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# 2022 NATIONAL BUDGET SPEECH

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*Build Stronger and Invest for a Resilient Economy*

**Hon. Seve Paeniu  
Minister of Finance**

**16 December, 2021**

**Budget Speech for 2022 National Budget**  
***“Build Stronger and Invest for a Resilient Economy”***

***Introduction***

1. Honorable Speaker, I am pleased to present to Parliament the National Budget for the fiscal year 2022 in fulfilment of section 165 of Tuvalu’s Constitution.
2. The Budget that I present today demonstrates the steadfast commitment of the Government to prioritize the health protection of every Tuvaluan while seizing the opportunity to build our economy stronger and more resilient.

***Macroeconomic Overview***

3. Although the Covid-19 has never affected Tuvalu, its impacts observed in our neighboring countries, and on the global supply chain, have been detrimental, particularly in the first half of 2021. Disruption to normal operations have caused long-delays in shipping as well as the delivery of construction materials, heavy machinery, fuel and food.
4. On the global stage, the IMF’s October World Economic Outlook (WEO) projected a 6% growth of the global economy for 2021 following a 4.4% growth in 2020. The growth improvement has been linked to the continued global recovery efforts from Covid-19 and adaptation policy measures in developed countries - even amid the resurgence of the pandemic.
5. The 2022 domestic economic growth projected by the IMF in April of this year is 3.5%. This is an early indication that 2022 will be a promising year of growth, a belief that is shared by the Government. The arrival of construction imports and heavy machinery during the third quarter of 2021 has paved the way for increased infrastructure works across the country. Massive work, and employment as a result, is anticipated in the first quarter of 2022 with domestic runway clearance, installment of air service-related infrastructure, boat harbors in five outer islands and ongoing classroom construction in Nanumea and Nukufetau.

## ***New Policy Measures***

6. Honorable Speaker, this is a budget that delivers on *Te Kete*'s vision and its aspiration for "a peaceful, resilient and prosperous Tuvalu". It is a budget that delivers on growth, resilience, and investment for future generations.
7. It recognizes job opportunities created domestically. It recognizes the needs of micro and small businesses to enhance their ability to trade their produce in the domestic market. It is a budget that values our human resources and workforce. It prioritizes the effectiveness and efficiency of activities delivered to the public.
8. Honorable Speaker, allow me to explain in detail. The Government will invest in growth: that is growth in crucial infrastructure, growth in jobs, growth across the country. Our increased annual investment in Outer Islands through domestic airline infrastructures, land leasing, boat harbors, classrooms and agricultural activities, apart from annual development grants, will bring more employment opportunities than ever before to the Outer Islands.
9. A parallel initiative to complement agricultural activities is the National Strategy for Food Security which was launched this year. This is led by the Government and co-funded by the Republic of China, Taiwan. It supports local farmers so that they can produce abundant supplies of crops, fruits, dry fish or local jams and bring surplus supplies from the Outer Islands to the bigger market in Funafuti. This is a local food supply chain established to encourage trading between islands and a process to will promote competition and specialization in the domestic market.
10. In this Budget, 69 new positions will be added to the public service and 177 positions have been granted salary upgrades for next year. These public service changes will have a positive ripple effect on families and communities.
11. Honorable Speaker, our successful negotiation with development partners about improving the monitoring of our donor-funded projects has culminated in the establishment of the Centralized Project Management Office (CPMO) in September this year. The CPMO will implement the Government's strategic approach in

centralizing monitoring and evaluation of major donor-funded projects to ensure we are getting the best value out of these programs and infrastructures.

### ***Budget Overview***

12. Honorable Speaker, the framing of the Budget aligns well with the policy measures I just highlighted, which should result in real and measurable progress in development and the delivery of public services.

13. Let me outline the fiscal approach underpinning the 2022 budget formulation. The total budget expenditure is above the total estimated revenue, thus resulting in a deficit of \$8.6 million that will be financed by drawdown of the Consolidated Investment Fund.

14. Honorable Speaker, this is the second consecutive year that the overall budget expenditure is exceeding the \$100 million mark. To be exact, \$102 million is the total expenditure for 2022. This total is below this year's revised budget by \$12 million. Of this total budget expenditure, \$81.8 million is recurrent expenses, \$17.1 million non-recurrent expenditure and \$3.0 million statutory expenditure. Non-recurrent expenditure is also split in two components: \$8.9 million for one-off expenditure and \$8.2 million for Capital expenditure.

### ***Re-Investing***

15. This year, our national financial asset, the Tuvalu Trust Fund celebrated a key milestone of reaching \$200 million market value. This is a milestone that evokes pleasant memories of the foresight that led our forefathers to established this viable investment, which has generated a perpetual return that are enjoyed by Tuvaluans today and that will further enjoy by many of our generations to come.

16. A real demonstration of this perpetual return is the distribution of \$12.4 million from the Tuvalu Trust Fund confirmed for next year. This distribution will finance our development as originally intended by our forefathers.

