National Report on the Implementation of the IPOA - Tuvalu

1.0 Background

Tuvalu is a small island country with a land area of 26 square km and an EEZ of 900 square km. It has a population of 11,000 people. It is fragmented and highly vulnerable to external shocks, the economy has very limited resource base which narrows down options for development.

Revenues are mainly sourced from overseas through income from the Tuvalu Trust Fund (TTF), the ‘dot TV’, the ships Registry, and fishing licences. Families derive their income from remittances from seafarers employed on overseas vessels; from permanent residents living in overseas countries; from Tuvaluans working in regional and international organizations in other countries; and from public servants working within the Government.

Recent findings have illustrated that Tuvalu’s GDP per capita is AU$2,272 and GNI per capita is AU$1,852. The costs and risks associated with graduation for Tuvalu at the moment are likely too great given Tuvalu’s unique economic problems and prevailing uncertainty and instability in world markets and this economic uncertainty is mirrored and possibly exceeded by climatic, environmental and social uncertainties and risks.

2.0 National Experiences on the Implementation of IPOA:

The Implementation of the IPOA has been mainstreamed into the 10 year (2005-2015) National Strategy for Sustainable Development (TK11). The eight strategic areas under the TKII are: good governance; the economic growth and stability; social development; falekaupule and outer island development; employment and private sector development; education and human resources; natural resources; and infrastructure and support services. A mid-term review of the TK II was conducted in 2010 taking into account new strategies and ensuring that it is in line with the IPOA priorities.

Last year Government formulated a Roadmap which consists of 171 activities all aligned to the strategic areas of the development plan. The aim of the Roadmap is to accelerate implementation of the strategic areas of the National Strategic Plan which are also the focus areas of the IPOA. The outcome of implementation for 10 months since its implementation shows that 26% of activities were fully achieved, 64% partly achieved, and 10% were not achieved. It was found that some of the activities are not likely to be achieved due to financial constraints.

3.0 Outcomes of the IPOA

3.1 Productive Capacity

Tuvalu lacks the adequate physical infrastructure such as electricity, transport, ICT and water and institutional capacity which remains a major issue in Tuvalu.

Telecommunications and internet services although has been slightly improved in the past ten years are lagging behind as compared to other Pacific countries. There are plans to upgrade the telecommunication sectors including internet in order to enhance quality and coverage of the whole country including the outer islands. However, the challenge is identifying the financial resources required to implement and also the capacity of maintaining the facility.
Tuvalu completed and launched its infrastructure plan called Tuvalu Infrastructure Strategic and Investment Plan (TISIP) in February 2012. The Plan sets the framework for infrastructure however, implementing the Plan is a challenge given the resource and capacity constraints.

The World Bank is funding the upgrading of Tuvalu’s airport under the Pacific Aviation Investment Program with the amount of AU$16 million allocated towards Tuvalu. It is a regional program which aims at improving aviation, infrastructure, management and operations in Tuvalu, Tonga and Kiribati.

**3.1.1 Energy**
The Tuvalu Electricity Corporation (TEC) which is the Government owned power utility supplying power to the capital and also to the outer islands, needs to be nurtured and strengthened to ensure electricity supplies are permanent and sustainable. Energy security and energy efficiency remains a concern to the high volatility in fuel prices. The high cost of fossil fuel is cushioned by Government subsidy and non-grant fund by development partner to ensure it is affordable to customers.

Tuvalu has developed a 10 year National Energy Master Plan (2010-2020) with an aim of achieving renewable energy of 100 per cent by the year 2020. Implementing this plan is currently underway with seven outer islands in the initial process of resolving land issues and installation of solar panels in the islands. This can only be successfully achieved through partnerships and development partner’s financial assistance in this sector.

**3.1.2 Private Sector Development**
Private Sector Development currently composes of 24 per cent of the GDP. Factors that impede the private sector development are due to the country’s small market, limited natural base, isolation - expensive access to international markets, remoteness resulting in high transportation and transaction costs (fixed and maintenance) and poor incentives, lack of business skills and motivation to carry out major investments.

