



PREPAREDNESS FOR GRADUATION WITH
MOMENTUM: STRATEGIES FOR COPING
WITH CHALLENGES AND TAPPING NEW
OPPORTUNITIES

National Committee on LDC Graduation
Prime Minister's Office
Government of Bangladesh

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ACRONYMS AND ABBREVIATIONS

ACWL	Advisory Centre on WTO Law	EU	European Union
AGOA	African Growth and Opportunity Act	EVI	Economic and Environmental Vulnerability Index
AML	Anti-Money Laundering	EZ	Economic Zones
AMS	Aggregate Measure of Support	FAO	Food and Agriculture Organization
BB	Bangladesh Bank	FD	Finance Division
BBS	Bangladesh Bureau of Statistics	FDI	Foreign Direct Investment
BEZA	Bangladesh Economic Zone Authority	FMCG	Fast-Moving Consumer Goods
BIAM	Bangladesh Institute of Administration and Management	FTA	Free Trade Agreement
BIDA	Bangladesh Investment Development Authority	GA	General Assembly
BTTC	Bangladesh Trade and Tariff Commission	GATT	General Agreement on Tariffs and Trade
CD	Customs Duty	GCF	Green Climate Fund
CDP	Committee for Development Policy	GDP	Gross Domestic Product
CEPA	Comprehensive Economic Partnership Agreement	GEF	Global Environment Facility
CSO	Civil Society Organizer	GNI	Gross National Income
DAC	Development Assistance Committee	GoB	Government of Bangladesh
DFQF	Duty-Free, Quota-Free	GSP	Generalized System of Preferences
DLI	Diversification-Linked Incentives	HAI	Human Assets Index
DPoA	Doha Programme of Action	HTP	High Tech Park
DPs	Development Partners	IBRD	International Bank for Reconstruction and Development
EBA	Everything But Arms	IDA	International Development Association
EDF	Export Development Fund	IMF	International Monetary Fund
EIF	Enhanced Integrated Framework	IPoA	Istanbul Programme of Action
EPZ	Export Processing Zones	ISM	International Support Measures
ERD	Economic Relations Division	JSI	Joint Statement Initiatives
ESCAP	Economic and Social Commission for Asia and the Pacific	JTT	Joint Task Team
		LDC	Least Developed Countries

LIBOR	London Interbank Offer Rate	SD	Supplementary Duties
LMIC	Low Middle Income Country	SOFR	Secured Overnight Financing Rate
MDG	Millennium Development Goals	SOLs	Service Offering Lines
MFA	Multi-Fiber Agreement	SPS	Sanitary and Phytosanitary
MFN	Most Favoured Nation	SSGP	Support to Sustainable Graduation Project
MMF	Man Made Fiber	STS	Smooth Transition Strategy
MoFA	Ministry of Foreign Affairs	TBLDC	Technology Bank for the LDCs
MoI	Ministry of Industries	TBML	Trade-Based Money Laundering
MSME	Micro small & medium enterprises	TBT	Technical Barriers to Trade
MTRS	Medium Term Revenue Strategy	ToT	Training of Trainers
NAPD	National Academy for Planning and Development	TPRs	Trade Policy Reviews
NBR	National Board of Revenue	TRIMS	Trade Related Investment Measures
NCG	National Committee on LDC Graduation	TRIPS	Trade Related Aspects of Intellectual Property
NFIDC	Net Food Importing Developing Countries	UMIC	Upper Middle Income Countries
NGOs	Non-Governmental Organizations	UN	United Nations
NTF	National Task Force	UNCTAD	United Nations Conference on Trade and Development
ODA	Official Development Assistance	UNDP	United Nations Development Programme
OECD	Organization for Economic Co-operation and Development	UN-ORHLLS	United Nations Office of the High Representative for the Least Developed Countries, Land-Locked Developing Countries and Small Island Developing States
PCT	Patent Cooperation Treaty	WB	World Bank
PLI	Production Linked Incentives	WIPO	World Intellectual Property Organization
PMO	Prime Minister's Office	WTO	Trade Organization
PTA	Preferential Trade Agreement		
S&DTs	Special & Differential Treatments		
SAARC	South Asian Association for Regional		

EXECUTIVE SUMMARY

Bangladesh achieved remarkable progress in almost all socioeconomic indicators that ultimately culminated to qualify for graduation from the LDC status in 2018 and 2021 consecutive reviews of the United Nations-Committee for Development Policy (UN-CDP) by meeting thresholds for all three criteria- Per capita income, Human Assets Index (HAI), and Economic and Environmental Vulnerability Index (EVI). 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.

Bangladesh's graduation is another feather on its cap to its successive achievement of graduating from Low Income Country (LIC) to a Lower Middle-Income Country (LMIC) in 2015 and attaining most of the targets set by the Millennium Development Goals (MDGs) by 2015. This development feat within a short period demonstrates the strength of Bangladesh's economy and its great momentum. The systematic approach from the onset of its graduation journey under the guidance of Honorable Prime Minister Sheikh Hasina has brought the desired outcome.

The visionary leadership of Honorable Prime Minister Sheikh Hasina and her prudent macroeconomic policy navigated Bangladesh to a new height of development trajectory. With a low level of resource base, Bangladesh made astounding progress 53 years of its independence. The impressive socioeconomic progress over the last fourteen years has now become a development surprise for economists. The strong leadership, successive political incumbency, and resilience of its hard-working people are attributed to this phenomenal accomplishment. All these drivers eventually succeeded Bangladesh to break the LDC label and overcome the stigma of low-income, structurally weak, socially lagging, economically and environmentally vulnerable country.

Attaining sustainable graduation with momentum is critical for achieving national and global development agendas like SDG by 2030, upper middle-income country status by 2031, and a high-income knowledge-based smart developed economy by 2041.

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 in achieving this end. A well-structured inclusive institutional arrangement has been in place and relevant key stakeholders are playing their roles within this structural framework.

International Support Measures (ISMs) are offered to LDCs to boost their trade, finance, and capacity, which leads to transforming the economic structure and reducing vulnerability. Bangladesh, the highest utilizer of ISMs among LDCs, is likely to be impacted more by graduation than others. Keeping this in view, the NCG formed seven thematic subcommittees on 15 June 2021 based on the likely impacted areas or sectors due to the loss of ISMs. The core themes of the seven subcommittees are 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 (STS); and branding Bangladesh.

The subcommittees, led and co-led by the relevant ministries and divisions, employed their expertise in engaging all key stakeholders, convened a series of meetings, and formed study groups, working groups, and task teams for sectoral research and studies. They organized workshops/ seminars/ stakeholder consultations for gathering expert opinions and validating their works. The subcommittees, finally, submitted their action plans to the NCG. All these action plans were consulted with key stakeholders represented by the government, private sector, development partners, think tanks, and academia in a National Seminar held on 17 November 2022. The document is the compilation of the action plans developed by the subcommittees. This document was officially submitted to the Honorable Prime Minister on 05 December 2022 for her kind guidance.

Apart from preparing the STS, the STS subcommittee is also facilitating the graduation process at home and abroad and providing support to the NCG in organizing graduation-related events. The STS subcommittee under the auspices of the Support to Sustainable Graduation Project (SSGP) is supporting the other subcommittees in conducting background research and studies. All the policy recommendations, actions, and strategies to be identified in the background research will feed into the Smooth Transition Strategy (STS).

The STS will be submitted to the UNCDP by November 2026. Meanwhile, an annual monitoring report on the progress of the preparation of STS has to be submitted to UNCDP. Bangladesh will have to report to the UNCDP on the progress of the STS implementation after graduation until 2035.

Some key areas that emerged as the priorities for the graduation of Bangladesh from LDC status during consultation processes with key stakeholders, are to be dealt with due attention in the mid- and long-term policy spaces. Continuation of preferential market access and TRIPS waiver, enhancing competitiveness, export diversification, boosting foreign direct investment, promoting trade in services, skills development, and sustainable financing are some key priorities for sustainable graduation. A concerted effort has to be undertaken both at local and global frontiers in tandem.

The implementation of the action plans and required reforms for sustainable graduation need to be fast-tracked and should be considered a high priority in the planning domain as the termination of the preparatory period for graduation is fast approaching. The timely preparation during the preparatory period for sustainable graduation is essential for Bangladesh's economy as it has leveraged the ISMs the most in boosting exports and growth in the manufacturing base including pharmaceuticals. This draft document, therefore, a compilation of action plans for sustainable graduation is a good point to start and needs to be updated from time to time in response to changes in the local and external economic scenarios.

CHAPTER 1

LDC GRADUATION: AN INSPIRING JOURNEY

Bangladesh's economy has shown remarkable progress in almost all development indicators during one and a half decades under the visionary leadership of **Hon'ble Prime Minister Sheikh Hasina**. The economy grew by an average of 6.9 percent during FY2011–FY2019 and became the fastest-growing in the Asia-Pacific in FY2018-19. Along with the accelerating pace of growth and private sector-led development, inclusive development paradigm through extending the coverage of social safety net, and investing in health, education, and shelters for the poorest section of the population contributed to sustained and resilient economic development. The growth was further sustained through significant investment in power, energy, infrastructure, and climate adaptation and mitigation measures that have turned the country into a global role model.

The cumulative impact of the development efforts contributed to the reduction of poverty from 48.9 percent in FY 2001 to 20.5 percent in FY2019, and the decrease of extreme poverty from 34.3 percent to 10.5 percent during the same period. Annual average inflation reduced to 5.56 percent in FY2020-21 from 7.6 percent in FY2008-09. The fiscal prudence has been sustained by keeping the budget deficit at around 5 percent of GDP. Agricultural food production increased to 43.49 million MT in FY2021-22 from 34.71 million MT in FY2008-09. Revenue income witnessed a five-fold increase to Taka 3,286.3 billion in FY2020-21 from Taka 643.4 billion in FY2008-09. Foreign remittances also increased from US\$ 9.69 billion in FY2008-09 to an impressive US\$ 21.03 billion in FY2021-22. Foreign exchange reserves increased from US\$ 7.47 billion on 30 June 2009 to US\$ 48.09 billion on 01 September 2021. Covid-19, the current geo-political situation resulting from the Russia-Ukraine war, unprecedented global inflationary pressure, and the ensuing global economic downturn has slowed down the development pace, the economic growth,

Prudent Macroeconomic Management has been the Hallmark

Prudent policy, macroeconomic stability, efficient public sector management along with private sector-led development growth under the visionary leadership of the Honorable Prime Minister qualified Bangladesh to achieve double graduations - income graduation by World Bank in 2015 and LDC graduation by United Nations in 2021, the first-ever country recommended for graduation fulfilling all the three graduation criteria.

however, is still predicted to be over 6 percent by World Bank, IMF, and Asian Development Bank and is expected to build back better soon due to continuous adjustment of macroeconomic management.



Honorable Prime Minister Sheikh Hasina receiving the final recommendation from Honorable Finance Minister Mr. A H M Musatafa Kamal, FCA, MP on 27 February 2021

Persistent macroeconomic policies have resulted in Bangladesh achieving the status of a lower-middle-income country in 2015 and meeting all the criteria to graduate from the least developed country (LDC) status in two consecutive triennial reviews by the United Nations Committee for Development Policy (UN-CDP) in 2018 and 2021. This is the most remarkable achievement within 50 years of independence stride towards achieving a developed, prosperous, and poverty-free *Sonar Bangla* (Golden Bengal) as dreamt by the Father of the Nation Bangabandhu Sheikh Mujibur Rahman.

The attainment of graduation from LDC status is much more than a mere milestone for Bangladesh as it represents a crucial move towards fulfilling the nation's commitment to achieving the Sustainable Development Goals (SDGs) by 2030. It also paves the way for Bangladesh to ascend to the status of an upper-middle-income country by 2031 and ultimately, to achieve the long-held dream of its 168 million inhabitants to become a knowledge-based smart developed nation by 2041.

1.1 Graduation Context

The Least Developed Countries, as defined by the UN-CDP are a group of countries that exhibit the lowest indicators of socioeconomic development and are structurally weak and vulnerable. The concept of LDCs emerged way back in the late 1960s during the first Development Decade (IDS-I) of the UN and there was growing consent regarding the inadequacy of economic developments in most of the vulnerable countries. As a result, the global community started acknowledging the necessity of special attention and a strong international support framework for them. Finally, in November 1971, 25 countries were listed together as LDCs in UN resolution 2768 (XXVI) and Bangladesh became a member of this group in 1975.

The Economic and Social Council (ECOSOC) mandates the UN-CDP to review the list of LDCs and recommend the graduation of eligible countries every three years. In March 2018, Bangladesh met all three graduation criteria for the first time, initiating its journey toward graduation. During the second triennial review in 2021, Bangladesh surpassed all three criteria by a greater margin. This remarkable accomplishment within three years is a testament to the government's strong commitment to achieving its objectives and designing effective strategies and policies for an inclusive and sustainable development agenda.

Table 1: Bangladesh meets all the criteria of graduation from the LDC category

Criteria	Threshold	Bangladesh's scores in 2021 TR
GNI per capita	\$1,222 or above	\$1,827*
Human Assets Index (HAI)	66 or above	75.3
Economic & Environmental Vulnerability Index (EVI)	32 or below	27.2

* GNI per capita income is estimated using the Atlas Method and it is the average of the previous three years' per capita income

Source: UN CDP, 2021 Triennial Review

The UN resolution takes note of the Bangladesh graduation and it allows CDP to analyze whether the five-year preparatory period has been adequate to manage the effects of COVID-19 and make any recommendation, including whether a further extension would be necessary at its upcoming triennial review in 2024.

According to resolution A/RES/67/221 and E/RES/2021/11, the monitoring process of Bangladesh graduation will continue until 2035. Bangladesh will have to submit an Annual Report to CDP as part of monitoring the process until 2026 to reflect the progress

of STS preparation. Bangladesh will submit annual reports to CDP stating the progress of the implementation of STS for the next three years- from 2027 to 2029. Two triennial reports need to be submitted to CDP in 2032 and 2035 – allowing the UN system to assess the sustainability of Bangladesh graduation from LDC status.

1.2 International Support Measures (ISMs) for the LDCs and Bangladesh

International agencies and development partners have made various concessions, commitments, and provisions for LDCs in the areas of development finance, trade, technology, and technical assistance, which are commonly referred to as International Support Measures (ISM). These ISMs can be grouped into three main categories:

1. **Trade-related ISMs** (include duty-free quota-free market access, preferential Rules of Origin, Services Waiver, TRIPS Waiver, TRIMS exemption, and allowing to provide different kinds of subsidies and so on)
2. **Concessional development assistance**
3. **General supports**

While the achievement of economic progress leading to Bangladesh’s graduation bears testimony of significant socioeconomic progress, graduation from the LDC status may give rise to potentially important economic costs due to the loss of ISMs. Bangladesh’s export success in RMG has, in large part, been driven by the existence of trade preferences, particularly in the EU market. Unless properly addressed well in advance of the graduation event, the absence of ISMs including duty-free market access, which Bangladesh has successfully utilized, could have a significant impact on the country’s internal and external balances during the post-graduation phase.

