

LDC GRADUATION - THE DIFFICULTIES AND REALITIES FOR TUVALU



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BRIEFING AND UPDATE FOR ECOSOC MEMBERS - Prepared by the TUVALU MISSION TO THE UNITED NATIONS

According to the Resolution E/RES/2012/32 of 2012, the ECOSOC:

“5. Takes note of the recommendation of the Committee that Tuvalu be graduated from the list of least developed countries, and decides to consider the issue at its substantive session of 2013, allowing the Council an opportunity for full consideration of the particular challenges that Tuvalu faces”.

The Tuvalu Government is pleased to provide the ECOSOC members information regarding the particular challenges the country faces. Tuvalu respectfully requests that the ECOSOC defer the decision to the next triennial review in 2015 and thus allow the Committee for Development Policy to conduct a more thorough review on the particular vulnerabilities of Tuvalu as detailed below.

1. TUVALU IS A LEAST DEVELOPED COUNTRY AND A SMALL ISLAND DEVELOPING STATE.

WHAT WE ARE AND WHAT WE HAVE

With a total land area of **24km²** (compared to Manhattan land mass of **87km²**), Tuvalu is **the 4th smallest nation in the world** (after Holy Sea/Monaco/Nauru). The islands are flat with an average elevation of 2 meters above sea level with sandy, porous and poor soils. It is a resource-poor country. It's agricultural and fisheries sector are mainly subsistence.

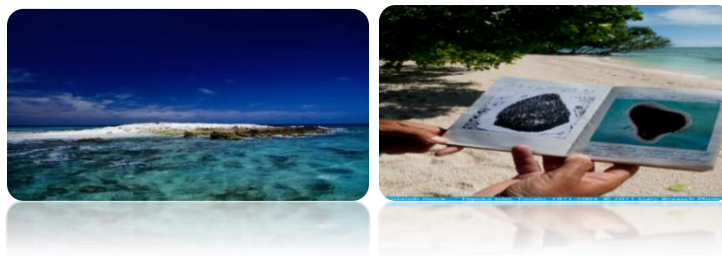
There are **11,000 Polynesian people** living on its **9 coral and reef atoll islands** in the vast Pacific Ocean, between bigger neighbors Kiribati (north) and Fiji (south). As an extremely small, remote and isolated island state, Tuvalu is the most vulnerable country to the effects of climate change. The only highest building on the islands is the three story Government Headquarters on the Capital, Funafuti Island.

2. NEW AND ON-GOING ENVIRONMENTAL THREATS TO TUVALU

Frequent Flooding/Sea water coming up under-ground in-land.



Moving/Disappearing islands



Long drought/ sea water flooding - impact on Vegetation and food supply





3. PARTICULAR CHALLENGES TUVALU FACES

ISSUES

TUVALU REALITIES

1. *The basic UN definition of LDCs is low income countries, suffering from the most severe structural impediments to sustainable development.*

2. *Does Tuvalu have a high GDP and GNI?*

The **natural realities/impediments** to Tuvalu's development have not changed (Tuvalu Vulnerability Profile 2012 - UNCTAD). That is what makes Tuvalu a real deal **LDC/SIDS** country, conforming to the UN definition. This includes small low lying islands, isolated from major markets, no land-based natural resources and highly vulnerable to climate change.

Tuvalu's GDP is actually the **bottom of the world ranking** according to the World Economic Outlook, April 2013. When we compute the "**per capita GDP** using **Tuvalu's small population**, Tuvalu automatically become an **UPPER MIDDLE INCOME COUNTRY!!** In the same light as GNI/capita this is not an appropriate statistical indicator for the realities of our natural impediments and welfare outlook for the poor people of a SIDS - Tuvalu.

Tuvalu's aid to GNI ratio is exceptionally high recognizing that external aid predominates in Tuvalu's economic development.

	GDP (USD)		GNI (USD)	
	Annual	Per capita	Annual	Per capita
2010	31,816,524.9	3,237.7	47,022,966.5	4,790
2011	35,804,372.4	3,636.1	48,780,657.3	4,950

3. *Why doesn't Tuvalu diversify its economy?* Tuvalu is a natural LDC and an archipelagic SIDS; with a narrow resource base and poor soils, isolated with high energy and transport costs, and little resilience to natural disasters. Such fundamental realities and challenges limits any production, investment interest and therefore no exports, hence our lowest-ranked GDP world-status. Diversification by any imagination is at most wishful thinking!.
4. *Why doesn't Tuvalu attract Investors?* Tuvalu is an open economy. However the fundamental realities of extreme isolation, high energy and transport costs and the vulnerabilities and business risks means that there is no influx of investors heading to Tuvalu.
5. *Are there tourism opportunities in Tuvalu?* The only international flight connect with the world is through Fiji - 42-seater flights, twice per week. This two-hour flight costs USD 1,500 for a round trip, more expensive than a round trip between New York and Geneva.
- Fiji is a global tourist destination and Tuvalu just can't compete. The only hotel in Tuvalu is a 16-room government-run hotel.
6. *The recovery of the Tuvalu Trust Fund is crucial.* Without any productive capacity and exports - the TTF has added much needed budget for public service and development.
- Since the GEFC in 2008, the TTFs market value is still below the maintained value; optimistic estimates for a distribution for Tuvalu is for 2014/15.
- | Year | Maintained Value (\$M) | Market Value (\$M) | Difference (\$M) |
|------|------------------------|--------------------|------------------|
| 2008 | 109 | 94 | -15 |
| 2009 | 113 | 96 | -16 |
| 2010 | 119 | 107 | -12 |
| 2011 | 128 | 115 | -13 |
| 2012 | 130 | 127 | -3 |
7. *Since Tuvalu does not trade in goods, it won't* Of course we don't trade in goods given the lack of natural endowments and poor land/soils; but we

lose out on LDC trade assistance?

