



**United
Nations**

Committee for
Development
Policy

CDP2023/PLEN/9.a

Committee for Development Policy 25th Plenary Session

United Nations
20-24 February 2023
UNHQ Headquarters, New York
Conference Room 8

Monitoring of countries graduating and
graduated from the LDC category:

Bangladesh

**SUSTAINABLE
DEVELOPMENT GOALS**

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Summary

Bangladesh achieved rapid recovery from the impacts of the COVID-19 pandemic to register pre-COVID level of growth. Fiscal deficit and debt level have increased in response to the shocks originating from the COVID-19 and the global crises in food, fuel and finance. However, they are within the national capacity to address, especially in view of the recent support from the IMF.

The CDP found the Government of Bangladesh is well placed and ready to prepare and implement the smooth transition strategy, setting a good example for other graduating countries. The Committee points out that there are unfinished items on the structural reform agenda, which needs to be pursued during the preparatory period for the smooth transition. Given that the country has sufficient national capacity to adequately address possible adverse situations, the CDP will customize the EMM for Bangladesh, strengthening the annual monitoring process.

Macroeconomic situation

Bangladesh's economy has expanded greatly during the last decade. In the years between 2016 and 2019, the annual growth rate of the national economy was 7-8 per cent. (See table 1). Due to the significant impacts of the COVID-19 pandemic, the economic growth fell to 3.4 per cent in 2020 (fiscal year). The real GDP growth quickly rebounded to 6.9 per cent in 2021, and it is expected to reach 7.2 per cent in 2022, a pre-COVID level.¹ Export expansion, a rise in demand for garments, strong remittance inflows, and flexible fiscal and monetary policies are the pillars upon which the economic recovery rests.

Table 1: Selected macroeconomic data for Bangladesh, 2016-2021

Indicator	2016	2017	2018	2019	2020	2021
GDP growth rate (per cent, constant price)	7.1	6.6	7.3	7.9	3.4	6.9
Inflation rate (%)	5.5	5.7	5.5	5.6	5.7	3.4
Government revenue (billions of national currency)	1,751.6	1,875.3	2,344.2	2,403.6	2,684.7	3,304.9
Government expenditure (billions of national currency)	2,408.2	2,843.8	3,417.9	3,999.8	4,219.3	4,577.7
Government balance (billions of national currency)	-656.6	-968.5	-1,073.8	-1,596.2	-1,534.7	-1,272.8
Government balance (per cent of GDP)	-3.2	-4.2	-4.1	-5.4	-4.8	-3.6
Net ODA received (millions of US dollars)	2,532.8	3,781.8	3,044.8	4,381.6	5,373.9	5,041.0
Balance of Payments (millions of US dollars)						
Current Account	931.4	-5,985.0	-7,095.2	-2,948.5	1,192.8	-15,775.4
Goods, Credit (Exports)	34,122.1	35,300.8	38,681.9	38,747.3	32,456.1	41,816.0
Goods, Debit (Imports)	40,366.0	48,266.6	55,966.0	54,675.9	48,849.7	74,432.7
Balance on Goods	-6,243.9	-12,965.8	-17,284.1	-15,928.6	-16,393.6	-32,616.7
Services, Credit (Exports)	3,540.6	3,869.7	5,446.1	6,213.7	6,019.8	7,474.5
Services, Debit (Imports)	7,802.0	8,498.3	9,619.2	9,557.8	7,926.6	10,866.0
Balance on Services	-4,261.4	-4,628.7	-4,173.0	-3,344.0	-1,906.8	-3,391.5

¹ UNDESA World Economic Situation and Prospects 2023

Balance on Goods and Services	-10,505.3	-17,594.5	-21,457.2	-19,272.6	-18,300.4	-36,008.2
Balance on Income	-2,686.4	-2,392.2	-1,734.7	-2,547.8	-2,841.2	-2,436.7
Balance on Current Transfers	14,123.1	14,001.7	16,096.7	18,871.9	22,334.3	22,669.5
Capital Account	427.4	293.0	264.2	228.0	213.5	273.4
Financial Account	135.4	-6,186.1	-7,616.3	-4,714.3	542.1	-15,548.1
Direct investment (net)	-2,292.2	-1,683.7	-2,402.4	-1,885.0	-1,520.5	-1,640.7
Portfolio investment (net)	-42.1	178.8	-22.5	386.4	190.1	313.4
Financial derivatives (other than reserves) and employee stock options	...	0.0	0.0	0.0	0.0	0.0
Other investment (net)	-2,606.4	-5,296.7	-4,082.3	-3,737.4	-8,012.7	-17,603.4
Reserve assets	5,076.0	615.4	-1,109.1	521.6	9,885.1	3,382.6
Reserves (months of imports)	7.6	6.8	5.7	5.9	8.7	6.3

Source: GDP growth is from UN DESA, WESP 2023 for 2021 data and UNSD for 2016–2020 data. Inflation is from UN DESA, WESP 2023. 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.

Authorities utilized their budgetary headroom for welfare expenditure in response to the coronavirus. Tax revenues dropped because of the pandemic since the corporate tax rate was lowered and ready-made clothing businesses were allowed to keep their tax breaks. Tax revenue as a percentage of GDP is estimated to be around 7.5 per cent, according to the Government.² Total central government debt decreased from 38.9 per cent of GDP at the end of June 2021 to 35.9 per cent of GDP at the end of April 2022. The majority, or around two-thirds, of the national debt, is made up of domestic borrowing.³

The global spread of the COVID-19 pandemic had a significant effect on the export of goods. In 2020, exports fell by approximately 16 per cent, from \$38.7 billion to \$32.5 billion, returning the industry to its 2015 level. However, the export quickly rebound to \$42 billion in 2021, while the imports rose to \$74 billion, resulting in a significant deficit in the balance of goods in 2021.

The structural weaknesses and susceptibility to natural disasters in Bangladesh pose difficulties for its growth. The country's structural flaws caused it to fall to the 16th spot out of 17 Asian countries in terms of the ease with which businesses might operate there.⁴ Further, natural disasters like typhoons, floods, landslides, and others, make the country very vulnerable. It will be crucial in the coming years to both recover from the damage done by the COVID-19 pandemic and strengthen national response systems for both governance and natural catastrophes.

² [Tax to GDP ratio 7.5 per cent, lowest in world: Planning minister | undefined \(tbsnews.net\)](#)

³ IMF's Bangladesh economic and financial indicator 2022. <https://www.imf.org/-/media/Files/Countries/ResRep/BGD/2022/bangladesh-economic-and-financial-indicator-torts-april-2022-resrep-reviewed.ashx>

⁴ Economist Intelligence Unit: Bangladesh Business Environment Ranking. <https://country.eiu.com/article.aspx?articleid=1152221298&Country=Bangladesh&topic=Business&subtopic=Business+environment&subsubtopic=Rankings+overview>

LDC criteria and supplementary indicators

Bangladesh's latest three-year average (2019-2021) gross national income per capita is projected to reach \$2,477.4, above two times the graduation threshold set in 2021. The EVI will be at a score of 26.6. The risk of natural catastrophes is high⁵, yet the country is still below the graduation threshold of 32. Bangladesh's HAI score has increased to 77.3, above the graduation threshold of 66. Overall, Bangladesh has made progress in a balanced manner, meeting all graduation criteria with comfortable margins.

Table 2. Indicators for LDC identification, Bangladesh, 2019-2023

Year	GNI per capita	EVI	HAI
2019	1,699.4	27.6	73.3
2020	1,896.6	27.1	74.7
2021	2,091.3	27.0	75.6
2022	2,274.8	26.9	76.9
2023	2,477.4	26.7	77.3

Source: CDP Secretariat Time series estimates (LDC criteria) dataset (2002-2023), available at <https://bit.ly/LDC-data>

Notes: a) Year refers to the year of a (actual or hypothetical) review. The timeliness of source data varies by indicator; generally, criteria capture data up to two years prior to a review. See the 'read me' in the source as well as the data sheet (Annex 1) for details on original data sources.

b) Data for 2021 might differ from official triennial review data and previous monitoring reports due to data revisions.

Other supplemental graduation statistics in Bangladesh also continued to show improvement, despite the impacts of the COVID-19 pandemic. For example, Broadband internet subscription, access to electricity, sanitation access, and Human Development Index, have improved, as shown in table 3. Female labor force participation has decreased, suggesting a gender impacts of the COVID-19 pandemic. The Rohingya issue requires a continued attention on the population of concern. has led to an increase in the affected population.

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

Indicator	2017	2018	2019	2020	2021
Broadband subscriptions	4.5	4.9	4.9	6.0	6.0
Access to electricity	88.0	91.8	92.2	96.2	
Sanitation access	49.7	51.2	52.7	54.2	
Human Development Index	0.6	0.6	0.6	0.7	0.7
Female labour force participation	36.1	36.2	36.3	34.5	34.9
Population of concern	1.2	1.1	1.0	1.0	1.1

Source: CDP Secretariat, Supplementary graduation indicators

⁵ Bangladesh is one of the world's most at-risk countries for natural disasters, ranking 9th out of 192 countries, as measured by World Risk Index. See: https://weltrisikobericht.de/wp-content/uploads/2022/09/WorldRiskReport-2022_Online.pdf

Data gap

In 2020, as the latest available figure, Bangladesh's statistical capacity index was 60, placing it below the regional and global averages for both low- and middle-income countries which were 69.8 and 66.4.⁶ Data availability is relatively in good shape, while methodology and periodicity can be improved.

Smooth transition, national plan and country specific factors

The United Nations General Assembly adopted the resolution on Bangladesh's graduation from the LDC category on 24 November, 2021. After a five-year preparation phase, its graduation would take effect in 2026. It was a momentous occasion for the country, which has achieved significant growth during the last decade.

The participation rate for the monitoring is 100 per cent (four out of four). Bangladesh attended consultation meetings and submitted annual reports to the CDP, both in 2022 and 2023 monitoring exercises.

Bangladesh has provided the CDP with a comprehensive report on the drafting of the plan for a seamless transition. The report detailed the country's present standing on LDC metrics, its readiness for graduation, the socioeconomic consequences of COVID-19 and specific challenges to be managed, and its transition plan partnership. The graduation support framework consists of the National Committee on LDC graduation and seven subcommittees, one of which is responsible for preparing the STS. The Economic Relations Division (ERD) has established a Joint Task Team (JTT) comprised of government, private sector, and developing partner members to recommend a consultation framework and offer technical assistance for the STS.

The Government is negotiating a transition time with commercial partners. Regarding the EU, the government seeks a lengthier transition time and advantageous circumstances under the GSP+ program, which will take effect when the EBA agreement expires. It has proposed ideas to the WTO for ongoing ISMs beyond graduation. Bangladesh is also in negotiations with possible trade partners for Preferred Trade Agreement (PTA), Free Trade Agreement (FTA), and Comprehensive Economic Partnership Agreement (CEPA). The CDP and OHRLLS are helping the country through iGRAD (Sustainable Graduation Support Facility) under the Doha Programme of Action for the least developed countries for the decade 2022-2031 (DPoA).

The Government's report addressed the country's susceptibility to climate-related consequences. In addition to the National Adaptation Plan, the government has quadrupled climate-related spending in its Annual Development Plan. Bangladesh is also undertaking the housing project for environmental migrants and "Bangladesh Delta Plan 2100," which intends to fulfil adaptive delta management process objectives. The country has submitted an ambitious to the UNFCCC and has set a renewable goal of 40 per cent by 2041. In its report, the Government also called for a global advocacy campaign for extending international support measures under the WTO by OHRLLS and the CDP.

The Government report concludes with a few highlighted areas for further attention:

- Bangladesh's policy regime has identified a comprehensive set of policy options. A strong implementation mechanism and firm commitment by the global community will be key to successful materialization. An LDC-specific financing mechanism and support will be required to ensure smooth and sustainable graduation. The UN may take initiative to mobilize resources to create a dedicated fund for LDCs' sustainable development. The fund will help the graduating

⁶ World Bank, WDI. See <https://databank.worldbank.org/source/world-development-indicators>

LDCs to have easy and affordable access to finance for infrastructure, logistics, trade facilitation, and human development.

- Reinventing a resilient but flexible Global Financial Architecture has become the top priority for all, especially for the LDCs and developing countries which have little fiscal space and weak capital market. Many LDCs, despite having stable macroeconomic management and solvency, the liquidity crises may melt down to exogenous shocks through global inflation spillover and volatile global financial and currency markets. The participation of the highest-level leadership at the 5th UN Conference on LDCs in Doha in March 2023 may be capitalized for initiating the process with a firm political commitment.
- Bangladesh needs focused support for its priorities identified for sustainable graduation. Development partners, global civil society, and development partners need to raise their voices on the international platform in favor of the LDCs' legitimate claim to support them when they need it most. The successive global financial crises devastated LDCs most and therefore, they need the support most. Many socioeconomic development priorities in LDCs and developing countries are unattended due to immediate urgency triggered by a global imbalance in food and energy security. A strong global partnership and prudent leadership of the advanced world will be key for a new dawn.

