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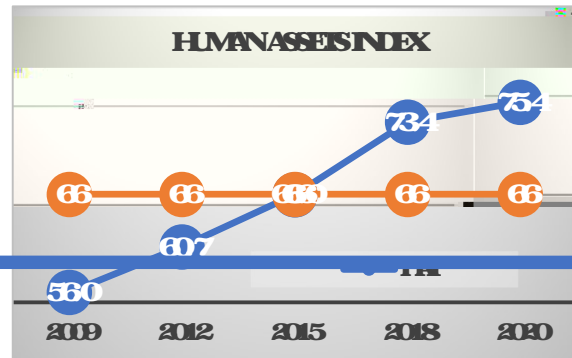
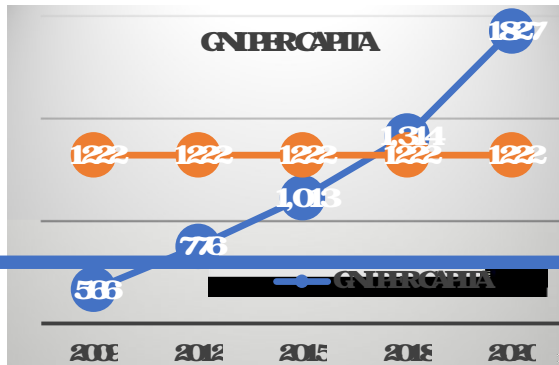
## BANGLADESH COUNTRY REPORT

### UN CDP TRIENNIAL REVIEW, 22-26 FEBRUARY 2021

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The graduation is not merely achieving a milestone for Bangladesh, it is a step forward to fulfilling the commitment of SDGs by 2030, graduating to the upper middle income country by 2031, and realizing the dream of 168 million people to be a developed nation by 2041. Despite challenging economic environment, Bangladesh, under the prudent leadership of Honorable Prime Minister Sheikh Hasina, is on track to attaining the smooth and sustainable graduation with momentum aligning with the dream of our Father of the Nation Bangabandhu Sheikh Mujibur Rahman for a self-reliant, poverty-free, prosperous Bangladesh where no one leaves behind. Bangladesh is confident to receive increased support from the development and trading partners to achieve our ambitious targets in the days to come.

The year 2021 carries great meaning in our national life. We are celebrating two historic events this year: the Golden Jubilee of our independence, and the birth centenary of our father of the Nation Bangabandhu Sheikh Mujibur Rahman concurrently. Both these events i



## MACROECONOMIC MANAGEMENT

Bangladesh's economy extraordinarily performed well until FY 2019 (July 2018 - June 2019). The economy grew by 6.9% on average during FY2011-FY2019. In FY2018-19, Bangladesh became the fastest growing economy in the Asia Pacific. Poverty declined from 48.9% in FY 2001 to 20.5% in FY2019 and extreme poverty declined from 31.3% to 10.5% during the same period. The inflation rate has come down further to 5.5%. Fiscal prudence has been sustained by keeping the budget deficit at around 5% of GDP. The country attained lower middle income status in 2015 and met all the criteria for the first time to graduate from the least developed country status in March 2018. Although the economic situation was normal in the first eight months of FY2020, it is expected to be affected by the COVID-19 pandemic.

of Bangladesh since March 2020. Economic growth slowed down to 5.24% in FY2020, which is the lowest since FY2009.

50	71	7	-35	39	2250	1553	988	747	685
55	81	68	-32	374	2371	1620	1098	1071	691
64	98	109	-39	390	3368	2298	1160	1092	717
62	160	95	-36	374	3516	2412	2127	2817	1031
60	104	68	-39	366	3101	2707	1441	1535	798
68	118	74	-36	350	4732	3018	1428	2158	772
65	131	64	-41	32	4701	3121	1537	2501	776
71	141	5	-39	31	4312	3125	1491	3016	781

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**2020 to bring all the idle and surplus money of state owned enterprises to the national treasury. Under this law ten SOEs have deposited a total of Tk 16016 crore to the national treasury in FY20**

