

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

Samoa

**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 complement to two triennial reviews of the LDC category. CDP has also been requested to include its findings in its annual report to the Economic and Social Council (ECOSOC). This note contains a brief overview of the development progress and the smooth transition strategy of a graduated country, Samoa.

This note also contains a brief update on current conditions of graduating countries, Equatorial Guinea and Vanuatu, as requested by ECOSOC in its resolution 2013/20. Following the guidelines of resolution 67/221 of the GA, the CDP Secretariat has invited both countries to submit a concise report to CDP with information and an overview of the preparation of smooth transition strategy.

Guidelines on monitoring were first outlined by the CDP in its 2008 Report to the Council and updated in the 2013 Report.¹ The main objective of the monitoring provision is to identify any signs of reversal in the development progress of the graduated and graduating country and bring them to the attention of the ECOSOC.

II. Monitoring development progress of Samoa

Samoa: Monitoring timeline

In 2006, the CDP recommended to ECOSOC that Samoa be graduated from the LDC category, on the basis of its high GNI per capita and human asset index (HAI).² ECOSOC endorsed the recommendation in July 2007. Subsequently, the General Assembly adopted the resolution on the graduation of Samoa, which was scheduled to take place in December 2010.

In September 2009, Samoa was hit by a devastating tsunami. As a result, the General Assembly decided to extend the transition preparatory period by three years (A/RES/64/295). Samoa graduated from the LDC category in January 2014.

The present report is the second in the annual monitoring exercises for Samoa as a graduated country (see table 1). The report benefits from an input submitted by Samoa,

¹ See paragraphs 34 and 35 in Committee for Development Policy, Report on the tenth session (17-20 March 2008), Economic and Social Council, Official Records, 2008, Supplement No. 13. Committee for Development Policy, Report on the fifteenth session (18-22 March 2013), Economic and Social Council, Official Records, 2013, Supplement No. 13, chapter V.

² Committee for Development Policy, Report on the eighth session, 2006 (E/2006/33).

which provided an overview of the implementation of the country's smooth transition strategy.³

Table 1. Samoa: Time line for monitoring reports

Date	Event	Relevant resolution
December 2012	Current reporting system introduced	A/RES/67/221 adopted
December 2013	Country report to CDP (graduating country)	A/RES/67/221
January 2014	Samoa graduated	A/RES/64/295
March 2014	CDP annual monitoring report to ECOSOC	E/RES/2013/20
January 2015	Country report to CDP (graduated country, #1)	A/RES/67/221
March 2015	CDP annual monitoring report to ECOSOC	A/RES/67/221
December 2015	Country report to CDP (graduated country, #2)	A/RES/67/221
March 2016	CDP annual monitoring report to ECOSOC	A/RES/67/221
December 2016	Country report to CDP (graduated country, #3)	A/RES/67/221
March 2017	CDP annual monitoring report to ECOSOC	A/RES/67/221
December 2017	Country report to be submitted to CDP	A/RES/67/221
March 2018	Report as a complement to triennial review to ECOSOC #1	A/RES/67/221
December 2020	Country report to CDP	A/RES/67/221
March 2021	Report as a complement to triennial review to ECOSOC #2	A/RES/67/221

Source: CDP Secretariat

Samoa: Recent macroeconomic developments

Cyclone Evan in 2012 caused a slight decline in the real GDP growth in 2013. Real GDP growth has rebounded to 2.6 per cent in 2015, as post-disaster projects have been completed (see table 2). Growth is projected to stagnate for several years to come, due to the slow growth in the global economy, uncertainty over the revival of agriculture, and diminished prospects for the manufacturing export sector.⁴

In 2013 Samoa was classified by the IMF as being at a high risk of debt distress. The Government of Samoa implemented its Medium Term Debt Management Strategy to reverse the trends in the debt-GDP ratio and fiscal deficits, and as a result, the debt distress status was revised to moderate risk in early 2015.

