Ex ante assessment of the possible impacts of the graduation of Bangladesh from the category of Least Developed Countries (LDCs)

Revised draft.

This document was prepared by the Secretariat of the Committee for Development Policy in accordance with established procedures for graduation from the least developed countries (LDC) category. It will be open to corrections, comments and additional relevant information until mid-2020 (kindly write to Marcia Tavares at tavares3@un.org; please include sources and relevant documents supporting your inputs). It will also be updated based on consultations in writing with development and trade partners over the course of 2019. Information, statements and conclusions contained in this draft should not be interpreted as reflecting the positions of the Committee for Development Policy (CDP) or the United Nations Secretariat. The draft has not been formally edited and designations and terminology employed may not conform to United Nations practice.

Summary

The United Nations Committee for Development Policy (CDP) reviews the least developed countries (LDC) category every three years. For a country to graduate from the category, it must meet certain criteria during two consecutive triennial reviews by the CDP. Bangladesh met the criteria for the first time in 2018. If it continues to meet the criteria in 2021, the CDP may recommend graduation. Assuming endorsement by the UN Economic and Social Council (ECOSOC) and the General Assembly, graduation would be expected to take place in 2024. This report, prepared by the Secretariat of the CDP according to established procedures, analyses the possible impacts of graduation.

The assessment focuses specifically on the direct impacts of the withdrawal, upon graduation, of international support measures (ISMs) that are exclusive to LDCs. These measures relate to trade, development cooperation, and support for participation in the United Nations system entities and processes.[1] The assessment does not cover the impacts of achieving other development milestones such as becoming a middle-income country.[2] The assessment also intentionally does not provide an overarching quantitative assessment of the economic impact of graduation. This would be outside of its scope, subject to the significant limitations of data and modelling tools in this context, and potentially misleading.

Impacts on trade. The most important impacts of Bangladesh's graduation relate to trade and include the loss of LDC-specific market access provisions, LDC-specific special and differential treatment and flexibilities under WTO rules and regional agreements, and certain training and capacity building mechanisms.

Bangladesh would lose access to duty free quota free (DFQF) arrangements for LDCs and to simplified rules of origin reserved for LDCs, with especially important impacts on the garments in.

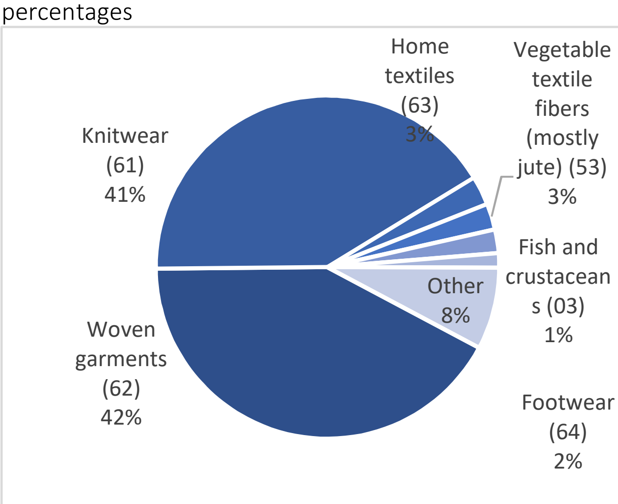
In its main market, the European Union (EU), Bangladesh would remain eligible for duty-free quota free market access under the Everything But Arms (EBA) scheme for a period of three years after graduation, given the scheme's "smooth transition" provision. After that, the terms under which it would have access to the EU market would depend on the new Generalised System of Preferences (GSP) regulation, as the current regulation will expire at the end of 2023 (before Bangladesh's expected graduation date). Under current rules, Bangladesh would in principle have access to the standard GSP, whereby it would face higher, but still preferential tariffs. Approximately 83 per cent of Bangladesh's exports are garments, most of which would face tariffs of 9.6 per cent in the EU under the GSP. Bangladesh´s exports would also have to comply with more stringent rules of origin to benefit from the GSP than it is required to, as an LDC, to benefit from the

[1] The analysis was conducted in 2018 by the Secretariat of the Committee for Development Policy (CDP), within the Department of Economic and Social Affairs of the United Nations, in accordance with established graduation procedures. A series of four missions to Bangladesh was undertaken between 2017 and 2018, culminating in a one-week research mission during October 2018 during which a range of government, non-government, international organizations and private sector stakeholders were consulted in Dhaka, Chittagong and Cox's Bazaar. Experts and specialist agencies in each area, as well as government agencies, were also consulted during the course of research and invited to comment on preliminary findings. Comments on a draft version of the full report were received from the government of Bangladesh, UNCTAD, UNDP, the Advisory Centre on WTO Law (ACWL), ESCAP and Mohammad Razzaque, who worked as a consultant. Representatives of the following entities were interviewed for this study or submitted inputs: Government of Bangladesh; Office of the United Nations Resident Coordinator; ACWL; Asian Development Bank; Dr. Debapriya Bhattacharya and other experts at the Centre for Policy Dialogue (CDP); Department for International Development (United Kingdom); Dr. Nazreen Ahmed of the Bangladesh Institute for Development Studies; Dr. Saleem Huq (International Center for Climate Change and Development; International Institute for Environment and Development; Least Developed Countries Universities Consortium on Climate Change); Dr. Zaidi Sattar of the Policy Research Institute; Enhanced Integrated Framework (EIF); European Union (Delegation to Bangladesh and Permanent Mission to the United Nations in New York); Government of Germany (through the Permanent Mission in New York); High Commission of Canada; International Labour Organization (ILO); Japan International Cooperation Agency (JICA) and Embassy of Japan in Bangladesh; NYU Stern Center for Business and Human Rights; Office of the High-Representative for LDCs, LLDCs and SIDs (OHRLLS); Pharmacy Council of Bangladesh; South Centre; Stichting Bangladesh Accord Foundation/Accord on Fire and Building Safety in Bangladesh; UNCDF; United Nations Conference on Trade and Development (UNCTAD); United Nations Economic and Social Commission for Asia and the Pacific (ESCAP); United Nations Industrial Development Organization; USAID; World Bank; WTO Secretariat; and private sector representatives (Metropolitan Chamber of Commerce and Industry, Dhaka; garment, pharmaceutical and other companies in Bangladesh; credit rating agencies). Other representatives of the United Nations country team, not directly involved in graduation-related issues, participated in a joint meeting in Dhaka on October 1, 2018 (in addition to those already noted above: United Nations Population Fund - UNFPA, World Health Organization - WHO, Food and Agriculture Organization (FAO), UNICEF, United Nations Office on Drugs and Crime - UNODC, and others). A round of written consultations with development partners will be held in 2019 and a revised assessment will be submitted to the CDP before it decides, in 2021, on whether to recommend graduation to ECOSOC.

[2] Graduating from the LDC category is not the equivalent of "becoming a middle-income country". The LDC category is based on per capita income but also on indicators of human development and of economic and environmental vulnerability, which means that a middle-income country can continue to be an LDC while certain low-income countries are not.

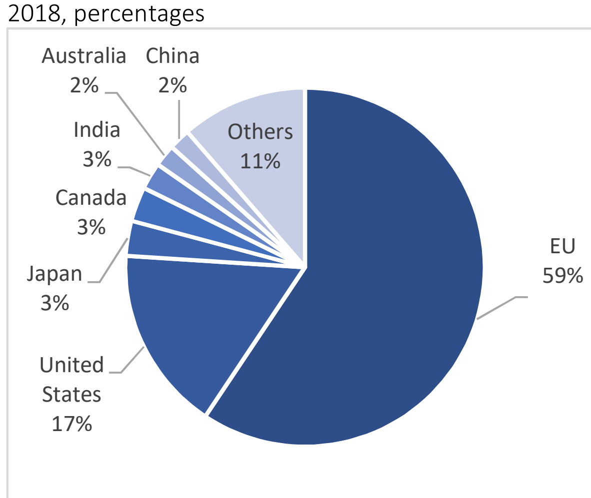
EBA. Bangladeshi garments currently benefit from the single transformation rule for LDCs, whereby products qualify for preferential treatment if only one form of product alteration is undertaken in the country as opposed to the double transformation rule for non-LDCs, whereby two stages of conversion are required. Despite Bangladesh having had access to EBA since 2001, it was only since the simplification of the rules in 2011 that the country was able to fully use the preferences, as the country relies significantly on imported inputs, particularly in the case of woven garments. Woven garments would be most affected by application of the double transformation rule.

Figure A: Composition of exports, July 2017-June 2018, percentages



Source: Export Promotion Bureau of Bangladesh, Analysis for the FY 2017-2018 Month of July-June.doc, at epb.portal.gov.bd (http://epb.portal.gov.bd/site/files/51916ae6-a9a3-462e-a6bd-9ef074d835af/Statistic-Data-2016-2017)

Figure B Destination of Bangladesh exports, July 2017-June 2018, percentages



Source: Data from the National Board of Revenue contained in Export Promotion Bureau report, "Region Wise Export (Goods) 2017-2018 for the month of July-June" (http://epb.portal.gov.bd/site/files/51916ae6-a9a3-462e-a6bd-9ef074d835af/Statistic-Data-2016-2017)

Graduating LDCs can in principle apply to the EU's Special Arrangement for Sustainable Development and Good Governance (GSP+), which grants duty free access to 66 per cent of EU tariff lines (in addition to products that are subject to zero MFN duties). Based on current rules, however, Bangladesh does not meet at least two conditions for eligibility. Its share in GSP-covered imports into the EU is above the maximum threshold and it has not ratified the Convention concerning Minimum Age for Admission to Employment (No. 138, 1973), one of the 27 conventions on human rights, labour rights, environmental protection and good governance that are a condition for eligibility. If Bangladesh is not found eligible for GSP+, and unless alternatives are negotiated, its products would enter the EU under the standard GSP or most favoured nation (MFN) terms. The EU has expressed concern and engaged with the government over labour rights and worker safety. Failure to achieve significant improvements could affect market preferences under the EBA, regardless of graduation.

No important impacts are expected in the United States market, since Bangladesh´s most important products are not covered by the LDC-specific preference scheme. Bangladesh has been suspended from the GSP scheme (including preferential tariffs for LDCs) since 2013 due to labour safety issues.

Among other developed country markets, in Canada, Japan and Australia, the standard GSP does not cover an important part of Bangladesh's exports, which will face MFN tariffs. Moreover, in some countries such as Canada and Australia, Bangladesh would no longer be able to use dedicated rules of origin for LDCs, making it more difficult to use preferences for the tariff lines covered by the standard GSPs than it is to use GSP for LDCs.

Among major developing country markets, Turkey, Bangladesh's largest importer of jute and jute products, has aligned its GSP scheme to that of the European Union. In India and China, still relatively small destinations for Bangladesh's exports but important due to potential and proximity, Bangladesh would no longer benefit from DFQF treatment reserved for LDCs and would instead export under the Asia-Pacific Trade Agreement (APTA) (for China and India), the South Asian Free Trade

Agreement (SAFTA) (in the case of India) and MFN rates. Unless negotiated otherwise, Bangladesh would no longer benefit from LDC-specific provisions under those and other regional agreements.

The greatest impacts of higher tariffs and more stringent rules of origin are expected to be on garments. The extent to which producers will be able to adapt depends on multiple domestic and international factors. Larger firms with better access to capital and technology and greater capacity to move into higher value-added segments have better chances of remaining competitive, while for small firms already operating at very small margins, losing the tariff differential could pose an existential threat. There is room across the board for supply-side improvements. Though advances have been made through different national and international initiatives, worker safety and labour rights remain issues of major concern and could impact the terms of access to markets before graduation.

Considering the current state of LDC-specific market access provisions in services, graduation is not expected to have significant impacts on services exports.

The 2011 decision adopted by the members of the World Trade Organisation (WTO) known as the "services waiver" allows WTO members to grant market access preferences in services to LDCs by exempting them from the obligation of extending equal treatment to all members. There is no evidence that Bangladesh has benefitted or would in the short and medium-term benefit from the waiver given the nature of the preferences granted, their form of implementation and supply-side constraints.

Bangladesh would no longer benefit from LDC-specific special treatment on obligations and flexibilities under WTO rules. The main impacts are expected to be under the Trade Related Aspects of Intellectual Property Rights (TRIPS) agreement, the Agreement on Agriculture and the Agreement on Subsidies and Countervailing measures.

Bangladesh would need to fully comply with the TRIPS agreement in pharmaceutical products when it graduates. It would not benefit from the full extent of the longer transition period that has been granted to LDCs, currently extended to 2033, nor from any further extensions of that period. Around a fifth of pharmaceuticals produced in the country are patented in other countries, something which is made possible by the waiver, which allows LDCs to produce patented drugs without first asking patent holders. The government would need to provide the minimum standard of protection for pharmaceutical patents (20 years) and adapt other aspects of its intellectual property rights and sectoral legislation. Some of these changes could impact Bangladesh's growing industry, which supplies 98 per cent of domestic demand and exports to many other developing and developed countries providing low-cost drugs for consumers and public health systems. Approximately one third of Bangladesh's pharmaceuticals exports are to LDCs. In principle, graduation would have no impact on Bangladesh´s use of the extended general transition period for TRIPS, as it is currently limited to 2021. However, the deadline has been extended in the past – and after graduation Bangladesh would not benefit from an extension.

As an LDC, Bangladesh is exempt from prohibitions on export subsidies under the Agreement on Agriculture and the Agreement on Subsidies and Countervailing Measures. After graduation, Bangladesh would need to comply with the Agreements, which could require a revision of government support in various sectors.

After graduation, Bangladesh would no longer be considered for special procedures for LDCs under Article 24 of the Dispute Settlement Understanding (DSU). Bangladesh would need to join to the Advisory Centre on WTO Law (ACWL) to use its services.

In other WTO agreements, several LDC-specific provisions will expire before Bangladesh's expected date of graduation.

Bangladesh would no longer benefit from special treatment for LDCs in fulfilling its obligations under regional agreements. Certain provisions could be the object of negotiations among members of these agreements.

The country may also no longer have access to, or priority in, certain technical assistance and capacity-building mechanisms related to trade, including the Enhanced Integrated Framework (see below).

Finally, Bangladesh would forego LDC concessions in future trade negotiations.

Impacts on development cooperation. Graduation in and of itself is not expected to have significant impacts on development cooperation. Bangladesh passed the World Bank's middle-income threshold in 2015 which, along with other factors, has already triggered a gradual change in development assistance.

The economic importance of official development assistance (ODA) is significantly lower than the average for LDCs and for low-income countries. However, ODA plays a significant role in many critical areas, including health, infrastructure and education, and in Bangladesh's response to the Rohingya refugee crisis.

A gradual change in the cooperation strategies of both multilateral and bilateral partners has already begun, related to the increase in the level of income and other factors. Multilateral financial institutions operating in Bangladesh base their programmes on income level, creditworthiness and other factors but not on whether a country belongs to the LDC category. The terms of financial assistance to Bangladesh by most multilateral financial institutions are changing gradually and will continue to do so over the coming years as a result of the increase in per capita income and other factors, but not due to LDC graduation.

Technical assistance by some partners is moving away from direct intervention and towards greater emphasis on building national capacities and technical training. These changes are due to the country´s development progress and public sector capacity as well as to agency-wide policies, rather than to prospects related to the LDC category.

Bangladesh is already seeing an increase in the ratio of loans to grants in total bilateral ODA, reflecting to a large extent the increase in lending by Japan. After graduation, Bangladesh would no longer be granted special terms for LDCs under Japan's ODA loans, but it would still have access to ODA loans under slightly less favourable terms.

Other partners continue to provide mostly grants. Partners interviewed for this report do not anticipate major changes due to graduation.

Graduation will entail the loss of a small number of LDC-specific mechanisms for technical or financial support which are not expected to be of major consequence. Bangladesh needs capacity building assistance to secure alternatives in certain areas, particularly climate change financing.

- After a smooth transition period of five years, Bangladesh would no longer have access to the Enhanced Integrated Framework (EIF), a multi-donor programme which supports LDCs (and recent graduates) to increase their participation in the international trading system.
- Bangladesh would no longer have access to the Least Developed Countries Fund (LDCF) for climate change financing, although projects approved until graduation would be funded. The LDCF is considered very limited as a source of climate change funding for Bangladesh. The much larger Green Climate Fund (GCF) would remain open to Bangladesh. The country may need to develop its capacity to mobilize these funds, including by building capacity to elaborate projects under the GCF requirements and criteria.
- After a smooth transition period of five years Bangladesh would no longer have access to the LDC Technology Bank. Launched in 2018, the Technology Bank aims to strengthen the science, technology and innovation capacity of LDCs. Bangladesh is scheduled to be among the first countries to use its services.
- Bangladesh will not be able to use the Investment Support Programme for LDCs after a smooth transition period of five years.
- The United Nations Capital Development Fund (UNCDF), which provides access to microfinance and investment capital, has the mandate to support the LDCs "first and foremost", but not exclusively. After Bangladesh´s graduation, programmes will continue to be funded by the UNCDF under the same conditions for a period of three years and on a cost-sharing basis for an additional two, with the government or a third party. Financing modalities could be developed by the UNCDF to continue to support Bangladesh.

Impacts on support for participation in the United Nations system entities and processes. Bangladesh would no longer benefit from ceilings and discounts for contributions to budgets of the UN system and from LDC-specific support for travel to UN meetings.

After graduation from the LDC category, Bangladesh's financial contributions to the United Nations system would increase by around 5-5.5 million dollars annually considering on current rates and budgets. Bangladesh would receive less support for travel and would no longer benefit from LDC-specific flexibilities in reporting requirements under international agreements.

Preparing to leave the LDC category. Bangladesh has established a national task force and a core group of government entities (the LDC core group) involved with graduation. It has designated focal points in different ministries which conducted assessments of impacts within their areas of work and discussed graduation in several forums. Graduation has been included in planning exercises and in the SDG implementation strategy. At the time of writing, the government had elaborated a project, for which funding was being secured, to conduct special studies related to the impacts of graduation, invest in further outreach, and other functions. Different institutions had been approached to analyse issues of concern, such as the effect of graduation on TRIPS. Bangladesh's strategy for transitioning out of the LDC category is expected to be embedded in broader strategies for the ongoing transition of Bangladesh into the group of middle-income countries. This has important implications for access to financing and the support programmes of development partners, as well as potential benefits.

Several measures can help development progress beyond LDC graduation, including taking full advantage of remaining eligibility periods of access to LDC-specific support to build public and private capacities; negotiating the extension of critical international support measures (ISMs); negotiating alternative solutions; and adapting to the new situation as a non-LDC lower middle-income country.

Summary table

Loss of DFQF and LDC-specific rules of origin	Bangladesh will lose access to LDC-specific duty-free quota-free schemes and LDC-specific preferential rules of origin. Significant impacts are expected in EU, Canada, Japan and other markets, affecting especially the garments industry. No significant impacts are expected in the United States considering current rules.
Loss of preferences under the services waiver	Not expected to be significant under current conditions.
Withdrawal of LDC-specific special and differential treatment under WTO agreements	Bangladesh will need to align intellectual property rights and sectoral regulations for the pharmaceutical industry to the requirements of the Agreement on Trade-Related Intellectual Property Rights (TRIPS). This may impact the industry and lead to higher drug prices for consumers in both Bangladesh and other countries, including other LDCs. The general transition period for LDCs under TRIPs is scheduled to end in 2021. Should it be extended, Bangladesh would not benefit beyond its date of graduation. Bangladesh may need to review its subsidies to comply with the Agreement on Agriculture and the Agreement on Subsidies and Countervailing Measures. Bangladesh will lose certain facilities related to dispute settlement. In other WTO agreements, several LDC-specific provisions will expire before Bangladesh's expected date of graduation. Bangladesh will no longer benefit from LDC provisions in regional agreements, unless it negotiates otherwise. Bangladesh will forego benefits accorded to LDCs in future trade negotiations. Bangladesh will lose access to or priority in training and capacity-building opportunities at the WTO and other institutions.
Development cooperation	Graduation itself is not expected to have significant impacts. Most partners base development programmes and the terms of their assistance on factors related to the LDC criteria, but not on whether a country belongs to the LDC category. Bangladesh will lose access to a small number of mechanisms that are reserved for LDCs,in some cases after smooth transition periods.
Contributions to UN system and travel support	Bangladesh will pay higher contributions to the United Nations system and no longer benefit from some forms of support for travel to meetings.

I. Introduction: context, purpose and contents of the impact assessment

This document contains an ***ex ante* assessment of the impacts of the graduation of Bangladesh from the least developed country (LDC) category**. Such assessments are an element of the multi-year process towards graduation. A first condition for a country to graduate from the LDC category is to meet pre-established eligibility criteria at two successive Triennial Reviews of the LDC category conducted by the Committee for Development Policy (CDP).[34] A second condition is for the CDP to recommend the country's graduation to the Economic and Social Council (ECOSOC). The recommendation must then be endorsed by both ECOSOC and the General Assembly. *Ex ante* impact assessments are prepared by the United Nations Department of Economic and Social Affairs (UNDESA) once a country has met the graduation criteria for the first time, and are used by the CDP, along with a "vulnerability profile" prepared by the United Nations Conference on Trade and Development (UNCTAD), the views of the government and other relevant information, as an input to its decision on whether to recommend the country for graduation (see Annex I for more details on the graduation criteria and process).

Bangladesh met the graduation criteria for the first time at the 2018 Triennial Review (CDP, 2018a). It will be assessed by the CDP again in 2021. If it meets the graduation criteria once more, the CDP will use the findings contained in this document, which will be updated in 2020, as inputs for its decision on whether to recommend graduation. If the CDP recommends that Bangladesh graduate from the list, the earliest possible year of graduation is 2024. The impact assessment can also provide useful information for the graduating country and its development partners as the country prepares for a transition out of the LDC category. With that purpose, and in the context of efforts to improve support to graduating countries, Bangladesh's impact assessment is being undertaken, as a pilot case, earlier in the process than in previous cases.

At the outset, the following clarifications are necessary for an accurate reading of the assessment:

- The assessment focuses specifically on the **direct impacts** of the withdrawal, upon graduation and any applicable "smooth transition" mechanisms, of **international support measures (ISMs) that are exclusive to LDCs**.[5] These measures relate to trade, development cooperation, and support for participation in the United Nations system entities and processes. Knowing what the likely direct impacts of LDC graduation are is important for the CDP to make its decision on recommendation, and for the country to consider as it prepares for graduation within the broader context of its development process based on national expertise and with the assistance of international development partners.
- **Graduating from the LDC category is not equivalent to becoming a middle-income country.** The LDC category is based on three sets of criteria, one of which is per capita income. A country can be an LDC while also being a middle-income country, and can be a low-income country without being an LDC. Bangladesh, for example, was classified as a lower middle-income country by the World Bank as of fiscal year 2016, based on 2014 data, but continues to be an LDC.[6] Graduation from the LDC category is also not synonymous with graduation from the concessional windows of multilateral development banks or from eligibility to Official Development Assistance (see the section on "Development Cooperation"). The assessment **does not cover the impacts of achieving development milestones other than LDC graduation**.
- The assessment also intentionally **does not provide an overarching quantitative assessment** of the economic impact of graduation. The impact assessment does not use an economic modelling approach such as computable general equilibrium (CGE) for five main reasons. Firstly, such an estimation is beyond the scope of the study, which is restricted

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[3] The CDP is a subsidiary body of the Economic and Social Council, composed of 24 members nominated in their personal capacity by the Secretary-General. It meets once a year and subsequently submits its report to ECOSOC. It is mandated (ECOSOC resolutions 1998/46, General Assembly resolution 46/206) to undertake, every three years, a review of the list of least developed countries (the "triennial review").

[4] The latest triennial review took place in 2018. The next one is scheduled for 2021.

[5] The General Assembly has encouraged development and trading partners to put into place mechanisms that will allow graduating countries to ensure a "smooth transition" out of the LDC category. See, among others, resolutions 59/209 (2004) and 67/221 (2012). Accordingly, some of the international support measures are not immediately revoked upon graduation and offer "smooth transition" solutions such as extended eligibility or phase-outs.

[6] For LDC criteria, see the information on the CDP website, https://www.un.org/development/desa/dpad/least-developed-country-category.html. See also United Nations (2018) and Battacharya and Khan (2018). Bangladesh is still far from graduating from eligibility for ODA from OECD donors, which occurs when a country exceeds the high-income threshold for three consecutive years.

to estimating the likely direct impact of the loss of special LDC support measures. Any attempt to broaden the remit would dilute the findings. Secondly, graduation is not expected to take place before 2024, with some of the most significant impacts not likely to be felt before 2027. Too many unpredictable events will take place in the period between the time of writing and the likely loss of duty-free, quota-free market access to justify the simplifying assumptions and relationships built into a general equilibrium model. Exchange-rate risk, political events, investor sentiment and global economic growth may have, individually or collectively, such a large impact that the use of this type of modelling approach over such a timeline is likely to be rendered redundant. Thirdly, the appearance of precision generated by a model such as CGE may not be warranted by the accuracy of the underlying statistics. Fourth, using an aggregate economic model to estimate the impact of qualitatively different outcomes risks trying to derive a single number to represent gains and losses which are not capable of comparison. It is difficult, for example, to gauge static losses such as increased UN budgetary contributions against the cumulative and dynamic impact over many years of the ending of duty-free, quota-free market access to the European Union. Fifth, the method itself has broadly been brought in to question, with many critics pointing out that it is possible to achieve a hoped-for outcome by manipulating the assumptions, and it can thus be unscientific. Moreover, as soon as secondary effects are considered as part of a move away from a partial equilibrium approach, errors can escalate due to the uncertainty involved. The type of closed-system methodology employed in CGE may be inappropriate in many contexts, but particularly in LDCs. This has certainly been borne out in recent examples in Bangladesh, such as estimations of what the ending of the Multi-Fibre Arrangement would mean, which were inaccurate both in direction and degree.

