



Impact Assessment and Coping up Strategies of Graduation from LDC Status for Bangladesh

General Economics Division (GED)

Bangladesh Planning Commission

Ministry of Planning

Government of the People's Republic of Bangladesh

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Conducted and Published by

General Economics Division (GED)
Bangladesh Planning Commission
Government of the People's Republic of Bangladesh
Sher-e-Bangla Nagar, Dhaka 1207, Bangladesh

Copies Printed: 2000

Cover Designed by

General Economics Division (GED)
Bangladesh Planning Commission
Government of the People's Republic of Bangladesh

Printed by

Priyanka Printing & Publications
76/ E, Nayapaltan, Dhaka-1000



Minister
Ministry of Planning
Government of the People's Republic of Bangladesh

Message

I am happy to know that General Economics Division (GED) of Bangladesh Planning Commission has conducted this study titled 'Impact Assessment and Coping up Strategies of Graduation from LDC Status for Bangladesh'. This is a timely initiative and graduation from LDC is our long cherished desire. Our government will get necessary policy support from this study to tackle the challenges and will also be able to grasp the bundle of opportunities arisen out of graduation.

Through the visionary, dynamic and pragmatic leadership of the Hon'ble Prime Minister Sheikh Hasina, Bangladesh has been experiencing rapid socio-economic development and its economy is gradually transforming from rural and agrarian to a more urban and industrial/service oriented economy. The country has become a remarkable achiever in the global arena of development during this decade by managing sound macroeconomic policy. In the same vain, by World Bank classification Bangladesh secured lower middle income status in 2015. Bangladesh's significant success in achieving MDGs and strong policy alignment towards 2030 Agenda has augmented the process of graduation from the LDC status and at the first time we have fulfilled all the criteria of graduating from LDC to developing one in 2018 which is a major milestone for the country. It is the reflection of the economy's resilience and recognition by the international community that Bangladesh's internal capacities to face the global competitive challenges are increasing.

The successful move towards LDC graduation implies that some special benefits like general support related International supports, trade related international support specially preferential market access and development assistance related international support enjoyed by Bangladesh from the global community as an LDC will come to an end after graduation. On the otherhand, graduation is expected to enhance country image, build capacity and attract Foreign Direct Investment (FDI). Therefore, to address the probable graduation impacts on the country and realize the opportunities, Government of Bangladesh has assigned GED of the Bangladesh Planning Commission to conduct this study. The study report has identified the probable impacts of LDC graduation and suggested appropriate strategies and policies to equipose these costs through comprehensive policies and reform initiatives. It is highly expected that through implementation of the given recommendations of the study report, Bangladesh will be able to cope up with the challenges of forthcoming graduation in one hand and on the other hand the country will be turned into one of the lucrative Foreign Direct Investment (FDI) destination in the South Asian region.

I congratulate GED for accomplishing such meticulous study and hope that concerned public and private entities will be benefitted from this study in preparing their respective strategies, policies and measures. I wish wider circulation of this study.


(M. A. Mannan, MP)



Member (Senior Secretary)
General Economics Division
Bangladesh Planning Commission

Preface

Bangladesh has climbed a long way up the development ladder since independence. Under the visionary and prudent leadership of Hon'ble Prime Minister Sheikh Hasina, the country has successfully attained Millennium Development Goals, crossed into the threshold of Lower Middle Income Country (LMIC) status in 2015 and fulfilled all the criteria, for the first time in 2018, to be graduating from UN defined list of least developed countries (LDCs). The presumptive year for formal graduation out of LDC status is 2024, after going through the standard process of approval and announcement under the UN system and the graduation from LDC will be treated as a significant milestone in the history of the country and as an independent and sovereign nation, Bangladesh should be justifiably proud of the achievement.

Graduation from LDCs has both challenges and opportunities. The main challenges for Bangladesh due to LDC graduation is centered to probable erosion of preferential market access, loss of LDC-specific special and differential treatment and flexibilities under WTO rules in the area of goods specially presently enjoying pharmaceutical products. Again, the LDC graduation is coming at a time when the global environment for trade is becoming more constrained due to de-globalization trends from avowed nationalism and protectionist policies in some developed countries, while the onset of the Forth Industrial Revolution (4IR) is posing a major challenge for employment owing to technology-driven capital intensity of production and automation. The challenges may be threatening with the infrastructural weakness and comparatively inefficient human resources by which the country may fall into the 'middle income trap', consequentially failing to achieve the targets of SDGs by 2030 and high income country status by 2041.