The Government increased expenditure for recovery and reconstruction to respond to the impact of the cyclone in 2012. The Government has developed a number of initiatives to facilitate credit supply. Accordingly, public debt has risen rapidly in recent years, raising risks to sustainability and leaving little fiscal space to address possible future disasters. A process of gradual fiscal consolidation seems under way, as the government deficit is estimated to decline from 5.3 per cent of GDP in 2014 to 3.6 per cent in 2015 (see table 2).

Table 2. Samoa: Socio-economic indicators, 2010-2015

Indicator	2010	2011	2012	2013	2014	2015
GDP growth rate (per cent, constant price)	-2.3	6.2	1.2	-1.1	1.9	2.6
Inflation rate (per cent)	0.8	5.2	2.0	0.1	-0.4	1.3

³ Government of Samoa, Samoa's Smooth Transition Strategy Report, 31 December 2015.

⁴ IMF, World Economic Outlook Database, October 2015; IMF, 2015 Article IV Consultation, July 2015.

Government revenue (Millions of Samoa tala)	552	543	556	621	710	689
Government expenditure (Millions of Samoa tala)	646	636	688	691	809	759
Government balance	-95	-93	-132	-70	-99	-71
Government balance as per cent of GDP	-5.8	-5.3	-7.1	-3.8	-5.3	-3.6
Net ODA received (Millions of US dollars)	147.5	102.1	120.7	118.2	92.7	...
Balance of Payments (Millions of US dollars)						
Current Account (Millions of US dollars)	-43.7	-83.6	0.7	-37.1	-48.6	...
Goods, Credit (Exports)	23.1	24.7	31.2	23.9	27.5	...
Goods, Debit (Imports)	280.0	347.1	308.4	325.4	341.3	...
Balance on Goods	-256.9	-322.5	-277.3	-301.4	-313.8	...
Services, Credit (Exports)	171.8	181.3	199.9	206.2	196.3	...
Services, Debit (Imports)	82.2	78.8	89.6	89.0	74.8	...
Balance on services	89.6	102.5	110.2	117.2	121.4	...
Balance on Goods and Services	-167.2	-220.0	-167.1	-184.2	-192.4	...
Balance on income	-23.8	-31.7	-18.7	-30.7	-21.0	...
Balance on current transfers	157.1	182.1	198.5	190.4	175.2	...
Capital Account	31.2	54.6	15.4	37.4	39.3	...
Financial Account	-45.7	-22.6	9.5	-29.5	-23.5	...
Direct investment (net)	1.3	-8.4	-3.9	-24.1	-18.5	...
Portfolio investment (net)	1.7	0.4	9.9	1.7	5.0	...
Other investment (net)	-48.7	-14.6	3.5	-7.1	-10.0	...
Memorandum item:						
Reserves (Millions of US dollars)	209.4	166.8	168.7	170.7	140.7	...
Reserves (months of imports)	6.5	4.6	4.5	4.4

Source(s): IMF, World Economic Outlook Database, October 2015; OECD, Table 25: ODA Receipts and Selected Indicators for Developing Countries and Territories; IMF, Balance of Payments Database, December 2015; World Bank, World Development Indicators Database, December 2015

As presented in table 2, Samoa's balance of payment is characterized by a large deficit in the balance of goods and a significant surplus in the balance of services, as well as a substantial transfer inflow. Following cyclone Evan, the current account deficit widened to eight per cent of GDP in 2014 as imports rose. The current account deficit is projected to decrease in 2015 and remain more or less stable, supported by tourism earning and remittances.⁵

Expanding tourism earnings and remittances have been key to the large surplus on the services account and secondary income account. Table 3 shows that tourism earnings and visitor arrivals reached a pre-cyclone level in 2014, helped by reconstruction of some tourism facilities after the cyclone and rising incomes in Australia and New Zealand (from which 80 per cent of tourists originate).

