



United Nations
CDP
Committee for
Development Policy



Monitoring of Graduated and Graduating Countries from the Least Developed Country Category:

Vanuatu

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February 2017

Summary and monitoring timeline

Angola: Sustained high income despite low international oil prices. High inflation. Human assets are improving but are still at very low levels. The government initiated the preparation of the smooth transition strategy.

Equatorial Guinea: Sustained high income despite low international oil prices. Limited diversification and slow improvement in human assets.

Samoa: Slowing growth and high vulnerability. Receiving smooth transition support on trade (Everything But Arms (EBA) and Enhanced Integrated Framework (EIF)) and development financing (Least Developed Countries Fund (LDCF)).

Vanuatu: Income growth is recovering from impact of the cyclone, but economic vulnerability remains high. The government needs to start negotiation with trading partners on preferential market access.

Table 1. Timeline for graduation and monitoring reports

Date	Angola	Equatorial Guinea	Samoa***	Vanuatu
Dec 2016	Country report (graduating)	Country report (graduating)	Country report (graduated #3)	Country report (graduating)
Mar 2017	CDP monitoring	CDP monitoring	CDP monitoring	CDP monitoring
Jun 2017		Graduation**		
Dec 2017	Country report (graduating)	Country report (graduated #1)	Country report (triennial review #1)	Country report (graduating)
Mar 2018	CDP monitoring	CDP monitoring	CDP monitoring	CDP monitoring
Dec 2018	Country report (graduating)	Country report (graduated #2)		Country report (graduating)
Mar 2019	CDP monitoring	CDP monitoring		CDP monitoring
Dec 2019	Country report (graduating)	Country report (graduated #3)		Country report (graduating)
Mar 2020	CDP monitoring	CDP monitoring		CDP monitoring
Dec 2020				Graduation****
Dec 2020	Country report (graduating)	Country report (triennial review #1)	Country report (triennial review #2)	Country report (graduating)
Feb 2021	Graduation*			
Mar 2021	CDP monitoring	CDP monitoring	CDP monitoring	CDP monitoring
Dec 2021	Country report (graduated #1)			Country report (graduated #1)
Mar 2022	CDP monitoring			CDP monitoring
Dec 2022	Country report (graduated #2)			Country report (graduated #2)
Mar 2023	CDP monitoring			CDP monitoring
Dec 2023	Country report (graduated #3)	Country report (triennial review #2)		Country report (graduated #3)
Mar 2024	CDP monitoring	CDP monitoring		CDP monitoring
Dec 2026	Country report (triennial review #1)			Country report (triennial review #1)
Mar 2027	CDP monitoring			CDP monitoring

Dec 2029	Country report (triennial review #2)			Country report (triennial review #2)
Mar 2030	CDP monitoring			CDP monitoring

Note: * Angola graduates on 12 Feb 2021 (A/RES/70/253); ** Equatorial Guinea graduates on 4 June 2017 (A/RES/68/18); *** Samoa graduated on 1 January 2014 (A/RES/64/295); **** Vanuatu graduates on 4 Dec 2020 (A/RES/70/78).

1. Vanuatu

1.1. Development trend and forecast

Table 1: Vanuatu: Socio-economic indicators, 2011-2018

Indicator	2011	2012	2013	2014	2015	2016	2017	2018
GDP growth rate (per cent, constant price)	1.2	1.8	2.0	3.6	-0.8	3.3	3.6	3.9
Inflation rate (per cent change)	0.7	1.4	1.4	0.8	2.5	2.1	2.8	3.2
Government revenue (Billions of Vatu)	15.8	15.8	16.3	18.6	25.8	24.8	25.5	
Government expenditure (Billions of Vatu)	17.3	16.9	16.4	18.0	20.0	33.9	41.3	
Government balance (Billions of Vatu)	-1.5	-1.2	-0.2	0.6	5.6	-9.1	-15.8	
Government balance (per cent of GDP)	-2.1	-1.6	-0.2	0.75	7.2	-10.6	-17.3	
Net ODA received (Millions of US dollars)	91	102	91	100	187			
Balance of Payments (Millions of US dollars)								
Current Account	-61.0	-68.6	-5.2	19.5	-82.1			
Goods, Credit (Exports)	67.3	54.7	38.5	63.4	38.8			
Goods, Debit (Imports)	260.0	253.2	267.5	269.3	308.0			
Balance on Goods	-192.7	-198.5	-228.9	-206.0	-269.1			
Services, Credit (Exports)	283.2	301.8	352.4	333.7	282.9			
Services, Debit (Imports)	145.0	145.9	149.1	144.9	179.0			
Balance on services	138.2	155.8	203.4	188.8	103.9			
Balance on Goods and Services	-54.5	-42.7	-25.6	-17.2	-165.2			
Balance on income	-19.0	-43.1	-0.3	4.9	7.0			
Balance on current transfers	12.5	17.2	20.7	31.7	76.1			
Capital Account	24.0	22.6	21.0	31.7	83.9			
Financial Account	-112.8	-68.7	-130.9	-0.4	-23.8			
Direct investment (net)	-60.3	-60.0	-59.0	-12.8	-29.5			
Portfolio investment (net)	-6.7	0.2	17.5	-10.2	9.8			
Other investment (net)	63.3	-8.9	-89.4	22.6	-4.1			
Reserves (Millions of US dollars)	173.8	182.2	179.2	184.0	269.2			
Reserves (months of imports)	4.5	4.6	4.8	5.0	6.3			

