Monitoring of Graduated and Graduating Countries from the Least Developed Country Category:

Samoa, Equatorial Guinea, and Vanuatu

Committee for Development Policy
UN Headquarters, New York
14 – 18 March 2016

Contents

February 2016

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 LDC category. CDP has also been requested to include its findings in its annual report to the Economic and Social Council (ECOSOC). This note contains a brief overview of the development progress and the smooth transition strategy of a graduated country, Samoa.

This note also contains a brief update on current conditions of graduating countries, Equatorial Guinea and Vanuatu, as requested by ECOSOC in its resolution 2013/20. Following the guidelines of resolution 67/221 of the GA, the CDP Secretariat has invited both countries to submit a concise report to CDP with information and an overview of the preparation of smooth transition strategy.

Guidelines on monitoring were first outlined by the CDP in its 2008 Report to the Council and updated in the 2013 Report.[1] The main objective of the monitoring provision is to identify any signs of reversal in the development progress of the graduated and graduating country and bring them to the attention of the ECOSOC.

II. Monitoring development progress of Samoa

Samoa: Monitoring timeline

In 2006, the CDP recommended to ECOSOC that Samoa be graduated from the LDC category, on the basis of its high GNI per capita and human asset index (HAI).[2] ECOSOC endorsed the recommendation in July 2007. Subsequently, the General Assembly adopted the resolution on the graduation of Samoa, which was scheduled to take place in December 2010.

In September 2009, Samoa was hit by a devastating tsunami. As a result, the General Assembly decided to extend the transition preparatory period by three years (A/RES/64/295). Samoa graduated from the LDC category in January 2014.

The present report is the second in the annual monitoring exercises for Samoa as a graduated country (see table 1).The report benefits from an input submitted by Samoa,

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[1] See paragraphs 34 and 35 in Committee for Development Policy, Report on the tenth session (17-20 March 2008), Economic and Social Council, Official Records, 2008, Supplement No. 13. Committee for Development Policy, Report on the fifteenth session (18-22 March 2013), Economic and Social Council, Official Records, 2013, Supplement No. 13, chapter V.

[2] Committee for Development Policy, Report on the eighth session, 2006 (E/2006/33).

which provided an overview of the implementation of the country's smooth transition strategy.[3]

Table 1. Samoa: Time line for monitoring reports

Date	Event	Relevant resolution
December 2012	Current reporting system introduced	A/RES/67/221 adopted
December 2013	Country report to CDP (graduating country)	A/RES/67/221
January 2014	Samoa graduated	A/RES/64/295
March 2014	CDP annual monitoring report to ECOSOC	E/RES/2013/20
January 2015	Country report to CDP (graduated country, #1)	A/RES/67/221
March 2015	CDP annual monitoring report to ECOSOC	A/RES/67/221
December 2015	Country report to CDP (graduated country, #2)	A/RES/67/221
March 2016	CDP annual monitoring report to ECOSOC	A/RES/67/221
December 2016	Country report to CDP (graduated country, #3)	A/RES/67/221
March 2017	CDP annual monitoring report to ECOSOC	A/RES/67/221
December 2017	Country report to be submitted to CDP	A/RES/67/221
March 2018	Report as a complement to triennial review to ECOSOC #1	A/RES/67/221
December 2020	Country report to CDP	A/RES/67/221
March 2021	Report as a complement to triennial review to ECOSOC #2	A/RES/67/221

Source: CDP Secretariat

Samoa: Recent macroeconomic developments

Cyclone Evan in 2012 caused a slight decline in the real GDP growth in 2013. Real GDP growth has rebounded to 2.6 per cent in 2015, as post-disaster projects have been completed (see table 2). Growth is projected to stagnate for several years to come, due to the slow growth in the global economy, uncertainty over the revival of agriculture, and diminished prospects for the manufacturing export sector.[4]

In 2013 Samoa was classified by the IMF as being at a high risk of debt distress. The Government of Samoa implemented its Medium Term Debt Management Strategy to reverse the trends in the debt-GDP ratio and fiscal deficits, and as a result, the debt distress status was revised to moderate risk in early 2015.

The Government increased expenditure for recovery and reconstruction to respond to the impact of the cyclone in 2012. The Government has developed a number of initiatives to facilitate credit supply. Accordingly, public debt has risen rapidly in recent years, raising risks to sustainability and leaving little fiscal space to address possible future disasters. A process of gradual fiscal consolidation seems under way, as the government deficit is estimated to decline from 5.3 per cent of GDP in 2014 to 3.6 per cent in 2015 (see table 2).

Table 2. Samoa: Socio-economic indicators, 2010-2015

Indicator	2010	2011	2012	2013	2014	2015
GDP growth rate (per cent, constant price)	-2.3	6.2	1.2	-1.1	1.9	2.6
Inflation rate (per cent)	0.8	5.2	2.0	0.1	-0.4	1.3

[3] Government of Samoa, Samoa's Smooth Transition Strategy Report, 31 December 2015.
[4] IMF, World Economic Outlook Database, October 2015; IMF, 2015 Article IV Consultation, July 2015.

Government revenue (Millions of Samoa tala)	552	543	556	621	710	689
Government expenditure (Millions of Samoa tala)	646	636	688	691	809	759
Government balance	-95	-93	-132	-70	-99	-71
Government balance as per cent of GDP	-5.8	-5.3	-7.1	-3.8	-5.3	-3.6
Net ODA received (Millions of US dollars)	147.5	102.1	120.7	118.2	92.7	…
Balance of Payments (Millions of US dollars)						
Current Account (Millions of US dollars)	-43.7	-83.6	0.7	-37.1	-48.6	…
Goods, Credit (Exports)	23.1	24.7	31.2	23.9	27.5	…
Goods, Debit (Imports)	280.0	347.1	308.4	325.4	341.3	…
Balance on Goods	-256.9	-322.5	-277.3	-301.4	-313.8	…
Services, Credit (Exports)	171.8	181.3	199.9	206.2	196.3	…
Services, Debit (Imports)	82.2	78.8	89.6	89.0	74.8	…
Balance on services	89.6	102.5	110.2	117.2	121.4	…
Balance on Goods and Services	-167.2	-220.0	-167.1	-184.2	-192.4	…
Balance on income	-23.8	-31.7	-18.7	-30.7	-21.0	…
Balance on current transfers	157.1	182.1	198.5	190.4	175.2	…
Capital Account	31.2	54.6	15.4	37.4	39.3	…
Financial Account	-45.7	-22.6	9.5	-29.5	-23.5	…
Direct investment (net)	1.3	-8.4	-3.9	-24.1	-18.5	…
Portfolio investment (net)	1.7	0.4	9.9	1.7	5.0	…
Other investment (net)	-48.7	-14.6	3.5	-7.1	-10.0	…
Memorandum item:						
Reserves (Millions of US dollars)	209.4	166.8	168.7	170.7	140.7	…
Reserves (months of imports)	6.5	4.6	4.5	4.4	…	…

Source(s): IMF, World Economic Outlook Database, October 2015; OECD, Table 25: ODA Receipts and Selected Indicators for Developing Countries and Territories; IMF, Balance of Payments Database, December 2015; World Bank, World Development Indicators Database, December 2015

As presented in table 2, Samoa's balance of payment is characterized by a large deficit in the balance of goods and a significant surplus in the balance of services, as well as a substantial transfer inflow. Following cyclone Evan, the current account deficit widened to eight per cent of GDP in 2014 as imports rose. The current account deficit is projected to decrease in 2015 and remain more or less stable, supported by tourism earning and remittances.[5]

Expanding tourism earnings and remittances have been key to the large surplus on the services account and secondary income account. Table 3 shows that tourism earnings and visitor arrivals reached a pre-cyclone level in 2014, helped by reconstruction of some tourism facilities after the cyclone and rising incomes in Australia and New Zealand (from which 80 per cent of tourists originate).

