

KEY POINTS

- To sustain its economic and social development, Bangladesh requires a sound holistic development approach to drive sustainable and inclusive growth across regions.
- The development of economic corridors is an effective policy instrument integrating industry, infrastructure, urban services, and institutional and regulatory framework.
- The envisaged Southwest Bangladesh Economic Corridor (SWBEC) is aligned with the government's Seventh Five-Year Plan and is expected to bring huge economic gains.
- The SWBEC will involve projects across multiple sectors aimed at providing a robust infrastructure framework.
- A sound institutional framework will provide inter-agency coordination in planning, prioritizing, and developing economic corridor projects.
- In adopting economic corridors as a development strategy, it is vital that the government show strong political will to ensure the timely implementation of corridor projects.

Realizing the Potential of Bangladesh through Economic Corridor Development

Soon Chan Hong
Senior Economist
South Asia Department
Asian Development Bank

ECONOMIC CORRIDOR DEVELOPMENT: A POLICY FOR INTEGRATED GROWTH

Having surpassed the lower middle-income threshold in July 2015, Bangladesh seeks to build on the economic gains it has reaped over the past decades to achieve sustainable growth and attain upper middle-income status. Therefore, it is pertinent for Bangladesh to focus on infrastructure, logistics, research and development, and industrial diversification to remain competitive in a changing economic landscape. The country needs to implement policy reforms to improve the business environment, reduce the cost of doing business, and diversify its industrial base. Exploiting the full potential of the country's various regions and finding new sources of growth will be critical for Bangladesh to embark on and sustain a higher growth trajectory.

Thus, Bangladesh needs a holistic development strategy such as economic corridor development to drive structural transformation and regionally balanced development. Economic corridor development is an appropriate integrative strategy for the country as it is proven to be an effective tool to enable industrial proliferation, create jobs, upgrade infrastructure, align infrastructure development with urban and social agglomerations, unify domestic markets, and link production centers with global value chains. Economic corridors would decentralize development away from Dhaka and Chattogram, create jobs, and create markets in regions lagging behind.

The development agenda underlying the current development plans, including the Seventh Five-Year Plan and Perspective Plan, is consistent with the economic corridor development approach—rapid economic growth and poverty reduction, employment generation, broad-based strategy of inclusiveness and a sustainable development pathway with appropriate measures for protection of the environment.

INDUSTRIALIZING THE SOUTHWEST REGION THROUGH ECONOMIC CORRIDOR DEVELOPMENT

The effects of economic development need to encompass the entire length and breadth of Bangladesh. The southwest region of Bangladesh, for example, lags behind the country’s other regions, but has much potential for development. Khulna, the third-largest city in Bangladesh, as well as several trade gateways are located in the southwest region. Khulna holds great potential for attracting investments and the region is seen as a new growth center. Economic zones were established in the region and several more are planned to attract new investments and revitalize the industries.

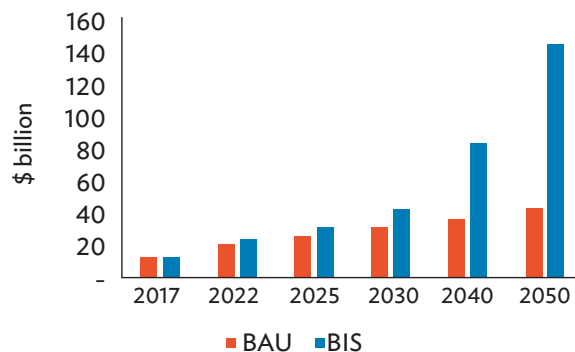
With adequate investment in infrastructure and human capital, and supportive policies and institutions, the southwest region will not only catch up with the rest of the country, but can also contribute significantly to the country’s overall development. To realize the region’s potential, an analytic work for the development of Southwest Bangladesh Economic Corridor (SWBEC) was undertaken, as the first phase of Bangladesh Economic Corridor development. The SWBEC is envisaged from Jashore in the southwest region to the capital city of Dhaka, and will extend to several key gateways.

The envisaged economic corridor can help diversify the export basket by facilitating participation in existing and prospective industries’ value chains. The success of ready-made garments (RMG) now needs to be expanded to other industries. The SWBEC Comprehensive Development Plan (CDP) recommends 14 major industries for promotion: food processing (fish and crustaceans), food processing (agro-based), RMG, bicycles, automobiles, shipbuilding, pharmaceuticals, footwear, leather-based products, furniture, ceramics, glass, plastic products, and tire industries. Gradually, to increase the overall value generation within the country, Bangladesh will have to look toward increasing the share of domestic value addition, by expanding along the value chain of these 14 industries toward the more lucrative parts of the value chain, i.e., designing and marketing, through backward and forward integration.

