

## Focus Group Discussion (FGD) on “Implementation of the STS for Smooth Transition from LDC Status

To explore effective implementation strategies for the Smooth Transition Strategy (STS), Dhaka Chamber of Commerce & Industry (DCCI) and Support to Sustainable Graduation Project (SSGP) of the Economic Relations Division (ERD) jointly organized an FGD on “Implementation of the STS for Smooth Transition from LDC Status” held on March 10. The objective of the event was to develop pragmatic policy recommendations aligned with local industrial needs to ensure a successful and sustainable transition.

A. H. M. Jahangir, Additional Secretary of ERD & the Project Director of SSGP delivered the opening remarks. Dr. Mostafa Abid Khan, Component Manager of SSGP and former Member of the Bangladesh Trade and Tariff Commission (BTTC) presented the keynote paper. Taskeen Ahmed, President of Dhaka Chamber chaired the event and also presented a paper on the private sector perspective. Md. Shahriar Kader Siddiky, Secretary, Economic Relations Division, Ministry of Finance was present as the Chief Guest. Mahbubur Rahman, Secretary, Ministry of Commerce was present as the Special Guest.

Mohammed Mahbubur Rahman Patwari, Managing Director of Sonali Aansh Industries Limited; Asif Ashraf, former Director of BGMEA and Managing Director & CEO of Urmi Group; Mohammad Hatem, President of the Bangladesh Knitwear Manufacturers and Exporters’ Association (BKMEA); Manwar Hossain, Chairman of Anwar Group of Industries and Former Director of DCCI; Rizwan Rahman, former President of DCCI and Managing Director of ETBL Holdings Limited; Munir Choudhury, National Trade Expert, Bangladesh Regional Connectivity Project-1 (BRCP-1), GoB and Dr. Md. Rezaul Bashar Siddique, Component Manager of SSGP, ERD & former Additional Secretary, GoB took part in the discussion.

### Introductory Presentation

#### Dr. Mostafa Abid Khan, Component Manager, SSGP and Former Member, BTTC

- The STS ensures Bangladesh’s seamless graduation from LDC status and supports long-term economic transformation.
- Bangladesh aims to transit/ graduate from LDC status by November 2026, having been upgraded to a lower-middle-income country in 2015. The goal is to achieve upper-middle-income status by 2031 and high-income status in the long run while avoiding the middle-income trap.
- Key development challenges include reducing dependence on LDC-specific international support measures, fostering trade and structural transformation, securing sustainable development finance, and addressing environmental vulnerabilities.

- Transitioning requires a shift towards high-road economic development, reducing reliance on trade preferences, enhancing productivity, creating quality jobs, investing in skill development, fostering innovation, improving product standards, and adopting sustainable business practices.
- Economic transformation efforts focus on improving trade logistics, streamlining customs and border procedures, strengthening the business environment, boosting product quality and standards, attracting foreign direct investment (FDI), pursuing tariff rationalization, advancing regional integration, upgrading technology, and developing human capital.
- Five strategic pillars of STS action:
  - ◆ Ensuring sustained macroeconomic stability for a smooth transition by tackling inflation, managing exchange rates effectively, and boosting foreign reserves.
  - ◆ Securing trade preferences and favorable transition measures beyond LDC graduation by engaging with major trading partners for an extended transition period, pursuing GSP+ with the EU while addressing textile safeguard measures, and initiating FTA/CEPA negotiations.
  - ◆ Promoting export diversification and competitiveness by improving product quality and standards, enhancing trade logistics and facilitation measures, and strengthening labor standards and ESG compliance to boost global competitiveness.
  - ◆ Building productive capacity for structural transformation and achieving high-income status through skilling, re-skilling, and upskilling the workforce, advancing human capital development, revitalizing domestic investment, and attracting foreign direct investment (FDI) to drive sustainable economic growth.
  - ◆ Strengthening international partnerships and cooperation for sustainable development and resilience by supporting the achievement of SDGs, addressing climate change adversities, and fostering South-South partnerships and triangular cooperation for sustainable development.
- STS implementation mechanism relies on strong leadership, political commitment, and collaboration. Key elements include integrating STS into national development policies, securing financing, and establishing a results-based monitoring and evaluation system.
- Ongoing efforts focus on ensuring a smooth and sustainable transition through coordinated actions among stakeholders, economic reforms, and strategic policy measures.



- A High-Level LDC Graduation Steering Committee, led by the Hon'ble Chief Adviser, will be established to provide strategic policy directions for the effective implementation of the STS.
- A National Working Committee on LDC Graduation will be formed to monitor and evaluate the progress of STS implementation and its action matrix on a biennial basis.
- Comprehensive Monitoring & Evaluation Frameworks are being developed for each of the leading agency in consultation with them to ensure effective oversight and accountability in the execution of the STS.

