

*12 March 2014*

**Sixteenth Plenary Session of the Committee for Development Policy  
New York, 24 – 28 March 2014**

**Note by the Secretariat on  
Monitoring of Graduating Countries from the Category of Least Developed  
Countries**

**Samoa**

***I. Background***

Economic and Social Council (ECOSOC) resolution E/RES/2013/20 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 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.

In its resolution A/RES/67/221, General Assembly invited the Governments of countries that are graduating from the LDC category, with the support of the consultative mechanism, to report annually to the CDP on the preparation of the transition strategy and, after graduation becomes effective, to provide concise annual reports on the implementation of the smooth transition strategy for a period of three years, and triennially thereafter, as a complement to the two triennial reviews of the list of LDCs carried out by the CDP. The report by graduating countries is to be received before the end of each year prior to the publication of the CDP's annual report to the ECOSOC the following year (CDP report E/2013/33).

***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.<sup>1</sup> 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.

In September 2009, Samoa was hit by a devastating tsunami. As a result, the GA adopted a resolution on 7 September 2010 (A/RES/64/295), which extends the transition preparatory period by three years. Accordingly, Samoa graduated from the LDC category in January 2014.

---

<sup>1</sup> Committee for Development Policy, Report on the eighth session, 2006 (E/2006/33).

In the current monitoring exercise, Samoa was invited by the CDP Secretariat to participate as a graduating country, not a graduated country, to cover the year of the CDP plenary meeting. Responding to the request<sup>2</sup>, Samoa submitted to the CDP its report on the overview of the preparation of smooth transition strategy in December 2013.<sup>3</sup> Table 1 presents the time line for monitoring reports on Samoa.

**Table 1. Time line for monitoring reports: Samoa**

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

Source: CDP Secretariat

## ***II. Monitoring development progress of Samoa***

### *Recent macroeconomic developments*

While Samoa remains highly vulnerable to external factors, including natural phenomena, its economy has made substantial progress. The GNI per capita in 2012 (Atlas method, current prices) was \$3,260, 2.7 times higher than the graduation threshold established at the 2012 triennial review (\$1,190). During the period 2010-2012, Samoa recovered quickly from a sharp drop in its national income due to the impacts of the 2009 tsunami<sup>4</sup> (see figure 1). The annual growth rate of real GDP fell again in 2013, due to the impact of Cyclone Evan, which hit the country in December 2012. The total cost to the economy from the Cyclone Evan is estimated to exceed that inflicted by the 2009 tsunami. For example, the damage to capital stock caused by the cyclone at over US\$200 million was estimated to be equivalent to one-third of

<sup>2</sup> Letter to Government of Samoa from UN/DESA, dated 8 November 2013.

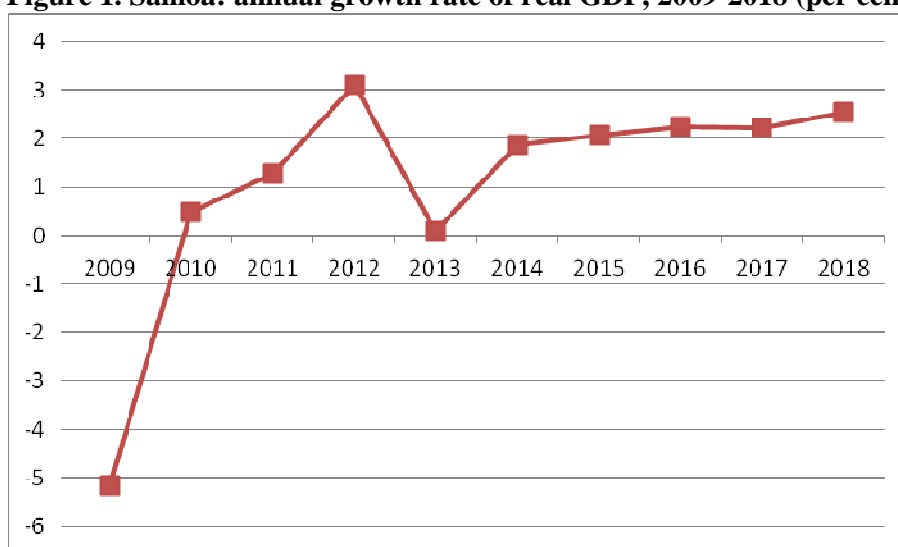
<sup>3</sup> Government of Samoa, Samoa's Smooth Transition Strategy Report, CDP/PLEN/2014/8.

