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Monitoring of Countries Graduated from the Least Developed Country Category:

Samoa

SUSTAINABLE DEVELOPMENT GOALS

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Summary

Samoa's income is now three times higher than the graduation threshold, the EVI is well below the threshold, and the HAI is far high. The economy grows very slowly, but Samoa has maintained the macroeconomic stability and fiscal balance. Samoa continued to make progress since graduation, well advanced into the upper middle-income country group. However, Samoa faces unprecedented challenges due to the COVID-19 which hampers major income sources, including the tourism and remittances.

Macroeconomic situation

After a slow growth in 2017-2018 (see table 1), Samoa experienced a brief growth in real GDP at 3.5 per cent in 2019.[1] After the COVID-19 pandemic, economic activity of Samoa remains sedate, due to the sudden stop in the tourism sector and reduced remittances, which led to reduction in consumer spending. Real GDP is expected to contract by 3.5 per cent in 2020.[2]
Government budget has been well balanced, with the tax to GDP ratio around 25 per cent, well above the low-income country average of 13 per cent.[3] Tax collection remains challenging for the coming years, though. Grants continue to support public finances, and expenditure is driven by infrastructure spending. While external debt remains manageable.
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 a quarter of the GDP prior to the COVID-19, essentially disappeared.

Table 1. Selected macroeconomic data for Samoa, 2014-2018

Indicator	2014	2015	2016	2017	2018
GDP growth rate (per cent, constant price)	2.6	6.7	3.7	-0.6	0.7
Inflation rate (%)	-0.4	0.7	1.3	1.7	4.2
Government revenue (billions of national currency)	0.6	0.5	0.6	0.6	0.6
Government expenditure (billions of national currency)	31.5	28.0	28.5	29.3	30.6
Government balance (billions of national currency)	37.2	31.9	28.9	31.4	30.6
Government balance (per cent of GDP)	-0.1	-0.1	0.0	0.0	0.0
Net ODA received (millions of US dollars)	94.0	93.7	88.6	131.5	120.7
Balance of Payments (millions of US dollars)					
Current Account	-46.5	-12.7	-38.4	-10.6	20.5
Goods, Credit (Exports)	27.5	33.8	36.3	37.3	42.3
Goods, Debit (Imports)	341.3	297.8	312.6	320.7	332.8
Balance on Goods	-313.8	-264.0	-276.3	-283.4	-290.5
Services, Credit (Exports)	198.4	197.6	212.0	241.1	263.5
Services, Debit (Imports)	74.8	73.8	87.5	89.5	95.7
Balance on services	123.6	123.8	124.5	151.6	167.7

[1] IMF Samoa country data, accessed 5 January 2021.
[2] IMF Samoa country data, and Economist Intelligence Unit, Samoa country report, accessed 5 January 2021.
[3] World Bank WDI, accessed 19 January 2021.

Balance on Goods and Services	-190.2	-140.2	-151.8	-131.8	-122.8
Balance on income	-21.1	-15.0	-24.5	-22.8	-36.3
Balance on current transfers	164.8	142.5	137.9	143.9	179.6
Capital Account	37.3	44.1	30.8	42.3	31.3
Financial Account	-48.6	25.5	-41.7	53.7	1.0
Direct investment (net)	-18.5	-23.2	12.8	-9.1	-16.7
Portfolio investment (net)	5.0	3.7	-0.6	8.2	-10.3
Other investment (net)	-10.0	7.1	-34.9	37.2	-2.9
Change in reserves					
Total Reserves (Millions of US dollars)	-25.1	37.9	-19.1	17.4	30.9
Reserves (months of imports)					

Source: GDP growth and inflation are from UN DESA, WESP, 2020 edition, accessed 18 Dec 2020. Government balance is from IMF, World Economic Outlook Database, October 2020 edition, accessed 18 Dec 2020. Net ODA is from OECD, OECD.Stat, accessed 18 Dec 2020. All external sector indicators are from IMF, Balance of Payment Data Reports, accessed 18 Dec 2020.

LDC indicators

Regarding indicators for LDC identification, GNI per capita is estimated at $4,118 in 2021, over three times higher than the graduation threshold, $1,222. Samoa continued to maintain high levels of human capital as measured by the HAI: 96.3 in 2021. Samoa belongs to the group of countries with the highest HAI scores.

The EVI score remains at 28.2, well below the graduation threshold of 32 or lower. In all three criteria, Samoa have made substantial progress since its graduation, in terms of the LDC indicators.

Table 2. Indicators for LDC identification, Samoa, 2017-2021

	GNI per capita	EVI	HAI
2017	3,958.2	28.0	96.3
2018	4,039.4	28.3	96.2
2019	4,057.4	28.3	96.3
2020	4,072.4	28.3	96.3
2021	4,117.8	28.2	96.3