## **Keynote Presentation from the Private Sector Perspective**

### **Taskeen Ahmed, President, DCCI**

- Bangladesh is set to graduate from LDC status, meeting the United Nations (UN) criteria for sustainable development, but this will lead to the loss of international support measures, including trade preferences and concessional financing.
- The removal of duty-free, quota-free market access will impact major export sectors, making it essential for Bangladesh to negotiate new trade agreements and comply with stricter international labor, environmental, and quality standards.
- Acute shortage of energy in the industrial sector, rising inflation and steep duty on import, high interest rates, procedural complexities in obtaining bank credit and limited access to credit for the private sector still pose a serious challenge to the country's economy.

## **Strategic Pillar 1: Ensuring Macroeconomic Stability**

- The STS lacks a clear roadmap for macroeconomic stability, while access to long-term, low-cost financing remains insufficient, particularly for CMSMEs.
- A structured approach should be adopted to stabilize the economy by strengthening monetary policies and building foreign exchange reserves.
- Targeted financial instruments should be introduced to support CMSMEs through specialized regulatory frameworks.

## **Strategic Pillar 2: Exploring and Securing Trade Preferences**

- The STS lacks detailed guidelines for securing trade preferences and has a limited focus on bilateral and multilateral trade agreements.
- A comprehensive trade strategy should be developed, outlining actionable steps for engaging with trade partners and pursuing bilateral and regional trade arrangements with emerging markets in the Middle East, Africa, and Southeast Asia.
- Regular negotiations with a strategic approach are necessary to maintain trade advantages.

## **Strategic Pillar 3: Promoting Export Diversification and Competitiveness**

- The export diversification strategy remains heavily focused on RMG, while sector-specific policies, capacity-building initiatives, and support for CMSMEs in creating an enabling business environment are inadequate.
- A comprehensive export strategy should identify and promote high-potential sectors such as pharmaceuticals, jute, leather, agro-processing, semiconductors, and ICT services.

## **Strategic Pillar 4: Building Productive Capacity**

- The STS lacks focus on improving productive capacity, while industry-specific guidelines are needed to enhance productivity, encourage technology adoption, and drive innovation.
- Investment partnerships should be fostered in high-value industries such as ICT, semiconductors, pharmaceuticals, biotechnology, and the automotive sector, alongside short-term, mid-term, and long-term strategies for automation and industrial transformation.
- International branding efforts remain inadequate and should be strengthened through collaboration with Trade bodies, Embassies, and Diaspora networks to promote Bangladesh's export potential.

## **Strategic Pillar 5: Fostering Partnerships and Global Cooperation**

- The STS lacks a clear definition of the private sector's role in Sustainable Development Goals (SDGs), while FDI attraction strategies remain underdeveloped.
- A structured framework is needed to foster public-private partnerships (PPPs) in key development initiatives and expand trade ties with Africa, Latin America, and ASEAN, alongside strengthening engagement with the US and EU.
- Collaboration with UN organizations should be enhanced to improve climate resilience and access to climate financing.

## **Accelerating STS Implementation: Overcoming Gaps & Strengthening Collaboration**

- The absence of a real-time M&E platform hinders effective policy implementation, necessitating a dynamic system for tracking progress and ensuring better coordination among ministries and stakeholders.
- Inconsistent terminology for private sector entities creates ambiguity, highlighting the need for standardized terms like CMSMEs throughout the STS document.
- The roles of private sector entities in the action matrix of STS are less defined, requiring clearly defined roles of business, trade body, and institutions as a supporting agency in the action plan to enhance engagement and compliance.



## Alternative Support Mechanisms & Trade Capacity Building

- Current policies lack alternatives to existing subsidies and incentives, necessitating the introduction of globally aligned measures such as tax benefits, technology adoption grants, and regulatory easing.
- Trade-related capacity-building efforts are insufficient and should be expanded with sector-specific programs to equip businesses with legal and technical expertise for trade negotiations.
- Industry awareness of intellectual property rights (IPR) is low, requiring targeted programs and a streamlined legal framework to address these gaps.

## Cross-Country Analysis: Overview of Countries Graduated from LDC Status

- Several countries have successfully transitioned from LDC status, demonstrating both opportunities and challenges in the post-graduation phase.
- Some graduated countries faced setbacks due to inadequate financial planning and reduced trade benefits after losing LDC-specific support.
- Many recently graduated LDCs have faced challenges in maintaining economic stability due to the withdrawal of preferential trade agreements. For example, the Maldives experienced a decline in export competitiveness due to the loss of duty-free access to key markets.
- Countries like Bhutan have prioritized regional trade agreements and foreign investment to sustain economic growth, while those investing in infrastructure, skill development, and export diversification have managed smoother transitions.
- Strong trade negotiations, including FTAs, and boosting domestic industries and digital trade are key to offsetting the loss of LDC-specific benefits and enhancing global competitiveness.

