



United Nations
CDP
Committee for
Development Policy

CDP2018/PLEN/3

Committee for Development Policy 20th Plenary Session

United Nations
New York, 12-16 March 2018
Conference Room 6

Monitoring of Graduated and Graduating
Countries from the Least Developed

Country Category:

Samoa



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Summary and the monitoring timeline

Angola: Scheduled to graduate on 12 February 2021. Income has been sustained at a high level but lower oil production and tighter foreign exchange liquidity brings challenges on maintaining macroeconomic stability. Human assets are underdeveloped comparing to other countries with similar income levels. The preparation of the smooth transition strategy has been delayed by the recent political changes.

Equatorial Guinea: Graduated on 4 June 2017. The income level is still high, but the GDP is projected to continue to decline due to the production cap imposed by OPEC, depletion of the existing oil reservoirs, and limited new investment. Financial sustainability is questioned as foreign reserves are seriously low. HAI is very low, and there is no update on the data on some of the HAI indicators. After graduation became effective, the Government expressed interest on possible postponement of the graduation.

Maldives: Graduated on 1 January 2011. The continued increase in economic growth in recent years has been driven primarily by high-end tourism and construction. Current account and fiscal imbalances, relatively low

international reserves and a rapid build-up in public debt, are the main challenges. There is no sign of regress in the HAI and EVI indicators. The graduation does not appear to have caused disruptions on Maldives' development trend.

Samoa: Graduated on 1 January 2014. The income growth is expected to be slow at 1.5 – 2 per cent in the next few years. There is no sign of progress or regress in the income, HAI and EVI indicators. Samoa reported that it has continued to make progress since graduation, despite the challenges it still faces as a developing country. Samoa presents its gratitude to the United Nations and the international community for the support and assistance while it was categorized as an LDC.

Vanuatu: Scheduled to graduate on 4 December 2020. The growth rate is projected to stay around 4 per cent, helped by recovery in the agricultural production, and a few infrastructure projects. The HAI and EVI indicators show no change in 2017-2018. Vanuatu had indicated that it was in the process of establishing the National LDC Coordinating Committee to prepare the smooth transition strategy, but a progress has not been reported.

Table 1 Timeline for graduation and monitoring reports

Date	Angola	Equatorial Guinea	Maldives	Samoa	Vanuatu
Jan 2011			Graduation		
Jan 2014				Graduation	
Jun 2017		Graduation			
Mar 2018	Graduating	Graduated #1	Review #2	Review #1	Graduating
Mar 2019	Graduating	Graduated #2			Graduating
Mar 2020	Graduating	Graduated #3			Graduating
Dec 2020					Graduation
Feb 2021	Graduation				
Mar 2021	Graduating	Review #1		Review #2	Graduating
Mar 2022	Graduated #1				Graduated #1
Mar 2023	Graduated #2				Graduated #2
Mar 2024	Graduated #3	Review #2			Graduated #3
Mar 2027	Review #1				Review #1
Mar 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. Samoa

1.1. Development trend and forecast

After a brief expansion in 2016 helped by construction and hospitality industries as well as fisheries output, the real GDP growth rate was reduced to 2.9 per cent in 2017 (see Table 2). The growth is projected to be further slow down to 1.5 – 2 per cent in 2018 and 2019.¹ As the recovery efforts of the 2012 cyclone has been completed, the fiscal deficit has been substantially reduced in the past couple of years, from 4-7 per cent to less than 1 per cent of GDP.²

