Monitoring of Graduated Countries from the Least Developed Country Category:

Maldives

Committee for Development Policy
UN Headquarters, New York
23 – 27 March 2015

I. Background

General Assembly resolution 67/221 of 21 December 2012 requests the Committee for Development Policy (CDP) to monitor the development progress of countries that graduated from least developed country (LDC) category. The monitoring is to be conducted, in consultation with the Governments of those countries, on a yearly basis for a period of three years after graduation becomes effective, and triennially thereafter, as a complement to two triennial reviews of the category of least developed countries. CDP has also been requested to include its findings in its annual report to the Economic and Social Council (ECOSOC). Resolution 67/221 strengthens a similar provision contained in resolution 59/209 of 20 December 2004 which, among other things, requested CDP to monitor graduated country's development progress as a complement of the triennial review and with the assistance and support of relevant organizations. General Assembly also requested, in its outcome document of third International SIDS Conference in 2014, requested the CDP to continue to give due consideration to the unique and particular vulnerabilities of SIDS and to continue to monitor regularly, together with their Governments, the progress of SIDS that have graduated from LDC status.[1]

Guidelines on how such progress is to be monitored were first outlined in the *2008 CDP Report* to the Council.[2] The procedures relating to the reporting requirements of graduated (together with graduating) countries were further clarified in the 2013 CDP Report to the ECOSOC,[3] which was endorsed by Council resolution E/RES/2013/20 (25 October 2013). The main objective of the monitoring provision is to identify any signs of reversal in the development progress of the graduated country and bring them2 Tc.086 g requir.0002 retion of the ECOSOC.

Annex table 1 shows scores of GNI-per capita, HAI and EVI of graduated and graduating

Table 1. Maldives and Samoa: Time lines for monitoring reports

Date	Maldives	Samoa	Relevant resolution
January 2011	Graduated		A/60/30
March 2012	Report submitted as a complement to triennial review		A/59/209 and A/65/286
December 2012	Current reporting system introduced		

accelerate in 2015, due to continuing strong performance of the tourism and transport

Table 2: Maldives: Selected socio-economic indicators, 2009-2015.

	2009	2010	2011	2012	2013	2014a/	2015b/
GDP growth rate (per cent, constant price)	-5.5	7.1	12.6	3.0	8.8	8.5	10.5
Inflation rate (per cent)	4.5	6.1	11.3	10.9	4.0	..	..
Government revenues (Millions of MVR)	5,735	6,547	9,905	10,138	11,901	14,907	21,268
Government expenditures (Millions of MVR)	10,953	10,815	12,265	13,110	13,531	16,386	22,868
Government balance (Millions of MVR)	-5,129	-4,258	-2,350	-2,972	-1,766	-1,581	-1,576
Government balance as per cent of GDP	-18.8	-14.3	-6.6	-7.6	-4.2	-3.4	-3.0
Gross ODA received (Millions of dollars)	51.39	120.76	55.72	69.84	33.92	..	..
Balance of Payments (Millions of dollars)							
Current Account	-220.8	-19.6	-422.8	-269.6	-176.1	-290.0	-214.7
Goods, Credit (Exports)	169.0	197.5	346.4	314.4	331.0	325.5	347.2
Goods, Debit (Imports)	1,081.7	1,241.8	1,716.8	1,575.8	1,703.0	1,988.4	2,182.0
Balance on Goods	-912.7	-1,044.3	-1,370.4	-1,261.4	-1,372.0	-1,663.0	-1,834.8
Services, Credit (Exports)	1,543.2	1,809.9	2,087.3	2,105.8	2,504.1	2,867.3	3,277.6
Services, Debit (Imports)	-398.3	-451.4	-589.4	-575.4	-652.5	-749.9	-835.7
Balance on services	1,144.8	1,358.6	1,497.9	1,530.4	1,851.6	2,117.4	2,441.9
Balance on Goods and Services	232.2	314.2	127.5	269.0	479.6	454.4	607.1
Balance on income	-272.4	-311.2	-308.4	-279.5	-369.7	-412.3	-451.6
Balance on current transfers	-180.6	-199.1	-241.8	-259.1	-286.0	-332.1	-370.2
Capital Account	29.3	9.3	28.5	17.4	9.8	14.9	26.4
Financial Account	173.1	153.4	449.8	197.5	132.7	477.4	438.9
Direct investment (net)	158.0	216.5	423.5	228.0	360.8	355.0	372.6
Portfolio investment (net)	12.0	12.2	0.1	53.1	-53.3	..	..
Other investment (net)	-27.2	-50.8	26.1	-83.4	-174.8	122.4	66.3
Memorandum items:							
Reserves (Millions of dollar)	261.0	350.2	334.9	304.5	368.3	444.6	460.3
Reserves (months of imports)	3.3	3.9	2.7	2.4	2.5	3.3 c/	..

months at the end of 2013, reflecting the increase in foreign currency transfers by commercial banks.

