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Monitoring of countries graduated from the  
list of LDCs

Vanuatu

**SUSTAINABLE  
DEVELOPMENT**  **GOALS**

The logo for the Sustainable Development Goals, featuring the word "GOALS" in a large, bold, blue font. The letter "O" is replaced by a circular icon composed of 17 colored segments, representing the 17 Sustainable Development Goals.

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## Summary

**Vanuatu** graduated successfully in 2020, despite remaining highly susceptible to external and environmental shocks, such as those caused by COVID-19 and recurrent cyclones. The government has been diligently implementing its STS and is seeking additional support from the UN system, particularly through iGRAD, to integrate the STS into planning, budgeting, and monitoring processes.

## Macroeconomic situation

Vanuatu's economic recovery is fragile with growth gradually improving at a slow pace of 0.6 per cent in 2021 to 1.6 per cent in 2023, after a decline of 5.0 percent in 2020 (See table 1). COVID-19 related border closures and lockdowns in March 2020 only lifted in June 2022. While it contained the health impacts on the country's population, it left a sharp dent on the tourism-dependent economy. The services sector, in particular accommodation and aviation by an already financially distressed national airline (Air Vanuatu) were hard hit. Other services, agriculture and manufacturing also suffered. GDP growth rate per capita is forecasted at 3.3 and 3.5 for 2024 and 2025, respectively, with construction and tourism activities resuming, supported by an expansionary fiscal policy aimed at higher capital spending.

Table 1: Selected macroeconomic data for Vanuatu, 2017-2024

Indicator	2017	2018	2019	2020	2021	2022	2023	2024
GDP growth rate (per cent, constant price)	4.4	2.9	3.2	-5.0	0.6	1.8	1.6	3.3
Inflation rate (%)	3.1	2.3	2.8	5.3	2.3	7.0	8.8	5.3
Government revenue (billions of national currency)	34.1	39.8	45.8	43.5	48.7	43.3	55.3	51.2
Government expenditure (billions of national currency)	35.2	33.5	42.8	45.5	46.2	50.8	67.5	62.3
Government balance (billions of national currency)	-1.1	6.3	3.0	-2.0	2.5	-7.5	-12.3	-11.0
Government balance (per cent of GDP)	-1.2	6.3	2.8	-1.9	2.3	-6.2	-9.2	-7.6
Net ODA received (millions of US dollars)	132.7	130.9	130.6	154.0	166.9	125.1		
Balance of Payments (millions of US dollars)								
Current Account	-71.9	36.5	93.3	-20.3	-60.6	-142.1		
Goods, Credit (Exports)	60.5	63.0	46.5	46.2	53.9	73.6		
Goods, Debit (Imports)	316.6	302.7	270.6	265.8	295.4	349.8		
Balance on Goods	-256.1	-239.7	-224.0	-219.6	-241.5	-276.2		
Services, Credit (Exports)	316.0	329.2	285.1	95.7	35.2	67.0		
Services, Debit (Imports)	197.6	219.0	221.9	183.5	224.8	227.6		
Balance on Services	118.4	110.1	63.2	-87.8	-189.6	-160.6		
Balance on Goods and Services	-137.7	-129.6	-160.8	-307.4	-431.0	-436.8		
Balance on Income	36.3	80.3	127.8	111.4	166.8	182.0		
Balance on Current Transfers	29.5	85.8	126.4	175.7	203.6	112.6		

Capital Account	49.2	39.7	41.9	75.9	60.4	53.4		
Financial Account	2.7	110.7	176.1	190.0	56.5	-37.7		
Direct investment (net)	-38.4	-35.5	-34.3	-21.5	-37.3	-35.0		
Portfolio investment (net)	-28.1	-12.6	-0.4	1.6	0.9	4.4		
Financial derivatives (other than reserves) and employee stock options	...	...	...	...	...	...		
Other investment (net)	-22.6	114.4	113.9	140.5	8.8	-14.9		
Reserve assets	91.8	44.5	96.9	69.3	84.1	7.8		
Reserves (months of imports)	8.2	8.8	11.5	15.6	14.2	12.7		

