



Asian Development Bank & Tuvalu

FACT SHEET

Table 1. Tuvalu: Development Indicators

| Non-MDG | |
|---|-----------------|
| Population in millions | 0.01 (2010) |
| Annual population growth rate (%) | 0.5 (2008–2010) |
| Adult literacy rate (%) | ... |
| Percent of population in urban areas | 49.9 (2009) |
| MDG | |
| Percent of population living on less than \$1.25 a day | ... |
| Percent of population living below the national poverty line | 26.3 (2010) |
| Under-5 mortality rate per 1,000 live births | 35.0 (2009) |
| Percent of population using an improved drinking water source | 97.0 (2008) |

... = data not available, MDG = Millennium Development Goal.

Sources: ADB. 2011. *Basic Statistics 2011*. Manila; World Bank. 2011. World Development Indicators Online.

Table 2. Tuvalu: Economic Indicators, 2006–2010

| Economic Indicator | 2006 | 2007 | 2008 | 2009 | 2010 |
|------------------------------------|--------|--------|-------|-------|--------|
| Per capita GDP (\$) | 2,262 | 2,549 | 2,729 | 2,678 | 3,187 |
| GDP growth (% change per year) | 6.6 | 4.9 | 1.3 | (1.7) | 0.0 |
| CPI (% change per year) | 3.8 | 2.2 | 10.4 | (0.1) | (1.9) |
| Unemployment rate (%) | ... | ... | ... | ... | ... |
| Fiscal balance (% of GDP) | (15.8) | (19.0) | 0.2 | (0.3) | (27.9) |
| Export growth (% change per year) | 640.1 | (7.2) | ... | ... | ... |
| Import growth (% change per year) | (24.9) | 25.2 | ... | ... | ... |
| Current account balance (% of GDP) | ... | ... | ... | ... | ... |
| External debt (% of GNI) | ... | ... | ... | ... | ... |

() = negative, ... = data not available, CPI = consumer price index, GDP = gross domestic product, GNI = gross national income.

Sources: ADB. 2011. *Asian Development Outlook 2011*. Manila; World Bank. 2011. World Development Indicators Online.

Tuvalu has received \$7.82 million in loans and \$5.91 million in technical assistance since joining the Asian Development Bank (ADB) in 1993.

Tuvalu is made up of a series of very small, low-lying coral atoll and reef islands in the Pacific. It is isolated, vulnerable to adverse climate events and economic shocks, and lacking adequate resources for sustainable growth to alleviate poverty. Its economic base is extremely narrow and incorporates hardly any value-adding exports. Income from fishing license fees, remittances, surpluses from its trust fund, and rent of its “dot.tv” internet domain are highly variable. Consequently, fiscal management is difficult, particularly in light of growing societal demands for better services and public infrastructure. Its small population of 10,500, a lack of economies of scale because of its remoteness, and high costs of doing business, all constrain development.

In recent years, ADB’s operational strategy has complemented Te Kakeega II, the government’s national development strategy, by focusing on improving governance and economic management, in particular public financial management and public enterprise reforms. Improvement of services on the outer islands, where poor and vulnerable groups are concentrated, has also been undertaken, partly financed by sustainable mechanisms through the Falekaupule Trust Fund.

Te Kakeega II identifies eight strategic areas for the near term: good governance; economic growth and stability; social development; outer island development; employment and private sector development; human resource development; development of supportive infrastructure and utilities; and natural resource management for agriculture, fisheries, tourism, and the environment.

ADB’s past assistance to the country has focused on increasing employment and income, including through support for upgrading and rehabilitation of the Tuvalu Maritime Training Institute.

A country partnership strategy, 2008–2012 was approved in October 2008. This can be found at www.adb.org/Documents/CPSs/TUV/2008/CPS-TUV-2008-2012.pdf

Impact of Assistance

From November 1999–July 2001, ADB worked closely with the Government of Tuvalu to implement the Island Development Program Loan and technical assistance program. This focused on improving governance and economic management, enhancing employment opportunities through skills development, and improving services on outer islands. The loan was closed in 2001 and was rated successful. The first disbursement was timely, but the second was delayed because the government needed to comply with some second tranche conditions that were largely beyond the control of the executing and implementing agencies. ADB has completed upgrading of the training facilities of the Tuvalu Maritime Training Institute. This will enable the institute to remain accredited with the International Maritime Organization and will improve the quality of education and training, helping graduates compete for jobs overseas. Such employment constitutes the main source of private sector income for Tuvalu residents. The outer island

communities benefit most from remittances of seafarers who graduate from the institute.