HOW WILL BANGLADESH BENEFIT FROM ECONOMIC CORRIDOR DEVELOPMENT?

The CDP highlights that with a well-coordinated implementation of the proposed corridor under the business-induced scenario, total output for the southwest region by 2050 is estimated to reach \$148 billion (Figure 1). This is 3.3 times higher than the estimate under the business-as-usual scenario. Employment in the region is seen to increase to 35 million by 2050, or three times the estimate under the business-as-usual scenario (Figure 2). Of this, around 25 million of additional employment is projected to be generated from corridor-induced activities. The boost to human capital, technological levels, infrastructure, and backward linkages will enable the country to diversify into higher-value products and retain its overall competitiveness in the current export basket.

Figure 1: Corridor Industrial Output, Business-As-Usual vs. Business-Induced Scenarios

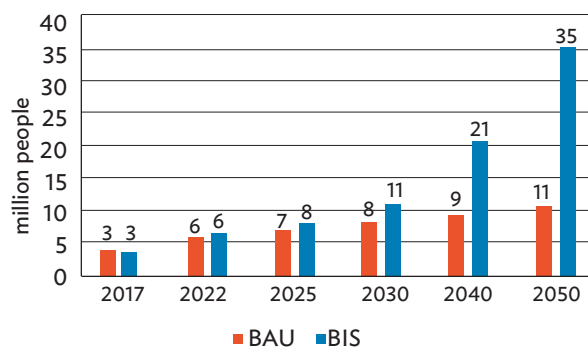


BAU = business-as-usual, BIS = business-induced scenario.

Note: The output presented only represents output of the 14 primary industries selected for promotion in the economic corridor. The study emphasizes that non-inclusion of other potential sectors in the short list does not in any way reflect a bleak future for them in Bangladesh. The purpose behind the short listing is to focus and concentrate the limited resources available on fewer sectors.

Source: ADB. *Southwest Bangladesh Economic Corridor Comprehensive Development Plan*. Unpublished.

Figure 2: Total Employment Generation from the Corridor Region, Business-As-Usual vs. Business-Induced Scenarios



BAU = business-as-usual, BIS = business-induced scenario.

Source: ADB. *Southwest Bangladesh Economic Corridor Comprehensive Development Plan*. Unpublished.

SOUTHWEST BANGLADESH ECONOMIC CORRIDOR'S ROLE IN ADVANCING REGIONAL INTEGRATION

Economic corridors are viewed as major determinants of economic integration. The economic corridor will not only improve transport gateways and connectivity within Bangladesh, but also has the potential to enhance the country's role as land bridge between South Asia via India and Southeast Asia via Myanmar. The main transport trunk, with extensions to key gateways such as Mongla Port, Payra Port, and Benapole Land Port, will form a grid network that will drive development in the southwest section of Bangladesh and influence neighboring regions. Payra Port can serve as the regional gateway to Myanmar, while Mongla Port can serve as the gateway for the landlocked states of Bhutan and Nepal, and eastern states of India.

This will ensure integration with international corridors as the SWBEC is co-aligned with international transport corridor projects under the South Asia Subregional Economic Cooperation, the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation, and the South Asian Association for Regional Cooperation.

Therefore, the SWBEC is seen to serve as a blueprint for enhanced connectivity and increased competitiveness in South Asia. It will not only increase intraregional trade and investment, but also play a pivotal role in integrating economies across the region.

ECONOMIC CORRIDOR DEVELOPMENT AND INTEGRATED INFRASTRUCTURE DEVELOPMENT STRATEGY

To realize such expansion, the development of industrial agglomeration needs to be supported by an integrated strategy to develop robust infrastructure, which will benefit not only the southwest region, but also the entire country. The final objective is to have well-functioning industrial clusters supported by urban agglomerations with adequate social and physical infrastructure, which in turn will be connected to highly efficient trade gateways and markets by means of an efficient multimodal transport network.

The CDP recommends a wide variety of projects spread across various sectors (Figure 3) and aims to address the needs of the economic corridor components—the industrial sector, urban agglomeration, and trade and transport corridor. An efficient transport and logistics infrastructure, considered as a backbone for supporting industrial agglomeration, has to be developed in the corridor region to attract centers of production and consumption, and facilitate greater access to markets. The CDP estimates that investments in transformational infrastructure covering these various sectors amounting to approximately \$140 billion in the next 30 years have to be realized.