- In addition to the elements of uncertainty noted above, the impacts identified in this assessment are all subject to a certain degree of uncertainty derived from the fact that the rules governing LDC-specific support measures may change. For example, the rules governing the European Union's Generalized System of Preferences will expire in 2023 and the new rules cannot be anticipated at this time. Likewise, the methodology used to calculate the rates of contribution of each country to United Nations System budgets are periodically reviewed and may be changed. This assessment maps out the likely impacts of graduation based on current LDC support measures, current rules, and the best available information at this point in time.
- Naturally, graduated countries will forego the benefits of future (not yet implemented) support measures for LDCs unless provisions are negotiated that would enable them to be covered. No prediction is made here on future support measures. The government of Bangladesh has noted that Bangladesh would forego benefits for LDCs in future trade negotiations. This is reflected in the relevant section.
- This assessment is not intended as a cost-benefit analysis to help a country decide on whether to graduate, but an important element in the CDP's decision on whether to recommend a country for graduation and in the graduating country's preparation for graduation, should graduation be recommended by the CDP and endorsed by ECOSOC and the General Assembly.
- All efforts have been made, including consulting expert institutions, to provide the most accurate information about the LDC-specific support measures and the terms of their withdrawal after graduation. The application of some measures after graduation could be subject to legal interpretations or negotiation. The contents of this assessment are not to be interpreted as authoritative legal opinions or as anticipating outcomes of negotiations.

The analysis for this assessment was conducted in 2018 by the Secretariat of the Committee for Development Policy (CDP), within the Department of Economic and Social Affairs of the United Nations, in accordance with established graduation procedures. A series of four missions to Bangladesh was undertaken between 2017 and 2018, culminating in a one-week research mission during October 2018 during which a range of government, non-government, international organizations and private sector stakeholders were consulted in Dhaka, Chittagong and Cox's Bazaar. Experts and specialist agencies in each area, as well as government agencies, were also consulted during the course of research and invited to comment on preliminary findings. A revised assessment will be submitted to the CDP before it decides, in 2021, on whether to recommend graduation to ECOSOC.

II. Impacts of the withdrawal of LDC-specific international support measures (ISMs)

A. Trade-related support measures[7]

LDC-specific international support measures in trade, which Bangladesh would no longer have access to after graduation and the applicable transition periods, consist of: preferential market access (duty free, quota free access and rules of origin), flexibilities under the WTO agreements and flexibilities under regional agreements.

1. Preferential market access for trade in goods

Most developed countries grant either full or nearly full duty-free, quota-free (DFQF) market access to LDCs, and an increasing number of developing countries have, or are in the process of, extending DFQF treatment to a significant share of imports from LDCs.[8]

After graduation, in developed country markets, former LDCs generally have access to the standard Generalized System of Preference (GSP) schemes. In certain cases, in response to calls by the United Nations General Assembly, these preferential schemes have "smooth transition" provisions, which extend treatment equivalent to that given to LDCs for a period after graduation.[9] In developing country markets, after graduation, former LDCs export under most favoured nation (MFN) tariffs or the terms of any applicable regional or bilateral agreements.

LDCs also benefit from less stringent preferential rules of origin. After graduation, exporters from the graduated country must comply with the standard rules of origin applied to non-LDC developing countries in order to export under the standard GSP arrangements. If they do not meet the rules of origin criteria, their products will be exported under MFN tariffs or the terms of any applicable regional or bilateral agreements.

The practical consequences of the withdrawal of LDC-specific preferences upon graduation from the LDC category depend on the country's export products and the destinations of those exports, as well as on the actual utilisation rates of the LDC-specific schemes and on the schemes that apply after graduation. Graduation has no impact on exports of products and services that are not covered by the LDC-specific preferences, or on exports to markets that do not grant LDC-specific preferences.[10]

Bangladesh has benefitted substantially from preferential tariffs and rules of origin, particularly in the European Union (EU) (European Commission 2018a, 2018b).[11] It is among the LDCs with the highest utilisation rates of preferential trade arrangements (WTO, 2017). Among LDCs, Bangladesh stands out both in volume of exports – which have increased steadily and are an important source of external finance (Figure 1) – and in the share of manufacturing in the composition of those exports. Most of this reflects the development of the garments industry, which accounted for approximately 83 per cent of exports in fiscal year (FY) 2017-2018 (Figure 2). In Bangladesh's Voluntary National Review (VNR), presented in 2017, the

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[7] Inputs for this section were provided by the WTO secretariat and the Advisory Centre on WTO Law.

[8] In the case of developed countries, the legal basis for these preferences is the decision on "Differential and More Favourable Treatment, Reciprocity and Fuller Participation of Developing Countries" (known as the "Enabling Clause"), adopted in 1979 by the Members of the GATT, which allowed developed countries to depart from their MFN obligation with respect to all developing countries, including LDCs. The Enabling Clause is not time constrained. In developing country markets, trade preferences to LDCs are allowed under the waiver to the MFN obligation under the decision on "Preferential-Tariff Treatment for Least-Developed Countries", originally adopted in 1999 and extended in 2009 until 30 June 2019 (WT/L/759). Another important milestone was the Decision on Measures in Favour of Least Developed Countries adopted by WTO members at the 2005 Hong Kong Ministerial Conference

[9] See footnote 5.

[10] In the case of developing country markets, the impact of graduation also depends on whether the waiver adopted in 1999 is extended beyond the date of graduation. If it is, the graduating country would be excluded from preferential treatment to LDCs (see below). If it is not, graduation would have no impact.

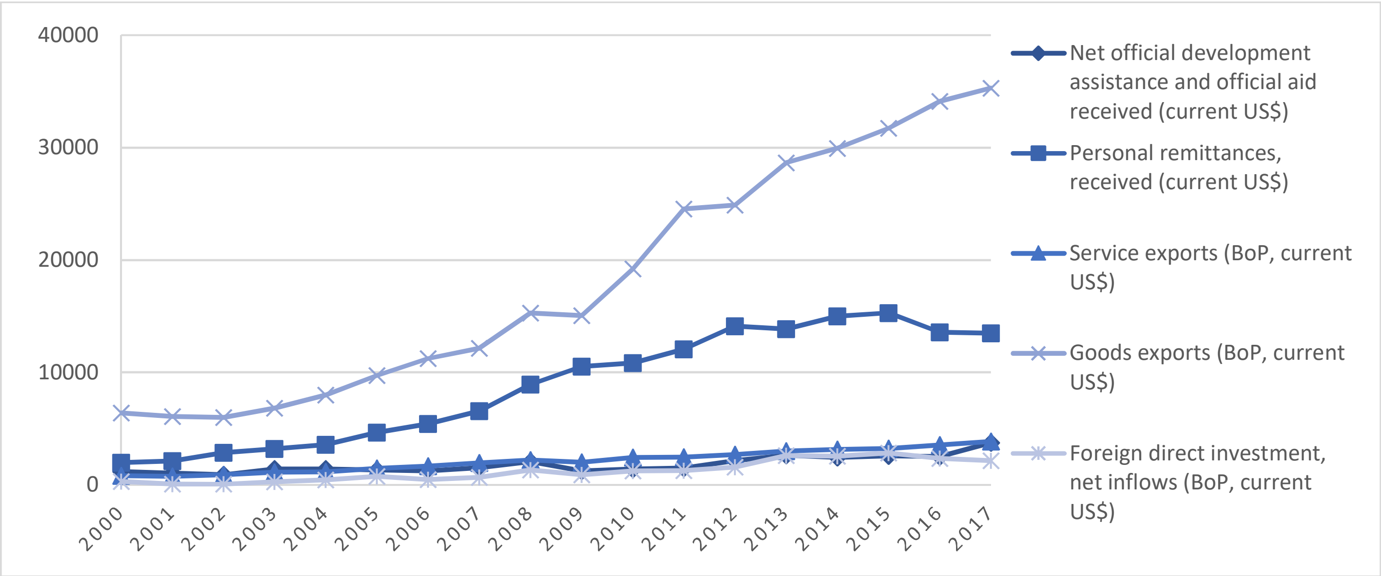
[11] In its Voluntary National Review presented to the High-Level Political Forum on Sustainable Development in 2017, Bangladesh noted that 72 per cent of its total exports in fiscal year 2015-16 were to preference granting countries and that most exports to those countries enjoyed DFQF treatment under LDC-specific preferential schemes (Bangladesh, 2017).

government estimated that the RMG sector accounted for 60% of manufacturing employment and that the share of manufacturing in GDP stood at approximately 21% in 2015-16 (Bangladesh, 2017).

The main destinations of Bangladesh's exports have been the European Union (58 per cent in FY 2017-2018) and the United States (16 per cent), followed by Canada, Japan, China, Australia, Turkey and India (Figure 3).

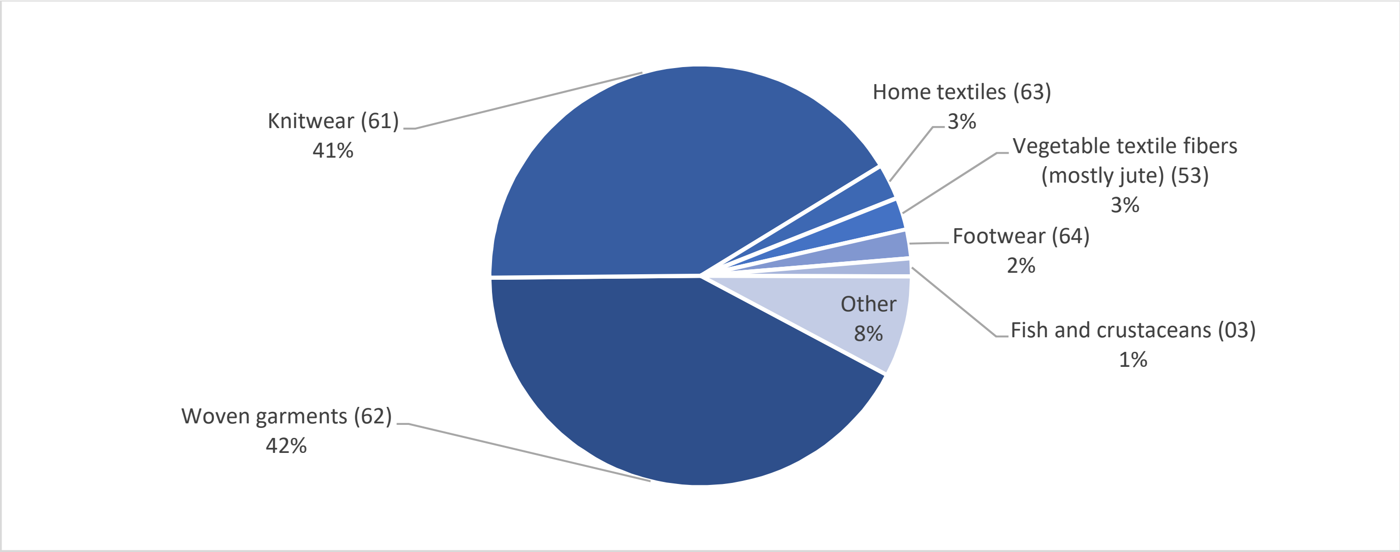
Bangladesh remains highly dependent on imports of food, fuel, raw materials for industry and equipment and materials for infrastructure development. It has recorded trade deficits in both goods and services (EIU, 2018).[12]

Figure 1: Sources of external financing, 2000-2017, current USD (millions)



Source: World Development Indicators, http://databank.worldbank.org/data/source/world-development-indicators, extracted February 15, 2019.

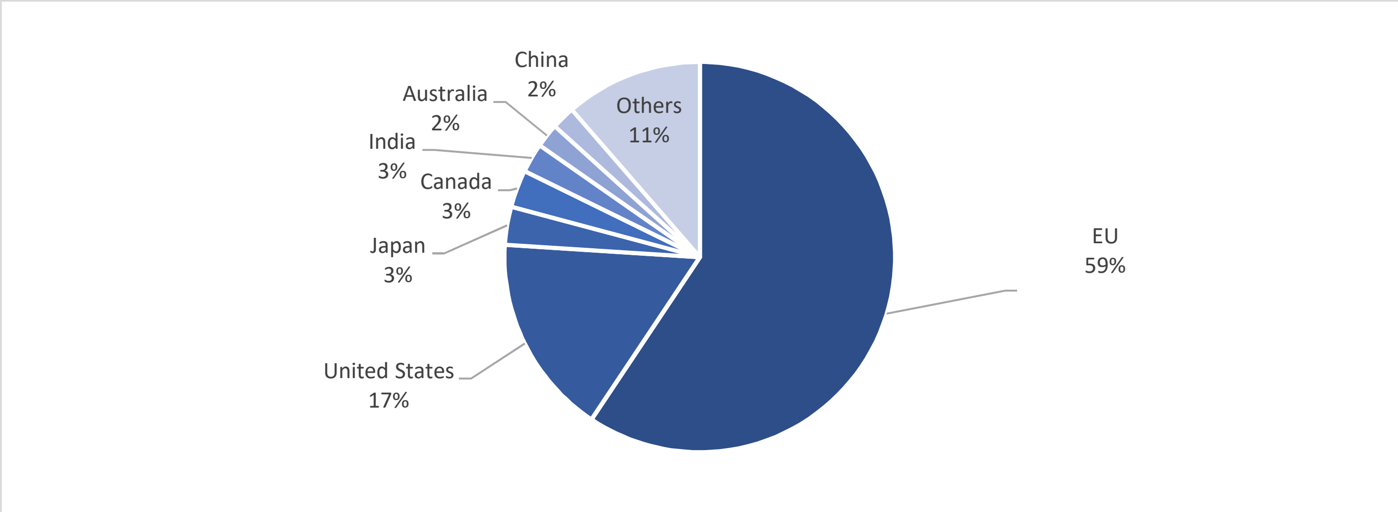
Figure 2: Composition of exports, July 2017-June 2018, percentages



Source: Export Promotion Bureau of Bangladesh, Commodity-wise Data of Countries Period July-June 2017-2018, at epb.portal.gov.bd (http://epb.portal.gov.bd/site/files/51916ae6-a9a3-462e-a6bd-9ef074d835af/Statistic-Data-2016-2017), extracted February 15, 2019.

[12] Data from the IMF BOP Online database, BOP Analytic Presentation, Bangladesh http://data.imf.org/?sk=b4a9517a-a080-4d8a-b1dd-d1bba58213b7&sId=1390030109571

Figure 3 Destination of Bangladesh exports, July 2017-June 2018, percentages



Source: Data from the National Board of Revenue contained in Export Promotion Bureau report, "Region Wise Export (Goods) 2017-2018 for the month of July-June" (http://epb.portal.gov.bd/site/files/51916ae6-a9a3-462e-a6bd-9ef074d835af/Statistic-Data-2016-2017)

After graduation and the applicable transition periods, Bangladesh will no longer benefit from LDC-specific DFQF market access and LDC-specific rules of origin. The sections below detail potential impacts in specific export markets. The tables in Annex II summarize the applicable market access schemes before and after graduation and the expected changes in tariffs for Bangladesh's main export products.

A key determinant of future impacts is whether Bangladesh will seek bilateral free trade agreements, which it currently does not have. An agreement is currently being negotiated with Sri Lanka (which is also a party to APTA and SAFTA). Bangladesh has a higher level of tariff protection than many other developing countries which, along with its large and fast-growing market, could make free trade agreements attractive for partners (Razzaque, 2018a). However, as indicated by government officials in interviews for this assessment, the country faces "capacity constraints in preparing and developing negotiation strategies and undertaking actual negotiations". Careful consideration of the pros and cons of such agreements is necessary (and beyond the scope of this study). An agreement with an MFN clause could have implications for subsequent ones.

a) Impacts in Bangladesh's main markets

The following paragraphs summarize the main impacts of no longer benefitting from LDC-specific preferences in Bangladesh's main markets. Data on applicable tariffs in those markets for Bangladesh's main export products are available in Annex II.

European Union.

The main impacts of the graduation of Bangladesh on market access would be in the European Union (EU). The EU's Generalised System of Preferences (GSP) contains three arrangements: a general arrangement, a special incentive arrangement for sustainable development and good governance (GSP+), and a special arrangement for the least-developed countries (Everything But Arms - EBA).[13] Bangladesh currently exports under the latter, which grants duty-free quota-free market access for everything but arms and ammunition. The EU's current GSP regulation will expire in 2023 and is expected to be replaced by a new regulation by the end of that year (and therefore prior to Bangladesh's expected graduation date).

[13] Article 2(a), Regulation (EU) No 978/2012 of the European Parliament and of the Council of 25 October 2012 applying a scheme of generalised tariff preferences and repealing Council Regulation (EC) No 732/2008, Official Journal of the European Union, L303/1 dated 31 October 2012.

No predictions can be made at this time on the terms of the future EU GSP regulation. The following is based on current rules.

Smooth transition period. Under current rules, and assuming no alternative schemes are negotiated, once Bangladesh graduates from the LDC category, first, it would be entitled to a transition period of three years, meaning that if it graduates in 2024, it would have access to the EBA until 2027.[14] Bangladesh would then be eligible for the general arrangement (or standard GSP).

Standard GSP. Under current regulations, if no alternative arrangements are negotiated, and if Bangladesh uses the GSP (complying with more stringent rules of origin for some of the key products – see below), the applicable tariffs for Bangladesh's most important export products would be as summarized in Table 1, column (d). For most garments, the applicable tariff will be 9.6 per cent. The MFN tariff for most products will be 12 per cent (column e)).

Table 1 Non-LDC tariffs on Bangladesh's main exports to the EU

(a) HS Chapter	(b) Product	(c) Share in exports to the EU (2016)	(d) Tariffs after graduation - GSP	(e) MFN tariffs
61	Knitwear	53%	6.4%-9.6% under GSP. **9.6% for most products**, including all or most products within HS 6109, 6110, 6104, 6105, 6111 and 6108, which together account for approximately 90% of Bangladesh exports to the EU under 61. 0% under GSP+.	12% for most products
62	Woven garments	38%	5.0%-9.6% under GSP. **9.6% for most products**, including all products within HS 6203, 6204, 6205, 6206, which together account for approximately 85% of Bangladesh exports to the EU under 62. 0% under GSP+.	12% for most products
64	Footwear	2%	0%-11.9% under GSP **4.5% on most products in HS 6403 (62% of exports in this group).** 11.9% on all products in HS 6404 (18% of exports) and 6402 (16% of exports) 0% under GSP+.	8% or ~17% for most products
63	Home textiles	2%	1.6%-9.6% under GSP. **9.6% for most products in HS 6302 and 6303 (77% of exports to the EU under 63).** Lower (1.6-5.7%) for most products in HS 6305 (16% of exports to the EU under chapter 63). 0% under GSP+.	12% for most products
03	Fish, crustaceans	2%	0%-18.5%. Most exports are under HS 030617. Within that group, GSP tariffs on most products **are 4.2%;** 7% on one; 14.5% on one. 0% under GSP+.	12-20% for most products

Source: UN Comtrade for data on shares of total exports to the EU, World Integrated Trade Solution (WITS) for tariff rates. The titles of the chapters (product description) have been simplified. HS refers to the Harmonized System of tariff nomenclature.

Under the standard GSP, certain groups of products may not benefit from preferences if the country's market share in EU imports of those products passes certain thresholds. According to Commission Delegated Regulation (EU) 2015/1978 of 28 August 2015, the product graduation threshold for products under the standard GSP for chapters 61, 62 and 63 (group S11b under the regulation) is 47.2 per cent. Our understanding is that, based on today's market shares, even Bangladesh's more competitive products would in principle qualify for standard GSP.

Can Bangladesh apply to the GSP+? In principle, graduating LDCs can apply to the Special Arrangement for Sustainable Development and Good Governance (GSP+), which grants duty free access to 66 per cent of EU tariff lines (in addition to

[14] On the transition period, Article 17, paragraph 2 of Regulation (EU) No. 978/2012 of the European Parliament and of the Council, of 25 October 2012 states "(…) Where an EBA beneficiary country no longer fulfils the conditions referred to in paragraph 1 of this Article, the Commission shall be empowered to adopt delegated acts, in accordance with Article 36, to amend Annex IV in order to remove the country from the list of EBA beneficiary countries following a transitional period of three years as from the date on which the delegated act entered into force."

products that are subject to zero MFN duties). However, under current regulations, eligibility for the GSP+ requires that the country meet certain criteria, some of which Bangladesh does not fully meet at this time.

- The first – the import share criterion – is that the country's share of GSP-covered imports remain below 6.5 per cent of GSP-covered imports of all GSP countries. A recent estimate by the EU for Bangladesh's share was 17 per cent.[15]
- Bangladesh does meet the second – diversification – criterion, according to which 75 per cent or more of its total exports to the EU under the GSP over a three-year period must be in seven or fewer sections under the Combined Nomenclature of the EU.[16] As a reference, over 90 per cent of Bangladesh's exports to the EU in 2015 were in two chapters in a single section.[17]
- Thirdly, a "sustainable development criterion" requires the country to have ratified and effectively implemented 27 international conventions on human rights, labour rights, environmental protection and good governance. Bangladesh has not ratified the Convention concerning Minimum Age for Admission to Employment (No. 138, 1973). It would also have to address problems identified by the International Labour Organization (ILO) in relation to the labour rights situation. Under Article 9 of Regulation (EU) No 978/2012, for a country to qualify for GSP+, in addition to meeting the vulnerability criteria and ratifying the conventions, the most recent conclusions of monitoring bodies of those conventions must not have identified serious failure by that country to effectively implement the conventions. The ILO's supervisory bodies have expressed concern over implementation of some of these conventions, including Conventions 87 (Freedom of association) and 98 (Collective bargaining). While advances have been noted, a number of issues remain to be addressed (European Commission, 2018a). Commenting on an earlier draft of this document, the government of Bangladesh indicated that it is working seriously towards ratifying Convention No. 138 and would soon amend the labour law.

<u>Rules of origin</u>. After graduation, Bangladesh would no longer be able to use the LDC-specific rules of origin, which will make it more difficult to use the GSP (or GSP+, if found eligible) than it is to use the EBA. Generally, the minimum local value added for a product to be granted preferential treatment would be 50 per cent, as opposed to 30 per cent as an LDC. For garments, only products that go through double transformation would qualify for preferential treatment, whereas as an LDC Bangladesh's products are only required to undergo single transformation in order to export under the GSP (or, if found eligible, the GSP+). In practice, this could mean that certain garments produced with imported fabric would not qualify. Assuming no alternative arrangements are negotiated, failure to comply with the rules of origin would mean that those products would face MFN tariffs (column (e) in Table 1), which are 12 per cent for most garments.

The simplified rules of origin have been an important factor in the expansion of Bangladesh's exports, as the garment industry relies to a large extent on imported inputs. According to information provided by the Ministry of Commerce (Bangladesh, 2018a), despite the fact that Bangladesh has had access to the EBA since 2001, it was only since the simplification of the rules of origin in 2011 that the country was able to fully use the preferences. Before 2011, knitwear products fared better than woven garments as they more easily met the EU rules of origin, which required a double transformation from yarn to fabric and from fabric to garment for the product to be eligible for the EBA (Kathuria and others, 2016). In the knitwear segment there were stronger backward linkages to spinning factories, and a high level of local content. In the woven goods segment, local content accounted for a small share of the output price. Bangladesh's production of cotton is insignificant. With the change in the EU rules of origin in 2011, the woven garments segment grew at higher rates than knitwear. The withdrawal of LDC-specific rules of origin is therefore expected to affect the woven garments segment most severely, as Bangladesh does not have the capacity to supply locally produced high-quality fabrics

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[15] Estimate provided in an informal communication with a representative of DG Trade, on October 1, 2018. The import share considered by the EU is the three-year average share of GSP-covered imports of the specific beneficiary country, relative to the GSP-covered imports of all GSP countries.

[16] A section in the EU's Combined Nomenclature refers to a set of chapters (e.g., Section I: live animals and animal products, including chapters 01 to 05). Most of Bangladesh's exports are in section XI (textiles and textile articles) which includes chapters 50-63.

[17] These first two criteria are referred to as "vulnerability criteria".

at the necessary scale. As a reference, in 2010, before the simplified rules of origin, Bangladesh supplied 6% of the EU's imports of woven garments. In 2017, it supplied 16%.[18]

Derogations to the rules of origin may be granted by the EU to specific products where "internal or external factors temporarily deprive [the exporting country] of the ability to comply with the applicable rules of origin where it could do so previously, or (…) it requires time to prepare itself to comply with the 'normal' rules of origin" (European Commission, 2016).[19]

According to information submitted informally for this assessment by ESCAP, Bangladesh could also consider the use of the regional cumulation provision contained in Commission Delegated Regulation (EU) 2015/2446 of 28 July 2015, which recognizes the members of South Asian Association for Regional Cooperation (SAARC) as a regional group (Article 55, paragraph 1 (c)). Using this provision would mean that Bangladesh could source certain materials from other SAARC members to comply with rules of origin under the GSP.