*Source: GDP growth is from UN DESA, WESP 2024. Inflation is from UN DESA, WESP 2024. Government balance is from IMF, World Economic Outlook Database. Net ODA is from OECD, OECD. Stat. All external sector indicators are from IMF, Balance of Payment Data Reports.*

Inflation increased to 5.3 per cent, in 2020, exceeding the Reserve Bank of Vanuatu upper target of 4 percent. Food, housing and utilities have represented the largest increase in Vanuatu's Consumer Price Index (CPI). While dropping to 2.3 per cent in 2021, inflation increased again to 7.0 per cent in 2022 and 8.8 per cent in 2023. Although, it is expected to reduce to 5.3 per cent in 2024 and further down to 3.6 per cent in 2025, as the indirect impacts of the war in Ukraine – higher commodity prices and slowdown in Vanuatu's main trading partners, improve. Monetary policy is being kept on hold to support the fragile economic recovery.

Fiscal revenue increased at a faster rate than expenditures in 2021 and 2023, albeit faced a sharp decline in 2022 due to substantially lower revenue collected under the Economic Citizenship Programme (ECP), a citizenship-by investment scheme. The ECP contributed to one third of total revenue for 2021. Weaknesses in the scheme including deficiencies in due diligence of applicants identified by the European Union and Switzerland, led to a temporary suspension of the visa waiver agreements for recently issued Vanuatu passport holders. Finding alternative sources of revenue, remittances and the reprofiling of expenditures has helped Vanuatu in its economic recovery. Domestic financing will have to increase substantially over the long-term to cater for rising fiscal deficits against a limited pool of external resources.

ODA, in the form of grants picked up in 2020 to 2021 mainly due to responses to CVOID-19 and cyclone Harold, however saw a significant drop in 2022 as the country faced political problems and as the war in Ukraine unfolded. As a per cent of GNI, ODA dropped from 2017 to 2019 but has returned to 2017 levels (15 percentage) in 2020 and 2021.<sup>1</sup> According to the IMF, grants will average around 9 per cent of GDP over the next decade (2023-2033) – i.e. beyond the smooth transition period ending (2025-2026). Grant financing is expected to increase in 2023 but taper off over the medium term as 'in-kind' aid is reduced and development partners expect to see higher project implementation rates before they consider providing higher levels of grants. In the long-term, grant financing or investments in infrastructure are expected to decrease as the economy expands and more of the external financing transitions to concessional lending.

Foreign direct investment (FDI) remains low, estimated by IMF to average around 3.7% of GDP over 2023-2033. FDI is important for economic diversification, technology transfer and broadening alternative sources of future revenue for Vanuatu. In 2022-2023, with policy and technical advisory support from DESA, Vanuatu produced its first Public-Private-Partnership Policy, a draft PPP Bill and a PPP legal and

<sup>1</sup> CDP Secretariat, Supplementary graduation indicators

regulatory framework – seen as a government priority and alternative to public procurement processes. The PPP mechanism is being regarded as the mechanism to attract and secure private finance and expertise for much needed quality infrastructure for delivery of improved services to the rural population of the country.

Fiscal deficit and debt are rising. Fiscal deficit has deteriorated from a usual surplus. A swift decline is anticipated if ECP revenues remain weak coupled with a medium-term decline in grants and rise in current expenditures in recent years continue into the next decade (2023-2033) because of the wage bill and increased infrastructure spending needs due to the country’s vulnerability to climate and disaster risks. External debt from 2017 to 2022 has remained slightly above 40 per cent of GNI.<sup>2</sup> Government debt and government-guaranteed debt are expected to remain stable. The Government is unlikely to guarantee any new borrowings. However, should revenue derived from the ECP remain at low levels and significant fiscal risks in relation to Air Vanuatu persist, potential shocks may occur.