Figure 3: Sectors with Economic Corridor Projects



Source: ADB. *Southwest Bangladesh Economic Corridor Comprehensive Development Plan*. Unpublished.

INSTITUTIONAL MECHANISM FOR SUCCESSFUL ECONOMIC CORRIDOR DEVELOPMENT

The development of economic corridors and related infrastructure will involve rigorous policy coordination among various ministries and meticulous implementation of various projects at the central and local administrative levels. Thus, a sound institutional and governance framework is necessary to ensure integrated planning, development, and management of the economic corridor with (i) physical and industrial infrastructure, (ii) urban and social amenities for attracting a skilled workforce, and (iii) an investment promotion and facilitation mechanism. As a vital aspect of economic corridor development, an institutional and regulatory framework will address key soft elements of an effective corridor development (Figure 4).

Typically, multiple government agencies discharge these functions and, in the absence of an appropriate institutional mechanism for coordination, can result in issues pertaining to planning, coordination, prioritization, and financing. For instance, limited synergies between regional development plans and corridor development plans would impact land acquisition and consolidation, as well as planning of urban centers and amenities in the vicinity of industrial hubs.

The development and management of economic corridors requires efficient coordination and a time-bound addressing of outstanding issues. Global experiences in corridor development underscore the establishment of a dedicated institution or institutions at the corridor and/or node level for planning, conceptualization, development, and monitoring of corridor and node projects. Aside from establishing a corridor management authority, integrated planning and development of “industrial townships” with urban, social, and industrial amenities requires a multitier institutional framework involving all concerned government agencies, with oversight by a high-ranking authority at the central and regional levels.

LEARNING FROM OTHERS: DEVELOPING ECONOMIC CORRIDORS IN INDIA

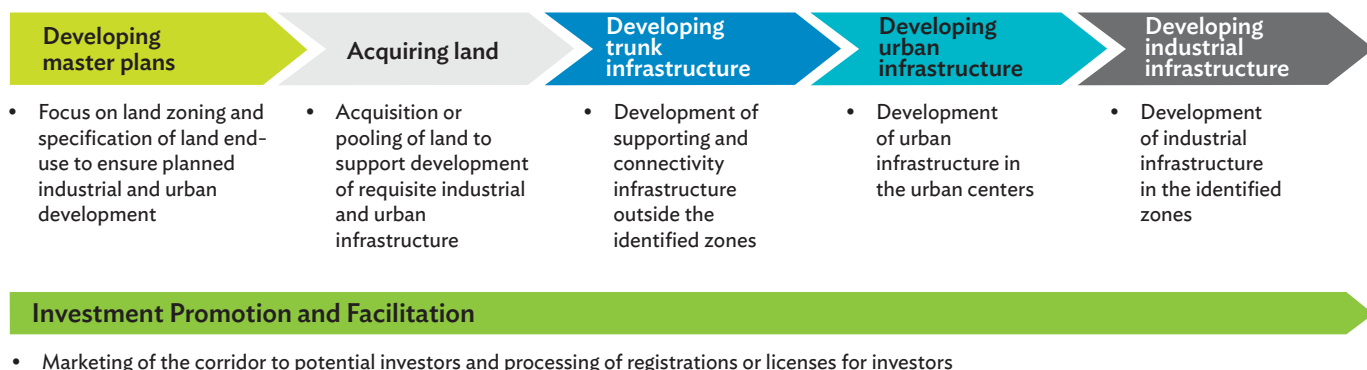
India adopted economic corridor development as a key strategy to boost the manufacturing sector. Higher productivity and dynamism in the country’s manufacturing sector is expected to fast-track inclusive and sustainable economic growth. The government launched the Make in India initiative as an integrated growth strategy anchored on the creation of economic corridors across various regions in the country that will serve as the backbone of a globally competitive manufacturing sector. These corridors include the (i) Delhi–Mumbai Industrial Corridor, (ii) Bengaluru–Mumbai Economic Corridor, (iii) Chennai–Bengaluru Industrial Corridor, (iv) East Coast Economic Corridor, and (v) Amritsar–Kolkata Industrial Corridor.

In India, the development of the industrial corridors falls under the aegis of the National Industrial Corridor Development and Implementation Trust (NICDIT), an apex body under the administrative control of the Department of Industrial Policy and Promotion. The NICDIT is tasked to coordinate, monitor, and unify development of the industrial corridors. The formation of the NICDIT is expected to enable the development and implementation of industrial corridor projects across India by bringing in a holistic planning and development approach.

