



Tuvalu Private Sector Development Plan
2018-2022



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ACRONYMS

ADB	Asian Development Bank
AUD	Australian Dollar
DBT	Development Bank of Tuvalu
EIB	European Investment Bank
GDP	Gross Domestic Product
GNI	Gross National Product
NBT	National Bank of Tuvalu
PIC	Pacific Island Countries
PSMU	Private Sector Monitoring Unit
ROC	Republic of China
SOES	State Owned Enterprises
TKIII	Te Kakeega III
TPSDP	Tuvalu Private Sector Development Plan
TPS	Tuvalu Private Sector
USD	United States Dollar

FOREWORD

For the very first time we have a sector plan for developing the private sector. Previously private sector development has been a chapter in the Te Kakeega III series although we continually refer to it as Tuvalu's engine of growth. Now it has a plan of its own just as other sectors or ministries of government have their corporate or sector plans.

There is a lot of work to be done and a sizeable investment is required to lift the private sector from its current position. The target is the group of businesses that are privately owned, not the public owned national corporations. The expectation is that the private sector can be brought to life and continue to sustain growth path for the benefit of all.



It is my sincere hope that the private sector will grow into the true 'engine of growth' for our country that we so often orated in the past. It is my great pleasure to present this Private Sector Development Plan to Tuvalu on behalf of the Government of Tuvalu, Tuvalu National Private Sector Organization (TNPSO) and all stakeholders with which the successful implementation will depend on their contributions.

TUVALU MOTE ATUA

A handwritten signature in blue ink, appearing to read 'Maatia Toafa', written over a light blue horizontal line.

MAATIA TOAFA

DEPUTY PRIME MINISTER AND MINISTER OF FINANCE & ECONOMIC DEVELOPMENT

INTRODUCTION



A national seminar on the 'Tuvalu Private Sector Development Plan' was held in Funafuti from 11-13 September, 2017, attended by representatives from Tuvalu Falekaupule, Kaupule and business communities. They presented their views and wishes on how they want their businesses and Tuvalu to develop. The outcomes of the seminar are included in this TPS development plan.

The Tuvalu Private Sector consists of organizations that are owned by private interests and run outside the public sector either for profit or charity purposes. These organizations are governed by the legislation under which they were incorporated, registered or licensed and therefore they are guided by their internal laws as well as the public policies relating to business and trade. The current PSD Plan covers all businesses, including both the unregistered as well as the unlicensed businesses.

The development of the private sector will start from the current state of the private sector, its active businesses. They will be assisted to build up their capacity to produce and sell their wares and services. The aim is the future of businesses, as change is a slow process, and needs to be considered in terms of the long term. Changing the way business is currently done and change management should be evolutionary if the change is to be less disruptive and lasting.

The requisite reform effort demands a level of advocacy, awareness raising and outreach. It needs the participation of policy makers, private sector, media and civil society to propagate the necessary attitude and behavior for changing the business culture.

Other Pacific island countries similar to Tuvalu have reformed successfully their private sectors and their experience is invaluable for Tuvalu's reform effort. Tuvalu is to learn from its neighbors, and acknowledge and seek both regional and international organizations that have a lot of expertise in private sector development. A common reason businesses fail is a claim of a lack of access to finance. In Tuvalu experience suggests that the core reason for businesses to fail or to fail to establish is due to an inability to service their loans.

Overview of the Tuvalu Private Sector

TKILL has identified the private sector as the ‘engine of growth’ in Tuvalu. More than 20 strategies that affect the private sector are covered in the 12 chapters of TKILL. Tuvalu Private Sector (TPS) are the for-profit and non-profit organizations, they are quite distinct from their counterparts in the public domain. Currently TPS some distance from the vision of ‘engine of growth’ government is determined to move the sector closer towards that desired goal.

The very small Tuvalu private sector consists of a handful of merchandise wholesalers and retailers, a few small lodgings, restaurants, construction companies, mechanical repair shops, fishing operations and a private secretarial school. At present there are near 200 business registered with the Government, which has grown since 160 were registered in 2013. The sector accounts for 30% of GDP (2015). The low private sector share in the GDP is due to the increase in the public sector’s return on its offshore investments in fisheries and Trust Fund. Because of the smallness effects there are no advantages from economies of scale, purchasing power is limited and the cost of doing business is relatively high.

Sole proprietorships are the most common form of business ownership, with a 98% ownership held by Tuvaluans, and 2% foreign investors. More than 80% of the businesses earn less than \$5,000 a month and 65% of all owners are women.

Due to the size of the economy, it is difficult for local commercial investment to be sustainable without government support in certain sectors. Market supplementing interventions that diversify fisheries and agricultural products for the domestic market could build up domestic demand for locally produced and grown food crops. Import substitution and light manufacturing can follow but they need to stand on a sure platform of sustainable domestic demand/supply prior to extending to the export market, or import substitution.

The business community is optimistic about the growth prospects of the TPS, especially where the government can show positive support for the private sector. While a lot more support is required to lift the sector off the ground, the change in government’s policy orientation is a welcoming sign to the private sector. However policies should be implemented via a clear strategy, with an appropriate structure, with the necessary resources. The reform should be sequenced in a timely manner to reflect the priorities and readiness of the Government and the TPS.