Table 3. Samoa: tourism earnings and visitor arrivals, 2010-2014

Indicator	2010	2011	2012	2013	2014
Tourism earnings (annual rate of growth)	-2.0	2.0	9.0	-7.1	8.0
Visitor arrivals (thousands)	129.5	127.6	134.7	124.7	131.8

[5] IMF, World Economic Outlook Database, October 2015; IMF, 2015 Article IV Consultation, July 2015; Economic Intelligence Unit, Samoa: Country report, January 2016

Source: Central Bank of Samoa, Visitor earnings and remittances, October 2015; Samoa Bureau of Statistics, International Arrival Statistics, October 2015

Remittances also increased by 6.7 per cent (y-o-y) in 2015 due to higher inflows from Australia and New Zealand, according to the Asian Development Bank.[6] In 2015 Australia and New Zealand expanded the number of seasonal workers from countries including Samoa, which is expected to lead to an increase in the remittance flows to Samoa.[7]

Samoa: Developments related to indicators in the LDC criteria

Samoa achieved modest income growth over the past several years. GNI per capita is estimated at $4,006 in 2016, over three times higher than the graduation threshold, $1,242, established at the 2015 triennial review (see table 4).[8] As mentioned above, over the medium-term, real GDP growth is forecast to be slow but positive, suggesting that the income is likely to be sustained at the current level.

Additionally, Samoa continued to maintain high levels of human capital as measured by the HAI. The indicators presented in table 4 show that the HAI scores of Samoa remain high at 94.9 in 2016, much higher than the graduation threshold established at the 2015 triennial review (66 or higher).

However, Samoa remains vulnerable: using the same data sources and methodology used for the 2015 review, the standardized EVI score would be 41.2 in 2016, well above the graduation threshold, 32 or lower, established at the 2015 triennial review (see table 4).

Table 4. Samoa: LDC criteria indicators, 2009-2016

Index/Criteria	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
GNI per capita in USD	2424.0	2709.2	3019.7	3252.2	3441.1	3639.3	3844.1	4006.3
EVI	54.9	54.5	49.3	43.8	44.8	44.6	43.7	41.2
Population (thousands)	182.2	183.4	184.7	186.0	187.4	188.9	190.4	191.8
Remoteness	82.4	82.4	82.7	82.3	81.5	81.6	81.4	81.3
Low elevation coastal zone (%)	17.8	17.8	17.8	17.8	17.8	17.8	17.8	17.8
Export concentration	0.5	0.6	0.5	0.4	0.4	0.4	0.3	0.3
Shares of agriculture, forestry and fisheries	11.4	10.7	10.3	10.0	9.9	9.4	9.6	9.4
Victims of natural disasters (%)	8.7	8.8	2.8	0.2	0.5	0.5	0.5	0.5
Agricultural instability	5.9	5.8	5.4	4.9	4.7	4.6	4.4	4.4
Export instability	11.6	11.1	8.0	8.2	7.9	8.0	7.7	4.0

[6] Asian Development Bank, Pacific Economic Monitor, December 2015
[7] Government of Australia, Australian Government expands Seasonal Worker Programme, June 2015, available from https://www.employment.gov.au/news/australian-government-expands-seasonal-worker-programme
[8] The graduation threshold in 2015 triennial review was established based on 2011-2013 data. See Committee for Development Policy, Report on the seventeenth session, 2015 (E/2015/33).

HAI	94.3	93.9	94.6	94.4	94.4	94.8	94.8	94.9
Undernourishment (%)	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
U5MR (per 1,000)	18.8	24.1	18.7	18.6	18.5	18.2	17.9	17.5
Adult literacy rate (%)	98.5	98.5	99.0	99.0	99.0	99.0	99.0	99.0
Gross secondary school enrolment (%)	86.1	87.7	86.4	85.7	85.7	86.9	86.9	86.9

Note: Indicators are generated based on the same data source and methodology used for the 2015 review. Therefore, the values in 2009 and 2012 are different from the ones included in the triennial reviews presented in the CDP reports to the ECOSOC in the respective year.
Source: Committee for Development Policy Secretariat.

In fact, Samoa achieved an improvement in reducing its vulnerability measured by EVI: the standardized EVI score decreased from 54.9 in 2009 to 41.2 in 2016. Yet, the change is explained to some extent by the statistical design of the indicator. There is a substantial drop in EVI between 2010 and 2012, and the change in the "Victims of natural disaster" indicator contributes the most. The victims of natural disaster indicator uses the number of people affected by disasters, averaged over a 20 year period. There were a large number of people affected by Cyclones Ofa in 1990 and Val in 1991, which are excluded from the calculation of the indicator for 2011 and 2012, and in turn lead to the drop in the value of the indicator.[9] Therefore, the improvement in the EVI scores should be interpreted as a statistical outcome, rather than a fundamental change in the country's vulnerability.

Samoa: Implementation of the smooth transition strategy

In its report on the implementation of the smooth transition strategy submitted to the CDP[10], the Government of Samoa states that it continues to develop a participatory consultative and negotiation process with its development partners to discuss the issue of graduation.

Samoa's smooth transition strategy has been an integral part of its national development strategy, the Strategy for the Development of Samoa (SDS). The SDS provides an overarching framework for planning and implementing policies to sustain economic growth and human capital development. The Mid-term Review of the SDS in 2015 indicated that while there has been progress across all four priority areas (economic, social, infrastructure, and environment sectors), Samoa would need to explore more active policies aimed at economic transformation.

In this context, the Government of Samoa will develop and formulate a coherent national development strategy – the new national development strategy for 2016-2020. The public consultations have begun in January 2016. The new strategy will include designing an economic stabilization framework which will be reviewed at every IMF Article IV consultation, the next one to be in 2016. The fact that Samoa is also a small islands

[9] According to the WHO and Centre for Research on the Epidemiology of Disasters, Emergency Disasters Database (EM-DAT), Cyclone Ofa in 1990 affected everyone in the population, and Cyclone Val in 1991 affected 54 per cent of the population.
[10] Government of Samoa, Samoa's Smooth Transition Strategy Report, 31 December 2015.

developing state means that it will continue to be regarded as a country with special needs assistance; and this is a significant consideration as it prepares to address the implementation of the SDGs and the SIDS Accelerated Modalities of Action (SAMOA) pathway using an integrated approach into the SDS framework (2016-2020).

The Government continues to engage in consultation with the private sector on the compliance obligations following WTO accession in 2012. The Diagnostic Trade Integration Study (DTIS) conducted in 2010 pointed out that there might be significant adjustment costs in agriculture, food-processing, and manufacturing sectors, related to issue of intellectual property rights, sanitary and phytosanitary systems, subsidies and countervailing measures, and technical barriers to trade.[11] The DTIS Update project that started in September 2015 seeks to provide an updated perspective of trade priorities in Samoa and identify key areas/shortfalls that require further strengthening, taking into account the changes in the national, regional and international environment since 2010.[12]

The Government has successfully negotiated with China on the continuation of Duty-free Quota-free (DFQF) schemes for a period of 3 years beyond graduation. Within the transition period, Samoa will still be enjoying duty-free treatment for its export products to China which corresponds to 95 per cent of tariff lines. Samoa has also been granted a three-year transition period until 1 January 2017 under the Everything But Arms (EBA) Initiative by the EU, after which normal tariffs will apply. However, Samoa is no longer eligible for Japan's Generalized System of Preference (GSP) scheme due to Samoa's graduation from LDC status.

