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Abbreviations

ASEAN	Association of Southeast Asian Nations
ADB	Asian Development Bank
APTA	Asia-Paci c Trade Agreement
BBS	Bangladesh Bureau of Statistics
BIDS	Bangladesh Institute of Development Studies
CCRIP	Coastal Climate-Resilient Infrastructure Project
CDP	Committee for Development Policy
DFQF	duty-free quota-free
DTIS	Diagnostic Trade Integration Study
EBA	Everything But Arms
ESG	environmental, social and governance
EVI	Economic Vulnerability Index
FDI	foreign direct investment
FSSAP	Female Secondary School Assistance Programme
FY	scal year
GCC	Gulf Cooperation Council
GDP	gross domestic product
GHI	global hunger index
GNI	gross national income
GVC	global value chain
HAI	Human Assets Index
ICT	information and communications technologies
IFRC	International Federation of Red Cross and Red Crescent Societies
ILO	International Labour Organization
IMF	International Monetary Fund
IPoA	Istanbul Programme of Action
ISM	international support measure
LDC	least developed country
LMIC	low- and middle-income country
MFN	most favoured nation
MMR	maternal mortality ratio
NAPA	National Adaption Programme of Action
NGO	non-governmental organization
ODA	of cial development assistance
ODC	other developing country
PCI	Productive Capacity Index

Figures

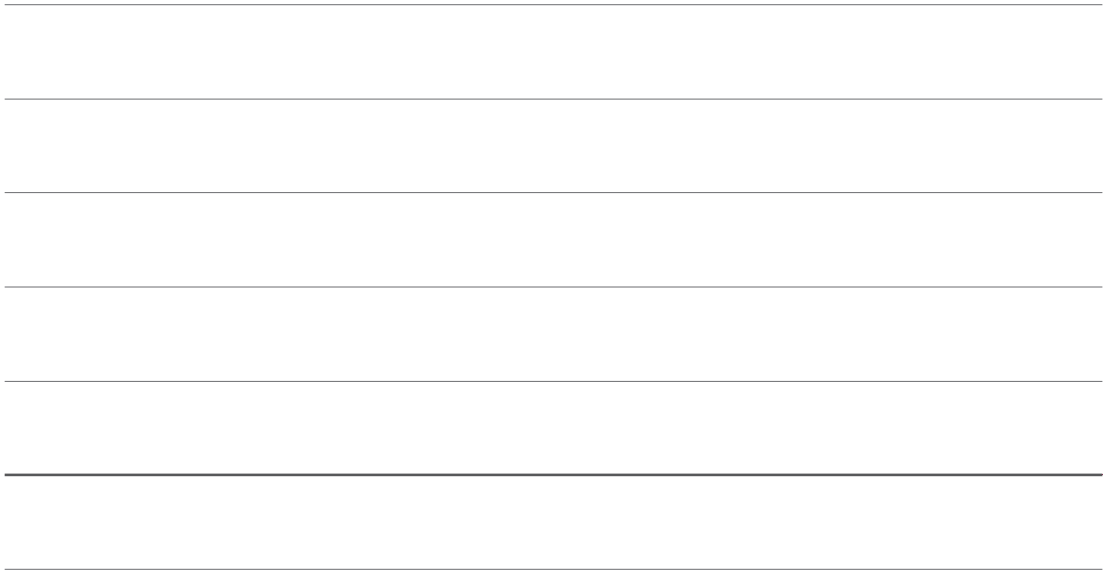
Executive summary

The present study documents how Bangladesh is approaching the 2021 triennial review after a period of sustained economic growth, underpinned by robust progress in terms of productive capacity development, as measured through the UNCTAD multidimensional Productive Capacities Index (PCI). Economic growth during the last couple of decades has been pulled by the expansion of manufacturing and services, both in terms of composition of output and of labour share, while on the demand side consumption and gross capital formation have been the main drivers of growth. The process of capital deepening has been accompanied by rapid sectoral labour reallocation, away from agriculture and into manufacturing and services, as well as a signi cant rise in agricultural productivity, resulting in so-called “growth enhancing structural change”. Bangladesh has also witnessed a signi cant boom in its international trade, with merchandise exports growing fourfold between 2005 and 2019, and imports growing at a slightly greater pace; accordingly, the country has consistently maintained a net trade de cit with respect to both goods and services. Although the outbreak of COVID-19 has triggered multiple shocks hitting both aggregate demand and aggregate supply, existing forecasts suggest that Bangladesh may weather the downturn much better than neighbouring countries, maintaining a positive GDP growth (of between 1.6 and 5 per cent, depending on the source). Several factors can explain this performance, including most importantly: the resilience of the agricultural sector; the adaptability of businesses (e.g. textiles and clothing rms repurposing their factories to produce personal protective equipment); the increase in remittances and some support by multilateral donors; and the coordinated stimulus package enacted by the Government, notwithstanding limited scal space. In spite of this, heightened uncertainty looms large on the future outlook, and the COVID-19 shock may exert long-lasting effects in terms of poverty and employment destruction.

