Monitoring of Graduating Countries from the Category of Least Developed Countries

Note by the Secretariat

I. Background

ECOSOC resolution E/2011/20 requests the CDP to monitor recent socio-economic development progress of countries earmarked for graduation from the LDC category and to include its findings in its annual report to the Economic and Social Council (ECOSOC).[1] The main purpose of the monitoring is to assess any signs of deterioration in the development progress of the graduating country and bring it to the attention of the Council as early as possible.

Currently, Samoa is the only country earmarked for graduation. Equatorial Guinea was also recommended for graduation by the Committee. The recommendation was endorsed by the Council in July 2009 but not yet taken note of by the General Assembly (GA). In expectation that the General Assembly will eventually take note of the recommendation, the CDP Secretariat included the country in its monitoring exercise.

II. Samoa

In 2006, the CDP recommended to ECOSOC that Samoa be graduated from the LDC category. ECOSOC endorsed the recommendation in July 2007. Subsequently, the GA adopted the resolution on the graduation of Samoa, which was scheduled to take place in December 2010. However, on 29 September Samoa was hit by a devastating tsunami, threatening to disrupt the socio-economic progress for several years. Consequently, the GA adopted a resolution on 7 September 2010 extending the graduation period until 1 January 2014.

Samoa continues to make progress in all three LDC criteria, as can be seen from table 1 below.

Table 1: Samoa: 2006, 2009 and 2012 triennial review of the list of LDCs

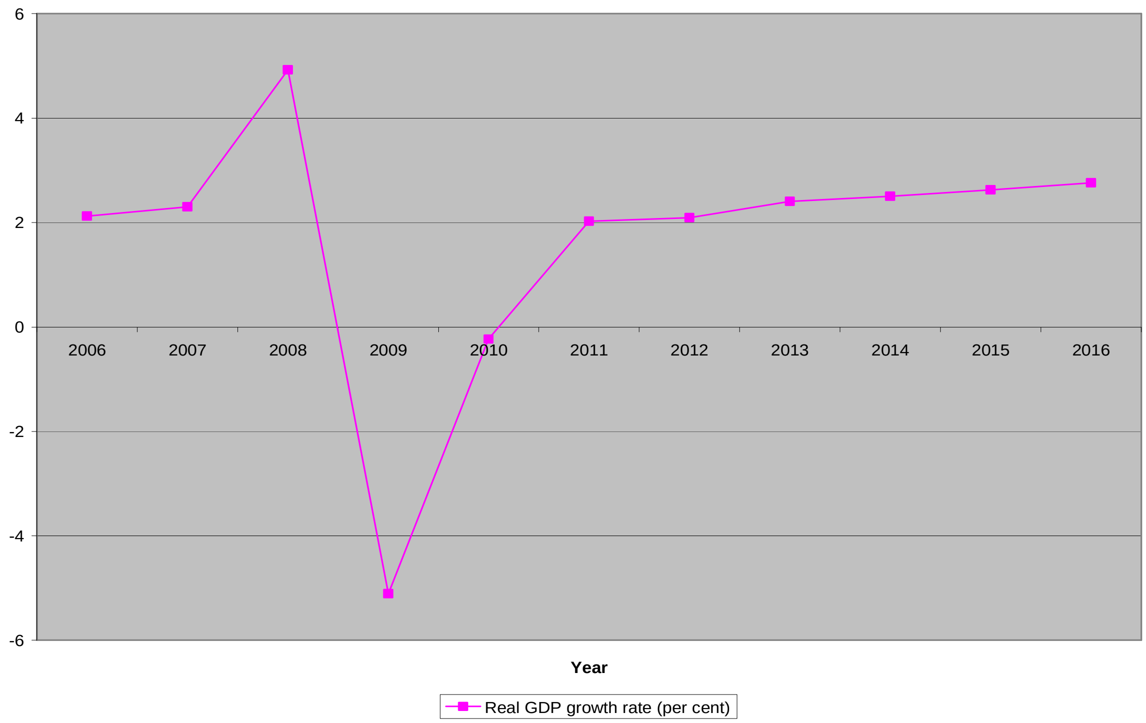
Criteria	2006	2009	2012
		GNI per capita (US$)	
Graduation threshold	>900	> 1,086	>1,190
Country's values	1,597	2,240	2,880
Country's rank	3/66	4/60	4/60
		Human Asset Index (HAI)	
Graduation threshold	> 64	>66	>66
Country's values	90.4	92.2	92.8
Country's rank	2/66	1/60	1/60
		Economic Vulnerability Index (EVI)	
Graduation threshold	<38	< 38	<32
Country's values	64.7	64.3	51.1
Country's rank	8/66	5/60	14/60

Source: Official Records of the Economic and Social Council Official, 2006, Supplement No. 13 (E/2006/33); Official Records of the Economic and Social Council Official, 2009, Supplement No. 13 (E/2009/33); and UN DESA.

