



BANGLADESH COUNTRY REPORT

UN CDP Triennial Review Meeting

Economic Relations Division
Ministry of Finance
Government of the People's Republic of Bangladesh

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Table of Contents

| | |
|--|----|
| Graduation carries significant importance to our nation | 5 |
| Bangladesh journey towards graduation..... | 5 |
| MACROECONOMIC MANAGEMENT | 6 |
| Prudent macroeconomic management has been the hallmark of Bangladesh's development | 6 |
| Economic Growth | 7 |
| Per capita GNI | 7 |
| Fiscal Management | 8 |
| Measures undertaken and planned to enhance Domestic Resource Mobilization | 8 |
| Reforms undertaken and ongoing | 9 |
| Reforms Planned | 10 |
| Monetary Policy and Monetary Management | 10 |
| Leveraging the monetary policy to ensure liquidity in the economy in the wake of COVID-19 ... | 11 |
| Progress with Reducing Poverty and Income Inequality | 11 |
| Poverty Reduction | 11 |
| Income Inequality..... | 13 |
| Gender Equality, Social Inclusion and Social Protection..... | 14 |
| Gender Equality | 14 |
| Social Inclusion..... | 15 |
| Social Protection..... | 15 |
| Structural Change and Economic Transformation..... | 16 |
| Diversification of Rural Economy..... | 17 |
| The transformation from cereals to protein-based production | 17 |
| Progress with Investment | 17 |
| Bangladesh is on the trajectory of high growth and increased per capita income..... | 18 |
| EXTERNAL SECTOR MANAGEMENT | 19 |
| Debt Sustainability..... | 20 |
| Our external debt servicing is only 10.19% of revenue- showing great sustainability in debt servicing..... | 21 |
| International Trade Performance | 21 |
| Export Performance | 22 |
| Export concentration..... | 22 |
| Impacts of COVID-19 | 24 |
| SIGNS OF RECOVERY FROM THE DEVASTATION OF COVID-19..... | 25 |

| | |
|---|----|
| KEY CHALLENGES AHEAD | 27 |
| STRATEGIES TO ADDRESSES THE CHALLENGES | 27 |
| Recovering from COVID-19 and Strategy..... | 27 |
| Bangladesh requires a two-year additional preparatory period | 28 |
| Enhancing Resilience to Climate Change..... | 29 |
| Climate financing | 29 |
| Addressing concern over Coal-Fired Power Generation | 30 |
| Renewable energy..... | 31 |
| Delta Plan 2100 | 31 |
| Coping with the loss of trade-related ISMs after the graduation from the LDC category..... | 32 |
| Domestic level intervention..... | 32 |
| From the International level..... | 33 |
| Strategies to continue ISMs beyond graduation for ensuring sustainable development | 33 |
| Increasing regional trade | 33 |
| Engaging at bilateral, regional and multilateral levels..... | 34 |
| Engaging with the LDC Group in the WTO | 34 |
| Participating in international events, such as the 12 th WTO Ministerial Conference and UNCTAD-15..... | 35 |
| Ensuring Coordination for Smooth and Sustainable Graduation..... | 35 |
| DEVELOPMENT COOPERATION IS INSTRUMENTAL TO SUSTAINABLE GRADUATION WITH MOMENTUM..... | 36 |
| CONCLUSION | 37 |

FIGURES

| | |
|---|----|
| Figure 1: Bangladesh meets all the criteria for graduation from the LDC category for the consecutive second time..... | 6 |
| Figure 2: Inflation Rate (%), FY 2009- FY 2020 | 11 |
| Figure 3: Poverty dynamics over the last two decades | 12 |
| Figure 4: Gini Index..... | 14 |
| Figure 5: GDP Growth and Investment-GDP Ratio..... | 18 |
| Figure 6: prudent management in international Trade and other parameters in the external economy, contributed to high growth, job creation, poverty reduction and increase in per capita income | 19 |
| Figure 7: Bangladesh International Trade Regime..... | 20 |
| Figure 8: RMG share in exports rose from 78% in FY 2011 to 84% in FY 2019- showing increased export concentration | 23 |
| Figure 9: Exports by destination, 2019 | 23 |
| Figure 10: Bangladesh has a low level of trade partnership in the regional settings..... | 24 |
| Figure 11: Year-wise Export Earnings and Growth, EPB..... | 24 |
| Table 12: Export growth in July-Dec FY 2021 period..... | 25 |

| | |
|---|----|
| Figure 13: Container movement of the main sea-port..... | 26 |
| Figure 14: Manufacturing production index | 26 |
| Figure 15: A declining trend of new COVID cases | 28 |

TABLES

| | |
|--|----|
| Table 1: Key Macroeconomic Indicators, FY 2009-2020 | 7 |
| Table 2: GDP Growth, Per Capita GDP Growth, and Per Capita GNI | 8 |
| Table 3: Sectoral Share in GDP (%)..... | 16 |
| Table 4: Bangladesh External Debt Stock and Sustainability | 21 |

BANGLADESH COUNTRY REPORT

UN CDP TRIENNIAL REVIEW, 22-26 FEBRUARY 2021

The graduation is not merely achieving a milestone for Bangladesh, it is a step forward to fulfilling the commitment of SDGs by 2030, graduating to the upper-middle-income country by 2031, and realizing the dream of 168 million people to be a developed nation by 2041. Despite challenging economic environment, Bangladesh, under the prudent leadership of Honorable Prime Minister Sheikh Hasina, is on track to attaining the smooth and sustainable graduation with momentum aligning with the dream of our Father of the Nation Bangabandhu Sheikh Mujibur Rahman for a self-reliant, poverty-free, prosperous Bangladesh where no one leaves behind. Bangladesh is confident to receive increased support from the development and trading partners to achieve our ambitious targets in the days to come.

Graduation carries significant importance to our nation

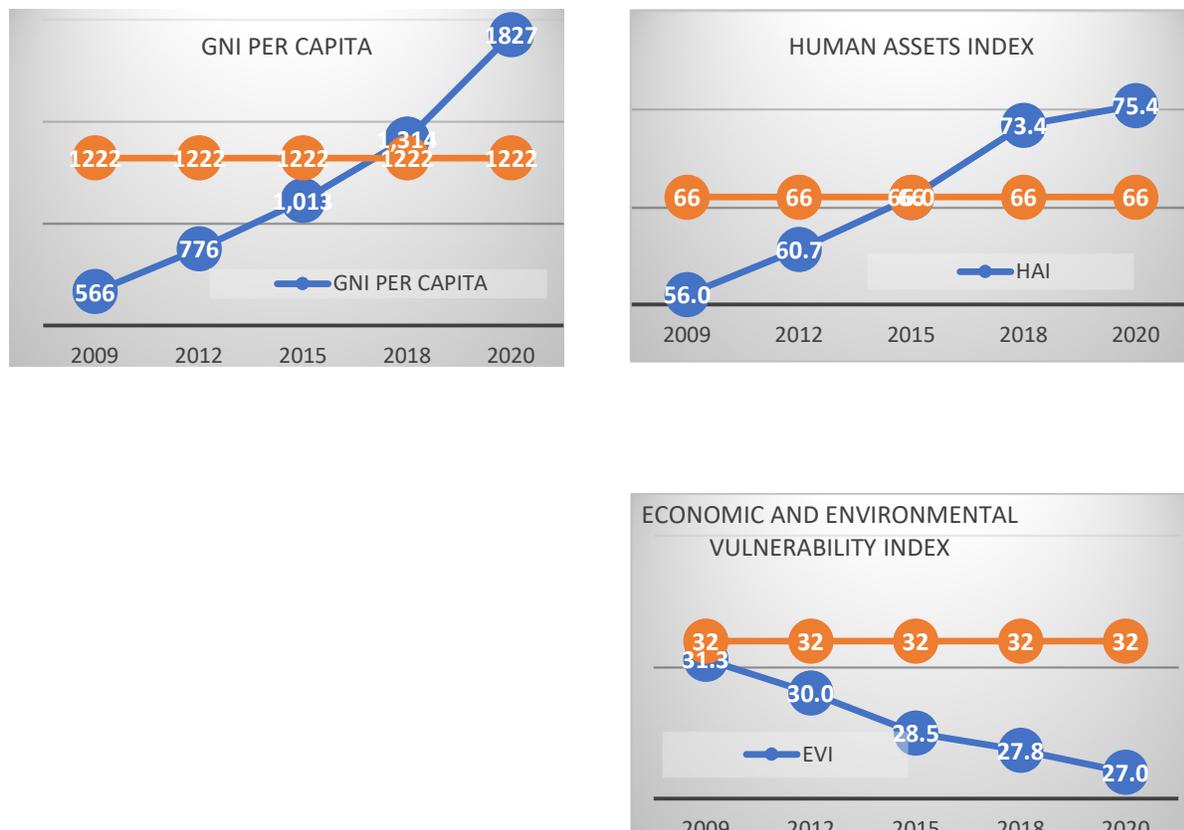
The year 2021 carries great meaning in our national life. We are celebrating two historic events this year—the Golden Jubilee of our independence, and the birth centenary of our father of the Nation Bangabandhu Sheikh Mujibur Rahman concomitantly. Both these events immensely signify our journey as an independent nation. The final recommendation for graduation from the LDC status in the same year will add another historic milestone and it seems to be the most glorious achievement in the history of Bangladesh since its independence in 1971.

Fulfilling the thresholds with a comfortable margin for the second consecutive time in the upcoming triennial review in February 2021 indicates that Bangladesh reached a new height of development trajectory. These two historic events occurring at the same time will give a great opportunity to its leadership to inspire the whole nation for a meaningful transformational transition to sustainable graduation with momentum— which will pave the way for achieving a broader national, regional and global development agenda.

Bangladesh journey towards graduation

Bangladesh's journey towards graduation started in March 2018, when it met all three criteria for graduation for the first time. The following figure 1 shows that Bangladesh marginally crossed the thresholds at that time. It is to be noted here that Bangladesh came out in a bigger way in 2021 for the second triennial review by meeting all three criteria with a further improved and comfortable margin. The achievement within three years manifests clearly the government's commitment towards realizing its goals, targets and strategies for an inclusive and sustainable development agenda.

