GOVERNMENT OF TUVALU

TUVALU FISCAL RISK REPORT

2025

Table of Contents

ACCRONYMS

ADB Asian Development Bank

AUD Australian Dollar

DBT Development Bank of Tuvalu

EBITDA Earning Before Income Tax, Depreciation and Amortization

EIB European Investment Bank

GDP Gross Domestic Product

ICDF International Cooperation Development Fund

IMF International Monetary Fund

NAFICOT National Fishing Cooperation of Tuvalu

NBT National Bank of Tuvalu

NGDP Nominal Gross Domestic Product

PE Public Enterprise

PERMU Public Enterprise Monitoring Unit

SDR Special Drawing Rights

SOE State Owned Enterprise

SPC The Pacific Community

SPREP South Pacific Regional Environment Program

TEC Tuvalu Electricity Corporation

TMTI Tuvalu Maritime Training Institute

TOMRS Tuvalu Overseas Medical Referral Scheme

TPL Tuvalu Post Limited

TTC Tuvalu Telecom Corporation

TVBC Tuvalu Broadcasting Corporation

TWG Technical Working Group

US United States

USD US Dollar

INTRODUCTION

The Ministry of Finance and Economic Development, as directed by the Ministerial Order in 2023, has the leading role in the publication of the Fiscal Risk Report each year. This report aims to identify, analyze, and propose mitigation strategies for potential fiscal risks that could impact the government's financial stability. It follows international best practices and aligns with the requirements of the National Budget Framework. The report also outlines the key fiscal risks the government faces from 2021 to 2024 and their impact on overall economic performance. Understanding these risks is essential for maintaining fiscal discipline and ensuring economic sustainability.

Fiscal risks are possible deviations from fiscal outcomes expected at the time of budget formulation. These may include slower-than-expected economic growth, changes in trade conditions, natural disasters, the activation of government guarantees, or liabilities from state-owned enterprises (SOEs). Failure to identify and prepare for these risks can lead to additional financial obligations, higher public debt and weakened economic performance. Additionally, unexpected spending needs or revenue losses may force the government to make sudden budget adjustments, which can be disruptive.

The scope of this publication aligns with the phased implementation strategy outlined in the 2023 Ministerial Order. This ongoing publication seeks to systematically integrate mitigation strategies into the national budget, ensuring that fiscal risks are addressed promptly. The feasibility of accommodating these measures will depend on the availability of fiscal space, reflecting the government's dedication to sound financial management while navigating economic challenges.

1. Macroeconomic Risks

Macroeconomic Performance

In its global economic forecast released in January 2025, the IMF projected that global growth would be 3.3 percent for both 2025 and 2026, which is slightly lower than the historical average of 3.7 percent recorded from 2000 to 2019. This modest growth rate is indicative of ongoing difficulties, including the lasting impacts of the COVID-19 pandemic and geopolitical tensions.

Additionally, the stable growth outlook for 2025 and 2026 is largely influenced by an upward revision for the United States, where robust domestic demand offsets downward revisions in other major economies, particularly in Europe and Asia, which are grappling with weak consumer confidence and persistently high energy prices.

Additionally, global inflation is expected to decrease to 4.2 percent by 2025 and further to 3.5 percent in 2026. This decline is linked to the resolution of supply-side challenges and tight monetary policies. Such fluctuations impact economic growth, create trade vulnerabilities, and reduce capital investments, leading to uncertainties in government fiscal forecasts.

Real Gross Domestic Product Growth

Tuvalu's economy demonstrated signs of recovery in 2021, achieving a growth rate of 1.8 percent after experiencing a significant contraction of -4.3 percent in 2020 as a result of the pandemic. This recovery was bolstered by enhanced performance in the public sector and external support, particularly through grants and aid.

