

# BANGLADESH-BHUTAN-INDIA-NEPAL MULTI-MODAL CONNECTIVITY IN THE SUB-REGION (M-CONNECT)



Joining Dots • Connecting People • Shared Prosperity

## Field Diary

### Birgunj ICD: Nepal's Largest Dry Port

**Sugam Bajracharya**

*Research Fellow, Nepal Economic Forum*

#### About the Field Visit

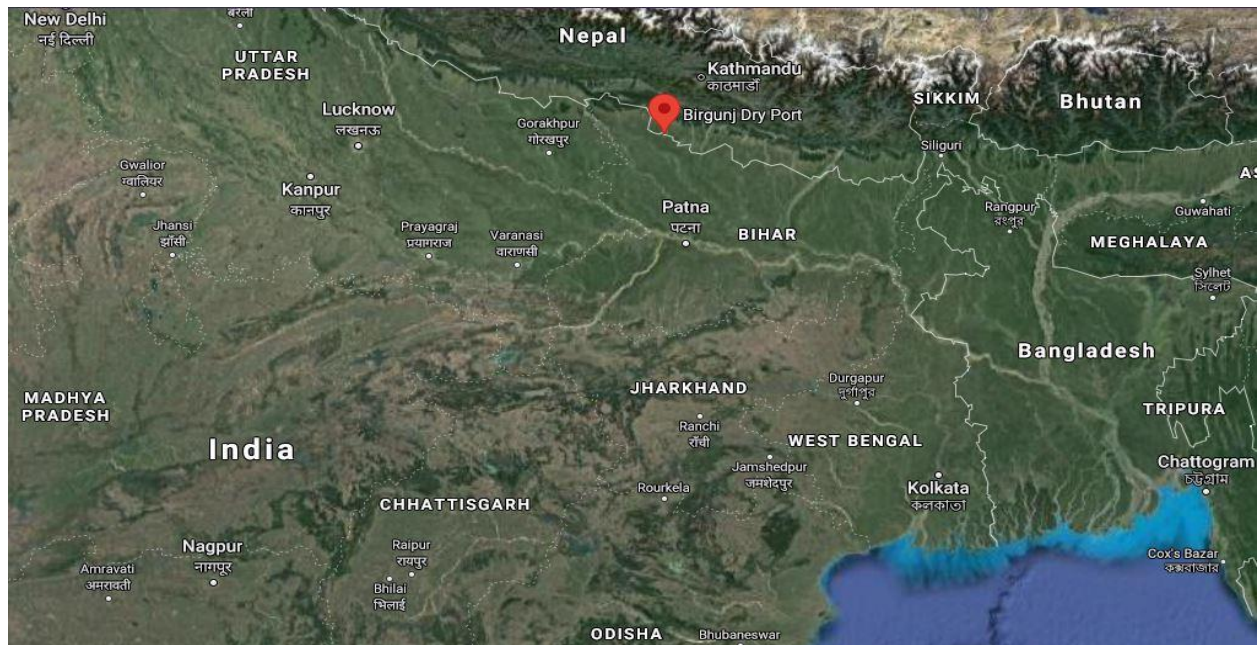
In collaboration with CUTS International, Nepal Economic Forum (NEF) conducted a field survey under the study 'Enabling a Political-Economy Discourse for Multimodal Connectivity in the BBIN Sub-region.' As a result, a team of enumerators from NEF visited the Birgunj Inland Clearance Depot (ICD), the Birgunj Integrated Check Point (ICP), and the surrounding city of Birgunj in December 2020.

The objective of the visit was to make a ground-level assessment of the current scenario of the developments in port infrastructure, trade logistics, and the surrounding infrastructure that might play a pivotal role in the multimodal connectivity of Nepal and the BBIN sub-region. The visit also intended to hold stakeholder consultations to get a view of challenges in daily trade operations.

#### Connectivity to Birgunj ICD and ICP

The Birgunj ICD is located in the Parsa district of Province 2. The nearest city, Birgunj, is at a distance of 8 km from the dry port, and the nearest Simara airport is 23.4 km away. The ICP is located right next to the ICD at the Nepal-India border. The city of Birgunj is about 140 km south of Kathmandu and takes about four and a half hours to reach via the *Kulekhani-Hetauda* route.

However, large vehicles like buses and trucks are only allowed to travel the Kathmandu-Birgunj route via the Prithvi Highway, which is about 300 km and takes approximately 8-10 hours. Therefore, a 15-minute direct flight from the Tribhuvan International Airport in Kathmandu to Simara Airport is the fastest option available to travel to Birgunj.



