



## **Progressing Toward Sustainable Graduation: Achievements and Future Pathways**

**Support to Sustainable Graduation Project  
Economic Relations Division  
Ministry of Finance, Government of Bangladesh**





### **MESSAGE OF**

#### **Principal Secretary to the Prime Minister**

Prime Minister's Office

Govt. of the People's Republic of Bangladesh

I am extremely happy at the publication of this enlightening report, which offers a thorough analysis of key sectors and presents a comprehensive review of policies that will have a significant impact on Bangladesh's remarkable journey towards sustainable graduation from the Least Developed Country (LDC) status. Within the pages of this report, you will uncover noteworthy achievements in various socioeconomic areas, along with the policy reviews that have propelled Bangladesh toward its objective of transitioning to a non-LDC developing nation by 2026. Moreover, you will gain valuable insights into the future pathways that will shape the nation's progress on this momentous path.

Bangladesh's transformation from an LDC to a sustainable and thriving nation is a testament to the collective efforts of its visionary leadership of Honorable Prime Minister Sheikh Hasina, inspired citizens, and relentless pursuit of socio-economic development. Under the continued leadership of Prime Minister Sheikh Hasina, Bangladesh has not only achieved remarkable progress but has also embodied the spirit of 'Sonar Bang's' or Golden Bengal, as envisioned by the revered Father of the Nation, Bangabandhu Sheikh Mujibur Rahman. The government's adoption of a 'Whole of Society' approach has engaged all stakeholders in the journey toward sustainable graduation, fueled by prudent decision-making and an unwavering commitment to progress.

The Support to Sustainable Graduation Project (SSGP) has organized numerous seminars, conferences, workshops, meetings, and nation-wide awareness campaigns. These engagements have served as platforms for productive dialogue, resulting in a wealth of recommendations and suggestions that will shape an action-oriented and implementable Smooth Transition Strategy (STS) for Bangladesh. The report is a comprehensive collection of the outcomes derived from these events, providing a valuable resource for guiding the nation's path towards sustainable graduation.

As you explore the pages of this report, you will find a wealth of insights, policy options, and firsthand accounts that shed light on Bangladesh's journey. From socio-economic advancements to the challenges encountered, each chapter unravels the multifaceted nature of sustainable graduation. Moreover, it serves as a roadmap for other nations embarking on a similar path, providing valuable lessons and inspiration. I extend my heartfelt gratitude to the dedicated personnel of the SSGP and other officials who have played a pivotal role in bringing this important publication to fruition. Their commitment and tireless efforts have culminated in a comprehensive resource that will serve as a guiding light for graduating Bangladesh and other nations striving for sustainable graduation and development.

**M. Tofazzel Hossain Miah**





**MESSAGE OF  
Secretary**

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

Eligibility of Bangladesh's graduation from the LDC status is undoubtedly a historic event for the whole nation and it is regarded as one of the highest accomplishment since independence. This is the explicit manifestation of successful development journey of Bangladesh under the dynamic leadership of Hon'ble Prime Minister Sheikh Hasina.

Graduation from the WC status will of course enhance our image to the international community. it would however, also entail some challenges. Loss of various WC-specific International Support Measures (ISMs), such as termination of duty-free & quota-free (DIVE) market access, elimination of TRIPS waiver and some subsidies, particularly the cash incentives, may pose some challenges on our economy.

In order to ensure smooth and sustainable graduation by overcoming the probable challenges. from the very beginning of the UNCDP's recommendation in November 2021. Government of Bangladesh has initiated various measures. Bangladesh is negotiating with the WTO and the major trading partners for extending the existing ISMs for a certain period of time beyond graduation so that the country could gradually adjust to the new economic era. Domestic preparations are also continuing both by the public and the private sectors.

To guide and coordinate all such activities, a national committee on graduation (NCG) has been formed under the leadership of the Principal Secretary to the Hon'ble Prime Minister. Seven sub-committees have also been formed to deal with different macroeconomic and social issues. Government has been diligently working to prepare a Smooth Transition Strategy (STS) through a consultative mechanism involving all the stakeholders from the public sector, private sector, and development & trading partners. Economic Relations Division through its Support to Sustainable Graduation Project (SSGP) are supporting the sub-committees in preparing and implementing national LDC action plan involving all stakeholders.



























I am pleased to know that the SSGP has recently taken an initiative to publish a document compiling the outcome of the local & national level consultations held during 2022-23 financial year. It is indeed a very effective initiative as which would act as reference document for the future course of action. I believe this publication will be immensely useful to the academicians, researchers and relevant stakeholders.

Finally, I would like to extend my profound thanks to the Development Effectiveness Wing and SSGP officials for their hard work in releasing this important publication.

**Sharifa Khan**



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# Bangladesh's Progress Towards LDC Graduation: Achievements and Future Pathways

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## Executive Summary

The report highlights the activities conducted during the fiscal year 2022-23 to prepare Bangladesh for a smooth transition towards graduation. These activities included workshops, seminars, focus group discussions, and specialized training programs organized by the SSGP. The events emphasized the importance of in-depth analytical work, leading to studies in areas such as investment, market access, comparative advantage, the Ready-Made Garments (RMG) sector, industrial production, export diversification, tariff rationalization, subsidy, competitiveness, and transition finance. The insights, recommendations, and policies derived from these events will be incorporated into the Smooth Transition Strategy (STS).

Bangladesh's remarkable strides in socioeconomic development and its effective coordination of national plans, aligned with the Millennium Development Goals (MDGs) and Sustainable Development Goals (SDGs), are evident in its significant progress towards graduation from the Least Developed Country (LDC) category. By successfully meeting all the criteria set by the UN Committee for Development Policy (CDP) in 2018 and 2021, Bangladesh has comfortably exceeded the required thresholds. However, considering the adverse impact of the COVID-19 pandemic on the global economy, Bangladesh, along with Nepal and Lao PDR, has been granted an additional two-year preparatory period to ensure a smooth and effective graduation process by 2026.

As the largest member in the LDC group, Bangladesh's preparedness for graduation is closely monitored by the UN system and the global community. The country has emerged as the highest utilizer of International Support Measures (ISMs), utilizing over 70% of available support, surpassing its peers. Bangladesh's rapid structural transformation, particularly the shift of surplus workforce from agriculture to industry and services, has laid a strong foundation for a robust manufacturing base. With a sizable young population and social cohesion, Bangladesh possesses immense potential for accelerated growth, skilled workforce development, the nurturing of small and medium enterprises, job creation, and increased investments in health and education. The social sector plays a vital role in addressing poverty, vulnerability, and building human capital, crucial elements for sustainable development.

The graduation from LDC status presents Bangladesh with an exceptional opportunity to implement policy reforms aligned with its development trajectory as envisioned in the Vision 2041—a prosperous, knowledge-based, and developed society. To facilitate this transformative process, the Support to Sustainable Graduation Project (SSGP) was launched in 2018 as a flagship initiative. Under the guidance of the National Committee on Graduation (NCG), led by the Principal Secretary to the Honorable Prime Minister, seven thematic subcommittees were established to address various aspects, including market access, investment opportunities, domestic resource mobilization, tariff and subsidy structures alignment with WTO rules, human capital development, and global competitiveness.

The report categorizes the outcomes of the events into clusters based on their themes for the convenience of policymakers and interested readers. Under the advocacy and campaign cluster, local-level consultations were conducted in Sylhet, Rajshahi, and Khulna, while a national-level seminar was organized to validate the action plans prepared by the subcommittees. The compiled action plans received guidance from the Honorable Prime Minister and were revised, published, and distributed at the LDC5 Conference held in Doha, Qatar, from 5-9 March 2023.

In the realm of Intellectual Property Rights (IPR), the report highlights three events focusing on the pharmaceutical industry and a focus group discussion on obstacles in the agrochemical industry. It advocates for patent waivers and flexibilities similar to those outlined for pharmaceuticals in the WTO's TRIPS agreement. The Ministry of Industries has drafted a revised Patent Act to address industry needs, currently undergoing the approval process.

The report also addresses skills development, transition finance, green development, and the nexus between LDCs and Sustainable Development Goals (SDGs) under the LDC graduation and sustainable development cluster. It incorporates the outcomes of an international seminar jointly organized by Lao PDR, Nepal, and Bangladesh at the LDC5 Conference, offering specific recommendations to ensure continued international support in the form of ISMs beyond graduation.

The trade and sustainable graduation cluster covers various areas, including scaling up of private sector investment, trade facilitation, integrating the RMG sector into the global value chain, enhancing competitiveness, and promoting export diversification. The 12th Ministerial Conference of the WTO holds significant implications for LDCs, recognizing the need for additional ISMs to ensure their sustainable graduation. This cluster addresses the key challenges of market access and provides a way forward for successful and sustainable graduation.

This report provides a comprehensive overview of Bangladesh's progress towards graduation from the LDC category. It outlines the achievements, challenges, and future pathways for the country's sustainable development. The valuable input from stakeholders and the collaboration among policymakers, the private sector, development partners, development practitioners, and academicians make this report a pragmatic and action-oriented resource. The insights and recommendations presented in this report aim to guide Bangladesh's journey towards a prosperous and developed nation.

**Farid Aziz**  
Additional Secretary &  
Project Director  
Support to Sustainable Graduation Project  
Economic Relations Division



# **CHAPTER - 1**

## **Context of LDC Graduation: Bangladesh Perspective**



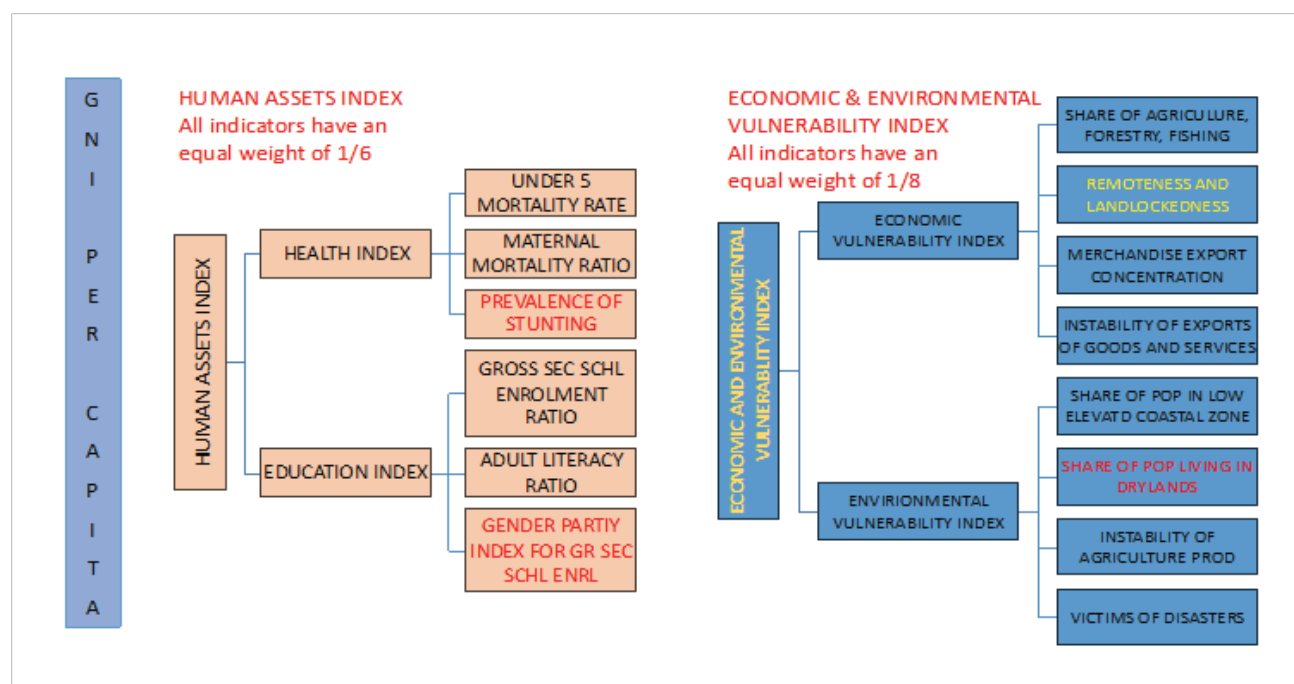
# Bangladesh's Journey Towards Smooth and Sustainable LDC Graduation

## Background

The concept of Least Developed Countries or LDCs originated in the late 1960s. The first group of LDCs was listed by the United Nations back in 1971. LDCs are usually low-income countries confronting severe structural impediments to sustainable development. While there were only 25 countries on the list of LDCs back in 1971, the number grew to 53 as 28 countries joined the group over time. Bangladesh was listed as an LDC in 1975. So far, a total of six countries have been able to graduate from the LDC category. These are- Botswana (1994), Cape Verde (2007), Maldives (2011), Samoa (2011), Equatorial Guinea (2017) and Vanuatu (2020).

The Committee for Development Policy (CDP), a subsidiary of the United Nations Economic and Social Council (ECOSOC), is mandated to review the category of LDCs every three years and monitor their progress after graduation from the category. The identification, as well as graduation from the LDC status, is currently based on three criteria (a) GNI per Capita, (b) Human Assets Index (HAI), and (c) Economic and Environmental Vulnerability Index (EVI). An LDC must meet any two of the three criteria in two consecutive triennial reviews to be recommended for graduation. Alternatively, the GNI per capita of an LDC should be at least twice the graduation threshold in two consecutive triennial reviews (income-only criterion).

## New LDC Graduation Framework, February 2020



## Bangladesh's Progress Towards LDC Graduation

Under the visionary leadership of the Honourable Prime Minister Sheikh Hasina, Bangladesh has made remarkable progress in various socio-economic parameters during the last fourteen years. The country met all the graduation criteria from the LDC status in the 2018 and 2021 reviews consecutively. As a result, UN-CDP recommended Bangladesh for graduation with a five-year preparatory period on 26 February 2021. Bangladesh is the first country that has been recommended for graduation by meeting all three criteria. The recommendation was duly endorsed by the United Nations Economic and Social Council (ECOSOC) on 08 June 2021. Subsequently, United Nations General Assembly (UNGA) took note of Bangladesh's graduation recommendation during its 76th session held in

November 2021. The country is set to leave the list of LDCs by 2026 after enjoying a preparatory period of five years. Considering the recovery from the damage caused by COVID-19, UN-CDP will further analyze the country's situation at its 2024 triennial review if an extension of the preparatory period is needed.

**Bangladesh's scores in different criteria for two consecutive reviews are furnished below**

Criteria	Threshold for 2018 Review	Bangladesh's Scores (2018)	Threshold for 2021 Review	Bangladesh's Scores (2021)
GNI Per Capita*	1230 US Dollar or more	1274 US Dollar	1222 US Dollar or more	1827 US Dollar
Human Assets Index	66 or more	73.2	66 or more	75.4
Economic and Environmental Vulnerability Index	32 or less	25.2	32 or less	27.0

*\*Average of last three years (calculated by ATLAS method)*

#### Process and Timeline of Bangladesh's LDC Graduation

Timeline	LDC Graduation Procedure
<b>2018</b>	CDP finds Bangladesh eligible for graduation during the triennial review UNDESA formally notifies Bangladesh about the findings
<b>2018-2021</b>	UNCTAD prepares the vulnerability profile and shares it with Bangladesh UNDESA prepares an ex-ante impact assessment and shares with Bangladesh
<b>2021</b>	2ND TRIENNIAL REVIEW 22-26 FEBRUARY 2021 Bangladesh meets the graduation criteria for the second time CDP submits graduation recommendation to ECOSOC ECOSOC endorses the CDP recommendations on 08 June 2021 UN General Assembly takes note of the recommendation on 24 November 2021
<b>2021-2026</b>	Bangladesh establishes a consultative mechanism, prepares the smooth transition strategy Development and trading partners participate in consultative mechanism and provide targeted assistance <ul style="list-style-type: none"> <li>• CDP monitors Bangladesh's development progress and reports annually to ECOSOC.</li> <li>• ISMs continue.</li> </ul>
<b>2026</b>	Bangladesh formally graduates from the LDC category Bangladesh is no more eligible for most of the International Support Measures except few exceptions. DFQF in the EU continues until 2029.

Timeline	LDC Graduation Procedure
2026 Onward	<p><b>Bangladesh</b></p> <ul style="list-style-type: none"> <li>● Bangladesh will implement and monitor the transition strategy</li> <li>● Submits to the CDP progress reports on its implementation annually for the first three years after graduation, and triennially at two triennial reviews</li> </ul> <p><b>Development and trading partners</b></p> <ul style="list-style-type: none"> <li>● Support the implementation of the transition strategy</li> <li>● Avoid abrupt reduction of LDC-specific support</li> </ul> <p><b>CDP</b></p> <ul style="list-style-type: none"> <li>● Monitors development progress of the country; reports its findings to ECOSOC annually for the first three years after the country's graduation, and triennially at two triennial reviews afterward</li> </ul>

## Opportunities of LDC Graduation

Graduation from LDC status may result in various new opportunities and dynamics for Bangladesh. Notable among these include:

- Better credit rating for the country, wider credit access
- Greater investment opportunities- FDI, PPP, access to non-traditional financing
- Greater access to the global job market
- Reinforcing other national and global development agenda
- Self-reliance and self-dignity on the global stage

## How Bangladesh is Preparing for a Smooth and Sustainable LDC Graduation

While graduation from LDC is certainly a big achievement, this remarkable feat comes with a set of opportunities and challenges. The Government of Bangladesh is attaching the highest priority to ensuring smooth and sustainable graduation with momentum. Therefore, to make this achievement sustainable— a range of policies, strategies, and programs have been initiated by the government.

- The government has formed a National Committee on LDC Graduation (NCG), headed by the Principal Secretary to the Honorable Prime Minister, involving all the relevant ministries and organizations from both public and private sectors. The NCG is providing an effective platform to support Sustainable Graduation taking all the relevant stakeholders on board.
- Seven thematic subcommittees have been formed under the guidance of the NCG to address various core issues related to graduation including preferential market access & trade agreement; Intellectual Property Rights (IPR); WTO issues (other than market access & trips); investment, domestic market development & export diversification; internal resource mobilization & tariff rationalization; smooth transition strategy; and branding Bangladesh abroad.
- ERD has undertaken a project called “Support to Sustainable Graduation Project (SSGP)” to identify the impacts of graduation, provide necessary capacity-building support and other necessary supports to the relevant ministries as well as promulgate this historic achievement at home and abroad by producing various research papers and publications related to graduation.
- It is recommended by the United Nations that a graduating LDC should prepare a national smooth transition strategy (STS) during the preparatory period in cooperation with its development and trading partners and

with targeted assistance from the UN system. The 9-member Subcommittee on STS led by the Secretary of the Economic Relations Division (ERD) and co-led by the Secretary of the Prime Minister's Office is tasked with the formulation of the STS. The subcommittee is assigned for designing a consultative mechanism engaging all stakeholders, identifying processes and preparing a roadmap for STS and providing periodic reports to the National Committee.

- A 'Working Group' comprising the officials from relevant ministries and private sector, and a 'Joint Task Team' comprising representatives from government, private sector and development partners are now working to support the Subcommittee on STS in preparing an effective and inclusive transition strategy for sustainable graduation.
- The Government is planning to carry out and produce in-depth sectoral studies, research works and technical papers to assess the impact of LDC graduation and formulate the relevant strategies accordingly.
- A series of workshops, seminars and focused group discussions are being organized by ERD with support from SSGP at the local, national and international levels to raise awareness about sustainable graduation and to make the process inclusive.
- Under the guidance of the National Committee on LDC Graduation-- ERD, with support from SSGP, has organized several rounds of campaigning at the national and grassroots level to commemorate Bangladesh's graduation from LDC status.
- Bangladesh, along with other LDC countries, is negotiating with the WTO for the continuation of international support measures for a certain period after graduation.
- A series of communication and publicity materials including documentaries, short videos, docu-drama, posters, brochures, booklets and reports have been prepared by ERD with support from SSGP to raise awareness at the national and international level about the country's sustainable graduation and to ensure the participation of the common people in this process.

Led by prudent government policies and driven by a vibrant, productive workforce— Bangladesh has achieved higher economic growth over the last decade and is on course to formally graduate from the LDC category. To keep this momentum, the country is now working towards the long-term target of becoming an upper-middle-income and developed country by the years 2031 and 2041 respectively, while also committed to achieving the UN-mandated Sustainable Development Goals by 2030. Therefore, graduation, per se, is not the final destination, but rather another milestone towards the vision of becoming a developed country by 2041.





# **CHAPTER - 2**

## **LDC Graduation and Sustainable Development**



## National Seminar on LDC Graduation

Grand Ballroom, Pan Pacific Sonargaon, Dhaka

Thursday, 17 November 2022

Organized by SSGP, ERD

### BACKGROUND

Bangladesh achieved remarkable progress in almost all socioeconomic indicators that ultimately culminated in qualification for graduation from the LDC status in 2018 and 2021 consecutive reviews of the United Nations-Committee for Development Policy (UN-CDP). On 24 November 2021, the United Nations General Assembly (UNGA) finally adopted the resolution of Bangladesh's graduation with a five-year preparatory period in its 76th Session. Bangladesh is now set to leave the LDC category on 24 November 2026.

Navigating sustainable graduation with momentum requires a holistic approach coupled with strong support from the Prime Minister's Office. A 22-member National Committee on LDC Graduation (NCG) was formed on 27 April 2021 under the Chairmanship of the Principal Secretary to the Honorable Prime Minister to assess the impact of graduation, identify the actions to adapt to post-graduation era, and outline time-bound action plans to this end. The NCG formed seven thematic subcommittees on 15 June 2021 based on the areas or sectors that are likely to be impacted due to the loss of ISMs.

The subcommittees, led and co-led by the relevant ministries and divisions, submitted their action plans to the NCG. All these action plans were consulted among key stakeholders represented by the government, private sector, development partners, think tanks, and academia in a National Seminar held on 17 November 2022.

### OBJECTIVES

The primary objectives of the seminar are

- i) reviewing the progress, so far made, towards smooth and sustainable graduation;
- ii) obtaining feedback from the stakeholders on the process, progress and future actions of graduation; and
- iii) charting the next course of action for preparing an effective graduation strategy aiming smooth transition from LDC status.

### Chief Guests

- Mr. Muhammad Abdul Mannan, MP, Hon'ble Planning Minister
- Mr. Md. Shahriar Alam, MP, Hon'ble State Minister for Foreign Affairs (for Closing)

### Special Guest

- Mr. Abdur Rouf Talukder, Governor, Bangladesh Bank

### Guest of Honour

- Mr. Md. Jashim Uddin, President, FBCCI

### Chairs of the Sessions

- Mr. Tipu Munshi, MP, Hon'ble Commerce Minister
- Dr. Shamsul Alam, Hon'ble State Minister for Planning

### Chair and Moderator of the Seminar

- Dr. Ahmad Kaikaus, Principal Secretary to Hon'ble Prime Minister

### Keynote Speakers

- Senior Secretaries and Secretaries of different Ministries/ Divisions

### Key Takeaways

- Private Sector should put its best efforts for the maximum utilization of ISMs during the remaining preparatory period;
- The government would continue its efforts for signing FTA, PTA, or CEPA for creating new market access opportunities;
- Bangladesh needs to enhance its competitiveness by increasing productivity, reducing the cost of production, reducing the time and cost of business transactions, upgrading technology;

- Bangladesh should continue its efforts for upscaling the RMG sector through diversification within the sector, moving up the global value chain, investing more in backward & forward linkage industries, increasing the use of Man-Made Fibre (MMF);
- The incentives given for RMG should be extended to other sectors for facilitating those to grow;
- Bangladesh should strengthen the Intellectual Property (IP) regime with a reinforced enforcement mechanism to face the post-LDC era in the absence of the TRIPS exemptions; and
- The current tariff structure should be rationalized. The tariff policy should be aimed at increasing the export basket and export competitiveness of the country.

The first working session was themed on Preferential Market Access and WTO Issues. Honorable Commerce Minister Mr. Tipu Munshi, MP was the Chair and Moderator of the session. Deputy Head of the Delegation of the European Union in Bangladesh Dr. Bernd Spanier and the Chairman of Research and Policy Integration for Development (RAPID) Dr. Mohammad Abdur Razzaque joined the session as panelists. Senior Secretary of the Ministry of Commerce Mr. Tapan Kanti Ghosh was the keynote presenter of the session.

The second working session was themed on Investment and Export Diversification. Honorable Commerce Minister Mr. Tipu Munshi, MP was the Chair and Moderator of the session. Senior Secretary of the Ministry of Foreign Affairs Mr. Masud Bin Momen, President of Dhaka Chamber of Commerce and Industry Mr. Rizwan Rahman, and the Country Economist of UNDP Bangladesh Dr. Nazneen Ahmed joined the session as panelists. Senior Secretary of the Prime Minister's Office Mr. Md. Tofazzel Hossain Miah was the keynote presenter of this session.

The third working session of the seminar was themed on Intellectual Property Rights. Honorable State Minister for Planning Dr. Shamsul Alam was the Chair and Moderator of the session. Director General of the WTO Cell of the Ministry of Commerce Mr. Md. Hafizur Rahman, President of Bangladesh Association of Pharmaceutical Industries Mr. Nazmul Hassan, MP, and Senior Research Fellow of Bangladesh Institute of Development Studies (BIDS) Dr. Kazi Iqbal joined the session as panelists. Secretary of the Ministry of Industries Ms. Zakia Sultana was the keynote presenter of the session.

The fourth working session was themed on Tariff Rationalization and Domestic Resource Mobilization. Chairman of the National Board of Revenue Mr. Abu Hena Md. Rahmatul Muneem and Distinguished Fellow of the Centre for Policy Dialogue (CPD) Professor Dr. Mustafizur Rahman were the panelists of the session. Senior Secretary of the Finance Division Ms. Fatima Yasmin was the keynote presenter of the session.

The daylong seminar was wrapped up with a formal closing session. Honorable State Minister for Foreign Affairs Mr. Md. Shahriar Alam, MP attended the closing session as the Chief Guest. UN Resident Coordinator in Bangladesh Ms. Gwyn Lewis was the guest of Honor of the session. The Chair of the National Committee on LDC Graduation Dr. Ahmad Kaikaus chaired the session. ERD Secretary Ms. Sharifa Khan delivered the Vote of Thanks.

## **Major Recommendations from the daylong seminar on different thematic issues are furnished below**

### **Preferential Market Access and WTO Issues**

- Ministry of Commerce and Ministry of Foreign Affairs would do the needful for the adoption of submission of LDC Group by the WTO regarding extension of the ISMs beyond graduation and phasing out of preferential market access over a period of 6 years after graduation;

- Ministry of Commerce, ERD, Ministry of Foreign Affairs, and other concerned ministries will continue discussions with major preferential market access-providing countries, like Canada, Australia, Japan, etc. for EBA-like transition periods after the graduation;
- The government would put all-out efforts for availing the EU GSP+ facility after the expiry of EBA in 2029;
- Compliance with international standards including ratification and implementation of all relevant ILO conventions on labor rights, human rights, governance, and environmental standards would be crucial to attaining GSP Plus. Full and timely implementation of the National Action Plan for labor sector reform and the revision of the Bangladesh Labor Act according to that action plan would be vital in this regard;
- The private sector should put its best efforts into making maximum utilization of the existing ISMs during the preparatory period for graduation;
- Ministry of Commerce would continue its efforts for signing FTA, PTA, or CEPA for creating new market access opportunities;
- Bangladesh needs to enhance its competitiveness by increasing productivity, reducing the cost of production, reducing the time and cost of business transactions, upgrading technology, etc.