Table 3. Samoa: tourism earnings and visitor arrivals, 2010-2014

Indicator	2010	2011	2012	2013	2014
Tourism earnings (annual rate of growth)	-2.0	2.0	9.0	-7.1	8.0
Visitor arrivals (thousands)	129.5	127.6	134.7	124.7	131.8

⁵ IMF, World Economic Outlook Database, October 2015; IMF, 2015 Article IV Consultation, July 2015; Economic Intelligence Unit, Samoa: Country report, January 2016

Source: Central Bank of Samoa, Visitor earnings and remittances, October 2015; Samoa Bureau of Statistics, International Arrival Statistics, October 2015

Remittances also increased by 6.7 per cent (y-o-y) in 2015 due to higher inflows from Australia and New Zealand, according to the Asian Development Bank.⁶ In 2015 Australia and New Zealand expanded the number of seasonal workers from countries including Samoa, which is expected to lead to an increase in the remittance flows to Samoa.⁷

Samoa: Developments related to indicators in the LDC criteria

Samoa achieved modest income growth over the past several years. GNI per capita is estimated at \$4,006 in 2016, over three times higher than the graduation threshold, \$1,242, established at the 2015 triennial review (see table 4).⁸ As mentioned above, over the medium-term, real GDP growth is forecast to be slow but positive, suggesting that the income is likely to be sustained at the current level.

Additionally, Samoa continued to maintain high levels of human capital as measured by the HAI. The indicators presented in table 4 show that the HAI scores of Samoa remain high at 94.9 in 2016, much higher than the graduation threshold established at the 2015 triennial review (66 or higher).

However, Samoa remains vulnerable: using the same data sources and methodology used for the 2015 review, the standardized EVI score would be 41.2 in 2016, well above the graduation threshold, 32 or lower, established at the 2015 triennial review (see table 4).

Table 4. Samoa: LDC criteria indicators, 2009-2016

Index/Criteria	2009	2010	2011	2012	2013	2014	2015	2016
GNI per capita in USD	2424.0	2709.2	3019.7	3252.2	3441.1	3639.3	3844.1	4006.3
EVI	54.9	54.5	49.3	43.8	44.8	44.6	43.7	41.2
Population (thousands)	182.2	183.4	184.7	186.0	187.4	188.9	190.4	191.8
Remoteness	82.4	82.4	82.7	82.3	81.5	81.6	81.4	81.3
Low elevation coastal zone (%)	17.8	17.8	17.8	17.8	17.8	17.8	17.8	17.8
Export concentration	0.5	0.6	0.5	0.4	0.4	0.4	0.3	0.3
Shares of agriculture, forestry and fisheries	11.4	10.7	10.3	10.0	9.9	9.4	9.6	9.4
Victims of natural disasters (%)	8.7	8.8	2.8	0.2	0.5	0.5	0.5	0.5
Agricultural instability	5.9	5.8	5.4	4.9	4.7	4.6	4.4	4.4
Export instability	11.6	11.1	8.0	8.2	7.9	8.0	7.7	4.0

⁶ Asian Development Bank, Pacific Economic Monitor, December 2015

⁷ Government of Australia, Australian Government expands Seasonal Worker Programme, June 2015, available from <https://www.employment.gov.au/news/australian-government-expands-seasonal-worker-programme>

⁸ The graduation threshold in 2015 triennial review was established based on 2011-2013 data. See Committee for Development Policy, Report on the seventeenth session, 2015 (E/2015/33).

HAI	94.3	93.9	94.6	94.4	94.4	94.8	94.8	94.9
Undernourishment (%)	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
U5MR (per 1,000)	18.8	24.1	18.7	18.6	18.5	18.2	17.9	17.5
Adult literacy rate (%)	98.5	98.5	99.0	99.0	99.0	99.0	99.0	99.0
Gross secondary school enrolment (%)	86.1	87.7	86.4	85.7	85.7	86.9	86.9	86.9

Note: Indicators are generated based on the same data source and methodology used for the 2015 review.

Therefore, the values in 2009 and 2012 are different from the ones included in the triennial reviews presented in the CDP reports to the ECOSOC in the respective year.

Source: Committee for Development Policy Secretariat.

