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Monitoring of countries graduating and graduated from the list of LDC category:

Bangladesh

SUSTAINABLE DEVELOPMENT GOALS

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Summary

Bangladesh achieved robust economic growth, between 6-8% annually during 2015-2019, and a positive growth of 3.5% in 2020, despite the COVID-19 pandemic. Government balance decreased by 5.5%, taking active responses to the COVID-19 pandemic to protect the living conditions of the population. Debt to GDP ratio rose to around 40%, which may necessitate development financing for the near future.

The CDP found the Government of Bangladesh is well placed and ready to prepare and implement the smooth transition strategy. The commitment and progress shown to date are commendable. Subgroup suggests Bangladesh's STS should give greater attention to accelerating structural transformation within sectors, as well as across sectors. R&D, technology learning, innovation, and digitization need to be prioritized. Domestic value chains should be promoted, and productive capacity should be developed further, particularly in the areas of human capital and institutional strength. On the external sectors, diversifying destination markets of expert sector is recommended, while negotiations with trading partners on smooth transition should continue as a premature loss of preferential market access to key export markets may result in setbacks for a sustainable graduation. CDP should recommend ECOSOC to call for international community to continue providing technical and financial assistance to Bangladesh to minimize possible negative impacts of the graduation on exports.

Macroeconomic situation

Over the past decade, Bangladesh has achieved significant economic growth. The country's GDP has increased by 6.2-8.2 per cent per annum during 2015-2019 (see Table 1). In 2020, however, the economy was hit by the COVID-19 pandemic, but still achieved GDP growth of 3.5 per cent (calendar year). Merchandise export (ready-made garments) and transfer income (remittances), which account for most of the income flows to the country, are heavily affected. Though, the real GDP of Bangladesh is expected to expand by about 5.7 per cent in 2021/22.[1]

Government balance for 2020 is -5.5 per cent of GDP as the authorities used their fiscal space for welfare spending in response to the coronavirus. Moreover, the pandemic caused a decline in tax revenue, owing to a reduction in the corporate tax rate and retention of tax incentives for the ready-made garment sector. While the debt to GDP ratio remains around 40 per cent by 2019, decrease in export and also direct investment due to the COVID-19 may put pressure on the need for development financing for near future.[2]

The Covid-19 pandemic impacted heavily the exports of goods. The Export decreased over 16 per cent in 2020, from $38.7 billion to $32.5 billion, taking the export sector back to the level of 2015. Imports also decreased, and thus the balance on goods decreased only slightly.

Bangladesh is facing development challenges due to its structural weakness and vulnerability to natural disasters. The country ranked 16th out of 17 Asian countries for its business environment because of structural problems.[3] Additionally, the country is vulnerable to climate risks, suffering from cyclones, floods, landslides, etc. Recovering from the impacts of the COVID-19 pandemic as well as improving national response frameworks on governance and natural disasters will be major concerns in coming years.

[1] UN DESA, World Economic Situation and Prospects, 2022; Economic Intelligence Unit (2021). Bangladesh country report, accessed 27 December.

[2] IMF, Bangladesh Country Report 20/187. https://www.imf.org/-/media/Files/Countries/ResRep/BGD/2020/bangladesh-economic-and-financial-indicators-august-2020.ashx

[3] Economic Intelligence Unit, Bangladesh: Business environment ranking summary, retrieved from https://www-eiu-com.eu1.proxy.openathens.net/viewswire/article/621690845/Bangladesh-Business-environment-ranking-summary; Economic Intelligence Unit (2021). Bangladesh country report, accessed 27 December.

