



Monitoring of countries that are graduating and have graduated from the list of least developed countries *

In its monitoring of countries that are graduating and have graduated from the least developed country category, the Committee reviewed the cases of Angola, Bhutan, Sao Tome and Principe, Solomon Islands and Vanuatu, which are graduating, and Equatorial Guinea, a graduated country. The Committee expressed its concern on declining income, high inequality and

limited diversification in Angola and Equatorial Guinea. It will continue to monitor these countries closely in terms of the income sustainability and macroeconomic stability. The Committee also discussed actions to improve the effectiveness of the monitoring mechanism and to encourage the participation of the countries in the monitoring exercise.

A. Introduction

The Committee is mandated by Council resolution 2019/8 and General Assembly resolution 67/221 to monitor the development progress of countries graduating and graduated from the least developed country category. The present report includes the cases

of five graduating countries, namely, Angola, Bhutan, Sao Tome and Principe, Solomon Islands and Vanuatu, as well as a graduated country, Equatorial Guinea. The detailed monitoring reports are available on the Committee's website.

B. Graduating countries

Angola

The economy of Angola is highly dependent on the oil sector and its economic growth has been strongly affected by low international oil prices and reduced oil production. Real GDP has been declining over the past four years. High debt, unstable exchange rates, current account and fiscal deficits bring challenges in maintaining macroeconomic stability.

The table shows that gross national income per capita, while falling, remains above the graduation threshold. The human assets index (HAI) score, while improving steadily over the past five years, still remains low. Angola still remains vulnerable, as shown by the high level of the economic vulnerability index (EVI). Angola also has a very low productive capacities index, mainly

driven by limited private sector diversification. The index is developed and calculated by the United Nations Conference on Trade and Development (UNCTAD), to measure the productive capacities, defined as the productive resources, entrepreneurial capabilities and production linkages which together determine the capacity of a country to produce goods and services and enable it to grow and develop.

In 2019, the Government of Angola resumed its work on preparing for graduation, assisted by the technical cooperation activities of the Department of Economic and Social Affairs (DESA). The Government has yet to report progress in implementing the initial steps in the preparation of a smooth transition strategy.

* Excerpt from Committee for Development Policy, Report on the twenty-second session, See Official Records of the Economic and Social Council, 2020, Supplement No. 13 (E/2020/33)

Least developed country criteria and productive capacities index in 2020: monitored countries that are graduating or have graduated

	LDC criteria			Productive capacity index
	GNI per capita (US dollars)	EVI	HAI	
Graduation threshold (2018 review)	>= 1,230	<=32.0	>=66.0	<i>Not applicable</i>
Angola	3,496	37.9	59.3	14.0
Bhutan	2,941	35.4	77.5	27.8
Sao Tome and Principe	1,717	41.9	90.2	19.9
Solomon Islands	1,721	50.6	74.4	22.0
Vanuatu	2,913	45.5	79.9	25.1
Equatorial Guinea	8,346	23.9	59.1	17.7
LDC average	1,295	41.0	55.2	17.3
Other developing countries average	9,075	31.7	87.8	28.3

Source: Calculation by the secretariat of the Committee for Development Policy (least developed country criteria) and UNCTAD (productive capacity index). Data as at 19 February 2020.

Bhutan

The economy of Bhutan has been steadily progressing, and its macroeconomic indicators, including inflation and current account show no sign of deterioration. Following a new foreign direct investment policy initiated in 2019, the inflow of foreign direct investment may accelerate the expansion of the economic base, employment generation, foreign exchange earnings and revenue generation.

The gross national income per capita of Bhutan has continued to grow fast, as has the human assets index score. The environmental vulnerability index for Bhutan improved slightly from 2018 but remains above the

graduation threshold. According to the productive capacities index, the country's productive capacity outperforms other least developed countries in almost all subindicators, including information and communications technologies (ICT), structural change, institutions, energy, human capital, the private sector and transport.

Whereas Bhutan has started its preparations for a smooth transition with the support of the United Nations system, the country has not reported its initial steps in the preparation of a transition strategy.

