

Monitoring of Graduating Countries from the Category of Least Developed Countries

Note by the Secretariat

I. Background

Economic and Social Council (ECOSOC) resolution E/2012/32 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 ECOSOC. 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 and Vanuatu have also been recommended for graduation by the Committee in 2009 and 2012, respectively. The recommendations were endorsed by the Council, but not taken note of by the General Assembly (GA) at the time of this writing. In case that the GA takes note of the recommendations, the CDP Secretariat will prepare a short monitoring report on these countries for the consideration of the CDP at its next plenary meeting in 2014.

II. Development progress of 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.

On 29 September 2009, however, Samoa was hit by a devastating tsunami, which threatened to disrupt the socio-economic progress for several years. Consequently, the GA adopted a resolution on 7 September 2010 (A/RES/64/295), which extends the transition period by three years. Samoa will graduate on 1 January 2014.

As discussed in the previous monitoring report¹, the 2009 Tsunami led to substantial economic damage and negatively impacted the critical tourism sector. Gross tourism receipts², corresponding to 20 per cent of GDP and are a major source of foreign earnings, declined by about 9 per cent in the fiscal year 2009/2010. The remittance also fell by 10 per cent in the same fiscal year.³

While there was a sharp drop in gross national income in 2009 due to the impacts of the tsunami, the medium-term growth prospects in Samoa are moderately positive (see figure 1). The International Monetary Fund (IMF) estimates that the GDP grew

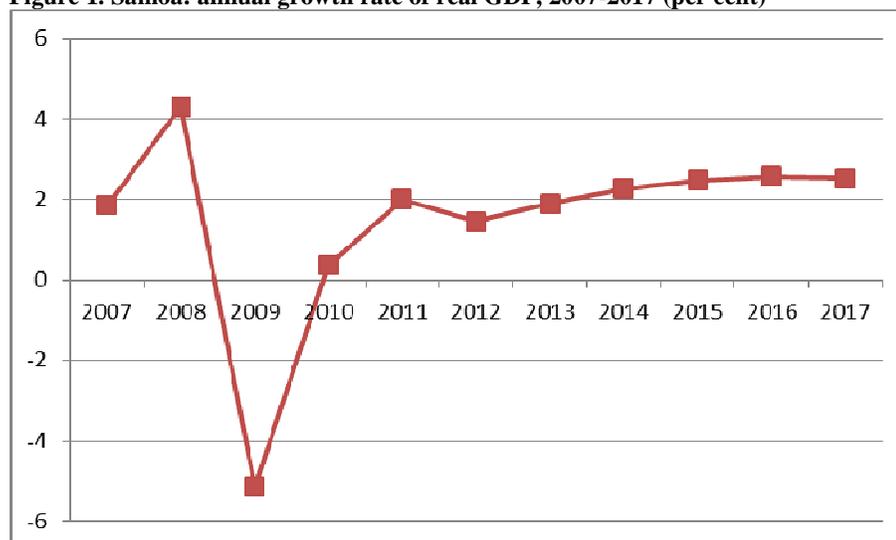
¹ See CDP Secretariat, "Monitoring of Graduating Countries from the Category of Least Developed Countries", CDP2012/PLEN/7.

² 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.

³ Calculations by the CDP Secretariat, based on Ministry of Finance of the Government of Samoa, Quarterly Economic Review, various editions.

by 1.5 per cent in 2012 and growth is projected to rise to around 2.5 per cent over the medium term.

Figure 1. Samoa: annual growth rate of real GDP, 2007-2017 (per cent)



Source: International Monetary Fund, World Economic Outlook Database, October 2012. Data for 2011 is estimates, data from 2012 are forecasts.

Positive prospects are supported by quick recovery of tourism and remittances (see Table 1). Samoa is heavily depended on tourism, remittances and foreign aid, with revenues corresponding to over 25 per cent of GDP in 2010.⁴ Both remittances and tourism earnings have increased since 2009-2010, with growth rates reaching more than seven per cent in 2012.

Table 1. Samoa: Selected indicators, 2007-2012

Samoa	2007	2008	2009	2010	2011	2012
Current account balance (% of GDP) ^a	-15.5	-6.5	-3.1	-7.2	-8.6	-11.4
Government balance (% of GDP) ^a	0.6	-1.5	-4.2	-7.5	-6.4	-5.4
Remittances (annual rate of growth) ^b	22.6	19.0	-9.9	5.0	1.1	7.4
Tourism earnings (annual rate of growth) ^b	7.9	16.6	-8.7	-1.9	2.1	7.9
Visitor arrivals (thousands) ^b	122.0	129.0	128.2	129.1	127.8	130.4

Source: ^a IMF, World Economic Outlook Database, October 2012. Data for 2011 is estimates, data from 2012 are forecasts; ^b DESA calculation from IMF, Samoa: 2012 Article IV Consultation.

