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Monitoring of countries graduating
from the list of LDCs

Bangladesh

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Summary

Bangladesh is making significant progress towards sustainable graduation. Despite the challenges posed by the COVID-19 pandemic, the country has effectively mitigated its adverse effects and continue to show notable advancements in development. This progress is evident in the improvement across most LDC indicators and several Supplementary Graduation Indicators. However, the negative impacts of the food, energy and finance driven by the war in Ukraine and global monetary tightening have created macroeconomic challenges that are currently being addressed. The Committee recommends that Bangladesh finalize the Smooth Transition Strategy (STS) in 2024 and persist in implementing sound policies, with a particular focus on structural economic reform. Given the importance of LDC-specific support for the development progress achieved, there is an urgent need for the international community, including Bangladesh's trading partners and the United Nations, to provide Bangladesh with the requested support.

Regarding the adequacy of the length of the preparatory period for Bangladesh, the country has effectively mitigated the adverse effects of the COVID-19 pandemic to some extent and made significant progress in preparing for sustainable graduation after the extended five-year preparatory period and for a smooth transition. The Committee concurred that further extending the additional preparatory period for Bangladesh beyond 2026 is unnecessary. The Committee will continue to closely monitor the progress in preparing and implementing its STS, including the support received by development and trading partners.

Macroeconomic situation

Bangladesh has been one of the fastest growing economies in the world – at the top decile with an average annual real GDP growth rate of 4 per cent over the past three decades.¹ In the last decade, Bangladesh, surpassed Cambodia, India, Vietnam, Indonesia and Thailand. Such growth has transformed the country from 80 per cent of its population living in poverty in 1971 to 9.85 per cent of the population living below the poverty rate of \$2.15 per day (2017 PPP) in 2022. Higher living standards and improved social and health outcomes have been achieved. Reduction in poverty, in the last decade, has been faster in rural Bangladesh compared to urban areas – home to a quarter of the country's poor. National inequality, however, remains unchanged due to the increasing inequality in urban areas offsetting the gains from declining inequality in rural areas.²

Real GDP growth rate dropped from 7.6 per cent (2018 fiscal year) to 5.6 in 2019, a further drop to 5.2 in 2020 before a soft rebound in 2021 further building to a strong 7 per cent in 2022 but decelerated to 5.8 per cent in 2023 due to the intertwined crises. It is expected to grow at a slower rate of 5.4 per cent in 2024 and 5.8 per cent in 2025 (see Table 1).³ Inflation hovered over 5 per cent before and after COVID-19 but spiked up to 9.6 per cent in 2023 – highest for the decade, driven by rising import costs due to the war in Ukraine.

¹ According to the World Bank data, an average of 3.8 per cent in 1980s, 4.7 per cent in 1990s, 5.6 per cent in 2000s and 6.4 per cent in the 2010s.

² National Gini index 31.77 in 2022 compared to 32.13 in 2010; Gini index in rural areas decreased (30.1 to 29.1), and increased in urban areas (33.8 to 35.6).

³ UNDESA WESP 2024, p171. inflation is expected to decrease to 6.8 in 2024 and 5.5. in 2025.

Table 1: Selected macroeconomic data for Bangladesh, 2017-2023

Indicator	2017	2018	2019	2020	2021	2022	2023
GDP growth rate (per cent, constant price)	7.0	7.6	5.6	5.2	5.3	7.0	5.8
Inflation rate (%)	5.7	5.5	5.6	5.7	5.5	6.1	9.6
Government revenue (billions of national currency)	1,875.3	2,344.2	2,403.6	2,684.7	3,304.9	3,536.5	3,669.0
Government expenditure (billions of national currency)	2,843.8	3,417.9	3,999.8	4,219.3	4,577.7	5,172.0	5,650.8
Government balance (billions of national currency)	-968.5	-1,073.8	-1,596.2	-1,534.6	-1,272.8	-1,635.6	-1,981.8
Government balance (per cent of GDP)	-4.2	-4.1	-5.4	-4.8	-3.6	-4.1	-4.5
Net ODA received (millions of US dollars)	3,781.8	3,044.8	4,381.6	5,374.8	5,089.1	5,192.8	
Balance of Payments (millions of US dollars)							
Current Account	-5,985.0	-7,095.2	-2,948.5	1,192.8	-15,775.4	-14,369.6	
Goods, Credit (Exports)	35,300.8	38,681.9	38,747.3	32,456.1	41,816.0	51,868.3	
Goods, Debit (Imports)	48,266.6	55,966.0	54,675.9	48,849.7	74,432.7	81,866.0	
Balance on Goods	-12,965.8	-17,284.1	-15,928.6	-16,393.6	-32,616.7	-29,791.7	
Services, Credit (Exports)	3,869.7	5,446.1	6,213.7	6,019.8	7,474.5	8,270.1	
Services, Debit (Imports)	8,498.3	9,619.2	9,557.8	7,926.6	10,866.0	12,155.3	
Balance on Services	-4,628.7	-4,173.0	-3,344.0	-1,906.8	-3,391.5	-3,885.2	
Balance on Goods and Services	-17,594.5	-21,457.2	-19,272.6	-18,300.4	-36,008.2	-33,677.0	
Balance on Income	-2,392.2	-1,734.7	-2,547.8	-2,841.2	-2,436.7	-2,649.8	
Balance on Current Transfers	14,001.7	16,096.7	18,871.9	22,334.3	22,669.5	21,957.2	
Capital Account	293.0	264.2	228.0	213.5	273.4	226.9	
Financial Account	-6,186.1	-7,616.3	-4,714.3	542.1	-15,548.1	-17,016.3	
Direct investment (net)	-1,683.7	-2,402.4	-1,885.0	-1,520.5	-1,640.7	-1,539.8	
Portfolio investment (net)	178.8	-22.5	386.4	190.1	313.4	386.8	
Financial derivatives (other than reserves) and employee stock options	0.0	0.0	0.0	0.0	0.0		
Other investment (net)	-5,296.7	-4,082.3	-3,737.4	-8,012.7	-17,603.4	-4,192.4	

Reserve assets	615.4	-1,109.1	521.6	9,885.1	3,382.6	-11,670.9	
Reserves (months of imports)	6.8	5.7	5.9	8.7	6.3	4.2	

Source: GDP growth is from UN DESA, WESP 2024. Inflation is from UN DESA, WESP 2024. 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.

COVID-19 and its negative impacts transmitted through global economic slowdown affecting trade, supply chains and finance and weak domestic demand and local supply disruptions – have hugely impacted exports, largely concentrated in ready-made garments (RMG). With adequate fiscal and monetary buffers, Bangladesh was able to mitigate the COVID-19 interruption to growth, albeit insufficient to cushion the negative impacts of the food, fuel and finance crises due to the war in Ukraine and global monetary tightening – deteriorating the country’s macroeconomic position.

Private investment has declined by nearly 1 percentage point in terms of investment-GDP ratio and foreign direct investments (FDIs) remain stagnant. According to the IMF, domestic budget financing shifted in 2023 given net issuance of high-cost National Saving Certificates turning negative due to declining household savings and liquidity issues in the banking system and unabsorbed government securities devolving to BB at below market clearing rates. Tax revenue collections underperformed due to dampened private consumption and import compression. Tax-to-GDP ratio dropped from 8.0 per cent (2022) to 7.4 per cent in 2023 against a budget target of 8.8 per cent. The shortfall in revenue was offset by lower current and capital expenditure due to austerity measures to contain demand and coordinated policy efforts to tame inflation. Overall fiscal deficit in 2023 was 4.5 per cent - below the 8th Year Plan target of 5 per cent. Public debt saw a slight increase from 37.9 per cent at the end of 2022 to 39.8 per cent at the end of 2023. Based on the IMF-World Bank Debt Sustainability Analysis, Bangladesh remains at low risk of external and overall debt distress, albeit with revised assumptions that domestic interest rates in the context of prevailing conditions and anticipated tightening of monetary policy may lead to higher debt indicators.

In 2023, financial resources released (US\$1.2 billion) by the International Monetary Fund (IMF), under its Extended Credit Facility, Extended Fund Facility (ECF/EFF), and Resilience and Sustainability Facility (RSF) have assisted Bangladesh to sustain macroeconomic stability and avoid interruptive adjustments in order to protect the most vulnerable and support the fundamentals for resilient, inclusive and green growth.⁴

Preferential access to export markets and low labour costs have driven Bangladesh’s trade competitiveness, export growth and job creation. While export of goods fell by 16 per cent in 2020 from \$38.7 billion to \$32.5 billion, a quick rebound was noted in 2021 to \$42.8 billion and increased further in 2022 to \$51.8 billion. Imports, on the contrary fell by approximately 10.6 per cent in 2020 but rose by 52.3 per cent to \$74.4 billion in 2021 and to \$81.8 billion in 2022 - widening the current account deficit (4 per cent of GDP) in 2022, although contracting (0.7 per cent of GDP) in 2023 due to strict import compression.

The manufacturing sector’s contribution to GDP has been falling even before COVID-19 from 17.3 per cent (2015) to 12.8 per cent (2017), 12.6 per cent (2018) to only 9 per cent (2020, 2021). This is low compared to Vietnam (95 per cent) and the average of low-and-middle income countries (25 per cent in 2018). When combined with trade in services, as a percentage of GDP – it has been declining since 2011. The marked lag in services warrants urgent attention on service reforms. Bangladesh’s export structure being highly

⁴ [Bangladesh: 2023 Article IV Consultation, First Reviews Under the Extended Credit Facility Arrangement, Arrangement Under the Extended Fund Facility, and the Resilience and Sustainability Facility Arrangement, Requests for a Waiver of Nonobservance of a Performance Criterion, and Modifications of Performance Criteria- Press Release; Staff Report; and Statement by the Executive Director for Bangladesh \(imf.org\)](#)

concentrated in terms of both goods (RMG) and market (EU) partly explains the relatively low goods exports. Furthermore, firm level data shows that turnover in export markets is high and new entrants' survival is low.

With an overbanked banking industry⁵ that has also reported declining profit margin, the introduction of a lending interest rate cap of 9 per cent since April 2020 is unlikely to lower the cost of borrowing. Instead, it will flare up existing weaknesses of the financial sector such as structural inefficiencies and high non-performing loans rather than profit seeking behaviour. Managing the stock and flow of non-performing loans and lowering operating expenditures may prove more effective in reducing net interest margin.⁶ Strengthening the country's financial sector is key to ensuring efficient and effective allocation of the country's financial resources to productive investment and financing the country's next phase of growth.

Given the magnitude of the possible impact of LDC graduation for the country and the need for investment and expenditure levels higher than pre-COVID levels, Bangladesh will need to accelerate the implementation of a new set of structural reforms that shifts its current model of growth based on price-competitive exports to high value quality goods – as recommended in the report for the Production Transformation Policy Review (PTPR) for Bangladesh. This is critical if Bangladesh is to effectively mitigate the LDC graduation related impacts including increased demand for labour compliance, carbon border adjustments and adoption of green technology in the face of emerging global megatrends: changing consumption patterns; rebalancing of global networks; deepened focus on sustainability and climate change; and digital and technological revolution.

LDC criteria and supplementary indicators

Bangladesh's latest three-year average (2020-2022) gross national income (GNI) per capita is projected to reach \$2,684, more than two times the graduation threshold set in 2024 of \$1,306. The Economic and Environmental Vulnerability (EVI) will be at a score of 21.9. The risk of natural catastrophes is high⁷, yet the country is still below the graduation threshold of 32 – showing a positive trend. Bangladesh's Human Assets Index (HAI) score has increased to 77.5, above the graduation threshold of 66. Overall, Bangladesh has made progress in two of the three LDC graduation criteria, although still in a balanced manner, and with comfortable margins.