Against this background, the vulnerability pro le nds that Bangladesh is expected to meet all the established LDC graduation criteria for the second time at the 2021 triennial review by the Committee for Development Policy. Of particular interest is the progress recorded by the country in terms of not only GNI per capita – itself

Figure 2

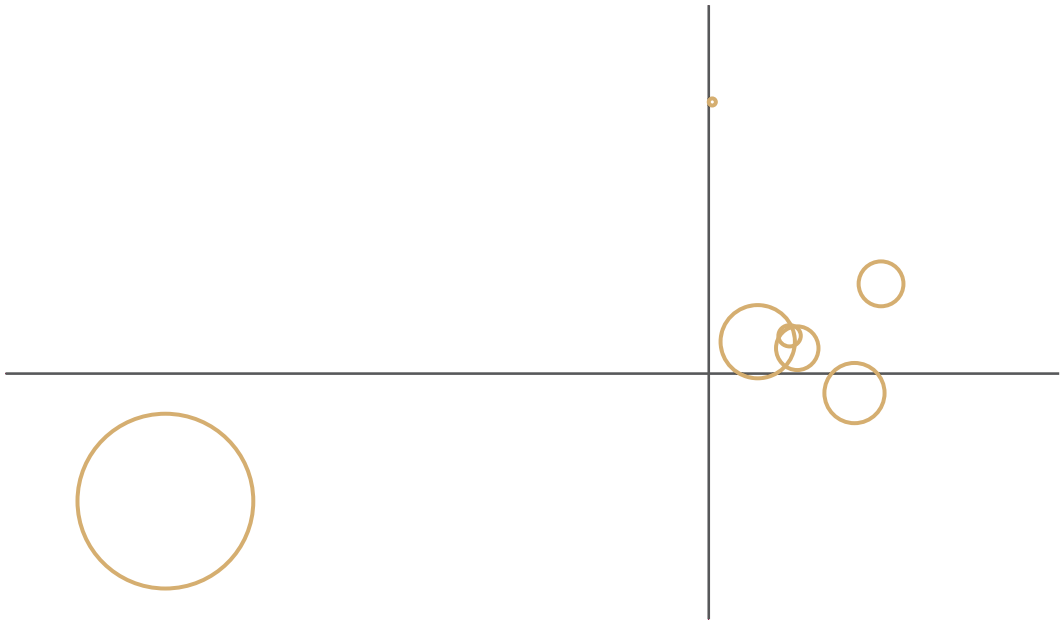
Real GDP growth in Bangladesh, LDCs and South Asia
(1980–2019)



Source: UNCTAD secretariat calculations, based on data from UNCTADstat database.

Figure 7

Dynamics of sectoral employment share and labour productivity (1991–2018)



Source: UNCTAD secretariat calculations, based on data from World Development Indicator database and United Nations Statistics Division.
Note: The size of the bubble is proportional to each sector's employment share in 1991.

Figure 8

Sectoral employment share and labour productivity (2018)

Source: UNCTAD secretariat calculations, based on data from World Development Indicator database and United Nations Statistics Divison.

2.2 International trade and regional integration

The above discussion has documented the successes of Bangladesh in igniting a process of economic growth and structural transformation, harnessing the combined effects of capital deepening and cross-sectoral labour reallocation. With an eye on the process of graduation from the LDC category and its ensuing consequences for the prevailing trading regime, it is useful to examine in more depth the role international trade played in Bangladesh's trajectory.

Recent decades have witnessed a signi cant increase in the participation of Bangladesh in international trade (gure 9). The trade-to-GDP ratio augmented from an average of nearly 25 per cent in the 1990s to over 40 per cent in the 2010–2019 period. Merchandise exports rose from $6.3 billion in 2000 to $39.3 billion in 2019, while services exports rose from $1.5 billion in 2005 to $6.1 billion

