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

**SUSTAINABLE
DEVELOPMENT**  **GOALS**

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Summary

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

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

Macroeconomic situation

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

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

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

¹ UNDESA World Economic Situation and Prospects 2023

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

Source: GDP growth is from UN DESA, WESP 2023 for 2021 data and UNSD for 2016-2020 data. Inflation is from UN DESA, WESP 2023. Government balance is from IMF, World Economic Outlook Database. Net ODA is from OECD, OECD.Stat. All external sector indicators are from IMF, Balance of Payment Data Reports.

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

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

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

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

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

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

LDC criteria and supplementary indicators

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

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

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

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

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

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

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

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

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

Source: CDP Secretariat, Supplementary graduation indicators

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

Data gap

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

Smooth transition, national plan and country specific factors

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

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

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

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

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

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

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

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

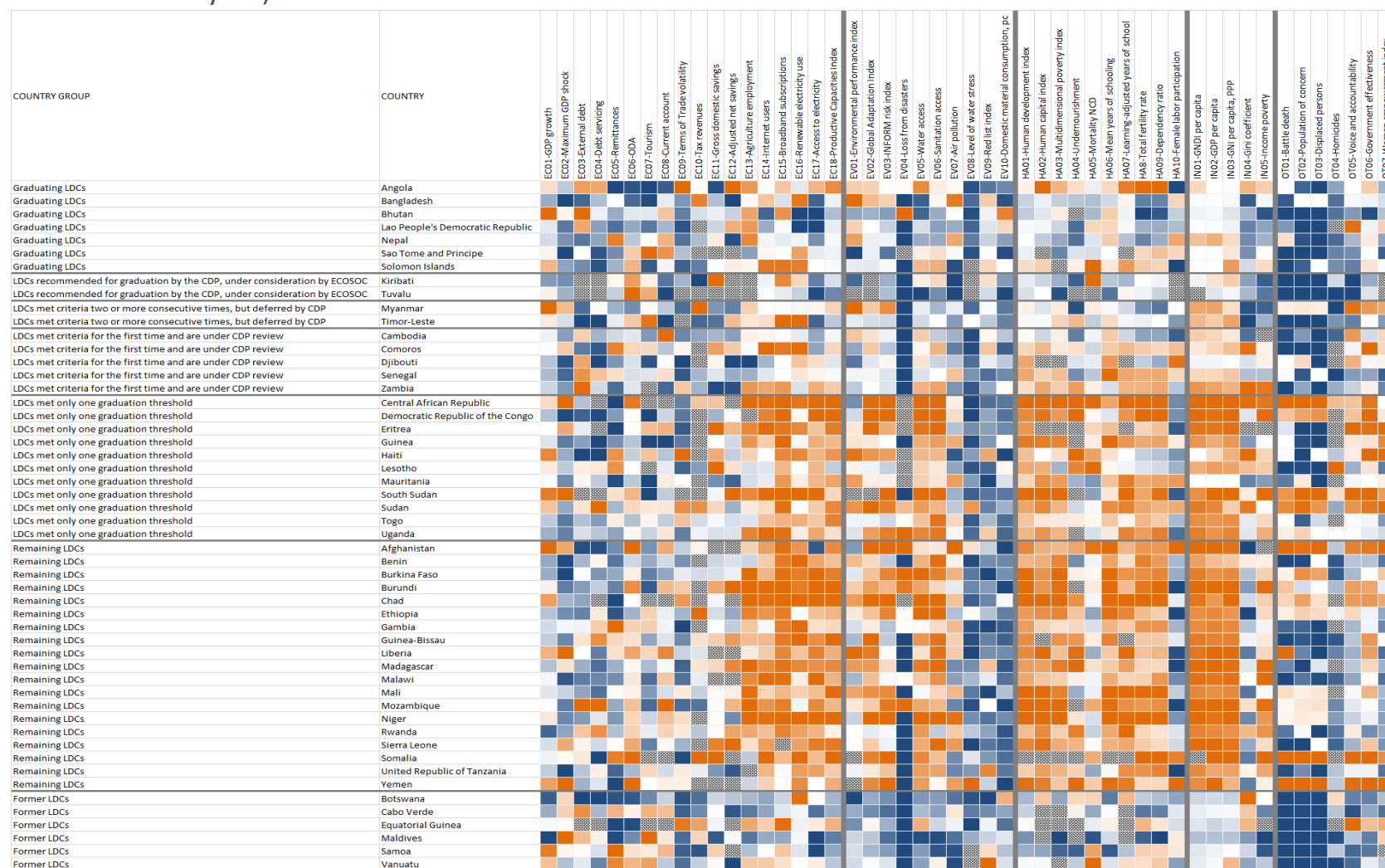
LDCs to have easy and affordable access to finance for infrastructure, logistics, trade facilitation, and human development.

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

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



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

Annex 1: Heatmap extract of the supplementary graduation indicators (SGIs) for LDCs and former LDCs (2023 or latest available year)



Legend:

- Indicator furthest below reference point, indicating most concern (5th percentile)
- Indicator furthest above reference point, indicating least concern (95th percentile)

 Reference point (e.g. 33th percentile)
 No data available