The implementation of the Istanbul Programme of Action (IPOA) 2011-2020

Tuvalu Midterm Review Report

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1. Introduction

This report discuss the progress made by Tuvalu of the implementation of the Istanbul Programme of Action (IPOA) 2011-2020. The report highlight best practices and lessons learned, obstacles and emerging issues during the first five years of the implementation of the IPOA priority areas in Tuvalu. Most of the findings in his report are source from previous assignments on the review of Tuvalu National Strategy for Sustainable Development TKII 2005-2015 and formulation of the new national sustainable plan TKIII 2015-2020.

The IPOA outlines UN member countries vision and strategy for sustainable development of Least Developing Countries (LDC) for the decade 2011-2020. IPOA overarching goal is to address structural challenges in LDC status countries in order for these countries to graduate. These structural challenges includes extreme vulnerabilities to global economic crisis and the effects of climate change.

2. Background

The latest Tuvalu national population census in 2012 recorded a population of 10,782 with the majority (6,152) living on the capital Funafuti. Tuvalu is one of the smallest country in the world (ninth) with nine island atolls covering a total land area of only 26 square kilometre, spreading over 900,000 square kilometre exclusive economic zone. Tuvalu is at the forefront to the effects of climate change and sea level rise with the highest point estimated to be 4.5 metres above sea level.

Real GDP growth average around 1 percent over the last decade. Economic activities has been benefited from the increased competition in the retail sector and recent boom in the fisheries sector. The estimate real GDP in 2015 was AUD43.2 million. Inflation rate on average was around 1 to 2 percent in the last decade. The average quarterly inflation rate in 2015 was 1.8 percent.

Tuvalu as an atoll nation has a porous soil with inadequate soil nutrients. The islands are also widely scattered which contributes to high transportation costs for Outer Islands and other remote areas. Because of its small population, Tuvalu has a small domestic market with little potential for economies of scale and expensive international market access. There is also limited potential for the tourism sector to grow as international flights are expensive and there is one airline operating two flights per week from Suva, Fiji. There is also limited business opportunities in the domestic economy and poor absorptive capacity for major investment.

3. Tuvalu National Sustainable Development Plans

In November 2015, Tuvalu completed its largest ever consultation since 2004 when Tuvalu formulated its seventh national sustainable development plan (NSD) – *Te Kakeega II* 2005-2015 (TKII). The consultation in 2015 also includes a national forum which discusses all information gathered during a national consultation with different groups at different levels covering all islands of Tuvalu. The national forum was an opportunity to confirm and discuss all challenges and strategies to address these challenges, constraints and structural weakness. The outcome of the national forum is the eighth national sustainable development plan – *Te Kakeega III* 2016-2020.

All development activities from 2016 to 2020 must be fall within the framework of TKIII. There are twelve strategic areas under the NSD: (1) climate change, (2) good governance, (3) growth and stability, (4) health and social development, (5) outer islands development, (6) private sector development, (7) education and human resource development, (8) natural resource, (9) infrastructure and support services, (10) environment, (11) migration and urbanisation, (12) ocean and seas.

The previous national development plan, TKII 2005-2015 has eight strategic areas: (1) good governance, (2) growth and stability, (3) health and social development, (4) outer islands development, (5) private sector development, (6) education and human resource development, (7) natural resource, (8) infrastructure and support services. During the review of TKII at end of 2015, it was noted that some of the priority areas have been achieved. These included the following:

(1) In 2015, some 600 people were working in the private sector which is a manifold increase since 2010. The target of increasing private sector share in GDP by 50 percent.
(2) Most of the strategies in the fiscal management area have been achieved including the setting up of the Macroeconomic Policy Committee, medium term fiscal policy and multi-year budget frameworks, the restructure of tax and tariff laws in line with PICTA and PACER agreements.
(3) Public Sector Reform was intended to make the public sector more aware of its role and responsibilities, to reorganize the sector for commercialization, contract out CEO’s position and produce a 2-3 year Master Plans to guide activities over a 2-3 year period. A Public Enterprises Act 2009 has been passed and a Private Enterprise Reform Monitoring Unit is established in the Ministry of Finance to guide and monitor the implementation of the Act.
(4) Workshops and training youth on healthy lifestyles and living free from HIV/AIDS. Scholarships are available for youths at a regional university (University of the South Pacific), Extension Centres and Technical and Vocational Education Training scheme. Cultural studies also have been incorporated into curriculum for secondary and primary schools. Sports facilities have been built on outer islands. Churches and NGOs actively support youth activities.

It was also noted that some of the key challenges and constraints remain for the foreseen future in Tuvalu. Obviously the effects of the climate change including sea level rise and extreme weather becomes more common and frequent. Key development challenges and constraint which Tuvalu always face included the following:

1. Tuvalu has limited natural resource since its’ an island atoll with no resource minerals and agriculture products to export,

2. Tuvalu islands are scattered and far from international markets and therefore result in high international transaction costs and hence lower demand for tourist, limited investment opportunities and high costs labour mobility and remittances.
3. Tuvalu economy continues to have the following structural weaknesses:
    1. large and continuous trade imbalance, with exports representing only a small fraction of the value of imports,
    2. Large public sector characterized by low productivity and
    3. High tax rates and import duties.