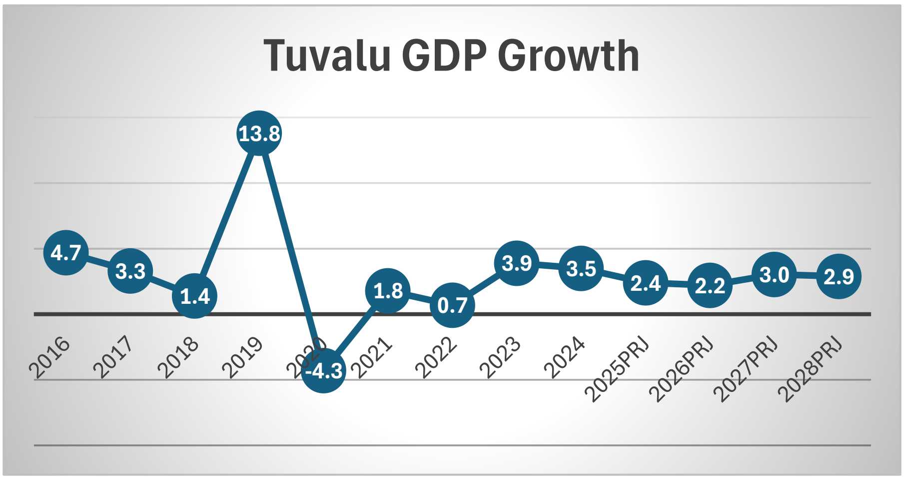

Figure 1: Tuvalu GDP growth

Projections for 2023 indicate a significant recovery, with anticipated growth of 3.9 percent. This increase is associated with the restart of infrastructure initiatives and a resurgence in trade activities. However, looking towards 2025, growth is expected to slow slightly to 2.4 percent, down from 3.5 percent in 2024, as the post-pandemic economic recovery stabilizes and shipping delays, exacerbated by climate change, become more pronounced. Although the economy is likely to stabilize as the effects of the pandemic wane, challenges remain, particularly in ensuring fiscal sustainability and tackling the impacts of climate change. The ongoing reliance on fishing revenues and external support poses risks to long-term economic stability.

Inflation

Inflation continues to pose a major economic challenge for Tuvalu, as rising prices have diminished purchasing power and increased living costs for families. In response, the government has introduced measures to mitigate inflation; however, their effectiveness has been limited by constrained fiscal resources and reliance on external economic factors.

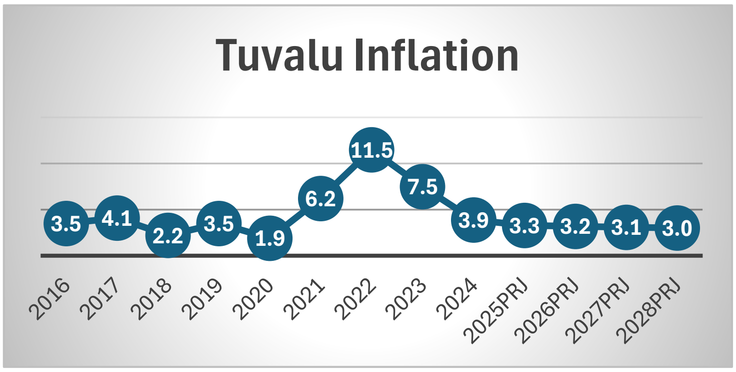

Figure 2: Tuvalu Inflation (2016- - 2028), IMF Data

As illustrated in Figure 2[1] above, inflation in 2021 began to escalate due to rising non-food prices and global inflationary trends. The increase in transportation costs significantly affected remote island nations like Tuvalu. Inflation surged dramatically, peaking at 11.5 percent in 2022, largely due to escalating imported food prices, which were intensified by the global rise in food costs following Russia's invasion of Ukraine. Additionally, the depreciation of the Australian dollar added to inflationary pressures. Given Tuvalu's heavy dependence on imported food, this trend had a considerable effect on the nation's GDP. For 2025, inflation is expected to remain relatively stable, following a moderate decline in 2024 with inflationary pressures primarily driven by external factors.

Fiscal Balance

In 2024, the government implement a half-year budget to facilitate its transition to a new fiscal year commencing in July 2024 and concluding in June 2025. The initial 2024 Half-Year Budget anticipated a fiscal surplus of $4.77 million, as illustrated in Table 1[2]. However, the actual budget results indicated a slight shortfall, with the surplus coming in at $3.77 million, which is $1.52 million less than initially projected

Fiscal Balance (Budget Deficit/Surplus) in AUD Millions							
Years	NGDP	BUDGET	ACTUALS	Deviations (Actuals-Budget)	Budget to NGDP	Actual to NGDP	Deviation as % of NGDP
2021	80.1	-	21.12	21.12	0%	26%	26%
2022	85.2	- 8.63	- 11.99	- 3.36	-10%	-14%	-4%
2023	93.7	- 8.09	1.75	9.84	-9%	2%	10%
2024 HY	100.9	4.77	3.25	- 1.52	5%	3%	-2%
2024/25 (Jan)	107.4	- 5.25	- 10.08	- 4.83	-5%	-9%	-4%