In fact, Samoa achieved an improvement in reducing its vulnerability measured by EVI: the standardized EVI score decreased from 54.9 in 2009 to 41.2 in 2016. Yet, the change is explained to some extent by the statistical design of the indicator. There is a substantial drop in EVI between 2010 and 2012, and the change in the “Victims of natural disaster” indicator contributes the most. The victims of natural disaster indicator uses the number of people affected by disasters, averaged over a 20 year period. There were a large number of people affected by Cyclones Ofa in 1990 and Val in 1991, which are excluded from the calculation of the indicator for 2011 and 2012, and in turn lead to the drop in the value of the indicator.⁹ Therefore, the improvement in the EVI scores should be interpreted as a statistical outcome, rather than a fundamental change in the country’s vulnerability.

Samoa: Implementation of the smooth transition strategy

In its report on the implementation of the smooth transition strategy submitted to the CDP¹⁰, the Government of Samoa states that it continues to develop a participatory consultative and negotiation process with its development partners to discuss the issue of graduation.

Samoa’s smooth transition strategy has been an integral part of its national development strategy, the Strategy for the Development of Samoa (SDS). The SDS provides an overarching framework for planning and implementing policies to sustain economic growth and human capital development. The Mid-term Review of the SDS in 2015 indicated that while there has been progress across all four priority areas (economic, social, infrastructure, and environment sectors), Samoa would need to explore more active policies aimed at economic transformation.

In this context, the Government of Samoa will develop and formulate a coherent national development strategy – the new national development strategy for 2016-2020. The public consultations have begun in January 2016. The new strategy will include designing an economic stabilization framework which will be reviewed at every IMF Article IV consultation, the next one to be in 2016. The fact that Samoa is also a small islands

⁹ According to the WHO and Centre for Research on the Epidemiology of Disasters, Emergency Disasters Database (EM-DAT), Cyclone Ofa in 1990 affected everyone in the population, and Cyclone Val in 1991 affected 54 per cent of the population.

¹⁰ Government of Samoa, Samoa’s Smooth Transition Strategy Report, 31 December 2015.

developing state means that it will continue to be regarded as a country with special needs assistance; and this is a significant consideration as it prepares to address the implementation of the SDGs and the SIDS Accelerated Modalities of Action (SAMOA) pathway using an integrated approach into the SDS framework (2016-2020).

The Government continues to engage in consultation with the private sector on the compliance obligations following WTO accession in 2012. The Diagnostic Trade Integration Study (DTIS) conducted in 2010 pointed out that there might be significant adjustment costs in agriculture, food-processing, and manufacturing sectors, related to issue of intellectual property rights, sanitary and phytosanitary systems, subsidies and countervailing measures, and technical barriers to trade.¹¹ The DTIS Update project that started in September 2015 seeks to provide an updated perspective of trade priorities in Samoa and identify key areas/shortfalls that require further strengthening, taking into account the changes in the national, regional and international environment since 2010.¹²

The Government has successfully negotiated with China on the continuation of Duty-free Quota-free (DFQF) schemes for a period of 3 years beyond graduation. Within the transition period, Samoa will still be enjoying duty-free treatment for its export products to China which corresponds to 95 per cent of tariff lines. Samoa has also been granted a three-year transition period until 1 January 2017 under the Everything But Arms (EBA) Initiative by the EU, after which normal tariffs will apply. However, Samoa is no longer eligible for Japan's Generalized System of Preference (GSP) scheme due to Samoa's graduation from LDC status.

Samoa continues to receive preferential market access to Australia under the Australian system of Tariff Preferences as well as the South Pacific Regional Trade and Economic Co-operation Agreement (SPARTECA). For New Zealand, Samoa retains preferential market access under SPARTECA and WTO arrangements. Negotiation and implementation is ongoing on the free trade agreements in the region, the Pacific Island Countries Trade Agreement (PICTA) and the Pacific Agreement on Closer Economic Relations (PACER) Plus.