The fragile nature of the Tuvalu economy is a consequence of the above developmental constraints and structural weaknesses. This has led to a heavy reliance on outside development assistance and has led to a degree of complacency in fiscal and financial management. However development assistance, together with TTF revenues, fishing license fees and dotTV revenues, has enabled the nation to balance its external account and to cover the resource gap in the budget.

4. Assessment of progress and challenges in the implementation of the Istanbul Programme of Action for the Decade 2011-2020.

<u>Productive Capacity</u>

Tuvalu productive capacity is minimal mainly due to the small size of its economy, low technical and business management capacity and high transaction costs for exports. In 2013, the value of imports was AU$ 16.6 million compared with exports of only AU$ 311,000 in the same period. Trade deficits of such an alarming proportion have been a recurring feature of Tuvalu's trade balance for decades. To reverse the chronic trade deficit, a new trade policy aims to increase economic output and employment by expanding the trade in value added goods, services and investment. The potential of trade in services (labor mobility schemes, seafarers and eco-tourism) is probably better than other options if only because relative to other options (commodity exports), it is probably easier and more doable.

Tuvalu has only a few registered businesses serving a population of 10,782 people. Notable challenges that small private sector operators and producers face on a daily basis include access to credit, costly utility services (telecommunications and power) and limited, unreliable and costly transport services (air and sea). Other equally important problems are the shortage of skills (management, technical and marketing), taxation and the impact of climate change on soil fertility and access to clean water.

Addressing these challenges is therefore a national priority in order to grow the private sector and provide more well paid jobs and tax revenue. Private sector development will require a host of measures as outlined in the trade policy to realise this goal. Measures to promote private sector growth will cover the introduction of modern, accessible financial services, improved transport linkages, a national export strategy and enhanced support for private sector initiatives such as the development of incubators for small businesses. Additionally, the government will pursue expanded market access for goods, services and temporary labour mobility through bilateral, regional and multilateral trade agreements.

Domestic trading activities ensure that food and other essential goods and services move from surplus areas, i.e. the outer islands, to food deficit areas such as Funafuti, the capital. However, due to the small national market, unreliable shipping services and the high cost of transportation, domestic producers lose out to cheaper imports of processed foods such as canned tuna, meat, refined flour, fruits and vegetables. The shortage of traded food products on the domestic market, besides food for subsistence purposes, prompted distributors in 2014 to approach the government to conclude a bilateral trade agreement with Rotuma, Fiji, for the importation of a variety of root crops, vegetables and fruits on a trial basis.

Agriculture, food security and rural development

Since islands in Tuvalu are made of coral and limestone, the soil is porous, high in salinity in most areas and poor in nutrients. Farmers rarely practice resilient farming practices. The Government plans to provide training in organic farming and conservation practices to all farmers throughout Tuvalu. Production targets have been set for production in a selection of fruits, vegetables, crabs and others. A marketing authority will also be set up to handle the domestic marketing and sale of local produce. The shortage of labor for agriculture is a problem due to the lack of investment and organizing the agricultural industry for production. With the national unemployment rate at close to 40% there should be a lot of people looking for work. DOA plans to promote agricultural projects for youth and women on all the outer islands. The teaching of agriculture will also be strengthened in primary, secondary and vocational schools including aquaponics and hydroponics gardens run by students.

Private entrepreneurs have been assisted to produce and market local produce by a Food and Agricultural Organization's project: Food Security and Sustainable Livelihoods program (FSSLP) that will provide training facilities and equipment for the private sector in the next 3 years. The department will look at developing market channels for selected commodities and encourage farmers to produce quality products for markets. Agriculture is included in the ongoing vocational training programmes at Motufoua Secondary School and is also provided by the Agriculture department to primary schools on an ad hoc basis. There is a limited number of teachers that can teach agriculture techniques and the education ministry is encouraged to train teachers in agricultural education and include the subject in curriculum for primary schools. Land for farming is limited in Tuvalu and the Government is encouraging landowners to lease their land to those who want to plant and raise livestock. Along with this is the question of greater access to credit that the department will for selected farmers. There are no lands yet leased for farming nor any credit scheme. On the strategy of increasing revenues from fish licensing, the department concerned is continuing to issue licenses to bilateral fishing partners. From 2010 – 2015, revenues from fish licenses has exceeded A$65.5 million representing 29 percent of total government revenues in that period. Government has entered into a new scheme for licensing distant water fishing nations (DWFN) known as the Vessel Day Scheme (VDS) which sells fishing days to DWFN allowing them to fish in Tuvalu's exclusive economic zone (EEZ). The scheme is claimed to be a better system for earning money and is expected to increase revenue from this source.

