



United Nations  
**CDP**  
Committee for  
Development Policy



# MONITORING OF GRADUATION AND GRADUATING COUNTRIES FROM THE LEAST DEVELOPED COUNTRY CATEGORY: VANUATU

COMMITTEE FOR DEVELOPMENT POLICY 2022 PLENARY SESSION

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## 1 SUMMARY AND THE MONITORING TIMELINE

On 4 December, Vanuatu became the sixth country to graduate from the least developed country (LDC) category. As noted by the United Nations Secretary-General, this is “testimony to years of effort resulting in hard-won sustainable development gains”. The government of Vanuatu prepared a smooth transition strategy (STS) in 2019 that was endorsed in July 2020 and commenced implementation of the STS in August of the same year – prior to the country effectively graduating out of the LDC category on 4 December 2020. Policy, technical and financial support of the UN Department of Economic and Social Affairs (UNDESA), Economic and Social Commission for Asia and the Pacific (ESCAP) and UN Conference on Trade and Development (UNCTAD) has been instrumental. The STS will help Vanuatu navigate the next steps in its development path and manage external shocks in its stride.

Vanuatu should be applauded for embracing graduation despite setbacks due to climate change and natural disasters and most recently, the impact of the unprecedented global COVID-19 pandemic. Vanuatu was recommended for graduation from the LDC category by the CDP at the 2012 triennial review, having met the graduation thresholds for the Human Assets Index (HAI) and income (GNI per capita) in 2006, 2009 and 2012. The CDP recommendation was approved by the UN Economic and Social Council (ECOSOC) in 2012 and by the UN General Assembly in 2013. Following cyclone Pam in 2015 a three-year extension was granted by the UN General Assembly, with graduation postponed to 4 December 2020. A resolution on this issue was adopted by the General Assembly (GA) on 14 December.

Table.1. Timeline for monitoring reports: Vanuatu

Date	Vanuatu
December 2012	Current reporting system introduced (as a graduating country)
By 31 December 2013	Country report to be submitted to CDP (as a graduating country #1)
Feb-Mar 2014	CDP annual monitoring report to ECOSOC
By 31 December 2014	Country report to be submitted to CDP (as a graduating country #2)
Feb-Mar 2015	CDP annual monitoring report to ECOSOC
By 31 December 2015	Country report to be submitted to CDP (as a graduating country #3)
Feb-Mar 2016	CDP annual monitoring report to ECOSOC
By 31 December 2016	Country report to be submitted to CDP (as a graduating country #4)
Feb-Mar 2017	CDP annual monitoring report to ECOSOC
By 31 December 2017	Country report to be submitted to CDP (as a graduating country #5)
March 2018	CDP annual monitoring report to ECOSOC
By 31 December 2018	Country report to be submitted to CDP (as a graduating country #6)
March 2019	CDP annual monitoring report to ECOSOC
4 December 2020	<b>Graduation</b>
By 31 December 2020	CDP annual monitoring report to ECOSOC(as a graduating country #7)
March 2021	CDP Triennial Review 2021
By 31 December 2021	Country report to be submitted to CDP (as a graduated country, #8)
March 2022	CDP annual monitoring report to ECOSOC
By 31 December 2022	Country report to be submitted to CDP (as a graduated country, #9)
February 2023	CDP annual monitoring report to ECOSOC
By 31 December 2023	Country report to be submitted to CDP (as a graduated

	country, #10) Country report as a graduated country submitted to the CDP for its 2024 Triennial Review, #TR1)
March 2024	CDP annual monitoring report to ECOSOC
By 31 December 2026	Country report to be submitted to CDP for its Triennial Review 2027 (as a graduated country, #TR2)
March 2027	CDP Triennial Review 2027 CDP annual monitoring report to ECOSOC

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.

## 2 VANUATU

### 2.1. DEVELOPMENT TREND AND FORECAST

The impact of the COVID-19 on the domestic economy, especially tourism, persisted into the first quarter of 2021. Despite Government-led response measures with instrumental support from development partners, the domestic economy was expected to recover in 2021 after it contracted in 2020 as a result of the negative impacts of COVID – 19.<sup>1</sup> The forecasted recovery in 2021 is broad based, driven by the agriculture, industrial and non-tourism services sectors.

