# 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 in the development progress of the graduating country and bring it to the attention of the Council as early as possible.

Two countries are currently earmarked for graduation: Maldives and Samoa. Equatorial 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 Assembly (GA). In expectation that the General Assembly is likely to take note of the recommendation, the CDP Secretariat included the country in its monitoring exercise.

To the extent permitted by available data, and taking into account the diversity of the 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.[2] 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,

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[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.

HAI and EVI, CDP members also rely on two critical assessments: a vulnerability analysis by UNCTAD and an ex-ante impact analysis of graduation by UN-DESA, both of which bring in additional country-specific information that may be relevant for the deciding on the country's graduation and that is not necessarily captured by the HAI and EVI. Lastly, a country should be found eligible for graduation in two successive rounds of the triennial evaluation of LDC status before a recommendation is made to the Economic and Social Council.

## A. Samoa

In 2006, the CDP recommended to ECOSOC that Samoa be graduated from the LDC category. In July 2007, the Council endorsed the recommendation and transmitted its decision to the GA. In December 2007, the GA subsequently adopted the resolution on the graduation of the country. According to the procedures for graduation, Samoa is to graduate from the category in December 2010.[3]

On 29 September 2009 Samoa was hit by a tsunami that devastated its south eastern coastal villages. The tsunami is expected to affect progress in socio-economic development of the country, at least in the short to the medium term.

The economy of Samoa experienced robust growth until 2008. GNI per capita grew by 9.8 and 11.8 per cent in 2006 and 2007 -- the first 2 years after the recommendation for graduation – respectively (see table 1). The IMF attributes this high growth period to prudent fiscal policies and structural reforms.[4] In 2008, however, surges in fuel and food prices led to high level of consumer price index and lower growth rate in the first 3 quarters. The fishing industry, the main exporter of the country, faced adverse climatic impacts which combined with higher fuel prices led to a significant decline in its production, but seemed to have recovered already in the first half of 2009.

The adverse impacts of the global economic crises started to be felt in the last quarter of 2008 as lower global demand led to production cuts in the manufacturing sector and in the construction industry, whereas the tourism industry—as well as remittances, a significant source of foreign exchange for the country and income for its population--showed signs of resilience, at least for a while. The agricultural sector experienced unpredictable price movements, leading to volatile levels of food supplies to national markets. GDP declined by 3.8 per cent in the first half of 2009, compared to the first half of 2008, but the downturn seemed to have reached a bottom in the second quarter of

[3] Resolution adopted by ECOSOC on the Report of the Committee for Development Policy on its eighth session (E/2007/35 of 27 July 2007) and Resolution adopted by the General Assembly on the Graduation of Samoa (A/RES/62/97 of 17 December 2007.

[4] IMF (2009), "Request for disbursement under the Rapid-Access Component of the Exogenous Shocks Facility" (23 November).

that year, reflecting the modest improvement in the global economic environment.[5] In fact, the IMF pre-tsunami forecast had predicted an economic rebound in fiscal 2009.

Table 1. Samoa, selected indicators, 2005-2009.

| | 2005 | 2006 | 2007 | 2008 | 2009 Pre-tsunami | 2009 Post-tsunami |
|---|---|---|---|---|---|---|
| GNI per capita, Atlas method (current US$) | 2,240 | 2,460 | 2,750 | 2,780 | 3,150 | n.a. |
| GNI per capita, annual rate of change (per cent) | 14.3 | 9.8 | 11.8 | 1.1 | 13.3 | n.a. |
| Fiscal balance as % of GDP | 0.3 | 0.3 | 1.1 | -3.3 | n.a. | n.a. |
| Remittances as % of GDP | 29.7 | 23.9 | 21.5 | 24.4 | 26.9 a/ | n.a. |
| Memo items b/ | | | | | | |
| GDP, constant 2002 prices, annual rate of change (per cent) | 2.2 | 2.3 | 5.0 | -5.5 | 1.5 | -3.0 |
| GDP per capita (current US$) | 2,540 | 2,918 | 2,861 | 3,055 | 3,187 | 3,039 |
| Nominal GDP per capita, annual rate of change (per cent) | 11.8 | 14.9 | -2.0 | 6.8 | 4.3 | -0.5 |

*Source*: UN/DESA, based on national and international sources.
*Note*:.a/ Second quarter of 2009
b/ IMF. Refers to fiscal year, which begins July 1