## Sector-Specific Recommendations for a Smooth Transition:

- Ready-Made Garments (RMG): Bangladesh should secure an extended GSP+ facility with relaxed rules of origin to maintain preferential market access. Developing man-made fiber (MMF) production will help reduce reliance on cotton imports and enhance competitiveness. Strengthening Environmental, Social, and Governance (ESG) practices, along with labor compliance, is crucial to meeting international market requirements.
- Leather Industry: To sustain and expand exports, Bangladesh must obtain Leather Working Group (LWG) certification, ensuring compliance with global environmental and ethical standards. Upgrading Common Effluent Treatment Plants (CETP) and promoting LEED-certified eco-friendly production facilities will enhance sustainability and market acceptance.

- Light Engineering: Ensuring export incentives that comply with World Trade Organization (WTO) regulations will support the sector's growth. Developing Own Brand Manufacturing (OBM) will help Bangladeshi companies establish a strong global presence. Strengthening intellectual property rights (IPR) protections will attract foreign direct investment (FDI) and facilitate technology transfer.
- Pharmaceuticals & Active Pharmaceutical Ingredients (API): Extending the Trade-Related Aspects of Intellectual Property Rights (TRIPS) waiver will allow Bangladesh to continue exporting off-patent drugs. Accelerating the development of the API Park will enhance self-sufficiency in pharmaceutical production. Upgrading regulatory standards to align with EU and US market requirements is essential for expanding exports.
- Agro & Agro-Processing: Securing favorable Sanitary and Phytosanitary (SPS) agreements will ensure smooth access for agro exports. Developing an efficient cold chain and logistics infrastructure will help preserve perishable goods and boost export potential. Promoting jute as a sustainable, eco-friendly alternative can position Bangladesh as a key supplier in global markets.
- ICT Sector: Bangladesh should mandate the use of locally assembled hardware and software to support domestic technology development. Establishing tech parks and enabling global digital payment systems will enhance the country's digital economy and global competitiveness.
- Semiconductor Industry: A comprehensive policy framework should be developed to foster industry growth. Investments in fabrication plants, Assembly, Testing, Marking, and Packaging (ATMP) facilities, and chip design capabilities will position Bangladesh as a key player in the global semiconductor supply chain.
- Energy & Power: Implementing phased energy pricing and smart grid systems will optimize energy consumption and enhance sustainability. Expanding offshore energy exploration will help diversify energy sources and reduce import dependency.
- Infrastructure & Logistics: Accelerating the development of the Bay Terminal and multimodal transport systems will strengthen Bangladesh's trade infrastructure. Introducing the Internet of Things (IoT), blockchain, and automation in customs processes will enhance efficiency and transparency in trade logistics.

## Mohammed Mahbubur Rahman Patwary, Managing Director, Sonali Aansh Industries Limited

- A structured financing scheme is crucial to support raw jute processing and ensure the sustainability of the sector.



- Diversifying jute products is essential to expand market opportunities and reduce reliance on traditional exports.
- The jute industry faces significant challenges, including unfavorable government policies, a lack of incentives, and an inefficient tax structure that hinder growth.

### **Asif Ashraf, Former Director, BGMEA & Managing Director & CEO, Urmi Group**

- Backward integration in the textile sector is crucial to maintaining Generalised System of Preferences (GSP) Plus benefits after LDC graduation.
- Countries that exceed 16% of the EU's total imports in a specific product category will no longer qualify for GSP+ benefits.
- A USD 1 billion revolving fund should be established to support capacity-building initiatives, ensuring businesses stay competitive in the global market.

### **Mohammad Hatem, President, BKMEA**

- Declining trend in key economic indicators since 2022, attributing it to high interest rates, policy inconsistencies, and gas shortages.
- The private sector requires additional time to adapt to the post-LDC graduation environment.
- The key performance indicators (KPIs), such as industrial output and export performance, have worsened compared to 2018 levels.

### **Manwar Hossain, Chairman, Anwar Group of Industries**

- Infrastructure deficits and persistent gas shortages in the steel and cement sectors are severely hampering production.
- Bangladesh shouldn't claim full readiness for LDC graduation until exports surpass imports.
- Ensure greater inclusion of the private sector in decision-making processes to ensure a smooth transition.

### **Rizwan Rahman, Former President, DCCI**

- The business community is unprepared for LDC graduation, and the government should consult private sector stakeholders before finalizing the transition timeline.
- Unless the "Medium" category is separated from the CMSME framework, cottage and small enterprises will never fully benefit from government policy support.
- Revamping the SME Foundation's activities and accelerating the development of a comprehensive SME database also increase private sector participation in SME development programs to enhance competitiveness.
- A well-coordinated Public-Private Partnership (PPP) model is essential for Bangladesh's successful transition from LDC status where responsibilities are segregated based on institutional capacity and shared with trade bodies/associations like DCCI, BGMEA, and BKMEA.