In pursuance of the call for a clear, coherent and integrated fisheries sector development programme the Ministry of Natural Resources has completed a Tuna Management Plan and also an Institutional Strengthening Programme. It is currently seeking financial resource assistance for implementing these programmes. New Zealand and Australia have shown interest in supporting components of the Institutional Strengthening programme. The ministry uses the Tuna Management Plan as guide in managing fisheries joint-ventures.

As part of its revised corporate and operational plans, the Fisheries Department is committed to assisting outer island communities ensure that their fishery resources are able to sustain livelihoods and food security, and if possible to contribute to economic growth. Access to outer islands has in the past been constrained by budget limitations and operational constraints, included continual breakdown of the Fisheries Department vessel Manaui. Finding support has now been secured from NZ and the World Bank, and UNDP is providing an additional fisheries extension vessel, which should enable a much stronger presence in the outer islands by the Department in future. As of late 2015 the Department will commence a programme of outer island surveys and community consultation visits which will lead to the establishment of fishery development/ management plans for all outer islands by 2018. These plans will provide island-specific guidelines on appropriate management arrangements for marine resources, as well as identifying realistic, viable development opportunities where these exist.

Tuvaluans depend on coastal fishery resources for their livelihood. Evidence suggests that coastal marine life is beginning to be impacted by pollution, over fishing and coastal degradation particularly around Funafuti. In particular, there is an excessive nutrient load in the lagoon of the capital, and may be to blame for the infestation of *Sargassum* seaweed that commenced in 2010. Fisheries Department with the support of NZ and the World Bank will undertake a programme of water quality monitoring in 2015, and use this and other information to develop a plan to protect and rejuvenate coastal marine life and the fisheries that depend on them in Tuvalu and most particularly in Funafuti.

Tuvalu is defined by coastline; it has no elevated geographic interior, and its small, often extremely narrow land areas are subjected to tidal swamping, seawater percolating through porous atoll and reef island geologic formations. This natural geohydrology makes immediate escape, as it were, and longer-term adaptation solutions problematic at best. The International Fund for Agricultural Development (IFAD), in “Climate Change Impacts – Pacific Islands”, has projected damages to water resources in the region of $1 billion if average atmospheric temperatures increase by 2-4°C (even long-term average temperature increases less than a 2°C are still likely to cause unpredictable disruptions to weather patterns). As in other PICs, Tuvalu agriculture will be adversely affected, as will Tuvalu fisheries if, as expected, tuna migratory patterns shift or the health of Pacific tuna stocks decline as a result of rising average atmospheric and oceanic temperature increases.

Trade

The Government recently formulated its first Trade Policy Framework (TPF), to be launched in 2016, following an extensive consultative process involving the private sector, civil society and other partners. The TPF seeks to ensure policy coherence with the primary objective of improving the business environment for private sector development and growth, increasing the competitiveness of domestic firms through reforms as well as attracting new inward investment. The TPF has designated four priority sectors for the development of value chains: agriculture, fisheries, tourism and labour mobility with a focus on niche markets, diversification and value addition. Other sectors that will also receive priority include the "blue economy" and the safe exploration and sustainable harvesting of natural resources to be found in Tuvalu's waters and seabed.

Long-standing recommendations for the development of tourism have been re-stated in the latest National Tourism Development Strategy (NTDS) 2015-2019, which was recently approved. The Department of Tourism will assist tourism-related business development, such as administrative support and to seek out funding for small tourism-related ventures, emphasizing eco-tourism. The Government tourism policy will provide training on how to start up and run tourism businesses, possibly using a business incubator model.

Three bilateral programs currently employ Tuvaluans abroad: New Zealand's system of Recognized Seasonal Employment (RSE) and the Pacific Access Category (PAC) system, and Australia's Seasonal Workers Program (SWP). At present, less than 100 Tuvalu seafarers are employed by European and Hong Kong-based merchant shipping companies, which is a 40-50% drop at the time of the 2008 and 75-80% drop from the historic peak in late 1990s, early 2000s. Currently, there are some 600 Tuvaluans working overseas, including those employed in the RSE, PAC and SWP. This has partly offset the loss of household income from declining seafarer employment. The Department of Labor plans to increase the number of Tuvaluans recruited under these labour initiatives by raising migrant worker reputations and promoting them as reliable and hardworking employees. Under TKIII government is looking at ways of overcoming the current bottlenecks in the seafarer industry. The labour export market for Tuvalu's merchant seamen has collapsed in recent years. The number of seamen on active overseas contracts is now well below 100, down from highs of 400-500 in the late 1990s. Seafarer remittance income at its peak was A$2-4m per year. Tuvalu has always been a comparatively high cost, marginal supplier of seafaring labour. Expanding international labour competition, driving down costs, has been slowly eroding Tuvalu seafarers out of the market. The steady decline of Tuvalu's maritime training institute (TMTI) may also be a contributing factor, as well as competing increases in government wages and other sources of household income, such as non-seafarer remittances. Easy money from expanding the public sector (and increasing wages) may also have had a negative drag on the importance of remitted seafarer income, kick-starting the long decline in seafarer numbers as more money could be earned locally.