Source: CDP Secretariat

Productive capacity

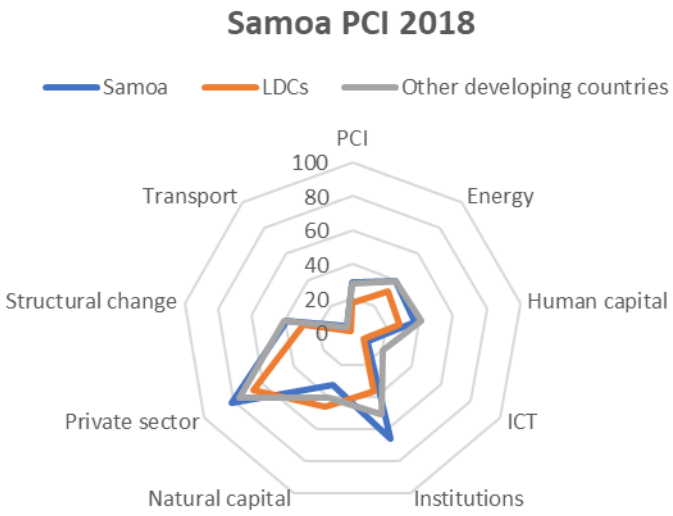
Several years after graduation, Samoa continues to have a broad-based performance in its development of productive capacities (see Table 3). Its achievement led to a level of productive capacities that is 64% higher than that of the average LDCs. This achievement is broad-based, since the country exceed the score of the LDC average in all PCI sub-components (except natural capital), mostly by a significant margin. As compared with the ODC average, Samoa stands above in terms of the overall PCI index, and in four of the eight sub-components. The outperformance of Samoa as compared with ODCs is especially strong in institutional development, which bodes well for its sustainable development in the post-graduation phase. Priority areas of investment to that end are ICTs and human capital development by means of accelerating efforts in education, training, research and development, and health.

Table 3. Productive Capacity Index, Selected Countries, 2018 value

Country	PCI	Energy	Human capital	ICT	Institutions	Natural capital	Private sector	Structural change	Transport
Angola	14.5	34.1	23.8	5.0	30.2	48.1	57.6	21.5	0.3
Bhutan	28.5	49.7	37.9	13.8	62.4	43.7	72.0	35.3	2.4
Equatorial Guinea	18.0	25.1	24.4	8.0	22.3	37.9	64.8	31.7	1.3
Samoa	29.1	39.9	37.4	10.5	66.3	32.4	81.9	39.2	4.7
Sao Tome and Principe	19.9	28.4	34.6	9.9	47.9	36.7	69.4	33.4	0.6
Solomon Islands	22.4	33.9	29.9	6.0	46.3	50.1	78.3	26.1	2.2
Vanuatu	25.1	29.2	31.3	8.7	55.0	34.4	78.5	36.5	3.6
LDCs	17.7	32.0	28.3	7.4	36.9	46.5	66.6	28.9	1.1
ODCs	28.4	39.3	40.7	20.7	50.8	40.4	76.0	40.7	4.4

Source: UNCTAD.

Figure 1: Productive Capacity Index 2018, Samoa



Source: UNCTAD

Data gap

Samoa is relatively better placed in terms of data availability and reliability. Its Statistical Capacity Index was 60 in 2019, slightly higher than the small states average (58.2).[4] It has difficulties in updating the national accounting and balance of payment data, a common challenge for small island countries.

[4] World Bank. WDI. Accessed 29 Jan 2021.

Smooth transition and country specific factors

Samoa graduated on 1 January 2014 (A/RES/64/295), and during the monitoring period, it has submitted country reports to CDP in 2015, 2016, 2017, and 2018. In its last report in 2018 on the implementation of the smooth transition strategy, the Government stated that the smooth transition strategy has been implemented as an integral part of the *Strategy for the Development of Samoa 2016/17 - 2019/2020: Accelerating Sustainable Development and Broadening Opportunities for All*. 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.

International supports for Samoa after graduation have changed as follows:

The transition period for EU's Everything-But-Arms (EBA) arrangement continued until 2018. As of 1 January 2019, Samoa is no longer a beneficiary country of EBA, and now covered under the standard GSP.[5] Tariff on crude coconut oil, Samoa's main export product to EU, remains at zero, as it is covered by the standard GSP. Samoa also acceded to the Economic Partnership Agreement on 21 December 2018.

Samoa will continue to receive preferential market access based on regular GSPs, regional trade agreements and/or WTO arrangements. Samoa ratified the PACER Plus Agreement with eleven Pacific countries which came into force on 13 December 2020 and exploring possible free trade agreements with some Asian countries.

Samoa is actively seeking financing for increasing resilience to natural disasters and climate change. Samoa currently implements two projects ($60 million) financed by the Green Climate Fund. Under the Global Environment Facility, Samoa received funding of $18 million for 13 national projects, and is part of 30 regional/global projects ($130 million).

Samoa has managed preventing an outbreak of the COVID-19. Given limited healthcare infrastructure and challenges in procuring and distributing a vaccine, such an outbreak could have devastating consequences. The pandemic has weighed significantly on the tourism sector and the broader economy. With tourism likely to face challenges for coming years, the country needs to find alternative ways to make progress, for example, developing agriculture to boost the economic recovery, as well as the launch of a number of construction projects.

In conclusion, Samoa continued to make progress since graduation, well advanced into the upper middle-income country group. However, Samoa faces unprecedented challenges due to the COVID-19 which hampers major income sources for the country.

The transition period for EU's Everything-But-Arms (EBA) arrangement continues for another 3 years. But the country's main exports (Kava, coconut, copra, beef, etc) are destined to Asian countries, Australia and the United States.

[5] https://trade.ec.europa.eu/doclib/docs/2019/may/tradoc_157889.pdf