### **Munir Choudhury, National Trade Expert**

- Two major challenges associated with LDC graduation were identified: domestic challenges related to policy implementation and international challenges tied to trade negotiations.
- Integrating the five-year national development plan with Sustainable Development Goals (SDGs) is essential for creating a cohesive strategy.
- Ensuring data accuracy is crucial to improve economic policymaking and forecasting.
- More frequent and sector-specific meetings are needed to address ongoing challenges and enhance collaboration.

### **Dr. Md Rezaul Bashar Siddique, Component Manager, SSGP, ERD**

- Achieving macroeconomic stability is possible through an effective implementation of the Smooth Transition Strategy (STS).
- Given its economic size, total population, and various socio-economic factors, Bangladesh is not comparable to other countries that have graduated from LDC status. Therefore, it cannot merely replicate their experiences. However, Bangladesh can still observe their progress and adopt relevant strategies where applicable.
- The private sector must seize the opportunity and work closely with the government to ensure effective trade negotiations, improve business regulations, and advocate for policies that facilitate smooth economic transformation.
- Thirty-eight monitoring and evaluation (M&E) tools will be introduced, with government leadership and active private sector participation.

### **Special Guest**

#### **Mahbubur Rahman, Secretary, Ministry of Commerce**


- Initial planning for LDC graduation was inadequate and emphasized the need for greater private sector involvement in policy formulation.
- STS currently lacks a clear exit plan, which needs to be addressed urgently.

### **Open Discussion**

- The pharmaceutical sector will be among the most affected post-LDC graduation, and policies should be implemented to ensure affordable medicine prices.
- A gradual reduction of cash incentives should be considered to ensure economic sustainability while supporting key industries.
- The education system must be improved to equip the workforce with necessary skills to meet evolving economic and industrial demands.



## BANGLADESH GRADUATES FROM LDC

	Bangladesh's score	Threshold
GNI Per Capita	\$1,827	> \$1,230
HAI	75.3	> 66
EVI	27.3	< 32



**LDC:** Least Developed Country  
**GNI:** Gross National Income

**HAI:** Human Assets Index  
**EVI:** Economic Vulnerability Index

### Chief Guest

**Md. Shahriar Kader Siddiky, Secretary, ERD, Ministry of Finance**

- To ensure a smooth and strategic transition, the government has already formed a high-level committee that includes key private sector representatives such as DCCI, BGMEA, and BKMEA. A meeting of this committee is scheduled to be held soon to discuss and assess the implications of LDC graduation.
- The roles of the private sector entities should be more specifically defined in the STS action plan;
- South Korea has agreed to assist Bangladesh in implementing digitalization across all levels of government services. Additionally, UNESCAP and the EU will provide technical assistance to bridge data and information gaps and to carry out necessary capacity enhancement.
- Need to build institutional capacity at all levels to manage the impact of reduced trade benefits in the post-LDC era.

### Summary of Recommendations

- Private sector recommends for a deferral of LDC graduation by 2-3 years to strengthen competitiveness and allow time for policy updates.
- A clear roadmap should be developed to stabilize the economy by reinforcing monetary policies and ensuring fiscal discipline.
- The STS should explicitly prioritize CMSMEs and outline measures to facilitate their transition.
- Economic Partnership Agreements (EPAs) and Free Trade Agreements (FTAs) should be pursued with key trade partners.
- Better alignment between trade, industrial, and investment policies is necessary to prevent inefficiencies.

- Regulatory oversight and governance mechanisms should be strengthened for a smoother transition.
- Alternative incentives aligned with global trade regulations, particularly with WTO provisions, should be introduced, such as tax benefits, technology adoption grants, and regulatory easing.
- Sector-specific trade-related capacity-building programs should be expanded, ensuring that businesses receive necessary legal and technical expertise for trade negotiations.
- A streamlined legal framework should be established to promote IPR compliance and business incentives for innovation.
- Developing a robust financial framework for CMSMEs can enhance their resilience post-graduation.
- Enhancing skill development programs and adopting digital financial solutions can strengthen economic sustainability.
- Establishing special economic zones (SEZs) and export-oriented industrial policies can drive sectoral growth.
- Encouraging investment in green and sustainable industries can help meet evolving international trade and environmental standards.
- The absence of a real-time M&E platform hinders effective policy implementation, necessitating a dynamic system for tracking progress and ensuring better coordination among ministries and stakeholders.
- The roles of private sector entities in the action matrix of STS are less defined, requiring clearly define roles of businesses, trade bodies, and institutions as a supporting agency in the action plan to enhance engagement and compliance.
- Policy measures should be aligned with international best practices to enhance Bangladesh's competitiveness in the global economy.