**Monitoring of Graduating Countries from the Category of Least Developed Countries**

***Note by the CDP Secretariat***

## Background

ECOSOC resolution E/2009/35 requests the CDP to monitor recent socio-economic development progress of countries earmarked for graduation from the LDC category and to include its findings in its annual report to the Economic and Social Council (ECOSOC).[1] The main purpose of the monitoring is to assess any signs of deterioration

Guinea was also recommended for graduation by the Committee. The recommendation was endorsed by the Council in July 2009 but not yet taken note of by the General

countries concerned, the monitoring includes updated data used in the criteria for determining LDC status – GNI per capita, human asset index (HAI) and economic vulnerability index (EVI), which underlined the CDP recommendation of graduation.

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However, as most components of the HAI and EVI indices capture long-term structural features of the economies concerned these indicators do not register significant variations in the short run. The monitoring exercise will, therefore, look into a few selected trends that can be related to GNI, HAI and EVI, where applicable, and are more of a short term nature and easily available.

It is worth recalling that recommendation to graduation itself has a number of checks and balances to make sure that this change of status is not the result of transitory shifts in the underlying indicators. First, a country must meet threshold of two (not only one) of the classification criteria to be graduated from the list. Secondly, the graduation thresholds are set above the inclusion threshold to minimize the possibility short-term reversals in status. Thus,, the GNI per capita threshold for graduation is 20 per cent higher than the inclusion threshold. For HAI and EVI, the graduation thresholds are 10 per cent higher than the respective inclusion thresholds. Moreover, indices used for the inclusion in and graduation from the LDC category are based on component variables that are considered to be stable, with reliable data quality and availability. Thirdly, besides estimates for GNI,

[1] Resolution adopted by ECOSOC on the Report of the Committee for Development Policy on its eleventh session (E/2009/35 of 31 July 2009)

[2] DESA/CDP, *Handbook on the Least Developed Country category: Inclusion, Graduation and Special Support Measures*, United Nations sales, publication No. E.07.II.A.9.

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- Total bilateral and multilateral ODA flows have increased from a total of $19 million in 2000 to $54 million in 2008 (see table 4).

- In December 2009, the IMF approved a $79.3 million stand-by arrangement as well as loans for policy support and financial assistance on concessional terms in the amount of $13.2 million.

- In December 2009, the Asian Development Bank approved a loan of $35 million for its Economic Recovery Program of the Maldives and a technical assistance package of $4.5 million in support of the Program.

- Following the country's graduation in January 2011 the country will continue to have access to the EU's Everything but Arms (EBA) preferences for a transition period of three years.

- South Asian Free Trade Area (SAFTA) participating countries agreed in 2004 that the Maldives shall be accorded the same treatment as provided to LDC members, notwithstanding the country's graduation from LDC status.

***Conclusion:*** Available information suggests that recent economic developments in the Maldives have had a negative impact on the country's growth. The Maldives' remains economically vulnerable and sustained efforts are needed to promote the country's structural transformation and upgrade the economy. This underscores the importance of continued support from the international community to assist the country in preparing for its graduation in January 2011 and to ensure a smooth transition from the least developed country category by maintaining or increasing market access and facilitating financing and development assistance. This is particularly important in the context of the recent surges in world food prices and the negative impact of the current global economic slowdown on the country's tourism sector and foreign direct investment in the sector.

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