Despite having graduated in 2014, Samoa continues to benefit from the programs funded under the EIF, particularly those for trade facilitation and implementation of institutional reforms for the Trade Commerce and Manufacturing sector. The EIF adopted smooth transition provisions in July 2010 for countries leaving the LDC category. Accordingly, Samoa has access to EIF benefits automatically for three years and an additional two years subject to justification and approval by the EIF Board.¹³

¹¹ Government of Samoa, Diagnostic Trade Integration Study, 2010.

¹² Enhanced Integrated Framework: Samoa. Available from <http://www.enhancedif.org/en/country-profile/samoa>

¹³ EIF, Compendium of EIF Documents: A User's Guide to the EIF, Access to the EIF Programme: the Technical Review. Available from http://enhancedif.org/en/system/files/uploads/eif_tier_1_project_guidelines.pdf

As of January 2016, the graduation of Samoa does not seem to have had a noticeable negative impact on exports (see table 5). The value of exports decreased for fresh fish immediately after the graduation in January 2014, but rebounded quickly in 2015. Most fish exports are destined to New Zealand where Samoa continues to enjoy preferential market access under SPARTECA. The drop in 2014 is likely related to supply-side issues, such as the temporary closure of the main fish exporting company.¹⁴ All other major exports increased between 2013 and 2015, showing no sign that graduation had a negative impact.

Table 5. Samoa's export by product, thousand US dollars, 2013-2015

Products	2013	2014	2015
Fresh fish	8,175	5,402	22,177
Nonu juice	3,033	3,486	5,562
Beer	2,826	3,942	4,337
Taro	1,395	1,904	3,761
Crude coconut oil	1,517	3,137	1,995
Copra meal	201	690	1,563
Coconut cream	26	498	308
Coconut	118	567	292
Virgin coconut oil	653	265	156
Nonu fruit	6	3	87
Spring water	452	196	26
Total (excluding re-exports)	20,221	22,558	42,097

Note: 2015 data includes January to October.

Source: Central Bank of Samoa, Foreign Trade Report, October 2015.

In the area of financing for development, Samoa continues to be supported by its development partners, including the World Bank and the Asian Development Bank, through investments particularly in the transport sector, including airport, roads, and bridges.

The projects funded by LDC Fund (LDCF) will continue to completion, if the projects are approved before the graduation. Samoa continues to implement projects to enhance community resilience, having secured five projects funded by LDCF, totaling \$18.9 million.¹⁵

The Government of Samoa reported that bilateral ODA flows in 2015 were maintained at 2014 levels and in some cases increased. Partnerships with main donors, including Australia and New Zealand, are becoming the modus operandi of engagement and Samoa is prepared to meet its commitments to implement the public finance management reform.

ODA data also confirms the Government's report that there seems no significant impact of Samoa's graduation on aid programmes of major donors in 2015. Australia is Samoa's leading aid donor, accounting for about 30 per cent of net ODA disbursement to Samoa,

¹⁴ Samoa News, Samoa fish exporter to close for a month, February 2014, available from <http://www.samoanews.com/node/80849>

¹⁵ Global Environment Facility, Samoa: Projects, accessed February 2016.

followed by New Zealand (20 per cent), Japan (9 per cent), and the EU (5 per cent), according to OECD DAC database.¹⁶

Australia's total official development assistance to Samoa was \$37.8 million in 2014-2015.¹⁷ Australia's 2015/16 aid budget for Samoa is estimated to remain at a similar level, \$36.8 million. As mentioned above, in June 2015 Australia lifted its cap on the number of seasonal workers from countries including Samoa, which is expected to have positive impact on remittance flows to Samoa.¹⁸

New Zealand's aid allocation to Samoa has not changed much: the total allocation was \$14.2 million in 2015-16, up from \$12 million in 2014.¹⁹ New Zealand has also increased the number of seasonal workers who can come to New Zealand to work in the horticulture and viticulture industry. For 2015-16, the cap of 9,000 workers was increased to 9,500.²⁰