Tourism has not grown in Tuvalu due to a range of factors. The principal reasons for the lack of growth of tourism are due to the small domestic tourism market, weak tourism infrastructure, high cost of holidaying in Tuvalu, high cost of air transport, strong competition from neighbouring island countries, such as Fiji, the Cook Islands, Vanuatu, the Solomon Islands, and Samoa and remoteness from major tourism markets.

**3.1.3 Agriculture, food and nutritional security and rural development**
Tuvalu’s small land area and unproductive soils limit the opportunities for export and diversification. Major factors that impede agriculture production are high temperature levels, salt water intrusion, infertile soil and drought seasons.

The Taiwan agriculture mission on Funafuti has been producing good supplies of fresh vegetable for people on the capital, the mission is heavily mechanised and heavily subsidised financially as they get to use a lot of fertilizers and chemicals for their gardens.

**3.2 Trade**
Tuvalu is a party to the Regional Trade Agreements (PICTA) and PACER which includes Australia and New Zealand in addition to the 14 Forum Island Countries. Trade policy is still under the formulation process with technical assistances from development partner. Trade is recognized in the national plan as an
important engine of growth. However, with limited resources confining mainly to fish and human resources, trade potential for Tuvalu is narrow. Natural resources are scarce with no land based minerals, inhibiting the development of local industry, no exports, high transportation costs, remoteness from large markets and high risk investor environment are factors that limit Tuvalu from diversifying.

3.3 Commodity
Fish is the only viable commodity in Tuvalu. Fishing licences is the biggest recurrent revenue item in the Government’s Annual budget receiving over $51 million in the 10 years up to 2009.

The Tuvalu Trust Fund (TTF) is a sovereign welfare fund established to assist with the country’s developments. However, distributions from the Fund have fallen below their targeted value in recent years due to the global financial crisis. This has resulted in no distributions from the Fund and greatly impacted sustainability of the investment and financing of National budget deficit.

3.4 Human and Social Development

3.4.1 Education and Training
Current information on Tuvalu’s MDGs reveals that the country is having mixed results with regards to achieving targets related to human and social development. The greatest challenge of all is the quality of education with passing rates in secondary school entrance exams of below 50 per cent.

In 2012 Tuvalu completed a MDG Accelerated Framework Country Action Plan (CAP). The objective of the Tuvalu CAP is to identify high impact solutions that will need to be implemented in order to accelerate progress towards improving the quality of education in Tuvalu by improving the pass rates of students sitting for the national year eight exams by 2015.

In 2013 the Government in all efforts managed to redirect budgetary resources to increase the primary education and primary health budget by 50 per cent.

3.4.2 Population and Primary Health
Tuvalu is a poor country. Households living under the national poverty lines increased from 16.5% in 2004 to 19.7% in 2010.

The impacts of the global financial crisis have worsened the poverty and hardship situation in Tuvalu. The 2010 Tuvalu National (MDGs) Report states that Tuvalu will likely not achieve MDG 1 which is Eradicate Poverty and Hunger by 2015.

Achieving the MDGs 4 and 5 by 2015 (Reduce Child Mortality and Improve Maternal Health) are on track although HIV/AIDS and NCDs are areas that still requires attention and improvement.

3.4.3 Youth Development
Youths are identified as amongst the most disadvantaged groups in the country. Youth unemployment remains a problem with 70.6% unemployed youths reported in the 2002 Census. Greater urbanisation of Funafuti, financial difficulties and changing attitudes has presumably resulted in even higher rates of unemployed youths. Despite, having high level of youth unemployment Tuvalu has a low crime rate.

3.4.4 Shelter, Water and Sanitation
The Government has developed and reviewed a National Building Code which takes into account security, water, sanitation, traditional building standards, natural hazards, and the ability of the general public to pay for adherence to the Code.

