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Graduation of Bangladesh from LDC Group: Challenges and Opportunities

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Abstract

This paper discusses the development path of Bangladesh, particularly the process and prospects of graduation from the LDC category and the challenges and benefits associated with the graduation. This paper is based on reviews of secondary literature related to graduation and development performances of Bangladesh. Data from secondary sources such as World Bank and United Nations have been utilised. Bangladesh has been maintaining steady progress, measured in terms of social and economic indicators, despite the initial doubt of not keeping pace with development. It has been possible, inter alia, because of stable growth rate for an extended period, vibrant private sector, especially the RMG, international remittances sent by the Bangladeshi diaspora worldwide, falling fertility and mortality rate and thereby increasing life expectancy and increasing literacy rate. For the first time, Bangladesh has met the initial criteria of graduation in 2018. If these present conditions continue, by 2024, Bangladesh will officially graduate. However, the path of graduation is not smooth. Even the development path will be bumpier after graduation since most preferential support measures enjoyed being in LDCs, will be withdrawn. Both graduation and development afterwards require well-orchestrated policies.

JEL Classification *O11 · R58 · O19 · F63*
Keywords *LDC · Development · Graduation · HDI*

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1. Introduction

Recently, Bangladesh has made tremendous improvements in socio-economic indicators of development. Her progress has been eulogised by donor agencies, supranational organisations, international think tanks and international media. Belying all kinds of scepticisms and criticisms, Bangladesh has been moving forward with her head held high since its independence in 1971. Immediate after the independence, Bangladesh was seen as an 'international basket case'. It was satirically dubbed 'bottomless basket'.[1] Aid donors, diplomats and international media started to call Bangladesh by this name. Two renowned economists, Just Faaland and John Richard Parkinson, in their book 'Bangladesh: The Test Case for Development' (1976), had seen a slight chance of development in the newly born country. They argued, 'If development could be made successful in Bangladesh, there can be little doubt that it could be made to succeed anywhere else. It is in this sense that Bangladesh is the test case for development. However, the world community has observed how Bangladesh has falsified Faaland and Parkinson's dire predictions in recent years.

In 2011, Bangladesh entered into the medium human development group from the low human development group classified by UNDP. In 2015, Bangladesh graduated to a 'lower middle income' country classified by The World Bank. On 16 March 2018, Bangladesh was declared to meet all requirements to graduate from Least Developed Country (LDC) classified by the United Nations. Bangladesh performed excellently in meeting Millennium Development Goals set by the United Nations as well. The rate of poverty has fallen gradually over the years since its independence. Female empowerment is on the rise. In terms of the gender gap, Bangladesh ranks first among all South Asian Countries. In every standard after the independence, Bangladesh was lagging behind Pakistan, its former ruler, but recently it overtook Pakistan by almost all standards.

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1 It is commonly believed that Henry Kissinger, then US Secretary of States, called Bangladesh as 'bottomless basket' during the official visit to Bangladesh in 1974. However, there is no record to support this statement. Actually, on December 6, 1971, the so called 'international basket case' came from the conversation of a meeting of interdepartmental Washington Special Actions Group (WSAG) to discuss the situation in South Asia. According to the minutes of that meeting, Maurice J. Williams, who was answering Kissinger, was then the deputy administrator of the US Agency for International Development (USAID) and also chairman of the Interdepartmental Working Group on East Pakistan Disaster Relief. Ural Alexis Johnson, a career foreign service officer and under-secretary of state for political affairs at that time, interjected in between Henry Kissinger and Maurice Williams with his infamous 'international basket case' comment. To predict the consequences of projected famine in 1972, Ural Alexis Johnson commented that Bangladesh would be an 'international basket case' but in reply Henry Kissinger said 'But not necessarily our basket case' (Bari, 2008).