### **Investment and Export Diversification**

- Measures should be taken for diversifying exports in terms of both product and destination; upscaling the RMG sector through diversification within the sector, moving up the global value chain, investing more in backward & forward linkage industries, increasing the use of Man-Made Fibre (MMF);
- Incentives and other facilities given to the RMG sector may be extended to other sectors including SMEs;
- Trade facilitation has to be improved through complying with the WTO Trade Facilitation Agreement along with improving trade infrastructure;
- Bangladesh has to devise WTO-consistent alternative support measures for the exporters in the absence of cash incentives after graduation;
- For reducing the time and cost of doing business, Bangladesh needs to simplify rules, regulations, and procedures and improve trade logistics. Bangladesh may consider introducing the central bonded warehouse which will reduce the lead time significantly;
- The following measures would be vital for the diversification of the country's export:
  - Addressing anti-export bias policy
  - Enhancing competitiveness- quality and productivity
  - Regional trade agreements
  - Branding Bangladesh
  - More spending on health and education
  - Promoting green production
  - WTO-compliant incentives and policy
  - Preparedness for 4IR- hi-tech parks, technology upgradation fund
- Enabling infrastructures like Economic Zones, ports, multi-modal connectivity, strengthening financial & capital market, simplification of business processes, sectoral diversification, support to CMSMEs, capacity development, performance-linked fiscal incentives as well as technology and innovation would be crucial for boosting investment in the country;

The following measures should be taken to improve the trade financing scenario:

- Operationalizing Export Credit Guarantee Scheme
- Facilitating soft loans from development agencies
- Upgrading Contract Act 1872
- Introducing Green Trade Finance
- Assessing Currency Swap and associated risks
- Strengthening oversight of trade based money laundering (TBML)

## **Intellectual Property Rights**

- New laws should be enacted if necessary or the existing ones should be amended, like the Patent Law 2022 to make those more businesses friendly and instrumental in facing the post-LDC situation;
- Bangladesh requires rigorous work on strengthening the Intellectual Property (IP) regime with a reinforced enforcement mechanism to face the post-LDC era in the absence of the TRIPS exemptions;
- Bangladesh should focus more on a digital and knowledge-based economy utilizing IT, IT-enable services where enabling IP regime would be critical;
- More thrust should be given to qualitative education system and upskilling and reskilling programs to remain competitive;
- The API (Active Pharmaceutical Ingredients) Park needs to be operationalized in earnest to reduce Bangladesh's dependency on imported API;
- Department of Patents, Designs and Trademarks (DPDT) and Copyrights offices are to be strengthened with adequate manpower, technical knowledge, and automation of the registration process;
- Laws to protect trade data secrets and protection of genetic resources and Utility model Laws for protection of innovation need to be enacted. Farmers' rights and traditional knowledge are to be protected within the legal framework;
- Mass awareness about the general benefits of IPRs- particularly, their ethical, financial and moral values needs to be publicized widely;
- The private sector should be properly made aware of the benefits of IP protection;
- NBR, judiciary, police along with IP offices, Directorate of National Consumer Rights Protection, and Competition Commission offices should work in coordination to prevent IP infringement;
- Bangladesh should start API production for selected patented medicines and declare them off-patent before the transition period is over;
- The IPR Enforcement (Import and Export) Rules, 2019 of NBR needs to be amended to make it feasible and implementable;
- The gamut of the intellectual property regime in the country should be expanded to take into account digital or e-commerce transactions.

## **Tariff Rationalization and Domestic Resource Mobilization**

- Domestic Resource Mobilization (DRM) is the most important factor in the context of continuing growth and any economic setback. NBR would take appropriate measures in enhancing the DRM;
- Instead of drastic tariff cuts, Customs Duty and other duties and taxes at the import stage need to be rationalized gradually over a period of time so that local industries and revenue earning are not adversely affected.
- The application of Supplementary Duties (SD) needs to be rationalized. Regulatory Duty needs to be applied only temporarily. A starting point can be items, where SD and RD are imposed, but not on the items that are imported in large quantities.
- Instead of giving duty protection to local industry for an indefinite period, any such protection should be time bound and be given for a specific period;
- Tariff rates need to be predictable. NBR has started drafting Medium Term Revenue Strategy (MTRS), which needs to be finalized at the earliest;
- NBR needs to work on Revenue Impact Analysis and its impacts before deciding on a tariff rate;
- Initiative to be included in the list of Annex VII of the WTO Agreement on Subsidies & Countervailing Measures needs to be pursued so that export incentives/subsidies can be provided after the graduation;
- Bangladesh needs to gradually withdraw export incentives/ cash incentives for some RMG products, which have crossed the highest threshold for competitiveness ;
- Bangladesh should try to be included in the WTO list of Net Food Importing Developing Countries (NFIDC) by 2026 so that it can continue with export incentives/cash subsidies to exporters of agricultural products after the graduation;
- Greater interface and collaboration between NBR and the Bangladesh Bureau of Statistics would be crucial for evidence-based decision-making regarding taxation;
- Bangladesh should reduce dependency on customs revenue and should increase revenue generation from direct tax;
- The current tariff structure should be rationalized. The tariff policy should be aimed at increasing the export basket and export competitiveness of the country. There should not be any specific target for revenue generation for customs;
- There should be an integrated system based on the National ID card (similar to the Adhar scheme in India)- through which, it would be possible to get all the information about taxable personal expenditures of citizens;
- The government should explore and devise alternative modes of providing indirect subsidies to the exporters in the aftermath of graduation;
- A thorough overhaul and simplification of income taxes and proportional inclusion of the new customs act would be required. Alternative Dispute Resolution should be incorporated in the VAT and Customs Act;
- A proper system of property taxes needs to be introduced with revenues earmarked for local government;

## Next Course of Action

- Ministry of Commerce would take necessary measures in preparing for the greater international obligations, particularly in the WTO as a non-LDC developing country;
- Continuous engagement in negotiations on trade, environment, and economic issues needs to be maintained by the relevant stakeholders;
- There should be enhanced coordination between the Ministry of Industries, the Ministry of Commerce, and the National Board of Revenue to ensure a coherent industrialization policy;
- ERD may intensify collaboration and engagement with the development partners in the development cooperation efforts;
- The subcommittees should revise their Action Plans considering the views of this seminar and send those to ERD for inclusion in the STS;
- The subcommittee on STS preparation should take the necessary steps to prepare the zero draft of the Smooth Transition Strategy (STS) by June 2023 so that the elements of STS could be integrated into the 9th FYP. Other subcommittees would submit their strategies, action plans, etc. at the earliest. ERD would complete the ongoing studies proposed by various sub-committees and conduct other necessary background studies for the LDC graduation through the SSGP project;
- ERD should continue this kind of stakeholder consultation in the process of graduation till the end of the preparatory period in 2026.



## Seminar on A Journey Toward Sustainable Graduation

Parjatan Bhaban, Agargaon, Dhaka

Friday 24 March 2023

Organized by SSGP, ERD

### BACKGROUND

Bangladesh has been finally recommended for graduation from the least developed country (LDC) status with a five-year preparatory period (2021-2026) by the United Nations Committee for Development Policy (UN-CDP). Now, achieving sustainable graduation is a crucial goal for Bangladesh, as it aims to meet the SDGs, attain upper-middle income status by 2031, and transform into a knowledge-based developed economy by 2041. Bangladesh must prioritize export diversification, which involves expanding a range of products in new markets by diversifying its exports. It also needs to create more and better jobs, and increase its competitiveness in global markets.

Given this context, SSGP, ERD organized a seminar in presence of government officials and other relevant stakeholders to sensitize them about graduation-related issues so that they can make appropriate decisions in their respective development ecosystems and play an effective role in the overall graduation process.

### OBJECTIVES

- Disseminate information about the key processes of smooth and sustainable graduation; and
- Identify approaches for sustainable graduation with a specific emphasis on export diversification.

### Chair and Moderator

- Mr. M. Tofazzel Hossain Miah, Principal Secretary to the Hon'ble Prime Minister, and Chair, National Committee on LDC Graduation (NCG)

### Keynote Speakers

- Ms. Sharifa Khan, Secretary, Economic Relations Division (ERD)
- Mr. A H M Ahsan, Vice Chairman and CEO, Export Promotion Bureau

### Key Takeaways

- Graduation may offer opportunities for further development of the country as it may yield better credit rating and access to finance; increased FDI; accelerated structural transformation; improved country image; improvement in labour and entrepreneurial skills; and better business climate. However, to avail these opportunities various initiatives have to be taken both at domestic and external fronts.
- Coordination and synchronization among industrial policy, export policy and import policy have to be strengthened.
- Productivity must be increased to remain competitive in changed scenario.
- Education system has to be linked with present and future industrial demands.

## **Welcome Remarks by Mr. Farid Aziz, Additional Secretary & Project Director, SSGP, Economic Relations Division**

Mr. Farid Aziz, in his welcome remarks, focused on the background and objective of organizing the seminar. He observed that the seminar had been organized to disseminate information about the key processes of smooth and sustainable graduation as well as to identify approaches for sustainable graduation with a specific emphasis on export diversification. He hoped that the seminar would sensitize its participants about graduation-related issues so that they could make appropriate decisions in their respective development ecosystems and play an effective role in the overall graduation process.

## **Presentation on LDC Graduation and Beyond by Ms. Sharifa Khan, Secretary, Economic Relations Division**

In the beginning of her presentation, Ms. Sharifa Khan highlighted some key features of the world's least developed countries. She also provided some background information about the LDC graduation process from both national and international perspective. She pointed out that LDC graduation can offer a virtuous cycle of development as it may yield better credit rating and access to finance; increased FDI; accelerated structural transformation; improved country image; improvement in labour and entrepreneurial skills; and better business climate. She also highlighted the initiatives that had been taken by the government to ensure a smooth and sustainable LDC graduation. Ms. Khan identified some specific policy issues which would require greater attention in the context of LDC graduation and suggested some specific policy actions like increasing competitiveness; diversification and appropriate trade financing mechanism; prudent debt management and identifying countries with trade complementarity. Lastly, she suggested some specific initiatives that should be taken at the domestic and global front for sustainable graduation:

### **Domestic Front**

- Enhancing resource mobilization and attracting FDI
- Creating enabling IP environment
- Improving trade facilitation and logistics
- Enhancing productivity and diversification

### **Global Front**

- Continuation of ISMs aligning with SDGs
- Ensuring adequate concessional financing, particularly easy access of climate financing
- Ensuring fair price and ethical buying practices
- Retain TRIPS general and pharmaceutical waiver
- Effective implementation of DPoA

## **Presentation on 'Export Diversification for Sustainable Graduation' by Mr. A H M Ahsan, Vice Chairman & CEO, Export Promotion Bureau**

Mr. Ahsan, in his presentation, provided a comprehensive overview of Bangladesh's export scenario. He observed that Bangladesh's export is characterized by limited number of products as well as limited markets. He pointed out that only 6 items contribute 89.63 percent of the country's export. He also noted that 68.27 percent of Bangladesh's exports go to European Union and North America.

**Mr. Ahsan identified the following challenges in diversifying Bangladesh's export basket**

- Low productivity – labour, technology
- Compliance issues with international standards – lack of quality control;
- Limited access to finance, no venture capital;
- Insufficient supply of skilled human resources;
- Higher duty on imported raw materials
- Lack of availability of associated infrastructure facilities
- SPS and productivity issues in agricultural product;
- Lack of backward linkage industries

**In meeting those challenges, he came up with the following recommendations**

- RMG success model can be replicated in all potential sectors.
- Bonded warehouse facility for non-RMG sector
- Investment in research and development of product and market to find out right product for right market
- Quality control at global standard
- Development of the backward linkage to reduce cost
- Ensure Environmental, Social, and Quality (ESQ) compliance and standards
- Integration with the global value chain
- Develop skilled manpower and increasing labour productivity
- Access to low-cost funding and effective venture capital
- Provide WTO compliant export subsidy
- Enhance international marketing capacity
- Country branding for non-RMG product
- Higher priority to E-commerce, light engineering, agro-processing and other promising sectors
- Promoting non-RMG by participation in major international trade fair
- Retaining DFQF by signing FTA/PTA with major trading partners
- Attracting FDI in export-oriented industries
- Motivating domestic entrepreneurs to go to international market

**In this context, he suggested the following key policy reforms**

- Pro-RMG and anti-export bias in different policy spaces need to be addressed;
- Regulatory reform in alignment with the WTO guideline;
- Proper coordination and synchronization among Industrial policy, export policy and import policy;
- Full implementation of Bangladesh National Qualifications Framework (BNQF) developed by NSDA.

## **Open Discussion**

At this stage, the floor was opened for feedbacks and comments from participants. During this session, the following feedback came from them:

- Better understanding of the global market demands is required for diversification of export.
- The education system should be linked up with the current and future industrial demand.

- A certain portion of the young population should be motivated to pursue technical and vocational education to cater the relevant industrial demand.
- Technical and Madrasa Education Division (TMED) has requested ERD to carry out a comprehensive study on TVET skills mapping. Such study might be helpful in identifying the skills gaps and recommending the appropriate steps.
- Bangladesh needs to increase the value addition of its manufacturing sectors and should also strengthen its local value chain with a view to diversify its export basket.
- Bangladesh needs to increase its tax-GDP ratio through enhancing its capacity of domestic resource mobilization to prepare the country for higher development trajectory. This is especially important since the sources of soft loans would gradually be squeezed. Bangladesh would need to explore alternative sources of financing including various transition financing modalities to prepare the country for this transition.
- There is an untapped market for halal meats in the global market. But Bangladesh is yet to fully explore this untapped market due to relatively higher cost of processing of local meat.
- Bangladesh also needs to tap into the international market for caregivers to cater the needs of the globally expanding aging population.

### **Remarks by the Chair & Moderator: Mr. M. Tofazzel Hossain Miah, Principal Secretary to the Hon'ble Prime Minister**

Mr. M. Tofazzel Hossain Miah, in his concluding remarks, emphasized on diversification of export items and market, attracting FDI and technological upgradation for preparing the country for a sustainable LDC graduation. Underlining the needs for skills enhancement, he mentioned that the National Skills Development Authority (NSDA) had initiated a study to identify skills gaps in five specific sectors and to recommend necessary measures. He thanked ERD and SSGP for taking the initiative to organize this seminar. Finally, he thanked all the participants for their active participation in the event.

### **Vote of Thanks from Mr. Md. Mohsin, Secretary (Rtd.) to the Government & Senior Partner Advisor, World Food Programme Bangladesh**

Mr. Md. Mohsin, in his remarks, thanked ERD and SSGP for organizing the event. He termed the seminar as quite timely and relevant. He also hoped that such event would help to sensitize the relevant government officials and policy makers about the processes and impacts of LDC graduation. Lastly, he thanked all the participants for their thoughtful contributions.

## Workshop on ‘UNCTAD LDC Report 2022: Implications for Bangladesh’

NEC Conference Room, Sher-e-Bangla Nagar, Dhaka

Monday, 19 December 2022

Organized by SSGP, ERD

### BACKGROUND

The United Nations Conference on Trade and Development (UNCTAD) annually publishes a report on issues pertaining to the world’s Least Developed Countries (LDCs). These annual reports provide a comprehensive and authoritative source of socio-economic analysis and data on the LDCs.

UNCTAD’s LDC Report, 2022 themed on ‘the low-carbon transition and its daunting implications for structural transformation’ was published on 03 November 2022. The Report explored LDC-specific development challenges of low-carbon development and structural transformation. It analyzed the multifaceted linkages between climate change adaptation and sustainable development, underscored mutually beneficial opportunities and potential trade-offs for which international support to LDCs is indispensable. In this context, the workshop was organized by the Support to Sustainable Graduation Project of Economic Relations Division to discuss and analyze the implications of the findings of UNCTAD’s LDC Report, 2022 on Bangladesh.

### OBJECTIVES

- Discussing various aspects of the report and to analyze its implications on Bangladesh’s economic development trajectory; and
- Creating awareness among the relevant stakeholders about the findings of the Report.

### Chief Guest

- Dr. Shamsul Alam, Hon’able Minister of State, Ministry of Planning

### Guest of Honor

- Ms. Gwyn Lewis, UN Resident Coordinator in Bangladesh

### Chair

- Ms. Sharifa Khan, Secretary, Economic Relations Division

### Key Takeaways

- The principle of “common but differentiated responsibilities and respective capabilities (CBDRRC)” is critical for LDCs in climate actions.
- Adoption of eco-friendly technologies are extremely important for Bangladesh in transitioning towards green structural transformation—because of the multifarious impacts they can have on crucial sectors like agriculture, industry and climate resilient infrastructure.
- Climate adaptation should receive much more attention and support- not only in terms of financing, but also in terms of technology development and transfer, capacity development and technical assistance.
- Global decarbonization challenge calls for a "systems reboot" in international support for LDCs with the most recurring appeals for funds in reaction to extreme weather crises.

## Structure of the Event

In the beginning, Additional Secretary of ERD and Project Director of SSGP Mr. Farid Aziz delivered the welcome address. Afterwards, ERD Secretary Ms. Sharifa Khan delivered a keynote presentation on the main theme of the event. This was followed by a panel discussion participated by Additional Secretary of the Ministry of Environment, Forest and Climate Change Mr. Iqbal Abdullah Harun, Executive Director of the Policy Research Institute Dr. Ahsan H. Mansur, Chief of the LDC Section of UNCTAD Dr. Rolf Traeger and Director of Bangladesh Garment Manufacturers and Exporters Association (BGMEA) Mr. Asif Ashraf. After panel discussion, the floor was opened for comments and recommendations from the participants. Subsequently, the Guest of Honor and the Chief Guest of the event delivered their remarks.

## Major Recommendations

### Climate Finance

- Since, LDCs are hardest hit among all the countries when it comes to the adverse impacts of the climate change without any significant contribution to the global greenhouse gas emission—the global community needs to consider additional policy and financial supports to the LDCs affected by the climate change impacts, before and after their graduation.
- Developed countries need to deliver on the \$100 billion finance per annum that they had promised to provide to the countries hit by climate change.
- Climate adaptation should receive much more attention and support- not only in terms of financing, but also in terms of technology development and transfer, capacity development and technical assistance.
- There are further scopes for negotiations with the development partners, be it bilaterally or multilaterally, for increased financing in climate adaptation schemes.
- The adoption of ‘loss and damage’ fund at the recently held COP27 conference has opened a new field for negotiations for increased climate financing, both bilaterally and multilaterally, for the LDCs.
- Easier and cheaper access to financing for transitioning to renewable energy must be ensured.
- Banks and financial institutions should come up with different types of financial instruments and mechanisms so that the private sector feel encouraged to participate in climate financing schemes.

### Green Structural Transformation

- LDCs need to follow a balanced environmental approach with economic growth and social progress.
- LDCs need to double down in advancing goals on structural transformation, productive capacity development and industrialization.
- LDCs has to trade-offs short term priorities with long-term development agenda.
- LDCs need to intensify intra-regional trade and cooperation with neighbouring countries and improve the quality and diversity of their products and infrastructure.
- Increased environmental compliance can help Bangladesh’s domestic manufacturers to gain a larger share in the global market—which in turn, can help the country in diversifying its export basket.

## Collaborative Role of Development and Trading Partners

- The climate action ambitions of the LDCs need to be strongly and decisively supported by their development partners.
- Trading partners should avoid policies that limit LDCs' policy space and increase the likelihood of pollution havens.
- The principle of “common but differentiated responsibilities and respective capabilities (CBDRRC)” is critical for LDCs.
- Unilateral environmental measures excluding LDCs might cause indirect but profound negative implications.
- Global decarbonization challenge calls for a "systems reboot" in international support for LDCs with the most recurring appeals for funds in reaction to extreme weather crises.

## Transfer and Adoption of Eco-friendly Technologies

- Adoption of eco-friendly technologies are extremely important for Bangladesh in transitioning towards green structural transformation—because of the multifarious impacts they can have on crucial sectors like agriculture, industry and climate resilient infrastructure.
- Bangladesh should start thinking of building necessary infrastructure for green transformation in transportation sector (e.g. electric vehicle). The concepts of virtual office or paperless office should also receive more attention.
- The recent volatility in energy market has provided additional impetus for transitioning towards eco-friendly energy options. Such transitioning towards renewable energy can also help the LDCs becoming more self-reliant.
- The country should be focusing on latest technology for power generation or other industrial activities and the government policies should be geared up towards that.
- Developed countries should provide technological and financial support to the private sector—especially the SMEs, for necessary technological adaptation needed for ecofriendly transformation.
- Bangladesh should look to attract foreign direct investment in renewable energy to facilitate relevant technology transfer.

## Next Courses of Action

- Ministry of Environment, Forests and Climate Change needs to have more integration with the relevant ministries to develop a much more environmentally sustainable roadmap. The ministry also needs to integrate its policies with the private sector and should engage with them in a productive manner.
- Rules and regulations regarding access to various climate related funds should be reviewed and simplified.
- Regulatory process should be much more simplified to create an enabling environment for the private sector to adopt environment friendly technologies.
- Bangladesh has formulated numerous environment and climate change related policies. However, going forward, effective implementation of these policies would be critical for ensuring a green development.



## Focus Group Discussion on Skills Mapping in the Context of LDC Graduation

NEC-II Conference Room, ERD, Dhaka

Thursday 09 May 2023

Organized by SSGP

### BACKGROUND

Skills are considered as the important vehicles of growth in the coming years, particularly after Bangladesh's graduation from the least developed country (LDC) status becomes effective on 24 November 2026. Bangladesh, as a non-LDC country, will have to face fierce competition with its peers in international trade. To remain competitive in the absence of LDC specific international support measures, it needs to enhance its productivity for which the development of skills is crucial.

Skills development will play the key role in taking full advantage of the demographic dividend and the ongoing 4th Industrial Revolution. It is expected that there will be more inflow of FDI after graduation because of enhanced country image and credit rating in the international arena. Skills will be vital instrument to attract more FDI and diversify its production base and exports basket. Even for grasping the fair share of the international job market, raising remittance income, attaining the SDGs, and avoiding the middle-income trap, there is no way other than focusing on skills development.

### OBJECTIVES

- Bring the stakeholders on the same page on the issue on skills development initiatives in Bangladesh;
- Create an inventory of completed, ongoing, and planned studies, surveys, and programs on skills;
- Identify potential sectors/areas for skill development in the context of graduation and future needs.

### Chair and Moderator

- Mr. Farid Aziz, Additional Secretary, ERD & PD, SSGP

### Keynote Presentation

- Mr. Md. Anwar Hossain, Component Manager (Joint Secretary), SSGP

### Discussant

- Ms. Shahida Sultana, DG, Prime Minister's Office
- Mr. Shamshur Rahman Khan, Joint Secretary, TMED
- Dr. Nazneen Ahmed, Country Economist, UNDP Bangladesh
- Mr. H.M. Asad-Uz-Zaman, Strategy & Innovation Specialist, a2i
- Dr. Jahangir Hossain, Director, NSDA
- Mr. S M Ashraful Islam, Bureau of Manpower, Employment and Training (BMET)
- Md. Ziaul Haque, Additional Director (Planning), Bangladesh Industrial Technical Assistance
- Engg. Md. Aktaruzzaman, Director, Directorate of Technical Education

### Key Takeaways

- There should be an analysis of the demand and supply gap that exists between the National University courses and curriculums. The courses and curriculums of universities as well as TVET institutes should also be regularly reviewed and updated in line with market demands.
- The government needs to identify skills gaps in every sector and should also design and arrange necessary training programs accordingly. It also needs to identify the promising sectors and engage the Industry Skills Councils in each of these sectors.
- There should be policies and strategies for capitalizing the skills attained by the expatriate workers after their return from abroad.



## Discussion Proceedings

### ***Welcome Remarks from Chair: Farid Aziz, Additional Secretary & Project Director, SSGP, ERD***

The chair, in his opening remarks, recalled that Bangladesh needs to enhance its productive capacity to remain competitive in the absence of LDC-specific international support measures during the post-LDC Graduation phase. He also noted that the improvement in the quality of Technical and Vocational Education and Training (TVET) would be crucial in this context. He also observed that TVET would play a vital role in attracting more FDI, grasping a better share of the international job market, attaining the SDGs, and avoiding the middle-income trap. He also recalled that the Technical and Madrasa Education Division (TMED) had lately proposed a comprehensive study on TVET development needs in the context of LDC graduation. However, he noted that a number of agencies had conducted or were planning to conduct various research works on overall skills or TVET.

In this context, he observed that a stocktaking of already completed and planned studies by other agencies is necessary before starting the TMED's proposed study to avoid any duplication or overlapping. He mentioned that the Focus Group Discussion had been organized to bring the stakeholders on the same page; to create an inventory of completed, ongoing, and planned studies, surveys, and programs on skills development; and to facilitate TMED in identifying potential sectors/areas for skill development in the context of graduation and future needs.

### ***Presentation on TVET Skills Mapping in the Context of LDC Graduation from Mr. Md. Anwar Hossain, Component Manager, SSGP, ERD***

In the beginning of his presentation, Mr. Md. Anwar Hossain explained the linkage between skills development and sustainable LDC graduation. In this context, he elaborated on the objectives of the intended stocktaking of skills related studies or research works. Afterwards, he presented a format that had been developed to collect information from various relevant agencies on the completed, ongoing, and planned studies, surveys, and programs on skills.

### ***Engg. Md. Aktaruzzaman, Director (Planning and Development), Directorate of Technical Education***

Mr. Aktaruzzaman, in his remarks, informed that Directorate of Technical Education had already conducted 10 studies on various relevant issues during the ongoing fiscal year. He also observed that a comprehensive skills mapping should be conducted in the context of the country's LDC graduation.

### ***Dr. Nazneen Ahmed, Country Economist, UNDP, Bangladesh***

Dr. Nazneen, in her remarks, proposed that the relevant agencies could be asked to identify the promising sectors in a separate format. She also said that a broad outline of the study should be prepared based on this stocktaking exercise; recommendations coming from the relevant stakeholders; as well as through identifying the upcoming potential areas based on the export policy, industrial policy, SME policy and opinions from stakeholders. She also observed that a parallel study on the education sector should be carried out maintaining strong linkage with NSDA and Bangladesh Technical Education Board. Dr. Nazneen informed that the UNDP had recently signed an MoU with Bangladesh Investment Development Authority (BIDA) to identify the required skills in sectors with huge investment potentials. She also informed that an online platform had also been created to gather information about required skills from various employers. She further informed that a 'Skill Needs Bank' had also been created based on the aforementioned platform for skills matching and assessment. She also recalled that UNDP had created a 'Youth Co:Lab' to provide support to start-ups through seed funding with a view to enhance their skills, to link them with markets and to support them in finding the right skills. She also recalled that ICT Division, with support from the World Bank, had initiated a program to provide sectoral training to a huge number of people. She further informed that a piloting scheme would be carried out initially on 5000 trainees under this program. She mentioned that UNDP would sign an MoU with the ICT Division to provide support in this program. Lastly, she underscored the need to establish a regular platform for continuous stocktaking of new initiatives regarding skills enhancement.

***Mr. S M Ashraful Islam, Bureau of Manpower, Employment and Training (BMET)***

Mr. Ashraful Islam, in his remarks, mentioned that the government, in its 8th Five Year Plan, had set a target of increasing the share of skilled workforce among the expatriate workers to 50 percent by 2025. He recalled that BMET had carried out a survey on 53 countries where there would be huge potentials for manpower export from Bangladesh in the future. He also mentioned that professional fields like nursing, heavy equipment, hotel management, cooking etc. would be in huge demand in the coming years. Mr. Islam informed that considering the advent of 4IR, BMET had initiated the procurement of 3D printing, Internet of Things (IoT) and cyber security related equipment. He also recalled that BMET is currently in talks with various countries to conduct Training of Trainers (ToT) program with a view to prepare a local pool of trainers for such equipment. He also mentioned that BMET is presently working with a number of overseas entities for standardization of certificates. Noting that there are currently 100 training centres across the country offering foreign language courses for potential expatriate workers—he mentioned that 100 more such centres are in the pipeline.

