



## Training on LDC GRADUATION AND ITS IMPLICATIONS FOR BANGLADESH



Organized by  
Support to Sustainable Graduation Project (SSGP)  
Economic Relations Division  
Ministry of Finance  
Government of Bangladesh

**Training on**  
**LDC GRADUATION AND ITS IMPLICATIONS FOR BANGLADESH**  
*Organized by the Support to Sustainable Graduation Project, Economic Relations Division*

**Date & Venue: 08 May 2023; NEC-II Conference Room, ERD**

A training program for the officials of Economic Relations Division (ERD) titled 'LDC Graduation and its Implications for Bangladesh' was organized by the Support to Sustainable Graduation Project (SSGP) of ERD on 08 May 2023. Member (Secretary to the Government) of the Planning Commission Mr. Abdul Baki attended the event as the Chief Guest, while Additional Secretary and Wing Chief of the World Bank Wing of ERD Mr. Md. Shahriar Kader Siddiky remained present as the Special Guest. Additional Secretary and Wing Chief of the Development Effectiveness Wing of ERD Mr. Farid Aziz chaired the program.

Major feedbacks, observations and recommendations of the event are documented below:

**Welcome Remarks by the Chair: Mr. Farid Aziz, Additional Secretary and PD, SSGP, ERD**

The chair, in his welcome remarks, recalled that ERD is the main coordinating body of the government regarding the LDC graduation issues. He recalled that ERD would play a very instrumental role in the formulation of the Smooth Transition Strategy (STS) in the context of the country's LDC graduation.

Against this backdrop, he said that the officials working at ERD should have comprehensive knowledge about the LDC Graduation issues. Consequently, he mentioned that the training program had been organized to sensitize the government officials about the process, challenges, and opportunities of graduation and to make them proficient in contributing policy formulation on the matters concerning graduation.

**Session-1: LDC Graduation: Concept and Context: Moderated by Dr. Md. Rezaul Bashar Siddique, Joint Secretary (CM-2), SSGP**

Dr. Md. Rezaul Bashar Siddique, in his presentation, explained the background of the formation of LDC category. He highlighted the Program of Actions that had been adopted at the global level for the LDCs over the last few decades. He presented some key socioeconomic facts about the LDCs. Afterwards, he explained the LDC inclusion and graduation criteria and process. Later, he went on to explain Bangladesh's graduation path through a detailed timeline. Dr. Siddique also explained, in detail, the difference between LDC graduation and Middle-Income Country status. He provided an overview of the International Support Measures (ISMs) provided to LDCs.

**Session-2: Implications of LDC Graduation: Moderated by Mr. Nesar Ahmed, International Trade Expert, SSGP**

In the beginning of his presentation, Mr. Nesar Ahmed highlighted some opportunities that would be created through LDC graduation. Reflecting on the challenges, he pointed out that it would be

caused mainly due to the termination of the LDC-specific International Support Measures (ISMs) which can be grouped into three main categories:

- International trade-related supports
- Development assistance
- General support and other forms of assistance

Later, he explained, in detail, the key features of the trade-related ISMs such as Preferential market access (including Duty-free & quota-free market access); Preferential Rules of Origin (RoO); and Special & Differential Treatments (S&DTs) in the WTO system. He also highlighted on the major impacts of the loss of such ISMs after LDC graduation which include:

- Termination of the DFQF market access in 2026 in all export destinations except EU (DFQF will continue until 2029 in EU and UK)
- Raising of tariff (Customs duty) by around 9 percent on an average
- Double-stage transformation for RMG and 50 percent value addition for other goods under stringent RoO
- Withdrawal of cash incentives

Mr. Ahmed also explained the provisions of TRIPS related flexibilities enjoyed by the LDCs. He observed that Bangladesh's pharmaceuticals industry is currently able to meet 98 percent of the local demands at an affordable price due to TRIPS related flexibilities. However, he also pointed out that the price of pharmaceuticals would increase after the graduation as patent protection would become mandatory.

