



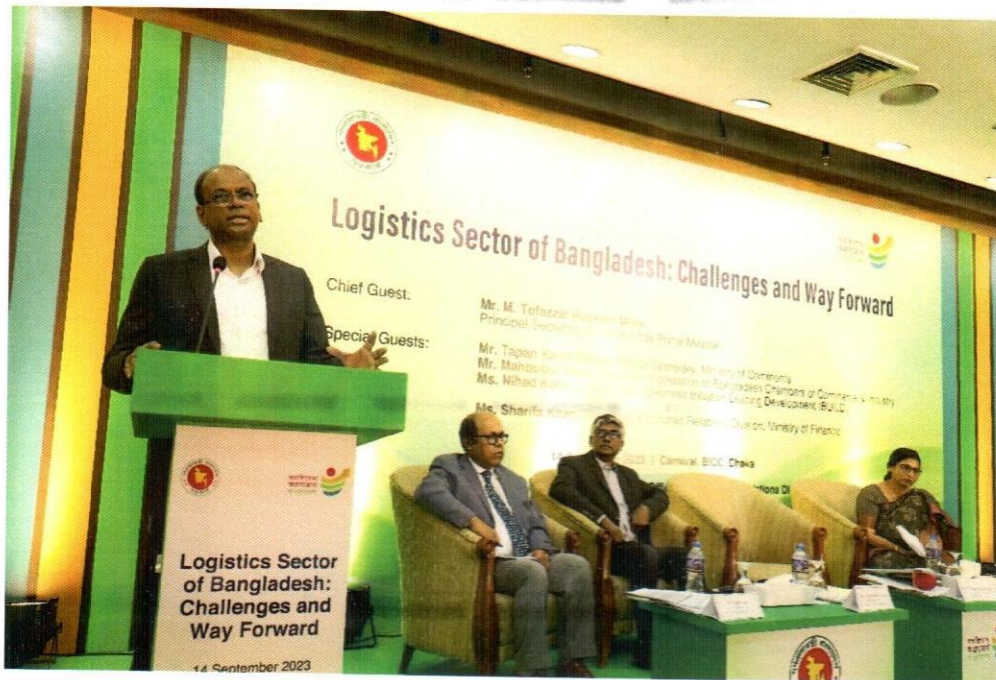
Seminar on Logistics Sector of Bangladesh: Challenges and Way Forward



Jointly Organized by
Prime Minister's Office
&
Economic Relations Division

Outcome Document

The Prime Minister's Office and Economic Relations Division (ERD) jointly organized a seminar on 'Logistics Sector of Bangladesh: Challenges and Way Forward' on 14 September 2023 at the Bangabandhu International Conference Centre of Dhaka. Principal Secretary to the Hon'ble Prime Minister Mr. M. Tofazzel Hossain Miah attended the seminar as Chief Guest. Senior Secretary of the Ministry of Commerce Mr. Tapan Kanti Ghosh was present as a special guest. ERD Secretary Ms. Sharifa Khan chaired the event.



Principal Secretary to the Hon'ble Prime Minister Mr. M. Tofazzel Hossain Miah speaking during the seminar

Major discussions and recommendations of the event are furnished below:

Welcome Remarks from Mr. Farid Aziz, Additional Secretary & Project Director, SSGP, ERD

At the beginning of his remarks, Mr. Aziz recalled that the logistics sector plays a crucial role in enhancing productivity and investment in a country. He pointed out that the improvement in the logistics sector could lead to a decrease in the cost of doing business and production as well as a reduction in the cost and time of business transactions. In this context, he observed that the improvement of the logistic sector would not only help to achieve a smooth and sustainable LDC graduation for Bangladesh but also facilitate the achievement of other national development goals. Mr. Aziz mentioned that the government had already taken various steps for the improvement of the logistics sector. A high-powered committee titled "National Logistics Development and Coordination Committee", headed by the Principal Secretary to the Hon'ble Prime Minister had been formed for the overall development of the logistics sector. Against this backdrop, he said that the seminar had been organized to identify the gaps and challenges in the logistics sector; as well as to discuss the strategies and way

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forward for overall improvement of the logistics sector including the formulation of a National Logistics Policy.