Figure 1: Bangladesh meets all the criteria for graduation from the LDC category for the consecutive second time



MACROECONOMIC MANAGEMENT

Prudent macroeconomic management has been the hallmark of Bangladesh's development

Bangladesh's economy extraordinarily performed well until FY 2019 (July 2018- June 2019). The economy grew by 6.9% on an average during FY2011–FY2019. In FY2018-19, Bangladesh became the fastest growing economy in the Asia-Pacific. Poverty declined from 48.9% in FY 2001 to 20.5% in FY2019, and extreme poverty declined from 34.3% to 10.5% during the same period. The inflation rate has come down further to 5.5%. Fiscal prudence has been sustained by keeping the budget deficit at around 5% of GDP. The country attained lower-middle-income status in 2015 and met all the criteria for the first time to graduate from the least developed country status in March 2018. Although our economic situation was normal in the first eight months of FY2020, the COVID-19 pandemic has hurt the economy

of Bangladesh since March 2020. Economic growth slowed down to 5.24% in FY2020, which is the lowest since FY2009.

Table 1: Key Macroeconomic Indicators, FY 2009-2020

| Fiscal Year | GDP Growth (%) | Per Capita Income, USD | Inflation Rate | Budget Deficit as % of GDP | Total Debt to GDP (%) | Imports, Mill USD | Exports, Mill USD | Remittance Mill USD | Foreign Exchange Reserve (Mill USD) | Currency Exchange Rate |
|-------------|----------------|------------------------|----------------|----------------------------|-----------------------|-------------------|-------------------|---------------------|-------------------------------------|------------------------|
| FY 2008-09 | 5.05 | 759 | 7.6 | -3.50 | 39.3 | 22,507 | 15,565 | 9,689 | 7,471 | 68.50 |
| FY 2009-10 | 5.57 | 843 | 6.82 | -3.20 | 37.4 | 23,738 | 16,205 | 10,987 | 10,750 | 69.18 |
| FY 2010-11 | 6.46 | 928 | 10.9 | -3.90 | 38.0 | 33,658 | 22,928 | 11,650 | 10,912 | 71.17 |
| FY 2011-12 | 6.52 | 955 | 8.7 | -3.60 | 37.4 | 35,516 | 24,302 | 12,843 | 10,364 | 79.10 |
| FY 2012-13 | 6.01 | 1,054 | 6.8 | -3.90 | 36.6 | 34,084 | 27,027 | 14,461 | 15,315 | 79.93 |
| FY 2013-14 | 6.06 | 1,184 | 7.4 | -3.60 | 35.0 | 40,732 | 30,187 | 14,228 | 21,508 | 77.72 |
| FY 2014-15 | 6.55 | 1,316 | 6.4 | -4.10 | 32.3 | 40,704 | 31,209 | 15,317 | 25,020 | 77.67 |
| FY 2015-16 | 7.11 | 1,465 | 5.9 | -3.90 | 31.5 | 43,122 | 34,257 | 14,931 | 30,168 | 78.26 |
| FY 2016-17 | 7.28 | 1,610 | 5.4 | -3.40 | 30.8 | 47,005 | 34,656 | 12,770 | 33,493 | 79.12 |
| FY 2017-18 | 7.86 | 1,751 | 5.8 | -4.70 | 31.9 | 58,865 | 36,668 | 14,982 | 32,943 | 83.70 |
| FY 2018-19 | 8.15 | 1,909 | 5.5 | -5.50 | 33.1 | 59,915 | 40,535 | 16,420 | 32,716 | 84.03 |
| FY 2019-20 | 5.24 | 2,064 | 5.7 | -5.23 | 35.7 | 54,785 | 33,674 | 18,205 | 36,016 | 84.60 |

Source: Socioeconomic Development in Bangladesh & Stimulus Packages to Combat COVID-19

Note: figures for FY 2019-20 are provisional

Economic Growth

Bangladesh is now amongst the fastest growing countries in the World. Following the trend of achieving economic growth, the growth exceeded 6.0 percent in FY 2010-11, 7.0 percent in FY 2015-16 and 8.0 percent in FY2018-19. Although the economic situation of the country was normal in the first eight months of FY2019-20, the COVID-19 pandemic has had a negative impact on the economy of Bangladesh since March 2020. Economic growth slowed to 5.24 percent in FY2019-20 (July 2019 to June 2020), according to the provisional estimates of BBS, which is the lowest since FY 2008-09.

The average growth rate gained momentum during the FY 2011-2015 and further accelerated to 7.6% during FY 2016-2019. However, due to COVID-19, the actual average GDP growth rate stands at 7.13% covering the during FY 2016-2020.

Per capita GNI

Rapid growth in per capita GDP along with the continued generous inflow of remittances helped a progressive increase in per capita gross national income (GNI). By 2015 Bangladesh had already crossed the threshold for the World Bank defined lower middle-income country (LMIC). The rapid increase in per capita GNI over the last decade set Bangladesh well on the road towards an upper middle-income

country (UMIC) by 2031. In 2018 Bangladesh qualified to graduate from the list of the least developed countries. In FY2020, per capita GNI already reached US \$2064.

Table 2: GDP Growth, Per Capita GDP Growth, and Per Capita GNI

| Fiscal Year | Average GDP Growth Rate | Per Capita GDP Growth (%) | Per Capita GNI (US\$) of the Terminal Year |
|-------------|-------------------------|---------------------------|--|
| 1990-1995 | 4.2 | 2.4 | 253 |
| 1997-2002 | 5.1 | 3.5 | 431 |
| 2011-2015 | 6.3 | 4.9 | 1,314 |
| 2016-2020 | 7.1 | 5.7 | 2,064 |

Source: 8FYP

Fiscal Management

Despite the revenue mobilization challenge, Bangladesh performed well in fiscal management by keeping the budget deficit within a reasonable limit within 5% of GDP. Due to actions taken to address the adverse impact of COVID-19 on the economy, the budget deficit has been increased to 5.5% of GDP. The government has increased transfers, food supports social protection and support business both formal and informal those increased government's expenditure.

Despite increased borrowing by the government, the total debt to GDP ratio is much lower than the threshold set by IMF.

The government has adopted strong measures in the 8th FYP (Five Year Plan) to overcome some longstanding challenges in fiscal management. Bangladesh has been experiencing a low Tax-GDP ratio, one of the lowest among its peers. The government has undertaken various reforms and measures to improve fiscal management and create more fiscal space to widen the scale and extent of the social support cushion- which will reduce poverty, inequality, and empower the poor to be engaged in productive activities. The government's immediate response during COVID-19 aimed to support lives and livelihood slowed down the efforts for improving the revenue mobilization.

Measures undertaken and planned to enhance Domestic Resource Mobilization

The main objective under the domestic resource mobilization strategies is to improve tax compliance without increasing tax rates. Therefore, reform measures aim at – i) strengthening revenue administration and improving compliance, ii) broadening tax base and simplifying tax structures, and iii) elimination of, or reduction in, tax exemptions and tax holidays awarded for prolonged periods. Accordingly, the government has undertaken and planned some programs to enhance domestic resource mobilization. These reforms, completed, on-going and planned, are highlighted below.

Reforms undertaken and ongoing

- **Implementation of new VAT law:** The VAT & Supplementary Duty Act 2012 has been implemented in July 2019. With the implementation of the new VAT law, collection of VAT and supplementary duty is expected to receive a boost in the medium term.
- **Automation of VAT systems:** Under the ‘VAT online Project (VoP)’, 3 important automation measures have so far been completed. First, the Online VAT Registration has begun in March 2017. Again, the central registration system has been in force since July 2019. Secondly, the NBR has introduced Online Return submission in July 2019. Thirdly, it has rolled out electronic payment (e-payment) of VAT on a pilot basis on 16 July 2020.
- **Introduction of Electronic Fiscal Device:** To stop VAT evasion and enhance its collection, NBR has introduced Electronic Fiscal Devices (EFDs) in business establishments.
- **Enactment of new Customs Law:** The new customs law is expected to harmonize and simplify customs processes to facilitate the collection of customs duties.
- **Upgrading customs automated system:** The government has upgraded its automated customs process by introducing the online-based ASYCUDA World software in July 2013 to modernize customs assessment and clearance system.
- **Simplifying Tax Procedures**
- **Programs to expand the number of taxpayers:** The actual number of return submissions in FY20 was 2.4 million taxpayers. The number of registered taxpayers was 5.0 million. To expand the number of taxpayers in the coming years, the NBR has undertaken surveys and arranged a substantial number of tax fairs across the country.
- **Discouraging Tax Exemptions:** Since the budget of FY20, the government has been discouraging such exemptions. As a result, as compared to FY19, income tax exemptions have been reduced by 41 percent in FY20. Similarly, Customs exemptions have been reduced by 21.34 percent and VAT exemptions have been reduced by 92 percent in FY20.
- **Introducing ADR to Resolve Revenue Disputes:** To facilitate quick disposal of disputes related to Customs, VAT and Income Tax matters, the government has introduced the Alternative Dispute Resolution (ADR) mechanism.
- **Digitalization of the National Savings Certificate**
- **Submission of surplus funds from SOEs:** To augment the collection of non-tax revenue (NTR), the government has enacted a new law named ‘Submission of Surplus Funds of Autonomous, Semi-Autonomous, State-Owned, and Public Non-Financial Corporations to the National Treasury Act

2020' to bring all the idle and surplus money of state-owned enterprises to the national treasury. Under this law, ten SOEs have deposited a total of Tk. 16,046 crore to the national treasury in FY20.

- **Introduction of Sukuk Bond:** To expand the domestic bond market, the government has recently introduced the Islamic Sukuk Bond. It has sold bonds worth BDT 4,000 crore in December 2020 and plans to sell the bond for another 4,000 crore BDT soon.

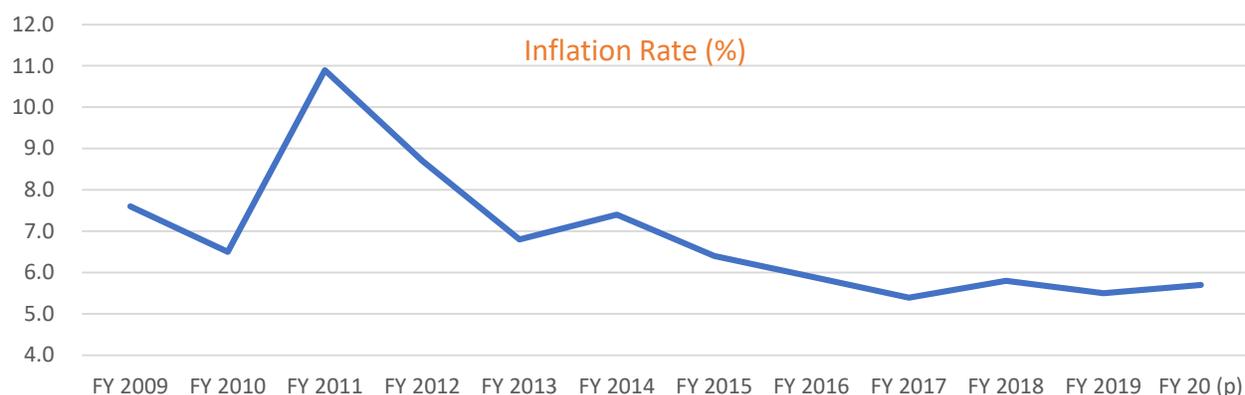
Reforms Planned

- **Implementation of new Customs Law:** The government plans to implement the new customs law in FY22.
- **Drafting a new Income Tax Law:** The government has planned to draft a new Income Tax Act to make the tax code more pro-people by overhauling and simplifying income taxes.
- **Automation of TIN registration:** The government plans to automate the TIN registration process and link TIN with the National ID.
- **Integrated Revenue Management:** The government plans to set up a countrywide integrated ICT platform to capture all tax payment information from tax returns, banks, third party collection agencies, etc.
- **Automating Customs Bond Management:** To streamline the bonded warehousing system, reduce its misuse and make it transparent, the government has taken a project that aims to automate the bond management system by 2021.
- **Bringing all trade consignments under scanning:** The government has planned to install scanning machines in customs stations to bring all import and export consignments under scanning. This will prevent misdeclaration and reduce goods clearance time.

