



TUVALU

Statement

Presented by

Hon Lotoala Metia

Minister of Finance and Economic Planning

at

**The Expert Group Meeting of
The Committee for Development Policy**

Wednesday 28th January 2009

New York

Mr. Chairman

Distinguished Members of the Expert Group of the
Committee for Development Policy

Ladies and Gentlemen

As we say in our language, *Talofa katoa koulua. Greetings to you all*

INTRODUCTIONS

It is indeed an honour and privilege for me on behalf of the Tuvalu delegation to have been given this opportunity to make a presentation to this distinguished Expert group on the issue of Tuvalu's graduation from the Least Developed Countries (LDC) category.

Let me first convey our appreciation and gratitude to Ms Ana Luiza Cortez, the Secretary for the Committee for Development Policy (CDP) for the kind invitation extended to the Government of Tuvalu to participate in this important meeting. Let me also acknowledge with great appreciation the important and critical role plays by each distinguished Member of this group and the Committee for Policy Development in determining the future of our country through the process of graduation from the LCD category. We hope that with your respective expertise and professional experience on the issues, we should be able to dialogue formally and share more information to enable us establish a common understanding on the consequences that my country, Tuvalu may face if it is to graduate from the LDC category.

A SMALL LDC - TUVALU

Chairman

Naturally no one wishes to remain poor for the rest of his or her life, nor any country for that matter. However, despite whatever efforts that we may seize as individual, a community, or as a country, these will certainly depend on the surrounding environment and the resources we have. Any attempt to compromise the benefits that Tuvalu receives from its LDC status needs to be reconsidered seriously.

GLOBALISATION vs. TUVALU

Chairman

It is the position of the Tuvalu delegation that graduating Tuvalu from the group of LDCs would be a grave mistake. The loss of LDC status would have serious consequences for the health and well being of the citizens of Tuvalu and put the long-term development prospects of the country in serious jeopardy.

Naturally - Tuvalu is a poorly resourced country. The underlying geology of the islands of Tuvalu makes them extremely vulnerable to rising sea levels. The islands are reef atoll islands build upon a foundation of coral that is sandy and porous with high salinity that is not conducive to agriculture.

The low-lying islands of Tuvalu are extremely vulnerable to rising sea level. The highest point on any of Tuvalu's nine islands is no more than five meters above sea level, with most of the country less than three meters above sea level. Every centimeter that the tide rises devours more of the country's landmass. Tuvalu floods from underneath, making traditional adaptations like sea walls and tide barriers much less effective.

While we are a very young country, we are a very old society. By choice or by fate it was our ancestors destiny to inhabit this part of Eden; these nine-low lying islands, some three thousand years ago. We have relied primarily on subsistence fishing and farming for our entire history, and despite all odds we are proud survivors, getting by as we have with limited resources of all kinds, and managing those resources, often through challenging and difficult times, and even merging into what is now a globalised village.

Today, we face new challenges and uncertain times. The current global financial crisis and its impact on Tuvalu and the downward spiral on the market value of our overseas Investments like the Tuvalu Trust Fund and the depreciating receipts from our foreign contracts is especially worrisome. It is therefore prudent to prepare strategies to address the uncertain times in which we live.

The speed at which this crisis has unfolded presents many challenges. Tuvalu's national income will likely decline, as earnings from the TTF will remain suppressed for some time. Indirect effects might well be substantial. Already there are discussions about the potential impact on aid budgets, international trade and of course our other overseas investments such as the Falekaupule Trust Fund and the Tuvalu National Provident Fund. We will hope for the best but plan for the worst.

Initially, the prevailing view was that a TTF distribution was unlikely in 2009 and 2010. But, as the global situation in financial and other industries continues to worsen, it now appears likely there will be no distribution for some years beyond 2010. In addition, the value of the TTF principal has decreased significantly since the start of the global financial crisis, which as of November 2008 had fallen 20.8% (Mkt Value is under Maintained Value by \$23m) from its October 2007 peak. TTF distributions will provide a smaller contribution to GNI for years to come.

ECONOMIC AND TRADE LIMITATIONS

Chairman

High domestic inflation resulting from increased energy, transport and food prices; the rises in food prices experienced in recent months have affected everyone in the country. Staples such as rice, flour sugar and cabin crackers have been particularly impacted; these staples are all imported. Tuvalu has a very high cost of living due to its heavy dependence on imported food (e.g. rice, sugar, flour, meat) and fuel (e.g. diesel, kerosene, gas) combined with its geographic isolation and underdeveloped physical infrastructure.

Our size and domestic market and lack of economies to scale and high transportation costs prevent Tuvalu from developing a vibrant export sector. In fact Tuvalu has no measurable export sector to speak of and we respectfully disagree with the export data provided in the DESA Study. Situated in the middle of the Pacific, our isolation and distance from overseas markets, our physical vulnerabilities and being a small open economy limits opportunity, and dampens the many positive effects of competition such as improving efficiency, lowering costs and spurring innovation.

Tuvalu will require the trading preferences afforded to LDCs in order to develop an export sector. While Tuvalu has already received approval for Tier 1 funding under the Enhance Integrated Framework (EIF) it is not clear that access to Tier 2 funds are guaranteed if it were to lose its LDC status. Tuvalu needs Tier 2 funds to finance selected priority areas that were identified as part of the Tier 1 planning process to progress toward import substitution and developing an export industry.

