

1

Introduction

Human Development

Since independence in 1978, the resident population of Tuvalu's nine small islands has grown at the average annual rate of 1.5% to approximately 10,300 in 2001 (Table 1.1). With substantial internal migration Funafuti's population has expanded by 3.5% annually to account for 44% of the total population. The people are mostly Polynesian and speak a common language. Tuvaluan society is characterized by strong commitments to cultural traditions, Christianity, family, and community. These commitments are enshrined in the Constitution:

While believing that Tuvalu must take its rightful place amongst the community of nations in search of peace and the general welfare, nevertheless the people of Tuvalu recognize and affirm, with gratitude to God, that the stability of Tuvaluan society and the happiness and welfare of the people of Tuvalu, both present and future, depend very largely on the maintenance of Tuvaluan values, culture and tradition, including the vitality and the sense of identity of island communities and attitudes of co-operation, self-help and unity within and amongst those communities.

Amongst the values that the people of Tuvalu seek to maintain are their traditional forms of communities, the strength and support of the family and family discipline.

Tuvalu's 1998 Human Development Index (HDI) value of 0.583 placed it seventh among 14 Pacific island countries (UNDP 1999). The

HDI has four components: the adult literacy rate (95%); the combined gross school enrollment ratio for those in the 5-19 year age group (74%); life expectancy (67 years); and GDP per capita (US\$1,157). Women's life expectancy exceeded men's by 6 years, while women's and men's literacy rates were the same. The female combined gross school enrollment ratio of 75% was 1% higher than that for males.

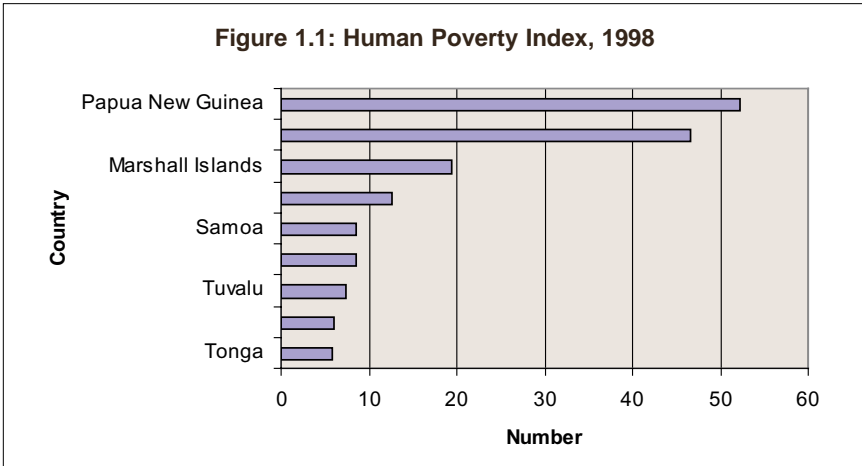
Tuvalu also had a low incidence of poverty as measured by the 1998 Human Poverty Index (HPI) score of 7.3 (Figure 1.1). The HPI is a composite of adult illiteracy (5%), the percentage of the population not expected at birth to survive to the age of 40 (9.8%), the percentage of children less than 5 years of age who are underweight (0%), and the

Table 1.1: Area and Population of Tuvalu

Islands	Land Area (km ²)	Population 1979	Population 1991	Population 2001 (est)
Funafuti	2.79	2,120	3,839	4,518
Vaitupu	5.60	1,273	1,202	
Niutao	2.53	866	749	
Nanumea	3.87	844	824	
Nukufetau	2.99	626	751	
Nanumaga	2.78	605	644	
Nui	2.83	603	606	
Nukulaelae	1.82	347	353	
Niulakita	0.42	65	75	
Total Area	25.63			
Total Residents		7,349	9,043	10,276
Total De Jure		8,730	10,114	

Sources: ADB 1998; CSD 2001 and 2002 Census Pretest for Funafuti.

Note: The population estimate for Tuvalu in 2001 is made on the assumption that the population growth rate averaged 1.3% between 1991 and 2001. The figure arrived at is close to the Central Statistics Division estimate of 10,223 in June 2001, which is based on crude birth and death rates and overseas arrivals and departures.