On 12 January 2023, the CDP held a virtual consultation meeting with Bangladesh. During the discussion, representatives from the government of Bangladesh, the CDP, the UN RCO, and other organizations shared information about the successful monitoring of the country's preparation for graduation. The CDP expressed appreciation of Bangladesh's graduation preparation, particularly in the effective participation of the monitoring mechanism. Bangladesh will be supported under iGRAD with regards to its five priorities starting with policy and technical support in preparing its smooth transition strategy. Draft terms of reference for the engagement of an international and a national consultant prepared and to be funded by UNDESA have been shared with the Government for their inputs, in January 2023. Internal consultations with members of the UN Inter-Agency Task Force on LDC Graduation (IATF) would be held in January and the full package of responses would be sent out to Bangladesh by early February.

The CDP took note of the requests by the Government on the EMM, particularly on customizing EMM for Bangladesh, strengthening regular monitoring, and not using the crisis response process. Since Bangladesh has a sufficient national capacity to monitor and evaluate possible adverse situations, the crisis response process will be replaced with a more frequent regular monitoring. Thus, CDP will have bi-annual consultations with Bangladesh in the regular monitoring exercise, without a short-term monitoring system or trigger indicators.

Annex 2: Government report on Smooth Transition



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Government of the
People's Republic
of Bangladesh

PURSUING GRADUATION AMID COVID-19 PANDEMIC, GLOBAL ECONOMIC WHIRLWIND AND UNCERTAINTY

BANGLADESH ANNUAL COUNTRY REPORT 2022 SUBMITTED TO UN-CDP



ECONOMIC RELATIONS DIVISION (ERD)
MINISTRY OF FINANCE
GOVERNMENT OF THE PEOPLE'S REPUBLIC OF
BANGLADESH

17 NOVEMBER 2022

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Executive Summary

This is the second to the series of Country Report that Bangladesh will have to submit through 2026 when the graduation is expected to be effective. Bangladesh submitted its first Country Report in November 2021 after successfully qualifying for graduation from LDC status in 2021 for the consecutive second time. The UNCDP recommended Bangladesh in March 2021 and ECOSOC endorsed it for placing before the UNGA. UNGA endorsed the recommendation of ECOSOC in November 2021 and UN CDP requested Bangladesh to submit its first annual country report.

Bangladesh is submitting the Country Report 2022 amid multiple regional and global crises that shattered the global economic architecture, worsened climate changes, and led the whole globe to an uncertain future. A food crisis is looming due to the rise in the price of fuel and fertilizer; the economy is crippled because of large fluctuations in the global currency market, debt stock is alarmingly rising, and LDCs are struggling in making payment choices between essentials and debt services. On the other hand, extreme volatility in the global currency market made external finance becoming costlier and unaffordable for LDCs to maintain socioeconomic progress.

The report highlights how Bangladesh is progressing toward sustainable graduation. A systematic approach has been undertaken from the onset of this journey. A well-structured institutional arrangement has been developed and relevant key stakeholders are playing their roles within this structural framework- an inclusive approach is applied for consultations in preparation for smooth graduation. The report presents steps and measures undertaken by the National Committee on Graduation (NCG); the action plan is being prepared by the seven thematic subcommittees formed under the guidance of the NCG.

Following the CDP handbook and the guidance note, the SSGP project under the guidance of the ERD-led Smooth Transition Strategy (STS) subcommittee facilitated a consultative mechanism and organized some workshops, and seminars to spur policy dialogues among the key stakeholders on LDC graduation-specific thematic issues. Seven subcommittees have also identified some priority topics for research and study and the SSGP of ERD has been facilitating. Meanwhile, ERD made specific proposals to the CDP against its offered SOL (Service Offering Lines) after rigorous consultation with the stakeholders.

The report delineates how Bangladesh is responding to ongoing global challenges alongside the looming challenges of loss of ISMs (International Support Measures) beyond graduation. The report also introduces some priorities for Bangladesh's sustainable graduation where strong collaboration and effective cooperation from the global community are welcomed. The report underlines the urgency of effective global advocacy and campaigns on the international forums for graduating LDCs to continue some trade-related ISMs for a smooth transition and sustainable graduation.

A. INTRODUCTION

1. The graduation from the LDC (Least Developed Country) status manifests the strong social and economic progress of Bangladesh made in recent years. Bangladesh takes pride in its graduation as it portrays an elevated image globally that helps to attract foreign investment. However, the graduation will expose Bangladesh to a more competitive global arena in the post-LDC era when many of the trade preferences, particularly duty-free & quota-free (DFQF) market access and special and differential treatments would be withdrawn.

Trade and economic fragmentation are hurting all

2. The recent conflict between Russia and Ukraine is a massive setback to the global economy. The impact stretches far beyond the battleground. The severity of disruptions in commodity markets and supply chains will weigh heavily on macro-financial stability and growth, adding to an already-complicated policy environment for countries still recovering from the COVID-19 pandemic.
3. Inflation, which had already been rising in many countries as a result of market distortion, supply-demand imbalances and policy support provided during the pandemic, is likely to linger. Financial conditions have also tightened significantly, putting pressure on a wide range of emerging market and developing economies—through higher borrowing costs and the risk of capital outflows.
4. The Russia-Ukraine war may contribute to the dangerous divergence between advanced and emerging markets and developing economies. More broadly, it risks fragmenting the global economy into geopolitical blocs with distinct technology standards, cross-border payment systems, and reserve currencies. Such a tectonic shift represents the most serious challenge to the rules-based system that has governed international and economic relations for the last 75 years, jeopardizing the gains made over the past several decades.

Global outlook

5. The IMF's *World Economic Outlook*, released in October 2022, forecasts¹ that global economic growth will slow from 3.2 percent this year to 2.7 percent next year. The 2022 projection was unchanged from the last estimate, in July, but next year's was cut by 0.2 percentage points. The outlook is also fraught with uncertainty.
6. The World Bank's *Commodity Markets Outlook 2022*, published in October 2022, provides a gloomy future². A sharp global growth slowdown and concerns about an impending global recession are weighing on commodity prices. In many economies, however, prices in domestic-currency terms remain elevated because of currency depreciations. This could deepen the food and energy crises already underway in some countries.

¹ <https://www.imf.org/en/Blogs/Articles/2022/10/19/latest-global-growth-forecasts-show-challenges-facing-economies>

² <https://openknowledge.worldbank.org/handle/10986/38160>

Figure 1. Global inflationary pressures due to the Russia-Ukraine Conflict

Fig. Fertilizer Prices

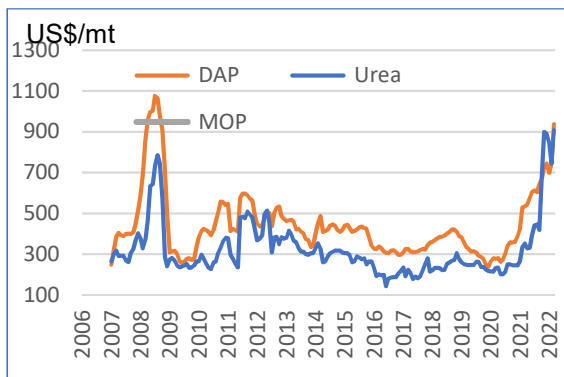


Fig. Price of Rubber of Cotton

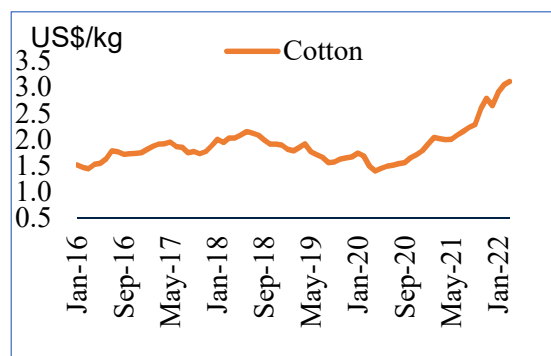


Fig. natural gas and fertilizer price index

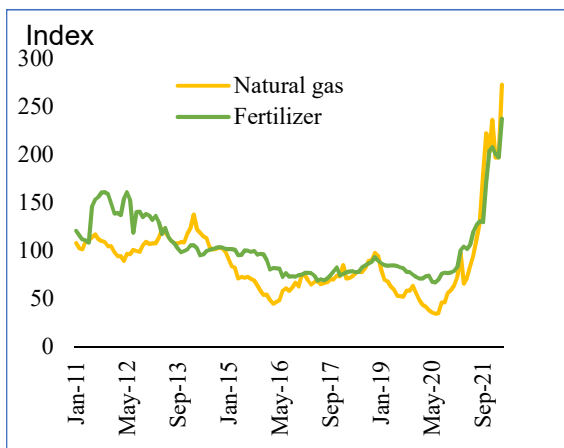
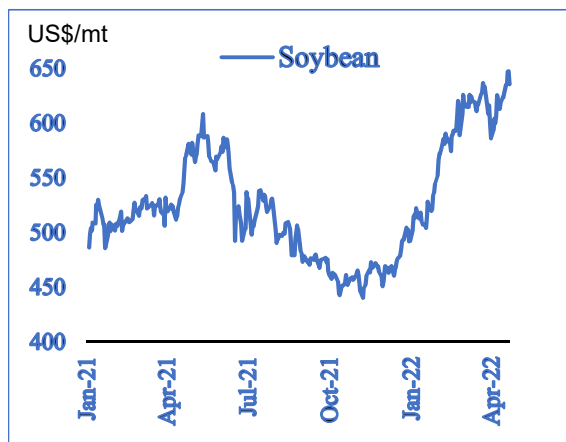


Fig. Price of Soybean oil



7. The commodity price, particularly agriculture products have increased astronomically immediately after the conflict started between Russia and Ukraine. The above graph drawn from the Commodity Market Outlook 2022 reveals that fertilizer prices nearly tripled between 2021 and 2022 and cotton prices doubled during that period. The natural gas prices index in the figure shows a more than triple increase between 2021 and 2022. The price of soybean oil increased by around double put serious strain on the lives of the LDCs. Persistently high energy prices will continue to have inflationary implications, particularly through second-round effects such as higher transport and electricity costs for businesses. The poor people of the LDCs and many developing countries have experienced large food inflation, which had been amplified in multiple channels- first, the sharp increase of commodity prices in the global market, second, the exorbitant increase in transportation costs due to fuel prices, and finally, a large local currency depreciation. These factors immediately hit the food budgets of the millions of poor in the LDCs which deteriorates their already miserable lives.

8. **Increasing financing costs and investment.** Global foreign direct investment (FDI) flows in the second quarter of 2022 were down 31% from the first quarter and 7% less than the quarterly average of 2021³. The negative trend reflects a shift in investor sentiment due to the food, fuel, and financial crises around the world, the Ukraine war, rising inflation and interest rates, and

³ <https://unctad.org/webflyer/global-investment-trends-monitor-no-43> accessed on 28 October 2022

fears of a coming recession. Expectations for the full year are for a marked slowdown (Global Investment Trends Monitor, No. 43, UNCTAD).

Implications for Bangladesh

9. Despite low revenues (9.4 percent of GDP in FY2021), the Government of Bangladesh (GoB) has maintained internal and external balance over the past two decades, with low inflation and a relatively modest stock of public debt (32.4 percent of GDP in FY21). Bangladesh's robust economic recovery from the pandemic has been interrupted by the Russia and Ukraine war, leading to a sharp widening of the current account deficit, a rapid decline of foreign exchange reserves, rising inflation, and slowing growth⁴.
10. The distortion in the supply chain caused by the two-year-long Covid-19 pandemic and the geopolitical crises between Russia and Ukraine, the consequent rise in the food and fuel price worldwide, the increase in the import price, the rationalization of government subsidy in the administered price of fuel import, a sharp increase in the commodity price of the major trading partners like India are altogether putting pressure on the domestic price level to go up. As a result, the CPI-based average inflation in Bangladesh continued to follow a higher trajectory throughout FY22 and until now.
11. Against this backdrop, it would be difficult to maintain the growth momentum that Bangladesh achieved in the last few years. The global weak demand for Bangladesh's exports and high import costs may have a significant impact on investment, the job market, and subsequently overall macroeconomic stability and growth. Effective monetary and fiscal policies have taken on a new urgency to sustain macroeconomic stability over the short- and medium-term. The critical social sectors like education, health, and social safety net are likely to be negatively impacted due to less resource allocation that Bangladesh can make after meeting high import bills in this uncertain global scenario. All these factors may slow down the progress and lead to a low growth trajectory.
12. Three major interlinked challenges namely imported inflation, subsidy management, and soaring current account deficit are gradually emerging as a major concern for the government. In these circumstances, the government's main strategy is to enhance supply keeping the demand unaffected. Therefore, savings that are gained through reducing luxury and less important expenditures are directed to more productive functions
13. Appropriate policy support is emphasized in the medium term to facilitate the growth of private sector investment. The automation process regarding tax collection has been expedited to gear up revenue mobilization and widen the VAT and income tax coverage. Import of luxury and dispensable goods are restrained and illicit financial outflow is cautiously monitored.

