

BANGLADESH GRADUATING BY THE FIFTH LEAST DEVELOPED COUNTRIES ROUND IN DOHA 2021

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Abstract

In March 2018, Bangladesh graduated from the category of the Least Developed Country status (LDCs) since its admission in 1975. The United Nations Committee for Development Policy (CDP) as the authority assessing the United Nations (UN) member country progress in various economic, social and development indicators, declared Bangladesh out of the LDC status as part of its recognition to the sustained progress and achievement in the set criteria attaining this landmark. This was an important milestone in the historical discourse of our country and yet a watershed in the prognosis of its development trajectory. This paper is divided in two parts. The first part illustrates a detail account of the country's progress in various development indicators for the criteria set by the UN CDP that pulled us out from the LDC status. It requires explaining the link between the LDC graduation and the structural transformation as articulated in LDC IV Istanbul Programme of Action (IPoA). The second part detailed out the various dimension of IPoA implemented in Bangladesh in a sustained manner and contends the contribution made by these pillars to the LDC graduation and its current middle income transition and structural transformation under the broader framework of Istanbul PoA.

Bangladesh was declared as a graduate from UN LDC category in the UN CDP triennial review in 2018 after meeting three major graduation criteria: Gross National Income (GNI) per capita greater than US \$ 1265, Human Asset Index (HAI) greater than 66 and Economic Vulnerability Index (EVI) less than 32. As the UN LDC IV Istanbul programme of Action (IPoA) comes to its terminal year in 2020, the national government has taken a stock of its implementation and how it will contribute to Bangladesh's graduation from LDC category beyond 2021 when LDC V conference take place in Doha in 2021. The Implementation of the Istanbul PoA in its national developmental plans and programme has contributed to the graduation from the LDC category and maintain graduation with momentum. What, however is required is smooth transition to post LDC period along with desired structural transformation. It is equally important to examine the prognosis of its growth and development trajectory as Bangladesh enters into middle income category and how it adjust itself against Post LDC challenges amidst 4th industrial revolution and new development cooperation environment.

Keywords: Bangladesh, Economy, Least Developed Countries

1 GENESIS AND CRITERIA FOR LDC CATAGORY

Although, the concept of Least Developed Countries or LDCs was originated in the late 1960s, the first group of LDCs was listed by the United Nations in its resolution 2768 (XXVI) of 18 November 1971. Least Developed Countries are those countries which are below the threshold of per capita gross national income

(GNI), human assets index (HAI) and economic vulnerability index (EVI) set by the United Nations. LDCs are usually low-income countries confronting severe structural impediments to sustainable development.

The LDC grouping the UN system was thus established as a part of its promises and commitment to the economic progress of the Under developed countries and provide special international funds, technical assistance and guidance to its development efforts from OECD DAC under the auspices of various UN bodies specially UNCTAD, ECOSOC, UNDESA and its specialized agencies.

The grouping of the Least Developed countries (LDCs) are reviewed every three years by the Committee for Development Policy (CDP), a constitutive body comprising of experts under the auspices of Economic and Social Affairs (UNDESA) of the United nations. The committee may recommend countries for addition to, or exclusion from (or so called graduation) the list of least developed countries LDC). While the criteria of considering a country as LDC has evolved and changed many times over the years since 1971, the following three criteria are the latest yardstick in this process for CDP:

- a) **A Per Capita Income criteria** , based on a three year average estimate of the gross national income per capita, , with a threshold of US\$ 1,025 for inclusion and US\$ 1,230 for potential cases of graduation from the least developed country status.
- b) **A Human Asset Criteria**, involving a composite index (in human assets index) based on indicators on nutrition, (percentage of undernourished population) child mortality, (under 5 age per 100 child birth) maternal mortality (per 100,000 live birth); school enrolment (gross secondary enrolment ratio) and literacy level (adult literacy ratio age 15+)
- c) **An Economic vulnerability criteria**, involving a composite index (the economic vulnerability of a country is measured through number of natural shocks (index of instability of agriculture production; share of victims of natural disasters; trade related shocks (index of instability of export of goods and services) ; physical exposure to shocks (share of population living in low- lying areas); economic exposure to shocks (share of agriculture, forestry, and fisheries in GDP; index of merchandise export concentration); smallness (population in logarithm) ; and remoteness (index of remoteness).