**: To expand the domestic bond market, the government has recently introduced the Islamic Sukuk Bond. It has sold bonds worth BDT 4000 crore in December 2020 and plans to sell the bond for another 4000 crore BDT soon**

### **Reforms Planned**

**The government plans to implement the new customs law in FY22**

**The government has planned to draft a new Income Tax Act to make the tax code more pro people by overhauling and simplifying income taxes**

**: The government plans to automate the TIN registration process**

### **Leveraging the monetary policy to ensure liquidity in the economy in the wake of COVID 19**

**Bangladesh Bank's annual monetary Program made adequate room for money and credit growth for attaining the targeted nominal GDP growth. To ensure adequate liquidity in the financial system to tackle the impending financial crisis stemming from the COVID-19 pandemic, Bangladesh Bank reduced the repo rate from 6 percent to 5.75 percent effective from 24 March 2020. The repo rate was further reduced to 5.25 percent effective from 12 April 2020. The CRR was initially reduced from 5 percent to 4.5 percent (daily basis) and from 5.5 percent to 5 percent (bi-weekly basis), with a further reduction to 3.5 percent and 4 percent, respectively, from 15 April 2020. Bangladesh Bank has also raised the advance deposit ratio (ADR) and investment deposit ratio (IDR) by 2 percent to 87 percent and 92 percent respectively to facilitate credit to the private sector and improve liquidity in the banking system.**

### **Poverty Reduction**

**In the absence of the COVID-19 pandemic, the poverty reduction targets of the Government would have been substantially achieved. This is an important result and speaks to the robustness of the poverty strategy in a post-COVID-19 world. However, moving forward, the poverty reduction strategy may need to be modified to achieve the poverty reduction goals of the SDG 01 and the Perspective Plan 2041 in a post-COVID-19 environment.**

**The Government's poverty reduction strategy consisted of efforts to accelerate Q... mmen GM92, 1 rd4pe**

**declined from 25.1% to 10.5% in the same period an amazing success that has been widely acclaimed among development practitioners**











## **Diversification of Rural Economy**

**Considerable progress was also made in the diversification of the rural economy. The rural economy had been transforming from a predominantly agriculture based production structure towards more non farm based production activities**

**Bangladesh is on the trajectory of high growth and increased per capita income**

**Bangladesh's economy is now experiencing an era of high growth, low inflation, increased per capita**

**The performance of Bangladesh in the external sector is generally strong in terms of maintaining stability. The current account has been either in surplus or experienced low levels of deficits. The external debt**



**Our external debt servicing is only 10.19% of revenue showing great sustainability in debt servicing**

These indicators show the external debt sustainability of Bangladesh even over the longer term horizon. Recently, a Debt Sustainability Analysis (DSA) was done jointly by the World Bank/IMF. Despite the entire prevailing current adverse situation, Bangladesh has been assessed at low risk of external and overall debt distress. Even taking into consideration the impact of the COVID-19 pandemic shock in the assessment process, it is found that debt remains at low risk of debt distress. All external debt indicators are below their respective thresholds under the baseline and stress test scenarios in that DSA. This allows the government to accumulate further debt to finance the required public investment for implementing the 8<sup>th</sup> Five Year Plan without hampering the debt sustainability.

Indicators				
Financial Years 2015-16				

Increased exports, particularly in the ready-made garments (RMG) sector, has created enormous employment opportunities, which in turn contributed significantly to the overall socioeconomic development of the country. It may be mentioned that the RMG sector alone accounts for around 85% of the total exports of the country. Surrounding this sector, many backward and forward linkage industries, as well as services, have been developed in the country. Being a labor-intensive sector, it has generated employment opportunities for millions, most of whom are women. So, export has been playing a vital role not only in the socioeconomic development of the country but also in meeting the various graduation criteria and indicators.

