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Monitoring of Graduated and Graduating
Countries from the Least Developed

Country Category:

Maldives



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Summary and the monitoring timeline

Angola: Scheduled to graduate on 12 February 2021. Income has been sustained at a high level but lower oil production and tighter foreign exchange liquidity brings challenges on maintaining macroeconomic stability. Human assets are underdeveloped comparing to other countries with similar income levels. The preparation of the smooth transition strategy has been delayed by the recent political changes.

Equatorial Guinea: Graduated on 4 June 2017. The income level is still high, but the GDP is projected to continue to decline due to the production cap imposed by OPEC, depletion of the existing oil reservoirs, and limited new investment. Financial sustainability is questioned as foreign reserves are seriously low. HAI is very low, and there is no update on the data on some of the HAI indicators. After graduation became effective, the Government expressed interest on possible postponement of the graduation.

Maldives: Graduated on 1 January 2011. The continued increase in economic growth in recent years has been driven primarily by high-end tourism and construction. Current account and fiscal imbalances, relatively low

international reserves and a rapid build-up in public debt, are the main challenges. There is no sign of regress in the HAI and EVI indicators. The graduation does not appear to have caused disruptions on Maldives' development trend.

Samoa: Graduated on 1 January 2014. The income growth is expected to be slow at 1.5 – 2 per cent in the next few years. There is no sign of progress or regress in the income, HAI and EVI indicators. Samoa reported that it has continued to make progress since graduation, despite the challenges it still faces as a developing country. Samoa presents its gratitude to the United Nations and the international community for the support and assistance while it was categorized as an LDC.

Vanuatu: Scheduled to graduate on 4 December 2020. The growth rate is projected to stay around 4 per cent, helped by recovery in the agricultural production, and a few infrastructure projects. The HAI and EVI indicators show no change in 2017-2018. Vanuatu had indicated that it was in the process of establishing the National LDC Coordinating Committee to prepare the smooth transition strategy, but a progress has not been reported.

Table 1 Timeline for graduation and monitoring reports

| Date | Angola | Equatorial Guinea | Maldives | Samoa | Vanuatu |
|----------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Jan 2011 | | | Graduation | | |
| Jan 2014 | | | | Graduation | |
| Jun 2017 | | Graduation | | | |
| Mar 2018 | Graduating | Graduated #1 | Review #2 | Review #1 | Graduating |
| Mar 2019 | Graduating | Graduated #2 | | | Graduating |
| Mar 2020 | Graduating | Graduated #3 | | | Graduating |
| Dec 2020 | | | | | Graduation |
| Feb 2021 | Graduation | | | | |
| Mar 2021 | Graduating | Review #1 | | Review #2 | Graduating |
| Mar 2022 | Graduated #1 | | | | Graduated #1 |
| Mar 2023 | Graduated #2 | | | | Graduated #2 |
| Mar 2024 | Graduated #3 | Review #2 | | | Graduated #3 |
| Mar 2027 | Review #1 | | | | Review #1 |
| Mar 2030 | Review #2 | | | | Review #2 |

Note: "Graduating" indicates monitoring as a graduating country; "Graduated #1" indicates monitoring for the first as a graduated country; "Review #1" indicates monitoring for the first time as a complement to the triennial review.

1. Maldives

1.1. Development trend and forecast

The Maldives' real GDP growth rate was 4.5 per cent in 2017 (see Table 2), projected to stay around 4.5 - 4.6 in 2018 and 2019.¹ The continued increase in economic growth since 2015 has been driven primarily by high-end tourism and construction. The tourism sector accounts for about 30 per cent of the economy and about 60 per cent of foreign exchange receipts. Recently, public investments on large infrastructure projects have played a key role in supporting investment demand.