Table 2: Indicators for LDC identification, Bangladesh, 2020-2024

Year	GNI per capita	EVI	HAI
2020	1,896	24.7	73.7
2021	2,091	22.6	74.9
2022	2,274	22.4	76.1
2023	2,469	22.1	76.8
2024	2,684	21.9	77.5

⁵ Bangladesh's financial sector is dominated by the banking industry (holding 90 per cent of total financial sector assets – equivalent to 67 per cent of gross domestic product). As of December 2021: 6 state-owned banks (SOBs); 3 specialized development banks (SDBs); 43 domestic private commercial banks; and 9 foreign commercial banks (FCBs). Close to a third of the banking industry assets are concentrated in the 5 largest banks – 4 are SOBs.

⁶ IMF econometric analysis showed that overhead costs, risk aversion, banks' ability to diversify income and macro variables such as inflation have key impacts on NIM.

⁷ 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

Source: CDP Secretariat, Time series estimates (LDC criteria) dataset (2002-2024), available at <https://bit.ly/LDC-data>

Note 1: For GNI per capita, Year refers to the year of a (actual or hypothetical) review. The data reflects the latest three-year average available for a review, i.e., the value for 2024 refers to the 2020-2022 average. Data differ from previous official triennial review data due to data revisions.

Note 2: For EVI and HAI, 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.

Note 3: Data differ from previous official triennial review data due to data revisions, changes in data sources, methodological changes and most notable, changes in composition of the composite indices HAI and EVI. Minor differences can also occur due to rounding.

Other supplemental graduation statistics in Bangladesh also continued to show improvement, despite the impacts of the COVID-19 pandemic and prolonged war in Ukraine. 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 decreased during the early part of the pandemic partly due to the cancellation of RMG export orders but has started to improve in 2021. The Rohingya issue requires continued attention on the population of concern.

Table 3: Selected supplementary graduation indicators, Bangladesh, 2018-2022

Indicator	2018	2019	2020	2021	2022
Using the internet (% of population)	23.4	27.8	32.9	38.9	
Access to electricity (% of population)	86.9	92.2	96.2	99.0	
Access to at least basic sanitation (% of population)	53.4	54.9	56.4	57.9	59.3
Human Development Index	0.6	0.6	0.7	0.7	0.7
Female labour force participation	36.7	36.9	36.6	37.9	37.0
Population of concern	1.1	1.0	1.0	1.1	1.1

Source: CDP Secretariat, Supplementary graduation indicators (SGI) dataset (2000-2024), available at <https://bit.ly/LDC-data>

Productive capacity

The overall productive capacity index (PCI) of Bangladesh lies closer to the average of ODCs than the average of LDCs, indicating that the country is approaching graduation with a momentum. In the structural change category, Bangladesh already outperforms the average ODCs due to its large, export-oriented manufacturing sector that is based on the garment industry.

In the period 2012 to 2022, Bangladesh has improved in most categories of the PCI, with the exception of natural capital, institutions and transport. The largest improvements have been achieved in the area of Information and Communication Technology (ICT). The significant drop in the natural capital category, where Bangladesh is classified below the LDC average, is an indication that there is room for improvement when it comes to the sustainability of Bangladesh's structural change pathway. This notwithstanding, Bangladesh's performance in institutions' category is lower than the median value of LDCs and by far below the median value of developing countries. Post-graduation challenges for Bangladesh should include addressing gaps in the PCI by fostering dynamic and vibrant institutions as key for achieving inclusive growth and sustainable development.

Table 4: Productive Capacity Index, Bangladesh, 2022

	PCI	Human capital	Natural capital	Energy	Transport	ICT	Institutions	Private sector	Structural Change
Bangladesh	40.7	39.5	40.3	52.2	20.8	42.4	37.5	47.7	57.6
Other developing countries	46.8	44.3	38.4	61.2	34.1	49.6	51.1	50.9	53.2
LDCs	30.9	27.9	49.8	26.3	19.7	25.2	38.3	37.8	41

Source: UNCTADstat

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 66.4.⁸ Data availability is relatively in good shape, while methodology and periodicity could be improved.

Smooth transition

The impact of graduation on the country will be significant, as assessed by UNDESA. The loss of LDC-specific duty-free quota-free schemes and LDC-specific preferential rules of origin will be most pronounced in the EU, Canada, Japan, and other markets, and mostly affecting the garments industry. According to the World Trade Organization (WTO)⁹, total exports are expected to fall by US\$5.3 billion or 14.3 per cent of initial exports. The loss of WTO LDCs Agreement on Trade-Related Intellectual Property Rights (TRIPS) will have ramifications for the pharmaceutical industry and may lead to higher drug prices for consumers in both the domestic and international markets including other LDCs. Bangladesh may face a higher cost of borrowing from some development partners and lose access to a range of LDC-specific climate funds. COVID-19 could be regarded as a graduation trial run for Bangladesh.

So far, conversations on the implications of graduation appear to assume that these occur in isolation. However, the reality is that these occur in a dynamic development environment where rapid changes are also occurring in other countries including graduating LDCs, graduated LDCs and specifically Bangladesh's peers (structural, aspirational). For example, in August 2020, Vietnam concluded its EU-Vietnam Free Trade Agreement (EVFTA) with the European Union (EU). The EVFTA aims to stimulate rapid economic growth between Vietnam and the EU - a massive combined market – total population of approximately 550 million. The EVFTA eliminates customs duties and provides investment protection. Within 7 years (or by 2028), the EU will remove 99.2% of tariffs, equivalent to 99.7% of Vietnam's revenue from exports to the EU. On the remaining 0.3% of Vietnam's export revenue, the EU has a commitment to provide Vietnam with tariff-rate quota - with import tax rate set at 0% within the quota. Implication for Bangladesh is that the 7 years coincides with its timeline for graduation out of the LDC category in 2026 and transition. The EU EBA 3-year transition period concludes at the end of 2029 or early 2030, when EU tariffs will rise for Bangladesh exports, while average EU tariffs on Vietnam exports reduce zero.

For the Government of Bangladesh, subsequent challenges are causing major concerns. In the short-term managing inflation and reversing the decline in foreign exchange reserves are the main concerns. Long-term challenges include: increasing productive capacity; accelerating export diversification; expanding domestic resource mobilization; plugging the climate finance gap to reduce vulnerability; and effectively

⁸ World Bank, WDI. See <https://databank.worldbank.org/source/world-development-indicators>

⁹ WTO Trade Impacts of LDC Graduation: Insights from Country-specific Market Analyses, 2020. See https://www.wto.org/english/res_e/booksp_e/trade_impacts_of_ldc_graduation_insights.pdf

repatriating forcefully displaced Myanmar nationals.

Graduation and transition will not be smooth if these are not addressed effectively – in the face of emerging megatrends – changing consumption patterns, rebalancing in global networks, deepened focus on sustainability and climate change and digital and technological revolution.

Bangladesh has an extensive institutional arrangement to prepare the country to effectively graduate, mitigate the impacts of graduation, transition smoothly and achieve sustainable graduation. In addition to the National Committee on LDC Graduation and its seven sub-committees, Bangladesh has a pre-existing consultative mechanism- the Local Consultative Group (LCG). Fourteen sectoral working groups under the LCG also contribute to the LDC graduation-related discussion and sustainable development. The UN development system and all development partners are actively engaged through various LCG sectoral working groups - that have linkages to the NCG sub-committees.

Japan under its Debt Relief Grant Assistance-Counterpart Fund funded the establishment of the Support to Sustainable Graduation Project (SSGP) under the Economic Relations Division (ERD) of the Ministry of Finance. SSGP is dedicated to facilitating the preparation for and effective graduation of Bangladesh from the LDC category and serves as the technical support for the formulation of the STS including conducting related studies and writing position papers.

In its 2023 country annual report to the CDP, Bangladesh reported that several workshops, seminars and campaigns have been organized by the SSGP. A number of studies proposed by the subcommittees have been conducted by the SSGP and endorsed by the NCG (see Bangladesh 2023 Annual Country Report to CDP).

Furthermore, the seven sub-committees of the (NCG) submitted to the NCG, initial strategies with dual purpose to: 1) address expected challenges due to LDC graduation; and 2) maintain the country's economic growth momentum. These were discussed thoroughly at a national seminar on LDC graduation, held in November 2022. Eight key actions recommended at the seminar include:

1. Bangladesh along with other members of the LDC Group of the WTO should make every effort to have decision from the WTO membership to extend special and differential treatment including Duty-Free and Quota-Free (DFQF) market access in line with the resolution adopted by the General Assembly on 21 December 2012.
2. The private sector should put its best efforts for the maximum utilization of ISMs during the remaining preparatory period.
3. The Government would continue its efforts to sign the PTA, FTA or CEPA with potential trading partners for creating new market access opportunities.
4. Bangladesh needs to enhance its competitiveness by increasing productivity, reducing the cost of production, lessening the time and cost of business and upgrading technology.
5. Bangladesh should continue its efforts for upscaling the RMG sector through enhancing diversification within the sector, moving up the global value chain, investing more in backward and forward linkage industries, and increasing the use of Man-Made Fibre (MMF).
6. The incentives given for RMG should be extended to other sectors to facilitate those to grow.
7. Bangladesh should strengthen the Intellectual Property (IP) regime with a reinforced enforcement mechanism to face the post-LDC era in the absence of TRIPS exemptions.
8. The current tariff structure should be rationalized. The tariff policy should be aimed at increasing the export basket and export competitiveness of the country.

These form the basis for taking forward specific measures for effective graduation and smooth transition. The insights and recommendations derived from these studies and events will be reflected in the Smooth Transition Strategy (STS). An interim report on preparation for graduation was presented by the NCG to the Prime Minister for necessary guidance from the highest level of Government.

Bangladesh will commence drafting its national Smooth Transition Strategy in March 2024, after the general elections in January of the same year. UNDESA, at the request of the Government is providing technical assistance via staff and the engagement of two consultants (national, international) to help Bangladesh write their STS. The consultants will start on 26 February 2024, and are being funded through a DESA 14th tranche Development Account project and as UNDESA's contribution to iGRAD (Sustainable Graduation Support Facility). Finding the right mix of prioritized smooth transition measures for Bangladesh's national smooth transition strategy will be key. Bangladesh aims to validate and finalize the country's STS by June 2024. The full implementation of the STS is key to making graduation sustainable, transition smooth and propelling the country towards its next phase of economic, social and environmental transformation - unleashing untapped growth potential in a more challenging global economic and geopolitical environment and becoming an upper middle by 2031 and a high-income country by 2041.

Bangladesh has a 100 per cent participation rate, to date, with regards to CDP monitoring requirements. The Government has submitted five out of five reports and attended three annual consultation meetings.

Annex 1. Supplementary graduation indicators (SGIs)

The supplementary graduation indicators (SGIs) complement the official LDC criteria. They provide quantitative, internationally comparable data for vulnerabilities and other factors that are not fully captured by the LDC criteria but that might be relevant for graduation from the LDC category. For more detailed information on indicators and data sources, see the SGI dataset available on the CDP website.

All data are current as of 13 March 2024.