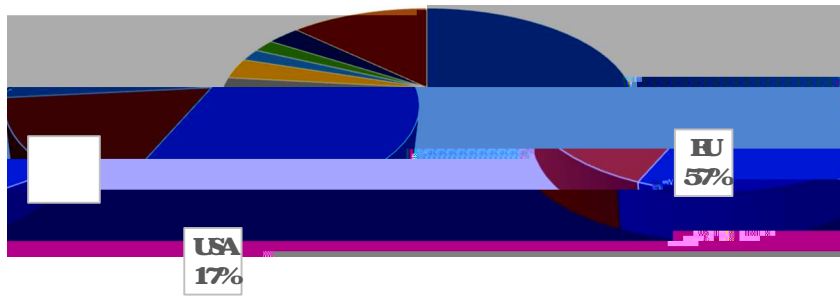
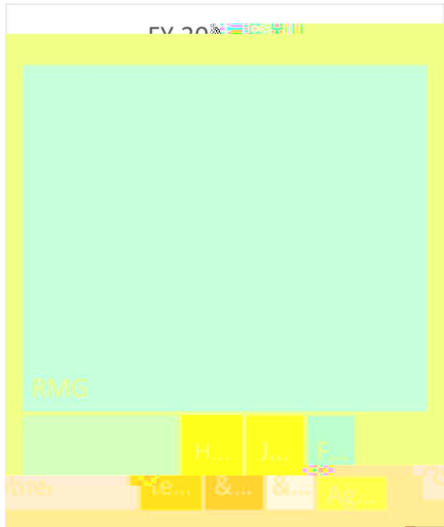
### **Export Performance**

Bangladesh has made remarkable achievements in export performance over the last few decades. While export earning was only US\$ 318 million in FY 1972/73, it reached US\$ 40.53 billion in FY 2018/19, meaning that export growth is more than 116 times over this period. The Vulnerability Profile has also highlighted the rapid export growth of Bangladesh and termed this growth as “skyrocketed”.

This remarkable progress has been possible partly due to various supports provided by the government and partly due to duty-free & quota-free (DFQF) market access provided by many trading partners around the world. Preferential Rules of Origin (RoO) associated with those schemes have also been very instrumental in making the best utilization of preferential market access.

### **Export concentration**

Though the export sector of Bangladesh has made remarkable progress in the last few decades, exports remained heavily concentrated in few products and limited markets. The vulnerability of export concentration is well recognized in the Bangladesh planning landscape. The 8FYP and other prospective plans have given due attention and many measures and policy options have been devised to diversify both products and markets. A blend of skills, finance, improved technology, entrepreneurship, and adequate quality infrastructure is key to the success of the export diversification program.



**Bangladesh exports are highly skewed to the EU market with a share of around 57% of its total exports. The graph suggests that Bangladesh exports are highly concentrated with developed economies, eg, with EU, North America and less penetrated in the neighboring developing nations like South Asian Countries.**

**Like all the countries around the world, the export sector of the Bangladesh economy has experienced a significant decline due to the COVID-19 pandemic. As may be seen from the export statistics presented below, Bangladesh's export maintained positive growth over the period 2015-16 to 2018-19. However, COVID-19 has severely affected the export of Bangladesh and resulted in a decline of 16.9% in FY 2019-20 compared to the same period of the previous financial year. Such a drastic decline in export was caused due to the closure of economic activities worldwide.**





### Container Movement in Chittagong Port (In TEU)

— Inputs — Exports

Container movement, gas consumption and manufacturing activities show upward trends indicating a slowly but surely turnaround towards normalcy.



According to Bloomberg's Resilience Ranking, Bangladesh is considered one of the most resilient countries on earth to live and COVID.





and destinations, and boosting overall private sector led growth. The five year Preparatory Period will be highly instrumental to the successful implementation of the 8<sup>th</sup> FYP and improve the readiness of the private sector. Besides, the extended preparatory period will reinforce the implementation of SDGs by 2030.