The Pharmaceutical sector is benefited and flourished into a vibrant industry thanks to the flexibility of LDCs in the application of the World Trade Organization (WTO) Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS). These are the most important benefits, but there are others. Bangladesh among the LDCs was able to leverage the International Support Measures (ISM) the most.

The CDP’s ex-ante impact assessment and an impact assessment conducted by the Government through General Economic Division (GED) clearly indicated that Bangladesh is likely to be affected by the loss of trade-related support measures while the other two clusters of ISMs- development assistance and general support will have an insignificant impact on its economy.

1.3 Graduation: New Window of Opportunities

The economic philosophy of grouping the LDCs is to provide targeted support to overcome the stumbling blocks, support smooth structural transformation, improve resilience, and attain sustainable development. Therefore, the graduation of Bangladesh from the LDC category is the manifestation of the significant socioeconomic progress of Bangladesh and the global recognition of these advancements.

Graduation offers a new opportunity in terms of improving the credit rating, enhancing the productivity of the private sector to sustain in the competitive global market, better environment for innovation and protection of intellectual property rights, improving the government revenue regime by reducing subsidies and tax reforms. The private sector claims appropriate business, finance, and policy support to cope with graduation-related challenges in the absence of ISMs. In the graduation process, key stakeholders like development partners, and trading partners are engaged in the consultative mechanism for the Smooth Transition Strategy (STS) and support for enhancing capacity, and efficiency of the private sector- which is not common in regular conditions.

Bangladesh earned great respect and recognition in the international community for its tremendous socioeconomic progress in the last one and a half decades. Bangladesh's amazing success has been a puzzle for many development researchers and practitioners and paying great respect to its right blend of strong political commitment, resilient private sector, right policy choices, and sincere implementation strategies.

Graduation from the LDC status will give huge support to recreate a new image and branding for Bangladesh. It gives a positive signal through improved branding, credit ratings, and images to foreign investors demonstrating significant improvement in human capital, business climate, and structural transformation- which ultimately contribute to enhancing productive capacity. This positive message to global policymakers and foreign investors is critical for attracting FDI- a critical driving force for boosting investment and growth. It is a stylized fact that almost every graduated nation experienced a higher inflow of FDI and private sector response to diversification in the post-graduation era.

Challenges attached to graduation create a great impetus for government policy interventions. Bangladesh's government showed its resilience during the previous global and domestic crises and responded strongly with positive support adopting a whole-of-society approach engaging all key stakeholders. Phasing out of Multi-Fibre Agreement (MFA) in 2005, the Rana Plaza disaster in 2013, GSP withdrawal by the USA in 2013,

and sustaining in global financial crisis in 2008 are a few examples where the government mobilized all relevant stakeholders for effective but quick implementation of the right policy choices.

Graduation creates an unprecedented planning space among key economic agents of a country. Government, private sector, and development partners have the opportunity to work hand in hand in identifying bottlenecks and formulating a time-bound action plan to overcome the challenges of graduation and equip the economy to tap the potential and new opportunities as a non-LDC developing nation. The private sector is the engine of growth and graduation paves the way for the private sector to claim an appropriate set of

Graduation is the manifestation of successful implementation of sets of policies and strategies. Graduation accompanies:

- *Improved credit ratings*
- *Higher inflow of FDI*
- *Serious drive for economic diversification which facilitates structural transformation*
- *Private-sector centric policies and strategies*
- *A strong commitment among government, private sector, DPs and trading partners to work together*

policy support that will improve business, finance, labor market, capital market, and infrastructure. In the graduation process, key stakeholders including development and trading partners are engaged in the consultative mechanism for the Smooth Transition Strategy and enhancing productive capacity and bringing the efficiency of the private sector — which is not common in normal times.

The Smooth Transition Strategy, a roadmap for sustainable graduation is developed during the graduation process. It offers policymakers to give thrust to identify regional and global megatrends, and address challenges and threats over a medium — and

long-term development trajectory. Therefore, graduation also offers an opportunity for a nation to identify response measures in the medium and long-term under regional and global settings- which would be missing in the planning space in the usual business environment.

The broader global issues, challenges, or opportunities like technology divide and inequality, climate change, massive market-driven skill programs, quality of education, inclusiveness, Industrial Revolution 4.0 or above, and improving preparedness against natural and anthropogenic disasters are drawn through stakeholder consultations. The process also facilitates direct and intense dialogues among key stakeholders on medium — and long-term development priorities.

Above all, the graduation process per se fundamentally focuses on enhancing productive capacity — development of human capital, infrastructure, social, entrepreneurs, and policy regime for accelerating structural transformation. In that sense, graduation offers a comprehensive, focused, and consensus-based private sector-centric development priorities and agenda, especially in the case of Bangladesh which has been utilizing the ISMs for its economic progress.

Graduation during a Global Uncertainty

Bangladesh is graduating from the LDC status amid multiple regional and global crises. The Vulnerability Profile prepared by the UNCTAD mentioned that the climate change challenge would be one of the major challenges for Bangladesh to address in the post-LDC era. A food crisis is looming due to the rise in the price of fuel and fertilizer; the economy is crippled because of large fluctuations in the global currency market, debt stock is alarmingly rising, and LDCs are struggling in making payment choices between essentials and debt services. On the other hand, extreme volatility in the global currency market made external finance becoming costlier and unaffordable for LDCs to maintain socioeconomic progress. Besides this, Bangladesh is graduating at a time when 4IR is an imminent reality that would create new jobs but also cut the traditional job demand.

Therefore, successful and sustainable graduation demand three prongs broader strategies- first, to address the immediate challenges of ongoing COVID, and geopolitical and Ukraine war-induced global inflation, and create resilience in the economy to protect or reduce the extent of damage from similar regional or global shocks in the future. The second broad goal is to manage trade and economic losses due to discontinued ISMs after graduation, especially trade-related benefits like DFQF, rules of origin, and flexibilities in TRIPS. Finally, Bangladesh will have to devise the right set of policies to make it capable of tapping the opportunities created for non-LDC developing nations.

1.4 Graduation Experiences

Since the adoption of the New Program of Development in 1981, only six countries have graduated till today. Due to the asymmetry in economic structure, economic size, export profile, and above all, population size, Bangladesh is not comparable to the six graduated nations. Moreover, the experiences of the six graduated countries are not similar and symmetric. However, foreign direct investment (FDI), in most cases, had increased in the graduated nations, while GDP growth, remittance to GDP ratio, tax to GDP ratio, and merchandise export increased in some cases and declined in other cases.

Table 2: Status of Bangladesh and Graduated LDCs in 2021

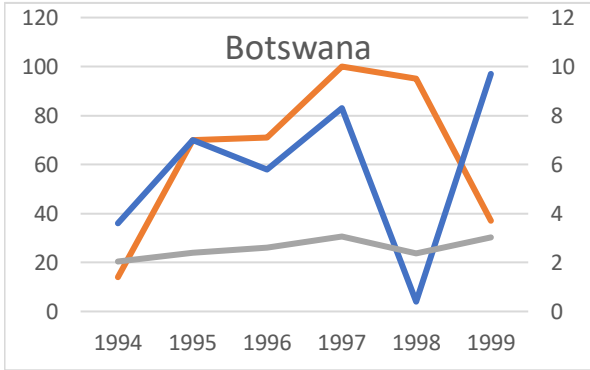
Country	Status	Graduating Year	Total Population (in Million)	GNI (Billion US\$)	GNI per capita, Atlas method (current US\$)
Botswana	UMIC	1994	2.59	16.66	6,430
Cabo Verde	LMIC	2007	0.59	1.90	3,190
Maldives	UMIC	2011	0.52	4.92	9,600
Samoa	LMIC	2014	0.22	0.83	3,810
Equatorial Guinea	UMIC	2017	1.63	9.15	5,150
Vanuatu	LMIC	2020	0.32	1.05	3,240
Bangladesh	LMIC	2026	169.36	438.18	2,570

LMIC= Lower Middle Income Country; UMIC= Upper Middle Income Country

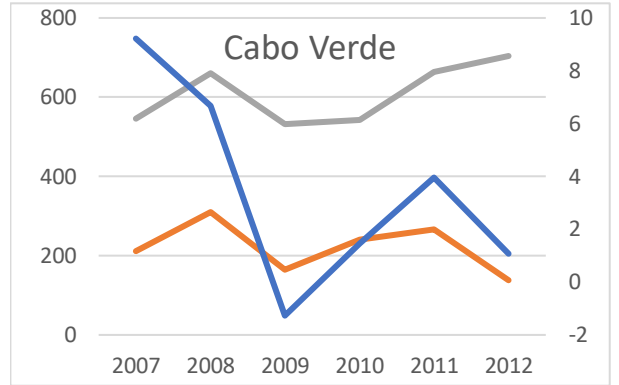
Source: World Development Indicator, World Bank

Over a period of five years since their graduation, five LDCs were observed for their performance in exports, FDI inflows, and GDP growth. Botswana displayed a significant increase in FDI flows since graduating in 1994, as well as experiencing a rise in exports and GDP growth for a certain period, but declining in 1998, possibly due to the global financial crisis in the late '90s. On the other hand, Cabo Verde experienced a decline in all indicators for the two years after graduating in 2007, possibly also due to the global financial crisis that affected most economies in 2007, but it appears to have picked up since 2009 and experienced significant boosts in exports. The immediate post-graduation experience of Maldives in 2011 was not encouraging, but it picked up soon after and experienced high growth in FY2015 in all indicators. For Samoa, exports significantly increased over the years since its graduation in 2014, but FDI inflows and GDP growth were uneven. Equatorial Guinea, which graduated in 2017, performed well in growth and FDI inflows since then, but did not experience good export performance since its graduation.

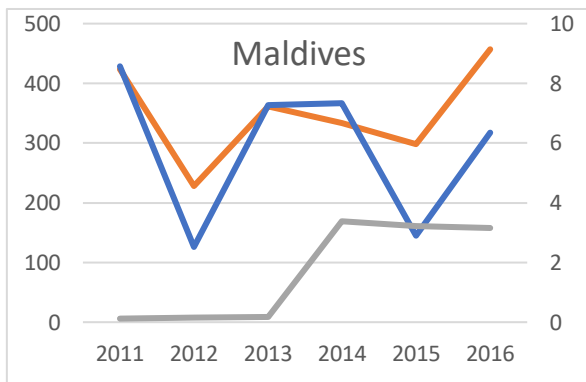
Figure 1: Selected Macroeconomic Indicators for Graduated Nations



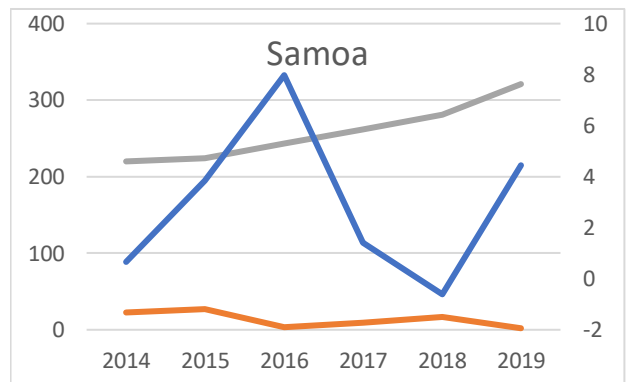
— FDI (mill USD) — Exports (mill USD) [LHS]
 — GDP growth (%) [RHS]



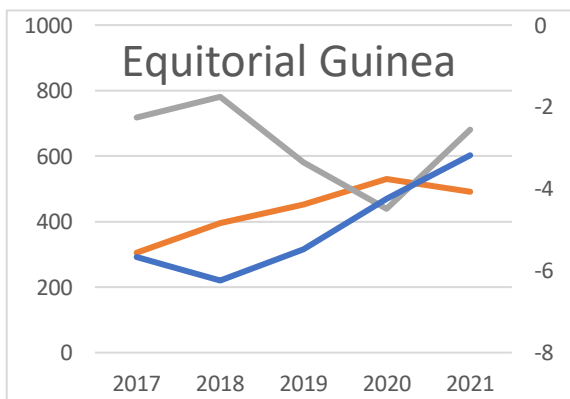
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 — GDP growth (%) [RHS]



— FDI (mill USD) — Exports (mill USD) [LHS]
 — GDP growth (%) [RHS]

CHAPTER 2

LDC GRADUATION: CONCERTED AND COORDINATED ENDEAVORS

The journey towards Bangladesh's Graduation from the LDC category started in 2011 when Hon'ble Prime Minister Sheikh Hasina offered her strong commitment at the Fourth LDC Conference of the United Nations in Istanbul, Turkey to implement the Istanbul Program of Action. The **National Task Force (NTF)** was formed on 03 January 2018, just before the CDP triennial review of March 2018, where Bangladesh met the graduation criteria for the first time, the whole nation became excited and celebrated the success. The NTF was assigned to guide the graduation process so that Bangladesh could meet the graduation criteria in two consecutive triennial reviews respectively in 2018 and 2021 and receive CDP recommendations for graduation. In its 2nd meeting, the NTF instructed Economic Relations Division (ERD) to initiate a project to support all graduation-related activities. Accordingly, ERD is now implementing the "Support to Sustainable Graduation Project (SSGP)" to facilitate the processes of graduation; identify the impacts of graduation; provide necessary capacity-building supports, and prepare a smooth transition strategy to tap the potential and overcome the challenges of graduation. A core Committee was also formed to provide technical support to the NTF. Since the formation of the NTF, six meetings were held to provide guidance to the Core Committees and closely monitor the progress and work with CDP.

Several country position papers were developed before the Expert Group Meeting of UN-CDP held in January 2021 to assess the impact of COVID-19 on Bangladesh's health, education, trade, and social security in the context of Bangladesh's LDC graduation journey. These country position papers provided valuable inputs for taking decisions by CDP on Bangladesh's graduation as well as the length of the preparatory period. These papers are also expected to provide substantive inputs into the STS to be developed by Bangladesh to cope with the graduation challenges.

Economic Relations Division (ERD), with support from SSGP, coordinated with UN-DESA for preparing an ex-ante Impact Assessment. Similarly, UNCTAD in close collaboration with the SSGP, prepared a Vulnerability Profile on Bangladesh-identifying the vulnerabilities that may hamper the growth after graduation. Both these documents provided valuable inputs for CDP in deciding graduation of Bangladesh during the last triennial review in 2021.

2.1 Formation of National Committee on LDC Graduation

The government of Bangladesh started focusing on ensuring smooth and sustainable graduation immediately after receiving the CDP's recommendation for graduation in February 2021. Since the graduation process involves many stakeholders from both the public and private sectors, the creation of a larger platform became imperative to make the process inclusive and more broad-based.

Navigating sustainable graduation with momentum requires a holistic approach coupled with strong support from the Prime Minister's Office. A **National Committee on LDC Graduation (NCG)** was formed on 27 April 2021 under the Chairmanship of the Principal Secretary to the Hon'ble Prime Minister. A well-structured institutional arrangement has also been developed and relevant key stakeholders are playing their roles within this structural framework- an inclusive approach is applied for outlining action plans for priority areas.