Table 1. Selected macroeconomic data for Bangladesh, 2015-2020

Indicator	2015	2016	2017	2018	2019	2020
GDP growth rate (per cent, constant price)	6.6	7.1	7.3	7.9	8.2	3.5
Inflation rate (%)	6.2	5.5	5.7	5.5	5.6	5.7
Government revenue (billions of national currency)	1,484.6	1,747.7	2,019.3	2,174.2	2,535.6	2,684.3
Government expenditure (billions of national currency)	2,087.2	2,330.2	2,679.1	3,218.6	3,916.9	4,201.6
Government balance (billions of national currency)	-602.5	-582.5	-659.8	-1,044.4	-1,381.3	-1,517.3
Government balance (per cent of GDP)	-4.0	-3.4	-3.3	-4.6	-5.4	-5.5
Net ODA received (millions of US dollars)	2,592.9	2,532.8	3,781.8	3,044.7	4,381.6	
Balance of Payments (millions of US dollars)						
Current Account	2,579.6	931.4	-5,985.0	-7,095.2	-2,948.5	1,081.6
Goods, Credit (Exports)	31,736.0	34,122.1	35,300.8	38,681.9	38,747.3	32,467.7
Goods, Debit (Imports)	37,856.3	40,366.0	48,266.6	55,966.0	54,675.9	48,849.6
Balance on Goods	-6,120.2	-6,243.9	-12,965.8	-17,284.1	-15,928.6	-16,382.0
Services, Credit (Exports)	3,233.2	3,540.6	3,869.7	5,446.1	6,213.7	6,308.8
Services, Debit (Imports)	7,719.5	7,802.0	8,498.3	9,619.2	9,557.8	8,405.9
Balance on services	-4,486.3	-4,261.4	-4,628.7	-4,173.0	-3,344.0	-2,097.1
Balance on Goods and Services	-10,606.5	-10,505.3	-17,594.5	-21,457.2	-19,272.6	-18,479.0
Balance on income	-2,583.2	-2,686.4	-2,392.2	-1,734.7	-2,547.8	-2,778.2
Balance on current transfers	15,769.3	14,123.1	14,001.7	16,096.7	18,871.9	22,338.9
Capital Account	442.2	427.4	293.0	264.2	228.0	213.5
Financial Account	2,271.7	135.4	-6,186.1	-7,616.3	-4,714.3	766.1
Direct investment (net)	-2,771.3	-2,292.2	-1,683.7	-2,402.4	-1,885.0	-1,133.1
Portfolio investment (net)	-203.4	-42.1	178.8	-22.5	386.4	189.2
Financial derivatives (other than reserves) and employee stock options	...	...	0.0	0.0	0.0	0.0
Other investment (net)	-380.2	-2,606.4	-5,296.7	-4,082.3	-3,737.4	-8,179.5
Reserve assets	5,626.6	5,076.0	615.4	-1,109.1	521.6	9,889.5
Reserves (months of imports)	6.8	7.6	6.8	5.7	5.9	8.6

Source: GDP growth and inflation are from UN DESA, WESP, Government balance is from IMF, World Economic Outlook Database. Net ODA is from OECD, OECD.Stat. All external sector indicators are from IMF, Balance of Payment Data Reports.

LDC criteria and supplementary indicators

The GNI per capita of Bangladesh has been above the graduation threshold of $1,242 since 2018 (see Table 2). It is continuing the upward trend, reaching $2,004.4 in 2022. The EVI score for 2022 is 27.2. Though the country is highly exposed to natural disasters[4], it still satisfies the threshold level of 32 or below. The HAI score of Bangladesh continues to improve, reaching 76.2, meeting the graduation criterion of 66 or above.

Bangladesh continued to make progress in improving other supplementary graduation indicators. Table 3 presents selected indicators that shows improvement in socio-economic conditions, for example, access to electricity, broadband subscription, sanitation access, Human Development Index, and female labor participation. The population in concern has been increasing because of the Rohingya crisis and needs particular attention. The annex contains a heatmap of all supplementary graduation indicators for countries (to be added and confirmed).

Table 2. Indicators for LDC identification, Bangladesh, 2018-2022.

Year	GNI per capita	EVI	HAI
2018	1,313.4	28.0	73.0
2019	1,461.1	27.8	73.4
2020	1,638.6	27.3	74.7
2021	1,826.7	27.3	75.4
2022	2,004.4	27.2	76.2

Source: CDP Secretariat

Table 3. Selected supplementary graduation indicators, Bangladesh, 2017-2021.