Keynote Presentation on 'Logistics Sector of Bangladesh: Challenges and Way Forward' by Dr. M. Masrur Reaz, Chairman, Policy Exchange Bangladesh:

Dr. Reaz, in his presentation, observed that enhancing trade, investment, and connectivity will be critical for achieving Vision 2041 aspirations. He pointed out that trade Facilitation is considered to be the key driver of competitiveness and diversification. Dr. Reaz opined that deeper integration with the global and regional markets will require a significant ramp-up in logistics efficiency. Bangladesh's diversification goals would require addressing the high logistics costs. Highlighting the need for enhancing the capacity of ports in the country, he said that the development and modernization of ports is a must to support the private sector-led growth strategy. He identified some specific areas of the local logistics sector where there are scopes for attracting ample local and foreign investments. These include-- ports and terminals, inland container depots, freight transportation, warehousing, and lighter ships for inland waterways. Highlighting the recent major initiatives taken by the government to boost the local logistics sector, he reflected on the structure and objective of the National Logistics Development and Coordination Committee. The keynote speaker emphasized the port projects that are in the pipeline which offer opportunities for private sector participation. He identified some issues which require priority attention:

- Absence of a National Logistics Strategy
- Entry barriers for foreign logistics operators
- Container dwell times at Chattogram Port are very high
- Complex port governance/regulatory system
- Some policies lead to less efficient logistics operation
- Limited Private Sector participation in the port sector
- Chattogram Port with 9.1 meters draft is much shallower than other South Asian ports

Key policy priorities for building a logistics ecosystem for Vision 2041:

- Effective governance of the logistics sector
- Efficient border clearance
- Innovative and long-term finance for logistics development
- Transitioning to more efficient ports and hinterland connectivity

Afterward, he pointed out some specific reform opportunities in the following areas:

- Need for greater port and storage capacity to accommodate high demand
- Simplification of complex customs processes and other regulations for cargo clearance
- Augmenting capacity, quality and operational efficiency of multi-modal transport



Highlighting the future potentials of green logistics, he informed that the size of the green logistics market is expected to reach \$2.9 Trillion, globally, by 2032 at an 8.3% compound annual growth rate (CAGR). Lastly, he presented a draft outline of the national logistics policy which the government is planning to formulate.

Discussions by the Panelists:

Mr. Mohammad Lutfullah, Senior Private Sector Specialist, International Finance Corporation, World Bank Group, Dhaka

Mr. Mohammad Lutfullah, in his remarks, observed that the Public Private Partnership modality would be an effective way to attract increased investment in the logistics sector of the country. Noting that infrastructure and climate change are closely integrated, he affirmed that the concept of green logistics have immense potential. He observed that the concept of green logistics and enhanced automation of the relevant procedures is in line with the vision of Smart Bangladesh.

Mr. Mohammad Hatem, Executive President, Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA)

Mr. Mohammad Hatem, in his remarks, identified road communication, connectivity and port as major areas of improvement for reaching the 100 billion US Dollar RMG export target set by the country. In this context, he underscored the need for modernizing and enhancing the capacity of Chattogram, Mongla and Pangaon ports. He also observed that the capacity of Kamalapur ICD (Inland Container Depot) is yet to be fully utilized. Mr. Hatem also called for commencing the construction of Dhirasram ICD. He opined that an elevated expressway should be constructed connecting Dhaka with Chattogram linking Ashulia, Gazipur and Narayanganj. He called for simplifying the taxation and customs procedure to make the process more business-friendly.

Mr. Syed Nasim Manzur, President, Leathergoods and Footwear Manufacturers & Exporters Association of Bangladesh (LFMEAB)

Citing a recent study, Mr. Manzur said that Bangladesh can increase its exports by 5 to 8 percent by decreasing the indirect cost of logistics by 10 percent. Noting that thousands of factories had been built over the years in areas like Kaliakoir, Narayanganj, Gazipur and Ashulia-- he opined that a railway station could be constructed in Kaliakoir to facilitate easy movement of goods and passengers between Dhaka and the adjacent areas. He said that an off-dock facility should be constructed at Hazrat Shah Jalal International Airport in Dhaka. He called for building a real-time tracker for determining the pace of the movement of goods. Mr. Manzur underscored the need for expediting the behind-the-border rollout of the ASYCUDA platform for quicker customs clearance. He projected that Bangladesh could increase its overseas trade by 11 billion US Dollars by ensuring greater connectivity with the South Asian region.

