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Monitoring of Graduated and Graduating  
Countries from the Least Developed

Country Category:

Vanuatu



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## Summary and the monitoring timeline

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

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

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

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

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

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

Table 1 Timeline for graduation and monitoring reports

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

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

# 1. Vanuatu

## 1.1. Development trend and forecast

Recovering from a contraction caused by the adverse impact of the Cyclone Pam in 2015, the real GDP growth has been stabilized at 4 per cent in 2016-2017 (see Table 2). For 2018-2020, the growth rate is projected to stay around 3.5-3.8 per cent, helped by recovery in the agricultural production, and a few infrastructure projects.<sup>1</sup>

Table 2 Vanuatu: Macroeconomic indicators, 2011-2017

Indicator	2011	2012	2013	2014	2015	2016	2017
<b>GDP growth rate (per cent, constant price)</b>	1.2	1.8	2.0	2.3	1.6	4.0	4.2
<b>Inflation rate (%)</b>	0.9	1.4	1.4	0.8	2.5	0.9	2.6
<b>Government revenue (billions of national currency)</b>	15.8	15.8	16.2	18.6	25.2	24.6	23.3
<b>Government expenditure (billions of national currency)</b>	17.3	16.9	16.4	18.0	20.0	29.6	36.2
<b>Government balance (billions of national currency)</b>	-1.5	-1.2	-0.2	0.6	5.1	-4.9	-12.9
<b>Government balance (per cent of GDP)</b>	-2.1	-1.6	-0.2	0.8	7.2	-8.5	-8.7
<b>Net ODA received (millions of US dollars)</b>	91	102	91	100	187		
<b>Balance of Payments (millions of US dollars)</b>							
<b>Current Account</b>	-63.8	-50.6	-26.4	-2.1	-82.1	-29.5	-120.1
<b>Goods, Credit (Exports)</b>	67	55	45	63	39	50	57
<b>Goods, Debit (Imports)</b>	260	253	268	260	308	314	360
<b>Balance on Goods</b>	-193	-198	-223	-197	-269	-264	-303
<b>Services, Credit (Exports)</b>	286	322	331	307	283	330	342
<b>Services, Debit (Imports)</b>	145	146	142	141	179	152	159
<b>Balance on services</b>	141	176	190	166	104	179	184
<b>Balance on Goods and Services</b>	-52	-23	-33	-31	-165	-86	-119
<b>Balance on income</b>	-24	-45	-11	4	7	9	-24
<b>Balance on current transfers</b>	12.4	16.9	18.3	25.5	76.1	46.5	23.6
<b>Capital Account</b>	23.8	22.6	21.0	31.8	83.9	48.0	47.1
<b>Financial Account</b>	-81	-16	-42	-27	53	-45	-73
<b>Direct investment (net)</b>	-59.1	-38.2	-33.3	-36.5	-29.5	-55.1	-37.9
<b>Portfolio investment (net)</b>	0.5	3.6	-6.7	9.3	-9.8	11.2	
<b>Other investment (net)</b>	-34.2	9.8	3.3	-6.0	4.4	-2.6	-26.9
<b>Change in reserves</b>	12.1	8.4	-5.0	6.4	87.5	1.0	-8.3
<b>Total Reserves (Millions of US dollars)</b>	175	184	179	184	269	267	259
<b>Reserves (months of imports)</b>	5.3	5.5	5.2	5.3	8.6	8.7	8.1

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

Vanuatu's current account is characterized by a deficit in the balance of goods, and a surplus in the balance of service. Vanuatu's main export commodity is fish products, accounting for over 60 per cent of the total exports, and tourism accounts for about 77 per cent of the service exports. Remittances are also expected to rise, reflecting rising number of seasonal workers taking advantage of the expansion of temporary work schemes in Australia and New Zealand.<sup>2</sup>

<sup>1</sup> UN/DESA (2018). WESP.

<sup>2</sup> EIU (February 2018). Vanuatu Country Report; ADB (2017). AEO.