The impact of climate change – now and in the future – cuts across the broad spectrum of national development, including development of the private sector. Though perhaps less obvious and tangible than elsewhere on the development landscape, climate impacts such as sea level rise pose real threats to economic growth and stability. A poorly performing economy, as a result of climate impacts, can effect business performance and business prospects over the short-term, and overall development of the private sector more generally over the long term. Under TKIII, the government will assist the private sector, with whatever resources may be required, to overcome or steer clear of climate-related impacts that adversely affect the economy in general, business activity in particular, including the possibility of developing trade in export products.

Commodities Prices and Economic Shocks

The contribution to the government budget has been progressively rising, from around $10 million in 2012 to at least $23 million in 2015. This is largely due to the Government being more proactive in international fishery management through Parties to the Nauru Agreement (PNA), Forum Fishery Agency (FFA) and the Western and Central Pacific Fishery Commission (WCPFC), which has then provided a stronger framework in which to negotiate fishery access agreements with foreign fishing nations. El Nino conditions in 2013/14 and 2015/16, as well as improving USD/ AUD exchange rates, have favored the recent revenue increases, **but these cannot be guaranteed in the future**. The government continues to deposit a portion of excess and windfall revenue into the main investment account of the Tuvalu Trust Fund (TTF). The fund was setup in 1987 in order for the Government to invest in international financial markets which can provide financial returns to buffer and assist financing of national budget deficits.

Private Sector Development

The current national sustainable development plan of Tuvalu (TKIII) has the following strategies to develop the private sector:

1. Introduction of modern, accessible, and lower-cost financial services (on loans, exchange rates, etc.),
2. Better and lower cost cargo shipping,
3. A realistic national export strategy, and
4. More support for private sector initiatives such as the development of ‘incubators’. These incubators include -
5. Using aid-funded external and, importantly, sustained technical assistance (3-5 years) for business development, and on management and financial expertise. The Government continues to provide financial to the Chamber of Commerce and the Tuvalu National Private Sector Organizations (TNPSO).

Human and Social Development

Education:

The Government does not charge any school fees at any of its primary schools. Enrolment of students in primary school is compulsory by law and every parent must ensure their kids are enrolled. The average net enrolment ratio for primary education between 2010 and 2015 is around 99.2 percent. Some of the students in the primary education age group cannot attend school as they are handicap or mentally disable. There is a special school on the capital for handicap students but none for the outer islands. Tuvalu is a signatory to the UN Convention to the Rights of the Child and Government has progressively worked toward the achievement of rights of children in Tuvalu, especially access to primary education.

Progress on improving the teaching and learning environment have been successful with 100% of primary school teachers having formal teaching qualifications, 86% of teachers in secondary schools are qualified to teach at that level. 80% of all teachers have received upgrading or refresher training with 4% of primary school teachers released annually for refresher training and three secondary school teachers go on refresher training every year.

Educational curricula have been significantly improved with the publication of the National Curriculum Policy Framework. The formulation process involved community-wide consultations, inputs from parents, teachers and students themselves. The NCPF is implemented and shows marked improvements due to its relevance to the needs of students and parents. Also under consideration is the inclusion in school curricula new topical subjects including HIV/AIDS, ICT, environment and health promotion, entrepreneurship, human rights and inclusive education, vernacular languages and values education. The curriculum development unit requires more teachers trained in curricula development to join the unit. The system for assessing student performance has also been reviewed and an appropriate policy on this will be developed.

Population and Primary Health:
As recorded in 2014, Tuvalu continue to make good progress in the achievements of its MDG Goal 4 and 5. The health of Tuvaluans as a group has deteriorated due amongst other causes to the prevalence and irreversibility of Non Communicable Disease (NCD), currently the top killer disease in the country. More effort is needed to boost the capability of the Health Department to provide quality and effective health services and ensure well-being for all at all ages. The Government aims to achieve this goal, which is Goal 3 of the Sustainable Development Goal (SDG).

New infrastructure, upgrading and extension of existing buildings and equipment are a major part of the necessary strengthening of the Ministry of Health for the task of ensuring healthy lives and promoting wellbeing of Tuvaluans. Two new small hospitals will be built in the Outer Islands and with their staff complement should reduce the number of referral from outer islands and budget thereof by 50 percent. The building and construction program of the Ministry of Health will continue in the next decade to include a Private Ward and a Rehabilitation Center at the main hospital on the capital, an Isolation Facility for patients with infectious diseases, a Bulk Storage facility for safe storage of drugs and supplies, a Public Health Mini-Laboratory and a Dialysis Center on Funafuti, an Oxygen Plant and a proper Mortuary at PMH. A Youth Center will also be built for the Tuvalu Family Health Association.

Youth Development:

In Tuvalu a youth is a person in the age range of 15-35 years and it is estimated that there were approximately 4800 youths in Tuvalu in 2015. Forty nine percent of them are unemployed according to the Ministry of Education and Youth. A National Youth Policy is in place but the funds to implement the policy are not available. The policy addresses how to resolve the issues in the Youth sector. Eighty percent of youth criminal offences are tobacco and alcohol related and a strengthening in the enforcement of laws governing the purchase and consumption of alcohol by minors or young people will greatly assist the situation.