	Indicator	Source	Latest available data	Year most recent data refer to	Relative performance in latest year (legend below)	Trend (last decade)
ECONOMIC VULNERABILITY	GDP growth rate (%)	United Nations Statistics Division	7.12	2022		
	GDP growth volatility	United Nations Statistics Division	1.57	2022		
	External debt (% of GNI)	World Bank	20.28	2022		
	Total debt servicing (% of exports and primary income)	World Bank	11.24	2022		
	Personal Remittances, received (% of GDP)	World Bank	4.67	2022		
	ODA received as percentage of GNI	World Bank	1.15	2021		
	Tourism receipts as share of exports	World Bank	0.57	2020		
	Current account balance (% of GDP)	World Bank	-3.12	2022		
	Standard deviation of net barter terms of trade over 20 years	World Bank	17.08	2021		
	Cereal import dependency	Food and Agriculture Organization	0.19	2021		
	Tax revenue as share of GDP	World Bank	7.64	2021		
	Gross domestic savings (% of GDP)	World Bank	25.22	2022		

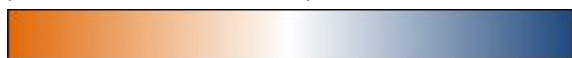
Indicator	Source	Latest available data	Year most recent data refer to	Relative performance in latest year (legend below)	Trend (last decade)
Adjusted net savings (% of GNI)	World Bank	32.18	2021		
Share of employment in agriculture	International Labour Organization	36.86	2022		
Productive capacities index	United Nations Conference on Trade and Development	40.71	2022		
Percentage of individuals using the internet	World Bank	38.92	2021		
Renewable electricity capacity per capita	International Renewable Energy Agency	4.68*10 ⁻³	2022		
Percentage of population with access to electricity	World Bank	98.99	2021		
Environmental Performance Index	Yale/Columbia University	23.10	2022		n/a
Global Adaptation Index	University of Notre Dame ND-GAIN	37.50	2021		
INFORM Climate Change Risk Index	European Commission - Joint Research Center	5.90	2022		n/a
Economic loss from natural disaster (% of GDP)	United Nations SDG Global Database	0.14	2007		n/a
Annual mean levels of fine particulate matter (e.g. PM2.5) in cities (population weighted)	United Nations SDG Global Database	45.99	2019		
Access to at least basic sanitation (% of population)	United Nations SDG Global Database	59.30	2022		
Access to at least basic drinking water (% of population)	United Nations SDG Global Database	98.10	2022		
Freshwater withdrawal as a proportion of available freshwater resources	United Nations SDG Global Database	5.72	2020		
Proportion of water basins experiencing high surface water extent changes	United Nations Water	25.00	2020		n/a
Red list index, showing trends in overall extinction risks of species	United Nations SDG Global Database	0.74	2023		

	Indicator	Source	Latest available data	Year most recent data refer to	Relative performance in latest year (legend below)	Trend (last decade)
	Change in forest cover (percentage)	United Nations SDG Global Database	-0.03	2020		n/a
	Domestic material consumption per capita	United Nations SDG Global Database	7.30	2019		
HUMAN ASSETS	Human development index	United Nations Development Programme	0.67	2022		
	Multidimensional poverty index	United Nations Development Programme	0.10	2019		n/a
	Proportion of population covered by at least one social protection benefit	United Nations SDG Global Database	22.50	2021		
	Prevalence of undernourishment	Food and Agriculture Organization	11.20	2022		
	Mortality from CVD, cancer, diabetes or CRD between exact ages 30 and 70 (%)	World Bank	18.90	2019		
	Diphtheria tetanus toxoid and pertussis (DTP3) immunization coverage among 1-year-olds (%)	World Health Organization	98.00	2022		
	Gross secondary school enrolment rate	United Nations Educational, Scientific and Cultural Organization	71.82	2022		
	Mean years of schooling	United Nations Development Programme	7.38	2022		
	Learning-adjusted (expected) years of school	World Bank	5.99	2020		
	Total fertility rate (live birth per woman)	United Nations Development Programme	1.94	2023		
	Dependency ratio, i.e. the ratio of youth (Age 0-14) and elderly (age 65+) to population of age 15-64	United Nations Development Programme	46.62	2023		
	Labor force participation rate, female (% of female population ages 15+) (modeled ILO estimate)	World Bank	37.05	2022		
	INCOME	Gross national disposable income (GNDI) per capita, market exchange rates	World Bank	2799.21	2022	
GDP per capita, market exchange rates		United Nations Statistics Division	2527.52	2022		

	Indicator	Source	Latest available data	Year most recent data refer to	Relative performance in latest year (legend below)	Trend (last decade)
	Gross national income (GNI per capita) at purchasing power parity conversion factors	World Bank	7690.00	2022		
	Gini coefficient of disposable income	Standardized World Income Inequality Database	33.30	2016		
	Percentage of population below international poverty line (\$2.15)	World Bank	9.60	2022		
OTHER	Battle deaths per 100,000, 20-year average	Uppsala University	1.74*10 ⁻²	2022		
	Population of concern to UNHCR as percentage of total population	United Nations High Commissioner for Refugees	1.11	2022		
	Stock of persons internally displaced by conflict as percent of total population	International Displacement Monitoring Centre	0.25	2022		
	Intentional homicides (per 100,000 people)	World Bank	2.34	2018		
	Voice and accountability, capturing perceptions of citizens' participation in selecting governments as well as of freedom of expression, association, and media	World Bank	-0.75	2022		
	Government effectiveness, capturing perceptions of the quality of public services and policies	World Bank	-0.76	2022		
	Women empowerment index, providing information on women's civil liberties, civil society participation, and political participation	Varieties of Democracy	0.61	2022		

Legend:

On the chromatic scale below, dark blue indicates the most positive performance relative to a reference point; and the darkest orange indicates the poorest relative performance. The reference point is determined, for each indicator, as the performance of the group of LDCs relative to all developing countries (e.g. the 33rd percentile).



n/a denotes that a trend cannot be presented due to either only one data point or no data being available for the last ten years.

Annex 2. Government report on Smooth Transition



**United
Nations**

Committee for
Development
Policy



Government of the
People's Republic
of Bangladesh



PURSUING GRADUATION IN THE CURRENT GLOBAL CONTEXT

BANGLADESH ANNUAL COUNTRY REPORT 2023
SUBMITTED TO UN-CDP

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

NOVEMBER 2023

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A. INTRODUCTION

1. Bangladesh fulfilled all the criteria of graduation from the least developed country (LDC) with comfortable margins in two consecutive triennial reviews of the United Nations Committee for Development Policy (UN-CDP) respectively in 2018 and 2021. Accordingly, the UN-CDP recommended Bangladesh to graduate from the LDC category with 5-year preparatory period taking into consideration the crises arising from the COVID-19 pandemic. The UN General Assembly took note of the recommendations of Bangladesh's graduation from LDC status on 24 November 2021. Bangladesh is now set to leave the LDC category on 24 November 2026 after the expiry of the five-year preparatory period. As per UN General Assembly Resolution (A/RES/67/221), Bangladesh has to submit a monitoring report annually. So far, Bangladesh has submitted annual reports to CDP on the preparations of graduation for 2021 and 2022.

2. The 2023 monitoring report has been prepared at a time when the global economy has witnessed multiple shocks such as the food and fuel crisis, high inflation, disruption in supply chain, rising interest rates, currency depreciation against the dollar, etc. ignited by the unexpected and prolonged Russia-Ukraine war coupled with prolonged devastating impacts of COVID-19 pandemic. The 2023 report focuses on the macro-economic development of Bangladesh since 2021 triennial review, challenges faced amidst the worldwide economic crisis, and initiatives taken, so far, for smooth and sustainable graduation from the LDC category.

B. MACROECONOMIC PERFORMANCE OF BANGLADESH

3. Being reinforced by the robust economic growth through systematic planning, Bangladesh achieved significant progress in many socio-economic indicators throughout the period between 2009 and 2020, especially in poverty rate, life expectancy, literacy rates and per capita food production. This progress was underpinned by about 7 percent growth over the last decade reaching as high as 7.88 percent in FY2018-19. This economic growth led Bangladesh to upgrade to the lower middle-income country status in 2015. Bangladesh got the final recommendation of graduation in 2021 despite a sudden outbreak of the COVID-19 pandemic and worldwide economic slowdown. Since then, Bangladesh faced challenges resulting particularly from the Russia-Ukraine war that adversely impacted most of the macroeconomic indicators in recent years.

4. The COVID-19 pandemic caused an unprecedented health and economic crisis for global economies, including Bangladesh. In the absence of a vaccine or effective treatment, governments worldwide implemented large-scale containment measures such as limiting economic activities to the essentials. Coupled with the social distancing measures taken by the citizens to avoid contagion from the virus and economic shutdown measures, these actions have resulted in huge short-term economic losses. The impact of the COVID-19 on the economy of Bangladesh has been transmitting through two main channels: (i) depressed domestic demand and supply disruptions in the local economy, and (ii) slowdown in global economic activities affecting global trade and international financial flows. The emergence of COVID-19 pandemic resulted in acute food insecurity as well as undernutrition in many resource-limited settings where food and agro-industry typically face difficulties due to inadequate infrastructure. At its worst, the estimated unemployment rate was 22.4 percent within the following quarter at the onset of the pandemic in mid-2020, according to the Bangladesh Bureau of Statistics. Poverty incidence was

apprehended to increase above the pre-pandemic national poverty incidence of 20.5 percent. There was a significant slide in production, international trade, services sector activities, especially in the tourism, aviation and hospitality subsectors, activities of small and medium enterprises and overall employment. There was a fall in global demand, in particular in consumption and investment. Bangladesh was not also free from the adverse social shocks caused by this pandemic.

5. To address the crisis as well as to overcome the potential adverse impacts of the COVID-19 pandemic on the economy, the Government of Bangladesh adopted a comprehensive programme with short-, medium- and long-term targets. This programme was based on four policy interventions – increase public expenditure, introduce stimulus packages, expand social safety net programs, and increase money supply. Consistent with these policy interventions, the Bangladesh Government undertook a comprehensive economic recovery program containing 28 fiscal and stimulus packages to the tune of BDT 2,376.79 billion (equivalent to US\$ 26.9 billion) which is 5.98 percent of the GDP of FY2021-22.

6. The major objectives of these fiscal and stimulus packages were 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. To achieve these goals, the government provided salary support to workers of the export-oriented industries, interest subsidies, and working capital loans to affected industries (including SMEs and cottage) and service sectors. The government also introduced a Pre-shipment Credit Refinancing Scheme and Credit Guarantee Scheme for the SME sector and expanded the Export Development Fund to help the exporters. To revive the rural economy and to create jobs, the government assisted rural entrepreneurs through various loan support schemes, such as the Agriculture Refinance Scheme, Refinance Scheme for farmers and small traders and Credit Risk Sharing scheme for SMEs. For enhanced social security, ensuring food supply and protecting the poor, the government provided direct cash assistance to the targeted poor and jobless, provided food, introduced special open market sales (OMS), sold rice at lower cost, and expanded the cash allowances programmes.

7. Out of the total announced allocation of BDT 2.37 trillion for the 28 packages, programmes worth BDT 1.85 trillion have been implemented till April 2023, which is 78 percent of the total allocation. These fiscal and stimulus packages are still in place. Moreover, at the beginning of FY2022-23, an additional BDT 300 billion was added to the working capital facility package for the affected industries and service sector institutions, and BDT 200 billion was added to the working capital loan facility package for small (including cottage industries) and medium industries. The fiscal and stimulus packages were designed in a planned and coordinated manner to ensure that the maximum number of people in the country could benefit from them. So far, the number of beneficiaries under the 28 stimulus packages is 73,232,767 individuals and 201,377 institutions. The main features of these programmes may be seen in **Annexure A**.

8. Adoption of recovery measures and their successful implementation resulted in a V-shaped recovery of the economy. While many countries experienced negative growth during the COVID pandemic, Bangladesh was one of few countries to remain on the positive growth trajectory registering a 3.45 percent growth in FY2019-20 though much lower than the impressive 7.88 percent growth in FY2018-19. Furthermore, in FY2020-21 growth rebounded to 6.94 percent followed by 7.10 percent in FY2021-22. Exports and imports have also registered a V-shaped recovery in subsequent years after declining in FY2019-20 (**Figures 1 and 2**). This V-shaped recovery indicating an inherent resilience of the economy was noted with deep appreciation by the global community.