Tuvalu Economy

The economic development potential in Tuvalu is limited. The challenges include the small size of the market, geographic fragmentation, isolation and distance from the main overseas market, unskilled labor force, small private sector and big government.

Historically GDP growth rates in 1978-1990 have been high around 5%. This is because the base from which the change or growth is calculated is small. National income comes from fishing licenses, Tuvalu Trust Fund, dotTV and remittances from Tuvaluans working abroad. IMF growth rates for Tuvalu in the first 10 years of the millennium were an annual average of 1.6%. In 2011 GDP growth rate reached 7.5% but has since dropped to 3.9% and is back up to 4.5% in 2013. The most recent GDP information suggests 9.2% for 2015.

Tuvalu's GDP per capita in 2015 was AUD4, 679, equating to USD3, 600. It is difficult to make comparison to countries in the region, or globally. Tuvalu's gross dependence on external grants, which is equivalent to 70% of GDP. Tuvalu tops the PIC average of 23% for this measure. Its main export is fish, which equates to 50% of its GDP compared to the main export of other Pacific islands like the Solomon Islands (logs 23%), Marshal Islands (fish 15%), Fiji (tourism 4% of its GDP).

Government Policy on Enterprise Development


The government's economic policy focuses on one of the country's major exports: trade in services. Labor mobility is high on the agenda; that is, to find jobs abroad for its people. Tuvalu workers are accepted in Australia, New Zealand and several Pacific Island countries that have signed up to the PACER+ trade agreement and several other labor schemes with some of these countries. The traditional seafarer market abroad is the other opening for our trained seafarers. Since the global economic crisis 2008-2010 there has been literally a wipe out in this source of employment. The loss of 80% in seafarer employment in this sector has huge negative impact on the lives of people in Tuvalu. Government is still trying to arrange jobs for seafarers with the overseas owners of merchant shipping lines.

The small size of the country both in population, landmass and the lack of natural resources, Tuvalu has a clear disadvantage in commodity development for export. Commodity development would have to target the local market only. The export of a small amount of local products could be viable if sent to the ethnic markets in Australia, New Zealand and Fiji. The barriers to such export, make this a challenge to the commodity export sector.

Historically, income received from renting Tuvalu property and assets has proven profitable. Access licensing of distant water fishing nations has repeatedly shown high financial rewarding. Tuvalu's commercial fishing boats in the joint venture with a Taiwan fishing company have proven equally successful money earners. Previously the hire of the domain name Dot.tv and telephone line hire also have also brought revenue for Tuvalu.

The government is structured with a relative notion of 'big government' in its policies despite the rhetorical reference to the TPS as the 'engine of growth'. Due to the size of the population, there is a heavy reliance on public corporations or public trading enterprises that it monitors with a specific statute, the Public Enterprise (Performance and Accountability) Act, 2009. The pro-public sector orientation is expected because the private sector does not have the resource capacity to provide the basic essential services that the country needs. Natural monopolies and large-scale physical infrastructures that are beyond the investment capacity of private businesses and individuals. These include shipping, power generation, airfields, boat harbors, telecommunications, broadcasting, and maritime training.

The 7 Public Trading Enterprises (PTE) were established by statute and include the National Bank of Tuvalu (NBT), Development Bank of Tuvalu (DBT), Telecom, Tuvalu Electrical Authority (TEA), National Fishing Corporation of Tuvalu (NAFICOT), Radio Tuvalu & Broadcasting, Post & Philately and Tuvalu Maritime Training Institute (TMTI). The performance of the PTE is monitored and evaluated by the Minister of Finance and Economic Development under the Public Trading Enterprises (Performance and Monitoring) Act, 2012. A Unit that regularly monitors, evaluates and reports the performance of PTE to the Minister is operating in the Ministry of Finance and Economic Development.



The existence of public corporations does not allow new entrants into their respective sectors, as each public corporation holds a monopoly. And any new domestic entrants do not have the capital to enter these markets, nor would it be profitable.

Private Sector Development Challenges

There are many challenges faced by organizations in the private sector foremost amongst them is the culture of communal life and the various practices associated with it. These are mostly contrary to the culture and practice of thrift, which is germane to business growth. Another challenge is the inefficiency with which government support is delivered to the private sector. Access to finance is a challenge stated by many within or wishing to enter the private sector. Skills are also inadequate and neither do private sector organizations have the ability to buy the skills they require.

Community Culture and Social Obligations

The development challenges of the Tuvalu Private Sector are many, intricately entwined and deeply rooted in community and culture hence they are difficult to change. The Government probably does not believe the nation's culture should be changed. The 8 island communities are the units for government's to allocate benefits and obligations; they are compensated with cash for hosting and entertaining government guests. With each island receiving cash distribution as a redistribution of funds to the public, managed by each Kaupule.

A negative correlation between community/social obligations and the growth of Tuvalu businesses is well borne out by the experience of businesses in Tuvalu. A comparative example can be seen by contrasting successful foreign businesses, detached from community commitments, and seen in Funafuti.

