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Monitoring of graduated and graduating countries from the least developed country category:

Vanuatu

SUSTAINABLE DEVELOPMENT GOALS

Contents

Summary and the monitoring timeline

Angola: Scheduled to graduate on 12 February 2021. Income has been sustained at a high level and is expected to recover moderately in coming years from the contraction in 2018-2019. Human assets, while improving, are underdeveloped comparing to other countries with similar income levels. There is no update on the preparation of the smooth transition strategy.

Equatorial Guinea: Graduated on 4 June 2017. GDP is projected to continue to decline significantly due to the depletion of the existing oil reservoirs and limited new investment, but it will remain far above the LDC inclusion and graduation thresholds. HAI remains very low. After graduation became effective, the Government expressed interest on possible postponement of the graduation.

Vanuatu: Scheduled to graduate on 4 December 2020. The growth rate is projected to stay around 3-4 per cent. The HAI and EVI indicators show no major change in 2018-2019. While no indication of regress has been observed, the country remains highly vulnerable to external shocks, in particular natural disasters.

Table 1 Timeline for graduation and monitoring reports

Date	Angola	Equatorial Guinea	Vanuatu
June 2017		***Graduation***	
March 2018	Graduating	Graduated #1	Graduating
March 2019	Graduating	Graduated #2	Graduating
March 2020	Graduating	Graduated #3	Graduating
December 2020			***Graduation***
February 2021	***Graduation***		
March 2021	Graduating	Review #1	Graduating
March 2022	Graduated #1		Graduated #1
March 2023	Graduated #2		Graduated #2
March 2024	Graduated #3	Review #2	Graduated #3
March 2027	Review #1		Review #1
March 2030	Review #2		Review #2

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.

1. Vanuatu

1.1. Development trend and forecast

The real GDP growth has been stabilized at 3-4 per cent in 2016-2018 (see table 2). A recovery in tourism and agriculture combined with further ramping-up of infrastructure projects has contributed to sustaining real GDP growth in recent years. Real GDP growth will average a respectable 2.6 per cent in 2019-20, partly owing to stronger growth in household spending, as rising external demand for key agricultural goods boosts rural incomes.[1]

Table 2 Vanuatu: Macroeconomic indicators, 2012-2018

Indicator	2012	2013	2014	2015	2016	2017	2018
GDP (USD millions)[1]	782.0	802.0	815.0	774.0	798.0	870.0	957.0
GDP growth rate (per cent, constant price)[2]	1.8	2.0	2.3	0.2	3.5	4.2	3.3
Inflation rate (%)[2]	1.1	1.5	0.8	2.5	0.8	2.6	3.1
Government balance (per cent of GDP)[1]	-1.6	-0.2	-5.0	-9.6	-6.1	-7.5	-8.0
Current account balance (USD million)[1]	-51.0	-26.0	19.0	-83.0	-37.0	-13.0	-81.0
Exports of goods and services (USD million)[3]	356.5	390.9	397.1	321.8	N.A.	N.A.	N.A.
Net ODA received (USD million)[4]	101.9	91.3	100.4	186.6	129.1	132.2	N.A.

Source: [1]IMF, World Economic Outlook Database, accessed 18 February 2019; [2]UN/DESA World Economic and Social Prospects 2019; [3]IMF, International Financial Statistics, accessed 18 February 2019; [4] The World Bank, World Development Indicators, accessed 18 February 2019.

Inflation is estimated to pick up to 3.1 percent in 2018 driven by domestic demand, and a temporary VAT increase from 12.5 to 15 percent, before gradually reverting to modest levels in the medium term.

The current account deficit has increased in 2018, due to the high import content of the projects to scale-up infrastructure. This deficit would continue to be financed by donor grants and loans, as well as FDI. The fiscal deficit is expected to remain high at around 7 to 8 percent of GDP reflecting reconstruction and infrastructure expenditure. Elevated recurrent spending, including meeting past due legal commitments and a rise in pay for government officials, would be offset by the temporary increase in VAT rate, and inflows of workers' remittances, supported by the expansion of the seasonal-worker programmes in Australia and New Zealand.[2]

The largest uncertainty facing the economy relates to the rate of implementation of public reconstruction and infrastructure projects. The delayed implementation of revenue mobilization measures such as the introduction of the income tax could put a strain on fiscal accounts. The country remains extremely vulnerable to natural disasters: the entire population of Ambae island of Vanuatu is planned to be permanently evacuated after the volcano erupted in 2018.[3]

1.2. Development related to indicators in the LDC criteria

Vanuatu's GNI per capita is estimated to be $2,922 in 2019, about 2.4 times higher than the graduation threshold established at the 2018 triennial review, $1,230 (see table 3).