1.1.1 5 countries so far have graduated from LDC status:

Botswana in December 1994, i) Cabo Verde in 20007, iii) Maldives in January 2011, iv) Samoa in January 2-014; and v) Equatorial Guinea in June 2017. In the last 2018 review of LDCs carried out by CDP, three (3) Asian countries were appraised as pre-eligible for graduation from least developed countries (LDC) status: Bangladesh, The Lao PDR, and Myanmar

1.2 Bangladesh Progressing Towards LDC Graduation before LDC V in Doha 2021

Bangladesh has made remarkable progress in various socio-economic indicators since its admission in 1975 and the adoption of the IPoA in 2011. As a result, Bangladesh met all the three graduation criteria for the first time in the latest triennial review conducted by the CDP in 2018. Bangladesh's score against each criteria has been show in the figure below. Based on the three criteria, and the quantitative measures of the indicators contained therein, the threshold set for the 2018 Triennial review is as follows:

- a. GNI per capita must be greater than \$1,230 (over three year average)
- b. HAI must be equal or greater than 66
- c. EVI must be equal or less than 32

Table 1.0: LDC graduation criteria and threshold

2019	Gross National Income	Human Assets Index	Economic Vulnerability Index
Required	\$1,230 or above	66 or above	32 or below
Income Only Criteria	GNI of \$2,460 or above		
Bangladesh Score	\$1909	75.3	25.1

Source: UNDESA 2018

According to the UN rules, as mentioned above, for graduation Bangladesh will need to meet the criteria again in the next triennial CDP review to be held in 2021, and Bangladesh will be recommended for final graduation in 2024 after enjoying three year grace period. Available data and information show that Bangladesh will be able to meet the criteria in the 2021 review.

Since its inception in 1971, the LDCs as a group has been heterogeneous in their economic dimension and geographic character and hence it was difficult to put a one size fits all policy prescription to address all their developmental challenges and structural impediments in one single policy framework. Far more interesting, the graduation criterions' containing their yardsticks and thresholds has evolved through a seven folds phases of change so far since 1971. The saga began with a phrase called "*structural handicap*" measured through three yardsticks: **low income per capita, low adult literacy rate and share of merchandise export**. Basic idea was that these countries are least developed because of their *poverty trap* as reflected in their low income per capita and low human capital and for their *commodity trap* as reflected in their low share in merchandise export and low skill content in these exports due to low adult literacy. But, over the passage of past 4 decades since 1971, as diagnosis capacity of under development continuously improved along with lessons and experience, so did the continuous evolution of LDC graduation criteria. While, only five countries have graduated from LDC category since 1971, namely Botswana, Cape Verde, the Maldives, Samoa and Equatorial Guinea. These countries are extremely heterogeneous in the size of their economy, population, geography, climate and location characteristics. In this context Bangladesh's graduation would be considered as a momentous gain for CDP as it is the largest country among the LDC graduating candidates in terms of population, size of the economy, export volume, poverty alleviation and lower dependency on extractive sectors and Official Development Assistance (ODA). In addition, it is poised to leave the LDC behind as the only country meeting all three graduation criteria- the income criteria of gross national income, (GNI) per capita, the human asset index (HAI) and the Economic Vulnerability Index (EVI) criteria during the evaluation process.

Bangladesh has maintained high growth rate in GDP, export, sound macro- economic balance, external economic relation and relatively low dependence on ODA despite being a large recipients of ODA. However, Bangladesh is small recipient of foreign direct investment compared to other graduating candidates. Its performance in domestic resource mobilization is one of the lowest among the world as well as with LDC cluster. One of the cardinal maxims of Istanbul principle and declaration is rapid structural transformations where Bangladesh's performance is better relative to other co graduating countries and other potential graduates from Asia – pacific and Africa. Despite having a large and expanding modern sector comprising of manufacturing and services, it has a large labour force still engaged in agriculture and one of the lowest labour productivity throughout the entire economy. This partly due to having a large labour force, large informal sector and low skill endowment. The country seems also lagging behind in export diversification with an export concentration of 0.40 compared to Bhutan's 0.36 and Nepal's 0.14 (UNCTAD 2016). For Bangladesh, export diversification will remain vital in its future economic challenges as it has direct implication with Economic vulnerability index (EVI) and building capacity to adjust with non GSP framework in trade and investment in post LDC period.