Table 1: Fiscal Budget Performance for 2021 to 2024/25 National Budget

For the fiscal year 2024/2025, as of January, the government had expected a budget deficit of -$5.25 million, as outlined in the table below. Nevertheless, the actual budget outcome revealed a deviation of -$4.8 million (-4 percent of NGDP), primarily due to an overly optimistic revenue forecast and delays in collecting revenue from

[1] Data extracted from IMF Tuvalu Data: https://www.imf.org/en/Countries/TUV
[2] Data Source: MFED National Budget published on https://finance.gov.tv/headquarters/

fishing licenses, which were impacted by the postponed sale of vessel days. This issue was further compounded by the Trump administration's withdrawal from its treaty obligations with the U.S., leading to a total financial loss of $9.2 million.

Furthermore, the fiscal deficit was exacerbated by expenditures that exceeded expectations for the Tuvalu Overseas Medical Referral Scheme (TOMRS). Although the government had budgeted $5 million for the initiative, actual costs soared to $12 million. Of this amount, $6.9 million will be financed through supplementary appropriations, and $1.6 million was sourced from reallocations via virements.
The government's primary revenue sources include fishing licenses, taxes, financial assistance from development partners, sovereign assets, and service fees from certain government departments. Fishing

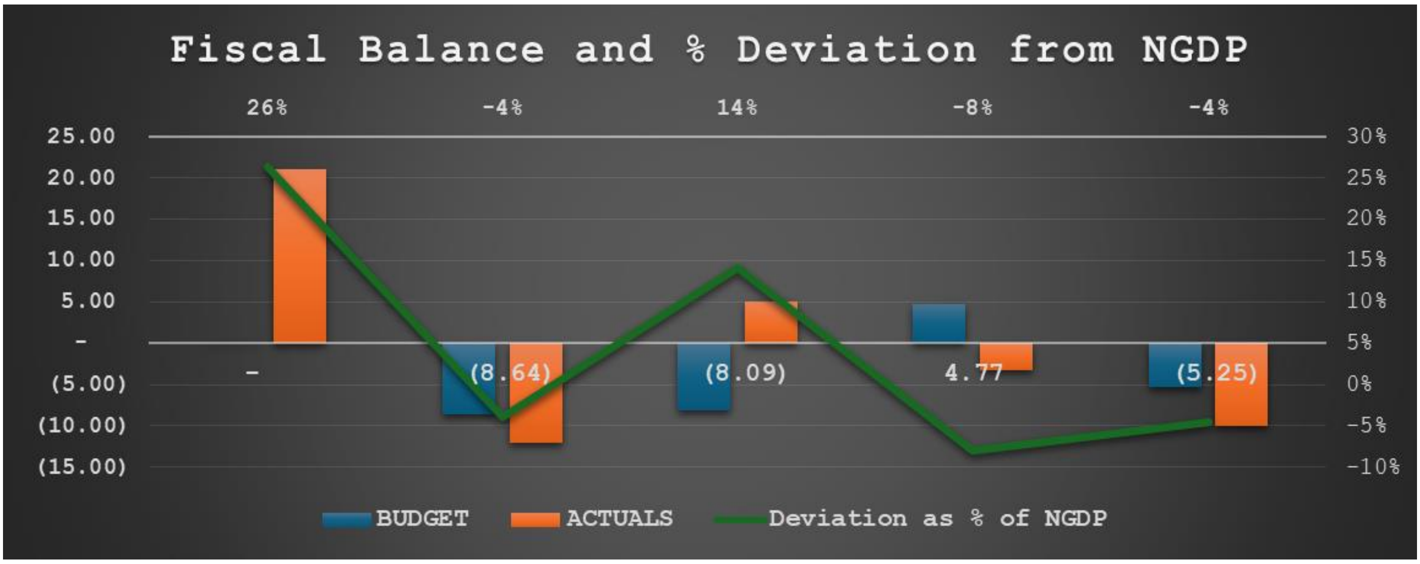

Figure 3: Fiscal Budget Balance and Deviations (Data Source – MFED 2021-2024/25 National Budget)

revenues are highly susceptible to volatility due to ongoing exposure to climate change threats and exposure to foreign exchange risks. In the 2024 Half Year budget, the government projected fishing revenue to account for 74 percent ($40.5 million) of the total anticipated revenue, and 58 percent ($39 million) in the budget for 2024/25. However, actual revenue from fishing licenses during the 2024 Half Year reached 67 percent ($39 million) of the total actual collections, while the actual revenue for the financial year 2024/25 was 40 percent ($10 million) of the total realized revenues. These discrepancies threatened the fiscal stability of the government's financial budget and its overall condition.