<sup>4</sup> Committee for Development Policy, Report on the fifteenth session, 2013 (E/2013/33).

nominal GDP.<sup>5</sup> The Government quickly organized reconstruction operations, resulting in a sharp increase of government expenditure in 2013. The international community also delivered immediate recovery assistance. For instance, Samoa received \$20 million of additional funding from the World Bank for reconstruction and recovery from the damages incurred by the cyclone.<sup>6</sup>

The International Monetary Fund (IMF) estimates that the annual GDP growth rate would rebound soon to around 2 per cent over the medium term, owing to quick recovery from the disaster impacts, as well as the growth in agriculture and services sector. Per capita income growth would be therefore modest, as Samoa's annual population growth is low at 0.6 per cent on average between 2001 and 2010, comparing to those for developing countries (1.4 per cent) or LDCs (2.4 per cent).<sup>7</sup>

**Figure 1. Samoa: annual growth rate of real GDP, 2009-2018 (per cent)**



Source: International Monetary Fund, World Economic Outlook Database, October 2013. Data from 2012 are estimates.

Growth will be also supported by expanding tourism earnings and remittances. Remittances and tourism earnings have recovered quickly in 2011-2012 from the slowdown in 2009-2010 (see table 2), and are expected to be sustained in the medium term as the wage growth in Australia and New Zealand, major sources of visitors and remittances, will be stable around 1.5 per cent a year in 2014-2015.<sup>8</sup>

The fiscal deficit was large in 2010, mainly as a result of sharp increase government expenditure in tsunami related construction. Government balance has improved over the years, but it is expected to deteriorate again in 2014, as the relief and reconstruction efforts following Cyclone Evan will continue to be a priority for the

<sup>5</sup> Economic Intelligence Unit, Country Report: Samoa, February 2014.

<sup>6</sup> Correspondence from the World Bank, 11 March 2014.

<sup>7</sup> United Nations, World Population Prospects: The 2012 Revision. Available from <http://esa.un.org/unpd/wpp/Excel-Data/population.htm>

<sup>8</sup> Economic Intelligence Unit, Country Report: Samoa, February 2014.

government. However, IMF forecasts that the deficit will decline to around 1 per cent by 2018 as both the revenue and expenditure gradually decrease.<sup>9</sup>

The unemployment rate was 5.7 per cent of the total labor force in 2011, but the youth unemployment was much higher, above 16 per cent.<sup>10</sup> Employment was concentrated in service industries. Wholesale/retail sector employed 17 per cent of the total workers, Accommodation, Cafes and Restaurants sector covered 17 per cent, and Finance, Insurance and Real Estate sector employed 14 per cent. Agriculture, Forestry and Fishing industry employed only 234 workers, merely two per cent of the workforce.<sup>11</sup> About 14 per cent of the total workforce is employed in manufacturing, and this figure is heavily affected by operation of one automobile manufacturing plant which employs about half of the total workers in manufacturing sector. Statistics for service and manufacturing sector suggest that labor market of Samoa remain highly vulnerable to external shocks.

#### *Developments related to indicators in the LDC criteria*

For the monitoring period, updated information on the complete set of indicators that constitute the LDC criteria is not available for Samoa, and thus, it is not possible to assess development progress of Samoa in terms of the LDC criteria for graduation at this time. Table 2 presents the GNI per capita and indicators included in the Human Asset Index (HAI) to provide information on the recent trend. As mentioned above, the GNI per capita in 2012 was almost 3 times above the graduation threshold established at the 2012 triennial review.