Samoa continues to receive preferential market access to Australia under the Australian system of Tariff Preferences as well as the South Pacific Regional Trade and Economic Co-operation Agreement (SPARTECA). For New Zealand, Samoa retains preferential market access under SPARTECA and WTO arrangements. Negotiation and implementation is ongoing on the free trade agreements in the region, the Pacific Island Countries Trade Agreement (PICTA) and the Pacific Agreement on Closer Economic Relations (PACER) Plus.

Despite having graduated in 2014, Samoa continues to benefit from the programs funded under the EIF, particularly those for trade facilitation and implementation of institutional reforms for the Trade Commerce and Manufacturing sector. The EIF adopted smooth transition provisions in July 2010 for countries leaving the LDC category. Accordingly, Samoa has access to EIF benefits automatically for three years and an additional two years subject to justification and approval by the EIF Board.[13]

[11] Government of Samoa, Diagnostic Trade Integration Study, 2010.
[12] Enhanced Integrated Framework: Samoa. Available from http://www.enhancedif.org/en/country-profile/samoa
[13] EIF, Compendium of EIF Documents: A User's Guide to the EIF, Access to the EIF Programme: the Technical Review. Available from http://enhancedif.org/en/system/files/uploads/eif_tier_1_project_guidelines.pdf

As of January 2016, the graduation of Samoa does not seem to have had a noticeable negative impact on exports (see table 5). The value of exports decreased for fresh fish immediately after the graduation in January 2014, but rebounded quickly in 2015. Most fish exports are destined to New Zealand where Samoa continues to enjoy preferential market access under SPARTECA. The drop in 2014 is likely related to supply-side issues, such as the temporary closure of the main fish exporting company.[14] All other major exports increased between 2013 and 2015, showing no sign that graduation had a negative impact.

Table 5. Samoa's export by product, thousand US dollars, 2013-2015

Products	2013	2014	2015
Fresh fish	8,175	5,402	22,177
Nonu juice	3,033	3,486	5,562
Beer	2,826	3,942	4,337
Taro	1,395	1,904	3,761
Crude coconut oil	1,517	3,137	1,995
Copra meal	201	690	1,563
Coconut cream	26	498	308
Coconut	118	567	292
Virgin coconut oil	653	265	156
Nonu fruit	6	3	87
Spring water	452	196	26
Total (excluding re-exports)	20,221	22,558	42,097

Note: 2015 data includes January to October.
Source: Central Bank of Samoa, Foreign Trade Report, October 2015.

In the area of financing for development, Samoa continues to be supported by its development partners, including the World Bank and the Asian Development Bank, through investments particularly in the transport sector, including airport, roads, and bridges.

The projects funded by LDC Fund (LDCF) will continue to completion, if the projects are approved before the graduation. Samoa continues to implement projects to enhance community resilience, having secured five projects funded by LDCF, totaling $18.9 million.[15]

The Government of Samoa reported that bilateral ODA flows in 2015 were maintained at 2014 levels and in some cases increased. Partnerships with main donors, including Australia and New Zealand, are becoming the modus operandi of engagement and Samoa is prepared to meet its commitments to implement the public finance management reform.

ODA data also confirms the Government's report that there seems no significant impact of Samoa's graduation on aid programmes of major donors in 2015. Australia is Samoa's leading aid donor, accounting for about 30 per cent of net ODA disbursement to Samoa,

[14] Samoa News, Samoa fish exporter to close for a month, February 2014, available from http://www.samoanews.com/node/80849
[15] Global Environment Facility, Samoa: Projects, accessed February 2016.

followed by New Zealand (20 per cent), Japan (9 per cent), and the EU (5 per cent), according to OECD DAC database.[16]

Australia's total official development assistance to Samoa was $37.8 million in 2014-2015.[17] Australia's 2015/16 aid budget for Samoa is estimated to remain at a similar level, $36.8 million. As mentioned above, in June 2015 Australia lifted its cap on the number of seasonal workers from countries including Samoa, which is expected to have positive impact on remittance flows to Samoa.[18]

New Zealand's aid allocation to Samoa has not changed much: the total allocation was $14.2 million in 2015-16, up from $12 million in 2014.[19] New Zealand has also increased the number of seasonal workers who can come to New Zealand to work in the horticulture and viticulture industry. For 2015-16, the cap of 9,000 workers was increased to 9,500.[20]

In May 2015, Japan announced its intention to provide $30 million in funding for port development in Samoa, and to provide cooperation towards the development of a regional hub in the areas of climate change and disaster risk reduction.[21] Japan's aid strategy for Samoa has not been updated, and its multi-year rolling plan does not seem to be affected by Samoa's graduation.[22]

The EU continues to support Samoa after its graduation, with an indicative amount of €20 million provided under the 11th European Development Fund, with focus on the water and sanitation sector, within the framework of the National Indicative Programme signed on 2 September 2014 in Samoa.[23]

China's development assistance to Samoa has been growing, in particular, in the area of infrastructure development. The Broadband highway (connectivity) project was completed in June 2014 with the assistance of a $20 million soft loan from the EXIM Bank and an airport terminal upgrade project funded through a soft term loan from the

[16] OECD, Aid at a glance: Samoa.
[17] Government of Australia, Department of Foreign Affairs and Trade, Australian aid to Samoa. Available from http://dfat.gov.au/about-us/publications/Documents/aid-fact-sheet-samoa.pdf
[18] Government of Australia, Australian Government expands Seasonal Worker Programme, June 2015, available from https://www.employment.gov.au/news/australian-government-expands-seasonal-worker-programme
[19] Government of New Zealand, Ministry of Foreign Affairs and Trade, Aid partnership with Samoa. Available from https://www.mfat.govt.nz/en/aid-and-development/our-work-in-the-pacific/aid-partnership-with-samoa/
[20] Government of New Zealand, Recognised Seasonal Employer cap raise, December 2015, available from http://www.immigration.govt.nz/migrant/general/generalinformation/news/RSEcap-raise.htm
[21] Government of Japan, Ministry of Foreign Affairs, Japan-Samoa Summit Meeting. Available from http://www.mofa.go.jp/a_o/ocn/ws/page4e_000271.html
[22] Government of Japan, Ministry of Foreign Affairs, Japan's ODA: Rolling Plan for the Independent State of Samoa, April 2013. Available from http://www.nz.emb-japan.go.jp/samoa/resources/Samoa.RollingPlan.April2013.pdf
[23] Samoa-EU, National Indicative Programme for the period 2014-2020. Available from http://eeas.europa.eu/development-cooperation/docs/national-indicative-programme_2014-2020/2014-2020_national-indicative-programme_samoa_en.pdf

EXIM Bank of China has begun. The airport terminal upgrade is complemented by a World Bank funded initiative to improve safety and security of runway, taxiway and apron of the airport.[24]

Of the external debt of Samoa, 45.9 per cent is with bilateral partners, mainly the governments of China and Japan.[25]

Samoa: Summary

During the monitoring period, no signs of a significant deterioration in Samoa’s development progress have been observed. While the Government is having difficulties in balancing increasing public investment for income growth with fiscal deficit reduction, Samoa has managed to maintain relatively high levels of human capital and national income.

Implementation of the smooth transition strategy seems well under way. Samoa has been able to negotiate continued support from China and the EU on extending their DFQF scheme for three years following graduation, and there seems no significant impact of Samoa’s graduation on aid programs of major donors.

