

Monitoring of Graduating Countries from the Category of Least Developed Countries

Note by the Secretariat

I. Background

ECOSOC resolution E/2010/9 requests the CDP to monitor recent socio-economic development progress of countries earmarked for graduation from the LDC category and to include its findings in its annual report to the Economic and Social Council (ECOSOC).¹ The main purpose of the monitoring is to assess any signs of deterioration in the development progress of the graduating country and bring it to the attention of the Council as early as possible.

Currently, Samoa is the only country earmarked for graduation by the General Assembly (GA). Equatorial Guinea was recommended for graduation by the Committee in 2009. The recommendation was endorsed by the Council in July 2009 but not yet taken note of by the GA. In expectation that the GA takes note of the recommendation, the CDP Secretariat included the country in its monitoring exercise.

To the extent permitted by available data, the monitoring includes updated data used in the criteria for determining LDC status – GNI per capita, human asset index (HAI) and economic vulnerability index (EVI), which underlined the CDP recommendation of graduation.² However, as most components of the HAI and EVI indices capture long-term structural features, these indicators do not register significant variations in the short run. The monitoring exercise will, therefore, look into few selected trends that can be related to GNI, HAI and EVI, where applicable, but are more of a short term nature and whose indicators are more easily available.

It is worth recalling that recommendation to graduate a country from the category has a number of checks and balances to make sure that eligibility to graduation is not the result of transitory shifts in the underlying indicators. First, a country must meet threshold of two (not only one) of the classification criteria to be graduated from the list. Secondly, the graduation thresholds are set above the inclusion

¹ Resolution adopted by ECOSOC on the Report of the Committee for Development Policy on its eleventh session (E/2009/35 of 31 July 2009).

² DESA/CDP, *Handbook on the Least Developed Country category: Inclusion, Graduation and Special Support Measures*, United Nations sales, publication No. E.07.II.A.9.

threshold to minimize the possibility short-term reversals in status. Thus, the GNI per capita threshold for graduation is 20 per cent higher than the inclusion threshold. For HAI and EVI, the graduation thresholds are 10 per cent higher than the respective inclusion thresholds. Moreover, indices used for the inclusion in and graduation from the LDC category are based on component variables that are considered to be stable, with reliable data quality and availability. Thirdly, besides estimates for GNI, HAI and EVI, the CDP also relies on two critical assessments: a vulnerability analysis by UNCTAD and an ex-ante impact analysis of graduation by UN-DESA. These two reports bring in additional country-specific information that is not necessarily captured by the HAI and EVI and may be relevant for the decision process. Lastly, a country should be found eligible for graduation in two successive rounds of the triennial evaluation of LDC status before a recommendation is made to the Economic and Social Council.

II. Equatorial Guinea

Equatorial Guinea was found eligible for graduation due to its high level of GNI per capita. In the 2006 review, the country's GNI per capita was almost 4 times higher than the graduation threshold. Equatorial Guinea did not fulfill the graduation requirements either for HAI or EVI. In the 2009 review, the country had an income level more than eight times the graduation threshold - GNI per capita of \$8,957 (2005-2007 average), relative to the graduation threshold of \$1,086. The CDP found the country eligible for graduation on the income criteria and forwarded its recommendation in its report to the Council in 2009 (E/2009/33). The recommendation was endorsed by ECOSOC in July 2009 (E/2009/L.43) but not yet acted upon by the General Assembly.

The economic outlook is favourable for Equatorial Guinea. According to the World Bank WDI database, the GNI per capita decreased in 2009 comparing to the previous year mainly due to lower oil price and reduced production of crude oil, but still remained as high as \$12,420.³ The World Bank now classifies Equatorial Guinea as a high-income country as the country's GNI per capita is above the Bank's income threshold used to classify countries as high income (\$12,196). IMF estimates that the real GDP growth would have been modest at 0.9% in 2010, but expected to rise to 2.1% in 2011. The large fiscal deficit in 2009 was the result of unprecedented public sector investment, and is anticipated to have declined in 2010. The fiscal balance is forecast to continue to improve in 2011.

³ After peaking in 2008, crude oil production fell by more than 11 percent in 2009 (IMF, May 2010, Republic of Equatorial Guinea: 2010 Article IV Consultation, p.4).