Monetary Policy and Monetary Management

The monetary policy stance and monetary Program for FY2019-20 have been drawn up with the dual objective of maintaining price stability and supporting economic growth in the tune with government's strategies and goals for sustainable growth. A low inflation rate over a long period is a manifestation of a good balance between monetary and fiscal policy and management.

Figure 2: Inflation Rate (%), FY 2009- FY 2020



Leveraging the monetary policy to ensure liquidity in the economy in the wake of COVID-19

Bangladesh Bank's annual monetary Program made adequate room for money and credit growth for attaining the targeted nominal GDP growth. To ensure adequate liquidity in the financial system to tackle the impending financial crisis stemming from the COVID-19 pandemic, Bangladesh Bank reduced the repo rate from 6 percent to 5.75 percent effective from 24 March 2020. The repo rate was further reduced to 5.25 percent effective from 12 April 2020. The CRR was initially reduced from 5 percent to 4.5 percent (daily-basis) and from 5.5 percent to 5 percent (bi-weekly basis), with a further reduction to 3.5 percent and 4 percent, respectively, from 15 April 2020. Bangladesh Bank has also raised the advance-deposit ratio (ADR) and investment-deposit ratio (IDR) by 2 percent to 87 percent and 92 percent respectively to facilitate credit to the private sector and improve liquidity in the banking system.

Progress with Reducing Poverty and Income Inequality

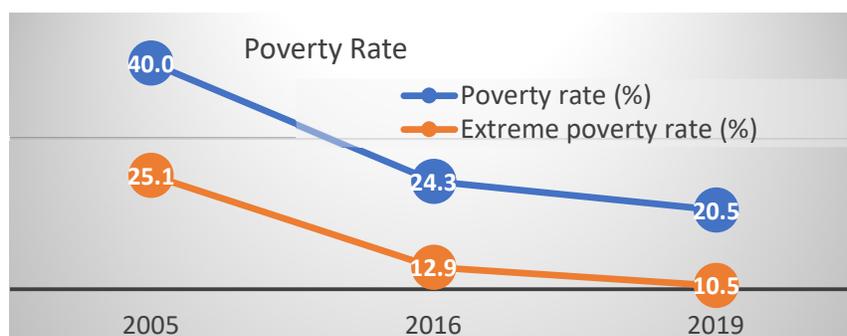
Poverty Reduction

In the absence of the COVID-19 pandemic, the poverty reduction targets of the Government would have been substantially achieved. This is an important result and speaks to the robustness of the poverty strategy in a pre- COVID-19 world. However, moving forward, the poverty reduction strategy may need to be modified to achieve the poverty reduction goals of the SDG 01 and the Perspective Plan 2041 in a post-COVID-19 environment.

The Government's poverty reduction strategy consisted of efforts to accelerate growth, increase domestic and foreign employment, improve the pro-poor nature of growth through emphasis on agriculture, micro-credits and public spending on rural infrastructure, and public spending on social protection. Bangladesh managed to reduce the poverty level from 40% in 2005 to 20.5% in 2019 while the extreme poverty

declined from 25.1% to 10.5% in the same period- an amazing success that has been widely acclaimed among development practitioners.

Figure 3: Poverty dynamics over the last two decades



The Key determinants of Bangladesh poverty reduction are:

Growth of GDP: GDP growth continues to be the most important determinant of poverty reduction in Bangladesh. So, the acceleration of GDP growth helped lower poverty substantially. Additionally, the continued emphasis on the agriculture sector with policy efforts to improve productivity and diversification yielded considerable success that helped improve farm incomes.

Growth in employment, labor productivity and real wages: With the rising labor productivity and a tightening of the agricultural labor market, real wages in agriculture increased substantially. Real wages also increased in non-farm employment. This increase in real wages is an important contributor to the decline in rural and urban poverty.

Remittances: The outflow of migrant workers substantially increased over the years. Evidence also shows that there was a qualitative improvement in the skill profile of migrant workers. In FY2019, the government offered a special incentive of 2% higher exchange rate to shore up external remittances. The net result of these developments was a substantial surge in the inflow of remittances since FY2018. Several research investigations have indicated that remittances have lowered poverty through several channels and the multiplier effects of remittance inflows are a major contributor to rural transformation and diversified employment and income base for the rural poor.

Expansion of microcredit: New financial instruments based on ICT (mobile banking) are slowly changing the landscape of financial service access to the poor in both rural and urban areas. In the area of micro-credit, rules were developed by the Microcredit Regulatory Authority (MRA) in 2010 to properly supervise MFIs and protect both the borrowers and the lenders. The number of borrowers increased from

20.4 million in FY2015 to 25.76 million in FY2019, while total loans increased by more than double from Taka 634 billion to Taka 1,335 billion over the same periods.

Bangladesh adopted the **National Financial Inclusion Strategy** that will ensure affordable access for all citizens. **Mobile Financial Services** transactions increased by four times during 2014-2020.

Income Inequality

Bangladesh has made impressive progress in increasing GDP growth and reducing poverty. Nevertheless, an important policy challenge that has emerged concerns income inequality. The reduction of income inequality as an important development objective has been emphasized and incorporated specific income inequality reduction targets in the Development Results Framework (DRF). Specifically, the DRF sought to reduce the Gini coefficient of consumption to 0.30 in FY2020 from 0.32 in FY2010 and to contain the Gini coefficient for income inequality at 0.46.

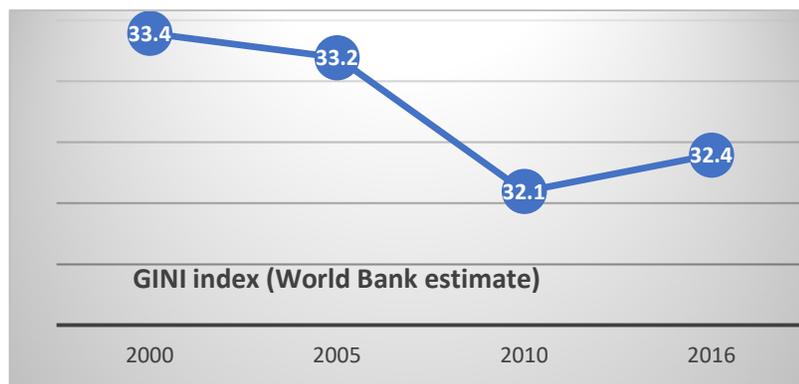
The Government strategy to tackle income inequality included reform of public spending with greater emphasis on health, education, agriculture, rural development; increasing pro-poor growth through an increase in employment, labor productivity and wages, the development of human capital with better access to poor, the expansion of micro-credits and loans to improve the access of the poor to growth, reform of taxes with emphasis on progressive personal income taxation and improved access of the poor to social protection programs.

According to World Bank estimation, the Gini Coefficient has a declining trend since FY 2000. An inclusive growth approach with a widening social protection system in place contribute to this drive. However, it is a stylized fact that income inequality rises initially with fast economic growth and subsequently declines¹.

The latest available HIES data for 2016 shows that the Gini coefficient of consumption has remained unchanged at around 0.32 as in 2010, while the Gini coefficient of income has slightly increased from 0.46 to 0.48.

¹Kuznets Curve Hypothesis postulates that industrializing nations experience a rise and subsequent decline in income inequality. The rise in inequality occurs after rural labor migrates to urban areas and becomes socially mobile. After a certain income level is reached, inequality declines as a welfare state takes hold.

Figure 4: Gini Index



Gender Equality, Social Inclusion and Social Protection

Gender Equality

Bangladesh has earned international recognition for its good performance in enhancing gender empowerment. Having eliminated the gender disparity in primary and secondary education, solid progress has been made in reducing the large gap between male and female students at the tertiary level.

Bangladesh has also advanced well in providing the regulatory framework for the protection of women's rights and privileges. The implementation of the National Women Development Policy (NWDP) 2011 is continued with due attention. Data from LFS 2016-17 shows that progress has been made in increasing the share of females in managerial and professional leadership roles. Political empowerment has been boosted through increased membership in the national parliament.

The 2020 Global Gender Gap Report (GGGR) published by World Economic Forum, records the solid progress made by Bangladesh in reducing the gender gap. The report ranks countries based on their progress towards closing the gender gap across four thematic

With an overall score of 0.726, Bangladesh ranked 50th among 153 countries, ahead of many advanced countries like the USA, Luxembourg, Italy, Korea and Japan and no country other than Bangladesh among seven South Asian countries in the top 100.

dimensions: (i) Economic participation and opportunity, (ii) Educational attainment, (iii) Health and survival, and (iv) Political empowerment. The areas of strength include eliminating the gender gap in eliminating primary and secondary education, in sex ratio at birth and political empowerment.

The GGGR shows that Bangladesh's ranking is low in the area of economic participation and opportunity. The Government is vigilant to address against low female labor force participation rate, wage

discrimination, inadequate representation of women in senior civil service positions and inadequate female managerial jobs in the private sector.

In social empowerment, the Government is committed to the stronger implementation of CEDAW (Convention on the Elimination of All Forms of Discrimination) and other gender-related laws to prevent child marriage, prevent social violence and eliminate all discriminations against the female in social and economic spheres remains a major challenge.

Social Inclusion

Bangladesh takes pride in establishing a social system where there is no legal barrier to progress based on religion, gender, caste and profession. Special attention is also given to ensure the protection of children, the elderly and physically challenged persons.