There appears to be a lacking in work ethic and capacity to continue within Tuvalu. This is evidenced where worthwhile projects have come to a halt when foreign funding and advisers' attachments come to an end. Governments change frequently as does the capacity for continuance of worthwhile projects and momentum. The position Tuvalu sees itself in is not uncommon in the third world and Tuvalu is actually lucky to be a Least Developing Country (LDC) where inward aid flows are more liberal.

Finance and Domestic Credit

The business community lacks the entrepreneurial and managerial skills to run business profitably and meet their business liabilities. The communal lifestyle sees social obligations take precedent over the settlement of business loans hence business life is often short lived for many. The few that are still running do so because they are able to manage their social obligations and keep their financiers satisfied by regularly servicing their loans. Many have strict no credit, or no loan policies.

Support to the TPS comes from the government or government owned enterprises like NBT, DBT and NPFT. An annual grant of \$30,000 is provided by GOT to TNPSO and this covers staff salaries and office expenses of the organization. The government has been providing credit lines to the Development Bank of Tuvalu (DBT) and these are capitalized to government's share in DBT. Since 1980 government credit lines enabled DBT to lend to the public, not just to be registered business owners.

The National Bank of Tuvalu (NBT) also lends money to businesses. The other financial institution is the Tuvalu National Provident Fund (TNPF), which capital is more than 5 times the combined capital of NBT and DBT. It lends to its members for home construction and loans are from members' collateral of their TNPF account.

Many entrepreneurs lack the necessary skills to run business operations in the private sector are lacking. Cash management, budgeting, marketing, sales are all skills not easily gained in Tuvalu. Entrepreneurial intuition is not widely seen in Tuvalu. It is doubtful whether the spirit of enterprise is a skill that can be taught or transferable across cultures. The people of Nanunaga are known for 'te ao' Nanunaga, which is their resource management culture. Niurao islanders also have this skill and knowledge but are yet to apply this to modern business life. The point is that entrepreneurial skill is nurtured and grows from how people manage their lives. It is a cultural phenomenon.

Key Results Areas for TPS Development

Business development is a subject that cuts across virtually all sectors of the economy. Changes in other sectors of the economy directly affect the business sector. A healthy and educated labor force for instance would increase the output and growth of the business sector. The challenges facing the private sector at this moment have helped pinpoint the key result areas that TPS Development Plan must target for development to occur.

1) Government of Tuvalu (GOT) and Tuvalu Private Sector (TPS) Partnership

GOT's involvement in the development and implementation of the TPS Development Plan is key to the success of the plan. In the forum it was emphatically pointed out that government support for private sector development has been inadequate and needs to be substantially bolstered and an important milestone of the TPS Development Plan. The small and young private sector consisting mainly of wholesale and retail importers need assistance for the Government, as the high cost of doing business in Tuvalu, is eventually passed onto consumers.



GOT-TSP Partnership Agreement: The collaboration between GOT and the Tuvalu National Private Sector Organization (TNPSO) will be stated clearly in a formal Partnership Agreement that defines each parties' responsibilities and obligations to build the private sector into the 'engine of growth' for Tuvalu. These responsibilities include the implementation of this PSD Plan, alongside the 20 milestones listed in TKill under the business and trade umbrella. Establishing a leadership group appointed from the business owners in the private sector and relevant officials in the public service and corporations will manage the partnership agreement.

GOT-TPS Partnership Board: The Minister of Finance and Economic Development should be involved with the establishment of a leadership group. The group should provide biannual reports to the Minister to demonstrate the implementation of the PSD Plan.

An appropriate secretary should be appointed, such as the Chief Executive Officer of TNPSO, where the ability to do so is demonstrated. Leadership members from the private sector should be nominated to accurately represent the private sector. The public sector will represent the financial institutions, the Business Unit in the Ministry of Finance and the office of the Prime Minister. The membership structure should be 4:3, private to public.

The primary responsibility of the Leadership group is to manage the implementation of the PSD Plan in accordance with the provisions of the GOT-TPS Partnership Agreement. It will update the plan and advise the relevant Ministers responsible for business and trade on the progress of implementing the Plan. The Board will meet at least once every 3-month and provide operational updates that are faced by private sector organizations.

2) Finance and Credit Arrangements for the Private Sector:



1. Tax Moratorium:

The shortage of financing capital and credit for the commercial and economic development of Tuvalu is an issue that could be addressed by the GOT. The GOT has previously supported access to finance, which has resulted in bad debts, and debt forgiveness.

An alternative injection of capital by GOT injecting capital into the private sector by declaration of a tax moratorium on all taxes for registered businesses and resident companies in Tuvalu. The period for such a moratorium could be between one to three years. With Inland Revenue to calculate the cost, and consider the inclusion of the relevant taxes for exemption for newly established businesses.

While there is a cost of providing a tax moratorium in loss of taxes to the GOT, the benefit is increased output of the private sector. Requiring less dependence on the public of the GOT.