The fiscal deficit reached 8.7 per cent of GDP in 2017, reflecting capital spending on infrastructure. The deficit is expected to gradually decrease over the next few years as those major infrastructure projects come to an end.<sup>3</sup>

## 1.2. Development related to indicators in the LDC criteria

Vanuatu's GNI per capita is estimated to be \$3,014 in 2018, about 2.5 times higher than the graduation threshold established at the 2018 triennial review, \$1,230 (see Table 3).

Table 3: Vanuatu: LDC criteria indicators, 2011 - 2018

Index/Criteria	2011	2012	2013	2014	2015	2016	2017	2018
<b>GNI per capita (USD, Atlas method)</b>	2,408	2,600	2,722	2,869	3,011	3,092	3,070	3,014
<b>Human assets index (HAI)</b>	78.2	79.3	79.2	79.2	78.9	78.7	78.5	78.5
<b>Maternal mortality rate (per 100,000 live births)</b>	97.9	94.0	90.9	87.2	83.6	80.8	78.4	78.4
<b>Under-five mortality rate (per 1,000 live births)</b>	29.0	29.2	29.3	29.3	29.1	28.7	28.2	27.6
<b>Percentage of population undernourished</b>	5.8	5.9	6.1	6.3	6.5	6.6	6.9	6.9
<b>Adult literacy rate (%)</b>	81.1	81.8	82.5	83.2	83.2	83.2	83.2	83.2
<b>Gross secondary enrolment ratio (%)</b>	56.7	59.5	58.6	57.6	56.7	55.8	54.8	54.8
<b>Economic vulnerability index (EVI)</b>	47.2	46.1	46.6	46.6	46.3	46.1	47.1	47.0
<b>Population (thousands)</b>	230.8	236.3	241.9	247.5	253.1	258.9	264.6	270.4
<b>Remoteness</b>	85.0	84.2	83.3	82.6	82.3	82.1	82.1	82.0
<b>Merchandise export concentration</b>	0.6	0.6	0.6	0.6	0.6	0.5	0.5	0.5
<b>Share of agricultural, forestry and fisheries in GDP (%)</b>	22.1	21.9	22.6	24.3	25.9	26.7	27.0	27.0
<b>Share of population living in low elevated coastal areas (%)</b>	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
<b>Instability of exports of goods and services</b>	9.1	7.9	8.0	8.0	7.9	7.7	7.9	7.6
<b>Instability of agricultural production</b>	6.9	7.3	7.1	7.1	7.2	7.4	7.4	7.4
<b>Victims of natural disasters (%)</b>	2.8	2.8	3.4	3.4	3.0	3.4	7.0	7.0

Source: Committee for Development Policy Secretariat

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

The HAI score is 78.5 in 2018, slightly decreased but still constitutes a much higher value than the graduation threshold established at the 2018 review, 66 or higher.

The EVI score is 47 for 2018 and remains far above the graduation threshold established at the 2018 review of 32 or below. There is a slight increase in the EVI score between 2016 and 2017 which is caused by the sudden increase in the victims of natural disasters, reflecting the impact of the cyclone.

## 1.3. Smooth transition

Vanuatu is scheduled to graduate on 4 December 2020 (A/RES/70/78). Vanuatu has not submitted its report on the preparation of the smooth transition strategy. In its report in 2016, the Government

<sup>3</sup> UN/DESA (2018). WESP.

indicated that it was in the process of establishing its National LDC Coordinating Committee to be comprised of various relevant stakeholders.<sup>4</sup> No information on the progress is available yet.

Vanuatu's export is small and very volatile. The main export commodity is fish products, and the main destinations in 2015 were Japan (43 per cent), Thailand (13 per cent), and Turkey (12 per cent), based on UN Comtrade data. In earlier years, China, Republic of Korea, and South Africa were main destinations. All of above-mentioned countries, except South Africa, grant duty-free quota-free market access for LDCs, but none of them specifies a transition period of extending the preferential market access after a country graduates from the list of LDCs. In case it has not done so, Vanuatu would benefit from starting bilateral negotiations with its main trading partners.

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<sup>4</sup> Government of Vanuatu (2016). Vanuatu's Smooth Transition Strategy Report.  
<https://www.un.org/development/desa/dpad/wp-content/uploads/sites/45/CDP-PL-2017-5d.pdf#page=6>