

*Chapter I*  
**Background and Context**



## Bangladesh graduates from the group of Least Developed Countries (LDCs)

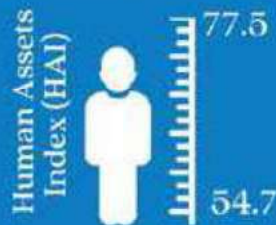


**2<sup>nd</sup>** largest apparel exporter in the world

**27<sup>th</sup>** largest economy in the world (in terms of PPP)

**22%** manufacturing (higher than the world average)  
-GDP ratio

### Bangladesh's fulfilling to LDC graduation criteria (2012 vs 2024)



Aligning with the long-term development goals



Sustaining continued and robust political commitment



## 1.1 An overview of the remarkable socio-economic progress of Bangladesh leading to graduation from the group of least developed countries (LDCs)

Bangladesh is set to leave the group of least developed countries (LDCs) on 24 November 2026, marking a significant milestone in its pursuit of economic development. Sustained economic growth over the past three decades has transformed Bangladesh into a sizeable economy, with a per capita gross national income of approximately \$2,700 (Figure 1.1 & Table 1.1).<sup>2</sup> This growth has also led to a significant reduction in poverty incidence. While in the early 1990s, over half of Bangladeshi households lived below the national poverty line, the corresponding proportion of the population had dropped to just 18.7 per cent by 2022 as per the estimates provided by the Bangladesh Bureau of Statistics (BBS) (Figure 1.2). Furthermore, compared to many other countries at a similar stage of development, Bangladesh is found to have made faster progress in various social and human development indicators, including health, demographics, and gender equality (Asadullah et al., 2014). For the period 1990-2021, Bangladesh was recognised as one of the countries with the fastest Human Development Index (HDI) progress in the world, with life expectancy at birth rising to 72 years from 56, expected years of schooling more than doubling from 5.8 to 12.4 years, and maternal mortality falling by 70 per cent, from 595 to 173 per 100,000 live births.<sup>3</sup>

**Table 1.1: A snapshot of major socio-economic indicators of Bangladesh**

Indicators	1990-91	1999-00	2015-16	2022-23
GDP (Current US\$ billions)	31.6	53.4	265.2	453.9
Annual GDP growth (%)	5.6	5.3	7.1	6.03
Per capita GDP (Current US\$)	294.9	413.1	1660.0	2657.5
GDP per capita, PPP (Current International US\$)	979.9	1574.3	4558.6	..
Merchandise exports (current US\$ million)	1671.0	6,389.0	34,894.0	55,558.8
Merchandise imports (current US\$ million)	3618.0	8883.0	44,772.0	68,600.8
Merchandise exports (% of GDP)	5.3	12.0	13.2	12.2
Merchandise imports (% of GDP)	11.4	16.6	16.9	15.1
Services exports (BOP, Current US\$ million)	391.6	815.8	3540.6	..