⁴ <https://www.imf.org/en/News/Articles/2022/11/08/pr22375-bangladesh>

B. PREPARATION FOR SUSTAINABLE GRADUATION

Structural arrangements

14. Graduation from the LDC category reflects Bangladesh's enhanced capability in the economic and social arena as well as increased resilience and reduction in economic and environmental vulnerability against a set of indicators and thresholds. The journey toward this goal is called smooth transition and sustaining that transition beyond graduation is referred to as sustainable graduation. However, the sustainable graduation journey may significantly differ from LDC to LDC, depending on the level of socioeconomic development and its cultural and political context. However, the starting point and many endogenous and exogenous factors can serve as building blocks (e.g., level of commitment of the upper echelons of the government, integration with regional and international systems, natural disasters, and regional and global economic crises) to attaining sustainable graduation.
15. The planning for a smooth transition and sustainable graduation is critical as it is not necessarily a linear process. The empirical data suggests that challenges and opportunities emerge as the country makes progress toward sustainable graduation. To graduate smoothly and efficiently, the country needs to make the best use of potential opportunities and address the upcoming challenges with effectiveness and in a timely manner to ensure development is sustainable.
16. Bangladesh will have to make the best utilization of the period 2022-2026 dedicated to the preparation of the graduation from LDCs so that Bangladesh can move forward even after graduation and sustain its position as a graduated country. To that end, the ongoing development process must continue to ensure smooth graduation. The Government of Bangladesh is fully committed to making this graduation smooth and sustainable. In this context, various policies, strategies, programs, and measures have been adopted.
17. A National Committee on Graduation (NCG) has been formed under the chairmanship of the Principal Secretary to the Honorable Prime Minister to prepare for the possible challenges that Bangladesh will face as a result of its graduation from a least developed country category. Seven thematic sub-committees are working under the guidance of the NCG. Each sub-committee has members from private sector stakeholders and development researchers. These sub-committees are preparing draft strategies with a time-bound action plan to meet the challenges of LDC graduation as well as to maintain the growth momentum. The STS Subcommittee, led by Economic Relations Division (ERD) and co-led by Prime Minister's Office, is tasked with the preparation of the Smooth Transition Strategy (STS) by collating inputs from other subcommittees. ERD is implementing a technical assistance project namely 'Support to Sustainable Graduation Project' to facilitate a smooth transition from the LDC category.

Key activities undertaken by the Government

ACTION PLAN OF THE SUBCOMMITTEES

18. Each subcommittee has developed an internal action plan to address the committee-related challenges due to the loss of ISMs and also to prepare for the post-LDC situation. The Ministry

of Commerce leads two subcommittees- one is preferential market access and trade agreement and the other is WTO issues.

19. **Strategic actions identified by subcommittees market access and WTO-related issues.** In the trade-related issues strategies and action plans have been recommended:

- To continue persuasion for a decision in the WTO for the continuation of DFQF market access for a certain period after graduation;
- To engage bilaterally in discussions with influential members for a positive outcome at the WTO;
- To pursue having three-year transition periods after graduation like the EU and UK from the major preference providing trade partners;
- To develop an effective mechanism for obtaining GSP+ along with favorable Rules of Origin in the EU after 2029;
- To develop the capacity of exporters to meet the rules of origin Criteria under the EU GSP+;
- To initiate a review of the UK GSP scheme to identify the course of action aiming at enabling Bangladesh to qualify for an enhanced framework;
- To initiate studies and exploratory works for assessing the feasibility of concluding FTA with potential trading partners;
- To initiate discussions with the private sector regarding FTA negotiations with potential trading partners;
- To initiate discussion for commencing FTA negotiation with Singapore. For this purpose, a negotiating team may be formed;
- To establish negotiation teams comprising senior and young professionals from various ministries and organizations led;
- Diversifying products and services for facilitating export and FTA;
- To establish a group of experts on FTA comprising representatives from Key ministries, the private sector, and research institutes to develop strategies for reform in key areas related to FTA, such as diversification of export products, tariff rationalization, etc.;
- To enhance negotiating capacity for FTA negotiations;
- To identify WTO inconsistent measures and legal systems including subsidies, local content requirements, and para-tariffs that Bangladesh is currently granting;
- To develop a strategy for the inclusion of Bangladesh in the Annex VII list of the Agreement on Subsidies and Countervailing measures;
- To develop strategies for the inclusion of Bangladesh in the Net Food-Importing Developing Countries (NFIDC) list for Article 9.4 incentives to agricultural products;
- To develop negotiating strategies for incorporating the interests of the newly graduating LDCs in the emerging WTO issues (fisheries subsidies, WTO reforms, etc.);
- To formulate Bangladesh's position on participation in the discussion on e-commerce, investment facilitation, and MSMEs (Micro Small & Medium Enterprises).

20. **Strategic actions identified by subcommittee on Intellectual Property Rights.** The following action plan is outlined by the subcommittee:
- Bangladesh must align with the LDC group for lobbying for the general transition period as well as the pharmaceutical products for the graduating LDCs. Therefore, the continuation of the bilateral discussion with advanced developed countries like India, China, and Kenya as well as with developed countries for extension of the transition periods is needed.
 - Laws to protect trade data secrets and protection of genetic resources, layout design, protection of traditional knowledge, and integrated circuit are important in the digital era to avoid biopiracy and trade information.
 - Bangladesh should urgently formulate Industrial Design Act. The Patent Rules are to be formulated for implementation of the new Patent Act with due caution so that any misuse of the product already patented cannot enjoy additional benefits through simple changes of processing.
 - Bangladesh has to formulate a data protection and trade secret act that would promote digital knowledge and also attract FDIs.
 - Department of Patents, Designs and Trademarks (DPDT) and Copyrights offices are to be strengthened with adequate manpower, technical knowledge, and automation of the registration process.
 - Capacities of the judiciaries and legal enforcing agencies are the most critical issues in enforcing IPRs.
 - A massive campaign program for building awareness among key stakeholders- judiciary, enforcing agency, and private sector is urgent for a successful transition toward an innovation-conducive IP regime and development.
 - Bangladesh may seek technical support from WTO and WIPO and also from bilateral sources for strengthening the capacities of IP institutions.
21. **Strategic actions identified by the subcommittee on investment, private sector development, and diversifications.** The private sector will play a vital role in investment and resource mobilization for accelerating growth. The subcommittee has identified areas of bottlenecks to investment and export diversification.
22. **Challenges to investment and diversification.** The subcommittee identified some strategic sectors for promoting diversification- light engineering, jute, IT-ITES, pharmaceutical, agro and agro-processing, leather goods and footwear, electrical and electronics, are key sectors among them. The following key issues were recognized as the bottleneck for the growth of the private sector, FDI, and diversification of the markets and products.
- Shortage of land and lack of availability of associated infrastructure facilities.
 - Compliance with international standards.
 - Limited access to finance; no venture capital.
 - Inadequate supply of skilled human resources.
 - Higher duty on imported raw materials and use of 2nd generation technology.
 - Weak Intellectual Property regime
 - Weak digital infrastructure and slow internet bandwidth

23. **Recommendations for promoting investment and diversification.** The subcommittee suggested following policy recommendations for urgent action as the preparation for sustainable graduation and promoting trade and business.
- To increase market access, the Economic Complexity Index (ECI) which measures the productive capabilities of large economic systems needs improvement meaning knowledge accumulated in a population needs to be expressed in the economic activities present in a city/country/region
 - Initiatives to develop skilled manpower,
 - Needs Bonded warehouse facility.
 - A low-cost fund with a 2-3% interest rate and effective venture capital firms are required.
 - The Customs clearance process needs to be simplified
 - VAT is to be removed at all stages of manufacturing and export of jute and jute products
 - Enhance the international marketing capacity of the manufacturing products
 - Investments in research and development Hi-tech parks which are under construction are to be made fully operational at the earliest. The construction of Thirty high-tech parks need to be completed within the stipulated time
 - The price of broadband internet needs to be reduced
 - Regional cooperation such as SAFTA, APTA, BIMSTEC, etc are to be made more meaningful and effective Moreover, we need to explore joining the bigger regional platform such as ASEAN, RCEP, etc.

STUDIES BY THE SUBCOMMITTEES

24. The preparation of STS and the policy intervention require some background research and study. Subcommittees through a consultation process identified some priority areas for in-depth research on some related thematic issues and requested Support to Sustainable Graduation (SSGP), ERD to facilitate them. The following studies have been undertaken by the SSGP, ERD and their status is presented in the following table.

Table 1. Status of background studies identified by subcommittees

Sl.	Study Topic	Lead Ministry	Status
1	Review of existing tariff regime and subsidies	Finance Division, Ministry of Finance	Study is ongoing
2	Market Access, Comparative Advantage and Export Diversification	Prime Minister's Office	At the final stage of procurement; the contract will be awarded soon
3	Expanding Private Investment in the Context of LDC Graduation	Prime Minister's Office	At the final stage of procurement; the contract will be awarded soon
4	Study on Upscaling the RMG Sector	Ministry of Commerce	In the middle of the procurement process
5	Study on Enhancing Industrial Production in the Context of LDC Graduation	Ministry of Industries	In the middle of the procurement process

Sl.	Study Topic	Lead Ministry	Status
6	Study on transition financing for sustainable graduation	ERD/SSGP	Study is ongoing

Smooth Transition Strategy (STS) Preparation

CONSULTATIVE MECHANISM

25. As we have seen the institutional arrangement of steering smooth and sustainable graduation in Bangladesh where the NCG at the PMO plays a critical role. However, a concept note was developed with the decision of the Joint Task Team (JTT), where GoB, DPs, and the Private Sector are jointly working for supporting the STS subcommittee and contributing to sustainable graduation. The concept note was formulated in collaboration between SSGP, ERD, and UNDP to design a framework of cooperation for sustainable graduation which is the basis of the consultative mechanism and partnership framework of key stakeholders for the preparation of the STS. The schematic presentation of the presentation is annexed for reference.
26. The UN development system in Bangladesh and the development partners provide LDC graduation-related support to the Government of Bangladesh through the existing consultative mechanism- the Local Consultative Group (LCG). A Joint Task Team (JTT) has been formed under the national smooth transition strategy (STS) subcommittee. Fourteen sectoral working groups under the LCG mechanism also contribute to the LDC graduation-related discussion and sustainable development. All development partners are actively engaged in sustainable graduation and development through various thematic LCG (local consultative group) subgroups.
27. **A brief roadmap for STS preparation.** Different Subcommittees provided inputs in various consultations organized by the SSGP, ERD and mapped exercises on existing studies. In particular, the Subcommittees provide inputs on LDC Graduation-related challenges pertinent to them and the nature of cooperation they need; The Subcommittees also identified the types of background studies they need.
28. The SSGP, ERD also organized and coordinated a series of consultations with various stakeholders to develop a framework for the STS based on findings from the initial mapping exercise, topics to be covered, responsibilities identified, etc. The SSGP, ERD facilitated background studies according to the needs of the Subcommittees. Respective studies may be conducted for different Subcommittees, but the results would be linked to the initial STS framework developed by the STS Subcommittee with the help of UNDP and the SSGP, ERD.
29. Apart from that by incorporating inputs from various Subcommittees, the STS Subcommittee will formulate the draft STS. During the formulation of the draft, STS Subcommittee would continue consultation to explore the interoperability of the STS with the broader national development priorities and goals like Fiver Year Plans, SDGs, and Vision 2041. There should also be a series of validation initiatives on the draft STS to integrate the document with national policies, developing partnership strategies to implement and monitor.

30. Bangladesh is planning to have a **zero draft of the STS by June 2023**- which will be developed through the inputs/ policy options derived from various stakeholders’ dialogue in the consultative processes, policy research and background study documents, and various mid- and long-term government policy documents.
31. **Regional Consultation.** South-South Exchange on preparing STS: Graduating cohort of 2021. In partnership with the UN and regional experts, from 23 to 25 August, Government officials and representatives from the private sector, academia, research institutes, and civil society from Bangladesh, Lao PDR, and Nepal met in Bangkok, Thailand to discuss and exchange views on challenges, opportunities, and preparations for their countries’ graduation from LDC status in 2026. The event was organized by the United Nations to enable a South-South Exchange on Preparing Smooth Transition Strategies (STS) for LDC Graduation.
32. This South-South Exchange offered an opportunity to discuss *how* to develop and *what* actions to promote in the STS to manage the next steps in the development pathways of the three countries. The event was marked by an open collegial space for a frank exchange of views and mutual learning—and underscored that apart from the global imperative to tackle the triple planetary crisis of biodiversity loss, environmental degradation, and climate change, the STS need to be tailored to the country-specific contexts.
33. The South-South Exchange workshop involved a discussion on consistent and coherent collaboration and support from the UN Development System, Multilateral Development Banks, regional organizations, and development partners in line with the recently adopted Doha Program of Action (DPoA)⁵ and earlier resolutions adopted by the United Nations General Assembly and the Economic and Social Council.