Figure 10

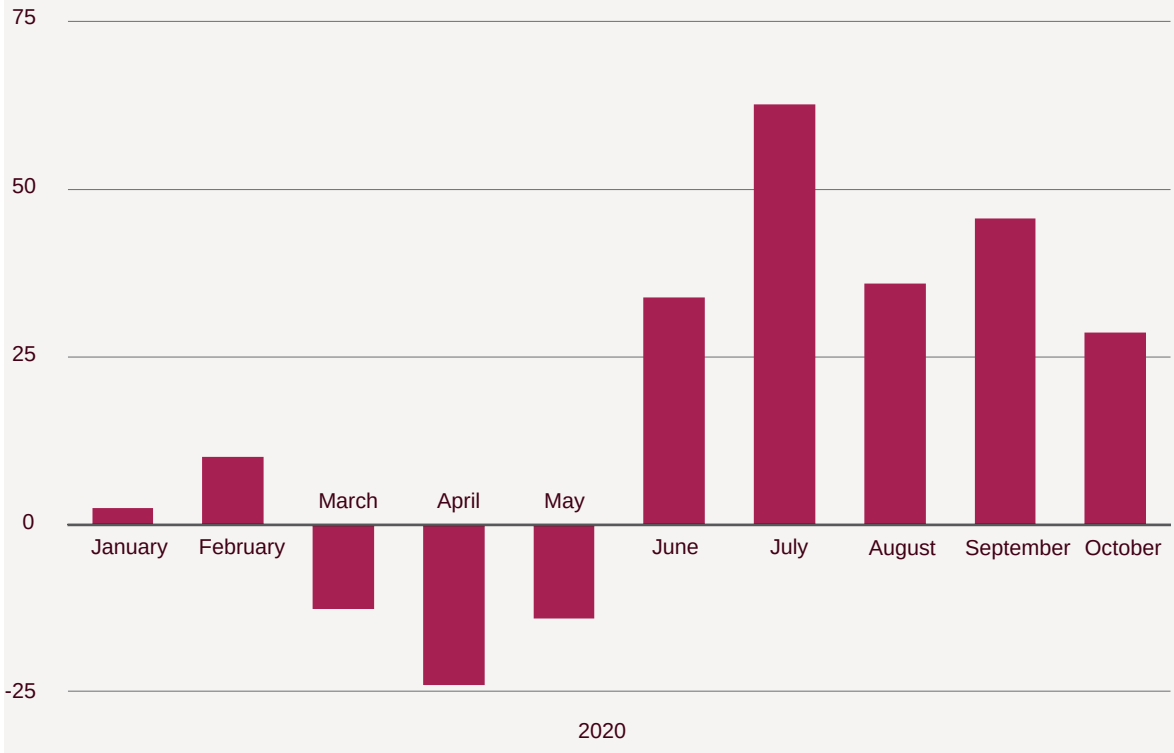
Merchandise exports and imports by main product group

Source:

Box 2 Bangladesh: Short-term impact of the pandemic on remittances in ows

Figure 13

Year-on-year percentage change in remittances in ows



Source: UNCTAD secretariat calculations, based on data from the Bangladesh Bank.

Figure 14

Structure of the criteria for identi cation and graduation of the least developed country after the comprehensive review

Source: CDP (2020: 2).

of less than $320. Trade liberalization policies in 1990 opened up some opportunities for economic expansion and fostered overall development (Raihan, 2008; Williamson, 1999). Yet it was after 2002 in particular that GNI per capita recorded a sharp acceleration, when sustained growth enabled the country to rise from a GNI per capita of $440 in 2004 to $1,940 in 2019 (gure 16).[11]

Beyond national averages, income distribution has become a source of concern in both developed and developing countries. In Bangladesh, long-term trends show a worsening of inequality, with the Gini index increasing from 25.9 in 1983 to 32.4 in 2016; yet the situation appears to have levelled off and the Gini index remains relatively low by international standards, even within the region of South Asia. The Gini coef cient has slightly fallen from its peak in the early 2000s (gure 17).[12] This demonstrates that the growth pattern in more recent years has become somewhat more inclusive, with rural development and employment creation in services and manufacturing generating some “trickle down”.

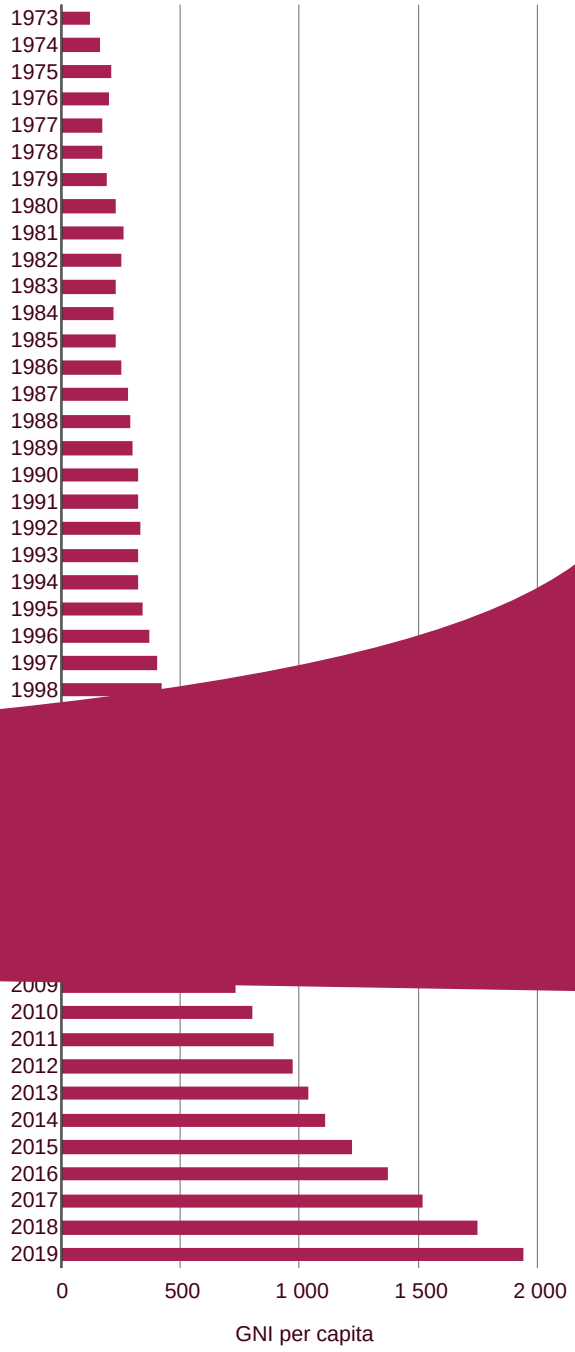
Nevertheless, the analysis of the whole national income distribution reveals an increasing concentration of income towards the wealthiest, with over 40 per cent