The DESA Study's suggestion to build an export-oriented fishing industry ignores the numerous structural hurdles that stand in the way of realizing such a proposal. In the last 30 years, many attempts have been made by the Government of Tuvalu

in collaboration with Japan and other donor countries to establish such an export-oriented fishing industry without success. The remoteness and isolation from major markets require enormous investments in infrastructure to precede any significant development of an export-oriented fishing industry.

Given the said background Tuvalu is very vulnerable economically and rightfully CDP decided against making the recommendation that Tuvalu become eligible in part because of its extremely high score in the third criteria, the economic vulnerability index or EVI.¹ The DESA Study found that this situation has not improved. In fact, the EVI has actually increased from 70.3 out of 100 in the 2003 assessment to 91.8 as reported in the DESA Study.² This is a full 54 points short of the graduation threshold, making the people of Tuvalu the most economically vulnerable in the world.

ODA vs. TUVALU

Chairman

Talk of donor assistance cannot ignore the fact that Tuvalu has been helped along by many donors. Let me reassure you that beyond all doubt, our LDC status have been a cornerstone for better coordination and harmonization of aid delivery to Tuvalu. As in successive years, setting the development agenda requires a fine balance between many competing needs and the limits of our financial resources. We thank therefore all our bilateral donor partners and multilateral aid agencies who have played such a major role in Tuvalu's development strides. Without your long-term assistance and support the Tuvalu that we know today would be a far different place.

To the donor community, we say, there is perhaps no country per capita as heavily scrutinized by aid donors as Tuvalu. Nor is there a collection of donors who care more about aid coordination and harmonization as you. However the loss of our LDC status could have profound negative impacts on levels of ODA to Tuvalu.

CLIMATE CHANGE vs TUVALU

Finally Chairman

¹ Report on the fifth session, CDP, 7-11 April 2003, E/2003/33. Page 23, para.23.

² In its Report on the seventh session (14-18 March 2005, E/2005/33), the Committee agreed to modify EVI by including information on natural disasters, displacement and remoteness. The Committee also agreed to replace components of EVI focused on manufacturing and services with those focused on agriculture, forestry, and fisheries.

The low-lying islands of Tuvalu are extremely vulnerable to the effects of climate change and sea-level rise and is fully confirmed by the IPCC. As is well known, sea-level rise is expected to exacerbate inundation, storm surge, erosion and other coastal hazards. Sea level rise and flooding threatens Tuvalu's limited agricultural production, undermining food security and increasing its vulnerability to supply disruptions. Even UNCTAD observed that "Tuvalu is one of the countries suffering the most extreme environmental stresses in the context of climate change."³ The severity of the impacts from flooding, coastal erosion, water stress, and damage to coral reefs and marine ecosystems will only increase as global temperatures increases. Therefore, as a small coral atoll nation most vulnerable to the impacts of climate change, Tuvalu is right on the edge of existence. Climate change could well push us over that edge. Tuvalu would lose access to the Least Developed Countries Fund for climate adaptation under the UNFCCC if it were to lose its LDC status.

CONCLUSIONS

Chairman, our Expert Panel, members of the Donor Community, I hope I have painted a picture of realism about Tuvalu for your assessment and our plea to the CDP. Our LDC status is not a fake, fate nor it is a consequence of our own actions. Our population will grow, our plantations will be cultivated but sooner or later we are at the mercy of man-made environment and economic induced stresses. Small is not always beautiful, small has its limitations as I have reiterated in this statement.

As noted in the EVI calculation - the key vulnerabilities for Tuvalu are that my people, of a relatively small sized population, spread over nine small low lying islands and atolls, dispersed and remote in the central Pacific, with limited natural endowments, presents to development experts like me and my delegation, and other development colleagues and experts, great challenges in the delivery of high quality development services and welfare.

We have followed and try always not to detour from all the development recipes to better the lives of our people i.e. as identified in our Development Strategy - Te Kakeega II of: good governance; macroeconomic growth and stability; social development (health, welfare, youth, gender, housing and poverty alleviation); Outer Island and Falekaupule development; employment and private sector development; human resource development; natural resources (agriculture,

³ UNCTAD, page 10.

fisheries, tourism and environmental management) and infrastructure and support services.⁴ The expected results of implementation of the national plan are: more employment opportunities; higher economic growth; better health care; better education; better basic infrastructure; and continued social stability.

One have to ask - have we achieved that in thirty years of nationhood. You will be the judge but my humble advice is that our economic and environmental vulnerabilities will have a direct impact on the other two criteria and whilst we seek your understanding, for Tuvalu not to graduate, let me assure distinguished members of the Expert Group of the CDP that our people having survived all these years on these atolls will not and have not sat on their laurels. We will work hard to better our environment as we have done with our international contracts of the Trust Funds and digital and fishing arrangements to find new goals to improve the standard of living and welfare of our people in the future. We can only achieve these goals with the continuous collaboration from our development partners and the benefits that Tuvalu receives from its LDC status. To take away Tuvalu's LDC status during a time of such uncertainty and global economic turmoil would be a height of irresponsibility and would threaten to undo what small but hard won progress the people of Tuvalu have made in recent years.

I thank you for your attention.

"Tuvalu mo te Atua" - "Tuvalu For God"

⁴ The Falekaupule is the traditional assembly in each island (or traditional island decision-making body).