SUPPORT FROM INTERNATIONAL COMMUNITIES

34. **European Union.** Support to Implementation of National Action Plan (NAP) on the Labor Sector of Bangladesh – Decent Work for All, funded by EU, implemented by ILO.
35. **FCDO.** Climate Change and Environment Sector. The £120m Bangladesh Climate Change and Environment Program (BCEP) announced in November 2021 is a five-year (2022-2027) program. In August 2022, the United Kingdom launched its new Developing Countries Trading Scheme (DCTS). The scheme provides duty-free, quota-free trade to LDCs on everything but arms and duty-free, quota-free trade on 85% of eligible goods to most LICs and LMICs. The DCTS will replace the UK’s Generalized Scheme of Preferences (GSP) in early 2023. It contains product-specific rules of origin for LDCs. DCTS will provide improved trading benefits to Bangladesh for its export to the UK after LDC graduation⁶.
36. **Global Trade Facilitation Program (GTFP).** GTFP is the first joint initiative between Switzerland and the World Customs Organisation (WCO). Its overall objective is to contribute

⁵ DPoA manifests a new generation of renewed and strengthened commitments between the least developed countries and their development partners, including the private sector, civil society, and governments at all levels. The final text of the DPoA was adopted during the first part of the LDC5 conference on March 17, 2022 and endorsed by the General Assembly through resolution A/76/258 on April 1 2022.

⁶ <https://www.gov.uk/government/publications/developing-countries-trading-scheme-dcts-new-policy-report/developing-countries-trading-scheme-government-policy-response>

to fostering and facilitating international trade in selected beneficiary countries, through strengthened compliance with international standards and best practices for the importation, exportation, and transit of commercial goods.

37. **UNDP.** LDC graduation is a principal priority for the United Nations Development Program (UNDP) Country Development Program (CDP) 2022-2026. The supports and priority areas under the CDP framework are presented in Annex.
38. **ILO** has some programs to improve the working environment, and its management, and create opportunities for decent employment. A detail list is annexed.

iGrad- SERVICE OFFERING LINES (SOL) BY CDP

39. CDP offers six SOLs under the Sustainable Graduation Support Facilities framework which are likely to extend technical and capacity development support to help the recipient LDCs with the structural transformation, STS preparation, and enhanced monitoring mechanism.
40. Bangladesh submitted 16 proposals to CDP to support its sustainable graduation. The detailed proposal is annexed for reference. However, five high-priority proposals are singled out and Bangladesh placed a formal request to CDP for immediate intervention:
 - Support for preparation of the STS under the SOL-3;
 - Study on Facilitating access to finance via private and public sectors through assessing and identifying suitable products, instruments, modalities, and sources for Bangladesh during and beyond graduation [under SOL 4(b)]
 - Training program for Enhancing Negotiating Capacity as proposed under the SOL 1(b);
 - Conducting Impact Assessment for the loss of TRIPS General Exemption after graduation, preferably with the help of WIPO under the SOL 1(c);
 - Study for finding WTO consistent alternatives to export subsidy and cash incentives under the SOL-2.

Priorities for Bangladesh's sustainable graduation: Potential for development cooperation

41. Bangladesh has outlined some priority areas for defining strategy and policy intervention that lead to attaining sustainable graduation.
42. **Preferential market access.** Continuation of preferential market access along with favorable rules of origin as proposed by the LDC group is the key issue that needs to be considered seriously. As EU, UK and Australia showed some positive indications to continue the market access support for three years after graduation. Similar declarations from other developed and developing countries would have a positive impact on addressing the graduation challenges.
43. **GSP plus scheme.** EU's upcoming GSP plus scheme would be beneficial for the graduating LDCs like Bangladesh if the textile and garment sectors are removed from the proposed safeguard clause. This would help a smooth transit from EBA to GSP plus and then face MFN tariff. Considering the inherent structural weakness compounded by the subsequent

devastating COVID-19, and ongoing global crises, the graduating LDCs may be considered eligible for automatic GSP+ for at least 3 years after the expiration of 3-year EBA transition period.

44. **Enhancing competitiveness and export diversification:** Enhancing the competitiveness of exports through increasing productivity, decreasing cost of production, and upgradation of technology, is very crucial for facing the post-LDC situation in the absence LDC-specific special facilities. In addition, export diversification as well as moving up to the value chain will also be instrumental in ensuring smooth and sustainable graduation from the LDC category.
45. **Enhancing negotiating capacity:** Enhancing negotiating capacity of government officials is another priority area. To offset the probable negative impacts of the loss of preferential market access, Bangladesh has been trying to conclude preferential trade agreements with potential trading partners. In addition, after graduation, Bangladesh will need to negotiate in the WTO and other international fora as a non-LDC developing country. For all these, enhancing negotiating capacity is essential for Bangladesh.
46. **Private sector development.** Private sector capacity development is vital for growth and development. The private sector is struggling in ensuring product compliance, and labor rights where necessary administrative, legal, and technical reforms and developing capacities for SPS and TBT, and other standards are essential.
47. **Ethical practices.** Exporters of Bangladesh like other developing nations expect a similar response from their foreign counterparts in terms of adhering to the contract agreement, ensuring fair prices, and abiding by ethical buying practices. Frequent changes of conditionalities and imposition of private standards on top of the national laws of their respective countries would put us in uncertainty and add additional costs to the exporters.
48. **Continuation of TRIPS waiver.** An in-depth impact assessment would be the first step for ensuring IP environment and creating an enabling environment in the absence of TRIPS waivers after the LDC graduation. Continuation of general waiver for TRIPS until 01 July 2034 and special waiver for pharmaceutical and agro-chemicals until 01 January 2033 are dire needs for the graduating LDCs. A good number of investors had already invested a significant amount in pharmaceuticals, Active Pharmaceutical Ingredient (API), and agrochemicals on the assumption of these waivers, they would now face enormous challenges.
49. **Financing for sustainable graduation.** Transition financing would be instrumental for graduating LDCs to implement STS. Therefore, Bangladesh would like to see a predictable, concrete commitment from the international community with a clear roadmap. Enhancing productivity is the most important development discourse in addressing post-graduation challenges. Knowledge, skill, and innovation are critical tools in attaining this productivity-driven economy and implementing smooth transition strategies.
50. **FTA and trade in services.** The issues of trade in services and free trade agreements (FTA) are not given due attention while strategizing sustainable graduation. FTA is considered one of the compensation mechanisms for preferential market access. Bangladesh, therefore, would expect that international support would help in these areas so that it may initiate FTA

discussions knowing its full impact on economies and also could benefit from the global service market.

51. **Inclusion in Annex VII under SCM Agreement.** Annex VII of the Agreement of Subsidies and Countervailing Measures (SCM) is a missing link that has already been acknowledged by WTO members. This needs to be corrected without any delay as the proposal submitted by the LDC Group of the WTO. At the same time, it is also important to incorporate the names of Graduating LDCs into the Net Food Importing Developing Countries (NFIDCs) that import a significant amount of food.

C. CHALLENGES AND WAY FORWARD

Addressing the loss of ISMs

52. Bangladesh government is working for getting an extension of the trade-related ISMs for a certain period after graduation. On 19 September 2022, the Ministry of Commerce sent a letter to the Bangladesh Permanent Mission, Geneva suggesting the following proposals for a General Council decision on DFQF extension and WTO smooth transition Package in favor of countries that graduated from the LDC category to transmit by Djibouti as the coordinator of LDC Group. The Permanent Mission of Bangladesh in Geneva is also closely working with the LDC Group of the WTO in this regard.
53. **WTO LDC Group.** WTO LDC Group is working towards establishing a formal mechanism in the WTO to ensure a smooth and sustainable transition for countries leaving the LDC category. The Group has proposed an extension of currently available LDC-specific flexibilities and provisions for a few more years after a country graduates from the LDC category.
54. The Group submitted a draft MC decision in November 2020 requesting an extension of existing LDC-specific flexibilities and provisions available under the WTO and unilateral trade preferences (DFQF Market access) for 12 years after graduation from the LDC category. Before the MC12 (June 2022), an interim arrangement submission (communicated in October 2021) proposed (i) an extension of DFQF for 6 to 9 years after graduation and (ii) further work at the LDC-subcommittee for deciding extension of the LDC-specific special treatment and technical assistance and capacity building. The Group could not secure a separate decision in this regard in the MC12. However, the MC12 Outcome Document (paragraph 5) acknowledges the challenges that graduation presents, and recognizes that certain measures in the WTO can play in facilitating a smooth and sustainable transition after graduation.
55. Based on the previous two submissions and the MC12 acknowledgment on Graduation related challenges, on 23 September 2022 the LDC Group communicated a revised document (WT/GC/W/807/Rev.1) proposing a smooth transition package for the LDCs in two parts:
 - A draft GC decision with the best endeavor approach for post-graduation extension of LDC-specific unilateral trade preference (DFQF), and gradually phase it out, for over a period of six years corresponding to two triennial reviews by the UN CDP, or a period determined by the preference providing Member, and
 - A set of proposed principles to extend LDC-specific technical assistance and the LDC-specific special treatment provisions (listed in Annex 2 in that submission) for X years after graduation.
56. The General Council (GC) on 07 October 2022 discussed this item and Members agreed to continue work on this issue. Another draft decision will be proposed soon at the GC to carry out the technical work at a dedicated WTO body to finalize the second part of the package. The LDC Group has requested the GC to approve the first part of the request expeditiously, as soon as possible. For the second part, the Group hopes that the dedicated WTO body (to be decided by the GC) may complete its work by the end of June 2023.

57. The Group's request to ensure LDC graduation with momentum enjoys support from the WTO Members in general, however, a few developed country Members are yet to endorse the call. The LDC Group has been negotiating with these delegations for a favorable outcome. CDP along with OHRLLS may vigorously advocate for the moral appeal of the LDCs to materialize the UN's resolution of gradual withdrawal of ISMs, especially in the given environment of ongoing COVID and severe global economic distress that may lead to a worldwide recession, as experts are apprehending.
58. **Trade Negotiation.** The government has adopted the policy of executing Bilateral Free Trade Agreements (FTAs) and Preferential Trade Agreements (PTAs) in the context of potential trade challenges arising from LDC graduation. Strategies for Preferential Market Access and Trade Agreements have been formulated to address these challenges following. In this context, Bangladesh has signed the Preferential Bilateral Trade Agreement (PTA) with Bhutan, under which 34 products of Bhutan will be duty-free in the market of Bangladesh and 100 products of Bangladesh will be duty-free in the market of Bhutan. In addition, a prioritization list for the execution of PTA/FTA/CEPA with 13 potential trading countries/trade organizations such as India, China, Japan, Singapore, Indonesia, Sri Lanka, Malaysia, Nepal, USA, Canada, Eurasian Economic Union, ASEAN, and Mercosur has been prepared. A preliminary draft of the Regional Trade Agreement (RTA) Policy Guideline has been prepared with the aim of signing bilateral trade agreements with various countries. Bangladesh government is also pursuing getting EBA-like transition periods beyond graduation from key trading partners.
59. **European Union.** Bangladesh now benefits from Everything But Arms (EBA), a special GSP scheme of the European Union. This unilateral, Duty-Free Quota Free (DFQF) market access is granted by the EU to the Least Developed Countries (LDC) of the world. On 22 September 2021 European Commission proposed the EU's new Generalised Scheme of Preferences (GSP) for the period 2024-2034. The European Commission, the European Parliament, and the Council are now engaged in discussion (trio discussion) on the proposal to finalize it by the end of 2022. Once adopted, the new GSP Regulation will apply from 1 January 2024 following the expiry of the current GSP Regulation on 31 December 2023.
60. The vulnerability criterion under the new proposal has removed the import share condition. So, it now only contains the diversification condition, which stipulates that the seven largest sections of GSP covered imports must constitute 75 per cent of imports from the beneficiary country. The sustainable development criterion under the new proposal requires the exporting country to have ratified and effectively implemented 32 international conventions (increased from 27 under the existing GSP regulations) on labor rights, human rights, environmental protection and good governance.
61. Under the proposed GSP provisions, Bangladesh is likely to qualify for GSP+. However, the new proposal maintains safeguard mechanisms in textile, agriculture and fisheries sectors (Section II, Article 29), which, if remain unchanged, will create difficulties for Bangladesh's apparel exporters to avail the GSP+ facility.
62. The new proposal has reduced the threshold for product graduation for apparels from 47 per cent of total GSP covered imports under the current regulation to 37 per cent. Bangladesh's current share in EU GSP-covered import in the relevant product group is almost 50 per cent. Thus, under the proposed regulation, Bangladesh's apparel exporters will not receive the GSP benefits.