Physical damage and economic losses caused by the tsunami in September 2009 appear to have disrupted the recovery path. Physical damage estimates of capital, including equipment, building and housing and other infrastructure, and economic losses are estimated to be between 10.5 (by IMF) and 12.5 per cent (by UNDP/World Bank) of GDP . Table 2 provides information on selected indicators of the impact of the tsunami. Data on the Maldives is also provided for comparison and information purposes (the country was hit by a tsunami in December 2004). The IMF predicts that the tsunami devastation has lowered Samoa's growth by 4.5 percentage points from the original projection leading to an estimated GDP contraction of some 3 per cent. Maldives, however, experienced a speedy recovery (in terms of annual rate of GDP growth) following the tsunami (see section below on the Maldives).

The extent and duration of the impact of the tsunami on the economy is unknown.. The tourism industry often suffers (at least in the short term) from the adverse impacts of natural disasters. In the case of Samoa the affected area included between 20-25 per cent of the hotel room capacity of the country. The revenue losses by the tourism industry in the affected area are estimated to correspond to about 0.7 to 0.8 per cent of GDP on an annual basis.[6] Higher estimates have been suggested by the IMF which places losses from tourism at about 1.5 to 3.5 per cent of GDP, based on cross-country recovery

[5] Based on Ministry of Finance, Samoa (2009). Quarterly Economic Review, Issue No.45 (October).
[6] Ministry of Finance, Samoa and UNDP (2009). Early Recovery Framework: Submitted to the Prime Minister of Samoa (October).

experience and Samoa-specific structural patters of tourism demand.[7] Beyond the tourism industry, the physical damages will drag production and service deliveries of the service and agricultural sectors. The loss of contribution of fisheries due to damages to the fishing fleet has been estimated to amount to 0.03 per cent of GDP.[8]

Table 2. Human and economic costs of two tsunamis: Samoa and Maldives

| | Samoa (September 2009) | Maldives (December 2004) |
|---|---|---|
| Number of people killed | 143 | 82 |
| Number of people missing | 5 | 25 |
| Population affected | 5 274 | 29 000 |
| As % of population | 2.9 | 3.5 |
| Physical damages and economic losses (Millions of US$) | 104 | 470 |
| As % of GDP | 12.5 | 62.0 |

*Sources*: Minister of Finance, Samoa and UNDP (2009). Early Recovery Framework: Submitted to the Prime Minister of Samoa (October).and the Asian Development Bank; Republic of the Maldives (2005), "Tsunami: impact and recovery" (8 February), and; Government of Maldives and others (2005), *The Maldives: One year after the Tsunami*, Ministry of Planning and National Development, Maldives.

It should be noted that, despite the negative impact of the tsunami on the economy, the country's GNI/capita will remain well above the threshold level for graduation from the LCD category (established at $1,086 at the 2009 triennial review). With the reconstruction of the affected area, rebuilding and repairing the damages caused to the country's infrastructure, housing and businesses, economic growth in 2011 could become as strong as it was the case of the Maldives. This should be particularly the case if flows of remittances and official aid boost domestic expenditure.

The tsunami is also expected to exercise pressure on the fiscal balance. Samoa had been exercising prudent fiscal policies. It registered a small surplus in its fiscal budget until 2007. In 2008 (July 2008 – June 2009), it turned into deficit largely driven by delays in the disbursements of external funds for development projects which led to unexpectedly large deficits in development account in the central government balance sheet. IMF forecast that overall fiscal deficits could be as much as 12 per cent of GDP to meet the anticipated recovery costs, such as humanitarian relief and infrastructure repairing.[9]

Besides its relatively high GNI per capita, Samoa had been recommended for graduation on the basis of its HAI which reached 92.2, the highest among countries reviewed in 2009, compared to the graduation threshold of 66. The HAI is a composite index and includes 2 indicators on health and 2 indicators on education: adult literacy rate and secondary school enrolment ratio on education and, under-5-mortality rate and the share

[7] IMF (2009). "Request for disbursement under the Rapid-Access Component of the Exogenous Shocks Facility" (23 November)

[8] Minister of Finance, Samoa and UNDP (2009). Early Recovery Framework: Submitted to the Prime Minister of Samoa (October), p. 19.

[9] IMF (2009), "IMF supports Samoa after tsunami devastates nation" IMF Survey online (8 December). Available at http://www.imf.org/external/pubs/ft/survey/so/2009/car120809b.htm.

of malnourished people in population on health. These indicators do not change in the short term unless a country experiences a major catastrophic event, such as widespread civil war, pandemics or natural disasters, which is the case of Samoa, if mitigating measures are not put in place.