Table 2 Maldives: macroeconomic indicators, 2011-2017

| Indicator | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|--------|--------|--------|--------|--------|--------|--------|
| GDP growth rate (per cent, constant price) | 8.6 | 2.5 | 7.3 | 7.3 | 2.2 | 6.2 | 4.5 |
| Inflation rate (%) | 12.9 | 10.9 | 3.8 | 2.1 | 1.0 | 0.5 | 2.9 |
| Government revenue (billions of national currency) | 9.4 | 10.1 | 11.6 | 15.0 | 17.1 | 18.5 | 19.7 |
| Government expenditure (billions of national currency) | 12.1 | 13.2 | 15.0 | 19.4 | 21.8 | 24.9 | 25.3 |
| Government balance (billions of national currency) | -2.8 | -3.1 | -3.3 | -4.4 | -4.7 | -6.4 | -5.6 |
| Government balance (per cent of GDP) | -7.7 | -7.9 | -7.8 | -9.0 | -8.8 | -7.9 | -10.0 |
| Net ODA received (millions of US dollars) | 54 | 57 | 22 | 23 | 27 | | |
| Balance of Payments (millions of US dollars) | | | | | | | |
| Current Account | -390 | -192 | -141 | -118 | -295 | -831 | -779 |
| Goods, Credit (Exports) | 346 | 314 | 331 | 301 | 240 | 256 | 285 |
| Goods, Debit (Imports) | 1,717 | 1,576 | 1,703 | 1,961 | 1,894 | 2,097 | 2,373 |
| Balance on Goods | -1,370 | -1,261 | -1,372 | -1,660 | -1,655 | -1,840 | -2,088 |
| Services, Credit (Exports) | 2,098 | 2,172 | 2,577 | 2,998 | 2,905 | 3,110 | 3,315 |
| Services, Debit (Imports) | 581 | 571 | 697 | 793 | 875 | 1,101 | 1,220 |
| Balance on services | 1,517 | 1,601 | 1,880 | 2,205 | 2,031 | 2,009 | 2,095 |
| Balance on Goods and Services | 147 | 339 | 508 | 545 | 376 | 169 | 7 |
| Balance on income | -295 | -272 | -364 | -355 | -326 | -364 | -404 |
| Balance on current transfers | -241.8 | -259.1 | -286.0 | -307.8 | -345.2 | -635.2 | -382.1 |
| Capital Account | 28.5 | 17.4 | 7.9 | 6.6 | 9.5 | | |
| Financial Account | -432 | -228 | -70 | -285 | -541 | -906 | -779 |
| Direct investment (net) | -424 | -228 | -361 | -333 | -308 | -448 | -452 |
| Portfolio investment (net) | -0.1 | -53.1 | 53.3 | 17.2 | -122.9 | 5.1 | 3.8 |
| Other investment (net) | 7.1 | 83.4 | 173.6 | -215.3 | -59.3 | -367.4 | -426.9 |
| Change in reserves | -15.3 | -30.4 | 63.8 | 246.4 | -50.7 | -95.5 | 95.7 |
| Total Reserves (Millions of US dollars) | 335 | 305 | 368 | 615 | 564 | 468 | 564 |
| Reserves (months of imports) | 1.7 | 1.7 | 1.8 | 2.6 | 2.3 | 1.9 | 2.1 |

Source: UN/DESA World Economic and Social Prospects (2018); IMF, International Financial Statistics, accessed 10 February 2018.

On the other hand, the Maldives also displays some economic fragilities, such as current account and fiscal imbalances, relatively low international reserves and a rapid build-up in public debt in recent years. Public debt as a share of GDP rose by more than 10 per cent between 2014 and 2016, to about 66 per cent of GDP.² Also, increasing government spending has contributed to keeping the country in a budget

¹ UN/DESA (2018). WESP 2018.

² IMF (2017). Article IV consultation.

deficit of almost 10 per cent of GDP.³ These fragilities can affect the country's resilience to confront external and domestic shocks in the near term. Recent political changes add additional uncertainty to the country's development path.⁴

The Chinese-Maldives Free Trade Agreement signed on December 2017 is expected to boost the trade between the two countries, because the tariff rates imposed by China and the Maldives in 2016 was roughly 8 per cent and 11 per cent, respectively. But imports from China (\$286 million in 2016) is currently much larger than exports to China (0.1 million), and thus it is unclear yet whether the free trade will contribute to reducing the current account deficit of Maldives.⁵

1.2. Development related to indicators in the LDC criteria

Maldives' GNI per capita is estimated as \$9,200 in 2018, about 7.5 times higher than the graduation threshold, \$1,230 (see Table 3). The projected continued real GDP growth in the next couple of years may lead to a further increase in the GNI per capita.