***Md. Ziaul Haque, Additional Director (Planning), Bangladesh Industrial Technical Assistance Centre (BITAC)***

Noting that most of the training programs carried out by BITAC are currently traditional in nature, Mr. Haque informed that initiatives had been taken to introduce 4IR related trainings. He also informed that a new training institute is currently being established at Mirsharai of Chattogram where 4IR related trainings would be offered. He also informed that a new training institute is also being established in Dhaka with support from Skills for Employment Investment Program (SEIP) of Finance Division. He further informed that this training institute would become operational by January 2024 and would offer 4IR related trainings. He also underscored the need for comprehensive studies on the nature of future demands for skills.

***Mr. Shamsur Rahman Khan, Joint Secretary, TMED***

Mr. Shamsur Rahman Khan, in his remarks, said that there should be comprehensive analysis on whether we should move ahead with the existing technologies or we should focus on future technologies.

***Mr. H.M. Asad-Uz-Zaman, Strategy & Innovation Specialist, a2i***

Mr. Asad-Uz-Zaman, in his remarks, informed that around 2.2 million people enter the job market in Bangladesh each year— out of which, 1.7 million people are skilled. He further informed that only 0.5 to 0.6 million people out of the above are ultimately able to find employment. He observed that such figures bear testimony to huge mismatch between supply and demand. He also pointed out that the biggest source of new entrants in the job market are the National University graduates—numbering around 0.6 million. He further informed that 62 percent of these graduates remain unemployed while 18 percent of them find a job after more than 20 attempts. He recalled that back in 2018, a2i and BEZA had conducted a mapping of employments that would be generated through the planned Economic Zones. He also recalled that the government had set a target to send one million skilled workers abroad each year. He also informed that back in 2019, a2i and BMET had conducted a study on the nature of potential job markets in 53 countries for Bangladeshi expatriates. He also recalled that during that same year, a2i had also conducted a study on the impact of 4IR on 5 sectors of the country—focusing on reskilling, upskilling and attainment of new skills. It was further informed that a2i is currently conducting a study on the nature of smart employment in the context of the government's vision to build a 'Smart Bangladesh'. Mr. Zaman informed that a2i had also conducted a study on how to grow homegrown managers and fill up the managerial gaps in the local RMG industries. He informed that a2i had developed a portal called National Intelligence for Skills Employment (nise.gov.bd) which provides real time demand platform for jobs. Lastly, he observed that there are scopes for conducting a study on the untapped employment generation opportunities in the Small and Medium Enterprise (SME) sector of the country. He pointed out that there are scopes for addressing the overlapping of skills trainings as well as mapping of the supply side of skills.

***Dr. Jahangir Hossain, Director (Skills Standard & Curriculum), National Skills Development Authority (NSDA)***

Dr. Jahangir Hossain, in his remarks, informed that NSDA had carried out a demand analysis of RMG and ICT sector up to the year 2025. Noting that there are already 13 Industrial Skills Councils (ISC) for 13 sectors, he said that the government is currently planning to establish 7 more Industrial Skills Councils for 7 more sectors. Noting that some local RMG factories are already making extensive use of robotics in its production process—he said that NSDA had developed competency standards and curriculums taking into consideration such factors while also developing the learning materials accordingly. He also informed that skills mapping on 6 different sectors are currently being carried out under the NSDA Strengthening Project. He further informed that NSDA is planning to conduct studies on readiness of training institutes; informal sectors; reskilling and upskilling requirements; and demand of skilled manpower in economic zones. Dr. Hossain informed that there should be a specific target regarding what percentage of students with an HSC degree would be drawn towards TVET each year. Noting that the government is currently developing a skills portal—he said that the system would furnish all the skills related data of the country once it is completed.

***Ms. Shahida Sultana, Director General (Executive Cell and PEPZ), Prime Minister's Office***

Ms. Shahida Sultana, in her remarks, said that there should be special focus on the impact of 4IR on the export-oriented sectors. She said that the country needs to produce skilled workers in line with the demands coming from foreign investors. She identified domestic market development as a major prerequisite for quality assurance. She accentuated the need for necessary reskilling and upskilling to increase the proportion of skilled workforce among the expatriate workers. Ms. Sultana observed that BMET and other relevant organisations should analyse the findings of the research works carried out by a2i and should initiate necessary measures accordingly. She opined that there should be a strong linkage between the skills related initiatives of various entities and the Skills Portal of NSDA. Noting that there is a mismatch between the market demand for skills and the programs carried out by the TVET training institutes—she called for strong monitoring of NSDA in addressing this issue. Lastly, she put strong emphasis on effective coordination among the relevant agencies.

## **Open Floor Discussions**

At this stage, the floor was opened for comments and observations from participants. During this session, the following comments and remarks came from them:

- There should be a comprehensive stocktaking under the leadership of NSDA of all the major research works that have been carried out or still being carried out.
- There should be a thorough assessment of the follow up and implementation measures that had been initiated based on the already conducted studies.
- There should be a thorough review of the numerous traditional or conventional training programs carried out by BITAC with a view to avoid duplication and to modernize its courses and curriculums.
- WTO Cell of the Ministry of Commerce, with support from the European Union, conducted a detailed research work under the banner of ‘Bangladesh Trade Support Program’ which can be used as an important reference.
- The government needs to identify the promising sectors and engage the Industry Skills Councils in each of these sectors. It also needs to identify skills gaps in every sector and should also design and arrange necessary training programs accordingly.
- International Labour Organization (ILO) has recently developed a Labour Market Information System (LMIS). This is an integrated system which will help to address the lack of data and evidence in the skills arena. This would also help to ensure greater synthesis between demand and supply sides.

- The issues related to the quality of employment (e.g.- occupational safety, health, industrial safety, labour relations, labour regulations) will also become important in the future.
- The government has recently adopted the National Employment Policy. ILO would like to arrange a technical dialogue involving the concerned ministries, agencies and development partners to chalk out the associated action plan.
- NGOs and CSOs are also carrying out various skills related initiatives and research works. These should also be considered during this stocktaking process.
- UNRC office will provide support in compiling the skills related initiatives and research works carried out by the UN agencies.
- There should be an analysis of the demand and supply gap that exists between the National University courses and curriculums.
- The courses and curriculums of universities as well as TVET institutes should also be regularly reviewed and updated in line with market demands.
- There should be policies and strategies for capitalizing the skills attained by the expatriate workers after their return from abroad.
- There are also scopes for skills development in the local textile and cottage industries. This, in turn, can also help in country branding and promoting the local cultural heritage.

## Major Recommendations

- Relevant entities/ agencies will provide all the required information in the prescribed format within the next three working days.
- A 5-member committee including the representatives from PMO, TMED, A2i, and SSGP will be formed under the leadership of NSDA to carry out a gap analysis within the next one month.
- SSGP will compile the information coming from various agencies in the prescribed format and will present it to the aforementioned 5-member committee for further action.
- TMED would identify the scope of its proposed study based on the findings of the above committee.

## Bangladesh's Participation in the 5th United Nations Conference on the Least Developed Countries (LDC5)

4-9 March 2023, Doha, Qatar

The second part of the 5th United Nations Conference on the Least Developed Countries (LDC5) was held in Doha, Qatar from 04 to 09 March 2023. A high-level delegation from Bangladesh led by the Hon'ble Prime Minister Sheikh Hasina participated in the event. Other than the government delegation, representatives from the private sector, CSOs, youth organizations, media, and development partners participated in the event. The final text of the Doha Program of Action (DPoA) was adopted at this Conference. The major objectives of this Conference were to: identify actions and partnerships at the highest possible level, including Heads of State and Government to deliver on this agenda; undertake an appraisal of the implementation of the IPoA; mobilize additional international support measures (ISMs) for LDCs; and agree on a renewed partnership between LDCs and DPs to overcome structural challenges, eradicate poverty, and achieve internationally agreed development goals and enable graduation from the LDC.



*Secretary General of the United Nations Mr. António Guterres meets with Hon'ble Prime Minister Sheikh Hasina during the LDC5 Conference in Doha, Qatar*

Lauding Hon'ble Prime Minister Sheikh Hasina's visionary leadership during the Conference, world leaders greatly hailed the recent socio-economic progress of Bangladesh. They highly appreciated the development initiatives taken by her government for the betterment of Bangladesh's people and expressed their expectations that Bangladesh would continue its progress under the leadership Hon'ble Prime Minister Sheikh Hasina.

### Key discussions and Takeaways from the LDC5 conference

#### A. Summary of discussions

After two pandemic-induced postponements, more than 5,000 participants including 47 Heads of State and Government from the world's Least Developed Countries (LDCs) came together in Doha, Qatar for the Fifth UN Conference on LDCs. Like the Fourth LDC Conference that took place in 2011, this once-in-a-decade forum sets the framework for how the international community will work to support the countries at the risk of being left behind over the coming ten years. Leaders from different nations agree on plans to deliver the Doha Programme of Action.



World leaders have called for a radical transformation of the global financial order and a renewed commitment to the Sustainable Development Goals (SDGs) and acknowledged that the 46 countries in the least developed category have been given unfair treatment and called for a change in the deeply dysfunctional system. The UN Secretary General urged the developed countries to live up to their commitment to provide LDCs with 0.15 to 0.20 percent of their gross national income for official development assistance (ODA). The Hon'ble Prime Minister of Bangladesh Sheikh Hasina said that the country does not need charity and stressed that LDCs are seeking their just dues under international commitments. Hon'ble Prime Minister urged to devise new and innovative support measures for the graduating and graduated LDCs and called upon the international community to gradually phase out the ISMs in the post-graduation phase. She called for cooperation from the international community amid the current geopolitical tension and global economic shock and working together to build a strong global partnership.

Heads of State, ministers, and delegates urged for more investment in LDCs in the first high-level thematic roundtable. They acknowledged the progress made in critical sectors like education and gender parity but also highlighted persistent challenges. The speakers noted significant financing and social obstacles and appealed to the international community to fulfill their financing commitments. The last 3 years have seen a rise in extreme poverty and crisis due to the pandemic and ongoing conflict. Germany confirmed to dedicate another €200 million in 2023 for financing for least developed states while other developed country also assured their continuous support.

The second high-level thematic roundtable stressed the need to transform least developed countries into knowledge societies by harnessing science, technology, and information. Heads of States, ministers, and delegates showed optimism about science and technology's potential to improve living standards but are concerned about the growing digital divide between rich and poor countries. Women's lack of participation in science and technology education is also a concern, and many governments are taking steps to address this issue. Delegates also highlighted examples of technological innovation in public services.

World leaders warned of an "inequality crisis" faced by 46 LDCs comprising 14% of the global population. These countries face serious impediments that hamper their ability to progress economically and graduate from the least developed country category. The pandemic of inequality, lack of access to vaccines, technology, finance, and opportunities as well as the climate crisis disproportionately affect LDCs. The process of graduation to a higher stage must be re-evaluated to ensure sustainability and developed countries must contribute 0.7% of their GNI to official development assistance. Graduated countries should not lose specific treatment as their vulnerability is still evident. The countries want more investments rather than aid.

During the third thematic roundtable, the speakers emphasized that revitalization of the stagnant economies of numerous LDCs necessitates structural transformation, involving measures such as capacity-building, industrial development, export diversification, and increased market access. Speakers noted that these countries face challenges such as low productivity, debt distress, inflationary pressure, weak investment, and low levels of human capital development. Ministers and delegates detailed national initiatives and development plans geared towards structural transformation, including efforts to integrate into global value chains, reduce dependency on imported goods and diversify exports. The Deputy Prime Minister of Nepal said that the three main challenges preventing progress towards structural transformation are insufficient investment in human capital development, inability to sufficiently exploit scientific, technological, and innovative capacities and insufficient infrastructure.

Despite the 2030 Agenda for Sustainable Development defining international trade as "an engine for inclusive economic growth and poverty reduction," the LDCs share of merchandise exports has remained static at 1% over the past decade. The speakers urged support, investment, connectivity, human capital, and technology transfer to enhance trade-related infrastructure building and productive capacity in the fourth thematic roundtable. Additionally, they emphasized the importance of building strong partnerships for food security and digital connectivity, encouraging these countries to strengthen their trade capacity and fortify their dialogue with the private sector. The

Hon'ble Prime Minister of Bangladesh and the co-chair of the roundtable, emphasized that LDCs must focus on enhancing their trade-related infrastructures and productive capacity; and to achieve these, LDCs require support, investment, human capital, and technology transfer. She also mentioned that Bangladesh is implementing various initiatives and engaging more with the private sector.

Speakers stressed the importance of overcoming the digital divide through investment in broadband infrastructure to help those living in LDCs to leverage economic opportunities in an increasingly digital world. Several countries, including Sweden, Estonia, the Philippines, Kazakhstan, India, and Denmark offered to share their development experiences with the LDCs. The need for international organizations and donor partners to assist least developed countries with smart investments and support for the development of broadband infrastructure was also emphasized. Additionally, speakers called for the international community to ensure that graduation from LDC status is sustainable and irreversible.

At the fifth roundtable, the speakers called for urgent action to assist vulnerable states, emphasizing the importance of the involvement of everyone, including women, youth, indigenous peoples, and different minorities. LDCs aspire to drive high rates of economic growth and structural transformation. Support is needed to secure climate finance and prepare adaptation plans and projects for financing. The developed countries' inability to implement previous commitments was criticized in the round table. It was also discussed that the current situation is unjust, with the least developed countries generating 4 percent of the world's greenhouse gases but being hit hardest by the effects of climate change. LDCs are among the most vulnerable nations on the planet to the adverse impacts of climate change.

During general debates, heads of country delegations also stressed the importance of accurately identifying the specific interests of each country and supporting them in a tailored manner. Representatives from Korea, Luxembourg, Japan, Switzerland, IAEA, WIPO, and the WTO detailed their country's/organization's support for LDCs. The private sector was highlighted as an important player in providing necessary support.

At the sixth thematic round table, the speakers agreed that international solidarity is essential for transitioning from a pandemic-prone world to a pandemic-proof one. The Prime Minister of Tonga, Siaosi Sovaleni, emphasized the importance of building national resilience to tackle current and future global pandemics and climate change. Other speakers also highlighted the need for sustainable recovery, access to vaccines, and enhanced disaster mitigation capacities. The panelists discussed the importance of responsive national planning, access to affordable and sustainable energy, and the need for funding flows from the global North to the global South.

The challenges faced by LDC in accessing concessional financing and insufficient external development aid were discussed in the seventh roundtable. LDCs' access to financing is affected by low-income levels, weak market infrastructure, and high dependency on external development financing. The conference stressed the need for mobilizing domestic resources, increasing government revenues, promoting investment, and fighting against illicit financial flows to offset these challenges. It was also emphasized that official development assistance (ODA) is the largest source of external financing for many LDCs, and that there should not be any reduction in ODA flowing to these countries in the years to come. They discussed the need for greater alignment of development financing with LDC priorities. Panelists discussed the importance of mobilizing foreign direct investments (FDI) and investment from the private sector to reduce dependency on ODA.

The eighth and final roundtable discussed the need for sustainable and irreversible graduation from the least developed countries category. The speakers called for innovative financing and support measures from developed countries, which they said have fallen on deaf ears, to help these countries achieve their objectives. They also discussed the need for country-specific support for graduating and graduated countries to address their distinct challenges. Speakers emphasized and echoed the warnings that LDCs are struggling and even backsliding under the

burden of multiple crises, and that graduation itself is not a panacea without support to make it sustainable. Panelists further called for evolved graduation financial criteria to make the process smoother for the LDCs by supporting their efforts to invest in people, leverage the power of science, technology, and innovation, fast-track structural transformation, and enhance participation in international trade. The graduating cohort of 2021 – Bangladesh, Nepal, and Lao PDR – called for renewed support from the international community through an eight-point joint statement.

The LDC5 ended with member states committing to measures to deliver on the Doha Programme of Action (attached), a ten-year plan to put the world's 46 most vulnerable countries back on track to achieving the Sustainable Development Goals (SDGs). The Doha Political Declaration was adopted, which reinforces the international community's commitment to advancing the concrete deliverables outlined in the Doha Programme of Action, which includes the development of a food stockholding mechanism for the LDCs; an online university focusing on STEM education, especially for women and girls; an international investment support center; a sustainable graduation support facility (iGRAD); and comprehensive multi-hazard crisis mitigation and resilience-building measures.

#### **A. Key commitments made by the international community**

The international community made some commitments during LDC5 on notable among them are :

- Qatar announced a financial package of \$60 million: \$10m to support the implementation of the Doha Programme of Action and \$50 million to help build resilience in the LDCs.
- Germany dedicated €200 million in new money in 2023 for financing for least developed countries.
- Canada announced \$59 million to deliver Vitamin supplements in 15 LDCs and ecosystem conservation in Burkina Faso.
- The EU Commission announced cooperation agreements advancing sustainable investments in Africa totaling more than €130 million of investment.
- Finland announced an annual event called the United Nations LDC Future Forum in Helsinki, with the Office of the UN High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States – OHRLLS, to ensure the latest thinking and research is being put to work to ensure progress on the most vulnerable states.
- The Green Climate Fund announced a new project to give \$80 million in equity to offer green guarantees to business in LDCs and bring down the cost of capital.
- The United Nations World Tourism Organization, announced a new €10 million Tourism for Development Fund for LDCs, supported by TUI Care Foundation, that will invest by 2030 to support sustainable tourism in LDCs as a key driver of development.
- The government of Kazakhstan pledged \$50,000 to continue its work supporting the most vulnerable member states of the United Nations.
- The government of the Kingdom of Saudi Arabia announced a major new \$800 million loan package for the Least Developed Countries.



### A. Joint side event by Bangladesh, Nepal, and Lao PDR

On the first day of the conference, a joint side event titled "Sustainable and Smooth Transition for the Graduating Cohort of 2021" was organized by the governments of Bangladesh, Nepal, and Lao PDR, with support from their respective Resident Coordinator's Offices. The event was attended by heads of country delegations, including the Hon'ble Prime Minister of Bangladesh H. E. Sheikh Hasina, Hon'ble Deputy Prime Minister of Nepal H. E. Narayan Kaji Shrestha and Hon'ble Deputy Prime Minister of Lao PDR H. E. Saleumxay Kommasith. Executive Secretary of UNESCAP H.E. Armida Salsiah Alisjahbana delivered the welcome remarks, while Assistant Secretary-General of the Development Coordination Office of the United Nations Mr. Oscar Fernandez-Taranco moderated the event.



*Hon'ble Prime Minister Sheikh Hasina speaking during the Joint Side Event on "Sustainable and Smooth Transition for the Graduating Cohort 2021"*

As Bangladesh, Lao PDR, and Nepal all prepare Smooth Transition Strategies for graduation under unprecedented circumstances due to COVID-19 and recent geopolitical tension, the LDC5 Conference provided an opportunity to clearly articulate national approaches to address the challenges and practically ground elements from the Doha Programme of Action. The conference provided an opportunity for these countries to share their national approaches to addressing the challenges associated with graduation and to ground their plans in the Doha Programme of Action. Speaking during the event, the Hon'ble Prime Minister of Bangladesh said that the global partnership must carry a meaning to the LDCs like Bangladesh so that no challenge could upset their progress to attain non-LDC developing country status.

The side event served as a follow-up to a joint workshop held in Bangkok in August 2022, which aimed to identify areas of collaboration between the three countries during the preparation and implementation of their smooth transition strategies. At the side event, the main objectives were to foster continued collaboration among the graduating countries, establish support mechanisms for the implementation of the Doha Programme of Action through the development and implementation of smooth transition strategies, and call for international support measures to meet the national requirements identified by the graduating cohort of 2021.

During the side event, the Secretaries from Bangladesh, Nepal, and Lao PDR presented their progress on Smooth Transition Strategy (STS) preparation, the status of implementation of the Doha Programme of Action, and expectations for international community support during graduation. ERD Secretary Ms. Sharifa Khan delivered a presentation on Bangladesh's preparation for LDC Graduation. The three countries issued a joint statement with an eight-point call for action to the international community, which is attached for reference.

Additional Secretary of ERD and the National LDC Focal Point of Bangladesh Mr. Farid Aziz participated in the meeting of the National Focal Points from LDCs. National Focal Point of Bangladesh highlighted the measures undertaken by the government for a smooth transition while urging the international community to extend the ISMs for a certain period after graduation.

#### **A. Participation of Bangladesh in different sideline events of LDC5**

Throughout the conference, Bangladesh played a prominent role. Hon'ble Prime Minister co-chaired the fourth high-level thematic roundtable on the theme "Enhancing the participation of LDCs in international trade and regional integration". The delegation also hosted several side events. Principal Secretary to Hon'ble Prime Minister, Finance Secretary, and ERD Secretary participated in Round Table 3, 7, and 8 respectively. The Ministry of Commerce and the Ministry of Foreign Affairs of Bangladesh organized two side events. During the official deliberations, Bangladesh emphasized its impressive economic development trajectory and issued a call-to-action to the international community for continued support in areas such as trade, technology transfer, and development cooperation.

# Workshop on Draft Study Report on Transition Financing for Sustainable Graduation of Bangladesh

NEC-II Conference Room, ERD, Dhaka

Tuesday, 23 May 2023

Organized by SSGP, ERD

## BACKGROUND

The transition towards smooth and sustainable graduation require bold policy interventions with large finance. The study of transition financing is vital in navigating financing for three reasons: firstly, Bangladesh is graduating amidst multiple global crises including COVID pandemic and war between Russia and Ukraine, which is causing immense economic and social devastation worldwide. Secondly, Bangladesh has the potential to leverage a demographic dividend for faster economic growth. Finally, Bangladesh will experience multiple graduations within a decade. The country is expected to cross the LDC graduation hurdle by 2026 and aims to graduate from Lower-Middle-Income to Upper-Middle-Income status by 2031. To overcome these challenges and tap the opportunities, there will be a need for significant public and private investment to boost aggregate demand, create an enabling environment for businesses and industries through improved infrastructure, enhance global competitiveness by bringing efficiency in logistics and easy access to finance for local and foreign entrepreneurs, and improve the quality of human capital and entrepreneurship. Effective transition financing schemes are critical for sustainable development of Bangladesh.

## OBJECTIVES

The workshop reviews the key features and outcomes of the study. The study attempts to analyze the borrowing policy, structural arrangement, and sustainability of external financing. The workshop paves the way to discuss further how:

- The study assesses the debt profile of Bangladesh, including the size and composition of external debt, and its impact on the economy.
- The policy options and strategic choices outlined in the study for managing external finance in the context of Bangladesh's efforts to achieve sustainable development.

## Chief Guest

- Ms. Sharifa Khan, Secretary, Economic Relations Division (ERD)

## Chair and Moderator

- Mr. Farid Aziz, Additional Secretary, Wing Chief, DE Wing, ERD & PD, SSGP

## Keynote Speaker

- Mr. Md. Anwar Hossain, Consultant, SSGP

## Discussants

- Mr. Md. Shahriar Kader Siddiky, Additional Secretary, ERD
- Mr. Chowdhury Liakat Ali, Director, Bangladesh Bank
- Dr. Nazneen Ahmed, Country Economist, UNDP Bangladesh

## Key Takeaways

- Bangladesh should maximize the use of concessional financing from multilateral development banks and other lenders as long as it remains eligible for those.
- Parallely, to reduce its dependence on a limited number of lenders and gain access to a broader array of resources, Bangladesh can consider a variety of funding sources beyond conventional bilateral and multilateral loans.
- To diversify its portfolio, market-based external financing can be cautiously considered as part of a comprehensive approach to debt management that includes maintaining macroeconomic stability, managing risks, and ensuring long-term debt sustainability.

- Government must explore ways to enhance domestic resource mobilization and improve capital market to bolster its economic sustainability and reduce dependence on external borrowing. Bangladesh possesses significant untapped potential in the bond market, which offers a promising avenue for raising funds domestically.

## Session Proceedings

### ***Welcome Remarks by Mr. Farid Aziz, Additional Secretary & Project Director, SSGP, ERD***

The chair of the event Mr. Farid Aziz, in his opening remarks, recalled that the government is planning to carry out in-depth sectoral studies and research works to assess the impact of LDC graduation and formulate appropriate strategies. He also mentioned that as part of that endeavour-- a study is being carried out by ERD with support from SSGP to explore the potential avenues of transition financing in the context of Bangladesh's economic transformation. He also mentioned that the research would provide inputs to the "Smooth Transition Strategy" (STS) to be formulated to cope with LDC graduation. He called for in depth feedback on the draft study report which would provide valuable inputs into the study report.

### ***Presentation on 'Draft Study Report on Transition Financing for Sustainable Graduation of Bangladesh' by Mr. Md. Anwar Hossain, Additional Secretary, GoB***

Mr. Md. Anwar Hossain highlighted the objectives and methodology of the study. He also presented a broad structure of the study report. Afterwards, he highlighted the key sources of development financing including the external and domestic sources. He also explained that how the financing mix of countries change in line with their income levels. Reflecting on the debt profile of Bangladesh, he pointed out that share of short-term debt and external commercial borrowing had witnessed an increasing trend in recent times—which he identified as an area of potential vulnerability.

He suggested that Bangladesh could enhance its debt management through careful handling of foreign currencies. By receiving consistent guidance and recommendations from a globally recognized asset management firm, and by enhancing the capabilities of Bangladesh Bank and ERD in understanding the global financial market and its complex instruments, Bangladesh could be well-prepared to effectively manage its debt and currencies in a professional manner.

He also highlighted some key challenges and areas of vulnerabilities of external financing in Bangladesh. Lastly, he came up with some policy recommendations for tapping the avenues of transition financing. Noting that transition finance needs to be considered in a holistic approach—he called for coordinated policy measures for ensuring a conducive finance mix.

### ***Dr. Nazneen Ahmed, Country Economist, UNDP Bangladesh***

Dr. Nazneen Ahmed, in her remarks, said that the study may also identify some specific sectors that would be affected by the decreased flow of overseas development assistance in the coming days. She also observed that the study should specify a timespan that would be regarded as transition period. She also opined that the Development Finance Assessment (DFA) and the Integrated Financing Strategy carried out by UNDP could be important references for this study.

### ***Mr. Chowdhury Liakat Ali, Director, Bangladesh Bank***

Recalling that Bangladesh Bank has already introduced green financing taxonomy and sustainable finance taxonomy—he called for introducing the national finance taxonomy as well. He also underscored the need for introducing 'national green bond taxonomy' to utilize domestic sources. Mr. Ali observed that the study report should

identify the windows of domestic sources. He informed that Bangladesh Bank is working to develop a guideline for Green Sukuk bond. Underlining the importance of Cottage, micro, small and medium enterprises (CMSMEs) in Bangladesh's economy—he said that the report should identify the financing sources of those CMSMEs. Noting that there are various sources of climate financing apart from GCF—he called for identifying those sources in the study report. He also observed that Bangladesh Bank might be included as one of the stakeholders of debt management process. The central Bank Director also pointed out that the study report should identify the sources of commercial loans. Lastly, he proposed that a seminar or Focus Group Discussion could be organized with the concerned officials of Bangladesh Bank to receive more in-depth feedbacks on the study report.

***Mr. Md. Shahriar Kader Siddiky, Additional Secretary, ERD***

Mr. Md. Shahriar Kader Siddiky, in his remarks, said that a lot of concessional financing windows will be available until 2030 and the the report should identify those sources. Pointing out that blended financing would be an important avenue for Bangladesh during the upcoming transition period, he said that there should be some policy guidelines for this financing mechanism. He also cited the examples of various new avenues e.g.- risk financing, crop financing, emergency financing and bond financing that could be explored. Pointing at the emerging global trend of dollarization-- Mr. Siddiky said that study should provide some insights on how Bangladesh can benefit from this trend and what could be the possible impact on the country in terms of currency management and exchange risk.