Effectiveness of the EBA and outlook. The Mid-Term Evaluation of the EU's Generalised Scheme of Preferences (European Commission, 2018b) shows that the EBA has been an important motor of job creation and exports and has also positively impacted infrastructure development and productivity, among other benefits. The report confirms the high utilisation rates of the EBA by Bangladesh, although this varies significantly from sector to sector: products under HS chapter 3 (fish, crustaceans) had a utilisation rate of 99.9 per cent in 2016; garments and footwear (HS chapters 61 to 64) had an average utilisation rate of 95.9 per cent; and jute and other textile fibres (HS chapter 53) had the lowest utilisation rate among the top exports (almost 85% of those exports did not use EBA preferences).

Beyond the effects of graduation and constraints for eligibility to the GSP+, Bangladesh´s access to preferential market access in the EU cannot be taken for granted. Both EBA and the standard GSP can be temporarily withdrawn in exceptional circumstances, notably in cases of serious and systematic violation of principles laid down in the human rights and labour rights conventions listed in Regulation 978/2012. The European Commission has expressed concern with human and labour rights in Bangladesh, raising the possibility of suspension of access to any arrangement under the GSP. The European Commission's report to the European Parliament on the GSP for the period 2016-2017 (published January 2018) (European Commission, 2018c) indicates that following "*declining human and labour rights situations" in the country, the Commission and EEAS [European Union External Action Service] have engaged more actively with the countries and relevant stakeholders. The report states that "In Bangladesh, the Commission has raised concerns regarding labour rights, in particular freedom of association and the implementation of the joint initiative known as the "Compact for Continuous Improvements in Labour Rights and Factory Safety in the Ready-Made Garment and Knitwear Industry in Bangladesh"*.[20] The EU has raised the alignment of the Bangladesh Labour Act (BLA) and the Export Processing Zone (EPZ) Act with the ILO labour rights conventions as one of the priority actions. The report goes on to state that *"(p)rogress is encouraging. Nonetheless, the EU is ready to launch the GSP withdrawal procedure, as a last resort, in case our constructive efforts through the dialogues fail to produce satisfactory results. Such a decision will give due consideration to the negative economic, social and human consequences related to the potential withdrawal of GSP preferences*." Analyses suggest that improvements so far have been more substantial in a top tier of companies in direct contact with external buyers than in the significant group of subcontractors (European Commission, 2018b; Barrett and others, 2018).

Approximately 19 per cent of exports to the EU in FY 2017-2018 were destined for the United Kingdom, a factor that may become relevant in the analysis of the impacts of graduation depending on the terms of preferential market access adopted after the UK's possible exit from the EU. At the time of writing, it was expected that the United Kingdom would adopt a preferential market access scheme equivalent to that of the EU following its possible exit from the EU.

[18] UN Comtrade data.

[19] A derogation was granted on certain processed fish products from Cabo Verde, enabling it to use imported raw fish in the manufacture of processed fish products then exported under the GSP.

[20] The Bangladesh Sustainability Compact was constituted in the aftermath of the Rana Plaza tragedy in 2013, bringing together Bangladesh, the EU, the United States, Canada and the ILO to improve working conditions and respect of labour rights in the ready-made garments industry.

Other major developed country markets.

In the United States, Bangladesh was suspended from the GSP in 2013, when the U.S. Trade Representative considered that Bangladesh had failed to meet basic standards for workers' rights and worker safety that were a condition of eligibility (USTR, 2013, 2014). If Bangladesh is not reintegrated, graduation will not change the terms of access to the United States market. If it is, graduation would imply a shift from the LDC-specific GSP to the standard GSP. Any impacts are expected to be minimal. Ninety-five per cent of Bangladesh's exports to the United States in 2016 were clothing, footwear, leather articles and similar items, grouped into HS codes 42, 61, 62, 63, 64, and 65, none of which are covered by the GSP for LDCs. Even so, in 2016-2017, Bangladesh was the third largest supplier of apparel to the United States, after China and Vietnam.[21] The United States GSP for LDCs does not cover the main products exported by Bangladesh under HS chapter 03 (fish and shrimp) either, though it does cover other products in that chapter.

In Canada, the standard GSP does not cover an important part of the products exported by Bangladesh. Tariffs for most garments and footwear (HS chapters 61, 62, 63, 64), which are currently covered under Canada's preferential tariff scheme for LDCs, would be 16 to 18 per cent under MFN (Table II.2 in the Annex). For the products that are covered by the GSP, Bangladesh would need to comply with more stringent rules of origin: import content would need to be below 40 per cent as opposed to the 60 per cent for LDCs; Bangladesh would no longer benefit from the provision whereby all beneficiaries of the LDC preferential tariff are regarded as one single area and would instead be regarded as part of a single areas with other beneficiaries of the General Preferential Tariff; Bangladesh would no longer benefit from the special rules in place for LDCs on textiles and clothing (though most of these products are not covered by the standard GSP). Products that fail to comply with the rules of origin would be subject to the MFN rate of duty administered by Canada.

In Japan, which is an important market for clothing and footwear, most exports from Bangladesh are in HS chapters 61 and 62 and are not covered by the standard (non-LDC) GSP. These products would face tariffs ranging from 7.4% to 12.8% under MFN. In footwear, of which Japan is the second largest importer, tariffs for the products most exported would range from 22 to 175 per cent.

Japan does not have specific rules of origin for LDCs. Simplified rules of origin under the GSP for HS chapter 61 apply in practice only to LDCs since the chapter is not covered by the standard GSP. The rule becomes irrelevant for Bangladesh after graduation.

Products may be excluded from Japan's standard GSP when Japanese imports from that country exceed on average, over three years, 1.5 billion yen and 50% of the total value of Japan's imports of the product (some exceptions apply).[22]

In Australia, Bangladeshi products would qualify for the GSP for non-LDC developing countries. The top export products are garments, which are not covered by that arrangement. MFN tariffs on most garments exported by Bangladesh to Australia are 5 per cent. LDC-specific rules of origin would no longer apply.

Developing countries

- Turkey, India and China, while still accounting for a relatively small share of Bangladesh's exports, are the largest importers of Bangladeshi vegetable textile fibres (mostly jute – HS chapter 53). They each belong to at least one regional agreement to which Bangladesh also belongs (Box 1). They are also important in terms of export potential (see Bangladesh, 2015).[23][24]Turkey's GSP scheme has been harmonized with the EU's; Turkey is also a member of the

[21] Sources for export data in this paragraph: Comtrade and Office of Textiles and Apparel (OTEXA), International Trade Administration, United States Department of Commerce (http://otexa/trade.gov). Source for coverage of GSP: World Integrated Trade Solution (WITS).

[22] Japan Customs, "1506 Graduation/exclusion from the GSP Scheme", http://www.customs.go.jp/english/c-answer_e/imtsukan/1506_e.htm

[23] Bangladesh's 7th Five-Year Plan states that "market diversification is the key option for Bangladesh to diminish the dependency on the traditional two regions — the EU and the US— which together account for about two-thirds of Bangladesh's total exports. Achieving market access in the nontraditional markets such as the BRICS countries, Japan, S. Korea, and Turkey would be the big alternative destinations of Bangladeshi RMG products in the future as the domestic consumption of those countries is quite large and expanding" (Bangladesh, 2015).

[24] The following assumes that the 1999 Waiver referred to above is extended beyond graduation (if it is not, graduation would be irrelevant as all LDCs would lose preferences in developing countries regardless of graduation).

Preferential Tariff Arrangement-Group of Eight Developing Countries. Tariffs for most jute products are zero in Turkey under the MFN.

In India, Bangladesh currently benefits from DFQF treatment on 94.1 per cent of tariff lines related to its LDC status. After graduation, SAFTA, APTA (non-LDC) or MFN rates would apply, depending on the product. Tariffs on most of the main exports by Bangladesh to India would be between 0 to 10 per cent (5 per cent for most jute products). Under current rules of APTA and SAFTA, Bangladesh would no longer benefit from the more favourable rules of origin for LDCs (Table II.1 in the Annex). It is worth noting, however, that the Maldives was able to maintain LDC concessions under SAFTA after graduation.[25] It is also worth noting that under APTA, Sri Lanka, a non-LDC, has been granted more favourable terms (such as lower levels of commitment in tariff liberalisation) than other non-LDC members.[26] The possibility of negotiating the extension of LDC treatment under SAFTA and APTA can be explored.

- In China, Bangladesh currently enjoys DFQF treatment on 61%[27] of total tariff lines based on its LDC status. A letter of exchange from Bangladesh requesting duty free quota free access to 97 per cent of tariff lines had been signed but at the time of writing was awaiting approval. After graduation, Bangladesh would no longer have access to those rates. APTA (non-LDC – see Box 1) or MFN rates would apply. Tariffs for Bangladesh's top export products to China would be 6-14 per cent under APTA or MFN. Tariffs for most jute products would be 4-10 per cent. LDC-specific rules of origin would not apply after graduation (see Box1 and Table II.1 in the Annex).

Box 1: Market access under Bangladesh's regional agreements

Bangladesh is a party to (or participates in negotiations for) five regional free trade agreements:
- South Asian Free Trade Area (SAFTA) (in effect): Bangladesh, Afghanistan, Bhutan, Maldives, Nepal, India, Pakistan, Sri Lanka (members of the South Asian Association for Regional Cooperation - SAARC) (3 per cent of Bangladesh's exports in FY 2017-2018);
- Asia-Pacific Trade Agreement (APTA) (in effect): Bangladesh, China, India, Lao PDR, Republic of Korea, Sri Lanka (Mongolia is in the process of joining) (5 per cent of exports in FY 2017-2018, including Mongolia);
- Preferential Tariff Arrangement-Group of Eight Developing Countries (D8) (in effect): Bangladesh, Egypt, Indonesia, Iran, Malaysia, Nigeria, Pakistan, Turkey (3 per cent of exports in FY 2017-2018);
- Trade Preferential System of the Organization of Islamic Cooperation (TPS-OIC) (not yet operational): 57 states of the OIC (5 per cent of exports in FY 2017-2018);
- Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) Free Trade Area (negotiations for a free trade agreement started but not concluded): Bangladesh, Bhutan, India, Myanmar, Nepal, Sri Lanka, Thailand (3 per cent of exports in FY 2017-2018).

Market access provisions for LDCs under these agreements are as follows (other LDC-specific flexibilities under these agreements are described in section 3 below – see also Table II.1 in the Annex):

- Most APTA members (including Bangladesh itself) have made special tariff concessions for LDCs.[28]
- Some SAFTA members (including Bangladesh itself) have smaller sensitive lists for LDCs.
- Under both SAFTA and APTA, there are less stringent rules of origin for LDCs (see Table II.1 in the annex).

[25] Article 12 of SAFTA: Special Provision for Maldives: "Notwithstanding the potential or actual graduation of Maldives from the status of a Least Developed Country, it shall be accorded in this Agreement and in any subsequent contractual undertakings thereof treatment no less favourable than that provided for the Least Developed Contracting States."

[26] See ESCAP, "The Asia-Pacific Trade Agreement: Promoting South-South Regional Integration and Sustainable Development", edited by Joong-Wan Cho and Rajan Sudesh Ratna (available at https://www.unescap.org/sites/default/files/APTA%20Publication_Full%20Text.pdf): *"The second Ministerial Council meeting, which was held in Goa, India in October 2007, announced the Fourth Round of negotiations and the efforts to expand the membership of APTA. The Participating States of APTA decided to follow a different modality than the conventional request and offer approach, which is usually followed in preferential trade agreement negotiations, and instead decided on a minimum level of product coverage as well as an average level of MoP. Finally, in 2012, the modalities for the Fourth Round were agreed. The Participating States of APTA agreed that their offer would comprise items covering 28% of their national tariff lines with an average MoP of 33.32%. This modality was only for China, India and the Republic of Korea. Sri Lanka was allowed a small list granted to island States as are the LDC members. Thus, in the Fourth Round, more than 10,677 products were covered under tariff concessions with an average MoP of 31.46%. This is aimed at boosting intra-APTA trade. Bangladesh and the Lao People's Democratic Republic will again benefit from additional tariff concessions due to special and differential concession provisions."*

[27] Information received from the government of Bangladesh.

[28] See the ESCAP website, "National Lists of Tariff Concessions: Fourth Round", https://www.unescap.org/apta/tariff-concessions/session-4

- TPS/OIC (when it becomes operational) will have special rules of origin for LDCs. The rules of origin applicable to Bangladesh as an LDC will be 30 per cent value added, compared to 40 per cent as a non-LDC. Under regional cumulation, the content must be 50 per cent for LDCs and 60 per cent for non-LDCs.
- The BIMSTEC Free Trade Area (not yet in force) will also have less stringent rules of origin for LDCs. The rules of origin applicable to Bangladesh as an LDC will be 30 per cent plus a change in tariff sub-heading (CTSH), while as a non-LDC the requirement will be 40 per cent plus CTSH.

To the extent that these schemes provide for unilateral, non-reciprocal trade preferences, developing countries would no longer be able to provide those preferences to Bangladesh after graduation. However Bangladesh could attempt to renegotiate the terms of regional trade agreements.

Source: Asian Regional Integration Center (https://aric.adb.org/fta-country), UNESCAP Asia-Pacific Trade and Investment Agreement Database (http://www.unescap.org/content/aptiad/) and WTO (2012).

b) Estimates of impacts

The accuracy of quantitative estimates of the consequences of the changes identified above is limited by numerous uncertainties, including the terms under which Bangladesh and competing countries will export (e.g. whether they enter free trade agreements, lose or maintain preferential market access, whether restrictions will be placed on exports from certain countries, etc.); exchange rates; the extent to which Bangladesh's producers and producers in other countries react to new market access conditions; domestic policies, including trade and industrial policies domestic policies, including trade and industrial policies, changes in technology, business models, logistics, infrastructure and other supply-side factors in Bangladesh and competing countries. The limitations of modelling for this kind of assessment are illustrated by predictions of the consequences for Bangladesh's garments industry of the phasing out of quotas under the Multifibre Arrangements, many of which proved wrong. Considering those limitations:

- UNCTAD (2016a) calculated, for all LDCs, the effects of preference losses related to LDC graduation vis-à-vis G20 countries, considering a scenario in which only the country in question graduates and another in which all LDCs graduate. For Bangladesh, it estimated a reduction in exports of close to 7 per cent in the first scenario and a little over 5 per cent in the second scenario.
- Rahman and Bari (2018), estimate that Bangladesh would face additional tariffs of about 6.7 per cent in absence of LDC preferential treatment, resulting in a possible export loss of USD 2.7 billion in view of potential earnings (equivalent to 8.7 per cent of Bangladesh's exports in FY2014-15).

Overall, the biggest impact of the loss of LDC-specific preferential market access is expected to be on the garment industry given its dimension and importance in Bangladesh's exports. Estimates based on a simple partial equilibrium model developed by the Commonwealth Secretariat (2018) (Razzaque, 2018b) indicate losses equivalent to approximately 1.8 billion dollars or 9.81 per cent of Bangladesh exports of apparel to the EU, Canada and Australia (see Table 2). This does not consider restrictions associated to the lifting of LDC-specific simplified rules of origin and assumes Bangladesh would have access to the standard GSP in all three markets. Box 2 suggests elements for further analysis of the impacts of graduation on the garments industry.

Table 2: Potential loss of apparel export earnings due to tariff rise after graduation

	Apparel exports (average of 2015-17) (USD millions)	Scenarios	Average tariff faced (%)	Possible loss of export receipts (USD millions)
EU	16,808	If Bangladesh received Standard GSP	9.5	1,602
Canada	1,030	If Bangladesh received GPT for developing countries	17.0	175
Australia	574	If Bangladesh faced MFN tariffs	5.0	29
Total	18,411	Post-graduation most likely tariff regimes in individual markets	9.6*	1,806

* Considers weighted average of tariffs in the three markets.
Source: Razzaque, 2018b. Partial equilibrium estimation using the model in Commonwealth Secretariat (2018). EU trade data are from the Comext database. Bangladesh's exports to Canada and Australia are from Trade Map database of the International Trade Centre.

Box 2: Impacts of graduation on the garment industry – elements to consider

A comprehensive analysis of the impacts of graduation on the garments industry is beyond the scope of this report. The upcoming update of the Diagnostic Trade Integration Study (DTIS) under the Enhanced Integrated Framework (EIF) could be an opportunity for that analysis. Elements that may be considered in this analysis are:

- Impacts of graduation on the garment industry need to be considered in the context of other challenges to the industry, including technological developments, the emergence of new competitors, market pressures for compliance with labour and environmental standards, and others. Graduation may not be the most significant challenge the industry faces in the coming years.
- Impacts of the loss of market preferences depend on the terms of market access, along with other competitive factors (efficiency, cost of doing business, logistics, etc.) of competing countries.
- Impacts on the garments industry are likely to be distributed unevenly. While some of the larger and more resourceful companies may be able to adapt to this change by shifting to higher value-added products or absorbing the difference with reduced profit margins, the smaller companies already working at thin profit margins and with no capacity to diversify or upgrade would be the hardest hit.
- Loss of LDC-specific market access conditions could, in theory, also impact foreign direct investment (FDI), as companies may choose to relocate (or decide to invest) elsewhere to continue to benefit from preferential market access. This factor is only one in the multiple factors that determine a company's decision to invest.
- The EU is beginning its review of the GSP regulation for the period after 2023 and has invited LDCs to engage in this discussion.*
- Companies and consumers worldwide benefit from the fact that Bangladesh exports garments duty-free, and thus importers have a strong incentive to lobby for continued favourable market access arrangements.
- Any quantitative assessment of the impact of graduation should take into account the reality that Bangladesh itself may not appropriate the surplus generated by tariff preferences. Several garment exporters interviewed for the study mentioned that they considered themselves to be 'price takers' with little to no bargaining power, accepting whatever price was offered by buyers. Preferential market access is often an enticement to buyers to source from Bangladesh rather than other competitor destinations such as China, rather than a sum of money with an estimable value to be appropriated by exporters.
- Confirm the specific garment HS codes for which Bangladesh would be eligible for better-than-MFN rules of origin treatment under GSP+, should it be granted. From an initial observation, RoO differ between product, are mostly stricter than under EBA, and will have various impacts depending on product.

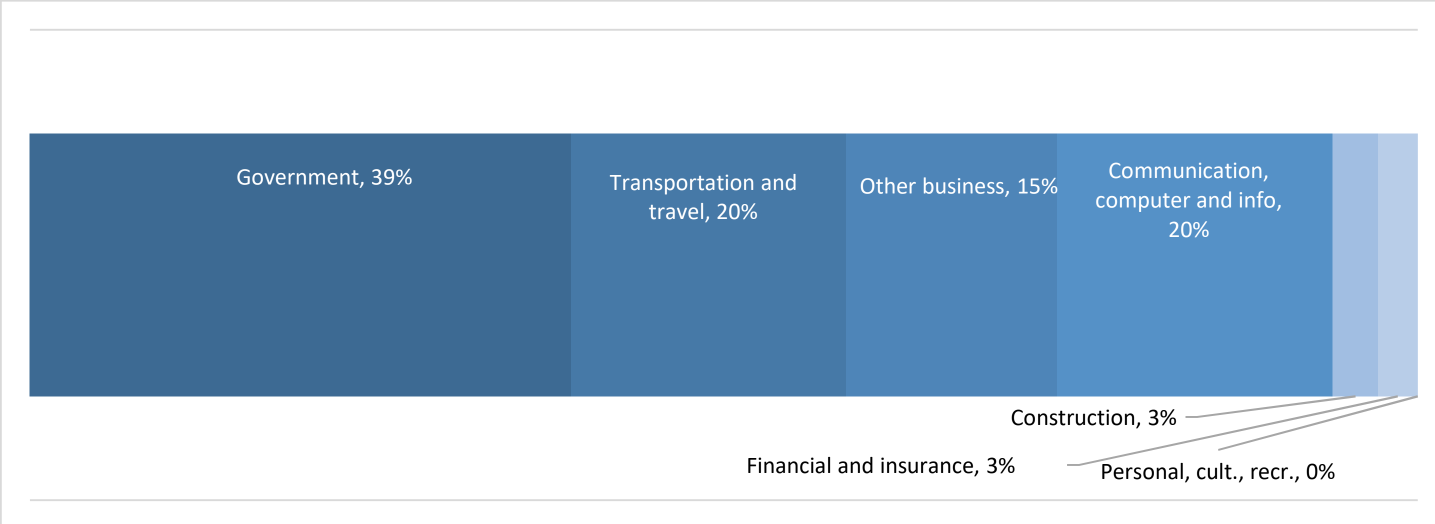
Source: UNDESA, with elements drawn from interviews conducted in Bangladesh in 2018; Razzaque 2018b; and inputs provided by the ACWL.
*Statement by EU representative at the LDC Subcommittee meeting, WTO, October 30, 2018.

Sector-specific assessments of the impacts of the changes described above on other significant export products, for example in the context of the EIF, would help in the establishment of an effective transition strategy. As mentioned above, fish and crustaceans have an exceptionally high rate of utilisation of the EBA (European Commission, 2018b). Impacts on jute products is expected to be less significant given the low rates of utilisation of the EBA and the fact that the non-LDC tariffs on many products in this category in Bangladesh's main markets is zero or relatively low.

2. Preferential treatment for services and services suppliers (the services waiver)

Service exports remain a fraction of goods exports in Bangladesh (10 per cent in 2016) but have grown steadily and are considered an important part of the country's prospects for diversification. Important sectors have been transportation and travel and the fast-growing ICT and business services industry (UNCTAD, 2016b; WTO, 2018). ICT has been a target of Bangladesh's export diversification efforts and a fast-growing industry, which includes business-process outsourcing (BPO) and call centers, system integration, customized software development, website design, mobile application development, graphics animation and gaming, web applications and cloud computing and embedded software development, among other services (Bangladesh Board of Investment, 2018). A large part of service exports as recorded in UN Comtrade data refers to "government exports", mainly related to the participation of Bangladesh in United Nations peace-keeping missions (Figure 4) (UNCTAD, 2016b) .

Figure 4 Service exports from Bangladesh, 2016



Source: UN Comtrade

The main LDC-specific market access preferences in services are those granted under the decision adopted by WTO Members in 2011 known as the "services waiver".[29] The decision allows WTO Members to grant to LDC services or service suppliers preferential treatment that would otherwise be inconsistent with Article II (MFN) of the GATS. In 2013, the Bali Ministerial Decision established steps to promote the operationalization of the decision. In 2014, the LDC group submitted the "LDC collective request", identifying the sectors and modes of supply of particular interest to them (S/C/W/356). The waiver is currently valid until December 31, 2030 (WT/MIN(15)/48). The WTO has received notifications from 24 Members, including the EU, indicating sectors and modes of supply where they were providing or intended to provide preferential treatment to LDC services and service suppliers.[30]

Upon graduation, Bangladesh would no longer have access to preferential treatment under the services waiver unless the General Council approved a waiver specific to Bangladesh. Any requests for transition periods in the application of the services waiver would need to be the object of a consultative process with the preference-granting WTO members.

However, there is no evidence that Bangladesh has benefitted from the waiver. Generally, and not only with regard to Bangladesh, there is uncertainty regarding the practical implications and effectiveness of the waiver and the depth, sectoral distribution and nature of preferences offered under the waiver is limited (UNCTAD, 2018; Mendoza et al., 2016).

Moreover, research on the constraints to service exports in LDCs suggests that supply-side constraints may be more significant than the lack of preferential market access in services (Sauvé and Ward, 2016). An analysis undertaken in the context of the Diagnostic Trade Integration Study of Bangladesh (Chanda and Raihan, 2016) shows that barriers to the expansion of service exports by Bangladesh (the study analyses IT-BPO services, labour services in infrastructure development and domestic work, and nursing) are indeed mostly on the supply-side or, in the case of labour services, related to practices in the importing market that are not resolvable within the scope of the services waiver.

UNCTAD's Services Policy Review of Bangladesh (2016) observed that Bangladesh could potentially gain from the LDC waiver, especially from the possible facilitation of exports under Mode 4, given its large and young population and the

[29] Preferential Treatment to Services and Service Suppliers of Least-Developed Countries, WT/L/847, 19 December 2011.
[30] Notifications had been received from Panama, Turkey, Thailand, Uruguay, Canada, South Africa, Liechtenstein, Brazil, Iceland, Chile, India, United States, Mexico, EU, Japan, Switzerland, New Zealand, Hong Kong (China), the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu, Singapore, China, Republic of Korea, Norway, Australia and the EU.

availability of a sizeable semi-skilled and low-skilled work force.[31] However, the review observed, the realization of the benefits remained unclear as (i) the granting of preferential access is voluntary and may not be granted in sectors and modes of interest to Bangladesh; (ii) there are substantial restrictions related to skills and certification for certain services under Mode 4; (iii) the waiver is not granted indefinitely; and (iv) the procedures involved in the implementation of the waiver are "impractical for use in a sustainable and predictable manner". The most important hindrance, according to the review "is on the supply side, related to the production of a quality labour force."

3. Special and differential treatment in the implementation of commitments under regional agreements

In addition to preferential tariffs and rules of origin (Box 1, above), Bangladesh would lose certain other support measures under its regional agreements (the main changes under APTA are in market access as described above).

It may be possible to negotiate extended LDC or alternative preferential treatment under regional agreements.[32] Maldives was granted favourable treatment under SAFTA equivalent to that of LDCs beyond its graduation date.

The government of Bangladesh has expressed, commenting on a previous version of this assessment, a general concern that it may need to undertake higher levels of commitment in future trade negotiations as a non-LDC.