Additionally, preliminary estimates by UN/DESA suggest that Samoa continued to further increase its human capital as measured by the HAI, experiencing improvements in child mortality, literacy, and secondary school enrolment, since the 2012 triennial review (see table 2).

---

<sup>9</sup> IMF, World Economic Outlook Database, October 2013.

<sup>10</sup> World Bank, World Development Indicators, accessed Feb 2014.

<sup>11</sup> This low figure is consistent in 2004, 2007 and 2010 data. It indicates that workers in the agriculture and fishery sectors are mostly self-employed for home consumption or subsistence use only. Ministry of Commerce Industry and Labour, Labour Market Survey of Private Sector Employers in Samoa 2010. Available from <http://www.mcil.gov.ws/aelm/forms/Final%20version%20LMS%202010%20-%20v2.pdf>

**Table 2. Samoa: Selected indicators, 2009-2013**

	2009	2010	2011	2012	2013
GDP growth rate (% , constant price in local currency)	-5.2	0.5	1.3	3.1	0.1
Gross disbursement of ODA (million USD, 2011 constant price)	93.6	149.5	104.6	N.A.	N.A.
Government balance (million Samoan tālā)	-61	-107	-94	-87	-76
Revenue	492	527	571	585	644
Expenditure	553	634	665	672	720
Government balance (% of GDP)	-4.2	-7.3	-6.2	-5.5	-4.8
Remittances (annual rate of growth)	9.6	2.2	14.0	14.1	N.A.
Tourism earnings (annual rate of growth)	-8.7	-1.9	8.9	10.4	N.A.
Visitor arrivals (thousands)	129	130	128	135	125
<b>Balance of payment (million USD)</b>					
Current account balance	-12.7	-43.4	-65.9	-35.4	N.A.
Goods, Credit (Exports)	11.6	23.1	24.7	31.2	N.A.
Goods, Debit (Imports)	207.9	280.0	318.7	308.4	N.A.
Balance of goods	-196.3	-256.9	-294.0	-277.3	N.A.
Services, Credit (Exports)	162.1	180.5	187.1	211.2	N.A.
Services, Debit (Imports)	79.6	81.7	78.1	104.0	N.A.
Balance of services	82.5	98.8	109.0	107.2	N.A.
Balance of goods and services	-113.8	-158.1	-185.0	-170.0	N.A.
Balance on income	-24.6	-17.9	-31.6	-38.8	N.A.
Balance on current transfers	125.7	132.6	150.8	173.3	N.A.
Capital Account	48.3	82.4	72.7	58.4	N.A.
Financial Account	35.9	24.5	-20.3	52.7	N.A.
Direct investment (net)	-8.9	-1.0	-14.6	-1.4	N.A.
Portfolio investment (net)	1.6	1.7	0.4	9.9	N.A.
Other investment (net)	-3.6	-7.8	35.6	60.9	N.A.
Reserves	46.7	31.7	-41.7	-3.3	N.A.
Net errors and omissions	0.3	-14.5	-27.1	29.6	N.A.
<b>LDC indicators <sup>a</sup></b>					
GNI per capita (\$, Atlas method)	2,680	2,840	2,950	3,260	N.A.
Under-5 mortality rate (per 1000 live birth)	31.1			26.9	17.8
Adult literacy rate (%)	98.7			98.7	98.8
Gross secondary enrolment ratio	80.6			84.7	85.7

**Source:** IMF, World Economic Outlook Database, October 2013; OECD, Aid Statistics, accessed February 2014; World Bank, World Development Indicators, accessed February 2014; UN World Tourism Organization, World Tourism Barometer, January 2014; Samoa Bureau of Statistics, International Arrival Statistics, December 2013; IMF, Balance of Payments Statistics, accessed February 2014; CDP Triennial review data.