IMPORT EVERYTHING and Government heavily subsidizes import costs.

TRADE IN SERVICES is however paramount for Tuvalu as an employment valve, foreign earnings and family income for Tuvalu (remittances). 400 seafarers (in Europe) and fruit pickers (in New Zealand) work on annual contracts, and the Government subsidizes their training and travel costs to enable competition with cheap labor markets in Asia (sea faring).

8. *Does Tuvalu's narrow based economy make it quick for Tuvalu to recover from global crisis?*

Tuvalu's GNI is very susceptible and vulnerable to the whims of global crisis. The financial crisis (GEFC) of 2008 hit Tuvalu like a tsunami. Our Trust Fund (see #6 above) has not recovered; energy prices soared and are sticky downwards; food crisis has added to an increased cost of living; and recruitment for our seafarers working on international contracts have decreased.

It takes longer for a small economy to recover after waves of global crisis. The added climate challenges certainly make the narrow based economy more narrower!

9. *What are the implications for Tuvalu from environmental and climatic changes?*

The slow onset climate change realities is an **EXISTENTIAL ISSUE** for Tuvalu. Whilst dependent on the sea for sustenance and maintenance; there is little resilience to its power and destruction.

Experts recommend Tuvalu develop risk-averse, high-tech, and sophisticated warning systems. But what can Tuvalu do when a tsunami hits and the nearest neighbor is 750 km away. **We do not have a choice of inner land or higher grounds to run to!**

10. *Why don't Tuvaluans migrate to other countries?*

- The existence of our sovereign State is in grave jeopardy.
- Tuvalu can become the **first ENDANGERED HUMAN BEINGS**.
- **There is no climate change refugee status under international law**
- Boarder controls and immigration laws are sovereign institutions.

11. What are the consequences of graduating?

Taking away the LDC status is like forcing Tuvalu, with very little God-given resources and income generating avenues to lose a key donor consideration (LDC) and **meet higher international and UN costs and contributions**, which Tuvalu is unable to afford?

LDC-sponsored programs	Funding (USD)
UNFCC (GEF)	\$3.3million/5yrs
UNFCC	\$4.7million
IEF	\$900,000 (tier 1capacity building) \$9million (Tier2 infrastructure development)

12. There is a need for new statistical measures which are more appropriate for analyzing the LDCs and SIDs realities, vulnerabilities and resilience.

Numbers and statistics are always important, but they do not tell the whole story. High figures of GDP/GNI (per capita) do not necessarily show welfare and resilience to natural impediments to growth. Tuvalu's 24km² land area can hardly give one an idea how small the country is until it is confirmed that it is three-times smaller than Manhattan island (NY).

Data and statistics should be supported by thorough research or **site visits to the assessed country to see on the ground, the real difficulties Tuvalu people have to face on a daily basis.**

13. Is Tuvalu challenging the graduation criteria?

Tuvalu honors the UN institutional goals but it requests that its fundamentals and realities, be researched thoroughly as its structural impediments to sustainable development are REAL, and not statistical computations. FOR EXAMPLE - Tuvalu's GDP is BOTTOM of the world ranking; divide the same GDP by the small Tuvalu population and suddenly Tuvalu is statistically promoted to an Upper Middle Income country - Is this acceptable??

The basic UN definition of LDCs is low income countries, suffering from the most severe structural impediments to sustainable development. That is Tuvalu.

4. Tuvalu – the most Vulnerable Country to Climate Change can become the first Endangered Human Population to the Effects of Climate Change

As a small island developing state/ least developed country, Tuvalu needs the continuous kind assistance and support of the international community to its development goals and aspirations. To graduate Tuvalu at the moment would mean, among others, to deny Tuvalu's access to the LDC Fund for climate change and other donor specific resources earmarked for LDCs. With limited income generating options, Tuvalu is still also waiting for its Trust Fund to recover. Tuvalu anxiously awaits post-2015 development to unfold. One of the key themes is to increase "LDCs productivity!". This is naturally a formidable challenge for Tuvalu with little diversification options.

Tuvalu requests that the experts of the Committee for Development Policy as well as other interested parties to visit the country before making a recommendation on the country's LDC status. Tuvalu would like to seek the ECOSOC members' kind understanding and to ask the ECOSOC to defer the matter until the next LDC triennial review in 2015 thus giving adequate time for a thorough investigation and research of Tuvalu's realities and impediments to sustainable development, post MDGs, and as we progress towards the Post 2015 and SDGs.

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