BANGLADESH'S LDC GRADUATION JOURNEY

1975 Bangladesh included in the group of Least Developed Countries (LDCs)

2015 Transitioned from a low-income to a lower-middle income country in World Bank classification

2018 Fulfilled LDC graduation criteria for the first time (43 years after joining)

2021 Met graduation criteria again, graduation recommended

2024 Met the criteria for the third time

2026 Nov 24 Set to graduate from LDC status

2029 End of 3-yr grace period for trade benefits in EU,UK, Australia, and Canada

Likely impact on Bangladesh after graduation

Bangladesh is likely to face tariff hikes in major export markets

EU: Tariffs on 93% of exports to increase to 9.6-12%.

Canada: Tariffs on most garments to rise to 16-18%.

Japan: Tariffs on garments to climb to 7.4-12.8%.

Pharmaceuticals
Patented drug prices to rise

Recommended for graduation
Djibouti
Kiribati
Tuvalu

NATIONS APPROACHING GRADUATION AND GRADUATED

Scheduled to graduate alongside Bangladesh

Lao PDR 2026 | Nepal 2026 | Solomon Islands 2027 | Cambodia 2029 | Senegal 2029

Already graduated

Botswana 1994 | Cabo Verde 2007 | Maldives 2011 | Samoa 2014 | Equatorial Guinea 2017 | Vanuatu 2020 | Bhutan 2023 | São Tomé and Príncipe 2024

Delayed graduation

Bangladesh	Lao PDR	Bhutan	Nepal	Solomon Islands	Maldives	Vanuatu
2	2	2	5	6	8	20

Years of delay

ROUNDTABLE 3

POLICY AND REGULATORY CHALLENGES IN THE PRIVATE SECTOR

The everyday struggles of business

REGULATORY UNPREDICTABILITY

Entrepreneurs complained of abrupt rule changes, contradictory directives, and an absence of consultation. A factory may be operating smoothly one day, only to find the next day that a new regulation requires

a different licensing procedure or imposes new compliance burdens. Labour rules, environmental directives, and fiscal policies are often introduced without warning, leaving investors scrambling.

As one participant put it: "Unless a file has 20 signatures from 10 desks, it will not move. This culture of complexity suffocates us."

FISCAL BURDEN AND TAX COMPLEXITY

The taxation regime is particularly daunting. Businesses face multiple overlapping taxes: VAT, supplementary duties, corporate income tax, advance income tax deductions, spectrum fees, and revenue sharing. In the telecom sector, this adds up to an effective tax burden of 73-78 percent of revenue — compared with about 20 percent in peer countries. Instead of rewarding compliance, the system often penalises firms that pay more, undermining trust and discouraging investment.

Predictability is missing. As one executive noted: "If you do good, if you pay more tax, you should be rewarded. Instead, you face more claims from government agencies. How can that encourage compliance?"

CUSTOMS AND PORTS

Even when infrastructure exists, customs clearance and port processes are painfully slow. Exporters lose orders because raw materials sit idle at airports or ports for days awaiting clearance. Importers use ports as cheap storage, clogging facilities and increasing costs for others. Customs procedures remain largely manual and paper-heavy, with little automation or real-time tracking.

> **"Bangladesh must simplify business processes, improve NBR operations, and ensure a regulatory environment that supports both exports and domestic production."**
> **Zaved Akhtar** President, FICCI

The inefficiency is particularly damaging for the ready-made garment (RMG) sector, where buyers demand ultra-fast turnaround. One exporter explained: "We are already losing orders due to long lead times. If we cannot reduce transit and clearance delays, the percentage of lost business will only grow."

LICENSING, APPROVALS, AND CORRUPTION

Business registration and approvals remain among the most time-consuming in the region. It takes an average of 31 days to register a company in Bangladesh, compared to 9 days in India and just 1 day in Singapore. Land registration can take over two years. Entrepreneurs recounted stories of applications for factories and permits being stuck indefinitely for "small reasons," with approvals often requiring under-the-table payments.

One participant summed it up: "To get a boiler license costs six times the official fee. Gas connections cost three times more. This is corruption embedded into the system."

INSTITUTIONAL FRAGMENTATION

Another barrier is the lack of a single authority for business and logistics issues. Investors must navigate a maze of ministries — commerce, finance, shipping, civil aviation, and others — none of which have full accountability. This fragmentation creates gaps, duplication, and delays. Participants repeatedly called for a strengthened Ministry of Commerce to serve as the central coordinating body for competitiveness and private sector policy.

SMEs, startups, and the risk of collapse

While large corporates may have the resilience to weather shocks, SMEs and startups are at serious risk.

Each year, 10,000-12,000 new businesses register in Bangladesh, but most fail within three to five years. Startups face particular difficulties raising funds. Debt is expensive, with bank interest rates of 12-14 percent, and collateral requirements exclude most young firms. Equity investment and FDI are constrained by vague rules on profit repatriation, long delays in land and company registration, and inconsistent enforcement.

The result is a thinning pipeline of innovative firms. One entrepreneur recalled training 300 engineers in the Internet of Things (IoT), securing work in Japan, and attempting to seed a domestic IoT market. Despite repeated proposals to government ministries to include smart building

requirements in public tenders, not a single policy move was made. The entire project collapsed, and the trained engineers were lost to underemployment.