**Birgunj Dry Port in the Map**

The Birgunj ICD is connected by road and rail to seaports in India. It operates as a centre for transshipment and import of cargo to inland destinations across Nepal. The Birgunj ICD at Sirsiya is the only dry port in Nepal that is connected to Indian seaports in Kolkata and Vishakhapatnam by railways via Raxaul, India. Likewise, the ICP is connected to the Indian border by road and facilitates the integration of efficient customs clearance processes and cargo clearance.

## **Infrastructure at Birgunj ICD and ICP**

After reaching the Birgunj ICD, the team met with a few port officials and studied its infrastructure. The Birgunj ICD had been constructed over 38 hectares of land, with a capacity to store up to 1,568 Twenty-Foot Equivalent Unit (TEU). The port also has six full-rake railway sidings.

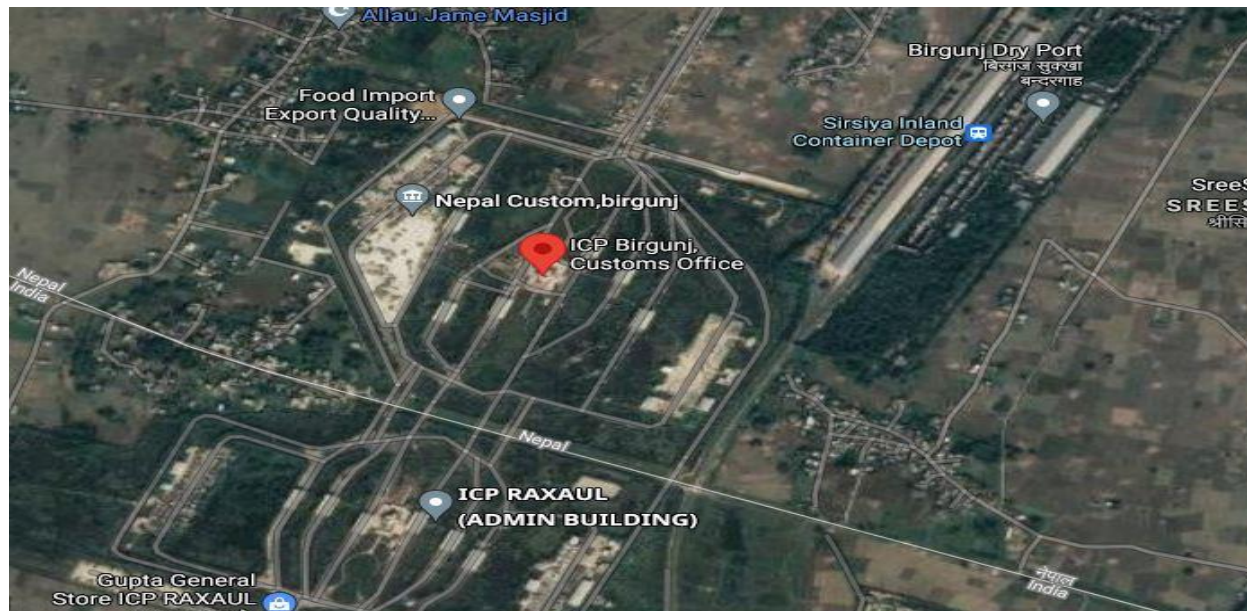
According to the officials, it facilitates the movement of over 20,000 TEU containers and break-bulk cargo annually. ICD was poorly equipped with only 10 mobile cranes, seven reach stackers, and only four usable forklifts in terms of port handling equipment. As for the capacity of the dry port, the team found out that the existing infrastructure was insufficient to facilitate the ever-increasing trade activities. Congestion due to lack of adequate warehousing facilities was a huge issue that increased cargo clearance time.

The ICD has two warehouses. A 7000 sq.m container freight station shed and a 10,000 sq.m goods shed are divided into a 300 m long walled section and a 400 m long unwalled section. However, according to officials, the up-gradation of the ICD to increase storage and bulk cargo handling facilities was underway.



***Unwalled Storage Section of Birgunj ICP***

Similar problems of insufficient capacity regarding the Birgunj ICP were also uncovered by the NEF team when they inspected the infrastructures of the ICP. The ICP, which is spread across 29 hectares, has only two warehouses, a 1374 sq.m one on the import side and a 692 sq. m one on the export side.