The Government continued to maintain a strong fiscal position in the first quarter of 2021. Through past budget surpluses, the Government has been accumulating deposits and improving its overall net lending position with the banking system. This however deteriorates as the Government utilized its deposits to finance a temporary imbalance in the budget. The Reserve Bank of Vanuatu has maintained an accommodative monetary policy stance since 2020<sup>2</sup>.

The overall balance of payment position fell to a deficit at the end of quarter 1 2021, compared to a significant surplus recorded at the end of 2020. This outcome has resulted from more outflows through the current and financial account balances offsetting inflows. Vanuatu’s balance of payment outlook remains favorable; however, risks of new waves of contagion may continue to negatively affect other major accounts.

Table.2. Vanuatu: Macroeconomic Indicators, 2015-2021

Indicator	2015	2016	2017	2018	2019	2020	2021
GDP Growth rate (per cent, constant price)	0.4%	4.7%	6.3%	2.9%	3.2%	-2.6%	2.0%
Inflation rate (%)	1.5	2.1	3.3	1.9	3.5	6.6	
Government revenue	25,171	26,872	29,366	36,159	40,350	41,072	
Government expenditure	18,571	24,717	27,585	29,478	33,122	40,628	
Government balance	6,601	2,155	1,781	6,681	7,228	444	

<sup>1</sup> Ministry of Finance Vanuatu (2021) Half-Year Economic and Fiscal Update

<sup>22</sup> Reserve Bank of Vanuatu (March 2021) Quarterly Economic Review

Government balance (per cent of GDP)	8.3%	2.5%	1.9%	6.6%	6.7%	0.4%	
Net ODA received	10,310	7,238	7,764	6,100	6,616	9,886	
Balance of Payment							
Current account	256	2,856	- 4,209	12,284	17,175	3,311	
Goods, credit (export)	4,249	5,444	6,507	6,941	5,218	5,314	
Goods, Debit (imports)	33,704	34,765	34,085	33,364	36,869	29,215	
Balance of Goods	- 29,455	- 29,321	- 27,578	- 26,423	- 31,651	- 23,902	
Services, credit (exports)	30,292	33,234	34,688	40,639	38,854	12,786	
Service, credit (imports)	19,544	16,370	16,631	17,358	16,638	15,415	
Balance on service	10,748	16,865	18,056	23,281	22,216	- 2,630	
Balance on goods and services	- 18,707	- 12,456	- 9,522	- 3,143	- 9,435	- 26,531	
Balance on income	1,434	1,876	249	2,988	8,515	10,342	
Balance on current transfers	17,528	13,436	5,064	12,439	18,095	19,500	
Capital Account	9,075	5,247	5,292	4,373	6,933	9,374	
Financial Account	17,644	16,239	- 18,702	22,343	29,796	- 11,095	
Direct investment (net)	- 3,213	- 5,194	- 4,009	- 3,977	- 2,856	- 2,624	
Portfolio investment (net)	1,026	- 1,243	- 3,066	- 1,515	- 695	1,005	
Other investment (net)	1,041	10,447	- 7,603	33,238	17,470	- 17,344	
Change in reserves	10,675	3,370	8,753	5,150	11,117	7,868	
Total Reserves	29,756	33,495	42,472	47,857	58,475	66,029	
Reserves (months of imports)	8.8	9.1	9.7	11.5	11.9	14.0	

Source: RBV, December 2020 QER/March 2021

## 2.2. DEVELOPMENT RELATED TO INDICATORS IN THE LDC CRITERIA

Vanuatu was recommended for graduation having met the income per capita and human assets threshold.

