Comprehensive High Level Mid-Term Review of the Implementation of the Istanbul Programme of Action (IPoA) for the Least Developed Countries

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Roundtable 2: Trade and Commodities, and Economic Diversification and Graduation

When the Istanbul Programme of Action was adopted in May 2011, Maldives was a fresh “graduate,” coming to terms with what this new “status” meant. And my job here today, is to pose some leading questions to you with regard to Priority D of the IPoA, especially since up to 10 countries have now met the graduation criteria, as of March 2015.

In 1997, the Maldives first met two of the three criteria measuring LDC status, thereby qualifying it for graduation. On 20 December 2004, the ECOSOC and General Assembly took note of the latest CDP report thereby beginning the Maldives’ three-year preparatory period before graduation in the New Year. Just six days later, the country was hit by the Indian Ocean Tsunami. The economy, which had grown at an average of eight percent per annum was devastated: 62 percent of the GDP was destroyed; over seven percent of the population was internally displaced; social and economic infrastructure was damaged or destroyed in over one quarter of the country’s inhabited islands; 12 inhabited islands were reduced to complete rubble - all in less than an hour.

This is by no means a unique situation: Vanuatu was forced to ask for an extension in their graduation until 2020, in the wake of Cyclone Pam. Samoa was also forced to ask for an extension due to the tsunami that hit the country. Kiribati, though meeting the graduation criteria for the second time in 2015, was postponed due it being the highest on the vulnerability index. Angola’s graduation has been extended due to the falling commodity prices and the vulnerability of their economy, which is dependent on commodity exports.

In all the examples I have outlined above, it is clear that though countries meet the graduation thresholds for gross national income per capita, as well as human asset index, the vulnerability of a country’s economy is of extreme importance.

Which brings me to my first question for your consideration: Given this reality, are the graduation criteria adequate? Do they reflect the true reality of a country’s ability to sustain their economic
growth post-graduation, and be resilient to the shocks? If a revisit of the criteria is indeed necessary, what should they be?

My second point is on post-graduation. While there is general acknowledgement of the need to phase out preferential measures to ensure smooth transition post-graduation, the reality is different. Graduating countries are expected to negotiate smooth transition strategies, negotiate bilateral arrangements to replace support measures that previously existed due to LDC status, and be expected to respond to any emerging and new challenges. While the status changes in UN lists, followed by similar category changes in other development organisations, things remain largely the same within countries.

This was the experience of Maldives. On 1 January 2011, when we ceased to exist as an LDC, things did not magically change. Inequality still remained within the country. We were still one of the most vulnerable countries to global warming, climate change and other environmental impacts, forcing the Government to spend large amounts of money on climate adaptation. We were still spread across a large area of ocean, making the cost of delivery of basic services very high, while the need to provide basic services and economic infrastructure in all islands still remained a responsibility of the Government. The economy is still dependent on two industries: there has been no room for expanding our economic base.

But we found that we could no longer access financing needed for large infrastructure projects easily. Infrastructure projects we needed to sustain our high growth rates which allowed us to graduate in the first place.

Graduation is not an end: it does not mean the challenges that countries face will go away. In this context, my second question to you is, how do we ensure that development gains made by graduating countries are not eroded post-graduation? How do we strengthen the implementation of existing smooth transition measures?

Thank you