Government expenditure on health and education appeared to be increasing over the period 2005-2008, while external assistance declined from high levels in 2005 and 2006. (See table 3). ODA is expected to increase in 2010 after the devastation of the tsunami, though the extent to which aid increases is not known. The Asian Development Bank (ADB) announced US $ 26 million of new loans to Samoa and the World Bank would double its financial aid from US$ 20 to 40 million. The Government has also requested IMF disbursement under the Rapid-Access Component of the Fund's Exogenous Shocks Facility in the amount of SDR 5.8 million (about $8.9 million).[10]

Table 3. Samoa. Public expenditure on health and education and aid flows, 2005-2008.

| | 2005 | 2006 | 2007 | 2008 |
|---|---|---|---|---|
| **Government expenditure ( % of GDP)** | | | | |
| Education | 4.4 | 4.4 | 7.2 | 7.5 |
| Health | 3.3 | 3.8 | 3.5 | 4.1 |
| | | | | |
| **ODA (millions of dollars)** | | | | |
| Bilateral donors | 30.05 | 38.35 | 29.33 | 26.67 |
| Multilateral donors | 13.5 | 8.73 | 8.14 | 12.78 |
| Total | 43.55 | 47.08 | 37.47 | 39.45 |
| Total as % of current GDP | 6.0 | 5.2 | 4.5 | 5.2 |
| | | | | |
| Memo items: (ODA, millions of dollars) | | | | |
| Education | 12.9 | 10.9 | 6.4 | 6.1 |
| Health | 3.6 | 4.6 | 3.7 | 3.1 |

Source: UN/DESA, based on national and international sources.

***Conclusion:*** Samoa has suffered human and economic losses from the tsunami in September 2009. Over one hundred people lost their lives and a large portion of the population lost their homes. Infrastructure in the area affected by the tsunami has been damaged and economic activities, particular in the tourism, agriculture and fishing sectors, were disrupted. The balance of payments could face a shortfall in tourism receipts and surges in reconstruction imports. The health of public finances can be compromised by disruptions in the economic activities as well as by the reconstruction effort. Economic growth will suffer at least in the short term but could recover strongly as reconstruction-- supported by the international community—takes place.

[10] IMF (2009) "Request for disbursement under the Rapid-Access Component of the Exogenous Shocks Facility" (23 November).

The outlook provided here is subject to much uncertainty, particularly because the exact scale of the damage and economic disruptions is not known. Without swift and coordinate international support, beyond humanitarian assistance, the country will face difficulties to return to the development progress it had once enjoyed before the tsunami.

## B. Maldives

The Maldives was identified for graduation in two consecutive reviews and will graduate from the list in January 2011.

GNI per capita has steadily increased during the period 2000-2008 with a growth interruption in 2004-2005 as a result of the tsunami (see table 5). The tsunami considerably impacted on the Maldives' development progress. Apart from the tragic loss of lives, the disaster resulted in total damages of nearly $0.5 billion, equivalent to about 62 per cent of the country's GNI (see table 2 for more data).[11]

The Maldives has become a country with one of the highest per capita income in the region. Its success, not only in economic development, but also regarding social progress is reflected in the criteria used by the CDP for the identification of LDCs and noted by CDP in its report to ECOSOC in 2009. In fact the country scored the fourth highest HAI among the countries reviewed in 2009 (60 countries) and has improved its relative position the larger group of developing countries (130 countries) moving from number 52 in 2006 to number 39 in 2009. However, more recently, the country's economic growth has decelerated and income is expected to decrease in 2009. Economic vulnerability remained high and has increased, owing to the impact of the tsunami on its components. As indicated by a relatively high economic vulnerability index, the small and open economy is vulnerable to external shocks, in particular regarding fluctuation in external demand for its goods and services and the volatility in the prices of key commodity imports such as food and fuel.

The country's income and foreign exchange earnings are directly linked to the tourism sector (see table 4). The reduction in tourism arrivals as witnessed after the tsunami and more recently as a result of the global economic downturn have had an effect on the macroeconomic performance of the country. As a result of decreasing revenues from the tourism sector and the related slump in construction, GDP is estimated to have declined by 4 per cent in 2009. Foreign direct investment into the tourism sector is also reported to have declined in 2009.