To increase youth employment the Government encourages youths to start their businesses and also to work on a voluntary basis as they build towards launching their own business. Youths are encouraged to attend awareness workshops on alcohol abuse and adult vocational training for employment either locally in Tuvalu or abroad.

Water and Sanitation:

Drought are becoming more frequent recently with the worse drought recorded in 2011. The Government declared a state of emergency with immediate assistance from the international community. In 2012 and 2013, the Australian Government and EU donated every household in Tuvalu with a 10,000 litres water tank. The aim of the project is to secure permanent access to safe drinking water and improved sanitation across the country as well as addressing the serious waste problem on the capital and the outer islands. The problems that the population of Tuvalu faces in the areas of water and sanitation, and waste are inextricably linked in terms of their effects on public health, hygiene and disease prevention.

Groundwater is becoming increasingly saline, possibly as a result of rising sea levels, and polluted from infiltration of septic effluent. Rainfall patterns are unpredictable, changing over the past decade, possibly as a result of global warming and El Nino effects. Household rainwater catchments (i.e., roofs) vary considerably, from less than 50 square metres to over 200. Guttering often leaks and some catchment run-off surfaces lack guttering.

Preventive maintenance of water desalination plants and other public utilities is essential. Other priorities listed under the TKII and TKIII are:

1) Household catchments must be optimised by repairing leaky gutters and providing extra guttering to maximise rainwater catchment, and catchments must be maintained.
2) The community must understand water conservation and demand management at the household level and take responsibility for water conservation during dry and drought conditions.

3) Extra household rainwater storage provides the best strategy for water resilience in islands where rainwater is the major source of freshwater.

The capital shoreline is a major source of livelihood. It also is a source of marine biodiversity of conservation value. This area is under threat from poor liquid waste management. A Cost Benefit Analysis conducted by the International Waters Programme in 2005-06, conservatively estimated that the cost of poor sanitation to the national economy is roughly €270,000 per year, of which 80% is attributed to public health costs associated with waterborne disease. Tuvalu has no centralised sewage system. Every household has on-site wastewater systems. The use of septic systems for sewage treatment and disposal is not ideal, but alternatives, such as a reticulated system or ocean outfall, are not possible, practical nor financially viable. Tuvalu's Public Works Department (PWD) has a drafted National Building Code that includes clear and easy-to-follow specifications for the proper sitting and construction of septic systems. The code has been approved in principle but not yet endorsed nor implemented. New septic systems built by private citizens, are usually constructed badly, which leach sewage directly into the ground and ultimately to the lagoon and ocean. Regular maintenance and pump-out of all septic tanks every 3-4 years will enable the systems to operate properly, improve public health and lower pollution.

Gender equality and empowerment of women:
Tuvalu have made excellent progress under MDG Goal 3. Boys and girls have equal opportunities to attend school at any level. High-level positions in the Government and Public Enterprises however remain a sphere for men and there is one woman (out of 15 members) in parliament since 2011.

The National Gender Policy (NGP) 2013 is the latest in a series of reviews that started in 1999. The policy focuses on four key measures including institutional strengthening and capacity building, economic empowerment of women, women in decision-making, and ending violence against women. The Gender Affairs Department and will continue the implementation of NGP in the five years to 2020. Outputs envisaged include training of gender trainers, setting up a Gender Information Database, legislation to end violence and increasing efforts to put women in decision-making roles, in *Falekaupule* by amending the *Falekaupule* Act and also two women nominees as Members of Parliament. Laws will also be amended to give women equal rights to hold land (custodial rights).

The government's National Labour Migration Policy seeks to create pathways for all Tuvaluans, including women, to be equipped with the necessary qualifications and experience to take up jobs either in Tuvalu or overseas. Hence, labour migration offers women temporary job opportunities in the services sector in countries with labour shortages such as Australia, New Zealand and others.

Social Protection:
Social Change has been substantial in Tuvalu in the last 10 years. The monetization of everything even the cherished customs and traditions means that the prized safety nets

of communalism and egalitarianism has to be forgone with dreadful consequences for the people of Tuvalu. With it's fast urbanizing population more life pressures are created within both the urban centre and also in outer island communities. Government is committed to creating the climate in which people can learn and practice livelihood skills that are relevant to the life mode they now inhabit.

More people now reside on the capital (57%) than in the rest of the Tuvalu islands (43%). Thirty three % of the population were aged younger than 15 years, 58% were in the 15-59 year group and 9% were older than 60. Dependency ratio has decreased from 82 in 2002 to 71.6 in 2012 indicating that there are lesser persons depending on the 15-59 year old category. This is in spite of the decrease in this age group on account of emigration. The rapid pace of urbanization ushers in a whole new level of social and economic problems for which solutions need to be found and implemented.