However, Samoa will continue to be highly vulnerable to external shocks due to the export structure of the country, low lying areas, and its small population size. The Samoan economy has recovered from two natural disasters in recent years: a tsunami in September 2009 and a cyclone in December 2012. The reconstruction effort is estimated to have cost about 40 per cent of the GDP. While the Government of Samoa has been implementing policies to promote the agriculture and fisheries sectors to diversify its economic structure, the sustainable development of these sectors is threatened by natural disasters and declining fish stocks.

III. Monitoring development progress of Equatorial Guinea

Equatorial Guinea: Monitoring timeline

In 2009, the Committee recommended Equatorial Guinea to graduate in accordance with the “income only” rule, as its GNI per capita was several times above the income graduation threshold.[26] ECOSOC endorsed the recommendation for graduation in 2009 (E/RES/2009/35). The General Assembly took note of the recommendation by the CDP in 2013 (A/RES/68/18). The General Assembly also decided to provide Equatorial Guinea, on an exceptional basis, with an additional preparatory period of six months,

[24] Economic Intelligence Unit, Samoa: Country report, January 2016; Correspondence from the Permanent Mission of Samoa to the UN, dated 24 February 2016.
[25] Samoa Bureau of Statistics, Government Finance Statistics, September 2015. Available from http://www.sbs.gov.ws/index.php/new-document-library?view=download&fileId=1719
[26] Report on the twelfth session of the Committee for Development Policy, 22-26 March 2010 (E/2010/33, Supplement No. 13)

before the start of the three-year preparatory period leading to graduation. Therefore, Equatorial Guinea is scheduled to graduate on 4 June 2017 (see table 6).

Table 6. Time line for monitoring reports: Equatorial Guinea

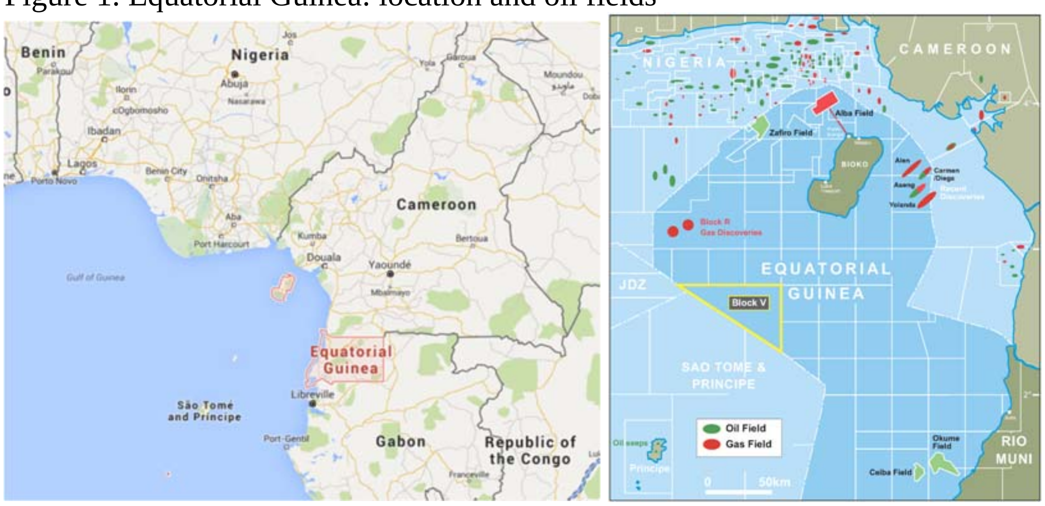
Date	Equatorial Guinea	Relevant resolution
December 2015	Country report to CDP (graduating)	A/RES/67/221
March 2016	CDP monitoring report to ECOSOC	E/RES/2013/20
December 2016	Country report to CDP (graduating)	A/RES/67/221
March 2017	CDP monitoring report to ECOSOC	E/RES/2013/20
June 2017	**Equatorial Guinea graduates**	A/RES/68/18
December 2017	Country report to CDP (graduated, #1)	A/RES/67/221
March 2018	CDP monitoring report to ECOSOC	E/RES/2013/20
December 2018	Country report to CDP (graduated, #2)	A/RES/67/221
March 2019	CDP monitoring report to ECOSOC	E/RES/2013/20
December 2019	Country report to CDP (graduated, #3)	A/RES/67/221
March 2020	CDP monitoring report to ECOSOC	E/RES/2013/20
December 2020	Country report to CDP (triennial review #1)	A/RES/67/221
March 2021	CDP monitoring report to ECOSOC	E/RES/2013/20
December 2023	Country report to CDP (triennial review #2)	A/RES/67/221
March 2024	CDP monitoring report to ECOSOC	A/RES/67/221

Source: CDP Secretariat.

Equatorial Guinea: Recent macroeconomic developments

Equatorial Guinea is highly dependent on the oil sector, and facing serious challenges due to the decline in hydrocarbon production compounded by recent sharp decline in oil prices (see figure 1). Real GDP contracted by 6.5 per cent in 2013, by 0.3 per cent in 2014 and 10.2 per cent in 2015 (see table 7). Estimates vary depending on assumptions about international oil prices but real GDP is projected to further contract by 2-5 per cent annually during the period 2016-2020.[27]

Figure 1. Equatorial Guinea: location and oil fields



27 IMF, Article IV consultation: Equatorial Guinea, 2015; Economic Intelligence Unit, Country Report: Equatorial Guinea, January 2016; Oxford Economics, Country Economic Forecast, January 2016.

The external sector is a key source of vulnerability in view of the country dependence on the oil sector. The current account deficit was large at $1.6 billion in 2014, and turned to a surplus of $731 million in 2015. The balance of goods decreased from $9,284 million in 2014 to $6,499 million in 2015, but larger changes in the balance of service (from -$2,908 million to -$1,974 million) and the balance of income (from -$7,635 million to -$4,971 million) during 2014-2015, turned the current account deficit into a surplus. Equatorial Guinea's foreign exchange reserves decreased from $4,396 million to $2,004 million between 2013 and 2015.

Table 7. Equatorial Guinea: Socio-economic indicators, 2010-2015

	2010	2011	2012	2013	2014	2015
GDP growth rate (per cent, constant price)	-3.8	1.9	5.8	-6.5	-0.3	-10.2
Inflation rate (per cent)	5.3	4.8	3.4	3.2	4.3	3.5
Government revenue (Millions of US dollars)	4,342.9	6,037.8	6,257.7	5,454.0	5,223.7	3,016.5
Government expenditure (Millions of US dollars)	5,081.7	5,864.0	7,881.1	6,738.4	6,274.3	3,611.3
Government balance	-739	174	-1,623	-1,284	-1,051	-595
Government balance as per cent of GDP	-6.4	1.1	-9.0	-7.5	-6.8	-4.7
Net ODA received (Millions of US dollars)	84.7	24.3	14.2	4.3	0.6	…
Balance of Payments (Millions of US dollars)						
Current Account (Millions of US dollars)	-2,793	-1,565	-388	-688	-1,551	731
Goods, Credit (Exports)	10,332	14,306	17,349	15,776	14,761	10,129
Goods, Debit (Imports)	5,485	6,972	6,905	5,785	5,475	3,630
Balance on Goods	4,847	7,334	10,444	9,991	9,284	6,499
Services, Credit (Exports)	…	…	…	…	…	…
Services, Debit (Imports)	…	…	…	…	…	…
Balance on services	-2,055	-2,638	-3,038	-2,690	-2,908	-1,974
Balance on Goods and Services						
Balance on income	-5,477	-6,155	-7,545	-7,682	-7,635	-4,971
Balance on current transfers	-108	-107	-249	-308	-291	-284
Capital Account	0	0	0	0	0	0
Financial Account	2,404	2,602	2,956	1,846	-447	79
Direct investment (net)	2,374	1,975	985	731	320	316
Portfolio investment (net)	0	0	2	2	2	2
Other investment (net)	-330	627	1,969	1,113	-767	-238
Memorandum item:						
Reserves (Millions of US dollars)	2,354	3,054	4,282	4,396	3,177	2,004
Reserves (months of imports)	5.1	3.9	10.1	7.8	8.4	5.9

Source: IMF, World Economic Outlook Database, October 2015; IMF Country Report No. 15/260, Article IV consultation: Equatorial Guinea, 2015; OECD, Table 25: ODA Receipts and Selected Indicators for Developing Countries and Territories

As revenue from the oil sector accounts for around 90 per cent of total government revenue, the fiscal balance is expected to continue to deteriorate over time with falling oil prices and large government expenditure on infrastructure. The fiscal deficit is forecast to reach five per cent of the GDP in 2015, and then decrease over the medium term, as government spending declines due to financing constraints.