**Note:** <sup>a</sup> 2009 and 2012 data are triennial review data. 2013 data are preliminary estimates, based on UN Inter-agency Group for Child Mortality Estimation, CME Info, and UNESCO, Institute for Statistics, accessed February 2014.

### ***III. Preparation of the smooth transition strategy***

#### *Consultative mechanism*

In its report to the CDP<sup>12</sup>, the Government of Samoa states that it developed a participatory consultative process with its public focus groups to discuss the issue of graduation, along with the development of its national development strategy, since the first notification of meeting the graduation threshold in 1997. These consultations reviewed the country's development priorities to achieve pro-poor growth.

At the same time, the Government has been in consultation with the private sector and civil society on World Trade Organization (WTO) accession. Samoa became a member of WTO in May 2012, and the consultation with the private sector and civil society continues as to meet its obligations following accession. The Diagnostic Trade Integration Study conducted in 2010 also provided an opportunity to consider appropriate actions to enhance trade activities.

The Government also led a consultative process with its development partners using its quarterly development partner meetings to discuss support measures for smooth transition. Samoa reports that in 2011, its development partners agreed to working with the government on a Joint Policy matrix which would be the basis for delivery of development assistance through budget support. The multilateral financial institutions also confirmed that there would be no change to Samoa's ability to access concessional financing as a Small Island Development State (SIDS), provided it complied with the policy matrix.

The UN has assisted through the conduct of impact assessments as carried out by DESA as well as support a program for the accelerated achievement of the Millennium Development Goals (MDGs) through a policy review which contributed to the current national development strategy for sustainable development for 2012-2016.

#### *LDC-specific international support measures*

The Government of Samoa identified the LDC-specific international support measures that are most relevant to the country and corresponding details about the level of commitments made by development and trading partners in maintaining or phasing out those measures. LDC-specific international support measures which are relevant for Samoa include: (i) Trade related measures; (ii) Financing for development including Official Development Assistance (ODA); and (iii) Technical assistance and financial support for government representation at UN meetings.

##### (i) Trade related measures:

The country perceives WTO accession as an important platform to improve foreign investor confidence, boost financial services, and attract international visitors.<sup>13</sup> However, there might be significant adjustment costs in agriculture,

---

<sup>12</sup> Government of Samoa, Samoa's Smooth Transition Strategy Report, CDP/PLEN/2014/8.

<sup>13</sup> IMF, Article IV consultation: Samoa, 2012.

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.<sup>14</sup>

The Government has negotiated with some of its bilateral trading partners on the continuation of Duty Free Quota Free (DFQF) schemes beyond graduation. Samoa's main exports are fresh fish, noni juice, beer and coconut oil (see table 3). Japan and United States are the major markets for Samoa's fish export, accounting for about 70 per cent of Samoa's fish export.<sup>15</sup> Fisheries exports, mainly tuna, to the United States will continue to benefit from the Generalized System of Preference (GSP) scheme after graduation as the fish exports by Samoa are GSP-eligible regardless of the country's LDC status. Discussions are under way with the Government of Japan on extending zero tariffs for fish exports, as well as for noni juice and organic products such as honey, vanilla and cocoa for which an increase in tariffs is expected after graduation. Japan, however, has not extended DFQF treatment to Maldives after graduation from the LDC category in 2011.

China accounts for less than 10 per cent of Samoa's total noni juice export, but the share is rising fast. China has agreed to extend zero tariff treatment on noni juice beyond graduation. Most of Samoa's coconut oil export is destined to the European Union, in particular U.K, and will not be affected by the graduation in the short run, as it currently benefits from the Everything-But-Arms initiative, with a transitional period of three years after graduation. After the transitional period is over, Samoa can accede to the EU's GSP scheme which has a preferential rate for crude coconut oil at zero percent. Samoa will continue to receive preferential market access to Australia and New Zealand, under the South Pacific Regional Trade and Economic Co-operation Agreement (SPARTECA). The two countries account for about 15 per cent of Samoa's exports.