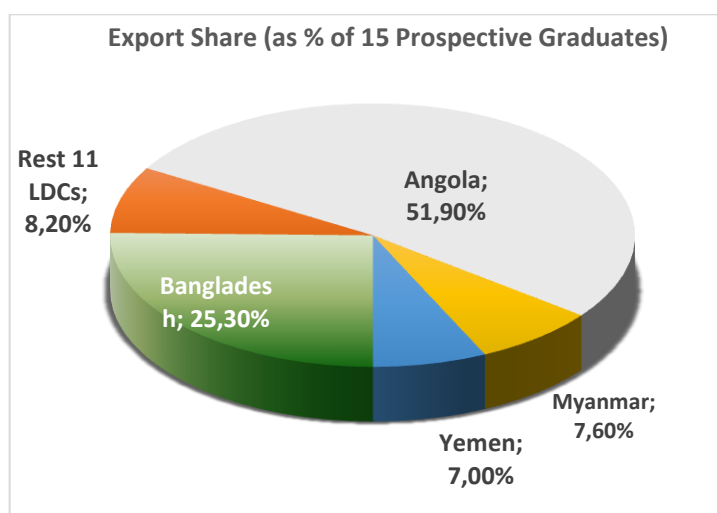
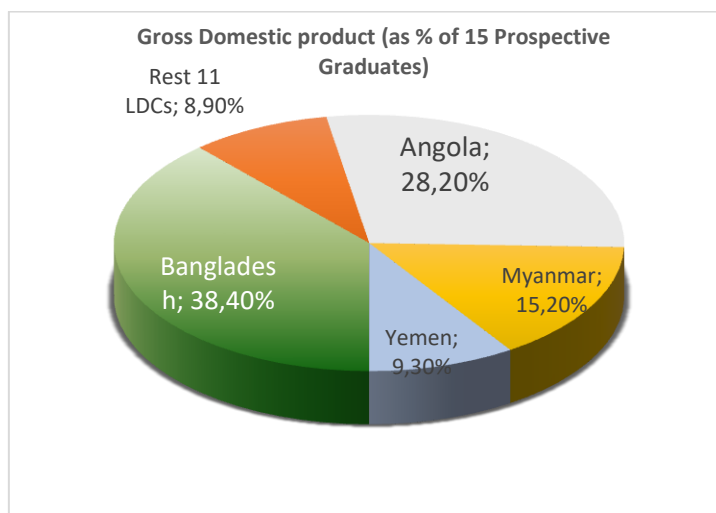


Fig 1.0: Export size of Bangladesh among other LDCs



While Bangladesh maintains its developmental progression, ten (10) countries are expected to graduate between 2015 and 2021 (UNCTAD, 2016). Of these ten, Equatorial Guinea graduated in 2017 while Angola and oil producing country and Vanuatu, a small island economy has been recommended for graduation.

The appropriate strategic direction towards Bangladesh sustainable graduation from the LDC category has gained high policy attention since Istanbul program of Action. As mentioned earlier, Bangladesh's graduation prognosis differs from those of the earlier graduates and present prospective candidates. This is revealed by critically examining the vital indicators around the graduation criteria for 20 countries and 15 candidates. It was found that statistical dispersion between the threshold and actual score on EVI for most countries especially small island economies. In other words, high GNI per capita without commensurate level of HAI or low GNI per capita with high EVI may put the sustainability of an LDC graduate into a challenge. From this perspective, Bangladesh with the likelihood of crossing all three threshold of graduation criteria seems on firm footing but may not enjoy this significant comfort zone for too long unless some special measures contemplated to address the structural features.

2 BANGLADESH IMPLEMENTING ISTANBUL PROGRAMME OF ACTION SINCE LDC IV

As a continuation of a four decades long UN led global process, the Fourth United Nations Conference on Least Developed Countries (LDC IV) was held in Istanbul in May 2011 under a different global context yet with much stronger commitment and messages for the LDCs as well as for their counterparts among multilateral stake holders belonging to International Development establishments comprising of UN, OECD - DAC and the World Bank. The conference was held when the International Development Cooperation was gradually recovering from the gloomy economic experience of the global economic meltdown and financial crisis in 2007-08 and the international development consortium voiced their concern on the dismal rate of progress of countries graduating from LDC groupings since 1971.