Table 3 Maldives: LDC criteria indicators, 2011 – 2018

| Index/Criteria | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|-------|-------|-------|-------|-------|-------|-------|-------|
| GNI per capita (USD, Atlas method) | 5,920 | 6,456 | 6,917 | 7,397 | 7,793 | 8,185 | 8,674 | 9,200 |
| Human assets index (HAI) | 87.6 | 88.3 | 88.7 | 88.9 | 89.1 | 89.2 | 89.3 | 89.3 |
| Maternal mortality rate (per 100,000 live births) | 96.1 | 87.4 | 81.9 | 76.2 | 70.5 | 69.2 | 67.7 | 67.7 |
| Under-five mortality rate (per 1,000 live births) | 14.5 | 13.2 | 12.0 | 11.0 | 10.2 | 9.5 | 9.0 | 8.5 |
| Percentage of population undernourished | 11.5 | 10.0 | 9.3 | 9.1 | 9.0 | 8.9 | 8.5 | 8.5 |
| Adult literacy rate (%) | 98.5 | 98.5 | 98.5 | 98.6 | 98.6 | 98.6 | 98.6 | 98.6 |
| Gross secondary enrolment ratio (%) | 69.8 | 69.8 | 69.8 | 69.8 | 69.8 | 69.8 | 69.8 | 69.8 |
| Economic vulnerability index (EVI) | 52.3 | 51.0 | 49.1 | 49.2 | 49.8 | 49.8 | 50.3 | 50.9 |
| Population (thousands) | 355 | 365 | 375 | 386 | 397 | 408 | 418 | 428 |
| Remoteness | 55.9 | 55.1 | 54.3 | 53.5 | 53.0 | 52.8 | 52.9 | 53.1 |
| Merchandise export concentration | 0.7 | 0.6 | 0.6 | 0.7 | 0.8 | 0.8 | 0.8 | 0.8 |
| Share of agricultural, forestry and fisheries in GDP (%) | 6.8 | 6.5 | 6.0 | 5.9 | 5.9 | 5.9 | 6.2 | 6.4 |
| Share of population living in low elevated coastal areas (%) | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Instability of exports of goods and services | 7.5 | 7.5 | 7.6 | 7.6 | 7.6 | 7.6 | 8.1 | 8.9 |
| Instability of agricultural production | 10.3 | 9.4 | 8.9 | 8.8 | 8.9 | 8.9 | 8.9 | 8.9 |
| Victims of natural disasters (%) | 1.0 | 1.0 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 |

Source: Committee for Development Policy Secretariat

Note: Indicators are generated based on the same data source and methodology used for the 2018 review using most recent available data. Therefore, the values in 2012 and 2015 may be different from the values included in the triennial reviews presented in the CDP reports to the ECOSOC in the respective year.

The HAI has been maintained at a high level, around 89. There is no sign of regress in the health or education related indicators.

³ Asian Development Bank (ADB) (2017). Asian Development Outlook; Oxford Economics (2017). Country Economic Forecast: Maldives.

⁴ UN/DESA (2018). WESP.

⁵ Data based on the World Bank WITS and Oxford Country Economic Forecast.

Maldives remains highly vulnerable - the EVI score is estimated as 50.9, ninth highest among 97 non-LDCs analysed in the 2018 Triennial Review. While there was slight increase in the recent years in the share of agricultural, forestry and fisheries in GDP, and the instability of exports, the overall EVI score is very stable over time, reflecting the structural nature such as the small size and the high exposure to sea-level rise and other climate change and other impacts associated with climate change.

1.3. Smooth transition

Maldives graduated on 1 January 2011 (A/RES/60/30). Maldives has not yet provided concise annual reports on the implementation of the smooth transition strategy as suggested by the GA resolution 67/221. Based on other sources, there are a few notable developments on international support measures after Maldives graduated.