**Table 3. Export by product, value and share, July/2012-July/2013**

Products	Export value (thousand USD)	Share as a per cent of the total export
Fresh Fish	2,794	43.2
Noni Juice	850	13.1
Beer	760	11.7
Coconut oil	710	11.0
Spring water	125	1.9
Coconut	43	0.7
Others	1,186	18.3
Total	6,469	100.0

Source: Central Bank of Samoa, Foreign Trade Report, December 2013.

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

<sup>14</sup> Government of Samoa, Diagnostic Trade Integration Study, 2010.

<sup>15</sup> UNCTAD, Comtrade data, accessed February 2014.

services, as well as a substantial transfer inflow. It is possible that Samoa's recent accession to WTO will impact on the country's trade balances in view of liberalization commitments. In future monitoring exercises, it may be difficult to disentangle these impacts from the impacts originating in losses in preferential market access.

(ii) Financing for Development including ODA:

Samoa reports that its bilateral partners, including Australia and New Zealand, and its multilateral partners, such as EU, World Bank and Asian Development Bank (ADB), made multi-year commitments on priority sectors over the period of the current national development strategy (2012-2016). A few entities of the UN system have also made multi-year commitments on technical assistance, but such activities need to be aligned to the priorities set by the Government.

Consultations have taken place with Samoa's development partners to ascertain what the potential impacts of graduation would be. In terms of grant financing, the modalities of aid delivery range from a few discrete projects to budget support. None of the development partners have indicated a reduction in aid volumes following graduation.

In January 2014, however, Australia announced that its total annual aid budget for 2013/14 will be \$5 billion, \$107 million less than the previous year, refocused on reducing poverty in the Indo-Pacific region and tied to rigorous benchmarks.<sup>16</sup> Australia is Samoa's leading aid donor, accounting for 40 per cent of gross ODA to Samoa in 2011-2012, followed by Japan (17 per cent), EU (16 per cent), and New Zealand (15 per cent).<sup>17</sup> Regarding bilateral program assistance specific for Samoa, Australia will reduce the budget from \$26 million in 2012/13 to \$23 million in 2013/14, a 12 per cent slash, which will be implemented through a deferral of payments for selected sectoral activities.<sup>18</sup> The extent to which the reduced aid will affect Samoa is as yet unknown.

(iii) Technical assistance and financial support to attend UN meetings:

Samoa will continue to receive technical assistance and support to attend UN meetings as a SIDS. Special Climate Fund and Adaptation Fund under the United Nations Framework Convention on Climate Change (UNFCCC), and Global Environment Fund will be available for Samoa, and participating at UN Economic and Social Commission for Asia and the Pacific (ESCAP) meetings will be supported. Other support will be provided on a case by case

---

<sup>16</sup> Australian Government, Department of Foreign Affairs and Trade, Five billion dollar aid budget to focus on the region, 2014. Available from <http://aid.dfat.gov.au/publications/pages/five-billion-dollar-aid-budget-to-focus-on-the-region.aspx>

<sup>17</sup> OECD, Aid at a glance: Samoa. Available from <http://www.oecd.org/dac/stats/documentupload/WSM.JPG>

<sup>18</sup> <http://aid.dfat.gov.au/Publications/Documents/program-allocations.pdf>



basis, for example, Samoa's eligibility to submit new proposals for Enhanced Integrated Framework (EIF) funds and bilateral programs.

Additionally, according to General Assembly resolution A/65/286, travel-related support available to LDCs to attend sessions of the General Assembly can be extended, if requested and within existing resources, for a period appropriate to the development situation of the country but not exceeding three years, to any country that graduates from LDC status. Samoa will be able to benefit from the support measure to attend GA sessions up to three years after graduation, if the requirements specified in the resolution are met.

#### *Key issues for the smooth transition strategy*

Samoa's smooth transition strategy will be an integral part of its national development strategy. Some key issues for a smooth transition strategy which are relevant to development challenges Samoa is facing have been identified.