Table 2 Samoa: macroeconomic indicators, 2011-2017

Indicator	2011	2012	2013	2014	2015	2016	2017
GDP growth rate (per cent, constant price)	3.6	-2.3	0.5	1.9	2.9	5.8	2.9
Inflation rate (%)	5.2	2.0	0.6	-0.4	0.7	1.3	1.6
Government revenue (billions of national currency)	543	556	621	709	683	687	720
Government expenditure (billions of national currency)	636	688	691	809	759	695	760
Government balance (billions of national currency)	-93	-133	-70	-100	-75	-8	-40
Government balance (per cent of GDP)	-5.1	-7.2	-3.8	-5.2	-3.8	-0.4	-0.7
Net ODA received (millions of US dollars)	98	117	113	91	94		
Balance of Payments (millions of US dollars)							
Current Account	-32.2	-50.1	-3.2	-65.1	-24.3	-47.7	-48.4
Goods, Credit (Exports)	23.1	29.3	27.5	24.9	27.9	36.9	38.0
Goods, Debit (Imports)	280	336	309	335	323	307	322
Balance on Goods	-257	-307	-282	-310	-295	-270	-284
Services, Credit (Exports)	180	187	206	199	193	194	196
Services, Debit (Imports)	88	79	88	87	69	85	81
Balance on services	92	108	117	112	124	109	115
Balance on Goods and Services	-165	-199	-164	-198	-171	-161	-170
Balance on income	-27.9	-26.8	-27.5	-29.8	-16.0	-18.5	-17.2
Balance on current transfers	161.2	175.4	188.8	162.7	162.3	132.1	138.4
Capital Account	7.5	38.3	27.3	67.2	39.2	27.2	28.2
Financial Account	-38.4	-35.3	-17.3	-38.5	-2.7	-18.3	-20.2
Direct investment (net)	-7.8	-16.3	-11.7	-16.0	-27.2	-6.1	-6.4
Portfolio investment (net)	1.9	0.5	10.8	0.4	8.5	0.2	0.2
Other investment (net)	-11.3	-26.8	-1.6	-6.5	-9.5	4.3	-18.4
Change in reserves	-21.2	7.3	-14.9	-16.4	25.4	-16.7	4.3
Total Reserves (Millions of US dollars)	158.4	157.1	137.3	154.3	131.9	111.0	115.4
Reserves (months of imports)	4.5	4.4	3.8	4.2	3.7	3.1	3.1

Source: UN/DESA World Economic and Social Prospects (2018); IMF, International Financial Statistics, accessed 10 February 2018.

The balance of payments continues to show a deficit in the balance of goods and a surplus in the balance of services, as well as a substantial transfer inflow. Tourism earnings, accounting for about 17 per cent of the GDP, has been steady in recent years.³ Samoa will host 2019 Pacific Games, which is expected to

¹ UN/DESA (2018). WESP.

² UN/DESA (2018). WESP.

³ Central Bank of Samoa (August 2017). Visitor Arrivals Earnings Average Expenditure.
<https://www.cbs.gov.ws/index.php/statistics/tourism-earnings-and-remittance/>

increase the infrastructure investment and tourism earning. Remittances also increased by 5 per cent (y-o-y) from 2016 to 2017, but fell by two per cent in the three year average.⁴

1.2. Development related to indicators in the LDC criteria

Income is likely to be sustained at the current level. GNI per capita is estimated at \$4,124 in 2017, over three times higher than the graduation threshold, \$1,230 (see Table 3).

Table 3 Samoa: LDC criteria indicators, 2011 - 2018

Index/Criteria	2011	2012	2013	2014	2015	2016	2017	2018
GNI per capita (USD, Atlas method)	3,022	3,250	3,434	3,627	3,831	3,992	4,084	4,124
Human assets index (HAI)	93.5	94.5	94.2	94.1	94.3	94.5	94.1	94.1
Maternal mortality rate (per 100,000 live births)	66.3	63.6	61.3	58.6	56.2	53.4	51.3	51.3
Under-five mortality rate (per 1,000 live births)	24.4	18.9	18.9	18.7	18.4	18.1	17.7	17.3
Percentage of population undernourished	3.5	3.4	3.3	3.1	3.0	3.0	3.2	3.2
Adult literacy rate (%)	98.9	98.9	99.0	99.0	99.0	99.0	99.0	99.0
Gross secondary enrolment ratio (%)	86.1	87.7	86.4	85.7	86.3	86.9	85.0	85.0
Economic vulnerability index (EVI)	51.0	48.4	42.2	43.8	42.8	39.7	39.6	39.7
Population (thousands)	184.8	186.2	187.7	189.2	190.8	192.3	193.8	195.1
Remoteness	84.1	83.4	82.5	81.8	81.5	81.4	81.3	81.2
Merchandise export concentration	0.6	0.5	0.4	0.4	0.4	0.3	0.3	0.3
Share of agricultural, forestry and fisheries in GDP (%)	10.3	10.0	10.0	9.4	9.6	9.4	9.4	9.6
Share of population living in low elevated coastal areas (%)	17.8	17.8	17.8	17.8	17.8	17.8	17.8	17.8
Instability of exports of goods and services	8.0	8.3	8.0	8.0	7.7	4.1	4.1	4.1
Instability of agricultural production	3.9	3.7	3.0	2.9	2.4	1.6	1.6	1.6
Victims of natural disasters (%)	8.8	2.8	0.2	0.5	0.5	0.5	0.5	0.5

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.