The principle of granting exemption from particular laws for certain individuals and body corporates is the basis of sections 82, 83, and 85 of the Income Tax Act CAP 26:16. These sections give the Minister the power to alter the Act in the commercial and economic interests of Tuvalu. The Income Tax Act deals with the personal income of individuals but also with the tax for resident companies as per Schedule 6 of the Act.

2. Training

A key area participants identified in the business forum as an area of improvement for the private sector is business training. Currently there are no regular business training sessions or courses available to private sector entrants and participants.

The TPS Partnership should consider availing skills development to new entrants, and continuing to skill existing private sector participants. Providing skills in cash management, business plans, marketing, sales and determining appropriate niches for new businesses, would greatly assist participants in the private sector. The TPS Partnership could determine the best place and form for such training, either from the GOT, TNPSO or external sources.

3. External Sources of Finance

The international donor community has programs that support the development of the private sector in the Pacific Island region including Tuvalu. The Pacific Private Sector Development Initiative (PSDI) has AU\$34m covering a period of 7 years, up until 2019. It targets the removal of barriers to entrepreneurship that hinder the growth of businesses in 13 Pacific Islands and Timor-Leste. The program was established by the Asian Development Bank (ADB) and funded by Australia and New Zealand.

The ADB has its Public-Private Operational Plan 2012-2020, which has operated in Tuvalu in the Public Enterprise Review and Monitoring Unit (PERMU). The World Bank also has programs for private sector development for its member countries in the Pacific. These resources including the concessions availed under the Pacer + Trade Agreement will be utilized for the development of the Tuvalu private sector.

Access to such external funding could be assisted in accessing by GOT communicating what is available to the private sector, the TNPISO is also well placed to communicate such opportunities, with ADB and World Bank representatives already in country, to facilitate access to such opportunities. The incentive for GOT is to provide access to finance that the GOT no longer needs to avail.

4. Business Development in the Outer Islands

The development of outer island businesses was strongly presented in the seminar as a challenge more extreme than that faced on the capital island. This is true for there are 4,000 people on the outer islands who are scattered over some 750, 000 sq. kilometers of ocean compared to 6,000 people residing on the small capital island. Business development for outer islands looks should be by access to funding, price control on goods available, and greater shipping conditions (by way of schedules, communication and better handling).

The transport link between the capital and the outer islands is an essential service for the economic as well as the social life of Tuvalu. Best case scenario would see two modern vessels and an old ocean-going barge is adequate for the country's present transport needs. This clearly requires large capital investment, and asset management. Shipping schedules are rarely followed and vessels regularly go to Fiji or further for mechanical repairs. This leaves the country without transport links for long periods, sometimes months at a time. The challenges with shipping greatly hinders the development of outer island businesses, who rely heavily on ships running to schedule and in good mechanical and sanitary conditions.

These needs emerged from the hard experience of the real life of businessmen running canteens on the outer islands. Leading to the high cost of doing business in Tuvalu. Price control for instance is not synchronized with taxation so the price of certain imported items has to be controlled because import duties and Tuvalu's Consumption Tax have inflated their prices. The existing price control unit within MFED, does not reach the outer island regularly, and could do so to improve the livelihood of those on the outer islands.

3) Strengthening Domestic Market (Supply & Demand)

There is minimal locally supplied produce available on the main island. There has been a failure to organize sustained production and marketing. Examples of projects which have not been commercially maintained include the Vainoana Soap and Oil, Oita Sweet Potatoes, Vaitupu Honey, Sea Mounts Red Snappers, Pork Sausage making and many individual poultry and piggy projects. Failure has been attributed to a change in government policy (in the case of Oita sweet potatoes), community discontent (with bees taking from toddy trees), the end of project funding (in the case of red snapper export to Honolulu), and the high freight costs and communal culture. With many projects being funded externally over the years, the community appears to lose interest not long after the funding ceases.



Different items of goods can be produced from the same source through processing. This can increase and sustain the level of demand for the goods supplied. Fish for example can be processed and sold fresh, frozen, dried, salted, smoked fish, ground for fertilizers and dried mince for pig feed. This will not only ensure that fresh fish surplus on the market is cleared, but it also is an incentive for fishermen. The near shore Fishing Fleet proposed by the Fishery Department is a timely investment in raising the fish catch in Funafuti as well as the rest of Tuvalu.

Different kinds of products from coconut can be produced for the domestic market and potentially exported. Exotic coconut products include wood for construction and furniture, sugar and alcohol from toddy, virgin oil, coconut roughage for pig food and fertilizer, coconut cream, mats, handicrafts and other consumable products. Such produces are largely for import substitution, and require support for success production.

4) Review the Cost Structure, Laws and Practices of doing business in Tuvalu.

The Cost Structure

Data on the cost of doing business in Tuvalu is limited, of what is available is presented below in comparison with neighboring Pacific island countries. Comparative costs include: business registration, telecommunication, utilities and the cost of finance.¹ Other costs that affect business include freight charges, import duties, sales tax and business and company tax.