This paper will delve into Bangladesh's graduation from LDC and the challenges to face in the aftermath of graduation. Light will also be shed on the opportunities to come from graduation to the next level of development. This paper is based on the review of literature on Bangladesh's development performances. For data, secondary sources have been used. The rest of the paper is structured as follows. Section 2 describes the country classification set by different organisations and the criteria associated with these classifications. Section 3 is devoted to discussing the graduation process from the LDC group. Section 4 shows Bangladesh's development path; how she reached to next level of development. Section 5 analyses the possible challenges that Bangladesh is likely to face after graduation from the category of LDC. Section 6 consists of discussing the possible opportunities to come after graduation. Finally, section 7 concludes with some recommendations.

2. Country Classifications

There are many classifications of countries in the world. These classifications are made on various grounds, i.e. level of income, stock of human capital, development, location, stage of industrialisation, indebtedness, the endowment of natural resources. However, the primary yardstick of classification has been the level of development. Traditionally, the level of development is measured by national income. The high the level of income of a country, the more the country is developed. Variations of the population in countries make country comparison difficult with the level of income. For example, India's national income is much larger than the Netherlands, but India has a vast population. Therefore, India's overall development is much lower than the Netherlands has. In this regard, per capita income makes the comparison more rational. To enhance development through per capita income, industrialisation would prioritise maximum welfare through the'trickle-down[2] effect. However, with the passes of time, the measure of development has been evolved.

During the 1960s and 1970s, many countries enjoyed considerable growth in per capita income, but the lives of mass people did not change significantly (Todaro and Smith, 2012). Then in the development measure, reducing income inequality and poverty got the main priority. Noble laureate economist Amartya Sen criticised the income-based measurement of development. According to him,

2 Trickle-down theory states that financial benefits given to big business will in turn pass down to smaller business and consumer. For example, tax breaks for corporation and wealthy will stimulate investment thereby enhancing economic growth. Consequently, all members of the society will be benefited from the growth.

'Economic growth cannot be sensibly treated as an end in itself. Development has to be more concerned with enhancing the lives we lead and the freedoms we enjoy (Sen, 1999:14). Sen argues that there are many disparities between income and actual advantages that people can enjoy. The sources of disparities may lie in individual heterogeneity, i.e. illness, disability, gender; environmental diversities; variations in social climate, i.e. law and order situation of the country; distribution of wealth within the family; and differences in relational perspectives, i.e. what is needed for a person standing at a particular position in the society. For the abovementioned cases, only a higher level of income cannot ensure a higher level of development. To incorporate criticisms of Sen and others United Nations Development Programme (UNDP), in 1990, introduced an alternative holistic approach to measure development, the so-called Human Development Index (HDI). In HDI calculation and income, two other indicators (health and education), which can positively affect human lives, have been incorporated (UNDP, 2016).

Table 1: Country Classifications by Different Organisations

Organizations	Category			
	1	2	3	4
World Bank	Lower Income Country	Lower Middle Income Country	Upper Middle Income Country	High Income Country
UNDP	Low Human Development Country	Medium Human Development Country	High Human Development Country	Very High Human Development Country
United Nations	Developing Economies	Economies in Transition	Developed Economies	

Source: World Bank, UNDP, UN

Table 1 presents country classifications by different organisations. World Bank classifies countries into four categories: Lower Income Country (LIC), Lower Middle Income Country (LMIC), Upper Middle Income Country (UMIC) and High Income Country (HIC). The basis for this classification is per capita Gross National Income (GNI) measured in the current US dollar. According to the last update of the World Bank (July 2017), countries with lower than \$ 1,005 GNI per capita are classified as LIC, those with between \$1,006 and \$ 3,955 as LMIC, those with between \$3,956 and \$ 12,235 as UMIC, and those whose GNI per capita is above \$ 12,235 as HIC.

UNDP groups countries into four categories based on calculated HDI value. HDI value ranges from 0 to 1.[3] According to Human Development Report 2016, countries with HDI values below 0.550 fall into the low human development group, those with between 0.550 and 0.699 into medium human development, those with between 0.700 and 0.799 into high human development, and those having 0.800 and above into very high human development group.