He also observed that the study should focus on how the country can move towards transition financing in terms of project management. He also observed that the study should provide some suggestions for creating opportunities and platforms for impact financing. He observed that the study could provide some strategic directions regarding how the government can facilitate the capacity building process of private sector entities. He opined that the study should provide some suggestions for building a culture of prompt decision making within the government regarding currency management and debt management.

## **Open Floor Discussions**

At this stage, the floor was opened for comments and feedbacks from participants. During this session, the following major feedback came from them:

- Since image building would be an important issue for attracting more foreign direct investment—there should be increased liaison or coordination between ERD and the Ministry of Foreign Affairs in this regard.
- Enhancing the automation process and decreasing the anomalies would be crucial for increasing the tax revenue and boosting domestic resource mobilization capacity.
- The policy matrix featured in the study should identify the short, medium- and long-term measures and should also identify the relevant stakeholders.
- The study should recommend some specific measures for debt servicing in light of the growing external debt payment.
- The study should also suggest some short-term measures for increasing the tax-GDP ratio.
- The study should also focus on necessary reforms that should be introduced in financial governance structure of the country.
- The study should also focus on transition financing windows required for achieving SDGs;
- The study should also suggest some measures for managing the upfront cost associated with transitioning.
- Technological progress and innovation should be fostered for making transition financing cost effective and sustainable.

- The study may suggest some products that the banks and financial institutions may introduce to support sustainable development initiatives. These may include green mortgage product, sustainable supply chain product, carbon credit financing etc. Banks may also establish dedicated climate fund.
- The study should focus more on identifying challenges including the deficiencies in the existing institutional structure. The study should also feature some risk analysis.
- The study should focus on the implications of the ongoing global multi polarization on the development financing scenario. It may also feature some transition financing country diagnostics.

## **Speech by the Chief Guest: Ms. Sharifa Khan, Secretary, Economic Relations Division, Ministry of Finance**

The chief guest, in her remarks, said that the study report should focus more on the emerging avenues of transition financing. She also opined that the study may chart the path of transitioning from concessional to non-concessional financing. She also suggested to make the recommendations more specific and action-oriented. She also informed that the study report would be updated based on the recommendations coming from the workshop and would be shared with a wider range of stakeholders before sending it to the National Committee on LDC graduation. Finally, she thanked all the participants for their feedback and recommendations.

## **Major Recommendations**

- The transition from fixed cost to variable cost loans, where the exchange rate and market fluctuation risks are borne by Bangladesh, could pose a significant challenge in managing foreign debts in the future. Efficient, timely, and effective utilization of resources in priority sectors is crucial to ensure value for money for these high-cost foreign resources. To avoid any future external debt distress in the post-LDC regime, Bangladesh needs to strengthen its resource absorption capacity, prioritize projects, and develop skills for handling complex financing structures of commercial types of foreign aid.
- The ERD's organizational structure, which is aligned with development cooperation, is not equipped to effectively manage sectoral portfolio of debt management and borrowing. The ERD's wings are dedicated to specific development partners, such as the WB Wing, ADB Wing, Japan Wing, etc. The Asia Wing covers important bilateral development partners like India and China, as well as an emerging multilateral partner like AIIB, which requires more attention. Moreover, borrowing strategy and management in the ERD is specific to development partners, which leads to weak sectoral coordination. This makes it difficult to understand the complementarity of sectoral needs from the ERD, the main interface between the Government and the development partners. Lack of assessment of complementarity and supplementarity of projects during borrowing negotiations can also result in sectoral inefficiency. To improve sectoral financing by the development partners, avoid duplication or overlapping of activities, and prevent fragmentation, there should be regular sectoral meetings at least once in every six months at ERD with the relevant desk officers working in the program desks.
- Currency plays a crucial role in borrowing, servicing debts, and overall debt management. To improve its debt management practices, Bangladesh should focus on skillful management of foreign currencies. This requires continuous guidance and advice from a reputable global asset management firm, along with strengthening the capacities of Bangladesh Bank and ERD to comprehend the complexities of the global financial market and its intricate instruments. By taking these steps, Bangladesh can be well-equipped to proficiently handle its debt and currencies in a professional manner.
- The ERD is committed to enhancing its capacity to manage public debt effectively, and this involves providing its officials with specialized training, seminars, and workshops on various areas such as risk analysis, debt strategy analysis, negotiation analysis, financial management, technological change, and SDGs.



- ERD has been using a real-time data sharing platform called Aid Information Management System (AIMS) to capture data on commitments and disbursements from development partners, including off-budget assistance. There should be an integration between AIMS and FAMS-another software used by the FABAWing. The integration will help to capture both on-budget and off-budget external finance of DPs in various socioeconomic initiatives of Bangladesh.
- ERD developed a checklist of tasks to be completed during the project formulation stage to ensure project implementation readiness. A policy for managing and allocating funds for checklist tasks completion was also created and approved by the Cabinet Committee on Economic Affairs and published as a gazette. The initiative aims to significantly reduce lead times for project implementation and improve aid utilization rates. However, the policy is yet to be put into effect although a considerable amount of time has passed since its approval by the government.
- Given the shortfall in resource flows through PPPs, FDI, and private borrowing in recent years, external financing from non-OECD members like China, India, Saudi Arabia, and Kuwait is expected to play a significant role.
- The ERD requires capacity to perform comprehensive analysis, monitoring, and review of global and regional financial market trends. Competence in managing financial and currency markets is crucial for the prudent administration of external debt. Therefore, the government should consider hiring financial and economic experts from outside the public sector who possess knowledge of global economic and monetary policy movements and their effects on financial and currency markets. Additionally, engaging a well-known asset management company internationally could provide insight into global financial market dynamics and effective currency and portfolio management.

## Workshop on LDC Graduation and SDG Achievement Nexus

NEC-2 Conference Room, ERD, Dhaka

Sunday, 21 May 2023

Organized by SSGP, ERD

### BACKGROUND

- The 2030 Agenda for Sustainable Development provides a global blueprint for dignity, peace and prosperity for people and the planet, now and in the future. It calls for action by all countries, poor, rich and middle income. SDGs want to ensure that ‘No One Is Left Behind!’ The SDGs include 17 goals and 169 targets that set out quantitative and qualitative objectives and illustrate an inspiring vision for the world in the years until 2030.
- Government of Bangladesh has adopted a ‘whole of society’ approach and engaged the private sector, NGOs, CSOs, think tanks, academia, and media for achieving the SDGs. The government of Bangladesh (GoB) commits to meet the twin objectives of achieving SDGs and national development aspirations. Bangladesh has integrated SDGs into its five-year plans.
- Bangladesh is now undergoing a period of ‘double transition’: it entered into the Lower Middle-Income Country (LMIC) group in 2015, and the UNGA recently adopted a resolution in favour of Bangladesh to be graduated from the LDC category in 2026. GoB has taken different strategies and policies to ensure our LDC graduation to be a sustainable one. The sustainability of the LDC graduation process in other ways will help to achieve the goal of SDG in the long run.
- General Economics Division of the Bangladesh Planning Commission has recently published SDG Progress Report-2022. It is mentionable that, along with Ministry of Foreign Affairs, Economic Relations Division (ERD) is coordinating the SDG Goal – 17.
- In this backdrop, the overall objectives of this workshop were to aware the concerned SDG focal points of different ministries/divisions/agencies about the SDG and LDC graduation nexus and to sensitize them to take more pragmatic steps to attain the goal of SDG-17.

### Chief Guest

- Ms. Sharifa Khan, Secretary, Economic Relations Division (ERD)

### Chair and Moderator

- Mr. Farid Aziz, Additional Secretary and Wing Chief of the Development Effectiveness Wing of ERD

### Keynote Presenters

- Mr. Mohd. Monirul Islam Additional Secretary (SDGs Affairs), Prime Minister’s Office
- Dr. Md. Rezaul Bashir Siddique, Joint Secretary & CM-2 of SSGP, ERD
- Mr. Mohammad Masud Rana Chowdhury, Joint Secretary, ERD

### Key Takeaways

- Active engagement and feedback mechanism among various ministries, divisions and agencies are highly important to move forward to achieve the SDGs timely and properly.
- Utmost importance should be provided to domestic capacity building to enhance competitiveness and prepare the country beyond graduation.
- LDC graduation, Doha Programme of Action (DPoA) and SDGs could complement each other and could help achieve the national goals. In this context, to get better result, SDG focal point of each ministry/divisions/agencies need to work closely and articulately.



## **Welcome Remarks from Chair: Mr. Farid Aziz, Additional Secretary and Wing Chief, Development Effectiveness Wing, ERD**

Mr. Farid Aziz, in his welcome remarks, recalled that the workshop had been organized to create awareness among the ministries or agencies that are responsible for providing data for the indicators related with Goal 17 of SDGs. He observed that such stock taking and awareness building is necessary to keep the stakeholders posted about the progress of all SDG17 related indicators. Against this backdrop, he underscored the need for concerted and coordinated efforts of all concerned ministries or agencies. Afterwards, he asked the keynote speakers of the event to deliver their presentations.

## **Presentation on ‘SDG -17 Progress and the Role of the Concerned’ from Mr. Mohammad Masud Rana Chowdhury, Joint Secretary, ERD**

In the beginning of his presentation, Mr. Mohammad Masud Rana Chowdhury provided a broad overview of the 17 SDGs. He recalled that as per SDGs mapping, ERD along with MoFA is the coordinator for ‘Goal 17: Strengthening the means of implementation and revitalize the global partnership for sustainable development’. He mentioned that ERD is the lead for 12 targets as well as 12 indicators and also responsible for providing data for 23 different indicators. Afterwards, he presented a detailed matrix of SDG 17 indicators, baseline data, and milestones by 2025 for those indicators, 2030 targets as well as current status while also received feedbacks from the concerned ministries or agencies.

## **Presentation on ‘The Role of Relevant Stakeholders in SDG Implementation: Bangladesh Context’**

In the beginning of his presentation, Mr. Mohd. Monirul Islam, Additional Secretary (SDGs Affairs), Prime Minister’s Office recalled that the main tenets of SDGs resonate the speech delivered by the Father of the Nation Bangabandhu Sheikh Mujibur Rahman at the UN General Assembly on 25 September 1974. He mentioned that the SDGs also echo the model of peace and peoples’ empowerment presented by the Hon’ble Prime Minister Sheikh Hasina at the UN General Assembly in 2011. Afterwards, he highlighted the major steps taken by the government to implement SDGs in the context of Bangladesh. He presented some major achievements of the government in line with various goals of SDGs. Mr. Islam informed that back in 2022, Bangladesh had been ranked 104th out of 163 countries in SDG implementation. He mentioned that Hon’ble Prime Minister Sheikh Hasina had received ‘SDG Progress Award’ on 20 September 2021 for Bangladesh’s notable success in achieving SDGs. He also informed that the government is forming district-wise resource pools for implementation of SDGs comprising relevant stakeholders including retired government or private service holders, professionals, successful businessmen or entrepreneurs and prominent personalities.

## **Presentation on LDC Graduation and Its Complementarity with SDG Achievement**

Dr. Rezaul Bashar Siddique, in his presentation, explained the LDC graduation process and the implications of LDC graduation. He highlighted the International Support Measures (ISMs) that a country enjoys as an LDC. He reflected on the overarching activities that a graduating country needs to carry out during the preparatory period.

Dr. Siddique, in his presentation, provided a detailed picture of the nexus between LDC graduation and SDGs. He pointed out that out of 169 targets of SDGs - only 18 targets explicitly refer to LDCs, out of which 12 are of prime importance. He also pointed out that there are a few common indicators between LDC graduation and SDGs. He observed that although LDC graduation does not signify complete progress toward implementing SDGs-preparedness for smooth graduation would definitely enhance the SDG achievements. In this context, he opined that both LDC graduation and SDGs could complement each other and could help achieve the national goals.

Dr. Siddique, in his presentation, highlighted the complementarity between various SDG goals, indicators and various LDC graduation criteria. Highlighting on the focus areas of DPoA—he also presented the complementarity between those focus areas and SDGs. According to him, an innovative and improved policy approach and persuasion of a knowledge-based productivity-driven economy would help the LDCs like Bangladesh to graduate with momentum and implement SDGs by 2030. In this context, he observed that improved domestic policy choices and international support within a reinvigorated multilateral system are critical for achieving those targets. However, he put emphasis on better understanding of likely impacts of graduation with sufficient data and analysis, good preparation, and proactive engagement with development actors.

## **Open Floor Discussion**

- It was queried that despite all the challenges associated with LDC graduation-- what sort of benefits Bangladesh would be able to enjoy after the uplift of LDC status. Responding to this, Dr. Md. Rezaul Bashir Siddique said that LDC graduation would lead to better country image, better credit rating, increased FDI inflow etc..
- Participants also asked that what initiatives had been taken by the government for SDG localization. Responding to this, Mr. Mohd. Monirul Islam said that the government had already identified 39 SDG indicators that should be regarded as priority indicators for Bangladesh. He also informed that apart from those 39 indicators, each and every upazilla and districts had been asked to identify an additional indicator (39+1) that should receive special attention in their own local context. Mr. Islam also informed that upazilla and district level SDG action plans were also being formulated as part of SDG localization. It was further informed that GED had piloted SDG localization model in 5 upazillas. Initiatives had been taken to localize SDGs implementation at the paurashava level.
- It was queried that what measures are being taken by the government to tap the demographic dividend currently enjoyed by Bangladesh. Responding to this, Mr. Mohd. Monirul Islam recalled that the 7th and 8th Five Year Plan of the government had already called for harnessing the demographic dividend.

## **Remarks from the Chief Guest: Ms. Sharifa Khan, Secretary, ERD**

ERD Secretary, in her remarks, recalled that a decision had been taken recently at a meeting in the Cabinet Division that the SDG focal point of each government ministries or agencies would also simultaneously act as the focal point for implementation of Doha Program of Action (DPoA). In this context, she termed the workshop as quite timely and relevant. Underlining the government's increased emphasis on capacity building; she said that the withdrawal of various international support measures after LDC graduation would also create compulsion for such capacity building in various areas. Noting that Bangladesh would not be able to enjoy TRIPS related flexibilities after LDC graduation, she said that a relatively stringent IPR regime would encourage innovation.

## **Concluding Remarks from Chair: Mr. Farid Aziz, Additional Secretary and Wing Chief, Development Effectiveness Wing, ERD**

The Chair, in his concluding remarks, thanked all the participants for their active engagement and feedback. He asked the officials from various ministries and agencies present in the workshop to regularly share the ERD related or SDG 17 related data with ERD. Lastly, he concluded the meeting by thanking all the participants.



# **CHAPTER - 3**

## **Trade And Private Sector Development**



## Seminar on WTO MC-12: Implications for Graduating LDCs

BIAM Foundation, New Eskaton, Dhaka

Tuesday, 26 July 2022

Organized by SSGP, ERD & BUILD

### BACKGROUND

Ministerial Conference (MC) is the highest decision-making body of the World Trade Organization (WTO) and usually meets every two years. Due to the widespread COVID-19 pandemic, the 12th MC of the WTO deferred a couple of times and took place on 12-16 June 2022 after a gap of almost five years.

The MC12 of WTO was expected to have significant implications for LDCs including Bangladesh on two grounds. Firstly, it took place at a time when Bangladesh is preparing for LDC graduation, which is going to be effective in November 2026. Secondly, Bangladesh and other LDCs were expecting an optimistic agreement among the WTO members to support the submission of the LDC (Least Developed Country) Group for extending concessions to graduating nations beyond graduation for a certain period.

### KEY QUESTIONS

- Implications of MC12 decisions in a bigger picture- how developed, developing nations, and the LDCs are impacted?
- What were the strategies of the Bangladesh delegation in the MC12?
- What are the implications of MC12 for Bangladesh as an LDC preparing for graduation?
- What are the key takeaways for Bangladesh from the MC12, what should be the next course of action, and how it should get prepared in the run-up to MC13?

### Chief Guest

- Mr. Tapan Kanti Ghosh, Senior Secretary, Ministry of Commerce

### Chair and Moderator

- Ms. Sharifa Khan, Secretary, Economic Relations Division (ERD)

### Keynote Speaker

- Mr. Md. Hafizur Rahman, Director General (Additional Secretary), WTO Cell Ministry of Commerce

### Key Takeaways

- Bangladesh should actively negotiate at the bilateral and multilateral levels to secure the continuation of ISMs beyond the graduation.
- Bangladesh should look on to engage in various plurilateral negotiations going on in the WTO —especially in areas like e-commerce and investment facilitation.
- Utmost importance should be provided to domestic capacity building to enhance competitiveness and prepare the country beyond graduation.

## Inaugural Session

### *Inaugural Speech by the Chief Guest: Mr. Tapan Kanti Ghosh, Senior Secretary, Ministry of Commerce*

Mr. Tapan Kanti Ghosh, in his speech, observed that there are differences in terms of concerns, interests and level of development of the LDCs. He also opined that the issues related to the political economy also come into play in the international trade regime. Reflecting on the outcome document of the WTO—he opined that although it had fallen short of the expectations of the LDCs, it still recognized the need for certain measures for their smooth and sustainable graduation. In this context, he underlined the need to actively negotiate at the bilateral and multilateral levels to secure the continuation of ISMs beyond graduation. He put special emphasis on stronger bilateral engagement with the major actors of WTO like the US, China, and the European Union.

Mr. Ghosh also emphasized proper marketing, innovation, and the establishment of necessary market linkage for diversification of export items and markets. He observed that equitable opportunities should be provided to all sectors for the diversification of export items. Mr. Ghosh underlined the need for enhancement of skills and regulatory reforms for attracting more Foreign Direct investment (FDI). He also observed that a study should be carried out to assess the impacts of the loss of subsidies upon LDC graduation. At the same time, he observed that there are scopes for expanding the scope of the WTO cell and greater engagement of it with various stakeholders.

### *Remarks by the Chair: Ms. Sharifa Khan, Secretary, Economic Relations Division*

Ms. Sharifa Khan, in her speech, said that utmost importance should be given to domestic capacity building to prepare the country for the post-graduation phase. Noting that Bangladesh is currently in a transitional phase between LDC and developing countries—she said that the country needs to strike a balance when it comes to chalking out its strategy to deal with its trade partners. Pointing out that the subsidies currently provided to the non-agricultural products would have to be discontinued once Bangladesh graduates from the LDC status— she emphasized enhancing the competitiveness of local products without the support of subsidies.

Citing the example of India, she said that a study should be carried out to analyse how Bangladesh can continue to provide indirect subsidies following various mechanisms in the aftermath of graduation. She also underscored the need of enhancing productivity, competitiveness, and quality to prepare the country for the post-graduation challenges. She also observed that Bangladesh should look on to engaging in various plurilateral negotiations in the WTO from the beginning to enjoy an advantageous position —especially in areas like e-commerce and investment facilitation. Lastly, she called for carrying out systematic planning in collaboration with the private sector to overcome the challenges of LDC graduation. She also said that the SSGP project stands ready to provide any technical support to carry out research, studies, and stakeholder consultations to address graduation-related issues.

### *Welcome Remarks from Mr. Farid Aziz, Additional Secretary & Wing Chief, DE Wing, ERD and Project Director, SSGP*

Mr. Farid Aziz, in his welcome speech, recalled that the recently held Twelfth Ministerial Conference (MC12) of the World Trade Organization (WTO) was expected to have significant implications for LDCs including Bangladesh on two grounds. Firstly, it took place at a time when Bangladesh is preparing for graduation from the LDC category, which is scheduled to be effective in November 2026. Secondly, Bangladesh and other LDCs were expecting an optimistic agreement among the WTO members to support the submission of the LDC (Least Developed Country) Group for extending International Support Measures (ISMs) to the graduating nations for a certain period beyond graduation. He opined that although the MC12 had fallen short of the expectations of the LDCs, it had still recognized the need for certain measures by the WTO for their smooth and sustainable graduation.

Against this backdrop, he explained that the seminar had been organized to analyse the key takeaways of Bangladesh from MC12 and also to discuss how the country should get prepared in the run-up to the next Ministerial Conference (MC-13) in the context of Bangladesh's scheduled graduation in November 2026. He expressed his hope that the seminar would allow the participants to learn first-hand experience from the key members of the Bangladesh Delegation.

**Presentation on “WTO MC-12: Implications for Graduating LDCs” by Mr. Md. Hafizur Rahman, Director General (Additional Secretary), WTO Cell, Ministry of Commerce**

At the beginning of his presentation, Mr. Md. Hafizur Rahman highlighted that the MC12 had taken place amid multiple crisis situations like global health crisis (COVID-19), looming economic recession, food and fuel price hikes, moribund DDA, expanding mega regionals like RCEP and CPTPP as well as Russia-Ukraine War. Mr. Rahman noted that there had been some inherent crises in the WTO like the failure of MC11, unusual delay in organizing the MC (almost 5 Years) as well as defunct Dispute Settlement System. He informed that Bangladesh's approach for the MC12 in the context of LDC graduation was to get a package deal for graduating LDCs or at least to keep the agenda alive for the next ministerial. He, however, observed that what the country had received from the MC12 is something in between these two. He pointed out that the ‘Graduating LDC’ Issue was completely new in the WTO system. Therefore, Bangladesh had to convince other WTO members-- especially other LDCs that the countries which are in the process of LDC graduation require special support and attention.

Reflecting on the outcome document of MC12, he cited the 5th paragraph of the document

“In this difficult context, we note with satisfaction the progress achieved by LDC Members who have met or who are about to meet the graduation criteria set by the United Nations Committee for Development Policy (CDP) and acknowledge the particular challenges that graduation presents, including the loss of trade-related international support measures, as they leave the LDC category.

We recognize the role that certain measures in the WTO can play in facilitating the smooth and sustainable transition for these Members after graduation from the LDC Category.”

Reflecting on this particular paragraph—he observed that the paragraph had recognized the role WTO can play in facilitating smooth and sustainable transition for these members after graduation. He termed it as a major success of this conference which had created a baseline for raising the demand for continuation of international support measures for graduating LDCs at the global level.

He also noted that the second paragraph of the outcome document had called for considering the level of development of a country while providing them with Special and Differential Treatments (S&DTs) facilities. He said that this particular provision would be a major concern for Bangladesh which should be subject to further active negotiation.

He also highlighted the eighth paragraph of the outcome document which addressed the operationalization of services waiver in the following manner:

“We reaffirm our decision at the Tenth Ministerial Conference in Nairobi on implementation of preferential treatment in favour of services and service suppliers of least-developed countries and increasing LDC participation in services trade, and instruct the Council for Trade in Services to review and promote the operationalization of the waiver including to explore improvements in LDC services export data; to review information on LDC services suppliers and consumers of LDC services in preference providing Member markets, and to assess best practices in facilitating the use of the preferences. On this matter, we instruct the General Council to report to our next session on progress.”



With regard to TRIPS agreement related decision in MC12, Mr. Rahman said that the decision mentions:

“3. (a) An eligible Member need not require the proposed user of the subject matter of a patent to make efforts to obtain an authorization from the right holder as set out in Article 31(b). (b) An eligible Member may waive the requirement of Article 31(f) that authorized use under Article 31 be predominantly to supply its domestic market and may allow any proportion of the products manufactured under the authorization in accordance with this Decision to be exported to eligible Members, including through international or regional joint initiatives that aim to ensure the equitable access of eligible Members to the COVID-19 vaccine covered by the authorization.”

However, he observed that when it comes to TRIPS related issues, the MC12 outcomes had brought nothing significant that could benefit the developing countries.

Mr. Rahman observed that the MC12 had fallen short of the expectation of the LDCs in this conference. However, he believed that are scopes in the next MC and Bangladesh should engage in bilateral and multilateral negotiations for the continuation of ISMs for an extended period. In this context, he observed that we should adopt the following measures to prepare ourselves for the next ministerial conference of the WTO:

- Revise the original submission and resubmit it immediately after the first General Council (GC) Meeting after the MC-12
- Conduct studies on graduation issues to support the negotiators
- Engage in bilateral negotiations with obstructing Members
- Apprise constantly the representative in Dhaka
- Apprise the relevant Government bodies of other potential countries to get support for the proposal.
- Keep developing countries on board to support the proposal
- Send a high-level delegation to potential countries to convince the governments in favour of the proposal

## Business Session

The inaugural session of the seminar was followed by a business session. Former Member of Bangladesh Trade and Tariff Commission (BTTC) Dr. Mostafa Abid Khan, Chief Executive Officer of Business Initiative Leading Development (BUILD) Ms. Ferdaus Ara Begum, and International Trade Expert of SSGP Mr. Nesar Ahmed took part in the panel discussion. ERD Secretary Ms. Sharifa Khan moderated the session.

### ***Mr. Nesar Ahmed, International Trade Expert, SSGP, ERD***

Mr. Nesar Ahmed, in his remarks, said that although Bangladesh should remain engaged with the process of resubmitting the proposals of the LDC group to the WTO for the continuation of ISMs—the greater emphasis should now be put on the reform process of the WTO and other broader issues given Bangladesh would, sooner than later, become a graduated country. He observed that chances are limited that the proposals of the LDC group for the continuation of ISMs for an extended period would receive the WTO nod.

Explaining the reason- he opined that since only Bangladesh, among the LDCs, had been able to make the best utilization of the DFQF measures and other ISMs-- no other LDCs is interested in this issue. Noting that it is high time for the reform of the WTO—he said that Bangladesh should take an active role in that reform process so that the concerns of the country receive adequate global attention in the future. Echoing the opinion of the moderator, He affirmed that Bangladesh should actively participate in various plurilateral negotiations in the WTO. While affirming that there would be some challenges in engaging in various plurilateral negotiations— he opined that becoming a party to plurilateral agreements may create compulsion for necessary reforms and capacity developments.



### ***Remarks from Ms. Ferdaus Ara Begum, CEO, BUILD***

Ms. Ferdaus Ara Begum, in her remarks, said that Bangladesh should actively negotiate both at bilateral and multilateral levels for the continuation of ISMs beyond LDC graduation. Noting that the latest national budget had imposed a supplementary duty on 90 more products-- she observed that such para-tariffs would have to be withdrawn following the country's graduation. She also called for more simplification of trade facilitation-related issues. She underscored the need for amending the existing patent law to address the issue of compulsory licensing in the context of LDC graduation. Highlighting the importance of the WTO cell in safeguarding the country's trade interest in the global arena, she called for enhancing the capacity of the WTO cell by engaging experts on WTO-related issues.

### ***Remarks from Dr. Mostafa Abid Khan, Former Member, Bangladesh Trade and Tariff Commission (BTTC)***

Mr. Mustafa Abid Khan, in his remarks, identified the continuation of ISMs as the major challenge for the country in the context of LDC graduation. In this context, he emphasized enhancing the country's internal capacity to decrease its dependency on ISMs. He also said that although Bangladesh should remain engaged with the process of resubmitting the proposals of the LDC group for continuing ISMs to the WTO—the country should lower its expectation in this regard.

## **Open Floor Discussions**

At this stage, the floor was opened for feedback from participants. During this phase, the following observations and recommendations came from the participants.

Mr. Mustafizur Rahman from the Bangladesh Association of Pharmaceutical Industries (BAPI) queried what sort of policy reforms would be taken by the government to address the challenges to be faced by the pharmaceuticals sector after the country becomes graduated. Also pointing out that the country is overwhelmingly import-dependent when it comes to agriculture-related products like fertilizer, seeds, and pesticides—he called for policy support to increase self-sufficiency in such items.