Source(s): IMF, World Economic Outlook Database, October 2016; OECD, Table 25: ODA Receipts and Selected Indicators for Developing Countries and Territories; IMF, Balance of Payments Database, September 2016; World Bank, World Development Indicators Database, August 2016

Real GDP has rebounded to 3.3 percent growth in 2016, recovering from a contraction caused by the adverse impact of the Cyclone Pam in 2015. But projections for the period 2017-2018 show that real GDP would grow by about four per cent per year, helped by a recovery in tourism and agriculture, and the ramping-up of infrastructure projects.¹

Due to unspent cyclone-related grants received from the international community (Net ODA almost doubled between 2014 and 2015) the government budget recorded an unexpected large surplus of 7.2 per cent of GDP in 2015. However, the budget deficit is projected to reach 10 per cent of GDP in 2016, and 17 per cent in 2017, due to increased government expenditure caused by large cyclone-related current and capital spending on infrastructure.²

Vanuatu's current account is characterized by a deficit in the balance of goods, and a surplus in the balance of service. Vanuatu's export is small and extremely volatile, and the main commodity is fish products, accounting for over 60 per cent of the total exports in 2015.³ According to the IMF, exports of goods have decrease by 38 per cent between 2014 and 2015, but are projected to rise to pre-cyclone levels in 2016.⁴ As imports of goods related to reconstruction activity are rising, the current account has widened to 11 per cent of GDP in 2015, compared with eight per cent in the pre-cyclone baseline.⁵

Secondary income will be supported by donor funding for reconstruction, while remittance inflows will increase, reflecting rising numbers of seasonal workers taking advantage of the recent expansion of temporary-work schemes in Australia.⁶

1.2. Development related to indicators in the LDC criteria

Table 3: Vanuatu: LDC criteria indicators, 2010 - 2017

Index/Criteria	2010	2011	2012	2013	2014	2015	2016	2017
GNI per capita (USD, Atlas method)	2,209	2,411	2,604	2,724	2,871	3,015	3,094	3,039
Human asset index (HAI)	77.5	78.6	79.5	79.7	79.8	80.0	80.3	80.5
Percentage of population undernourished	6.1	5.9	6.0	6.1	6.3	6.4	6.4	6.4
Under-five mortality rate (per one thousand live births)	28.2	28.4	28.5	28.6	28.6	28.4	28.1	27.5
Gross secondary enrolment ratio (per cent)	53.9	56.7	59.5	59.5	59.5	59.5	59.5	59.5
Adult literacy rate (per cent)	80.7	81.3	81.9	82.6	83.2	83.9	84.5	85.1
Economic vulnerability index (EVI)	48.4	47.9	46.8	46.9	46.7	47.1	47.3	48.5
Population (thousands)	225	231	236	242	247	253	259	265
Remoteness	85.0	85.0	84.2	83.3	82.6	82.3	82.2	82.2
Merchandise export concentration	0.7	0.7	0.6	0.6	0.6	0.7	0.7	0.7
Share of agricultural, forestry and fisheries in GDP (per cent)	22.5	22.1	21.9	22.6	24.3	25.9	26.7	26.8

¹ IMF, Vanuatu: 2016 Article IV Consultation.

² IMF, Vanuatu: 2016 Article IV Consultation, Country Report No. 16/336, October 2016.

³ UN Comtrade, accessed January 2017

⁴ IMF, Vanuatu: 2016 Article IV Consultation, Country Report No. 16/336, October 2016.

⁵ IMF, Vanuatu: 2016 Article IV Consultation, Country Report No. 16/336, October 2016.

⁶ EIU, Country Report: Vanuatu, 4th Quarter 2016.