A new Incapacity Support Scheme for the Disabled was established in 2015 to provide a monthly support payment of $70 to those most vulnerable in the community. This is similar to the Senior Citizens scheme which was introduced in 2009 to financially assist citizens above 70 years of age. In addition, the Government is working on developing a Social Work Act as there is no legal guideline for directing the work of the Government in particular the Department of Community Affairs. The paucity of data and information on the disadvantaged population in Tuvalu, will be corrected to some extent by the Biannual Social Wellbeing Report. It will help inform decision makers and communities about the plight of the disadvantaged. A national committee on Social and Community Services Development will be established in early 2016.

Multiple crisis and other emerging challenges

Economic shocks:
Tuvalu relies considerably on foreign aid and rental-based sources of income. Earnings from remittances, the dotTV domain, fishing licenses and distributions from the Tuvalu Trust Fund have constituted the main source of foreign exchange and Government revenues. The Global Financial Crisis (GFC) in 2009 greatly affected these revenues with no distribution from the main account of the Tuvalu Trust Fund, number of seaman working in international merchant vessels decline and therefore remittances were greatly reduced.

Climate change and environment sustainability:
The new national sustainable development plan – TKIII, very much focus on how Tuvalu can address and adapt to the effects of climate change. Climate change is the most serious threat to the security and survival of Tuvalu. It calls for urgent actions of response to the impacts at the local level but also at the global level. The United Nations Framework for the Convention on Climate Change (UNFCCC) and the Intergovernmental Panel on Climate Change (IPCC) estimate that before 2100 the sea level will have risen by 1.2 to 1.7 meters. With the highest point above the sea level of only 4.5 meters, Tuvalu will be amongst the most vulnerable countries in the world to

sea level rise. Saline flooding of low-lying areas occurs regularly and is expected to become more frequent and extensive over time.

The IPCC predicts that unless urgent actions are taken to curb temperature increase to not more than 1.5 degree Celcius above pre-industrial levels, vulnerable Small Island Developing States (SIDS) like Tuvalu will face more catastrophic impacts including the existential threat of totally disappearing due to sea level rise. An average increase in the temperature of the Earth’s surface has been observed at 0.85 degrees Celsius since the mid-19th century. The increase in global temperature has shifted rainfall patterns that are changing freshwater systems thus affecting the quality and quantity of water availability. Tuvalu agriculture will be adversely affected and so are the many sectors.

The cost of adaptation to climate change and its impacts is enormous in SIDS like Tuvalu. Adaptation to climate change involved infrastructure works that generally require large up-front overhead costs. The indivisibility in economics is illustrated in the unit cost for a coastal zone protection per capita in small islands is substantially higher than the unit cost for a similar structure in a larger territory with a larger population. This is a major socio-economic reality that confronts many small islands like Tuvalu, notwithstanding the benefits that could accrue to islands communities through adaptation.

Accessibility to climate finance under various multilateral funding mechanisms is a challenge. Multilateral funds for climate change investments and environment protection are available under the Green Climate Fund (GCF), Adaptation Fund (AF), the Least Developed Country Fund (LDCF), the Special Climate Change Fund (SCCF) and the Global Environment Facility (GEF). Accreditation to these funds is critical to secure direct access. A Tuvalu Survival Fund (TSF) was established in 2015 to finance climate change investments in mitigation and adaptation projects and recovery from climate change impacts and natural disasters.

The current projects that are finance directly and indirectly under LDCF includes:

i. Tuvalu National Adaptation Project of Adaptation (NAPA) II (2013-2017: The total resources required for the implementation of Tuvalu NAPA II is USD24 million with a LDCF contributions of USD4.2 million (10 percent of GDP). The activities includes building resilience in marine-based livelihoods to climate change impacts through an integrated package of measures that seek to enhance traditional fishing practices and food preservation. Tuvalu NAPA II also involve disaster risk management in improving access to disaster early warning systems for the people of the outer islands. It also focus on integrating locally-specific climate change concerns into existing outer island strategic plans and building capacities of outer islands administrations and communities to identify, budget, execute and monitor adaptation investments.

ii. Implementing a "Ridge to Reef" approach to protect biodiversity and ecosystems functions in Tuvalu: The total resources required for the implementation of Tuvalu "Ridge to Reef" project is USD11.2 million with LDCF contributions of USD3.7 million. The five years project (2015-2020) target to improve integrated management and conservation of marine and terrestrial biodiversity for Tuvalu. The project devises and implement creative ways to address the critical gaps in marine and terrestrial biodiversity on outer islands through the establishment of an effective governance system and improve data and information capacities needed to preserve ecosystem services, sustain livelihoods and improve resilience in Tuvalu using 'ridge to reef' approach.
iii. Implementing the Island Biodiversity Programme of Work by integrating the conservation management of island biodiversity: This regional project executed by the South Pacific Regional Environment Program (SPREP) offers to conserve and restore priority species and ecosystems at risk in each of the pacific island countries identified in the Island Biodiversity Programme of Work. LDCF contributions is USD1.7 million out of the total USD4.3 million.