In May 2015, Japan announced its intention to provide \$30 million in funding for port development in Samoa, and to provide cooperation towards the development of a regional hub in the areas of climate change and disaster risk reduction.²¹ Japan's aid strategy for Samoa has not been updated, and its multi-year rolling plan does not seem to be affected by Samoa's graduation.²²

The EU continues to support Samoa after its graduation, with an indicative amount of €20 million provided under the 11th European Development Fund, with focus on the water and sanitation sector, within the framework of the National Indicative Programme signed on 2 September 2014 in Samoa.²³

China's development assistance to Samoa has been growing, in particular, in the area of infrastructure development. The Broadband highway (connectivity) project was completed in June 2014 with the assistance of a \$20 million soft loan from the EXIM Bank and an airport terminal upgrade project funded through a soft term loan from the

¹⁶ OECD, Aid at a glance: Samoa.

¹⁷ Government of Australia, Department of Foreign Affairs and Trade, Australian aid to Samoa. Available from <http://dfat.gov.au/about-us/publications/Documents/aid-fact-sheet-samoa.pdf>

¹⁸ Government of Australia, Australian Government expands Seasonal Worker Programme, June 2015, available from <https://www.employment.gov.au/news/australian-government-expands-seasonal-worker-programme>

¹⁹ Government of New Zealand, Ministry of Foreign Affairs and Trade, Aid partnership with Samoa. Available from <https://www.mfat.govt.nz/en/aid-and-development/our-work-in-the-pacific/aid-partnership-with-samoa/>

²⁰ Government of New Zealand, Recognised Seasonal Employer cap raise, December 2015, available from <http://www.immigration.govt.nz/migrant/general/generalinformation/news/RSEcap-raise.htm>

²¹ Government of Japan, Ministry of Foreign Affairs, Japan-Samoa Summit Meeting. Available from http://www.mofa.go.jp/a_o/ocn/ws/page4e_000271.html

²² Government of Japan, Ministry of Foreign Affairs, Japan's ODA: Rolling Plan for the Independent State of Samoa, April 2013. Available from <http://www.nz.emb-japan.go.jp/samoa/resources/Samoa.RollingPlan.April2013.pdf>

²³ Samoa-EU, National Indicative Programme for the period 2014-2020. Available from http://eeas.europa.eu/development-cooperation/docs/national-indicative-programme_2014-2020/2014-2020_national-indicative-programme_samoa_en.pdf

EXIM Bank of China has begun. The airport terminal upgrade is complemented by a World Bank funded initiative to improve safety and security of runway, taxiway and apron of the airport.²⁴

Of the external debt of Samoa, 45.9 per cent is with bilateral partners, mainly the governments of China and Japan.²⁵

Samoa: Summary

During the monitoring period, no signs of a significant deterioration in Samoa's development progress have been observed. While the Government is having difficulties in balancing increasing public investment for income growth with fiscal deficit reduction, Samoa has managed to maintain relatively high levels of human capital and national income.

Implementation of the smooth transition strategy seems well under way. Samoa has been able to negotiate continued support from China and the EU on extending their DFQF scheme for three years following graduation, and there seems no significant impact of Samoa's graduation on aid programs of major donors.

However, Samoa will continue to be highly vulnerable to external shocks due to the export structure of the country, low lying areas, and its small population size. The Samoan economy has recovered from two natural disasters in recent years: a tsunami in September 2009 and a cyclone in December 2012. The reconstruction effort is estimated to have cost about 40 per cent of the GDP. While the Government of Samoa has been implementing policies to promote the agriculture and fisheries sectors to diversify its economic structure, the sustainable development of these sectors is threatened by natural disasters and declining fish stocks.

²⁴ Economic Intelligence Unit, Samoa: Country report, January 2016; Correspondence from the Permanent Mission of Samoa to the UN, dated 24 February 2016.

²⁵ Samoa Bureau of Statistics, Government Finance Statistics, September 2015. Available from <http://www.sbs.gov.ws/index.php/new-document-library?view=download&fileId=1719>