[Table.3. – Vanuatu: LDC Criteria indicators, 2015 - 2021]

Index/Criteria	2015	2016	2017	2018	2019	2020	2021	2022
<b>GNI per capita (united States dollars)</b>	2,997	3,090.4	3,039	3,014	2,922	2,913	2,992	3,050.3
<b>Human Asset index (HAI)</b>	81.3	80.60	80.5	78.5	79.0	79.9	78.4	77.1
<b>Under-five mortality rate (per 1000 live birth)</b>	16.9	27.5	27.5	27.6	26.9	26.4		
<b>Percentage of population undernourished</b>	7.2	6.4	6.4	6.9	7.1	7.2		
<b>Adult literacy rate (%)</b>	83.4	85.2	85.1	83.2	84.7	87.5		
<b>Gross secondary enrolment (%)</b>	59.5	59.5	59.5	54.8	54.8	54.2		
<b>Economic vulnerability index (EVI)</b>	47.3	48.3	48.5	47.0	44.1	43.2	39.6	
<b>Population (thousand)</b>	252,763	258.9	265	270.4	276	292.7		46.3
<b>Remoteness (kilometer)</b>	9.765	82.1	82.2	82.0	81.8	80.9		
<b>Merchandise export concentration</b>	0.70	0.7	0.7	0.5	0.4	0.3		
<b>Share of agriculture, forestry and fisheries in GDP (%)</b>	25.1	26.4	26.8	27.0	23.1	22.7		
<b>Instability of exports of goods and services</b>	8.40	7.6	7.7	7.6	7.2	6.4		
<b>Instability of agricultural production</b>	7.63	7.6	7.6	7.4	5.3	7.4		
<b>Victims of natural disasters (per 100,000 population)</b>	2.38	6.6	7.0	7.0	7.4	7.2		

Source: CDP reports

The Government is making effort to implement the country's LDC Smooth Transition Strategy, making sure that mitigation measure identified in the strategy identified for post-LDC graduation are implemented to maintain the country's development trajectory.

We continue to work with development partners to implement the country's development roadmap, the National Sustainable Development Plan, as COVID-19 has roll back decades of development progress including major natural disasters such as TC Harold.

We still require technical support from the UN system with mainstreaming of the STS effectively into the planning, budgeting and monitory processes of the Government as identified in the LDC service line offerings provided by UNDESA. Further support with negotiations of major export markets for Vanuatu such as the beef market with Japan is a need.

### 2.3. SMOOTH TRANSITION



Government of the Republic of Vanuatu

## Vanuatu Smooth Transition Strategy



## MODALITIES FOR IMPLEMENTING THE SMOOTH TRANSITION STRATEGY

The Vanuatu National Sustainable Development Plan (NSDP) 2016 – 2030, the Peoples Plan<sup>3</sup> is the implementation strategy for achieving Vanuatu's smooth transition path. The plan has 15 national development goals and 96 policy objectives collectively seek to achieve the national vision of a "stable, sustainable and prosperous Vanuatu's by 2030. The goals and policy objectives are interlinked and broadly cover a range of objectives that underpin many of the LDC support measures, notably in relation to reducing poverty and broadening the economic base, building capacity, institutional strengthening, and boosting international trade.

The NSDP spells out the development aspirations of the Vanuatu people, underpinned by a vibrant cultural identity which promotes a peaceful and inclusive society. The Plan envisions a stable nation, sustainable, and prosperous future, so that all people have just and equal opportunities. The NSDP provides a framework to achieve economic, social, environmental progress and climate change resilience. Based on prudent economic and financial management, the Plan lays the foundation for inclusive economic growth, with employment opportunities and improved delivery of services. Significantly, the NSDP also aligns with the global 2030 Sustainable Development Agenda and the Sustainable Development Goals, and integrates relevant aspects as appropriate. Given this, the NSDP serves as the master strategy for Vanuatu's smooth transition pre and post-LDC graduation

Overcoming the challenges and maximizing the opportunities associated with LDC graduation will require collaborative partnerships between government, community leaders, businesses, civil society, and development and trading partners. These partnerships, based on the global commitments made by the international community, serve to deliver the development aspirations articulated by the people through Vanuatu 2030.

The smooth transition strategy has been integrated into the existing national planning and implementation processes, and will be monitored and reported using established mechanisms for NSDP follow-up, led by the Department of Strategic Policy, Planning and Aid Coordination within the Prime Minister's Office

## COMPLEMENTARY NSDP AND SMOOTH TRANSITION MEASURES

While the NSDP broadly covers a smooth transition path, some strategies within it have been identified for providing building blocks to also ensure smooth transition as Vanuatu graduates from LDC status.