[1] Resolution adopted by ECOSOC on the Report of the Committee for Development Policy on its eleventh session (E/2011/20 of 27 July 2011).

Despite a slight contraction in gross national income in 2009 and 2010, table 1 reveals that the medium-term trend in Samoa is clearly positive. Due to its high level of income, Samoa also meets the 'income only' threshold that is set as twice the normal threshold, i.e. at US$ 2,380 for the 2012 review. As discussed in the previous monitoring report[2], the 2009 Tsunami was preceded by the global economic and financial crisis which had lead to a marked decline in the manufacturing sector. The Tsunami led to substantial economic damage, estimated to be at US$150 million (approximately 29 per cent of GDP) and negatively impacted the productive capacity in the critical tourism sector. Gross tourism receipts[3], with 20 per cent of GDP as major source of foreign earnings, declined by 6.3 per cent in the fiscal year 2009/2010 and by a further 5 per cent in the fiscal year 2010/2011.[4] Generally, though, Samoa's economic prospects appear to be moderately positive. The International Monetary Fund estimates that GDP grew by 2 per cent in 2011 and projects slightly higher growth rates in the future, as shown in figure 1 below. In 2012, tourism, commerce and transport are expected to boost growth, as reconstruction after the Tsunami continues and key infrastructure is being repaired or rebuilt. At the same time, a gloomier economic outlook for Australia (a key market for tourism and goods exports) is expected to limit economic growth in the near future.[5]

Figure 1: Samoa: annual rate of growth of real GDP, 2006-2016 (per cent)



Source: International Monetary Fund, World Economic Outlook Database, September 2011. Data for 2009-2010 are estimates, data from 2011 are forecasts.

[2] See CDP Secretariat, "Monitoring of Graduating Countries from the Category of Least Developed Countries", CDP2011/PLEN/7.

[3] Gross tourism receipts, as reported by the Central Bank of Samoa, represent an estimate (based on visitor surveys) of the amount spent by all visitors to Samoa whilst in the country and the proportion of international travel credited to Samoan based carriers.

[4] Calculations by the CDP Secretariat, based on Ministry of Finance of the Government of Samoa, Quarterly Economic Review, various editions.

[5] See Economist Intelligence Unit, Country Report Samoa, January 2012.

Samoa managed to further increase its human capital as measured by the HAI since the 2009 review, and experienced improvements in reducing child mortality and increasing literacy and secondary school enrolment. Samoa does not only have the highest HAI score among all countries in the reference group, its score is also higher than in most other developing countries. In fact, of all 130 developing countries included in the calculation of the LDC criteria, 103 countries have a lower level of human assets than Samoa. At the same time, Samoa continues to be a vulnerable country as measured by the EVI, with an EVI score far above the graduation threshold.

Conclusion: Overall, the rebuilding of Samoa's economy from the Global Economic and Financial Crisis and the 2009 Tsunami appears to be progressing well. Consequently, there are no signs of an additional significant deterioration in Samoa's development progress. Whilst remaining vulnerable, Samoa has managed to achieve high levels of human capital and national income that should enable it to maintain its development progress even in the event of significant external shocks. The remaining time until graduation from the LDC list on 1 January 2014 provides an opportunity for Samoa to intensify its effort to prepare in collaboration with its partners a transition strategy in accordance with the General Assembly Resolution 59/204.

III. Equatorial Guinea

Equatorial Guinea was recommended for graduation on the basis of its high level of GNI per capita. In the 2006 review, the country's GNI per capita was almost four times higher than the graduation threshold. In the 2009 review, the country had an income level more than eight times the graduation threshold. The CDP recommendation was endorsed by ECOSOC in July 2009 (E/2009/L.43), but no action has been taken by the General Assembly yet. In the triennial review of 2012, the income level of Equatorial Guinea ($15, 090 in 2008-2010 average) is more than twelve times the graduation threshold ($1,190).

GNI per capita remained above $14,000 during 2008-2011 (the country is classified as high income by the World Bank) and GDP growth reached 7.1 per cent in 2011. The large fiscal deficit (see table 2 below) in 2009 was the result of unprecedented public sector investment, and the fiscal balance is anticipated to improve in 2011 and 2012.