ADB supported the implementation of tax reforms to ensure efficiency of revenue generation and structure, taking into account the need to maintain a progressive system. In December 2008, the government passed three bills to implement taxation reform measures.

In 2005, heads of government at the Pacific Islands Forum approved the Pacific Plan for Strengthening Regional Cooperation and Integration. Implementation progress is monitored by forum leaders on an annual basis. ADB supports programs under the plan, which emphasizes regional public goods and services. Collective management of increased aviation safety and security requirements under the ADB-financed Pacific Aviation Safety Office is a good example of its potential. Tuvalu is benefiting from this and other regional programs. For example, an \$8 million grant to help improve HIV and AIDS programs in Tuvalu and nine other Pacific countries was approved in 2005, and is also supporting a drop-in center in Funafuti, among other activities. Another such example is the Pacific Regional Audit Initiative, which provides regional support to audit services to improve integrity and financial scrutiny. Tuvalu has been one of the 3 countries assisted under the initiative.

Cofinancing and Procurement

Cofinancing operations enable ADB's financing partners—government or their agencies, multilateral financing institutions, and commercial organizations—to participate in the financing of ADB projects. The additional funds are provided in the form of grants, official or commercial loans, and syndications.

As of year-end 2010, cumulative direct value-added cofinancing for Tuvalu amounted to \$0.3 million for two technical assistance projects.

From 1 January 1968 to 31 December 2010, contractors and suppliers were involved in 186,186 contracts for ADB loan projects worth \$97.66 billion. During the same period, contractors and suppliers from Tuvalu were involved in three contracts for ADB loan projects worth \$0.73 million.

From 1 January 1968 to 31 December 2010, consultants were involved in 22,350 contracts for ADB technical assistance projects worth \$3.15 billion. During the same period, consultants from Tuvalu were involved in two contracts for ADB technical assistance projects worth \$0.06 million.

A summary of procurement contracts awarded to companies and consultants from Tuvalu for goods and works, and consulting services can be found at www.adb.org/Documents/Fact_Sheets/Tuvalu/procurement.asp

Partnership

ADB developed the country partnership strategy, 2009–2012 in collaboration with other funding agencies including New Zealand's overseas aid program, the Australian Agency for International Development, and other major development partners. ADB is promoting collective recognition of the need to align assistance with the national strategy, Te Kakeega II, and the key benchmark indicators. ADB has also committed to undertaking joint missions with other partners in order to improve coordination and to lessen demands on country capacity. Additionally, ADB is liaising closely with the Pacific Financial Technical Assistance Centre—particularly on macroeconomic management and fiscal conditions—and with regional organizations, such as the Pacific Forum Secretariat and the Secretariat of the Pacific Community.

ADB cooperates with civil society organizations in Tuvalu to strengthen the effectiveness, quality, and sustainability of the services it provides.

Table 3. Tuvalu: 2010 Loan, Technical Assistance, and Grant Approvals (\$ million)

| Loans | | Technical Assistance | Grants | Total |
|-----------|--------------|----------------------|--------|-------|
| Sovereign | Nonsovereign | | | |
| ... | ... | ... | ... | ... |

... = data not available.

Cumulative Lending (as of 31 Dec 2010) : \$7.8 million
 Cumulative Disbursements (as of 31 Dec 2010) : \$7.9 million

Table 4. Tuvalu: Cumulative ADB Lending as of 31 December 2010

| Sector | Loans (no.) | Amount (\$ million) | % ^a |
|--|-------------|---------------------|----------------|
| Agriculture and Natural Resources | – | – | – |
| Education | 2 | 3.82 | 48.82 |
| Energy | – | – | – |
| Finance | – | – | – |
| Health and Social Protection | – | – | – |
| Industry and Trade | – | – | – |
| Public Sector Management | 1 | 4.00 | 51.18 |
| Transport and ICT | – | – | – |
| Water Supply and Other Municipal Infrastructure and Services | – | – | – |
| Multisector | – | – | – |
| Total | 3 | 7.82 | 100.00 |

– = nil, ICT = information and communication technology.