The NCG has been providing an effective platform to support sustainable graduation involving all the relevant stakeholders on board since its inception. The NCG has identified the broad impacted sectors or issues following the GED's impact assessment to dent the potential losses due to the erosion of ISMs, particularly trade-related ISMs beyond graduation. Seven thematic subcommittees have been formed under the guidance of the NCG to address various core issues.

National Committee on LDC Graduation (NCG)

The 22-member apex body representing the high-level representatives from the government and the private sector is diligently working to assess the impact of graduation, identify the actions to adapt for the post-graduation era, and outlines time-bound action plans for sustainable graduation.

2.2 Programs and Actions Undertaken

Apart from setting up sub-committees, a number of programs were undertaken which includes national celebration, organizing training and workshops, and liaising with the international communities and development partners for protecting the interests of the country during the post-graduation era. Followings are some of the important initiatives organized since the formation of NCG.

2.2.1. Graduation Celebration and Stakeholders Engagement

Graduation from the LDC status is a manifestation of the success of Bangladesh's development trajectory. It is evident of the country's inclusive development, commendable progress in economic indicators, and future journey of the country. The government of Bangladesh, therefore, took graduation as national pride. Under the guidance of NCG, several celebration programs were organized for broad-base awareness raising and ensuring ownership of the development journey. These are unique in nature as the nation intends to share its success with all of its citizens.



Celebrating the First Recommendation of LDC Graduation at BICC, February 2018

Table 3: Graduation Celebrations in Bangladesh

Sl.	Events	Dignitaries Attended	Stakeholders Engaged
1.	A daylong campaigning event on Bangladesh's LDC graduation in Cox's Bazar on 31 March 2022	Hon'ble Prime Minister, Hon'ble Ministers, Principal Secretaries & Secretaries	Cross-sectional people from the locality
2.	Organizing celebration events (seminars, discussions, rallies, and development fairs) across the country on 27-28 March 2021	Hon'ble Ministers/Hon'ble MPs/Representatives of Local Government	Govt. Officials, politicians, CSOs, private sector, youth, and students.
3.	National-level celebration of graduation at the Bangabandhu Intl. Conf. Centre, Dhaka on 02 January 2022	Hon'ble Prime Minister, Hon'ble Speaker, Hon'ble Ministers, High-level Govt. Officials	Freedom fighters, Govt. Officials, CSOs, private sector, youth, and students.
4.	Media briefing on CDPs recommendation of Graduation	Hon'ble Prime Minister Hon'ble Finance Minister	Media People and Govt. officials

Sl.	Events	Dignitaries Attended	Stakeholders Engaged
	at the Ganobhaban and PMO on 27 February 2021	Principal Secretary	
5.	National-level celebration of graduation at the Bangabandhu Intl. Conf. Centre, Dhaka on March 2018	Hon'ble Prime Minister, Hon'ble Speaker, Hon'ble Ministers, High-level Govt. Officials	Govt. Officials, CSOs, private sector, youth, and students.



Honorable Prime Minister delivering speech virtually, National Celebration at Cox's Bazar, 31 March 2022

2.2.2. Seminars/Workshops/Thematic Discussion

ERD with support from SSGP organized about 10 seminars/workshops/thematic discussions to sensitize the stakeholders and share ideas on the impact of graduation and ensure smooth and sustainable graduation.

Table 4: Major Seminars/ Workshops/ Discussions organized by SSGP, ERD

Sl.	Events	Dignitaries Attended
1	Seminar on UNCTAD LDC Report 2022: Implications for Bangladesh	Hon'ble State Minister for Planning Director, UNCTAD
2	'National Seminar on LDC Graduation' on 17 November 2022 at Pan Pacific Sonargaon Dhaka	Hon'ble Planning Minister, Hon'ble Commerce Minister Hon'ble State Minister of Foreign Affairs, Hon'ble State Minister of Planning
3	Workshop on 'Augmenting Competitiveness by Improving Trade Facilitation' jointly organized by	Hon'ble Commerce Minister

Sl.	Events	Dignitaries Attended
	SSGP and the Metropolitan Chamber of Commerce & Industry (MCCI) on 14 September 2022	
4	Workshop on ‘Effective Engagement of the Media for Sustainable Graduation’ on 01 September 2022	Keynote presentations by the experts
5	Seminar on 'Preparedness of Pharmaceutical Sector for LDC Graduation' in association with the Business Initiative Leading Development (BUILD) on 10 Aug 2022	Hon’ble Adviser to the Prime Minister on Private Industry and Investment
6	Seminar on ‘WTO MC-12: Implications for Graduating LDCs’ on 26 July 2022	Senior Secretary of Ministry of Commerce
7	Workshop on ‘Effective Partnership with the Private Sector for Sustainable Graduation’ on 06 February 2021	Hon’ble Finance Minister
8	Webinar on ‘Trade-related challenges of LDC graduation under changed circumstances due to COVID-19 pandemic: Way Forward’ organized in association with the Ministry of Commerce on 14 July 2020	Senior Secretary of Ministry of Commerce
9	A series of online Focused Group Discussions (FGDs) during November 2020 on the probable impacts of LDC graduation with the country’s leading export-oriented sectors, namely--readymade garments, pharmaceuticals, and leather sectors	Keynote presentations by the industry experts
10	Workshop on ‘Methodology & Estimation of Scores of Different Graduation Indicators and Bangladesh’s Status’ on 15 Nov 2020	Secretary, Statistics and Informatics Division
11	Workshop on “Effective Partnership with Media for Sustainable Graduation” on 19 February 2020	Government officials and media personalities



National Seminar on LDC Graduation, 17 November 2022

Some snapshots of the important seminars and workshops held recently on LDC graduation-related issues.



Seminar on WTO MC-12: Implications for Graduating LDCs on 26 July 2022



Seminar on Preparedness of Pharmaceutical Sector for LDC Graduation, 10 August 2022



Workshop on ‘Man-Made Fiber for Moving up the Value Chain of RMG



Workshop on Augmenting Competitiveness by Improving Trade Facilitation’

2.2.3. Training on LDC Graduation

- a. A three-day long Training of Trainers (ToT) Program on Bangladesh’s Graduation from LDC Category was organized at the Bangladesh Public Administration Training Centre (BPATC), Savar from 21 to 23 June 2022. Officials or trainers from national training institutes like BPATC, Bangladesh Institute of Administration and Management (BIAM), National Academy for Planning and Development (NAPD), Bangladesh Civil Service (Admin.) Academy and ERD participated in the ToT program.
- b. SSGP organized two rounds of a training program on ‘Reliable Data Exposure Relevant to Development Synergy’ for the officials of the Bureau of Statistics and other relevant government agencies. The training programs played an instrumental role in sensitizing government officials about graduation-related data and statistics to maintain a greater synergy between national and international data.

2.2.4. Engaging Local Level Stakeholders

SSGP organized seven workshops or seminars in Habiganj, Moulvibazar, Barishal, Panchagarh, Manikganj, Mymensingh, Sylhet, and Rajshahi during 2019-2023 for raising awareness about the LDC Graduation process at the grassroots level to prepare the local stakeholders for the future development paradigms of the country.

Some glimpses of local level engagement and LDC graduation celebration at the grass-root level.



A rally was organized on 24 March 2022 at Noldanga upazilla of Natore as part of the countrywide campaigning on LDC Graduation



A cultural program was organized at Sadar upazilla of Zessore as part of the nationwide campaigning on LDC graduation



A discussion meeting was organized on 24 March 2022 at Bhuapur upazilla of Tangail as part of the nationwide campaigning on LDC graduation



A cultural program was organized at Rowmari upazilla of Kurigram on 22 March 2022 as part of the nationwide campaigning on LDC graduation



A colorful rally was organized at Pangsha upazilla of Rahbari as part of the local level campaigning on LDC graduation



A cultural event was organized on 27 March 22 at Jurachari upazilla of Rangamati as part of the nationwide campaigning on LDC graduation

2.2.5. Preparation and Distribution of Communication Materials

A series of communication and publicity materials including documentaries, short videos, docu-drama, posters, brochures, booklets, and reports have been prepared in raising awareness at the national and international levels about the country's sustainable graduation and ensuring the participation of the common people in the graduation process.

2.2.6. Response to Sustainable Graduation Support Facility (SGSF)

The UN-CDP proposed dedicated capacity development support through its Sustainable Graduation Support Facility (SGSF) in six Service Offering Lines (SOLs). Bangladesh participated in the SGSF survey and expressed its interest to receive capacity-building support through each of the SOLs. Consequently, ERD, after a series of consultations with the relevant ministries, outlined sixteen specific proposals for capacity-building support under SOLs and shared them with CDP. Bangladesh also identified the following five most priority proposals among the sixteen for consideration of UN-CDP.

- i. Support for preparation of the STS;
- ii. Study on facilitating access to finance via private and public sectors through assessing and identifying suitable products, instruments, modalities, and sources for Bangladesh during and beyond graduation;
- iii. Training program for Enhancing Negotiating Capacity;
- iv. Conducting impact assessment for the loss of TRIPS General Exemption after graduation, preferably with the help of WIPO; and
- v. Study for finding WTO consistent support measures as the alternatives to export subsidy and cash incentives.

2.2.7. Engagement at the International Level

Bangladesh along with Nepal and Cambodia participated in a three-day long event organized by the United Nations titled 'South-South Exchange on Preparing Smooth Transition Strategies: Graduating cohort of 2021' on 23-25 August 2022 in Thailand to discuss the common issues about graduation and to identify pathways to address them collaboratively in devising the STS.

SSGP organized a virtual meeting on the 'Graduation of Bangladesh from the least developed country (LDC) category and smooth transition towards sustainable development' in collaboration with UN-OHRLLS and UN CDP in June 2021. Principal Secretary to the Honorable Prime Minister Dr. Ahmad Kaikaus attended the meeting as

the Chief Guest, while Mr. Tofazzel Hossain Miah, Senior Secretary, Prime Minister’s Office jointly moderated the meeting with Mr. Roland Mollerus of UN-CDP Secretariat.

A series of side events were organized with support from SSGP during various international events to raise awareness about continuing the International Support Measures (ISMs) for the LDCs after their graduation. One such side event styled “Sustainable Graduation in the Challenging Time: Perspectives from Bangladesh and the Region” was organized online on 27 April 2021 on the sidelines of the 77th Session of UNESCAP.

Bangladesh is committed to playing a leading and active role in voicing the common concerns of the graduating countries in the international arena. In this context, the government, with support from ERD, is maintaining intense and regular liaison with the relevant international bodies regarding LDC graduation-related issues—especially for the continuation of international support measures for the graduating LDCs for an extended period.

2.2.8. Studies on the Impact of Graduation

ERD is carrying out in-depth sectoral background six studies and research on six issues to assess the impact of LDC graduation and to formulate relevant strategies accordingly with financial and technical assistance from SSGP. The current status of the studies is reflected in the following table.

Table 5: Status of the studies proposed by various Sub-committees

Sl.	Study Topic	Lead Ministry	Comment
1	Review of existing tariff regime and subsidies	Finance Division	The Report has been finalized.
2	Market Access, Comparative Advantage and Export Diversification	Prime Minister’s Office	The inception Report has been submitted.
3	Expanding Private Investment in the Context of LDC Graduation	Prime Minister’s Office	The inception Report has been submitted.
4	Study on Upscaling the RMG Sector	Ministry of Commerce	Request for Proposals (RFP) is being evaluated.
5	Study on Enhancing Industrial Production in the Context of LDC Graduation	Ministry of Industries	Expression of Interests (EoI) are being evaluated.
6	Study on transition financing for sustainable graduation	ERD/SSGP	The draft Report has been submitted.

CHAPTER 3

RECOMMENDATIONS OF THEMATIC SUBCOMMITTEES

Bangladesh has adopted the ‘whole of society approach’ for smooth and sustainable graduation. In May 2021, National Committee on LDC Graduation (NCG) was formed under the leadership of the Principal Secretary to the Honorable Prime Minister. Seven thematic subcommittees were also formed according to the decision of the NCG. The primary focus is on the trade and economic loss due to the discontinuation of the ISMs after graduation.

The subcommittees in consultation with public and private sector stakeholders have identified the issues, analyzed the impact of graduation on different sectors, and prepared a set of recommendations and action plans. These were then validated through stakeholder consultations and workshops and then submitted to the NCG. Finally, a National Seminar was organized on 17 November 2022 to finalize the recommendations and action plans.

Graduation: Attached with Certain Challenges

Graduation will entail the loss of all ISMs although the extent and impact are not similar. In the case of Bangladesh, trade-related ISM is assessed to have the highest adverse impact on Bangladesh's economy as it would lead to a significant loss of export.

Table 6: Seven thematic sub-committees and their key role

Sl	Subcommittee	Lead	Key Role
1	Preferential Market Access & Trade Agreement	Ministry of Commerce	continue LDC-specific preferential market access and negotiate FTA/ PTA/CEPA
2	Intellectual Property Rights (IPR)	Ministry of Industries	identify challenges and opportunities of graduation-related IP issues
3	WTO Issues (Other than market access & TRIPS)-	Ministry of Commerce	Identify WTO inconsistent measures and devise negotiating strategies for safeguarding newly graduating LDCs, etc.
4	Investment, Domestic Market Development & Export Diversification	Prime Minister's Office	Identify challenges and opportunities in the areas of investment, market development & export diversification
5	Internal Resource Mobilization & Tariff Rationalization	Finance Division, M/O Finance	Identify measures for tariff rationalization and resource mobilization
6	Smooth Transition Strategy	ERD, M/O Finance	Support research and prepare a detailed roadmap for a smooth transition strategy
7	Branding Bangladesh Abroad	BIDA	Attract foreign investment and prepare a strategy for branding Bangladesh abroad

3.1 Preferential Market Access & Trade Agreement

The Preferential Market Access & Trade Agreement subcommittee was entrusted with the responsibility of identifying LDC-specific preferential market access, exiting rules of origin, analyzing the impact of the withdrawal of preferential market access, and recommending actions to retain the preferential market access and finding the way out in absence of preferences. The subcommittee was also tasked to identify potential trading partners for signing PTAs/FTAs/ CEPAs, and develop a time-bound action plan with specific recommendations. Ministry of Commerce was the lead and the Prime Minister's Office was the co-lead in this subcommittee. The subcommittee developed a time-bound action plan to retain the current market access as well as explore new markets.

Among the trade-related ISMs, preferential market access, particularly duty-free & quota-free (DFQF) market access is the most important one for Bangladesh. Almost all developed countries, except USA and Russia, provide the DFQF market access to LDCs for almost all products. Many developing countries also provide such market access for a wide range of products. Preferential Rules of Origin associated with the DFQF schemes of various countries have also been playing a very critical role in utilizing market access.

According to the WTO report (2020), Bangladesh is the highest utilizer of preferential market access with a utilization rate of 71%. In the case of DFQF market access under Everything But Arms (EBA) of EU-GSP, the utilization rate is around 96%. After graduation from the LDC status in 2026, Bangladesh will not be entitled to utilize LDC-specific preferential market access as well as preferential Rules of Origin. However, the DFQF facilities under the EBA will continue until 2029 as the EU provides a three-year transition period after graduation from the LDC category. With the withdrawal of preferential market access after the LDC graduation, Bangladesh's export may fall by 14.28% (WTO, 2020).