Considerable progress has been made in the area of child protection. The concept of a Child-Focused Budget has been introduced and is being implemented. The incidence of child malnutrition has reduced significantly. The incidence of child poverty is high and the government has emphasized the implementation of the consolidated Child Benefits Program recommended by the National Social Security Strategy (NSSS).

Social Protection

Bangladesh has a rich history of commitment to social protection. In June 2015 the Government adopted a new National Social Security Strategy (NSSS) to strengthen the poverty impact of the public spending on social protection and to modernize the social security system to address the social security challenges of a middle-income economy. Subsequently, with the assistance of development partners, a formal NSSS Implementation Action Plan was adopted in 2018.

The government strongly responded to the COVID-19 and widened some existing social protection mechanisms and innovated new instruments- that had a significant impact in saving both lives and livelihood. Some Key Social Protection Initiatives were undertaken during COVID-19:

- Expansion of cash allowance program
- Home for the homeless people
- Safety net program for destitute workers
- Enhanced subsidy to agriculture
- Support for farm mechanization
- Free food distribution
- Special honorarium for health workers
- Compensation for the front liners

Structural Change and Economic Transformation

The development strategy emphasized the need to increase the production share of industry and modern services while reducing the dependence on agriculture and informal services. It also continued the emphasis on reducing the gap between rural and urban economies by strengthening the nonfarm sectors of the rural economy.

On the industrial front, most emphases were placed on enhancing the growth of the manufacturing sector to 11.5% during FY2016-2020. Much of this growth was projected to come from the export-oriented manufacturing sector. Additionally, the services sector was projected to grow at 6.5% average growth, supported by substantial increases in the growth of modern services and service exports. While agriculture was expected to grow at a modest rate of 3.3%, the rural economy was expected to undergo important structural changes with expansion in rural non-farm activities in manufacturing, trade, construction, transport and services.

Substantial progress was made in further transforming the production structure. The expansion of the manufacturing sector, growing by an average rate of 12.7%, contributed most to improving the production structure. Owing to this strong growth, its GDP share increased from 19% in FY2015 to 23% in FY2019.

Consequently, the share of industry in total GDP expanded from 29% in FY2015 to 35% in FY2019. The services sector also grew at an average rate of 6.5%, which is a robust performance. Importantly, the composition of the services sector changed in favor of modern services supported by solid growth in activities such as banking, other financial services, organized transport (air, rail, shipping and roads transport), telecommunications, information communications technology (ICT), education and health services.

Table 3: Sectoral Share in GDP (%)

| | Agriculture | Industry | Services |
|----------------|--------------------|-----------------|-----------------|
| FY 1976 | 49.8 | 13.1 | 37.1 |
| FY 1980 | 31.6 | 20.6 | 47.8 |
| FY1990 | 30.3 | 21.5 | 48.3 |
| FY 2000 | 23.8 | 23.3 | 52.9 |
| FY 2010 | 17.8 | 26.1 | 56.1 |
| FY 2015 | 15.5 | 28.2 | 56.4 |
| FY 2019 | 13.3 | 31.2 | 55.5 |

Diversification of Rural Economy

Considerable progress was also made in the diversification of the rural economy. The rural economy had been transforming from a pre-dominantly agriculture-based production structure towards more non-farm-based production activities.

The transformation from cereals to protein-based production

Evidence shows that within agriculture there has been a slow and steady transformation from cereals to protein-based production such as fisheries, livestock, poultry, dairy products, fruits and vegetables and flowers. Importantly, the export-oriented fisheries sector has taken up a big role as a source of farm income in Bangladesh. Thus, the share of fisheries in agricultural value-added expanded from 23% in FY2015 to 26% in FY2019.

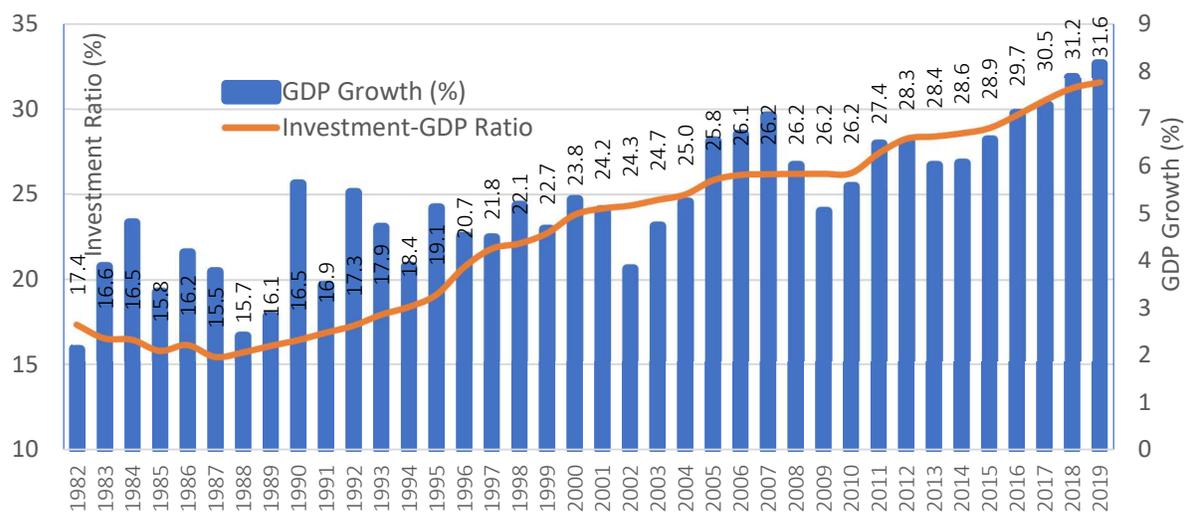
The growth of rural non-farm enterprises is rapidly changing the Bangladesh rural landscape. Non-farm job creation combined with diversification within agriculture and generous inflow of overseas remittance income has created a strong demand base for many rural activities related to rural manufacturing, construction, housing, education, health, trade, transport and ICT.

The availability of electricity and improved rural roads along with better connectivity to rural and urban markets through ICT and transport networks has facilitated this rural transformation.

Progress with Investment

Capital formation was the most important driver of growth. Recognizing the importance of capital formation for growth acceleration, achieving higher investments both in public and private was critical. Substantial progress is visible in the investment-GDP ratio. However, private investment could expand at a faster rate the performances of foreign direct investment (FDI) and investment effort under the public-private partnership (PPP) initiative were as expected. Both FDI and PPP have been given great attention in the 8FYP, with particular attention to improving the investment climate for private investment.

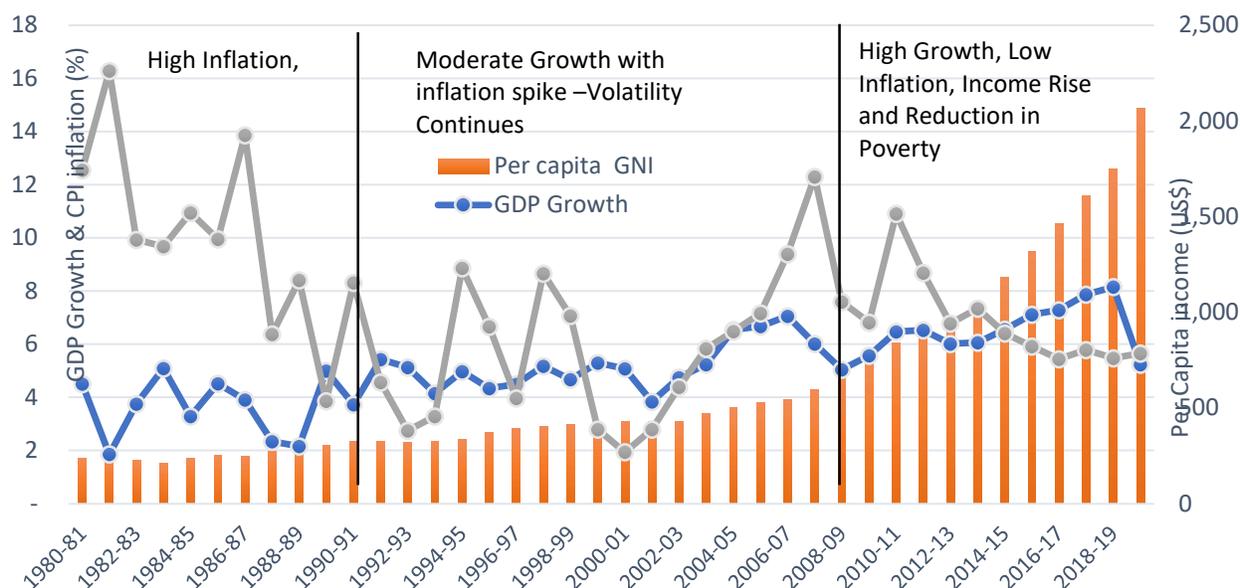
Figure 5: GDP Growth and Investment-GDP Ratio



Bangladesh is on the trajectory of high growth and increased per capita income

Bangladesh's economy is now experiencing an era of high growth, low inflation, increased per capita income, and reduced poverty. Great momentum in the manufacturing sector, mainly driven by the outward-looking market strategy, digitization of the economy, mechanization of agriculture, and promotion of agro-based industries are key strategic policy measures that helped in shifting the workforce toward more value-adding activities and accelerating the structural transformation in the economy. All these successes culminated in achieving the thresholds of LDC graduation for the second time in 2021 with a comfortable margin.