A number of these specific actions can be grouped into six main themes: trade; private sector development and productive capacity; infrastructure; macroeconomic stability and finance; institutional and staff capacity development; and strengthening of national systems including planning, budgeting, aid coordination, statistics and monitoring.

These thematic issues are specifically discussed in the matrix below, and are broadly as follows:

**TRADE** – improving access to export markets, in particular for commodities that currently are exported with preferential access conditions, example; beef, fish and copra products;

Private sector development and productive capacity – improving ease of doing business and regulatory oversight, and addressing supply side constraints and strengthening the production of tradable goods and services;

**INFRASTRUCTURE** – improve infrastructure in outer islands targeting areas which currently produce agricultural and tourism products but have limited road and port connectivity;

**MACROECONOMIC STABILITY AND FINANCE** – maintain macroeconomic stability, including through fiscal and state own enterprise reforms;

**STRENGTHENING OF NATIONAL SYSTEMS INCLUDING PLANNING, BUDGETING, AND MONITORING** - translate the NSDP policy objectives into implementable actions linking to ministries' corporate plan, department business plans and the annual budget (and external assistance) provisions. Improve accountability of implementing agencies through regular and proactive monitoring and reporting;

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<sup>3</sup>Republic of Vanuatu, 2018. The Peoples Plan, National Sustainable Development Plan 2016-2030, Final Technical Report. Department of Strategic Policy, Planning and Aid Coordination, Port Vila.



**AID COORDINATION AND MONITORING** – action the Aid Management Policy and the Implementation Strategy, to ensure Development Corporation is focused on supporting the implementation of NSDP priorities;

**STATISTICAL SYSTEMS AND DATA** – strengthen the national statistical system, together with the Vanuatu National Statistics Office (VNSO), for collection analysis and dissemination of relevant statistics; and

**INSTITUTIONAL AND STAFF CAPACITY DEVELOPMENT** – improve the effectiveness of the current institutional arrangements for national, provincial, sectoral, corporate planning, and budgeting. Based on the National Planning Framework (NPF), full implementation is necessary, and together with an evaluation of results further changes should be put in place. Link to various mandates of Ministries and Departments under the NPF, a mix of capacity building and supplementation is needed, together with improved allocation (and re-allocation) of current staff resources.

## SPECIFIC MEASURES - LEAD ROLES AND TIMELINES

Table.4. The specific actions to implement the smooth transition strategy is highlight in table below;

ISSUE	ACTIONS	RESPONSIBLE MINISTRY	SUPPORTING AGENCIES	TIME FRAME	UPDATE
Trade	1.1 Initiate formal discussions with Japan to seek zero duty transition periods for beef.	Ministry of Foreign Affairs and External Trade.	Ministry of Trade, Tourism, commerce and Ni Vanuatu Business. Ministry of Agriculture, Quarantine, Forestry and Fisheries, Trades Negotiation working group	2020-2021 - 2022	Technical Trade Committee established; Discussions have commenced– progress reports have been endorsed by the National Trade Development Committee 1/2021
	1.2 Negotiate and establish a bilateral trade and investment agreement with Japan for ongoing market access.				
	1.3 Initiate formal request with the European Union to provide a three-year extension of EBA before moving to the Generalized Systems of Preferences (GSP).	Ministry of Foreign Affairs and External Trade.	Department of Trade and Industry, Trade negotiation working groups	2020- 2021- 2022	1.3 Negotiations <b>ongoing</b> – progress reports have been endorsed by the National Trade Development Committee 1/2021
	1.4 Ratify trade agreement with New Caledonia.	Ministry of Foreign Affairs and External Trade.	Trade Negotiation Working Group.	2020 – 2021 - 2022	1.4 Bilateral negotiations <b>up to date</b> – progress reports have been endorsed by the National Trade Development Committee 3/2021 - Ratification and signing schedule to 2023
	1.5 Ratify PACER Plus.	Ministry of Foreign Affairs and External Trade.	Trade Negotiation Working Group	2020 – 2021 - 2022	1.5 Ratification process <b>ongoing</b> – progress reports have been endorsed by the National Trade Development Committee 1/2021
	1.6 Initiate formal discussions with China to seek zero duty transition periods for Noni and Kava.	Ministry of Foreign Affairs and External Trade.	Ministry of Foreign Affairs and External Trade. Ministry of Agriculture, Quarantine, Forestry and Fisheries, Trade negotiation working group.	2020–2021 - 2022	1.6 <b>Pending</b> – progress reports have been endorsed by the National Trade Development Committee 1/2021
	1.7 Explore potential to establish a bilateral trade and investment agreement with China for ongoing market access.				1.7 <b>Pending</b> – progress reports have been endorsed by the National Trade Development Committee 1/2021
	1.8 Implement the Trade Policy	Ministry of Trade,	Ministry of Trade,	2020-2021 -	1.8 <b>Progressing</b> – progress