Conservative and Optimistic Revenue Forecasting Impacts on the Budget Implementation					
	2021	2022	2023	2024 HY	2024/2025
Forecast	88,658,000	93,581,322	86,868,107	65,042,920	91,732,637
Actuals	59,323,280	78,684,699	111,448,613	55,626,798	38,405,526
Deviations (Actuals-Forecast)	- 29,334,720	- 14,896,623	24,580,506	- 9,416,122	- 53,327,111
% of Deviation from Actuals	-49%	-19%	22%	-17%	-139%

Table 2: Budget vs Actual Revenue Collection 2021 to 2024/25

Sensitivity Analysis

Fiscal accounts are shaped by a range of macroeconomic factors, including inflation and exchange rates. Inflation notably affects both government revenue and spending, which in turn influences fiscal sustainability. Additionally, exchange rates are crucial in determining the actual value of revenues and expenses that are denominated in foreign currencies.

Variations in exchange rates can have a substantial effect on government revenues and expenditures derived from international sources, such as fishing licenses, commercial contracts, and general support in USD, as well as on expenditures for programs like Tuvalu Medical Referral Medical Schemes and Scholarships. These dynamics can alter the fiscal balance, necessitating adjustments in government spending or revenue forecasts.

The government's fiscal position is influenced by inflationary pressures on commodity prices. As illustrated in Table 3, a 2.5 percent increase in prices is projected to lead to an additional $0.32 million in revenue for the 2024/2025 financial year. This rise in revenue stems from higher taxation resulting from elevated prices of goods and services. However, this situation will also lead to increased expenditures, as the government will need to allocate more funds for public projects, including infrastructure such as classrooms and roads. Additionally, subsidies are expected to rise, further impacting the budget deficit.

Additionally, the decline of the AUD against the USD diminishes the purchasing power of the domestic currency in relation to foreign currencies. A 15% depreciation of the AUD results in an additional AUD 85 million in domestic revenue for the 2024/2025 financial year. However, payments made overseas for student scholarships, the Tuvalu medical referral scheme, and other international contributions will become costlier, adding approximately AUD 18 million to expenses.

Inflation and currency appreciation can negatively impact fiscal health, whereas currency depreciation may improve the budget by boosting revenue at a rate that outpaces expenditures. This highlights the importance of maintaining exchange rate stability for sound fiscal planning.

2023 Estimates (In AUD million)			
Sensitivity Scenarios	**Revenue**	**Expenditure**	**Budget Balance**
Increase Inflation by 2.5%	0.29	2.37	- 2.08
Effect of 15% Exchange Rate Depreciation	74.04	19.65	54.39
Effect of 15% Exchange Rate Appreciation	56.0	14.86	41.13
2024 Half Year Estimates (In AUD million)			
Sensitivity Scenarios	**Revenue**	**Expenditure**	**Budget Balance**
Increase Inflation by 2.5%	0.17	1.51	- 1.34
Effect of 15% Exchange Rate Depreciation	64.61	10.38	54.23
Effect of 15% Exchange Rate Appreciation	48.86	7.85	41.01
2024/2025 Estimates (In AUD million)			
Sensitivity Scenarios	**Revenue**	**Expenditure**	**Budget Balance**
Increase Inflation by 2.5%	0.32	2.49	- 2.17
Effect of 15% Exchange Rate Depreciation	85.54	18.03	67.51
Effect of 15% Exchange Rate Appreciation	64.68	13.63	51.04

Table 3: Sensitivity Analysis to Macroeconomic Shocks based on MTFF 2023 to 2024/2025

The government often faces difficulties due to fiscal challenges arising from shortfalls in domestic revenue and overspending, leading to significant fiscal deficits, as shown in Table 4 below. In the first half of 2024, the government planned for total revenues of $65 million and expenditures of $60.3 million. However, actual revenue amounted to $55.6 million, primarily driven by strong fishing revenue collections and increased tax revenues resulting from policy reforms implemented in partnership with donor organizations. The expenses for this financial period totaled $58.9 million, creating a fiscal deficit of $3.2 million. These patterns indicate that Tuvalu is at risk due to its dependence on unstable revenue sources, inefficiencies in public spending, and increasing fiscal imbalances, all of which could threaten long-term economic stability and sustainable development.