By contrast, Vietnam deliberately gave its inexperienced local firms major government contracts, enabling them to gain expertise and later dominate regional markets. "They leapfrogged because their government believed in them. We lost our chance because ours did not," lamented one participant.

Without urgent reform, SMEs will collapse under the combined weight of bureaucracy, financing costs, and lost preferences after graduation.

The culture of disrespect for entrepreneurs

Perhaps the most emotional theme was the lack of respect for the private sector. Despite creating the majority of jobs, exports, and GDP, entrepreneurs described feeling treated as "second-class citizens" — or worse.

"When we succeed, we are treated with suspicion. We are not celebrated; we are demonised," said one business leader. Another noted how think tanks and government often highlight negatives but rarely acknowledge private sector achievements.

Examples abound:

•The back-to-back letter of credit (LC) policy, which helped launch the RMG sector, came from visionary collaboration with entrepreneurs.

•A 1994 pharmaceutical policy allowing companies to set most drug prices spurred a world-class industry that now exports globally.

These successes, participants argued, show what entrepreneurs can achieve when government trusts rather than controls them.

> **"When the private sector talks, they (government officials) always believe that it is for a vested interest... We create more jobs than the public sector. So, Sir, start listening."**
> **Ahsan Khan Chowdhury** Chairman, Pran-RFL

Ways to overcome

The roundtable converged on several recommendations, grouped here into short-, medium-, and long-term priorities.

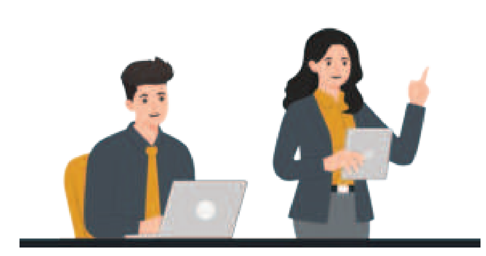
SHORT-TERM (0-2 YEARS)

•Simplify tax and customs procedures: Reduce overlapping taxes, harmonise VAT, and introduce time-bound digital clearance systems.

•Digitalise approvals: Move company registration, licensing, and compliance fully online, with track-and-trace systems to eliminate face-to-face corruption.

•Enforce policy predictability: Introduce consultation processes before new regulations are enacted, preventing sudden shocks.

•Respect SMEs: Introduce subsidised credit lines and simplified loan approvals for high-growth SMEs, especially in technology and



diversification sectors.

MEDIUM-TERM (2-5 YEARS)

•Empower the Ministry of Commerce: Establish it as the lead coordinating body for private sector and trade, with authority to cut through overlaps between ministries.

•Skills development: Create a National Skills Council and Skills Passport to certify vocational training, bridging the gap between unemployment and skill shortages.

•Arbitration and dispute resolution: Establish specialised commercial courts and consistent arbitration laws to resolve business disputes within set timeframes.

•Promote local firms in public procurement: Ensure a share of government contracts goes to Bangladeshi companies, enabling them to build expertise and scale.

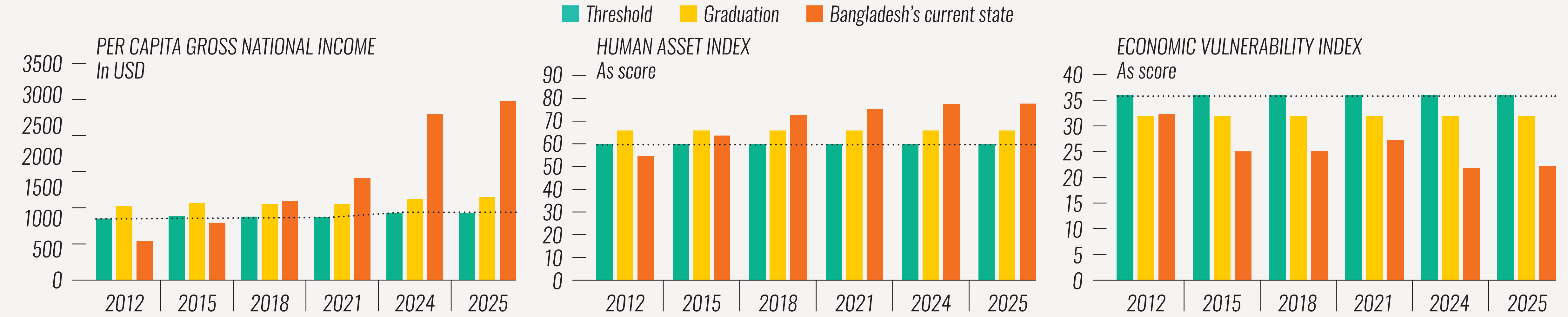
LONG-TERM (5-10 YEARS)

•Negotiate FTAs and EPAs: Secure agreements with the EU, UK, Japan, and regional partners to offset the loss of LDC preferences.

•Reform logistics: Move from "tool port" models to landlord port models, involving private operators in efficient management.

•Institutionalise public-private dialogue: Establish permanent mechanisms where business concerns are integrated into policymaking.

LDC GRADUATION CRITERIA AND BANGLADESH'S PERFORMANCE



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