Indicator	2017	2018	2019	2020	2021
Access to electricity	74.4	75.9	88.0	91.8	92.2
Broadband subscriptions	4.2	4.6	5.0	5.0	5.8
Sanitation access	48.2	49.7	51.2	52.7	54.2
Human Development Index	0.60	0.61	0.62	0.63	0.63
Female labor participation	32.4	32.9	35.9	36.2	36.4
Population of concern	0.2	1.2	1.1	1.0	1.3

Source: CDP Secretariat

[4] Bangladesh is one of the world's most at-risk country for natural disasters, ranking 13th out of 181 countries, as measured by World Risk Index.

Productive Capacity

Bangladesh outperforms the LDC group both in terms of the level of development of productive capacities and in terms of most of the subcomponents of the PCI. Given the development of the country's manufacturing sector and its contribution to national exports, the country stands well ahead of the LDC group in terms of structural change. This goes hand in hand with achievements of Bangladesh in terms of some "hard" components of productive capacities such as energy and transport. A similar level of advancement has been achieved in the field of digital technologies (ICTs).

The comparison with non-LDC developing countries, however, shows that Bangladesh is still on the road to catching up with ODCs. It trails them both on overall productive capacities and is most PCI subcomponents, except for natural capital (the one dimension where LDCs as a group are generally ahead of ODCs).

Bangladesh has achieved progress among most dimensions of productive capacities since 2010, indicating that it is following a path of broad-based development. This augurs well for the country achieving graduation with momentum.

Table 4. Productive Capacity Index, Selected Countries, 2018 value.

Country	PCI	Energy	Human capital	ICT	Institutions	Natural capital	Private sector	Structural change	Transport
Angola	22.2	22.8	35.9	5.0	32.2	51.9	65.6	12.3	10.5
Bangladesh	26.8	25.3	44.7	6.7	37.7	58.1	72.7	16.5	13.6
Bhutan	30.1	22.4	46.5	9.2	63.3	41.5	73.9	16.7	21.7
Lao PDR	27.1	23.5	41.0	8.2	40.1	46.0	78.0	20.6	12.5
Nepal	26.3	18.3	46.2	7.8	39.9	52.3	70.6	15.9	14.8
Sao Tome and Principe	26.7	19.6	43.7	7.2	48.4	46.7	75.8	16.3	15.2
Solomon Islands	26.2	21.2	40.0	5.5	46.9	44.7	81.1	13.5	20.7
Vanuatu	29.4	23.1	41.2	6.7	55.5	46.2	80.4	17.7	24.2
LDCs	23.9	18.8	37.9	6.1	38.2	58.2	71.0	14.0	13.4
ODCs	31.9	27.8	48.7	12.4	51.4	51.3	77.7	19.4	19.2

Source: UNCTAD.

Data gap

Bangladesh's statistical capacity index decreased to 60 in 2020, lower than the average of both Asian countries (69.8) and lower middle income countries (66.4).[5] While scores for methodology and periodicity fall behind, the country scores better on data availability.

Smooth transition, national plan and country specific factors

On 24 November 2021, the UN General Assembly adopted a resolution on Bangladesh's graduation from the LDC category. Its graduation would be effective in 2026, after five years of preparatory period. It was a monumental moment for the country, which has experienced rapid development for the last decade.

Bangladesh has submitted to the CDP a very comprehensive report on the preparation of the smooth transition strategy. The report outlined the country's current status on LDC indicators, preparation for graduation, socioeconomic implications of COVID-19 and collaboration for transition strategy. It highlighted the progress the country has made and pointed out potential challenges for smooth transition. The graduation support framework consists of the National Committee on LDC graduation and seven subcommittees, one of which oversees the preparation of the STS. The Economic Relations Division (ERD) has also formed a Joint Task Team (JTT), consisting of representatives from the government, private sector and developing partners to suggest a consultative mechanism and provide technical support for the STS.

