

**Sixteenth Plenary Session of the Committee for Development Policy
New York, 24 – 28 March 2014**

**Note by the Secretariat on
Monitoring of Graduating Countries from the Category of Least Developed
Countries**

Vanuatu

I. Background

Equatorial Guinea and Vanuatu are earmarked for graduation, following the recommendations by the CDP which were endorsed by ECOSOC in 2009 and 2012, respectively, and taken note of by the General Assembly in December 2013 (A/RES/68/18). General Assembly resolution A/67/221 invites the Governments of countries that are graduating from the LDC category to report annually to the CDP on the preparation of the transition strategy.

In this note, the Secretariat presents a brief monitoring to provide an update on current conditions of both countries, for CDP's deliberation as requested by ECOSOC in its resolution 2013/20. Governments will be invited to submit reports to CDP on the overview of the preparation of smooth transition strategy later in the year, following GA resolution 67/221. Table 1 presents the time line for monitoring reports on both countries.

line for monitoring reports: Equatorial Guinea and Vanuatu

Equatorial Guinea	Vanuatu	Relevant GA resolution
Current reporting system introduced	Current reporting system introduced	67/221 adopted
CDP annual monitoring report to ECOSOC	CDP annual monitoring report to ECOSOC	67/221
Country report to be submitted to CDP (as a graduating country)	Country report to be submitted to CDP (as a graduating country)	67/221
CDP annual monitoring report to ECOSOC	CDP annual monitoring report to ECOSOC	2013/20 ^A
Country report to be submitted to CDP (as a graduating country)	Country report to be submitted to CDP (as a graduating country)	67/221
CDP annual monitoring report to ECOSOC	CDP annual monitoring report to ECOSOC	67/221
Country report to be submitted to CDP (as a graduating country)	Country report to be submitted to CDP (as a graduating country)	67/221
CDP annual monitoring report to ECOSOC	CDP annual monitoring report to ECOSOC	67/221
<i>Equatorial Guinea graduates</i>		<i>68/18</i>
	<i>Vanuatu graduates</i>	<i>68/18</i>
Country report to be submitted to CDP (as a graduated country, #1)	Country report to be submitted to	

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II. Monitoring development progress of Vanuatu

Background

Vanuatu was recommended for graduation by the Committee in 2012 on the basis that the country met two of the three graduation criteria (GNI and HAI). The country was also eligible for graduation under the “income only” criterion, as its GNI per capita exceeded twice the graduation threshold.¹ Responding to the Committee’s findings, the Government of Vanuatu stated that the country would make best use of the transition period to put in place the necessary policy interventions to address possible negative impacts of the graduation. The Government, however, stressed that Vanuatu remains very vulnerable due to its smallness, susceptibility to external economic shocks and exposure to recurring natural disasters, which are not necessarily effectively addressed by LDC support measures. In that regard, the Government

Contrary to the trend in the balance of goods, there was a significant surplus in the balance of service in recent years, around 21 per cent of GDP in 2009-2012, owing to a steady growth in tourism sector.⁷ Tourism will continue to contribute to economic expansion over the medium term, as economic prospects in Australia and New Zealand, two important sources of tourists for the local economy, are expected to be favorable.⁸

Developments related to indicators in the LDC criteria

Vanuatu continued to improve its scores of indicators included in the LDC criteria. The country's GNI per capita was \$2,771 in 2011/2012, 2.3 times higher the graduation threshold established at the 2012 triennial review (\$1,190).⁹ According to preliminary estimates by UN/DESA, HAI indicators have also improved. Under-5 mortality rate decreased from 19 per 1,000 live births in 2010 to 18 per 1,000 live births in 2012.¹⁰ Literacy rate increased slightly from 82 per cent to 83 per cent, and gross secondary school enrolment rate increased from 55 per cent to 60 per cent between the 2012 triennial review and 2013.¹¹

Preparation of the smooth transition strategy

The 2011 ex-ante impact analysis by UN/DESA¹² identified potential adverse impacts of graduation of Vanuatu in two areas: preferential treatment in trade and development finance. In the area of trade, Vanuatu would lose benefits from LDC-specific preferential treatment affecting, in particular, market access of its exports of tuna and beef to Japan, and its copra exports to European Union, especially Belgium. While there are smooth transition provisions in place for exports to EU under EBA provisions, LDC-specific preferential treatments granted by Japan are not anticipated to be extended beyond graduation.

The recent accession to WTO is also likely to bring impacts on the country's trade balance in view of liberalization commitments which should be fulfilled in a short time period. Vanuatu has agreed to fully apply all WTO provisions and did not require recourse to any transitional period except on intellectual property.

With respect to development finance, while the country will lose access to certain