SAFTA (Bangladesh, Afghanistan, Bhutan, Maldives, Nepal, India, Pakistan, Sri Lanka):

In principle, Bangladesh would no longer benefit from LDC-specific provisions under SAFTA:

- Greater time periods for tariff reductions under trade liberalization programmes (the third of which had yet to begin at the time of writing) should they extend beyond the date of graduation;
- The commitment of contracting states to give, until the trade liberalization programme has been completed by all Contracting States, special regard to the situation of LDCs when considering the application of anti-dumping and/or countervailing measures, providing an opportunity for consultations and favourably considering accepting price undertakings offered by exporters from LDCs.
- Greater flexibility in continuation of quantitative or other restrictions;
- The commitment to consider taking direct trade measures with a view to enhancing sustainable exports from LDC contracting states, such as long and medium-term contracts containing import and supply commitments in respect of specific products, buy-back arrangements, state trading operations, and government and public procurement.
- Special consideration in its requests for technical assistance and cooperation arrangements designed to assist them in expanding their trade with other Contracting States and in taking advantage of the potential benefits of SAFTA.
- Bangladesh would no longer benefit from the rule under Article 16 of the agreement whereby safeguard measures are not to be applied against products originating in LDC contracting states, "as long as its share of imports of the product concerned in the importing Contracting State does not exceed 5 per cent, provided Least Developed Contracting States with less than 5 per cent import share collectively account for not more than 15 per cent of total imports of the product concerned."

All but one of the remaining LDCs in SAFTA are approaching graduation (Bhutan is scheduled to graduate in 2023; Nepal will be assessed by the CDP in 2021).

D8 (Bangladesh, Egypt, Indonesia, Iran, Malaysia, Nigeria, Pakistan, Turkey): Bangladesh, the only LDC, enjoys a longer implementation period for tariff reduction (8 annual installments instead of four, starting in 2012, the year after the entry

[31] The four modes of supply as defined by GATS are: Mode 1 – cross border trade, i.e. from the territory of one Member into the territory of any other Member; Mode 2 – consumption abroad, i.e. in the territory of one Member to the service consumer of any other Member; Mode 3 – commercial presence, i.e. a service supplier of one Member has commercial presence in the territory of any other Member; and Mode 4 – presence of natural persons, i.e. a natural person of one member provides services in the territory of any other Member.

[32] Observation by ESCAP on a previous version of this assessment.

into force of the Preferential Tariff Agreement (PTA) under the D8). These periods will have expired before Bangladesh's expected date of graduation.

TPS-OIC (57 states of the Organisation of Islamic Cooperation; in force but not yet operational): LDCs were given a 3-year grace period for tariff reduction of products covered under the Protocol on the Preferential Tariff Scheme for TPS-OIC. Tariff reduction will be done in 6 installments by LDCs and in four by non-LDCs. The extent to which Bangladesh would benefit from this would depend on the date in which the agreement is made operational after the submission of the list of concessions by all contracting parties.

BIMSTEC Free Trade Area (negotiations not concluded; Bangladesh, Bhutan, India, Myanmar, Nepal, Sri Lanka, Thailand): The effects of graduation on the terms applicable to graduation cannot be anticipated at this time. While a graduated LDC would in principle not benefit from flexibility on tariff reductions, the agreement is still under negotiation.

4. Special treatment on obligations and flexibilities under WTO rules

As an LDC, Bangladesh is eligible for LDC-specific special and differential treatment (SDT) under the WTO agreements. As a founding member of the WTO, Bangladesh has, or has had, access to the full range of LDC-specific SDT provisions since the establishment of the WTO.[33] Upon graduation, it will no longer benefit from LDC-specific SDT, while still benefitting from SDT generally applicable for developing countries. Graduating LDCs may request waivers at the WTO that would provide (or extend) transition periods to phase out flexibilities or phase in obligations. As the WTO is a member-driven organisation, such waivers would need to be negotiated and agreed to by Members. Bangladesh would need to engage actively with Members, bilaterally and in WTO Committees, to obtain support for addressing graduation challenges.

A number of LDC-specific provisions in the WTO Agreements and Decisions, including extended implementation periods, were time-bound and are no longer applicable. The paragraphs below describe, among the remaining provisions, the ones which, if withdrawn after graduation, could have significant impacts for Bangladesh. Not considered here are agreements where LDC provisions are limited to commitments to prioritise LDCs with no accompanying concrete support mechanism; plurilateral agreements to which Bangladesh is not a party; and agreements where the LDC-specific provisions have expired.

The impacts on trade preferences under the Enabling Clause and the Waiver for preferences form developing countries to LDCs are discussed in section 1 above.

As mentioned above, the government of Bangladesh has expressed, commenting on a previous version of this assessment, a general concern that it may need to undertake higher levels of commitment in future trade negotiations as a non-LDC.

a) TRIPS Agreement (and subsequent agreements/decisions/measures)[34]

There are three main aspects to consider under the TRIPS Agreement: the need to comply fully with the TRIPS Agreement when the extension of the **general transition period** granted to LDCs no longer applies; impacts on the **pharmaceutical sector,** which currently benefits from significant LDC-specific exemptions extending to 2033; and impacts of no longer being having access to technology transfer under **Article 66.2.** The latter states that developed country Members shall provide incentives to enterprises and institutions in their territories for the purpose of promoting and encouraging technology

[33] LDCs that acceded to the WTO after its founding negotiated accession packages which in some cases involved waiving LDC-specific support measures such as special implementation periods.

[34] The TRIPS Agreement was amended through the Protocol of 6 December 2005 that entered into force on 23 January 2017. The amendment inserted a new Article 31bis into the Agreement as well as an Annex and Appendix. These provide the legal basis for WTO Members to grant special compulsory licenses exclusively for the production and export of affordable generic medicines to other members that cannot domestically produce the needed medicines in sufficient quantities for their patients. For an overview of how Bangladesh has benefitted from LDC-specific provisions under the TRIPS Agreement and challenges on the path to graduation, see Farin, Sherajum Monira, "WTO decision on the TRIPS and Public Health: What does it imply for Bangladesh", CPD Policy Brief 2018 (8).

transfer to LDC country Members to enable them to create a sound and viable technological base.[35] The Ministry of Commerce has expressed that support provided under Article 66.2 has been of limited effectiveness (Bangladesh, 2018a, 2018b). As for the first two:

General transition period. As an LDC, Bangladesh will have benefited from a longer general transition period than other WTO members to implement the provisions of the TRIPS Agreement, with the exception of core provisions. LDCs were not required to comply with all provisions of the TRIPS Agreement until 1 January 2006. This transition period was extended until 1 July 2013 (IP/C/40) and then further extended until 1 July 2021. If this deadline is not extended, then all LDCs (including an as yet ungraduated Bangladesh) would have to comply with all provisions of the TRIPS Agreement.[36] If the deadline is extended, as it has been in the past, after 2024 a graduated Bangladesh would need to make changes in its legislation and practices to comply with the TRIPS Agreement earlier than if it remained an LDC. According to the government of Bangladesh, copyright and trademark laws are compliant with TRIPS, but the patent law will need to be amended. The patent protection regime is currently governed by the Patents and Designs Act (Act No. II of 1911). The level of IP protection in Bangladesh is generally lower than required in the TRIPS Agreement. The 1911 Act grants patent protection for a period of sixteen years from the date of filling while the term of patent protection under the TRIPS Agreement is to be no less than 20 years from the filing date. The 2014 Patent Act which was drafted in accordance with the TRIPS Agreement is still under review. The government has expressed concern that the domestic market is not ready for full compliance with the TRIPS Agreement (Bangladesh, 2018b). According to Zhuang (2017), Bangladesh lacks the resources to protect and enforce intellectual property rights, but has intended to upgrade its intellectual property system in accordance with the TRIPS Agreement. The government has indicated it may seek technical assistance for capacity building from international and regional organizations (Bangladesh, 2018b).

One aspect of the implementation of the TRIPS agreement in Bangladesh that has been highlighted by the government is that it is expected to restrict the access of students and academics to books, research papers and software (Bangladesh, 2018a). The government has indicated that it may act to ensure availability of books, journals and software at affordable prices but has not indicated the planned means (Bangladesh, 2018b). Small companies often rely on software that has been reproduced without a license and will face higher costs as the country moves towards compliance with TRIPS.

Pharmaceuticals. Around a fifth of pharmaceuticals produced in the country are patented in other countries, something which is made possible by the pharmaceuticals waiver, which allows LDCs to produce patented drugs without first asking patent holders. Measures specifically geared at the pharmaceutical industry include:

- Longer transition period for issues related to pharmaceutical products. LDC members are exempted from obligations under the TRIPS Agreement related to patents (section 5) or protection of undisclosed information (section 7). LDC members (until they graduate) are not obliged to protect pharmaceutical patents until 1 January 2033 (TRIPS Council decision, 6 November 2015, IP/C/73). Non-LDC developing countries are obliged to provide the minimum standard of protection for pharmaceutical patents (20 years).
- Waiver of the obligation to provide the means for filing patents and provide patent protection and exclusive marketing rights: Countries that did not provide patent protection for pharmaceuticals at the entry into force of the WTO in 1995 had to establish a means by which applications of patents for these products could be filed and to put into place systems for granting exclusive marketing rights for these products. To complement the longer transition period for pharmaceutical products, LDC Members (until they graduate) were exempted from the obligation to provide for the possibility of filing mailbox applications and to provide exclusive marketing rights until January 2033 (General Council Decision WT/L/971).[37]

[35] Through the Decision of the General Council on the Implementation of Paragraph 6 of the Doha Declaration on the TRIPS Agreement and Public Health and the Protocol Amending the TRIPS Agreement (2003) (paragraph 7) Members also undertook to cooperate in paying special attention to the transfer of technology and capacity building in the pharmaceutical sector pursuant to Article 66.2.

[36] "Extension of the Transition Period Under Article 66.1 for Least Developed Country Members", Decision of the Council for Trade-Related Aspects of Intellectual Property Rights ("Council for TRIPS"). IP/C/64.

[37] Mailbox applications refers to the requirement of the TRIPS Agreement whereby WTO members which do not yet provide product patent protection for pharmaceuticals and agricultural chemicals must establish a means by which applications of patents for these products can be filed. See WTO Glossary (https://www.wto.org/english/thewto_e/glossary_e/glossary_e.htm).

A full assessment of the measures Bangladesh would need to take in response to the withdrawal of these support measures needs to be undertaken by legal and industry specialists. Existing mechanisms and institutions such as the EIF and the ACWL can be instrumental in this respect. Bangladesh has already approached different institutions to address the issue. Based on existing studies (Rahman and Farin, 2018; Farin, 2018; Razzaque, 2018c; Gay, 2017; Fukuda-Parr and Treanor, 2017), possible measures include:

- Updating the patent law, increasing patent terms from 16 to 20 years.
- Reviewing the Drugs Act of 1940 and the National Drug Control Ordinance (NDCO) of 1982.
- No longer exporting patented products without acquiring the rights to do so and paying royalties. Bangladesh would still be able to export certain products to other countries under compulsory licensing, provided it met the requirements set out in Article 31bis and the Annex to the TRIPS Agreement.[38] This provision applies to all exporting countries, whether or not they are LDCs. There is one possible implication of being an LDC: Article 31bis, paragraph 3, stipulates that when a developing country (whether or not LDC) belongs to a regional trade agreement where at least half of the membership is made up of LDCs, the limitation of Article 31(f) does not apply "to the extent necessary to enable a pharmaceutical product produced or imported under a compulsory license in that Member to be exported to the markets of those other developing or least developed country parties to the regional trade agreement that share the health problem in question." Article 31bis paragraph 3 defines the purpose of this as "harnessing economies of scale for the purposes of enhancing purchasing power for, and facilitating the local production of, pharmaceutical products". A definitive statement on whether Bangladesh can benefit from this measure under its regional agreements and whether the agreements would still be considered under this provision once Bangladesh and other members graduated from the LDC category would depend on a formal request by the country to competent WTO bodies, were the issue to be found relevant.[39]

These changes would imply a transformation of Bangladesh's pharmaceutical industry. While still relatively small in terms of jobs and exports, the industry is highly relevant in Bangladesh's recent development because it is the main high-technology industry, has significant growth potential, and ensures the provision of drugs at low cost for both domestic use and export. The Bangladeshi pharmaceutical industry supplies approximately 98 per cent of domestic demand and exports to over 100 countries. In FY 2017-2018, one third of Bangladesh's pharmaceutical exports went to LDCs. The LDC flexibilities under TRIPS have been critical for the development of industry. The consequences of their withdrawal cannot be fully anticipated but the following clusters of issues stand out in recent studies (Farin, 2018; Razzaque 2018c; Gay, 2017; Rahman and Farin, 2018; Fukuda-Parr and Treanor, 2017):

- Prices: According to data from the Bangladesh Association of Pharmaceutical Industries, 20 per cent of the drugs produced in Bangladesh are generic versions of patented drugs.[40] Production costs would rise as local producers would need to pay royalties and other costs associated with compliance with intellectual property rights, and this would likely be translated into higher prices for consumers and public health systems in Bangladesh and in other countries, including other LDCs. While most essential drugs produced in Bangladesh are off-patent, patented drugs include those used to

[38] Article 31 sets out conditions for issuing compulsory licenses, and determines that the use of compulsory licensing is to be predominantly for the supply of the domestic market (Article 31(f)). Article 31bis, the amendment to the TRIPS Agreement, allowed compulsory licensing for the production of pharmaceutical products exported to meet the public health needs of other countries.

[39] Two issues require further study. One is whether a specific regional agreement can be considered under this provision, which depends on when it entered into force and what the share of LDCs was in its membership. Under one interpretation raised in past discussions in the TRIPS Council, eligibility would be extended to regional agreements in force when the General Council adopted the Decision on the Amendment of the TRIPS Agreement (WT/L/641), i.e. in 2005. While SAFTA only came into force in 2006, parties were also members of SAPTA, which entered into force in 1995 and included 4 LDC members and 3 non-LDC members at the time. Another issue is if the graduation of a member, which tips the balance between LDCs and non-LDCs in the agreement would affect the possibility of all other members benefitting from this measure (in other words, if the fact that LDC members of the regional agreement graduate would disqualify the agreement from this provision). The qualifying criterion in the provision is that at least half the membership had to be of countries "presently on the United Nations list of" LDCS but there could be different interpretations.

[40] Bangladesh Association of Pharmaceutical Industries. "Advantages of TRIPS", http://www.bapi-bd.com/bangladesh-pharma-industry/advantages-of-trips. Last accessed on February 26, 2019.

treat HIV-AIDS, cancer, cardiovascular diseases and cases of multi-drug resistance and would be subject to cost and thereby price increases. The government of Bangladesh has indicated that it expects patent protection to increase prices of pharmaceutical products, particularly the Active Pharmaceutical Ingredients (API) which are the object of a new policy aiming to expand Bangladesh's production upstream increasing value addition and reducing reliance on imported components by facilitating innovation innovation and investment.[41] Lifting restrictions on imports could subject local industry to competition from large-scale manufacturers in other countries such as India and China that benefit from economies of scale and from vertical integration, having established Active Pharmaceutical Ingredients (API) industries, which Bangladesh has only just started to do (Farin, 2018; Rahman and Farin, 2018; Bangladesh, 2018c). This could exert downward pressure on prices for some products in the short run but could also result in the pricing out of local players (see below).

- Limits on technological development: While in theory the protection of intellectual property rights in the pharmaceutical industry could encourage investments in R&D and ultimately lead to innovative local producers, in practice certain conditions need to be in place for that to happen, including substantial capacity in R&D. Capacity in R&D is still scarce, and strengthened IPR protection could impede technology transfer by restricting imitation and reverse engineering, in addition to raising costs. One of the ways in which Bangladesh has been able to develop its pharmaceutical industry has been to use the flexibilities under the waiver to reverse engineer products for which patent expiry is imminent. When patents expire, Bangladesh has a head start in the production of the drug compared to other competitors. This will no longer be possible.
- Weakening of local players and industry consolidation: Stronger patent protection, greater competition from imports and fewer restrictions on the participation of multinational players could lead to a weakening of local producers, followed by consolidation of the industry, which in turn would have economic, employment and public health implications including higher prices (Gay, 2017; Farin, 2018).
- Exports: The LDC flexibilities make it possible to export drugs at lower cost to countries where the medicine is not covered by patents or where compulsory licenses are in use to ensure supplies to treat diseases like cancer or HIV/AIDS, as producers do not pay royalties and do not incur the R&D costs borne by innovating firms in patent-protected markets. Bangladeshi producers will have to face those costs once Bangladesh is required to comply with the TRIPS Agreement. As exports in this sector are a relatively small share of Bangladesh's total exports, the macroeconomic impact of this would be limited. However, seen from the point of view of consumers and public health systems in Bangladesh and worldwide, that depend on low-cost drugs produced in Bangladesh, the impact could be significant.

Other adjustments would be necessary after graduation that would affect the pharmaceutical industry, such as changes in the incentives policies. A transition to full compliance with the WTO rules would require that infant pharmaceutical corporations fully compete with other established firms in the global market with little financial support from the government (Fukuda-Parr and Treanor; 2018) (see the section on the Agreement on Subsidies and Countervailing Measures, below).

Bangladesh will need to ensure that the transition to compliance with TRIPS is done in a way that can strengthen the industry, preserve its capacity as a low-cost producer, and ultimately benefit rather than harm consumers and public health. The government of Bangladesh is in the process of undertaking research on the issue through different institutions. For Farin (2018), conditions for compliance with TRIPS to actually promote innovation are that changes be brought about gradually, and that Bangladesh develop capacity in R&D particularly in APIs.

Bangladesh has the possibility of requesting an extension of the waiver on pharmaceuticals. Given Bangladesh's role as a producer of low cost medicines for its domestic market and for other developing countries, the Doha Declaration on the TRIPS Agreement and Public Health and the commitment to ensure "access to safe, effective, quality and affordable essential medicines and vaccines for all" under SDG 3.8 as well as to "provide access to affordable essential medicines and vaccines, in accordance with the Doha Declaration on the TRIPS Agreement and Public Health" under SDG 3.b of the 2030 Agenda for Sustainable Development could be elements of support for a request to extend the TRIPS waiver beyond the

[41] "Draft note: Bangladesh's LDC Graduation – Assessment of Potential Impacts", Economic Relations Division, Development Effectiveness Wing. Meeting with CDP Team, October 1, 2018.

date of graduation. The process of development of the "roadmap on access to medicines and vaccines 2019-2033" under the World Health Organization could also be taken into consideration.

Fukuda-Parr and Treanor (2018) warn that "while simply becoming TRIPS compliant would require fundamental changes to Bangladesh's drug policies, intellectual property regime, and the way in which it promotes its infant pharmaceutical industry, becoming competitive in the global market and signing onto [trade and investment agreements] would require even more".

b) Agreement on Agriculture (and subsequent agreements, decisions, measures)

First, LDCs and net food importing developing countries (NFIDCs) may provide, until 2030, certain export subsidies that would otherwise not be allowed under the Agreement on Agriculture (Article 9.4, most recent extension in the Ministerial Decision on Export Competition of 19 December 2015, paragraph 3). While Bangladesh has yet to identify all the provisions and measures that are inconsistent with the Agreement, the Ministry of Commerce has indicated that domestic supports and export subsidies directed at vulnerable groups and farmers are under the *de minimis* levels for developing countries. Cash incentives for agro-processing exports could be of concern.

One possible interpretation of the 2015 decision is that the deadline (2030) applies to the list of countries that were eligible when the extension was granted (and Bangladesh was eligible as an LDC at that time) but that interpretation would need to be the object of a formal consultation. Another interpretation issue that could be put forth by Bangladesh is whether it could be considered an NFIDC category, in which case it would continue to benefit from this measure, as per the agreed procedure in G/AG/3. The Maldives was included in the list of NFIDCs published by the Committee on Agriculture in 2011.

Unless Bangladesh is included in the NFIDC list or the Nairobi decision is interpreted as applying to the list of LDCs when the extension was granted in 2015, when Bangladesh graduates, it would need to bring its subsidies into compliance with the Agreement. This could have important impacts especially for small farmers. Mapping the non-compliant subsidies with support from institutions such as the EIF and the ACWL would help prepare a transition strategy.

Still under the issues covered by the Agreement on Agriculture: (i) under the Nairobi Ministerial Decision on Export Competition, LDCs and NFIDCs are entitled to longer repayment terms for the acquisition of basic foodstuffs (36 to 54 months, instead of 18 applicable to non-LDC developing countries). If a member in these categories faces "exceptional circumstances which still preclude financing normal levels of commercial imports of basic foodstuffs and/or in accessing loans granted by multilateral and/or regional financial institutions within these timeframes, it shall have an extension of such a time-frame." (2015 Nairobi Ministerial Decision on Export Competition of 19 December 2015, WT/MIN(15)/45-WT/L/980). Upon graduation and unless it were listed as an NFIDC, Bangladesh would need to comply with the 18-month rule (ii) LDCs are required to report to the WTO on their use of domestic support every two years rather than annually (WTO document G/AG/2 "Notification Requirements and Formats" adopted by the Committee on Agriculture on 8 June 1995). Upon graduation, Bangladesh would report annually.

c) Agreement on Subsidies and Countervailing Measures (and subsequent agreements/decisions/measures)

The Agreement on Subsidies and Countervailing Measures (SCM) generally prohibits export subsidies. However, under Article 27.2(a) and Annex VII(a), LDCs are exempt from that prohibition. One concern expressed by government officials is that upon graduation, if Bangladesh is not included in Annex VII, it would not only not benefit from the exemption but also face worse conditions than comparable developing countries. A proposal has been submitted on behalf of the LDC group to allow graduated LDCs with GNP below USD 1000 at constant 1990 prices to continue to benefit from the exemption from the provision of export subsidies (WT/GC/W/752; G/C/W/752). This proposal would provide that a recently graduated developing Member would stop benefitting from the prohibited subsidy exception if it exceeds the USD 1000 threshold for three consecutive years. According to the proposal, a Member excluded from the list of beneficiaries from the prohibited subsidies exception may nonetheless be re-included in that list if its GNP per capita falls below USD 1000 in constant 1990 dollars. Whether Bangladesh would remain under the USD 1000 threshold (GNI/GNP per capita) would depend not only on economic and population growth, but also on the way the methodology to calculate GNI/GNP per capita in 1990 dollars is be applied (on the methodology, see WTO documents G/SCM/38 and G/SCM/110).

The government has indicated that Bangladesh provides cash incentives to promote exports. Cash assistance to exporters are available for 35 different products ranging from 2 to 20 per cent if fob export value. For FY 2019, the government of Bangladesh allocated approximately $537 million as cash incentives to be paid against shipment of exported items. An assessment would need to be made about whether these cash incentives are compatible with the SCM or would need to be withdrawn or adapted after graduation. The Government of Bangladesh has clarified that only the exporters who are not entitled to duty-free import of inputs and who do not claim duty drawback, can have cash incentives. An assessment would also need to be made about the compatibility of direct support targeting the export sector in the pharmaceutical industry (e.g. cash assistance provided to exporters) and other subsidiary provisions under the National Drugs Control Ordinance

Article 27.3 of the SCM Agreement afforded LDCs an exception from the prohibition of the so-called "local content" subsidies – i.e. subsidies granted contingent, whether solely or as one of several other conditions, upon the use of domestic over imported goods (Article 3.1(b)). This exception was available for a period of eight years, from the date of entry into force of the WTO Agreement. This period has expired and is no longer available to LDCs. For this reason, it is of no relevance to Bangladesh's graduation.

As for the Agreement on Agriculture, mapping the non-compliant subsidies with help from institutions such as the EIF and the ACWL could help prepare a transition strategy.

d) Dispute Settlement Understanding (and subsequent agreements/decisions):

Article 24.1 of the Dispute Settlement Understanding (DSU) requires that Members exercise "due restraint" when launching disputes against LDCs. This may have contributed to the fact that to date there is no dispute involving an LDC as a respondent. Article 24.1 further states that complaining Members must exercise "due restraint" in asking for compensation or suspending concessions or other obligations when the responding party is an LDC. Bangladesh would no longer be covered by these requirements after graduation.

Moreover, under Article 24.2, LDCs can request the Director-General of the WTO or the Chairman of the Dispute Settlement Body to provide their good offices, conciliation and mediation services for settling disputes. After graduation, Bangladesh would no longer be able to do this. However, it would still be able to request the good offices, conciliation and mediation services of the Director-General under Article 5.

LDCs also receive priority attention by the Advisory Centre on WTO Law (ACWL) (see section B.2 below) and are not required to formally join or to pay membership fees. They receive free legal advice and training and pay reduced fees for legal representation in the various phases of dispute settlement. Upon graduation, Bangladesh would need to decide whether to join and, if so, pay a membership fee. Bangladesh has used the ACWL as the complainant in the dispute against India on anti-dumping measures on batteries (DS306). This is the only dispute in which an LDC has ever acted as a complainant.[42]

The government of Bangladesh has indicated its concern that it may be vulnerable to trade disputes in the period following graduation as it will be in the process of adjusting its policies to comply with WTO rules. It has limited capacity to engage in dispute settlement procedures and will require substantial capacity-building efforts. Bangladesh may request that WTO members exercise due restraint in raising matters involving graduated countries, and that graduated LDCs may continue to request the good offices of the Director-General of the WTO or the Chairman of the Dispute Settlement Body.

e) Trade-Related Investment Measures (TRIMS) (and subsequent agreements/decisions/measures)

LDCs were granted an extended transition period to eliminate existing TRIMS-inconsistent measures under Annex F of the Hong Kong Ministerial Declaration, and that deadline period has expired. LDCs were also allowed to introduce new measures that deviated from their obligations under the TRIMs Agreement, as long as they notified these new measures

[42] LDCs have participated slightly more actively as third parties. 11 LDCs have expressed their interest to participate as third parties to WTO disputes in 24 disputes combined. Bangladesh has participated in only one dispute as a third party (*US – Textiles Rules of Origin* (DS243)).

within 6 months of their adoption. According to information provided by the government, Bangladesh has not notified these measures. Any measures incompatible with the TRIMs Agreement and adopted under this decision must be phased out by 2020, before Bangladesh's expected date of graduation. Graduation therefore would have no impact unless the Ministerial Conference extends the phase-out period for WTO-inconsistent trade-related investment measures and Bangladesh notifies the measures. Commenting on a previous version of this document, the government of Bangladesh has noted that it would need to identify TRIMS-inconsistent measures.

f) Other agreements

Other agreements under the WTO contain LDC-specific provisions but with no, or very limited, expected impact from Bangladesh's graduation.

