive process all the while the private sector is associated with the operation process, bringing in the efficiency required in these sectors. But as the Private Sector becomes capacitated, it has become a strong candidate for playing an enabling role both in the development and operation of connectivity infrastructures.



Industry-specific involvement of private sector in connectivity hubs

| | Land ports | River ports | Sea ports |
|---------------------------------|------------|-------------|-----------|
| Transportation service | Very high | Very high | Very high |
| Port operation | Low | Very low | Average |
| Clearing and forwarding service | Very high | Very high | Very high |
| Testing facilities | Very low | Very low | Very low |
| Customs inspection | Very low | Very low | Very low |
| ICD/Warehouse | Very low | Low | Very high |
| Infrastructure security | Average | Very low | Very low |
| Port development | Very low | Low | Very low |
| Banking facilities | Average | High | High |

To understand why private participation in the operation of connectivity hubs has yet not provided expected outcomes, it is imperative to understand the bottlenecks in the process.

Many stakeholders opined that private sector participation in infrastructure operations has increased efficiency to some degree but expected results have not been achieved. This issue is attributed to the **lack of investment in capital goods** (i.e. machinery and physical infrastructures) by the private stakeholders who are in-charge of operating the hubs.

The reason behind the chronic disinclination for capital investment appears to be the lack of proper incentives as well the **lack of a widely accepted Performance Evaluation (PE) mechanism** and no implication of the result of a PE process. River Landing Stations of Noapara Riverport are a prime example of lack of proper incentives. Landing stations are put on short-term leases. Though there is demand for mechanization of the transshipment process in the landing stations, landing station operators (leaseholders) are not interested to procure the required machines as they feel that they won't be able to

cover the expenses of the procurement of the machines during their lease period. Moreover, there is no certainty that they will be awarded the lease for the next period, thus such capital investment does not make any business sense.

On the other end of the spectrum, some land ports are leased out to the private sector for a long term (25 years). At first glance, some might expect that these long-term operating leases might solve the aforementioned problem. But the reality is far from it, as very little capital investment has been made by these private operators despite the window it has to recuperate its investment. Land port stakeholders informed that the lack of a proper performance evaluation process has led to this issue. If there had been a performance evaluation protocol in place with clear consequences, these operators would be more inclined to make capital investments.

Thus, it can be inferred that a combination of **incentives and evaluation-based** agreement revision will be required to steer the private sector to become integrated wholly with the development and operation of connectivity infrastructures.

This document is prepared as a handout for the workshop on 'Mobilizing Private Sector to Strengthen Connectivity Infrastructure Investment'. The workshop is part of Unnayan Shamannay's efforts to facilitate policy discourse on regional connectivity.



Unnayan Shamannay
 25-27, Happy Rahman Plaza (4th Floor),
 Kazi Nazrul Islam Avenue,
 Banglamotor, Dhaka-1000
 Phone : +8802-223364720, 58610624
 Mobile : +8801407-300300, 09639-494444
 Email: info@unsy.org
 Web : www.unsy.org