Disaster and risks reduction:
Natural disasters are more common and extreme in recent years. After three years of the worst drought ever recorded which occurred in 2011, a category 5 Cyclone (Pam) hit Tuvalu in March 2014 and affected about 89 percent of the population with damages estimated to be around 200 percent of GDP. The Prime Minister of Tuvalu appealed for international support to respond the nation's "unprecedented damages". In his appeal he said that "out of the devastations of cyclone Pam – two lessons have stood out visibly and they include: climate change is already on us, and secondly Tuvalu cannot cope to respond adequately to the onslaught of its impacts." An estimate 4,630 people (43 percent of total population) were directly affected.

The National Advisory Council on Climate Change (NACCC) has been set up in 2015 to provide advice to the Government on policy responses to climate change through the Climate Change Policy and Disaster Unit in the Office of the Prime Minister. The integration of environment sustainability principles into national and sector policies is the responsibility of the Department of the Environment in the Ministry of Foreign Affairs. It also coordinates projects that address the physical responses to impacts of climate on the environment. The Tuvalu Climate Change Policy and its Strategic National Action Plan on Climate Change and Disaster Risk Management, together with the National Adaptation Program of Actions (NAPA) have guided implementation of climate change actions in the country. A medium- to long-term National Adaptation Plan will be developed within the period of TKIII to further strengthen Tuvalu's adaptation to the impact of climate change and build resilience. The government will explore options for incorporating risk transfer mechanisms at the national and regional level to spread the burden of recovering from the impacts of climate change.

<u>Mobilizing financial resources for development and capacity building</u>

Domestic resource mobilization:
Tuvalu – for the most part – has no ability to set or shape monetary policy. That leaves only fiscal tools to stimulate the economy. The predominant fiscal tool is the national budget, if there is a chance to achieve a greater degree of economic stability and growth. Because of the dominant role public expenditures play in shaping fiscal policy, Government ability to control certain variables and influence some economic activity can be advantageous. Because of the Government dominance in the Tuvalu economy – about 85% of GDP – fiscal policy shall be used much more effectively under TKIII. Since the efficacy of fiscal policy in Tuvalu depends in large part on the government's sizeable role in the economy, if the government gets fiscal policies right this should generate a net positive impact on the economy. But if government gets fiscal policy wrong it can have the opposite effect.

Official development assistance:
ODA flows to Tuvalu are considerable: on average, the country's ODA/GNI ratio reached 39 per cent over the period 2010-2015. About seventeen Tuvalu's donors have been involved in the Government's Development Partners Agreement (DPA) which aims at improving aid coordination and effectiveness and ensuring support for the implementation of Tuvalu's national development strategy TKII and TKIII. The Government has insufficient fiscal capacity to fund its national development strategy and heavily replies on development partners for development assistance.

Australia, Japan, New Zealand and Taiwan are Tuvalu's major bilateral donors during the period 2010-2014. Generally, the bilateral assistance appears to be guided by humanitarian, economic or political considerations. Overall, bilateral ODA has been allocated on government and civil society support (28 percent of the total ODA receipts), transportation and storage (23 per cent), education (16 per cent), energy (16 per cent), and commodity aid (13 per cent) during the period 2010-2014.

External debt:
The benchmark under TKII for external debt is less than 60% of GDP. This has been achieved with the recent debt to GDP ratio of 31.6% in 2010, having peaked at 48.4% of GDP in 2008. This benchmark is on the high side and needs to be reviewed. The IMF team recommended that debt should be kept below 30% of GDP.

Tuvalu's public debt has reached 41 percent of GDP by end-2013, with external debt—including public enterprise debt on commercial terms— accounting for 35 percent of GDP. The debt is projected by IMF to rise sharply to 56.9 percent in 2015 on account of a new loan agreement taken on by a fishing joint venture to finance the expansion of its fishing capacity—the loan could, as usual, be guaranteed by the government.

Foreign direct investment (FDI):
FDI inflows is minimal and mostly include reinvestment of fishing joint venture earnings. Despite efforts of the authorities to privatize certain public enterprises, there has been little success in attracting foreign investors, and therefore no significant FDI

inflows associated with privatization. There is a negative inflow of FDI recorded for most of the years with data available. For example, the most recent data recorded a -4.2 percent of GDP for 2012 and -1.8 percent of GDP for 2013.

The Foreign Direct Investment Act 1996 covers all foreign investment in Tuvalu. The institution tasked with overseeing investment activities is the Foreign Investment Facilitation Board (FIFB). The FIFB provides all necessary information regarding investment opportunities in the country and all application proposals must be submitted to the Board for consideration. All investment proposals are appraised by the FIFB and recommendations are made to the Minister responsible for final approval.

Science, technology and innovation:
Tuvalu only telecommunication and internet service provider is the Tuvalu Telecommunication Corporation (TTC). In 2015 TTC managed to replace its old CTI lab soft switch with the new Redcom soft-switch and establish a new link with Asia Broadcast Satellite (ABS) for cheaper satellite link. The rollout of the 3G mobile service on the capital was a milestone achieved in 2015. 3G coverage is limited to the capital at present (2015) but there is plan to extend coverage to three outer islands in 2016.