Sao Tome and Principe

Sao Tome and Principe has grown 2 to 3 per cent annually in the past three years. Its merchandise exports are limited to some agricultural products, mostly destined to the European Union. The country relies heavily on service exports, essentially tourism.

Gross national income per capita of Sao Tome and Principe and, in particular, the human assets index, are well above the graduation thresholds, whereas the environmental vulnerability index continues to indicate high vulnerability, mainly caused by the limited

productive base. The productive capacities index also indicates productive capacity at an average least developed country level, lagging behind in many of the subindicators, including natural capital, energy and transport.

In 2019, responding to the request from the Government, the inter-agency task force on least developed country graduation assisted the Government in starting its work on establishing a road map to prepare a transition strategy.

Solomon Islands

The Solomon Islands economy has slowed down in 2019, with weaker logging activity, from the strong performance in 2018 driven by fishery, wholesale, retail and transport.

The Solomon Islands gross national income per capita and human assets index are well above the corresponding graduation thresholds. However, the environmental vulnerability index is very high owing to the natural-resource based economic structure, as well as climate change-induced vulnerabilities. Its productive

Vanuatu

Five years after Cyclone Pam struck Vanuatu, causing extensive damages, reconstruction is near completion. Real GDP growth remains relatively stable and the Government balance is positive. Construction has been the main driver in recent years, while tourism revenue has grown the most strongly since the cyclone.

The gross national income per capita of Vanuatu is more than double the least developed country graduation threshold. The human assets index score is slightly increasing while the environmental vulnerability index score remains far above the graduation threshold. While the country remains highly vulnerable to the ever-present danger of natural hazards, the national disaster planning framework has been improved substantially in recent years. With respect to the productive capacities

C. Graduated countries

Equatorial Guinea

Equatorial Guinea is highly dependent on the oil sector and continues to face serious challenges due to the decline in hydrocarbon production, compounded by low investment. Real GDP has contracted rapidly since 2013, and other macroeconomic indicators, such as exports, consumption and fiscal space, also show steady and slow declines. Prospects of rebounding oil production and exports, helped by the discovery of new oil fields, remain unclear.

Despite the negative growth in the past years, gross national income per capita remains seven times higher

D. Improved monitoring mechanism

The Committee found that the current monitoring mechanism is not effective, as no feedback or input has been received from the Governments and as there is no follow-up on the monitoring outcome. The Committee will prepare a concrete proposal to further improve the effectiveness of the monitoring mechanism as an input to the preparatory process of the Fifth United Nations

capacities index is only slightly higher than the least developed country average, mainly owing to the low level of ICT and limited structural change.

In 2019, the Government started its process in preparing for graduation, assisted by the inter-agency task force on least developed country graduation. It has already negotiated alternative arrangements for duty-free quota-free access with the European Union which would counteract the withdrawal of least developed country-specific preferences.

index score, Vanuatu is among the leaders in the group of graduating least developed countries, mainly owing to high scores in human capital, private sector, institutions and structural change.

The Government of Vanuatu adopted a smooth transition strategy in late 2019, outlining complementary least developed country specific actions grouped in eight specific themes, namely, (a) trade; (b) private sector development and productive capacity; (c) infrastructure; (d) macroeconomic stability and finance; (e) strengthening of national systems, including planning, budgeting and monitoring; (f) aid coordination and monitoring; (g) statistical systems and data; and (h) institutional and staff capacity development.

than the graduation threshold. Progress in improving human assets is slow, while the environmental vulnerability index is lower than for the graduating countries monitored by the Committee. Productive capacity remains in line with the average for least developed countries, lagging behind, particularly in the human capital and energy components of the productive capacities index.

Equatorial Guinea has not yet submitted a report on its implementation of a smooth transition strategy since its graduation in 2017.

Conference on the Least Developed Countries (see also chap. VI). It will also explore more modalities for consultations with the countries concerned on its monitoring reports. The Committee further requested its secretariat to provide monitoring-related capacity development to countries under its review.