Besides, the report emphasized that Bangladesh is encouraging exporters to utilize ISMs and providing them with financial supports such as export subsidies and incentive packages. The government is under negotiation with trading partners for transition period. Regarding the EU, the country is trying to get extended transition period and favorable conditions under GSP+ scheme, which will be effective after the expiration of EBA arrangement. Moreover, it has submitted proposals to WTO for continuous ISMs after the graduation. Bangladesh is also negotiating on PTA, FTA and CEPA with potential trading partners. Additionally, the CDP and OHRLLS have been supporting the country through LDC Sustainable Graduation Support Facility (SGSF) initiative.

The annual monitoring report dealt with the country's vulnerability to climate impacts. In addition to the National Adaptation Plan, the government has doubled the budget on climate matters in its Annual Development Plan. Bangladesh is also carrying out the housing project for environmental migrants and implementing "Bangladesh Delta Plan 2100" which aims to achieve adaptive delta management process targets. Moreover, the country has submitted an ambitious NDC to the UNFCCC and has set a renewables target of 40% by 2041.

The report pointed out that COVID-19 severely affected the country, especially in the tourism, aviation and hospitality sectors. In response, the government has introduced a comprehensive recovery program based on four following strategies: 1) increasing government spending; 2) providing low-interest credit facilities to industries and enterprises; 3) increasing the scope of social security programs; 4) increasing the money supply in the market. Furthermore, the corporate tax has declined from 35% to 30% to attract more FDI. The report also specified the vaccination status of the country and pointed out the challenge LDCs are facing regarding vaccine procurement. Meanwhile, on the request of Bangladesh government, major development partners including World Bank, Asian Development Bank and European Union have already made commitments to support the country with pandemic recovery. In addition, the report also touched upon several themes that Bangladesh may propose during the LDC5 in Doha.

[5] World Bank, WDI, accessed 27 December 2021.

The "Eighth Five Year Plan (July 2020-June 2025)" is also in line with the STS.[6] The plan focuses on six core themes, which are 1) rapid recovery from COVID-19; 2) GDP growth acceleration, employment generation and rapid poverty reduction; 3) a broad-based strategy of inclusiveness; 4) a sustainable development pathway that is resilient to disaster and climate change; 5) improvement of critical institutions necessary to lead the economy to Upper Middle Income Country status by 2031; and 6) attaining SDGs targets and mitigating the impact of LDC graduation.

The country has an undiversified economy, concentrating highly on the export of ready-made garments. Apparel products account for more than three-quarters of its merchandise exports.[7] Economic diversification is needed to achieve sustainable economic growth.

Significant changes in trade sector are expected after LDC graduation as Bangladesh's economic growth is largely led by apparel export. To make up for the loss of LDC trade benefits, the country is seeking FTAs with major countries and trade blocs, including Regional Comprehensive Economic Partnership (RCEP).[8] European Union and the United Kingdom are the largest export destinations of Bangladesh. EU's Everything-But-Arms (EBA) arrangement continues for another three years after the LDC graduation, but as current regime expires in 2023, the following policy would greatly affect the country.[9]

Bangladesh is reinforcing its climate resilience as it is highly vulnerable to natural disasters. It is one of the world's most at-risk country for natural disasters, ranking 13th out of 181 countries, as measured by World Risk Index.[10] The government has established policy framework for disaster risk reduction. In November 2020, "National Plan for Disaster Management (NPDM) 2021-25" was updated, focusing on four main principles: 1) preparedness; 2) early warning and alert; 3) emergency response; 4) rehabilitation, reconstruction and recovery.[11] The country also adopted risk information sharing platforms such as "South Asian Association for Regional Cooperation (SAARC) Comprehensive Framework on Disaster Management." It enabled the country to exchange information and facilitate regional cooperation in risk assessments.[12]

Moreover, Bangladesh has received funding from the Green Climate Fund (GCF) for 6 projects ($386.6 million) and 7 readiness activities ($5.1 million).[13] It is subsidized by GEF for 25 national projects ($62.5 million) and 19 regional/global projects ($165 million).[14] From LDCF, it received $34.4 million for 7 national projects and $9 million for 1 regional/global project. Besides, from Capacity Build Initiative for Transparency (CBIT), which aims to support countries to satisfy transparency requirements of Paris Agreement, the country received $863,242.

