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INFRASTRUCTURE IN BANGLADESH: SUSTAINABILITY, REGIONAL CONNECTIVITY & POLICY ISSUES¹

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Bangladesh, one of the “Next 11” emerging economies, just graduated from Least Developed Country status to that of a Lower-Middle Income Country. Despite all its potential, the country is plagued with a high incidence of poverty, high unemployment and underemployment, a high youth population, low literacy levels, a largely unskilled labor force, poor infrastructure and a high level of natural calamities, aside from having a very high population density with very limited natural resources. Despite all these hurdles, the economy of Bangladesh showed remarkable resilience throughout not only the Asian crisis of the late 1990s, but also the global financial crisis of the late 2000s, with the country achieving average annual GDP growth rates of 6 percent over the past several years. Bangladesh, while making decent progress, has not been able to make the jump into double-digit economic growth due to lack of both physical and social infrastructure.

In a dialogue on the business environment in Bangladesh, current President of the Metropolitan Chamber of Commerce & Industry (MCCI), Nasim Manzur mentioned the three words that sum up the most urgent needs for the Bangladesh economy: “Infrastructure, infrastructure & infrastructure.” Businesses surveyed for the World Economic Forum’s Global Competitiveness Report (GCR) 2014–2015 also identified inadequate supply of infrastructure as the top barrier to doing business in Bangladesh. For infrastructure, the GCR ranked Bangladesh at 127th (unchanged from last year) out of the 144

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countries covered, while the electricity supply was considered insufficient and suffered frequent interruption (load-shedding). Of the 17 UN Sustainable Development Goals (SDGs), SDG #9 specifically addresses the issue of infrastructure. “Infrastructure poverty”³ is defined as the lack of access to basic infrastructure services, given how essential it is to fulfill basic human needs.

The recently published Asian Development Bank (ADB) – Asian Development Bank Institute (ADBI) study “Connecting South Asia and Southeast Asia,” analyzes how improvements in regional transport infrastructure can contribute to increased trade and investment between the regions through promoting road and rail connections between Cambodia, Bangladesh, India, Myanmar, Thailand, and Viet Nam and the ports in the Bay of Bengal. The ADB–ADBI study estimates the cost for priority transport projects is \$8.4 billion, while the estimated potential benefits of reduced transportation costs, which the report estimates at between \$89 billion (5% cost reduction) to \$358 billion (15% cost reduction), far outweighing these costs.

In order for better and a larger number of employment opportunities in the domestic economy and to be even close to eight percent annual economic growth, Bangladesh needs very strong basic infrastructure. Physical infrastructure involves a good road, rail and water transport communications system, with bridges and culverts, along with access to basic utility services such as power/electricity, safe water, gas, etc. Some forms of social infrastructure also require certain types of enabling physical infrastructure; for education, there is a need for schools, for health care, there is a need for hospitals and clinics. However, even in the presence of the physical aspects of social infrastructure, there is a need for skilled human resources; good teachers are needed for running the educational institutes and educating children and youth, while skilled doctors, nurses and technicians are necessary for the efficient running of hospitals.

The issue of skills is not even being brought up here, even though it is an essential component for growth and development. While Bangladesh is ahead of India in several social indicators, it is wrong to consider higher enrollment as translating into proper educational outcomes. There are serious concerns regarding the quality of education in the country. While Bangladesh has succeeded in building hospitals even at local government tiers, the World Bank (2004) report “Ghost Doctors: Absenteeism in Bangladeshi Health Facilities”⁴ found absenteeism rates of up to 74 percent among medical professionals at smaller sub-centers with single doctors, with a national average absenteeism across all types of rural health centers of 26 percent.