Developments related to indicators in the LDC criteria

Table 3: Maldives: LDC criteria indicators, 2009, 2012 and 2015.			
	2009	2012	2015
GNI per capita (US$, Atlas method) (revised in 2015) a/	2,940 (4,533)	5,473 (5,473)	6,644
Income threshold for graduation (US$, Atlas method)	1,086	1,190	1,242
Human asset index			
HAI score	87.5	91.7	91.3
Percentage of population undernourished	7.0	10.0	6.2
Under-five mortality rate (per 1,000 live births)	59.3	15.0	10.0
Gross secondary enrolment ratio (per cent)	83.1	82.1	72.3
Adult literacy rate (per cent)	97.0	98.4	98.4
Economic vulnerability index			
EVI score	58.2	55.2	49.9
Exposure index			
Population (thousands)	311,056	320,081	345,023
Remoteness (kilometres)	5,999 a/	5,757	5,550
Merchandise export concentration	0.767	0.748	0.640
Share of agricultural, forestry and fisheries in GDP (per cent)	6.3	5.2	4.0
Share of population living in low elevated coastal areas (per cent)	..	100	100
Shock index			
Instability of exports of goods and services	11.58	12.04	8.42
Victims of natural disasters (per 100,000 population)	13.85 b/	1.025	0.494
Instability of agricultural production	9.02	8.40	9.08

Source: CDP Secretariat.

Note: The numbers in parentheses indicate revised data. The revisions were made in 2014 by the UN Statistics Division.

III. Smooth transition from the LDC category

Overall, the country has taken a pro-active stance towards graduation. It facilitated the above-mentioned GA resolution 67/221, lobbied with the WTO to extend the TRIPS exemption

(2) ODA flows to Maldives declined significantly in 2013 to $33.9 million, less than 50 per cent of the 2012 level (see table 2). Part of the decline was due to the completion of major infrastructure projects, as such port and sewage systems, supported by the EU and Japan. Moreover, with its reclassification to upper-middle-income country by the World Bank, "concessional aid has dried up significantly."[11] In fact, the major source for the decline in 2013 came from the Asian Development Bank (ADB) that uses the World Bank income criteria when deciding allocations of concessional lending. As a result, net flows from ADB Special Funds (with the Asian Development Fund being the largest) turned to a negative $1 million in 2013 from (positive) $17.0 million in 2012.

Despite the reduction in total ODA inflows in 2013, the Government estimated to have received larger inflows of grants in 2014, a trend that it anticipates to continue in 2015.

Japan already applied MFN tariff rate of 3.5 per cent to its tuna imports from Maldives starting in July 2011, immediately after the country's graduation.

The tuna industry is one of the largest employers of the county, and there have been concerns that the industry could collapse due to the loss of preferential access, particularly to the EU market,[12] one of the major destinations of the country's tuna exports, in particular canned and processed tuna (but not frozen tuna).[13] If higher tariffs imposed by the EU severely affected exports of tuna-related products, one should expect a significant decline of total volume or values of processed and canned tuna exports to the EU. Unfortunately, commodity-trade data is not yet available for 2014; one needs to infer the impact by examining "indirect" evidence. Table 4 shows exports of tuna-related products (in metric tons) and the direction of exports of *all goods* (in millions of dollars) in the first 11 months in 2014.[14]

Total exports of fresh, chilled or frozen tuna in the first 11 months of 2014 declined by 7.1 per cent from the level recorded in the corresponding period in 2013. Meanwhile, exports of canned and processed tuna increased by 14.2 and 57.4 per cent, respectively, during the same period. If the rise was due to increased exports of tuna to regions other than Europe, the direction in trade in all goods should show a major shift in export direction away from Europe, s historically, processed or canned tuna have comprised a significant share of European imports from Maldives. Direction of exports of all goods in table 4 shows otherwise; it does not exhibit any major shifts of direction of exports away from Europe. Conversely, it shows increased share of Europe in total export value in the first 11 months in 2014. One can thus argue that, as of November 2014, the higher tariffs applied by the EU on tuna products from Maldives have not had a major impact on the country's tuna industry.

[12] See, for example, Permanent Mission of the Republic of Maldives to the United Nations (2000), "Memorandum containing observations and comments of the Government of the Republic of Maldives on the recommendation by the Committee for Development policy to graduate the Maldives from the list of LDCs" (July), para. 15.
[13] Thailand and Sri Lanka are the two major exporters of frozen tuna from Maldives.
[14] Production of tuna in values and direction of exports in volume are not available for 2014.

Table 4. Maldives: Volume of fish exports and direction of total merchandise exports, 2008- November 2014.

Year	2008	2009	2010	2011	2012	2013			
							Memo item	2013 a/	2014 a/
Fish exports (metric tons)									
Total	65124	39776	33451	38195	40601	49590		47784	44413
Fresh, chilled or frozen tuna	56266	30657	25195	31906	35417	44656		43310	38249
Canned or pouched	1940	1843	1355	1463	2062	2354		2111	2410

V. Conclusions (Maldives)

The present monitoring report did not find any sign of significant reversal in socio-economic development of Maldives since graduation in January 2011. If anything different, the country seems to have accelerated its economic growth and widen the gap between its per-capita GNI and the income graduation threshold. The country will, however, continue to face the twin deficits in fiscal and current accounts.[15] Because of chronic fiscal deficits, the domestic debt of the Government remains high.

Fiscal consolidation, particularly expenditure control, should be implemented while the economy enjoys robust growth, making any fiscal adjustm needs to continue its efforts to control current expenditure. To reduce current account deficits, the international community needs to strengthen its assistance to the country in the areas of industrial diversification, as feasible, and in strengthening the trade capacity of the country.

ANNEX

Annex table 1. Selected data for graduated and graduating countries

CountCount