

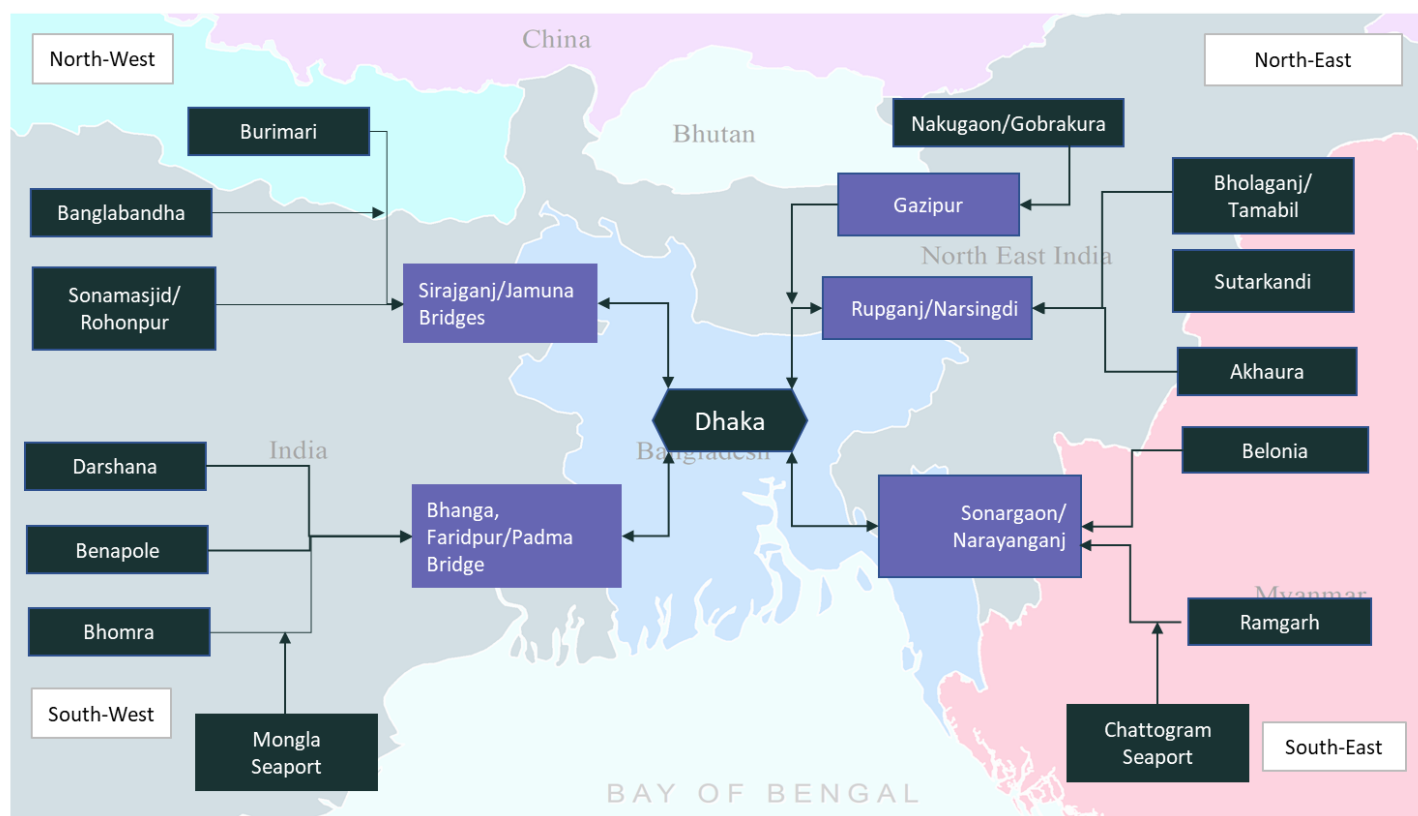
READINESS AND POSSIBILITIES OF REGIONAL CONNECTIVITY: ROLE OF PRIVATE SECTOR IN BANGLADESH

The 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 corridor into the economic corridor.

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 faces delays. Some disagreements among concerned countries have ended up with 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 businesspeople. On the other hand, the BIMSTEC motor vehicle agreement is only in the drafting stage. No progress has been reported so far.

Connectivity Map of Bangladesh through major border point



Bangladesh's transport connectivity map can be best visualized by dividing Bangladesh into four regions namely Southwest, Northwest, North-East, and South-East. Southwest Bangladesh is connected with the West Bengal of India and the Rest of India. While North-West part is not only associated with West Bengal but also the gateway to Nepal and Bhutan territory. The North-East direction is connected with Meghalaya, Assam, Tripura, and farther with the North-East Region of India. The southeast part is connected with Mizoram and Myanmar. From Ramgarh to Teknaf, improved connectivity hubs will be the main gateway to the ASEAN region. The latter is the untapped area for investing 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 pro-

moting enabling environment. It is time to emphasize these major connecting hubs to attract regional investment and route development. It is expected that the development for those connectivity hubs in Bangladesh will benefit the BBIN MVA to be utilized in the future. It is also true that other connectivity initiatives like BIMSTEC MVA and BCIM 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 BBIN MVA, considering the areas of concern in the short run. Most of the land ports and rivers are not fully ready to handle the MVA related future challenges. There are facing the issues particularly on border infrastructures, transportation management system, operation of single window systems for customs and trade procedures, overall managing the off border functionalities. The major issues that the hubs are facing needs to be identified to making the investment plan accordingly for strengthening the port infrastructures. Conversely, the readiness and strength of the connecting hubs requires 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 load 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 Benapole-Dhaka route takes 20 hours or more; BRCP-1 implementation slow; Inter-agencies 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 upto 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; Having 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; Railway connection with Tripura underway; Ashuganj riverport is near;	Very poor port and customs infrastructure; narrow approach road; not ready for containerized cargo handling;

Optimizing the role of private sectors 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 has been the preferred model of investment when it

comes to Public-Private Partnership (PPP) in connectivity infrastructure. 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 industries. But as the Private Sector becomes stronger, 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 opine 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 incentivization 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 revising will be required to steer the private sector to become integrated wholly with the development and operation of connectivity infrastructures.

This document is prepared for the workshop on titled "Mobilizing Private Sector to Strengthen Connectivity Infrastructure Investment". The readiness and possibilities of regional connectivity for the upcoming BBIN MVA and other regional arrangement highlighting the scope of involvement for private sector.



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