^a Total may not add up because of rounding.

Table 5. Tuvalu: Project Success Rates

| Sector | % ^a | No. of Rated Projects/Programs |
|--------------------------|----------------|--------------------------------|
| Public Sector Management | 100.00 | 1 |
| Total | 100.00 | 1 |
| Year of Approval | | |
| 1990s | 100.00 | 1 |

ICT = information and communication technology.

^a Based on aggregate results of project/program completion reports (PCRs), PCR validation reports (PCRVRs), and project/program evaluation reports (PPERs) using PCRVR or PPER ratings in all cases where PCR and PCRVR/PPER ratings are available.

Sources: PCRs, PCRVRs, and PPERs containing a rating circulated as of 31 December 2010.

Table 6. Tuvalu: Portfolio Performance Quality Indicators for Sovereign Lending, 2009–2010

| Number of Ongoing Loans (as of 31 Dec 2010) | 2009 (\$ million) | | 2010 (\$ million) | |
|---|-------------------|--------|-------------------|------|
| | 2009 | 2010 | 2009 | 2010 |
| Contract Awards/Commitments | 0.1 | 0.02 | | |
| Disbursements | 0.4 | 0.3 | | |
| Loans at Risk (%) | – | 100.00 | | |

– = nil.

Note: Totals may not add up because of rounding.

Operational Challenges

In the medium term, the more frequent occurrence of El Niño and La Niña will impose risks to fishing license revenues. Although there is a substantial net asset available in the Tuvalu Trust Fund, its contribution to the budget will only be available to the extent that its current market value exceeds what is termed its “maintained” capital value (corrected for Australian inflation). There have been no payments from the trust fund since 2008 (and no distributions from the fund are likely while there is still uncertainty and volatility in international financial markets). Jointly with its key development partners, Tuvalu has adopted five benchmark indicators to ensure prudent fiscal and debt management, maintenance of fiscal reserves, and sufficient resource allocations to the health and education sectors. With the support of these, the country aims to prioritize the implementation of its national strategy, Te Kakeega II. ADB observes the biannual meetings of the Tuvalu Trust Fund Board.

Future Directions

Under the country partnership strategy, ADB will continue its focus on governance, especially public financial management, and reforms of public enterprises. The Improved Financial Management Program grant for \$3.24 million was approved in December 2008. Funds are to be released in two tranches as specific policy conditions are met. In early 2009, the conditions for the release of the first tranche were met, and \$1.24 million was disbursed on the basis of policy actions that support better economic management and private sector development. These included the government’s passing of taxation reform legislation and its commitment to policy and legislative actions to improve public enterprise reform and debt management. Tuvalu continues to work toward the release of the second tranche of funds. Key actions include:

- endorsement of a public enterprise strategic policy;
- development of a Public Corporations Act and its tabling in Parliament;
- repayment of the outer islands agency suspense account held with the National Bank of Tuvalu;
- endorsement of a debt risk management and mitigation policy and strategy;
- adoption of a legal framework for the licensing and ongoing supervision and regulation of banking institutions; and
- National Bank of Tuvalu Board-approved policies for the timely collection of past due loans and advances of credit, and for measuring, monitoring, and maintaining adequate liquidity by the National Bank of Tuvalu.

Supportive technical assistance has been approved to help build capacity for better public financial management and to ensure fiscal sustainability, facilitating the government’s capacity to meet commitments under the Improved Financial Management Program.

The technical assistance has a 3-year implementation period to allow a focus on long-term capacity building.

A second program grant and supporting technical assistance is planned to help Tuvalu continue public enterprise reform and to further strengthen public financial management.

Table 7. Tuvalu: Projects Cofinanced, 1 January 2006–31 December 2010

| Cofinancing | No. of Projects | Amount (\$ million) |
|-----------------------------|-----------------|---------------------|
| Technical Assistance Grants | 2 | 0.33 |

Table 8. Tuvalu: Share of Procurement Contracts

| Item | 2009 | | 2010 | | Cumulative (as of 31 Dec 2010) | |
|---------------------|------------------------|---------------|------------------------|---------------|-----------------------------------|---------------|
| | Amount (\$ million) | % of Total | Amount (\$ million) | % of Total | Amount (\$ million) | % of Total |
| Goods and Works | – | – | 0.00 | 0.00 | 0.73 | 0.00 |
| Consulting Services | – | – | – | – | 0.06 | 0.00 |

– = nil, 0.00 = less than 0.01%.