Regarding responses to the COVID-19 pandemic, government expenditure for welfare supports will continue in 2022.[15] The country rolled out vaccination programme for the frontline health workers on 27 January 2021 and started mass vaccination on 7 February 2021. There was a vaccine procurement challenge

[6] General Economics Division (2020). Eighth Five Year Plan (July 2020 – June 2025): Promoting Prosperity and Fostering Inclusiveness, accessed 27 December 2021.
[7] Economic Intelligence Unit (2021). Bangladesh country report, accessed 27 December 2021.
[8] The Diplomat. Will Bangladesh Benefit by Joining RCEP?, retrieved from https://thediplomat.com/2021/11/will-bangladesh-benefit-by-joining-rcep/
[9] UN DESA (2021). En Route to LDC Graduation: Firm-Level Preparedness in the Textile and Clothing Sector (Bangladesh), accessed 27 December 2021.
[10] Bündnis Entwicklung Hilft (2021). World Risk Report 2021, accessed 27 December 2021.
[11] Government of the People's Republic of Bangladesh (2020). National Plan for Disaster Management (NPDM) 2021-25, accessed 28 December 2021.
[12] Asian Disaster Reduction Center (2020). ARDC Visiting Researcher Programme, FY2020, Country Report: Bangladesh, accessed 27 December 2021.
[13] GCF, Bangladesh Dashboard, accessed 27 December 2021.
[14] GEF, Bangladesh Total Fund Received, accessed 27 December 2021.
[15] Economic Intelligence Unit (2021). Bangladesh country report, accessed 27 December 2021.

since India stopped its vaccine exports due to a spike in coronavirus cases. As of 31 December 2021, 47 percent of the population have received at least one shot[16] and as of 10 January 2022, 33 per cent have been fully vaccinated[17]. Additional efforts are needed to reach its 80 percent vaccination target.[18]

The CDP held a virtual consultation meeting with Bangladesh on 10 December 2021. During the meeting, attendees from the government of Bangladesh, the CDP, the UN RCO and other entities exchanged information on effective monitoring of the country in preparing for graduation. It was highly appreciated that Bangladesh is planning a constructive collaboration among various entities. Building resilience based on action plans, coordination and joint leadership would be the next step.

During the meeting, Enhanced Monitoring Mechanism and crisis monitoring indicators were introduced by the CDP. Reaching to be defined threshold for these indicators could trigger the crisis response mechanism, which can also be initiated by the Government. Some of feedbacks on the indicators include considering assessment challenges, for instance, due to seasonality, adding indicators that also capture the progress of the country and clarifying what are new measures to be added. Meanwhile, delegates showed interest in taking part in the indicator development process, improving the country ownership. Moreover, Statistics Division of the Ministry of Planning responded by introducing its plan to analyze big data, which will support the new mechanism with high frequency data. It was suggested that the Government of Bangladesh holds a nation-level technical consultation around these indicators soonest in 2022.

