

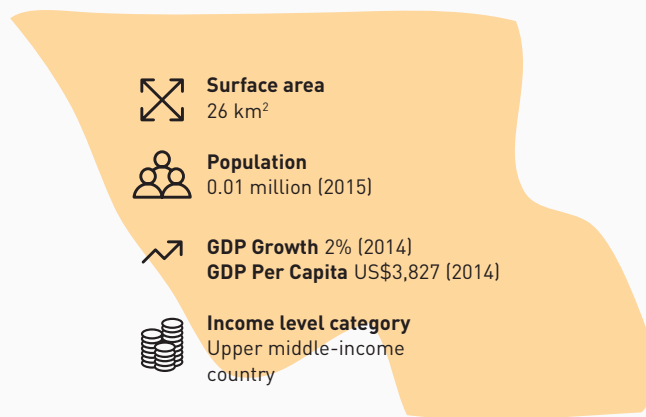
## 1. Country Context

Comprised by nine low-lying atolls spread over more than 750,000 km<sup>2</sup> (roughly twice the surface of Japan), Tuvalu is a small island developing state with a mainly Polynesian population of 10,000 (2015). Tuvalu has been classified by the World Bank as an upper middle-income country with a GDP per capita of US\$3,827 (2014), but it is also considered a least-developed country by the United Nations, with numerous challenges to achieve social and economic progress.

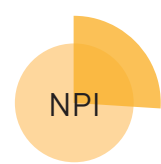
Main income sources of development finance are the Tuvalu Trust Fund, the commercialization of the .tv domains, government fishing licenses, and remittances from Tuvaluan migrants and sailors. Economic growth has slightly recovered after the 2008 shock, achieving an average 2% since 2013.

According to this year's monitoring, four development partners contribute US\$12.5 million in 2015, of which China-Taiwan finances 52% and Australia 32% and most of which is channelled through budget support. In previous years, Japan and New Zealand also contributed substantial official development assistance (ODA).

### Quick Facts

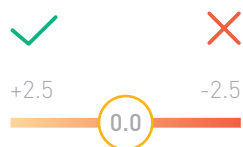


### Key Development Indices:



National Poverty Index  
26.3% (2010)

ODA per Capita US\$3,476 (2014)



Anti-corruption Index: 0.0 (2014)  
(Highest anti-corruption: +2.5)

### Domains Where Country Systems Have Been Strengthened

	2009	2015
Budget Support		
PEFA Assessment		
PFM Roadmap		
Aid/Dev. Co-op. Policy		
Dialogue with Partners		
Peer Reviews		
Medium Term Plans		

### Key Development Challenges

Despite very limited economic activity, Tuvalu can rely on a sound public sector, relatively stable sources of income and comprehensive development planning advanced over the past years. The country has also advanced in its plan to produce 100% of its electricity from renewable energy by 2020. Sustainable development faces critical challenges due to the limited potential for economic growth, a very small size, remoteness and immense distances, as well as a high exposure to economic and environmental shocks, including climate change.

## 2. Efforts to Implement the Effectiveness Principles

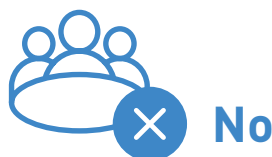
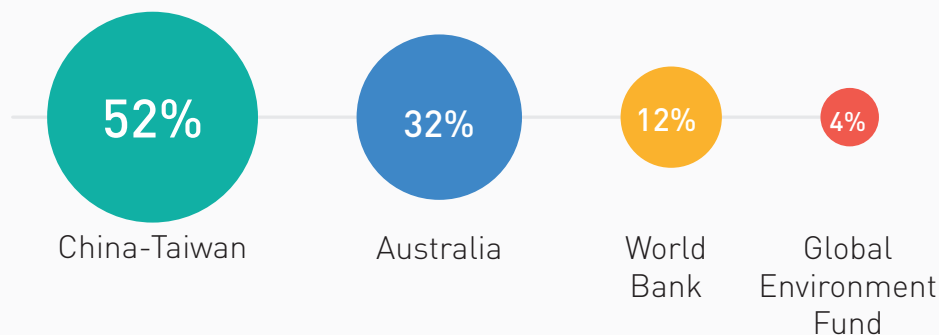
### A. Policies and Tools for Partners' Alignment

As the overarching policy framework for development and co-operation, the National Strategy for Sustainable Development 2016-2020 (titled Te Kakeega III) focuses on 12 priority areas: climate change, economic growth and stability, health and social development, island development, private sector development,

education and human resources, natural resources, infrastructure and support services, environment, migration and urbanization, and ocean and seas. It builds up on previous plans, which have led to a number of improvements, for example in the area of public sector reform. More specific sector plans have been developed,

occasionally driven by the dialogue with development partners providing budget support, for instance in disaster risk management. The government plans to further align Te Kakeega III with the Sustainable Development Goals.