Figure 6: prudent management in international Trade and other parameters in the external economy, contributed to high growth, job creation, poverty reduction and increase in per capita income



EXTERNAL SECTOR MANAGEMENT

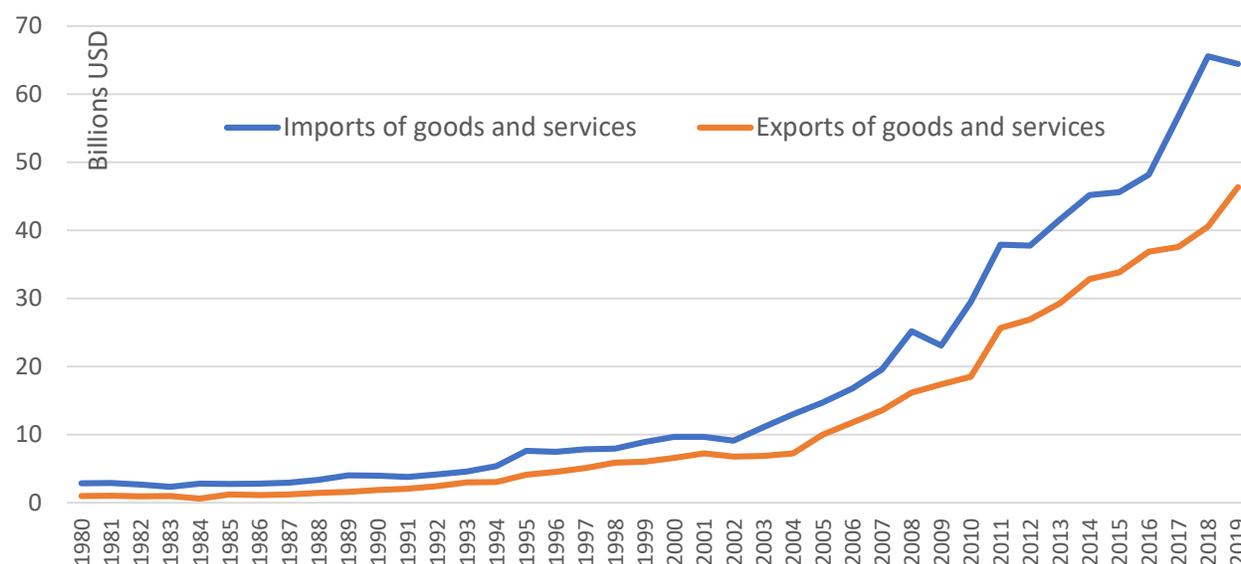
The performance of Bangladesh in the external sector is generally strong in terms of maintaining stability. The current account has been either in surplus or experienced low levels of deficits. The external debt service and external debt to GDP are both low and are at sustainable levels with no pressure on debt repayments.

Remittance inflows are now on a strong footing. The Reserve level is comfortable and the nominal exchange rate has been stable. Importantly, foreign exchange reserves exhibit a record benchmark and crossed US\$ 43.0 billion at the end of Dec 2020.

Since the mid-80s, Bangladesh has been pursuing an export-led growth policy and making the economy more liberal and open. In doing so, tariffs have been reduced gradually; import restrictions on most products have been withdrawn; several incentive packages and innovative mechanisms have been introduced to facilitate exports. All these measures have resulted in an enabling environment for expanding exports. Besides, preferential market access under the Generalized System of Preference (GSP) of various countries has also contributed significantly to the growth of exports of Bangladesh.

To support the boosts, as depicted in the following figure, the imports also increased over the years and the equipment, machinery, and intermediate goods took a greater share in the imports.

Figure 7: Bangladesh International Trade Regime



Debt Sustainability

The external debt remains around 13.2% of GDP and 38% of the total outstanding debt at the end of June 2020. The bulk of the external debt accumulation has been coming through borrowing from bilateral and multilateral development partners which typically includes a higher concessionality element. However, since Bangladesh graduated from the Low-Income Group to the Lower-Middle Income Group in terms of World Bank's classification in 2015, the concessionality element has shown a gradual decline in the last five years and it is expected to decline further in the coming years. Additionally, the economic shock caused by the COVID-19 pandemic also induced additional external debt accumulation in the form of budget support.

Even with these two issues are factored in, external debt indicators are well below the internationally accepted thresholds and expected to remain sustainable in coming years under various shock scenarios. Due to adopting sound macroeconomic policies during the last ten years, our external Debt-to-GDP ratio is still as low as 15.49%.

The Economist recently ranked a list of 66 emerging stable economies according to four measures of financial strengths including public debt as a percentage of GDP, total foreign debt, costs of borrowing and reserve cover. Bangladesh was ranked 9th from the top in the wake of the COVID-19 fallout.

Our external debt servicing is only 10.19% of revenue- showing great sustainability in debt servicing

These indicators show the external debt sustainability of Bangladesh even over the longer-term horizon. Recently, a Debt Sustainability Analysis (DSA) was done jointly by the World Bank-IMF. Despite the entire prevailing current adverse situation, Bangladesh has been assessed at low risk of external and overall debt distress. Even taking into consideration the impact of the COVID-19 pandemic shock in the assessment process, it is found that debt remains at low risk of debt distress. All external debt indicators are below their respective thresholds under the baseline and stress-test scenarios in that DSA. This allows the government to accumulate further debt to finance the required public investment for implementing the 8th Five Year Plan without hampering the debt sustainability.

Table 4: Bangladesh External Debt Stock and Sustainability

| Indicators Financial Years | Foreign Debt to | | Debt Service to | |
|-------------------------------|-----------------|------------------------|-----------------|------------------------|
| | GDP | Export plus Remittance | Revenue | Export plus Remittance |
| 2015-16 | 13.2% | 56.2% | 10.8% | 4.6% |
| 2016-17 | 12.8% | 63.6% | 7.9% | 4.0% |
| 2017-18 | 13.9% | 68.6% | 8.3% | 3.9% |
| 2018-19 | 14.7% | 70.4% | 9.4% | 4.4% |
| 2019-20 | 15.5% | 88.3% | 10.2% | 5.5% |
| Threshold Level | 40% | 150% | 30% | 20% |

The above index analysis specifies that the foreign debt sustainability of Bangladesh is far below the maximum risk limit. It reveals that Bangladesh's foreign debt sustainability is at a satisfactory level. This has also been reflected in the published observations of credit rating institutions such as Moody's Investors Service (Moody's), Standard and Poor's (S&P) and Fitch Ratings. These organizations have placed Bangladesh in the same sovereign debt index in their reports. In this rating list, Moody's, S&P and Fitch have also termed Bangladesh's credit situation stable by providing Ba3, BB- and BB- ratings respectively this year.

Considering the results of DSA, the challenges posed by the LDC graduation of Bangladesh are less likely to impact debt sustainability in the medium to long term.

International Trade Performance

Bangladesh attaches great importance to trade as an engine of growth and development. Trade generates not only income or revenues for businessmen but also creates employment opportunities and other economic activities. The contribution of trade to Bangladesh's economy has been increasing day by day. The Vulnerability Profile of Bangladesh, prepared by UNCTAD, has also recognized it and mentioned that "the trade-to GDP ratio has augmented from an average of nearly 25% in the 1990s to over 40% in the 2010-2019 period".

Increased exports, particularly in the readymade garments (RMG) sector, has created enormous employment opportunities, which in turn contributed significantly to the overall socio-economic development of the country. It may be mentioned that the RMG sector alone accounts for around 85% of the total exports of the country. Surrounding this sector, many backward and forward linkage industries, as well as services, have been developed in the country. Being a labor-intensive sector, it has generated employment opportunities for millions, most of whom are women. So, export has been playing a vital role not only in the socio-economic development of the country but also in meeting the various graduation criteria and indicators.

Export Performance

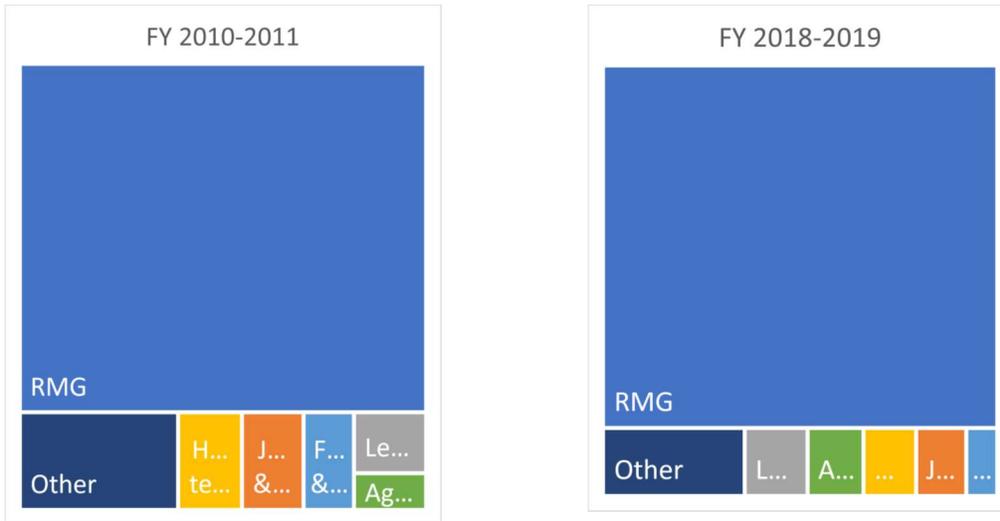
Bangladesh has made remarkable achievements in export performance over the last few decades. While export earning was only US\$ 348 million in FY1972-73, it reached US\$ 40.53 billion in FY2018-19, meaning that export growth is more than 116 times over this period. The Vulnerability Profile has also highlighted the rapid export growth of Bangladesh and termed this growth as “skyrocketed”.

This remarkable progress has been possible partly due to various supports provided by the government and partly due to duty-free & quota-free (DFQF) market access provided by many trading partners around the world. Preferential Rules of Origin (RoO) associated with those schemes have also been very instrumental in making the best utilization of preferential market access.

Export concentration

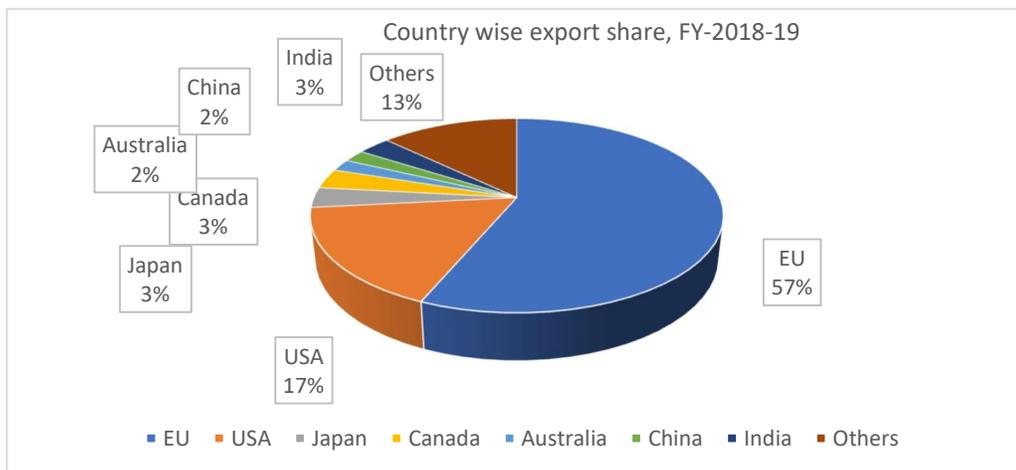
Though the export sector of Bangladesh has made remarkable progress in the last few decades, exports remained heavily concentrated in few products and limited markets. The vulnerability of export concentration is well recognized in the Bangladesh planning landscape. The 8FYP and other perspective plans have given due attention and many measures and policy options have been devised to diversify both products and markets. A blend of skills, finance, improved technology, entrepreneurship, and adequate quality infrastructure is key to the success of the export diversification program.