To offset the probable negative impacts of the loss of preferential market access, various strategies and actions are being taken. The LDC group initially submitted a proposal to the WTO in November 2020 requesting an extension of existing LDC-specific ISMs

Bangladesh took full advantage of DFQF market access

Bangladesh is the highest utilizer of preferential market access with an overall utilization rate of 71%, while the rate for EBA under EU-GSP is around 96%.

Overall tariff increase of Bangladesh exports will be around 9% after graduation.

available under the WTO including the DFQF market access for 12 years after graduation from the LDC category. The aim was to get a decision adopted in the 12th WTO Ministerial Conference (MC-12) held in June 2022. But the MC-12 did not come out with any decision on this issue. However, the MC12 Outcome Document (paragraph 5) acknowledges the challenges that graduation presents, and recognizes that certain measures in the WTO can play in facilitating a smooth and sustainable transition after graduation. The LDC Group presented a revised submission on 05 December 2022 proposing contours of a comprehensive and effective set of smooth transition measures in the WTO to support Members over a period of six years after graduation (WT/GC/W/807/Rev.2).

The Government is also pursuing major preference-offering countries, such as Canada, Australia, and Japan to get an EBA-like transition period. Bangladesh is also aspiring to avail of the EU GSP+ facility after the expiry of the EBA scheme in 2029. It may be mentioned that the new scheme will be effective from 01 January 2024 for the next 10 years. shows that conditions for the GSP+ have been relaxed, which goes in favor of Bangladesh in availing of the GSP+ in the future. However, the automatic safeguard provision (Article 29) for the Textile, Agriculture, and Fisheries Sectors will be a major challenge for Bangladesh to avail of the GSP+.

The government of Bangladesh has also been pursuing negotiations for Preferential Trade Agreement (PTA), Free Trade Agreement (FTA), and Comprehensive Economic Partnership Agreement (CEPA) with potential trading partners and creating new market access opportunities. Besides, the Government has been focusing on enhancing the overall competitiveness of exports through increasing productivity, decreasing the cost of doing business, diversifying export, improving trade facilitation & logistics, technological upgradation, etc. Enhancing negotiation capacity is also an issue for the government.

Major recommendations on the action plane are mentioned below:

1. Continuation of ISMs

Bangladesh should endure persuasion for a decision in the WTO for the continuation of DFQF market access for additional 6 (six) years after graduation in the run-up to MC13. Bangladesh Permanent Mission in Geneva in consultation with the Ministry of Commerce and Ministry of Foreign Affairs is lobbying in getting a fruitful decision.

2. *EU GSP+*

It is essential to engage with the EU Trade Commission and the European parliament and request to continue the provision of paragraph 2 of Article 29 of the upcoming revised GSP rules to retain the existing market access under EU GSP+. Discussions with influential EU member states, policy makers, and stakeholders would be essential in getting a positive outcome.

3. *LDC preference under SAFTA*

An initial discussion needs to start in the SAARC forum for the extension of LDC treatment to graduated LDCs by referring to the facilities granted to Maldives. UNESCAP had already drafted a modality.

4. *EBA-like transition period*

Bilateral engagement is necessary for discussion with the USA, UK, Japan, Canada, Australia, China, and India for a positive outcome at the WTO. If countries cannot agree to a decision at the WTO, a request may be made to follow the EU and UK by extending DFQF market access to graduated LDCs for additional three years.;

5. *FTA/CEPA*

- Negotiation needs to be initiated with Potential trading partners including Japan, Singapore, Malaysia, the Republic of Korea, China, India, Eurasian Customs Union, and RCEP for FTA with proper studies and strategies;
- The discussion needs to be accelerated with India based on the joint feasibility study of the Comprehensive Economic Partnership Agreement (CEPA);
- The final feasibility study with China needs to be completed to initiate FTA negotiation;
- Discussion on FTA needs to be initiated with Singapore and Malaysia.
- FTA or similar agreements with south-east Asian countries as well as with Middle-east countries need to be emphasized.
- Contact needs to be maintained with JETRO and the Ministry of International Trade & Industry (MITI) to get positive feedback from these organizations for an FTA with Japan and continue discussions with Japan to initiate FTA negotiation.
- The willingness of any developed country to negotiate FTA/CEPA with Bangladesh needs to be actively considered.
- Domestic trade and tariff policies are to be revisited for encouraging potential trading partners to initiate FTA negotiations.

6. *Negotiating strategies and position*

A negotiation team comprising senior and young professionals from various ministries needs to be formed and an organization led by a chief negotiator with expertise in negotiation and trade policy issues needs to be established for ensuring fruitful trade negotiations with potential trade partners.

7. *Policy Reforms*

Reforms in Tariff Policies, gradual phasing out of regulatory and supplementary duties currently in force only on import, and gradual abolish the rules on minimum import price should be carried out.

3.2 Intellectual Property Rights (IPR)

Bangladesh has been enjoying two LDC-specific waivers under the Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement of the WTO. One is a general waiver relating to all Intellectual Property (IP) issues, which will remain valid until 01 July 2034, and the other waiver is related to pharmaceutical products until 01 January 2033. Bangladesh has been benefiting from both TRIPS waivers. Utilizing the TRIPS waiver, Bangladesh's pharmaceutical industry has made remarkable success. The pharma industry now meets around 98% of domestic requirements at very affordable prices.

*TRIPS flexibilities
boosted local
pharmaceuticals*

*Local pharmaceuticals
meet 98% of domestic
demand at affordable price
and export quality
medicines to more than
150 countries including
USA, UK, EU, etc.*

Bangladesh has already enacted several IP laws, such as Trademark Law, Copyright Act, Patent Law, and GI Law. However, enforcement of the laws is still inadequate. Bangladesh is trying to strengthen its IP regime including enforcement mechanisms to face the post-LDC situation. In the absence of the TRIPS waivers, Bangladesh needs to strengthen the Intellectual Property (IP) regime with an appropriate enforcement mechanism. This would require institutional capacity building as well as human resource development. New laws may need to be enacted if necessary or be amended to the existing ones, like the Patent Law 2022 to make those business-friendly and instrumental for facing the post-LDC situation.

The Subcommittee on Intellectual Property Rights (IPR) was tasked to Identify challenges

and explore opportunities under the WTO TRIPS agreement and develop a time-bound action plan with the recommendation to tap the potential and ensure a congenial IP regime. The Ministry of Industries was the lead and the Ministry of Commerce and Secretary, ERD is the co-lead in this subcommittee.

It may be noted that there is no compulsion for the LDCs to ratify the Madrid Protocol and Patent Cooperation Treaty (PCT). Since Bangladesh is not in a position for joining the PCT, the relevant clauses in the Patent Law should be omitted. The IPR Enforcement (Import and Export) Rules, 2019 of NBR also need to be amended to make it feasible and implementable.

It is also to be noted that based on the MC-12 acknowledgment of the importance and necessity of extending ISMs beyond graduation, the LDC Group has submitted to the WTO a revised proposal in September 2022. It has proposed to extend both preferential market access and other ISMs for certain years after graduation. In addition, the LDC group has submitted a revised proposal in December 2022, which included among others allowing the graduating LDCs to avail of both the existing TRIPS waivers for the full term, i.e., the general waiver until 01 July 2034, and the pharma waiver until 01 January 2033 even if a country graduate before the deadline. **It is to be noted that the mailbox relating to preserving the patent application has been closed.**

The Sub-Committee on Intellectual Property Rights (IPR) has prepared an action plan. Recommended major actions are as follows:

1. Retaining TRIPS Transition period

- i. Bangladesh must align with the LDC group in extending the general transition period as well as the pharmaceutical waiver for the graduating LDCs;
- ii. A comprehensive report should be prepared with real facts and findings which would justify the extension of the transition period for the graduating LDCs;
- iii. Continue the bilateral discussion with advanced developed countries like India, China, and Kenya as well as with developed countries for extension of the transition periods.

2. *IP Laws*

- i. Bangladesh needs to formulate laws to protect trade data secrets and protection of genetic resources, layout design, protection of traditional knowledge, and integrated circuit to get benefit from the digital era and to avoid biopiracy.
- ii. Bangladesh should formulate Industrial Design Act. The Patent Rules are to be formulated for implementation of the new Patent Act with due caution so that any misuse of the product already patented cannot enjoy additional benefits through simple changes of processing.
- iii. Bangladesh needs to revisit Biodiversity Act 2017 so adequate protection can be ensured for genetic resources, traditional knowledge, and folklore. It may, however, delay the formulation of the Plant Varieties and Farmers' Right Protection Act. It should rather ensure farmers' rights who are developing seeds for the production of crops over the years.
- iv. Farmers' rights, genetic resources, and traditional knowledge (TK) are to be protected within the legal framework.
- v. Bangladesh has to formulate a data protection and trade secret act that would promote digital knowledge and also attract FDIs.
- vi. Bangladesh may seek technical support from WIPO in reviewing the existing IP laws and formulation of draft laws in the relevant fields.

3. *Strengthening Institutional Capacities*

- i. DPDT and Copyrights offices are to be strengthened with adequate manpower, technical knowledge, and automation of the registration process.
- ii. An integrated IP office may be established.
- iii. The database is to be developed for GI, TK, and Genetic Resources as mentioned in the National Innovation and IP Policy, 2018.
- iv. The institutional capacities of the NBR officials also are strengthened so that they could detect fake goods and dispose of those as per Customs Act, 1969.
- v. Data sharing the link between DPDT and NBR are to be established so that the Customs officials could readily check Patent or Trademark registrations.
- vi. Capacities of the judiciaries and legal enforcing agencies are the most critical issues in enforcing IPRs.
- vii. Bangladesh may seek technical support from WTO and WIPO and also from bilateral sources for strengthening the capacities of IP institutions.
- viii. Support from the WIPO and WTO can be sought for conducting awareness campaigns through workshops, seminars, training programs, etc.;

4. *Public Awareness*

- ix. DPDT and Copyrights offices are to be strengthened with adequate manpower, technical knowledge, and automation of the registration process.
- x. An integrated IP office may be established.
- xi. The database is to be developed for Geographical Indication (GI), TK, and Genetic Resources as mentioned in the National Innovation and IP Policy, 2018.
- xii. The institutional capacities of the NBR officials also are strengthened so that they could detect fake goods and dispose of those as per Customs Act, 1969.
- xiii. A system has to be developed for data sharing between DPDT and NBR so that the Customs officials could readily check Patent or Trademark registrations.
- xiv. Capacities of the judiciaries and legal enforcing agencies are the most critical issues in ensuring the enforcement of IPRs.
- xv. Bangladesh may seek technical support from WTO, WIPO, and bilateral partners for strengthening the capacities of IP institutions.
- xvi. Support from the WIPO and WTO may also be sought for conducting awareness campaigns through workshops, seminars, training programs, etc.;

5. *Public Awareness*

Mass awareness about the general benefits of IPRs particularly, its ethical, financial, and moral values needs to be publicized widely.

6. *Private Sector Involvement*

IP associations may be strengthened which would lobby with the government and also share knowledge with entrepreneurs.

7. *Enforcement*

NBR, Judiciary, Police along with IP offices, Directorate of National Consumer Rights Protection (Bangladesh), and Competition Commission offices should first ensure using original software and books to encourage its wider use and punishment to be ensured for IP infringement through quick judicial disposals.

8. *Conducting Impact Assessment*

WTO/WIPO or any bilateral partners may be requested to analyze the overall impact assessment of intellectual property rights during the post-graduation era for preparing a realistic future plan.

3.3 WTO Issues (Other than Market Access & TRIPS)

LDCs including Bangladesh enjoy Special & Differential Treatments (S&DTs) under various provisions of the WTO Agreements. Bangladesh currently provides cash incentives against 43 products to encourage exports. The facilities are to be terminated as soon as the country graduates. Besides, there are some more S&DT provisions for LDCs under various WTO agreements and decisions, which will no longer remain available for Bangladesh after graduation in 2026.

In addition to the loss of S&DTs, Bangladesh will be required to take greater obligations in the WTO system as a non-LDC developing country during post graduation era. In future negotiations, Bangladesh will need to undertake greater commitments in terms of the reduction of tariffs and subsidies and opening of services markets, etc. It may be mentioned that LDCs usually do not require to make any such commitments.

According to analysts and trade policy reviews (TPRs), Bangladesh maintains a number of trade practices that are not consistent with the WTO obligations. For example, Bangladesh imposes, in addition to normal customs duties, various kinds of duties & charges, like supplementary duties, and surcharges, which are treated as inconsistent with the WTO obligations. Import regime for pharmaceutical products also raises questions from our trading partners. These measures are to be identified and aligned with the WTO system.

The Subcommittee on WTO Issues (other than market access & TRIPS), under the leadership of the Ministry of Commerce, was distinctly assigned to identify WTO inconsistent measures and legal systems including subsidies/cash incentives, local content requirements, para-tariffs, etc., and develop a strategy for the inclusion of Bangladesh in Annex VII list of the Agreement on Subsidies and Countervailing measures and the inclusion of Bangladesh in Net Food-Importing Developing Countries (NFIDC) list, and defining a negotiating strategy for incorporating the interests of the newly graduating LDCs in the emerging WTO issues (fisheries subsidies, e-commerce, WTO reforms, etc.). However, recently Ministry of Commerce has sent historic food import statistics for inclusion of the name of the country in the list of NFIDCs.

The Sub-Committee on WTO Issues (Other than market access & TRIPS) has formulated a strategy paper with a time-bound action plan. Recommended actions against various issues are furnished below.

1. Export Subsidies for Non-Agricultural Products

- i. Include the name of Bangladesh in Annex VII of the Agreement of subsidy and countervailing measures. A proposal is submitted to the WTO to include graduated LDC with a GNI below one thousand \$1000 (constant 1990 dollars) automatically in the Annex VII list of the SCM Agreement.
- ii. Support needs to be secured from all the LDC group members for realizing the proposal and also from developing and developed countries so that a broad-based support could be obtained
- iii. Consistent efforts are to be devoted for inclusion in the NFIDC list for extending export subsidies to Agricultural Products.
- iv. Export-import data of food items should be gathered on annual basis to know the country's status as a Net Food Importing Country.
- v. For inclusion in the NFIDC list, a formal proposal needs to be submitted to the Committee on Agriculture Special Session (COA-SS) three years before (2023) the date of graduation (2026) as per the WTO Rules.
- vi. Support from all the graduating LDCs should be secured in favor of the proposal on Net Food Importing Countries and a collective voice needs to be raised in the WTO negotiation. It is also necessary to secure the support of developing and developed countries in favor of the proposal.

Subsidies in Agriculture Production can be continued after the graduation

Subsidies in the agriculture production inputs, such as fertilizers, fuels can be continued even after the LDC graduation as the WTO system allows both LDC and non-LDC developing countries to provide domestic supports up to 10% of the value of total agriculture production. Bangladesh's current total Aggregate Measurement of Support (AMS) is 1.33% of the value of total agriculture production.