Addressing these observations, Ms. Sharifa Khan said that the pharmaceuticals sector should put forward specific proposals about the type of policy support they would require to address the LDC graduation-related challenges. She also informed that ERD, with support from SSGP, is planning to organize a consultation with the pharmaceuticals sector to exclusively discuss the graduation-related challenges of the pharmaceuticals sector. With regard to the concerns raised about the agricultural products—Ms. Khan informed that as per the WTO rules, a developing country can provide domestic subsidies for up to 10 percent of the total agricultural production. She pointed out that Bangladesh's current domestic support is around 1.5 percent of the total production and the country will be able to continue such support even after LDC graduation.

Reflecting on the issues of the pharmaceuticals sector-- Ms. Ferdaus Ara Begum, citing recent research, pointed out that the Bangladeshi pharmaceutical companies had produced around 16 thousand formulations of their own which are yet to be patented. In this context, she observed that the pharmaceutical industry should give serious thought to how to address this issue in the context of the expiry of TRIPS-related flexibilities after graduation. Pointing out that the demand for biological drugs had increased significantly in the global market in recent years—she opined that Bangladesh should look to tap this market. Ms. Ferdaus Ara Begum observed that although Bangladesh imports a significant portion of agricultural materials like fertilizers and seeds from abroad—domestic manufacturers of these products had also created a niche in recent years.

Head of Research and Development of Dhaka Chamber of Commerce and Industry (DCCI) Mr. AKM Asaduzzaman Patwary said that the government should formulate specific measures to promote local manufacturing and export. He

also emphasized sector-specific action plans to tackle the challenges of LDC graduation. He also said that a study should be carried out to evaluate whether CEPA (Comprehensive Economic Partnership Agreement) would be beneficial for Bangladesh or not. He also observed that currently there is no focused area in the national budget for the sector-specific direction of the policy that supplements the LDC graduation related preparation of the country. Citing a recent study from DCCI, he said that the withdrawal of cash incentives is unlikely to have any impact on Bangladesh's exports after LDC graduation. Citing the same study, he said that the private sector would rather require technological support, easier access to finance, skills, and research development plan to offset the withdrawal of cash incentives.

Noting that the importation of mother ships for frozen fish is currently subject to 55 percent import duty—Mr. Shaikh Sohail Pervez from Bangladesh Frozen Foods Exporters Association said that withdrawal of this import duty would be beneficial for the frozen fish sector. He also observed that tax incentives should be provided for importing relevant materials to bring much more diversity to this sector. He said that the next generation of farmers or entrepreneurs should be encouraged and incentivized to engage in this sector. Noting that Vietnam had recently signed a special agreement with the EU to gain easier access to its frozen fish market—he said that Bangladesh should explore the possibility of reaching such deals with the EU.

Ms. Rehana Akter from Bangladesh Tanners Association said that the issues pertaining to the domestic leather sector should receive increased focus in Bangladesh's negotiations with the WTO. Participants also said that there should be a comprehensive assessment of how the already graduated countries had promoted their private sector.

Responding to these observations, Ms. Sharifa Khan said that Bangladesh, with its huge population, large GDP, and strong manufacturing base—provides a unique case among the LDCs. In this context, she observed that analysing the experience of other graduated LDCs would not be worth it for Bangladesh. However, she also pointed out that other graduated LDCs had witnessed an uplift in their flow of FDI after their graduation due to reforms in their IP regime as well as other rules and regulations brought forth by LDC graduation. Ms. Ferdaus Ara Begum said that Bangladesh would be able to continue to provide duty drawback facilities after graduation. She observed that duty drawback facilities will be a crucial requirement for the leather and RMG sector in the coming years.

Responding to the feedback coming from the participants, Mr. Md. Hafizur Rahman affirmed that there are scopes for boosting the size of manpower of his cell with a view to enhance its capacity. He also informed that the Ministry of Commerce is closely examining the FTA recently signed between the EU and Vietnam as a lesson learning process. He informed that during the recently concluded trade talks between the EU and Bangladesh—the EU had queried whether Bangladesh is interested in signing an FTA with the EU. He, however, observed that Bangladesh will need to address various issues like labour rights, Intellectual Property Rights, and environmental compliance issues for signing an FTA with the EU. Noting that around 25 percent of the pharmaceutical products currently being manufactured in the country would be subject to patent protection after graduation—he called for taking necessary steps for overcoming post-LDC challenges in this regard. He informed that the Ministry of Commerce is looking for ways to continue the TRIPS-related flexibilities up until 2033 even if the country graduates by the end of 2026. Noting that the challenges and vulnerabilities of a particular LDC should be taken into account while considering its level of development—he informed that the WTO cell is working on how to properly accentuate it in the future high-level meetings of WTO as well as the future MC outcome documents.

## **Wrap up by the Chair and Moderator**

ERD Secretary Ms. Sharifa Khan, in her concluding remarks, recalled that Bangladesh had successfully tackled a number of similar challenges in the past including the phasing out of the quota system in 2005. She expressed her hope that Bangladesh would similarly be able to tackle the challenges posed by LDC graduation and would emerge as a stronger nation in the postgraduation phase. She informed that ERD, with support from SSGP, would organize sector specific consultations in the near future to have a detailed discussion on how to address the graduation-related

challenges. She asked the private sector representatives to formally send their issues relating to sectoral development that supports sustainable graduation to ERD so that those could be placed before the National Committee on LDC graduation. Finally, she thanked all the participants for their active participation and for making a valuable contribution to the policy discussion.

## Major Recommendations

- The outcome of the MC12 of the WTO had fallen short of the expectations of the LDCs. However, it has recognized the need for certain support measures for their smooth and sustainable graduation. The outcome is regarded as a great success for the graduating nations as it has kept the agenda alive for future discussion;
- The submission of the LDC group for continuing ISMs needs to be revised in the context of the new global scenario and should be resubmitted immediately after the first General Council Meeting after the MC-12;
- Bangladesh should actively negotiate at the bilateral and multilateral levels to secure the continuation of ISMs beyond graduation. Stronger bilateral engagement with the major actors of WTO like the US, China, and the European Union would be required in this context;
- Bangladesh should look on to engage in various plurilateral negotiations going on in the WTO —especially in areas like e-commerce and investment facilitation;
- Utmost importance should be provided to domestic capacity building to prepare the country for the post-graduation phase, proper marketing, innovation, and establishment of necessary market linkage are essential for the diversification of export items and markets;
- Simplification of trade facilitation-related issues is required in the context of Bangladesh's upcoming LDC graduation;
- Policy support is required to increase Bangladesh's self-sufficiency in agricultural items like fertilizer, seeds, and pesticides;
- The pharmaceutical industry should give serious thought to how to patent its products which would require patenting in the context of the expiry of TRIPS-related flexibilities after LDC graduation; Local pharmaceutical industries should look to tap the rising demand for biological drugs in the global market;
- A study should be carried out to analyse whether CEPA would be beneficial for Bangladesh or not;
- The government should formulate sector-specific action plans to tackle the challenges of LDC graduation; and
- ERD, with support from SSGP, would organize sector-specific consultations in the coming months to have detailed discussions on how to address the graduation-related challenges.

## Workshop on Man-Made Fiber for Moving up the Value Chain of RMG in the Context of LDC Graduation

NEC Conference Room, Dhaka

Thursday, 04 October 2022

Organized by SSGP, ERD and BGMEA

### BACKGROUND

The Bangladesh RMG sector has flourished because of the best utilization of the trade-related International Support Measures (ISMs) for LDCs particularly the preferential market access, availability of large, young and easily trainable workforce, presence of support industries, geographical advantage, conducive government policy and incentives including fiscal incentives and export subsidies.

However, Bangladesh will lose all the LDC-specific ISMs, including non-reciprocal preferential Rules of Origin (RoO) and Duty-Free and Quota-Free (DFQF) market access soon after the graduation from the LDC category in 2026, except the Everything But Arms (EBA) scheme of the EU GSP, which will end in 2029.

The rapid changes in the global fashion market shifting from cotton to non-cotton based Man-Made Fibre (MMF) may thwart the potential growth of the Bangladesh RMG sector. The MMF products now hold about 70% of the global apparel market, whereas cotton-based items account for 70% of our export. With the rise of high-end fashion markets worldwide, the demand for MMF is increasing because of lifestyle changes. Consumers are looking for products which are easy to care. As a result, the import of MMF such as polyester staple, viscose, and Tencel is already on the rise in Bangladesh.

The RMG product basket of Bangladesh is narrow compared to China or Vietnam as the country is still limited to cotton-based products. Expanding the production base of non-cotton yarn and fabric, and manufacturing garment items with it has enormous potential for Bangladesh to grab a larger share in global apparel markets. It will also give an extra edge in qualifying the stringent RoO after graduation. On the whole, the use of MMF will create a new window of opportunity for the Bangladesh RMG sector to diversify its products and move up the value chain.

### Chief Guest

- Mr. M. A. Mannan, MP  
Honorable Minister  
Ministry of Planning

### Special Guests

- Mr. Faruque Hassan  
President, BGMEA
- Mr. Noor Md. Mahbubul Haq,  
Additional Secretary,  
Ministry of Commerce

### Chair and Moderator

- Ms. Sharifa Khan, Secretary,  
Economic Relations Division  
(ERD)

### Keynote Speaker

- Dr. M A Razzaque  
Chairman, RAPID

### Objectives

The key objectives of the workshop are:

- to highlight the current situation of using MMF in the RMG sector of Bangladesh vis-a-vis global trends;
- to discuss how increased use of MMF could help the RMG sector diversify as well as produce high-value-added products; and
- to delineate the challenges and way forwards for increasing the production and use of MMF as well as attracting investment in MMF.

## Key Takeaways

- Bangladesh needs to grab the potential of MMF by expanding its market in the global MMF-based RMG segment while maintaining the current growth in cotton-based apparel to increase our global market share;
- Special policy incentives should be provided to attract more investments in non-cotton textiles and RMG industries;
- Given the burgeoning demand for non-cotton apparel, MMF should be considered the most important thrust sector in all relevant policies of the government.
- Bangladesh should pursue to attract foreign investment in MMF textile and apparel sectors;
- Bangladesh should try to turn itself into a regional MMF supply hub;
- Improved infrastructure and logistic services (customs, bond, port, etc.) for import of raw materials needed for non-cotton production.

## Discussions and Recommendations

A workshop on ‘Man-Made Fiber for Moving up the Value Chain of RMG in the Context of LDC Graduation’ was jointly organized by the Support to Sustainable Graduation Project (SSGP) of Economic Relations Division (ERD) and Bangladesh Garment Manufacturers and Exporters Association (BGMEA) at the NEC Conference Room, Planning Commission, Sher-e-Bangla Nagar, Dhaka on 04 October 2022.

Hon’ble Planning Minister Mr. M. A. Mannan, MP graced the event as the chief guest. Additional Secretary of the Ministry of Commerce Mr. Noor Md. Mahbubul Haq and the President of BGMEA Mr. Faruque Hassan attended the workshop as special guests. ERD Secretary Ms. Sharifa Khan chaired the workshop.

Bangladesh's ready-made apparel has made a strong footprint in the global market and emerged as the second largest exporter in the world after China. However, the country would lose all the LDC-specific ISMs, including preferential Rules of Origin (RoO) and Duty-Free and Quota-Free (DFQF) market access soon after the graduation from the LDC category in 2026-- except the Everything But Arms (EBA) scheme of the EU-GSP, which will end in 2029.

Since Bangladesh could make maximum utilization of the DFQF facilities, the loss of such facilities after graduation may create some challenges for our exports, particularly the RMG as the sector alone contributes around 83 percent of our total exports.

Meanwhile, the rapid shift in the global apparel market from cotton to non-cotton based Man-Made Fibre (MMF) may thwart the potential growth of the Bangladesh RMG sector as currently, the overwhelming portion of our RMG exports are still cotton-based. In this context, expanding the production base of non-cotton yarn and fabric, and manufacturing garment items with it has enormous potential for Bangladesh to grab a larger share of the global apparel market. It will also give an extra edge in qualifying for the stringent RoO after graduation.

In this context, the SSGP Project of ERD and the BGMEA jointly organized this workshop to analyze the current situation of MMF usage in the RMG sector of Bangladesh and to discuss how increased use of MMF could help the RMG sector diversify as well as produce high-value-added products.

Chairman of Research and Policy Integration for Development (RAPID) Dr. M A Razzaque delivered the keynote presentation of the event while Director of BGMEA Mr. Asif Ashraf delivered a presentation on ‘Challenges in Production and Use of MMF in RMG and Expectations of the Private Sector.

Executive Director of Bangladesh Bank Mr. Kazi Rafiqul Hassan, Executive President of Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) Mr. Mohammad Hatem and Director of Bangladesh Textile Mills Association (BTMA) Mr. Syed Nurul Islam spoke during the event as panelists.

Mr. Farid Aziz, Additional Secretary of ERD and Project Director of SSGP delivered the welcome address of the event. Representatives from the public and private sectors as well as research organizations participated in the workshop.

### **Tapping the Potentials of Man-made Fibre (MMF)**

- Bangladesh needs to grab the potential of MMF by expanding its market in the global MMF-based RMG segment while maintaining the current growth in cotton-based apparel to increase our global market share;
- Special policy incentives should be provided to attract more investment in non-cotton textiles and RMG industries;
- Given the burgeoning demand for non-cotton apparel, MMF should be considered as the most important thrust sector in all relevant policies of the Government of Bangladesh;
- Providing 10 percent incentives for the initial 5 years on fabrics manufactured from imported MMF yarn and for the next five years on manufactured fabrics from MMF yarn may be considered;
- Bangladesh should pursue to attract foreign investment in MMF textile and apparel sectors;
- Bangladesh should try to turn itself into a regional MMF supply hub;
- Special scheme to promote FDI or Joint Venture, particularly in non-cotton textiles and fabric which will help the country in meeting Double transformation criteria for Rules of Origin in the post-LDC era;
- Improved infrastructure and logistic services (customs, bond, port, etc.) for import of raw materials needed for non-cotton production;
- Tax benefits or incentives should be provided to set up non-cotton yarn and fabric textile plants in economic zones;
- Special budget allocation should be provided for research, development and innovation to explore the potentials of fiber made from indigenous materials like bamboo, jute, cane, and other vegetable fiber, etc.; and
- All sorts of duties on the import of MMF or relevant raw materials may be waived to promote the use of man-made fiber in local RMG industries.

### **Augmenting the Growth and Diversification of RMG**

- Bangladesh should look to take advantage of the falling share of China in the global apparel market;
- Bangladesh should make the most of the LDC privileges for the remaining few years;
- EU is currently working on a new GSP regime. As per the draft proposition of this new GSP regime-- Bangladesh may not get GSP-plus facilities for its RMG exports beyond 2029. Meanwhile, the Rules of Origin (RoO) related flexibilities may not be available under the new Developing Countries Trading Scheme (DCTS) of the United Kingdom. Bangladesh should closely monitor such development in the major markets of Bangladesh's RMG export while negotiating the continuation of International Support Measures (ISMs) beyond graduation;
- Compliance and ESG (Environmental, Social and Governance) factors will influence the future export performance of the country. Issues of environmental protection, decent working conditions as well as sustainable production and consumption should be addressed for negotiating the continuation of international support measures with the importing countries;
- Spinning mills should be provided with adequate incentives including access to low-interest-rate loans;
- Bangladesh Textile Mills Association (BTMA) as the mother organization, should be involved in policy consultations concerning the textile and apparel industry;



- Productivity of the RMG sector should be increased to enhance the competitiveness of the local apparel industries;
- Increased focus should be given to trade facilitation and other measures for cost reduction to increase the competitiveness of RMG in the global market;
- The loss of efficiency due to trade-related logistics should receive increased focus to enhance the competitiveness of the RMG sector from the domestic front;
- RMG sector should explore the untapped markets of the Middle East as part of its market diversification efforts;
- Lead certified RMGs of Bangladesh should take measures to qualify for the Carbon Border Adjustment Mechanism (CBAM) to be introduced by the EU in 2023;
- Measures should be taken to diversify the products within the RMG sector as only five types of products comprise 69 percent of Bangladesh's total RMG export;
- Capacity building, awareness creation and appropriate branding should be taken into account for furthering the growth of the local RMG export;
- The competitiveness of local spinning industries should be increased to augment the growth of the local RMG sector. Increased investment is also required in yarn and fabric manufacturing.

### **Policy Support and Coordination**

- There should be a level playing field in providing incentives to ensure fairness among various sectors and sub-sectors;
- Rationalization and repackaging of incentives are required to make sure that the areas which are lagging receive the required support;
- Recommendations coming from the workshop could be incorporated into the national tariff policy currently being formulated by Bangladesh Trade and Tariff Commission;
- NBR should work to simplify the customs procedure and accelerate the process of consignment clearance;
- Necessary measures should be taken to accelerate the process of installing scanner machines at the Chittagong port for faster release of the goods;
- Subsidies should be provided on incremental exports to augment the export growth and accelerate competitiveness within the RMG sector;
- Bangladesh needs to invest more in backward linkage industries related to RMG to compete with other major players like Vietnam in the coming years;
- Necessary analysis should be carried out to chalk out ways and means for the continuation of various incentives beyond the country's LDC graduation;
- Policy support including easier access to finance would be required for necessary technological upgradation for the required transformation in the textile and apparel sector;
- Bangladesh Bank would work closely with the Ministry of Commerce to facilitate the continued growth of textile and RMG sector.

## Workshop on Augmenting Competitiveness by Improving Trade Facilitation

NEC Conference Room, Dhaka

Thursday, 14 September 2022

Organized by SSGP, ERD and MCCI

### BACKGROUND

Bangladesh, as a least developed country (LDC), has been very successful in utilizing various LDC-specific International Support Measures (ISMs). The most important ISM for Bangladesh is the duty-free & quota-free (DFQF) market access. However, Bangladesh will lose all the LDC-specific ISMs, including the DFQF market access soon after the graduation from the LDC category in 2026, except the Everything But Arms (EBA) scheme of the EU GSP, which will end in 2029.

An improved trade facilitation system is critical for significantly enhancing the overall trade performance. To overcome the probable negative impacts due to the loss of the DFQF facilities under various LDC-specific schemes, Bangladesh needs to employ all possible TF measures for augmenting the competitiveness.

A comprehensive WTO Trade Facilitation Agreement (TFA) has been concluded to facilitate global trade. Bangladesh is now implementing the TFA, which has various flexibilities for LDCs. Under these flexibilities, each LDC has got the opportunity of implementing the TFA in a phased manner by categorizing the measures into categories A, B, and C. Bangladesh has submitted notifications to the WTO on various categories. It is to be noted here that the LDC-specific flexibilities of the TFA will no longer be available upon graduation which will compel Bangladesh to implement measures under different categories.

### Chief Guest

- Mr. Tipu Munshi, MP, Hon'ble Minister, Ministry of Commerce

### Special Guest

- Mr. Md. Mostafa Kamal, Secretary, Ministry of Shipping
- Mr. Md. Saiful Islam, President, MCCI

### Chair and Moderator

- Ms. Sharifa Khan, Secretary, Economic Relations Division (ERD)

### Keynote Speaker

- Mr. Md. Raich Uddin Khan, Senior Customs Specialist, USAID-funded Feed the Future Bangladesh Trade Activity

### Objectives

The key objectives of the workshop are:

- to discuss how improved trade facilitation and logistics system can contribute to offsetting the probable negative impacts due to the loss of the DFQF market access and other ISMs after the graduation from the LDC category;
- to discuss implications of legal, administrative and technical/technological matters on TF measures and suggest necessary reforms thereof;
- to discuss the existing situation of the transportation, port facilities, and other trade logistics issues and suggest short-, medium- and long-term measures for the overall improvements of trade and investment;
- to discuss the implementation status of the TFA, particularly the category-C measures and what should be done to make the best use of the LDC-specific flexibilities before Bangladesh's graduation from the LDC category in 2026.



## Key Takeaways

- Streamlining of the processes and documentation must be given priority.
- A holistic approach should be followed in the automation of customs procedure
- Many important issues relating to transportation, port facilities, and trade logistics remain outside the scope of the TFA. Improvements in these areas (TFA+) are also necessary to enhance trade competitiveness, export growth, and diversification as well as to attract more investment.
- Elimination of redundant process and documents (available electronically) in trade.

## Discussions and Recommendations

Support to Sustainable Graduation Project (SSGP) of Economic Relations Division (ERD) in collaboration with Metropolitan Chamber of Commerce & Industry (MCCI) organized a workshop on ‘Augmenting Competitiveness by Improving Trade Facilitation’ on 14 September 2022 at the NEC Conference Room, Sher-e-Bangla Nagar, Dhaka.

Hon’ble Commerce Minister Mr. Tipu Munshi, MP graced the workshop as the Chief Guest. Secretary of the Ministry of Shipping Mr. Md. Mostafa Kamal and the President of MCCI Mr. Md. Saiful Islam attended the event as special guests. ERD Secretary Ms. Sharifa Khan chaired the workshop.

Trade facilitation ensures simplification, modernization as well as harmonization of rules, regulations, and procedures relating to trade. It reduces the time and cost of trade transactions, which in turn enhances competitiveness. An improved trade facilitation system is critical for significantly enhancing the overall trade performance.

It has long been observed that Bangladesh needs to undertake all possible trade facilitation measures for augmenting the competitiveness and to overcome the probable negative impacts due to the gradual loss of the Duty Free Quota Free (DFQF) market access after the country’s graduation from the Least Developed Country (LDC) category.

It is notable that a comprehensive WTO Trade Facilitation Agreement (TFA) was concluded at the Ninth WTO Ministerial Conference in 2013 to facilitate global trade. Bangladesh ratified the Agreement in 2016 and TFA became effective in 2017. Bangladesh is now implementing the TFA, which has various flexibilities for LDCs. Under such flexibilities, each LDC has got the opportunity for implementing the TFA in a phased manner. However, such flexibilities will be reduced upon graduation.

In this context, the workshop was organized to discuss that how improved trade facilitation and logistics system can contribute to offsetting the probable impacts due to the loss of the DFQF market access and other International Support Measures (ISMs) after graduation from the LDC category. It also discussed the implications of legal, administrative, and technical/technological matters on trade facilitation measures and suggested necessary reforms thereof.

Senior Customs Specialist of the USAID-funded ‘Feed the Future Bangladesh Trade Activity’ project Mr. Md. Raich Uddin Khan delivered the keynote presentation of the event.

Member of the National Board of Revenue (NBR) Dr. Abdul Mannan Shikder, Additional Secretary of the Finance Division Dr. Md. Khairuzzaman Mozumder, Director of BGMEA Mr. Asif Ashraf and Chairman of the Policy Exchange of Bangladesh Dr. M. Masrur Reaz spoke during the event. Stakeholders from the public and private sectors as well as research organizations participated in the workshop.

Mr. Farid Aziz, Additional Secretary of ERD and Project Director of SSGP delivered the welcome address of the event.

## Recommendations

### Regulatory Reforms and Enhanced Coordination

- Speedy and effective rolling out of the ‘single window’ scheme would facilitate necessary coordination among the relevant agencies while helping to expedite the whole procedure.
- Interoperability is essential among 39 agencies that are involved in trade-related procedures for cross-border trade. Key agency identification is also important.
- Streamlining of the processes and documentation must be given priority.
- Regulatory barriers for engaging third party logistical firms should also be removed.
- Small and medium enterprises should be given special care so that they can reap the benefits of improved trade facilitation measures.
- Import General Manifest (IGM) scheme should be introduced and the relevant private sector entities should be encouraged to adopt this scheme.
- Many important issues relating to transportation, port facilities, and trade logistics remain outside the scope of the TFA. Improvements in these areas (TFA+) are also necessary to enhance trade competitiveness, export growth, and diversification as well as to attract more investment.
- Development partners should be encouraged to provide technical support for improving trade facilitation measures. ERD, as the nodal agency for dealing with the development partners (DPs), would continue to play vital role in this regard. Already, a number of projects are being implemented with support from the DPs for bringing necessary regulatory reforms and to build necessary infrastructure for facilitating the trade, while a number of such projects are also in the pipeline.
- A holistic approach should be followed in the automation of customs procedure.
- National Board of Revenue (NBR) has already been working to brand itself as a business-friendly entity. However, much more should be done to promote it as a business-friendly agency to the private sector.
- The existing process of license renewal is quite time consuming and cumbersome. In this context, the tenure of a trade license should be increased to five years to lessen the hassle for the private sector entities.

### Implementation of the WTO TFA Measures

- Elimination of redundant process and documents (available electronically) in trade.
- Implementation of pre-arrival processing including penalty provision for late filing should be introduced to expedite the release of imported goods.
- Activation of Green Channel for low risk as well as Authorised Economic Operator (AEO) cargo.
- Implementation of Automated Risk Management System supported by AEO and Post Clearance Audit (PCA) program.
- Other Government Agencies (OGAs) are to implement risk management principle.
- Automation of manual processes of customs and port.
- Other border agencies should implement e-payment.
- Streamlining of the cargo examination process.

### Transport Connectivity

- Multimodal and integrated transport strategy needs to be developed.
- Capacity and quality of highways need to be improved. Currently, roads are inefficiently operated while congestions and delays are frequent. Inland waterways are not properly maintained.

- Accessing the waterways from Dhaka city is quite cumbersome. Railways are also underutilized as there is only one rail-based Inland Container Depot (ICD).

### **Sea Ports and Land Ports**

- Bangladesh should look to attract foreign investment in port management and operations. Relevant regulatory provisions should also be eased accordingly to attract foreign direct investment in this sector.
- The efficiency and capacity of Chattogram port should be enhanced on priority basis. At present, there is no warehouse facility for perishable and temperature sensitive goods (except plug in facility for refrigerated container). Port should be accessible for mother vessels.
- Warehousing, parking and other facilities at Benapole port must be enhanced.
- Cold chain facility should be developed at major ports.
- Potential of Mongla port must be fully realized.
- More cargo handling equipment for land ports
- Capacity development for Container based import through land ports.
- Developing a national strategy to increase logistical efficiency.

### **Private ICD**

- New ICDs are to be established to meet the increasing demand as the export volume is growing at a rate of 15% or more.
- A rail-based ICD with higher capacity may reduce the costs of export.

### **Aviation**

- Biman Bangladesh Airlines should be equipped with adequate cargo handling equipment.
- Allocation of more spaces at courier and cargo unit at Hazrat Shahjalal International Airport.

### **Miscellaneous**

- Implementation of measures related to advance ruling (i.e.- HS classification) needs to be geared up.
- Tariff rationalization is an important prerequisite for trade facilitation.
- The provision of minimum import price should be abolished.
- Bangladesh Bank should work to regularly update its import data.
- At present, farmers are being compelled to bear higher production cost due to lengthy and cumbersome customs procedure followed during the import of raw materials for agro-chemicals. In this context, One Stop Service (OSS) scheme should be introduced for agrochemical producers of the country.

## **Conclusion**

The workshop has resulted in increased awareness and understanding of the existing trade facilitation and trade logistics situation in Bangladesh. It came up with a number of valuable recommendations for strategies and actions for faster implementation of the WTO Trade Facilitation Agreement and improving trade logistics in order to enhance the overall trade performance. It also provided a number of effective recommendations for formulating strategies and actions for utilizing trade facilitation and logistics system to overcome the probable challenges due to the loss of the DFQF market access and other ISMs after the graduation from the LDC category.

# Seminar on Impacts of LDC Graduation on the Agriculture Sector and Way Forward

Parjatan Bhaban, Agargaon, Dhaka

Sunday, 04 June 2023

Organized by SSGP, ERD & USDA Funded Bangladesh Trade Facilitation Project

## BACKGROUND

Bangladesh provides some subsidies for production inputs in the agriculture sector, such as subsidies for fuel, fertilizer, etc. These kinds of subsidies are known as domestic support as per the Agreement on Agriculture of the WTO. In addition, Bangladesh also provides export subsidies (cash incentives) on exports of some agriproducts, like potato, vegetables, etc.