Business Registration

	Cost in Local Currency	Cost in AUD
Tuvalu	\$100	\$100
Fiji	Sole Trader - \$1.75 Partnership - \$1.15 Company name Reservation - \$5.75 fee depends on share capital	\$1.02 \$0.67 \$3-37
Kiribati	\$100	\$100
Niue	NZ\$150	\$130
FSM	US\$20	\$22
Palau	US\$50	\$55

¹ Survey on the Business Environment in Tuvalu, *Doing Business in Tuvalu 2013*, Pacific Islands Private Sector Organization, Forum Secretariat, Suva Fiji, 2013.

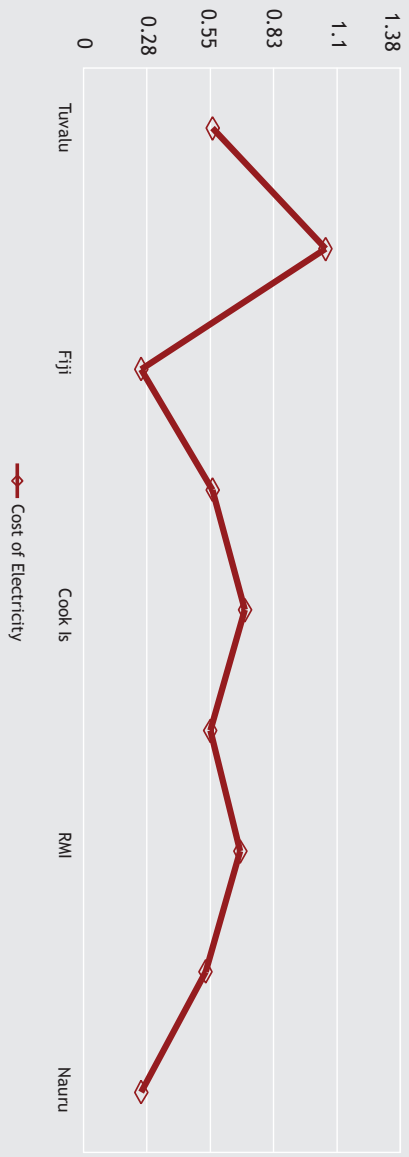


Telecommunication Costs

	Cost In Local Currency	Cost in AUD
Tuvalu	Set up costs: <ul style="list-style-type: none"> - Telecom provides phone - Mobile phone card - Internet minimum cost mobile - Cost Sim card - Minimum recharge card - cost of 1.4 Gigabytes Internet - 3.0 Gigs - Institutions - Business & Corporations - Institutions & Cafes 	<ul style="list-style-type: none"> - \$50 for installation\$50 for phone - \$2 - \$40 - \$20 - \$10 - \$56.00 - \$112.00 - \$300 per month 8GB - \$500 per month 15GB - \$750 per month 25GB
Kiribati	Monthly Rental fees Local calls To Mobiles Mobile	\$17 \$0.15 for 5 minutes 50 cents for 4 minutes 30cents per minute
Palau	128kbps - US\$350/month 192kbps - US\$520/month 256kbps - US\$650/month 320kbps - US\$750/month	\$390 \$580 \$724 \$835
Cook Islands	Monthly - NZ\$99 for 3.5GB	\$86 for 3.5GB

Cost of Electricity

Cost of Electricity in AU\$ per Unit



Cost of Water

	Cost in local currency	Cost in Australia Currency
Tuvalu	1000 liters (264 gallons)	\$20-24
Fiji	F\$0.53 for 1000 liters	\$0.31
Tonga	Paanga \$2.09 per 1000 liters	\$1.21
Kiribati	1000 liters	\$5.00

It should be noted individuals who have a tank (previously provided by aid) do not pay for water, as the source is rain collection.

Cost of Finance

Development Bank of Tuvalu.

The Development Bank of Tuvalu (DBT) receives loans from GOT and other overseas sources and these are normally capitalized into government's shareholding with DBT. Due to the high cost of finance for the DBT, due to high default rates, finance is between 9-15% where available. Bank fees per application are charged at \$10 for loan below \$10,000 and \$15 for loan above \$15,000.

National Bank of Tuvalu.

The interest charge is 9-9.5% for both business and personal loans. The cost of finance is high for NBT, due to the current debt portfolio.

It is clear from these tables that the cost of doing business in Tuvalu is by comparison to other countries in the Pacific island region. In making such a comparison, it should also be acknowledged that other Pacific islands are not necessarily comparable to Tuvalu economically or in population size.

Review of Laws affecting Business and Companies

Many laws affect the operation of running a businesses in Tuvalu. Directly relevant are the Acts and Regulations concerning the formation, operation and taxation of businesses. Taxation and Price Control laws could be harmonized, to assist in the cost of operating a business. Falekaupule Bye laws require operating licenses, however businesses receive their support in return. Laws and policies of financial institutions and service industries like the Transport and Telecommunications substantially affect companies' costs. To be effective the moratorium on tax and package of concessions should consider all laws and regulations affecting business. It is recommended that such a review should be conducted at the time the tax moratorium is undertaken, in 2018.

Business Practice Review

Business practice is mired in the culture of communal life. The perception that sharing is an investment in one's future for when one needs material support for a death or wedding in one's family is one of the beauty of living in the culture of Tuvalu. Social collateral, wealth and the store of exchange value for those who invest in it. By virtue of its usage over millennia, it has become a criterion for judging the quality of island communities.