Rear Admiral Mohammad Sohail, Chairman, Chattogram Port Authority

Rear Admiral Sohail, in his speech, opined that the capacity of the Chattogram port has been enhanced massively over the last 10 to 12 years. He claimed that from the Chattogram port side, it is now possible to deliver the containers within 12 hours. He opined that the additional time that is usually required is due to customs procedures. He claimed that the container handling capacity of the Chattogram port has almost doubled from 26000 TEU back in 2012 to around 55000 TEU now. However, he underscored the need for adding many more private off-dock facilities at the Chattogram port. Mr. Sohail informed that an initiative had been taken to construct a cargo berth to handle huge cargos. He informed that a total of three bay terminals would be built at the Chattogram port—the construction of which would be started by the end of this year. He hoped that the logistics-related cost would significantly decrease in the country once the Matarbari port becomes operational. Lastly, he called for better utilization of the country's extensive river routes by enhancing the capacity of inland water transport facilities.

Mr. Md Masud Sadiq, Member (Grade-1), Customs Policy & ICT, National Board of Revenue:

Mr. Md. Masud Sadiq, in his speech, observed that there are scopes for more in-depth research on the country's logistics sector. He informed that only 5 percent of the import cargoes and 1 percent of the export cargoes are being examined by the customs authority due to manpower shortage. He observed that such a situation increases the scope for misdeclaration. He informed that the National Single Window (NSW) would become fully operational by the year 2025. He also pointed out that the ASYCUDA platform had been updated and streamlined recently. Mr. Sadiq informed that the customs authority had recently linked up the bond-based importers with designated Clearing and Forwarding (C&F) agents to mitigate the import bond-related problems. He further informed that the agent management system had been introduced for all shipping and freight forwarders entities. He further recalled that a long-term plan had been formulated for the digitization of customs procedures. Mr. Sadiq informed that Bangladesh Customs is now integrated with Bangladesh Bank online which would help to streamline the process of LC opening. He observed that Bangladesh Customs would be integrated with 36 relevant government agencies online once the NSW scheme becomes fully operational. He hoped that such online integration would significantly reduce the time required for receiving customs clearance. He said that Bangladesh Customs would welcome new off-dock facilities at the Chattogram port to ease the congestion. He urged the business people to be more vigilant and careful while declaring the HS code of their products. Citing a recent study conducted by Bangladesh Customs with support from the World Customs Organization, he said that 70 to 72 percent of the products are cleared by the local customs authority within a day. He mentioned that only 7 to 8 percent of the total time required for clearance is related to customs, while the rest of the time is required due to the delay in issuance of various permits, testing, litigation, failure to submit duty tax promptly, port clearance, etc. In this context, he called for enhancing the efficiency of the associated human resource pool by providing them with adequate training.

At this stage, the chair invited the Chairman of the Payra Port Authority Rear Admiral Golam Sadeq and the Executive Chairman of Bangladesh Export Processing Zones Authority (BEPZA) Major General Abul Kalam Mohammad Ziaur Rahman to deliver their remarks. Major observations and recommendations that came from them are highlighted below.

Chairman of the Payra Port Authority Rear Admiral Golam Sadeq, in his remarks, informed that Payra port is already harbouring 10-meter ships carrying up to 45000 tonnes of cargo. He also informed that the multipurpose terminal of the Payra port will be operational by October this year. He also observed that a large number of factories located around Dhaka can be relocated to Payra to tap the potential of the newly built port. Reiterating the importance of better utilization of the country's river routes—he called for increased budget allocation in the ADP for inland water transportation.

Executive Chairman of Bangladesh Export Processing Zones Authority (BEPZA) Major General Abul Kalam Mohammad Ziaur Rahman called for simplification of the customs and HS code-related issues to attract more foreign investment into the country. In this context, he emphasized adopting an integrated approach.