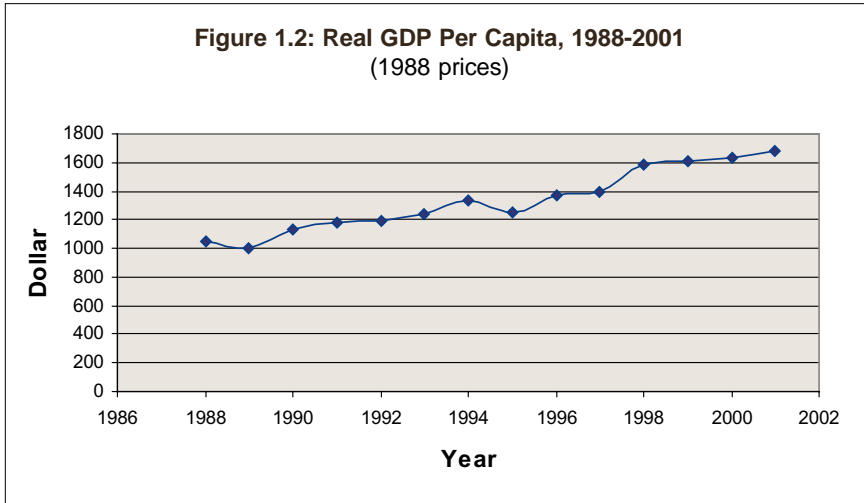


Source: UNDP 1999.

percentage of the population without access to safe water (15%) and health services (0%).

The HDI and HPI scores reflect access to basic subsistence resources, relatively rapid economic growth, and increased public expenditure on health and education. The atolls have poor soil that supports only the coconut palm, pandanus, slow-maturing taro, and a few vegetables and fruits. They are also prone to drought, coastal inundation and, occasionally, cyclones. However, pigs, poultry, and eggs are important sources of protein, and inshore fisheries are relatively rich. GDP per head in 1988 was \$1,048, with about one third generated by household nonmarket production (ADB 1998). In 2001, it was estimated at \$1,681 (in 1988 prices), with about 22% generated by household nonmarket production (Appendix 1, Table A2.2). Real GDP per head (Figure 1.2) therefore grew at the average annual rate of 3.7% between 1988 and 2001. This growth is attributed to expansion of the formal economy concentrated on Funafuti.

Growth has been stimulated by remittances from Tuvaluan seamen (estimated at \$5 million annually), foreign aid, and spending by



Sources: ADB 1998; Table A2.2.

the Government of Tuvalu (the Government) supported by revenue from abroad. The latter includes fisheries and telecommunications fees, revenue from marketing Tuvalu's Internet domain name DotTV, and revenue from the Tuvalu Trust Fund (TTF). In the 1990s, the Government's current expenditure on health and especially education increased rapidly in real terms (chapters 2 and 5). In addition, there was substantial donor-funded and some domestically-financed capital expenditure.

The formal economy's growth and its concentration on Funafuti has been associated with inequality of income distribution. In 1994, the poorest 25% of households received just 2.1% of household cash income. The second poorest quartile received 11% of income, and the third quartile received 24.7%. The richest 25% of households received 62.1% of income (CSD 1998). Outer-island households accounted for 64% of the 1,528 households in the country, but were disproportionately represented in the poorest and second poorest quintiles (90% and 79%, respectively). Average weekly household income was \$230.74 in Funafuti; over three times the average of \$67.59 on the outer islands. Concern over this inequality has motivated recent efforts to develop the outer islands (Chapter 7).

Development Challenges

A new medium-term development strategy is needed. The *Kakeega o Tuvalu, National Development Strategy—1995 to 1998* (GOT 1995) still serves as the Government's basic strategy document. *Kakeega's* main aim was to improve living standards through the growth and equitable distribution of income. Achievement of the aim was to be pursued through five priority programs of

- (i) promoting sector reform;
- (ii) encouraging export-oriented business investment and overseas employment;
- (iii) improving economic infrastructure, particularly interisland shipping and telecommunications;
- (iv) improving Education for Life (EFL) to raise education and training standards; and
- (v) upgrading human settlements.

Objective

This Review investigates the progress in achieving development policy objectives through implementing the five priority programs and subsequent programs and projects. Initiating a trust fund to support outer-island development has been particularly important.

In the Review

- (i) Chapter 2 examines Tuvalu's macroeconomic performance and policy issues especially since the mid-1990s;
- (ii) Chapter 3 discusses the governance environment and the Government's role in development to help identify how to generate durable improvements in public service delivery, including a policy and regulatory environment to develop the private sector;

- (iii) Chapter 4 reviews experiences with public enterprise reform;
- (iv) chapters 5 and 6 investigate human resources and natural resource development, respectively. Key issues are raised and possible policy responses are presented; and
- (v) Chapter 7 discusses outer-island development, focusing on Government and community efforts to raise living standards by implementing projects funded by the trust fund.