The large scale reconstruction efforts after the tsunami and the corresponding increase in public expenditures led to a large fiscal deficit. Raises in public sector salaries, the number of public sector employees and power subsidies have lead to further increases in

[11] Asian development & Maldives – Fact Sheet, 31 December 2008.

current spending and have compounded the problem. Government expenditure as a share of GDP has steadily increased and amounted to about 70 per cent of GDP in 2009.[12]

Table 4. Maldives: selected indicators: 2000-2010

| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **GNI per capita** (current US$) | 2140 | 2200 | 2290 | 2400 | 2580 | 2580 | 2980 | 3220 | 3630 | .. | .. |
| **GDP (2000 US$)** annual % change | | 5.9 | 9.6 | 6.9 | 7.8 | -6.2 | 16.0 | 5.5 | 4.0 | -4.0 | 3.4 |
| **Tourism revenues (% of total exports of goods and services)** | 71 | 71 | 69 | 69 | 68 | 59 | 66 | 68 | .. | .. | .. |
| **Tourism receipts (% of GDP)** | 51.4 | 52.3 | 52.6 | 58.1 | 60.7 | 38.3 | 55.9 | 55.6 | .. | | |
| | **ODA (net disbursement, million US$)** | | | | | | | | | | |
| DAC countries | 13.26 | 15.18 | 12.85 | 8.74 | 8.84 | 39.66 | 16.00 | 17.99 | 20.1 | .. | .. |
| non-DAC countries | -1.2 | -0.21 | -0.7 | 2.62 | 4.87 | 13.63 | 2.29 | -0.93 | 29.95 | .. | .. |
| Multilateral | 7.09 | 9.8 | 15.31 | 11.88 | 14.51 | 22.53 | 19.23 | 20.31 | 4.21 | .. | .. |
| All donors | 19.15 | 24.77 | 27.46 | 23.24 | 28.22 | 75.82 | 37.52 | 37.37 | 54.26 | .. | .. |

Source: CDP Secretariat. Tourism, GNI per capita and GDP data for 2000-2008 are based on World Bank Development Indicators. GDP data for 2009 to 2010 are from IMF World Economic Outlook for the years 2009 and 2010. ODA data from OECD Creditor Reporting System.

In response to the challenges faced by the Maldives' economy, the new Government (elected in November 2008) has adopted a package of economic policy measures for 2009-2011 in order to stabilize the economy. The broad program of the Government is supported by several international financial institutions, including the Economic Recovery Program of the Asian Development Bank and an IMF Stand-By Arrangement. Among the measures taken are those that aim to reduce the public debt, including a reduction in public wages and broadening of the tax base which can constrain domestic demand.[13]

Assuming that global economic activity picks up in 2010, tourism inflows and tourism-related investment are projected to recover. A renewed confidence in the economy combined with the Government's commitment to reducing the fiscal deficit is projected to lead to a GDP growth of about 3.5 per cent in 2010.

A few developments are worth mentioning with respect to the support currently received by the country from the international cooperation:

[12] Maldives – Assessment Letter for the Asian Development Bank and World Bank, November 24, 2009 (see http://imf.org/external/np/pp/eng/2009/112409.pdf).
[13] Maldives 2009 Consultations. IMF Country Report No. 10/28, January 2010.

- 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.

While the outlook is cautiously positive, it is contingent on the revitalization of the world economy. The continuation of the global recession may further hinder economic and social progress achieved and impede on the country's achievements towards meeting the internationally-agreed development goals, including the MDGs. The positive development path achieved by Maldives over the past decades can only be sustained with the recovery of the global economy and a successful implementation of the Government's new economic policy measures.

## C. Equatorial Guinea

Equatorial Guinea was found eligible for graduation due to its relatively high level of GNI per capita. At the time of the 2006 Review, the country's GNI per capita was almost 4 times higher than the GNI graduation threshold. By 2009, it was eight times higher than the income graduation threshold ($1,086) Consequently, on the account of its per capita income—and according to the procedure adopted by the Committee to consider for graduation countries that have a per capita income at least twice as high as the graduation threshold—Equatorial Guinea was recommended for graduation from the LDC category while the country did not meet either the EVI or HAI criteria. The recommendation was endorsed by ECOSOC (resolution E/2009/35) but not yet acted upon by the General Assembly. At the time of this writing, it is not clear when the graduation of Equatorial Guinea will take place.