According to World Economic Situation and Prospects (WESP) report 2018 by United Nations (UN), countries are classified into three broad categories: Developing Economies, Economies in Transition, and Developed Economies. Besides these classifications UN, based on recommendations made by the Committee for Development Policy (CDP), classifies some developing countries with a low level of development as the Least Developed Country (LDC). The primary criteria for inclusion require that certain thresholds be met about per capita GNI, a Human Assets Index (HAI) and an Economic Vulnerability Index (EVI). Detail descriptions of these criteria are discussed in the following section.

3. History of LDC Classification

The origin of the LDC category dates back to 1964 when the first session of the United Nations Conference on Trade and Development (UNCTAD I) was held in Geneva. In that session, member countries recognised that special attention to be "paid to the less developed among them [the developing countries], as an effective means of ensuring sustained growth with equitable opportunity for each developing country" (CDP, 2015). In 1969, the United Nations General Assembly acknowledged the need to alleviate the problems of underdevelopment in the less developed countries to draw full benefits from the Second United Nations Development Decade (IDS-II). The General Assembly requested the Secretary-General to find out the challenges those impoverished countries face and the extraordinary measures needed to address their problems. Later, the assembly invited the Committee for Development Planning (the predecessor of the current Committee for Development Policy, CDP) to identify such countries. After the extensive investigations on country backwardness, 25 countries were classified as LDC in 1971.

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3 HDI is the geometric mean of three indices namely life expectancy index, education index and GNI index. Life expectancy index is constructed with the life expectancy at the birth reflecting the position of long and healthy life. Education index is the average of expected years of schooling for children of school entering age and mean years of schooling for adults aged 25 years and more to reflect the level of knowledge in a society. GNI index is constructed taking the logarithm of GNI per capita (PPP$) to reflect the level of standard of living of a society.

3.1 LDC Inclusion and Graduation Criteria

LDC inclusion and graduation criteria have been changing over time since its commencement in 1971. In the first review of CDP in 1971, a threshold of GDP per capita ($100 or less), adult literacy rate (20% or less), the share of manufacturing in GDP (10% or less) were considered for LDC inclusion. After the continued change over the periods, in the last review in 2018, those criteria reached GNI per capita, Human Asset Index (HAI), and Economic Vulnerability Index (EVI). Figure 1 gives details of the change in LDC criteria that take place over time. The rationale for including GNI per capita is that it provides information on the income status and the overall level of resources available to a country. The HAI is a weighted average of 5 indicators grouped into a health and education sub-index. Weights of different sub-indices and indicators are shown in parentheses. For health index under-five mortality rate (1/6), percentage of the population undernourished (1/6) and maternal mortality ratio are considered.

On the other hand, gross secondary school enrolment ratio (1/4) and adult literacy rate (1/4) are considered. The rationale for HAI is that the higher the value of HAI, the higher the level of human capital a country possess. Low levels of human assets (low HAI) indicate major structural impediments to sustainable development.

The EVI measures the economic vulnerability of a country. It is composed of eight weighted indicators grouped into various sub-indices. Firstly, EVI is composed of exposure index (1/2) and shock index (1/2). Secondly, the exposure index is composed of size (1/8), location (1/8), economic structure (1/8), and environment (1/8) sub-indices. Size sub-index contains several populations (1/8), the location contains information regarding remoteness, the economic structure takes merchandise export concentration (1/16), and a share of agriculture, hunting, forestry, and fishing in GDP account. Finally,the environmental sub-index considers the share of the population in low elevated coastal zones (1/8). The shock index is composed of trade shock (1/4) and natural shock (1/4) sub-indices. The trade shock sub-index considers instability of exports of goods and services (1/4). The natural shock sub-index considers victims of natural disasters (1/8) and instability of agricultural production (1/8). The rationale for considering EVI is that EVI is a measure of structural vulnerability to economic and environmental shocks. High vulnerability indicates major structural impediments to sustainable development. A higher EVI represents a higher economic vulnerability.