As seen above, the oil sector is the key to the Equatorial Guinea's economic prospects. Mineral fuels export accounts for 94.2 percent of all commodity exports in 2014 (see table 8).

Table 8. Equatorial Guinea: value of exports by main commodities exported, 2014

HS code	Exports	Value (US dollar billions)	Share (per cent)	Main destinations*
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	12.2	94.2	China (25%), USA (16%), Singapore (9%), Brazil (9%), France (8%), Japan (7%)
29	Organic chemicals	0.4	3.3	Netherlands (54%), USA (30%)
44	Wood and articles of wood; wood charcoal	0.2	1.5	China (91%)
Total		13.0	100	

Note: * Market share in the parenthesis.
Source: UN Comtrade, accessed 25 January 2016.

Equatorial Guinea is located at the Niger Delta Basin which is one of the richest in undiscovered petroleum resources (see figure 1).[28] According to the most recent estimate, Equatorial Guinea had proven oil reserves of 1.1 billion barrels as of January 2015.[29] In 2014, total oil production averaged about 270 thousand barrels per day. The daily production is well below Equatorial Guinea's peak production of 369 thousand barrels per day in 2007, but the country is the third leading oil producer in sub-Saharan Africa, after Nigeria and Angola.[30] Due to a steady fall in the output of existing fields, in the absence of significant new discoveries, the overall output is expected to fall further to around 189 thousand barrels per day in 2020.[31]

Equatorial Guinea is estimated to have 1.3 trillion cubic feet of proven natural gas reserves as of January 2015.[32] Between 2001 and 2014, Equatorial Guinea's natural gas production increased rapidly from 1 billion cubic feet to 292 billion cubic feet.[33] Recent discoveries in international oil companies' complex may boost future natural gas production.

Equatorial Guinea: Developments related to indicators in the LDC criteria

Due to the development of its fuel resources, Equatorial Guinea achieved high levels of national income. Table 9 shows that GNI per capita of Equatorial Guinea is estimated as $15,250 in 2016, using the same methodology and data source for 2015 triennial review. It is 12 times higher than the graduation threshold established at the 2015 triennial review

[28] Economic Intelligence Unit, Industry Report: Energy, Equatorial Guinea, January 2016.
[29] US Energy Information Administration, Equatorial Guinea: Overview, April 2015.
[30] African Development Bank, African Economic Outlook, Country Note: Equatorial Guinea, 2015.
[31] Economic Intelligence Unit, Industry Report, Energy: Equatorial Guinea, 4th quarter 2015.
[32] US Energy Information Administration, Equatorial Guinea: Overview, April 2015.
[33] Calculated from Economic Intelligence Unit, Industry Report, Energy: Equatorial Guinea, 4th quarter 2015.

($1,242).[34] As discussed above, a projected contraction of real GDP in recent years, due to falling oil prices and declining oil production, is likely to lead to a reduction in the GNI per capita in the near future. Yet, the level of national income is forecast to remain at a high level in the medium term, supported by an increase in natural gas output.[35]

Table 9. Equatorial Guinea: LDC criteria indicators, 2009-2016

Index/Criteria	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
GNI per capita in USD	5,422	7,210	10,424	13,482	15,268	15,807	15,468	15,250
EVI	45.4	45.6	44.6	43.4	41.2	40.8	40.0	35.7
Population (thousands)	665.8	686.2	707.2	728.7	750.9	773.7	797.1	820.9
Remoteness	49.8	49.7	49.8	49.2	48.4	48.2	48.4	48.5
Low elevation coastal zone (%)	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4
Export concentration	0.9	0.8	0.8	0.7	0.7	0.7	0.7	0.7
Shares of agriculture, forestry and fisheries	2.0	1.7	1.6	1.5	1.6	1.4	1.4	1.5
Victims of natural disasters (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Agricultural instability	4.9	5.3	5.3	5.0	3.1	2.9	2.8	2.5
Export instability	28.3	28.7	28.2	27.5	26.7	26.5	25.8	21.0
HAI	49.1	49.7	50.2	50.8	53.5	54.0	54.6	55.1
Undernourishment (%)	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0
U5MR (per 1,000)	118.4	114.6	110.9	107.3	103.7	100.3	97.4	94.1
Adult literacy rate (%)	88.3	88.3	88.3	88.3	94.8	94.8	95.3	95.3
Gross secondary school enrolment (%)	27.4	27.4	27.4	27.4	27.4	27.4	27.4	27.4

Note: Indicators are generated based on the same data source and methodology used for the 2015 review. Therefore, the values in 2009 and 2012 are different from the ones included in the triennial reviews presented in the CDP reports to the ECOSOC in the respective year.
Source: CDP Secretariat.

Equatorial Guinea's EVI score is estimated as 35.7 in 2016, getting closer to the graduation threshold established at the 2015 review (32 or lower) (see table 9). However, the improvement in the EVI score needs to be carefully interpreted. The changes in the EVI score are mostly explained by the recent decrease in the export instability, which is an indicator generated from a regression analysis of a 20-year period. The export instability appears to decrease in 2016, because of the statistical outcome, not because of a fundamental change in the economy's instability.[36] As the country heavily relies on

[34] Committee for Development Policy Secretariat. The graduation threshold in 2015 triennial review was established based on 2011-2013 data.
[35] Economic Intelligence Unit, Country Report: Equatorial Guinea, January 2016.
[36] In the 20-year sample period, Equatorial Guinea has a structural break: a no-growth period until 1995 and an oil-driven-high-growth period since 1996. The export instability indicator is calculated from a regression using an intercept, a linear trend, and a lagged value of export. The time series of the export value may not be adequately detrended by the linear trend, if a structural break exists. The no-growth period until 1995 is excluded from the calculation of the indicator for 2016, and it leads to a better performance of the regression model with a linear trend, and results in a low value of the export instability. See Handbook on

commodity exports, Equatorial Guinea is expected to remain susceptible to volatile changes in the international commodity prices.

The income level and human development of Equatorial Guinea are unbalanced. While there seems to be some improvement in human assets, the HAI score still remains at 55.1 in 2016, much lower than the graduation threshold established in the 2015 review (66 or higher). Table 10 also presents the Human Development Index (HDI) and its components for 10 countries with lowest values of GNI per capita rank minus HDI rank. The GNI per capita rank minus HDI rank represents the difference in rankings by GNI per capita and by the HDI, and a negative value means that the country is better ranked by GNI than by the HDI. Equatorial Guinea, as one of two high income countries in sub-Saharan Africa[37], is ranked 54 in GNI per capita, but ranked as 138 in HDI, with the difference of -84.