***Map of Birgunj ICP***

The officials said that the ICP infrastructure had become insufficient within just three years of operation as the trade volume increased rapidly. The government had planned to merge the ICD and the ICP by expanding the infrastructure of the latter, but have not been able to acquire the 16 hectares of land between the two properties.

The team also noticed that the roads around the ICD and ICP areas are highly damaged, which has affected industrialists, traders, transport entrepreneurs and the general public alike. For example, the six-lane Birgunj-Pathlaiya road, which handles most of the country's imports and exports, has been under construction for over two years. This 28 km road connects Birgunj customs, ICP, dry port and Parsa-Bara industrial corridor with other countries.



*Construction works going on in Birgunj-Pathlaiya Road*

## **Socio-economic Aspects of the Surrounding Areas**

Being in a strategic location and thanks to its proximity to India, Birgunj has been converted into a key commercial and industrial centre over the years. It has become a major trade, transit and a crucial industrial hub for the nation, with countless industries sprouting all over. This has generated lucrative opportunities for Nepali citizens from various parts of the country and attracted workers from across the border. It was also observed that the transporters, ICD and the ICP preferred Indian labourers rather than Nepali labourers, citing that workers from Nepal are more demanding, while Indian workers are known for their diligence.

While in Birgunj, the team also noted how people were involved in informal trade across the border. People were seen to be loading goods on their heads or bicycles to dodge the attention of security personnel while crossing the border. The team learned that activities, such as contraband smuggling, are rampant in the border region. The number of liquor shops also seemed to have increased in Birgunj, as the alcohol ban in the neighbouring state of Bihar brought people across the border to buy alcohol.

## **Interactions with Stakeholders**

It was a challenging task for the team to get hold of the stakeholders for this study due to the prevailing pandemic situation in the country. However, the team managed to interact with several stakeholders to know their perspectives and experiences.

The government official at the customs and dry port mentioned that there are rules and policies about multimodal connectivity and all the procedures are followed. However, members of the chamber acknowledged that lack of clear understanding regarding the scope of work hindered coordination between concerned bodies such as the municipalities, trade associations, agent associations and the chamber of commerce, which ultimately affecting the efficiency of overall trade. The chamber also highlighted the poor digital infrastructure at customs which results in physical paperwork for clearance of goods.

It was also identified that traders and businessmen were having a tough time receiving their consignments on time or damaged due to the mismanagement and unprofessional attitude of agents. Furthermore, they also complained about how authorities in the customs offices turned a blind eye towards their problems. All stakeholders highlighted the unilateral decisions taken by Indian customs that prohibit goods exported from Nepal. This has caused severe losses to businesses dealing with perishable products.

Likewise, Sanitary and Phyto-sanitary Standards (SPS) measures have been one of the biggest bottlenecks for export of Nepali products where products need to be tested in labs located far away from the customs points. Therefore, the chamber, along with the exporters and importers, recommended establishing internationally-accredited labs on both sides of the customs to avoid delay in the certification process.

Several importers also highlighted the delay in customs clearance at the Kolkata ports, which increased demurrage cost, thereby increasing trade cost. Several truck entrepreneurs and loaders/unloaders were also interviewed who had several grievances regarding the preferential treatment towards Indian workers.

Besides, the trucker's association raised concerns about 72 hours permit for Indian trucks, which have affected their business. Similar facilities were not provided to Nepali trucks where truckers and passenger vehicles had to make a deposit at the Indian Embassy to seek permission to ply on Indian roads.

It was also highlighted that Nepali trucks did not feel safe to transport in India due to local transporters creating problems on the highways. Moreover, they complained that due to the high taxes charged by the Government of Nepal on vehicles and spare parts, Nepali truckers were not able to compete with Indian trucks.

Further, the truckers and labourers also had complaints regarding the lack of sufficient toilets and the condition of existing ones inside the ICD and ICP. Another issue highlighted was the absence of adequate accommodation facilities and eateries around the ICD and ICP, which was a cause of inconvenience.

Overall, the team tried their best to get every bit of information amid the COVID 19 pandemic required for the study. The field visit provided the team with critical information regarding the actual situation of the multimodal connectivity infrastructure at Nepal's largest dry port and feedback from the people at ground zero.

A significant takeaway from the visit is that there is plenty of upgrading to be done regarding the available infrastructure and its management, if Nepal aims to benefit from multimodal connectivity in the BBIN sub-region.

