



## Asian Development Bank & Tuvalu

### FACT SHEET

**Table 1. Tuvalu: Development Indicators**

Non-MDG	
Population in millions	0.01 (2008)
Annual population growth rate (%)	0.5 (2006–2008)
Adult literacy rate (%)	99 (2002)
Percent of population in urban areas	49.0 (2007)
MDG	
Percent of population living on less than \$1.25 a day	...
Percent of population living below the national poverty line	29.3 (1994)
Under-5 mortality rate per 1,000 live births	37 (2007)
Percent of population using an improved drinking water source	93 (2006)

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

Sources: ADB, 2009. *Basic Statistics 2009*. Manila.  
SPC, 2009. Pacific Regional Information System.  
UNPD, 2008. *Urban and Rural Areas 2007*.

Tuvalu is made up of a series of very small low-lying coral atoll and reef islands in the Pacific, 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, or no, value-adding exports. The income from fishing license fees, remittances, available 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 social 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.

Te Kakeega II, the Government’s national development strategy, 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.

### Relationship with ADB

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

In recent years, ADB’s operational strategy has focused on improving governance and economic management, as well as providing skills development to enhance employment opportunities. Improvement of services on the outer islands, where poor and vulnerable groups are concentrated, has also been undertaken, partly through sustainable financing mechanisms through the establishment of the Falekaupule Trust Fund.

Specific objectives are improved governance and administration of state-owned enterprises. On the outer islands, the aim is to improve the efficiency of services, and to increase employment and income, including through support for upgrading and rehabilitation of the Tuvalu Maritime Training Institute. A new Country Partnership Strategy (CPS) for 2008–2012 was approved on 3 October 2008. This can be found at [www.adb.org/Documents/CPSs/TUV/2008/CPS-TUV-2008-2012.pdf](http://www.adb.org/Documents/CPSs/TUV/2008/CPS-TUV-2008-2012.pdf).

### Impact of Assistance

During the period November 1999–July 2001, ADB worked closely with the Government of Tuvalu to implement the Island Development Program Loan and technical assistance program that focused on improving governance and economic management, enhancing employment opportunities through skills development, and improving services on the outer islands.

ADB is currently upgrading the training facilities of the Tuvalu Maritime Training Institute. This will enable the Institute to remain accredited with the International Maritime Organization (IMO) and improve the quality of education and training, thereby making its graduates competitive for overseas employment. 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.

Since joining ADB, Tuvalu has received a \$4 million program loan for the Island Development Program and a \$1.85 project loan for the Maritime Training Project (approved in December 2002) with a supplementary loan of \$1.97 million (approved in 2004).

The program loan for the Falekaupule Trust Fund was closed in 2001 and was rated successful. The first disbursement was timely, but the second was delayed because the Government needed time to comply with some of the second tranche conditions that were largely beyond the control of the executing and implementing agencies.

The project loan for the Tuvalu Maritime Training Institute is scheduled to be completed in mid-2009. The upgrade and rehabilitation is expected to increase the number of graduating seafarers by 50% and, thus, increase remittances, particularly to the outer islands, where most of the disadvantaged communities live. ADB also supported the implementation of tax reform 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 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 this potential. Tuvalu is benefiting from this and other regional programs. For example, an \$8 million grant to help improve HIV/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.

## Future Directions

The CPS 2008–2012 for Tuvalu was formulated in conjunction with the Government and key development partners. Under this, ADB will continue its focus on governance, especially public financial

Table 2. Tuvalu: Economic Indicators, 2004–2008

Economic Indicator	2004	2005	2006	2007	2008
Per capita GNI, Atlas method (\$)	2,223	2,353	2,401	2,725	2,927
GDP growth (% change per year)	4.0	2.0	1.0	2.0	1.5
CPI (% change per year)	2.8	3.2	3.8	2.2	5.3
Unemployment rate (%)	...	...	...	...	...
Fiscal balance (% of GDP)	-14.7	-7.4	18.7	-14.3	-5.4
Export growth (% change per year)	...	...	...	...	...
Import growth (% change per year)	...	...	...	...	...
Current account balance (% of GDP)	...	...	...	...	...
External debt (% of GNI)	...	...	...	...	...

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

Sources: ADB. 2009. *Asian Development Outlook 2009*. Manila. ADB staff estimates.

management. A program grant for \$3.24 million to improve public debt management capacity, strengthen oversight of public enterprises, and strengthen management capacity in public enterprises was approved on 16 December 2008. Funds will be released in two tranches as specific policy conditions are met. The salient features of the policy matrix include

- passing taxation reform legislation;
- 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 (NBT);
- endorsement of a debt risk management and mitigation policy and strategy;
- analysis of private sector growth potential;
- adoption of a legal framework for the licensing and ongoing supervision and regulation of banking institutions; and
- NBT Board-approved policies for the timely collection of past due loans and advances of credit, and for measuring, monitoring, and maintaining adequate liquidity by NBT.

Supportive technical assistance has been approved to help build capacity for improved public financial management and ensure fiscal sustainability, thereby facilitating the Government's capacity to meet commitments made under the Improved Financial Management Program. The technical assistance has a 3-year implementation period to allow a focus on long-term capacity building.

## 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). The worldwide financial turmoil in 2008 will result in no payment from the trust fund in 2008 and probably not in 2009 as well. Tuvalu has, jointly with its key development partners, 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 indicators, Tuvalu aims to prioritize the implementation of its national strategy of Te Kakeega II. ADB observes the meetings of the Tuvalu Trust Fund, entrusted to monitor Tuvalu's performance against the set indicators.