Figure 8: RMG share in exports rose from 78% in FY 2011 to 84% in FY 2019- showing increased export concentration



This kind of high dependence on few products and limited markets is considered as a source of concern, which is also referred to in the Vulnerability Profile prepared by the UNCTAD.

Figure 9: Exports by destination, 2019



Bangladesh exports are highly skewed to the EU market with a share of around 57% of its total exports. The graph suggests that Bangladesh exports are highly concentrated with developed economies, e.g., with EU, North America and less penetrated in the neighboring developing nations like South Asian Countries.

Figure 10: Bangladesh has a low level of trade partnership in the regional settings



Impacts of COVID-19

Like all the countries around the world, the export sector of the Bangladesh economy has experienced a significant decline due to the COVID-19 pandemic. As may be seen from the export statistics presented below, Bangladesh's export maintained positive growth over the period 2015-16 to 2018-19. However, COVID-19 has severely affected the export of Bangladesh and resulted in a decline of 16.9% in FY 2019-20 compared to the same period of the previous financial year. Such a drastic decline in export was caused due to the closure of economic activities at home and abroad and the sharp decline of global import demands.

Figure 11: Year-wise Export Earnings and Growth, EPB

| Financial Year | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 |
|-----------------------|---------|---------|---------|---------|-----------|
| Export (US\$ Billion) | 34.11 | 34.66 | 36.67 | 40.54 | 33.68 |
| Export Growth | 9.7% | 1.7% | 5.8% | 10.6% | (-) 16.9% |

However, due to timely stimulus packages declared by the government and also due to reviving demands in the global market, exports started to grow gradually. The table below shows the positive trend in the July-Dec period of FY 21.

Table 12: Export growth in July-Dec FY 2021 period

| July-Dec, FY 20 (US\$ million) | July-Dec, FY 21 (US\$ million) | Growth (%) |
|--------------------------------|--------------------------------|------------|
| 19,302.2 | 19,233.5 | -0.36 |

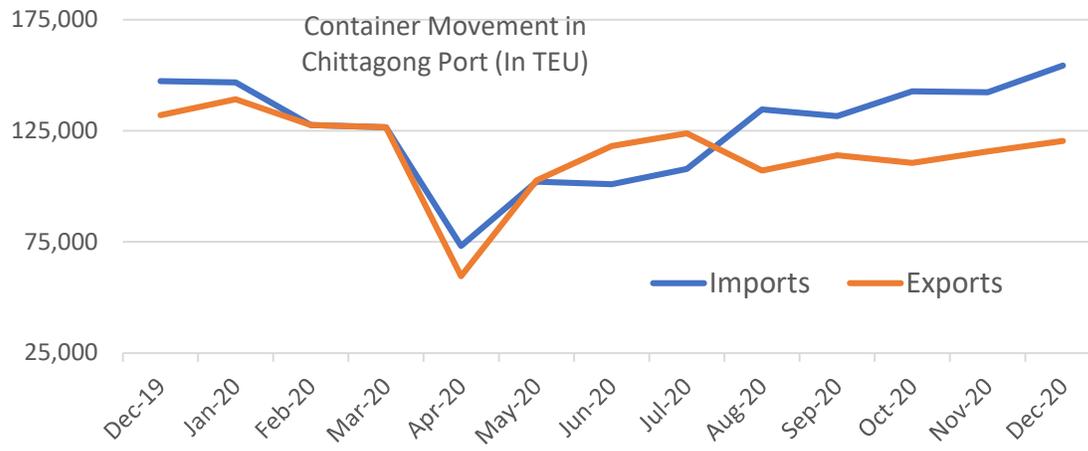
The above table shows that despite the on-going COVID pandemic throughout the world, July-Dec, FY 2021 period could earn almost the same amount of export earnings of July-Dec, FY 20, when there was no pandemic and the situation was quite normal. This is an indication of the strength and recovery of Bangladesh's export sector.

SIGNS OF RECOVERY FROM THE DEVASTATION OF COVID-19

The Government's strategy to combat COVID-19 has always been aimed at striking a careful balance between lives and livelihoods. Our priorities were to minimize mortality and morbidity, secure food supply, and protecting jobs. To reduce the impact of coronavirus fallout, the government has offered 23 stimulus packages of USD14.62 billion which is 4.44% of our GDP. It increased public expenditure and money supply in the economy, widened social safety coverage. Our fiscal policy prioritized funding health and social safety nets, while our monetary and financial policies facilitated adequate liquidity in the banking and monetary system. The government has recently allocated around USD176 million for the distribution of loans to CSMEs to prop up the rural economy.

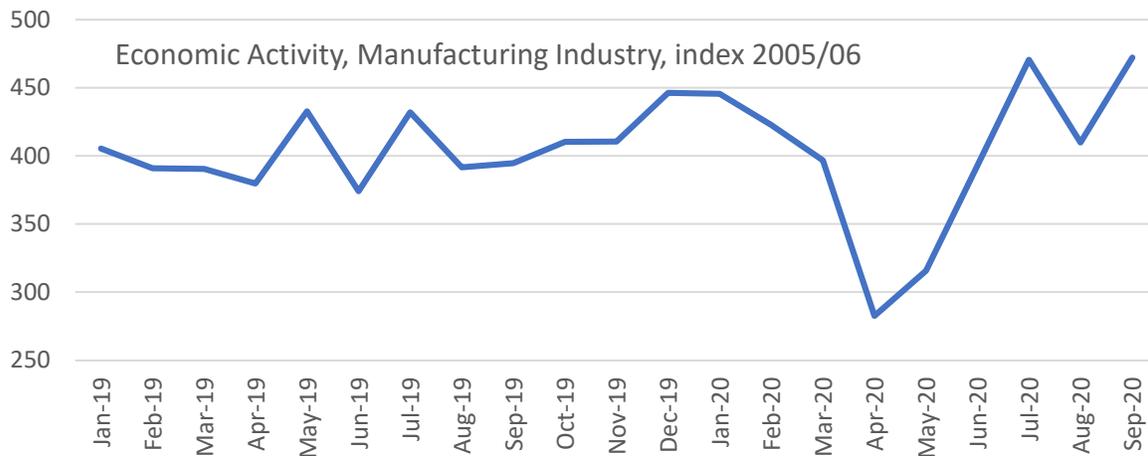
The government's immediate response helped to contain the ravage of COVID-19 and keeping business afloat. From April to June, the last quarter of FY 2020, Bangladesh experienced low business activities due to general holidays, the lockdown of offices and factories, and restrictions on movement. However, there are growing signs of recovery in remittance flow, exports, and revenue mobilization.

Figure 13: Container movement of the main sea-port



Container movement, gas consumption, and manufacturing activities show upward trends indicating a slowly but surely a turnaround towards normalcy.

Figure 14: Manufacturing production index



According to Bloomberg's Resilience Ranking, Bangladesh is considered as one of the safest places on earth to live amid COVID.

KEY CHALLENGES AHEAD

Despite sustained socioeconomic progress, Bangladesh considers challenges toward sustainable graduation due to some exogenous factors.

First, the uncertainty surrounding COVID-19 and showing great endurance across the world, especially in Europe and North America with a greater intensity have potential threats on export earnings and remittance inflows.

Second, Bangladesh is the worst but passive victim of climate change.

Third, the loss of trade-related ISMs (International Support Measures) may pose a great challenge in the post-graduation phase unless timely appropriate policy measures with the support of Development and Trading Partners are not taken.

STRATEGIES TO ADDRESSES THE CHALLENGES

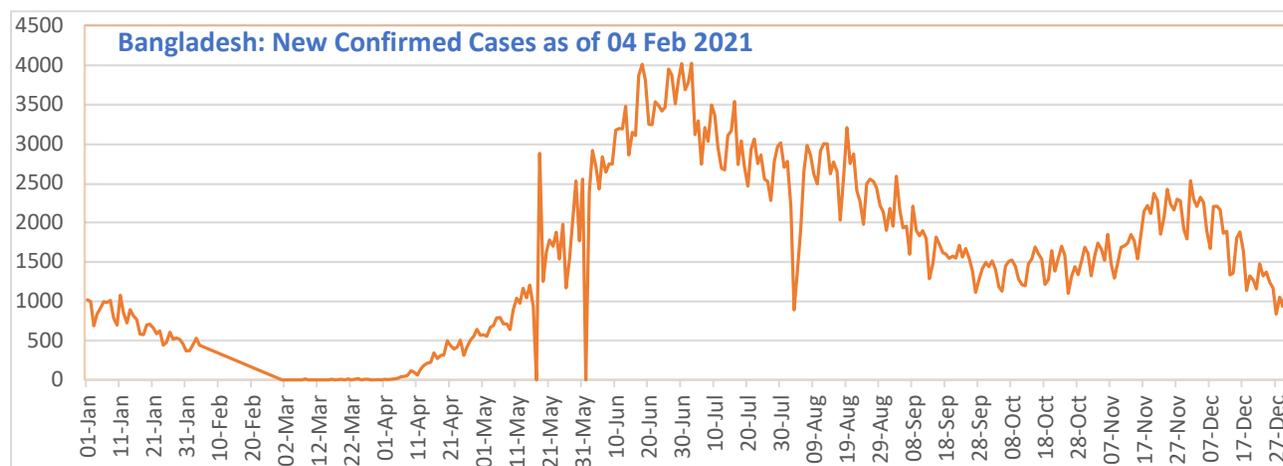
Bangladesh has identified some strategies to address these key challenges for sustainable graduation with momentum. The detailed strategy and action plan will be defined based on evidence-based studies while Bangladesh prepares its Transition Strategy engaging all key stakeholders including the UN system, development and trading partners, private sector, CSOs, NGOs, academicians.

Recovering from COVID-19 and Strategy

Multipronged strategies have been designed to address the ongoing challenges of COVID-19. The pace of recovering from COVID-19 will largely depend on two important factors; first, the availability of affordable vaccines and second, the normalcy of global economic dynamics, especially the demand for goods and services. The stability of our external economy is strongly linked with global oil prices- as the demand for migrant workers from Bangladesh is critically impacted in the Middle Eastern Countries where most of our hardworking young employees are hired. As it is evident that Bangladesh's real sector, fiscal and monetary management responded to Government's stimulus packages and many innovative social protection measures devised to save lives and livelihoods were successful. The signs of recovery are also visible in the economy.

However, the exogenous shocks emanating from external economies demand careful attention as the COVID-19, though it is contained in Bangladesh, is still impacting greatly with different variants in the economies that have a strong partnership with Bangladesh in terms of trade of job absorption.