11 Bangladesh crossed the World Bank threshold for lower middle-income country status in July 2015.

12 It is worth noting that the overall inequality scenario might be worse than as depicted in the gures due to the well-known risk of underreporting among wealthier segments of the population.

Figure 16

Gross National Income per capita
(Atlas method, current dollars)



Source: UNCTAD secretariat calculations, based on data from World Development Indicator database.

Figu

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Sour

ure 18

ds in income distribution

Panel A.
Percentage distribution
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to household in
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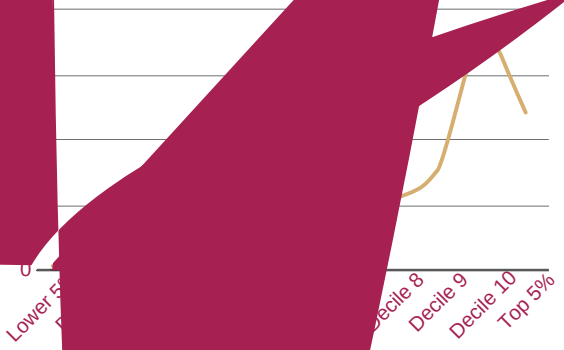
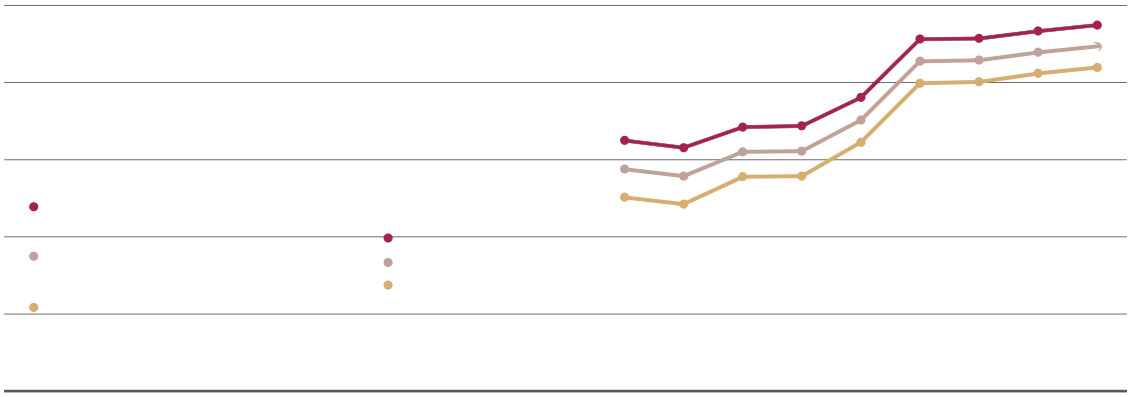


Source: UNCTA cretariat calculations, based on data from BBS (2011, 2017) and CPD (2018).

Figure 27
Adult Literacy Rate
(Percentage)



Source: UNCTAD secretariat calculations, based on data from UIS (2020).