Share of population living in low elevated coastal areas (per cent)	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Instability of exports of goods and services	8.8	9.1	7.9	8.0	8.0	7.9	7.7	7.7
Victims of natural disasters (per cent)	2.8	2.8	2.8	3.4	3.4	3.0	3.4	7.0
Instability of agricultural production	7.7	6.9	7.7	7.5	7.5	7.6	7.6	7.6

Source(s): Committee for Development Policy Secretariat

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

Vanuatu's GNI per capita is estimated to be \$3,039 in 2017, 2.5 times higher than the graduation threshold established at the 2015 triennial review (\$1,242). The standardized HAI score is stable at 80.5 in 2017, much higher than the graduation threshold established at the 2015 review (66 or higher).

The standardized EVI score is 48.5 for 2017 and remains far above the graduation threshold established at the 2015 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's smooth transition is premised on the full implementation of its national sustainable development strategy for 2016-2030, *Vanuatu 2030, the People's Plan*.⁷ The Government reported that it is in the process of establishing its National LDC Coordinating Committee to be comprised of various relevant stakeholders.

Vanuatu's main export commodity is fish products, and the main destinations are Japan (61 per cent), Thailand (16 per cent), China (14 per cent) and Republic of Korea (5 per cent).⁸ All of these importing countries 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. As Samoa successfully negotiated with China for an extension of GSP scheme for three years after the graduation, Vanuatu would need to start bilateral negotiations with the main trading partners.

⁷ <https://vanuatudaily.files.wordpress.com/2016/11/draft-vanuatu-2030-national-sustainable-development-plan.pdf>

⁸ UNCTAD, Comtrade. 2015 data.

Annex 3 Vanuatu's smooth transition strategy report

**GOUVERNEMENT DE LA
RÉPUBLIQUE DE VANUATU**



**GOVERNMENT OF THE
REPUBLIC OF VANUATU**

**VANUATU'S
SMOOTH TRANSITION
STRATEGY REPORT**

29 December 2016

SMOOTH TRANSITION REPORT – VANUATU**Background**

Vanuatu was first included on the list of Least Developed Countries in 1985. It was first identified for graduation in 2006 and subsequently in 2009 and again in 2012. Vanuatu has made progress and having met 2 of the three criteria for graduation in two consecutive rounds. These criteria included:

- GNI per capita: yes (2006, 2009, 2012)
- Human assets index: yes (2006, 2009, 2012)
- Economic vulnerability index: No

At the 2015 triennial review, it was decided that Vanuatu would be eligible for graduation in 2017. However due to the disruption caused to Vanuatu by the TC PAM of 15 March 2015, the General Assembly extended the transition period by a period of three years, until 1 January 2020 (A/70/L.16). The current country data at the March 2015 triennial review are as follows:

- Economic Vulnerability Index is 48 (Graduation thresholds is < 32)
- Human Assets Index is 81 (Graduation thresholds is > 66)
- GNI per capita \$2 997 (Graduation thresholds is > \$ 1 242)

A smooth transition

The UN General Assembly, in resolution 59/209, reconfirmed that graduation from least developed country status should not result in any disruption to the graduating country of its development plans, programmes and projects, and reemphasized the importance of ensuring a "smooth transition" for graduating LDCs. The notion of smooth transition implies that the loss of international (bilateral and multilateral) support measures granted by virtue of LDC status should not harm the graduating country in its development process. A smooth transition therefore should involve "phasing out" arrangements (as opposed to a sudden loss of concessions), or even a partial retention of LDC benefits insofar as such retention will be deemed vital to the beneficiary.

Vanuatu's smooth transition is premised on the full implementation of its national development strategy SDGs 2016-2030 as well as consensus with its development partners on the best way forward through the Joint Policy Matrix.

Consultative mechanisms on graduation

On the 17th of March 2016, The Vanuatu Council of Ministers on its ordinary meeting acknowledges and accepts the facts that Vanuatu's graduation from LDC status is now scheduled for 4th December 2020.

Due to prolonged bureaucratic process, Vanuatu is finally in the process of establishing its National LDC Coordinating Committee to be comprised of various relevant stakeholders.

Mandated by the Council of Ministers, the Coordinating Committee will manage Vanuatu's transition period. It will discuss and approved recommended steps which will enable an effective Smooth Transition Strategies to ensure minimal disruption to Vanuatu's development process post-graduation from LDC status. The Committee will be inclusive brining in all parties involved to work together in

identifying development challenges and opportunities and facilitate the implementation of agreeable solutions.

The Coordinating Committee will conduct consultations to affirm and confirm what the country's development priorities and in designing programs for the transition period and in the long term. The mechanism of consultations is a Government led because they are an integral part of its planning and budgetary processes as well as coordination of development cooperation. The government believes that the transition period will enable Vanuatu and its development and trading partners to collaborate and formulate policy and strategies to address possible negative impact upon graduation from LDC to support Vanuatu's post LDC life.