2. Secure Provisions in the WTO for Graduating LDCs in the Current and Future Negotiations ongoing- like WTO Reforms

- i. Offensive and defensive areas of interest as a graduating LDC in the WTO should be prepared in consultation with stakeholders.
- ii. The LDC group in the WTO needs to be convinced to develop a common position for graduating LDCs.

- iii. A specific proposal for WTO reforms needs to be submitted before the negotiation for the reforms starts.
- iv. Seminars and workshops are to be organized on WTO reforms and other relevant areas for raising awareness at a broader scale.
- v. It is necessary to actively participate in the negotiation of WTO reforms to protect the country's interests in future WTO negotiations.

3. Agriculture Negotiation

- i. Country positions need to be prepared for negotiation on Agriculture Domestic Subsidies and Market Access negotiation.
- ii. Proposals need to be made for specific provisions in the agriculture negotiation on Agriculture Domestic Subsidies and Market Access preserving the interest of graduating LDCs.

4. Fisheries Subsidies Negotiation

- i. A special provision to continue with LDC-specific Special and Differential Treatment for 12 years after graduation has already been proposed in the Fisheries Subsidy negotiation.
- ii. A study on Fisheries Subsidies and Bangladesh position in this regard needs to be conducted. The study outcome may be used in the Fishery Subsidies negotiation.
- iii. A study to map the overall coastal fishing status including illegal, unreported, and unregulated (IUU) and overfished stock needs to be conducted. Support from the LDC Group in favor of the proposal needs to be secured.
- iv. Support from developing countries needs to be secured. If possible, a trade-off proposal may be submitted accommodating their issues of interest for getting broad-based support on other issues
- v. Developed country representatives may be pursued separately to convince and secure their support.

5. Determine Bangladesh's Position on JSIs on E-commerce, Investment Facilitation, MSMEs, and Service Domestic Regulations (SDR)

- It is necessary to conduct a study on identifying the benefits and challenges of joining WTO Joint Statement Initiatives (JSI) on E-commerce, Investment Facilitation Agreement, MSMEs, and Service Domestic Regulations, etc,

- Stakeholders' consultation should be conducted on JSI issues and prepare Bangladesh position for joining the JSI or not.
- The geo-political advantages and disadvantages of joining the JSIs need to be analyzed.
- Preparation of country positions on joining the JSIs is essential.

6. Enhancing Negotiation Skills on Trade Issues

- Dedicated officials should be assigned for negotiations only,
- A team needs to be developed to address trade remedy cases (Anti-dumping, countervailing Measures, and Safeguard Measures).

7. Rules of Origin (RoO)

- Bangladesh currently enjoys flexible RoO under LDC-specific schemes of various countries, which will be lost after graduation.
- Persuasion may be carried out to continue the flexible RoO criteria for a certain period after graduation.
- Persuasion may be carried out for the continuation of EBA RoR criteria for the GSP+ as well.
- Focus may be given to strengthening backward linkage industries to meet stringent RoO criteria after graduation.

3.4 Investment, Domestic Market Development & Export Diversification

The Subcommittee on **Investment, Domestic Market Development & Export Diversification** encompasses a wide range of issues. It has been assigned to propose strategies for providing policy support for encouraging the production of high-quality, high value-added products, identifying strategies to attract FDI, and facilitating the transfer of technology and development of new products. Developing a strategy for skills enhancement for workers and mid-level managers, access to trade finance, and export diversification- a broad spectrum of issues was delegated to this Subcommittee.

The Principal Secretary to Hon'ble Prime Minister leads the Subcommittee, while the Ministry of Commerce plays the Co-lead role. The sub-committee discussed the issues among a wide range of stakeholders such as academia, practitioners, and businesses. For preparing an effective outcome report, the Subcommittee has assigned responsibilities to four thematic groups.

The sub-committee focuses mainly on the diversification of Jute, IT & ITES (IT-enabled services), Pharmaceuticals, Agro & Agro-processing, and Leather goods & Footwear, etc. It emphasizes diversification in terms of value, location, and sectors and also examined the domestic markets for Electrical and Electronics, Pharmaceuticals, Small and Cottage Industries, Fast-Moving Consumer Goods (FMCG), etc. The sub-committee particularly highlighted import substitutions through skilled development for manufacturing goods and ensuring competitiveness by improving the quality of goods.

Integrated approach for investment, market development and export diversification

- *Producing high-quality and higher value adding products*
- *Capacity development of public and private sector*
- *Scaling up FDI synchronizing with local entrepreneurs*
- *Adopting appropriate technology for innovation*
- *Enhancing negotiation skills*
- *Improving Trade Facilitation and Logistics*

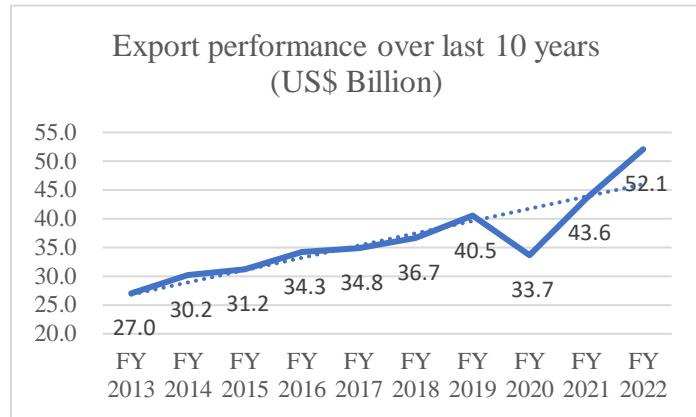
1. The subcommittee produced four thematic reports, namely
 - a. Policy Support and Capacity Development,
 - b. FDI and Technology Transfer,
 - c. Skills and Productivity Enhancement, and
 - d. Trade Finance.

2. In identifying the Challenges and Opportunities of Investment, Local market development, and Export diversification, the key strategic recommendations of the subcommittee are:
 - Need for new market access and new economic and trading partnerships,
 - Preparation of an Export Diversification Roadmap,
 - Introduction of diversification-linked incentives (DLIs) for production and exports,
 - Reflection of LDC-Graduation-specific strategic guidance in key policy documents (Industrial Policy, Export Policy, Import Policy, Tax and Tariff Policy, Monetary Policy, etc.), and
 - Eradication of duplication in trade-related institutional services etc.
3. For developing **high-quality and higher value-added products** the subcommittee recommends:
 - An in-depth study is needed for mapping the comparative advantage considering the export destination for Bangladesh,
 - Improving business climate by aligning with the existing laws and regulations,
 - Shaping factors of production such as knowing the demand of the market, reskilling and upskilling the present workforce, and
 - Risk sharing by facilitating effective insurance, venturing capital from govt. as grants and incentives for innovations, etc.
4. For **capacity development needs** of the public and private sectors, the subcommittee recommends:
 - Ensuring quality education and state-of-the-art learning experience based on the demand of the job market,
 - Hands-on training on the skills for policymakers to deal with the challenges of LDC graduation,
 - Developing institutional capacity for effective nexus between supply and demand sides of skills towards a more flexible skills development ecosystem,
 - Modernizing the supply side of the skills development system to prepare youths for unforeseeable demand for newer skills and changing economic environment,
 - Greater involvement of the demand side of skills, private sector participation in skills development,
 - Training on change management, etc.

5. For **attracting FDI** and facilitating the transfer of technology and development of new products the subcommittee recommends three broad strategies. As a first strategy, it recommends:
 - Service delivery timing of all government agencies needs to be fixed,
 - Service quality needs to be benchmarked with peer countries,
 - Production Linked Incentives (PLI) like those in India can be introduced.
6. As a second strategy for the **transfer of technology**, the report recommends:
 - The rules of approving high-tech knowledge should be revisited in comparison with the peer economies like Thailand, Malaysia, India, etc.
 - Framing policies to allow foreign institutes, and individuals to extend their knowledge, skill, technical know-how, etc. are equally important.
7. In the case of the **development of a new product**, as a third strategy, the report recommends
 - Policies of peer economies need to be carefully reviewed for lesson learning on the product development cycle,
 - Tax incentives may be offered instead of cash incentives based on performance as followed by some neighboring countries.
8. **Skills for economic/trade negotiation** and diplomacy will play a significant role in expanding market access, forming new trade partners, and inking PTA/ FTA/ CEPA, etc. agreements during the pre- and post-graduation phases. The subcommittee report recommends to this end:
 - Extensive training courses for Economic and Trade Diplomacy for public sector officials,
 - A Trade Negotiation Handbook can be developed for public sector officials,
 - Developing a pool of officers across the ministries/divisions to deal with trade negotiations issues etc.
9. For **managerial skills** and other skills enhancement, the report recommends
 - Strengthening of National Skill Development Authority (NSDA) with logistics and finance,
 - The private sector may set up research and training institutes etc.
10. With regards to strategy for enhancing **labor productivity**, the report suggests
 - Skilling, up-skilling, and reskilling of the present workforce under the program scopes of NSDA should be accelerated.
 - Collaboration with national and international skills research institutes needs to be explored for identifying priority sectors for Bangladesh.

3.4.1 Export Diversification

Bangladesh's export registered excellent growth over the last ten years. It became nearly double from US\$27 billion in 2016-17 to US\$52.1 billion in 2021-22. However, the export basket of Bangladesh is highly concentrated on a limited number of products such as RMG, leather and leather products, jute & jute goods, and agricultural & agro-processed products with a heavy concentration on RMG. It is presumed that Bangladesh will face some critical challenges after graduation. Taking this into account, Bangladesh needs to identify the likely issues and challenges of the major potential export-oriented industries and make strategic recommendations to sustain and grow the export business beyond graduation in 2026.



Key Challenges of Export Diversification

- Compliance issues with international standards;
- Limited access to finance, no venture capital;
- Insufficient supply of skilled human resources;
- Higher duty on imported raw materials and use of 2nd generation technology;
- Lack of proper and traceable research on export;
- Lengthy customs assessment and testing processes cost both time and money;
- Shortage of land and lack of availability of associated infrastructure facilities lower the productivity of agriculture;
- Lack of quality control and SPS, TBT standard also challenges in ensuring export diversification in the processing industry, the backward linkage is extremely weak resulting in the low scope of earning from this sector.

Key Recommendations

- RMG success model can be replicated in all potential sectors.
- Investments in research and development of products must get priority.
- Quality control must be improved to a global standard.

- The introduction of modern technology and development of the backward linkage must be ensured.
- Exporters need to improve their negotiation skills, Environmental, Social, and Quality (ESQ) compliance and standards and Central bonded warehouse facility.
- Moving from a simple to a complex production process to integrate the global value chain.
- Initiatives are to be taken to develop skilled manpower and establish bonded warehouse facility.
- Access to low-cost fund and effective venture capital firms are required.
- Hi-tech parks are to be made fully operational at the earliest.
- Enhance international marketing capacity. Country branding is essential.
- Bond facilities and other facilities need to be extended to all other potential sectors.
- E-commerce, light engineering, and other promising sectors need to be given higher priority.
- SMEs may be given priority with appropriate support for export diversification.
- Logistics need to be improved for facilitating export diversification.
- Multi-modal transport system can be developed for facilitating the transportation of goods for imports and exports.

Key priorities for Export Diversification

- *RMG success model may be extended to other sectors*
- *Introduction of performance-based incentives*
- *Capacity development for ESQ (environment, sustainability, quality) compliance*
- *Focus on skill development at the managerial level*
- *Enhancing use of Man-Made Fiber and diversification within the RMG sector*
- *Moving up the Global Value Chain*

Key Regulatory Reforms

- Pro-RMG and anti-export bias in different policy spaces need to be addressed.
- Regulations are to be rigorously reviewed and reforms are to align with the guidelines of the WTO.

- The industrial policy lacks proper coordination with the export and import policy- proper coordination and synchronization among these policies are to be ensured.
- Bangladesh National Qualifications Framework (BNQF) developed by NSDA should be implemented.
- The government needs to negotiate to remove non-tariff barriers that exist in many countries.
- Corporate tax should be reduced and ease of doing business or business climate must be improved to attract FDI.
- Cross-country best policy initiatives or incentive practices may be replicated in Bangladesh.

3.4.2 Local Market Development

The reports of the Subcommittee on **Investment, Domestic Market Development & Export Diversification** states that the entire business ecosystem in Bangladesh will be changed after graduation. Currently, the local market comprises around 60% of the GDP along with agro-processing and service items. Since local market demand is largely met by local manufacturing and import of FMCG, fashionwear, electronics, and lifestyle products, these need to be examined further to develop the local market for facing the ensuing challenges in local business dynamics. The changed atmosphere will require new investment, state-of-the-art technology, and process design to be well-equipped to address the likely challenges and potentials for smooth graduation and sustenance in the transformational economic environment.

Policy Recommendation for Local Market Development

- Regulators like the National Board of Revenue (NBR), Ministry of Finance, Ministry of Commerce, and Bangladesh Bank (BB) have critical roles to tackle the challenges of the domestic market.
- Bangladesh Bank needs to ensure that the deposit rate remains higher than the inflation rate.
- Foreign exchange stability is really important for both local and foreign investors.
- Develop a strong backward linkage for export products
- Bangladesh Trade and Tariff Commission (BTTC) needs to offer research on protecting local industries against unethical competition

- Import substitute industries need to be built with a competitive edge to tackle the challenges of local market development following Bangladesh’s graduation.
- The price stability of inputs is to be maintained.
- Rationalizing VAT and tax rate and improved regulatory structure reducing complexities associated with Customs and Taxes.
- The availability of low-cost financing for entrepreneurs are to be ensured.
- Sector-specific institutional capacity development must be ensured. Improving the productivity of our manpower is essential.
- Assigning VAT on profit instead of the product price will be better given the capacity of the MSME businesses and their clients;
- Streamlining the MSMEs and informal sector in the economy will bring efficiency and set the right policy choice to minimize transaction costs.

3.4.3 Trade Finance

Trade Finance, an integral part of commercial activity, has a significant influence on trade promotion, commercial transactions, and financial inclusion. According to the WTO, around 80 to 90 percent of world trade relies on trade finance. In recent years, the market of international trade services is passing through a great transformation with the adoption of sophisticated technologies, the introduction of new products, and the enactment of new regulations. Especially, the digitization efforts and greater compliance requirements of banks are contributing to the changing structure of trade services.

Reducing the cost of doing business and ensuring a steady and smooth flow of trade finance is imperative for Bangladesh in enabling its businesses environment to face the upcoming challenges of financial markets, particularly at the trajectory of its journey to graduation from the LDC status in 2026 and supporting trade finance during the post-COVID-19 crisis and on-going geo-political tensions.

Trade Finance Tools

Bangladesh traditionally relies on LC (Letter of Credit) and documentary collection for international trade. Demand for stand-by LC and International Bank Guarantees are increasing in recent times. In Bangladesh, at the pre-shipment stage, exporters draw packing credit (PC) from banks, get funds from Bangladesh Bank under Export Development Fund (EDF), avail of back-to-back LC facilities, and are currently availing funds under special stimulus packages. Bill discounting/purchasing/negotiation remains the most dominant post-shipment finance. LC remains the most dominant trade financing

in the pre-import stage, and loan against receipts (LTR) is the most common in the post-import stage. Discounting and financing through Offshore Banking Units/Correspondent banks is a popular form of foreign currency trade financing for the exporters and importers in Bangladesh (called Usance Pay at Sight LC or UPAS).