3.3 Economic and environmental vulnerability criterion

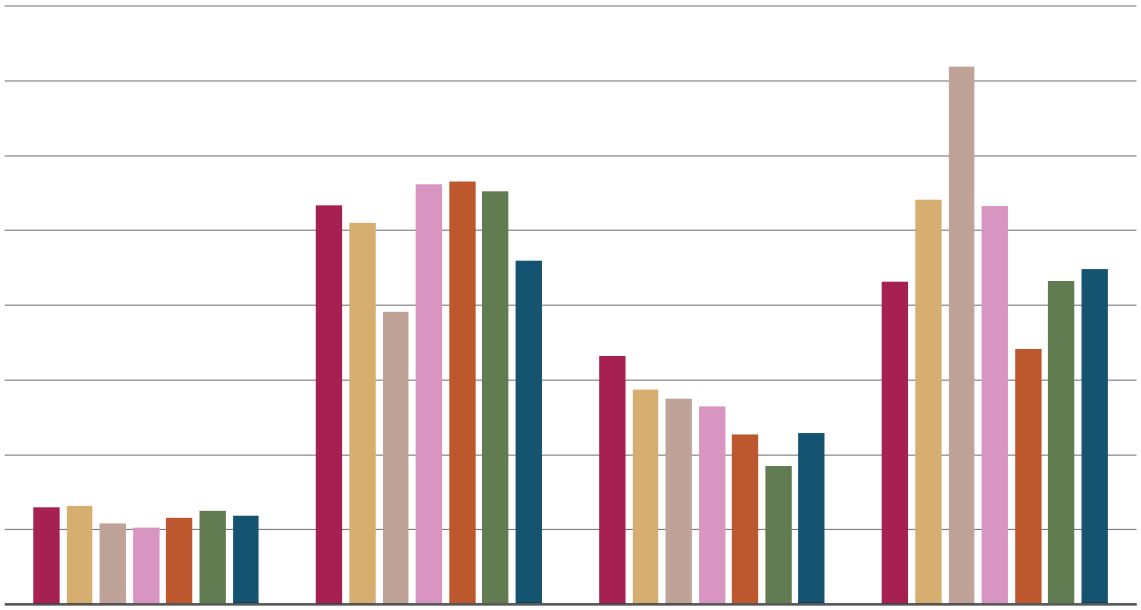
Following the adoption of the outcome of the comprehensive review of the LDC criteria by the Committee for Development Policy, the structure of EVI was also modi ed compared with earlier vintages of the index (CDP, 2020). With this revision, EVI has been simpli ed and now consists of two subindices, one on economic vulnerability and one on environmental vulnerability, each with four indicators with an equal weight of 1/8. The indicator on population size was removed from EVI. The economic vulnerability indicator "remoteness" was renamed "remoteness and landlockedness" to better re ect the fact that the indicator accounts for the speci c challenges of LLDCs. The environmental vulnerability indicator "victims of natural disasters" was renamed "victims of disasters" to better align it with common United Nations terminology and to highlight that disasters are not natural per se, but rather stem from exposure to natural hazards, conditions of vulnerability that are present and insuf cient capacity to cope with potential negative consequences. The indicator "share of population living in drylands" was added to EVI.

Figure 30 shows that Bangladesh has consistently met the graduation threshold under the economic and environmental vulnerability criterion, except for at the 2012 review, when it narrowly failed to meet the threshold.[24] The performance of Bangladesh under the graduation threshold relevant to the economic and environmental vulnerability criterion demonstrated sustained improvements (re ecting a reduction in economic and environmental vulnerabilities as measured by the index) between the 2012 and 2015 triennial reviews, with the EVI score reaching a plateau thereafter. The EVI score of Bangladesh in 2018 was 25.2, which was 127 per cent relative to the graduation threshold. The provisional value relevant to this criterion (dotted purple line) at the 2021 triennial review is estimated to meet the graduation threshold at 117 per cent.

The remainder of this section discusses the key dimensions composing EVI. For the sake of conceptual clarity and in line with the new EVI structure (CDP, 2020), the indicators pertaining to

24 For the sake of consistency with earlier gures, downward movements in gure 30 (such as that occurring in the year 2012) illustrate a deterioration in the EVI score (i.e. increasing economic and environmental vulnerability), while upward movements indicate reductions in vulnerabilities (i.e. improvement in the EVI score). This inversion serves to harmonize the interpretation of this gure with that of gure 15 and gure 21, although improvements should in p8 (>>BDC -0)18 (e 30 (su0/HDAG_Lay r)18 (e 15 a

Figure 32
Export instability index



Source: UNCTAD secretariat calculations, based on data from LDC Triennial Review Data (2019).

4.1 Mitigating the reliance on least developed country-speci c international support measures

Supporting LDCs in their quest for sustainable development is the raison d'être of ISMs, as countries in the LDC category are internationally regarded as structurally vulnerable and therefore deserving of dedicated forms of assistance (CDP and DESA, 2018; UNCTAD, 2016a). Symmetrically, the fact that a country strategically utilizes existing ISMs signals strong political will and suf cient institutional capacities to harness existing forms of support (UNCTAD, 2016b). As a country's

4.2 Harnessing the nexus between trade and structural transformation

International trade has played an important role in supporting some process of structural change in Bangladesh, with positive impacts on employment generation outside agriculture, as well as on poverty reduction (ESCAP, 2020; Kathuria and Malouche, 2016a). The surge of labour-intensive manufacturing, in particular of ready-made garments, has been pivotal to this trajectory, with the industry reaching a contribution to GDP of over 10 per cent and three quarters of its output exported abroad (BGMEA Trade Information, 2019; López Acevedo and Robertson, 2016).