While most of the studies on LDC graduation implications concentrate on the readymade garment sector, the implication of relevant trade rules and market access provisions for agricultural goods are distinct. The U.S. Department of Agriculture (USDA) funded Bangladesh Trade Facilitation (BTF) Project conducted a study to evaluate the potential impact of graduation on agriculture exports, taking into account changes in market access and export support provisions, and offers policy recommendations. Considering the high importance of subsidies provided in the agriculture sector as well as the significance of the study findings and their implication on policy planning the SSGP, ERD and USDA funded BTF project have jointly organized this Seminar.

## OBJECTIVES

- Sensitize stakeholders about the implications of LDC graduation on Agriculture Sector; and
- Discuss probable challenges of Agriculture Sector due

## Chief Guest

- Dr. Muhammad Abdur Razzaque, MP, Hon'ble Minister, Ministry of Agriculture

## Special Guest

- Dr. Shamsul Alam, Hon'ble Minister of State, Ministry of Planning

## Chair

- Ms. Sharifa Khan, Secretary, Economic Relations Division (ERD)

## Keynote Speakers

- Dr. Mohammad Abdur Razzaque, Chairman, Research and Policy Integration for Development (RAPID)
- Dr. Mostafa Abid Khan, former Member, Bangladesh Trade and Tariff Commission

## Key Takeaways

- Bangladesh should actively engage with the GSP provider countries for extending preference beyond graduation.
- Enlistment as a net food-importing developing country will help retain some policy space to support agricultural goods exporters.
- Necessary steps should be taken to effectively use the domestic support for agriculture to enhance domestic productivity and expand agricultural exports.
- As the domestic support to agricultural production is below the WTO prescribed threshold, Bangladesh will not face issues in widening the volume of domestic subsidy.

Major discussions and recommendations of the seminar are documented here.

## Welcome Remarks from Mr. Farid Aziz, Additional Secretary & Project Director, SSGP, ERD

Mr. Farid Aziz, in his welcome remarks, identified LDC graduation as one of the biggest milestones in Bangladesh's development journey. He also highlighted the major initiatives taken by the government to ensure a smooth and sustainable LDC graduation. Mr. Aziz, in his remarks, also recalled the importance of agriculture in ensuring food security, supplying industrial raw materials and ensuring export diversification. In this context, he observed that it

would be crucial to analyse the impact of LDC graduation on the agriculture sector of the country. He thanked the chief guest, special guest and the chair of the seminar for their gracious presence. He also thanked USDA and its Bangladesh Trade Facilitation Project for partnering with ERD and SSGP in organizing the workshop.

### **Keynote Presentation on ‘Implications of LDC Graduation for Bangladesh’s Agricultural Goods Trade: Issues and Policy Options’ by Dr. Mohammad Abdur Razzaque, Chairman, Research and Policy Integration for Development (RAPID)**

Dr. Razzaque, in his keynote presentation, highlighted the findings of the USDA funded study titled ‘Implications of LDC Graduation for Bangladesh’s Agricultural Exports: Issues and Policy Options’. Highlighting the progress made by Bangladesh in agriculture, he said that attaining food security for a large population in a country with a small land area had been a major achievement. Reflecting on Bangladesh’s LDC graduation, he termed it as an ‘accomplishment’. But he also cautioned that it might result in the discontinuation of LDC-specific International Support Measures (ISMs). He also pointed out that after LDC graduation, Bangladesh’s agricultural exports could be impacted by the loss of most generous trade preferences in different countries as well as constrained policy space due to WTO regulations. He provided a projection of the increase in average tariffs on Bangladesh’s agricultural exports after LDC graduation in major export destinations like India, the European Union, United Kingdom, China, and Republic of Korea. He also provided a picture of the post-Graduation potential impact on agricultural export earnings using Partial as well as General Equilibrium Model. In terms of policy space, he said that most of the impacts in agriculture will arise from two major WTO agreements: Agreement on Agriculture (AoA) and Agreement on Subsidies and Countervailing Measures (SCM). Later, he highlighted and explained the implications of loss of such policy space. Later, he put forward the following LDC specific policy recommendations to cope with the associated challenges:

- Make the most of the available duty-free market access and policy space in the remaining period prior to LDC graduation.
- Proactively engage with major GSP-providing countries for extended preferences and favourable terms in the post-LDC graduation period.
- Given the significance of India for agricultural exports, it is extremely important to proactively pursue the continuation of duty-free access in that market.
- Options for bilateral and regional free trade agreements for maintaining duty-free market access for exports.
- Being enlisted as a net food-importing developing country will help retain some policy space to support agricultural goods exporters.
- We should consider developing export assistance schemes in compliance with WTO provisions.
- Effectively use the domestic support for agriculture to enhance domestic productivity and expand agricultural exports.
- Boosting the competitiveness and productive capacity of agricultural producers is crucial for expanding exports.
- Imposing uniform standard for agricultural products aligning with the developed countries’ standards and strengthening the capacity of standard and testing facility centers.
- Focusing on export diversification within the agricultural sector while ensuring product quality.
- Tackling the high costs of doing business and improving connectivity and trade facilitation will be important to boost export competitiveness.
- Extending bonded warehouse facilities to the agricultural sector could help improve competitiveness.

Noting that a developing country member of WTO can be considered as NFIDC if the country has been a net importer of basic foodstuff in three years of the most recent five years—he said that Bangladesh should pursue with

WTO to be enlisted amongst NFIDCs after LDC graduation. He also mentioned that as an NFIDC, Bangladesh could provide marketing related subsidy on exports until 2030.

In addition, he also put forward the following policy recommendations on general issues:

- Boosting the competitiveness and productive capacity of agricultural producers is crucial for expanding exports.
- Imposing uniform standard for agricultural products aligning with the developed countries' standards and strengthening the capacity of standard and testing facility centers.
- Focusing on export diversification within the agricultural sector while ensuring product quality.
- Tackling the high costs of doing business and improving connectivity and trade facilitation will be important to boost export competitiveness.
- Extending bonded warehouse facilities to the agricultural sector could help improve competitiveness.

### **Presentation on 'Bangladesh's Obligation under WTO Agreement on Agriculture: before and after Graduation from LDC status' by Dr. Mostafa Abid Khan, Former Member, Bangladesh Trade and Tariff Commission**

Dr. Mostafa Abid Khan, in his presentation, highlighted on Pillars of WTO Agreement on Agriculture. These are: market access, and export competition. In terms of market access, he observed that there would be no change after LDC graduation unless new commitments are made in new round. In terms of export competition, he highlighted the export subsidies that the LDCs and NFIDCs are allowed to provide till 2030.

Afterwards, he explained the types of domestic support that can be provided under the 'WTO Agreement on Agriculture'. These are:

- Green Box: All Members may provide support without limitation
- Blue Box: All Members may provide support without limitation
- Development Box: Only Developing country member may provide support without limitation
- Amber Box: All Members are restricted to provide support above de minimis level and reduce those if above

Later, he provided a detailed overview of the supports that are provided under each of these categories. He also highlighted the support provided by Bangladesh to its agricultural sector under these categories. He also observed that as the domestic support to agricultural production is below the World Trade Organization (WTO) prescribed threshold, the country will not face issues in widening the volume of domestic subsidy.

### **Discussions by the Panelists**

At this stage, the chair asked the panelists of the event to deliver their remarks. Major observations and recommendations coming from them are highlighted below:

#### ***Ms Uzma Chowdhury, Director, PRAN-RFL Group***

Ms. Uzma Chowdhury, in her remarks, observed that agroprocessing sector should receive adequate attention during the relevant policy making to increase the country's agricultural export. She also opined that research needs to be carried out to identify ways and means of increasing agricultural productivity. She also underscored the importance of product diversification and value addition within agriculture sector. Ms. Chowdhury highlighted the importance of reducing the cost of doing business for increasing the cost competitiveness of local agricultural products. She also observed that import cost could be reduced through increased domestic production of agricultural items like fertilizers. Noting that most of the agricultural commodities are usually perishable, she pointed out that the production cost could also be decreased through reducing the time and cost of transportation.



***Mr. Scott Brandon, Political and Economic Counselor, U.S. Embassy in Dhaka***

Mr. Scott Brandon, in his remarks, mentioned that the United States is proud in supporting Bangladesh in its graduation from LDC status. He also hoped that the LDC graduation would further enhance the US-Bangladesh partnership as more US companies would be drawn to Bangladesh. He observed that it would be extremely important to evaluate the impact of LDC graduation on Bangladesh's agriculture sector. He noted that the BTF study had offered concrete recommendations on how Bangladesh could make smooth transition in the agriculture sector after graduation. Highlighting the need to comply with the WTO Trade Facilitation Agreement in the context of Bangladesh's LDC graduation—he mentioned that the US is providing significant support in this area. Lastly, he urged for bold policy changes and quick enactment of policy recommendations to ensure Bangladesh's readiness to comply with the Trade Facilitation Agreement.

***Mr. Md. Tajul Islam Patwary, Director, Department of Agricultural Extension***

Mr. Patwary, in his remarks, informed that the government is working to address better compliance with the sanitary and phytosanitary measures as well as quarantine measures. He also informed that the government had set a target to increase the domestic production of mangoes to four thousand metric tonnes by this year and to ten thousand metric tonnes by next year. He also observed that such increase in production could help to expand the overseas market for local mangoes. He also informed that the annual domestic production of vegetables had reached 22 million metric tonnes. He further mentioned that an accreditation laboratory is being established at Purbachal. Noting that the country produces 11 million metric tonnes of potatoes each year—he said that there are huge scopes for exporting them to overseas markets after meeting the domestic demand. Lastly, he put emphasis on providing enhanced support to Small and Medium Entrepreneurs (SMEs) in the agricultural sector.

***Mr. Md. Tofazzel Hossain, Additional Secretary (Planning), Ministry of Fisheries & Livestock***

Mr. Md. Tofazzel Hossain, in his remarks, said that Bangladesh could substitute its milk import through enhancing its local dairy milk production. He also pointed out that Bangladesh is currently utilizing less than 10 percent of its maritime area for fishing. In this context, he emphasized on introducing state-of-the-art techniques, materials, boats and ships suitable for deep sea fishing. He observed that better utilization of the maritime areas for fishing would also help to increase Bangladesh's export of fisheries.

## **Open Discussion**

At this stage, the floor was opened for feedbacks and recommendations from the audience. During this session, the following major recommendations came from the participants:

- Recently, the government has formulated a Good Agricultural Practices (GAP) Policy. However, the implementation of the policy needs to be commenced through piloting in a few model villages.
- Multipurpose cold storages need to be set up across the country so that marginal farmers can preserve their agricultural products in a better manner throughout the year.
- Marginal farmers need to be integrated with the local and global value chain.
- Public Private Partnership (PPP) schemes can help to gear up the growth in agriculture sector.
- Hybrid rice seeds and vegetable seeds can be exported overseas through enhanced production. However, suitable fields, introduction of 'seed production insurance' scheme and continuation of incentives are necessary to increase the seed production and to realize the export potential.
- Incentive and soft loans should be provided for research and development in private sector.
- The country needs to set up more accreditation laboratories.
- Each year, a huge number of mangoes are wasted in the country due to premature drops. The market value of local mangoes can be increased by around Tk. 60 billion to 80 billion by reducing the extent of such premature drops.

- Young agricultural entrepreneurs should be incentivized to invest in agriculture.
- Export of potatoes can be increased three times by next year through the continuation of incentives.
- The government has provided policy level directions to simplify the process of importing raw materials for agrochemical products. However, It is yet to be implemented at the operational level.
- The application process for the production of raw materials for agrochemical is yet to be streamlined. The relevant application form is yet to be prepared.
- There should be incentives on the import of machineries for agro-processing industries.
- There is no patent obligation for the local agrochemical industry under the TRIPS agreement. Local agrochemical industry should be able to fully enjoy this exemption.
- The process of importing of additives needs to be streamlined and simplified.
- Shrimp cultivators should enjoy electricity subsidy.
- There are some visible limitations of contract growing system in the local poultry industry. Large industries often induce large amount of poultries in the market-- which consequently deprives the marginal farmers of fair price.
- Poultry industry has also witnessed massive lay off over the last two years as around 60 thousand farmers engaged with this industry had become jobless.
- Poultry farmers also could not avail the electricity subsidy due to the associated cumbersome process.
- The government should consider the reintroduction of duty drawback on export of meat.
- Processing centers for crabs should be established to meet the demand and compliances of export markets.
- The accreditation laboratory should become operational very soon.
- Currently, Bangladesh is not able to export potatoes to Nepal and Vietnam due to the absence of bilateral agreements. Therefore, steps should be taken to sign bilateral agreements with these countries so that Bangladesh's potato exporters can tap those markets.

## **Speech by the Special Guest: Dr. Shamsul Alam, Hon'ble Minister of State, Ministry of Planning**

Dr. Shamsul Alam, in his remarks, said that LDC graduation would open new window of opportunities for Bangladesh. He also said that it would create compulsion for enhancing the country's internal capacities. Afterwards, he provided the following feedback on the USDA commissioned study:

- The contribution of agriculture in employment, according to the latest government statistics, has decreased to 40 percent.
- The contribution of agriculture in GDP has also reduced to 11.33 percent.
- The per capita income of the country, according to the latest Household Income Expenditure Survey (HIES) is US\$ 2765.
- The study should make a projection about how much loss the country may incur in financial terms due to LDC graduation.
- The report should also analyse the nature and dynamics of internal market competitiveness and internal market structure.
- The study should analyse the extent to which GAP has been implemented in Bangladesh and its impact.
- The study should also examine that how congenial the local tax policies and tariff policies are with export and how they could be improved further.



- The study should also analyse the impact of agricultural tariffs on demand and supply.
- It should also examine that whether the local market is responsive enough.
- The report should also analyse the impact on demand and supply elasticity.
- The study should recommend ways of enhancing the negotiation skills. It should also identify some potential partners for signing FTAs.

### **Speech by the Chief Guest: Dr. Muhammad Abdur Razzaque, MP, Hon'ble Minister, Ministry of Agriculture**

The chief guest, in his speech, mentioned that agriculture had always been at the top of the government's agenda. He also observed that the country's agriculture had transformed from subsistence one to commercial one. However, he put emphasis on the growth of import substitute industries and export-led industries for enhancing the potential of this sector. He also observed that agriculture can play a crucial role in diversifying the country's export basket. The Minister also informed that the government had taken various initiatives for agricultural diversification. However, he stressed on increasing the production capacity, ensuring quality and enhancing the competitiveness of local agricultural industries to carve a niche in the global market. He also put emphasis on skill enhancement of local workforce and improving the negotiation skills to expand the country's export market after graduation.

### **Conclusion by the Chair: Ms. Sharifa Khan, Secretary, Economic Relations Division (ERD)**

The chair, in her concluding remarks, lauded the progress made by Bangladesh in its agriculture sector. However, she also highlighted the need for policy continuity to ensure better predictability for industry players. She also put emphasis on ensuring quality, higher productivity and compliance to compete and sustain in the international market. She also sought the cooperation of the Ministry of Agriculture in providing regular notification to the WTO. Such notifications, she noted, would also help in ensuring better data transparency, monitoring and relevant policy making. Lastly, she thanked USDA financed Bangladesh Trade Facilitation Project for teaming up with the SSGP of ERD in organizing the seminar.

### **Vote of Thanks: Mr. Michael J Parr, Chief of Party and Project Director, USDA Funded Bangladesh Trade Facilitation Project**

Mr. Michael J Parr, in his Vote of Thanks, noted that the international trade scenario is becoming more competitive. He asked the business entities in Bangladesh to prepare themselves for such increased competitiveness. He also observed that while the government can set the policies and negotiate with trading partners—it is the private sector who needs to implement it with good agricultural practices. He thanked the chief guest, special guest and the chair for their presence in the seminar and for providing valuable recommendations. He thanked ERD and SSGP for partnering with the USDA and BTF in organizing the seminar. Lastly, he thanked all the participants for their active contribution.



# **CHAPTER - 4**

## **IPR and Industrial Development**

## Seminar on Preparedness of Pharmaceutical Sector for LDC Graduation

NEC Conference Room, Dhaka

Thursday, 10 August 2022

Organized by SSGP, ERD and BUILD

### BACKGROUND

The burgeoning pharmaceutical sector of Bangladesh is opening a new window of opportunities by uplifting the manufacturing industry with the adoption of cutting-edge technology and diversifying production facilities. Manufacturers produce almost all types of medicine, including high-tech products like insulin, hormones, anti-cancer products, etc. This sector caters to 98% of the local medicinal requirement. The industry also exports medicines to over 150 countries, including advanced economies like the USA, UK, Canada, Australia, Germany, EU, etc.

The industry continues its strong research orientation in generic formulation development and has already proven its skills and ability with the successful development of specialized and high-tech formulations. In addition to that, the TRIPS waiver for least developed countries (LDCs) under the WTO agreement is one of the key drivers of such impressive growth. The industry has strong potential to accelerate its growth and create a bold footprint in the global market as developed countries are increasingly promoting generic medicine due to rising global medicine costs and the competing generic hubs are losing cost advantages compared to Bangladesh. Opportunities for further investment are offered in generic drugs since drugs worth more than \$150 billion are coming off patent by 2021 and another \$250 billion by 2023.

Appropriate measures following an action-oriented roadmap are critical to tapping these opportunities and shielding against the erosion of waivers under the TRIPS agreement in the wake of the LDC graduation of Bangladesh in November 2026.

### Chief Guest

- Mr. Salman F. Rahman, Hon'ble Private Industry and Investment Adviser to the Honorable Prime Minister

### Special Guest

- Ms. Zakia Sultana, Secretary, Ministry of Industries
- Ms. Nihad Kabir, Chairperson, BUILD
- Mr. Rizwan Rahman, President, DCCI

### Chair and Moderator

- Ms. Sharifa Khan, Secretary, Economic Relations Division (ERD)

### Keynote Speaker

- Mr. Abdul Muktadir, Senior Vice President, Bangladesh Association of Pharmaceutical Industries (BAPI)

### Key Issues

The seminar is expected to address the following questions:

- What would be the probable impacts on the pharmaceutical industry of the country due to the loss of the TRIPS exemptions/waivers after graduation from the LDC category in 2026?
- What measures and initiatives have already been undertaken as preparation for the loss of the TRIPS waivers?
- What measures are needed to adopt for tapping the opportunities of the global medicine market through enhancing productivity, accelerating legal and administrative reforms, and investing more in innovation?
- How an action-oriented timebound roadmap could be developed engaging all relevant stakeholders for the transformational development of the industry?

## Key Takeaways

- The Bangladesh Patent Law 2022 should be amended in line with the changing scenario for the local pharmaceutical industry after the country's LDC graduation so that Bangladesh can take advantage of all flexibilities provided under the TRIPS Agreement.
- The government should work in close collaboration with the private sector including the pharmaceuticals sector in amending the current patent law of the country at the earliest possible.
- It should be clearly stated in the patent law that only those patent applications would be eligible for patent protection that have a priority date on or after 24 November 2026.
- The issue of 'affordability and public health' should be taken into consideration while granting a patent under the patent law of the country and this kind of provision should be incorporated in the law.

## Discussions and Recommendations

A seminar on 'Preparedness of Pharmaceutical Sector for LDC Graduation' was held on 10 August 2022 at the NEC Conference Room of Dhaka. Support to Sustainable Graduation Project (SSGP) of Economic Relations Division (ERD) and Business Initiative Leading Development (BUILD) jointly organized the seminar. Hon'ble Adviser to the Prime Minister on Private Industry and Investment Mr. Salman F. Rahman graced the event as the Chief Guest. Secretary of the Ministry of Industries Ms. Zakia Sultana, the Chairperson of BUILD Barrister Nihad Kabir and the President of Dhaka Chamber of Commerce and Industry (DCCI) Mr. Rizwan Rahman attended the event as special guests. ERD Secretary Ms. Sharifa Khan chaired the seminar. The flourishing pharmaceutical sector of Bangladesh has witnessed exponential growth over the last few decades. The TRIPS waiver for least developed countries (LDCs) under the WTO-TRIPS agreement is one of the key drivers of such impressive growth. The industry has strong potential to accelerate its growth and create a bold footprint in the global market. Appropriate measures following an action-oriented roadmap are critical to tapping these opportunities and shielding against the erosion of waivers under the TRIPS agreement in the wake of the LDC graduation of Bangladesh in November 2026. In this context, the seminar was organized to take stock of the initiatives and preparedness that are planned and already underway to address the challenges of the loss of TRIPS waivers.

Senior Vice President of Bangladesh Association of Pharmaceutical Industries (BAPI) & Managing Director of Incepta Pharmaceuticals Ltd. Mr. Abdul Muktaadir delivered a presentation on 'Opportunities and Challenges of Pharmaceutical Sector in the context of LDC Graduation: Way Forward' during the event. Professor of Law Department of the University of Dhaka Dr Mohammad Towhidul Islam delivered a presentation on 'LDC Graduation: Legal Implications for Pharmaceutical Industry'.

Additional Secretary of ERD and Project Director of SSGP Mr. Farid Aziz delivered the welcome address in the event, while Ms. Ferdaus Ara Begum, CEO, BUILD gave the vote of thanks on the occasion. Representatives from BAPI, high-level officials of leading pharmaceutical companies as well as key stakeholders across the government, private sector, and think-tank participated in the event. Major recommendations that came from the seminar are furnished below:

- The Bangladesh Patent Law 2022 should be amended in line with the changing scenario for the local pharmaceutical industry after the country's LDC graduation so that Bangladesh can take advantage of all flexibilities provided under the TRIPS Agreement.
- The government should work in close collaboration with the private sector including the pharmaceuticals sector in amending the current patent law of the country at the earliest.
- It should be clearly stated in the patent law that only those patent applications would be eligible for patent protection that have a priority date on or after 24 November 2026.

- The issue of 'affordability and public health' should be taken into consideration while granting a patent under the patent law of the country and this kind of provision should be incorporated in the law.
- Bangladesh needs to enhance its legal expertise for effective formulation and implementation of the intellectual property rights related provisions including the patent law. Since the development of local legal expertise would require some time, the country should look to engage international law firms specializing in WTO related rules and regulations in the process on ad hoc basis.
- Bangladesh should negotiate in the WTO for extending the TRIPS transition period relating to pharmaceutical products for Bangladesh until 01 January 2033 even if the country graduates from the LDC status. Ministry of Commerce, through its WTO Cell, should pursue this vigorously.
- Bangladesh should look to engage lobbyist firms in the World Trade Organization (WTO) for the continuation of TRIPS waiver for graduating nations. Bangladesh's Permanent Mission in Geneva can provide necessary support in this process.
- The API (Active Pharmaceutical Ingredients) Park needs to be operationalized in earnest to reduce Bangladesh's dependency on imported API.
- The API industry will need expert organic synthetic chemists. It is estimated that the API industry would need over 2000 graduates in the next 2 years. Therefore, public and private universities should encourage their students to study organic chemistry.
- Ministry of Industries would take necessary steps to shut down the Mailbox system with immediate effect through an executive order. Existing applications which are still pending in the mailbox must be rejected.
- BAPI needs to prepare a roadmap regarding the patent expiration of individual medicines so that the country can go for market generic as soon as the patent of a particular medicine expires.
- BAPI should also come up with a planned roadmap for the advancement of the local pharmaceutical industry which would also identify the areas where necessary government facilitation would be required.
- The Prime Minister's Office might convene an inter-ministerial meeting to give necessary instructions to all concerned in light of the recommendations and observations of this seminar.
- An expert committee would be formed to examine the list of pharmaceutical products/drugs that have been introduced in last ten years and determine the products that are relevant to our local needs. The list will be continuously updated to include products that will be launched till 2026. The country will register these products in the local market quickly.

# Focus Group Discussion on The Implications of TRIPS Agreement on Bangladesh Agrochemical Industry

Conference Room of Building 6, Planning Commission Campus, Dhaka

Wednesday, 04 January 2023

Organized by SSGP, ERD

## BACKGROUND

There are two LDC-specific waivers under the TRIPS Agreement, (i) General waiver relating to all IP issues, and (ii) Waiver relating to pharmaceutical products. The General waiver exempted LDCs from almost all substantive TRIPS obligations, which will remain until 01 July 2034. On the other hand, the pharma-related waiver exempted the LDCs from providing patent protection for pharmaceutical products until 01 January 2033. Bangladesh has been able to make the best use of this TRIPS waiver for the development of the pharma sector of the country.

In this context, a Focus Group Discussion (FGD) was organized by the SSGP to discuss the implications of TRIPS waivers on the Agrochemical sector of Bangladesh.

## OBJECTIVES

- To discuss the status Agro-Chemical sector in the context of the TRIPS exemptions

## Chair

- Mr. Farid Aziz, Additional Secretary and Project Director, SSGP, ERD

## Keynote Speakers

- Mr. KSM Mostafizur Rahman, President of Bangladesh Agrochemical Manufacturers Association (BAMA)

## Discussants

- Mr. Md. Hafizur Rahman, Additional Secretary (Director General), WTO Cell, Ministry of Commerce
- Dr. Mostafa Abid Khan, Former Member, Bangladesh Trade and Tariff Commission
- Mr. Md. Salim Ullah, Senior Assistant Secretary, Ministry of Industries
- Mr. Mirza Golam Sarwar, Assistant Registrar, Department of Patents, Designs and Trademarks (DPDT)
- Mr. Nesar Ahmed, International Trade Expert, SSGP

## Key Takeaways

- A list of essential agrochemicals should be prepared which would be exempted from any kind of patent right protection.
- DPDT may check and review the list of agrochemical products that had been patented so far in the country. It may also check whether the patent period of the already patented products had expired or not and may assess the ways and means for cancelling all the agrochemical patents if needed.
- Legal provisions similar to the Drugs (Control) Ordinance, 1982 which paved the way for the flourishing of local pharmaceuticals manufacturing—may be considered for the agrochemical industry considering its huge implications in the agriculture sector and the economy and large growth potential.

## Welcome Remarks

At the outset, the chair welcomed all the participants in the meeting. Reflecting on the context of organizing the FGD, he mentioned that the event has been organized to discuss the potential implications of the TRIPS agreement on Bangladesh's agrochemical industry against the backdrop of Bangladesh's ongoing LDC Graduation journey and to suggest a possible way forward. He requested the President of Bangladesh Agrochemical Manufacturers Association (BAMA) Mr. KSM Mostafizur Rahman to deliver the keynote presentation of the event.

## Keynote Presentation

Mr. KSM Mostafizur Rahman, in his keynote presentation, highlighted the historical background of the Agrochemicals Act in Bangladesh. He also highlighted the contribution of the agrochemicals sector to the overall economic development of the country. He also provided an overview of the market size and market share of various major players. He presented a comparison of the Patent Act benefits received by the agrochemicals and pharmaceuticals sectors. He pointed out that although both pharmaceuticals and agrochemicals industries are exempted from the obligations of patent right in the TRIPS agreement under the WTO agreement in Bangladesh due to the country's LDC status—the agrochemical sector is deprived of enjoying the benefit. He opined that the local agrochemical industry would have been able to witness similar growth as had been experienced by pharmaceuticals. Lastly, he came up with the following major suggestions:

- 'Patent Protection Law' exemption should be fully implemented in Agrochemical Industries in Bangladesh before LDC graduation.
- Making a list of essential agrochemicals which should be exempted from any kind of patent right protection and has to be implemented on an urgent basis as Bangladesh is nearing the LDC graduation.

## Remarks from Discussants

The chair thanked Mr. Rahman for his presentation. He then invited the designated discussants of the event to provide their views and feedback.