Higher import costs are forecasted for 2023, however, external recovery funds for TC Judy and Kevin are expected to sustain official reserves in 2023, maintaining it above the official target threshold of four months of import cover.

Frequent occurrences of disasters due to natural hazards are costly - having significant macro-economic impact. Vanuatu ranked 48 out of 193 countries listed in the World Risk Report (2023) with high risk of exposure, medium risk of vulnerability, susceptibility and a lack of coping capacities and a very high risk of a lack of adaptive capacities to climate and disaster risks caused by extreme natural events. Since graduating out of the LDC category in 2020, Vanuatu has faced 14 tropical cyclones, four of which were Category 4 and above. Recurrent disasters are likely to place permanent stress on human capital – keeping households in hardship, reducing education and childhood development, hence reducing future income earning capacity. Table 2 highlights that the cost of frequent disasters can undermine a country’s smooth transition where a country is constantly in response/recovery mode and more importantly not advancing towards long-term sustainable development given the negative impact on people and prosperity.

Table 2: Cost of disasters on people and prosperity, 2020 and 2023

Year	Cyclone	Category	Number of people affected	Number of households affected	Gender aspects	Estimated damages and losses		
						VUV	USD	% of GDP
2020	Harold	5	188,000			68 billion	617 million	61 (2020)
2023	Judy Kevin	4 4	197,388	43,623	4,361 female micro-entrepreneurs	51.2 billion	433 million	tbd

Source for Harold is the PDNA. Link: PMO001 Post Disaster Needs Assessment VOLUME A.indd (gov.vu) (see Exec summary where I pulled out data on macro impact)

Source for Judy and Kevin, is the PDNA - link: [https://www.ilo.org/wcmsp5/groups/public/---ed\\_emp/documents/publication/wcms\\_887257.pdf](https://www.ilo.org/wcmsp5/groups/public/---ed_emp/documents/publication/wcms_887257.pdf)

## LDC criteria and supplementary indicators

The latest three-year average (2020-2022) GNI per capita of Vanuatu is estimated as \$3,420, which is well above the graduation threshold of \$1,306 (see table 3). The Human Assets Index (HAI) score at 75.8, remained at similar levels to 2023 and is above the threshold level of 66.

<sup>2</sup> CDP Secretariat, Supplementary graduation indicators

The Economic and Environmental Vulnerability Index (EVI) score for 2024 is 46.0, higher than 2023 and 2022 due to the country’s vulnerability to climate and disaster (frequency – 14 tropical cyclones in four years (2020-2023)). It remains above the threshold value of 32, indicating high vulnerability and the macroeconomic cost to the country. While the country’s national disaster planning framework has been improved substantially in recent years, it has not reduced the socio-economic impact on the people and economy of Vanuatu.<sup>3</sup>

Table 3: Indicators for LDC identification, Vanuatu, 2020-2024

Year	GNI per capita	EVI	HAI
2020	2,958	39.9	75.5
2021	3,199	37.4	75.7
2022	3,329	45.5	75.7
2023	3,428	45.0	75.8
2024	3,420	46.0	75.8

Source: CDP Secretariat, Time series estimates (LDC criteria) dataset (2002-2024), available at <https://bit.ly/LDC-data>

Note 1: For GNI per capita, Year refers to the year of a (actual or hypothetical) review. The data reflects the latest three-year average available for a review, i.e., the value for 2024 refers to the 2020-2022 average. Data differ from previous official triennial review data due to data revisions.

Note 2: For EVI and HAI, Year refers to the year of a (actual or hypothetical) review. The timeliness of source data varies by indicator; generally, criteria capture data up to two years prior to a review. See the ‘read me’ in the source.

Note 3: Data differ from previous official triennial review data due to data revisions, changes in data sources, methodological changes and most notable, changes in composition of the composite indices HAI and EVI. Minor differences can also occur due to rounding.