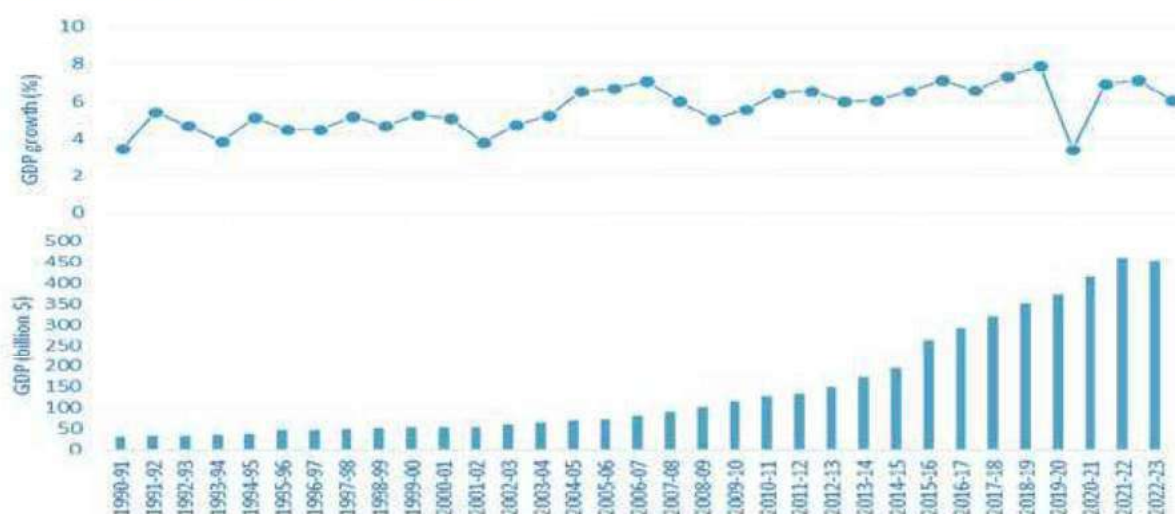
<sup>2</sup> Official estimates show the overall size of Bangladesh's GDP is about \$450 billion at the end of 2023-24. As of 2022, Bangladesh ranked as the 27th largest economy globally in terms of purchasing power parity (The World Factbook, 2024). The information on the size of the GDP amongst global economies is from the International Monetary Fund (IMF) as available at <https://www.imf.org/external/datamapper/PPPSH@WEO/CHN/USA/JPN>. It is worth noting that concerns have been raised about the GDP growth figures being overestimated in recent years (e.g., White Paper Committee, 2024), although official revised estimates are not yet available. Nevertheless, there appears to be a general consensus that, despite potential overestimation, the economy has likely grown at a modest pace. The GDP per capita as provisionally estimated by the Bangladesh Bureau of Statistics (BBS) at the end of 2022-23 was US\$2,657. This can be found at: [https://bbs.portal.gov.bd/sites/default/files/files/bbs.portal.gov.bd/page/057b0f3b\\_a9e8\\_4fde\\_b3a6\\_6daec3853586/2023-05-16-10-44-dbee2f57222c72fc4695eeec11f317b0.pdf](https://bbs.portal.gov.bd/sites/default/files/files/bbs.portal.gov.bd/page/057b0f3b_a9e8_4fde_b3a6_6daec3853586/2023-05-16-10-44-dbee2f57222c72fc4695eeec11f317b0.pdf)

<sup>3</sup> Between 1990 and 2022, the overall HDI score of Bangladesh improved from 0.397 to 0.661. It is found that only China had greater corresponding improvements in the Asia-Pacific region over the same period. See Liller, S. (2023). "New directions for human development in Bangladesh", The Daily Star, December 15, 2023.

Services exports (% of GDP)	1.2	1.5	1.3	..
Total trade (% of GDP)	19.0	29.3	31.3	31.2
Remittance (% of GDP)	2.5	3.7	5.1	4.8
Foreign Reserve (including gold, million US\$)	659.6	1515.8	32,283.8	24,753.9
Exchange rate (BDT per USD, period average)	34.6	52.1	78.5	99.5
External debt stock (% of GNI)	38.1	28.3	15.0	21.3
FDI net inflows (% of GDP)	0.0	0.5	0.9	0.7
Net ODA received (% of GNI)	5.5	1.8	0.9	..
Inflation CPI (Annual %)	6.1	2.2	5.5	9.0
Population (million)	107.1	129.2	159.8	170.8
Poverty headcount ratio at \$2.15 a day (% of population)	..	33.3	13.5	..
Poverty headcount at national poverty line (% of population)	56.6	48.9	24.3	..
Average life expectancy at birth (total years)	56.0	65.8	71.1	72.4
Gross secondary school enrolment (%)	20.5	48.7	66.9	76.1
Access to electricity (% of population)	..	32.0	75.9	99.2
Mobile cellular subscription (per 100 people)	0.0	0.2	85.1	..
Individuals using the Internet (% of population)	0.0	0.1	18.1	36.3

Source: Bangladesh Bureau of Statistics, BANBEIS, Economic Relations Division, Export Promotion Bureau, Ministry of Finance, and World Development Indicators.