The mainstreaming of appropriate strategies and programmes to ensuring sustainable access to safe drinking water and basic sanitation are currently being undertaken through the implementation of the Integrated Water Resource Management Project. Under this project a National Water Policy was developed to ensure integration of water programmes into national development plans.

3.4.5  **Gender equality and empowerment of women**
Tuvalu is likely to achieve MDGs 3, 4 and 5 which are in their respective order; to promote gender equality and empower women; reduce child mortality and improve maternal health. Progress has been made in education and employment but there is still opportunity to encourage women’s participation in politics and decision making on a local community level.

3.4.6  **Social Protection**
The current practice of Social Protection implementation in Tuvalu has been possible through traditional cultural-based social safety net such as sharing and caring for one another. However, the traditional social structure and associated safety nets are coming under strain as external influences affect attitudes, education broadens horizons and aspirations are raised. A Senior Citizen Scheme for those who reached 70 years and above have been practised where they receive a pension of AU$50/month from Government. A Family Protection Bill has been tabled in Parliament for its first reading and it is envisaged to pass the Bill by the end of this year.

3.5  **Multiple Crises and other emerging challenges**

3.5.1  **Economic Shocks**
The negative impacts of the GEC in Tuvalu were not limited to the TTF but reached one of the country’s major revenue sources, remittances mainly from seafarers. About 50 percent of Tuvalu seafarers lost their jobs on overseas merchant shipping vessels as a result of the global market downturn. The Government is currently working with countries such as New Zealand and Australia on seasonal work schemes as part of the efforts to cushion the rising number of unemployment in Tuvalu. In addition, Government efforts in trying to secure the market for Tuvalu seafarers are still continuing by enabling Tuvalu seafarers more competitive in overseas markets.

3.5.2  **Climate Change and environmental sustainability**
Climate change and environmental sustainability is a top Priority for Tuvalu. We have national adaptation programmes currently implementing, however, we are slow in implementing them due to capacity constraints.

We are currently implementing the National Climate Change Policy which tries to mainstream Climate Change into all aspects of Tuvalu’s development plan to better address the issues of climate change. Also we have a National Biodiversity Strategic Plan to strengthen the protection of Tuvalu’s natural environment.

Direct access to climate change financing is a challenge for Tuvalu as it is still in the process of improving its capacity to absorb direct funds for adaptation and mitigation to climate change.

3.5.3  **Disaster Risk Reduction**
Tuvalu is ranked one of the most vulnerable to environment risk largely because of its low relief and small land area. The longest and worst drought ever experience is in 2011 where Government declared state of emergency in the country.

We have developed a National Disaster Management Act 2007 and the National Disaster Management Plan of 2010 which provided appropriate specific arrangements around disaster planning, preparedness, response and recovery.

In 2012 Government implemented the ‘Tuvalu National Strategic Action Plan for Climate Change and Disaster Risk Management 2012–2016’ which aims at strengthening adaptation actions to address current and future vulnerabilities including disaster risk management.

3.6 Mobilization of financial resources for development and capacity building

3.6.1 Domestic Resource Mobilization
Domestic resource mobilization is currently being undertaken by the government as the public sector still dominates the servicing of the economy. The government national budget is the tool for mobilization government resources for infrastructure, capacity building, and outer island development. As part of its priorities, Tuvalu’s National Plan includes strategies that aim at promoting private sector development with targets to increase private sector’s share of GDP to 40%. The private sector’s current share of GDP was 24% in 2011.

3.6.2 Official Development Assistance
Official development assistance (ODA) is an important role in development of Tuvalu’s economy through its contribution to government revenue and national development.

Tuvalu has developed a Policy Reform Matrix (PRM) which consists of a single matrix process for direct budget support. This process involves a group of some of Tuvalu’s major development partners who have agreed to provide harmonized direct budget support upon a set of policy reform actions which have been agreed by both the government and the development partners involved in the process.