Table 10. Human Development Index and its components for 2014, bottom 10 countries in GNI per capita rank minus HDI rank

HDI rank	**Country**	**Human Development Index (value)**	**Life expectancy at birth (years)**	**Expected years of schooling**	**Mean years of schooling**	**Gross national income (GNI) per capita (2011 PPP $)**	**GNI per capita rank minus HDI rank**
138	Equatorial Guinea	0.587	57.6	9.0	5.5	21,056	-84
48	Kuwait	0.816	74.4	14.7	7.2	83,961	-46
121	Iraq	0.654	69.4	10.1	6.4	14,003	-44
110	Gabon	0.684	64.4	12.5	7.8	16,367	-42
106	Botswana	0.698	64.5	12.5	8.9	16,646	-41
41	United Arab Emirates	0.835	77.0	13.3	9.5	60,868	-34
103	Suriname	0.714	71.1	12.7	7.7	15,617	-32
32	Qatar	0.850	78.2	13.8	9.1	123,124	-31
149	Angola	0.532	52.3	11.4	4.7	6,822	-30
116	South Africa	0.666	57.4	13.6	9.9	12,122	-29

Source: UNDP, Human Development Report, 2015.

Preparation of the smooth transition strategy: Equatorial Guinea

The country's export structure implies little preferential treatment by major importing markets, including China, the United States and other European countries. And the country has limited reliance on bilateral official development flows – net ODA as a percentage of GNI was 0.1 per cent in 2013.[38]

the LDC Category, available from http://www.un.org/en/development/desa/policy/cdp/cdp_ldcs_handbook.shtml.

[37] Seychelles is the other high income country in sub-Saharan Africa (World Bank, Country classification, 2016)

[38] OECD, Aid at a glance: Equatorial Guinea, accessed January 2016.

Nonetheless, a smooth transition strategy should be prepared to engage the country's development partners in providing the necessary support to ensure that the country's development path is sustainable. National Economic Development Plan: Horizon 2020, the country's long-term development strategy, highlights two objectives: (1) transition from an oil dominated to a diversified economy; and (2) the reduction of poverty and enhancement of social cohesion. During the Phase I of the plan (2008-2012), road, port and airport infrastructure were created, the electricity supply network was improved and public housing and buildings were built.[39] The Phase II of the plan (2013-2020) aims at improving governance, the business climate and human capital formation. To leverage the improved hardware, the software of the economy needs significant strengthening, as potential investors continue to be deterred by a weak investment climate and low human capital.[40]

The Government submitted a report on the graduation process to the CDP in January 2016.[41] The report overviews possible impacts of graduation on the country, and confirms that no significant negative impact of graduation is foreseen. The report emphasizes the importance of economic diversification, including expanding export destinations and strengthening the service sector, and social development, and possible actions are considered regarding the diversification and enhancing productivity: (1) participate in EIF and conduct a diagnostic trade integration study (DTIS); (2) conclude negotiations for accession to the WTO as soon as possible; (3) liberalization of trade in services; (4) improve the business environment.

The report suggests a course of action to prepare and implement the smooth transition strategy. The first phase is to establish a consultation mechanism for the development, monitoring and evaluation of the strategy. In the second phase, the strategy could be implemented by proactive actions by the Government (such as participating in EIF, or communicate with various investments funds with the help of the AfDB), or by arrangement of the Government with relevant international organizations (such as WTO negotiations). In the third phase, monitoring and evaluation of the smooth transition would be done by the consultation mechanism together with CDP and its secretariat.

Equatorial Guinea: Summary

In contrast to its high level of income, the country has not used these resources to improve human assets and reduce vulnerability. Diversification into non-oil industries is in urgent need. Agriculture is the population's main source of income, but limited to subsistence farming. Productivity urgently needs to be increased.[42]

Against this background, the CDP in its 2015 report advised the country to formulate and implement a transition strategy for economic divarication and an improved human assets

[39] African Development Bank, Equatorial Guinea Economic Outlook, January 2016.
[40] IMF, Article IV consultation: Equatorial Guinea, 2015
[41] Government of Equatorial Guinea and UNDP, Dependence on oil sector and the process of graduation of Equatorial Guinea, October 2015.
[42] FAO, Country profile: Equatorial Guinea, available from http://www.fao.org/countryprofiles/index/en/?iso3=gnq

index.[43] A smooth transition strategy of Equatorial Guinea will have to be customized in order to reflect the country's special economic situations and to ensure sustainable development. As Equatorial Guinea's medium- to long-term development prospects depend extensively on future oil revenues, the Government is recommended to consider what implications graduation will have on the Horizon 2020 plan, how to manage volatile rents associated with oil, and specifically how the country will diversify its economy. Evidence from other countries shows that a more equitable income distribution, as well as enhanced provision of education and health services, leads to increased economic growth over the long run.

III. Monitoring development progress of Vanuatu

Vanuatu: Monitoring timeline

In 2012 the CDP recommended that Vanuatu graduate. ECOSOC endorsed the recommendation in 2012, and the General Assembly took note of the recommendation in 2013 (A/RES/68/18). In March 2015, Tropical Cyclone Pam struck Vanuatu and caused severe and widespread damage to the economy. Thus, as in the case of Samoa and Maldives, the General Assembly decided to extend by an additional period of three years the preparatory period before graduation occurs. Graduation is scheduled to take place on 4 December 2020 (A/RES/70/78 of 9 December 2015). Table 11 presents the time line for Vanuatu.

Table 11. Time line for monitoring reports: Vanuatu

Date	**Vanuatu**	Relevant resolution
December 2015	Country report to CDP (graduating)	A/RES/67/221
March 2016	CDP monitoring report to ECOSOC	E/RES/2013/20
December 2016	Country report to CDP (graduating)	A/RES/67/221
March 2017	CDP monitoring report to ECOSOC	E/RES/2013/20
December 2017	Country report to CDP (graduating)	A/RES/67/221
March 2018	CDP monitoring report to ECOSOC	E/RES/2013/20
December 2018	Country report to CDP (graduating)	A/RES/67/221
March 2019	CDP monitoring report to ECOSOC	E/RES/2013/20
December 2019	Country report to CDP (graduating)	A/RES/67/221
March 2020	CDP monitoring report to ECOSOC	E/RES/2013/20
December 2020	**Vanuatu graduates**	A/RES/70/80
December 2020	Country report to CDP (graduating)*	A/RES/67/221
March 2021	CDP monitoring report to ECOSOC	E/RES/2013/20
December 2021	Country report to CDP (graduated, #1)	A/RES/67/221
March 2022	CDP monitoring report to ECOSOC	A/RES/67/221
December 2022	Country report to CDP (graduated, #2)	A/RES/67/221
March 2023	CDP monitoring report to ECOSOC	A/RES/67/221
December 2023	Country report to CDP (graduated, #3)	A/RES/67/221
March 2024	CDP monitoring report to ECOSOC	A/RES/67/221
December 2026	Country report to CDP (triennial review #1)	A/RES/67/221
March 2027	CDP monitoring report to ECOSOC	A/RES/67/221
December 2029	Country report to CDP (triennial review #2)	A/RES/67/221

[43] See paragraphs 67 in Committee for Development Policy, Report on the seventeenth session (23-27 March 2015), Economic and Social Council, Official Records, 2015, Supplement No.13.

March 2030	CDP monitoring report to ECOSOC	A/RES/67/221

Note: * Vanuatu reports as a graduating country, covering the year 2020 for most of which it is still a graduating country. See the case of Samoa (CDP/2014/PLEN/7).
Source: CDP Secretariat.