Some areas for particular attention are presented in Table 4. Tourism receipts in 2020 have almost halved the 2017 level, while remittances rose. Domestic saving was cut in half or lower in 2020 and 2021, adding challenges to finance investment. Undernourishment and women empowerment have only slightly improved and warrant more effort. For more SGIs, see Annex.

Table 4: Selected supplementary graduation indicators (SGIs), Vanuatu, 2017-2022

Indicator	2017	2018	2019	2020	2021	2022
Remittances (% of GDP)	12.2	15.6	20.1	15.8	21.3	14.2
Tourism receipts as share of exports	76.7	82.9	89.0	47.2	..	..
Gross domestic savings (% of GDP)	20.6	24.1	23.9	15.3	11.7	15.4
Prevalence of undernourishment	10.3	10.4	10.5	10.8	9.8	9.5
Women empowerment index	0.57	0.58	0.58	0.54	0.58	0.64

Source: CDP Secretariat, Supplementary graduation indicators (SGI) dataset (2000-2024), available at <https://bit.ly/LDC-data>

## Productive capacity

Vanuatu’s productive capacity index (PCI) is more typical of an ODC than of the LDC group from which is graduated in 2020. However, while the gap to ODC average in the overall PCI has almost been closed, the individual components show a mixed picture. On the one hand, Vanuatu ranks above ODC average in the categories transport, institution and private sector, there remain substantial gaps in human capital,

<sup>3</sup> IMF (2021). Article IV Consultation: Vanuatu

energy and Information and Communication Technology (ICT). In natural capital and structural change, the country ranks slightly below and roughly at the level of the ODC average, respectively.

Vanuatu's steady progress in its development of overall productive capacity in the period 2012-2022 was not even across the underlying components. There were strong improvements in energy, ICT and structural change. However, the scores of natural capital and transport dropped during this period, while progress in human capital, institutions and private sector stalled. As with most SIDS, the comparative advantage of Vanuatu lies in the services sector such as tourism, banking and offshore financial services real estate, agriculture(fisheries)-based services, and ICT-based services. Deepening structural transformation in the island calls for fostering knowledge and technology-intensive services sector.

Table 5: Productive Capacity Index, Vanuatu, 2022

	PCI	Human capital	Natural capital	Energy	Trans port	ICT	Institutions	Private sector	Structural Change
Vanuatu	44.9	29.5	36.7	48.9	49.8	36.6	59.2	53.7	53.6
Other developing countries	46.8	44.3	38.4	61.2	34.1	49.6	51.1	50.9	53.2
LDCs	30.9	27.9	49.8	26.3	19.7	25.2	38.3	37.8	41

Source: UNCTADstat

## Data Gap

Vanuatu's statistical capacity, as measured by the World Bank's Statistical Performance Indicator, declined to 36.7 in 2020, which is much lower than the small state average of 57.9 and the LDC average of 57.5. The country received the lowest rankings for methodology, periodicity, and accessibility.

Statistical data collection and dissemination were affected by a ransomware cyber-attack in November 2022, disrupting core IT infrastructure of several government agencies, hence delays in CPI data are expected to continue showing sharp price increases.

## Smooth transition

Vanuatu is the first country to have prepared its Smooth Transition Strategy (STS), endorsed by the Government and commenced its implementation, months before effectively graduating from the LDC category on 4 December 2020.

Vanuatu is to be commended for the significant progress made to date with regards to implementation of its STS (75% implementation rate). Of the 24 smooth transition measures prioritized across 7 key issues in its STS, Vanuatu has commenced work on all except 1 measure - fully implemented 12 measures (10 trade related) and 11 are well underway. All trade related smooth transition measures have been included in the 5-year corporate plan and annual business plans of the Department of External (DoET) in the Ministry of Foreign Affairs, International Cooperation and External Trade (MoFAICET). *(For details see Vanuatu Country Annual Report for 2023 submitted to CDP)*

The Government of Vanuatu is yet to commence implementation of smooth transition measure (1.7) which is to explore the potential to establish a bilateral trade and investment agreement with China for ongoing market access. GoV has participated in the annual China Trade Exhibitions in Shanghai since 2018 (2018 to 2022) and also in 2023, after which it will approach China.