Before 1991 the graduation rules were not established. According to the graduation rule, an LDC may be considered to be statistically qualified for graduation if it achieves the threshold levels of two of these three indicators--GNI per capita, HAI and EVI--or (since 2006) if its GNI per capita is at least double the threshold level. The latter is referred to as income-only graduation.

The latest triennial review in 2018 sets the following thresholds for LDC inclusion and graduation. The inclusion threshold is set at the three-year average of the level of GNI per capita of $ 1,025. The graduation threshold is set at $ 1,230 (20 per cent above the inclusion threshold). The income-only graduation threshold is set at $ 2,460 (twice the graduation threshold). The HAI inclusion threshold is set 60 (since 2015), and for graduation, it is 66 (10 per cent above of inclusion threshold). The EVI inclusion threshold is set at 36 (since 2015), and for graduation, it is 32, 10 per cent below the inclusion threshold.

If any country meets the graduation conditions in at least two consecutive triennial reviews, the CDP recommends graduating to the Economic and Social Council (ECOSOC). Then the ECOSOC endorses the recommendations taking account of country circumstances and the likely impact of graduation, and it sends its decision to United Nations General Assembly. Finally, the General Assembly takes the final decision on graduation. Generally, after three years of the final decision taken by the General Assembly, graduation becomes effective. However, a different grace period (maximum three years) may be granted (UNCTAD, 2016).

The number of LDCs doubled from its original list of 25 in 1971 to a peak of 50 between 2003 and 2007, declining only to 47 in 2018. So far, five countries have graduated from the LDC group to 'other developing countries. They are Botswana (1994), Cabo Verde (2007), Maldives (2011), Samoa (2014) and Equatorial Guinea (2017) (CDP, 2018).

4. Bangladesh's Graduation to Next Level of Development

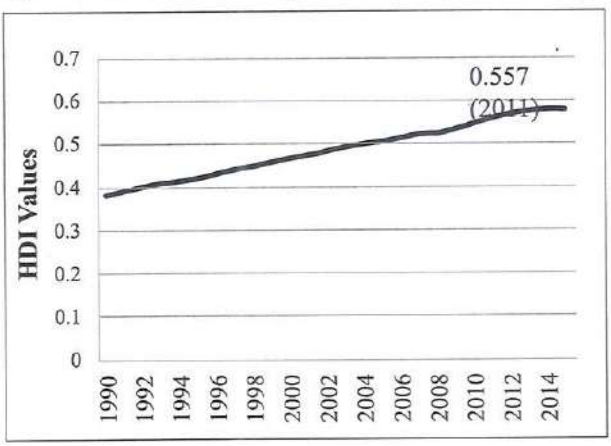
In the triennial review in 2018, Bangladesh is declared by CDP meeting statistical conditions of graduation from LDCs. Although Bangladesh was the fertile soil of progress and prosperity from the time immemorial, a stigma of least development was attached to it because of exploitation and deprivation of British rule of 200 years and later 25 years of Pakistan. During the period of Mughal Emperor Aurangzeb (in 1700), undivided India accounted for 27 per cent of world GDP in which Indian cotton industry was one of the principal heads. At that time, East Bengal (now Bangladesh) was famous for its fine Muslin, which was traded to the Middle East and Europe. Colonial adverse policy destroyed Muslin along with cloth production in Bengal. They were saying she has it that British authority chopped off the thumbs of skilled weavers in the Bengal not to produce the fine cloth (Tharoor, 2016). The next wave of deprivation came during the Pakistan rule. Pakistani rulers systematically exploited then East Pakistan (now Bangladesh) in every aspect. They developed the West at the cost of the East. The East lagged behind the West in terms of per capita income, employment, private and public investment, infrastructural and agricultural development (See Maddison, 1971). After the four decades of Independence, Bangladesh started to come out from the stigma of least development. Recently, Bangladesh has restored its position in the cloth industry. In the fiscal year 2010-11, Bangladesh was declared the second largest RMG exporter after China. Bangladesh is still maintaining its second position over the years. About 81 (in the fiscal year 2016-17) per cent of total export comes from this sector (BGMEA, 2018).