Samoa has only limited number of exports, and higher import payments relative to export earnings led to a widening in the merchandise trade deficit in 2012 and consequently to a widening current account deficit (see table 1). The merchandise trade deficit is forecast to widen further in 2013-2014, reflecting reconstruction-related imports, as well as a potential increase in imports as a result of Samoa's WTO membership.⁵

⁴ Economic Intelligence Unit, Jan 2013, Country Report: Samoa

⁵ Economic Intelligence Unit, Jan 2013, Country Report: Samoa

In 2012, Samoa became the 155th member of the WTO. A working party was established in 1998 and negotiations were completed when the country's accession package was cleared in 2011. During the negotiating period 1998-2011, the country introduced a series of reforms, including substantial tariff liberalization, bringing its trade-related institutional setting closer to WTO rules.⁶ Samoa's Accession Package takes account of the 2002 Guidelines on LDC Accessions, in particular, through appropriate transitional periods for domestic adjustments on a range of commitments.⁷ As a result of the negotiations, Samoa has agreed to undertake a series of important commitments to further liberalize its trade regime and accelerate its integration in the world economy.

Government expenditure increased by 16 per cent in 2009 and 14 percent in 2010, mainly as a result of sharp increase in tsunami related construction. Growth in public expenditure declined to 5 per cent in 2011 and 1 per cent in 2012. These developments resulted in Samoa's budget deficit decreasing from 7.5 per cent of GDP in 2010 to a deficit of 5.4 per cent of GDP in 2012 (see table 1). For 2013, the government expects the budget deficit to decline with revenue and grants expected to increase more rapidly while expenditure, especially on infrastructure spending increasing at a slower rate.⁸

As revealed in the 2012 triennial review, Samoa continued to further increase its human capital as measured by the Human Asset Index (HAI), and experienced improvements in child mortality, literacy, and secondary school enrolment.

III. Final observations

Samoa has been able to quickly recover from the negative impacts of the global economic crisis and the 2009 Tsunami. There are no signs of an additional significant deterioration in Samoa's development progress. While the country remains highly vulnerable to economic shocks, Samoa has managed to achieve high levels of human capital and national income that should enable it to maintain its development progress.

In preparation of its transition strategy, Samoa had requested the UN to prepare an inventory of support received as LDC from the UN system. Information was assembled by the Office of the Higher Representative for Land-locked developing countries, LDCs and SIDS (OHRLLS) which, in its reply to the country, revealed that many of the UN entities indicated that LDC-specific support measures --mainly related to travel support for official representatives, capacity building projects, and other technical assistance activities-- will continue to be granted to Samoa, or

⁶ UN/DESA, 2012, Samoa becomes the 155th WTO Member. Support Measures Portal for LDCs. Available from http://esango.un.org/ldcportal/web/10447/-/samoa-becomes-the-155th-wto-member?groupId=19799&redirect=http%3A%2F%2Fesango.un.org%2Fldcportal%2Fhome%3Fp_p_id%3D3%26p_p_lifecycle%3D0%26p_p_state%3Dmaximized%26p_p_mode%3Dview%26_3_groupId%3D0%26_3_keywords%3Dsamoa%26_3_struts_action%3D%252Fsearch%252Fsearch%26_3_redirect%3D%252Fldcportal%252F

⁷ WTO, 2011, Working Party adopts Samoa's membership package. Available from http://www.wto.org/english/news_e/news11_e/acc_wsm_28oct11_e.htm

⁸ ESCAP, Jan 2013, Pacific Island Economies; Economic Intelligence Unit, Jan 2013, Country Report: Samoa

extended for a period of time after graduation.⁹ Major ODA providers for the country, including Australia, also indicated that they will use the GA resolution 59/209 as a guideline to support the implementation of transition strategies for countries graduating from LDC status, and continue implementation of support measures for those countries.¹⁰ The Government of Samoa has conducted several consultations with the Multilateral Development Banks who have given the assurance that the graduation would not affect Samoa's access to concessional financing. Samoa's bilateral partners have ensured the Government that ODA allocations to the country will remain performance based. The Government ensures that the access to LDC-specific financing sources for development would be utilized as much as possible, prior to the graduation.¹¹

In 2014, Samoa will host the Third Small Island Developing States (SIDS) Global Conference to address the sustainable development challenges facing SIDS in view of their unique and particular vulnerabilities.¹² At the Global Conference in Samoa, continued and enhanced efforts to assist SIDS in implementing the Barbados Programme of Action for the Sustainable Development of SIDS (BPoA) and the Mauritius Strategy for Implementation (MSI), and for strengthened UN system support to SIDS to address ongoing and emerging challenges will be discussed.

⁹ The letter from OHRLLS to Samoa, dated 3 March 2012. At the time of this writing, Samoa has yet to take actions based on the information.

¹⁰ Correspondence from ESCAP, March 2012; UN/DESA, March 2012, Survey on International Support Measures specific to the Least Developed Countries (LDCs) related to Bilateral Official Development Assistance (ODA)

¹¹ Correspondence from ESCAP, March 2012. [I think you need to specify the source more, to make clear that it is the country view you are referring to.]

¹² General Assembly resolution A/RES/66/288, paragraph 180..