Vanuatu: Recent macroeconomic developments

Tropical Cyclone Pam struck Vanuatu during 12-14 March, 2015 (see figure 2). An estimated 65,000 people were displaced, and approximately 17,000 buildings were damaged or destroyed, including houses, schools, clinics, and other medical facilities. Up to 16 people are reported as having died. The tropical cyclone destroyed crops on a large scale and compromised the livelihoods of at least 80 per cent of Vanuatu's rural population.

Responding to this development, on 9 December 2015, the General Assembly decided to extend the transition period by three years, and therefore Vanuatu is scheduled to graduate on 4 December 2020.

Figure 2. Vanuatu: location and the path of Cylone Pam in 2015

The total economic impact of the cyclone was estimated to be around $449.4 million, which is equivalent to 64 per cent of the GDP in 2014.[44] The sectors that sustained the highest level of physical damage were the housing sector, which accounts for 32 per cent of the total damage costs, followed by the tourism sector (accounting for 20 per cent of all damage), the education sector (accounting for 13 per cent of all damage), and the transport sector (accounting for 10 per cent of total damage). The largest level of

[44] Government of Vanuatu, Post-Disaster Needs Assessment, Tropical Cyclone Pam, March 2015.

economic loss is expected in the agriculture and tourism sectors, which are estimated at 33 per cent and 26 per cent of the total losses respectively. In addition, the environmental sector suffered significant losses to ecosystem services, although these losses are not accounted for in GDP measurements.

Real GDP is estimated to have contracted by two per cent in 2015, due to the adverse impact of the cyclone, only partially offset by reconstruction activity (see table 12). Real GDP growth is forecast to rebound in 2016-2017 to about five per cent per year, helped by reconstruction activity, a recovery in tourism and agriculture, and the ramping-up of infrastructure projects.[45]

Table 12: Vanuatu: Socio-economic indicators, 2010-2015

	2010	2011	2012	2013	2014	2015
GDP growth rate (per cent, constant price in local currency)	1.6	1.2	1.8	2.0	2.3	-2.0
Inflation rate (per cent)	2.7	0.7	1.4	1.3	1.0	3.1
Government revenue (Billions of Vatu)	16.7	15.8	15.8	16.1	18.6	23.8
Government expenditure (Billions of Vatu)	18.4	17.3	16.9	16.3	17.8	27.5
Government balance	-1.7	-1.5	-1.2	-0.1	0.8	-3.7
Government balance as per cent of GDP	-2.5	-2.1	-1.6	-0.2	1.0	-4.6
Net ODA received (Millions of US dollars)	108.3	90.7	101.4	90.9	98.4	…
Percentage of GNI?						
Balance of Payments (Millions of US dollars)						
Current Account (Millions of US dollars)	-63.7	-72.1	-72.0	-5.1	19.4	…
Goods, Credit (Exports)	48.8	67.3	54.7	38.5	63.4	…
Goods, Debit (Imports)	243.8	260.0	253.2	267.5	269.3	…
Balance on Goods	-195.0	-192.7	-198.5	-228.9	-206.0	…
Services, Credit (Exports)	276.7	283.2	301.8	352.4	333.7	…
Services, Debit (Imports)	124.6	145.0	145.9	149.1	144.9	…
Balance on services	152.1	138.2	155.8	203.4	188.8	…
Balance on Goods and Services	-43.0	-54.5	-42.7	-25.6	-17.2	…
Balance on income	-21.5	-19.0	-43.1	-0.3	4.9	…
Balance on current transfers	0.8	1.4	13.8	20.7	31.7	…
Capital Account	20.7	24.0	22.6	21.0	31.7	…
Financial Account	-155.5	-112.8	-68.7	-130.9	-2.9	…
Direct investment (net)	-62.1	-60.3	-60.0	-59.0	-12.8	…
Portfolio investment (net)	1.6	-6.7	0.2	17.5	-10.2	…
Other investment (net)	-94.9	-45.8	-8.9	-89.4	20.1	…
Memorandum item:						
Reserves (Millions of US dollars)	161.4	173.8	182.2	179.2	184.0	…
Reserves (months of imports)	4.6	4.5	4.5	4.7	…	…

Source(s): IMF, World Economic Outlook Database, October 2015; OECD, Table 25: ODA Receipts and Selected Indicators for Developing Countries and Territories; IMF, Balance of Payments Database, December 2015; World Bank, World Development Indicators Database, December 2015

[45] EIU, Country Report: Vanuatu, January 2016; IMF, Vauatu: 2015 Article IV Consultation, June 2015; Oxford Economics, Vanuatu: Country Economic Forecast, December 2015; ADB, Asian Development Outlook 2015 Update.

Before the cyclone, Vanuatu's current account showed a deficit in the balance of goods, and a surplus in the balance of service (see table 12). As imports of goods related to reconstruction activity rises, the current account deficit is estimated to be 18 per cent, or as high as 27 per cent, of GDP in 2015, compared with eight per cent in the pre-cyclone baseline.[46] Imports of raw materials and capital equipment for reconstruction and infrastructure projects more than offset lower international prices for oil and food imports. At the same time, cyclone-related damage to crops means that agricultural exports such as copra, cocoa and kava are likely to have slumped.

Vanuatu's export is small and extremely volatile, and the main export is fish products, accounting for a half of the total exports in the period of 2010-2014 (see table 13). The other export which has a significant share is ships, boats and floating structures, but the data seem unreliable.[47] According to the IMF, exports of goods might decrease by 35 per cent, from $63 million to $41 million, between 2014 and 2015.[48]

Table 13. Vanuatu: value of exports by main commodities exported, average 2010-2014

HS code	Exports	Value (US dollar thousands)	Share (per cent)	Main destination*
3	Fish and crustaceans, molluscs and other aquatic invertebrates	205,951	49.6	Thailand (48%), Japan (32%), Vietnam (8%)
89	Ships, boats and floating structures	190,319	45.8	Namibia (78%), Republic of Korea (9%), Ecuador (6%), Poland (6%)
12	Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit; industrial or medicinal plants; straw and fodder	10,322	2.5	New Caledonia (37%), Fiji (28%), USA (23%)
18	Cocoa and cocoa preparations	4,352	1.0	Malaysia (99%)
Total		**650,188**	**100**	

Note: * Market shares in 2014 are in the parenthesis.
Source: UN Comtrade, accessed 1 February 2016.

In the immediate aftermath of the cyclone, the government responded through fiscal and monetary measures. A supplementary budget increased expenditures by 1.3 per cent, and value-added tax and import duties were waived for building materials and relief items. Due to these measures, the fiscal deficit is expected to be 4.6 per cent of GDP in 2015 (see table 12). The Reserve Bank of Vanuatu reduced the interest rate, lowered bank reserve requirements, and activated targeted credit facilities.

[46] IMF, Vanuatu: 2015 Article IV Consultation, June 2015; EIU, Country Report: Vanuatu, January 2016.
[47] As the export data from Vanuatu is limited, the data presented in this report are obtained from the importing countries' report. The export of ships can be explained by the fact that Vanuatu has an open ship register, that is, flags of convenience for vessels that have not been near Vanuatu. Flag of convenience is the business practice of registering a merchant ship in a sovereign state different from that of the ship's owners, to reduce operating costs or avoid the regulations of the owner's country. For this reason, the main destinations vary year to year, depending on which vessels are registered. Export of ships is therefore not regarded as a true manufacturing activity.
[48] IMF, Vanuatu: 2015 Article IV Consultation, June 2015; EIU, Country Report: Vanuatu, January 2016.