Various impact analyses that had been conducted prior to graduation showed that there would be minimal impact of graduation on the development of Samoa. There are challenges inherent in the current circumstances of Samoa as a SIDS that need to be addressed and integrated to the smooth transition strategy. These challenges include the global economic crisis and the country's vulnerability to natural disasters and they are critical factors to be considered in implementing the national development strategy and reforming the framework for effective development cooperation.

The Government suggests that Samoa's smooth transition strategy is premised on its national development strategy known as the Strategy for the Development of Samoa (SDS), a four-year development framework with a comprehensive implementation schedule at the sectoral level. The SDS has interlinked monitoring and evaluation frameworks as well as medium term expenditure frameworks.

The Government has identified areas where Samoa will put emphasis to ensure pathway towards the implementation of the SDS and integrated smooth transition strategy to be on track. These areas include: maintaining an economic stabilization framework; periodic reviews of its coherent national development strategy; addressing institutional capacity constraints; enhanced aid coordination and management; targeted action to further improve an enabling environment for foreign direct investment and private sector development; mainstreaming post-disaster rehabilitation agenda; and maintaining credibility for international support.

#### ***IV. Conclusions***

During the monitoring period, no signs of an additional significant deterioration in Samoa's development progress have been observed besides those caused by Cyclone Evan which are significant, but projected to be short-term and recovery is under way. While the country remains highly vulnerable to external shocks, Samoa has managed to achieve and maintain high levels of human capital and national income that should enable it to maintain its development progress.

In order to avoid negative impacts of external shocks, protection mechanisms should be further explored at the regional level. Samoa joined in 2013 the Pacific Catastrophe Risk Insurance Pilot Program which is a regional insurance mechanism providing immediate funding if a major natural disaster occurs. The program was launched by the Government of Japan, the World Bank and the Secretariat of the Pacific Community (SPC) as a two-year pilot program with 5 participating countries.<sup>19</sup> This type of regional mechanism needs to be scaled up and sustained.

Samoa has been proactive in preparing its smooth transition strategy. Consultation mechanisms have been built and operational at various levels, and negotiations regarding phasing-out LDC-specific support measures have been completed or ongoing. It is however difficult to distinguish the direct impacts of graduation from those of other factors, including Samoa's recent accession to WTO, and potential changes in aid flows due to donors' budgetary constraints. The Government continues to play an active role in determining the best possible actions to minimize the impacts of such budgetary cuts. Some of international support measures will continue to be provided to Samoa to address development challenges that Samoa is facing as a SIDS.

In September 2014, Samoa will host the Third SIDS Global Conference to address the sustainable development challenges facing SIDS in view of their unique and particular vulnerabilities.<sup>20</sup> Given that countries which recently graduated or are graduating from LDC category are SIDS<sup>21</sup>, strengthening international support for SIDS can contribute to supporting smooth transition for those countries. The Global Conference in Samoa has three objectives: (i) to assess the progress to date and the remaining gaps in the implementation of the Barbados Programme of Action for the Sustainable Development of SIDS and the Mauritius Strategy for Implementation; (ii) to identify new and emerging challenges and opportunities for the sustainable development of SIDS and means of addressing them through achievable, realistic, contextualized and innovative partnerships; (iii) to identify priorities for the sustainable development of SIDS to be considered in the elaboration of the post-2015 UN development agenda. In this regard, The Government continues to work closely with the Global partnership for effective Development Cooperation (Busan) in anticipation of the decision that this would provide a mechanism for the implementation of the post 2015 agenda.

---

<sup>19</sup> World Bank, Pacific Catastrophe Risk Insurance Pilot Program: Overview. Available from <http://www.worldbank.org/projects/P133255/pacific-catastrophe-risk-insurance-pilot-program?lang=en>

<sup>20</sup> General Assembly resolution A/RES/66/288, paragraph 180.

<sup>21</sup> Cape Verde graduated in 2007, Maldives in 2011, and Samoa in 2014. Equatorial Guinea and Vanuatu are scheduled for graduation in 2017.