³ http://repository.ri.jica.go.jp/dspace/bitstream/10685/132/1/JICA-RI_WP_No.70_2014.pdf

⁴ <http://elibrary.worldbank.org/doi/abs/10.1596/1813-9450-3065>

The condition of the roads and highways continues to be a major cause of concern in Bangladesh. Work on turning the two-lane Dhaka-Chittagong highway, considered the economic & export lifeline of the country, into a four-lane highway has witnessed almost three-fourths completion now, and is likely to take more than one more years to complete, though it was due to be completed in 2012. As a result of ongoing work on this highway, traffic snarls can take up to 20 hours instead of what should take no more than 6 hours. Chittagong port, the major port of the country, is also known for its inefficiency and corruption, a major concern given more than 90 percent of cargo handling is done by Chittagong port.

Road communications with the second major port of the country, Mongla, would have become easier had the Padma Multipurpose Bridge been built. Withdrawal of the World Bank and funding for the Padma Bridge financing due to serious corruption-related allegations (conspiracy to commit corruption) has resulted in work on the bridge being significantly delayed; the World Bank had committed \$1.2 billion, the ADB \$615 million, the Japanese International Cooperation Agency (JICA) \$400 million, and the Islamic Development Bank (IDB) offered \$140 million, so \$2.355 billion out of the total \$2.9 billion had financing from multilateral donors at highly concessional rates. Due to the World Bank pulling out due to allegations of corruption, which led to several arrests in Canada of several SNC Lavalin (the company that had been working on the bridge as the construction supervision consultant) high-ups, the ADB and JICA also withdrew from financing the project.

Although the connecting roads for the Padma Bridge have been built, actual work on the bridge has barely started, even though the bridge would have been completed by 2013, had everything gone according to plan. This bridge would have not only connected the southwest region with the capital and the rest of the country, but would have also played a major role in potential regional connectivity, making Kolkata easily accessible from Dhaka without any ferry service required. Bangladesh would have had the longest bridge in South Asia had the 6.15 km Padma Bridge been built.

An International Growth Center working paper entitled "Infrastructure and Well-being: Employment Effects of Jamuna Bridge in Bangladesh" (2015), evaluate the impact of Jamuna Multipurpose Bridge (JMB) on jobs in Bangladesh. The impact on jobs and livelihood in adjacent districts of the Jamuna Bridge, the longest bridge and the largest physical infrastructure project thus far completed in Bangladesh, is analyzed, with findings suggesting facilitation of farm to non-farm employment shifts and decreased household unemployment in the two districts studied.

The position of Bangladesh in the just published "Doing Business 2016: Measuring Regulatory Quality and Efficiency" world rankings dropped two ranks to 174th position out of 189 economies surveyed⁵ for ease of doing business. Of the eight South Asian economies, only Afghanistan (177th) ranked worse than

⁵ <http://www.doingbusiness.org/data/exploreeconomies/bangladesh/>

Bangladesh in the survey. Bangladesh lost ground in five of the ten indicators, while the other five remained unchanged. In getting electricity, Bangladesh ranked worst – 189th out of 189 countries.

Although the incumbent government claims to have more than doubled electricity generation in its first five year term (2009-2014), the majority of new generation has come courtesy of quick rental power plants, a necessary stop-gap measure when the government came to power. However, its roadmap of generating at least 30 percent of electricity from coal by the end of its tenure fell through; not a single megawatt is now produced from coal-powered plants, none of which have yet been established. In order to quickly implement the quick rental power plants, the 9th parliament passed a law granting indemnity in the awarding of such power plants. Due to that lack of electricity generation from coal and the lack of new power plants from other sources, the tenure for the quick rental power plants has been increased for a further term.

Despite raising the price of power several times in the past several years, almost tripling prices in under seven years, due to the dependence on quick rental power plants, and the high price of fuel (HFO) and diesel in the domestic market despite falling international prices, with depleting natural gas reserves and increasing domestic gas prices, further electricity and gas price hikes are likely. Nonetheless, major cities continue to witness power failures, with rural areas often being without electricity more often than they have it during the peak demand in the hot & humid summer months, and about half the people still without access to any electricity.