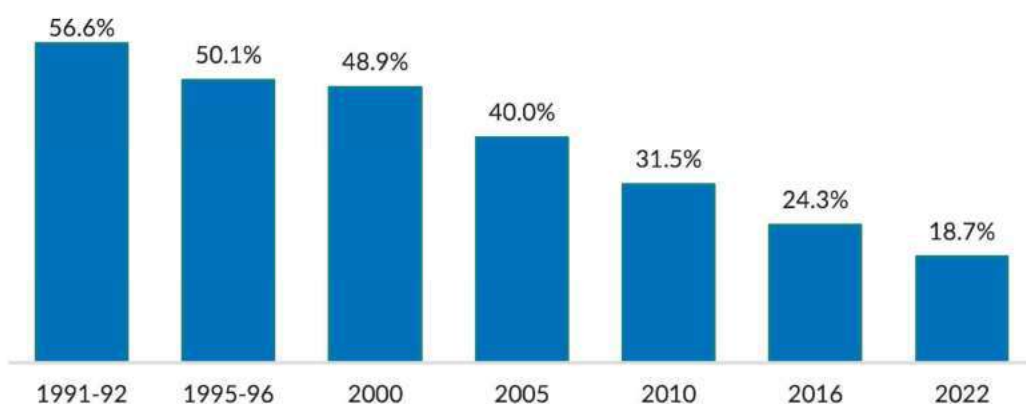
**Figure 1.1: Bangladesh's GDP and its growth**



Source: Data are from the Bangladesh Bureau of Statistics (BBS).

Note: GDP growth rates are measured in constant prices in taka. Because of a significant depreciation of BDT in 2022-23, when the GDP is measured in US dollars, it does not show any growth for that year. There are concerns regarding overestimation of GDP growth during the recent past political regime (e.g., White Paper Committee, 2024), though official revisions to these estimates are unavailable.

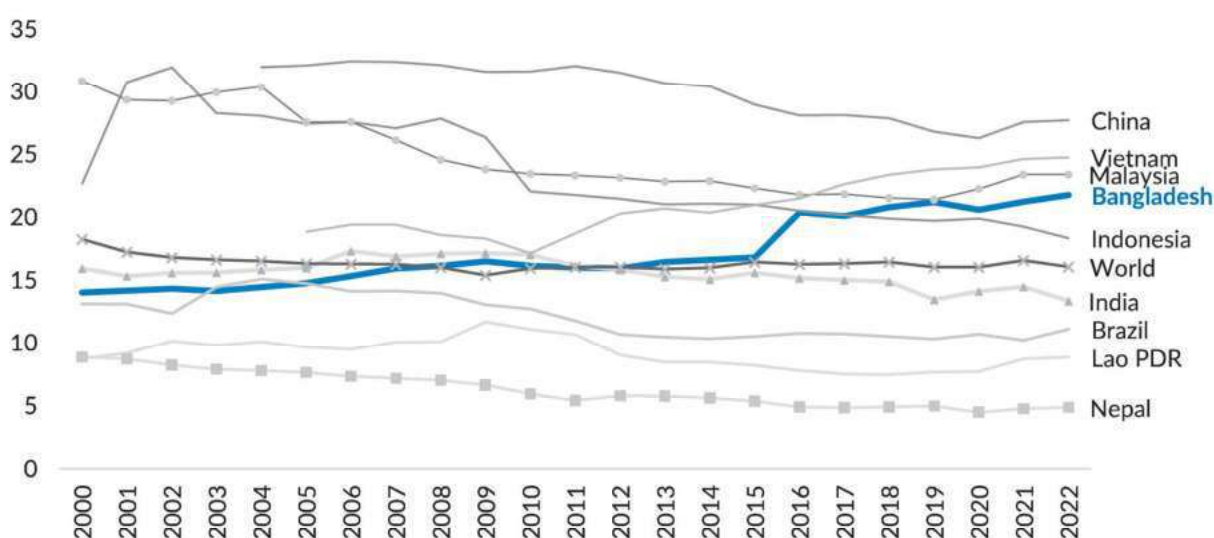
**Figure 1.2: Poverty headcount ratio (% of population)**



Source: Household Income and Expenditure Survey (HIES) data, Bangladesh Bureau of Statistics (BBS).

Along with socio-economic development, the sectoral composition of outputs has also changed, in which the share of agriculture in GDP declined, from nearly 60 per cent in the early 1970s to just 11 per cent in 2022-23, while shares of the industrial and services sectors increased over time. The manufacturing value-added rose to about 22 per cent of GDP in 2022, higher than that of LDC and world averages (15 per cent and 16 per cent, respectively) (Figure 1.3).