While the Government is working closely with its development and trading partners, a whole of

government and integrated approach to implement the remaining STS smooth transition measures and its monitoring and reporting within the national M&E framework led by the Prime Minister's Office, is needed and with urgency.



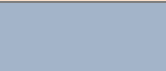

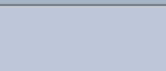
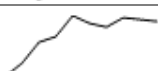



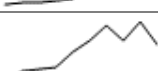







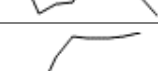

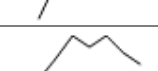

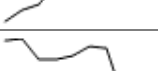
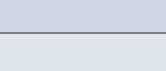
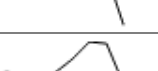
Since graduation, the momentum of the National Coordination Committee for LDC Graduation (NCC) has gradually waned. The participation rate of Vanuatu in monitoring is 29 per cent - two annual reports submitted in 11 occasions (2014-2024), and two consultation meetings out of three occasions (2022-2024). The Government intends to set up a Smooth Transition Team that will replace the NCC and whose main purpose is to guide the STS implementation and share its successes and lessons learned through south-south exchanges with other graduating LDCs.



## Annex 1. Supplementary graduation indicators (SGIs)

The supplementary graduation indicators (SGIs) complement the official LDC criteria. They provide quantitative, internationally comparable data for vulnerabilities and other factors that are not fully captured by the LDC criteria but that might be relevant for graduation from the LDC category. For more detailed information on indicators and data sources, see the SGI dataset available on the CDP website.

All data are current as of 13 March 2024.

Indicator	Source	Latest available data	Year most recent data refer to	Relative performance in latest year (legend below)	Trend (last decade)	
ECONOMIC VULNERABILITY	GDP growth rate (%)	United Nations Statistics Division	1.85	2022		
	GDP growth volatility	United Nations Statistics Division	2.81	2022		
	External debt (% of GNI)	World Bank	42.87	2022		
	Total debt servicing (% of exports and primary income)	World Bank	6.83	2022		
	Personal Remittances, received (% of GDP)	World Bank	14.21	2022		
	ODA received as percentage of GNI	World Bank	15.03	2021		
	Tourism receipts as share of exports	World Bank	47.24	2020		
	Current account balance (% of GDP)	World Bank	-13.46	2022		
	Standard deviation of net barter terms of trade over 20 years	World Bank	7.81	2021		
	Cereal import dependency	Food and Agriculture Organization	0.96	2021		
	Tax revenue as share of GDP	World Bank	14.04	2020		
	Gross domestic savings (% of GDP)	World Bank	15.41	2022		

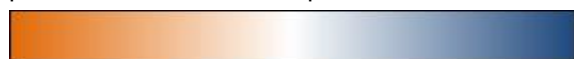
Indicator	Source	Latest available data	Year most recent data refer to	Relative performance in latest year (legend below)	Trend (last decade)
Adjusted net savings (% of GNI)	World Bank	37.98	2020		
Share of employment in agriculture	International Labour Organization	42.35	2022		
Productive capacities index	United Nations Conference on Trade and Development	44.86	2022		
Percentage of individuals using the internet	World Bank	66.34	2021		
Renewable electricity capacity per capita	International Renewable Energy Agency	3.71*10 <sup>-2</sup>	2022		
Percentage of population with access to electricity	World Bank	70.04	2021		
Environmental Performance Index	Yale/Columbia University	36.90	2022		n/a
Global Adaptation Index	University of Notre Dame ND-GAIN	41.39	2021		
INFORM Climate Change Risk Index	European Commission - Joint Research Center	4.10	2022		n/a
Economic loss from natural disaster (% of GDP)	United Nations SDG Global Database	0.00	2021		
Annual mean levels of fine particulate matter (e.g. PM2.5) in cities (population weighted)	United Nations SDG Global Database	8.42	2019		
Access to at least basic sanitation (% of population)	United Nations SDG Global Database	46.71	2022		
Access to at least basic drinking water (% of population)	United Nations SDG Global Database	91.34	2022		
Freshwater withdrawal as a proportion of available freshwater resources	United Nations SDG Global Database				n/a
Proportion of water basins experiencing high surface water extent changes	United Nations Water	100.00	2020		n/a
Red list index, showing trends in overall extinction risks of species	United Nations SDG Global Database	0.66	2023		