Figure 15: A declining trend of new COVID cases



The government has undertaken various fiscal and monetary measures; some are in response to immediate supports and some have medium- and longer-term implications. The 8FYP spanning over FY2021 through FY 2025 has great implications for both COVID recovery and sustainable graduation from the LDC status. These two challenges were overwhelming to address as crossing cutting issues in all sector development strategies of the 8FYP.

The government facilitated many dialogues with the private sector to find the demand-driven strategy for the private sector recovery. Series of dialogues and focus group discussions held with key trade bodies, particularly the RMG, Pharmaceuticals, Leather. Due to the uncertainty of the COVID-19 and its significant impact on the global trade, jobs and supply chain, these sectors are strongly in favor of adopting the strategy to continue the ISMs for a certain period and extend the preparatory period for graduation.

Bangladesh requires a two-year additional preparatory period

Considering the uncertainty surrounding COVID across the world, Bangladesh has requested CDP for allowing two additional years in addition to the three-year standard Preparatory Period. In that case, Bangladesh's graduation will be effective in 2026 instead of 2024 - giving a leeway especially to the Private Sector to address two challenges- first, recovering from COVID, and second, preparing to cope with the challenges beyond graduation.

Bangladesh's internal economic dynamics are not enough to restore the expected growth and development momentum. The longer Preparatory Period of five-year will ease the graduation with the necessary momentum. On the other hand, the 8th Five Year Plan, spanning over FY 2021-2025, puts great emphasis on improving the business climate, supporting productivity, attracting FDI, diversifying export baskets

and destinations, and boosting overall private sector-led growth. The five-year Preparatory Period will be highly instrumental to the successful implementation of the 8th FYP and improve the readiness of the private sector. Besides, the extended preparatory period will reinforce the implementation of SDGs by 2030.

During the preparatory period, Bangladesh plans to adopt the whole-of-society approach in preparing the Smooth Transition Strategy engaging all stakeholders- Development Partners including UN System, Trading Partners, Private Sector, Think Tanks, NGOs and CSOs. Therefore, Bangladesh anticipates that CDP would:

- recommend Bangladesh for graduation from the LDC category considering its socioeconomic performance, continued resilience, and comfortably meeting the CDP's criteria;
- recommend two more additional years in addition to the three-year Standard Preparatory Period, which means Bangladesh's graduation shall become effective in 2026.

Enhancing Resilience to Climate Change

Climate financing

Climate financing is the key to success in enhancing resilience to climate change. Climate finance includes climate-specific support mechanisms; and financial aid for mitigation and adaptation activities to spur and enable the transition towards low-carbon, climate-resilient growth and development through capacity building, R&D and economic development. In Bangladesh, climate change-related finance is mostly accessed by the following channels:

Least Developed Countries Fund (LDCF) under the UNFCCC

The Least Developed Countries Fund (LDCF) was established in 2001 to support the LDC work programmer under the UN Framework Convention on Climate Change (UNFCCC), including the preparation and implementation of national adaptation programs of actions (NAPAs). It is operated by the Global Environment Facility (GEF). The Ministry of Environment, Forest and Climate Change (MOEFCC) is the focal ministry of Bangladesh to UNFCCC. Bangladesh has so far received a total amount of USD 34.41 million grant under 7 projects.

Adaptation Fund (AF)

The Adaptation Fund was established under the Kyoto Protocol of the UNFCCC. Since 2010, it has committed US\$ 720 million to climate adaptation and resilience activities, including supporting 100 concrete adaptation projects. Bangladesh has received USD 9.995 million under AF.

Green Climate Fund (GCF)

The Green Climate Fund (GCF) is a fund within the framework of the UNFCCC founded as a mechanism to assist developing countries in adaptation and mitigation practices to counter climate change. Bangladesh has received USD 291.74 million under GCF.

Addressing concern over Coal-Fired Power Generation

The government is committed to bringing every household under electricity coverage. To achieve the objective of supplying quality electricity for all by 2021 at a reasonable cost, the government has already formulated an integrated development plan, medium and long term, for the generation, transmission and distribution of electricity. 'Power System Master Plan (PSMP)-2016 has been formulated by updating the previous plan. Under the master plan, the government has been working to achieve the targets of generating electricity of 24000 MW, 40000 MW and 60000 MW within 2021, 2030 and 2041 respectively. To overcome the problems of a gas shortage, the government is implementing new plants to generate power using coal, nuclear and renewable energy.

At present, the power generation capacity (including captive and renewable) is 21,787 MW and the construction of 48 power stations with a capacity of more than 16,875 MW is under process. At present 628 MW of power are being generated from renewable energy sources. A target has been set to generate, at least 10 percent of total power generation from a renewable source by 2030. To achieve the target, initiatives have been taken to establish solar panels on the roof-top of every school.

Bangladesh is on the pathway to go for generating clean energy and already in the process to install Rooppur Nuclear Power Plant with a capacity amounting to 2400 MW. Bangladesh has also undertaken Renewable Energy Policy 2008. Energy Efficiency and Conservation Master Plan up to 2030 enacted in 2016 that will reduce dependence on coal for power generation. To promote green technology, Bangladesh Bank established a refinance scheme for supporting environment-friendly technology such as solar energy, biogas plants, and effluent treatment plants (ETP).

According to clause 12(1) of the Environmental Conservation Act, 1995 (Amended 2010), all red category industry/projects including coal-fired power generation projects have to obtain environmental clearance from the Department of Environment (DoE). As part of the environmental clearance process, DoE has approved the Environmental Impact Assessment (EIA) of few coal-fired power generation projects suggesting the following mitigation and precautionary measures to control environmental pollution: i) use of most modern ultra-supercritical technology; ii) online monitoring system; iii) Closed-Loop Cycle System; iv) installation of Effluent Treatment Plant (ETP) & reuse of treated water; and v) air pollution mitigation measures including- (a) Flue-gas Desulfurization (FGD) technology (b) advanced

low NOx burner technology (c) electro-static precipitation technology and (d) use of high-quality coal (sulfur content is less than 1%).

Renewable energy

Power Division, Ministry of Power, Energy and Mineral Resources prepared Renewable Energy Policy of Bangladesh in 2008. The main objectives of this policy are to achieve the targets for developing renewable energy resources to meet 5% of the total power demand by 2015 and 10% by 2020.

Energy Efficiency and Conservation Master Plan up to 2030 has been formulated in 2016. Under this plan, the government aims to lower energy intensity in 2030 by 20% compared to the 2013 level. The total installed capacity of renewable energy is 716.67 MW (Off Grid 349.18 MW and on-Grid 367.5 MW).

Infrastructure Development Company Limited (IDCOL), Rural Electrification Board (REB), Local Government Engineering Department (LGED), Power Development Board (BPDB), NGOs and Private Organizations are implementing solar energy programs in Bangladesh. So far, 6.02 million Solar Home Systems have already been installed in the country (as of 14 Jan 2021, SREDA). More than 4.5 million improved cookstoves (ICS) have already been distributed to rural households to reduce emissions from biomass burning.

The Government has taken 19 solar power projects of a total of 1070 MW capacity which got the Prime Minister's approval in principle as part of its plan to generate 10 percent electricity from renewable energy sources. The Government has envisioned achieving 500 MW solar power developments in Bangladesh with domestic and external financing. Several utility-scale solar PV parks have been proposed in Bangladesh: 200 MW Teknaf Solar Park, 50 MW Sutiakhali, Mymensing Solar Park and 32 MW Sunamganj Solar Park. The tendering process for establishing 180 MW wind energy in different parts of the country is undergoing.

The Department of Environment under the Ministry of Environment, Forest and Climate Change also took initiatives for renewable energy through different Clean Development Mechanism (CDM) projects.

Delta Plan 2100

The Bangladesh Delta Plan (BDP) 2100 is a long-term integrated technical and economic mega plan that integrates all delta-related sector plans and policies, enveloping a Delta Vision and strategies. The plan will make it possible to integrate sector plans and policies for the long term and to present actionable interventions with a roadmap for realization. The government of Bangladesh has approved the Delta Plan

2100 on 4 September 2018, to secure the future of water resources and mitigate the likely effects of climate change and natural disasters.

The plan will pave the way for changes and necessary intervention to make the Bangladesh Delta safe by the end of the 21st Century. From an integrated, comprehensive and long-term perspective, the Delta Vision plan aims to *achieve a safe, climate-resilient and prosperous delta*.

Coping with the loss of trade-related ISMs after the graduation from the LDC category

Bangladesh has been very successful in utilizing LDC-specific trade-related ISMs, particularly duty-free & quota-free (DFQF) market access, preferential Rules of Origin, flexibilities under the Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement of the WTO, and export subsidies in the form of cash incentives under the Subsidies and Countervailing Measures (SCM) Agreement of the WTO. Though there are many LDC-specific ISMs, Bangladesh has been making substantial utilization of the mentioned ISMs.

According to the WTO report 2020, Bangladesh is the highest user of trade-related ISMs, especially the preferential market access including duty-free quota-free market access, preferential rules of origin, TRIPS exemptions, and export subsidies. According to the WTO report 2020, Bangladesh's utilization of DFQF is 71%, which is well above the second-highest utilization of 25%.

The success of the Pharmaceutical industry confirms that Bangladesh has utilized TRIPS flexibilities very effectively. The industry meets 98% of the local demands at a very affordable price. Besides, Bangladesh exports pharmaceutical products to more than 100 countries, including many LDCs that have no production capacities of pharmaceuticals. Bangladesh Pharmaceutical industry, thus, significantly contributing to local as well as global public health with affordable and quality medicine.

So, there will be some implications and challenges in the absence of these ISMs after graduation.

To cope with the probable impacts of graduation, the Government has been implementing various actions and strategies. Many other strategies are included in the plans of relevant Ministries and organizations. The 8th Five Year Plan has also incorporated various measures in this regard. On-going actions or planned ones are at both domestic and international levels. Important actions may be broadly mentioned in the following way:

Domestic level intervention

- Formulating an appropriate smooth transition strategy involving all the stakeholders, including the private sector, CSOs, development & trading partners;
- Incorporating graduation priorities into national development plans;

- Enhancing competitiveness through increased productivity and reducing the cost of production & doing business;
- Improving ease of doing business through removing domestic constraints and challenges, such as simplifications of rules and procedures, for reducing the cost of doing business;
- Diversifying exports in terms of both products and markets;
- Enhancing capacity to fulfill stringent rules of origin criteria by expanding backward and forward linkage industries;
- Enhancing the capacity of all sorts of compliances, including environmental compliances;
- Developing skilled human resources for all levels of business and production;
- Upgrading technologies;
- Reducing the lead time of exports;
- The designing appropriate policy supports consistent with the WTO rules for the post-graduation situation;
- Attracting more FDI in various potential sectors;
- Making rules & regulations WTO consistent;
- Strengthening Trade-Investment Nexus;
- Strengthening participation in Global Value Chain;
- Improving trade-related infrastructures and services, including transport and port facilities, which will contribute to enhancing competitiveness – Bangladesh is currently implementing various megaprojects towards this end;
- Enhancing overall trade-related capacity, including negotiating capacity.