We have completed our ‘National Aid Policy’. The policy calls for, among other things, the need for Tuvalu to exercise full ownership and leadership of its ODA policies and to encourage direct budget support as the preferred aid modality.

ODA in Tuvalu is fragmented, uncoordinated, expensive, and generally ineffective in the sense that they incur high transactions costs, highly volatile, unpredictable, place huge constraint on the limited local capacity, and donor driven. Moreover, the present system of aid management is not conducive to producing sustainable results.

3.6.3 External Debt
Our National Strategic Development Plan target for external debt is not to exceed 30% of GDP. However, currently External Debt is around 31%, but mostly on concessional terms, resulting in low debt servicing obligations.

These debts were made for economic projects and programmes in Tuvalu to establish the Falekaupule Trust Fund (a fund to finance projects in the outer islands) and the rehabilitation of the Tuvalu Maritime Training Institute (TMTI) which has been completed and is a project to ensure the institute remains on the IMO ‘white list’.
3.6.4 Foreign Direct Investment
Foreign Direct Investment is encourage as required under the Foreign Direct Investment Act which is vital to the economy. All proposals are appraised on a case-by-case basis by the Foreign Direct Investment Board. Currently revised strategies for our National Development Plan highlights the need to review the Foreign Investment Act to enhance foreign investment in the country.

3.6.5 Remittances
Remittances continue to play an important role in Tuvalu’s economy; however, the recent global economic crisis has resulted in a decline in remittances particularly from seafarers. The decline by more than 50% of the seafarers’ market that once employed 400 Tuvaluans has been cushioned to some extent by the employment schemes of NZ and soon, Australia as well.

One opportunity for Tuvaluans to migrate overseas has been presented under the Pacific Access Category (PAC) Scheme which was introduced by New Zealand in 2002. Up to 75 citizens of Tuvalu are granted access under the PAC Scheme each year.

The “Recognised Seasonal Employer (RSE) under NZ Work policy was introduced up to 5,000 workers from Kiribati, Tuvalu, Vanuatu, Samoa and Tonga. In 2008, 99 workers from Tuvalu were recruited under the Scheme while 48 workers were recruited in 2009.

3.7 Good Governance at all levels
The National Strategic Development Plan also recommended that departments prepare medium term sector plans linking upward to the Plan and downward to ministries’ operational plans and annual budgets. By 2011 only the Health and Education ministries have completed their sector master plans.

The Public Service Reform Committee (PSRC) is currently overseeing the work on reforming the Public Sector. The review of the public service’s appraisal system has also been conducted in order to strengthen the quality of oversight over public servants. We are also in the process of formulating contract of service for Chief Executive Officers within Government once technical assistance in this area has been secured.

The Leadership Code was passed in 2007 setting guidelines for ministerial conduct and society’s leaders and also the Office of Ombudsman is under the process of recruitment of it staff.

Political stability is also considered to be enhanced with a greater public awareness about the country’s Constitution and people’s rights and entitlements.

In the foreign relations field Government has recently approved the establishment of diplomatic relations with all the member countries of the United Nations. At the moment Tuvalu has missions in Fiji, UN in NY, Brussels and a consulate office in Auckland, NZ. Tuvalu seeks to be on good terms with all countries but realizes that such stance can be costly and is carefully reviewing its foreign policy.

4.0 Conclusion and Way Forward
In conclusion and in accordance with the findings from the report, many of the IPOA requirements have been mainstreamed into the national plans and have made progress in some of the areas.
These were made possible with the assistance of external and international community, and we would like to acknowledge these assistances.

However, gaps identified within the report still remains in the implementation of certain IPOA requirements which warrant an urgent need for improving the means of implementation through provision of adequate infrastructure, improving access to funding particularly in climate related financing; improving the capacity on the ground and accelerating the technology transfer process. In addition, there is a need to have good fiscal discipline and good aid management; more investments in TTF (monies from environment funds and climate change); and excellent connectivity.