These practices have progressively engrained themselves and thus provide opposition to forms of capitalism as have relatively recently been introduced to Tuvalu. Market based development has already begun and successive Tuvalu governments have established several market type of financial and economic institutions. Private property rights are protected in the Constitution. A raft of statutory laws in place to regulate contracts, industrial disputes and a range of commercial market practices.

A change of community values and practices would assist businesses, however the cost would be the potential irrevocable change to the culture of Tuvalu. Falekaupule and Kaupule are statutory governance institutions created to govern local island communities in the traditional and cultural way. They are leading the struggle to keep the cultural way of doing things but must also be encouraged to recognize the importance of business, that they are actually serving community needs.

5) Big Physical Infrastructures crowd-in businesses



Physical Infrastructure can have a direct and positive impact on business operations. Profitable businesses create employment and trigger a favorable flow on of economic activities. Overall resulting in higher domestic output and higher labor productivity. New infrastructure can open up to new businesses being attracted to enter the market.

Construction costs are high comparatively than in neighboring island countries due to the country's small size, scattered nature and isolation. TKILL has a number of physical infrastructures projects, namely: CAP1: Climate Change; CAP5: Falekaupule and Island Development; CAP 6: Private Sector Employment and Trade; CAP 9: Infrastructure and Support Services; CAP 11: Migration and Urbanization; CAP 12: Oceans and Seas. Most of these infrastructures relate to environment protection, transport connection and logistics security, sanitation, alternative energy and telecommunications. A few of them are provided below:

- (1) Sea Defenses and land reclamations: Eight islands of Tuvalu will be protected against sea level rise. The requisite resources has been allocated and work has already started, beginning with Nukulaelae and to be followed by Nanumea, Nanunaga, Funafuti and Nukufetau.
- (2) Boat Harbors: Nukulaelae, Niutao and Nanunaga have requested for boat harbors to improve the safety of landing people and cargoes on the islands. Fatal accidents and loss of cargoes are regular occurrences especially on the outer islands that have no lagoons.
- (3) New International Airport and Outer Island airfields: A bigger and new international airport capable of taking planes bigger than the current ATR aircraft is proposed in TKILL, fund for it is being sought. Studies will be commissioned also to assess the viability of building airfields in the Outer Islands for the domestic air service.
- (4) Telecommunication Infrastructure: Government has finalized decision on connectivity through marine cable & satellite for improvement of telecommunications. Outer island Internets bandwidth will be upgraded and GOT funds low-cost broadband, WIFI and other services.
- (5) Alternative Energy Infrastructure: All homes and community buildings are being solarized with power provided 24/7 on most of the islands. Bioenergy is also being researched and training will be provided.
- (6) Sanitation Infrastructure: Design of a reticulated sewage system for the capital island will begin in 2017 according to TKILL.
- (7) Boats for the Inshore Fishing Fleet: The Ministry of Agriculture and Fisheries is considering building a fleet of boats for inshore commercial fishing for the local market on the capital island.

GOT has already approved the building of most of the above physical infrastructures under the TKILL. The one exception is the fleet of boats for Inshore Fishery, which is a work in progress. Work will be contracted to domestic and as foreign builders. The private sector will benefit from this building programme. However the level of participation of the domestic private sector is skill dependent, and determined by the public tendering process of the Central Purchasing Unit. In the medium to longer term the infrastructures will generate a great deal of economic and social activities that will benefit well the growth of businesses.



6) Use IT in Businesses



The use and adoption by local businesses of Information Technology (IT) and Information Communication Technology (ICT) is most timely as moves already afoot include upgrading the national telecommunication system to the marine fiber optics cable that runs close by; inside Tuvalu's exclusive economic zone. Connectivity and computerization has a lot of advantages including the speedy transmission of information and the automation of business procedures and operations making for greater efficiency and reduces considerably the risk of human error.

A lot of training in IT and ICT will be needed to enable business personnel to gain literacy in these technologies and operate equipment and technologies on a daily basis. Other sectors of the economy have already started to use IT and ICT in their operations so it is important that the 'engine of growth' make a definite move towards IT and ICT.

7) Implementation and Coordination of TPS Development Plan



The TPS Development Plan will use the government's framework for implementation, coordination, management and evaluation. The one difference is the extent of involving the private sector through TNPSO in the daily executive management of the plan. With the secretary to be appointed, either from the TNPSO or an alternative appropriate candidate.

An institutional body, the GOT-TPS Partnership Leadership Group will be responsible for managing the implementation, coordination and M&E at the sector level and sending regular reports to the Ministers responsible for economic, commerce and trade. The Partnership Board will prioritize the tasks, design implementation strategies, provide an enabling budget and submit the same to the relevant Ministers for approval. The Board will be responsible for the M&E of the whole plan even where milestones indicate implementation is done by another department or ministry.

Frequent reporting sustains the interest in private sector development, increases the probability of resolving problems encountered and keeps stakeholders informed. Reporting is required to track progress, and ensure accountability and transparency to the public.