Istanbul Programme of Action (IPoA – 2011-2020) as the outcome of the fourth UN conference on LDCs is the continuation of its predecessor namely the Brussels programme of Action (BPoA- 2001) with several strengthened and renewed commitment for several overarching goals and objectives toward Least Developed countries and their wellbeing. It was opined from several quarters participating in Istanbul LDC IV conference that Brussels Programme of action (BPoA) did not achieve its desired outcome as satisfactory and perhaps was not implemented well for several shortcomings.

Table A: Eight (8) pillars of Istanbul Programme of Action

<p>A. Productive capacity</p> <ul style="list-style-type: none"> • Infrastructure • Energy • Science, technology and innovation • Private sector development <p>B. Agriculture, food security and rural development</p> <p>C. Human and social development</p> <ul style="list-style-type: none"> • Education and training • Population and primary health • Youth development • Shelter • Water and sanitation • Gender equality and empowerment of women • Social protection 	<p>D. Trade</p> <p>E. Commodities</p> <p>F. Multiple crises and other emerging challenges</p> <ul style="list-style-type: none"> • Economic shocks • Climate change and environmental sustainability • Disaster risk reduction <p>G. Mobilizing financial resources for development and capacity-building</p> <ul style="list-style-type: none"> • Domestic resource mobilization • Official development assistance • External debt • Foreign direct investment • Remittances <p>H. Good governance at all levels</p>
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Hence the outcome of the LDC IV in Istanbul was to reiterate its three major goals with a much stronger voice and determination. Guided by the outcome document to the UN Secretary General, the overall objective of the Istanbul declaration are:

- ❖ Support and facilitate the speedy graduation of LDCs with momentum
- ❖ Build capacity of LDCs to overcome their structural constraints for self-sustaining growth
- ❖ LDCs attain sustained, inclusive and equitable economic growth of 7 % annually

As a result of the discourse and negotiations in the above convention, the Istanbul Programme of Action (IPoA) vowed that at least half all LDCs be graduated by 2024 and maintain their graduation threshold with momentum. With this end in view, Bangladesh rigorously commenced to inculcate the IPoA goals in its national development plans and programmes. While undertaking a comprehensive review of the implementation of the IPoA coming out of LDC IV in 2011 in the face of LDC V in Doha, it was reckoned with a sense of triumph that Doha round may very well be the last UN conference Bangladesh will be attending in the midst of a turbulent climate in international economic order and fragile development architecture.

Bangladesh initially had all the typical features of a least developed country (LDC) and as such was rightfully admitted in LDC group of the United Nations in 1975. But with the passage of time and sustained progress in various socio economic criteria now finds itself in the respectable position not only among the other LDC graduating candidates but among other developing countries (ODCs) as well. This was possible as Bangladesh from the early year's embarked upon a journey to break the structural handicaps that kept a least developed country in a state of under development by addressing the root causes through a multi sectoral approach. It was reckoned that a country with a low natural resource base with relatively high population pressure must find its way out from poverty trap and exhilarate itself through a knee jerking effort and energize its productive capacity in the face of multitude of challenges. Therefore, a multi-sectoral approach attacking the broad front of poverty and under development was contemplated during the past four decades since its admission in 1975. Hence, the painstaking tale of Bangladesh' development journey through the 6th and 7th five year plan is mirrored in the eight (8) pillars of Istanbul programme of Action. In other words, it is not an exaggeration to assert that the lesson and experience of Bangladesh's development experience contributed to envisage the eight (8) pillars of Istanbul PoA. While Bangladesh takes pride and accolade in imparting in this discourse through its fascinating saga of development and commendable prosperity starting from a low income per capita, it felt a superior obligation and temptation than other co graduating LDCs in the implementation of IPoA as a continuation of its development trail over the past four and half decades that reached at a momentous point at Istanbul 2011 and will arrive at a watershed in LDC

V in 2021.

At the 5th LDC conference in Doha in 2021, Bangladesh must press on exiting itself from the UN LDC category as it will meet the graduation criteria for the second round and must press for updating the international support measures for smooth transition into the post LDC period in the midst of fourth industrial revolution (IR 4.0) shaped by new development cooperation architecture 2.0.

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