Samoa continued to maintain high levels of human capital as measured by the HAI: 94.4 in 2018. Samoa belongs to the group of countries with the highest HAI scores.

However, Samoa remains vulnerable. Despite the slight improvement, the EVI score remains at 39.7, well above the graduation threshold of 32 or lower established at the 2018 triennial review.

1.3. Smooth transition

Samoa graduated on 1 January 2014 (A/RES/64/295). In its report on the implementation of the smooth transition strategy submitted to the CDP, the Government of Samoa states that the smooth transition strategy has been implemented as an integral part of the *Strategy for the Development of Samoa*

⁴ Central Bank of Samoa (October 2017). Gross Private Remittances.
<https://www.cbs.gov.ws/index.php/statistics/tourism-earnings-and-remittance/>

2016/17 - 2019/2020: Accelerating Sustainable Development and Broadening Opportunities for All (see Annex 2). Furthermore, the smooth transition strategy has integrated into its efforts to achieve the Sustainable Development Goals, the SAMOA Pathway, the Paris Agreement, and Disaster Risk Reduction Framework.

Samoa reported noteworthy developments in the area of international supports after graduation:

- The transition period for EU's Everything But Arms arrangement will continue until 1 January 2019.⁵ After that, the tariff on crude coconut oil, Samoa's main export product to EU, will remain at zero, as it is covered by EU's regular GSP. Samoa also has applied to be part of the Interim Economic Partnership Arrangement with the EU.
- In Australia and New Zealand, Samoa will continue to receive preferential market access based on regular GSPs, regional trade agreements and/or WTO arrangements. Samoa is also working on ratifying the PACER Plus Agreement with eleven Pacific countries, and exploring possible free trade agreements with some Asian countries.
- To reduce dependency on the foreign aid, Samoa has been implementing investment plans to promote private sector development and to attract foreign direct investment. The negative impact of the closure of the biggest manufacturer in September 2017 was not as big as anticipated, due to the inflow of medium scale enterprise from New Zealand, and the available temporary workers schemes in Australia and New Zealand.
- There has been an up-scaling of assistance to ensure enhanced resilience to climate change. In 2016, Samoa had its first major project in flood management control approved under the Green Climate Fund (\$58 million grant).

In conclusion, Samoa reported that it has continued to make progress since graduation, despite the challenges it still faces as a developing country. Samoa presents its gratitude to the United Nations and the international community for the support and assistance while it was categorized as an LDC.

⁵ Regulation (EU) 2015/1799 to remove a beneficiary country from the list of EBA beneficiary countries should apply following a transitional period of 3 years as from the date on which that Regulation enters into force (1 January 2016), and therefore Samoa will be removed from the list of beneficiaries on 1 January 2019.
http://trade.ec.europa.eu/doclib/docs/2016/march/tradoc_154350.pdf

Annex 1. Report of Samoa on the implementation of the smooth transition strategy



SAMOA'S SMOOTH TRANSITION STRATEGY REPORT

31 DECEMBER 2017

FINAL REPORT ON SMOOTH TRANSITION STRATEGY, SAMOA 2017

Samoa graduated out of LDC status on 1st January 2014. The Government decided that the best transition strategy following graduation would be to ensure that it was able to fully implement its national development strategy namely the Strategy for the Development of Samoa through the sector programming framework with subsequent sectoral resource allocation.

Samoa's smooth transition strategy is in the form of its national development strategy known as the Strategy for the development of Samoa (SDS 2016-2020), a four yearly development framework which implementation is at sector level. The issue of graduation has been integrated into the current development strategy as well as other international protocols such as the SDGs. The SDS at national level and sector developments have interlinked monitoring and evaluation frameworks as well as medium term expenditure frameworks.

A smooth transition strategy should aim to consolidate the gains already made through this support, which have been taken into consideration in Samoa's dialogue with its development partners toward smooth transition modalities. The following are lines of action that call for external support Samoa might continue to be in need of.