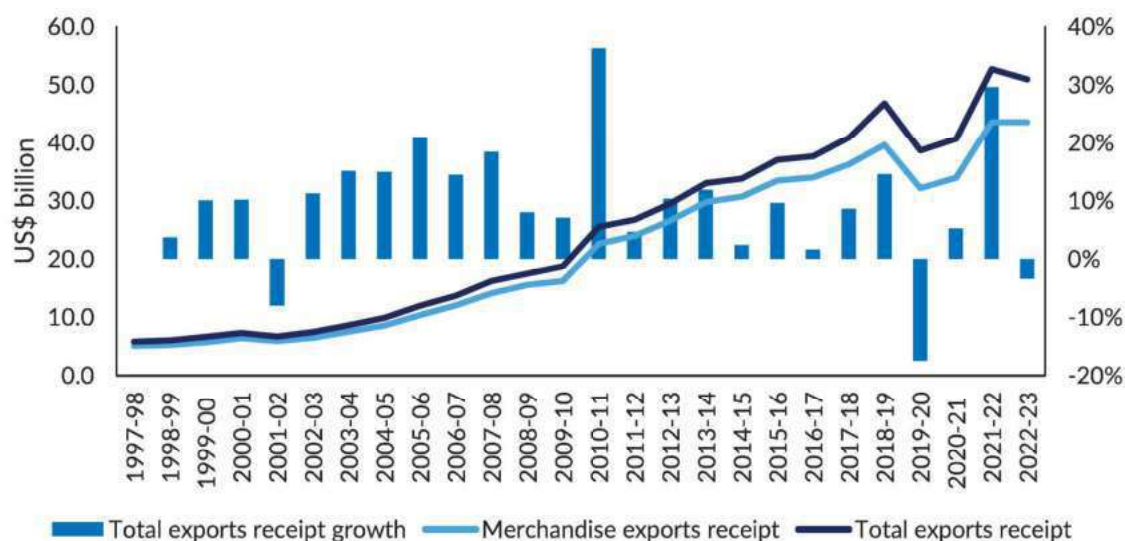
**Figure 1.3: Manufacturing value-added as % of GDP**



Source: Data are from the World Development Indicators (WDI), World Bank.

The impressive socio-economic progress and the development of the manufacturing sector have been hugely aided by the performance of its export sector as merchandise exports, almost singlehandedly driven by the readymade garment (RMG) or apparel industry, expanded from less than \$2 billion in 1990 to above \$43.5 billion in 2022-23 (Figure 1.4). This was a remarkable transformation in which manufacturing exports rose to dominate the export basket, reducing the dependence on primary products.

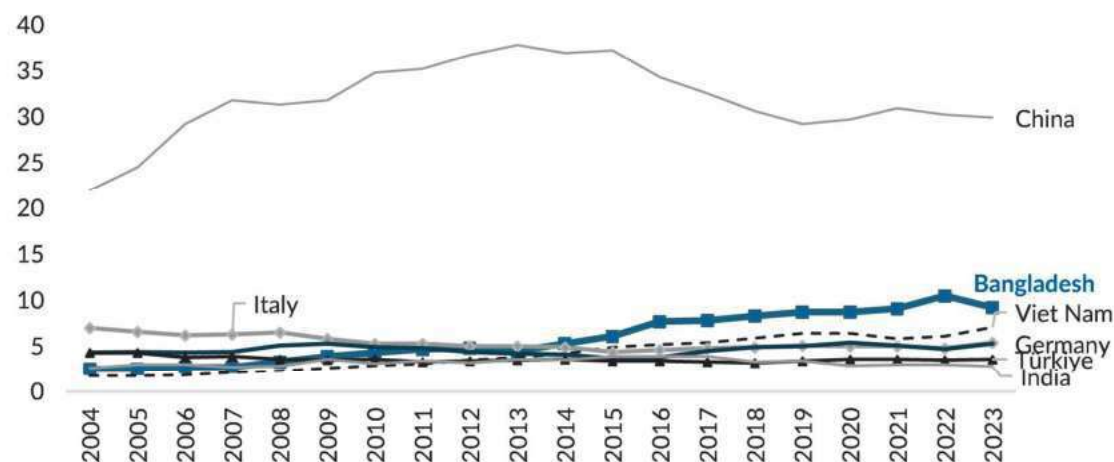
**Figure 1.4: Bangladesh's merchandise exports and total export receipts (US\$ billion) and growth (%)**



Source: Export receipt data from Bangladesh Bank.

The expansion of RMG exports has generated massive employment opportunities, particularly for women. In the process, Bangladesh has emerged as the world's second-largest apparel exporter, capturing 10.5 per cent of the world export market (Figure 1.5). Currently, RMG and textile industries together represent over 70 per cent of formal manufacturing employment, contributing 55 per cent of the total value-added in domestic manufacturing.