[1] UN/DESA (2018). WESP 2019.
[2] EIU (November 2018). Vanuatu Country Report; Asian Development Bank (2018) Pacific Economic Monitor.
[3] https://www.cnbc.com/2018/05/03/vanuatu-plans-to-permanently-evacuate-entire-volcanic-island.html

Table 3 Vanuatu: LDC criteria indicators, 2012 - 2019

Index/Criteria	2012	2013	2014	2015	2016	2017	2018	2019
GNI per capita (USD, Atlas method)	2,600	2,721	2,869	3,013	3,093	3,053	2,979	2,922
Human assets index (HAI)	79.4	79.4	79.3	79.3	79.2	79.0	79.0	79.0
Maternal mortality rate (per 100,000 live births)	94.0	90.9	87.2	83.6	80.8	78.4	78.4	78.4
Under-five mortality rate (per 1,000 live births)	29.1	29.3	29.3	29.1	28.7	28.2	27.6	26.9
Percentage of population undernourished	5.8	5.9	6.1	6.3	6.5	6.7	6.9	7.1
Adult literacy rate (%)	82.2	82.8	83.4	84.1	84.7	84.7	84.7	84.7
Gross secondary enrolment ratio (%)	59.5	58.6	57.6	56.7	55.8	54.8	54.8	54.8
Economic vulnerability index (EVI)	46.1	46.6	46.5	46.3	45.8	46.3	46.2	44.1
Population (thousands)	236	242	247	253	259	265	270	276
Remoteness	84.2	83.2	82.5	82.3	82.1	82.0	82.0	81.8
Merchandise export concentration	0.6	0.6	0.6	0.6	0.5	0.4	0.5	0.4
Share of agricultural, forestry and fisheries in GDP (%)	21.9	22.6	24.3	25.9	26.7	25.5	24.1	23.1
Share of population living in low elevated coastal areas (%)	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Instability of agricultural production	7.9	8.0	8.0	7.9	7.7	7.6	7.5	5.3
Victims of natural disasters (%)	7.3	7.1	7.1	7.2	7.4	7.4	7.4	7.4
Instability of exports of goods and services	2.8	3.4	3.4	3.0	3.4	7.0	7.0	7.2

Source: Committee for Development Policy Secretariat
Note: Indicators are generated based on the same data source and methodology used for the 2018 review using most recent available data. Therefore, the values in 2012 and 2015 may be different from the values included in the triennial reviews presented in the CDP reports to the ECOSOC in the respective year.

The HAI score is 79.0 in 2019, same as 2017 and 2018. It still constitutes a much higher value than the graduation threshold established at the 2018 review, 66 or higher.

The EVI score is 44.1 for 2019 and remains far above the graduation threshold established at the 2018 review of 32 or below.

1.3. Productive capacity

Vanuatu performed better than the group of LDCs in an overall PCI but lower than the score of the other developing countries (see table 4). The scores of Vanuatu on human capital, institutions and the private sector are particularly higher than that of the LDCs' average. When compared to LDCs' group, Vanuatu's score on transport is at par with the group's average but lower than the average for ODCs. Vanuatu's human development appears to lead the other components. In fact, on a closer look at indicators, Vanuatu's life expectancy is 10 and 14 years higher than in Angola and Equatorial Guinea, respectively. However, Vanuatu's structural change is negatively affected by lack of export diversification. Likewise, the score on natural capital of Vanuatu is also lower than the average for LDCs and ODCs, which is characteristics feature of SIDS.[4]

[4] UNCTAD note for the monitoring report dated 17 January 2019

Table 4 Productive Capacities Index (PCI): Angola, Equatorial Guinea and Vanuatu vis-a-vis LDCs and ODCs

Country	PCI	Natural Capital	ICT	Structural Change	Institutions	Energy	Private sector	Transport	Human Capital
Angola	43.3	50.1	42.2	46.8	39.8	43.8	34.1	47.6	42.1
Equatorial Guinea	42.9	47.0	43.6	46.7	36.1	44.8	41.4	47.6	35.8
Vanuatu	47.1	46.9	44.2	41.3	50.6	43.8	49.4	47.6	52.6
LDCs	45.1	53.1	43.1	43.1	42.9	42.4	45.3	47.7	43.0
ODCs	50.0	48.7	51.4	49.6	49.1	50.2	49.9	50.0	51.2

Source: UNCTAD.

1.4. Smooth transition

Vanuatu is scheduled to graduate on 4 December 2020 (A/RES/70/78). Vanuatu has not submitted its report on the preparation of the smooth transition strategy.

While the overall impact of graduation on trade is very limited, increased import duties on some of the limited resources (beef, coconut products) could hamper the export to other countries. Possible decrease in the Aid for Trade, particularly capacity building and Technical Assistance, and the loss of access to special interest rates and repayment schedules provided by some financial sources could have a relatively large impact, given the size of the country.

Vanuatu Government noted to IMF that a modest slowdown of GDP growth is expected after the completion of major infrastructure projects and construction production subsides, and raised some concerns about possible unanticipated effects of graduation from the LDC category in 2020.[5] No further information on the concerns and possible measures is available.

[5] IMF (2018). Article IV Consultation: Vanuatu.