63. Accessing GSP+ or Standard GSP would require fulfilling more stringent rules of origin (RoO) provisions. RoO provisions for clothing items change from single to double transformation (i.e., domestically produced fabrics will be needed in garment making), while a minimum local value-added of 50 per cent for all other products will be a precondition for access GSP benefits.
64. The European Union is the largest export destination for Bangladesh. More than 58% of Bangladesh's exports, dominated by RMG, are destined for the EU. Therefore, the relaxation of the safeguard clause in the proposed new GSP scheme is very important for Bangladesh RMG sector which provides 4 million female jobs and contributes to women empowerment.
65. Given the long onslaught of the global pandemic and its after-effects coupled with prevailing economic uncertainty, United Nations Committee for Development Policy (UNCDP) may take an effective initiative to extend the EBA scheme at least for 06 years after graduation of the LDCs to facilitate a smooth transition.
66. **Alternate to subsidy and cash incentives.** Finance Division has recently sent a letter to ERD requesting to conduct a study/ research on “Subsidy and cash incentives– finding WTO compliant alternatives after graduation” for Bangladesh under the UN-CDP sponsored Service Offering Lines (SOL).
67. **Trade facilitation.** Trade facilitation is particularly important for LDCs, where the time and cost of trading across borders are high. Border inefficiency and regulatory uncertainty are key barriers to boosting trade in low- and middle-income countries like Bangladesh even when tariffs are low. The seriousness of the Government for sustainable graduation has placed the improvement of trade facilitation at the forefront to create enabling trade and business environment. Many reforms are pushed forward as the fast track to bringing efficiency, reducing costs, and remaining competitive in the market. Bangladesh is implementing various provisions of the WTO Trade Facilitation Agreement (TFA) as notified to the WTO. In some cases, particularly in the implementation of Category-C provisions of the TFA like the establishment of a National Single Window, various development partners are providing support. However, more support is required before the expiry of the preparatory period to make maximize the utilization of the LDC-specific flexibilities available under the TFA.
68. **Logistics improvement.** Efficient port handling by reducing time and paperwork is one of the key priorities for policymakers. A new deep seaport, **Payra**, has recently started its operation, which is expected to significantly contribute to the business. In response to the country's expanding needs, a modern, environmentally-friendly seaport is being created in South Bengal. The infrastructural work was confirmed, and the seaport officially began its journey on August 13, 2016.
69. The construction of a container terminal, bulk terminal, multipurpose terminal, passenger terminal, water treatment facility, power plant, modern city, airport, and economic zone are among the 19 component works currently ongoing. All of these development efforts are underway, intending to transform **Payra** into a world-class modern port by 2023 and a thriving economic hub by 2035⁷.

⁷ <https://www.thedailystar.net/views/opinion/news/payra-seaport-another-step-towards-prosperity-2986241>
accessed on 28 October 2022

70. There are over a hundred **ship-building factories** in Bangladesh and the industry itself is fast-paced. Bangladesh's potential market share in the global shipbuilding sector, on the other hand, is around USD 400 billion. If this sector develops around the Payra Port, we believe Bangladesh will soon be the world's second-largest exporter. Because transportation and supply of commodities are easier and cheaper than by road, this port will be able to make a substantial contribution to the supply of cement clinker and food grains in Khulna and Madaripur through Barishal.
71. It is a port developed near the sea; other countries will be interested in using the transit services. Payra Port has the potential to become one of the most important ports due to its geographic location. The port will be well connected by multimodal transportation to facilitate trade, business, and tourism.
72. The port will be able to accept large commercial boats with a capacity of 3,000 TEU or 40,000 BWT of cargo once the dredging is completed in 2023. It is expected that the development of this port will substantially stimulate the economy, resulting in a 2 percent GDP increase.

COVID recovery and inclusive growth

73. The Bangladesh government has undertaken a comprehensive economic recovery program containing 28 fiscal and stimulus packages to the tune of Tk. 2.37 Trillion (USD 26.9 billion), which is 5.98 percent of the GDP in FY22. Out of these 28 packages, 20 packages of TK 926.79 have been implemented through direct budgetary allocation. The budget deficit was raised to 6.0% of GDP in FY21 from the threshold of 5.0% of GDP to implement the fiscal packages. The remaining 8 packages of TK 1450 billion are being implemented through Bangladesh Bank and commercial bank channels, and for that, the Government's interest subsidy in three years will amount to around TK 12,000 crore.
74. The onslaught of COVID-19 has exposed the huge social vulnerabilities and the need for scaling up spending on human development, especially healthcare, education, and social protection. With the present low level of resource mobilization and the need for maintaining fiscal prudence, it would be difficult to maintain the required amount of expenditure on health, education, and social protection. However, the 8th FYP spells out the necessary investment in health, education, and social protection to keep up the wheels of development till 2025. The following table shows the allocation of government funds in these key sectors.

Table 2. Public Spending Priorities (% of GDP)

Expenditure Item	FY19	FY25
Education	2.2	3.0
Health	0.7	2.0
Social Protection (w/o civil service pension)	1.2	2.0

Source Ministry of Finance and 8FYP Projections

75. The comprehensive recovery plan included four main strategies. Firstly, discouraging luxury expenditures and prioritizing government spending that creates jobs. Due to sound macro-fiscal operation by the government during the last ten years, the debt-to-GDP ratio remains low which has provided us a cushion against increasing public spending to overcome the crisis. Secondly, creating loan facilities through commercial banks at the subsidized interest rate for the affected industries and businesses so that they could revive their economic activities and

maintain competitiveness at home and abroad. The third strategy was to expand the coverage of social safety net programs to protect the extremely poor and low-paid workers of the informal sector from the sudden income loss due to the pandemic. The final strategy was to increase the money supply to the economy.

76. The main objectives of these fiscal and stimulus packages are to retain jobs, restore demand, maintain supply chains, create new jobs for the jobless, revive the rural economy, increase social security and ensure food supply. Out of the total announced allocation of Tk. 2.37 trillion for the 28 packages, Tk. 1.51 trillion has been implemented till July 2022, which is 63.68 percent of the total allocation. These fiscal and stimulus packages are still in place. Moreover, at the beginning of the current FY2022-23, an additional Tk 300 billion has been added to the working capital facility package for the affected industries and service sectors, and Tk 200 billion has been added to the working capital loan facility package for small (including cottage industries) and medium industries.

Ensuring food security

77. **Food insecurity:** Due to the crisis between Russia-Ukraine the negative impact on food security in Bangladesh may be challenged, as the disruption of global trade of essential foods like wheat, vegetable oil, fertilizer, etc. Dependent on imports of those items to feed its large population, the country faces challenges in food security including price hikes.
78. Food security is achieved only when all four dimensions namely food availability, food access, food utilization, and sustainability are assured. Whenever any one or more dimension is disrupted, we face food insecurity. Bangladesh is one of the most populous and vulnerable countries in the world. As production was hampered due to lockdown and social distancing, one of the goals of the government of Bangladesh was to ensure food security, adequate food supply, and nutrition for this huge population during and after the pandemic.
79. The agricultural sector of Bangladesh showed resilience during the pandemic. The remarkable progress in terms of agricultural production has significantly influenced the growth of the economy. The growth of major food grain crops in Bangladesh is noticeable. The resilience of Bangladesh in addressing economic and social risks is well appreciated. The COVID-related risks posed to the economy, society and environment would likely be recovered quickly compared to many other LDCs.
80. **Fertilizer costs:** Bangladesh agriculture, particularly rice production, relies heavily on the use of fertilizers. Bangladesh generally imports over 1.2 million tons of fertilizer annually, including 31% of nitrogen needs, 57% of phosphate needs, and 95% of potash needs. Russia and Belarus are the main exporters and the war, including export sanctions aimed at Russia, has disrupted these markets as well. Bangladesh imports almost 75% of its potash needs from Russia (34%) and Belarus (41%). Bangladesh will likely have to source these ingredients from other countries and pay higher prices. Resulting in lower input use—particularly of nitrogen-based fertilizers—could reduce rice production, increasing demand for rice imports. (Sources: IFPRI).
81. **Some key policy measures.** Some measures have been sorted out to address attaining and maintaining food security. Some key measures are as follows:

- **Stable National Buffer Stock:** Besides the internal collecting process, imports are carried on too and stored in various food warehouses like Local Storage Depot (LSD), Central Storage Depot (CSD), and silos and distributed to the public. At present, Bangladesh has 6 Silos, 12 CSDs, and 632 LSDs for the purpose.
- **Social Safety Net Programs Extension.** An important and populous program is Open Market Sale (OMS), run by the Ministry of Food.
- **Enhancing Storage Capacity.** A decision has been taken to construct new food warehouses/ Godowns in different parts of the country to ensure the fair price of food grains produced by the farmers. As a part of this effort, to strengthen local/regional food grain collection and distribution system to ensure food security, 8 modern steel silos with a total capacity of 5 lakh 35 thousand 500 metric tons will be constructed at 8 strategic locations in the country to maintain normal food supply in the country during and after the disaster.
- **Developing Distribution Management.** To modernize food grain collection, storage, and distribution management at the Government level, Online Food Stock and Market Monitoring System have been introduced.
- **Distribution of Household Silos.** In Bangladesh, grains and seeds stored in conventional containers are not suitable for consumption or use when everything is submerged due to high water flow during disasters like floods and cyclones. In this context, the Ministry of food has distributed 800 thousand household silos, among 800 thousand of families of ultra-poor and underprivileged people living in the coastal and disaster-prone areas of the country.

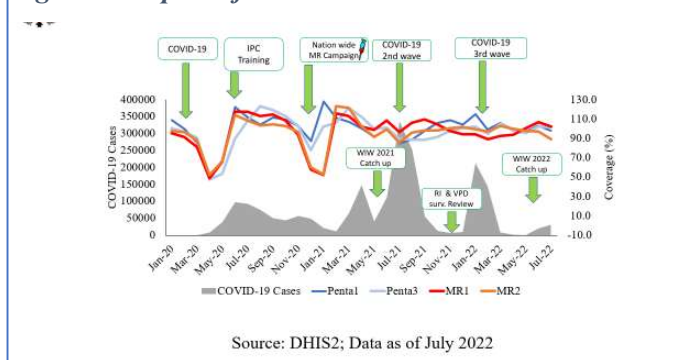
Managing Health

82. COVID-19 has directly affected the health sector of Bangladesh seriously which was then expanded to every stratum of the society and the economy. The COVID-19 crisis caused a particularly distressing drop in access to maternal, neonatal, child, and adolescent health and nutrition, family planning, and immunization services, threatening progress on maternal and new-born health indicators. The COVID-19 pandemic has serious long-term impacts on nutrition risks and service delivery. With the existing high prevalence of under nutrition in the country in both urban and rural areas, the impact of COVID-19 on nutritional status is likely to have immediate and long-term effects, especially among infants and young children and pregnant and lactating women, as both quantity and quality of services are observed to have declined as a result of the COVID-19 pandemic.
83. **Non-communicable diseases.** COVID-19 has exacerbated a widening gap between the need for and access to mental health services. The disruption of care for some disorders, such as epilepsy, depression, and unaddressed suicide risk, including disrupted harm reduction services and drug overdose treatment, resulted in a deteriorating situation. It also disrupted services and impacted 'Essential Health Services since March 2020. Such as average care seeking of a pregnant mother for antenatal care (reduced by 19%), institutional delivery (reduced by 23%), and family planning services (oral contraceptives reduced by 24%)⁸.

⁸ Data source: MIS, DGHS & DGFP, 2019-2021

84. **Impact on immunization.** Like many other countries of the world, the sudden emergence of the Covid-19 pandemic had an impact on the routine immunization system in Bangladesh as well (figure 2). Apart from the vaccination coverage, it hurt the surveillance system too. Thanks to the timely and extraordinary efforts made by the EPI, the country was able to tackle those deteriorating impacts and pull the coverage back on track.

Figure 2. Impact of COVID on EPI



85. **Drive towards recovery from COVID-19 damages.** Since the beginning of the Covid-19 era, Bangladesh adopted the “whole of the government” approach to ensure an interactive process among all ministries and to achieve the best results through openness, sharing of information, and cooperation amongst all concerned.
86. **New recruitments of health personnel.** 11,136 physicians, 6000 nurses, 409 anesthetists, 202 lab technicians, 381 pharmacists were recruited and 2567 manpower of different categories were outsourced for providing healthcare services across the country.
87. **Training and capacity development.** Training is provided to frontline workers throughout the country to manage covid patients. In 64 districts about 5100 doctors, 1700 nurses were trained by Communicable Disease Control (CDC) unit, DGHS on clinical management and infection control. Dedicated hospitals, field hospitals, laboratories, and diagnostic centers for covid patients were established in this period. COVID testing capacity was expanded all over the country at a significant level.
88. Hospital capacity was expanded including additional beds dedicated to COVID-19 patients as well as a number of ICU and HDU beds not only in the tertiary level hospitals but also in the district and Upazila level hospitals.
89. The government ensured adequate oxygen supply, oxygen concentrators, liquid oxygen tanks, Central Oxygen Systems, and oxygen cylinders with required accessories for oxygen therapy at hospitals at different levels. All the facilities have been provided with and ensured adequate medicines and consumables.
90. **Virtual health support.** About 80% of COVID patients did not require hospitalization but required home care, assurance, and follow-up. Telemedicine services were ensured for such patients. Currently, there are several digital platforms such as Shastho Batayon 16263/333/10655, and national health call centers that provide 24/7 teleservices for COVID-19 management.
91. **Successful vaccination program.** The country-wide vaccination program was started on February 7th, 2021. With the wisdom, foresight, and prudent diplomatic measures of the Honorable Prime Minister, Bangladesh secured adequate vaccine stock. The Ministry of

Health & Family Welfare (MOHFW) procured more than 200 million doses of vaccines as well as collected almost equal amounts of vaccines through a bilateral relationship with other countries and COVAX facilities. As of 06 November 2022, the status of the vaccination program is as follows:

Table 3. Status of Vaccination Program as of 6 November 2022

<i>Dose</i>	<i>No of vaccinated Peoples</i>	<i>Achievement against Target (%)</i>	<i>Achievement against Total Population (%)</i>
<i>First Dose</i>	141.27 million	118.49 (%)	82.95 (%)
<i>Second Dose</i>	124.24 million	104.21 (%)	72.94 (%)
<i>Third Dose</i>	58.04 million	46.71 (%)	-

92. As a result, Bangladesh has been able to manage this COVID-19 pandemic considerably well than many other countries in the world. According to the Nikkei *Covid-19 Recovery Index* published on 05 May 2022, Bangladesh has ranked 5th out of 121 countries in the world and ranked the highest among the South Asian countries.