Table 3. Tuvalu: 2008 Loan, TA, and Grant Approvals (\$ million)

Loans		TA	Grants	Total
Sovereign	Nonsovereign			
–	–	1.1	3.2	4.3

– = nil.

Cumulative Lending (as of 31 Dec 2008) : \$7.8 million  
Cumulative Disbursements (as of 31 Dec 2008) : \$7.2 million

Table 4. Tuvalu: Cumulative ADB Lending as of 31 December 2008

Sector	Loans (no.)	Amount (\$ million)	% <sup>a</sup>
Education	2	3.82	48.82
Law, Economic Management, and Public Policy	1	4.00	51.18
<b>Total</b>	<b>3</b>	<b>7.82</b>	<b>100.00</b>

<sup>a</sup> Total may not add up because of rounding.

## Partnership

ADB developed a harmonized strategy for country assistance with other funding agencies, including the New Zealand's International Aid and Development Agency (NZAID), the Australian Agency for International Development (AusAID), and other major development partners, based on its joint strategy with AusAID for Tuvalu in 2006. ADB is promoting a collective recognition of the need to align assistance with the national strategy, Te Kakeega II, and the key benchmark indicators. 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.

## Cofinancing and Procurement

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

As of year-end 2008, cumulative direct value-added cofinancing for Tuvalu amounted to \$0.33 million for two technical assistance projects.

Table 5. Tuvalu: Project Success Rates

By Sector	Percentage <sup>a</sup>	No. of Rated Projects/Programs
Law, Economic Management, and Public Policy	100.0	1
<b>Total</b>	<b>100.0</b>	<b>1</b>
<b>By Year of Approval</b>		
1990s	100.0	1

<sup>a</sup> 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 2008.

Table 6. Tuvalu: Portfolio Performance Quality Indicators for Sovereign Lending, 2007–2008

	2007 (\$ million)	2008 (\$ million)
Number of Ongoing Loans (as of 31 Dec 2008)		2
Contract Awards/Commitments	–	0.04
Disbursements	1.1	0.6
Loans at Risk (%)	–	–

– = nil.

From 1 January 1985 to 31 December 2008, 18,104 consultant contracts were awarded under ADB technical assistance projects worth \$2.33 billion, of which two contracts were awarded to consultants from Tuvalu worth \$0.02 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](http://www.adb.org/Documents/Fact_Sheets/Tuvalu/procurement.asp).

Table 7. Cumulative Nonsovereign Operations Portfolio Distribution by Top Countries, 1983–2008<sup>a,b</sup>

Country	No. of Projects	Total ADB Approvals (\$ million)
India	37	2,268
People's Republic of China	21	1,694
Indonesia	15	879
Philippines	28	768
Pakistan	27	721
Kazakhstan	5	550
Thailand	10	319
Viet Nam	8	305
Sri Lanka	13	280
Bangladesh	8	242
Afghanistan	6	208
Lao People's Democratic Republic	1	100
Other DMCs	13	87
Azerbaijan	4	66
Nepal	4	59
Regional	36	930

DMC = developing member country.

<sup>a</sup> Includes nonsovereign projects processed by the Private Sector Operations Department and various regional operations departments of ADB. Regional operations departments started nonsovereign operations in 2007.

<sup>b</sup> Net of facilities cancelled in full before signing.

Source: Private Sector Operations Department.

Table 8. Tuvalu: Contractor/supplier involved in ADB loan projects, 1 January 2004–31 December 2008

Contractor/Supplier	Sector	Contract Amount (\$ million)
PWD – Tuvalu	Education	0.80

Table 9. Tuvalu: Top individual consultant involved in ADB technical assistance projects, 1 January 2004–31 December 2008

Consultant	Number of Times Contracted	Contract Amount (\$ million)
Individual Consultants from Tuvalu*	1	0.00

## About Tuvalu and ADB

Tuvalu is the 41<sup>st</sup> largest shareholder among regional members and the 49<sup>th</sup> largest shareholder overall.

### ADB Membership

Joined	1993
Shares held	50 (0.001%)
Votes	13,282 (0.30%)

**Phil Bowen** is the Executive Director and **Dereck Rooker-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, Cook Islands, Fiji Islands, Kiribati, Samoa, and Tonga.

**R. Keith Leonard** is the Regional Director of SPSO.

The Tuvalu government agency handling ADB affairs is the Ministry of Finance, National Planning, and Industries.

## 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 2008, lending volume was \$10.49 billion (86 projects), with TA at \$274.5 million (299 projects) and grant-financed projects at \$811.4 million (49 projects). This also generated \$1.65 billion in direct value-added cofinancing from financing partnerships operations. Over the last 5 years (2004–2008), ADB's annual lending volume averaged \$7.70 billion, with TA averaging \$231.5 million and grant-financed projects \$655.1 million. As of 31 December 2008, the cumulative totals were \$143.53 billion in loans for 2,147 projects in 41 countries, \$4.08 billion for 263 grant projects, and \$3.55 billion for 6,599 TA projects.

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### Useful ADB websites

Asian Development Bank  
[www.adb.org](http://www.adb.org)

### Country website

[www.adb.org/tuvalu](http://www.adb.org/tuvalu)

### Asian Development Outlook

[www.adb.org/Documents/Books/ADO/2009/SMALL-PAC.pdf](http://www.adb.org/Documents/Books/ADO/2009/SMALL-PAC.pdf)

### Annual Report

[www.adb.org/Documents/reports/annual\\_report/2008/](http://www.adb.org/Documents/reports/annual_report/2008/)

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