### *Mr. Nesar Ahmed, International Trade Expert, SSGP*

Mr. Nesar Ahmed, in his statement, said that agrochemical products are exempted from all but three articles (articles 3, 4 and 5) of the TRIPS agreement under the WTO. He mentioned that these exemptions include patent, mailbox and exclusive marketing right. He also observed that as per the existing TRIPS exemption rules for LDCs, pharmaceuticals and agrochemicals products are eligible for equal treatment. He suggested the local agrochemical industry to make maximum full use of these TRIPS flexibilities. He suggested that the industry needs to maintain safety standards as set by the authority, if any.

### *Mr. Mirza Golam Sarwar, Assistant Registrar, DPDT*

Mr. Sarwar recalled that although DPDT had been preserving the patent applications coming from the pharmaceuticals and agrochemicals sector after 2008, no patent had been provided since then. He mentioned that DPDT had cancelled all those 1340 patent applications received in the mailbox during this period through a circular issued in September 2022. He also mentioned that DPDT is currently accepting no more patent applications. He emphasized greater coordination between the Directorate General of Drug Administration, Department of Agricultural Extension, Bangladesh Agrochemical Manufacturers Association, Bangladesh Association of Pharmaceutical Industries and other relevant entities to address the patent-related challenges faced by the agrochemical sector.



***Mr. Md. Salim Ullah, Senior Assistant Secretary, Ministry of Industries***

Mr. Salim Ullah, in his remarks, mentioned that the pharmaceuticals and agrochemicals sector had been provided with equal treatment under the existing patent act of the country and would also be provided with equal treatment under the upcoming amendments of the aforementioned act. He also mentioned that the sponsoring ministry of the agrochemicals sector is the Ministry of Agriculture, which in turn, had delegated this power to the Department of Agricultural Extension (DoAE). He further noted that local agricultural manufacturers had to receive a recommendation from the Pesticides Technical Advisory Committee (PTAC) formed by the DoAE for launching any new product in the market. He also mentioned that the Ministry of Industries will take initiative if approached, requesting the Ministry of Agriculture to provide similar support to the agrochemicals industries as the Pharmaceuticals are currently enjoying. The Ministry of Agriculture needs to take urgent initiatives to ease the process and make the rules and regulations flexible for the agrochemicals sector to tap the potentials of the industry. He suggested for organizing training programs for the members of PTAC and relevant stakeholders to increase their awareness about LDC Graduation, TRIPS-related issues international and national rules, regulations and legal provisions related to agrochemical patents.

***Dr. Mostafa Abid Khan, Former Member, Bangladesh Trade and Tariff Commission***

Dr. Abid, in his remarks, pointed out that there is no patent obligation for the local agrochemical industry under the TRIPS agreement or the Pesticides Act of the country. He also asked DPDT to check and review the list of agrochemical products that had been patented so far. He also called for devising ways and means for cancelling all the patents provided earlier—which in turn would pave the way for the agrochemical industry to avail the patent exemption. He also mentioned that there are provisions under the Pesticides Act for fixing the prices of some essential pesticides by the Government.

***Mr. Md. Hafizur Rahman, Additional Secretary (Director General), WTO Cell***

Mr. Md. Hafizur Rahman, in his remarks, reiterated the call for cancelling all the patents provided earlier. In this context, he asked the DPDT to check and review the list of agrochemical products that had been patented before 2008. He mentioned that the government is negotiating with the WTO to allow the general exemption of TRIPS-related obligations up to the year 2033, the remaining period of the benefit offered to LDCs even after graduation. Referring to the Drugs (Control) Ordinance, 1982 which paved the way for the flourishing of local pharmaceuticals manufacturing-- he suggested that similar legal provisions may be considered to utilize the potential of the agrochemical industry.

## **Open Discussion**

At this stage, the floor was opened for comments, suggestions and questions from participants. Joining in the discussion, the Component Manager of SSGP Dr. Md. Rezaul Bashir Siddique said that the Commerce Ministry and the Ministry of Industries should take the lead role in addressing the concerns raised by the agrochemicals sector. Noting that there is a certain patent period for any patented product, Deputy Secretary of ERD Ms. Azizun Nahar said that DPDT should also check whether the patent period of the already patented products had expired or not. Mr. Anisuddoula, the Adviser of the BAMA and the Chairman of ACI Group, strongly urged the Government to support the agrochemical industries as it extended to the Pharmaceuticals considering its significant impact in the agriculture sector, food security and overall economy for self-reliance.

## Recommendations

The event came up with the following major recommendations:

- Agrochemical products are exempted from all obligations but three articles in the TRIPS agreement (article 3, 4 and 5) including patent, mailbox and exclusive marketing rights.
- Pharmaceuticals and agrochemicals products are also eligible for equal treatment under the existing TRIPS exemption rules. There is no patent obligation for the local agrochemical industry under the TRIPS agreement, the prevailing Patent Act or the Pesticides Act of the country. The local agrochemical industry should be able to fully enjoy the exemptions provided under the aforementioned rules, regulations and legal provisions.
- A list of essential agrochemicals should be prepared which would be exempted from any kind of patent right protection.
- A training program can be organized for the members of PTAC and relevant stakeholders for enhancing their awareness about LDC Graduation, TRIPS related issues and other national and international rules, regulations and legal provisions.
- DPDT may check and review the list of agrochemical products that had been patented so far in the country. It may also check whether the patent period of the already patented products had expired or not and may assess the ways and means for cancelling all the agrochemical patents if needed.
- Legal provisions similar to the Drugs (Control) Ordinance, 1982 which paved the way for the flourishing of local pharmaceuticals manufacturing—may be considered for the agrochemical industry considering its huge implications in the agriculture sector and the economy and large growth potential.
- The Commerce Ministry and the Ministry of Industries may undertake urgent steps to address the patent-related challenges faced by the agrochemical sector and the SSGP project is ready to facilitate if approached.

## Wrap-Up and Way Forward

The chair, in his concluding remarks, thanked all the participants for the feedback and recommendations. He mentioned that the recommendations and feedback derived from the FGD would be forwarded to the National Committee on LDC Graduation as well as the Subcommittee on STS. He also suggested all stakeholders for maintaining the linkage created by the event and follow up on the recommendations.



# **CHAPTER - 5**

## **Advocacy and Campaigning**

## Workshop on Local Level Stakeholders Consultation on Inclusive, Smooth and Sustainable LDC Graduation

DC Office Conference Room, Khulna

Thursday, 25 May 2023

Organized by SSGP, ERD, Khulna District Administration and KCCI

### BACKGROUND

Bangladesh has met all the criteria for graduation from the Least Developed Country (LDC) status. As a result, the UN General Assembly made a final recommendation on 24 November 2021 for Bangladesh's graduation from the LDC status. Bangladesh's graduation from the LDC status will be effective on 24 November 2026.

Graduation from the LDC status is certainly an important milestone in Bangladesh's development journey. The graduation will enhance our image to the international community, and put the country in a better position in all sorts of international activities. However, the graduation will also entail some challenges due to the loss of various LDC-specific International Support Measures (ISMs), such as duty-free & quota-free (DFQF) market access, exemptions under the Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement of the WTO, cash incentives, etc. Bangladesh has been able to make the best utilization of these ISMs. So, there might be some challenges for Bangladesh in the absence of the ISMs after graduation.

In order to ensure smooth and sustainable graduation by overcoming the probable challenges, Bangladesh Government has been taking various measures. Bangladesh is negotiating with the WTO and major trading partners for extending the ISMs for a certain period beyond graduation so that it can adjust to the changed scenario gradually. Many other activities are also going on surrounding the graduation.

In order to guide and coordinate all such activities, a national committee on graduation has been formed under the leadership of the Principal Secretary to the Hon'ble Prime Minister. Under the national committee, seven sub-committees have also been formed to deal with various important areas. Among those sub-committees, one sub-committee jointly led by the Secretary, Economic Relations Division (ERD) and Secretary, Prime Minister's Office is working to prepare a Smooth Transition Strategy (STS) through a consultative mechanism involving all the stakeholders from the public sector, private sector, and development & trading partners.

For facilitating all the activities related to graduation, ERD is also implementing a project, titled "Support to Sustainable Graduation Project (SSGP)". SSGP has been conducting, among other activities, regular stakeholder consultations in the forms of workshops, seminar focused group discussions (FGDs) with the relevant stakeholders. As part of this process, SSGP of ERD organised "Local Level Stakeholders Consultation on Inclusive, Smooth and Sustainable LDC Graduation" for having a consultation with the local level stakeholders of Khulna.

### Chief Guest

- Ms. Sharifa Khan, Secretary, Economic Relations Division (ERD)

### Special Guest

- Mr. Md. Zillur Rahman Chowdhury, Divisional Commissioner of Khulna

### Chair

- Mr. Khandaker Yasir Arefin, Deputy Commissioner of Khulna

### Welcome Address

- Mr. Farid Aziz, Additional Secretary of ERD and the Project Director of SSGP

## Key Takeaways

- Khulna has witnessed a boost in its agricultural output in recent years. The region has experienced bumper production of watermelons and various types of vegetables in recent times. In this context, effective measures should be taken for the growth of export oriented agro-based industry in the region.
- Effective steps should be taken to ensure that the marginal shrimp cultivators at the grassroots level receive the fair share of cash incentives provided on shrimp export.
- Steps should be taken to reopen and revitalize the closed industrial units in Khulna.
- Trade associations should play a more active role in ensuring ethical business practice.
- Better access to fossil fuel as well as renewable energy can help in reviving the growth of local industries.
- New projects need to be designed for protecting the coastal region of Khulna, Bagerhat and Shatkhira from natural disasters (e.g.- cyclones) considering the issues of sustainability and the unique geological features of the region.

International Trade Expert of SSGP Mr. Nesar Ahmed delivered a presentation providing an overview of LDC Graduation process while Component Manager of SSGP and Joint Secretary Dr. Md. Rezaul Bashar Siddique delivered a presentation on ‘Measures undertaken for Sustainable Graduation and the Role of Local Level Stakeholders’.

Khulna’s Superintendent of police Mr. Muhammad Mahbub Hasan also spoke during the occasion. Professor of Khulna University of Engineering and Technology Mr. Md. Mustafa Saroar, former Commander of the Khulna City Muktiyoddha Command Council Professor Md. Alamgir Kabir and the President of Khulna Press Club Mr. S. M. Nazrul Islam spoke during the event as panelists. Senior Vice President of Khulna Chamber of Commerce and Industry Mr. Sharif Atiar Rahman also spoke during the event as designated discussant.

Officials from the district administration as well as representatives from private sector and civil society and officials from ERD and SSGP participated in the workshop.

## Major Recommendations

Taking into consideration the importance of regional participation and contribution in the national economy during the Post-LDC graduation regime, the workshop pointed out following recommendations (specifically for Khulna region) to be taken care of:

### Shrimp, Fisheries, Agriculture

- Relevant businessmen including exporters should make the best use of the incentives provided on the export of frozen fish and shrimp.
- Effective steps should be taken to ensure that the marginal shrimp cultivators at the grassroots level receive the fair share of cash incentives provided on shrimp export.
- Khulna has witnessed a boost in its agricultural output in recent years. The region has experienced bumper production of watermelons and various types of vegetables in recent times. In this context, effective measures should be taken for the growth of export oriented agro-based industry in the region.
- Improved and wider access to cold storage facilities is crucial for tapping the potentials of local agriculture.

### **Infrastructure Development and Planned Urbanization**

- Planned urbanization is crucial for sustaining the socioeconomic progress. Therefore, urbanization issues should receive adequate attention during the formulation of Smooth Transition Strategy.
- Better infrastructure and logistical facilities are essential for tapping the potentials of tourism in Sundarbans.
- Local infrastructure and human resource should be geared up for the Fourth Industrial Revolution.
- Better connectivity of Mongla port with Dhaka and the rest of the country through railways is crucial for tapping the full potentials of this age old sea port.

### **Industrial Growth**

- Steps should be taken to reopen the closed industrial units in Khulna.
- Trade associations should play a more active role in ensuring ethical business practice.
- Industry-academia collaboration is essential to foster innovation and to prepare the country for more stringent IPR (Intellectual Property Rights) regime after LDC graduation.
- Better access to fossil fuel as well as renewable energy can help in reviving the growth of local industries.

### **Environmental Sustainability & Disaster Management**

- There should be proper research on the root causes of increased water salinity in the region.
- Coordinated initiatives are needed to resolve the waterlogging problem in the Khulna region.
- New projects need to be designed for protecting the coastal region of Khulna, Bagerhat and Shatkhira from natural disasters (e.g.- cyclone) considering the issues of sustainability and the unique geological features of the region.

### **Socioeconomic Policies and Governance**

- Enhancing the domestic capacity and decreasing the production cost would be crucial for coping with the challenges of LDC graduation.
- The country should make the best utilization of the ongoing demographic dividend.
- Skills development and institutional strengthening should receive adequate focus during the LDC graduation related policy formulation.
- There should be increased allocation in the government budget for facilitating research and development.
- Effective strategies should be taken to avoid the Middle Income Trap.
- Bangladesh needs to have a more active role in various regional and global platforms to diversify its market and trade portfolio in the aftermath of LDC graduation. Prudent economic diplomacy would be crucial for a more vibrant role in the regional and global platforms.
- Local health infrastructure needs to be improved with adequate supply of medical equipment.

## Local Level Stakeholders Consultation on Inclusive Smooth and Sustainable LDC Graduation

Rajshahi

Thursday, 09 February 2023

Organized by SSGP, ERD and Rajshahi District Administration

### BACKGROUND

Bangladesh has met all the criteria for graduation from the Least Developed Country (LDC) status. As a result, the UN General Assembly made a final recommendation on 24 November 2021 for Bangladesh's graduation from the LDC status. Bangladesh's graduation from the LDC status will be effective on 24 November 2026.

Graduation from the LDC status is certainly an important milestone in Bangladesh's development journey. The graduation will enhance our image to the international community, and put the country in a better position in all sorts of international activities. However, the graduation will also entail some challenges due to the loss of various LDC-specific International Support Measures (ISMs), such as duty-free & quota-free (DFQF) market access, exemptions under the Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement of the WTO, cash incentives, etc. Bangladesh has been able to make the best utilization of these ISMs. So, there might be some challenges for Bangladesh in the absence of the ISMs after graduation.

In order to ensure smooth and sustainable graduation by overcoming the probable challenges, Bangladesh Government has been taking various measures. Bangladesh is negotiating with the WTO and major trading partners for extending the ISMs for a certain period beyond graduation so that it can adjust to the changed scenario gradually. Many other activities are also going on surrounding the graduation.

In order to guide and coordinate all such activities, a national committee on graduation has been formed under the leadership of the Principal Secretary to the Hon'ble Prime Minister. Under the national committee, seven sub-committees have also been formed to deal with various important areas. Among those sub-committees, one sub-committee jointly led by the Secretary, Economic Relations Division (ERD) and Secretary, Prime Minister's Office is working to prepare a Smooth Transition Strategy (STS) through a consultative mechanism involving all the stakeholders from the public sector, private sector, and development & trading partners.

For facilitating all the activities related to graduation, ERD is also implementing a project, titled "Support to Sustainable Graduation Project (SSGP)". SSGP has been conducting, among other activities, regular stakeholder consultations in the form of workshops, seminars and Focused Group Discussions (FGDs) with the relevant stakeholders. As part of this process, SSGP of ERD has organised "Local Level Stakeholders Consultation on Inclusive, Smooth and Sustainable LDC Graduation" for having a consultation with the local level stakeholders of Rajshahi.

### Chief Guest:

- Mr. A. H. M. Khairuzzaman (Liton), Hon'ble Mayor of Rajshahi City Corporation

### Special Guest:

- Ms. Sharifa Khan, Secretary, Economic Relations Division (ERD)
- Mr. GSM Jafarullah, Divisional Commissioner of Rajshahi

### Chair:

- Mr. Abdul Jalil, Deputy Commissioner of Rajshahi

### Welcome Address:

- Mr. Farid Aziz, Additional Secretary of ERD and the Project Director of SSGP



## Key Takeaways

- There are scopes for the growth of small and large scale industries in Rajshahi region by tapping the potentials of its geographic location and local agricultural resources.
- Adequate storage and processing facilities must be established for local agricultural products (e.g.mangoes, tomatoes) for tapping the export potentials of such items.
- Bangladesh Bank may look to set up funds similar to the Equity Entrepreneurship Fund (EEF) to channel financing for the growth of local silk industries.
- Appropriate utilization of surface water is essential for augmenting irrigation and preventing desertification.
- A river port can be set up on the bank of the Padma to give a boost to domestic and international trade. Establishment of such river port can also assist in the growth of local industries, which in turn, would create employment opportunities for the local youth.
- Dredging operations need to be carried out regularly to enhance the navigability of Padma river.
- Direct railway links should be established between Rajshahi and other divisional headquarters to boost inter-regional communication and transportation.

International Trade Expert of SSGP Mr. Nesar Ahmed delivered a presentation providing an overview of LDC Graduation process while Component Manager of SSGP and Joint Secretary Dr. Md. Rezaul Bashar Siddique delivered a presentation on 'Measures undertaken for Sustainable Graduation'.

Eminent social worker Ms. Shahin Akter Rainy, Professor of the Department of Economics of the University of Rajshahi Mr. M. Moazzem Hossain Khan and the President of Rajshahi Press Club Mr. Saidur Rahman spoke during the event as panelists.

Officials from the district administration as well as representatives from private sector and civil society and officials from ERD and SSGP participated in the workshop.

## Major Recommendations

Taking into consideration the importance of regional participation and contribution in the national economy during the Post-LDC graduation regime, the workshop pointed out following recommendations (specifically for Rajshahi region) to be taken care of:

### Tapping the Potentials of Agriculture

- There remain scopes for the growth of small and large scale industries in the Rajshahi region by tapping the potentials of its geographic location and local agricultural resources.
- Adequate storage and processing facilities must be established for local agricultural products (e.g. mangoes, tomatoes) for tapping the export potentials of such items.
- Bangladesh Bank may look to set up funds similar to the Equity Entrepreneurship Fund (EEF) to channel financing for the growth of local silk industries.
- Appropriate utilization of surface water is essential for augmenting irrigation and preventing desertification.

## **Development of River Port and Multimodal Infrastructure**

- A river port can be set up on the bank of the Padma to give a boost to domestic and international trade. Establishment of such river port can also assist in the growth of local industries, which in turn, would create employment opportunities for the local youth.
- There are also huge scopes for the growth of river tourism in Rajshahi through development of necessary infrastructure and facilities along the bank of Padma river.
- Dredging operations need to be carried out regularly to enhance the navigability of Padma river.
- Direct railway links should be established between Rajshahi and all other divisional headquarters of the country to boost interregional communication and transportation.

## **Vocational Skills Enhancement at the Grassroots Level**

- More polytechnic institutes need to be established to provide vocational training opportunities for young workforce at the grassroots level. Such polytechnic institutes also need to be equipped with state-of-the-art technologies to provide the trainees with latest skills.
- Adequate training facilities should also be created for women at the grassroots level to promote female entrepreneurship.
- Integrated initiatives are essential for attracting much more investment in hi-tech parks. Local infrastructure, communication and transportation facilities would also be crucial to attract investment in these hi-tech parks.

## **National Level Policy Recommendation**

- Bangladesh should start to explore potential trade partners for signing Free Trade Agreement (FTAs) to prepare the country for post-graduation trade regime.
- Bangladesh needs to take necessary steps to enhance its domestic resource mobilization.
- Local government bodies need to be strengthened through adequate financial autonomy.
- Adequate emphasis should be put on domestic capacity building as well as research and development for sustaining the graduation momentum

## Local Level Stakeholders Consultation on Inclusive, Smooth and Sustainable LDC Graduation

Sylhet Circuit House, Sylhet

Saturday, 22 October 2022

Organized by SSGP, ERD, Sylhet District Administration and SCCI

### BACKGROUND

Bangladesh has met all the criteria for graduation from the Least Developed Country (LDC) status. As a result, the UN General Assembly made a final recommendation on 24 November 2021 for Bangladesh's graduation from the LDC status. Bangladesh's graduation from the LDC status will be effective on 24 November 2026.

Graduation from the LDC status is certainly an important milestone in Bangladesh's development journey. The graduation will enhance our image to the international community, and put the country in a better position in all sorts of international activities. However, the graduation will also entail some challenges due to the loss of various LDC-specific International Support Measures (ISMs), such as duty-free & quota-free (DFQF) market access, exemptions under the Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement of the WTO, cash incentives, etc. Bangladesh has been able to make the best utilization of these ISMs. So, there might be some challenges for Bangladesh in the absence of the ISMs after graduation.

In order to ensure smooth and sustainable graduation by overcoming the probable challenges, Bangladesh Government has been taking various measures. Bangladesh is negotiating with the WTO and major trading partners for extending the ISMs for a certain period beyond graduation so that it can adjust to the changed scenario gradually. Many other activities are also going on surrounding the graduation.

In order to guide and coordinate all such activities, a national committee on graduation has been formed under the leadership of the Principal Secretary to the Hon'ble Prime Minister. Under the national committee, seven sub-committees have also been formed to deal with various important areas. Among those sub-committees, one sub-committee jointly led by the Secretary, Economic Relations Division (ERD) and Secretary, Prime Minister's Office is working to prepare a Smooth Transition Strategy (STS) through a consultative mechanism involving all the stakeholders from the public sector, private sector, and development & trading partners.

For facilitating all the activities related to graduation, ERD is also implementing a project, titled "Support to Sustainable Graduation Project (SSGP)". SSGP has been conducting, among other activities, regular stakeholder consultations in the form of workshops, seminars and Focused Group Discussions (FGDs) with the relevant stakeholders. As part of this process, SSGP of ERD organised "Local Level Stakeholders Consultation on Inclusive, Smooth and Sustainable LDC Graduation" for having a consultation with the local level stakeholders of Sylhet.

### Chief Guest:

- Ms. Sharifa Khan, Secretary, Economic Relations Division (ERD)

### Special Guest:

- Mr. Tahmin Ahmed  
President of the  
Sylhet Chamber of  
Commerce and Industry

### Chair:

- Mr. Md. Mozibor Rahman,  
Deputy Commissioner  
of Sylhet

### Welcome Address:

- Mr. Farid Aziz, Additional  
Secretary of ERD and the  
Project Director of SSGP

## Key Takeaways

- Direct road, rail and air routes between Sylhet and Chattogram need to be established to lower the shipment cost of local export items. Cargo service and warehouse facilities should also be operationalized.
- The One Stop Service scheme currently allows for submission of all the required documents from a single window. However, the scheme should be improved further so that investors can also obtain all the relevant documents from a single window.
- Presently it is mandatory for the NRBs to obtain a Bangladeshi national ID card for obtaining CIP status. However, many NRBs might not be in possession of a Bangladeshi national ID card. In this context, the concerned authorities may reconsider this provision.
- The government should look to formulate laws encouraging the transformation of fallow lands into arable ones after a certain period. NRBs should be provided with financial incentives (including Islamic financing windows) to turn the fallow lands owned by them into arable lands.
- Export potentials of endemic fruits and vegetables (e.g.- Jaralebu or Citrus Lemon) should be thoroughly utilized through effective branding, packaging and quarantine measures. Necessary measures should also be initiated for the GI (Geographical Identification) certification of local products (e.g.- Manipuri Saree).
- An ‘Export Cargo complex’ with dedicated scanner machine, a warehouse for perishable products, packaging facilities and a certification laboratory should be established in the district.

Component Manger of SSGP Mr. Md. Anwar Hossain delivered a presentation on ‘Inclusive, Smooth and Sustainable LDC Graduation: Challenges and Way forward’ during the workshop. Chief Executive Officer of BUILD Ms. Ferdaus Ara Begum delivered a presentation on Participation of Private Sector and other Stakeholders at Sub-National Levels for Graduation with Momentum: Strategy Going Forward’.

Upazila Chairman of Sylhet Sadar Mr. Alhaj Ashfaque Ahmed, Managing Director of Baraka Power Ltd. Mr. Fahim Ahmed Chowdhury and Associate Professor of the Department of Architecture of Shahjalal Science and Technology University Mr. Subrata Das also spoke during the workshop.

Officials from ERD and SSGP, officials from the district administration as well as representatives from private sector and civil society participated in the workshop.

## Major Recommendations

Taking into consideration the importance of regional participation and contribution in the nation economy during the Post-LDC graduation regime, the workshop pointed out following recommendations (specifically for Sylhet region) to be taken care of:

### Incentivizing NRB Investment

- Measures should be taken to ensure hassle-free travel, immigration and visa processing as well as airport and customs procedures for the NRBs.
- The process of business registration and land acquisition should also be streamlined to make it easier for the NRBs to start a venture in the country.
- Road shows should be organized in overseas locations with significant NRB community to promote Bangladesh as an attractive investment destination.
- At present, it is mandatory for the NRBs to obtain a Bangladeshi national ID card for obtaining CIP status. However, many NRBs might not be in possession of a Bangladeshi national ID card. In this context, the concerned authorities may reconsider this provision.
- A welcoming and business-friendly environment is important for the NRBs to attract investment from the NRBs.

## **Implementation of Trade Facilitation Measures**

- Private sector should push for the implementation of trade facilitation measures to enhance its competitiveness. It is estimated that the implementation of Trade Facilitation agreement can reduce the cost of doing business by up to 14 percent.
- The process for acquiring trade license, import and export license, factory establishment license, fire certificate and environmental clearance needs to be simplified and streamlined.
- National Board of Revenue should look to further automate the process of tax, VAT and SD collection to ease the process of tax submission as well as to increase domestic resource mobilization.
- R&D support should also be provided for regulatory simplification for reducing the cost of doing business.

## **Boosting Agricultural Production and Export**

- Enhanced support is required for agriculture related schemes and materials such as fertilizer, irrigation, certification, GAP and modern testing system for increased export of agricultural items from the country.
- Since the Sylhet region experiences heavier rainfall compared to other parts of Bangladesh—local farmers should be encouraged to cultivate crops that are more adaptable to the local climate and ecosystem.
- Innovative technology should be used to boost agricultural production in the region.
- A large portion of Bangladesh’s agricultural land is losing its fertility due to over-cultivation. Effective measures should be taken to address this issue with a view to ensure long term food security.
- Packaging and quarantine measures of Bangladesh’s agricultural exports (e.g.- vegetables, fishes) need to be improved to gain a greater share of such products in overseas markets.

## **Effective Utilization of Fallow Lands**

- The government should look to formulate laws encouraging the transformation of fallow lands into arable ones after a certain period.
- NRBs should be provided with financial incentives (including Islamic financing windows) to turn the fallow lands owned by them into arable lands.
- Fallow lands in the Sylhet region can also be used for solar power generation. Financing windows offered through Green Climate Fund (GCF) or Infrastructure Development Company Limited (IDCOL) can be mobilized for such schemes.
- Water shortage is one of the major causes for the prevalence of fallow lands in Sylhet. Improved access to irrigation and drainage service across the district can help to ease this problem.

## **Augmenting the Growth of Fisheries**

- The wetland areas of Sylhet including its marshes and swamps (haors) offer immense potentials for the growth of fisheries. Financing windows like the GCF can be mobilized for effective preservation and utilization of such wetland areas.
- Bangladesh should take advantage of the ‘Agreement on Fisheries Subsidies’ concluded during the recent WTO MC12. It is notable that the reduction in fisheries subsidy resulting from this agreement would be mainly applicable to marine subsidy while aquaculture and inland fisheries are excluded from the scope of this agreement. It is also notable that most of the fishing activities in Bangladesh take place inland.

## **Tapping the Geographic Advantage**

- Sylhet can be promoted as a transit point among South Asia, South-East Asia and East Asia. The city can be transformed as a regional air hub through utilizing and improving its aviation infrastructure.
- Sylhet can be used as a gateway for increased trade and export with the Seven Sisters region of India.