Figure 1. GDP Growth since FY2018-19

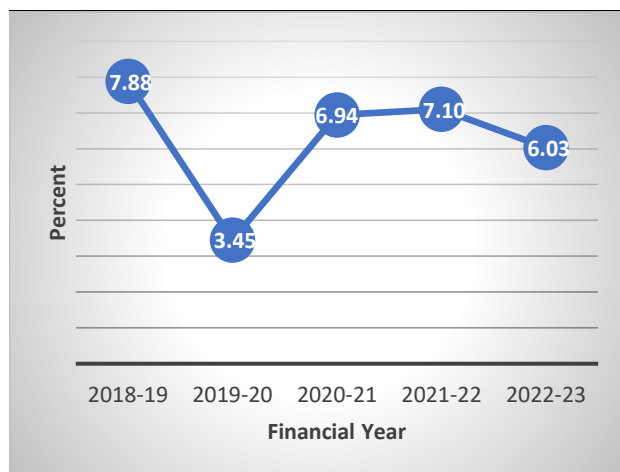
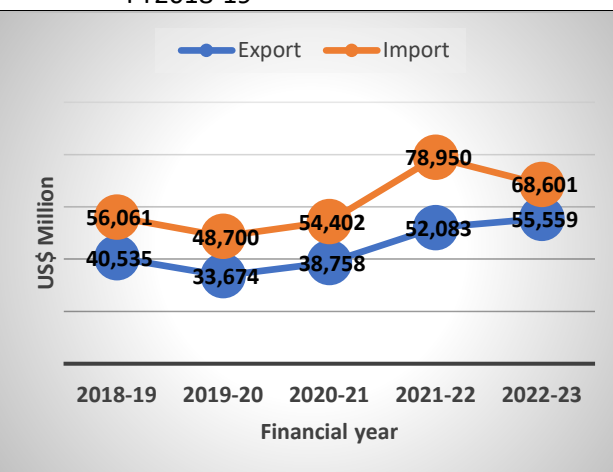


Figure 2. Export and Import Performance since FY2018-19



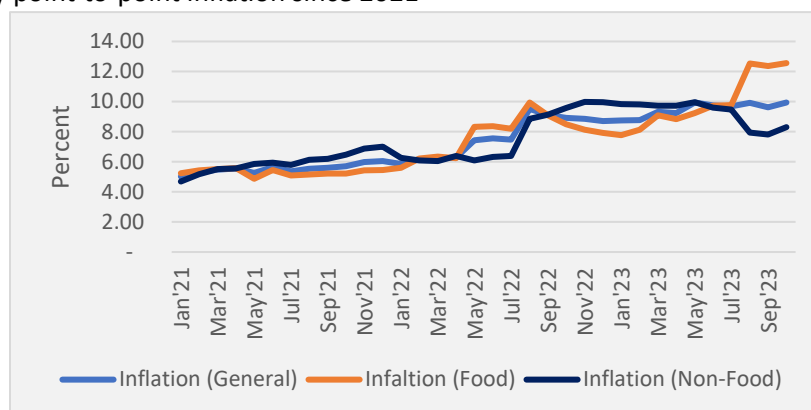
Source: National Account Statistics, 2022 and 2023, Bangladesh Bureau of Statistics, Export Promotion Bureau and Bangladesh Bank

9. While the Bangladesh government navigated the COVID-19 pandemic shock with prudent macroeconomic policies, the Russia-Ukraine war has posed a new challenge for Bangladesh with significant negative spillover effects globally. Supply chain disruption of fuel and food has encountered worldwide due to regional security concerns, shipment restrictions through the Black Sea ports and economic sanctions against the Russian Federation. Moreover, these measures have also accelerated the upward trend in oil and natural gas prices along with food prices and other commodities because the Russian Federation is one of the major suppliers of fuel worldwide and the Russian Federation and Ukraine are major suppliers of grains and fertilizers. All these factors have led to higher inflation all over the world. The tightening of monetary policies across advanced and emerging economies in response to higher inflation impacted various sectors including the monetary and financial sectors of Bangladesh. Elevated inflation in advanced economies has resulted in lower aggregate demand putting additional pressure on Bangladesh. Furthermore, disruptions in the global supply chain, export restrictions by certain countries to meet their domestic demand and currency depreciation contributed to increased import costs, leading to higher inflation for both food and non-food items (**Figure 3**). Bangladesh experienced a rise in national point-to-point inflation since the beginning of the war, which reached 9.93 percent in October 2023. The inflation for food items in the same month was as high as 12.56 percent.

10. Increased prices of fuel, fertilizer and wheat put pressure on the import bill of the country. The share of the import bill of these commodities in total import has increased from 22.0 percent in FY2020-21 to 27.73 percent in FY2021-22 and 31.51 percent in FY2022-23. Amidst a surge in prices for all imported commodities, the increased importation of intermediate goods and essential items due to pent-up demand surpassed export earnings. Simultaneously, official remittance inflows decreased due to the global economic slowdown resulting from the COVID-19 pandemic and the Russia-Ukraine war, leading to job losses and a decline in income for migrant workers. These factors exerted pressure on the balance of payment, resulting in a significant deficit in the last two fiscal years and a rapid depletion of foreign exchange reserves. As a result, the balance of payment shifted from a surplus of US\$9.3 billion in FY2020-21 to a significant deficit in FY2022-23. Gross foreign exchange reserves declined to US\$31.2 billion in FY2022-23, compared to US\$41.8 billion one year earlier, with a peak of \$48.06 billion in August 2021

(Table 1). This substantial reduction in foreign exchange reserve also constrained liquidity within the banking system. Additionally, there was a rise in current expenditure, primarily driven by subsidies, incentives, and current transfers. The share of subsidies and transfers in FY2022-23 stood at 3.8 percent of GDP, while it was 2.9 percent and 3.41 percent in FY2020-21 and FY2021-22 respectively. This additional allocation for subsidies and transfers is adding pressure to the annual expenditure plan. The fiscal deficit rose to 5.45 percent in FY2022-23 exceeding the customary target of 5 percent, due to high spending on health, social protection, and relief and recovery measures despite having budget support from development partners.

Figure 3. Monthly point-to-point inflation since 2021



Source: Monthly publications of Bangladesh Bureau of Statistics on Consumer Price Index (CPI), Inflation Rate and Wage Rate Index (WRI) in Bangladesh

Table 1. Balance of Payment

[Values are in US\$ Million]

Major Items	FY19	FY20	FY21	FY22	FY23 ^P
Trade balance	-15,835	-18,569	-23,778	-33,250	-17,155
Services	-3,176	-2,578	-3,020	-3,955	-4,256
Primary income	-2,382	-3,070	-3,172	-3,152	-4,233
Secondary income	16,903	18,782	25,395	21,718	22,310
of which: workers' remittances	16,420	18,205	24,778	21,032	21,611
Current account balance	-4,490	-5,435	-4,575	-18,639	-3,334
Capital accounts	239	256	458	181	473
Financial accounts	5,130	8,654	14,067	13,775	-2,142
Foreign direct investment (gross inflows)	4,946	3,233	3,387	4,636	4,503
Of which: FDI net inflows	2,628	1,271	1,355	1,827	1,611
Errors and omissions	-700	-306	-676	-697	-3,220
Overall balance	179	3,169	9,274	-5,380	-8,222
Gross international reserves (GIR)	32,717	36,037	46,391	41,827	31,203
Reserve (BPM6)			39,226	33,386	24,754

Source: Bangladesh Bank

11. The government of Bangladesh adopted austerity measures due to the pressure on foreign exchange reserves caused from the pent-up demand after the COVID-19 and the Russia-Ukraine war. Due to the implementation of austerity measures, the import growth was (-)15.8 percent in FY2022-23 though it increased to 35.9 percent in FY2021-22 from (-)8.6 percent in FY2019-20 (Figure 2). Bangladesh Bank adopted an accommodating and moderate monetary policy for FY2022-23 in an effort to maintain strong economic development and control rising inflation. In order to ensure food security amidst price hikes of essential commodities, a number of refinance schemes for the agriculture sector have been introduced by the Bangladesh Bank (**Annexure B**). These schemes are expected to contribute to job creation and poverty reduction. The actions taken by the Government of Bangladesh, despite the crisis arising from the Russia-Ukraine war, led the country to maintain GDP growth above 6 percent, though it was below the growth achieved after the COVID-19 pandemic.

12. In order to reduce the inflationary pressure caused by the Russia-Ukraine War, the Government is implementing the Food Security Programme for the poor and low-income population. Under this Food Security Programme, rice is being sold at a subsidized rate of BDT 15 per kilogram for low-income individuals, and at BDT 30 per kilogram in the areas of city corporations, municipalities, and district towns. Additionally, the Government has launched the "Family Card" programme to facilitate the distribution of essential commodities at affordable prices. Through the Targeted Intervention for the Ultra-Poor (TIUP) mechanism, a final list of 10 million families has been compiled for the distribution of subsidized goods to economically vulnerable households nationwide. Around fifty million low-income people in the country have directly benefited from this government initiative.

13. Bangladesh has successfully overcome the crisis arising from the COVID-19 pandemic with a V-shaped recovery. Despite multiple shocks, income poverty at the national level as measured by the high poverty line decreased from 24.3 percent in 2016 to 18.7 percent in 2022, while the extreme poverty rate has reduced to 5.6 percent from 12.9 percent during the same period. However, the Russia-Ukraine war causing disruption in the global supply chain and high inflation along with the tightening of monetary policies in response to higher inflation across advanced and emerging economies has created hindrances to the development trajectory of the country. Private investment has declined by nearly 1 percentage point in terms of investment GDP ratio, FDIs remain stagnant, budget deficit has increased to 5.45 percent of GDP (**Table 2**).

Table 2. Recent status of some macroeconomic indicators of Bangladesh

Indicator	Unit	2018-19	2019-20	2020-21	2021-22	2022-23(p)
GDP Growth	%	7.88	3.45	6.94	7.10	6.03
Investment	% of GDP	32.21	31.31	31.02	32.05	31.25
Private investment	% of GDP	25.25	24.02	23.70	24.52	23.64
Public Investment	% of GDP	6.96	7.29	7.32	7.53	7.61
Tax Revenue	%of GDP	7.66	7.00	7.64	7.54	7.79
budget deficit	%of GDP	4.74	4.87	3.70	4.56	5.45
import	Mill. US\$	56,061	48,700	54,402	78,590	68,601
Export	Mil US\$	40,535	33,674	38,758	52,083	55,559
Remittance	Mil US\$	16,420	18,205	24,778	21,032	21,611
FDI	Mil US\$	4,946	3,233	3,387	4,636	4,503

Indicator	Unit	2018-19	2019-20	2020-21	2021-22	2022-23(p)
Exchange rate	Taka per US\$	84.03	84.78	84.81	86.30	97.81
Current account balance	% of GDP		-1.05	-0.95	-3.89	-1.56
Foreign exchange reserve	Mil US\$	32,717	36,037	46,391	41,827	31,203
inflation	%	5.48	5.65	5.56	6.15	9.02
External Debt	% of GDP	10.95	11.79	12.22	12.08	13.73

Source: Export from EPB, Import from Bangladesh Bank, External debt from ERD and others from BBS

14. Against all the odds, the country is still showing progress in all three graduation criteria as estimated by the Bangladesh Bureau of Statistics (**Table 3**) and the country has been able to maintain positive GDP growth of over 6 percent.