Table 1 Equatorial Guinea, selected indicators (2006-2011)

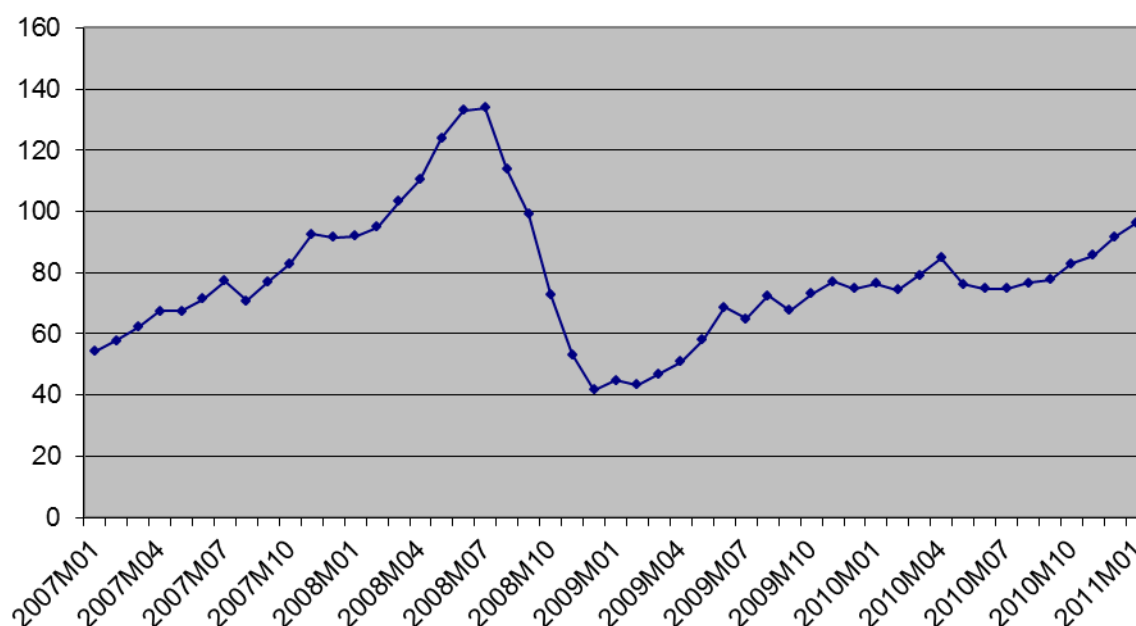
Indicator	2006	2007	2008	2009	2010	2011
GNI per capita, Atlas method (current US\$) ^a	6,870	9,710	14,980	12,420	n.a.	n.a.
GDP (Current US\$ billion) ^b	9.6	12.6	18.4	12.2	14.5	15.4
Real GDP growth (annual %) ^b	1.2	21.4	10.7	5.3	0.9	2.1
GDP growth by sector (% real change) ^c						
Agriculture	3.7	10.0	-1.3	1.0	2.0	1.0
Industry	.9	22.4	11.8	5.9	1.8	2.4
Services	8.1	11.3	9.9	2.0	4.0	3.0
Current account balance (US\$ billion) ^b	0.7	0.5	1.7	-1.9	-0.4	-1.8
Central government balance (% of GDP) ^c	23.4	19.2	15.4	-8.0	-1.4	-0.5

Note: 2010 figures are estimates and 2011 figures are projections.

Source: ^a World Bank WDI database; ^b IMF, World Economic Outlook database; ^c Economic Intelligence Unit, February 2011, Country Report: Equatorial Guinea.

The favourable economic outlook is supported by the emerging trends in the oil prices, as the country's prospects are tied to trends in the oil markets. Oil prices have recovered since early 2009, and approach to \$100 per barrel as of January 2011 (see Figure 1). The world price of crude oil fluctuated around \$78 per barrel during 2010, up from an average of \$62 in 2009. Oil prices are expected to decrease somewhat in 2011 as the fading of stimulus measures in developed markets, but continued solid demand expansion in emerging markets will provide support to crude oil prices. Furthermore, persistent instability in major producing areas can exert additional pressure for higher oil prices in the near future. Firm oil prices will allow Equatorial Guinea to continue to promote economic and social development policies.

Figure 1 Average crude petroleum prices from January 2007 to January 2011 (US\$ per barrel)



Source: IMF, Primary Commodity Prices database

Guided by the country's National Development Plan 2020, the country's economic and social policies aim to build up basic infrastructure in support of improved social welfare and greater diversification. The availability of data on social outcomes is limited and not frequently updated, but some components of HAI have improved in the past decade: Literacy rate increased from 88.3% in 2000 to 93% in 2008; Under-5 mortality was 168 per one thousand children in 2000, but it declined to 145 by 2009.⁴ The Human Development Index (HDI) of Equatorial Guinea also shows a slow but steady improvement from .51 to .53 during the period of 2005-2010. The average HDI of Sub-Saharan Africa remained between .37 and .39 in the same period.⁵

Conclusion: The economic prospects are favourable for Equatorial Guinea. The country's income per capita is likely to be sustained at a very high level relative to the graduation threshold, due to the stabilization and even increase of oil prices sustained by the recovery of global economy. Some

⁴ UNESCO online database; UN inter-agency group, 2010, Levels and trends in child mortality: Report 2010.

⁵ UNDP, 2010, Human Development Report 2010, online database.

components of HAI suggest a slow but steady improvement in social indicators. The country is likely to continue to meet eligibility for graduation from the list of LDCs in the foreseeable future.