**Figure 1.5: Share of major apparel exporting countries in the world market**



Source: Data obtained from the International Trade Centre (ITC).

In 2015, Bangladesh made an important transition from a low-income to a lower-middle-income country as per the World Bank-defined classification of global economies. This was soon complemented by fulfilling the LDC graduation qualification for the first time in 2018—43 years after its inclusion in the group of LDC in 1975. Meeting all three criteria for graduation, namely per

capita GNI, human assets index (HAI), and economic and environmental vulnerability index (EVI), was a significant accomplishment (Table 1.2).<sup>4</sup> In 2021, Bangladesh once again met these criteria during the second consecutive triennial review by the United Nations Committee for Development Policy (UNCDP) and was recommended for graduation.<sup>5</sup> The United Nations Economic and Social Council (ECOSOC) endorsed the committee's recommendation and considered a five-year transitional period necessary to effectively prepare for a smooth transition (ECOSOC resolution E/RES/2021/11).<sup>6</sup> Finally, the United Nations General Assembly (UNGA) decided Bangladesh's graduation to be effective on 24 November 2026 (General Assembly resolution A/76/L.6/Rev.1). This achievement reflects Bangladesh's commendable socio-economic progress over several decades.

**Table 1.2: Bangladesh's way to LDC graduation**

Criteria	Thresholds	2012	2015	2018	2021	2024
Per capita GNI (US\$)	Inclusion	992	1,035	1,025	1,018	1,088
	Graduation	1,190	1,242	1,230	1,222	1,306
	Bangladesh	637	926	<b>1,274</b>	<b>1,640</b>	<b>2,684</b>
Human assets index (HAI)	Inclusion	60	60	60	60	60
	Graduation	66	66	66	66	66
	Bangladesh	54.7	63.8	<b>72.8</b>	<b>75.3</b>	<b>77.5</b>
Economic and environmental vulnerability index (EVI)	Inclusion	36	36	36	36	36
	Graduation	32	32	32	32	32
	Bangladesh	32.4	<b>25.1</b>	<b>25.2</b>	<b>27.3</b>	<b>21.9</b>

Source: ERD/SSGP project documents and UNDESA.

Note: GNI is calculated from national accounts data converted into USD using the World Bank Atlas method (to reduce the impact of short-term exchange rate fluctuations). GNI per capita is derived by dividing GNI in USD by the country's annual population. The HAI, a measure of the level of human capital, is composed of six indicators grouped into a health and education subindex, with each indicator carrying an equal weight of 1/6. The EVI is a measure of structural vulnerability to economic and environmental shocks. It is composed of eight indicators, grouped into an economic and environmental subindex, with each indicator carrying an equal weight of 1/8. A higher EVI represents a higher economic vulnerability; thus, only under this criterion will a graduating country require an EVI score lower than the threshold value.

<sup>4</sup> To graduate from the LDC category, a country must meet development thresholds under at least two of the three pre-defined criteria (per capita income, human assets, and economic vulnerability) in two consecutive triennial reviews. Bangladesh achieved graduation qualification by satisfying all three thresholds. It is also noteworthy that there is a provision for the 'income-only' graduation rule, under which, if the three-year average per capita GNI of an LDC rises to at least three times the graduation threshold, the country would be eligible for graduation regardless of its situation under the other two criteria. Countries' inclusion in and graduation from the LDC group are assessed at triennial reviews conducted by the Committee for Development Policy (CDP) of the United Nations Economic and Social Council (ECOSOC). To be included in the category of LDCs, a country must satisfy all three criteria, and its population must not exceed 75 million. Therefore, once graduated, Bangladesh would never be able to return to the group. In any case, such a likelihood is not desirable.

<sup>5</sup> Usually, the transition period is of three years. However, considering the challenges in the aftermath of the Covid-19 pandemic related disruptions, a longer transition period was considered. <https://documents.un.org/doc/undoc/gen/n21/070/41/pdf/n2107041.pdf?token=2DxzXLayY38RriPur9&fe=true>

<sup>6</sup> Usually, the transition period is of three years. However, the considering the challenges in the aftermath of the Covid-19 pandemic related disruptions, a slightly longer transition period was considered. <https://documents.un.org/doc/undoc/gen/n21/149/60/pdf/n2114960.pdf?token=tvTJP8ji8i4txFoSYv&fe=true>