These developments have been accompanied by an export boom, as Bangladesh recorded rapid economic growth and more than doubled its export revenues between 2010 and 2019. At least until the start of the pandemic, this had allowed the country to boost its share in global exports from 0.12 per cent in 2008–2010 to 0.20 per cent in 2017–2019; a respectable performance although short of the Istanbul Programme of Action (IPoA) target of doubling this quota.[40] Through deliberate policy incentives, and partly also thanks to international support measures (ISMs) such as preferential market access, Bangladesh has become one of the world's most competitive producers for garment products, mainly due to its cost competitiveness.

Furthermore, the country has successfully diversi ed its destination markets, exporting to 109 partners, the highest number among LDCs (OECD and WTO, 2019). This geographic diversi cation has contributed to reducing the instability of export revenues, along with the fact that Bangladesh specializes in manufacture exports, which are less prone than primary commodities to terms of trade shocks.

40 The evolution of the market share of Bangladesh of world manufacturing exports was even more encouraging, as it grew from 0.16 per cent in 2008–2010 to 0.28 per cent in 2017–2019.

Figure 38

Bangladesh product space (2018)

Source: Atlas of Economic Complexity (https://atlas.cid.harvard.edu/).

Notes: Each node corresponds to a product (at HS 4 level) and its size is proportional to world's trade; grey nodes correspond to products that ar exported by Bangladesh; other nodes are colour-coded according to the sector: green for textiles; yellow for agriculture, beige for stone; brow minerals; red for metals; purple for chemicals; violet for vehicles; blue for machinery; and light blue for electronics.

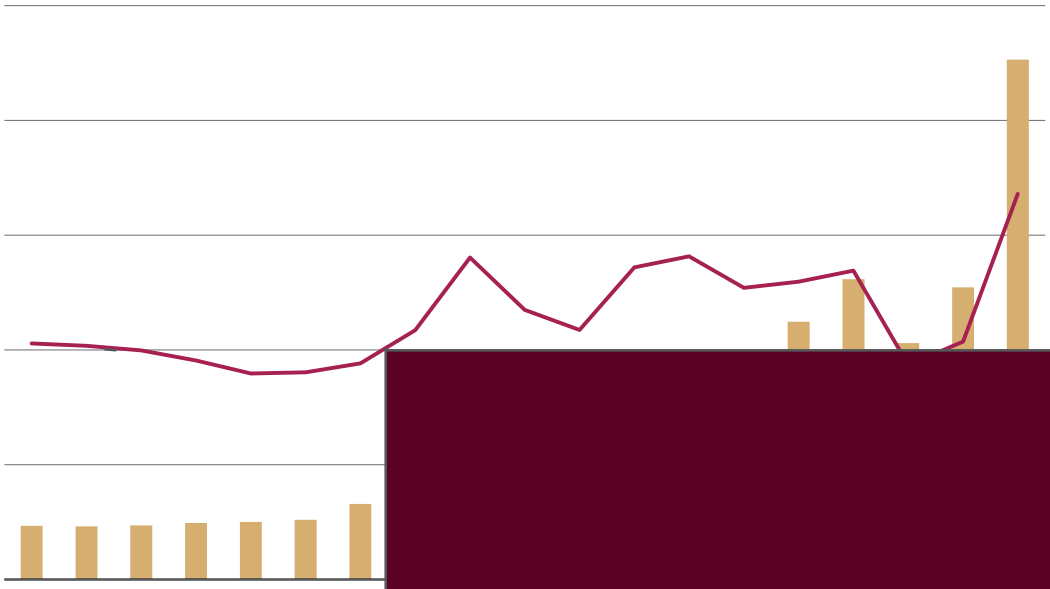
Figure 39
Distance and product complexity for Bangladesh exports and feasible products (2018)

Source: UNCTAD Secretariat calculations based on data from the Atlas of Economic Complexity.
Notes: Each point corresponds to a product (at HS 4 level), with triangles indicating products currently exported by Bangladesh, and circles corresp to other feasible products; colour-codes follow the same pattern as in Figure 38.71>9.706 2.7igu4.99 69 382.7 099>9.706 2.7igu4.99 69 3

4.3 Seeking sustainable development nance

The growth performance of Bangladesh in the last 10–15 years has been characterized by a considerable investment push, with the investment-to-GDP ratio consistently exceeding 25 per cent of GDP since 2006 and reaching 31 per cent prior

Figure 40
Bangladesh resource gap
(2000-2018)



Source: UNCTAD secretariat calculations, base

4.4 Addressing heightened environmental vulnerability

The environmental vulnerabilities underscored in the analysis of EVI are unrelated to the LDC graduation process, yet will shape its outcome and the country's development trajectory in a profound and wide-ranging manner. Therefore, it is of paramount importance that they be accounted for in all related policymaking processes and in preparing for a smooth transition strategy.