Open Floor Discussion:

At this stage, the floor was opened for opinions and recommendations from participants. During this session, the following major recommendations came from them:

- The southern region of the country can be a major hub of container manufacturing.
- It is essential to set up a container depot at Payra Port.
- Bangladesh is yet to have any shipping or container company of its own. The country can save as much as US\$ 60 billion each year by enhancing the capacity of Bangladesh Shipping Corporation or facilitating the establishment of domestic shipping companies.
- Economic Zones are, up until now, concentrated in Dhaka and adjacent areas. However, they should be spread across the country to ensure greater regional economic parity.
- An integrated approach should be followed to ensure capacity enhancement of all modes of transportation or communication.
- The air freight cost in Bangladesh is quite high due to high airport landing costs or refueling costs. The air freight cost should be reduced to ensure cost competitiveness.
- Bangladesh should look to create a pool of skilled human resources to specifically meet the future demand of the local logistics sector.
- Railway linkage between Dhaka and its adjacent areas should be expanded.
- The government has a plan to establish a logistics park in the country. An integrated approach should be followed in the construction of the planned logistics park.
- Timely implementation of the Bangladesh Regional Connectivity Project and other similar initiatives should be ensured to make way for greater regional connectivity.

Speech by Special Guest: Mr. Tapan Kanti Ghosh, Senior Secretary, Ministry of Commerce

Mr. Tapan Kanti Ghosh, in his speech, underscored the importance of greater regional integration. He pointed out that Bangladesh can drastically decrease the lead time in its exports by establishing direct railway linkage with Mumbai or Gujrat of India or better linkage with the Colombo port of Sri Lanka. Such a move, he observed, would help the exporters to gain increased cost competitiveness. He also observed that Bangladesh should look to attract more foreign and domestic investment in some specific areas of the logistics sector. In this context, he called for identifying the particular areas where foreign investment would be necessary.

Speech by the Chief Guest: Mr. M. Tofazzel Hossain Miah, Principal Secretary to the Hon'ble Prime Minister

The Principal Secretary, in his remarks, informed that the government is working in an integrated manner to formulate the National Logistics Policy. He informed that the National Logistics Committee is reviewing the regional and global perspectives while holding regular consultations with the relevant stakeholders. He urged the relevant ministries and government agencies to identify the areas of necessary reforms in consultation with the relevant stakeholders without any delay. He observed that the National Logistics Policy that the country would formulate should be action-oriented. He informed that the policy would be formulated with regular consultation with the private sector and keeping in mind the requirements of the private sector. He affirmed that the policy would feature a monitoring mechanism for its effective implementation.

Concluding Remarks by the Chair - Ms. Sharifa Khan, Secretary, ERD


Ms. Sharifa Khan, in her concluding remarks, thanked the PMO for teaming up with ERD in organizing such an important seminar. She emphasized providing policy support for trade facilitation as well as enhancing the competitiveness of export-oriented sectors to prepare the country for the post-LDC scenario. Last of all, she thanked all the guests, speakers, and participants for their active participation and valuable contribution.

Recommendations:

- The National Logistics Policy together with an action plan should be formulated as immediately as possible.
- The National Board of Revenue should accredit more companies as Authorized Economic Operators (AEOs) after carefully examining the pending applications of interested companies.



- Licenses should be issued to the interested private operators to establish off-dock facilities near Chattogram Port for handling containerized exports and imports.
- The restrictions on the foreign share of joint ventures in the logistics sector (currently foreign companies can not own more than 49% of shares) should be reassessed soon and make way for the participation of more private investors in this sector.
- The implementation of the Bangladesh Regional Connectivity Project (BRCP) has to be completed by 2025 to lower the trade costs and to avail the benefits of NSW by improving the overall conditions of regional transport corridors and strengthening the coordination between the concerned agencies.
- The inland waterways have to be made navigable to facilitate economical cargo transportation and to ease the pressure on the already overburdened national highways.
- Bangladesh Railway should start the construction works of Dhirasram Inland Container Depot (ICD) by early 2024 and make it fully functioning with high-quality logistics facilities and efficient operations at the earliest. The Kamalapur ICD should be shifted to Dhirasram ICD once it is completed.
- The development of digital assessment systems for the customs clearance of exported and imported goods should be completed soon by the NBR.
- A real-time tracker should be established for tracking the inland container movements of the exported and imported goods to resolve the unwanted delay.
- The difficulties in establishing a logistics hub for the private sector should be assessed and removed soon with the active involvement of the NBR, Ministry of Commerce, Ministry of Shipping, and Ministry of Industry.
- Factories that are currently concentrated around Dhaka should be relocated and new factories should be established throughout the country including the Payra Port area.
- A pool of human resources with specific knowledge and capacity in logistics should be created to meet the current and future demands of the logistics sector.


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