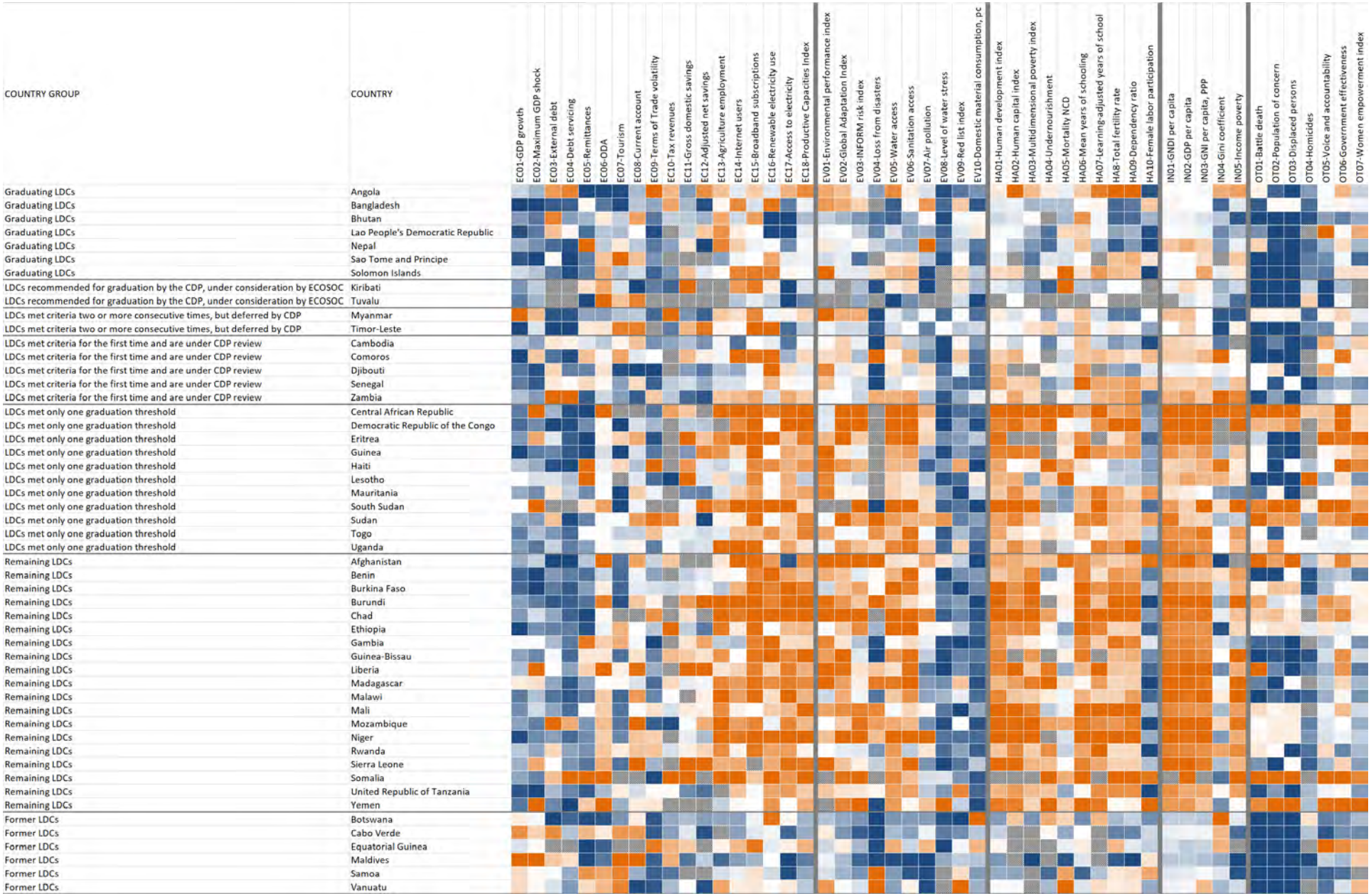
Participants also suggested that Bangladesh should undergo scenario analysis as part of its smooth transition strategy to be prepared for the risk. It was also pointed out that the country should mobilize developing partners to comply with this strategy. Additionally, due to limited revenue, the country called for financial supports, such as Financing for Transition, from international community.

[16] CDP secretariat (2022). COVID-19 vaccination in LDCs – Status report as of 31 December 2021. Updated information is available at https://www.un.org/development/desa/dpad/least-developed-country-category/covid-19-and-the-ldcs.html

[17] Data processed by the CDP secretariat, accessed 11 January 2022.

[18] Observer Research Foundation (2021). Special Report no. 168 – The Covid-19 Vaccination Agenda in Bangladesh: Increase Supply, Reduce Hesitancy, accessed 27 December 2021.

Annex 1: Heatmap extract of the supplementary graduation indicators (SGIs) for LDCs and former LDCs (2022 or latest available year)



Legend:

- Indicator furthest below reference point, indicating most concern (5th percentile)
- Indicator furthest above reference point, indicating least concern (95th percentile)
- Reference point (e.g. 33th percentile)
- No data available