Table 3. Updates of the three indicators for graduating Bangladesh from LDC status

Indicators	UN-Review-2021		Current Status (Oct-2023)		Graduation threshold
	Value	Index	BD Average	Index	
1. GNI Per Capita		1,827		2,643	> 1222
1.1 GNI per capita (US\$)	1,827		2,643	-	
2. Human assets index (HAI)		75.3		76.3	> 66
2.1 Under-five mortality rate (U5M)	30.8	87.4	31.0	87.3	
2.2 Maternal mortality ratio (MMR)	173.0	85.9	156.0	87.4	
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	75.5	72.8	
2.5 Adult literacy rate (ALR)	74.7	66.2	74.4	65.9	
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		26.6	< 32
3.1 Share of agriculture, forestry, fisheries in GDP (AFF)	13.8	21.7	11.8	18.4	
3.2 Remoteness and landlocked Ness (REM)	37.8	34.8	37.8	34.7	
3.3 Merchandise export concentration (XCON)	.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	

Source: BBS

C. CHALLENGES

C1. Long Standing Challenges

15. Bangladesh has been facing a few challenges for long time, which are still prevailing. These are revenue mobilization, export diversification, increasing productive capacity and addressing climate change vulnerabilities. Tax-GDP ratio remains below 8 percent and exports are still concentrated on readymade garments representing 84.5 percent of total exports. Productive capacity still remains low compared to other developing countries like India Vietnam as estimated by the UNCTAD. Climate change vulnerability remains among the critical challenges faced by Bangladesh requiring enormous investment needs and addressing funding gap.

C2. Challenges associated with Forcefully Displaced Myanmar Nationals (FDMNs)

16. Along with the long standing challenges, since 2017 Bangladesh has been confronted with the unprecedented magnitude of the forcefully displaced of Myanmar nationals (FDMNs with an accumulated figure of about 1.2 million FDMNs. Despite numerous constraints, the Hon'ble Prime Minister of Bangladesh took a bold humanitarian decision to give shelter to such a huge number of FDMNs and thus saved thousands of innocent lives. Bangladesh has been trying its best, with the international community's support, to ensure the safety and well-being of FDMNs, by building housing facilities with necessary infrastructure at Bashan Char, Noakhali district, developing the human capital of the FDMNs through education in the Myanmar Curriculum for children and skill development programs for the adults etc.

17. The prolonged presence of FDMNs entails severe ramifications on Bangladesh's economy, environment, security, and socio-political stability. The influx of FDMNs has created a demographic imbalance in Ukhia and Tekhnaf of Cox's Bazar district, where the population of local habitants is less than half of the number of FDMNs. Demand for food and commodities by an additional 1.2 million FDMNs has resulted in price hikes of food and essential commodities. Agricultural production in Cox's Bazar has been affected by the influx as cultivable lands in Ukhia and Tekhnaf are being used for shelters, operational activities of the UN agencies and infrastructures for the NGOs, INGOs, etc. causing enormous pressure on local agriculture as well as on the food supply chain there. The environment is among the worst affected elements due to the influx. Bangladesh has allocated more than 6,800 acres of forest land to make temporary shelters for the FDMNs. This has caused the loss of biodiversity and endangered wildlife. It has been estimated that the monetary loss of forest and biodiversity comes to BDT 18,650 million. Deforestation in the hilly areas has increased the risk of landslides, raised the threats of flash floods and intensified the likelihood of damage from cyclones. Moreover, this influx has increased the dropout of local children from school, destabilized the health and sanitation system, created a shortage of water and posed security threat in Cox's Bazar.

18. The Government of Bangladesh has taken several initiatives for the sustainable repatriation of the FDMNs to their ancestral land. However, no progress has been visible so far. The global support for FDMNs has also been declining due to huge demand for assistance in Europe. Thus, delay in repatriation of FDMNs has been jeopardizing the development of the country and is posing additional challenges for Bangladesh.

C3. Challenges stemming from LDC graduation

19. Graduation from LDC status will also bring about new challenges to Bangladesh. Loss of duty-free and quota-free (DFQF) market access after graduation will pose a major challenge in the country's export performance since more than 70 percent in total export earnings. In the absence of DFQF market access, it is apprehended that the duty imposed on Bangladeshi exports will be raised on an average 10 percent. Besides, discontinuation of special and differential treatment facilities available under the WTO is likely to impact various sectors of the country. Particularly, withdrawal of TRIPS exemptions will impact on availability of pharmaceuticals at an affordable price.

C4. Recent Challenges due to global uncertainty

20. The unexpected and prolonged Russia-Ukraine war along with recent geopolitical tension has brought new challenges to Bangladesh. Despite commendable progress in many socio-economic indicators till FY2022-23, the country has been facing challenges in recent times. Quarterly exports have registered a declining trend since January 2023 (**Figure 4**). Moreover, exports in October 2023 declined by 13.64 percent compared to October 2022. Quarterly imports have also experienced a decline since July 2022 (**Figure 5**).

Figure 4. Quarterly export since July 2022 (US\$ Mil)

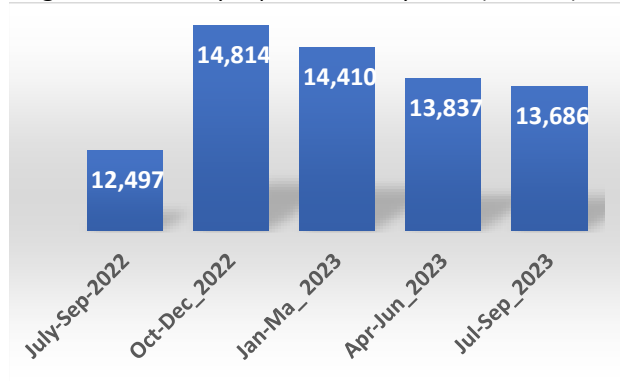
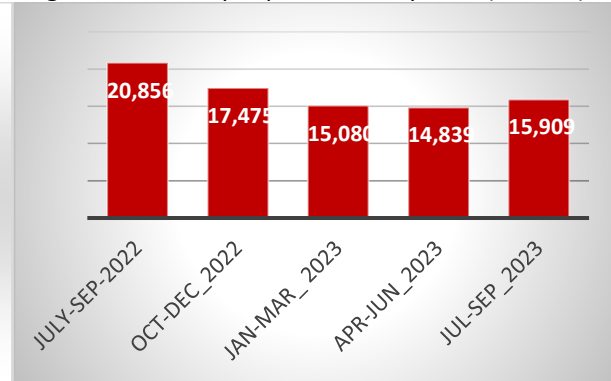


Figure 5. Quarterly import since July 2022 (US\$ Mil)



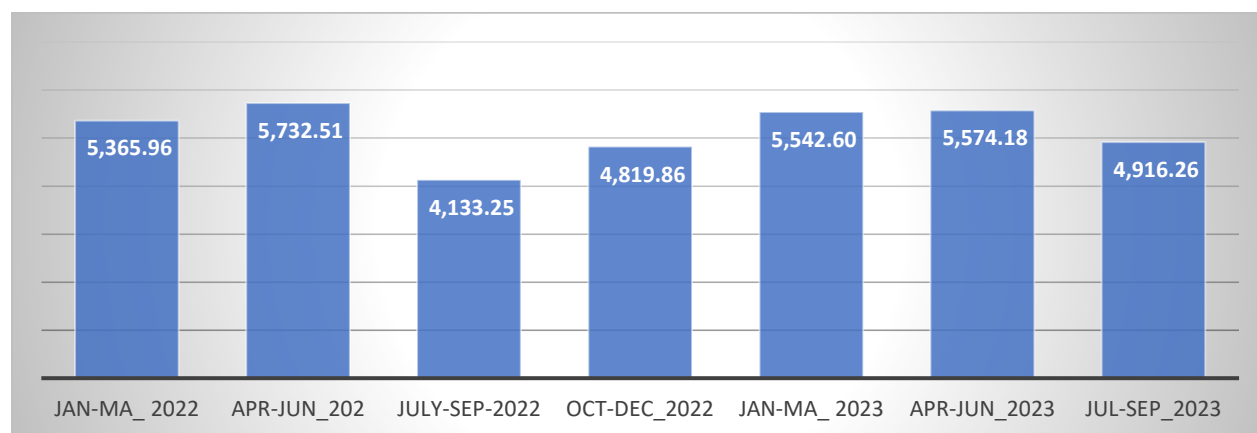
Source: Export Promotion Bureau and Bangladesh Bank

21. Bangladesh is the 7th highest remittance-earning country in the world. Remittance plays a vital role in socio-economic development as well as foreign exchange income of the country, which is crucial for maintaining healthy foreign exchange reserves. Remittance inflow into Bangladesh is also not encouraging in recent times. Statistics on quarterly remittance inflow since the beginning of 2022 show uncertainty and instability attributed to the prevailing global situation (**Figure 6**). Uncertainty in remittance inflow and declining export earnings along with other factors have put pressure on foreign exchange reserves. Gross foreign exchange reserve has gradually declined to US\$26.9 Billion at the end of September 2023 from US\$31.2 billion available as of 30 June 2023. However, as per BPM6 methodology foreign exchange reserve was US\$21.6 Billion on 30 September 2023 reduced from US\$24.8 as of 30 June 2023. Despite various measures taken by the Government, the reserve keeps on declining. If this trend continues, import is likely to decline further, which may impact job creation, industrial growth and export performance of Bangladesh.

22. The depreciation of local currency along with declining reserves and to some extent, reduction of imports are apparently contributing to rising inflation. Inflationary pressure compelled the Government to

increase financial allocation for poorer segments of the population through various programmes. Moreover, debt servicing at a higher exchange rate is also putting pressure on the government’s limited resources. All these factors are contributing to shrinking fiscal space and limiting the Government’s ability to allocate resources to other important sectors like infrastructure, health, education and other social sectors. Besides, the cost of international funding has been showing an upward trend in recent times. Increase in the cost of international borrowing may pose an additional challenge in the near future when Bangladesh starts servicing costly debts and needs additional financial support to maintain its development momentum after graduation. Additionally, increased demand for labour compliance, carbon border adjustment mechanism, and adoption of green technology are likely to bring additional new challenges on the country’s exports.

Figure 6. Quarterly Remittance Earning since January 2022



Source: Data from BMET website (<http://www.old.bmet.gov.bd/BMET/statisticalDataAction>) downloaded on 22 November 2023

D. PREPARATION FOR SMOOTH GRADUATION AND INSTITUTIONAL ARRANGEMENT

23. As informed in the 2022 monitoring report a National Committee on LDC Graduation (NCG) was formed under the chairmanship of the Principal Secretary to the Honorable Prime Minister to assess the impact of graduation and identify the actions to be taken for smooth and sustainable graduation from the LDC category. Seven thematic sub-committees have been working under the guidance of the NCG. In addition to public sector representatives, each sub-committee has members from the private sector and development researchers. These Sub-Committees are:

- i. Subcommittee on Preferential Market Access and Trade Agreement
- ii. Subcommittee on Intellectual Property Rights
- iii. Subcommittee on Investment, Private Sector Development, and Export Diversifications
- iv. Subcommittee on Internal Resource Mobilization and Tariff Rationalization
- v. Subcommittee on WTO Issues (other than Market Access and TRIPS)
- vi. Subcommittee on Branding Strategy
- vii. Subcommittee on Smooth Transition Strategy (STS)

24. By the end of 2022, these subcommittees submitted initial strategies to meet the challenges of LDC graduation as well as to maintain growth momentum. A national seminar on LDC graduation was organized in November 2022 in order to gather observations and suggestions of stakeholders on the draft strategies prepared by various sub-committees. Major actions recommended in the seminar were as follows:

- Bangladesh along with other members of the LDC Group of the WTO should make every effort to have decision from the WTO membership to extend special and differential treatment including Duty-Free and Quota-Free (DFQF) market access in line with the resolution adopted by the General Assembly on 21 December 2012.
- The private sector should put its best efforts for the maximum utilization of ISMs during the remaining preparatory period.
- The Government would continue its efforts to sign the PTA, FTA or CEPA with potential trading partners for creating new market access opportunities.
- Bangladesh needs to enhance its competitiveness by increasing productivity, reducing the cost of production, lessening the time and cost of business and upgrading technology.
- Bangladesh should continue its efforts for upscaling the RMG sector through enhancing diversification within the sector, moving up the global value chain, investing more in backward and forward linkage industries, and increasing the use of Man-Made Fibre (MMF).
- The incentives given for RMG should be extended to other sectors to facilitate those to grow.
- Bangladesh should strengthen the Intellectual Property (IP) regime with a reinforced enforcement mechanism to face the post-LDC era in the absence of TRIPS exemptions.
- The current tariff structure should be rationalized. The tariff policy should be aimed at increasing the export basket and export competitiveness of the country.