#### Major Development Partners of this Round (by Reported Disbursements)



**Participation in 2014 Monitoring**



**Existence of a National Co-operation Policy**

### B. Governance and Management of Development Finance and Co-operation

For managing co-operation, Tuvalu relies on the Development Partners Agreement (DPA) signed by 17 partners that aims to guide co-operation towards national development plans while also improving coordination and effectiveness. Yearly milestones are discussed and agreed with development partners through Joint Policy Matrix for Budget Support, reviewed in July 2015. Bilateral agreements are also of critical importance, as most co-operation is channelled as general (non-sector) budget support, requiring joint planning and strong national accountability. This is the first time Tuvalu is participating in the Global Partnership monitoring, but the country has shown a consistent drive for development and official development

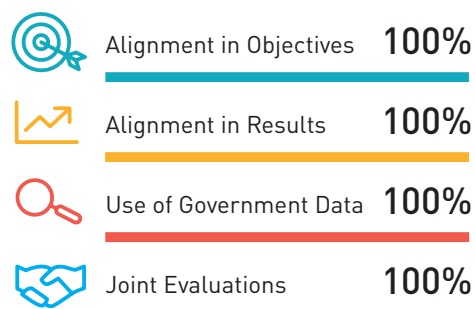
finance effectiveness over the past years. The Government of Tuvalu uses the Development Co-operation Committee (DCC) to oversee all co-operation activities and assess their contributions to national development. At this stage, there is no presence of South-South co-operation partners and CSO involvement is very limited. In 2015, the country updated a Public Expenditure and Financial Accountability (PEFA) assessment from 2011 and has engaged in a number of public sector reforms that should further enable the capturing and assessing of finance for development. Among key milestones, Tuvalu uses medium-term fiscal policy and multi-year budget frameworks (MTEF).

## 3. Country Ownership

### Indicator 1: Partners' Alignment and Use of Country-Led Results Frameworks

All co-operation reported for this year's monitoring exercise is aligned to Tuvalu's results frameworks, showcasing the progress made by co-operation partners and the high quality of national development planning, monitoring

and evaluation. The National Strategy for Sustainable Development provides clear guidance in terms of targets and indicators and is consequently monitored by the government, enabling partners to fully rely on these frameworks.

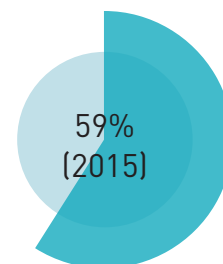


## Indicator 6. Development Co-operation is on Budget (Subject to Parliamentary Scrutiny)

Despite a widespread use of general budget support, only 59% of financial resources reported for this monitoring round are recorded in the government budget. The contributions by China-Taiwan and the World Bank – both general

budget support – were fully recorded, while the 2015 budget did not capture the financial support by Australia and Global Environment Fund, which was mainly channelled as sector budget support to education and health.

### Percentage on Budget



## Indicators 9 and 10. Use of Country Systems

In line with the limited inclusion of official development finance in the national budget, the use of country systems is limited to general budget support provided by China-Taiwan and the World Bank. Sector budget support by Global Environment Fund and Australia are still managed outside Tuvalu's public financial

management, requiring further analysis and dialogue on how to further align these contributions to national systems. Rather than indicating country system weakness as such, this seems to indicate certain gaps in the flow of data and information at the sector level. Overall, based on prioritizing public sector capacity over the past years,

Tuvalu has made essential progress in its policies, institutional arrangements and procedures for PFM, generating a high trust among development partners. This is also reflected in a slight increase of untied aid from 89% in 2013 to 91% in 2014.