17. The Government has set a \$1 billion milestone for the Tuvalu Trust Fund by 2030. Hence, work has begun to plan our pathway to achieve this milestone. A \$5 million allocation has been set aside as Tuvalu's contribution to the Trust Fund.

### ***Investing in Health***

18. Honorable Speaker, health is integral to achieving a healthy and prosperous Tuvalu. The Government had reviewed the Tuvalu Medical Treatment Scheme Policy with the main objective of delivering the best value for money and enabling Tuvaluans to enjoy equal access to medical treatment. For the year 2022, the Government is committed to support the medical scheme by allocating \$4.5 million; with \$4 million for overseas medical referrals and \$500,000 for local medical referrals.

19. The Government recognizes our senior citizens in this budget with the disbursement eligibility threshold now lowered to 60 years of age instead of 70. There are now three age brackets: 60 to 64, 65 to 69, and 70 and above. Those in the lower bracket between 60 and 64 will receive \$50 per month, while those between 65 and 69 will receive \$75 per month, and those above 70 will receive \$100 per month. The Government continues to maintain a special age-linked bonus of \$3,000 for those reaching the age of 80, \$5,000 for those reaching the age 90, and \$10,000 for those reaching 100. The total budget for the senior citizen scheme for 2022 is \$1.1 million.

### ***Investing in Education***

20. The Government continues to prioritize investment in education to achieve quality education and unlock potentials of our children. This is reflected in the education sector receiving the second highest total recurrent expenditure of \$13 million, just lower than the budget for the health sector. A new allocation of \$40,000 has been added to procure science equipment for schools at all levels to increase student participation in science and technology.

21. The Government has also increased total funding for scholarships to \$6.6 million from the 2021 total of \$6.3 million. Scholarship funding for 2022 includes \$3.0 million provided for in-service scholarship and the SELF program, \$3.5 million for pre-service

scholarship and \$100,000 allocated for the Motufoua Secondary School - Pacific Technical and Further Education (PacTAFE) program.

### ***Investing in Infrastructure***

22. Honorable Speaker, infrastructure investment is the backbone of any growing economy. Infrastructure connects communities and guarantees the convenient trading of goods and services. It adds valuable construction and maintenance jobs.

23. The 2022 Budget provides \$8.2 million for infrastructure development. Combined with the carry forward balance of the Infrastructure Special Fund from previous years allocations, which is about \$17.2 million, as of October 2021. Therefore, a total of \$25.4 million is available to build more infrastructure in 2022. Of this \$25.4 million, \$11.2 million or 44% will directly contribute to Outer Island development. This is a larger investment compared to past years.

24. Included under the capital budget is the annual capital grant of \$200,000 for each Kaupule to support their island development. A separate \$1.8 million is allocated for agricultural development including: securing a half-acre on each island for agriculture; facilitating the establishment of agricultural stations and implementing of agricultural activities. This program is implemented in line with National Outcome 8 of Te Kete: *Agricultural Productivity Increased*.

25. The Parliament building has received \$1 million allocation so that preliminary planning can commence as part of a series of major undertakings to provide this august house, its own building.

### ***Investing in the Digital Economy***

26. Honorable Speaker, to advance economic growth efficiently as part of the digital economy, the Government has committed to financially support the National Bank of Tuvalu in upgrading its banking operating system. An amount of \$100,000 has been allocated in the 2022 Budget. The new banking system will allow the Bank to provide ATM, EFTPOS and online banking services.

27. Given the need to comply with international laws on anti-money laundering, the immediate focus is to provide a local network for ATMs and online banking with the view to offer international credit card facilities once the Bank meets all international requirements for cross-border of online money transfers.
28. In addition, Honorable Speaker, an amount of \$500,000 has been allocated for the creation of a national digital ledger that will complement the upgrading of the Banking system and move national registers for health, fisheries, and other sectors to the blockchain. This will be followed by an exploration into digital currency that will allow our country to leapfrog other nations and move to the forefront of global digital development.
29. Honourable Speaker, dotTV is one of the most critical assets for Tuvalu, and its current contract with Verisign may be terminated by either party after 31 December, 2021. In preparation for the expiration of the contract with Verisign, the Government undertook a comprehensive tender process to secure a Registry Service Provider. I am pleased to announce, Honourable Speaker that the winning bidder was GoDaddy Registry. Under a new contract, which is still being negotiated, the Government has opted for a cost structure business model whereby the Government retains the governance, policy and marketing of DotTV while the registry Service Provider will provide the infrastructure, technological support for DotTV. In anticipation of this new business model, the Government has allocated the amount of \$2.03 million to support the sales and marketing component of the DotTV, and to majority build marketing capacity in our country using a new modelling approach that will boost revenue through DotTV.

### ***Addressing Covid-19***

30. Honorable Speaker, allow me to provide a Covid-19 brief, to this august house.
31. We remain Covid-free, and we are in a comfortable position today because we have followed health guidance, united as a community for this great cause of preventing any Covid intrusion into the country.