	Indicator	Source	Latest available data	Year most recent data refer to	Relative performance in latest year (legend below)	Trend (last decade)	
	Change in forest cover (percentage)	United Nations SDG Global Database	0.00	2020		n/a	
	Domestic material consumption per capita	United Nations SDG Global Database	24.13	2019			
HUMAN ASSETS	Human development index	United Nations Development Programme	0.61	2022			
	Multidimensional poverty index	United Nations Development Programme				n/a	
	Proportion of population covered by at least one social protection benefit	United Nations SDG Global Database	57.40	2020		n/a	
	Prevalence of undernourishment	Food and Agriculture Organization	9.50	2022			
	Mortality from CVD, cancer, diabetes or CRD between exact ages 30 and 70 (%)	World Bank	39.70	2019			
	Diphtheria tetanus toxoid and pertussis (DTP3) immunization coverage among 1-year-olds (%)	World Health Organization	68.00	2022			
	Gross secondary school enrolment rate	United Nations Educational, Scientific and Cultural Organization	75.42	2022			
	Mean years of schooling	United Nations Development Programme	7.18	2022			
	Learning-adjusted (expected) years of school	World Bank	5.62	2020			
	Total fertility rate (live birth per woman)	United Nations Development Programme	3.66	2023			
	Dependency ratio, i.e. the ratio of youth (Age 0-14) and elderly (age 65+) to population of age 15-64	United Nations Development Programme	74.94	2023			
	Labor force participation rate, female (% of female population ages 15+) (modeled ILO estimate)	World Bank	60.43	2022			
	INCOME	Gross national disposable income (GNDI) per capita, market exchange rates	World Bank	4426.95	2022		
		GDP per capita, market exchange rates	United Nations Statistics Division	3015.41	2022		

Indicator	Source	Latest available data	Year most recent data refer to	Relative performance in latest year (legend below)	Trend (last decade)	
Gross national income (GNI per capita) at purchasing power parity conversion factors	World Bank	3780.00	2022			
Gini coefficient of disposable income	Standardized World Income Inequality Database	37.30	2019			
Percentage of population below international poverty line (\$2.15)	World Bank	10.00	2019		n/a	
OTHER	Battle deaths per 100,000, 20-year average	Uppsala University	0.00	2022		
	Population of concern to UNHCR as percentage of total population	United Nations High Commissioner for Refugees	0.00	2022		
	Stock of persons internally displaced by conflict as percent of total population	International Displacement Monitoring Centre	0.00	2022		
	Intentional homicides (per 100,000 people)	World Bank	0.32	2020		
	Voice and accountability, capturing perceptions of citizens' participation in selecting governments as well as of freedom of expression, association, and media	World Bank	0.71	2022		
	Government effectiveness, capturing perceptions of the quality of public services and policies	World Bank	-0.54	2022		
	Women empowerment index, providing information on women's civil liberties, civil society participation, and political participation	Varieties of Democracy	0.64	2022		

**Legend:**

On the chromatic scale below, dark blue indicates the most positive performance relative to a reference point; and the darkest orange indicates the poorest relative performance. The reference point is determined, for each indicator, as the performance of the group of LDCs relative to all developing countries (e.g. the 33rd percentile).



No data available for the corresponding indicator

n/a denotes that a trend cannot be presented due to either only one data point or no data being available for the last ten years.