The NICDIT’s board of trustees is chaired by the secretary of the Department of Industrial Policy and Promotion. The board also includes secretaries of the departments of expenditure, economic affairs, road transport and highways, and shipping, apart from the chairman of the Railway Board and the chief executive of the National Institution for Transforming India as members.

While the NICDIT is tasked with oversight responsibility in developing the country’s industrial corridors, a nodal agency is also highly essential to coordinate the master plan preparation and infrastructure development in the industrial nodes. In this regard, the Legislative

Figure 4: Key Functions Associated with Economic Corridor Development



Source: ADB. *Southwest Bangladesh Economic Corridor Comprehensive Development Plan*. Unpublished.

Assembly of India passed the Andhra Pradesh Industrial Corridor Development Bill (LA Bill No. 27 of 2017) to help the Department of Industries to expedite the transformation of the industrial nodes in the state.

The Andhra Pradesh Industrial Corridor Development Authority (APICDA) shall provide for the establishment, planning, development, operation, maintenance, management, and regulation of all industrial corridors in the state of Andhra Pradesh. On top of the APICDA's agenda is the preparation of a master plan for each node and their peripheries, promotion of private sector participation, and raising of funds from the markets. Other critical functions of the authority include:

- acquiring, procuring, holding, and allotting land within the node and peripheries;
- developing projects and coordinating with concerned departments for the faster execution of various projects;
- ensuring provision of sufficient amenities, infrastructure facilities, public and civic facilities, and making sustainable arrangements for adequate maintenance thereof within the node, peripheral areas, and inter-node areas and infrastructure facilities, which will include roads, water supply, power, common facility centers, and effluent treatment facilities, and others;
- providing municipal services and urban transport facilities within the nodes;
- ensuring global standards of ease of doing business; and
- marketing the industrial corridors in the global arena.

The authority shall consist of the board, an executive committee, and the commissioner. The chief minister of Andhra Pradesh shall be the chairperson of the board, and the secretary of the Industries and Commerce Department shall be member-secretary.

The approved bill also specifies the following:

- powers of the government with regard to the declaration, delineation, and jurisdiction of industrial corridors and nodes;
- establishment of the authority, the board, and the executive committee, including the composition, powers, obligations, and functions thereof;
- control and regulation in industrial corridors;
- offenses and prosecution (in cases of unauthorized schemes or projects);
- user charges, fees, and recovery of dues; and
- state government's support and delegation of powers.

The establishment of the APICDA is expected to give impetus to fast-track the development of the infrastructure in the industrial nodes within the Visakhapatnam–Chennai and Chennai–Bengaluru industrial corridors.

RECOMMENDATIONS FOR INSTITUTIONAL FRAMEWORK FOR THE BANGLADESH ECONOMIC CORRIDOR

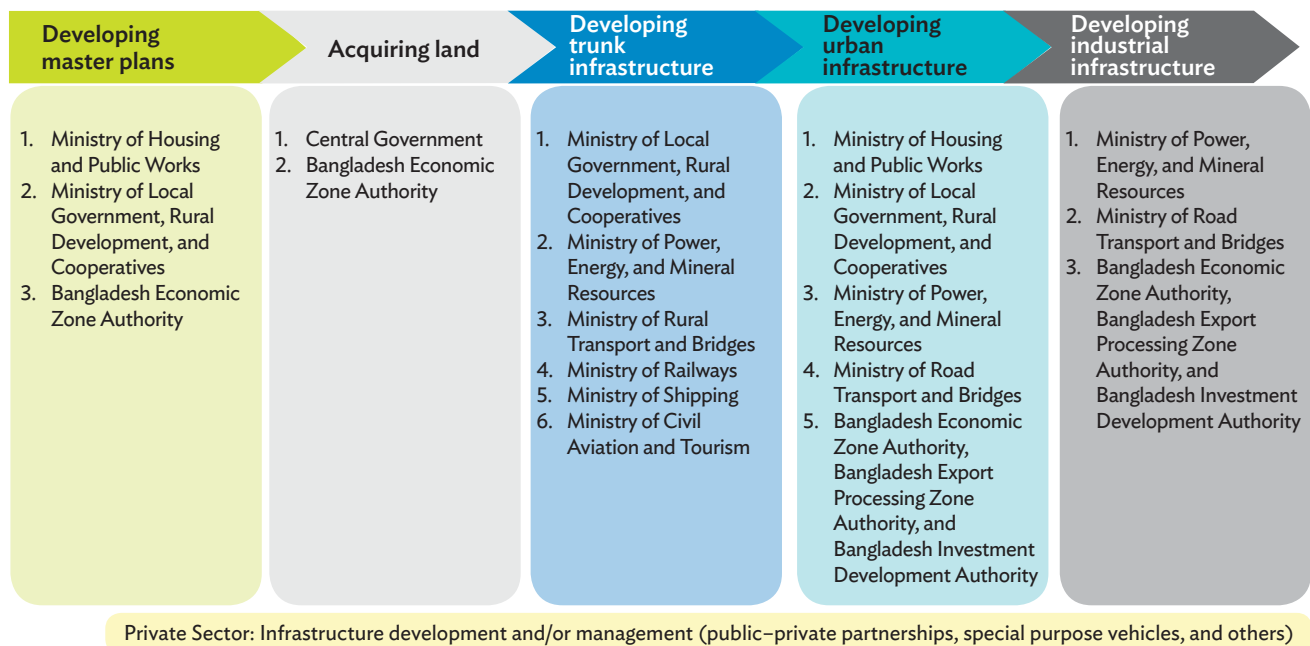
Developing economic corridors involves the execution of concrete strategies and action plans. Prioritizing and coordinating implementation of the necessary physical, urban, and industrial infrastructure along the corridor require integrated industrial–urban agglomeration development. Aside from infrastructure development, the coordination of related development initiatives along an economic corridor becomes more difficult as more areas get involved, as there is a wide range of institutional factors to consider.

