(23 January 2009)

Vulnerability profile of Tuvalu

Note by UNCTAD

1. **Institutional context**

1.1 Date of independence

The Ellice Islands separated from the Gilbert Islands, taking the name Tuvalu, in 1975; gained independence from the United Kingdom on 1st October 1978.

2.4 Distance from the graduation threshold *(per capita income score)*

2000: 127.5% of the threshold
2003: 153.7% of the threshold
2006: 140.8% of the threshold
2009: 234.3% of the threshold

3. **Human assets weakness criterion**

3.1 Population *(Source: UNCTAD)*: 11,000 (2007)

3.2 Population growth rate (per annum over the 2005-2010 period): 0.42%

3.3 Percentage of population undernourished *(component of the HAI)*

CDP estimate in 2006: 3% (2000-2002)

No relevant data available in Tuvalu, including in the latest national MDG report.

3.4 Child (under 5) mortality rate *(component of the HAI)*

CDP estimate in 2006: 51 per 1,000 (2000-2005)

The 2007 Tuvalu Demographic and Health Survey indicates a child mortality rate of 36 deaths per 1,000 live births.

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2006: 140.2% of the threshold
2009: 133.9% of the threshold

4. **Economic vulnerability criterion**

4.1 Natural shocks *(overview)*

High vulnerability to violent shocks.

Though not as frequently affected by cyclone

4.7 Primary activities as a percentage of GDP *(component of the EVI)*

CDP's 2006 estimate of the share of agriculture and fisheries in GDP: 18.9%.

No government estimate beyond 2002 is available (2002: 16.6%).

4.8 Merchandise export concentration *(component of the EVI)*

CDP, in 2006, observed a merchandise export concentration 2.3 times greater in Tuvalu than in other developing countries. In the absence of physical export other than some sea cucumber, this estimated level of concentration can only be expla1()7.5(r)B 5.4(be)-5.3vl

5. Anticipated consequences of graduation[1]

5.1 In the area of development financing

Tuvalu's largest development partner, Taiwan, maintains a substantial flow of ODA to Tuvalu (61% of total ODA flows in 2007-2008) on political grounds. This inflow is unlikely to be affected in any manner by the eventuality of graduation.

The European Union and the five main bilateral partners of Tuvalu in the Asia-Pacific region (Australia, India, Japan, Korea, New Zealand), accounting for 25% of the donor-funded public sector investment programme, are equally likely to maintain a stable pattern of aid to Tuvalu, irrespective of the country's status.

The South Pacific Commission provides technical assistance to Tuvalu because the country is a member of that organization, irrespective of LDC status.

Four agencies and programmes of the UN system are among the development partners of Tuvalu (UNDP, WHO, UNESCO, together accounting for 5.5% of total ODA); in the event of graduation, they would be expected to demonstrate exemplary adherence to the UN General Assembly's call for a "smooth transition" for graduating countries.

A natural inclination of Tuvalu's development partners has been to determine their ongoing support to the country in the light of the special challenges the latter is faced with.

Finally, it is highly improbable that a graduating Tuvalu would suffer any interruption in the implementation of the Enhanced Integrated Framework for LDCs, which started in 2008.

5.3 In the area of UN budgetary support by virtue of LDC status

UN coverage, by virtue of LDC status, of UN-related travel costs for Tuvaluan delegations is estimated at US $150,000. Losing access to UN budgetary support in the event of graduation would inevitably result in further marginalization of Tuvalu from the multilateral scene, although the country, despite its small size, has much international work to pursue in response to some of the most serious global issues.

6. Has the country demonstrated structural progress?

This section raises, and briefly answers, six important questions relevant to the

6.4 Productive capacities and economic specialization

(Question 4:) Has the specialization of the economy already evolved toward products less dependent on trade preferences and/or more resilient international service activities?

The economic specialization of Tuvalu is bound to remain in the sphere of rental income based on the exotic characteristics of the archipelago. The only exception to this might be in the area of tourism development, yet a specialization avenue that was never fully explored.

6.5 Employment-based or jobless growth?

(Question 5:) Has the increase in per capita income been fuelled primarily by enhanced productive capacities and employment opportunities?

The progress observed in terms of per capita income has been explained by rental income, not genuine domestic productive capacities.

6.6 Equitably distributed prosperity?

(Question 6:) Has poverty reduction, all things being equal, already taken place in an equitable manner?

Poverty reduction is possible in a rental income economy, but unlikely to benefit dispersed islanders in any equitable manner.

6.7 Conclusion

In the absence of any meaningful progress in the human capital, investment climate and public infrastructure, the scope for enhancing productive capacities is nearly non-existent. The environmental erosion the country will continue to suffer from raises the issue of survival more dramatically than the question of structural progress. The apparent prosperity is fuelled by rental income only (e.g. domain name "dot tv", stamps), which is hardly a poverty reduction factor.