Lastly, he put forward the following recommendations for coping with the challenges of LDC graduation:

- Pursuing for continuation of all ISMs for a certain period beyond the graduation
- Pursuing for EU GSP+, etc.
- Creating new market access through FTA and similar trade agreements
- Enhancing competitiveness
  - Increasing productivity and reducing cost of doing business
  - Improving logistics and trade facilitation measures
  - Adopting new technologies
  - Developing human and institutional capacity
- Strengthening IP regime, particularly enforcement mechanism
- Formulating and implementing an effective Smooth Transition Strategy (STS)

### **Session-3: Leveraging LDC Graduation for Avoiding Middle-Income Trap: Moderated by Mr. Anwar Hossain, Joint Secretary (CM-1), SSGP**

In the beginning, Mr. Md. Anwar Hossain explained the concept of the 'Middle Income Trap'. Focusing on various stages of structural transformation, he observed that Bangladesh needs large investments for capital, technology and human development to move up further. He also highlighted the key challenges and risks associated with the Middle-Income Trap which included:

- Large technology and productivity gaps with advanced countries
- Rising wages
- Imbalances in the sources of growth

- Rising income inequality
- Resource constraints and environmental degradation
- A challenging external economic environment

He also pointed out some common features of successful economies that escaped the Middle-Income Trap. These included:

- Equitable Income Distribution
- Strong Export Focus
- Commercialization of Agriculture
- Education and Skills
- Move toward high value adding products
- Demographic Dividend
- High Investment
- Effective Coordination

Consequently, he identified some key policy experiences for avoiding the Middle-Income Trap. These were:

1. Move from a low-cost to a high-value economy
2. Supporting innovation and industrial upgrading
3. Deepening structural reform
4. Fiscal reform
5. Expanding services and scaling up urbanization
6. Reducing income inequality
7. Promoting green growth
8. Maintaining macroeconomic and financial stability
9. Strengthening international and regional economic cooperation

Lastly, he said that ERD officials should emphasize the exploration of competitive sources of financing and ensuring better utilization of funds as the country moves towards a higher echelon.

### Q & A Session

- It was queried that whether a country has to go through any formal application process to qualify for a higher category within the income criterion. Responding to this, it was informed that there is no provision for formal application to qualify for a higher category within the income criterion.
- Participants also queried that what is the mode of interoperability between the UN classification and World Bank classification. In response, it was informed that there is no mode of interoperability between the UN classification and the World Bank classification. It was also explained that the LDC group had been formed by the United Nations to facilitate the development of the world's most socioeconomically vulnerable countries. It was further explained that the World Bank classification, which, is based on the income criterion, is used on the other hand for setting the eligibility criteria and conditionalities for its borrowing countries and to make necessary lending decisions.
- It was queried that whether a country can opt to defer its LDC graduation. In response, it was informed that the Committee for Development Policy (CDP) the United Nations is responsible

for recommending a country for LDC graduation along with a preparatory period that it considers adequate. However, it was also informed that CDP consults with the government of a particular LDC regarding graduation and the subsequent preparatory period before recommending it for graduation.

- It was also queried that whether Bangladesh would defer its LDC graduation to gain additional preparatory period. In response, it was explained that deferring the LDC graduation of Bangladesh would be a political decision to be taken by the government.
- Participants also queried that whether the provision for subsidies would have to be withdrawn immediately after the country's graduation in 2026. In response, it was informed that the provision for subsidies would have to be withdrawn immediately after the country's graduation in 2026. However, it was also recalled that Bangladesh along with other members of the WTO LDC group had sought continuation of all the existing trade facilities for an extended period after their LDC graduation. In this context, it was informed that the country will be able to continue to provide export subsidies for non-agricultural products for a certain period after LDC graduation if this proposal gets endorsed. It was further informed that Bangladesh would be able to continue to provide export subsidies for a certain period if the country could be listed in the developing country list in the Annex VII of the SCM Agreement.
- It was also queried that how the country should prepare its backward and forward linkage industries to prepare its RMG sector for double stage transformation and increased value addition. In response, it was informed that Bangladesh has already been able to increase its value addition in knit garments sector. However, measures should be taken to replicate the same level of success in woven garments sector.
- Participants also observed that the withdrawal of subsidies would lead to the loss of industry incentives which would consequently have negative impact on wage, employment, poverty and equality. In this context, it was observed that prudent measures should be taken to mitigate such negative impacts. Participants also observed that there should be a timebound action plan for utilizing the preparatory period. They also queried that whether the United Nations or other global entities are providing any additional waiver or facility for the graduating LDCs in light of the recent COVID-19 pandemic apart from an additional preparatory period of two years.
- Observing that Bangladesh's export market is highly concentrated in the European Union, it was queried that whether the government should look to sign Free Trade Agreements (FTAs) with the EU in the after the withdrawal of EBA facilities. In response, it was observed that Bangladesh might have to opt for signing FTAs with the European Union if the country could not avail the GSP+ scheme from the EU after the expiry of EBA facilities. It was also informed that Bangladesh is currently in talks with various countries for signing FTAs.
- Participants also queried that what is the process of calculating Human Assets Index (HAI) and Economic and Environmental Vulnerability Index (EVI). In response, it was informed that HAI and EVI is calculated following the max min methos. It was further informed that the detailed method of this calculation can be found in LDC Handbook published by the UNCDP.
- Participants also queried that whether Bangladesh had ratified all the international conventions that must be ratified to avail GSP+. In response, it was informed that Bangladesh had ratified all the 32 international conventions that must be ratified to avail the GSP+ facilities. However, it was also pointed out that countries availing GSP+ facilities would be subject to rigorous monitoring by the EU regarding the enforcement of the aforementioned international conventions. In this context, it was observed that proper enforcement of those international conventions would be crucial for Bangladesh to avail GSP+. Noting that not too