From the International level

- Pursuing for an extended preparatory period of five years, which will allow the continuation of all ISMs, for additional two years;
- Pursuing for the continuation of the trade-related International Support Measures (ISMs) for a certain year after graduation. The LDC Group of the WTO has already submitted three proposals in this regard. Bangladesh along with the LDC Group will pursue the successful adoption of these proposals. At the same time, Bangladesh will remain engaged with the major trading partners for ensuring the continuation of their DFQF schemes for certain years after graduation. Bangladesh is now engaged with the EU-GSP revision process to have favorable provisions in the revised GSP scheme;
- Putting efforts for creating new market access opportunities through concluding Free Trade Agreement (FTA), Preferential Trade Agreement (PTA), EU GSP+, etc.;
- Strengthening collaboration with the development partners, particularly for enhancing the productive and trade-related capacity of the country.

Strategies to continue ISMs beyond graduation for ensuring sustainable development

Increasing regional trade

The government is actively pursuing the signing of a new PTA and exploring opportunities for free trade agreements with potential trading partners that will be conducive to the expansion of Bangladesh's export

market and facilitate the availability of raw materials & finished products for the local market. The first bilateral PTA has been concluded with Bhutan on 6th December 2020 to boost bilateral trade between the two countries. Negotiations for bilateral PTA with Nepal and Sri Lanka are also at an advanced stage. Initiatives are also underway to conclude PTA, FTA and CEPA with more than 10 countries.

Various initiatives, negotiations and projects are underway for enhancing connectivity with the neighboring countries, which will also contribute to increasing regional trade.

Engaging at bilateral, regional and multilateral levels

As a founding member of the WTO, Bangladesh has been actively participating in all WTO activities, including negotiations. Bangladesh served as the Coordinator of the LDC Group of the WTO several times. In addition to formal Coordinator, Bangladesh has always been playing a leading role in the group. Currently, Bangladesh is acting as the Focal Point on LDC Graduation issues in the LDC Group of the WTO and has played a key role in submitting proposals for the continuation of the trade-related ISMs after graduation. Bangladesh remains actively engaged in pursuing the adoption of the proposals.

Bangladesh has also initiated discussions/negotiations with several potential trading partners for concluding PTA, FTA, CEPA, etc for creating new market access opportunities. At the same time, Bangladesh also remains engaged with the trading partners for continuing their duty-free & quota-free (DFQF) schemes after graduation. The EU is in the process of their current GSP scheme, which will expire on 31 December 2023 and a new scheme will be in place from 01 January 2024. Bangladesh is actively engaged with the EU GSP revision process to have favorable provisions in the new scheme particularly about a longer transition period and favorable conditions for the eligibility of GSP+.

The concerned ministries and organizations are actively working in collaboration with Bangladesh Missions in Geneva, New York, Brussels, London, Paris and other major capitals for pursuing the issue of continuation of the ISMs for an extended period after the graduation.

Engaging with the LDC Group in the WTO

Bangladesh has been actively engaged with the LDC Group of the WTO. Bangladesh served as the Coordinator of LDC Group Coordinator several times. In addition to formal Coordinator, Bangladesh has always been playing a leading role in the group. Currently, Bangladesh is acting as the Focal Point on LDC Graduation issues in the LDC Group of the WTO and has played a key role in submitting proposals for the continuation of the trade-related ISMs after graduation.

So far three submissions have been made by the LDC Group on the continuation of ISMs after graduation, which is as follows:

- (i) For further extending the General Transition Period under Article 66.1 of the TRIPS Agreement of the WTO – the current transition period is going to expire on 01 July 2021. In this submission, the proposal has been made to extend the transition period for the graduating LDCs for 12 years after the graduation²;
- (ii) For extending all the LDC-specific facilities & flexibilities for the graduating LDCs for 12 years after the graduation³;
- (iii) For including graduating LDCs with GNP per capita below US\$ 1,000 (in 1990 constant dollar) in Annex VII (b) of the Subsidies and Countervailing Measures (SCM) Agreement of the WTO, which will allow annexed countries to provide export subsidies, such as cash incentives even after the graduation⁴.

It may be mentioned that the Permanent Mission of Bangladesh in Geneva has played a key role in developing the draft texts as the focal point for LDC Graduation within the LDC group. Bangladesh remains actively engaged with the LDC Group as well as with the WTO membership in pursuing the adoption of the above proposals.

[Participating in international events, such as the 12th WTO Ministerial Conference and UNCTAD-15](#)

Bangladesh always participates in the WTO Ministerial Conferences and UNCTAD Conferences with high-powered delegations, and pursue issues of interests to Bangladesh as well as to the LDC Group. It is expected that Bangladesh will participate in the upcoming 12th WTO Ministerial Conference scheduled to be held possibly in June 2021 in Kazakhstan and the UNCTAD-15 to be held in Barbados in October 2021.

These two events are especially important for Bangladesh in the context of graduation from the LDC category. Among other issues, Bangladesh will strongly pursue the adoption of the submissions made by the LDC Group for the continuation of trade-related ISMs after graduation.

[Ensuring Coordination for Smooth and Sustainable Graduation](#)

Bangladesh has already adopted the whole of the society approach for smooth and sustainable graduation. A National Task Force (NTF) has been established in 2018 to ensure effective coordination among the stakeholders. The Principal Coordinator (SDGs Affairs) chairs the NTF, while the secretaries of key Ministries/Divisions act as the member of this high-powered task force. Recently, the President of the Federation of Bangladesh Chamber of Commerce and Industries has been coopted in NTF to ensure effective engagement of the private sector in sustainable graduation. A project titled **Support to Sustainable Graduation Project** is being implemented by Economic Relations Division, Ministry of

²IP/C/W/668

³WT/GC/W/807

⁴WT/GC/W/742

Finance to support the whole process of graduation. Bangladesh would start early preparing the smooth transition strategy in close consultations with all stakeholders including UN System and, development and trading partners. Bangladesh would require multi-pronged and concerted efforts for ensuring continued support during and after graduation from our development and trading partners.

The Government will develop a common strategy in close consultations with the multilateral missions in New York, Geneva and Brussels to actively pursue the country's interest at their end. Bangladesh foreign missions are vigilant and constantly in touch with the National Task Force and ERD to seize any opportunities offered there. It is equally important to remain engaged with key bilateral trading partners such as the EU, USA, Japan, UK, Australia, Canada, Turkey, etc. The support of these partners is critical to move forward any negotiations on LDC specific support measures for graduated countries not only in bilateral context but also multilaterally.

DEVELOPMENT COOPERATION IS INSTRUMENTAL TO SUSTAINABLE GRADUATION WITH MOMENTUM

During the pre-and post-graduation phase, Bangladesh requires intense supports from the International Community for achieving smart graduation- smooth and sustainable graduation with momentum.

First, an extended preparatory period of two more years will give us the flexibility to recover from COVID-19 and restore human health and businesses over a longer period. The continuation of ISMs for twelve years after graduation, as proposed by the LDC Group of the WTO, will complement our efforts towards gaining momentum. An extended transition period beyond graduation will allow bringing meaningful changes to its people through pursuing the right path and pace of structural transformation, adapting to the right technology to bolster its productivity, building better resilience to its economy and fighting against fast-evolving climate change vulnerabilities. This will also help to achieve the SDGs and avoiding the Middle-Income Country Trap. Bangladesh would like to call upon the UN System to strongly advocate the global community for adopting the WTO-LDC group submissions to this end.

Second, managing climate change successfully is the precondition to sustain our development. Large investments will be required from the international community to complement our domestic resources. For example, we need USD 37 billion by 2030 to implement 80 climate change projects under the Delta Plan 2100.

Third, the ever-growing development financing gap for the private and public sectors is the key constraining factor. The private sector is the engine of growth. Development Partners need to come forward to enhance private sector engagement through effective development cooperation for creating quality jobs, bringing innovations, transferring technology, and adapting with the ensuing Fourth Industrial Revolution. At the same time, scaling up development financing at affordable cost is required

for infrastructure development, transformational private sector development, facilitation of growth and productivity, improving ease of doing of business.

Finally, Bangladesh is deeply concerned and has been incurring huge environmental, social, and economic costs because of the 1.1 million Forcibly Displaced Myanmar Nationals (FDMN) that have taken shelter in Bangladesh. Bangladesh today hosts the largest number of forcefully displaced Rohingya from Myanmar. Unlike many others, Bangladesh responded to the genocide and humanitarian crisis and welcomed more than a million of FDMNs with the warmest of hearts and deepest empathy for human suffering. Bangladesh should not suffer just because we responded to the cause of humanity and following the international norms.

Bangladesh always extends its sincere gratitude to the international community for its relentless humanitarian support for the FDMN since the exodus in 2017. We solicit that this support must continue until any durable solution to the protracted Rohingya crisis is reached. Besides, we are also thankful for the engagement of the international community to ensure accountability and justice for the unfortunate Rohingya population.

Bangladesh urges the international community to remain seized with the issue for a viable resolution through sustainable repatriation. Safe and speedy repatriation of the Forcibly Displaced Myanmar Nationals with dignity is the only solution.

CONCLUSION

Smart graduation attributes smoothness and sustainability in graduation with visible momentum. Bangladesh is an early starter to prepare for Graduation and moving with steadfast determination to achieve the goal. Bangladesh is graduating at a time when it is implementing SDGs, celebrating 50 years of its independence, celebrating the birth centenary of the Father of the Nation. Bangladesh has aligned its aspirations of Graduation from LDC status to the broader development goals of achieving the global Agenda 2030 and the Vision 2041.

New hopes are emerging against the uncertainty over the COVID-19 pandemic- many vaccines from different parts of the world are already in the market and expected to be distributed at an affordable cost soon to all. The hope spurred confidence of the consumers and businesses and the global economy seems to respond to stimulus packages. With a comfortable position against the Graduation thresholds, Bangladesh is marching ahead for smart graduation- smooth and sustainable graduation with momentum to fulfill the dream of the Father Nation Bangabandhu Sheikh Mujibur Rahman for hunger and poverty-free, prosperous developed Bangladesh.