The country's development progress is very much tied to the oil industry. Crude oil production grew rapidly from 5,000 barrels per day (bpd) in 1995 and peaked at 365,000 bpd in 2004 and was around 325,000 bpd in 2009. With 1.1 billion barrels of proved oil reserves (as of January 2009), Equatorial Guinea is the third largest oil producer in sub-Saharan Africa (after Nigeria and Angola). The industry originates about 91 per cent of the country's total output of goods and services (see table 5) and a comparable share of the government's fiscal resources.

Increased oil production has taken place in period of strengthening of nominal oil prices providing the country with significant windfall gains from the exploitation of its hydrocarbon resources and allowing for the accumulation of a significant level of international reserves. According to the IMF International Financial Statistics, international reserves reached a peak of $4.7 billion in August 2008 but lowered to $3.9 billion in September 2009, the most recent available data.

Despite large oil revenues, social development is lagging in the country with the majority of population lacking access to basic social and infrastructural services, while over 75 per cent of the population was estimated to live below the national poverty line in 2006.[14]

The availability of social indicators is rather limited and not frequently updated, but in general there is a sharp discrepancy between the country's level of per capita income—the highest in Africa, and higher than all Latin American economies in 2008— and social outcomes. Among 130 developing countries evaluated during the 2009 review, Equatorial Guinea was ranked 15th in terms of per capita income but 98th in relation to the human asset index. A development fund was established by the country in 2006 to finance the implementation of projects in the areas of health, education, women's affairs and the environment. As of May 2009, 26 projects had been approved but overall implementation has been slow due to funding and approval delays.[15]

[14] African Economic Outlook 2010 available at http://www.africaneconomicoutlook.org/en/countries/central-africa/equat-guinea/

[15] USAID, Technical Support Project For Social Investment And Capacity Building In Equatorial Guinea, Weekly Report: May 25-31, 2009 available at http://pdf.usaid.gov/pdf_docs/PDACO244.pdf

Table 5: Equatorial Guinea, selected indicators, 2000, 2005-2010

| | 2000 | 2005 | 2006 | 2007 | 2008 | 2009 (a) | 2010 (b) |
|---|---|---|---|---|---|---|---|
| GNI per capita, Atlas method (current US$) | 1,250 | 5,210 | 6,870 | 9,710 | 14,980 | n.a. | n.a. |
| GDP (Current US$ billion) | 1.2 | 7.2 | 8.5 | 10.7 | 17.9 | n.a. | n.a. |
| GDP growth (annual %) | 13.1 | 8.9 | 5.3 | 23.2 | 15.2 | -1.8 | 2.0 |
| Value added (% of GDP) | | | | | | | |
| Agriculture | 8.3 | 5.0 | 4.4 | 4.2 | 4.1 | n.a. | n.a. |
| Industry | 87.1 | 90.0 | 90.6 | 90.7 | 90.8 | n.a. | n.a. |
| Exports, fob (current US$ million) | 1,097 | 6,991 | 8,216 | 10,100 | 14,700 | n.a. | n.a. |
| Imports, cif (current US$ million) | 451 | 2,109 | 2,621 | 3,100 | 3,500 | n.a. | n.a. |
| Total Reserves minus Gold (US$ million) | 23 | 2,102 | 3,066 | 3,845 | 4,431 | n.a. | n.a. |
| External debt (US$ million) | n.a. | n.a. | n.a. | 136 | 129 | 125 | 119 |