- Trade Facilitation Agreement (TFA) (2017). Extended deadlines for LDCs with respect to the implementation of commitments under the TFA would expire before Bangladesh's expected date of graduation (Article 16.2). Loss of flexibilities under the provisions of Article 18 (the Trade Facilitation Committee would, in the case of LDCs, "take action to facilitate the acquisition of sustainable implementation capacity" of certain measures), Article 19 (procedures for notification of capacity building needs) and Article 20 (grace period for dispute settlement for certain categories of measures) are not expected to be significant.
- Balance of payments understanding: Under Articles XII and XVIII:B of the GATT as well as the Understanding on the Balance of Payments Provisions of the General Agreement on Tariffs and Trade 1994 (the "Balance-of-Payments Understanding"), Members may introduce import restrictions to safeguard their external financial position and balance of payments. Although Bangladesh is the only LDC to have introduced restrictions to protect its balance of payments, as provided for in the Understanding and Articles XII and XVIII of GATT, the impact of graduation is not expected to be significant. There is only a procedural advantage for LDCs, i.e. only LDCS may request more than two consecutive consultations under the so-called "simplified procedures". Approval of simplified procedures is not assured, as WTO Members can require full consultation procedures in the case of both LDCs and other developing countries.
- Trade Policy Review Mechanism (Annex 3, as amended on 26 July, 2017). In addition to the largest four Members (including the EU), which are reviewed every three years, the next 16 largest are reviewed every five years, and the rest of Members every seven years. LDCs may be granted a longer interval between Trade Policy Reviews. As an LDC, Bangladesh could enjoy a period longer than seven years between Trade Policy Reviews. This is not expected to be of major consequence for Bangladesh, which has undertaken Trade Policy Reviews at intervals of approximately six years.

g) Future negotiations

Bangladesh would forego LDC advantages in future trade negotiations, including exemptions from tariff reductions.[43] The 2004 General Council Decision on the Doha Work Programme and the 2005 Hong Kong Ministerial Declaration and successive draft modalities indicate the LDCs would be exempt from reduction commitments. Bangladesh would not, as a graduated LDC, benefit from these flexibilities. Bangladesh has bound 17.8 per cent of all tariff lines, including 100 per cent of agricultural tariff lines and only 2.7 per cent of industrial tariff lines. The non-agricultural bound lines are at several rates ranging from zero to 200 per cent, with a marked concentration at 20, 30 and 40 per cent (WT/TPR/S/270, para 11).

h) Capacity-building, training, etc.

Certain initiatives related to WTO agreements or decisions aim to ensure capacity-building and training for LDCs in the fulfilment of their commitments under the WTO and to further their participation in world trade. In addition to the ACWL, mentioned above:

[43] LDCs that joined the WTO in 1995 were not required to undertake reduction commitments with respect to their bound tariff rates (Article 15.2). Bound tariff rates for most agricultural products in Bangladesh are 200 per cent, giving the country a comfortable margin. When a Member ceases to be an LDC, no change is expected in its WTO Schedule of Concessions (i.e. in its bound tariff rates).

- Under the Sanitary and Phytosanitary (SPS) Measures (and subsequent agreements/decisions/measures), LDCs have priority and preferential co-financing terms under the Standards and Trade Development Facility (STDF)[44]. This has not been a very important measure for Bangladesh, which has instead worked on standards with support from the World Bank.
- Enhanced Integrated Framework (EIF): The EIF is a multi-donor programme which exclusively supports LDCs (and recent graduates) to increase their participation in the international trading system. Bangladesh would have access to the EIF for up to 5 years after graduation. The EIF corresponds to a very small fraction of Aid for Trade flows worldwide and in Bangladesh. The EIF is addressed in greater detail in section B. along with other instruments dedicated exclusively to LDCs.
- Technical assistance and training within the WTO: Bangladesh would benefit from fewer country-specific activities per year after graduation. Bangladesh would not be eligible for the "Least-Developed Countries (LDCs) and Accessions Programme" (the "China Programme") which supports LDC participation in WTO decision-making.

B. Development cooperation

Development cooperation programmes are determined based on income levels, specific needs and vulnerabilities of countries, cultural and historical ties and other factors. Graduating from the LDC category is not expected, in and of itself, to significantly affect development cooperation prospects for Bangladesh. This does not mean that there will be no changes in development cooperation for Bangladesh in the coming years. Changes are already in motion, but this is related mostly to the fact that the country has moved into the lower-middle income category under World Bank criteria, coupled with development partner policies, and not to the prospects of graduation from the LDC category. Graduation will affect access to certain instruments designed specifically for LDCs (see Section 2 below), but the expected impact is minor. The assessment below focuses on the impacts of graduation from the LDC category. As Bangladesh develops its transition strategy, it would naturally have to take into account other factors in the context of its graduation, including positive and negative impacts on development cooperation, including access to finance, of surpassing income thresholds and other eligibility criteria for financial and technical support mechanisms other than those provided on the basis of LDC status. The latter is not under the scope of this analysis.

Bangladesh is one of the top 10 recipients of official development assistance (ODA) worldwide and in 2016 received 6 per cent of all ODA to LDCs.[45] The country is also an important recipient of technical cooperation. Several United Nations system organizations are present, and some have their largest operations, in the country. Bangladesh has been an active partner in South-South cooperation (UNOSSC, 2017). ODA plays a significant role in many critical areas in Bangladesh, including health, infrastructure and education.[46] About a third of the Annual Development Programme (ADP) is financed by ODA and this share has remained relatively stable as the ADP has expanded reflecting large-scale infrastructure projects (Rahman and Bari, 2018; Razzaque, 2018d).[47] ODA is also critical in Bangladesh's response to the Rohingya refugee crisis. However, Bangladesh's ratio of net ODA to GNI is relatively low, having remained under 2 per cent – significantly below the LDC and low-income country averages – since 2009 (Figure 5). ODA from both bilateral and multilateral partners has increased significantly in recent years (Figure 6), particularly in the form of loans (Figure 7). Despite recent trends, the International

[44] The Standards and Trade Development Facility (STDF) was created in 2003 (originating in a joint communique of FAO, OIE, WB, WHO, WTO at Doha Ministerial in 2001) to "increase capacity of developing countries to implement international SPS standards, guidelines and recommendations and hence ability to gain and maintain market access."

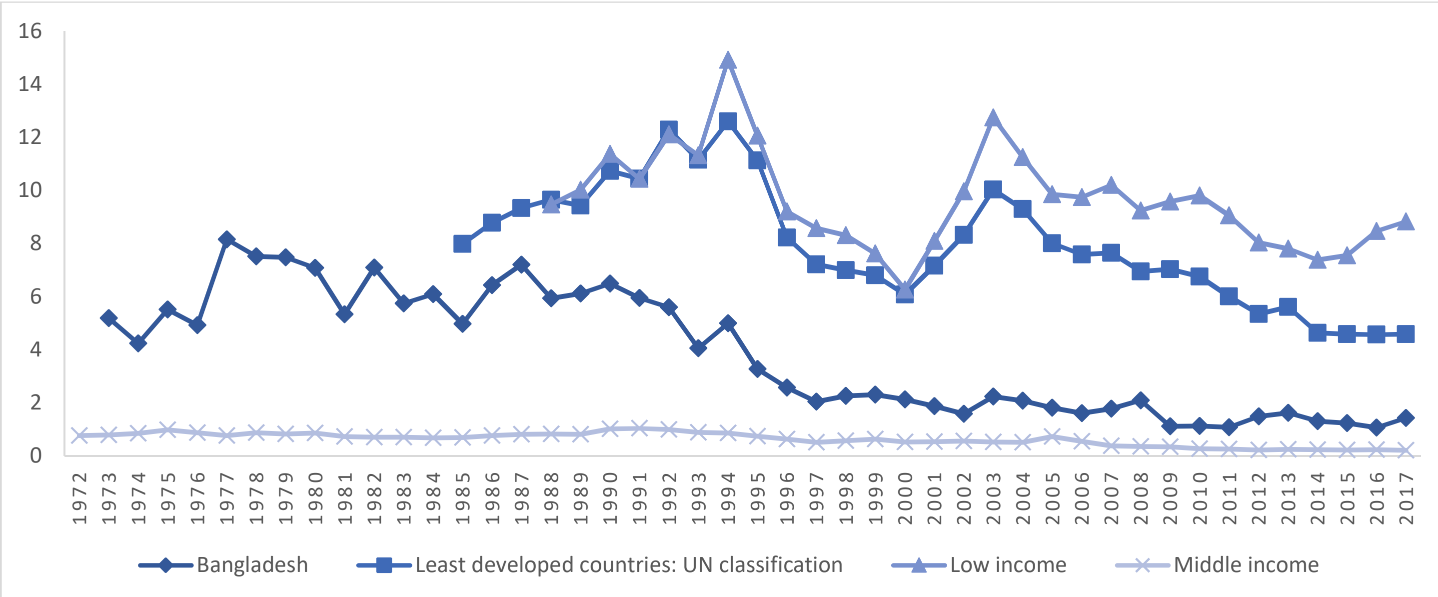
[45] "ODA Receipts and Selected Indicators for Developing Countries and Territories". http://www.oecd.org/dac/financing-sustainable-development/development-finance-data/

[46] According to the OECD, 56 per cent of bilateral ODA for Bangladesh in 2015-2016 was in economic infrastructure and services. Health and population, education, other social infrastructure and production were other important areas of assistance. See "Interactive Summary Charts" by ODA recipient. OECD/DAC: http:www.oecd.org/dac/financing-sustainable-development/development-finance-data/aid-at-a-glance.htm.

[47] The Annual Development Programme, elaborated by the Planning Commission, contains the projects that are to be executed in accordance with the country´s Five-Year Plans.

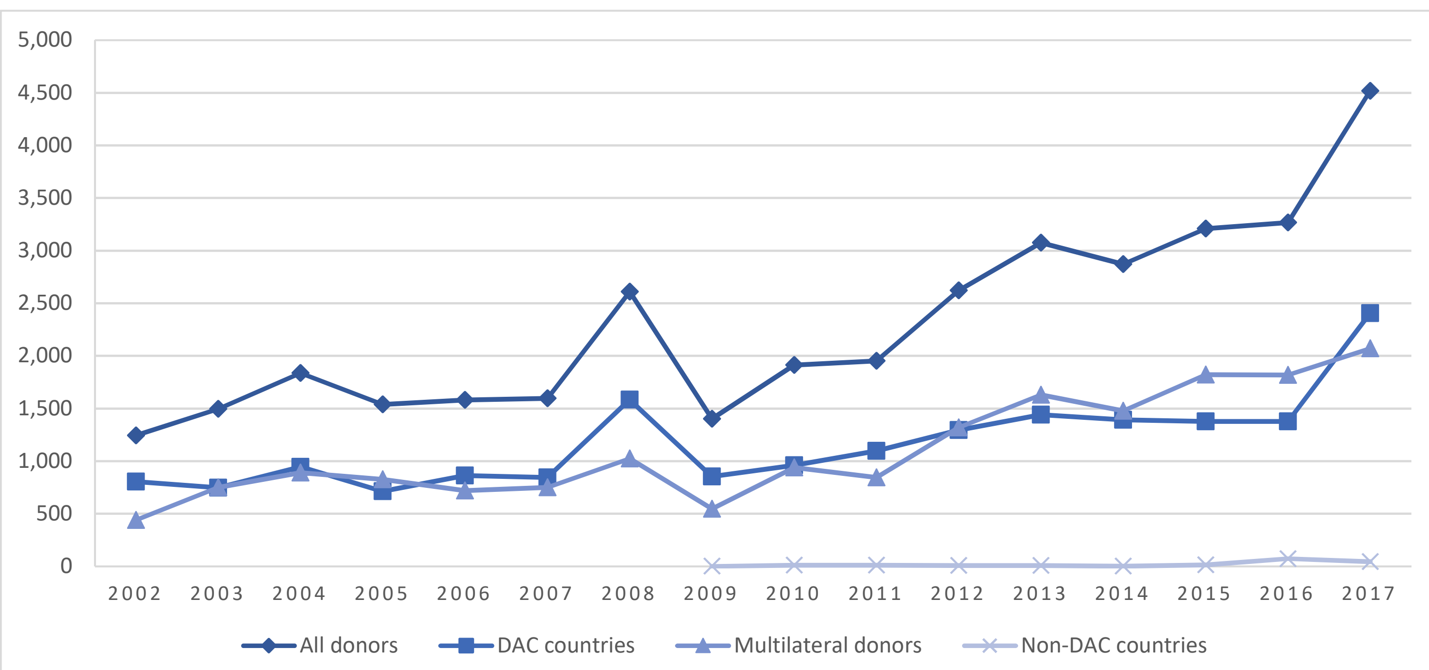
Development Association (IDA) and the International Monetary Fund (IMF) continue to assess Bangladesh's risks of external debt distress and overall debt distress as low (IDA and IMF, 2018).

Figure 5 Net ODA received, 1972-2017 (per cent of GNI)



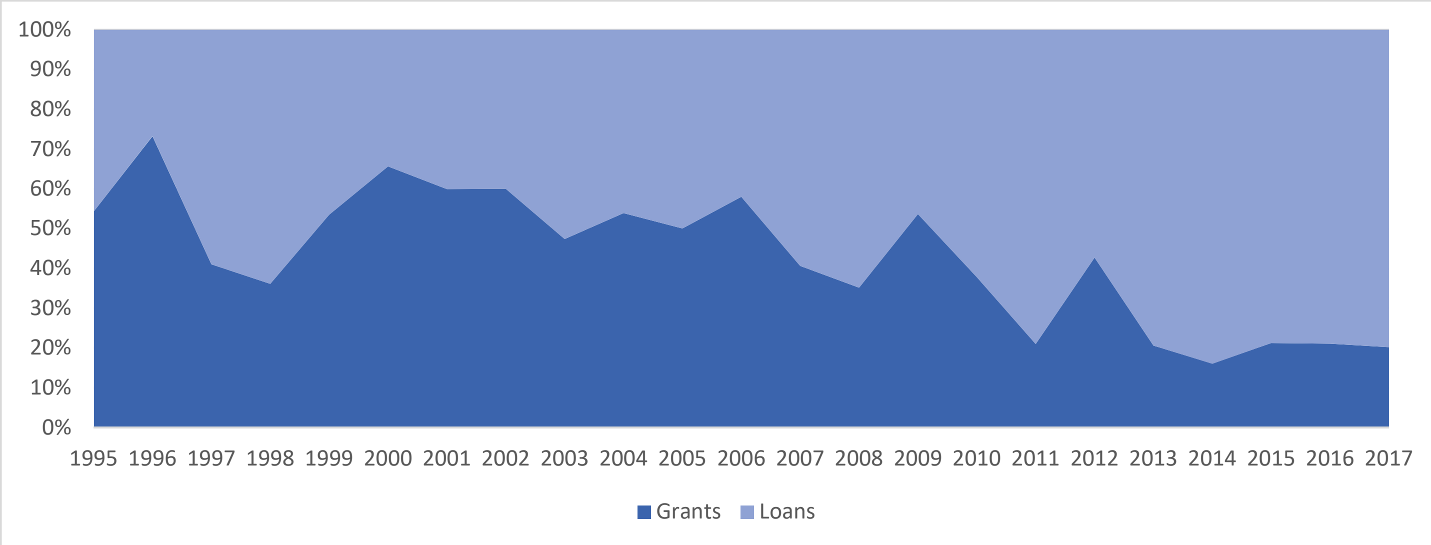
Source: World Bank, based on Development Assistance Committee of the Organisation for Economic Co-operation and Development, Geographical Distribution of Financial Flows to Developing Countries, Development Co-operation Report, and International Development Statistics database. Data are available online at: oecd.org/dac/stats/idsonline. World Bank GNI estimates are used for the denominator. https://data.worldbank.org/indicator/DT.ODA.ODAT.GN.ZS?locations=BD. Updated February 18, 2019.

Figure 6 ODA flows to Bangladesh, 1995-2017, millions of US dollars, constant prices



Source: OECD Creditor Reporting System (CRS).

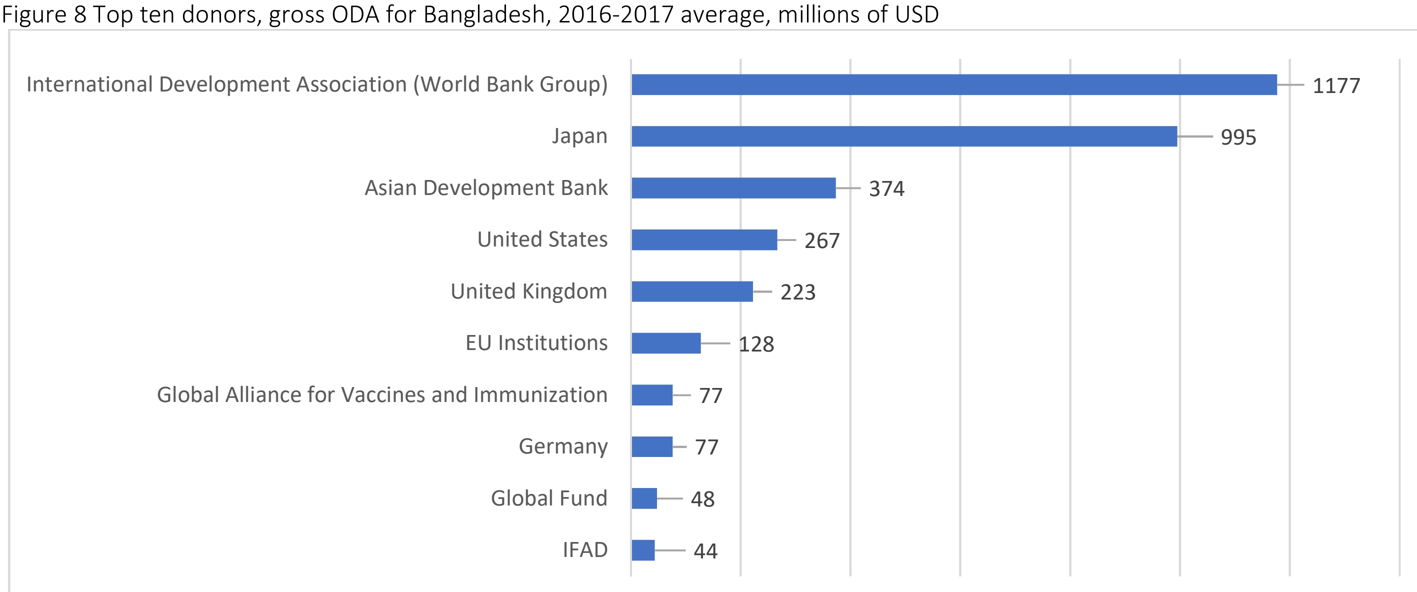
Figure 7: Loans and grants to Bangladesh, all donors, 1995-2017 (per cent of gross disbursement of official development assistance)



Source: OECD Creditor Reporting System (see also Table 3, below)

Figure 8 shows the top ten providers of ODA for Bangladesh, including bilateral and multilateral donors, for 2015-2016, which together accounted for approximately 85 per cent of the total.

Figure 8 Top ten donors, gross ODA for Bangladesh, 2016-2017 average, millions of USD



Source: OECD-DAC. http://www.oecd.org/dac/financing-sustainable-development/development-finance-data/aid-at-a-glance.htm. Updated February 18, 2019.

The following paragraphs address in greater detail (i) the expected impacts of graduation from the LDC category on the assistance provided by major donors and UN entities and (ii) the impacts of no longer having access to LDC-specific cooperation instruments.

Cooperation programmes are based on a combination of factors related to recipients´ needs and plans, donors´ policies and capacities, competing demands and the broader international context. It is therefore not feasible to accurately anticipate the nature and scale of development cooperation programmes that are yet to be elaborated. The findings below are prospects based on documented policies and the views of experts and representatives of the institutions referenced below, including interviews conducted during a mission of the CDP Secretariat to Bangladesh in October 2018.

Belonging or not to the LDC category is not a central element of South-South cooperation. Bangladesh is an active partner, both benefitting from the experience of other countries and sharing its own, as well as attracting financial support. An expansion of South-South cooperation can be expected in the coming years, including with China. Graduation from the LDC category is not expected to significantly affect South-South cooperation of Bangladesh with its partners. One issue to be taken into account when assessing the context of graduation, while not related directly to graduation, is that the financing options provided by other developing countries, that are becoming increasingly significant for investments in infrastructure, will usually not be concessionary (IMF, 2018b).

1. Cooperation strategies of major partners

a) Multilateral financial institutions

Graduation from the LDC category is not expected to affect assistance by financial institutions, which base their decisions on income level, creditworthiness and other factors but not whether a country belongs to the LDC category. The terms of financial assistance to Bangladesh by most multilateral financial institutions is changing gradually and will continue to do so over the coming years as a result of the increase in its per capita income and other factors, but not LDC graduation in and of itself.

International Development Association (IDA), World Bank Group. Since Bangladesh´s independence, the World Bank has committed more than 29 billion dollars to Bangladesh in grants, interest-free and concessional financing credits through the International Development Association (IDA) (World Bank, 2018). Bangladesh was the second largest IDA borrower in fiscal year 2018. Eligibility for the IDA is independent of LDC status. It depends instead on per capita income, risk of debt distress and creditworthiness for International Bank for Reconstruction and Development (IBRD) borrowing. When a country's per capita income exceeds an operational cutoff level of income ($1,165 in fiscal year 2018; $1,145 in fiscal year 2019) and it is determined that it is creditworthy to borrow from the International Bank for Reconstruction and Development (IBRD) a process is triggered (also referred to as graduation but not to be confused with graduation from LDC status) that will eventually lead to the country no longer being eligible for IDA support.[48] This process extends over several years, as countries move towards blended finance and eventually shift to IBRD eligibility. The process has begun for Bangladesh as it has surpassed the operational cutoff level and is now classified as "gap country"[49] but it is expected to still benefit from the IDA for a number of years, until it is deemed creditworthy for the IBRD. It would then have access to financing on less concessional terms but possibly for larger volumes of loans (World Bank Group, 2016; United Nations, 2018). United Nations (2018) notes that recently, "funds from the concessional financing facility are available to middle-income countries that host large numbers of refugees", which is the case of Bangladesh.

International Monetary Fund (IMF). The criteria for eligibility to the IMF´s assistance, including its concessional financing facilities, do not consider the LDC category. Eligibility for the Poverty Reduction and Growth Trust (PRGT) is based broadly on income per capita and uses the IDA cutoff. Eligibility is reviewed every two years and as of the latest review (May 2017) Bangladesh was still deemed eligible (IMF, 2018a).

Asian Development Bank (ADB). Graduation from the LDC category is not expected to affect financing by the ADB. The ADB adopts a similar system as the IDA, based on income and creditworthiness, to determine eligibility for concessional finance including its Special Funds. It does take the LDC category into account but in the case of Bangladesh this is irrelevant: according to its operations manual, when a country is above the per capita GNI cutoff point and is considered to "lack" creditworthiness, an LDC will receive concessional assistance only, as opposed to non-LDCs in the same situation, that are considered blend countries; on the other end of the creditworthiness range, an LDC that has exceeded the per capita GNI cutoff point and is considered to have "adequate" creditworthiness for ordinary capital resources (OCR) is considered a

[48] The threshold is not applied to small island states with a population of 1.5 million or less (small island economies exception).

[49] With the exception of small island economies and other small states under the Small Islands Economies Exception, countries with GNI per capita above the operational cutoff for more than two consecutive years are known as "gap countries". Financing to these countries is provided on blend terms (IDA, 2018).

blend country while non-LDCs in the same situation receive regular OCR only. However, in the intermediary case of countries that exceed the income threshold and are considered to have "limited" creditworthiness, LDC status makes no difference. This is the case for Bangladesh (ADB, 2018). Bangladesh is still expected to receive concessional financing for a number of years. New grants, however, are only being granted in connection with assistance to the Rohingyas.

Islamic Development Bank (IsDB). Bangladesh is a member of the Islamic Development Bank and in 2018 was the top beneficiary. The next four were middle-income countries (IsDB, 2018). The IsDB does work with a category of "least developed member countries" which nonetheless includes a combination of IsDB member countries that are LDCs and other member countries (ISDB, 2017).

b) Bilateral cooperation by DAC members

Most bilateral cooperation to Bangladesh is delivered by the members of the OECD's Development Assistance Committee (DAC), which include 29 countries and the European Union. Belonging to the LDC category is generally not a major factor in the design of bilateral cooperation programmes, which are instead based on a combination of income level, country needs and vulnerabilities, development plans, historical and cultural ties, donor policies, priorities and strategies, and other factors. A gradual change in bilateral cooperation strategies could come about, and in some cases is has already begun, related to Bangladesh's increase in per capita income and other development achievements (not LDC graduation), but there is general recognition of persisting needs and vulnerabilities. Bangladesh could see an increase in the share of loans as opposed to grants in total ODA and an increase in tied aid, but it seems unlikely that significant transformations would occur purely as a result of graduation.