Banks operating in Bangladesh offer trade finance services to the exporters and importers from their own source [PC, discounting/purchasing, LC issuing, confirming, LIM, LTR]; some development agencies support selected banks with soft loans to offer co-financing, support with trade guarantees/LC confirmation to the domestic traders; EDF of Bangladesh Bank is the most important refinancing to support export financing; international banks are important sources for financing under UPAS and LC confirmation. The government of Bangladesh allocated special trade finance under stimulus schemes. In recent times, a few factoring agencies became active to support supply chain finance in the country. Key sources of international trade finance include- Exporters and Exporters Banks (Domestic), Trade Finance Banks (International), Development Agencies like ADB, IFC, WB, etc., Central Bank Refinancing/Wholesale Financing, Government Allocation, Foreign aid, grants & loans, Factors/Factoring Agencies.

Challenges of Trade Finance in Bangladesh

With the growing business complexities, technological changes, increasing market expectations, and growing financial crimes, trade services are becoming increasingly challenging for Bangladesh, similar to the other trading countries of the globe. The situation over time is getting more complex for the trade service providing banks and traders. Covid-19 devastation brought in further complexities. Major challenges of the trade services/financing may be articulated as follows:

- Trade finance gap, especially for the CMSMEs that increased during Covid-19
- Trade finance using contracts that are not binding and legally enforceable
- Opening back-to-back LC against a contract that is not legally enforceable
- Late shipment and delay in the presentation of documents in LC
- Growing instances of non-payment and loan default
- Manual and decentralized trade operations are not efficient
- For new entrepreneurs, LC margin, and collateral requirements are barriers
- Differential charges and fees by banks in trade services
- Increasing compliance requirements and growing costs of trade services
- Challenges of price verification in contract and TBML Challenges

Trade-Based Money Laundering (TBML)

TBML primarily involves the import and export of goods and the exploitation of a variety of cross-border trade finance instruments. The common TBML techniques include over-invoicing; under-invoicing; multiple-invoicing; over- or under- shipment and misrepresentation of quality and quantity. TBML takes advantage of the complexity of trade systems, most prominently in international contexts where the involvement of multiple parties and jurisdictions make the Anti-Money Laundering (AML) checks and customer due diligence process more difficult. Common challenges associated with handling TBML include insufficient information to check fair and competitive prices in the contract; inadequate infrastructure to ensure comprehensive checks against TBML; scope of greater coordination amongst key agencies engaged in fighting against TBML.

Policy Recommendations

- a. Small and medium enterprises offer the largest share of trade and jobs in the economy. CMSMEs should be incentivized through operationalizing Export Credit Guarantee Scheme to support access to trade finance. A specialized low-cost refinance and guarantee scheme may be introduced for CMSME importers. A certain portion of EDF should be allocated for CMSMEs
- b. banks and financial institutions should be incentivized/encouraged to draw soft loans from development agencies to create additional sources of trade financing. The private sector support window of the multilateral development organizations may be negotiated to channel the financial flows.
- c. Bringing efficiency and transparency in the banking sector has become critical to extending support beyond some cartels formed in the financial market. Initiatives demand identifying willful defaults and reporting/disclosing separately to take necessary action; willful defaulters should be brought under speedy legal action and social stigma.
- d. Amendment of the Contract Act 1872 has become the need of time for offering protection to the local LC and linkage trade transactions.
- e. International regulations/guidelines should be adopted for safe and secured international bank guarantee/ standby LC operations. Bangladesh may have an alternative network of financial transactions like the ECB of EU in parallel with US SWIFT or others based on cost-effectiveness.

- f. In today’s reality of economic and regional fragmentation, it is time to explore the possibility of a Currency Swap Agreement with major trading partners like the EU, China, the UK, Canada, India, etc., and assess its associated risks.
- g. ‘Country Risk’ and ‘TBML Risk’ must be considered at the time of trade finance-related policy adoption or market intervention.

3.5 Internal Resource Mobilization & Tariff Rationalization

A dedicated subcommittee on Internal Resources Mobilization and Tariff Rationalization led by Finance Division was formed for identifying measures to augment revenue collection, propose business and tax-payer friendly reforms in revenue administration, and rationalize tariff and subsidy structure in the wake of graduation from LDC status. The subcommittee was entrusted with the responsibility to suggest a time-bound action plan with recommendations on the internal resource mobilization and tariff rationalization suiting its current and potential growth momentum.

Finance Division played the Lead role while NBR played the Co-Lead role of the subcommittee. The subcommittee formed three Study Groups to work on three separate areas with specific Terms of Reference:

- a. Study Group on Tax Rules and Procedures Reform,
- b. Study Group on Tariff Rationalization, and
- c. Study Group on Subsidies.

3.5.1 Augmenting Revenue Collection

Bangladesh has been experiencing a low tax/GDP ratio for a long. Many reasons include limited income tax net, procedural complicity, and low level of transparency.

The study group formed on augmenting internal revenue collection came up with specific policy recommendations. Some important measures have already been undertaken, which include, a. The National Board of Revenue (NBR) has drafted a law on the NEW TAX CODE, and it is currently being consulted with stakeholders. The NBR plans to enact the law by the next Budget, that is by July 2023. Meanwhile, NBR has submitted a law on the NEW CUSTOMS ACT to parliament; the Legislative and Parliamentary Affairs Division is currently reviewing and further vetting it.

Policy Recommendations

Administrative Reform. As reform measures in revenue administration following steps have been undertaken:

- a. Increased automation in income tax to make tax collection transparent and taxpayer-friendly. The following prototypes have been developed:
 - i. ePayment (<https://nbr.sblesheba.com/IncomeTax/Payment>)
 - ii. eFiling of return (<https://etaxnbr.gov.bd/#/landing-page>)
 - iii. eTDS environment (<https://etds.gov.bd/login>)
 - iv. eTIN System (<https://incometax.gov.bd/TINHome>)
 - v. Expanding coverage of Electronic Fiscal Devices (EFD) in VAT collection
 - vi. New Central Risk Management Commissionerate for Customs has been created
 - vii. Expanded bond automation to stop revenue leakages
- b. NBR has recently initiated a ‘Tax Expenditure Study’ and a ‘Tax Potential Study’, to increase the tax-GDP ratio
- c. Initiatives are also underway to determine Income Year based Tax rates in line with international best practices
- d. NBR plans to install 3,00,000 EFD machines in 5 years and for that purpose by outsourcing the service of installation of EFDs along with proper monitoring. At present 8,077 EFDs are in use.
- e. Ministry of Commerce has started drafting the National Tariff Policy, in close collaboration with NBR.

3.5.2 Tariff Rationalization

The second study group was entrusted with the responsibility of outlining a roadmap for a gradual tariff reduction plan so that the interest of domestic industry is protected and export competitiveness is not hampered.

A number of initiatives have already been undertaken by NBR to streamline the tariff in line with the WTO provisions.

- a. In the budget of FY2022-23, Customs Duty (CD) has been reduced on 6 items where Customs Duty (CD) rate was above the bound tariff to make them WTO compliant;
- b. NBR has identified 60 tariff lines, where the addition of Customs Duty +

Supplementary Duty + Regulatory Duty and Other Duty and Charges (ODC) exceed the bound tariff. These rates will be gradually rationalized and brought under the bound rate by 2026;

- c. The government decided to abolish Minimum Import Prices and has developed a plan to gradually phase them out within 2026;
- d. Minimum Import Prices on 55 items have been withdrawn starting from FY2022-23; and
- e. The minimum Import Price on the rest 130 products will be eliminated gradually by FY2026.

Policy Recommendations on Tariff Rationalization

The study group offered some specific policy recommendations to rationalize the tariff following WTO agreements:

- a. 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 are not adversely affected;
- b. Application of Supplementary Duties (SD) needs to be rationalized;
- c. Regulatory Duty needs to be applied only on a temporary basis;
- d. 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;
- e. Tariff rates need to be predictable. NBR has started drafting Medium Term Revenue Strategy (MTRS), which is expected to be finalized soon;
- f. NBR needs to do a Revenue Impact Analysis before deciding on tariff rates after analyzing its various impacts.

3.5.3 Performance-based WTO-Compliant Subsidy Structure

The study group has **reviewed** all **subsidy structures of Bangladesh** including cash incentives to identify inconsistent subsidies to WTO arrangements. The study group also offered specific policy recommendations to remain WTO provisions compliant after LDC graduation becomes effective. The bonded warehouse facilities should be extended to all export-oriented sectors and the duty drawback system needs to be simplified.

After Graduation, government would not be allowed to provide cash incentives.

Devising alternative to cash incentives is imperative for exporters to remain competitive in the global market.

As per the Agreement on Subsidies and Countervailing Measures (ASCM), after LDC graduation, Bangladesh will not be able to provide Cash Incentives that are currently provided directly on exports. In the Agreement on Subsidies and Countervailing Measures and Agreement on Trade-related Investment Measures (TRIMS), actions aimed at encouraging Local Value Addition in giving cash incentives will not be allowed. In that case, the Government will have to gradually phase out cash incentives.

A study conducted by Subsidies Study Group comparing the situation in India and Bangladesh found that the proposed phase-out of cash incentives is likely to have only a limited impact on our exports.

Bangladesh provides cash incentives to exporters in certain products while India does not. Export data of the two countries for the periods 1989-2000 and 2000-2015 were compared using the Difference-in-Difference Model to find out the role of cash subsidies in export growth.

Although India did not provide any cash incentive, its exports still grew faster than Bangladesh in the chosen periods. It can be reasonably assumed that there are many other factors, other than cash incentives, that contributed to its export growth, which is reflected in the following table.

Table 7: Role of Cash Incentives: Comparing Export of Bangladesh and India

<i>Subject</i>	Country	1989-2000	2000-2015	Difference
<i>Avg. export growth (including RMG)</i>	Bangladesh	28.51%	34.92%	6.41%
	India	13.50%	35.89%	22.39%
<i>Avg. growth in RMG export</i>	Bangladesh	41.15%	37.30%	-3.85%
	India	15.74%	17.89%	2.15%
<i>Avg. export growth (excluding RMG)</i>	Bangladesh	7.42%	21.95%	14.52%
	India	12.80%	41.63%	28.83%

Policy Recommendations on Subsidy

The Study Group suggested that some of the current benefit packages offered to exporters may continue after graduation as they will not be categorized as a subsidy as per relevant WTO laws. Financial reforms and measures are required in the following areas:

- a. Financial Reforms and measures are required in the following areas:
- b. Back-to-Back Letter of Credits (L/Cs);
- c. Services offered by Bangladesh Export Processing Zones (EPZ), Economic Zones, and High-Tech Parks (HTP);
- d. Export Credit Guarantee Scheme (however this may be seen as an export subsidy if this covers long-term operating costs);
- e. Exemption of VAT on export; and
- f. Refund of VAT to the exporters on export support services.

CHAPTER 4

GRADUATION: IMPACT ON DEVELOPMENT ASSISTANCE RELATED ISM AND GENERAL SUPPORT MEASURES

The early impact assessment of LDC graduation made by UNCDP and GED highlights that LDC graduation of Bangladesh will unlikely impact concessional windows of financing and development assistance significantly. It is mainly because Bangladesh receives relatively insignificant grants or LDC-specific funds compared to its total volume of external finance.

General support measures, a form of ISMs, including concessional subscriptions, scholarships, and travel support for attending international forums, are too insignificant compared to its large economic size, which is approaching a half trillion dollars soon.

4.1 Impact on Development Cooperation

Graduation from the LDC category is unlikely to have any significant impact on the terms and conditions of the loans and grants. The World Bank and International Monetary Fund do not officially recognize the LDC category, so graduation has no impact on loans or grants from these institutions. A small number of institutions and bilateral partners take the LDC category into account but do not base their decisions exclusively on whether a country is an LDC.

Multilateral Development Partners

Graduation from the LDC category is not expected to affect assistance by multilateral financial institutions like World Bank, Asian Development Bank, etc. These institutions

The studies of UNCDP and GED reveal that LDC graduation is unlikely to have any significant impact on development financing. The DPs determine financing terms based on per capita GNI, but not an LDC status.

base their decisions on income level, creditworthiness, and other factors but not on whether a country belongs to the LDC category. The terms of financial assistance to Bangladesh by most multilateral financial institutions are changing gradually and will continue to do so over the coming years as a result of the increase in its per capita income and other factors, but not LDC graduation in and of itself. Bangladesh is already facing higher costs of development cooperation attributed to its graduation from low-

income to a lower-middle-income country in 2015 as per World Bank classification, and not to LDC graduation.

Bilateral Development Partners

Most bilateral cooperation with Bangladesh is delivered by the members of the OECD's Development Assistance Committee (DAC), which includes 29 countries and the European Union. While some countries do have special provisions for LDCs, belonging to the LDC category is generally not a major factor in the design of bilateral cooperation programs, which are instead based on a combination of income level, country needs and vulnerabilities, development plans, historical and cultural ties, donor policies, priorities and strategies, and other factors. A gradual change in bilateral cooperation strategies could come about, and in some cases, it has already begun, related to Bangladesh's increase in per capita income and other development achievements (not to LDC graduation). Bangladesh could see an increase in the share of loans as opposed to grants in total development assistance.

Policy Recommendations

- Bangladesh should continue a prudent external borrowing strategy to maximize LDC-specific grant and concessional loans as long as it has access.
- Emphasis should be given to utilizing the development assistance from the pipeline. As of 30 June 2022, a total of USD 48.50 billion remains unutilized in the pipeline. Executing Ministries and implementing agencies should expedite the processing and implementation of the projects for enhanced use of pipeline funds.
- Bangladesh remains at low risk of debt distress. All external debt indicators are below their respective thresholds. It should continue to seek concessional financing to the extent possible for implementing SDGs, FYP, and other plans to achieve the national goals.
- A critical analysis is required to assess the implications of the transition from LIBOR (London Interbank Offer Rate) to SOFR (Secured Overnight Financing Rate).
- Effective utilization of ODA is critical to avoid any high risk of debt distress. Bangladesh should remain vigilant for ensuring the effective utilization of resources mobilized from external sources.
- Strengthened coordination between the government and DPs and within the DPs is imperative for ensuring effective development cooperation. Local Consultative Group (LCG) and Sectoral Working Groups can play an important role to this end.

4.2 Loss of General Support Measures

Global Environment Facility (GEF): Funding from the GEF is available for all developing countries. It cannot be excluded that graduation could affect funding by the GEF because its System for Transparent Allocation of Resources (STAR) for the GEF's seventh replenishment period includes higher minimum allocation floors for LDCs than non- LDCs.

Green Climate Fund (GCF): The GCF prioritizes “vulnerable countries, including least developed countries (LDCs), small island developing states (SIDS) and African States” in the allocation of adaptation funds and readiness support. Bangladesh might no longer be automatically considered as part of that group. In practice access to funds depends to a large extent on the capacity to elaborate projects meeting fund requirements.