Performance Indicators for measuring the progress in the plan's key results areas (KRA) are provided in Schedule II of the Attachments. Most of these indicators are taken directly from TKill chapter on Private Sector Development, Employment and Trade. Indicator baselines already exist or will be crafted where new performance indicators are needed. The Partnership Board will report to the relevant Ministers using these KRAs.

Private Sector Development Plan

Performance Indicators

Performance of the Private Sector Businesses in the period 2018-2022 will be gauged by these measures. PS Businesses exclude GOT Public Trading Enterprises and statutory corporations like TNPf.

1. Number applicants to start business under the Foreign Investment Act.
2. Ratio of new businesses to total businesses in the year include number of businesses on the outer islands
3. Ratio of new business loans to existing business loans of financial institutions include number of businesses on the outer islands
4. Ratio of new business jobs to existing in the economy per year.
5. Number of active private sector employee accounts with NPF.
6. Number of recommendations by the Partnership Board implemented.
7. Consumer Protection Council established and operating.
8. Type of information provided to businesses by the Private Sector Monitoring Unit.
9. Number of Tuvaluans employed in overseas labor markets per year
10. Share of businesses in GDP

Tuvalu Private Sector Development - Strategies Matrix

KEY RESULTS AREAS	MILESTONES					Implementor
	2018	2019	2020	2021	2022	
1. Establish GOT-TPS Partnership and work in Collaboration.	<p>1. GOT-TNP SO Partnership Board set up by a Memorandum of Agreement, defining responsibilities and obligations to develop the Tuvalu Private Sector as per TPSD Plan.</p> <p>2. Set the Secretariat to the Board, the Private Sector Monitoring Unit (PSMU) service the Partnership Board.</p> <p>3. TPSD Plan w/shop explains the new system in the Plan for businesses - the Key Result Areas and the implementation procedures in each of the KRA.</p> <p>4. Board receive 6 monthly reports from businesses & submit quarterly reports to ministries for business and trade.</p> <p>5. Open Register of Businesses eligible for assistance in this Plan. Must submit Trade Account and Balance Sheet.</p>	<p>1. PSMU M&E reports submitted quarterly to ministries and DCC.</p> <p>2. Private Sector Businesses submit 6 monthly report to the PSMU (Trading A/C & Balance Sheet incl.).</p> <p>3. Establish TNPF-GOT Partnership to develop Tuvalu's tourism industry.</p> <p>4. Establish Insurance Fund for damages to property and business due to climate change.</p> <p>5. REVIEW to see how much of PSD Plan has been achieved.</p> <p>6. Training & Meetings opportunities in business given to Partnership Board to decide.</p>	<p>1. PSMU M&E report submitted quarterly to ministries and DCC.</p> <p>2. Private Sector Businesses submit 6 monthly report to the PSMU.</p> <p>3. TPSD Plan w/shop explains the new system in the Plan for businesses - the Key Result Areas and execution procedures in each of the KRA.</p>	<p>1. PSMU M&E report submitted quarterly to ministries and DCC.</p> <p>2. Private Sector Businesses submit 6 monthly report to the PSMU.</p> <p>3. GOT considers creating a Ministry for Private Sector Development.</p>	<p>1. PSMU M&E report submitted quarterly to ministries and DCC.</p> <p>2. Private Sector Businesses submit 6 monthly report to the PSMU.</p> <p>3. TPSD Plan w/shop explains the new system in the Plan for businesses.</p> <p>4. REVIEW PSD Plan and project forward for next 5 yrs.</p> <p>5. Seminar to approve PSD Plan II above.</p>	GOT-TNP SO Partnership Board

KEY RESULTS AREAS	MILESTONES					Implementor
	2018	2019	2020	2021	2022	
2. Big Physical Infrastructure to crowd-in TPS operators.	<ul style="list-style-type: none"> 1. Implementation start on GOT investments in big infrastructure in TKill esp. bigger airfields, boat harbors coastal protection and land reclamations begin. 2. New Ocean going Barge to carry cargoes to the Outer Islands purchased. 3. Review the Agreement with Fiji Airline to allow other air carriers to fly to Tuvalu. 4. Coastal protection and land reclamation for Funafuti starts. 5. National Corporations' help for Private Sector identified confirmed - TEA, Telecom, Banks, Energy, Shipping esp. Outer Is. 	<ul style="list-style-type: none"> 1. Funafuti Airport and airfield upgraded to take bigger aircrafts completed. 2. Work start on the Outer island boat harbors. 3. Coastal Protection and land reclamation for Nanumea starts. 4. Local air service using amphibian aircrafts considered by Cabinet. 5. Have the Building Code modified to Tuvalu standard and approved by the Minister for PWD 6. Internal air service using amphibian aircrafts considered. 	<ul style="list-style-type: none"> 1. Nukulaelae Boat Harbor completed. 2. Air fields for Outer Islands considered in Cabinet. 3. Warehouses for cargoes built on Outer Islands 	<ul style="list-style-type: none"> 1. Nanumaga Boat Harbor completed. 2. 7 Cranes for Loading cargoes on the Outer Islands. 	<ul style="list-style-type: none"> 1. Nituao Boat Harbors completed. 	GOVT Tuvalu