After the graduation decision in 2021, the UNCDP conducted its usual triennial review in 2024, which confirmed that Bangladesh continued to meet all the graduation criteria. In 2024, Bangladesh's GNI per capita stood at \$2,684, compared to the corresponding LDC average of \$1,307. Bangladesh's HAI score of 77.5 was significantly above the LDC average of 59.6 and largely comparable with the developing country average of 88.0. In EVI, Bangladesh, with a score of 21.9, outperformed both the group of LDCs (with an average score of 40.6) and developing countries (with an average score of 31.9).<sup>7</sup>

## 1.2 Building on success and transforming challenges into opportunities while navigating the post-LDC landscape

Graduation from the LDC category reflects Bangladesh's significant socio-economic progress, which has been recognised globally. However, this milestone also brings certain challenges. As LDCs graduate, they forfeit access to international support measures tied to their status, including trade preferences under World Trade Organization (WTO) rules, special and differential treatment (S&DT), concessional development financing, and travel-related support. While graduation symbolises enhanced self-reliance and economic resilience, it also entails the withdrawal of these critical support mechanisms, posing new adjustment challenges for the economy.

For Bangladesh, the most important change that LDC graduation is likely to bring will be associated with preferential market access for exporters. Within the set of LDC-related privileges, Bangladesh has primarily benefited from unilateral trade preferences granted by many developed and developing countries under their respective Generalised System of Preferences (GSP) schemes. Bangladesh's readymade garments (RMG) sector has prospered globally, particularly in the European Union (EU), taking advantage of the EU's Everything But Arms (EBA) facility, designed for LDCs. In close to 50 countries, Bangladesh has received LDC-related benefits.<sup>8</sup>

Another critical aspect of LDC graduation is the potential reduction in policy space to support export-oriented and domestic sectors. WTO members generally refrain from raising concerns or lodging official complaints against the policy support measures of LDCs, even when such measures might otherwise be considered inconsistent with international trade rules and regulations. However, graduation from LDC status is likely to subject these measures to closer scrutiny to ensure compliance. For instance, providing direct export subsidies will no longer be permissible under WTO provisions. Similarly, like other graduated countries, Bangladesh will be expected to implement stronger intellectual property protections, which could limit some of the policy flexibilities currently available. Notably, Bangladesh's pharmaceutical sector has flourished under

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<sup>7</sup> The information on comparative performance of Bangladesh vis-à-vis LDCs and the developing countries can be found at <https://www.un.org/development/desa/dpad/least-developed-country-category-bangladesh.html>.

<sup>8</sup> These include EU27 countries and the United Kingdom, Australia, Armenia, Canada, Chile, China, Iceland, India, Japan, Kazakhstan, Kyrgyz Republic, New Zealand, Norway, Rep. of Korea, Russian Federation, Switzerland, Taiwan (Chinese Taipei), Thailand, and Turkey. The United States is only the major global economy where Bangladesh does not receive any LDC-related trade preferences.

the flexibilities granted to LDCs under the WTO's Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS).<sup>9</sup>

LDC graduation necessitates adjustments but also offers an opportunity to transition from a trade preference-dependent and low-wage driven export growth model. By shifting the focus towards competitiveness, innovation, and quality rather than solely relying on price competitiveness, the post-graduation transformation of the country should prioritise export diversification, moving into more sophisticated products, standards, compliance, and environmental sustainability. This approach will ensure sustainable growth, a modern economy, and a knowledge-based society aligned with international benchmarks. Bangladesh's LDC graduation thus presents a "not-to-be-missed" opportunity to accelerate much-needed economic reforms to boost export competitiveness and diversification. To achieve this, the country must address policy barriers and improve implementation measures. Numerous studies highlight massive export potential, and renewed policy commitments backed by effective action plans can unlock it.

Compliance with global rules and competition requires robust institutions, modern technology, and skilled labour. These efforts enhance productive capacity and prepare the economy for future challenges. By investing in these areas, Bangladesh can create a resilient, competitive, and internationally aligned economy, fostering sustainable growth.

As an LDC, Bangladesh has had access to the unilateral trade preferences of many countries, and consequently, it was not rational to undertake trade deals based on reciprocity. This, however, has also resulted in limited negotiation capacities and learning opportunities in dealing with trade negotiation objectives while managing effective trade policy mechanisms. There are now opportunities for developing negotiating capacities. Along with negotiation challenges, policy capability will have to be enhanced with respect to adjusting tariffs, dealing with any consequent loss of revenues, and offering measured and effective protection to domestic sectors while pursuing reciprocity-based trading arrangements. These are critical factors for longstanding trade policy issues that will inevitably impact the long-term competitive strength of the economy after LDC graduation.