many countries are availing this GSP+ facilities, Mr. Nesar Ahmed also called for carrying out a cost benefit analysis of availing GSP+ facilities.

- Participants also queried that what sort of impacts the withdrawal of TRIPS flexibilities might have on the overall health sector due to the consequent potential increase in the prices of medicines. In response, it was mentioned that more than 70 percent of the locally manufactured medicines are already off patent. In this context, it was projected that the prices of such off-patent medicines are unlikely to increase in the aftermath of LDC Graduation. It was further informed that the government is working to amend the Patent Law to address the relevant concerns and SSGP is playing a very active role in this regard. It was further informed that globally, medicines worth around US\$ 20 billion would become off-patent by 2025—meaning that this would further ease the pressure of patenting a wide range of locally manufactured medicines.
- It was also observed that the country should work to enhance its data reliability to boost its credibility at the international level. In response, it was mentioned that international organizations like UN CDP had expressed its satisfaction regarding the reliability of the LDC graduation related data of Bangladesh.
- Participants also observed that Bangladesh can largely offset the loss of preferential market access in the aftermath of LDC graduation by reducing the cost of doing business in the country. In this context, special emphasis was put on reducing the lead time at ports and cost minimization schemes. Participants also accentuated the need to enhance the skill level of the local workforce with a view to prepare them for the post-LDC graduation scenario as well as the Fourth Industrial Revolution. Participants also observed that Bangladesh should be diplomatically more active with its major trading partners with a view to achieve GSP+.

#### **Speech by the Special Guest: Mr. Md. Shahriar Kader Siddiky, Additional Secretary, ERD**

Mr. Md. Shahriar Kader Siddiky, in his remarks, said that the ERD officials should be well informed and futuristic. He identified corruption as the prime impediment in the country's progress. He also observed that the countries which had already attained socioeconomic progress had emphasized on educations, skills, good governance, minimization of cost and time as well as effective investment. He also emphasized on developing a culture of innovation in ERD.

#### **Speech by the Chief Guest: Mr. Abdul Baki, Member (Secretary), Industry and Energy Division, Planning Commission**

Mr. Abdul Baki, in his remarks, emphasized the enhancement of local skills base to prepare the country for sustainable LDC graduation. In this context, he put emphasis on greater synthesis and collaboration between academia and industries. He also observed that a better investment regime would assist in increasing domestic and foreign investment. He also accentuated the need to nurture and prepare well informed civil servants. Underlining the need to inform and prepare the relevant stakeholders for sustainable graduation—he called for organizing a series of dissemination workshops on LDC graduation related issues with support from SSGP.

#### **Conclusion by the Chair: Mr. Farid Aziz, Additional Secretary and PD, SSGP, ERD**

The Chair, in his concluding remarks, observed that ERD would have an extended role regarding LDC graduation issues during the upcoming preparatory period. In this context, he said that training programs like this would help them to prepare for such extended roles. He also affirmed that such training programs should be organized involving officers from other relevant government agencies. Lastly, he concluded the event by thanking all the participants.

#### **Annex:**

- Keynote Presentation of Session 1: LDC Graduation: Concept and Context
- Keynote Presentation of Session 2: Implications of LDC Graduation
- Keynote Presentation of Session 3: Leveraging LDC Graduation for Avoiding Middle-Income Trap