32. Whilst we maintain a Covid-Free Strategy, we will progress to a Covid-Safe Strategy once we reach the herd immunity target expected in March, 2022. As of December, 2021, the vaccination rate of the eligible target population stands at 86%.
33. Even so, Honorable Speaker, we must remain vigilant against the unpredictable nature of the virus. Although countries are taking different approaches in responding to the pandemic, the Government is prioritizing what is best for the protection of our people, by following information from health experts, ensuring we adopt effective control measures at our borders and guaranteeing that our frontline workers are adequately resourced. In the same vein, I must commend the tremendous work of our frontline workers and various committees involved in keeping our borders safe.
34. Our funding measures available to support this great cause have been possible due to the assistance from our development partners. In addition to next year's budget allocation of \$500,000 to fund general Covid responses, we have a remaining balance of more than \$1.5 million from development partners. Furthermore, Australia is providing an additional \$2 million of funding support to finance repatriation-chartered flights, quarantine costs, border activities, and IT related infrastructure to improve connectivity.

### ***Revenues***

35. The overall revenue estimated for the fiscal year 2022 is \$93.6 million which is a decrease of \$14.5 million from this year's revised budget. Of this total revenue, \$60 million is recurrent, \$14.6 million non-recurrent and \$19 million budget support.
36. The rebound in financial markets following setbacks of Covid triggered a distribution of \$12.4 million from Tuvalu Trust Fund. This has supported the overall estimated revenue after the World Bank budget support is temporarily halted next year. Fisheries revenue remains our strong domestic source of revenue, increasing to \$37.7 million. The return of transshipment operations in our harbor increases this revenue collection.
37. Budget support received from development partners is an important part in the Government's overall revenue, assisting significantly to minimize the deficit domestic



budget balance. These budget supports come with ambition for progress in our mutually agreed reforms included in the Policy Reform Matrix. A total of \$19 million budget support is part of the 2022 total estimated revenue. By acknowledgement of these contributions, I am happy to recognise: \$9.2 million contributed from the Republic of China, Taiwan, \$5.4 million from the Asian Development Bank (ADB), \$1.5 million from Australia, and \$1.3 million from New Zealand.

### ***Financial Investments***

38. The level of Government financial reserves as of October stands at \$70.7 million. This is made up of \$36.8 million in the Consolidated Investment Fund; \$9.2 million at the Tuvalu Survival Fund; \$6.3 million Special Infrastructure Fund; and \$18.4 million in our Tuvalu Development Fund.

39. The current CIF balance still exceeds the target minimum balance of \$30.9 million, the equivalent of 16% of the Tuvalu Trust Fund maintained value, and it is yet to account for the surplus projected for this financial year. Total Financial Assets (excluding our financial reserves) amount to a total of \$242.8 million, which comprises of \$205.9 million from the Tuvalu Trust Fund and \$36.9 million from the Falekaupule Trust Fund.

### ***Development Partners Investment***

40. Honorable Speaker, all other projects and program initiatives which are funded by our development partners, including pipeline projects are contained in the Development Fund Estimates for which there is a separate motion seeking Parliament's approval for it.

41. Tuvalu acknowledges the financial support of \$745,000 provided by the Republic of China, Taiwan for the implementation of the National Strategy for Food Security which will cover the costs necessary to develop a market facility on Funafuti to sell products, the costs of agricultural tools, and operational costs for a food bank mechanism.

42. Major investments from the World Bank under IDA19 include: USD34 million to finance maritime infrastructure priorities to improve safe passage for passengers and cargoes for Nukufetau and Nanumea Island. The amount of USD16m for the

Nanumaga boat harbour which was approved under IDA18 has been approved to add to funding allocation for Nukufetau and Nanumea maritime infrastructure investment and to combine these three investments into a single project with a total of USD47m. As a result, this will be the biggest single investment project in Tuvalu.

43. Also, under IDA19, an amount of USD15 million has been allocated to support the health sector; USD6 million for the runway pavement rehabilitations; and USD5 million relates to the catastrophe deferred draw-down.

44. The Government has also agreed to a suitable business model for the ICT submarine cable with the World Bank which will provide funding of USD29 million as approved under IDA18.

45. Major investments by the Asian Development Bank (ADB) under ADF12 include: USD35 million for boat harbors in Nui and Niutao; USD6 million for renewable energy support; and the co-funding support of USD4 million for the Funafuti Water and Sanitation Project, complementing the USD5 million from GEF LCDF (Global Environment Facility - Least Developed Countries Fund).

***Concluding remarks:***

46. Honorable Speaker, it has been almost two years since the virus abruptly changed the landscape of our economic development. Today, our economy is roaring back. We have seized this opportunity and importantly we are properly informed on the appropriate health response to Covid 19 that will enable our economy to grow with confidence.

47. I have great confidence in our potential to deliver quality outcomes for the betterment of the livelihoods of our people.

48. Fakafetai lasi. Tuvalu mote Atua.