4.1 Graduation to Medium Human Development Group

For the first time, the news of Bangladesh's graduation to the next level of development came in 2011 when Bangladesh entered into the group of medium human development from the low human development group. In 1990, when UNDP published the Human Development Report for the first time, the HDI value for Bangladesh was only 0.386 and then gradually increased to reach 0.579 in 2015. In 2011, Bangladesh's HDI values reached 0.557, crossing the threshold level of 0.550 for a low Human Development country (Figure 1).

4.2 Graduation to Lower Middle Income Country

Figure 1: Human Development Index (1990-2014)



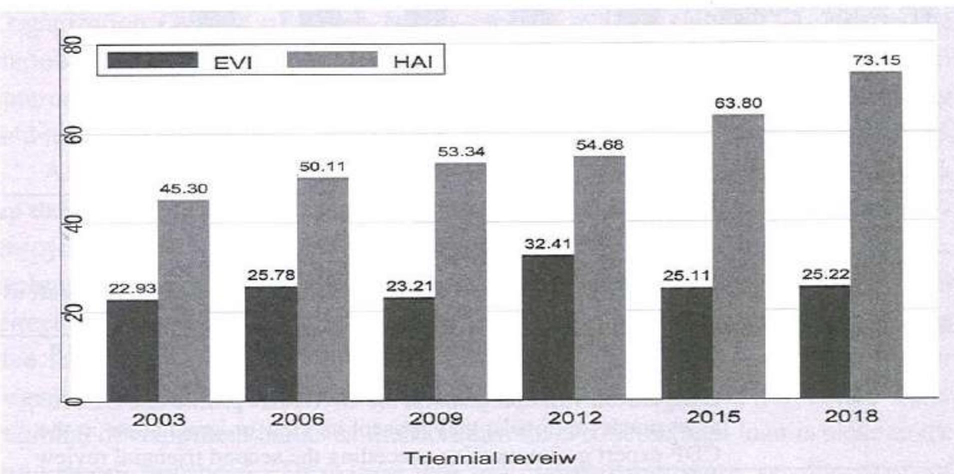
Source: UNDP, 2018

Figure 2 shows GNI per capita based on World Bank's atlas method. In 1973, GNI per capita was only $ 120, which gradually increased to reach $ 1330 in 2016. After 2000 GNI per capita increased at a higher rate than that of the previous period. In 2015, Bangladesh crossed the threshold of a low-income country to become a lower-middle-income country.

4.3 Graduation from LDC

Bangladesh has been on the list of least developed countries since 1975, when it was included in the list. Figure 2 shows EVI and HAI values in different triennial reviews of CDP from 2003-2018. Over this period, Bangladesh attained the graduation threshold level of EVI (below 32). In 2003, the EVI value was 22.93, and it slightly increased to 25.22 in 2018. However, the HAI was lagging behind the graduation threshold (66). The HAI value increased, over the period, to reach 73.15 in 2018 from 45.30 in 2003. For the first time, the health and education index value crossed the graduation threshold in 2018.

Figure 2: EVI and HAI in Different Triennial Reviews (2003-2018)



Source: CDP, 2018

The GNI per capita also was lagging behind the threshold amount. In the review of 2003, the triennial average GNI per capita was only 363, but over the reviews,the triennial average of GNI per capita increased (Figure 2). The review of 2018 reached $1,274, which crossed the graduation threshold ($ 1,230). For LDC graduation, a country must meet at least two of the three criteria set by the United Nations. For the first time, Bangladesh meets all of the criteria. If Bangladesh meets these criteria in the following triennial reviews (until 2021), it will be recommended to ECOSOC for graduation from LDC. After the endorsement by the ECOSOC, United Nations General Assembly will set the time for graduation. If nothing untoward happens, in 2024, Bangladesh will officially graduate to 'other developing countries (Table 2). If something disastrous happens--that may baffle the economic development-- up to three years of the grace period will be allowed to rip the benefits of being LDC.