25. The outcome of the seminar formed the basis for future courses of action for smooth graduation. An interim report for the preparations of graduation was placed before the Hon'ble Prime Minister by the NCG last December for necessary guidance from the highest echelon.

26. It is to be mentioned that the ERD has been implementing a technical assistance project namely 'Support to Sustainable Graduation Project (SSGP)', funded by the Debt Relief Grant Assistance-Counterpart Fund (DRGA-CF) of Japan, to facilitate a smooth transition from the LDC category. The Project has been dealing with all the graduation related issues, including supporting the NCG and the ERD, in conducting awareness building-campaigns; organizing workshops, training, seminars and focused group discussions (FGDs); conducting studies; facilitating the formulation of smooth transition strategy; preparing reports and position papers, etc. As of today, several workshops/seminars/trainings/campaigns have been organized under the auspices of the SSGP, important ones of which are listed in **Annexure C**. Besides, a few studies have been conducted by the SSGP as proposed by the subcommittees and endorsed by the NCG (**Table 4**). The insights and recommendations derived from these events and studies will be reflected in the Smooth Transition Strategy (STS).

Table 4. List of Studies conducted/to be conducted by the SSGP

Sl. No.	Title of the Study
01.	Review of Existing Subsidies and Tariff Regime and Development of Appropriate Strategies and Action Plan
02.	Market Access, Comparative Advantage and Export Diversification
03.	Expanding Private Investment in the Context of LDC Graduation
04.	Upscaling the RMG Sector
05.	Enhancing Industrial Production in the Context of LDC Graduation
06.	A Comprehensive Study on Technical and Vocational Education and Training (TVET) Skills Mapping
07.	Study on Branding Strategy for Bangladesh
08.	Study on Comprehensive Report on the Logistics Sector of Bangladesh
09.	Study on Transition Financing for Sustainable Graduation

27. The STS Subcommittee, led by the Economic Relations Division (ERD) and co-led by the Prime Minister’s Office, is tasked with the preparation of the Smooth Transition Strategy (STS) by collating inputs from other subcommittees. A Working Group has been formed with representatives from the relevant ministries and organizations to support the work of the STS subcommittee. In addition, a Joint Task Team (JTT) comprising representatives from the government, private sector and development partners was formed to support STS subcommittee to develop the STS. With the formation of fully functional NCG, thematic Subcommittees, Working Group and JTT along with regular consultations with the stakeholders through workshops, seminars, FGDs, etc., a broad-based and inclusive consultative mechanism has been put in place for formulation of the STS. In order to facilitate the preparation of the STS, a draft skeleton of the STS was initially developed. Thereafter, upon the request, the CDP has agreed to provide technical support in the formulation of Bangladesh’s Smooth Transition Strategy (STS) under the Service Offering Line (SOL) 3(a) of the Sustainable Graduation Support Facility (SGSF) or iGRAD. As of November 2023, the draft Terms of References (ToRs) of one international and one national consultant for preparing the draft STS have been finalized. The CDP is now in the process of engaging the consultants. As planned with the CDP, the draft STS is expected to be ready by the end of April 2024.

28. Preparation for smooth graduation has been carried out through a consultative mechanism as mentioned before. The UN development system and the development partners in Bangladesh also provide LDC graduation-related support to the Government of Bangladesh through the pre-existing consultative mechanism- the Local Consultative Group (LCG). Fourteen sectoral working groups under the LCG also contribute to the LDC graduation-related discussion and sustainable development. All development partners are actively engaged in sustainable graduation and development through various LCG sectoral working groups.

E. ACTIONS TAKEN TO MITIGATE DEVELOPMENT CHALLENGES TOWARDS GRADUATION AND BEYOND

29. The Government of Bangladesh has taken a number of actions both on domestic and international fronts to mitigate the challenges of graduation and beyond. These actions are briefly highlighted below:

E1. Actions on the international front

Extending the WTO special and differential treatments (S&DT) including DFQF market access

Bangladesh along with other LDC members of the WTO has been pursuing an extended transition period for the S&DTs. A comprehensive submission was tabled by WTO LDC Group (WT/GC/W/807/Rev.2) on 06 December 2022. The submission contains a comprehensive set of smooth transition measures covering unilateral DFQF schemes and extension of LDC-specific special provisions in the WTO and technical assistance and capacity building to support members when they leave the LDC category.

Following extensive consultation and negotiation, the WTO General Council (GC) adopted a decision (WT/L/1172) on 23 October 2023 that encourages DFQF preference granting Members to provide a smooth and sustainable transition period (without assigning an agreed period for DFQF extension) for withdrawal of such preferences after graduation. This is the first WTO decision on LDC graduation. As of today, GSP schemes of the EU and UK contain continuation of DFQF market access for 3 years after graduation from the LDC category. Canada has already proposed a bill to provide a similar extension of DFQF market access to graduated LDCs. The decision taken by the WTO will facilitate the extension of DFQF market access to graduated LDCs by other preference-granting WTO members.

The proposal of the WTO LDC Group on the extension of LDC-specific special provisions in the WTO and technical assistance and capacity building is now under active consideration of the WTO members with a target to conclude the discussions and finalize a decision by the GC much ahead of the MC13 scheduled to be held in February 2024 in Abu Dhabi.

Besides, Bangladesh is taking preparation for being eligible for EU GSP+ facilities as well as UK DCTS Enhanced Preferences after the expiry of existing LDC schemes. Bangladesh has demonstrated its commitment to labour rights, environmental protection, and climate change issues. Bangladesh ratified 32 international agreements and conventions on human rights, labour rights, environmental protection and climate change, and good governance. It is on good track for effective implementation of these international laws in order to secure GSP benefits in spite of numerous national, economic and social limitations.

Exploring market access opportunities through PTA, FTA and CEPA

The Government of Bangladesh has taken initiatives to engage in FTA negotiations with its potential trading partners to offset the loss of preference erosion after graduation. The government has already formulated the “Regional Trade Agreement (RTA) Policy 2022” encompassing extensive coverage of trade in goods, trade in services, investment, intellectual property rights, environment, labour, government procurement, logistics, trade facilitation, etc. A number of feasibility studies on FTAs with key trading partners have been carried out. Recently, the Joint Study Group on the possibility of an Economic Partnership Agreement (EPA) between Japan and Bangladesh concluded the study and recommended launching negotiations on the EPA. The EPA is expected to be finalized by 2025. The Governments of Bangladesh and India have already declared commencing negotiations on a Comprehensive Economic Partnership Agreement (CEPA). There are also initiatives to negotiate FTA/CEPA with Singapore, the Republic of Korea and China. Negotiations are also ongoing with a number of countries for concluding RTAs.

Seeking support from WIPO for strengthening IP regime

In order to mitigate the challenges due to the withdrawal of LDC-specific exemptions under the WTO TRIPS Agreement, Bangladesh has sent a proposal to the WIPO seeking their support to strengthen the overall IP regime of the country, human and institutional capacity building under the WIPO's Graduation Support Package (WGSP) for the LDCs. The WIPO has expressed its willingness to provide support. Action is being taken to initiate programme as soon as possible.

E2. Action on the domestic front

Formulation of National Tariff Policy 2023

The Cabinet approved the National Tariff Policy 2023 in July 2023. The major objectives of the National Tariff Policy are to achieve sustainable economic growth through increasing competitiveness of domestic industry, expanding and diversifying exports, encouraging investment and generating employment targeting towards meeting the upcoming challenges of graduation and achieving the goals set out in the Perspective Plan 2041.

Enactment of Customs Act 2023

Recently, the Parliament of Bangladesh passed Customs Act 2023 replacing the Customs Act 1969. The New Act aims at facilitating trade by simplifying the import and export procedures and ensuring fiscal discipline and accountability in import revenue collection based on international best practices as contained in the Revised Kyoto Convention and the WTO Trade Facilitation Agreement.

Enactment of Income Tax Act, 2023

The parliament of Bangladesh has enacted new Income Tax Act, 2023 repealing the Income Tax Ordinance, 1984 with effect from 22 June 2023. The new Act widens the scope of taxation, the establishment of fiscal discipline and other incidental matters. This Act is expected to facilitate increased domestic resource mobilization.

Formulation of Trade Facilitation Action Plan

With the support from the World Bank, USAID and USDA the government has been adopting various measures in line with the WTO Trade Facilitation Agreement. The National Board of Revenue is already in the process of developing the National Single Window. The National Trade Facilitation Committee (NTFC) under the leadership of Hon'ble Commerce Minister has already finalized the TFA Action Plan. The implementation of the commitment undertaken by Bangladesh under WTO TFA is under the active supervision of the NTFC. Full implementation of the TFA Action Plan will reduce the time and cost of international trade in Bangladesh, which will result in enhanced competitiveness of trade.

Formulation of National Logistics Policy

A National Committee has been formed under the leadership of the Principal Secretary to Hon'ble Prime Minister for formulating a national logistics policy. The main objective of the national logistics policy will be to improve the logistics sector of the country so that time and cost of trade can be reduced significantly in order to enhance the competitiveness of trade and economic activities.

Infrastructure development

The government firmly believes that a sophisticated and well-planned infrastructure backbone and communication system plays a vital and immeasurable role in the socio-economic development of a country. Towards this end, the government has undertaken various projects to develop the transport and communication system. Notables are Padma Bridge, Metro-rail, Rooppur Nuclear Power Plant, Bus Rapid Transit, Dhaka Elevated Expressway, Bangabandhu Tunnel, Matarbari Deep Seaport and some other mega-projects. Some of those have already been completed/partially completed. Various development projects and programs are in progress to ensure the application of ICT based on four pillars of information technology infrastructure development, human resources development in information technology, establishment of e-governance and development of information and communication technology industry.

Conducting studies targeting towards export diversification and enhancing the productivity of industries

One of the major challenges of Bangladesh's economy is low productive capacity. Slow progress in diversifying exports has been another challenge inflicting Bangladesh for a long. The SSGP has taken the initiative to conduct a number of studies targeting identifying actions for enhancing productive capacity, attracting foreign direct investment and diversifying exports. Observations and recommendations of these studies will be used for the preparation of the Smooth Transition Strategy (STS).

Implementation of Doha Programme of Action

Building on the success of implementing the IPoA the Government of Bangladesh is strongly committed to implementing the DPoA as the Government thinks that most of the targets envisaged in the decadal programme are currently relevant and will remain relevant even after graduation. The Government has done the 'mapping the ministries' exercise immediately after adopting the DPoA in 2022. A National Action Plan has been developed to implement the DPoA which has been recently approved by the Cabinet. A National Committee headed by the Cabinet Secretary is monitoring the implementation of DPoA. To implement the DPoA successfully within the stipulated time, active engagement of all development actors including the DPs would be needed. It is to be noted here that the IPoA missed its targets due to lack of adequate support from the international community. Therefore, the greater attention of all development actors from the very beginning is crucial for attaining the arduous targets of DPoA.