	Framework priorities.	Tourism, Commerce and Ni Vanuatu Business.	Tourism, Commerce and Ni Vanuatu Business, Trade negotiation working group.	2022	reports have been endorsed by the National Trade Development Committee 1,2,3/2021
	1.9 Implement relevant recommendations identified in the 2018 WTO review report.  1.10 Confirm critical post-graduation obligations, and initiate formal discussions in relevant WTO bodies, including jointly with the LDC group, to seek transition periods for and specific waivers from those obligations.  1.11 Implement the WTO trade facilitation agreement.	Ministry of Trade, Tourism, Commerce and Ni Vanuatu Business.   Department of Custom and Inland revenue	Ministry of Foreign Affairs and External Trade, Trade. negotiation working group   Trade facilitation committee.	2020 - ongoing	1.9 <b>Progressing</b> – Vanuatu Trade Policy Framework reviewed  1.10 <b>Progressing</b> , waivers request for 3-5-year transition Progressing – progress reports have been endorsed by the National Trade Development Committee 3/2021  1.11 <b>Ongoing</b> FFA negotiation agreement ongoing and TRIPS agreement not yet ratify
	1.12 Implementation of Labour mobility policy	Labour department	Immigration department, Department of external trades, MALFFB, MTCCNB, Reserve Bank of Vanuatu (RBV)	2020 - 2021	1.12 <b>Up to date</b> - Vanuatu Labour Mobility Policy launched. Implementation underway in collaboration with Ministry of Agriculture, Trade, NGOs and Private Sectors – progress reports has been endorsed by the Tripartite Labour Advisory Council TLAC. (Labor mobility related policies such as Employers Guidebook and Reintegration for seasonal workers)
	1.13 Seek a 5-year transition period from the Enhanced Integrated Framework (EIF) for LDCs.	Ministry of Foreign Affairs and External Trade	Ministry of Trade, Tourism, Commerce and Ni-Vanuatu Business	2020-2021	1.13 <b>Progressing</b> - LDC National Coordinating Committee have informed EIF focal point to submit formal request to the EU