Figure 3: Triennial Average GNI Per Capita in Different CDP Reviews (2003-2018)

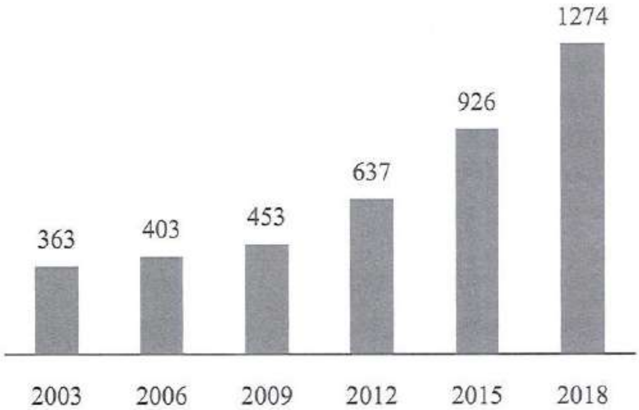


Table 2: Bangladesh's Graduation Process and Time Frame

2018 (First triennial review)	**CDP** finds Bangladesh eligible for the first time (eligibility needs to be reconfirmed at the following triennial review in 2021) **DESA** notifies Bangladesh about the first finding **UNTACD** will prepare a vulnerability profile and provide a draft to Bangladesh
2018-2021	**DESA** will prepare an ex-ante impact assessment and provide a draft to Bangladesh **Bangladesh** will comment on the UNCTAD profile and DESA assessment (optional); may present its view on graduation at the CDP expert group meeting preceding the second triennial review
2021 (Second triennial review)	**CDP** will confirm eligibility criteria (second finding); review reports and country inputs; recommend graduation **ECOSOC** will take action on the CDP recommendation General Assembly will take note of CDP recommendation Bangladesh will establish a consultative mechanism; prepare a transition strategy; report to CDP on the preparation of strategy (voluntary)
2021-2024	**UNDP** will facilitate consultative groups; provide support (if requested) **UN System**will provide targeted assistance and capacity-building (if requested) **CDP** will monitor development progress during the period, report to the Council.
2024	Graduation becomes effective, Bangladesh will no longer be on the list of the LDC group

Source: Compiled from CDP, 2018

5. Challenges Ahead

"Graduation from LDC is not the winning post, but rather the first milestone in the race of development" (UNCTAD, 2016). The graduation criteria are the holistic indicators of development, even broader than that of HDI. Indicators related to EVI is absent in HDI. Therefore, graduation is viewed as a move from dependence to self-reliance in every aspect. After graduation, a county advances on its own strengths and international markets, enabling the upgrade of the country's productive capacities and economic activities, thereby helping resilience to an exogenous shock. However, in LDC graduation, a least developed country enjoys many benefits under the International Support Measure (ISM). After the official graduation in 2027, Bangladesh will incur economic costs due to the loss of access to the ISMs associated with LDC status.

There are 139 unique and different treatment (SDT) provisions benefiting developing countries (including LDCs) in the agreement of the World Trade Organization (WTO), of which 14 are specific to LDC (UNTACD, 2016). The various LDC support measures can be grouped into three main areas: (i) international trade; (ii) development assistance, including development financing and technical cooperation; and (iii) general support and other forms of assistance.