Managing Education

93. To mitigate the impact, educational institutions have responded to the closure differently in different contexts with a range of options for students, teachers, managers, and parents, depending on the resources, both materials and human, available to them. Most of the options have to incorporate innovative technologies (e.g., digital and mobile technologies combined with traditional technologies such as radio and TV) to provide at least some form of educational continuity. As distance and online education is dependent on technological facilities, including the internet and Wi-Fi, the discrepancies that exist in their availability are widening the gaps in access and quality of education.
94. The direct impact of COVID-19 has been visible considering the discontinuation of around 36.8 million students from learning. The key negative impact that the education sector has experienced and would experience in near future are presented below:
- **Learning loss due to disruption and discontinuation at every level of education**
 - **Increasing risk to learning outcomes and assessment:** National Student Assessments revealed that among Grade 3 students, 62 percent did not accomplish grade-relevant competencies in Mathematics. Among grade 5 students, grade-relevant competencies were reached by only 36 percent of students in Bangla and only 24 percent of students in Mathematics. At the Grade 8 level, only 44 percent and 35 percent of students achieved grade-relevant competencies in English and Mathematics, respectively.
 - **Inequality in learning and education creates a divide in the society**
 - **Increase in dropout rate resulting in more out-of-school children (OOSC).** The increase in school drop-out will most likely also lead to an increased adolescent fertility rate and higher occurrence of early marriage and child labor.
 - Prolonged absence and disengagement from teaching and ongoing professional training will affect the quality of teaching
 - **Health and nutrition of school children due to missed school feeding program**

- **Gendered impact of school closures:** Girls are more likely to have dropped behind in their schooling than boys, especially in disadvantaged families. During school closures, girls are more vulnerable and may be at increased risk of gender-based violence (GBV) including sexual exploitation and abuse violence, as well as child marriage. Boys, from poor families, are more likely to be under pressure to support their families' livelihoods and may discontinue school by taking up daily labor.
95. **Strategy for sustainable development.** The Government proposed initiatives properly following the guideline and strategy of ‘The Covid-19 Response and Recovery Plan for Secondary Education Sector in Bangladesh’ developed in May 2020 by the Ministry of Education. The Perspective Plan of Bangladesh (2021-2041) recommends that ‘strong emphasis will be placed on science, mathematics and language skills. ICT education will be emphasized from the primary level.’
96. **The 8th Five Year Plan (FY 2021-FY2025)** emphasizes ‘A holistic approach and a regulatory framework for skill development will be adopted, where all tiers of education and vocational training will be interlinked’. The progress review report of the Master Plan for ICT in Education (2012-2021) recommends ‘Mapping of existing resources and maximizing utilization and ensuring inclusiveness to avoid digital divide.’ Non-Formal Education Act 2014, SDG4 Strategic Framework, and Education Sector Plan (ESP) also prioritize the use of ICT in education. This initiative is closely aligned with the commitment of the National Education Policy 2010, National ICT policy 2018, and National Skills Development Policy 2020 (proposed) of Bangladesh. Considering all possible technologies (high-tech, low-tech, and no-tech) and media applicable in both online, offline, and blended learning environments with a focus on equity, inclusivity, and quality. This **strategy** will prioritize:
- Capacity building of teachers and education officials’ through self and blended learning approach.
 - Integrating remote learning into regular school education and ensuring sustainability.
 - Ensuring accessibility and connectivity for digital learning.
 - Developing an online and blended learning assessment system
97. The government took has undertaken the following initiatives:
- **Alternative Teaching. Amar Ghore Amar School (My School in My Home):** Bangladesh Television has been broadcasting key subjects of class VI to X since March 29, 2020. Digital content has been prepared by Startup Bangladesh Limited Company and initiatives have been taken to create 2,500 classes up to 6th-9th class;
 - **Online class.** Educational Institutions are conducting online classes. Students get the opportunity to participate in these online classes from remote areas. These virtual classes remove the monotony of the students and can also be re-watched later through YouTube/Facebook.
 - **Assessment through assignments.** Online classes have been started at Public & private colleges and 8,000 lectures have been uploaded online in 31 disciplines under National University. Students can view the lectures by logging on to the dedicated website.

Climate change management

98. Bangladesh is the 7th most climate-vulnerable country in the world, while its contribution to global warming is negligible (contributes less than 0.48% of global emissions)⁹. Under the robust leadership of our Hon'ble Prime Minister, Sheikh Hasina, the Bangladesh Government is striving hard to continue economic development while keeping an eye on achieving climate resilience.
99. **Bangladesh Climate Change Strategy and Action Plan (BCCSAP)** is a 10-year program, built on six thematic areas, five focused on adaptation and the sixth on mitigation. Recently, the Government has drafted a revised BCCSAP and it is now consisting of eleven thematic areas with newly added key aspects like natural resources management, gender, and urban dimension of climate change.
100. The government established **Bangladesh Climate Change Trust Fund (BCCTF)** in FY 2009-10 from its own resources becoming a pioneer among developing countries. To run this fund, the government established the Bangladesh Climate Change Trust Fund Board and enacted the Bangladesh Climate Change Trust Fund Act in 2010. The BCCT has undertaken about 851 projects so far with an investment of around 490 million US dollars to implement strategic actions of the BCCSAP which mainly focus on adaptation, mitigation, and climate change research.
101. Bangladesh adopted **Climate Fiscal Framework (CFF)** in 2014 (updated in 2020) to make climate inclusive Public Financial Management (PFM) system. The cumulative budget allocation of the most relevant twenty-five Ministries/Divisions accounts for 55.82% of the total national budget for FY2022-23. Besides, the climate-relevant budget allocation accounts for 8.07% of the total national budget for FY2022-23. Over the last eight years, the climate-relevant allocation has increased by two and a half fold from around US\$ 1.44 billion in FY2015-16 to around US\$ 3.08 billion in FY2022-23¹⁰.
102. Bangladesh revised and submitted an updated **Nationally Determined Contribution (NDC)** on 26 August 2021, committing to reduce its GHG emissions by 27.56 Mt CO₂e (million tons carbon dioxide equivalent) or 6.73% below business as usual (BAU) in 2030 as an unconditional contribution while reducing an additional emission by 61.91 Mt CO₂e or 15.12% below BAU in 2030 as a conditional contribution. Therefore, Bangladesh will reduce its GHG emissions by 89.47 Mt CO₂e or 21.85% below BAU in 2030.
103. Currently, the country has formulated the draft **National Adaptation Plan (NAP)** which will primarily encompass eight distinct sectors and considers 11 climatic stress areas. The estimated cost for the implementation of 113 interventions, including 90 high-priority and 23 moderate-priority is around US\$ 230 billion for 2023-2050.
104. Bangladesh has formulated the **Bangladesh Delta Plan (BDP) 2100**, a 100-year strategy to deal with the riverine and coastal adaptation issues especially, to secure the future of water resources and mitigate the likely effects of climate change and natural disasters. In recognition

⁹<https://www.climatewatchdata.org/ghg-emissions>

¹⁰https://mof.portal.gov.bd/sites/default/files/files/mof.portal.gov.bd/page/6e496a5b_f5c1_447b_bbb4_257a2d8a97a1/Climate%20Reports%202022-23.pdf

of Bangladesh’s progressive role in addressing climate change at the National and International levels, the Global Commission on Adaptation (GCA) has established a **GCA Regional Centre for South Asia** in Bangladesh.

105. As the then Chair (2020-2022) of the Climate Vulnerable Forum (CVF), Bangladesh has already drafted the “**Mujib Climate Prosperity Plan 2022-2041**,” with the vision of achieving energy independence (maximizing its share of renewable energy & energy efficient technologies) and setting Bangladesh's trajectory from vulnerability to resilience to prosperity (VRP).
106. To pursue a **low-carbon pathway**, Bangladesh took the following initiatives:
 - **Bangladesh canceled 10 coal-based power plants worth 12 billion dollars of foreign investment**
 - **Solar Power:** 708.17 MW capacity solar power plants have already been installed. An additional 1625.79 MW solar power plant is also being established.
 - **Improve Cook Stoves:** To reduce emissions from biomass burning, over 4.5 million Improve Cook Stoves (ICSs) have already been distributed in rural areas across the country.
 - **Improved Rice Parboiling System:** The government has taken initiatives to promote an improved rice parboiling system to reduce carbon emissions and ensure energy efficiency.
 - Construction of **Mass Rapid Transit (MRT) and Bus Rapid Transit (BRT)** is ongoing in Dhaka which will significantly transform our transport sector.
 - Bangladesh has recently drafted **National Solar Energy Roadmap, 2021-2041**, and set a time-bound achievable target of 30 GW by 2041.
 - The government has planted 5.4 million Palm trees to reduce the risk of death due to lightning.

Expectations from International Community on Climate Financing

107. Bangladesh has access to resources available from Green Climate Fund (GCF), Least Developed Countries Fund (LDCF), Adaptation Fund (AF), and other bilateral and multilateral funds. However, international financial resources are insignificant compared to its requirements. Bangladesh has accessed climate finance from the following global funds:

Table 4. Climate finance from external sources

SL.	NAME OF THE FUND	APPROVED PROJECT	FUNDS (MILLION \$)		
			Grant	Loan	Co-finance
1.	Green Climate Fund (GCF)*	05	101.14	250.00	156.66
2.	Least Developed Countries Fund (LDCF)	07	34.41	-	187.94
3.	Adaptation Fund (AF)	01	9.99	-	-
4.	Global Environment Facility (GEF) **	08	24.66	-	402.62
5.	Climate Bridge Fund	-	30.00	-	-
TOTAL			200.20	250.00	747.22

* Considering only national projects and projects under the climate change thematic areas only

108. The government has already undertaken about 800 projects so far with an investment of around 480 million US dollars to implement strategic actions of the BCCSAP which mainly focus on adaptation, mitigation, and climate change research. However, the implementation of the 8th Five Year Plan (8FYP), including the NAP, NDC, MCCP, and BDP along with other planned activities and projects aligned with SDGs, Bangladesh will need substantial international financial resources, technology transfer, and capacity-building support for both adaptation and mitigation activities to achieve climate resilience.

Prudent macroeconomic management

109. Bangladesh has shifted from a predominantly agricultural economy to an industry- and service-led economy which is the manifestation of structural transformation toward higher value-adding activities in the economy.

Table 5. Structure of the Economy (percent of GDP at constant prices)

Sector	FY1990	FY2000	FY2010	FY2020
Agriculture	24.7	21.3	18.4	12.0
<i>share of non-crop agriculture</i>	35.8	41.8	41.3	52.4
Industry	18.0	22.9	26.8	34.9
<i>of which manufacturing</i>	64.6	63.9	64.2	64.1
Services	57.2	55.8	54.8	52.5

110. **Macroeconomic measures in the wake of Russia-Ukraine war.** The government's main strategy is to enhance supply keeping the demand unaffected. Therefore, in allocating the operation budget of the government, savings that are gained through reducing luxury and less important expenditures, these savings are directed to more productive functions. For keeping import spending at a reasonable level, the import of luxury goods and commodities that are locally produced has been discouraged. Priority, as well as additional allocation, are being made to those development projects that will generate higher employment and boost output. Relevant policy support will be given in the medium term to facilitate the growth of private sector investment. Import-dependent and less important government expenditures are stopped or reduced. The pace of implementation of low-priority projects is lowered while enhancing the implementation of high and medium-priority projects. The sales price of fossil fuel, gas, electricity, and chemical fertilizers will be adjusted gradually. The automation process regarding tax collection will be expedited to gear up revenue mobilization activities and VAT and income tax coverage will be expanded. Import of luxury and dispensable goods will be restrained and under/over-invoicing will be cautiously monitored.
111. Ministry of Commerce has been taking various measures to overcome the impacts of the supply chain disruption due to the Ukraine-Russia War. Import permission for essential commodities including rice is being given by the Ministry of Commerce in the shortest possible time. To keep the supply chain uninterrupted, the market monitoring system all over the country has been strengthened so that price of daily commodities remains within the reach of the general people. Under a special program, the Trading Corporation of Bangladesh (TCB) is selling some essential food commodities country-wide at a subsidized price to low-income earners.
112. The Bangladesh Bank has undertaken several policies to incentivize import-substituting economic activities to release the existing depreciating pressure on the exchange rate which will protect the country's foreign exchange reserves and stabilize inflation.