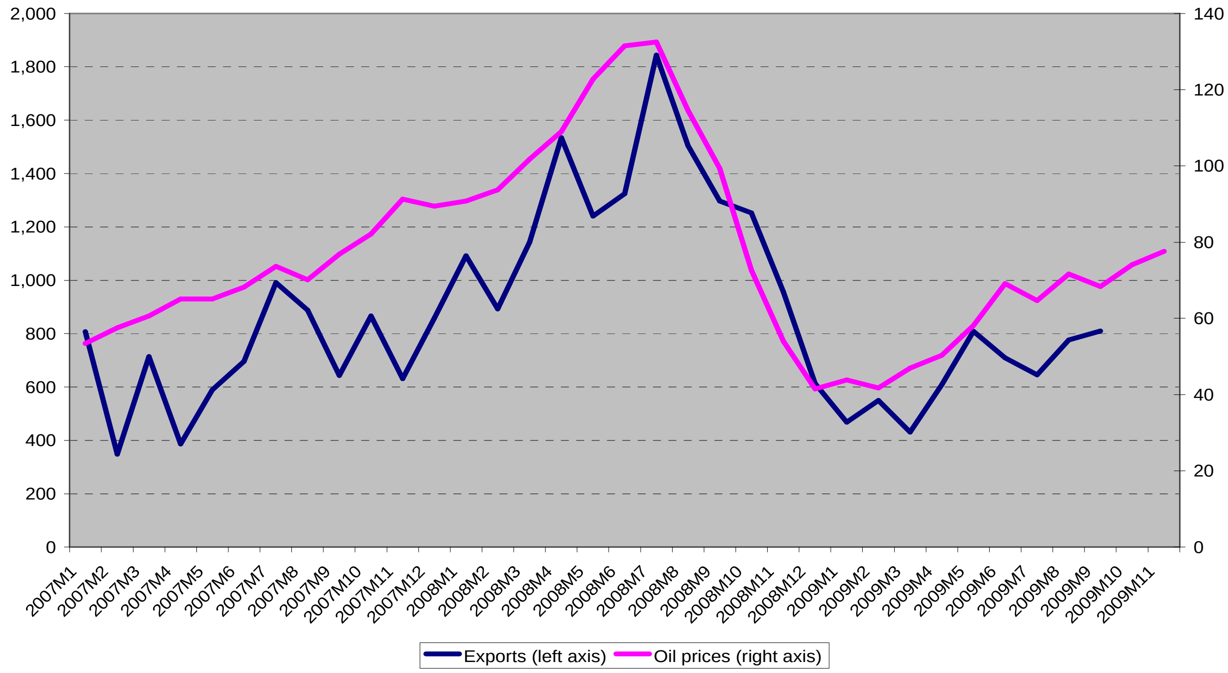
Sources: IMF, IFS data base and 2008 Article IV Consultation, Staff Report; World Bank WDI database, UNSD national account database, EIU.
(a) Estimates
(b) Projections

According to the World Bank WDI database, the GNI per capita is estimated to have reached $14,980 in 2008 but appeared to have declined somewhat in 2009. Oil production contracted in real terms in both 2008 (2.5 per cent) and 2009 (4.1 per cent) due to declining output in at the country's main oil field and no new fields coming into production.[16] At the same time, the global economic crisis and the overall negative prospects for the world economy led to a sharp decline in oil prices in the summer of 2008. Average crude oil prices plummeted from $132 per barrel in July 2008 to $41 per barrel in February 2009 significantly affecting the country's export revenues (see figure below). Merchandise export revenues accumulated in the first nine months of 2009 corresponded to half of the exports recorded over the same period in 2008.

Oil prices (and export revenues) have recovered since early 2009 and are currently hovering around $75 per barrel. Average oil prices are expected to increase by some 30 per cent in 2010 and an additional 4.5 per cent in 2011 as a mild global economic recovery is expected to gradually tighten up the world oil market. World consumption of oil is forecast to increase by 2.7 per cent in 2010 and 3.6 per cent in 2011.[17]

[16] Energy Information Administration, January 2010 International Petroleum Monthly, and Economic Intelligence Unit, Equatorial guinea, February 2010.
[17] US Energy Information Administration, Short-term Energy Outlook, February 2010.

**Equatorial Guinea: merchandise trade exports and average crude petroleum prices**
**January 2007 - November 2009 ($ million and $ per barrel)**




Source: IMF, Direction of Trade Statistics and International Financial Statistics data bases

***Conclusion:*** These emerging trends are favourable for the country. In fact, after contracting by an estimated 1.8 per cent in 2009, GDP is expected to grow by 2 per cent in 2010 and by 3.7 per cent in 2011. The recovery of oil prices, associated with a modest increase in oil output in 2011-2012 (due to investments coming to fruition) will allow the government to maintain an expansionary fiscal policy and implement its long-term development strategy (National Development Plan, 2007). The strategy includes improvements in the infrastructure sector, the development of human resources, good governance and the promotion of social welfare.

While the country's prospects are tied to trends in the oil markets, revenues brought about by oil exports have provided the country with a unique opportunity to finance its development—an opportunity not readily available to other economies. Equatorial Guinea was recommended for graduation due to its high income per capita which, as mentioned earlier, is well above the income graduation threshold. Looking ahead, this large difference between Equatorial Guinea's per capita income and the LDC income graduation threshold can very likely be maintained as the government continues to adopt prudent economic policies and promotes the diversification of the economy.