After the effective graduation in 2027, during the 'smooth transition' period, up to the next nine years (until 2036), Bangladesh will gradually lose the currently enjoying ISMs. Bangladesh will lose facilities, especially in finance, trade, technical assistance, and technology-related intellectual property rights. Foreign direct investment (FDI) may decrease due to the loss of preferential market access due to graduation. There will be no concessional loan from multilateral donor organisations like the International Development Association (IDA) and other regional development banks as their criteria for a concessional loan is close to the graduation threshold. This loss will put upward pressure on the cost of development finance since the interest rate on loans will go up. As far as the World Bank is concerned, if per capita income of a country remains above $ 1,400 for three consecutive years, the rate of interest will become 2 percent in contrast to 0.75 per cent.

As an LDC, Bangladesh enjoys preferential market access to more than 40 countries, including the European Union (EU), Canada, Japan and the US. In FY 2015-16, the value of export from Bangladesh to preference granting countries was US$ 24.7 billion, which accounted for 72% of total export. After graduation, Bangladeshi exports will face an additional tariff of 6.7 percent, which will make Bangladeshi commodities dearer abroad and consequently, Bangladesh will face an estimated export loss of around $2.7 billion each year (8% of 2015 exports). The United Nations Conference on Trade and Development (UNCTAD) estimates that exports may fall 5.5% to 7.5% (ERD, 2018). According to the Center for Policy Dialogue (CPD), the private think-tank of Bangladesh, 54 percent of Bangladesh's shipments are headed to the EU, and it is the largest preferential treatment granting market. After graduation, Bangladesh's exports will face 8.7 percent tariffs which will erode the competitiveness of Bangladesh in this market.

The most significant shock will come to the Ready Made Garment (RMG) sector as it will lose preferential market access to the European Union, which will pose asignificant threat to export earnings since RMG accounts for about 81 percent of export earnings. As far as intellectual property right is concerned, Bangladesh will not benefit from the relaxation in this provision after graduation. For example, the pharmaceuticals industry in Bangladesh has witnessed staggering growth because of waive in Trade-related Aspects of Intellectual Property Rights (TRIPS). By 2033, this industry will have to invest a lot to innovate new medicine without copying the formula of companies in developed countries and thereby, local companies will lose their competitiveness.

Graduation from the LDC category will strain the budget since graduation will double Bangladesh's assessed contribution to the United Nations regular budget and other UN-related organisations, operations, funds, and programs. As an LDC, Bangladesh enjoys various international organisations fund support for scholarship, fellowship, participating in special training programmes, various meetings and workshops, conducting research, policy analysis and advocacy, and support for relevant inter-governmental processes. These benefits will be withdrawn after graduation (ERD, 2018).

6. Opportunities

Bangladesh is at the pace of development, and her progress is seen in every indicator of development. In some aspects, it is moving forward with a more incredible speed compared to her neighbouring countries. Social transformation due to female empowerment, social and economic infrastructural development because of public investment and burgeoning the private sector are the major factors that played a significant role in achieving this milestone. The gradation from LDC may open a new window to reach the goal of a developed country.

Once Bangladesh graduates from LDC, her credit rating will be higher. Although there is doubt that FDI may decrease due to LDC graduation in fear of losing preferential market access to developed countries, there is a possibility of attracting further investment. The economy's capacity will enhance through human capital gain, especially in education and increased productivity, which will give investors a positive signal to invest. Usually, international investors do not want to invest in an LDC because of various impediments faced by LDC. Consequently,the investment will increase as the cost of borrowing goes down.

Although rare, there is a chance of non-LDC countries reverting to the LDC group, or the graduated country may be caught in the 'middle-income trap'. Thus, there is always pressure for the government to take appropriate policies to cope with new challenges of being in a new situation. In preparation for graduation with momentum, Bangladesh will undergo many more reformations and structural changes to further development.

7. Conclusion and Recommendations

The paper focuses on the development journey of Bangladesh from her satirical position of 'basket case of development'. This study is mainly based on secondary literature on LDC graduation and the development performance of Bangladesh. Data from different secondary sources have been utilised. Falsifying all the negative speculation, Bangladesh has been keeping pace with development. Meeting almost all development indicators set by different international organisations, Bangladesh is on the development highway. For the first time, Bangladesh met all three criteria of LDC graduation in the review of 2018. If she can maintain the status quo for the following two triennial reviews, she will graduate from the LDC group in 2024.