- Business enterprises from India and Bangladesh may look to form joint venture entities centred in Sylhet—utilizing its geographic proximity to the Seven Sister states of India.
- Bangladeshi products can be promoted in the Seven Sisters states through fair, exposition, exhibition and other promotional events.

### **Effective Marketing and Promotion of Indigenous Products**

- Export potentials of endemic fruits and vegetables (e.g. - Jaralebu or Citrus Lemon) should be thoroughly utilized through effective branding, packaging and quarantine measures.
- Necessary measures should also be initiated for the GI (Geographical Identification) certification of local products (e.g. - Manipuri Saree).
- Joyeeta Foundation can also play an instrumental role in the marketing and promotion of local handicraft items.

### **Infrastructure Development and Enhanced Connectivity**

- An ‘Export Cargo Complex’ with dedicated scanner machine, a warehouse for perishable products, packaging facilities and a certification laboratory should be established in the district.
- Roads that have been damaged by the recent flash flood in Sylhet need to be urgently repaired. It is notable that Asian Development Bank (ADB) is providing budget support for the reconstruction of such roads. Meanwhile, a project to construct an 8-lane Dhaka-Sylhet highway has recently been approved by ECNEC.
- Direct road, rail and air routes between Sylhet and Chattogram need to be established to lower the shipment cost of local export items. Cargo service and warehouse facilities should also be operationalized.

### **Education, Skill Enhancement and Human Resource Development**

- Focus should be given on enhancing the quality of tertiary education with a view to enhance the skill and capacity of local human resource.
- A large number of young people from Sylhet are going abroad each year for pursuing higher education—causing a significant draining of money and talent. In this context, overseas universities should be encouraged to open their branches in Sylhet so that local students can obtain overseas degrees without moving abroad.

### **Better Utilization of Tourism Potentials**

- Sylhet has immense potentials in the arena of tourism. However, a diverse range of tourism schemes including natural, historic, cultural and religious tourism should be promoted.
- The capacity of the tourist police needs to be enhanced to ensure the safety of tourists coming to Sylhet.

### **Regulatory Improvement**

- The One Stop Service scheme currently allows for submission of all the required documents from a single window. However, the scheme should be improved further so that investors can also obtain all the relevant documents from a single window.
- Effective measures should be taken to expand the tax net with a view to lessen the tax burden on the existing taxpayers.

### **Miscellaneous**

- The local e-commerce sector should take advantage of the e-commerce moratorium which will remain in force until WTO MC13. Although, in case of any delay in MC13, the embargo would be lifted automatically after March 2024.
- Collaboration between industry and academia should also be institutionalized through formal agreements (e.g. - MoU).
- Local female entrepreneurs should be provided with easier access to financing.
- Bangladeshi business entities should look towards the enhancement of productive capacity and the reduction of production cost to offset the loss of various incentives that Bangladesh could offer as an LDC.

## Workshop on Effective Engagement of the Media for Sustainable Graduation

NEC-2 Conference Room, ERD, Dhaka

Thursday, 28 July 2022

Organized by SSGP, ERD

### BACKGROUND

Bangladesh Graduation from the LDC category is the evidence of continued progress in the social and economic areas amidst global economic and climate challenges, and global recognition of historic achievement. Graduation from LDC is a source of pride for the whole nation. Although it entails responsibilities to all stakeholders for sustaining this achievement and moving to the status of a developed country.

Under this purview every stakeholder of the economy has a significant role to play in this graduation journey. The media plays a unique role in shaping public awareness, sharing information, sensitizing, and graduating their mindset, which is critical for sustainable graduation and development.

### KEY QUESTION

- How media can effectively be engaged in Bangladesh's graduation journey?

### Chief Guest

- Ms. Sharifa Khan, Secretary, Economic Relations Division

### Chair

- Mr. Farid Aziz, Additional Secretary of ERD and Project Director, SSGP

### Keynote Presenters

- Dr. Md. Rezaul Bashir Siddique, Component Manager, SSGP.
- Mr. Md. Anwar Hossain, Component Manager, SSGP.

### Key Takeaways

- Media should provide objective reporting on both the opportunities and challenges posed by the LDC graduation.
- The government should provide regular updates on LDC graduation related issues to the media through SSGP and/or other relevant government entities. A senior official from ERD should be designated as a spokesperson.
- A knowledge hub should be created through accumulating LDC graduation related books, journals, articles, research papers, media reports, multimedia items etc.
- LDC graduation issue should be incorporated into the primary and higher secondary curriculum;
- Think tanks should carry out in depth research on the multifarious impacts of LDC graduation and should make them public;
- Providing the private sector with effective incentives for product and market diversification to reap the benefits of LDC graduation.



## Inaugural Session

Ms. Sharifa Khan, in her remarks, observed that Bangladesh, with her huge economy as well as its strong industrial and export base, offers a unique case among the graduating LDCs. She explained that LDC graduation would offer both challenges and opportunities for the country. In this context, she emphasized on taking appropriate measures for reaping the benefits of graduation. In this context, she sought the cooperation of media in creating a positive perception about LDC graduation among the mass people. She also asked the participants of the workshop to provide their insightful opinions and feedback on how to take the LDC graduation agenda to wider sections of the society.

## Keynote Presentation

Dr. Md. Rezaul Bashir Siddique in his presentation on ‘An overview of LDC Graduation: Bangladesh Perspectives’ explained the background and process of LDC graduation. He also then provided a detailed overview of the multifarious benefits and challenges posed by LDC graduation and. He observed that Bangladesh would need to (a) take advantage of its status as an LDC over the next four years; (b) strive to secure a new set of ISMs as a graduating LDC; and (c) take adequate preparation towards Sustainable Graduation by undertaking the needed homework and by implementing the LDC graduation strategy.

Mr. Md. Anwar Hossain, in his presentation on ‘Measures Undertaken by the Government for smooth and sustainable graduation’, provided an overview of the national consultative framework devised for preparing the country for smooth and sustainable graduation. He reflected on the roles of the seven thematic subcommittees formed under the national committee on graduation. Mr. Hossain explained the process in preparing the Smooth Transition Strategy (STS) and highlighted on the roadmap and action matrix developed for formulating the STS. He presented the broad areas that would be covered in the planned STS and focused on the priorities for sustainable graduation as well as the next course of action.

## Breakout Session

The participants of the workshop were divided into three groups (i. grassroots level, ii. thinktank, academia and CSOs and iii. private sector) to identify some key recommendations based on the following questions-

- How can the media support the awareness program for sustainable graduation?
- What measures the government may undertake to engage stakeholders?

## Wrap up by the Chief Guest and Chair

Ms. Sharifa Khan, in her concluding speech, stated that ERD, with support from SSGP, would continue to organize stakeholder consultations on various LDC graduation related issues. She also said that senior level representatives from media entities would be regularly invited to such consultations. She observed that think tanks should carry out more in-depth research on LDC graduation related issues. She called for an active role of media in motivating the think tanks to engage in such tasks. Underscoring the need for diversification of awareness materials on LDC graduation - she said that relevant video tutorials could be prepared explaining the LDC graduation issues which could later be shared on social media platforms for necessary public sensitization.

The chair of the workshop Mr. Farid Aziz, in his concluding remarks, thanked all the participants of the workshop for their active engagement. He also observed that the recommendations coming from the workshop would be very useful for SSGP in reaching out to a wider array of stakeholders. Lastly, he concluded the workshop by thanking all who were involved in organizing the event.

## Major Recommendations from Group Presentations

The following major points of recommendations came from the participants through their group presentations:

### Engagement of Media

- Media should provide objective reporting on both the opportunities and challenges posed by the LDC graduation.
- The government should provide regular updates on LDC graduation related issues to the media through SSGP and/or other relevant government entities. A senior official from ERD should be designated as a spokesperson.
- Training programs for local journalists in collaboration with DJFB could be organized.
- A knowledge hub should be created through accumulating LDC graduation related books, journals, articles, research papers, media reports, multimedia items etc.

### At the Grassroot Level

- Devising and carrying out diversified modes of campaigning programs for the local level stakeholders regularly.
- Incorporating the LDC graduation issue into the primary and higher secondary curriculum.

### Think Tank, Academia, CSO

- Think tanks should carry out in-depth research on the multifarious impacts of LDC graduation and should make them public.
- Think tanks should also provide their feedback and recommendations on government policies and strategies regarding smooth and sustainable graduation.

### Private Sector

- Media should carry out in depth reporting on potential impact of LDC graduation on private sector as well as the implications of relevant government policies while identifying the areas for reforms and improvement.
- Providing the private sector with effective incentives for product and market diversification to reap the benefits of LDC graduation.



# CHAPTER - 6

## Training

## Training on LDC Graduation and Its Implications for Bangladesh

NEC 2 Conference Room, ERD, Dhaka

Monday, 08 May 2023

Organized by SSGP, ERD

### BACKGROUND

Bangladesh must make the best use of the ongoing preparatory period mandated by the United Nations to ensure a smooth and sustainable LDC graduation. Officials from ERD and other relevant ministries will play a crucial role in the formulation of relevant policies and strategies to make this transition smooth and sustainable.

Moreover, it is recommended by the United Nations that a graduating LDC should prepare a national smooth transition strategy (STS) during the preparatory period to utilize the opportunities as well as to tackle the challenges of graduation. Economic Relations Division (ERD) is leading the preparation of a Smooth Transition Strategy (STS) for Bangladesh.

Therefore, government official, especially those working for ERD, should know the pros and cons of graduation so that they can contribute to appropriate policy formulation and implementation thereof.

### OBJECTIVES

- Sensitizing the Government Officials about the process, challenges, and opportunities of graduation;
- Making them proficient in contributing policy formulation on the matter concerning graduation;

### Chief Guest

- Mr. Abdul Baki, Member (Secretary), Industry and Energy Division, Planning Commission

### Special Guest

- Mr. Md. Shahriar Kader Siddiky, Additional Secretary, ERD

### Chair

- Mr. Farid Aziz, Additional Secretary and Project Director, SSGP, ERD

### Keynote Speakers

- Mr. Anwar Hossain, Joint Secretary (CM-1), SSGP
- Dr. Md. Rezaul Bashar Siddique, Joint Secretary (CM-2), SSGP
- Mr. Nesar Ahmed, International Trade Expert, SSGP

### Key Takeaways

- There should be a timebound action plan for utilizing the preparatory period for LDC graduation.
- ERD officials should be well informed and futuristic. A culture of innovation needs to be developed in ERD.
- 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.
- The withdrawal of subsidies would lead to the loss of industry incentives which would consequently have negative impact on wage, employment, poverty and equality. Prudent measures should be taken to mitigate such negative impacts.
- Bangladesh should carry out a cost benefit analysis of availing GSP+ facilities.

## Inaugural Session

*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 by 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 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 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 include:

- 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 towards 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 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+

## Concluding Session

### *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 education, 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.

## Major Recommendations

- There should be a timebound action plan for utilizing the preparatory period for LDC graduation.
- ERD officials should be well informed and futuristic. A culture of innovation needs to be developed in ERD.
- The withdrawal of subsidies would lead to the loss of industry incentives which would consequently have negative impact on wage, employment, poverty and equality. Prudent measures should be taken to mitigate such negative impacts.
- Bangladesh should carry out a cost benefit analysis of availing GSP+ facilities.
- Bangladesh should pursue for continuation of all ISMs for a certain period beyond graduation. The country should also look to create new market access through FTA and similar trade agreements.
- Bangladesh should look to enhance its competitiveness through increase in productivity, reduction in the cost of doing business by improving logistics and trade facilitation measures, adoption of new technologies and development of human and institutional capacity.
- 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.
- Skill level of the local workforce needs to be enhanced with a view to prepare them for the post-LDC graduation scenario as well as the Fourth Industrial Revolution.
- Bangladesh should be diplomatically more active with its major trading partners with a view to achieve GSP+.

# Training on LDC Graduation Impacts on Trade, Tariff and Intellectual Property Rights

NEC 2 Conference Room, ERD, Dhaka

Thursday, 25 April 2023

Organized by SSGP, ERD

## BACKGROUND

After graduation, Bangladesh will need to provide Intellectual Property Rights (IPR) protection, including patent protection for pharmaceutical products, to comply with all TRIPS obligations. Bangladesh will also need to ensure proper enforcement of the IP laws of the country, such as the Copyright Act etc. Under the Subsidies and Countervailing Measures (SCM) Agreement of the WTO, Bangladesh provides cash incentives (export subsidies) against exports to around 40 products/ sectors, ranging from 2% to 20%, for encouraging exports. After graduation, it will not be possible to provide such cash incentives.

As such, to make the best use of the ongoing transition period before formal graduation, Bangladesh needs to prepare itself for such potential changes through the formulation of appropriate policies and strategies. Therefore, government officials should know the pros and cons of graduation so that they can contribute to appropriate policy formulation and implementation thereof. ERD, which is the main focal point of LDC graduation related issues for the government, is also leading the preparation of a Smooth Transition Strategy (STS) for Bangladesh. It is also playing a very active and instrumental role in various LDC graduation related subcommittees. Government officials, including those working for ERD, should therefore have a very comprehensive idea about the impacts of LDC graduation on trade, tariff, and IPR regime of the country.

## OBJECTIVES

- Sensitizing the government officials about the process, challenges, and opportunities of graduation;
- Making them proficient in contributing policy formulation on the matters concerning graduation particularly on trade, IPR, tariff rationalization and export subsidies, etc.

## Chief Guest

- Ms. Sharifa Khan, Secretary, ERD

## Special Guest

- Mr. Md. Faizul Islam, Chairman, Bangladesh Trade and Tariff Commission

## Chair

- Mr. Farid Aziz, Additional Secretary and Project Director, SSGP, ERD

## Keynote Speakers

- Mr. Md. Hafizur Rahman, Director General (Rtd.), WTO Cell, Ministry of Commerce
- Dr. Mostafa Abid Khan, Member (Rtd.), Bangladesh Trade and Tariff Commission (BTTC)

## Key Takeaways

- Certain tariffs and duties like supplementary duties, regulatory duties and advanced income taxes should be reviewed and gradually phased out.
- Subsidies and cash incentives are not necessary for the well-established businesses. Therefore, such provisions should be reviewed and rationalized.
- In case of pharmaceuticals, the Patent law needs to be updated/amended for capturing all the in-built flexibilities available in the TRIPS Agreement, particularly relating to public health;
- In case of the impacts of the general exemption, which covers all the IP areas, existing laws and regulations need to be thoroughly examined to identify if there is need for amendments to make the laws WTO consistent and also to take more advantages from the in-built flexibilities available in the TRIPS Agreement;

## Inaugural Session

### **Welcome Remarks from Chair: Mr. Farid Aziz, Additional Secretary and Project Director, SSGP, ERD**

Mr. Farid Aziz, in his welcome remarks, highlighted the background and objective of organizing the training program. He noted that the government officials would have to play a crucial role in LDC graduation related policy formulation in the coming years. In light of ERD's vital role in maintaining effective cooperation with international development partners, he observed that ERD officials should have comprehensive idea about the opportunities and challenges to be created through LDC graduation. In this context, he termed the training as a timely initiative. He thanked the chief guest, special guest and the keynote speakers of the program for their kind presence.

## Session-1: Impacts of LDC Graduation on Trade and Intellectual Property Rights

### **Keynote Presentation from Mr. Md. Hafizur Rahman, Director General (Rtd.), WTO Cell, Ministry of Commerce**

Mr. Md. Hafizur Rahman, in his keynote presentation, highlighted that Bangladesh is graduating at a time when the global economy is marred by the recent Covid-19 pandemic, geopolitical uncertainty, reverse trend of globalization, exchange rate volatility, fear of middle income trap and rise of right wing forces across the world. Focusing on the impact of trade due to LDC graduation, Mr. Rahman informed that Bangladesh, as an LDC, enjoys Duty Free Quota Free (DFQF) market access to 37 Developed Countries except USA. However, citing a WTO study, he said that the country would face, on average, 9 percent additional duties on its export after graduation—which may result in 14 percent drop in its export income.

Mr. Rahman explained that 95 percent of Bangladesh's current export to EU comes under HS Chapter 61, 62 and 63. He also pointed out that according to Article 29 of the new EU GSP scheme which would become effective from 01 January 2024, *clothing products from a GSP+ beneficiary will not receive preferential access if the share of the relevant products of the beneficiary is above 6 per cent of total EU imports of the same products in a calendar year.* He noted that Bangladesh's share in the total EU imports of clothing items is currently more than 13 per cent. *Against this backdrop, Mr. Rahman explained that although Bangladesh would benefit from GSP+ preferential access following a three-year long transition period after graduation-- its apparel items might face most favoured nation (MFN) tariff rates of 12 percent in the EU.*

Mr. Rahman also explained that Bangladesh, as an LDC, currently enjoys flexible Rules of Origin for its exports in various overseas markets which would not be applicable after graduation. He also briefly highlighted on the impact of LDC graduation on subsidies, technical assistance, technological transfer as well as other Special and Differential Treatment (S&DTs) under WTO.

In terms of Intellectual Property Rights, it was highlighted that Bangladesh's pharmaceutical industry, in particular, had witnessed impressive growth over the years due to the TRIPS waiver provided to LDCs under the WTO-TRIPS agreement. However, it was informed that such waiver would not be available after the country's graduation in 2026. In this context, he identified some specific measures that should be initiated to address issues related to compulsory licensing, parallel import etc.

Lastly, Mr. Rahman came up with following recommendations to tackle the impact of LDC graduation on trade and Intellectual Property Rights.

### **Trade**

At the global level:

- Pursuing for continuation of the trade-related International Support Measures (ISMs) for a certain period after graduation (Through WTO decision and bilateral agreements);
- Putting efforts for creating new market access through Free Trade Agreement (FTA), Preferential Trade Agreement (PTA), EU GSP+, etc.
- Negotiating bilaterally with the potential trading partners for additional transition periods, like EU, UK, Japan, Canada, Australia etc. in their preferential/GSP schemes;

- Strengthening collaboration with the development partners, particularly for enhancing productive and trade-related capacity of the country.

At the domestic level

- Formulating an appropriate Smooth Transition Strategy involving all the stakeholders, including private sector, Civil Society Organizations, development & trading partners;
- Incorporating graduation priorities into national development plans;
- Enhancing competitiveness through increasing productivity and reducing cost of production & business;
- Simplifying rules, regulations, procedures and improving overall trade facilitation system for reducing time and cost of doing business;
- Improving ease of doing business by removing domestic constraints and challenges;
- Enhancing capacity to fulfill stringent rules of origin criteria by expanding backward and forward linkage industries;
- Enhancing compliance capacity, including Sanitary & Phyto-sanitary (SPS) measures, Technical Barriers to Trade (TBT), environmental compliances, etc;
- Developing skilled human resources for all levels of business and production;
- Upgrading technologies;
- Reducing lead time of exports;
- Designing appropriate policy and other supports consistent with the WTO rules for the post-graduation situation;
- Attracting more FDI in various potential sectors;
- Strengthening participation in Global Value Chain;
- Enhancing negotiating capacity.

### **Intellectual Property Rights**

- Continuing Persuasion for extending the TRIPS flexibilities/waivers for a certain year beyond the graduation;
- In case of both the exemptions, conducting a comprehensive impact assessment is extremely necessary to identify the areas precisely, where supports and interventions are required;
- In case of the impacts of the general exemption, which covers all the IP areas, existing laws and regulations need to be thoroughly examined to identify if there is need for amendments to make the laws WTO consistent and also to take more advantages from the in-built flexibilities available in the TRIPS Agreement;
- It needs to be examined in consultation with the relevant stakeholders whether we need to sign various WIPO instruments, like Patent Cooperation Treaty (PCT), etc.;
- Enforcement mechanism needs to be strengthened through enhancing human as well as institutional capacities;
- Knowledge and understanding of stakeholders on the IP issues need to be enhanced through appropriate training programmes and awareness building campaigns;
- Inventions and innovations need to be encouraged for technological development;
- In case of pharmaceuticals, the Patent law needs to be updated/amended for capturing all the in-built flexibilities available in the TRIPS Agreement, particularly relating to public health;
- Public health-related WTO decisions need to be thoroughly examined in order to take full advantages of those decisions. Given the fact that Bangladesh's pharmaceutical industry has already gained enough experience and capacity, the industry can try to take full advantage of the evolving opportunities of the global pharmaceutical markets due to expiry of patents of many medicines around the world and other relevant issues;
- The Active Pharmaceutical Ingredient (API) park needs to be fully operational as early as possible;
- All possible supports need to be extended for facilitating smooth running of the API industries;
- Human resource development, technological facilities and other relevant factors need to be ensured for further development of the pharmaceutical industry, including the API industry.



## Session 2: Tariff Rationalization and Subsidies in the Context of LDC Graduation

### *Keynote Presentation from Dr. Mostafa Abid Khan, Member (Rtd.), Bangladesh Trade and Tariff Commission (BTTC)*

In the beginning of his presentation, Dr. Khan provided an overview of Bangladesh's international trade scenario including the export and import trends. He noted that although Bangladesh's exports are highly concentrated both in terms of products and destinations-- imports are more diversified, indicating product diversification in domestic market. He also pointed out that intermediate and capital goods constitute major share of Bangladesh's import-- which indicates trade dependency of the country's entire economy.

Analysing the existing tariff structure of the country, Mr. Khan said that the highly protective tariff measures make domestic market lucrative and leads domestic investor to focus on domestic market—which, in turn, discourages investor to improve efficiency. In this context, Mr. Khan called for tariff rationalization and addressing subsidy in the context of the country's eventual LDC graduation.

Noting that Bangladesh would need to sign Free Trade Agreements (FTAs) with various trading partners following LDC graduation-- he opined that the current tariff policy of the country is not conducive for negotiating FTAs. He also observed that high protection in domestic market had led to ant-export bias. He also pointed out that LDC Graduation would lead to increased surveillance of trade policy measures by WTO members. He also stated that the National Board of Revenue still focuses on revenue target for revenue collection at import stage, which depends merely on import figures.

Lastly, he came up with following recommendations with regard to tariff rationalization and subsidy in the context of LDC graduation.

#### **Tariff Rationalization**

- Rationalize Tariff gradually
  - Bringing conformity with WTO commitment
  - Making SD trade neutral
  - Making RD temporary emergency measures
  - Addressing complexity in tariff Regime through reducing the number of HS codes and user specific exemptions
  - Making duty free treatment of raw material for all exporters including partial exporters
- Making clearance process speedy for reducing trade cost

#### **Subsidy**

- Gradual elimination of subsidies that are not compatible with WTO
- In-depth study for new approach for support scheme for increasing competitiveness of industry
- Searching for new support measures
- Having an agreement from WTO for continuing export subsidy, if GNI per Capita in 1990 constant US\$ is less than US\$ 1,000



## Q & A Session

At this stage, the floor was opened for feedbacks and queries from participants. During this session, the following feedbacks and queries came from the participants.

- It was queried that whether the new GSP Plus scheme of EU is compliant with the rules and regulations of WTO. In response, Mr. Md. Hafizur Rahman informed that the new GSP Plus scheme of EU is compliant with the WTO rules and regulations.
- Participants also queried that how Bangladesh can attain the same level of competitiveness as Turkey or Vietnam in the global RMG arena to mitigate the potential negative impacts of LDC graduation. In response, it was pointed out that Bangladesh would need to develop its backward linkage industries to enhance its competitiveness in RMG.
- The participants also observed that the rapid shift in the global apparel market from cotton to non-cotton based Man-Made Fibre (MMF) may thwart the potential growth of the Bangladesh RMG sector as currently, the overwhelming portion of our RMG exports are still cotton-based. In this context, it was suggested that Bangladesh would need to grab the potential of MMF by expanding its market in the global MMF-based RMG segment while maintaining the current growth in cotton-based apparel to increase its global market share.
- Participants also queried that what measures are being taken to overcome the non-tariff barriers. In response, it was informed that many of the non-tariff measures are compatible with WTO rules and regulations. As such, it would be important to ensure necessary conformity through various measures, e.g.- enhancing the capacity of the local testing labs.
- Participants queried that what measures were being taken for the diversification of export markets or to tap the regional markets. In response, Mr. Mostafa Abid Khan said that product diversification would be necessary beforehand for diversification of export markets.

## Concluding Session

### ***Remarks from Special Guest: Mr. Md. Faizul Islam, Chairman (Secretary to the Government), Bangladesh Trade and Tariff Commission***

Highlighting on the recommendations coming from the keynote presentations, Mr. Md. Faizul Islam affirmed that certain tariffs and duties like supplementary duties, regulatory duties and advanced income taxes should be reviewed and gradually phased out. He also informed that the government had recently formulated a draft tariff rationalization policy which was being reviewed by the Ministry of Commerce and which would subsequently be sent to the Cabinet for approval. Noting that subsidies and cash incentives are not necessary for the well-established businesses—he also affirmed that such provisions should be reviewed and rationalized. Underscoring the need for export diversification—he observed that there are scopes for diversification within RMG and other major export items.

### ***Remarks from Chief Guest: Ms. Sharifa Khan, Secretary, Economic Relations Division (ERD)***

The Chief Guest, in her remarks, observed that government officials would play a very crucial role in LDC graduation related policy formulation as well as trade negotiations with the major trading partners in the aftermath of LDC graduation. In this context, she underscored the need for attaining comprehensive knowledge about the process, impacts and opportunities of LDC graduation. Noting that the withdrawal of subsidies and cash incentives is a sensitive issue-- she also affirmed that such facilities should be gradually reviewed in line with the WTO regulations. Lastly, she thanked the special guest as well as the keynote speakers for their insightful observations.

### ***Concluding Remarks from Chair: Mr. Farid Aziz, Wing Chief, DEW and PD, SSGP***

Mr. Farid Aziz, in his concluding remarks, observed that since ERD is the main focal point for LDC graduation related issues of the government—it would be imperative for the ERD officials to have comprehensive knowledge about the impacts of LDC graduation and the potential mitigation measures. Lastly, he thanked all the participants for their active engagement and contribution.

## Major Recommendations

### Trade

- Pursuing for continuation of the trade-related International Support Measures (ISMs) for a certain period after graduation (Through WTO decision and bilateral agreements;
- Putting efforts for creating new market access through Free Trade Agreement (FTA), Preferential Trade Agreement (PTA), EU GSP+ etc.
- Enhancing competitiveness through increasing productivity and reducing cost of production & business;
- Simplifying rules, regulations, procedures and improving overall trade facilitation system for reducing time and cost of doing business;
- Enhancing capacity to fulfill stringent rules of origin criteria by expanding backward and forward linkage industries;
- Enhancing compliance capacity, including Sanitary & Phyto-sanitary (SPS) measures, Technical Barriers to Trade (TBT), environmental compliances, etc;

### Intellectual Property Rights

- In case of the impacts of the general exemption, which covers all the IP areas, existing laws and regulations need to be thoroughly examined to identify if there is need for amendments to make the laws WTO consistent and also to take more advantages from the in-built flexibilities available in the TRIPS Agreement;
- It needs to be examined in consultation with the relevant stakeholders whether we need to sign various WIPO instruments, like Patent Cooperation Treaty (PCT) etc.;
- Enforcement mechanism needs to be strengthened through enhancing human as well as institutional capacities;
- In case of pharmaceuticals, the Patent law needs to be updated/amended for capturing all the in-built flexibilities available in the TRIPS Agreement, particularly relating to public health;

### Tariff Rationalization

- Addressing complexity in Tariff Regime through reducing number of HS codes and user specific exemptions;
- Making clearance process speedy for reducing trade cost;

### Subsidy

- Gradual elimination of subsidies that are not compatible with WTO;
- Having an agreement from WTO for continuing export subsidy, if GNI per Capita in 1990 constant US\$ is less than US\$ 1,000;