LDC graduation should also be a catalyst for robustly confronting and overcoming the much-discussed high cost of doing business in the country, boosting external competitiveness. Inadequate infrastructure, inefficient transport and logistics, and complex customs procedures lead to longer lead times and higher costs. While progress has been made in expanding access to electricity and large-scale infrastructure projects, further improvements in investment climate indicators such as expanded energy needs, streamlined and efficient administrative procedures in dealing with licensing and customs clearances, accessing serviced land and declared benefits for investors, and exporters, tax payments, contract enforcement, and strengthening institutions for

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<sup>9</sup> As an LDC, Bangladesh has enjoyed the privilege of manufacturing and exporting patented drugs and supporting the domestic pharmaceutical sector with an intellectual property rights regime that may not be in conformity with that of the WTO. After graduation, the policy regime will have to be compatible with the WTO system. Detailed discussions on these issues are covered in Chapter 2 of this document.

trade and industry are essential. Any improvement in the business climate and progress in reducing the cost of doing business can greatly help recoup a part or even more than outweighing lost trade preferences.

It is essential to recognise that the Bangladesh economy currently faces serious macroeconomic challenges stemming from policy mismanagement and deeply entrenched governance failures under an authoritarian regime. These challenges include a sharp decline in foreign exchange reserves, persistently high inflation, the severely deteriorated state of the banking sector—exacerbated by rising non-performing loans, financial misappropriation, and fraud, and weak domestic resource mobilisation. The political transition since early August 2024 marks a pivotal moment, bringing renewed efforts to stabilise the economy and initiate critical reforms. These reforms aim to strengthen economic governance, restore macroeconomic stability, and enhance external competitiveness to position Bangladesh more effectively in the global economy. Importantly, these initiatives are unfolding at a critical juncture as the country prepares for graduation from LDC status, underscoring the urgency of addressing structural weaknesses to ensure a smooth and sustainable transition.

As Bangladesh moves towards LDC graduation, its trade and investment patterns are expected to undergo significant transformations, shaped by rising geopolitical tensions and a weakened multilateral trading system. This evolving global environment presents both opportunities and challenges for Bangladesh in attracting investments and expanding its role in international trade. The shifting dynamics of regional and global trade flows, particularly with the economic rise of powerhouses like China and India, offer strategic opportunities for Bangladesh to capitalise on emerging trends. However, navigating bilateral relations amidst intensifying geopolitical competition remains a pressing concern. To safeguard its economic interests, Bangladesh must employ effective diplomacy and implement strategic economic policies that address these complexities.

At the same time, Bangladesh faces the dual challenge of adapting to disruptive technological advancements—such as Industry 4.0 and artificial intelligence—and addressing the impacts of climate change and energy transition. Leveraging cutting-edge technologies can enhance productivity and economic growth, positioning Bangladesh more competitively in the global economy. However, mitigating the adverse effects of climate change will require significant investments in sustainable energy solutions and resilient infrastructure. The shift towards renewable energy is becoming increasingly critical for maintaining external competitiveness. In this new phase of development, embracing technological innovation alongside environmental sustainability will be essential for Bangladesh's continued progress.

LDC graduation poses an opportunity to effectively deal with many longstanding challenges to facilitate the next phase of structural transformation in the economy. These challenges include a low tax-GDP ratio leading to limited public investment in health, education, and social protection; weak banking sector governance; lack of export diversification; high tariff protection causing perverse export incentives; limited FDI inflow; inadequate skill development and employment

opportunities; etc. In summary, Bangladesh's graduation presents a chance to enhance resilience, and competitiveness, and explore new growth avenues. By addressing immediate challenges and enacting strategic policies, Bangladesh can emerge as a stronger, more dynamic global economy.