Table 2: Equatorial Guinea, selected indicators (2007-2012)

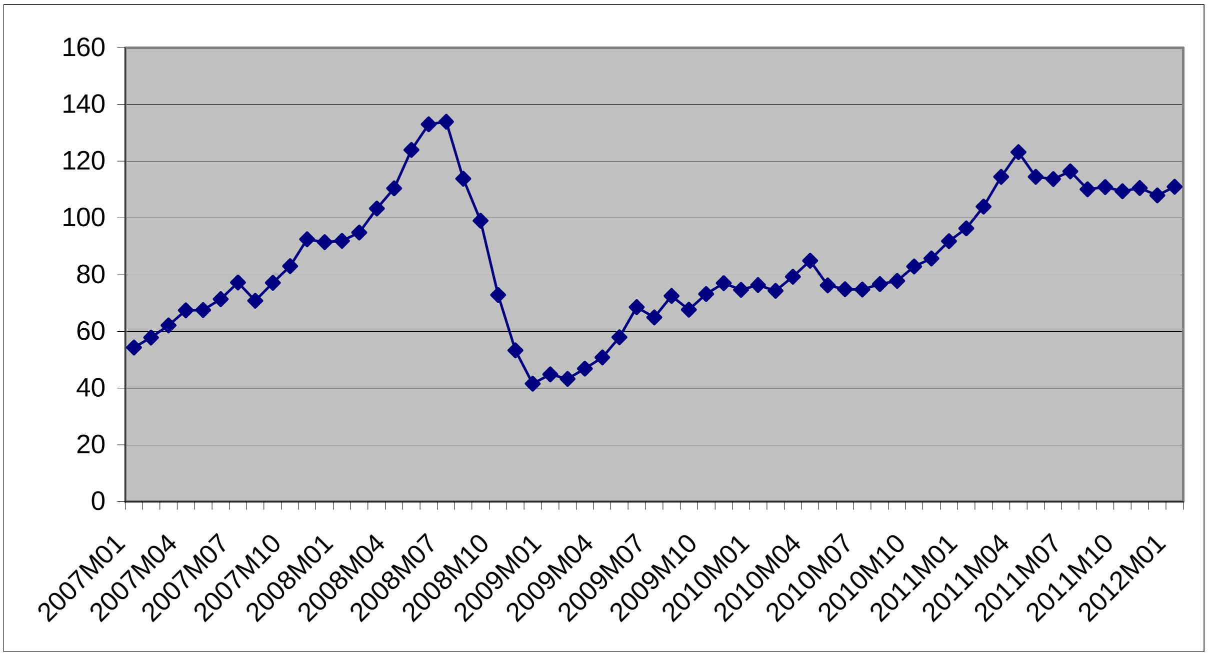
Indicator	2007	2008	2009	2010	2011	2012
GNI per capita, Atlas method (current US$)[a]	9,680	14,410	16,320	14,540	n.a.	n.a.
Real GDP growth (annual %)[b]	21.4	10.7	5.7	-0.8	7.1	4.0
GDP growth by sector (% real change)[c]						
Agriculture	10.0	-1.3	1.0	2.0	3.0	2.0
Industry	22.4	11.8	5.9	1.8	3.0	6.6
Services	11.3	9.9	2.0	4.0	25.0	10.0
Current account balance (% of GDP) [b]	4.3	9.1	-17.1	-24.2	-9.6	-10.5
Central government balance (% of GDP)[c]	19.2	15.4	-8.0	-1.4	1.9	1.8

Note: 2011 figures are estimates and 2012 figures are projections.
Source: [a] World Bank WDI database; [b] IMF, World Economic Outlook database; [c] Economic Intelligence Unit, January 2012, Country Report: Equatorial Guinea.

The IMF forecasts real GDP growth at 4 per cent in 2012. The country's favorable economic outlook is supported by the high oil prices. Oil prices have continued to rise since early 2009, and remains above

$100 per barrel since February 2011 (see Figure 2). Oil demand is expected to rise moderately in 2012, driven by demand from developing countries. Furthermore, a revival of political unrest in Gulf countries or a stronger depreciation of the value of the dollar could trigger renewed price hikes which are likely to benefit oil exporters like Equatorial Guinea.[6] High oil prices will allow Equatorial Guinea to continue to promote economic and social development policies.

Figure 2: Average crude petroleum prices. January 2007 - January 2012 (US$ per barrel)



Note: Dated Brent, light blend oil (38 American Petroleum Institute (API), free on board U.K.).
Source: IMF, Primary Commodity Prices database.

Social Indicators also have improved in the past decade responding to policies implemented under the country's National Development Plan 2020. Literacy rate increased from 87 per cent in 2000 to 93 per cent in 2009; under-5 mortality was 152 per one thousand children in 2000, but it declined to 121 by 2010.[7]

Conclusion: The country's income per capita is likely to be sustained at a very high level relative to the graduation threshold, due to the high oil prices sustained by the recovery of global economy and political unrest in major oil-producing countries. Some components of HAI suggest a steady improvement in social indicators.

[6] United Nations (2012), World Economic Situation and Prospects.
[7] World Bank, World Development Indicator, online database.