KEY RESULTS AREAS	MILESTONES				Implementor	
	2018	2019	2020	2021		2022
3. Review cost structure, laws and practices of doing business in Tuvalu.	<p>1. Submit findings of cost of doing business in Tuvalu by PIPSO to Cabinet to approve then implement.</p> <p>2. Recommendations on changing business practice to be considered by TNPSO and MFED submit to Cabinet for approval. Include litigation of Bad Debtors of NBT and DBT.</p>	<p>1. Review of legislation pertaining to business for Cabinet to consider.</p> <p>2. Review with a view to Harmonizing taxation and price control laws.</p>				Partnership Board and GOVT
4. Finance and Credit Arrangement for TPS	<p>1. MINFIN and TNPSO agree on arrangements for provision of finance and credit to TPS.</p> <p>2. Draft Financial Assistance Package submit to Ministry of Finance and Cabinet for consideration.</p> <p>3. Draft Tax Moratorium submit for Consideration of Ministry Finance</p> <p>4. Conduct a diagnosis of the Banking System as recommended by IMF, to remove vulnerabilities in the system.</p> <p>5. Customs Department adopt PICTA rates (PICTA was signed & ratified more than 10 years ago)</p>	<p>1. If approved the Financial Assistance Package will be availed to TPS for first year 2019.</p> <p>2. Tax Moratorium if approved is offered first time this year.</p> <p>3. Tax Reform & Prices Review to help Private Sector Growth (incl. Outer Islands).</p> <p>4. GOT to apply to GCF under Food Security subject for funds for covering TCS debt and reviving TCS as the major operator in the private sector.</p>	<p>1. Second year the Finance Assistance Package is provided</p> <p>2. Tax Moratorium offered 2nd year.</p>	<p>1. Third Year and final year the Assistance Package is offered.</p> <p>2. Tax Moratorium offered 3rd and final year.</p>	<p>1. Evaluation of the Tax Holiday and Financial Assistance Package.</p>	Partnership Board & MFED

KEY RESULTS AREAS	MILESTONES					Implementor
	2018	2019	2020	2021	2022	
5. Strengthening domestic market demand and supply	<ol style="list-style-type: none"> 1. Conduct a demand and supply assessment of products that can be traded locally and potentially for the export market. 2. Food Processing and light manufacturing set up in the private sector assisted by the fishery and agriculture ministry. 3. Tuvalu Home Gardening Group set up and increased sale of gardening products in local market, Taiwan Market providing technical advice. 4. Annual Trade Fair held on Funafuti - presentation of medals to winners of prizes for most sales, presentation etc. 	<ol style="list-style-type: none"> 1. Pilot Project provide fishing boats for private commercial Fishermen. 2. Processed fish and coconut products sold in the local market. 3. Annual Trade Fair with Awards for best performing stall. 4. Study setting up Garment Factory done for the Partnership Board. 	<ol style="list-style-type: none"> 1. Annual Trade Fair with Awards for best performing stall. 2. Coconut Industry study done: timber, furniture, cream, virgin oil, sugar, alcohol, fuel etc. 3. Local Market Building built. - sell local fish and agricultural products. 	<ol style="list-style-type: none"> 1. Annual Trade Fair with Awards for best performing stall. 2. Review progress on first 3 year in this KRA. 	<ol style="list-style-type: none"> 1. Annual Trade Fair with Awards for best performing stall. 	MIN NR Partnership Board

KEY RESULTS AREAS	MILESTONES					Implementor
	2018	2019	2020	2021	2022	
6. Use IT in businesses, database and distribution market information from MinFin &	<p>1. Training of employees to be computer literate.</p> <p>2. Awareness raising workshop on solar power, appliances and solarisation by TEA.</p> <p>3. Business database - include business registration and performance indicators of the PSD Plan.</p> <p>4. IT Officer appointed to TNPSO</p>	<p>1. IT in Business w/shop put on by IT Dept. of Govt. for Businesses in Tuvalu.</p> <p>2. IT in Business w/shop put on by IT Dept. of Govt. for Businesses in Tuvalu</p>	<p>1. IT in Business w/shop put on by IT Dept. of Govt. for Businesses in Tuvalu.</p>	<p>1. Awareness raising w/shop on solar power, appliances and solarisation by TEA.</p>		MinTelecom & TEA & Partnership Board
7. Training in business management and production technology for businesses that are operating and registered.	<p>1. Training Program for private sector employees.</p> <p>2. Training in production of Exotic Coconut Products for 10 trainees from the private sector.</p> <p>3. Training in textile and clothing production for 2 people.</p>	<p>1. Business Incubator set up by TNPSO.</p> <p>2. Training in Tourism Development for 5 trainees.</p> <p>3. Training in production of different kinds of fish products for the local market for 10 people from the private sector.</p>	<p>1. Training in Catering for Hotel Industry.</p> <p>2. Workshop on Business Mgt. on Outer Islands in the Outer Island.</p>	<p>1. Review progress of the Business Incubator.</p>	<p>1. Review the training offered in the first 3 years of the PSD Plan.</p>	MIN NR and Partnership Board



