

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

Venue: NEC-II Conference Room, ERD
Date: 23 May 2023, Tuesday

A workshop on the draft study report on ‘Transition Financing for Sustainable Graduation of Bangladesh’ took place on 23 May 2023 at the NEC II Conference Room of ERD. Secretary of the Economic Relations Division Ms. Sharifa Khan attended the workshop as chief guest. Additional Secretary and Wing Chief of the Development Effectiveness of ERD Mr. Farid Aziz chaired the workshop. Major discussions and recommendations coming from the workshop are documented below.

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 in 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. Anwar Hossain, Additional Secretary, GoB

In the beginning of his presentation, 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 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.

Discussions by the Panelists

Dr. Nazneen Ahmed, Country Economist, UNDP Bangladesh

Dr. Nazneen Ahmed, in her remarks, said that the study report should 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 study report should contain some strategic directions regarding the sectoral plannings of ERD. Noting that a lot of concessional financing windows will be available until 2030—he said that 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 to tap such opportunities. 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 dedollarisation-- Mr. Siddiky said that study should provide some insights on how Bangladesh can benefit from this trend and what could be the possible impact for 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. Noting the volatility of market financing—he said that the report should provide some analytical directions regarding how the country should prepare for eventual move towards market financing. He also said that the study should provide some strategic directions to address the drainages in sovereign financing. He also observed that the study should provide some suggestions for creating opportunities and platforms for impact financing. Noting that the windows for concessional financing would gradually squeeze - Mr. Siddiky opined that the study should provide some suggestions regarding how to cope with this transition. He also observed that the study should provide some strategic directions regarding how the government can facilitate the capacity building process of private sector entities. He also 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. He also recommended that the study should highlight the experience of other countries in utilizing alternative financing windows.

Open Floor Discussion

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 should 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. Lastly, she thanked all the participants for their feedback and recommendations.