113. To maintain the growth momentum and for mitigating the adverse impacts of those global crises, Bangladesh Bank has been formulating and implementing its money and credit policy to maintain desired GDP growth momentum alongside keeping inflation at a tolerable level in line with targets set in the national budget. In addition, Bangladesh Bank is continuously formulating and implementing several policies regarding credit growth, interest rate, foreign exchange reserve, remittance, and Foreign Direct Investment (FDI) especially for sustaining growth and overall developments of the Bangladesh economy and smoothing its transition toward non-LDC developing country status.
114. **Monetary Policy Stance for FY23.** The FY23 monetary program has been formulated based on the targeted real GDP growth of 7.50 percent and the CPI-based average general inflation ceiling of 5.60 percent as declared in the national budget of the current fiscal year. To signal the market and properly manage the demand side pressures for FY23, meanwhile, BB has increased the repo rate by 75 basis points to 5.75 percent from 5.00 percent. The broad money growth target ceiling has been projected at 12.10 percent for FY23, consistent with the real GDP growth target and CPI-based average general inflation ceiling. Considering the necessary outlays for ongoing mega projects and the COVID-19-related stimulus packages of the government, the public sector credit growth ceiling is programmed at 36.30 percent, and the private sector credit growth at 14.10 percent for FY23. As a result, the domestic credit growth for FY23 is projected at 18.20 percent.
115. Bangladesh Bank's monetary policy aims to discourage imports of luxury goods, fruits, non-cereal foods, canned and processed foods, etc. to reduce exchange rate depreciating pressure, protect foreign exchange reserves erosion, and contain inflation. Besides, Bangladesh Bank's employment, investment, and output augmenting policy initiatives through ensuring the required flow of funds to the priority sectors, such as agriculture, CMSMEs, manufacturing, services, etc. are continuing in the current fiscal year to promote supply-side activities. In the wake of the COVID-19 pandemic, Bangladesh Bank took some relaxed monetary policy measures since the start of the pandemic and ensured some low-cost loanable funds in the hands of banks and FIs to recover the economic activities. Bangladesh Bank also took the responsibility of implementing a large segment of the Government's stimulus packages to counteract the economic adversity of the said pandemic.
116. **Foreign Exchange Reserve.** The economy of Bangladesh is being affected by the worldwide stagnancy of economic activities caused by the Russia-Ukraine war. The increase in the price level worldwide including that of food and energy has led to the increased cost of import which subsequently raised pressure on the demand for foreign currency. As a result, the foreign exchange reserves have somewhat fallen in the last fiscal year which is continuing in the recent months of the current fiscal year. As per the latest available information, in FY22 the foreign exchange reserve decreased to USD 41.83 billion from USD 46.39 billion in FY21. As on October 13, 2022, the country's foreign exchange reserve further decreased to USD 36.33 billion.
117. To prevent this sharp decline of foreign exchange reserves, Bangladesh Bank has taken various steps like limiting the foreign visits of government officials to save foreign currency, reducing net open position (NOP) of foreign exchange holding limit of commercial banks by half, reducing the limit of the deposit to Exporters Repatriation Quota (ERQ) accounts by half with encashment facility of 50 percent of the balances of these accounts, transferring of foreign exchanges of offshore units to internal banking units; limiting the import of expensive cars, cosmetics, all types of foreign fruits, gold ornaments, readymade garments, household electric

equipment, and beverages, etc. Bangladesh Bank has introduced a low-cost refinance scheme applicable to local essential food items. The inward remittance, an important channel of foreign exchange accumulation in Bangladesh is being facilitated with 2.5% cash incentives.

External debt management

118. Bangladesh has been maintaining macroeconomic stability and making rapid development with low external debt compared to its economic size. The Joint World Bank-IMF Debt Sustainability Analysis, published in April 2022, found that Bangladesh remains at low risk of external and overall debt distress.
119. Bangladesh's resilience to external shocks is the manifestation of prudent debt management and inherent structural strength. Exports have remained at a satisfactory level; remittance flows are buoyed by well-managed government policy and better debt management allowed the country to better utilization of external resources and absorb global economic or financial shocks.
120. The amount of fixed-rate loans with long tenors and highly concessional interest rates that Bangladesh had been receiving from the IDA window of WB, Asian Development Fund of ADB, and Japan are also getting drastically reduced. The share of variable cost (LIBOR-based) loans in the portfolio has presently reached nearly ten percent and is likely to see further increase as more and more commercial and non-concessional loans are taken by the government in the coming days for infrastructure investments.
121. Bangladesh's capacity to repay foreign debts however remains strong in the medium term as the debt repayment in FY 2020-21 represents only 5.7 percent of exports and 3.6 percent of GOB revenue earnings. These are much lower than the upper ceilings of 21 percent and 23 percent for the two variables at which point debt stress is seen to creep in for countries at the development stage as Bangladesh.

Table 6. Bangladesh- Debt Sustainability Analysis

	Actual		Projections								
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2032	2042
External debt (nominal 1/	19.8	18.5	19.8	18.1	17.2	16.4	15.8	15.2	14.8	13.4	11.8
of which public and publicity guaranteed (PPG)	15.1	16.5	17.5	16.7	15.8	15.2	14.7	14.2	13.8	12.8	11.6
Net Current transfer (negative=inflow)	-5.6	-5.8	-7.1	-5.2	-4.8	-4.4	-4.1	-3.8	-3.6	-2.5	-1.0
Net FDI (Negative=inflow)	-0.9	-0.4	-0.4	-0.4	-0.4	-0.5	-0.8	-1.0	-1.1	-1.6	-2.6
Sustainability indicators											
PV of PPG external debt-to- GDP ratio	-	-	12.1	11.5	10.9	10.5	10.2	10.0	9.8	9.4	9.6
PV of PPG external debt-to- exports ratio	-	-	97.5	88.1	89.4	91.9	91.3	90.8	90.7	93.4	93.2
PPG debt service-to-exports ratio	5.3	6.1	5.5	11.5	9.9	8.6	7.9	7.5	7.6	7.0	8.3
PPG debt service-to-revenue ratio	8.7	7.5	6.3	14.0	11.0	9.1	8.2	7.6	7.6	6.5	7.8
Gross external financing need (Millions of U.S. dollars)	16,55 4.2	17,120.1	9,198.4	19,235.8	14,675.8	14,675.8	14,264.7	13,900.1	14,394. 9	15,266.6	33,931.6
Key macroeconomic assumptions											
Real GDP growth (in percent)	8.2	3.5	5.0	6.6	7.1	7.2	7.2	7.1	6.9	6.5	6.5

	2019	Actual 2020	2021	2022	2023	2024	Projections				
							2025	2026	2027	2032	2042
Government spending excluding grant (in percent of GDP)	9.4	9.7	10.9	10.8	10.9	10.8	10.8	10.8	10.8	10.8	10.8
Aid Flows (in Million of US dollars) 5/	6,466.1	7,298.0	6,948.9	1,581.3	1,581.3	1,591.3	1,591.3	1,591.3	1,592.3	1,597.3	1,611.3
Nominal GDP (Million of US dollars)	302,571	323,057	357,097	397,227	440,266	482,983	529,844	580,710	635,270	986,020	2,458,415
Nominal dollar GDP growth	10.40	6.80	10.50	11.20	10.80	9.70	9.70	9.60	9.40	9.00	14.90
Memorandum items											
PV of external debt 7/	-	-	14.4	12.9	12.2	11.8	11.4	11.0	10.7	10.0	9.8
In percent of exports	-	-	116.2	98.4	100.5	102.6	101.3	100.1	99.3	99.3	95.5
Total external debt service to exports ratio	33.0	35.6	13.9	21.7	14.3	14.0	12.9	12.2	11.9	9.9	9.4
PV of PPG external debt (in millions of US dollars)			43228.1	45666.3	47887.3	50864.6	54278.5	58047.5	62282.5	986.0	234908.5

Source: World Bank- IMF joint debt analysis, April 202 available at <https://documents1.worldbank.org/curated/en/519861650380988320/pdf/Bangladesh-Joint-World-Bank-IMF-Debt-Sustainability-Analysis.pdf>

FDMN and multifarious socioeconomic implications

122. More than 1.1 million Forcefully Displaced Myanmar Nationals (FDMN) are being generously hosted by the people and Government of Bangladesh in Cox's Bazar and on Bhasan Char. The 2017 influx exacerbated the demand for limited natural resources, food, and livelihood opportunities, in an already fragile ecosystem. Immediately following the influx contributed to a significant loss of vegetation and the dependency on firewood resulted in an increased risk of landslides, soil erosion and flooding, loss of flora and fauna biodiversity, and shrinkage of the habitat of endangered Asian elephants.
123. The socioeconomic implications of a large number of FDMN are also very high. The interaction with the host community creates various socioeconomic challenges including security concerns, unethical practices, rising religious extremism, immoral activities, and squeezed or limiting facilities and access to amenities for the host community.
124. There are a few detailed studies on the socio-economic, environmental, and security impacts of prolonged hosting of the Forcibly Displaced Myanmar Nationals at Cox's Bazar and Bhasan Char. According to the Ministry of Disaster Management and Relief, Bangladesh Government expenditure up to FY 2021-22 for the FDMNs is USD 1.69 Billion. According to research on the sectoral costs of the Rohingya Crisis, the total cost up to FY 2023 was estimated to be more than 7 Billion USD (Centre for Policy Dialogue, 2018). However, it is mentionable that the research was done in October 2018 and had not considered any uncertainties like the COVID pandemic and global recession, which could have made the figure much higher.
125. The World Bank, under the IDA18 Sub-Window for Refugees and Host Community (RSW), has made the maximum country allocation to Bangladesh of USD 500 million in grant form out of the global USD 2 billion of dedicated funding. These covered 6 projects in sectors including Health, Education, Social Protection, Gender, Disaster Risk Reduction, WASH, Energy, and infrastructure. The Asian Development Bank (ADB) has provided two grants, totaling USD 141.5 million to support the refugee emergency supporting a multi-sectoral

response measure. The Government, together with its law enforcement agencies plays a lead role in ensuring the necessary framework for security.

126. Bangladesh emphasizes the peaceful resolution of the Rohingya Crisis and believes accountability can bring the trust of these persecuted people to the global system. Bangladesh has extended every cooperation in the Gambia-led case against Myanmar in the International Court of Justice (ICJ). Bangladesh has facilitated the collection of witnesses from the victims in Cox's Bazar. Apart from ICC and ICJ initiatives, Bangladesh supports universal jurisdiction cases in Argentina and assists the IIMM mechanism for collecting information from the victims of atrocities residing in Rohingya Camps in Bangladesh.

D. RESILIENCE AGAINST HEADWINDS

Doha Program of Actions

127. **Online University.** The Secretary General has been requested to undertake feasibility studies to explore the possibility of establishing an online university or other equivalent platforms to support online graduate and post-graduate university-level science, technology, and mathematics education in LDCs and recently graduated countries to provide policy support to promote distance education and open learning. It is also conceived that establishment of the online university would also facilitate the creation of a virtual network of educational institutions within and beyond least developed countries. In this regard, the Secretary General has been requested to submit a report, outlining, inter alia, the mapping of existing initiatives, possible new modalities, resource requirements, accreditation, and sustainable funding sources, to the General Assembly at its seventy-eighth session for its consideration.
128. Bangladesh recognizes the importance of establishing an online university and emphasizes the need for education, skill development, and access to technology at all levels, and mentioned that the creation of an online university for science, technology, engineering, and math would be one step in that direction.
129. **System of food stockholding.** In paragraph 42 of the DPoA, Member States recognized the need for addressing severe food insecurities and requested the Secretary General to explore the feasibility, effectiveness, and administrative modalities of a system of food stockholding for the least developed countries on a regional or sub-regional basis, or alternative means, taking into account possible economic implications and risks, and to report thereon to the General Assembly for its consideration at its seventy-seventh session. In response, the Secretary General's report entitled 'Food insecurity in the least developed countries: options for a system of stockholding and complementary means at the global, regional, and sub-regional levels' has outlined various instruments and policies and suggested creating a special food reserve system dedicated to LDCs. Such initiative would assist in distributing food to poor and vulnerable people, including through school and community feeding programs when needed to respond to environmental threats, pandemics, and other crises.