A fall in earnings from tourism will have reduced the services surplus. Data are not yet available to estimate the impact of the cyclone on tourism, but preliminary estimates suggest that the number of visitors have been reduced significantly in 2015. During January-June 2015, visitor arrivals by air decreased by 24 per cent from a year earlier and arrivals by cruise ship were down by 56 per cent.[49] Tourists arrivals are expected to recover in 2016, supported by marketing efforts in Australia and New Zealand, Vanuatu's largest sources of tourists (see table 14).

Table 14. Vanuatu: Visitor arrivals by country of origin, 2009-2014

Year	Total	Australia	New Zealand
2009	100,675	64,909	12,606
2010	97,180	58,760	11,927
2011	93,960	57,843	11,399
2012	108,161	65,405	14,430
2013	110,109	65,776	15,068
2014	108,808	60,808	16,293

Source: Reserve Bank of Vanuatu, *Quarterly Economic Review, September 2015*, table 36.

Secondary income will be supported by donor funding for reconstruction, while remittance inflows are expected to be increasing, as temporary-work schemes for ni-Vanuatu are expanded in Australia and New Zealand.[50]

Vanuatu: Developments related to indicators in the LDC criteria

In 2021 the CDP recommended Vanuatu for graduation on the basis of high GNI per capita and HAI, and the country has continued to improve its scores on both criteria. The country's GNI per capita is estimated to be $3,090 in 2016, 2.5 times higher than the graduation threshold, established at the 2015 triennial review ($1,242).Thus, the country continues to meet the income-only graduation criterion as well (see table 15). The standardized HAI score, using the same methodology and the data source for 2015 triennial review, is stable at 80.6 in 2016, much higher than the graduation threshold established at the 2015 review (66 or higher).

The EVI score is 48.3 in 2016, with a large gap from the graduation threshold of 32. The standardized EVI, using the same methodology and data source for 2015 triennial review, shows that there was a slight increase in the EVI score between 2015 and 2016. It seems to be explained by the sudden increase in the victims of natural disasters, reflecting the impact of the cyclone.

Table 15. Vanuatu: LDC criteria indicators, 2009-2016

Index/Criteria	2009	2010	2011	2012	2013	2014	2015	2016
GNI per capita in USD	1,971.9	2,210.9	2,407.6	2,600.0	2,723.5	2,872.5	3,014.9	3,090.4
EVI	48.5	48.1	48.2	46.5	47.0	46.6	47.4	48.3
Population (thousands)	219.9	225.3	230.8	236.3	241.9	247.5	253.2	258.9

[49] Asian Development Bank, Vanuatu Economy, Asian Development Outlook Update 2015.
[50] EIU, Country Report: Vanuatu, January 2016.

Remoteness	83.2	83.2	83.4	83.1	82.2	82.3	82.1	82.1
Low elevation coastal zone (%)	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Export concentration	0.7	0.7	0.7	0.6	0.6	0.6	0.7	0.7
Shares of agriculture, forestry and fisheries	23.1	22.5	22.1	21.9	22.6	24.3	25.9	26.4
Victims of natural disasters (%)	2.8	2.8	2.8	3.4	3.4	3.0	3.4	6.6
Agricultural instability	7.8	7.7	7.7	6.9	7.7	7.5	7.5	7.6
Export instability	9.3	8.8	9.1	7.9	8.0	8.0	7.9	7.6
HAI	73.6	78.3	78.2	78.2	80.1	80.1	80.5	80.6
Undernourishment (%)	6.1	5.9	6.0	6.1	6.3	6.4	6.4	6.4
U5MR (per 1,000)	28.2	28.4	28.5	28.6	28.6	28.4	28.1	27.5
Adult literacy rate (%)	78.1	78.1	78.1	78.1	84.0	84.0	85.2	85.2
Gross secondary school enrolment (%)	42.8	59.5	59.5	59.5	59.5	59.5	59.5	59.5

Note: Indicators are generated based on the same data source and methodology used for the 2015 review. Therefore, the values in 2009 and 2012 are different from the ones included in the triennial reviews presented in the CDP reports to the ECOSOC in the respective year.
Source: CDP Secretariat.

Vanuatu: Preparation of the smooth transition strategy

The ex-ante impact assessment of the likely consequences of graduation of Vanuatu from the LDC category conducted in 2012 indicated that Vanuatu would face non-zero tariff rates on exports of certain types of tuna and copra oil, which currently enjoy duty and quota-free entry to the markets of some trading partners, including Japan. It is recommended that Vanuatu initiate the preparation of its smooth transition strategy as early as possible, to minimize potential adverse impacts of graduation in the loss of preferential treatment in trade and any eventual change in the terms of ODA. In addition, the country needs to strengthen climate change adaptation measures and disaster management to place its economic development path on a more stable ground. The country is yet to submit information on its smooth transition strategy.

With respect to development finance, ODA flows declined by $18 million in 2014 (see table 9). This is largely due to reduced ODA flows from Australia and Japan. After March 2015, international humanitarian response to the impact of cyclone Pam was swift, with large amounts of supports from Australia ($12 million), the UK ($5.5 million), China ($4.9 million), New Zealand ($3.5 million), Netherlands ($2.9 million), and the United States ($2 million).[51] Data are not yet available, but the total ODA is expected to have increased in 2015.

Table 9. Vanuatu: total aid receipt by donor, USD millions, 2008-2014

Donor	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
DAC Countries, Total	144.1	167.8	140.8	68.1	187.0	131.6	113.4
Australia	27.8	41.9	58.5	57.4	94.0	57.7	42.9
Japan	64.4	52.1	24.9	-2.9	62.7	40.8	21.9

[51] IMF, Vanuatu: 2015 Article IV Consultation, June 2015.

New Zealand	10.5	15.5	12.9	13.6	15.3	14.9	25.3

Source: OECDstat, accessed 27 January 2016.

Donor assistance is likely to be key to reconstruction efforts. One of the urgent projects that have started is an upgrade of Vanuatu's airports, including a new terminal for the main international airport and urgent rehabilitation work on its runway, to be financed by a concessional loan from the World Bank. In August 2015, Japan committed an additional $36m to a multi-purpose wharf development which is scheduled for completion in early 2017. The EU has also allocated $38 million in funding for rural development projects over the next six years, focusing on agriculture and tourism infrastructure.[52]

New Zealand will raise the annual cap on the number of seasonal workers who can be recruited by horticulture and viticulture producers from 9,000 to 9,500 in 2016.[53] The Australian government removed the annual cap on seasonal workers in June 2015, to include the whole agricultural industry, as well as the accommodation sector in some locations.[54]

Vanuatu: Summary

Vanuatu is recovering quickly from the devastating impacts of Cyclone Pam. The recovery program has been implemented by the Government with strong support from its development partners. While a full recovery is expected to take several years, no signs of an additional significant deterioration in the LDC indicators for Vanuatu have been observed during the monitoring period.

However, in a country as vulnerable to natural hazards as Vanuatu, which faces frequent extreme climate events, the longer-term reconstruction plan within the framework of the smooth transition strategy should recognize the importance of strengthening resilience of the population to enhance existing coping mechanisms.

In this context, the Government of Vanuatu is encouraged to prepare a smooth transition strategy, utilizing the extended period of transition until 2020. The strategy may focus on successful implementation of policies to offset possible impacts from graduation, and to secure necessary technical and social support throughout the reconstruction phase, and for possible disasters in the future.

[52] EIU, Country Report: Vanuatu, January 2016.
[53] Government of New Zealand, Recognised Seasonal Employer cap raise, December 2015, available from http://www.immigration.govt.nz/migrant/general/generalinformation/news/RSEcap-raise.htm
[54] Government of Australia, Australian Government expands Seasonal Worker Programme, June 2015, available from https://www.employment.gov.au/news/australian-government-expands-seasonal-worker-programme