Technology Bank for the LDCs (TBLDC): After graduation, Bangladesh would continue to have access to the LDC Technology Bank for a period of five years.

LDC Fund for Climate Change: After graduating from the LDC category, Bangladesh would no longer have access to the support mechanisms that have been put in place specifically for LDCs to address climate change-related challenges. Projects approved before and up until graduation would continue to receive funding to ensure the full implementation of those projects.

Aid for Trade-Enhanced Integrated Framework: The only instrument for the delivery of Aid for Trade specifically geared at LDCs is the Enhanced Integrated Framework (EIF). Bangladesh continues to have access to EIF benefits for five years after graduation.

Other LDC-specific Support: LDCs receive the scholarship and different forms of financial support for education and research, support for participation in the UN and other international forums, caps, and discount on the contribution to UN system budgets, support for travel, capacity-building for negotiations, etc. Bangladesh would lose these supports upon graduation.

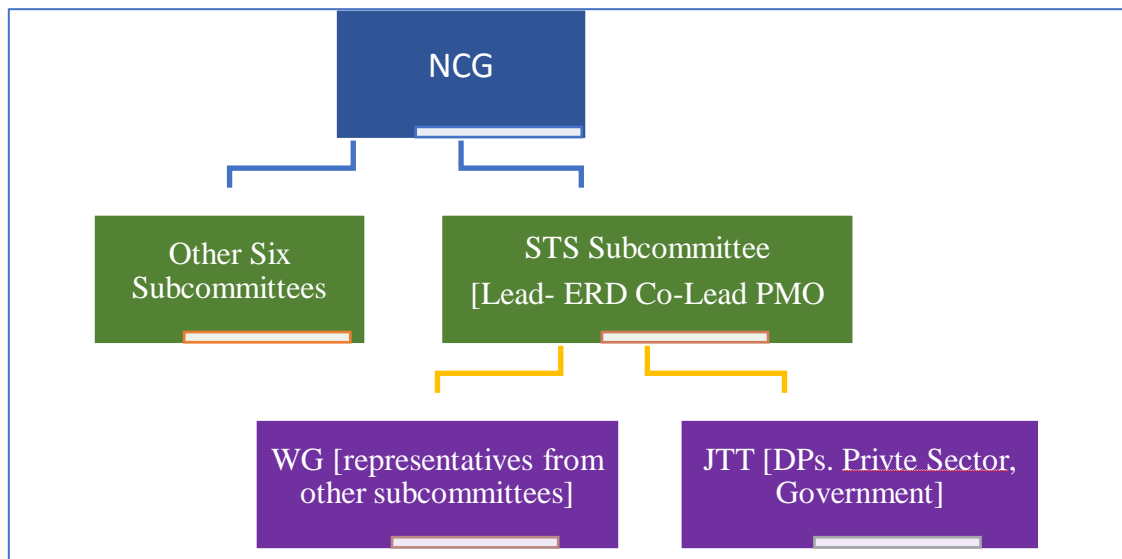
CHAPTER 5

DEVELOPING SMOOTH TRANSITION STRATEGY (STS)

The Smooth Transition Strategy, a vital component for sustainable graduation, offers policymakers to give thrust to identify regional and global megatrends and challenges over a medium and long-term development trajectory. The United Nations recommended that a graduating LDC would 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.

A Working Group (WG) comprising officials from key ministries and a Joint Task Team (JTT) formed by officials from the government, private sector, and development partners are providing intellectual and knowledge support to the STS subcommittee. Regular consultations are also taking place with the sectoral business leaders and related stakeholders concerning graduation-related issues.

Figure 2: Consultative Framework



Bangladesh's Sustainable Graduation Philosophy

The philosophy of Bangladesh's sustainable graduation could be defined in three broad spectra. First, the strategy for sustainable graduation would be towards early recovery from COVID-19 through quick vaccinations and minimizing trade-related loss due to the erosion of International Support Measures (ISMs). Second, Bangladesh attempts to design an inclusive Smooth Transition Strategy (STS) engaging all key stakeholders that offer transformation of our economic structure to sustain the growth momentum, help to build productive capacity, reduce economic and environmental vulnerabilities and enhance resilience to any regional and global shocks. Finally, Bangladesh is working on building a strong partnership with the Private Sector for bringing innovation, creating quality jobs, reducing technology gaps, and enhancing competitiveness. The STS will prioritize these issues for smart graduation- smooth and sustainable graduation with momentum. Bangladesh will devise the STS following five fundamentals:

- a. A demand-driven country-led strategy;
- b. Inclusive in nature and will engage all relevant stakeholders;
- c. Integrating broader development agenda, such as attaining SDGs by 2030, achieving upper-middle income country status by 2031, attaining knowledge-based high-income society by 2041;
- d. Promoting strong nexus between productive capacity and sustainable development; and
- e. Strong monitoring mechanism for STS implementation.

A wide range of research works and studies have to be carried out as part of the formulation of STS to counteract the negative impacts of LDC graduation on multiple sectors as well as to tap the full potential of elevated status.

Consultative Mechanism

Bangladesh is committed to preparing an effective STS through extensive consultation with the major stakeholders including the Government ministries/agencies, private sector, CSOs, and development and trading partners. Furthermore, the proposed STS would also attempt to internalize global trends and challenges through consultative processes.

Meanwhile, ERD, UNDP, and UNRC office has collaboratively developed a concept note to guide JTT in identifying the priority sectors/ areas of the socioeconomic structure. They are also working together to develop a national inventory drawing up areas for cooperation for a smooth transition.

Roadmap of STS Preparation

The STS Subcommittee will formulate the draft STS by incorporating inputs from various Subcommittees. During the formulation of the draft, STS Subcommittee would continue consultation to explore the interoperability of the STS with the broader national development priorities and goals like Fiver Year Plans, SDGs, and Vision 2041. There should also be a series of validation initiatives on the draft STS to integrate the document with national policies, developing partnership strategies to implement and monitor.

A concept note for developing a framework to devise an STS was jointly prepared by SSGP and UNDP and shared with the members of the STS subcommittee, Working Group, and JTT. The concept notes identified the probable areas of cooperation for the development partners to ensure sustainable graduation.

The SSGP also developed a draft timebound action plan for the preparation of STS and shared it with all the members of the STS subcommittee, working group, and JTT. This is a living document and is subject to be updated as and when necessary.

A draft outline or skeleton of the planned STS has been developed by SSGP and shared with all the members of the STS subcommittee, working group, and JTT for their comments and feedback.

Bangladesh is planning to have a zero draft of the STS by June 2023- which will be developed through the inputs/ policy options derived from various stakeholders' dialogue in the consultative processes, policy research and background study documents, and various mid- and long-term government policy documents.

Regional Consultation on STS preparation. In partnership with the UN and regional experts, from 23 to 25 August 2022, Government officials and representatives from the private sector, academia, research institutes, and civil society from Bangladesh, Lao PDR, and Nepal met in Bangkok. This South-South Exchange regional consultation offered an opportunity to discuss how to develop and what actions to promote in the STS to manage the next steps in the development pathways of the three countries. The workshop facilitated a discussion on coherent collaboration and support from the UN Development System, Multilateral Development Banks, regional organizations, and development partners in line with the recently adopted Doha Program of Action (DPoA)¹.

¹ DPoA, a decadal program for LDCs, offers a new generation of renewed and strengthened commitments between the least developed countries and their development partners, including the private sector, civil society, and governments at all levels. The final text of the DPoA was adopted during the first part of the LDC5 conference on March 17, 2022 and endorsed by the General Assembly through resolution A/76/258 on April 1 2022.

CHAPTER 6

NEXT COURSES OF ACTION: GRADUATION OFFERS A NEW DEVELOPMENT TRAJECTORY

Graduation ceases ISMs; however, it opens a new window of opportunities and potential for Bangladesh. First, Bangladesh earned great respect and recognition in the international community for its tremendous socioeconomic progress in this decade. Bangladesh's amazing success has been a surprise for many development researchers and practitioners and paying great respect to its right blend of strong political commitment, resilient private sector, right policy choices, and sincere implementation strategy.

Second, graduation from the LDC status will give huge support to recreate a new image and branding for Bangladesh. It gives a positive signal to foreign investors demonstrating significant improvement in human capital, business climate, and structural transformation- which ultimately contribute to enhancing productive capacity. This positive message to global policymakers and foreign investors is critical for attracting Foreign Direct Investment (FDI)- a critical driving force for boosting investment and growth.

The rigorous consultations among the key stakeholders in different platforms- be it the thematic subcommittees, study groups, or workshops/ seminars, a few areas emerged as the priority for Bangladesh to be dealt with in the mid- and long-term policy space. To deal with these issues, the initiatives have to be undertaken both at local and global frontiers in tandem.

6.1 Priorities for Bangladesh's sustainable graduation

Preferential market access. Continuation of preferential market access along with favorable rules of origin for a certain period as proposed by the LDC group for WTO's consideration is the key issue that needs to be considered seriously. As EU, UK and Australia showed some positive indications to continue the market access support for three years after graduation.

GSP plus scheme. EU's upcoming GSP plus scheme would be beneficial for graduating LDCs like Bangladesh if the textile and garment items are removed from the proposed safeguard clause. Considering the inherent structural weakness compounded by the subsequent devastating COVID-19, and ongoing global crises, the graduating LDCs may be allowed for at least 3 years in addition to the existing 3-year EBA transition period, that is, at least a 6-year EBA transition period.

Continuation of TRIPS waiver and strengthening IP regime. Continuation of TRIPS waivers beyond graduation is a dire need for Bangladesh. In addition, Bangladesh needs to strengthen its IP regime with appropriate enforcement mechanisms for facing the post-LDC situation.

Trade in services. Bangladesh's participation in the trade in services is still low compared to other countries at a similar level. There are many potential service sectors in the country. Since most of the potential services sectors are dependent on human resources, Bangladesh has an added advantage in trade in services due to its large population size.

Inclusion in Annex VII under SCM Agreement. Annex VII of the Agreement of Subsidies and Countervailing Measures (SCM) is a missing link that has already been acknowledged by WTO members. This needs to be corrected without any delay as the proposal submitted by the LDC Group of the WTO. At the same time, it is also important to incorporate the names of Graduating LDCs into the Net Food Importing Developing Countries (NFIDCs) list that imports a significant amount of food.

Regional Trade Agreements (RTA). The issues of FTA/ PTA/ CEPA require more attention while strategizing sustainable graduation. RTA is considered one of the compensation mechanisms for preferential market access. Bangladesh, therefore, would expedite RTA discussions knowing its full impact on economies.

Enhancing competitiveness and export diversification. Enhancing the competitiveness of exports through increasing productivity, reducing the cost of production, and upgradation of technology, is very crucial for facing the post-LDC situation in the absence of LDC-specific special facilities. In addition, export diversification as well as moving up to the Global Value Chain will also be instrumental in ensuring smooth and sustainable graduation from the LDC category.

Enhancing negotiating capacity. Bangladesh has been trying to conclude preferential trade agreements with potential trading partners to offset the probable negative impacts of the loss of ISMs. Bangladesh will have to negotiate in the WTO and other international fora as a non-LDC developing country. Negotiations will also be needed for availing new and stringent instruments of financing from the development partners in the post-LDC era. Enhancing negotiating capacity is critical for Bangladesh to achieve these priorities.

Private sector development. Private sector capacity development is vital for growth and development. The private sector is struggling in ensuring product compliance, and labor rights where necessary administrative, legal, and technical reforms and developing capacities for SPS and TBT, and other standards are essential. Enhancing productivity in the private sector is the most important development discourse in addressing post-graduation challenges. Knowledge, skill, and innovation are critical tools in attaining this productivity-driven economy and implementing smooth transition strategies.

Financing for sustainable graduation. Transition financing would be instrumental for graduating LDCs to implement the STS. Therefore, Bangladesh would like to see a predictable, concrete commitment from the international community with a clear roadmap.

In addition to the above priorities, Bangladesh will strive to mitigate the effects of climate change, maintain the momentum of structural transformation, and strengthen social protection programs to ensure sustainable graduation.

6.2 *Navigating Sustainable Graduation*

Regular and close monitoring of the graduation process with international agencies, implementing strategies as suggested by the thematic subcommittees, and continued economic, trade, and public finance reforms are essential for sustainable graduation. A dedicated team is required to work under the guidance of NCG and the supervision of the ERD- which would act as the interface between the international agencies and the government.

The two-pronged strategy for sustainable graduation with momentum would be adopting the right policy measures and actions to counterbalance the loss of trade due to the erosion of ISMs and improve readiness for the more competitive environment in the post-graduation era. Goods and services have to be competitive both in local and international markets- which could be achieved through innovation, improvement in labor productivity, using appropriate technology, removal of logistical bottlenecks, complexities in trade and transactions, and anti-export bias policies. Macroeconomic stability and prudent foreign currency and debt management would play critical roles in achieving sustainable graduation and development in the medium and long term.

For navigating sustainable graduation and development, a strong political commitment will be critical for implementing measures, actions, and policy options designed by the subcommittees, various thematic and working groups, and Joint Task Teams represented across the private sector, DPs, CSOs, and the government. The priorities, identified

through a consultative process among the key stakeholders, demand concerted and collective efforts led by the government for a meaningful impact on the inclusive and sustainable graduation trajectory.

The document, a compilation of the works and action plans of the thematic subcommittees, has been handed over to the Honorable Prime Minister for her kind guidance and directions. The NCG will closely monitor the progress of the implementation of the action plans identified and apprise time to time to the Honorable Prime Minister for her strategic policy direction.

The implementation of the action plans and required reforms for sustainable graduation need to be fast-tracked and should be considered a high priority in the planning domain as the cessation of the preparatory period for graduation is fast approaching. The timely preparation for sustainable graduation during the preparatory period is essential for Bangladesh's economy as it has leveraged the ISMs the most in boosting exports and growth in the manufacturing base including pharmaceuticals. Therefore, this document of the compilation of action plans for sustainable graduation is a good point to start and needs to be updated from time to time in response to changes in the local and external socioeconomic scenario.