Bilateral co-operation programmes are based on numerous factors including policies and priorities in both donors and recipients. In Bangladesh, national planning instruments and priorities are reflected in bilateral development programmes, and there is continuous dialogue between the government and development partners through the Local Consultative Group (LCG). Development partners often collaborate in joint projects.

The LDC category is taken into consideration in formulating development cooperation policies at a global level but is not usually a determinant factor in determining the nature and volume of bilateral cooperation, and this seems to hold true for Bangladesh.

There are three major areas in which DAC members have made specific commitments to LDCs, globally:

- Volume of aid to LDCs: there is a longstanding commitment by developed countries, reiterated in the 2030 Agenda for Sustainable Development, the Addis Ababa Action Agenda of the Third International Conference on Financing for Development and the Programme of Action for the Least Developed Countries for the Decade 2011-2020, to provide the equivalent of 0.15 to 0.20 per cent of their gross national income (GNI) in the form of ODA to LDCs.[50] In 2016, only 6 of the 29 DAC countries fulfilled this commitment. Even for countries that do fulfill the commitment, this is for the most part the result of strategic focuses (either on low-income countries, on a specific region or on specific vulnerabilities) rather than the result of targeting LDCs. The fact that ODA flows to Bangladesh will not count against the 0.15-0.20 per cent commitment after graduation from the LDC category is not expected to be a relevant factor in resource allocation.

- Untied aid: in 2001, the DAC adopted the Recommendation on Untying Official Development Assistance to the Least Developed Countries. The Recommendation was subsequently amended to include heavily indebted poor countries (HIPCs). Performance on this commitment is mixed, with some donors untying all of their aid (or at least of the types of aid covered by the Recommendation), even to developing countries that are neither LDCs nor HIPCs, while others do not yet fulfill the commitment for LDCs (OECD, 2018). The situation of Bangladesh's largest bilateral donors is addressed below.

[50] This is in parallel to a commitment to provide the equivalent of 0.7 per cent of GNI in ODA to developing countries.

- Grant element of ODA: according to the 1978 OECD/DAC Recommendation on the Terms and Conditions of Aid, the average grant element in ODA to LDCs should be either 90 per cent of a given donor's annual commitment to all LDCs, or at least 86 per cent of the donor's commitments to each individual LDC over a 3-year period. In 2016, 93 per cent of ODA flows from DAC countries to LDCs were in the form of grants, compared to 85 per cent for all developing countries. However, this outcome is the result not of decisions based solely on whether a country is an LDC, but on numerous other factors including recipient needs and vulnerabilities on one hand and borrowing capacity on the other. In Bangladesh, while ODA provided by some of the largest bilateral DAC donors continues to be entirely, or almost entirely, in the form of grants, there is already a clear trend towards a greater share of loans. This is largely attributable to the increase in loans provided by Japan. Overall, the increase in loans has been much higher than the decrease in grants (Figure 7, above, and Table 3).[51] This trend, and any changes in the volume of grants and loans in the coming years, will reflect various economic and social factors that may be also reflected in Bangladesh's performance on the LDC criteria, but would not be affected by whether or not Bangladesh is an LDC. Bangladesh has a relatively low debt/GDP ratio.

Given the expected timeframe for graduation (not before 2024), many decisions on development cooperation with Bangladesh after graduation are yet to be made. Within that limitation, relevant documents and, for most cases, interviews conducted with donor country representatives, indicate the following prospects for some of Bangladesh's largest bilateral donors (Canada, Germany, Japan, United Kingdom, United States) and the EU.

Canada. Bangladesh has been a country of priority for Canada's development assistance since their engagement. Canada's support has predominantly focused on primary education, skills for employment, primary healthcare and governance. Gradual changes could be expected in development assistance by Canada to Bangladesh in the coming years, as the relationship continues to evolve from donor to collaborator, shifting from financial assistance to technical and knowledge transfer due to the fact that Bangladesh has crossed the middle-income threshold and other factors, not to LDC graduation itself. Bangladesh´s role in the response to the Rohingya crisis could be factor in determining levels of development assistance to Bangladesh in the near future.

All aid provided by Canada to the group of LDCs and non-LDC HIPCs and between 93 and 99 per cent of total bilateral aid between 2013 and 2016 has been untied. No significant changes are expected in this respect as a result of graduation from the LDC category.

All aid by Canada to Bangladesh and almost all of total ODA provided by Canada in recent years has been in the form of grants (OECD, 2018). The Government of Bangladesh observed that this is mostly channelled through non-governmental entities.

[51] See also Economic Relations Division, "Trends in Development Cooperation", http://aims.erd.gov.bd/AIMS/Charts/ChartTrendsInDevelopmentCooperation.

Table 3. ODA grants and loans by DAC countries and EU Institutions to Bangladesh, 2009-2017, total and selected donors, Millions of US dollars, constant prices

A. Commitments

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2009	2010	2011	2012	2013	2014	2015	2016	2017
DAC total																		
ODA grants	1,097	690	743	874	764	664	656	656	879	71%	59%	55%	84%	32%	32%	29%	26%	33%
ODA loans	448	461	595	166	1,631	1,439	1,582	1,823	1802	29%	40%	44%	16%	68%	68%	71%	74%	67%
Equity inv.		15	1	4	1	1	0	0	0	0%	1%	0%	0%	0%	0%	0%	0%	0%
Canada																		
ODA grants	3	31	83	27	154	10	33	14	32	100%	100%	100%	100%	100%	100%	100%	100%	100%
ODA loans	0	0	0	0	0	0	0	0	0	0%	1%	0%	0%	0%	0%	0%	0%	0%
Germany																		
ODA grants	52	31	82	75	54	56	114	37	106	100%	100%	100%	100%	100%	52%	100%	20%	100%
ODA loans	0	0	0	0	0	51	0	152	0	0%	0%	0%	0%	0%	48%	0%	80%	0%
Japan																		
ODA grants	47	56	51	69	63	69	82	52	85	12%	13%	9%	59%	4%	6%	6%	3%	5%
ODA loans	363	361	520	48	1592	1138	1228	1595	1707	88%	87%	91%	41%	96%	94%	94%	97%	95%
United Kingdom																		
ODA grants	712	50	18	28	58	80	32	119	75	100%	98%	95%	88%	98%	99%	100%	100%	100%
ODA loans	0	0	0	0	0	0	0	0	0	0%	0%	0%	0%	0%	0%	0%	0%	0%
Equity inv.	0	1	1	4	1	1	0	0	0	0%	0%	0%	3%	0%	0%	0%	0%	0%
United States																		
ODA grants	169	179	199	302	197	233	214	249	276	100%	100%	100%	100%	100%	100%	100%	100%	100%
ODA loans	0	0	0	0	0	0	0	0	0	0%	0%	0%	0%	0%	0%	0%	0%	0%
EU Institutions																		
ODA grants	117	103	178	94	47	50	124	165	200	100%	100%	100%	100%	100%	100%	100%	53%	90%
ODA loans	0	0	0	0	0	0	0	149	22	0%	0%	0%	0%	0%	0%	0%	47%	10%

B. Gross disbursements

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2009	2010	2011	2012	2013	2014	2015	2016	2017
DAC total																		
ODA grants	786	841	912	950	1056	993	866	840	981	87%	82%	80%	72%	70%	68%	61%	59%	41%
ODA loans	71	115	184	338	382	398	510	537	1421	8%	11%	16%	26%	25%	27%	36%	38%	59%
Equity inv	50	72	47	28	65	60	48	46		6%	7%	4%	2%	4%	4%	3%	3%	0%
Canada																		
ODA grants	50	72	47	28	65	60	48	46	37	100%	100%	100%	100%	100%	100%	100%	100%	100%
ODA loans	0	0	0	0	0	0	0	0	0	0%	0%	0%	0%	0%	0%	0%	0%	0%
Germany																		
ODA grants	64	60	67	75	98	58	84	64	85	100%	100%	100%	100%	100%	100%	100%	100%	100%
ODA loans	0	0	0	0	0	0	0	0	0	0%	0%	0%	0%	0%	0%	0%	0%	0%
Japan																		
ODA grants	58	57	50	44	59	60	48	67	88	53%	49%	31%	13%	15%	15%	9%	12%	6%
ODA loans	51	60	110	299	347	343	471	501	1382	47%	51%	69%	87%	85%	85%	91%	88%	94%
United Kingdom																		
ODA grants	242	220	334	277	382	287	230	220	233	100%	99%	100%	99%	100%	100%	100%	100%	100%
ODA loans	0	0	0	0	0	0	0	0	0	0%	0%	0%	0%	0%	0%	0%	0%	0%
Equity inv	0	1	1	4	1	1	0	0	0	0%	1%	0%	1%	0%	0%	0%	0%	0%
United States																		
ODA grants	111	155	147	224	182	260	233	255	274	100%	100%	100%	100%	100%	100%	100%	100%	100%
ODA loans	0	0	0	0	0	0	0	0	0	0%	0%	0%	0%	0%	0%	0%	0%	0%
EU Institutions																		
ODA grants	113	168	134	115	103	84	80	102	115	100%	100%	100%	100%	100%	100%	100%	89%	84%
ODA loans	0	0	0	0	0	0	0	13	22	0%	0%	0%	0%	0%	0%	0%	11%	16%

Source: OECD Creditor Reporting System (CRS). Updated February 18, 2019.

Germany. Germany's development support to Bangladesh focuses primarily on the areas of renewable energy and energy efficiency, good governance, the rule of law and human rights, and adaptation to climate change in urban areas. So far, financial cooperation from Germany to Bangladesh has been mostly in the form of grants, but sizeable reduced interest loans by the German development bank (KfW) were agreed upon between 2014 and 2018 to expand the power grid and finance renewable energy. Based on Germany's global policies and information provided for previous impact assessments, a shift from grants to soft loans could be anticipated in bilateral financial cooperation provided through the Federal Ministry for Economic Cooperation and Development. After graduation, financial cooperation would in principle be in forms of loans with conditions based on World Bank classification (IDA and/or IBRD), though exceptions may apply.[52] Support in certain areas (e.g. social infrastructure, nature conservation, gender) may continue to be in grant form. If Bangladesh is deemed creditworthy, it may also be eligible to additional loans with market based or near-to-market based conditions.

All aid by Germany to LDCs and non-LDC HIPCs and 86 per cent of Germany's total bilateral aid in 2016 was untied (OECD, 2018).

Japan. Japan has been the largest bilateral donor to Bangladesh in recent years and its third largest aid partner over the last 40 years. Japan has supported Bangladesh in infrastructure development, social issues and poverty eradication and has recently expanded its portfolio in the country. Japan has provided loans as well as grants to Bangladesh for many years. Loans overtook grants in Japan's ODA to Bangladesh in the mid-2000s, and the volume of loans has increased significantly since 2013, based on Bangladesh's increased income level and borrowing capacity. A number of infrastructure projects, including a port, urban transportation projects and a power plant are ongoing. A gradual change in the focus of Japanese cooperation in Bangladesh could take place in the near future, placing greater emphasis on factors of economic growth as opposed to social issues. This would reflect changes in Bangladesh's capacity and needs rather than graduation. Belonging to the LDC category is not a major determinant of Japanese bilateral cooperation with Bangladesh, and graduation from the LDC category is therefore not expected to have major consequences.

One area of potential impact is in the terms of ODA loans, but the expected differences while Bangladesh remains a low-middle income country are relatively small. Japan has especially favourable terms for LDCs in its ODA loans. Low-income LDCs have access to the most favourable terms, while non-LDC low-income countries and LDCs that are not low-income (such as Bangladesh) have access to a second most favourable category of ODA loans. Other developing countries have access to less favourable but still concessional terms for loans, according to their level of income and nature of the project. Terms and conditions are revised annually, but as a reference, as of October 1, 2018, for a standard loan with a 30-year repayment period and a 10-year grace period, the interest rate is 0.95 per cent for LDCs and low-income countries and 1.25 per cent for lower middle-income countries (JICA, 2018a). The terms of loan agreements signed by the Japan International Cooperation Agency (JICA) with the Government of Bangladesh in 2018 (before October 1) have an annual interest rate of 1 per cent (the rate applicable to LDCs at the time the agreements were signed), with a 30-year repayment period and a 10-year grace period (JICA, 2018b). The Government of Bangladesh reports that a new loan package will be signed in June 2019 with an interest rate of 0.95 per cent

As for tied aid, 96 per cent of Japan's aid to LDCs and non-LDC HIPCs in 2016 was untied, compared to 77 per cent for total bilateral ODA (OECD, 2018). Policies for procurement under Japan's ODA loans, which constitute the bulk of Japanese ODA to Bangladesh (94 per cent from 2012 to 2016), ensure untied aid for both LDCs and non-LDCs.[53]

[52] Text from the website of the Federal Ministry for Economic Cooperation and Development "Since 1978, funds have been accorded to the least developed countries (LDCs) in the form of non-repayable grants (financial contributions). Developing countries granted specially favourable lending terms by the World Bank as a result of their low per capita income are accorded German Financial Cooperation loans on the same terms." Currently, loans are made available at an interest rate of 0.75 per cent over a 38-year period, including a 6-year grace period. All other partner countries are granted loans over a 30-year period, at a rate of interest of 2 per cent, and are not required to begin repayment for the first 10 years.

[53] The exception of the Special Terms for Economic Partnership (STEP) loans, which apply to projects where Japanese technologies and know-how are substantially utilized based on the recipient countries' request. This category of loans is not available for LDCs. The interest rate applied is 0.1% with a 40-year repayment period and 12-year grace period.

United Kingdom. Cooperation by the United Kingdom is not expected to be significantly affected by graduation from the LDC category. A gradual change is already under way in the nature of assistance, which is shifting from direct delivery of services (for example in health and education) towards building national capacity. This is related to Bangladesh's overall development trajectory and its national plans, the United Kingdom's cooperation policies and strategic priorities and other factors. For 2018-19, 42 per cent of the planned budget for bilateral cooperation is dedicated to humanitarian assistance (mostly in connection with the Rohingya crisis), 25 per cent to economic development, 24 per cent to human development and remaining shares to governance and security and climate and environment (DFID, 2018). A significant share of ODA is channelled through local non-governmental organizations. Of particular relevance is the strategic partnership with BRAC through which assistance is delivered in education and training, rural development, nutrition, family planning and other areas.[54] In economic development, the United Kingdom has worked with local and international partners on improving the business environment, connectivity, factory safety, skills development, financial inclusion, clean energy, agricultural markets and other issues.

All aid provided by the United Kingdom both to the group of LDCs and non-LDC HIPCs as well as to the full group of aid recipients in recent years has been untied (OECD, 2018).

Most ODA by the United Kingdom to Bangladesh in has been in the form of grants. The United Kingdom does not provide ODA loans. It does provide ODA in the form of equity investments. Bangladesh received a small volume of equity investments categorized as ODA between 2010 and 2014. The CDC, the financial arm of the United Kingdom's development cooperation, is in the process of expanding operations in Bangladesh, focusing on social sectors and agriculture. Graduation from the LDC category is not expected to be a determinant factor in the form of ODA delivered by the United Kingdom to Bangladesh.

United States. The United States cooperation programme in Bangladesh is independent of LDC status and graduation is therefore not expected to trigger major changes. Possible changes in coming years in the nature of assistance would be related to Bangladesh´s level of income and to changes in the United States´ global policies for development rather than graduation from the LDC category. The core areas of cooperation are not expected to change in the foreseeable future. There could be a shift towards greater co-ownership and partnership and away from a traditional donor-recipient relationship but again, not related to graduation from the LDC category. The government of Bangladesh noted, in reference to a previous version of this document, that a large share of ODA from the United States was to non-governmental entities.

Untied aid to LDCs and non-LDC HIPCs by the United States stood at 68.5 per cent in 2016, similar to the 65 per cent for all the United States' bilateral aid (OECD, 2018).

European Union (EU) institutions. EU institutions have cooperated with Bangladesh since 2001 in areas related to sustainable economic growth, human and social development, improved governance and respect for human rights all in support of poverty eradication. Current assistance is conceived in line with the country's national development strategies and executed in partnership with national and international public, private, and civil society organizations (European Union External Action Service and European Commission Directorate General for Development and Cooperation – Europeaid, 2014). The development cooperation strategy between the EU and Bangladesh in the coming years will be defined by Bangladesh's development achievements and remaining vulnerabilities and by EU development policies and plans. While the focus on support for human and social development is expected to continue, increased emphasis will be put on promoting SDG-relevant investments that aim to mobilize finance from relevant private sector actors. Graduation from the LDC category is unlikely, by itself, to trigger significant changes in the EU´s development assistance to Bangladesh.

Until recently, all ODA by EU institutions to Bangladesh had been in the form of grants. The EU reported that in 2013, a loan was recorded, and in the OECD data in table 3 loans are recorded in 2016 and 2017. Commenting on a previous version of this document, the government of Bangladesh said that there is no record of such loans in its database.

c) United Nations system organizations

Graduation from the LDC category is not expected to have significant consequences for UN assistance at the country level in Bangladesh. For some organizations, the period leading up to graduation coincides with changes, in some cases already

[54] Strategic Partnership Arrangement II between DFID and BRAC, https://devtracker.dfid.gov.uk/projects/GB-1-204916

underway, in the nature of assistance to Bangladesh. Assistance in some areas is moving towards greater emphasis on building national capacities and technical training. These are attributable to the country´s advances in development and public sector capacity as well as to agency-wide policies rather than to prospects related to the LDC category.

United Nations system organizations provide assistance in Bangladesh under a wide range of modalities in their respective issue areas. FAO, ILO, IOM, UNAIDS, UNDP, UNESCO, UNFPA, UNHCR, UNICEF, UN Women, WFP, WHO, and UNOPS are present in the country, and Bangladesh also receives assistance from the UN Secretariat, IAEA, IFAD, OHCHR, UNCDF, UNEP, UNIDO, UNODC, UNHABITAT, UNV, UNCTAD, UNIC and UNDSS. Country-level operations are guided by the United Nations Development Assistance Framework (UNDAF) and each entity´s strategic plans. The current UNDAF covers the period from 2017 to 2020, and the next will be elaborated starting in 2019. While many UN system organizations provide a large share of their technical and financial resources to LDCs, this is generally an outcome of decisions based on individual country needs in the entities´ respective issue areas, among other factors, rather than the direct targeting of countries in the LDC category. The current UNDAF for Bangladesh does refer to a commitment to support Bangladesh in "meeting the aspiration to graduate to a middle-income economy" but not to the LDC category. Accordingly, graduation from the LDC category is not expected to have significant consequences for UN assistance. For some organizations, the period leading up to graduation coincides with changes, in some cases already underway, in the nature of assistance to Bangladesh. Assistance in some areas is moving away from direct interventions and towards greater emphasis on building national capacities and technical training. These are attributable to the country´s advances in development and public sector capacity as well as to agency-wide policies rather than to prospects related to the LDC category.

Two United Nations entities – UNDP and UNICEF – are required by their respective executive boards to dedicate a share of their regular resources to LDCs. However, regular resources account for a relatively small share of these organizations´ total resources, and the requirement is not expected to create significant challenges in securing resources for Bangladesh after 2024.[55]

The United Nations Capital Development Fund (UNCDF), which provides access to microfinance and investment capital, has the mandate to support the LDCs "first and foremost", but not exclusively (see below). The International Fund for Agricultural Development (IFAD), which provides grants and low-interest loans for rural development and appears prominently among Bangladesh's top donors (see Figure 8) bases resource allocation on a combination of factors, including per capita income, rural population, and the relative performance of countries in establishing a conducive institutional and policy framework for sustainable rural development.[56]

d) Other entities

Being an LDC is not a requirement among other entities providing support to Bangladesh such as GAVI, the Global Fund and the OPEC Fund for International Development (OFID):

- Graduation from the LDC category does not affect eligibility to GAVI, the Vaccine Alliance. Countries are eligible to apply for GAVI support when their Gross National Income (GNI) per capita is below or equal to US$ 1,580 on average over the past three years (according to World Bank data published every year on 1 July) and must meet certain conditions, assessed by an independent group of experts. When the criteria is met, countries enter a transition phase.
- Graduation from the LDC category does not affect eligibility for the Global Fund, which mobilizes and invests funds aiming at ending AIDS, tuberculosis and malaria as epidemics. Eligibility is based on GNI and an official disease burden index.
- The OPEC Fund for International Development (OFID) gives higher priority to LDCs but supports all developing countries that are not OPEC Member Countries. One hundred and thirty-four countries have benefitted so far.

[55] Regular resources corresponded to 12% of UNDP´s total resources in 2017 (UNDP 2017). For UNICEF the share was 22% (UNICEF, 2018).

[56] IFAD response to the "Survey of United Nations Development System Organizations Concerning the Reasons and Consequences of the Non-Application of the Least Developed Country Category". November 2016.

2. LDC-specific instruments

Certain instruments have been formulated specifically for LDCs. Bangladesh would lose access to these instruments, in some cases after smooth transition periods. The paragraphs below assess the significance of these changes given the broader context of Bangladesh´s needs, capacities and other methods of support available.

a) Technology Bank for the LDCs (TBLDC)

The Programme of Action for the Least Developed Countries for the Decade 2011-2020 (Istanbul Programme of Action or IPOA) called for the establishment of a "Technology Bank and Science, Technology and Information supporting mechanism, dedicated to least developed countries which would help improve least developed countries' scientific research and innovation base, promote networking among researchers and research institutions, help least developed countries access and utilize critical technologies, and draw together bilateral initiatives and support by multilateral institutions and the private sector, building on the existing international initiatives." The full operationalization of the Technology Bank for the LDCs was part of target 17.8 of the Sustainable Development Goals.

The Technology Bank for the LDCs was established by the General Assembly in December 2015.[57] Its premises were officially inaugurated in June 2018 in Gebze, Turkey. The Technology Bank will implement projects and activities in the LDCs and serve as a knowledge hub connecting LDCs' Science, Technology and Innovation (STI) needs, available resources, and actors who can respond to these needs. The Council of the Technology Bank determined that in 2018, the Bank would initiate baseline Science, Technology and Innovation (STI) reviews and Technology Needs Assessments in 5 LDCs, and Bangladesh was indicated among the LDCs to be considered next (UN-OHRLLS, 2018). The work program for the first period of implementation of the bank also includes Bangladesh among the focus countries for an activity aimed at improving the access of scientists and researchers to publications , data, research and technical knowledge (TBLDC, 2018).

After graduation from the LDC category, Bangladesh would continue to have access to the LDC Technology Bank for a period of five years.

b) LDC Fund for climate change[58]

Bangladesh is highly vulnerable to climate change. Necessary investments in adaptation and resilience-building exert significant pressure on public finances and will continue to do so for the foreseeable future. Failure to invest effectively in adaptation will have even greater costs. Bangladesh has strong national expertise in many areas, but financing remains a challenge.

After graduating from the LDC category, Bangladesh would no longer have access to the support mechanisms that have been put in place specifically for LDCs to address climate change-related challenges. The following measures were put in place, all in 2001:

- An LDC work programme was adopted by the Conference of the Parties of the UNFCCC, which includes strengthening national climate change secretariats, providing negotiations training, supporting the preparation of national adaptation programmes of action (NAPAs)(WRI, 2014); promoting public awareness on climate change, developing and transferring technology, particularly adaptation technology; and strengthening the capacity of meteorological and hydrological services.
- A Least Developed Countries Expert Group (LEG) was established to provide technical guidance and support to the LDCs on the process to formulate and implement national adaptation plans (NAPs) reflecting medium to long term adaptation needs, the preparation and implementation of NAPAs and the implementation of the LDC work programme. It also provides technical guidance and advice on accessing funding from the Green Climate Fund (GCF) for the process to

[57] General Assembly Resolution 71/251.

[58] UNFCCC Least Developed Countries Portal (https://unfccc.int/topics/resilience/workstreams/national-adaptation-programmes-of-action/ldc-portal) and UNFCCC, Subsidiary Body for Implementation, Forty-eighth session, Bonn, 30 April to 10 May 2018, Item 12 of the provisional agenda, "Matters relating to the least developed countries", FCCC/SBI/2018/8. See also Progress Report on the Least Developed Countries Fund and the Special Climate Change Fund", 25th LDCF/SCCF Council Meeting, December 2018. https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.LDCF_.SCCF_.25.03_Progress_Report.pdf

formulate and implement NAPs. At least two delegates per LDC Party are supported to participate in training workshops conducted by the LEG, subject to the availability of adequate resources. Priority is also accorded to the LDCs in other workshops and events organized under the COP and its subsidiary bodies.

- The Least Developed Countries Fund (LDCF) was established to support the LDC work programme, including the preparation and implementation of NAPAs. It is operated by the Global Environment Facility (GEF). As of August 2017, USD 1.2 billion had been accessed by 51 countries for the preparation of NAPAs and the implementation urgent activities they identified, and in the formulation and implementation of NAPs. The LDCF also provided funding for two global projects, the National Adaptation Plan Global Support Programme and a project to build capacity among LDC government officials to participate in climate negotiations. As of July 4, ,2018, a total of 34 million dollars in grants had been approved or were in the pipeline (one grant of 5.7 million was still awaiting approval) for Bangladesh. This corresponds to 17 per cent of all grants to Bangladesh under those administered by the GEF.[59] Bangladesh has already undertaken its NAPA, was starting its NAP roadmap at the time of writing, and included climate change as a key element in national planning.