Designing an economic stabilization framework

In the last 4 years, the most immediate challenge for Samoa is to deal with its fiscal situation given rising levels of fiscal deficits due to financial commitments towards the 2012 post

cyclone recovery efforts which are now completed. Given the high level of public debt, the government was able to secure 100% grant financing for the reconstruction phase and did not need to resort to concessional loans and domestic borrowing. Capital investment in the pipeline before the 2012 cyclone was reviewed and reprioritized to make more resources available for reconstruction. As of current, the budget deficit has been greatly reduced to a more sustainable level over time. This fiscal consolidation has been guided by a medium-term fiscal framework and a reviewed Medium Term Debt Strategy the implementation of which has resulted in a much improved GDP: Debt ratio of 47% from 52% (2015) and is on track towards the threshold level of 40%. No new loans have been approved in the last 3 years.

Considerable efforts have gone into investing in more efficient revenue collection through addressing capacity gaps. Revenue collection has improved by 3.7%. The VAGST tax has been broadened to cover ministers of the clergy this year without too much opposition by the public. These priority actions are being addressed under the Finance sector plan and supported by the development partners through the Joint Policy Action platform

Develop and formulate a coherent national development strategy

The smooth transition strategy naturally converge with the overall national development strategy of the country SDS 2016-2020 launched in early 2016, with particular reference to sector-specific policies and will have a mid-term review mid 2018. The SDS was developed through a wide consultative process with the public and covering the whole country. It highlights the importance of inclusive development and the importance of engagement of civil society, private sector and parliamentarians in the development process as well as the development partners. Furthermore the current SDS has integrated into it the Sustainable Development Goals, the SAMOA pathway, the Paris Agreement and Disaster Risk Reduction frameworks.

Government's action plan places priority on the infrastructure sector to improve transport, communications and water supplies and expand initiatives to capture the most relevant and cost effective renewable energy options as well as continuing focus on health and education and renewed investment in the growth sectors of agriculture and fisheries and tourism. Consultations with the development partners on the importance of supporting the infrastructure sector has resulted in the establishment of a multi-donor infrastructure facility that is also supported by the Pacific Regional Infrastructural Facility. Ways to improve and strengthen the policy and regulatory institutions have been made possible through this facility.

The SDS also emphasizes the importance of prudent management of natural resources and addressing the impacts of climate change and natural disasters at sector level in terms of both adaptation and mitigation.

Addressing institutional capacity constraints

Institutional constraints, including shortages of skills, continue to affect the management of the development process, and also encompass the management of projects financed by development partners. These key services across all sectors are outsourced and this has ensured improved rates of implementation and enhanced absorptive capacity. All development cooperation programs have components for capacity building through a number of different modalities including institutional building, training and experience and knowledge sharing through south-south cooperation arrangements.

Targeted scholarships programs by sector supported by bilateral partners to address capacity gaps in the key social sectors are in their final year of piloting and will be reviewed in early 2018. With an upsurge in infrastructural projects there is already a request for more scholarship awards in engineering fields to meet the demand in technical expertise.

Strengthening capacity of the Samoa Research institute including recognition as an accredited professional research/testing entity is a priority to encourage and promote investment in research products developed such as gluten free breadfruit flour, avocado oil and essential oils.

Improving aid coordination and management

The Government continues to strengthen coordination of external resources with a view to making aid flows more predictable and program management more effective. A revised Aid Policy was recently launched which focuses on Planning, securing, utilizing and monitoring external resource flows through a single, competent coordinating entity namely the Aid Coordination Debt Management Division of the Ministry of Finance; such an arrangement contributes to further encouraging partnerships. The commitment of the Government towards the implementation of the principles of effective development cooperation has changed the relationships with its development partners and enhanced donor confidence in the use of country systems as evident through increasing use of budget support.

Samoa has signed 9 partnership arrangements with its key development partners and has a formalized consultative mechanism with them through quarterly development partner meetings aside from the biennial policy dialogues.

Under the Finance sector there is a plan to establish a core project management unit for all government led initiatives to assist the capacity gaps in the private sector which cannot meet the demand arising from government contracts.

Trade related measures:

Samoa became a member of WTO in 2011 after 17 years of first application and was able to utilize the special provisions for LDCs. It has lost preferential market access under the Quota Free/Duty Free arrangements after negotiated extensions of such schemes beyond graduation were approved.

Under Everything But Arms the transitional period of 3 years allowed after graduation for access of Samoa's coconut oil to the EU market will end in early 2019. The EU's GSP preferential rate for crude coconut oil is zero percent rating thus Samoa will as a developing country continue to benefit from this arrangement for its products. Samoa has applied to be part of the Interim Economic Partnership Arrangement (iEPA) with the EU of which only Fiji and PNG are members. Support has already been forthcoming from the EU in this regard for the preparation of Samoa's market access offer.