If there are some uncertainties as to the fate of the Paris Agreement, it is equally worrying that estimates of the global emissions under the current nationally stated mitigation ambitions suggest that the latter may be insuf cient to limit global warming to 1.5°C above pre-industrial levels (IPCC, 2018). Under these circumstances, rising temperatures can be expected to increase the frequency of extreme weather events and lead to a progressive rise in sea levels, which in turn could have a dramatic impact on communities living in low-lying coastlands (UNCTAD, 2010).

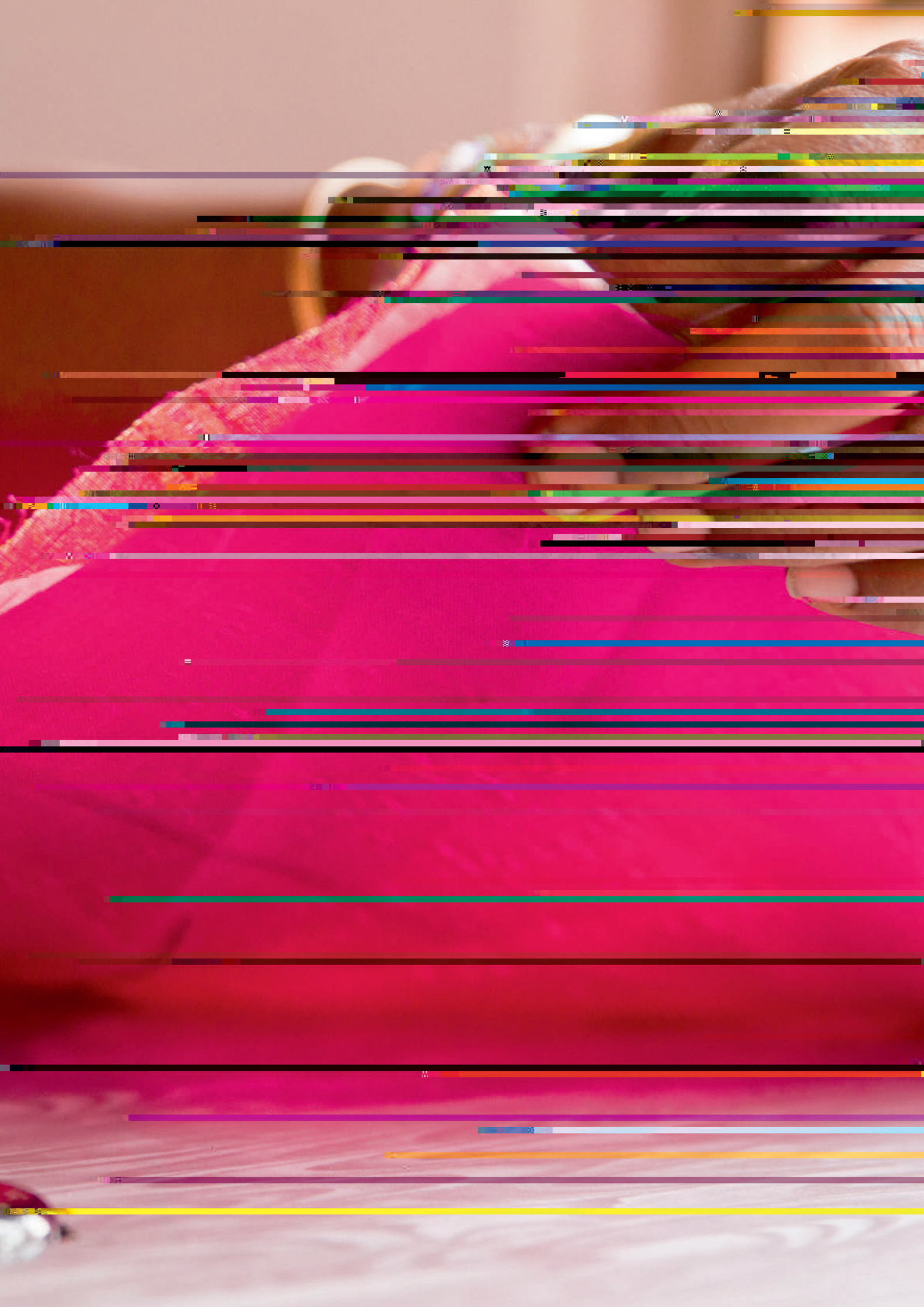
This scenario threatens to jeopardize the signi cant progress made by Bangladesh, which, as recognized by NAPA, "is one of the most climate vulnerable countries in the world" (MOEF, 2009:xv). Climate change and the attendant increase in the frequency and intensity of natural disasters will potentially have adverse effects in a number of dimensions, from agricultural yields to sustainable urbanization and from energy access to transport and logistics provision (MOEF, 2009). Moreover, this scenario risks exacerbating entrenched inequalities, resulting in what has been dubbed "climate apartheid", whereby the most vulnerable also tend to be the hardest hit by climate change and environmental degradation (IPCC, 2018; United Nations, 2020c).