Bangladesh plans to have its first nuclear power source, the 2,400 megawatt Rooppur nuclear power plant, to be built by Russia's state-owned Rosatom State Atomic Energy Corporation, at an estimated cost of \$13.5 billion. A 1,320 megawatt coal-powered power plant is scheduled to be built in Rampal, on the edge of the *Sundarbans*, the largest mangrove forest in the world. Both projects have caused certain environmental concerns among civil society members and environmental activists; the nuclear power plant is to be built in Bogra district, in northeast Bangladesh. Given the recent devastating earthquake in Nepal, and the risk of future quakes in the region, there are concerns about this, and also whether and how cost effective this project is, given the US\$13 billion plus price tag. The threat of the Rampal plant to bio-diversity in the *Sundarbans* is a major concern, though the government has denied any threat; civil society has been active in demanding a relocation of the Rampal project. It is noteworthy that the Rampal plant is to be built by the Bangladesh-India Friendship Power Company (Pvt) Limited, as Bangladesh signed a deal with India for the joint coal-based power project on January 29, 2012, at a site that is only 14 km from the border of the *Sundarbans*, threatening to affect bio-diversity.

On the issue of regional integration, a lot remains to be achieved. While the success of the planned initiative of the Bangladesh, China, India and Myanmar (BCIM) Economic Corridor initiative has been limited to ceremonial motor rallies, in the attempts to connect the South Asian Regional Cooperation (SAARC) Countries and the countries of the Association of South-East Asian Nations (ASEAN), the main route connecting the roads and railways of south and southeast Asia, through Bangladesh and Myanmar, has not seen any major progress yet. The “One Belt, One Road” initiative of China, while popular among policy-makers, has seen little if any actual progress or implementation of connecting Kunming, China to Kolkata, India, through Yangon, Myanmar and Dhaka, Bangladesh. There are also concerns as to how feasible the project may be due to insurgency movements in Myanmar, especially the northern region, and in several Northeast Indian states.

Bangladesh has granted complimentary transit to several consignments of Indian containers, both via road and water networks, though the two countries have yet to finalize major transit agreements; Bangladesh is close to finalizing the fixation of transit fees for the transportation of Indian goods through the country on a regular basis, though negotiations on the issue have been ongoing for quite some time now. This is particularly important for India, given the fact that the seven North-East Indian States (Arunachal Pradesh, Assam, Meghalaya, Manipur, Mizoram, Nagaland and Tripura) are very difficult to reach from West Bengal and the rest of India due to the mountainous region and length of road networks, while transit through Bangladesh allow for convenient passage of goods and consignments. Completion of the Padma Bridge would allow for easier access, given that now, there is a river that has to be crossed on ferry for vehicles, though there are no issues with travel by waterways.

Within SARC, given the land-locked nature of Nepal and Bhutan, transit facilities being granted by Bangladesh to both countries is on the cards, though in order for such transit to occur, the goods must be transited through parts of India as well. The problems Nepali oil consignments are facing at the Nepal-India border are indicative of the types of problems that need to be settled, the sooner the better.

Issues concerning infrastructure, be it national or regional, electricity or the road transport network, need massive investments. There is no easy and quick fix in this regard; however, there is a need to ensure that large-scale infrastructure projects are completed in a timely manner, and the quality of the infrastructure is ensured. Several mega-infrastructure projects are expected to start soon in Bangladesh. These include the Padma Bridge, the Dhaka elevated expressway, the Dhaka Metro-Rail project, a bus rapid transit route in Dhaka, the Paora deep seaport, etc. Completion of such projects can help to

achieve eight percent growth and allow Bangladesh to attain its cherished goals for Vision 2021, which will mark the country's 50th Anniversary of Independence. The Padma Bridge alone is expected to increase GDP growth by at least one percentage point. However, in order for regional economic corridors to take off, all countries due to benefit from the linkage must be willing to go forth, and there need to be measures taken to ensure that insurgency movements in Myanmar and Northeast India do not end up sabotaging an initiative that would forever alter the economic landscape of the region for the better.