Samoa will continue to receive preferential market access to Australia under the Australian system of Tariff Preferences as well as SPARTECA. For NZ Samoa will retain access under SPARTECA and WTO arrangements.

Eleven Pacific countries signed the PACER Plus Agreement in June 2017 and Samoa is working towards ratification as soon as it is possible in order to avail itself of the assistance facility available from both NZ and Australia.

To assist the development of niche products for overseas markets there is current exploration of possible free trade agreements with some of the countries in Asia.

Creating an enabling environment for foreign direct investment and private sector development

Achieving further structural progress in the context of graduation implies creating an enabling environment for sound foreign direct investment (FDI) and private sector development. Given the fiscal constraint and the relatively low level of domestic savings, promoting the necessary knowledge and technology transfers requires attracting FDI, a strategically important source of financing. All the key elements of an enabling business climate are in place namely (i) a fiscal and monetary policy geared toward macroeconomic stability; (ii) sound infrastructure and relevant public utilities; (iii) an efficient public administration; and (iv) a trade policy involving concessions that are commensurate with the constraints faced by the economy, and a key policy towards achieving competitiveness. The Trade policy is up for review in 2019. Public-private partnership is already encouraged in Samoa's development strategy. Also important is the recognition of the benefits private investment outside the tourism sector could bring to the nation in terms of employment generation. Special incentive schemes to attract investment in the tourism sector have been necessary in order to further widen economic benefits. The new foreign investment policy and the strategy to continue on a privatization program of identified State-owned enterprises are conducive to further economic progress in Samoa's situation.

This year Samoa faced the challenge of the biggest manufacturer YAZAKI Samoa closing its doors in September; however a number of medium scale enterprises from New Zealand have entered to help fill the gaps in generating employment in a similar wiring initiative, mattress factory and call centres utilizing the factory premises which the Government had invested in. The rest of the trained employees from the Yazaki factory have been absorbed into the labor market as well as the available temporary workers schemes in both New Zealand and Australia.

Mobilising domestic resources

More and more of the financially successful corporations are encouraged to contribute to the national development framework through investments in the relevant sectors. The financial inclusion programs initiated by the UNDP in collaboration with the Central Bank and IT service providers will be a vehicle for informing the public of investment options for the remittances received from families abroad.

Mainstreaming post-disaster rehabilitation agenda

Post-disaster rehabilitation is complete. The speed of recovery from the 2009 tsunami, cyclone of 2012 and the impacts of the global financial crisis has been significant. Samoa has successfully implemented its NAPA in response to the emerging impacts of climate change and is looking at progressing its Mitigation Plan of Action. There has also been an up-scaling of assistance to communities to ensure enhanced resilience. At the end of 2016, Samoa had its first major project in flood management control approved under climate financing through the Green Climate Fund. Disbursements have begun and emphasis is on strengthening institutions for management of the project.

Maintaining credibility for international support

As a small island developing State (SIDS) and facing severe, permanent economic and environmental challenges is as consequential, for a SIDS, as graduating from LDC status. Samoa's active engagement in the quest for a fair recognition of SIDS-specific issues at

recent global dialogue processes including the Third International SIDS Conference held in Apia 2014, the Green Climate Fund Board meeting in Apia 2016, the UN Oceans Conference in New York 2016, the 2017 Pacific Islands Forum Leaders meeting in Apia and the 2017 CoP 23 Bonn; contribute to the country's credibility in its dialogue with development partners.

Conclusion:

Samoa has continued to make progress since graduation in 2014 as well as meet the challenges it continues to face as a developing country. The continuing stability and the political leadership have been the key drivers in moving forward and guiding development towards Samoa's long term vision of ensuring a quality of life for all. A well educated and relatively healthy population have contributed to the country's development. An inclusive approach to meeting its development goals has ensured that Samoa is capturing the contributions of its citizenry to development. Village governance will continue to safeguard the interests of all communities and ensuring that government initiatives are fit for purpose at village level. There is also the recognition that development includes efficient, effective and regenerative natural resource management. Samoa is very much aware of the impacts of climate change and natural disaster and ensures that any planning now and forward looking must be made in alignment with its domestic resource base and that it should only turn to its development partners as a means of last resort.

As this is the final report for Samoa, the opportunity to thank the United Nations and the international community for the support and assistance in all the years that Samoa was categorized as a Least developed Country is registered here as part of the same.