Table 8: Suggested Time-bound Actions

Sl.	Action	Lead Ministries	Timeline
Preferential Market Access			
1	Persuasion for continuing International Support Measures (ISMs) beyond graduation (LDC Group Submissions)	M/O Commerce	By Nov 2026
2	Persuasion for favorable EU GSP+ conditionalities in the revised EU GSP scheme	M/O Commerce, MOFA	By June 2023
3	Persuasion for EBA like 3-year transition periods from key trading partners	M/O Commerce, MOFA	By Nov 2026
4	Initiating FTA/CEPA negotiations with potential trading partners	M/O Commerce	Continuous process
WTO Issues			
5	Inclusion in the Annex VII list of the WTO Agreement on SCM for providing cash incentives	M/O Commerce	By Nov 2026
6	Inclusion in Net Food Importing Developing Country (NFIDC) list to remain eligible for providing incentives to agricultural products	M/O Commerce	By Nov 2026
7	Enhancing trade negotiations capacity	M/O Commerce	Continuous process

Sl.	Action	Lead Ministries	Timeline
Intellectual Property (IP) Issues			
8	Persuasion for continuing TRIPS waivers beyond the graduation	M/O Industries, M/O Commerce	By Nov 2026
9	Identifying WTO inconsistent laws & regulations	M/O Industries	By Dec 2023
10	Amending Patent Law 2022	M/O Industries,	By Nov 2026
11	Amending IPR Enforcement (Import and Export) Rules, 2019	NBR	By June 2023
12	Strengthening IP enforcement mechanism	M/O Industries, M/O Cultural Affairs	By Nov 2026
13	Conducting an impact assessment on general IP regime due to LDC graduation preferably with the help of WIPO/WTO	M/O Industries	By Dec 2023
Export Subsidy			
14	Identifying WTO inconsistent subsidies	Finance Division	By Dec 2023
15	Devising alternative support mechanisms for the exporters	Finance Division	By Dec 2023
Tariff Rationalization			
16	Identifying WTO inconsistent duties & charges	NBR	By Dec 2023
17	Tariff Rationalization in line with the WTO provisions	NBR	By Dec 2025
Augmenting Domestic Resources			
18	Widening tax net	NBR	By Dec 2023
19	Operationalizing VAT law	NBR	
20	Automation of the revenue collection system	NBR	By Dec 2025
21	Strengthening capital market	FID	By Dec 2025
Enhancing Investment			
22	Enhancing both domestic investment and FDI	BIDA	Continuous process
23	Eliminating local content requirements in line with the TRIMS Agreement of the WTO	M/O Industries	By Dec 2025
Export Diversification			
24	Product and market diversification	M/O Commerce	Continuous process
25	Diversification within the RMG sector and use of MMF	M/O Commerce	Continuous process
26	Moving up to the value chain	M/O Commerce	Continuous process
27	Improving trade facilitation	NBR, M/O Commerce	Continuous process
28	Improving logistics	PMO, NBR, M/O Shipping/ Roads/ Bridges/ Highways	Continuous process

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Annexure 1: Terms of Reference (ToR) of NCG and Subcommittees

Name of Committee: National Committee on LDC Graduation (NCG)

Specific ToR	Lead, Co-Lead and Member Ministry/Division/Organizations
<p>a. Determine the extent of the impact of LDC Graduation in relevant sectors;</p> <p>b. Mapping the responsible and the associate ministries/divisions/agencies for the identified sectors;</p> <p>c. Take necessary initiatives for the expansion of bilateral, regional, and international trade;</p> <p>d. Provide advice on formulating tariff policies that are consistent with free trade agreement/preferential trade agreement;</p> <p>e. Formulation and implementation of specific and time bound work plans by relevant ministries, divisions and agencies;</p> <p>f. Regularly monitor and advise on the implementation of the work plans adopted by relevant ministries, divisions and agencies.</p>	<p>Chair: Principal Secretary to Honorable Prime Minister</p> <p>Members:</p> <ol style="list-style-type: none"> 1. Principal Coordinator (SDG Affairs), Prime Minister’s Office (PMO) 2. Senior Secretary, ICT Division 3. Chairman (Senior Secretary) National Board of Revenue 4. Finance Secretary, Finance Division 5. Member, General Economic Division, Planning Commission 6. Foreign Secretary, Ministry of Foreign Affairs 7. Senior Secretary, Ministry of Commerce 8. Secretary, Prime Minister’s Office 9. Secretary, Economic Relations Division 10. Secretary, Ministry of Industry 11. Secretary, Ministry of Agriculture 12. Secretary, Ministry of Environment, Forest and Climate Change 13. Executive Chairman, Bangladesh Investment Development Authority 14. Chairman, Bangladesh Trade and Tariff Commission 15. Secretary, Ministry of Liberation War Affairs 16. Ms. Sharifa Khan, Member, Planning Commission 17. President, FBCCI 18. President, BGME 19. President, DCCI 20. President, BAPI <p>Member-Secretary</p> <ol style="list-style-type: none"> 21. Director General, Executive Cell, Prime Minister’s Office

Seven Sub-Committees

Name of the Sub-committee	Specific ToR	Lead, Co-Lead and Member Ministry/Division/Organizations
<p>1. Sub-committee on Preferential Market Access & Trade Agreement</p>	<p>a. Suggest strategies to continue LDC-specific preferential market access in the developed and developing countries for a certain period (12 years) and to utilize the opportunities in WTO.</p> <p>b. Suggest measures to retain LDC-specific preferential market access with flexible rules of origin for a certain period after graduation.</p> <p>c. Suggest an effective mechanism for obtaining GSP+ in the EU after 2029 along with favorable Rules of Origin.</p> <p>d. Recommend strategies for the continuation of DFQF access (like EU and UK) for the newly graduating countries in other major export destination countries.</p> <p>e. Identify potential trading partners for signing PTAs/FTAs/ CEPAs by analyzing the studies conducted by Bangladesh Trade & Tariff Commission and others (if any) and formulate a strategy.</p> <p>f. Develop negotiating strategies and prepare Bangladesh's position papers.</p> <p>g. Suggest necessary reforms or amendments on trade-related rules/regulations and policies in initiating/signing FTA/ PTA/CEPA.</p> <p>h. Suggest a time-bound action plan with recommendations on Preferential Market Access and Trade Agreements.</p>	<p>Lead: Secretary, Ministry of Commerce</p> <p>Co-lead: Secretary, Prime Minister's Office</p> <p>Members:</p> <ol style="list-style-type: none"> 1. Ministry of Industries 2. Ministry of Foreign Affairs 3. National Board of Revenue 4. Economic Relations Division 5. Ministry of Labour & Employment 6. Bangladesh Investment Development Authority (BIDA) 7. FBCCI 8. BGMEA 9. BKMEA
<p>2. Sub-committee on Intellectual Property Rights (IPR)</p>	<p>a. Identify challenges and explore opportunities under WTO TRIPS agreement</p> <p>b. Develop strategies for getting the extension of transition period under Article 66.1 of the TRIPS Agreement for a certain period after graduation.</p> <p>c. Develop strategies for the continuation of the waiver on TRIPS & public health until 01 January 2033 for graduating LDCs.</p> <p>d. Suggest strategy in developing local capacity and prepare to ensure availability and affordability of medicine, vaccine and medicinal products after</p>	<p>Lead: Secretary, Ministry of Industries</p> <p>Co-lead: Ministry of Commerce</p> <p>Members:</p> <ol style="list-style-type: none"> 1. Ministry of Cultural Affairs 2. Ministry of Foreign Affairs, 3. Health Services Division, 4. Legislative & Parliamentary Affairs Division 5. DG, Drug Administration

Name of the Sub-committee	Specific ToR	Lead, Co-Lead and Member Ministry/Division/Organizations
	<p>graduation.</p> <p>e. Analyze the impact on domestic industries and general public health, if the waiver period is over in 2026.</p> <p>f. Analyze the gaps on national IP issues other than pharmaceuticals (legal, administrative and financial) in the WTO, WIPO and global context and recommend measures for ensuring better enforcement at the domestic level.</p> <p>g. Suggest time bound action plan with recommendations on the above</p>	<p>6. Registrar, Department of Patents, Designs & Trademarks</p> <p>8. Bangladesh Association of Pharmaceutical Industries (BAPI)</p> <p>9. API Industry Representative</p> <p>10. Intellectual Property Association of Bangladesh</p>
<p>3. Sub-committee on WTO Issues (Other than market access & TRIPS)</p>	<p>a. Identify WTO inconsistent measures and legal systems including subsidies, local content requirements, para-tariffs, etc. that Bangladesh is currently granting.</p> <p>b. Develop a strategy for the inclusion of Bangladesh in the Annex VII list of the Agreement on Subsidies and Countervailing measures.</p> <p>c. Develop strategies for the inclusion of Bangladesh in the Net Food-Importing Developing Countries (NFIDC) list for Article 9.4 incentives to agricultural products.</p> <p>d. Develop negotiating strategies for incorporating the interests of the newly graduating LDCs in the emerging WTO issues (fisheries subsidies, e-commerce, WTO reforms, etc.).</p> <p>e. Formulate Bangladesh's position on the participation in the discussion on e-commerce, investment facilitation and MSMEs (Micro Small & Medium Enterprises).</p> <p>f. Suggest time bound action plan with recommendations on the above issues.</p>	<p>Lead: Secretary, Ministry of Commerce</p> <p>Members:</p> <ol style="list-style-type: none"> 1. Ministry of Foreign Affairs 2. Ministry of Agriculture 3. Ministry of Fisheries & Livestock 4. Finance Division 5. National Board of Revenue 6. ICT Division 7. Ministry of Cultural Affairs 8. FBCCI

Name of the Sub-committee	Specific ToR	Lead, Co-Lead and Member Ministry/Division/Organizations
4. Subcommittee on Investment, Domestic Market Development & Export Diversification	<p>a. Identify challenges and opportunities in the areas of investment, market development & export diversification.</p> <p>b. Propose strategies for providing policy support for encouraging the production of high-quality, higher value-added products.</p> <p>c. Identify what needs to be done to attract FDI and facilitate the transfer of technology and the development of new products.</p> <p>d. Identify capacity development needs of the public and private sectors to effectively deal with the challenges of LDC graduation.</p> <p>e. Suggest how to build/acquire the required skills for economic/trade diplomacy and country mapping.</p> <p>f. Develop strategies to ensure access to trade finance</p> <p>g. Suggest a strategy for managerial & other skills enhancement, labor productivity and strengthening research & development to address LDC graduation challenges.</p> <p>h. Suggest a time-bound action plan with recommendations on investment, market development and export diversification.</p>	<p>Lead: Secretary, Prime Minister’s Office</p> <p>Co-lead: Ministry of Commerce</p> <p>Members:</p> <ol style="list-style-type: none"> 1. Finance Division 2. Ministry of Foreign Affairs 3. Secretary, Ministry of Industries 4. Ministry of Agriculture 5. National Board of Revenue (NBR) 6. Secondary & Higher Education Division 7. Technical & Madrasah Education Division 8. ICT Division 9. National Skills Development Authority 10. Bangladesh Investment Development Authority (BIDA) 11. BEZA 12. Bangladesh Bank 13. FBCCI
5. Sub-committee on Internal Resource Mobilization & Tariff Rationalisation	<p>a. Identify challenges and exhume opportunities for tariff rationalization for facilitating free/preferential trade agreements.</p> <p>b. Suggest strategies for the gradual reduction of import duties/tariff structure without compromising domestic competitiveness.</p> <p>c. Prepare actions of the plan to analyze current tax regulations and initiate changes to make Bangladesh an attractive trading partner.</p> <p>d. Propose business & tax-payer-friendly reforms in revenue administration, which is conducive to the enhancement of domestic resource mobilization.</p> <p>e. Align tax policies and laws compliant with WTO regulations and international best practices in the post-graduation era.</p>	<p>Lead: Senior Secretary, Finance Division</p> <p>Co-lead: Chairman, National Board of Revenue (NBR)</p> <p>Members:</p> <ol style="list-style-type: none"> 1. Ministry of Industries 2. Ministry of Commerce 3. Financial Institutions Division 4. Bangladesh Investment Development Authority (BIDA) 5. Bangladesh Trade & Tariff Commission 6. Bangladesh Bank 7. FBCCI 8. Research Organization

Name of the Sub-committee	Specific ToR	Lead, Co-Lead and Member Ministry/Division/Organizations
	f. Suggest time bound action plan with recommendations on internal resource mobilization and tariff rationalization.	(to be adopted by sub-committee)
6. Sub-committee on Smooth Transition Strategy	a. Identify challenges and opportunities for development financing & smooth transition for graduation. b. Formulate strategies to negotiate with the development partners to support for meeting graduation challenges. c. Explore new windows for development financing and prepare strategies accordingly. d. Develop a mechanism for collecting necessary information, conduct analysis and submit report to UN CDP and do necessary analysis and collect information for this purpose. e. Identify areas for graduation related research and take necessary actions in conducting the research. f. Prepare a strategy for branding Bangladesh abroad. g. Prepare a detailed roadmap for smooth transition strategy.	Lead: Secretary, Economic Relations Division Co-lead: Secretary, Prime Minister's Office Members: 1. Ministry of Commerce 2. Ministry of Foreign Affairs 3. Finance division 4. Ministry of Environment, Forest & Climate Change 5. Statistics & Informatics Division 6. Bangladesh Investment Development Authority (BIDA) 7. General Economic Division
7. Sub-committee on Branding Bangladesh Abroad	a. Identify the potential issues to attract foreign investment. b. Identify challenges of competitiveness of investment. c. Prepare a strategy for branding Bangladesh abroad.	Lead: Executive Chairman, Bangladesh Investment Development Authority (BIDA) Co-lead: Sr. Secretary, Ministry of Foreign Affairs Members: 1. Ministry of Commerce 2. ICT Division 3. Economic Relations Division 4. Ministry of Environment, Forest & Climate Change 5. Bangladesh Economic Zones Authority (BEZA) 6. BEPZA 7. Bangladesh Parjatan Corporation 8. FBCCI 9. BGMEA

Annexure 2: Updates of the indicators for graduating Bangladesh from LDC, August 2022

Indicators	UN-Review-2021		Current Status (Aug 2022)		Graduation threshold
	Value	Index	Bangladesh	Index	
<i>1. Per Capita Income</i>		1,827		2,478	>= 1222
<i>1.1 GNI per capita (US\$)</i>	1,827		2,478*	-	
<i>2. Human assets index (HAI)</i>		75.3		76.6	>= 66
<i>2.1 Under-five mortality rate (U5M)</i>	30.8	87.4	28.0	89.1	
<i>2.2 Maternal mortality ratio (MMR)</i>	173.0	85.9	163.0	86.8	
<i>2.3 Prevalence of stunting (STU)</i>	31.0	43.0	30.2	44.6	
<i>2.4 Gross secondary school enrolment ratio (GSSE)</i>	72.6	69.5	74.4	71.5	
<i>2.5 Adult literacy rate (ALR)</i>	74.7	66.2	75.6	67.5	
<i>2.6 Gender parity index for gross secondary school enrolment (GPIS)</i>	1.2	100.0	1.2	100.0	
<i>3. Economic and environmental vulnerability index (EVI)</i>		27.2		26.7	<= 32
<i>3.1 Share of agriculture, forestry, and fisheries in GDP (AFF)</i>	13.8	21.7	12.2	19.0	
<i>3.2 Remoteness and landlockedness (REM)</i>	37.8	34.8	37.8	34.7	
<i>3.3 Merchandise export concentration (XCON)</i>	0.41	36.0	0.4	35.0	
<i>3.4 Instability of exports of goods and services (XINR)</i>	2.7	5.4	2.2	4.3	
<i>3.5 Share of population living in low elevated coastal zones (LECZ)</i>	8.4	23.9	8.4	23.9	
<i>3.6 Share of population living in drylands (DRY)</i>	-	-	-	-	
<i>3.7 Instability of agricultural production (AIN)</i>	3.1	8.4	3.1	8.4	
<i>3.8 Victims of disasters (VIC)</i>	3.9	87.5	4.0	88.0	

Sources: CDP and BBS

*estimated averaging previous three years' per capita income