During the preparatory period, Bangladesh plans to adopt the whole of society approach in preparing the Smooth Transition Strategy engaging all stakeholders. Development Partners including UN System, Trading Partners, Private Sector, Think Tanks, NGOs and CSOs. Therefore, Bangladesh anticipates that COP would

recommend Bangladesh for graduation from the LDC category considering its socioeconomic performance, continued resilience, and comfortably meeting the COP's criteria; recommend two more additional years in addition to the three year Standard Preparatory Period which means Bangladesh's graduation shall become effective in 2036.

## **Climate financing**

Climate financing is the key to success in enhancing resilience to climate change. Climate finance includes climate specific support mechanisms, and financial aid for mitigation and adaptation activities to spur and enable the transition towards low carbon, climate resilient growth and development through capacity building, R&D and economic development. In Bangladesh, climate change related finance is mostly accessed by the following channels:

The Least Developed Countries Fund (LDCF) was established in 2001 to support the LDC work programme under the UN Framework Convention on Climate Change (UNFCCC), including the preparation and implementation of national adaptation programmes of actions (NAPAs). It is operated by the Global Environment Facility (GEF). The Ministry of Environment, Forest and Climate Change (MOEFCC) is the focal ministry of Bangladesh to UNFCCC. Bangladesh has so far received a total amount of USD 3441 million grant under 7 projects.

The Adaptation Fund was established under the Kyoto Protocol of the UNFCCC. Since 2010, it has committed US\$ 720 million to climate adaptation and resilience activities, including supporting 100

**The Green Climate Fund (GCF) is a fund within the framework of the UNFCCC founded as a mechanism**









**market and facilitate the availability of raw materials & finished products for the local market. The first**

- (i) For further extending the General Transition Period under Article 661 of the TRIPS Agreement of the WTO – the current transition period is going to expire on 01 July 2021. In this submission, the proposal has been made to extend the transition period for the graduating LDCs for 12 years after the graduation;
- (ii) For extending all the LDC-specific facilities & flexibilities for the graduating LDCs for 12 years after the graduation;
- (iii) For including graduating LDCs with GNP per capita below US\$ 1,000 (in 1990 constant dollar) in Annex VII (b) of the Subsidies and Countervailing Measures (SCM) Agreement of the WTO which will allow annexed countries to provide export subsidies, such as cash incentives even after the graduation.

It may be mentioned that the Permanent Mission of Bangladesh in Geneva has played a key role in developing the draft texts as the focal point for LDC Graduation within the LDC group. Bangladesh remains actively engaged with the LDC Group as well as with the WTO membership in pursuing the adoption of the above proposals.

#### **Participating in international events, such as the 12<sup>th</sup> WTO Ministerial Conference and UNCTAD 15**

Bangladesh always participates in the WTO Ministerial Conferences and UNCTAD Conferences with high-powered delegations, and pursue issues of interests to Bangladesh as well as to the LDC Group. It is expected that Bangladesh will participate in the upcoming 12<sup>th</sup> WTO Ministerial Conference scheduled to be held possibly in June 2021 in Kazakhstan and the UNCTAD 15 to be held in Bahabab in October 2021.

These two events are especially important for Bangladesh in the context of graduation from the LDC category. Among other issues, Bangladesh will strongly pursue the adoption of the submissions made by the LDC Group for the continuation of trade-related ISMs after graduation.

Bangladesh has already adopted the whole of the society approach for smooth and sustainable graduation. A National Task Force (NIF) has been established in 2018 to ensure effective coordination among the stakeholders. The Principal Coordinator (SDGs Affairs) chairs the NIF, while the secretaries of key Ministries/Divisions act as the member of this high-powered task force. Recently, the President of the Federation of Bangladesh Chamber of Commerce and Industries has been co-opted in NIF to ensure effective engagement of the private sector in sustainable graduation. A project titled \_\_\_\_\_ is being implemented by Economic Relations Division, Ministry of \_\_\_\_\_

<sup>2</sup> P/CW668

<sup>3</sup> % ÷ %H q2U` ( q2€÷ "€0 ò ] 6]

**Finance to support the whole process of graduation Bangladesh would start early preparing the smooth transition strategy in close consultations with all stakeholders including UN System and development**