Bangladesh is already ramping up the development of economic zones within the proposed corridor. As a complementary development strategy, economic corridor development will provide the institutional and legal framework for planning, developing, and managing industrial areas. However, in Bangladesh, the mandate for functions involving planning and development for urban and industrial infrastructure and facilities rests with different ministries and departments, a common situation in most developing countries (Figure 5).

The SWBEC CDP underscores the importance of a sound institutional and governance framework, which is necessary to facilitate effective policy coordination and project implementation and create a regulatory environment that will promote ease of doing business. Considering the various agencies involved in a wide range of functions in developing economic corridors, functional institutional arrangements and sound regulatory provisions will empower appropriate entities to develop integrated plans for coordinated industrial and urban development in the identified nodes and for essential trunk infrastructure. As with the NICDIT and the APICDA in India, an institutional setup appropriate for the conditions in Bangladesh would have to be established for the development of the SWBEC.

The SWBEC CDP recommends an institutional framework that will provide the vital coordination in planning, prioritizing, and developing corridor infrastructure projects among government ministries and agencies to ensure optimum deployment of available resources and harmonization in project commissioning. A central-level agency must be duly empowered and tasked with the overall development and management of the corridor and its industrial nodes. This central corridor planning and development agency is charged with a wide range of functions, including master planning of the entire corridor influence area (synergizing urban and industrial planning while taking cognizance of existing master plans); monitoring of all infrastructure development; and investment promotion for the corridor among potential investors, along with investment facilitation through operationalizing ease of doing business initiatives.

Figure 5: Key Stakeholders for Corridor Development in Bangladesh



Source: ADB. *Southwest Bangladesh Economic Corridor Comprehensive Development Plan*. Unpublished.

This institutional framework also has to be complemented by regulatory reforms that will foster a conducive investment climate ensuring timely, objective, and transparent approvals; and consistency in policies and implementation.

STRONG POLITICAL COMMITMENT

A robust institutional framework that will facilitate multisectoral coordination needs to be underpinned by strong political commitment and ownership of the economic corridor program. The success or failure of an economic corridor development strategy is largely influenced by political will and participation of the private sector. A focused vision and sustained political will from leaders in both the public and private sector are key to achieving the full benefits of the SWBEC.

It is important that the Government of Bangladesh demonstrate its commitment to undertake economic corridor development. The development of economic corridors in Bangladesh needs to be identified as a development strategy in the government’s upcoming national development plans, i.e., Eighth Five-Year Plan, Perspective Plan 2041, poverty reduction strategy, urban and regional development plans, and others. This will ensure proper and timely implementation of planned and recommended programs and projects to improve efficiency and productivity of the different sectors of the economy.

Given this vision and political will, Bangladesh can use economic corridors to overcome development challenges and tap the huge opportunities. The implementation of economic corridor projects will synergize and direct the collective energies of the various sectors toward the attainment of national goals of an industrialized and diversified economy, leading to inclusive and sustainable growth.

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Asian Development Bank
6 ADB Avenue, Mandaluyong City
1550 Metro Manila, Philippines
Tel +63 2 632 4444
Fax +63 2 636 2444

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pubsmarketing@adb.org