The changing global scenarios and economic milieu and perspectives of LDC graduation can render new scopes and open up new vistas of opportunities that can truly facilitate Bangladesh to take necessary steps with a fresh endeavor to become an upper middle-income country by 2031 and high-income country by 2041. Through the upgraded status as a developing country, the internationally reputed firms will be attracted and they will bring cutting edge technological capability as well as skilled human resources with its venture capital. The strength of the country lies on a highly-diversified economy with boosting domestic demands for various products. The competitiveness in the export performance and continuous robust growth of remittance inflows are playing vital role in the economy. The country has a vibrant private sector with strong entrepreneurial skills. The social fabric is dynamic. The formation of human capital has taken roots. All these domestic and external sectors changes will need to be managed deftly starting from now in order to be well prepared for a smooth transition to post LDC Bangladesh.

Therefore, for further policy reforms in the area of resource mobilization, cross-border greater connectivity with trade of goods and services, regional trade agreements and investments in human capital, technology and institutions may lead to march forward on the road of development to achieve the above mentioned targets and goals. So a thorough and a deep study was felt urgently needed to analyse fall-out and oppurtunities created for taking apporprate policy measures and action programmes to cater to the changing new realities. And, this report is the prodigious outcome of that urge foresighted by the policy makers.

The study is a thorough and indepth one and was inspired by the Hon'ble Planning Minister Mr. M. A. Mannan, MP and the Vice Chairman of Bangladesh Planning Commission, in conducting this study. Dr. Mashiur Rahman, Hon'ble Economic Affairs Adviser to the Prime Minister provided necessary guidance to conduct the study successfully and perused the final draft and provided comments for improvement. I am very much grateful to the relevant ministries, divisions, agencies, business organizations who commented on the draft of this report in writing. I also acknowledge with deep sense of appreciation to the concerned officials of GED who put their best efforts in the consultation process. I owe to all of them for excellent team work to accomplish this study.



(Dr. Shamsul Alam)

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Abbreviations

ADB	Asian Development Bank
AoA	Agreement on Agriculture
APTA	Asia Pacific Trade Agreement
ASEAN	Association of Southeast Asian Nations
BB	Bangladesh Bank
BIDA	Bangladesh Investment Development Authority
CPTPP	Comprehensive and Progressive Agreement for Trans-Pacific Partnership
DAC	Development Assistance Committee
DFQF	Duty-Free Quota-Free
EBA	Everything But Arms
EU	European Union
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
FY	Fiscal Year
GATS	General Agreement on Trade in Services
GCCA	Global Climate Change Alliance
GDP	Gross Domestic Product
GED	General Economics Division
GNI	Gross National Income
GSP	Generalized System of Preferences
GSTP	Global System of Trade Preferences
GCF	Green Climate Fund
HIC	High Income Country
IDA	International Development Association
IPCC	Intergovernmental Panel on Climate Change
IPR	Intellectual Property Rights
IR4	Fourth Industrial Revolution
ISM	International Support Measures
LDC	Least Developed Countries
LDCF	Least Developed Countries Fund
LMIC	Lower Middle-Income Country
MoC	Ministry of Commerce
MoE	Ministry of Education
MoF	Ministry of Finance
MoI	Ministry of Industries
MoPEMR	Ministry of Power, Energy and Mineral Resources
MoRTB	Ministry of Road Transport and Bridges
MoST	Ministry of Science and Technology
NBR	National Board of Revenue
NPL	Non-Performing Loans

ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
PP2041	Perspective Plan 2041
RCEP	Regional Comprehensive Economic Partnership
RMG	Readymade Garments
SAFTA	South Asian Free Trade Area
SCM	Agreement on Subsidies and Countervailing Measures
TRIMS	Agreement on Trade-Related Investment Measures
TRIPS	Agreement on Trade-Related Intellectual Property Rights
UMIC	Upper Middle-Income Country
UN	United Nations
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFCC	United Nations Framework for Climate Challenge
UNICEF	United Nations International Children's Emergency Fund
WFP	World Food Programme
WTO	World Trade Organization