The most significant potential impact of no longer having access to the measures above after graduation would be loss of access to the LDCF. **However, and while all sources of climate change funding are important for a country with the characteristics of Bangladesh, the LDCF is considered a relatively small source of climate change funding.** Moreover, disbursements under the fund follow a principle of "equitable access" for LDC Parties and therefore operate with a ceiling of (currently) 40 million dollars per country, of which Bangladesh has used over three quarters. Projects approved up until graduation would continue to receive funding to ensure their full implementation.[60]

Of the mechanisms under the UNFCCC, Bangladesh would continue to have access to the Special Climate Change Fund (SCCF) and, more significantly, to the Green Climate Fund (GCF). The SCCF is open to all vulnerable developing countries and currently has a portfolio of $350 million. The GCF was set up in 2010 and, with the Paris Agreements in 2015, became the key financial instrument to meet the goals of keeping climate change below 2 degrees Celsius. It has gathered pledges of over $10 billion. The GCF´s governing instrument, approved by the COP in 2011, determines that it take into consideration, in the allocation of resources for adaptation, the "urgent and immediate needs of developing countries that are particularly vulnerable to the adverse effects of climate change, including LDCs, SIDS and African States", using minimum allocation floors. The fund aims for a floor of 50 per cent of adaptation funds to be allocated to these countries. When Bangladesh ceases to be an LDC, it could still arguably be included in the priority group as a country that is "particularly vulnerable to the adverse effects of climate change", for which there is ample evidence. If not, it would need to compete with other developing countries for the remaining share of funds. In any case, it would need to develop its capacity to mobilize these funds, including by training public sector officials, the private sector and non-governmental organizations to elaborate projects under the GCF requirements and criteria. The government has recognized this and already invested in this kind of capacity building as well as in tracking and mobilizing international and domestic finance but will require the scaling up of these efforts (Huq, 2017).

Under the LDCF, there are funds available through "Building capacity for LDCs to participate effectively in intergovernmental climate change processes," a programme that has supported training of senior government officials from the LDCs, development of a negotiation strategy, and development of several knowledge management products.

Bangladesh has a critical mass of experts working on climate change and has been active in South-South cooperation, including by academic institutions, for example through the International Center for Climate Change and Development (ICCAD) at the Independent University, Bangladesh (IUB) which leads the LDC Universities Consortium on Climate Change (LUCCC) (Huq, 2018).

[59] GEF, Projects, https://www.thegef.org/projects?f[]=field_country:23

[60] Khan and Kamal (2018) also note that the LDCF's project-driven approach often fails to integrate into national development processes of LDCs and that it is unstable given that it depends of voluntary contributions.

c) Enhanced Integrated Framework

Aid for Trade is a component of Official Development Assistance (ODA) directed specifically at helping developing countries overcome trade-related constraints. It is delivered through multiple bilateral, regional and multilateral channels. The only instrument for delivery of Aid for Trade specifically geared specifically at LDCs is the Enhanced Integrated Framework (EIF). The EIF supports LDCs through analytical work, institutional support, and productive capacity building projects.[61] Six core partners contribute to the operation of the EIF: IMF, ITC, UNCTAD, UNDP, the World Bank and the WTO. UNIDO and UNWTO are observer agencies. The programme is supported by a multi-donor Trust Fund with contributions from 24 country donors, and its mandate currently extends to 2022. The EIF has two funding facilities. The Tier I facility focuses on institutional and policy-related support, which includes the preparation of a Diagnostic Trade Integration Study (DTIS) and an Action Matrix, which allow LDCs to prioritize actions to tackle trade-related constraints and to anchor trade policy into their national institutional set up and development strategies. The Tier II facility is used to fund projects that address supply side constraints. Bangladesh's latest DTIS was published in 2016, and an update is due to be undertaken in 2019.

After graduation, Bangladesh would continue to access the EIF for three years, and a further two years subject to justification and approval by the EIF Board (assuming the mandate of the EIF is extended beyond Bangladesh's graduation date).

The resources of the EIF are small compared to total Aid for Trade flows. In Bangladesh, Aid for Trade in 2015 was of 910 million dollars, with the largest donors being Japan and the IDA (OECD, 2017). In contrast, the EIF's institutional capacity building project under implementation over the period 2015-2018 is of 300,000 dollars. However, one of the functions of the EIF is to mobilise and leverage resources (financial, institutional, political) around the trade agenda of each country, and facilitate access to Aid for Trade funding over and above the limited amounts available in the EIF Trust Fund. The Ministry of Commerce has indicated that the EIF provides significant contributions to capacity-building in both the public and the private sectors. Bangladesh should make the most efficient use of the EIF during the years leading up to graduation and through the transition period of up to five years. One possible direction would be to use the EIF to enhance knowledge and capacity-building particularly in the trade-related issues that will arise as a result of the transition out of the LDC category, such as those addressed in Part II.A above.

a) Automatic and free access to the Advisory Centre on WTO Law (ACWL)[62]

The Advisory Centre on WTO Law (ACWL) is an intergovernmental organization based in Geneva, created in 2001 to provide LDCs and developing countries legal advice on issues related to WTO law, WTO dispute settlement support and capacity-building on related matters. The ACWL has provided more than 200 legal opinions every year, assisted countries in over 50 disputes and conducted 17 annual courses and 13 secondment programmes.

The advantage for LDCs is that those that are Members of the WTO or in the process of acceding are entitled to the ACWL's services without having to become ACWL Members and therefore without having to pay the one-off contribution to the ACWL. While LDCs are required to pay an hourly fee (the equivalent of USD 40) with a total cap of the equivalent of USD 17,800 for support in panel proceedings in WTO disputes, these fees are below the rates that are paid by developing countries and well below market rates.

The ACWL is funded by voluntary contributions from its 11 developed country members as well as from contributions of one associate member, Germany.

The services provided by the ACWL cover many areas identified as needs by the government of Bangladesh in discussions held on trade-related impacts of graduation in the context of this assessment. Securing membership to the ACWL to ensure support in the years immediately after graduation, when many of the potential impacts related to WTO rules will materialize, will be essential for Bangladesh. In the past countries that were not entitled to the ACWL's services without being members have been able to secure financing from donors for the one-off contribution. Upon graduation, Bangladesh

[61] Additional information is available at http://www.enhancedif.org/en, http://www.enhancedif.org/en/funding and www.un.org/ldcportal.
[62] www.acwl.ch. This text also draws from "The Advisory Centre on WTO Law (ACWL) – Presentation at the 84th Session of the Sub-Committee on Least Developed Countries", delivered by Cherise Valles, Deputy Director, and Christian Vidal-Leon, Counsel, Geneva, 30 October 2018.

would be considered as a Category C country, with a one-time contribution of CHF 81,000 to become a member of the ACWL.

b) Priority under the United Nations Capital Development Fund (UNCDF)

The United Nations Capital Development Fund (UNCDF), which provides access to microfinance and investment capital, has the mandate to support the LDCs "first and foremost", but not exclusively (UNCDF, 2018). It has a longstanding presence in Bangladesh and currently works in the country on inclusive finance and women´s economic participation, climate change resilience, inclusive local development and municipal investment financing. UNCDF expressly recognizes, in its Strategic Framework, the challenges of transitioning out of the LDC category, and has a smooth transition policy. After Bangladesh´s graduation from the LDC category, programmes will continue to be funded by the UNCDF under the same conditions for a period of 3 years. Assuming continued development progress, funding for the remaining two years would be on a 50/50 cost-sharing basis with either the government or a third party. The UNCDF does operate in non-LDCs and financing modalities could be developed for the UNCDF to continue to support Bangladesh.

c) Investment Support Programme for LDCs (ISP/LDCs)

The Investment Support Programme for LDCs, established in 2018, provides on-demand legal and professional assistance to LDC governments and eligible state-owned or private sector entities for investment-related negotiations and dispute settlement.[63] The programme works with legal experts who provide *pro bono* or reduced fee services to LDCs in the negotiation of investment contracts and agreements and investment-related dispute resolution, and provides training and capacity-building support. The programme was developed by the United Nations Office of the High Representative for Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (UN-OHRLLS) in cooperation with the International Development Law Organization (IDLO). Bangladesh would have access to the programme for up to five years after the date of graduation.

C. Support to the participation of Bangladesh in the United Nations system

After graduation, Bangladesh would no longer have access to the measures to support the participation of LDCs in the United Nations and other international forums, including limits to mandatory budget contributions and support for travel to international conferences.

1. Caps and discounts on the contribution of LDCs to the United Nations system budgets

LDCs benefit from caps and discounts on their contributions to the budgets of United Nations System entities. There are two main methods for determining each Member States' contributions to these budgets and LDC contributions:

- Most of the United Nations system budgets are based on the "scale of assessments" (i.e. the percentages of the budget that each country is responsible for) used for the United Nations regular budget. The scale is determined based on capacity to pay, translated into indicators of gross national income, debt-burden, and per capita income, among others. There is a maximum rate of contribution applicable to all countries (currently 22 per cent), but LDCs benefit from a much lower maximum rate (currently 0.01 per cent).
- A small number of agencies (ITU, WIPO, UPU) use a system based on classes of contributions. Each class of contribution corresponds to a certain share (or multiple) of a pre-determined unit of contribution. Countries decide which class they will belong to (and therefore how much they will contribute) but only LDCs (can opt to contribute at the lowest levels).

Contributions to funds and programmes, such as UNICEF and UNDP, are voluntary. Contributions to the WTO are determined based on members' share of international trade with no concessions specifically for LDCs.

The impacts of graduation depend on the budgets of each organization and on the rate that would be applied after graduation, which is calculated based on indicators of capacity to pay. Table 4 provides, for the organizations that have LDC-specific concessions, the rules determining contributions and an estimate of the order of magnitude of the expected impact

[63] Information at https://www.idlo.int/Investment-Support-Programme-LDCs.

of graduation from the LDC category. A precise calculation would require exact information on budgets and the applicable rate for Bangladesh at the time of graduation, for which it is too early. The preliminary estimates contained in the table are based on the most recent budgets for each organization and Bangladesh's "floor rate" (the rate that would apply to Bangladesh if it were not an LDC) in 2019, of 0.079 per cent.[64] They indicate increased contributions, after graduation, of the order of USD 5 to 5.5 million dollars per year (Table 4). If Bangladesh's floor rate increases, the difference would be greater. If Bangladesh's performance on the indicators of capacity to pay used by the United Nations is above average, it is likely that this rate would be higher.

Table 4 Contributions to United Nations system entities and smooth transition provisions

Entity/ operation	Rules	After graduation
Regular budget	A scale of assessments is determined every three years in a resolution of the General Assembly, based on indicators of gross national income, debt-burden, and per capita income, among others that reflect capacity to pay. Each Member State is assigned a percentage (the assessment rate), corresponding to the share of the regular budget its contribution will amount to. The minimum assessment rate is 0.001%. The maximum is 22% but for LDCs it is 0.01%.	The 0.01% cap no longer applies. In Bangladesh, if graduation had hypothetically occurred in 2018, the applied rate of contribution for Bangladesh would have been 0.079%, which, based on the 2018 budget, would have meant an increase in contributions of the order of 1.9 million dollars per year.
Peacekeeping operations	Based on the scale of assessments for the regular budget, adjusted by a premium for permanent members of the Security Council and discounts in the case of all countries with per capita gross national product below the Member State average. Member States are grouped into levels based on per capita GNI, with larger discounts applying for the levels of countries with lower incomes. LDCs are entitled to the greatest discount, of 90%.	The applicable discount rate for Bangladesh would be reduced to 80%. Applied to the 2017-2018 budget, this would mean an increase in contributions of the order of 990,000 dollars a year.
CTBTO, FAO, IAEA, ICC, ILO, IOM UNESCO, UNIDO, WMO, WHO, ISA, ITLOS, OPCW, UNFCCC	Based on the scale of assessments used for the United Nations regular budget, in some cases adjusted for more restricted membership by the application of a coefficient. LDC rules are the same as for the regular budget. UNIDO, one of the entities that adjusts the scale by a coefficient due to more restricted membership, does not apply this coefficient to LDCs whose rate may exceed 0.01%.	The 0.01% cap no longer applies. For UNIDO, the waiver on the application of the coefficient no longer applies after graduation. The sum of expected increases in contributions for this category of countries would be of the order of 2.4 million dollars.
International Telecommunications Union (ITU)	Voluntary selection of a class of contribution based on shares or multiples of an annual unit of contribution of CHF 318,000. Only LDCs can contribute 1/8 or 1/16 of a unit of contribution.	The minimum contribution would in principle be ¼ of a unit of contribution. The ITU Council can authorize a graduated country to continue to contribute at the lowest classes, and all LDCs that have graduated since 2007 continue to do so (as of March, 2018). Without that authorization, contributions would go up by approximately 60,000 dollars a year.
World Intellectual Property Organization (WIPO)	Voluntary selection of classes of contribution, each corresponding to a share of a unit of contribution determined for every biennium. Only LDCs can contribute at the lowest level ("Ster") of the lowest class, with 1/32 of a unit of contribution.	Bangladesh would contribute a minimum of 1/8. Contributions would go up approximately 4300 dollars a year.
Universal Postal Union (UPU)	Voluntary selection of class of contribution, each corresponding to a share (from one to 50 units) of a pre-determined unit of contribution (CHF 41,021 for 2018/19). Only LDCs can contribute at ½ of a unit of contribution.	Graduated countries contribute at least 1 full unit of contribution. Bangladesh already contributes at 3 units so graduation would not have an impact.

Source: "Calculated by the CDP Secretariat based on the Report of the Committee on Contributions on its seventy-eight session (A/73/11)" (https://undocs.org/en/A/73/11), information from each organization's website and official documents.

[64] United Nations, Report of the Committee on Contributions, Seventy-eighth session (4-29 June 2018). General Assembly Official Records Seventy-third Session, Supplement No. 11, A/73/11

2. Support for travel

Representatives of LDC governments receive travel support to participate in the annual sessions of the General Assembly. After graduation, if requested, travel support can be extended for a period of up to three years.[65] As a reference, the amount disbursed for travel of Bangladesh delegates to the General Assembly in 2018 was USD 23,500.

Other United Nations organizations and Conventions have also established financial mechanisms to fund the participation of LDCs in their processes.[66] Bangladesh would no longer benefit from this support after graduation. It would continue to receive similar support for the broader group of developing countries or for other country or regional groups to which it belongs.

3. Others

Under certain agreements, LDCs have greater flexibility in reporting requirements. Section B contains some examples of this in the area of trade and implementation of the WTO commitments. Under the UNFCCC, reporting provisions and the timetable for the submission of national reports for the LDCs and SIDS are different from those for the other Parties not included in Annex I to the Convention (non-Annex I Parties). LDCs and SIDS were permitted to submit their first biennial update reports at their discretion and not required to do so by the 2014 deadline like other non-Annex I parties. While other parties must submit reports on their implementation of certain articles of the Paris Agreement, LDCs and SIDS do so at their discretion.

III. Potential benefits of graduation

Graduation from the LDC category is the recognition of significant achievements in the areas covered by the LDC criteria. In the terms of the General Assembly resolutions referring to recent cases, graduation is “a major milestone for the country involved as it means that significant progress has been made towards reaching at least some of its development goals”.[67]

Graduation is often referred to in broader terms than in this impact assessment, as a combination of the departure from the LDC category (which this assessment focuses on), advances in performance on the LDC criteria (income per capita, economic vulnerability, human assets), the entry into the group of middle-income countries. In that context, it is often stated that graduation will help attract new investments and improve the country’s credit ratings.

Focusing on the narrower concept of graduation adopted in this assessment as the formal exit from the LDC category, the interviews conducted and documents consulted in the context of this assessment suggest that greater investments and improved credit ratings would not be an automatic consequence of graduation. Graduation could lead to an improvement of country image or could be seen as validation of the sustainability of a country’s development progress, and thereby indirectly affect investment, credit rating and others. Attractiveness for investments and credit ratings could be affected, positively or negatively, by how the country addresses challenges related to graduation identified above.

Experts interviewed for this report have also referred to the possible “socio-psychological” value of graduation as an enabler of a change in mindset towards a locally driven development process, notwithstanding the continued need for support from international partners.

The government of Bangladesh has deployed significant efforts in disseminating the concept of graduation as a milestone in the country’s development process and has raised the interest of multiple stakeholders on the challenges and opportunities facing the country at what is seen as a significant transition in the country’s development pathway. As such, the concept of graduation has become symbolic of Bangladesh’s readiness for a shift in paradigm towards development

[65] See General Assembly resolution 1798 (XVII), as amended by resolutions 2128 (XX), 2245 (XXI), 2489 (XXIII), 2491 (XXIII), 41/176, 41/213, 42/214, section VI of 42/225, section IX of 43/217 and section XIII of 45/248; and General Assembly resolution 65/286.
[66] For more information, see “Travel support for official representatives of LDCs” in the Support Measures Portal for Least Developed Countries (https://www.un.org/ldcportal/travel-support-for-official-representatives-of-ldcs/)
[67] For example, Resolution 73/133.

that, while still requiring foreign financial and technical support, is based on local ownership, leadership, analytical capacities and priorities.

The experience of countries that have graduated in the past is sometimes brought up as a reference to what can happen after graduation in terms of growth, FDI, ODA and other variables. In addition to the small number and great diversity in situations and country configurations, that limit the predictive power of those experiences, it is difficult to reliably establish the causal relationship between graduation and significant developments in these variables.

Finally, in their comments to a previous version of this assessment, the UNDP office in Dhaka suggested exploring potential opportunities arising from the loss of LDC-specific preferences. For example, the need to comply with more stringent rules of origin could encourage capacity expansion in upstream industries; or the possibility that relying on DFQF market access could have locked Bangladesh into relatively low-skilled manufacturing activities and that therefore graduation would provide an incentive for the country to move up the value chain. The government of Bangladesh may wish to explore the conditions under which this would effectively occur and the necessary policy measures.

IV. Considerations on the transition out of the LDC category

Preparing early for the transition out of the LDC category has a number of advantages, including enabling the country to use the remaining periods of LDC-specific support measures strategically; conceiving, assessing and negotiating alternatives in critical areas; and preparing government, private sector and other stakeholders for expected impacts. The government of Bangladesh has been exceptionally proactive in this regard.

As of October 2018, the government had already established a national task force and a core group of government entities (LDC core group) involved with graduation, designated focal points in different ministries which conducted assessments of impacts within their areas of work, held discussions about graduation in several forums, included the issue of graduation in planning exercises and in the strategy for SDG implementation, and elaborated a project entitled "Support to Bangladesh's Smooth and Sustainable Graduation from LDC" to conduct special studies related to the impacts of graduation, invest in further outreach, and other functions. Different institutions had been approached to analyse issues of particular concern, such as the effect of graduation on TRIPS. *Commenting on an earlier version of this document, the government of Bangladesh requested that note be taken of the strong political will toward graduation.*

This assessment was careful to differentiate the impacts of graduating from the LDC category from the impacts of achieving other milestones such as crossing the World Bank's middle-income threshold. The central conclusion is that the most significant impacts of LDC graduation will be on trade, and that impacts on development cooperation will be limited. However, Bangladesh's strategy for transitioning out of the LDC category is expected to be embedded in broader strategies for the already ongoing transition into the group of middle-income countries. This has important implications for access to financing and the support programmes of development partners, as well as potential benefits.

The impact assessment can help inform the preparation of a targeted strategy for the elements that are directly related to the LDC category. The strategy should continue to be country-owned and to reach for comprehensive discussion within the government and relevant stakeholders, with the collaboration of development partners in their respective areas. A combination of measures can be put into place including taking full advantage of remaining eligibility periods to build public and private capacities to ensure Bangladesh continues to advance its development beyond LDC graduation; delaying impacts by negotiating the extension of critical LDC-specific international support measures (ISMs); compensating for impacts by negotiating alternative solutions; and adapting to the new situation of Bangladesh as a non-LDC lower middle-income country.

Examples of possible initiatives are:

- Take full advantage of the remaining eligibility periods:
    - o Use the upcoming EIF Diagnostic Trade Integration Study (DTIS) Update to tackle specific trade-related issues identified in this and other assessments and tackle issues that are critical for Bangladesh's

graduation. Examples of issues that appear to be critical based on the assessment above are more comprehensive assessments of the future of the garments and pharmaceutical industries in their regional and international contexts and possible strategic directions for these industries during and after graduation; how Bangladesh can best use the remaining years of DFQF and LDC-specific rules of origin to set the bases for a more competitive industry. Impacts on the fish and crustaceans sector could also be considered. Bangladesh will have access to the EIF until up to five years after graduation;
    - Make full use of the ACWL for legal advice on specific issues related to compliance with WTO law as a non-LDC developing country. For example, map the subsidies that are not compliant with the Agreement on Agriculture and Agreement on Subsidies and Countervailing Measures and prepare a transition strategy in this respect;
    - Fully explore the training and capacity-building opportunities provided by the WTO and the ACWL, including initiatives that could help build negotiating capacity;
    - Fully explore the services of new instruments such as the Technology Bank and the Investment Support Programme for LDCS (ISP/LDCs). Bangladesh will have access to both instruments for five years after graduation. Under the Technology Bank, Bangladesh is already being considered for a baseline science, technology and innovation review, and has been selected as a beneficiary of an activity aimed at promoting access to research and technical knowledge in selected LDCs;
    - Fully explore the capacity-building services Bangladesh is entitled to up until graduation under the LDCF to build capacity to mobilize other sources of financing for climate change, including the GCF.
- Make full use of other (non-LDC-specific) mechanisms and institutions to address the issues raised in this impact assessment.
    - For example, UNCTAD, ESCAP and the United Nations Country Team, among others, can provide analytical and capacity-building support.
- Delay:
    - Negotiate a smooth transition period with preference-granting trade partners (other than the EU, which already has a formal smooth transition period). The preference-granting country may need to request at the WTO a waiver under Art. IX of the Marrakesh Agreement establishing the WTO;
    - Request that WTO Members consider an extension of the TRIPS waiver for pharmaceuticals;
    - Assess, with support from expert bodies, whether Bangladesh could be considered an NFIDC and thereby continue to provide certain types of export subsidies otherwise incompatible with the Agreement on Agriculture;
    - Request that United Nations member states consider a smooth transition period for the withdrawal of the LDC ceiling on contributions;
    - Take advantage of the provision that allows travel assistance to participate in the General Assembly to be extended for up to three years after graduation (see General Assembly resolution A/RES/65/286).
- Compensate and prepare for the post-LDC scenario, determining the priority impacts to be addressed. For example:
    - Explore the possibility of obtaining a derogation on the general rules of origin in the EU after graduation and the transition period of the EBA, in order to mitigate impacts particularly on the garments industry;
    - Explore alternatives to LDC-specific DFQF in the EU. Under current rules, it is unclear whether Bangladesh could, in principle and even if it came to ratify all necessary conventions, be considered for the GSP+ in the EU, given the high share of its exports in the total exports under the EU's GSP scheme. The EU regulations on GSP, including GSP+, will be reviewed before Bangladesh's graduation. The EU is beginning its review of the GSP regulation for the period after 2023 and has invited LDCs to engage in this discussion.
    - Use the transition period to support the industry in developing capacity to comply with stricter rules of origin and other measures to ensure competitiveness once LDC-specific preferences have been withdrawn.
    - Consider, with careful analysis of costs and benefits, negotiating bilateral trade agreements. The example of a number of other bilateral and free trade agreements, can be used as references for securing continued favourable market access under any future negotiations. Entities specialising in trade within the UN system could provide assistance in this regard;
    - Based on the mapping of non-compliant national legislation and policies to support industry, as referred to above, implement WTO-compliant instruments.

- Consider joining the ACWL after graduation to continue to benefit from its services during the years following graduation. In the past, countries have secured funding from donors for the membership fee. Members of the government have suggested, in discussions with the CDP Secretariat on the impacts of graduation, the possibility of requesting an extension of assistance under the same terms applied to LDCs to the first dispute after graduation for which it requires support. Such an extension would require the approval of all ACWL Members.
- Continue to develop capacity to mobilize multiple sources of climate financing, including under the GCF where Bangladesh can still argue for priority based on its high levels of vulnerability.

The more complex and longer-term issue of adaption to the post-graduation scenario is necessarily part of the country's broader development strategies, and taking into account the regional and international context (Khan and Kamal, 2018; Bari 2018). The improvement of competitiveness factors associated to technological and industrial development, diversification, productivity, infrastructure and logistics is on the government agenda and on that of bilateral and multilateral development programmes and has been the object of numerous studies (Kathuria and Malouche, 2016; Rahman and Bari, 2018; Bari, 2018; Farin, 2018). Understanding the extent and mechanisms through which the industries that have benefitted from the LDC-specific measures have (or have not) established linkages to the rest of the economy could help adapt to the post-graduation situation as well as support the diversification strategies.

Of immediate relevance is the need for alternatives for the pharmaceutical industry and alternative forms of supporting local industry and agricultural producers that are compatible with the Agreement on Subsidies and Countervailing Measures and the Agreement on Agriculture.

In interviews held in preparation for this assessment, the government of Bangladesh and other entities noted capacity-building needs which are relevant for these initiatives, including the capacity to negotiate trade agreements; to build and enforce the legal and institutional framework and enforcement procedures for TRIPS; and to mobilize climate finance. Interviews also revealed an approach that values domestic capacity, south-south cooperation, ownership and leadership, and where international support has a role to play in supporting the expansion of locally-grounded initiatives.

