

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

Vanuatu

**Committee for Development Policy
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I. Background

General Assembly resolution 67/221 of 21 December 2012 requests the Committee for Development Policy (CDP) to monitor the development progress of countries that graduated from least developed country (LDC) category. The monitoring is to be conducted, in consultation with the Governments of those countries, on a yearly basis for a period of three years after graduation becomes effective, and triennially thereafter, as a

March 2017	CDP monitoring report to ECOSOC	E/RES/2013/20
December 2017	Country report to CDP (graduating)	A/RES/67/221

The total economic impact of the cyclone was estimated to be around \$449.4 million, which is equivalent to 64 per cent of the GDP in 2014.² The sectors that sustained the highest level of physical damage were the housing sector, which accounts for 32 per cent of the total damage costs, followed by the tourism sector (accounting for 20 per cent of all damage), the education sector (accounting for 13 per cent of all damage), and the transport sector (accounting for 10 per cent of total damage). The largest level of economic loss is expected in the agriculture and tourism sectors, which are estimated at 33 per cent and 26 per cent of the total losses

Table 13. Vanuatu: value of exports by main commodities exported, average 2010-2014

HS code	Exports	Value (US dollar thousands)	Share (per cent)	Main destination*
3	Fish and crustaceans, molluscs and other aquatic invertebrates	205,951	49.6	Thailand (48%), Japan (32%), Vietnam (8%)
89	Ships, boats and floating structures	190,319	45.8	Namibia (78%), Republic of Korea (9%), Ecuador (6%), Poland (6%)
12	Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit; industrial or medicinal plants; straw and fodder	10,322	2.5	New Caledonia (37%), Fiji (28%), USA (23%)
18	Cocoa and cocoa preparations	4,352	1.0	Malaysia (99%)
Total		650,188	100	

Note: * Market shares in 2014 are in the parenthesis.

Source: UN Comtrade, accessed 1 February 2016.

In the immediate aftermath of the cyclone, the government responded through fiscal and monetary measures. A supplementary budget increased expenditures by 1.3 per cent, and value-added tax and import duties were waived for building materials and relief items. Due to these measures, the fiscal deficit is expected to be 4.6 per cent of GDP in 2015 (see table 12). The Reserve Bank of Vanuatu reduced the interest rate, lowered bank reserve requirements, and activated targeted credit facilities.

A fall in earnings from tourism will have reduced the services surplus. Data are not yet available to estimate the impact of the cyclone on tourism, but preliminary estimates suggest that the number of visitors have been reduced significantly in 2015. During January-June 2015, visitor arrivals by air decreased by 24 per cent from a year earlier and arrivals by cruise ship were down by 56 per cent.⁷ Tourists arrivals are expected to recover in 2016, supported by marketing efforts in Australia and New Zealand, Vanuatu's largest sources of tourists (see table 14).

Table 14. Vanuatu: Visitor arrivals by country of origin, 2009-2014

Year	Total	Australia	New Zealand
2009	100,675	64,909	12,606
2010	97,180	58,760	11,927
2011	93,960	57,843	11,399
2012	108,161	65,405	14,430
2013	110,109	65,776	15,068
2014	108,808	60,808	16,293

Source: Reserve Bank of Vanuatu, *Quarterly Economic Review*, September 2015, table 36.

destinations vary year to year, depending on which vessels are registered. Export of ships is therefore not regarded as a true manufacturing activity.

⁶ IMF, Vanuatu: 2015 Article IV Consultation, June 2015; EIU, Country Report: Vanuatu, January 2016.

⁷ Asian Development Bank, Vanuatu Economy, Asian Development Outlook Update 2015.

Secondary income will be supported by

Source: CDP Secretariat.

Vanuatu: Preparation of the smooth transition strategy

The ex-ante impact assessment of the likely consequences of graduation of Vanuatu from the LDC category conducted in 2012 indicated that Vanuatu would face non-zero tariff rates on exports of certain types of tuna and copra oil, which currently enjoy duty and quota-free entry to the markets of some trading partners, including Japan. It is recommended that Vanuatu initiate the preparation of its smooth transition strategy as early as possible, to minimize potential adverse impacts of graduation in the loss of preferential treatment in trade and any eventual change in the terms of ODA. In addition, the country needs to strengthen climate change adaptation measures and disaster management to place its economic development path on a more stable ground. The country is yet to submit information on its smooth transition strategy.

With respect to development finance, ODA flows declined by \$18 million in 2014 (see table 9). This is largely due to reduced ODA flows from Australia and Japan. After March 2015, international humanitarian response to the impact of cyclone Pam was swift, with large amounts of supports from Australia (\$12 million), the UK (\$5.5 million), China (\$4.9 million), New Zealand (\$3.5 million), Netherlands (\$2.9 million), and the United States (\$2 million).⁹ Data are not yet available, but the total ODA is expected to have increased in 2015.

Table 9. Vanuatu: total aid receipt by donor, USD millions, 2008-2014

Donor	2008	2009	2010	2011	2012	2013	2014
DAC Countries, Total	144.1	167.8	140.8	68.1	187.0	131.6	113.4
Australia	27.8	41.9	58.5	57.4	94.0	57.7	42.9
Japan	64.4	52.1	24.9	-2.9	62.7	40.8	21.9
New Zealand	10.5	15.5	12.9	13.6	15.3	14.9	25.3

Source: OECDstat, accessed 27 January 2016.

Donor assistance is likely to be key to reconstruction efforts. One of the urgent projects that have started is an upgrade of Vanuatu's airports, including a new terminal for the main international airport and urgent rehabilitation work on its runway, to be financed by a concessional loan from the World Bank. In August 2015, Japan committed an additional \$36m to a multi-purpose wharf development which is scheduled for completion in early 2017. The EU has also allocated \$38 million in funding for rural development projects over the next six years, focusing on agriculture and tourism infrastructure.¹⁰

New Zealand will raise the annual cap on the number of seasonal workers who can be recruited by horticulture and viticulture producers from 9,000 to 9,500 in 2016.

