United Nations
CDP
Committee for
Development Policy

2017

Monitoring the development progress of countries that are graduating and have graduated from the list of LDCs*

The Committee reviewed the development progress of Angola, Equatorial Guinea and Vanuatu, scheduled for graduation in February 2021, June 2017 and December 2020, respectively.

It found that Angola and Equatorial Guinea continue to experience an economic slowdown due to lower international oil prices. Both countries are characterized by an imbalance between the relatively high level of per capita income and the low level of human assets. The Committee acknowledges that the Government of Angola initiated the preparation of its smooth transition strategy, addressing economic vulnerability through diversification. The Committee strongly encourages Equatorial Guinea urgently to formulate and implement measures designed to promote human assets.

The Committee found that Vanuatu has been recovering from Cyclone Pam but that Vanuatu's vulnerability to external shocks remains high. The Committee recommends that the Government of Vanuatu start a dialogue with trading and development partners to prepare a smooth transition strategy.

The Committee also reviewed the development progress of Samoa, which has graduated and is implementing its transition strategy. The Committee noted that Samoa continued to achieve slow but steady development progress despite its high vulnerability to economic and environmental shocks.

The Committee recalled General Assembly resolution 67/221 and reiterated the importance of the participation of graduating and graduated countries in the monitoring process, to ensure that country perspectives are reflected in the monitoring reports prepared by the Committee.

1. Introduction

The CDP is mandated by Council resolution 2016/21 to monitor the development progress of countries earmarked for graduation from the LDC category and to include its findings in its annual report to the Council. The present report includes the cases of Angola, Equatorial Guinea and Vanuatu, which will graduate in 2021, 2017 and 2020 respectively.

In its resolution 67/221, the General Assembly requested the Committee to monitor the development progress of countries that had graduated from the LDC category and to include its findings in its annual report to the Council. Accordingly, the Committee reviewed the progress made by Samoa, which graduated in 2014.

The more detailed monitoring reports, including country submissions, are available on the CDP website.

2. Monitoring the development progress of graduating countries

Angola

The Committee noted that Angola is highly dependent on the oil sector and that its economic growth is affected by low international oil prices. Real gross domestic product (GDP) growth has continuously slowed over the last five years but is projected to pick up in the next two years, whereas inflation grew rapidly and the fiscal deficit is rising.

* Excerpt from Committee for Development Policy, Report on the nineteenth session, See Official Records of the Economic and Social Council, 2017, Supplement No. 13 (E/2017/33)

Gross national income (GNI) per capita is estimated at approximately four times higher than the LDC graduation threshold established at the 2015 triennial review of the list of LDCs ($1,242). While there is improvement in the human assets index (HAI) score in 2017 it is still low compared with similar-income countries. The economic vulnerability index (EVI) score remains above the graduation threshold (see table).

The Government of Angola has initiated its work on finalizing its 10-step road map to prepare the smooth transition strategy. By the end of 2017, the Government will implement the first steps of the road map and start a consultation process with relevant stakeholders, including development and trading partners as well as the private sector. The Committee underlined the importance of smooth transition, recommending that the Government develop its smooth transition strategy as soon as possible, and that donors and trading partners extend the maximum possible flexibility and support following graduation.

Equatorial Guinea

Equatorial Guinea, scheduled to graduate in June 2017, is the third-largest oil producer in sub-Saharan Africa after Nigeria and Angola, and continues to face serious challenges due to the decline in oil production and prices. Real GDP is projected to contract by 1-5 per cent annually during the period 2017-2021. Nevertheless, GNI per capita is forecast to remain far above the graduation threshold.

The EVI score has improved and fallen below the graduation threshold, whereas progress in improving human assets is slow, with an HAI score much lower than the graduation threshold (see table).

The impact of Equatorial Guinea's graduation is expected to be minimal: oil dependency implies little preferential treatment by major importing markets and due to its high income the country receives little ODA. The Committee did not receive any input from Equatorial Guinea to the monitoring exercise. The Committee urges the country to implement development strategies focusing on improving human assets.

Vanuatu

Vanuatu continues to recover from Cyclone Pam, which struck the country in March 2015 and which also led to the postponement of graduation until 4 December 2020 (see General Assembly resolution 70/78). GNI per capita is expected to remain well above the income graduation threshold. However the budget deficit is projected to reach 17 per cent in 2017 due to increased cyclone-related spending on infrastructure.[1]

The HAI score is stable, and much higher than the graduation threshold. The country remains highly vulnerable and observed a slight increase in the EVI score due to the increase in the victims of natural disasters, reflecting the impact of the cyclone (see table).

Vanuatu's smooth transition is premised on the full implementation of its national sustainable development strategy for 2016-2030, *Vanuatu 2030, the People's Plan*.[2] The Government reported that it is in the process of establishing its National LDC Coordinating Committee, comprised of various relevant stakeholders. The Committee notes that the extended graduation period will allow Vanuatu to intensify the

Table
LDC criteria in 2017: Monitored countries that are graduating and have graduated

	GNI per capita (US dollars)	EVI	HAI
Graduation threshold (2015 review)	>=1,242	<=32.0	>=66.0
Angola	5,186	37.0	44.5
Equatorial Guinea	13,275	29.1	55.1
Samoa	4,079	41.1	94.4
Vanuatu	3,039	48.5	80.5

Source: CDP Secretariat, based on latest available data.

1 IMF, Vanuatu: 2016 Article IV Consultation, Country Report No. 16/336, October 2016.

2 https://vanuatudaily.files.wordpress.com/2016/11/draft-vanuatu-2030-national-sustainable-development-plan.pdf

efforts towards preparing a smooth transition strategy. The Committee recommended that donors and trading partners extend the maximum possible flexibility and support following graduation.

3. Monitoring the development progress of graduated countries

Samoa

Samoa graduated from the LDC category in January 2014. The country has continued to make progress since graduation, although economic growth is projected to stagnate for several years to come, due to slow global economic growth, uncertainty over the revival of agriculture, and diminished prospects for the manufacturing export sector. [3]

GNI per capita is estimated to remain over three times higher than the graduation threshold. Samoa continues to maintain very high levels of human assets but remains vulnerable to economic and environmental shocks. The Committee welcomes the effort made by the Government of Samoa, which continues to engage with its trading and development partners to minimize possible negative impacts of graduation. The smooth transition strategy will be implemented as an integral part of the *Strategy for the Development of Samoa 2016/17 - 2019/2020: Accelerating Sustainable Development and Broadening Opportunities for All*.[4] As per the Government, graduation has had no significant impact on development progress.

3 IMF, World Economic Outlook Database, October 2015; IMF, 2015 Article IV Consultation, July 2015; and DESA, World Economic Situation and Prospects, 2017.

4 http://www.mof.gov.ws/Portals/195/Services/Economy/SDS%201617-1920_Eng.pdf