### 1.3 Smooth Transition Strategy (STS): Principles, Approaches, and Process

#### 1.3.1 Principles

- **Sustaining political commitment.** The impending LDC graduation has spurred a broad-based awareness in Bangladesh. A country-led preparatory process has been in place to actively research, consult, and develop strategies to mitigate graduation impacts and maintain competitiveness. In the process, numerous studies and analyses and their dissemination have been undertaken, wide-ranging stakeholder consultations have taken place, based on which it is important to sustain the political commitment and a broad-based engagement of all stakeholders, an open, inclusive, participatory and transparent consultative process will be continued. Throughout the process, numerous studies and analyses have been conducted and disseminated, accompanied by wide-ranging stakeholder consultations. Building on these efforts, it is crucial to sustain political commitment and ensure broad-based engagement of all stakeholders. To achieve this, an open, inclusive, participatory, and transparent consultative process will be maintained. The recent political shifts present a unique opportunity for facilitating Bangladesh's transition beyond LDC status. This new political context is likely to attract increased support from international partners, particularly Bangladesh's major trading partners. Such support could play a pivotal role in fostering political commitment and domestic consensus for implementing the necessary reform measures to drive economic transformation. These policy reform initiatives have the potential to enhance Bangladesh's credibility on the global stage, attract greater foreign investment, and facilitate smoother negotiations for trade agreements.
- **Aligning with long-term development goals:** The smooth graduation from LDC status is a top national priority for Bangladesh. The preparation of the STS recognises that, unlike many other LDCs, Bangladesh has uniquely leveraged international support measures, and their discontinuation may present significant challenges. In response, the strategy thoroughly examines policies and interventions needed to mitigate potential adverse impacts and ensure a seamless transition.
- The STS is also closely aligned with Bangladesh's pursuit of the Sustainable Development Goals (SDGs), recognising that successful graduation requires building the capacities to overcome inherent challenges while advancing SDG objectives. These objectives include sustaining economic growth, eradicating poverty, improving health and education outcomes, promoting gender equality, fostering decent work, strengthening global partnerships, and addressing climate change. The path to LDC graduation, therefore, serves as a catalyst for achieving the SDGs, ensuring that developmental momentum is maintained and global development progress is furthered. A smooth transition, rooted in

comprehensive and inclusive development, aligns with the ethos of the SDGs. Conversely, failure to address the challenges associated with LDC graduation risks impeding further progress and undermining the achievement of SDG targets.

### 1.3.2 Approach and Process

**Approach:** The STS for Bangladesh's graduation from the LDC status adopts a voluntary, country-led approach. It considers various graduation challenges, capacities, and developmental levels specific to Bangladesh while considering the relevant policy space and priorities. It emphasises openness, inclusivity, participation, and transparency to engage all stakeholders effectively. The STS approach strikes a balance between addressing immediate graduation challenges and maintaining a long-term perspective. It informs policy measures and actions to ensure a smooth transition during Bangladesh's graduation process.

**Process:** The STS in Bangladesh significantly benefits from a comprehensive preparation process. Initially, this involved consecutive Triennial Reviews of the UN CDP, the preparation of the ex-ante assessment by UN DESA and the vulnerability profiles report by UNCTAD, and the conduct of numerous rigorous analytical studies undertaken by various government ministries, departments, think tanks and development partners. Numerous consultation exercises have been conducted by various government entities, most prominently by the ERD, Ministry of Finance, Ministry of Commerce, and business associations and civil society organisations on LDC graduation-related issues. Inputs from this country-led process were used to draft this STS.

An extensive review of relevant plan documents, policies, strategies, studies, and analyses on Bangladesh was conducted, yielding approximately 900 recommended policy measures and actions. From this, 650 targeted actions were initially selected in the early stages of the STS process and further prioritised based on two key criteria: (i) recommendations or measures that address the immediate adverse effects of LDC graduation and (ii) those that promote long-term structural economic transformation in line with the STS vision outlined in Chapter 3, for the period 2025 to 2031.

To refine these measures, two rounds of consultative workshops were held to discuss the scope of the STS and identify priority recommendations and policy actions. A technical workshop on 9 June 2024 undertook a comprehensive review of the proposed actions, highlighting the importance of narrowing down measures to ensure a more focused and effective STS. This was followed by a high-level dialogue on 26 June 2024, where further deliberations took place regarding the scope and priorities of the proposed action measures.

Additional consultations were conducted with various ministries, government agencies, civil society organisations, think tanks, academia, private sector associations, and development and trading partners, including United Nations organisations, to further refine the recommendations. These extensive efforts culminated in a revised final draft of the STS, which was presented and discussed at a national validation workshop on 24 November 2024. Feedback and comments from this workshop were carefully reviewed and appropriately incorporated into the final document.