Financial Inclusion

130. India's digital payment volume has climbed at an average annual rate of about 50 percent over the past five years¹¹. Its expansion has been even more rapid—about 160 percent annually—in India's unique, real-time, mobile-enabled system, the Unified Payments Interface (UPI). The RBI (Reserve Bank of India) introduced a UPI for feature phones (older devices with buttons instead of touchscreens) that can potentially connect 400 million users in distant rural areas. According to a survey, in 2018, 92% of people in China's largest cities use Wechat Pay or Alipay as their main means of payment¹².

¹¹ <https://www.imf.org/en/Publications/fandd/issues/2022/09/Digital-Journeys-India-embraces-mobile-money-Kearns-Matthew>

¹² Accessed <https://daxueconsulting.com/payment-methods-in-china/> on 20 July 2022

131. The government needs to take an initiative for introducing digital wallets for all ensuring low transaction costs. The MSME sector would benefit most from trade and business if it could be offered at an affordable cost. It will speed up transactions, reduce costs and save time. The instrument has strong potential for MSMEs and consumers of Bangladesh and boosts the drive for the digital economy.

Role of the Committee for Development Policy (CDP)

132. While DPoA and MC12 outcome documents recognized the challenges of the graduated LDCs due to the loss of LDC-specific support measures, both the documents fell short of providing an extension of ISMs for the graduated LDCs for a specific period and in a predictable manner. The graduated LDCs are doubly jeopardized both due to the loss of LDC-specific support measures and the overlapping crises of COVID, Conflicts, and Climate Change. CDP and OHRLLS may undertake strong advocacy for drawing the attention and support of the global community to secure the legitimate appeal of the LDCs for extending ISMs for a certain period is favorably considered at the WTO. The global advocacy program undertaken by CDP and OHRLLS may include:

- Given the long onslaught of the global pandemic and its after-effects coupled with prevailing economic uncertainty, CDP may mobilize global advocacy to extend the EBA scheme for at least for 06 years after graduation of the LDCs to facilitate a smooth transition.
- To avail of the GSP+ by the RMG sector of Bangladesh, the flexibility of article 29 should be relaxed in the proposed new GSP scheme effective from 2024.
- Building agreement among advanced economies and trading partners of graduating trading partners to follow suit of the European Union's EBA like a transition period of three-year for LDCs after graduation becomes effective.
- Immediate implementation of the proposals made under SOL is important.
- Facilitating dialogues with trading partners for practicing moral and ethical trading practices in international trade and business.
- Facilitating technology and knowledge by bridging out with the advanced economies and leveraging the technology bank.
- Drawing the attention of the international community for speedy and safe repatriation of FDMN to release the fiscal, environmental, and social burden of Bangladesh.

E. CONCLUSION

134. Bangladesh is the largest LDC, expected to leave the LDC category in 2026. Because of its size of the population, the scale of its economy, market size, and global integration, the success of Bangladesh's sustainable graduation would be a great example for others to follow. Bangladesh attempts to move forward with the graduation process in a more systematic fashion. Bangladesh made the best use of available ISMs so far and therefore, the challenge due to the loss of ISMs will also be higher compared to other graduating LDCs. Bangladesh's inherent strength was macroeconomic stability and resilience- which had been tested during the peak time of COVID and ongoing global economic meltdown and fragmentation.
135. Bangladesh's policy regime has identified a comprehensive set of policy options. A strong implementation mechanism and firm commitment by the global community will be key to successful materialization. An LDC-specific financing mechanism and support will be required to ensure smooth and sustainable graduation. The UN may take initiative to mobilize resources to create a dedicated fund for LDCs' sustainable development. The fund will help the graduating LDCs to have easy and affordable access to finance for infrastructure, logistics, trade facilitation, and human development.
136. Reinventing a resilient but flexible Global Financial Architecture has become the top priority for all, especially for the LDCs and developing countries which has little fiscal space and weak capital market. Many LDCs, despite having stable macroeconomic management and solvency, the liquidity crises may melt down to exogenous shocks through global inflation spillover and volatile global financial and currency markets. The participation of the highest-level leadership at the DPoA in March 2023 may be capitalized for initiating the process with a firm political commitment.
137. Bangladesh needs focused support for its priorities identified for sustainable graduation. Development partners, global civil society, and development partners need to raise their voices on the international platform in favor of the LDCs' legitimate claim to support them when they need it most. The successive global financial crises devastated LDCs most and therefore, they need the support most. Many socioeconomic development priorities in LDCs and developing countries are unattended due to immediate urgency triggered by a global imbalance in food and energy security. A strong global partnership and prudent leadership of the advanced world will be key for a new dawn.

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Annexure 1. Updates of the indicators for graduating Bangladesh from LDC, August 2022

Indicators	UN-Review-2021		Current Status (Aug 2022)		Graduation threshold
	Value	Index	BD Avg	Index	
1. GNI Per Capita		1,827		2,478	> 1222
1.1 GNI per capita (US\$)	1,827		2,478	-	
2. Human assets index (HAI)		75.3		76.6	> 66
2.1 Under-five mortality rate (U5M)	30.8	87.4	28.0	89.1	
2.2 Maternal mortality ratio (MMR)	173.0	85.9	163.0	86.8	
2.3 Prevalence of stunting (STU)	31.0	43.0	30.2	44.6	
2.4 Gross secondary school enrolment ratio (GSSE)	72.6	69.5	74.4	71.5	
2.5 Adult literacy rate (ALR)	74.7	66.2	75.6	67.5	
2.6 Gender parity index for gross secondary school enrolment (GPIS)	1.2	100.0	1.2	100.0	
3. Economic and environmental vulnerability index (EVI)		27.2		26.7	< 32
3.1 Share of agriculture, forestry, fisheries in GDP (AFF)	13.8	21.7	12.2	19.0	
3.2 Remoteness and landlockedness (REM)	37.8	34.8	37.8	34.7	
3.3 Merchandise export concentration (XCON)	0.41	36.0	0.4	35.0	
3.4 Instability of exports of goods and services (XINR)	2.7	5.4	2.2	4.3	
3.5 Share of population living in low elevated coastal zones (LECZ)	8.4	23.9	8.4	23.9	
3.6 Share of population living in drylands (DRY)	-	-	-	-	
3.7 Instability of agricultural production (AIN)	3.1	8.4	3.1	8.4	
3.8 Victims of disasters (VIC)	3.9	87.5	4.0	88.0	

Sources:

- 1.1 UN: - UNSD National Account Main Aggregates Database, BBS-National Accounts Statistics report
- 2.1 UN-United Nations Inter-Agency Group for Child Mortality Estimation (<http://childmortality.org/>), BBS-MSVSB report
- 2.2 UN-MMEIG, BBS: MSVSB report, BBS
- 2.3 UNICEF/WHO/World Bank Joint Child Malnutrition Estimates (CME) Expanded Database 2018 data value, from 2018 DHS
- 2.4 UNESCO Institute for Statistics (<http://uis.unesco.org/country/bd>)
- 2.5 UNESCO Institute for Statistics (<http://uis.unesco.org/country/bd>), BBS- MSVSB report
- 2.6 UNESCO Institute for Statistics (<http://uis.unesco.org/country/bd>)
- 3.1 UN: - UNSD National Account Main Aggregates Database, BBS-National Accounts Statistics report
- 3.2 UN: Centre d'Etudes Prospectives et d'Informations Internationales (CEPII) (<http://www.cepii.fr>)
- 3.3 United Nations Conference on Trade and Development through its data dissemination system (UNCTADstat)
- 3.4 United Nations Statistics Division's National Account Main Aggregates Database
- 3.5 Center for International Earth Science Information Network at Columbia University. (<http://sedac.ciesin.columbia.edu/gpw/lec2.jsp>)
- 3.6 Columbia University (GPW version 4)
- 3.7 Food and Agricultural Organization of the United Nations (FAO)
- 3.8 WHO Collaborating Centre for Research on the Epidemiology of Disasters (CRED)

Annexure 2. Supports envisaged for LDC graduation UNDP under CDP framework (2022-2026)

Key Area(s) of Support UNDP	LDC-specific challenge(s) that will be addressed by the support measures
Catalyzing and institutionalizing innovative SDG financing solutions especially support for integrated national financing framework and public-private partnership;	Development finance including climate finance. Unearthing alternate sources of finance
Supporting the transition to using climate-smart, green, and digital technologies through policy, legal and fiscal reforms;	Market Access (important for receiving GSP plus considerations in the EU market); and green growth;
Strengthening resilience of the entire business supply chain with a focus on cottage, small and medium enterprises	Improving the competitiveness of SMEs to enable them to export high-value products. (Market access) Private investment.
Boosting entrepreneurship with a focus on women	Enhancing competitiveness, productive capacity; gender parity
The development of a future-proof labor market with a focus on responsive skill enhancement;	Productive capacity. Human capital development. employment generation.
Accelerating social protection system reforms for nationally appropriate universal approach; (Integrated support to informal economy will be provided through a series of interventions and existing platforms such as measures to safeguard the urban poor and new poor, social protection/cash transfer, strengthening supply chains both in rural and urban settings).	Poverty alleviation, inclusive and sustainable growth
Supporting the business sector to be human rights compliant;	Market access (important for receiving GSP plus considerations in the EU market)
Promoting risk protection through insurance and risk finance for government, individuals, and enterprises.	Private investment. productive capacity. inclusive growth.
Support capacity building on negotiation skills (trade negotiation, international finance negotiation, climate negotiation etc.)	Capacity building, Market access Resource mobilization from bilateral and multilateral sources
Through its platforms and networks well-established by e.g., a2i and the accelerator lab, UNDP will support South-South and triangular cooperation, facilitate sharing of knowledge, and experience on topics such as climate change, disaster risk and resilience, digitization, innovation, and private sector development.	Non-traditional development finance. climate change vulnerabilities.
Support regulatory reforms to improve Bangladesh's position in "Ease of Doing Business"	Investment and entrepreneurship development.

Annexure 3. ILO interventions supporting Bangladesh's graduation

Projects	Objective	Expected Outcomes	Link with LDC Graduation	Funding & Timeframe
Trade for Decent Work	Aims to promote inclusive and sustainable economic growth, employment, and decent work for all, through improved labour relations and working conditions.	Promoting labour rights, occupational health and safety, and integrated industrial strategy for the RMG sector in Bangladesh to better prepare in adopting due diligence and business competitiveness.	Providing technical support to the RMG industry by improving labour rights improving the competitiveness of the industry to prepare for a smooth transition of LDC graduation in the GSP+ era and gradual removal of free trade agreements	USD 773,039.82 2021-2023
RMGP Phase 2:	The overall objective of the program is to ensure safe and decent working conditions to contribute to improved competitiveness in the garment and other sectors in Bangladesh.	To support the Government and RMG industry in integrating and regulating effective industrial safety measurement, labor protection system, occupational safety, and health and promote improved policy practices for the equitable well-being of women and men workers.	Improving labour governance, regulations, and labor market institutions in the RMG industry for better working conditions and improved competitiveness supporting the industry to compete globally in the post-LDC graduation period to ensure high growth of export earnings for the country.	24.5 million USD 1 July 2017 – 30 June 2023
PROGR ESS	Aims to strengthen TVET and enterprise development systems, to make these more inclusive and accessible for women by working on policies, systems, and operational levels.	Increased policy support and opportunities for wage and self-employment of women within selected sectors such as green and environmentally sustainable sectors through entrepreneurship and demand-driven skills development incorporating 4IR components.	Increasing decent employment opportunities and preparing the labor force, especially women with demand-driven skills set for adapting to the technological changes and improving productivity in the trajectory of a smooth transition from LDC status and supporting the preparedness of the labor force for the post-LDC era.	15 million USD 2021-2026
SDG Finance (Joint UN Programme)	It aims at supporting the establishment of an integrated financing framework to mobilize public and private resources more effectively for attaining the SDGs	Improved and updated macroeconomic and development policy framework for financing SDGs under the context of LDC graduation and	Supporting the government in improving the policy tools and developing the road maps for mobilizing public and private resources for financing SDGs engaging with the private sector for navigating investment	203,300 USD 2020 Jun-2022 Dec

Projects	Objective	Expected Outcomes	Link with LDC Graduation	Funding & Timeframe
	by 2030. The project supports the government in estimating the gaps in SDG financing and adopting a forward-looking approach to engaging partners.	recovery from COVID-19.	scopes in the sustainable sector to boost the economic growth and inclusive development enabling the country to prepare better for LDC graduation	
GEN U (Joint UN platform)	It ensures that adolescents and youth, especially the marginalized and vulnerable, are supported in school-to-work transition, and can access full, productive, and decent employment and entrepreneurship opportunities.	Youth in formal and non-formal education and training benefit from transferrable, vocational, and job-centric skills for decent employment opportunities, services, and information – particularly in the emerging FoW, 4IR, Green, and blue sectors.	Improving youth’s labor force participation, decent employment opportunities, and skills development for youth incorporating technological transformational for innovation 4 th generation business and entrepreneurship development helping the country to prepare for resilient development and inclusive economic growth for a smooth transition from LDC to developing countries and aiming at becoming an upper middle-income country.	42,000 USD 2022-2023

Annexure 4. Consultative Mechanism for preparation of STS