Many more factors stand out in paving the way for this success. Bangladesh consistently maintained a stable growth rate over the long period and achieved remarkable success in poverty alleviation. Over the past four decades, fertility declined remarkably to about 2.2 from 6.8 children per woman. At the same time, there has been a rapid increase in life expectancy, going up to 72 years from as low as 49 years (Razzaque, 2018). The mortality of children, especially under the five-year mortality rate, has gone down significantly. There has been significant growth in export earnings, mainly from the apparel sector. The apparel sectors generated millions of employment opportunities for women, which is essential in female empowerment. Continuous outflows of international migration and inflows of remittances ease the problem of unemployment and improve countries international reserves. However, the bumpy road is ahead; many more challenges to face on the way to graduation. Perpetuation of development depends on appropriate preparations.

Since Bangladesh will face higher costs for development after graduation as ISMs will be withdrawn, policymakers should take appropriate policies to translate the challenges into opportunities. Policies should be focused on specific vulnerabilities and weaknesses.

Bangladesh will require a broader transformation in diverse sectors. It includes supply-side capacity building through investing in human capital. Effective investment is required in quality education and health. Because of the lack of expert labour force every year,much foreign currency goes abroad. According to US-based Pew Research Centre, foreigners working in Bangladesh repatriate $2 billion a year through the formal channel (see Prothom Alo, 2018). If sending remittances through the informal channel is considered, the amount would be much higher.

On the other hand, the creation of employment opportunities for domestic labour is at a slow rate. A study by Raihan (2018) confirms that Bangladesh is experiencing 'Jobless Growth' since the job creation is not following GDP growth, which negatively impacts poverty and human capital acquisition. Transformation in technology up-gradation, skills endowment, productivity enhancement and increased economic competitiveness is crucial for smooth graduation (Rahman and Bari, 2018).

Bangladesh must diversify its export basket for graduation with momentum since RMG accounts for almost 81 percent of export volume. Any internal and external shock to this sector will take a heavy toll on the export earnings. Diversification in this sector is also required for going to high value-added garments from the lower one. Targeted investment in skill development for the RMG workers is significant to increase labour productivity associated with increased international competitiveness. To increase value addition in this sector, a solid backward linkage industry should be established. It is imperative to search new markets for export to reduce the risk associated with external shocks and diversify export markets.

Bangladesh still lags behind its potential competitors in the export markets regardingthe cost of doing business. Various regulatory policies would need to be more business and trade-friendly by reducing the cost of doing business and exporting from Bangladesh. Special arrangement is quite likely in improving road and power infrastructure as well as up gradating port facilities.

Necessary steps are planned to avail the preferential treatment for the 'other developing countries' and raise investment funds from the capital market. Our capital market is not developed so far and has little international linkage in raising long term funds. Structural and other impediments in this market need to be removed to give local enterprises more expansive access to funds. After graduation, the improved credit rating would allow more international portfolio investments in the capital market. In raising funds, non-residential Bangladeshi (NRB) can play a significant role. Through various instruments like NRB bonds, sovereign bond NRB participation could be enhanced. After graduation Bangladesh will lose technical support from developed countries and international organisations, thereby developing a technical gap. NRB knowledge and expertise could bridge the gap if they are appropriately incorporated into the domestic development process.

Bangladesh may learn from the experience of the already graduated country in tackling the challenges faced after graduation. Botswana pursued policies to diversify its economy from over-dependence on diamond mining; Cabo Verde, which did not have any mineral resources pursued prudent macroeconomic management and harnessed the power of the private sector through the development of the tourism sector, encouraging remittance flows and attracting FDI (Rahman, 2018; UNCTAD, 2016). Therefore, Bangladesh needs to identify its vulnerabilities and weaknesses and plan strategies to overcome the upcoming challenges of the next level of development, relying on her capacity.

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