Table 9. Tuvalu: Contractor/Supplier Involved in ADB Loan Projects, 1 January 2006–31 December 2010

| Contractor/Supplier | Sector | Contract Amount (\$ million) |
|--------------------------|-----------|---------------------------------|
| PWD - Tuvalu | Education | 0.730 |
| Tuvalu Telecommunication | Education | 0.001 |

Table 10. Tuvalu: Top Individual Consultants Involved in ADB Technical Assistance Projects, 1 January 2006–31 December 2010

| Consultant | Number of Times Contracted | Contract Amount (\$ million) |
|------------------------|-------------------------------|---------------------------------|
| Individual consultants | 1 | 0.003 |

Table 11. ADB Assistance to Developing Member Countries, 2009–2010^a

| | 2009 (\$ million) | 2010 (\$ million) | Change (%) |
|----------------------|----------------------|----------------------|---------------|
| Lending | 13,215.89 | 11,462.27 | (13.27) |
| ADF, Sovereign | 2,210.31 | 2,212.57 | 0.10 |
| OCR, Sovereign | 10,567.71 | 8,196.96 | (22.43) |
| OCR, Nonsovereign | 437.87 | 1,052.73 | 140.42 |
| Public Sector | 134.30 | | |
| Private Sector | 303.57 | 1,052.73 | 246.78 |
| Equity Investments | 220.00 | 243.00 | 10.45 |
| Grants ^b | 1,113.52 | 1,052.86 | (5.44) |
| Technical Assistance | 267.00 | 326.54 | 22.30 |

() = negative, ADF = Asian Development Fund, OCR = ordinary capital resources.

^a Excludes terminated loans, equity investments, technical assistance, and grants.

^b Excludes grant cofinancing not administered by ADB.

About Tuvalu and ADB

ADB Membership

Joined 1993

Shareholding and Voting Power

Tuvalu is the 41st largest shareholder among regional members and the 49th largest shareholder overall.

Figures are as of 1 April 2009, before ADB's Board of Governors voted to adopt the fifth general capital increase. The process is ongoing, and the final figures are expected to be available by 30 June 2011. Current subscription levels are available from the Office of the Secretary.

Shares held 50 (0.001%) Votes 13,282 (0.30%)

Phil Bowen is the Executive Director and **Dereck Rooken-Smith** is the Alternate Executive Director representing Tuvalu on the ADB Board of Directors.

The Pacific Subregional Office (SPSO) was opened in 2004 and provides the primary operational link between ADB and the government, private sector, and civil society stakeholders in its activities. SPSO engages in policy dialogue and acts as a knowledge base on development issues in Tuvalu, the Cook Islands, Fiji, Kiribati, Samoa, and Tonga.

Adrian Ruthenberg is the Regional Director of SPSO.

The Tuvalu government agency handling ADB affairs is the Ministry of Finance and Economic Development.

About the Asian Development Bank

ADB is a multilateral development bank owned by 67 members, 48 from the region and 19 from other parts of the world. ADB's main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance (TA). In 2010, lending volume was \$11.46 billion (106 projects), with TA at \$175 million (243 projects) and grant-financed projects at \$982 million (40 projects). In addition, \$3.67 billion in direct value-added loan, grants and TA cofinancing was generated. From 1 January 2006 to 31 December 2010, ADB's annual lending volume averaged \$10.3 billion. In addition, TA and investment grants funded by ADB and special funds resources averaged \$692.6 million and \$175.4 million in TA over the same period. As of 31 December 2010, the cumulative totals excluding cofinancing were \$167.1 billion in loans for 2,328 projects in 42 countries, \$4.4 billion in 163 grants, and \$3.15 billion in TA grants, including regional TA grants.

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Useful ADB websites

Asian Development Bank
www.adb.org

Country website

www.adb.org/tuvalu

Asian Development Outlook

www.adb.org/documents/books/ado/2011/ado2011-spc.pdf

Annual Report

www.adb.org/Documents/Reports/Annual_Report/2010/default.asp

Depository Libraries

www.adb.org/Publications/Depositories/tuv.asp