In the area of trade, the EU, Sri Lanka, Thailand, and the United States have been the main destinations of the Maldives exports. Higher tariff rates were applied to fish exports (the main export product) to the EU starting in 2014 after Maldives lost access to EBA, but the export value did not decline much (see Table 4 and the [LDC portal](#)⁶). The Maldives exports to Sri Lanka are covered by South Asian Free Trade Area (SAFTA), the regional trade agreement, which grants additional preference to its LDC members as well as Maldives as a former LDC. Therefore, there is no impact of graduation on the exports to Sri Lanka. Thailand's GSP for LDCs entered into force on April 2015, after Maldives graduated. Since the Maldives was never a beneficiary of Thailand's GSP, there was no impact of graduation. United States' MFN rate on fish exports from Maldives was zero or very low (0.33%), and thus the loss of access to GSP did not have a large impact, and in fact, the export value continued to grow since graduation.

Table 4 Maldives: Changes before and after graduation, 2009-2016, million \$

| | | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|-------------------------------------|--------------|-------|-------|-------|-------|-------|-------|-------|-------|
| Tariffs on fish exports* (%) | EU | 0 | 0 | 0 | 0 | 0 | 8.2 | 0.6 | 11.8 |
| | US | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Fish exports (value) | EU | 56.8 | 39.0 | 92.3 | 102.7 | 85.2 | 72.9 | 85.8 | |
| | US | 1.3 | 1.4 | 3.4 | 18.4 | 26.8 | 32.9 | 33.5 | 31.1 |
| DAC ODA | Total | 33 | 112 | 54 | 57 | 22 | 23 | 27 | |
| Non-DAC Grant | China | 0.0 | 21.1 | 18.2 | 30.7 | 53.1 | 0.0 | 26.6 | 44.5 |
| | India | 0.0 | 0.0 | 0.0 | 6.7 | 0.0 | 1.2 | 6.4 | 0.0 |
| | Saudi Arabia | 3.1 | 1.8 | 12.5 | 10.0 | 2.5 | 1.7 | 0.1 | 4.8 |
| Non-DAC Loan** | China | 157.0 | 157.0 | 137.7 | 130.9 | 131.0 | 130.9 | 131.1 | 131.2 |
| | India | 3.5 | 7.7 | 14.0 | 0.0 | 0.0 | 0.1 | 1.1 | 12.4 |
| | Saudi Arabia | 0.0 | 0.0 | 20.1 | 2.4 | 1.1 | 1.6 | 0.0 | 0.2 |

Note: *HS code 03, Effectively applied tariff rates, simple average; ** expenditure on the major projects financed by foreign loans.

Source: World Bank WITS; UN Comtrade; Maldives National Bureau of Statistics, Statistical Yearbook; India Ministry of External Affairs;

The ODA flow from DAC countries decreased in 2013-2015, comparing to 2010-2012. However, non-DAC donors became much more important partners in recent years, illustrated by the grants and loans from China, India and Saudi Arabia (see Table). Access to financing sources to address climate change was not

⁶ <https://www.un.org/ldcportal/managing-graduation-from-the-ldc-category-the-case-of-the-maldives-fish-exports/>

much affected by graduation. Three projects (\$6.3 million) had been financed by LDCF before graduation. After graduation, one project (\$4 million) has been financed by GEF Trust Fund⁷, and the Green Climate Fund also supports Maldives with a \$23.6 million grant.⁸ Loss of other support measures to LDCs seems to have little impact. For instance, contribution of Maldives to UN budget increased about \$20,000 per year, since 2016.

Overall, the graduation does not appear to have a large negative impact on Maldives. Maldives continued to make progress without abrupt disruptions caused by the support measures for LDCs.

⁷ GEF project database. [https://www.thegef.org/projects?f\[\]=field_country:101](https://www.thegef.org/projects?f[]=field_country:101)

⁸ Green Climate Fund project database. <https://www.greenclimate.fund/-/support-of-vulnerable-communities-in-maldives-to-manage-climate-change-induced-water-shortages>