The impact of cyclone Pam early in 2015 caused damages to the copper network in the outer islands. Therefore in mid-2015, only 20 percent of all fix telephone lines are operational in the outer islands. The total costs of damages by cyclone Pam on the telecommunication sector in Tuvalu was estimated to be around AUD3.4 million (7.9 percent of GDP).

In 2015, the World Bank and New Zealand Aid completed a review of TTC as well as the overall telecommunications and ICT development in Tuvalu. The review was focus on infrastructure investment and institutional support needs.

Remittances:
Remittances have significantly raised living standards in Tuvalu. Remittances have not recovered to level prevailing before the global financial crisis.

Seafaring provides an important source of employment and remittances in Tuvalu, but both employment and remittances associated with this traditional activity have exhibited clear downward trends in recent years. While remaining sizable, employment fell sharply during the global financial crisis. As of October 2013, there were about 112 Tuvalu seafarers on board, compared to 1,452 and 361 respectively in 2006. Over the period, seafarer remittances fell by about 9 percent of GDP for Tuvalu. In 2012, remittances stood at 10 percent of GDP in Tuvalu. The depreciation of the U.S. dollar over the past few years has also had a negative impact on the Australian dollar value of seafarer remittances.

The recovery in world trade from the global financial crisis did not produce a corresponding recovery in seafarer employment for a number of structural reasons. The shipping industry serving global trade continues to suffer from low profitability and overcapacity, and increasing automation of ship operations has reduced the demand for seafarers. At the same time, seafarers from Tuvalu have become less competitive compared with those from South and Southeast Asian countries as transportation costs for Tuvalu seafarers traveling to their destinations have become relatively high.

Training programs provided by the Tuvalu Maritime Training Institute are generally for traditional merchant vessels and have become inadequate for ships equipped with modern technologies. Moreover, while the close connection with the German merchant ships has traditionally provided an important source of employment and income, this concentration has increasingly aggravated external shocks to Tuvalu seafarers' employment and remittances.

<u>Good Governance at all levels</u>

Good governance is the first strategic goal under the TKII 2005-2015 which signifies the importance of good governance in achieving sustainable development. The TKIII 2016-2020 included good governance as the second strategic area. Good governance under TKII and TKIII includes inspired leadership and sound management, as well as honesty, transparency and consistency in the rule of law is a pre-requisite for all other strategies to be implemented effectively.

Efforts to reform the public sector has achieved some success. The emphasis in TKII on getting ministries and public enterprises to work to one plan has been achieved. Ministries now submit on a regular basis, progress reports on their work. In TKIII this process of reporting for monitoring purposes will be extended to NGOs and possibly to the bigger private businesses. The Public Sector Reform Committee (PSRC) continues to work to improve the public sector efficiencies in terms of returning timely, reliable and more qualitative services to the public at affordable and appropriate costs. The PSRC will be focused on cost effective measurement methods through the implementation of these workforce planning initiatives to ensure that the Public Service delivers efficient and effective public services to the citizens.

The office of the ombudsman have been established in 2014 but still need several more lawyers on his staff to help discharge his responsibilities, which include the promulgation and administration of the Leadership Code Act, and training the public service in good governance. To effectively implement the Leadership Code, the Ombudsman needs to be fully supported by the Government and community leaders.

5. Coherence and linkages with the Post 2015 Development Agenda and other global process.

Tuvalu's own development perceptions and needs are linked with the UN SDGs, the SIDS Samoa Pathway, and the UNFCCC's Paris Agreement (the successor to the Kyoto Protocol), to be adopted in April 2016. TKIII builds on Tuvalu's efforts to meet the eight MDGs, now superseded by the SDGs. After a two-year assessment (funded by UNDP and Australia) Tuvalu's 2011 MDG progress scorecard reported that Tuvalu was on a near-term track to achieve four of eight MDGs (2,4,5,8), potentially on track to achieve three (3,6,7), but was unlikely to achieve MDG 1 any time soon: eradicate extreme poverty and hunger. Renewed efforts to do that have been ongoing since 2011, and it remains a priority under TKIII.

6. Conclusion and Way Forward

To conclude, this report signifies Tuvalu successes and the struggle to implement IPOA activities through its unique challenges and constraints. The effects of climate change determines Tuvalu achievement of other strategic goals in its national sustainable plan (TKII 2005-2015 and TKIII 2006-2020) and IPOA activities. Other key challenges such as limited natural resource base, high transaction costs in accessing international major markets, limited economic opportunity in the domestic economy, small size and low absorptive capacity for investments, cannot be ignored in the implementation of IPOA activities.

All activities under IPOA falls within the framework of TKII 2005-2015 and TKIII 2016-2020. IPOA priority areas and activities are mainstreamed into TKII and TKIII. As a result, IPOA activities are implemented and take into considerations in the formulation of operation plans, preparation of national budgets and overseas development assistance. The monitoring of national sustainable development plans, operation plans and national budgets ensure that IPOA activities are also reviewed periodically.