Against this background, the fundamental importance of cutting carbon dioxide emissions and investing in climate change adaptation (in particular, climate-resilient infrastructure) cannot be overemphasized. Equally, there is an emerging recognition that climate change considerations should be duly re ected in the operations of central banks and more broadly of entire nancial systems, given the nature and magnitude of associated risks (Campiglio et al., 2018; Espagne et al., 2020; Grippa et al., 2019). All of the above will require some readjustment of the macroeconomic framework. Moreover, the size of associated investment needs is daunting and climate change adaptation had remained signi cantly under nanced even before the pandemic (UNCTAD, 2019a).

These considerations apply globally but are all the more important in Bangladesh. The particular vulnerability of the country in this respect is seen in gure 43, which juxtaposes IMF estimates of public investment needs in climate change adaptation with aid ows in 2018 for this purpose. Considering its position in the gure, Bangladesh stands out due to both its signi cant investment needs and the funding gap, notwithstanding the fact that the country is among the world's largest recipients of aid for climate change adaptation.

Analysing the impact of multifaceted environmental vulnerabilities on the sustainable development prospects in Bangladesh and the potential coping strategies that could be put in place is a challenging task that goes beyond the purpose of this report. The following is a non-exhaustive set of policy priorities that may be considered:

- Bolstering the mobilization of climate nance and of environmentally conscious investors to nance a climate-resilient recovery.
- Prioritizing investment in climate-resilient infrastructure and low-carbon technologies (including in relation to the energy mix and sustainable urbanization).
- Proactively fostering access to digital and green technology by making use of existing policy space in this respect.
- Exploring the feasibility of extending social protection and/or insurance schemes to protect the most vulnerable groups from the adverse effects of climate change on their livelihoods.
- Monitoring the potential implications of climate change risks for the nancial sector and building related expertisimaJ EMn /HDAuG_Lay <ntial imture



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Annex

Key strategic considerations for graduation with momentum by Bangladesh

Complementing the vulnerability pro le, this annex outlines key strategic considerations for graduation with momentum by Bangladesh, for an “augmented LDC graduation strategy” (Bhattacharya, 2020). This is in line with the mandate enshrined in General Assembly resolutions 59/209 and 67/221, which “requests the entities of the United Nations system to provide targeted assistance, including capacity-building, to graduating countries… in support of the formulation and implementation of the national transition strategy” (A/RES/67/221, paragraph 13). The overarching objectives underpinning this plan would be to effectively use the time window until graduation (plus any relevant transition period) to ensure that:

(a) Appropriate measures are taken, domestically and/or through adequate engagement with development partners, to mitigate the impact of the phasing out of LDC-speci c ISMs;

(b) Thorough preparations are made to gradually build the competitiveness of productive sectors for the post-graduation scenario and this milestone is mainstreamed into national development strategies articulated in the upcoming ve-year plan and Perspective Plan 2021–2041;

(c) Renewed support and resources are mobilized and action taken in order to address the lingering sources of vulnerability that could jeopardize the sustainable development progress of Bangladesh, towards graduation and beyond.

In relation to the rst objective, a number of documents have already provided a mapping of the likely impacts of the phasing out of LDC-speci c ISMs, notably in the domain of trade, which would arguably be the most affected area (CDP and DESA, 2019; UNCTAD, 2016a; WTO and EIF, 2020a). Useful insights on the consequences of graduation from the LDC category, as well as on broader elements of the industrial policy framework, could also be drawn from ad hoc consultations with business associations, trade unions and private sector actors (including lead rms in key GVCs). This could provide a basis for engaging development partners early-on concerning how to mitigate the impact of the phasing out of LDC-speci c ISMs. For example, given its importance as a destination market for Bangladesh, it would be vital to use this information to engage the European Union in order to assess prospects for GSP and GSP+ preferential treatment (considering that GSP schemes will be revised in 2023) and explore the possibility of obtaining some exibilities in relation to rules of origin. Similarly, it might be worth clarifying with trade partners that do not have a well-established transition period between graduation and the loss of preferential market access the terms and conditions of this switch of regime.

With reference to the second objective (namely, preparing for post-LDC status, consistently with national development strategies), the vulnerability pro le and DTIS, among others, have underscored the importance of pursuing diversi cation and strengthening domestic backward and forward linkages to overcome the heightened dependency on a narrow range of exports. In this context, it is of paramount importance that Bangladesh make the most of the remaining time until graduation from the LDC category, strategically utilizing dedicated support, available technical assus,hyyninge the sustainable develo/N 35 >>BDC 0.007 Tw T* [uy2037c ISMs. For examp

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