Climate financing for sustainable development

According to the Global Climate Risk Index 2021 published by Germanwatch, Bangladesh ranks as the 7th most vulnerable country to climate change. Bangladesh faces increasing impacts of climate change that could result in a 6.8 percent loss in GDP by 2030 if business as usual is pursued globally. The hard-fought development gains may be undermined or reversed if the 1.5° Centigrade temperature limit of the Paris Agreement is breached. This may seriously hinder the achievement of Sustainable Development Goals by 2030.

The Government of Bangladesh adopted the Bangladesh Climate Change Strategy and Action Plan (BCCSAP) in 2009, and a Climate Change Trust Fund has been established in Bangladesh to mobilize internal resources for implementing climate change strategies and actions. Additionally, the

Climate Fiscal Framework (CFF) was adopted by the government in 2014 to integrate climate change into economic management, and it was updated in 2020. Moreover, in 2021, the Nationally Determined Contributions (NDCs) were updated, incorporating greenhouse gas reduction targets in various sectors, and in 2022, the National Adaptation Plan (NAP) was adopted to ensure the country's resilient development. Furthermore, Bangladesh Delta Plan 2100 has been adopted to ensure the security of our water and food, promote economic development, and ensure environmental sustainability in the face of climate change.

The updated NDC identifies a requirement of \$32 billion to meet unconditional mitigation objectives and an additional US\$143.8 billion to meet conditional mitigation objectives from 2021 to 2030. NAP estimates a need for US\$230 billion over 27 years - or US\$8.5 billion per year - to implement the 113 priority interventions, of which US\$162 billion is expected to be mobilized from external sources and international climate funds. To date, there has been a huge gap in climate financing. Nevertheless, the Government is allocating a significant part of its annual budget to address climate issues. In FY2023-24, the total climate-relevant budget allocation of the 25 ministries/divisions accounts for 54.09 percent of the total budget of these ministries/divisions. Of the total budget of 25 climate-relevant ministries/divisions, 8.99 percent is specifically for climate-relevant expenditures. The climate-relevant allocation for the operational budget increased from 6.88 percent in FY2019-20 to 7.04 percent in FY2023-24. In the same period, the development budget allocation for climate change increased from 9.83 percent to 10.84 percent. Recently, the Government has started the process to bring all the projects funded from the Climate Change Trust Fund into the Annual Development Program (ADP) which is likely to strengthen the monitoring and evaluation of these projects.

The government has adopted the Mujib Climate Prosperity Plan 2022-2041 towards realizing robust inclusive socio-economic development that fully integrates resilience and low-carbon economic green growth for optimized prosperity and economic partnership. Though Bangladesh has undertaken lots of initiatives with its own resources to mitigate the challenges of climate change these are not enough to attain a desirable outcome. Therefore, the country needs huge concessional climate financing if not grants from the development partners to tackle climate change-related vulnerabilities.

F. SUPPORT FROM INTERNATIONAL COMMUNITIES

30. The UN development system in Bangladesh and the development partners are yet to provide LDC graduation-related support to the Government of Bangladesh as STS is still at preparatory stage. However, the UN CDP in collaboration with other UN entities introduced Sustainable Graduation Support Facility (SGSF) or iGRAD facilities for capacity building of the graduating LDCs under six main Service Offering Lines (SOLs). In the process of introducing these SOLs, the CDP conducted a survey, in which Bangladesh took part and expressed interest in receiving support under all six SOLs. A total of 16 proposals have been sent to the CDP for their consideration (**Annexure D**). Later, among the 16 proposals five proposals have been identified as priority ones and it was communicated to the CDP so that they can consider those on a priority basis. The CDP has so far agreed to provide support on STS preparation by engaging two consultants, one International and one National Consultant.

31. The UN in Bangladesh in collaboration with the counterparts in Nepal and Lao PDR supported the government in successfully organizing a side event during the LDC5 conference in Doha on 5 March 2023. The joint side event titled "Sustainable and Smooth Transition for the Graduating Cohort of 2021" was organized by the governments of Bangladesh, Nepal, and Lao PDR, with support from their respective UN Resident Coordinator's Offices. A joint statement issued by three countries after this side event called upon the international community including the international financial institutions to extend necessary support to the graduating LDCs in the spirit of the DPoA that calls for international solidarity. The Joint statement also reiterated the appeal for the continuation of the ISMs beyond graduation.

32. Besides, the development partners regularly provide support for meeting the development challenges, some of which may be found in **Annexure E**.

G. CONCLUSION AND WAY FORWARD

33. Bangladesh has been doing well in overall socioeconomic performances over the last one and a half decades because of the prudent policy approach and inclusive growth strategies pursued by the government under the leadership of Hon'ble Prime Minister Sheikh Hasina. However, economic shock derived from the COVID-19 pandemic and the Russia-Ukraine war has temporarily put a dent in our economic performance. In the coming days, the country will have to mitigate some short-term challenges such as tackling inflation and reversing the declining trend of foreign exchange reserves as well as longstanding challenges like export diversification, increasing productive capacity, revenue mobilization, addressing climate change vulnerability and repatriation of FDMNs. Having all these challenges, Bangladesh is determined to navigate towards a smooth and sustainable graduation. The government of Bangladesh hopes that the country will be in a position to mitigate these challenges through appropriate policy actions along with support from the international community. In this regard, support from the international community should focus on the following areas:

- i. Continuation of international support measures (ISMs) for certain period after graduation (A formal submission has been made to the World Trade Organization, the approval of which is imperative for the continuation of ISMs).
- ii. Increased concessional development assistances to meet the financing gaps for attaining the SDGs.
- iii. Easy access to increased concessional climate financing for loss and damage.
- iv. Continuation of climate technology and knowledge transfer to LDCs after graduation.
- v. Quick delivery on capacity development support under the Sustainable Graduation Support Facility of UNCDP.
- vi. Coordinated support from development partners for the timely implementation of the STS.
- vii. Reinvigorated cooperation and support to formulate and implement strategies in fostering structural transformation, improving productivity, enhancing competitiveness and promoting international trade and FDI.
- viii. Safe and quick repatriation of FDMNs.

ANNEXURE A

Main features of economic recovery programmes of the Government of Bangladesh to COVID-19 Pandemic crisis

Category			Name of the package		Amount allocated (BDT Billion)	Execution status (as of April 2023)
Financed by budget	Social spending	Job retention /creation	1	Special Fund for salary support to export-oriented industries	50	50 (100 percent)
			17	Employment creation program through state-owned financial institutions	32	22.5 (70 percent)
			21	Revitalizing the rural economy and job creation in rural area	15	14.1 (94 percent)
			27	Employment creation through three State-owned financial institutions 2 nd phase (PKSF- BDT500 Crore, Karmasangsthan Bank- BDT500 Crore and Palli Sanchay Bank-Tk 500 Crore.	15	10 (67 percent)
	Food security	8	Free distribution of rice and wheat to the poor people	25	14.19 (57 percent)	
		9	Selling rice at BDT 10/kg under the OMS among low-income people	7.70	7.70 (100 percent)	
		25	Special OMS at the city area (Rice: 20,000 MT and Flour: 14,000 MT)	1.50	1.50 (100 percent)	
		26	Fund for Deputy Commissioner to provide food support to vulnerable people reached through 333 Call Center (Govt. Information and Service)	1.00	1.00 (100 percent)	
	Cash transfer	10	Cash transfer for the targeted poor people (BDT 2,500 per person for 3.5 million, plus 486 thousand fisheries and livestock farmers)	13.26	13.26 (100 percent)	
		23	Second round cash assistance to 3.5 million poor people of BDT 2,500 per person plus 100,000 Boro farmers affected by cyclone	9.30	7.80 (83 percent)	
		24	Cash Transfer to the targeted poor people (BDT 2,500 per person with total beneficiary 1.7 million daily labourer, transport worker, small entrepreneurs, marine transport workers and construction workers)	4.50	4.3 (96 percent)	
		11	Expansion of cash allowance programs to 112 upazillas	8.15	6 (74 percent)	
		22	Expansion of cash allowance programs to another 150 upazillas	12	3.1 (15 percent)	
		20	Special safety net program for the workers who lost their job in the RMG, leather goods and footwear industries	15	0.1 (1 percent)	
		12	Construction of home for homeless people	21.3	39.8 (187 percent)	
Affordable home						

Category			Name of the package	Amount allocated (BDT Billion)	Execution status (as of April 2023)	
	Support to agriculture	13	Support for farm mechanization	32.2	14.8 (45 percent)	
	Others	14	Subsidy for agriculture	95	335.6 (283 percent)	
			6	Special honorarium to doctors, nurses, and medical workers	1.38	1.55 (112 percent)
			7	Health and life insurance provided to doctors, health workers and other relevant government employees in case of coronavirus infection or death	7.5	0.98 (13 percent)
			18	Subsidy for commercial banks' suspended interest during April-May 2020	20	13.9 (70 percent)
	Financed by financial system	Support to export-oriented industry & others	2	Working capital loans for the affected industries and service sector	1030	477.9(46.3 percent)
4			Expansion of facility provided through Export Development Fund (EDF) by Bangladesh Bank	170	316.7 (186 percent)	
5			Pre-shipment Credit Refinance Scheme	50	8 (16 percent)	
Support to SMEs		3	Working capital loans for the SMEs, including the cottage industries	600	342.2 (57 percent)	
		19	Credit risk sharing scheme for the SME sector	20	1.72 (8.6 percent)	
Support to low-income people		16	Refinance scheme for low-income professionals, farmers, and small traders	30	38.69 (128 percent)	
Support to tourism		28	Working Capital Credit Facility at 4 percent interest to pay wages to the employees of hotel, motel and theme parks under Tourism Sector	10	Process on-going	
Support to agriculture		15	Agriculture Refinance Scheme	80	73.44 (92 percent)	
Total in BDT billion				2,376.79	1852.56 (78 percent)	
Total in US\$ billion				26.9		
as percent of GDP				5.98 percent		

ANNEXURE B

Refinance schemes for the agriculture sector

Name of Scheme	Amount of Allotment (BDT Mill)	Disbursement (BDT Mill upto Sep 2023)	Rate of Disbursement (percent)	Comment
Re-financing scheme amounting to BDT 50.00 billion for the agricultural sector to ensure food security	50,000	21,340	43.12	Allotment was given to 50 participating banks. The interest rate at the farmer level is 4 percent and banks will be refinanced at the rate of 0.5 percent. The validity of this will be until 30 June 2024.
Re-finance scheme of BDT 10.00 billion to increase the production of corn and maize	10,000	1,071	10.71	21 scheduled banks have participated in this scheme. The interest rate at the farmer level is 4 percent and banks will be refinanced at the rate of 0.5 percent. This scheme will expire on 30 June 2025.
Re-finance scheme of BDT 5.00 billion to create employment and to eliminate poverty for the people who have returned home due to the COVID-19 pandemic and other reasons	5,000	2,440	48.89	The interest rate at the customer level is 6 percent and the participating banks are refinanced at the rate of 0.5 percent. This scheme will be valid until 31 December 2024.
Re-finance scheme of BDT 3.00 billion to help the Jute sector	3,000	865	28.84 percent	16 scheduled banks have participated in this scheme. The interest rate at the customer level is 7 percent and the participating banks are refinanced at a bank rate (4 percent at present). This scheme will run until 22 June 2024.