	Budget (ideal: 100%)	Financial Reporting (ideal: 100%)	Auditing (ideal: 100%)	Procurement (ideal: 100%)	CPIA* (maximum: 6)	Untying (ideal: 100%)
<b>INDICATOR 9B.</b>	<b>57%</b>	<b>57%</b>	<b>57%</b>	<b>57%</b>		
<b>INDICATORS 9A &amp; 10.</b>					<b>N/A</b>	<b>91%</b>

\* Country Policy and Institutional Assessment

## 4. Inclusive Partnerships for Development

### Indicators 2 and 3. Fostering Inclusive Partnerships for Development

As part of its development planning, the Government of Tuvalu – through the Ministry of Finance and Economic Development (MFED) and the Department of Planning, Budget and Aid Coordination (PBACD) – has engaged with private sector companies and the citizenry as a whole during the process of updating the National Strategy for Sustainable Development. National civil society organizations (CSO) are not a natural form of societal organization in Tuvalu. However, creating a better environment for private sector development is one of the priorities

of Te Kakeega III, with a particular focus on the large group of young people in Tuvalu's society. A number of business incubators are used in the still very small tourism sector (around 1,700 visitors/year). The government is also providing resources for business organizations such as the Chamber of Commerce and the Tuvalu National Private Sector Organization (TNPSO). Overall, the government has shown a strong and consistent desire to involve and consult citizens in all development-related processes, leading to a high degree of inclusive ownership.

Particular attention might be paid to the development of youth-led enterprises as a key driver for future economic development. On the other hand, inclusive partnerships face huge logistical challenges with Tuvalu's atolls spread over vast areas of the Pacific Ocean, and the necessarily high dependence of all social processes on the government and resources generated by non-tax income such as the Tuvalu Trust Fund, or the fishing and internet domain licenses.

### Indicator 8. Gender Empowerment

Tuvalu neither yet tracks allocations for gender equality and women's empowerment nor relies on gender-specific indicators and data disaggregated for budget decisions. There are budget

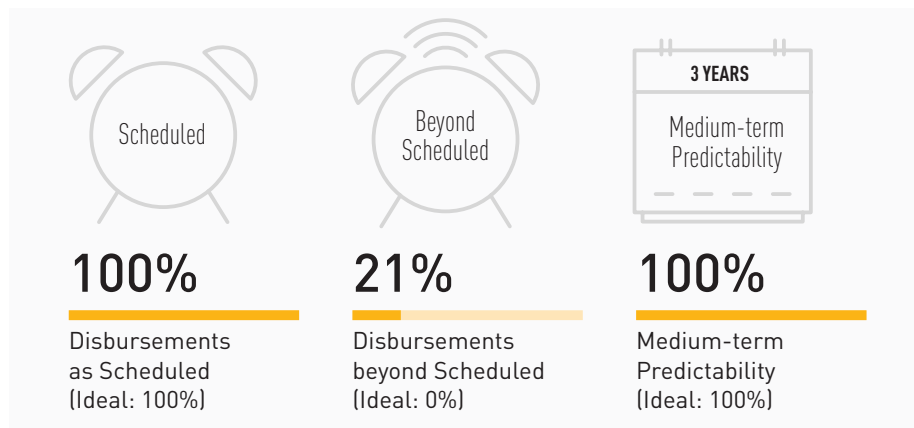
allocations for gender equality priorities stressed by the National Strategy for Sustainable Development and the national Gender Policy. While advancing in long-term improvements of public

financial management, government and development partners might consider steps into including gender equality in budget allocations, execution and accountability.

## 5. Transparency and Accountability

### Indicator 5. Development Co-operation is More Predictable

One-hundred percent of development co-operation reported for this year's monitoring is predictable on annual and the medium-term bases. This outstanding result reflects the high quality of dialogue and coordination among government and co-operation partners, while it also showcases the benefits of using budget support and relying on a sound medium-term development planning and expenditure frameworks.



### Indicator 7. Mutual Accountability

The main vehicle for mutual accountability is the National Strategy for Sustainable Development (Te Kakeega III) 2016-2020 and its supporting Development Partners Agreement outlining principles and procedures for providing development co-operation. As most of the co-operation

reported in 2015 is channelled through budget support (either general or sector), accountability lies foremost with the national government working towards the targets expressed in the Joint Policy Matrix. This has generated an effective and efficient environment for development

partners to support Tuvalu's efforts in promoting sustainable development, while avoiding additional burden on national capacities and engaging in a strategic medium-term dialogue on Tuvalu's best options in certainly very difficult economic and environmental conditions.

## National Priorities Going Forward

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Tuvalu's national priorities for the next four years are reflected in the new National Strategy for Sustainable Development, Te Kakeega III 2016 to 2020 (TKIII). Te Kakeega III aligns with the goals of the UN Sustainable Development Agenda, the SIDS Accelerated Modalities of Action and other international and regional development frameworks, including the Framework for Pacific Regionalism. The TK III has 12 broad strategic areas: climate change, economic growth and stability, health and social development, island development, private sector development, education and human resources, natural resources, infrastructure and support services, environment, migration and urbanization, and ocean and seas.

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