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Annex I – Criteria and procedures for graduation

I. General information on graduation

Criteria for graduation. The Committee for Development Policy (CDP) examines the list of LDCs every three years in what are called Triennial Reviews. The purpose of these reviews is to identify any countries that may qualify to enter or to graduate from the LDC category. To become eligible for graduation from the LDC category, countries must meet any **two of three criteria** in two consecutive Triennial Reviews. At the 2018 Triennial Review, the criteria were as follows:

- GNI per capita of USD 1,230 or above (also referred to as the income threshold)
- Human Assets Index (HAI) of 66 or above. The HAI is a measure of the level of human capital (Figure a)
- Economic Vulnerability Index (EVI) of 32 **or below**. The EVI is a measure of structural vulnerability to economic and environmental shocks (Figure b)

Alternatively, a country may become eligible for graduation if its GNI per capita is more than double the income threshold during two consecutive reviews. In 2018, the "income-only" threshold for graduation eligibility was USD 2,460.*

Figure a: Human Assets Index

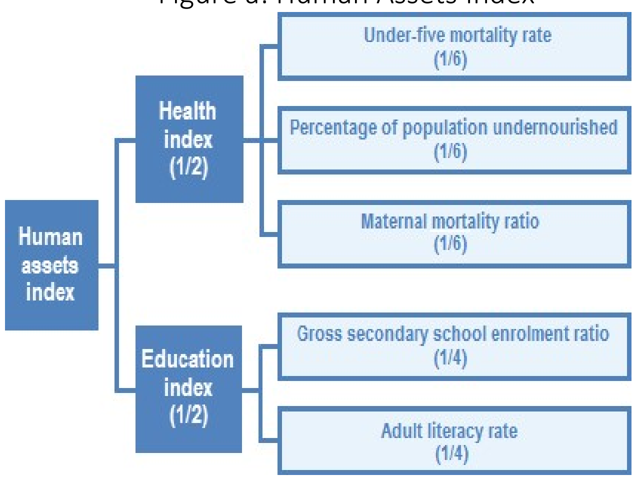
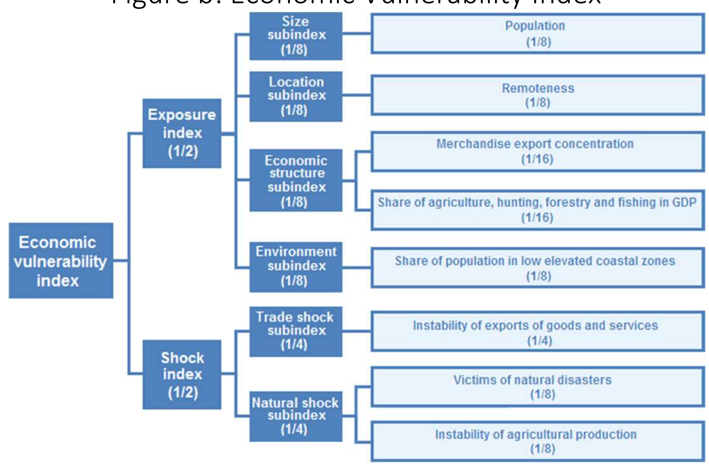


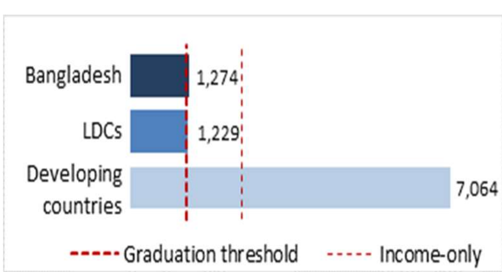
Figure b: Economic Vulnerability Index



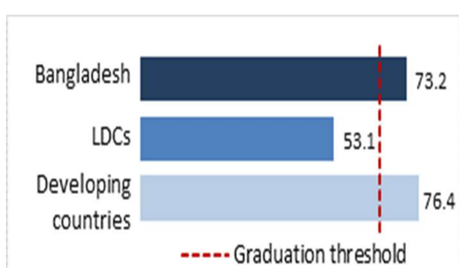
Graduation from the LDC category is not the equivalent of becoming a middle-income country (i.e. have a per capita income above the threshold defined by the World Bank). Countries may attain middle-income status and continue to be an LDC (if their income is below the "income-only" threshold and they fail to meet any of the other two criteria), or graduate from the LDC category while remaining a low-income country (if they meet the EVI and HAI criteria).

Bangladesh's performance. Bangladesh was found to meet the graduation criteria for the first time at the 2018 Triennial Review (see the figures below). Bangladesh and Myanmar, which also met the graduation criteria for the first time in 2018, are the first countries to meet all three criteria. Bangladesh is the LDC with the lowest (best) performance on the EVI.

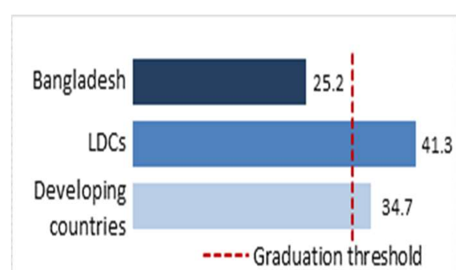
GNI per capita (USD)



Human assets index

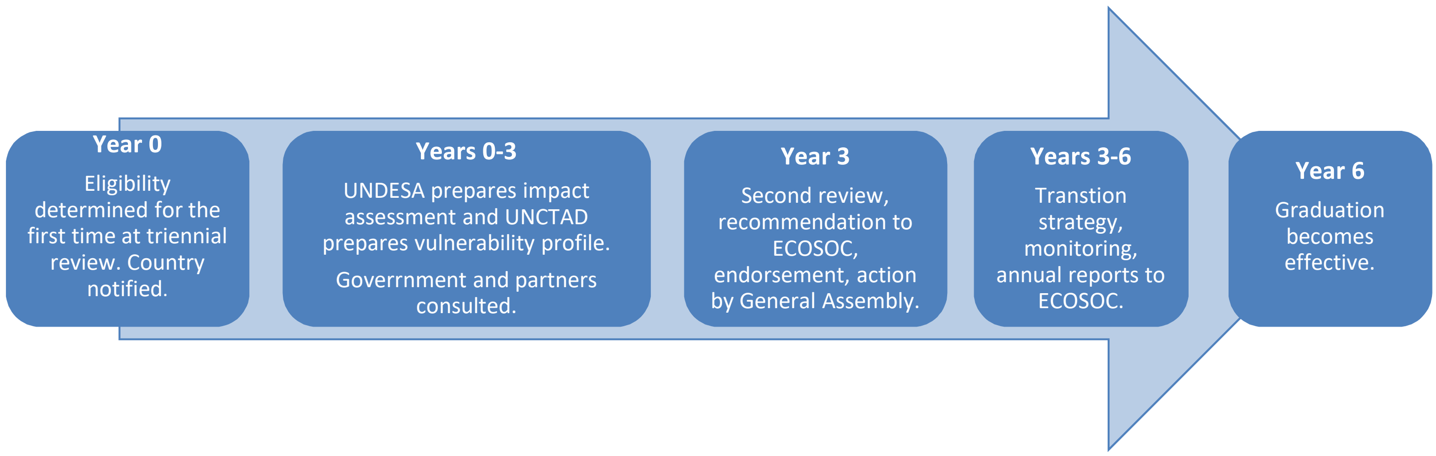


Economic vulnerability index*

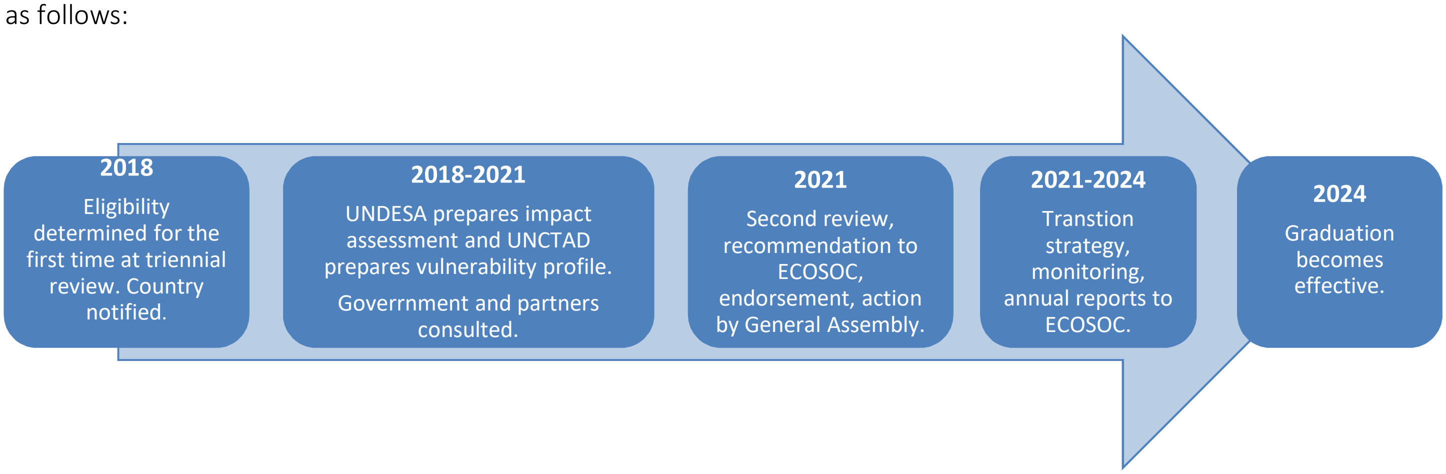


*Data based on the 2018 triennial review. *Note that, contrary to the other two indicators, for the EVI, a smaller result is better, and a country meets that criterion if its index lies below, not above, the threshold.*

The process towards graduation. When a country is identified, during one of the CDP's Triennial Reviews, as having met the graduation criteria for the first time, its government is duly notified, and the CDP requests UNDESA to prepare an "impact assessment" – of which this document is a preliminary version – and UNCTAD to prepare a "vulnerability profile" for the country. Both documents will be used by the CDP at the subsequent Triennial Review. During this second review, the CDP again assesses the country's performance vis-à-vis the graduation criteria. If the country is found to meet them again, the CDP assesses the information at its disposal (including this impact assessment, the vulnerability profile, information provided by the government and any other elements) to determine whether to recommend the country for graduation. It may decide not to do so, for example, in cases in which the sustainability of the country´s development path is uncertain. If it decides to recommend graduation, this recommendation will be included in the CDP´s report to the Economic and Social Council (ECOSOC). ECOSOC endorses and the General Assembly takes note of the recommendation. Graduation becomes effective three years after action by the General Assembly. Due to "smooth transition" arrangements some of the LDC-specific international support measures are still available for the country for a few years after graduation. While a standard graduation process takes six years, in practice, graduation processes have usually taken longer. The CDP, ECOSOC and the General Assembly have often deferred their consideration or decisions, or granted additional transition periods, based on the unique situation of each country.



In the case of Bangladesh, if the graduation process follows the expected timeline, it will be assessed for a second time, and recommended by the CDP for graduation in 2021, and graduation will become effective in 2024. The expected timeline is as follows:



For more information, please see Committee for Development Policy and United Nations Department of Economic and Social Affairs (2018), *Handbook on the Least Developed Country Category: Inclusion, Graduation and Support Measures, Third Edition.* Sales No. E.18.II.A.1.

Annex II – Preferential market access schemes in Bangladesh's major markets

Table II.1 Applicable preferential market access schemes in Bangladesh's main markets before and after graduation

Market	LDC-specific scheme (tariffs)	Tariffs applicable after graduation (MFN applies when the product is not covered by preferential arrangements)	LDC-specific rules of origin	Rules of origin applicable after graduation	Smooth transition arrangements
European Union	Everything But Arms (EBA), which grants full duty free and quota free access (DFQF) to the EU Single Market for all products except arms and armaments.	Under current rules, Bangladesh would still be eligible for EBA for 3 years after graduation. Thereafter, the standard GSP would apply. Bangladesh could also apply for the Special Arrangement for Sustainable Development and Good Governance (GSP+), which grants duty free access to most of the products covered by the GSP. However, it will likely not fulfil the import share criterion. Bangladesh has not ratified one of 27 conventions on human rights, labour rights, environmental protection and good governance. The EU requires ratification and implementation of these conventions as a condition for GSP+.	Up to 70% of the value added of exports from LDCS can be produced abroad for the country to still benefit from preferential market access. For the clothing sector, EU rules allow for single transformation for LDC exports (e.g. from fabric to clothing)	Up to 50% of the value added of exports can be produced abroad for the country to benefit from preferential market access. For clothing, double transformation is required (e.g., from yarn to fabric to clothing).	EBA has a transitional period of at least 3 years from the date of graduation. Additional periods have been granted in the past.
United States	No preferences currently apply since Bangladesh was suspended from the GSP in 2013, when the U.S. Trade Representative considered that it had failed to meet basic standards for workers' rights and worker safety that were a condition of eligibility. Should Bangladesh be found to meet those conditions as an LDC, it would be eligible for the US GSP scheme for LDCs. Bangladesh's main export products are not covered.	As a non-LDC, and if conditions for eligibility are met, Bangladesh could export under the US standard GSP. Bangladesh is currently suspended from the GSP. Unless Bangladesh were, prior to graduation, readmitted to the GSP, there would be no change in the terms of access to the United States market.	Not currently applicable to Bangladesh as it is suspended from the GSP. In applying the rules of origin for beneficiaries of the GSP, an LDC can count inputs from least developed and other beneficiary countries in its regional association towards the 35% domestic content requirement.	Bangladesh would no longer benefit from the rule whereby it could consider inputs from LDCs and other beneficiary counties in its regional association towards the 35% domestic content requirement.	No established smooth transition provision.
Canada	LDC Tariff GSP Programme (LDCT), which provides duty-free access to all products from the LDCs except for dairy, poultry and egg products.	General preferential tariff (standard GSP)	Up to 60% of import content is allowed to benefit from the LDC tariff. Cumulation: All beneficiaries of the LDC preferential tariff are regarded as one single area. There are special rules in place for LDCs on textiles and clothing, allowing for the use of inputs from other LDCs, Canada and, in some cases, other beneficiary countries.	Only 40% of import content is allowed for non-LDCs to benefit from the General Preferential Tariff. Cumulation: All beneficiaries of the GPT are regarded as one single areas. Special rules for LDCs on textiles and clothing do not apply (and GPT does not cover many of these products).	No established smooth transition provision.
Japan	Special preferential treatment for LDCs (DFQF).	Standard GSP.	No LDC-specific rules of origin. Simplified rules of origin for HS Chapter 61 (allowing for single transformation) are not LDC-specific.	No change (HS chapter 61 not covered by standard GSP)	No established smooth transition provision.
China	DFQF on 61% of total tariff lines as an LDC. At the time of writing, a letter of exchange from Bangladesh requesting DFQF on 97% of tariff lines had been signed and was awaiting approval.	Preferential conditions under the Asia-Pacific Trade Agreement (APTA) or MFN	Preferential rules of origin under Decree No. 231 of 6 July 2019 (products are granted DFQF if they are entirely obtained from or manufactured in the LDC, or incompletely obtained from or	NA (see APTA)	No established smooth transition provision.

Market	LDC-specific scheme (tariffs)	Tariffs applicable after graduation (MFN applies when the product is not covered by preferential arrangements)	LDC-specific rules of origin	Rules of origin applicable after graduation	Smooth transition arrangements
			manufactured in the LDC but where final substantial transformation is completed according to the criteria in the Decree.		
Australia	DFQF on all products	Standard GSP.	LDC rules allow materials from all developing countries, Forum Island countries and Australia to count as local content, the level of materials from non-LDC that can count as local content is limited to 25% of the total factory cost of the goods	LDC rule does not apply.	No established smooth transition provision.
Turkey	DFQF on all industrial products under chapters 25 to 97 (except 93) of the Harmonized System and for some agricultural products covered by the customs union between Turkey and the EU (79.7% of tariff lines).	Tariff duties equivalent to the EU GSP.	Harmonized with EU	Harmonized with EU	Smooth transition period of at least 3 years (in line with EU).
India	Preferential duty scheme for least developed countries (LDC). Duty free treatment on 94.1% of tariff lines.	Preferential tariffs under APTA and SAFTA (lower coverage and margin than for LDCs) or MFN	See APTA and SAFTA	See APTA and SAFTA	No established smooth transition provision.
Asia-Pacific Trade Agreement (APTA)	Participating States may grant special concessions to LDC members (Article 7). LDCs have been granted greater concessions by some members (including Bangladesh in regard to other LDCs)	Non-LDC APTA tariffs	Value addition requirement is 35%. Regional cumulation is allowed with value addition requirement of 50%	Value addition requirement is 45%. Regional cumulation is allowed with value addition requirement of 60%	No established smooth transition provision.
South Asian Free Trade Area (SAFTA)	Smaller sensitive lists for LDCs in some members (including Bangladesh in regard to other LDCs).	Non-LDC (larger) sensitive lists apply	Change of tariff heading and value addition of 10% less than the requirement for non-LDCs	Change of tariff heading and value addition of 10% more than for LDCs (60% general rule; some product-specific rules)	No established smooth transition provision.
Trade Preferential System Among the Members of the Organization of Islamic Cooperation (TPS-OIC) [Not yet operational].	No information	No information	30% value added. 50% for regional cumulation	40% value added. 60% for regional cumulation	No established smooth transition period.

Source: CDP Secretariat based on information published on the websites of the WTO (Preferential Trade Arrangements database), secretariats of regional agreements, and governments of preference-granting countries.

Table II.2 Tariffs (as of 2017) on imports from Bangladesh in the main destinations for the main export products (2015) (as an LDC and after graduation and any applicable transition periods)

62 Woven garments (42% of exports in FY 2017-2018)

Importer*	As an LDC	After graduation
EU (50%)	0%	All products are covered by GSP and will face tariffs ranging from 5.0% to 9.6%. The tariff is **9.6% for most products, or 12% under MFN.** Tariffs on all products in this chapter are 0% under GSP+.
USA (31%)	Products are not covered by LDC GSP (**no impact**).	
Canada (4%)	0%	Some products are covered by GSP. **Most products (including most tariff lines in 6203, 6204, 6205, 6210, which account for 75% of exports in this group) will face import tariffs of 17%-18% under MFN.** For a small number of products, tariffs will be 0%-10% under GSP or 0% under MFN.
Japan (3%)	0%	Some products are covered by GSP. **Most products (including 6203, 6204 and 6205) will face MFN tariffs of 7.4%-12.8%.** The full range of applicable tariffsis 0%-13.4%.
Turkey (3%)	Equivalent to EU	

61 Knitwear (41% of exports in FY 2017-2018)

Importer*	As an LDC	After graduation
EU (70%)	0%	All products are covered by GSP and will face tariffs of 6.4%-9.6%. The tariff is **9.6% for most products under the GSP, or 12% under MFN.** Tariffs on all products in this chapter are 0% under GSP+.
USA (11%)	Not covered by LDC GSP (no impact)	
Canada (3%)	0%	Some products are covered by GSP, with tariffs between 5% and 16.5%. Others would be subject to MFN tariffs of up to 18%. **Tariffs on most products would be 16%-18% under MFN: 16 or 18% in 6110 (29% of exports in this group) and 18% for 6109, 6104, 6108, 6107 (together, 51% of exports in this group)**
Australia (3%)	0%	Not covered under GSP (assuming Bangladesh will be included in Part 4 of Schedule 1 after graduation). MFN tariffs are 0% or 5%.
Japan (2%)	0%	A very small number of products are covered by GSP and the tariff is 0%. **Tariff on most products imported by Japan from Bangladesh under this chapter are 7.4%- 10.9% under MFN**

63 Home textiles (3% of exports in FY 2017-2018)

Importer*	As an LDC	After graduation
EU (41%)	0%	Most products are covered by GSP, with tariffs of 1.6%-9.6%. The tariff is **9.6% for most products, or 12% under MFN.** Tariffs on all products in this chapter are 0% under GSP+.
USA (20%)	Not covered by LDC GSP (no impact)	
India (7%)	0%	**5% under SAFTA.**
Canada (6%)	0%	Some products are covered by GSP. Tariffs range from 0% to 18% under GSP or MFN. **For 90% of products in the products in this group (6302 and 6306) the applicable tariffs are 17% or 18% under MFN.**
Australia (6%)	0%	0 Not covered under GSP (assuming Bangladesh will be included in Part 4 of Schedule 1 after graduation). MFN tariffs are 0% or 5%.
Japan (4%)	0%	Some products are covered by GSP. Tariffs range from 0% to 6.32% under GSP or up to 10.9% under MFN. **For the main products in this group, the tariffs are 5.92% (630260) or 3.6% (630221) under GSP.**
Russian Federation (3%)	Not covered by GSP for LDCs (no impact).	

53 Vegetable textile fibers (mostly jute) (2% of exports in FY 2017-2018)

Importer*	As an LDC	After graduation
Turkey (26%)	0%	GSP covers some products in this chapter with tariffs from 3% 0% to 6.4%, **but for products exported to Turkey (5303 and 5307) the MFN tariff is 0% (no impact)**.
India (18%)	0%	5% under SAFTA
China (14%)	0% on most products**	4-10% under MFN, with APTA rates on some products which are 0.7% to 1.5% lower than MFN.
EU (6%)	0%	GSP covers some products, with tariffs from 3% to 6.4%, but **for most the MFN tariff is 0% (5307 - 56% of exports - and 5303 - 19% of exports) or 3.2% for 5310 (22% of exports).** Tariffs on all products in this chapter are 0% under GSP+.
Iran (6%)	No LDC-specific preferences **(no impact)**	
Pakistan (5%)	No LDC-specific preferences **(no impact)**	

64 Footwear (2% of exports in FY 2017-2018)

Importer*	LDC tariff	After graduation
EU (43%)	0%	All products are covered by GSP with tariffs ranging from 0% to 11.9%. Tariffs on most products are **4.5% (most products in 6403, 62% of exports in this group) or 11.9% (6404, 18% of exports, and 6402, 16% of exports)** under GSP. MFN tariffs for these products are 8% (6403) or 16.8%-17% (6404 and 6402) Tariffs on all products in this chapter are 0% under GSP+.
Japan (14%)	0%	This product group is not covered by GSP. MFN tariffs are 3.4% to 587.35%. **Most exports to Japan under this product group are in 640391 and 640399, where MFN rates range from 21.6% to 175.12%.**
USA (14%)	Not covered by LDC GSP (no impact).	
China (3%)	0% on certain products**	5% - 12% under APTA, or 10%-24% under MFN. **For the main products, tariffs will be of 8.5% to 10%**: 640391 – 10% under MFN 640399 – 8.5% under APTA 640419 – not covered by LDC arrangement before the letter of exchange. Would be covered with letter of exchange, would then face 12% tariff under MFN
Rep. of Korea (3%)	0%	Tariffs of 4% to 11.7% either under APTA or under the preferential tariff for Bangladesh (9.1 for certain products). **For the largest export in this group, 640419, the tariff is 9.1 under APTA.**
Canada (2%)	0%	Some products are covered by GSP with tariffs ranging from 0% to 13%. **GSP does not cover the product group at 4-digits that accounts for 89% of exports in this group (6403). MFN tariffs are 0%, 11% or 18% for this group. They are 18% for the most important product defined at the 6-digit level (640340).** The full range of applicable tariffs, either under GSP or MFN, is 0%-20%.
India (2%)	0%	5% under SAFTA

03 Fish, crustaceans, molluscs (1% of exports in FY 2017-2018)

Importer*	LDC	Non-LDC
EU (72%)	0%	Some products are covered by GSP, and for some the MFN rate is 0%. The full range of applicable tariffs after graduation is 0% to 18.5%. **97% of exports under 03 are in 0306, and 98% those are under 030617 (shrimps and prawns). Within that product group, GSP tariffs on most products are 4.2%.** MFN tariffs are 12%-20%. Tariffs on all products in this chapter are 0% under GSP+.
USA (8%)	0% for 6 product lines all in 0305, none of which have been exported by Bangladesh to the United States in recent years (no impact).	**No change is expected with graduation as Bangladesh does not export the products covered by the LDC GSP** (from which it is also currently suspended). Generally, the MFN tariff on most products in this chapter is 0%. For products with MFN rates >0%, GSP rates are 0%, with the exception of the 6 products covered under the GSP for LDCs, for which applicable MFN tariffs for those products are 4% or 5%.
China (4%)	0% on some products.**	Products covered by the LDC tariff face either 10.5%-17.5% tariffs under MFN or 6.7%-9% under APTA. For the **main products, the MFN tariff is 14% (030624) or 8% under APTA or 0% or 10.5% MFN (30199).**
Japan (4%)	0%	0% to 10% under GSP or MFN. **99% of exports under 03 are in 30617, where the tariff is either 3.2% under GSP (30617100) or 1% under MFN (30617200).**

*The first column in the tables above refers to the main destinations for Bangladeshi exports of each product group and, in brackets, their respective share in Bangladesh's export of those products. Numbers refer to 2015, the latest information available through UN Comtrade at the time of writing.
** At the time of writing, no information was available about whether China had accepted the letter of exchange that would have enabled Bangladesh to export under the tariff scheme reserved for LDCs.

Sources: Export Promotion Bureau of Bangladesh, Analysis for the FY 2017-2018 Month of July-June.doc, at epb.portal.gov.bd (http://epb.portal.gov.bd/site/files/51916ae6-a9a3-462e-a6bd-9ef074d835af/Statistic-Data-2016-2017) for data on shares of product in total exports and identification of main products within product chapters. UN Comtrade for approximate shares of each country in exports of products under each group (data refer to 2015). World Integrated Trade Solution (WITS) and EU TARIC for tariff rates.