Source: Bangladesh Bank

ANNEXURE C

List of Major workshop/Seminar/Training/Focus group discussions/Campaign

Date	Major Actions/ Interventions
February 2021	GoB-DP dialogue on “LDC graduation and way forward” through the LCG Plenary meeting on 14 February 2021
	Meeting with UNESCAP on ‘Supporting the Countries with Special Needs in Asia-Pacific in meeting the challenge of resource mobilization for achieving the 2030 Agenda for Sustainable Development’
	Statement of HPM during the Media briefing at Ganabhaban on 27 February 2021 on the occasion of LDC graduation recommendation
April 2021	Side event on “Sustainable Graduation in the Challenging Time: Perspectives from Bangladesh and the Region” during the 77 th annual session of UNESCAP
May 2021	Reviewing the position papers on the impact of COVID-19 on trade and social protection in the context of LDC Graduation
	Countrywide Campaigning and Celebration to Commemorate LDC Graduation Recommendation
June 2021	Virtual meeting on ‘Graduation of Bangladesh from the least developed country (LDC) category and smooth transition towards sustainable development’ on 23 rd June 2021
May 2022	“Sustainable Graduation in the Challenging Situation: Perspectives from Bangladesh and the Region in the light of Doha Program of Action (DpoA)”
July 2022	Seminar on WTO MC-12: Implications for Graduating LDCs held on 26 July 2022
August 2022	Seminar on Preparedness of Pharmaceutical Sector for LDC Graduation held on 10 August 2022
September 2022	Workshop on Effective Engagement of the Media for Sustainable Graduation held 01 September 2022
	Workshop on Augmenting Competitiveness by Improving Trade Facilitation on 14 September 2022
	Workshop on Bangladesh Patent Act 2022: Addressing Public Health held on 19 September 2022
October 2022	Workshop on Man-Made Fiber for Moving up the Value Chain of RMG in the Context of LDC Graduation held on 04 October 2022
	Local Level Stakeholders Consultation on Inclusive, Smooth and Sustainable LDC Graduation in Sylhet
November 2022	National Seminar on LDC Graduation
December 2022	Workshop on UNCTAD LDC Report 2022: Implications for Bangladesh held on 19 ⁿ December 2022
January 2023	Focus Group Discussion (FGD) on the implications of trips agreement on Bangladesh agrochemical industry held on 04 January 2023
February 2023	Local Level Stakeholders Consultation on Inclusive, Smooth and Sustainable LDC Graduation held on 09 February 2023
March 2023	Seminar on A Journey toward Sustainable Graduation held on 24 March 2023
April 2023	Training on LDC GRADUATION IMPACTS ON TRADE, TARIFF, AND

	INTELLECTUAL PROPERTY RIGHTS for ERD Officials held on 25 April 2023
May 2023	Training on LDC GRADUATION AND ITS IMPLICATIONS FOR BANGLADESH for ERD Officials held on 08 May 2023
	Focus Group Discussion on ‘Skills Mapping in the Context of LDC Graduation’ held on 09 May 2023
	Workshop on LDC graduation and SDG achievement Nexus 21 May 2023
	Local Level Stakeholders Consultation on Inclusive, Smooth and Sustainable LDC Graduation in Khulna held on 25 May 2023
June 2023	Seminar on ‘Impacts of LDC Graduation on the Agriculture Sector and the Way Forward’ held on 04 June 2023
	Focus Group Discussion on ‘Significance of Budget 2023-24 from the LDC Graduation Perspective’ held on 15 June 2023
	Workshop on LDC Graduation: BIDA’s Reform Initiatives for Boosting FDI Inflows held on 20 June 2023
August 2023	Workshop on ‘Fisheries Subsidies in the Context of LDC Graduation and Way Forward’ held on 01 August 2023
September 2023	Seminar on ‘Logistics Sector of Bangladesh: Challenges and Way Forward’
October 2023	Workshop on ‘Potentials and Challenges of Leather Sector in Bangladesh: Points to Ponder’
November 2023	Workshop on ‘Trade Facilitation for Improving the Competitiveness: Challenges and Way Forward’

ANNEXURE D

List of 16 proposals submitted to the UNCDP

SOL-1: Addressing the loss of existing LDC-specific international support measures (ISMs).

SOL-1(a): Help graduating LDCs to access existing ISMs either funds and/or capacity building mechanisms to which they will soon no longer be entitled.

Proposal-1: Enhancing capacity of the Bangladesh Standard and Testing Institution (BSTI), national standard setting body, in terms human resource development as well as in terms of institutional facilities, like testing facilities. This will help increase exports particularly due to the acceptance of the BST certificates by the importing countries. This will also enable the BSTI to conclude Mutual Recognition Agreements (MRA) with the counterparts of potential trading partners. With this end in view, supports may be provided in the following specific areas:

- Capacity building of the Certification Marks Activities for the promotion of quality assurance with Risk Based approach like Inspection, Sampling, Acceptance of Test Report from Accredited Laboratory on reciprocal basis of the commodities and services;
- Capacity building of preparation, promotion and adoption of national standards in different industrial sectors throughout the country.
- Capacity building for standard compliance of potential export products.

Proposal-2: Enhancing SPS (Sanitary & Phyto-sanitary) capacity of fruits and vegetables in order to enhance exports of those products. This will not only increase overall exports, but also contribute to export diversification. All of these will help in overcoming losses due to the withdrawal of ISMs after graduation.

SOL- 1(b): Strengthen capacity of government officials to prepare and engage in trade negotiations advocating for extended LDC-specific ISMs, such as trade preferences and to improve access to export markets

Proposal: A training programme may be devised for the officials of the Ministry of Commerce and ERD for enhancing negotiating capacity relating to trade and development cooperation.

SOL- 1(c): Provide enhanced technical assistance in addressing the possible loss of LDC-specific special and differential treatment (SDT) under the WTO agreements as well as to build and strengthen intellectual property systems in response to the possible loss of LDC-specific special and differential treatment so as to enable compliance with relevant international obligations after graduation without economic disruption.

Proposal-1: Conducting an Impact Assessment relating to the loss of TRIPS exemptions, both General and Pharmaceutical, after graduation may be conducted, preferably with the help of WIPO. The impact assessment will be useful for the policymakers and other stakeholders in formulating future course of action for the post-LDC situation.

Proposal-2: Assessing Impacts of LDC graduation on SMEs. This kind of impact assessment will be very useful for both the policymakers and stakeholders to have a better understanding of the probable impacts of the LDC graduation on the SMEs (Small & Medium Enterprises). It may be mentioned that like many other countries, SMEs are the backbone of Bangladesh economy. Hence, this is crucial to

take necessary strategies and actions for safeguarding the interests of the SMEs so that they are not affected by the LDC graduation.

SOL-2: Improving the ability of graduating and graduated LDCs to access non-LDC-specific support.

Proposal-1: A comprehensive training programme on WTO Agreements and issues for public and private sector stakeholders in order to enhance their knowledge and understanding of WTO issues.

Proposal-2: A study can be conducted to identify potential non-LDC specific Special & Differential Treatments (S&DTs) under various WTO Agreements and Decisions in the Bangladesh context.

Proposal-3: A study on “Subsidy and Cash Incentives – Finding WTO compliant alternatives after graduation”. Currently Bangladesh as an LDC provides export subsidies in the form of cash incentives for a large number export products. However, it will not be possible to provide such export subsidies after the LDC graduation. So, the main objective of the study is to find out WTO consistent alternatives to the current export subsidies with a view to supporting the exporters.

SOL-2(a): Support assessment of climate funding in line with national development priorities.

Proposal: A needs assessment can be conducted for climate funding.

SOL-2(b): Assist in accessing non LDC-specific Aid for Trade to increase building of trade capacity and infrastructure needed, including technical assistance that help countries to develop trade strategies, improve understanding of export requirements and negotiate more effectively.

Proposal-1: Conducting a needs assessment for enhancing productivity and productive capacity of the RMG sector, the largest manufacturing sector of the country.

Proposal-2: Studies on Graduation Impact Analysis and Way Forward in the following sectors:

- a) Agro-products and Agro-processed Goods;
- b) Light Engineering sector.

SOL-2(c): Technology transfer and transfer of know-how.

Proposal: An in-depth study may be initiated to outline ways and strategies for introducing digital wallets in the MSME sector at an affordable cost. It will speed up transactions, reduce costs and save time. Over the past few years, paying with a mobile phone using a digital wallet has become popular in China due to its ease to use and low cost. According to a survey, in 2018, 92% of people in China’s largest cities use Wechat Pay or Alipay as their main means of payment¹. The study may explore the potential of such instruments for SMEs and consumers in Bangladesh for boosting the drive for the digital economy.

SOL-2(d): Innovative disaster-risk reduction solutions.

Proposal-1: Support in preparing project proposals for accessing global climate finance. i.e., Green Climate (GCF), Adaptation Fund (AF), etc.

Proposal-2: Proposal for Innovative Disaster-Risk Reduction Solution

¹ Accessed <https://daxueconsulting.com/payment-methods-in-china/> on 20 July 2022

Capacity and knowledge support from United Nations Office for Disaster Risk Reduction (UNDRR), United Nations Office for the Coordination of Humanitarian Affairs (UNOCHA), USDMC-Hawaii and others to running a Centre for Excellence on Disaster Risk Management Academy to be under constructed by Department of Disaster Management (DDM) at Gazipur.

SOL-3: Preparing and implementing smooth transition strategy

Proposal: Support for preparing Smooth Transition Strategy (STS). As STS will be the most important strategy document for ensuring smooth and sustainable graduation from the LDC category, Bangladesh is interested to receive support under the SOL-3 for preparing an effective and quality STS. The means and modalities of the support may be finalized through discussions.

SOL-4: Assistance in Accessing Financing Transition and Beyond.

SOL-4(c): Provide support to strengthen revenue generation and collection skills and capacities

Proposal: Study on Transition Financing

Ensuring access to finance in the transition period and beyond will be very crucial not only for ensuring smooth and sustainable graduation, but also for graduation with momentum in order to achieve various development goals set nationally and globally. So, the proposed study will be very useful for ensuring such financing.

ANNEXURE E

List of Projects/Programme Supported by Development Partners

Development Partner	Name of the project	Implementing agency	Duration
Denmark	Enhancing Safe Drinking Water Security and Climate Resilience through Rainwater Harvesting	BRAC	2022-2024
	Local Government Initiative on Climate Change (LoGIC)	UNDP	2023-2025
	Improving the health and safety of workers in Bangladesh through the strengthening of labor authorities	Danish Working Environment Authority & Department for Inspection of Factories and Establishments (DIFE)	2023-2025
	Partnership for cleaner Textile	IFC	2018-2024
	Rural Micro-enterprise Transformation Project (RMTP)	International Fund for Agricultural Development (IFAD)	2020-2026
Germany	Sustainability in the textile and leather sector	GIZ	2020-2024
	Social protection for workers in the textile and leather sector	GIZ	2022-2025
Team Europe	Advancing Decent Work	ILO	2023-2027
Japan	Foreign Direct Investment Promotion Project	JICA-BEZA	2015-
	Project for Promoting Investment and Enhancing Industrial Competitiveness (BIPIC)	JICA, BEZA, BIDA	2017-2022
	Project for Capacity Building of BEZA on EZ Management and Investment Promotion (BEZIP)	JICA-BEZA	2022-2027
	Industrial Competitiveness Enhancement Project (ICEP)	JICA-Ministry of Industry	2024-2028
	Enhancement of Customs Administration	JICA- NBR	2022-2026
	Matarbari Port Development Project	JICA, CPA, Road and Highway Division	2019-
	Project for the Formulation of MIDI Master Plan	JICA-PMO	2024-2028
Switzerland	Better Work Phase IV	ILO	2021-2025
	Integrated Environmental, Social and Governance (ESG) Programme	IFC	2022-2025
	Better Than Cash Alliance (BTCA)		2022-2024
	Green Bonds Technical Assistance Programme	IFC	2018-2025
	Debt Management and Financial Analysis Programme (DMFAS) Phase IV	UNCTAD	2020-2023
UK	Transformative Economic Policy Programme (TEPP)	UNDP	2021-2024
UNDESA	Comprehensive study on the "Impact of Bangladesh's Graduation from LDC Group on Small and Medium Enterprises (SMEs)	UNDP	-2023