Private sector development and trade productive capacity	2.1 Undertake policy reforms to improve business environment. (refer to Trade Policy Framework)	Ministry of Trade, Tourism, Commerce and Ni Vanuatu Business	Ministry of Finance and Economic Management, Vanuatu Investment Authority (VIPA)	2020 – 2021 - 2022 ongoing	2.1 <b>Progressing</b> - Implementation of Trade Policy Framework
	2.2 Address productive capacity for primary produce and supply side constraints to enable trade. (refer to Overarching Productive Sector Policy (OPSP))		Ministry of Agriculture, Quarantine, Forestry and Fisheries, MIPU		2.2 <b>Progressing</b> - implementation of OPSP, include Vanuatu Value Chain VaVaC program addressing the productive capacity - progress reports have been endorsed by the PITF meetings including six monthly reports – Gov support towards industrial development through Cooperative Development Fund, Industrial Development Fund
	2.3 Reduce cost of doing business, including utility costs. (Refer to Trade Policy Framework (TPF)).	Ministry of Trade, Tourism, Commerce and Ni Vanuatu Business	Ministry of Finance and Economic Management Utilities Regulatory Authority, Reserve Bank of Vanuatu (RBV)	2020 – 2021 – 2022	2.3 <b>Progressing</b> - implementation of the TPF, – progress report on the Vanuatu Single Window Project – Gov and Development Partner support the Inter-Island Shipping subsidy
	2.4 Improve and strengthen value adding in goods and services including tourism, cocoa, coffee, kava, noni and coconut oil.(refer to TPF&OPSP)	Ministry of Trade, Tourism, Commerce and Ni-Vanuatu Business	Department of Industries, VCCI, MAQFFB,	2021 - 2022	2.4 <b>Progressing</b> - implementation of Trade Policy Framework TPF & Overarching Productive Sector Policy OPSP – Support by EU EDF 11 budget support, Government COVID 19 Stimulus program support toward productive sector
Macroeconomic Stability and Finance	3.1 Assess all available climate funds to determine how these can be best integrated into the broader national development objectives and public finance Management systems.	MFEM & RBV	MCC	2020 – 2021 - 2022 ongoing	3.1 <b>Up to date</b> - GGGI GCF capacity building training with line agencies ongoing - Guides develop to guide development for MFEMs accreditation with GCF - Strengthening coordination mechanisms for external development and climate finance/pending Council of Ministers COM decision
	3.2 Develop an external resource	Ministry of the Prime	Ministry of Foreign	2020 -2021 -	3.2 <b>Progressing</b> - Vanuatu Gov to

	mobilisation strategy.	Minister	Affairs and External Trades(MOFAICET), Department of Finance, DSPPAC	2022	engage work on the Development Finance Assessment to be funded by UNDP
4. Strengthening of National system including planning, budgeting, and monitoring	<p>4.1 Improve linkages between government Ministry corporate plans and department's business plans, with the budget to fund priorities identified in the NSDP and the LDC Strategy.</p> <p>4.2 Strengthened and improve regular monitoring and evaluation of the NSDP and LDC Strategy to ensure policy and partner support for improved Implementation.</p>	Ministry of the Prime Minister MFEM	All Government Ministers and Departments	2020 – 2021-2022 Ongoing	<p><b>4.1Progressing</b>, LDC priorities included in the Budget Policy Priority Statement 2021 &amp; 2022 - line agencies have included the LDC priorities in their Cooperate Plans (5 year), Business Plan (1 year) which should be reflected paralleled in Government Ministries and Department budget narratives</p> <p><b>4.2 Progressing</b>, DSPPAC and PSC taking the lead on ensuring M&amp;E of NSDP and LDC Strategy is regularly monitor – Mid-Review of the National Sustainable Development Plan (NSDP) ongoing</p> <p>Government have appropriate VT 5 million budget specifically to support the implementation of the STS for 5 years</p>
Aid Coordination	5.1 Fully implement the Aid Management Policy to enable effective coordination of donor funds linked to LDC graduation and NSDP priorities and actions.	Ministry of the Prime Minister	Department of Strategic Policy Planning and Aid Coordination	2020 – 2021-2022 ongoing	5.1 <b>Progressing</b> - Aid Management Policy to be review to address the ongoing changes ToR send to UNDESA for review - Aid Management Policy to be review and rename to Development Cooperation Policy/Strategy
Statistical systems and data	6.1 Fully implement the Vanuatu National Strategy for the Development of Statistics.	Ministry of Finance and Economic Management	RBV, VIPA,VFSC, VNPF, Line Departments.	2020 - 2022 ongoing	6.1 <b>Progressing</b> -on the Review of the Vanuatu National Strategy for the Development of Statistics

					includes ongoing capacity building trainings
Communication Strategy	7.1 Develop a national communication strategy (Conduct a national communication campaign(develop a theme or message, host a celebration event, compose short media clips on graduation, hold public forum, and Circulate FAQs, media coverage).	Ministry of the Prime Minister	Relevant Ministries and Departments.	2020 - 2022 ongoing	7.1 <b>Up to date</b> -Communication strategy done, implementation toward Pre/Post LDC graduation – Development of the Pre/Post graduation Documentary, Wider provincial/community awareness on LDC graduation