All figures in AUD Million	2021		2022		2023		2024HY		2024-2025	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
Total Domestic Revenue (A)	54.1	51.0	60.0	64.1	55.3	70.5	55.0	40.6	68.6	68.6
General Budget Support (B)	34.6	8.3	19.0	14.6	24.5	40.1	10.1	15.0	24.5	24.5
Grand Total Revenue (C=A+B)	**88.7**	**59.3**	**79.0**	**78.7**	**79.8**	**110.6**	**65.0**	**55.6**	**93.0**	**93.0**
Total Recurrent & One-Off Expenditure (D)	84.3	33.3	90.7	82.5	84.3	97.0	49.5	52.3	86.1	45.9
Capital Expenditures (E)	22.3	4.0	8.2	4.6	7.6	5.1	9.0	4.9	7.8	0.9
Statutory Expenditures (F)	1.5	0.9	3.4	3.5	3.0	3.3	1.7	1.6	3.1	1.6
Grand Total Expenditure (G=D+E+F)	**108.1**	**38.2**	**102.2**	**90.7**	**95.0**	**105.5**	**60.3**	**58.9**	**97.0**	**48.5**
Domestic Budget Balance (H=A-G)	- 54.0	12.8	- 42.2	- 26.6	- 39.6	- 35.0	- 5.3	- 18.3	- 28.4	20.1
Fiscal Budget Balance (I=C-G)	**- 19.4**	**21.1**	**- 23.2**	**- 12.0**	**- 15.1**	**5.1**	**4.8**	**- 3.2**	**- 4.0**	**44.5**

Table 4: Fiscal Budget Balance (in AUD Million) from 2021 to 2024/2025

2. Public Debt Portfolio

The government holds a limited amount of external public debt from two sources, primarily from the Asian Development Bank (ADB) and subsequently from ICDF Taiwan. By the end of 2024, the total public debt is projected to be AUD 3.5 million, down from AUD 4.29 million in 2023. The loans from ICDF and ADB are scheduled to mature in the next 4 to 13 years, respectively.

Additionally, the government does not offer any explicit guarantees for the loans taken by its State-Owned Enterprises (SOEs). The last settlement of a loan balance owed by public entities to the European Investment Bank (EIB) occurred in 2018. However, the domestic debt of public entities poses considerable fiscal risks.

All debts carry a fixed interest rate, which protects against any variations in interest rates. By the conclusion of 2024, the total public debt is projected to reach 3.5% of GDP, marking a decrease of 5.8 percentage points from the 9.3% reported in 2023. This reduction is due to the absence of debt data provided by TTC and TEC for their 2024 financial statements, as they are still in the process of preparing these documents. To promote fiscal sustainability in the medium term, the government has upheld a fiscal guideline that restricts nominal debt to 30% of nominal GDP. The assessed period of 2021-2024 (Table 5) reveals that the public debt as a percentage of nominal GDP remained below the benchmark of 30% of GDP. The debt portfolio has an Average Time to Maturity of 5.22 year.

Debt servicing involves the government's repayment of loans to lenders in the original currencies, such as SDR and USD. Tuvalu, however, ties its currency to the Australian dollar, which subjects it to foreign exchange risks and fluctuations in interest and principal payments in its domestic currency. Should the Australian dollar lose value against foreign-denominated currencies, the debt, along with interest and principal payments, is expected to rise. The accompanying graph (Figure 4) illustrates the principal and interest repayments made to lenders.

Lender	2021	2022	2023	2024
ADB	3.51	3.04	2.6	2.4
ICDF (ROC Taiwan)	2.36	2.03	1.69	1.1
Total Debt	**5.87**	**5.07**	**4.29**	**3.5**
SOE Borrower				
TEC	2.06*[3]	3.73*	4.39*	NA[4]
TTC	1.35*	0.76	0.07	NA
Total SOE Debt	**3.41**	**4.49**	**4.46**	**0**
Total Public Debt[5]	**9.28**	**9.56**	**8.75**	**3.5**
Nominal GDP	**80.1**	**85.2**	**93.8**	**100.9**
Debt as % of NGDP	**11.6%**	**11.2%**	**9.3%**	**3.5%**

Table 5: Public Debt and SOE Debts (AUD millions)

[3] Updated statistics for the FRR 2024
[4] NA – Not Available (incomplete statements and will be available for the next FRR)
[5] Estimated Total Public Debt if the Government provides guarantee for SOE's debt

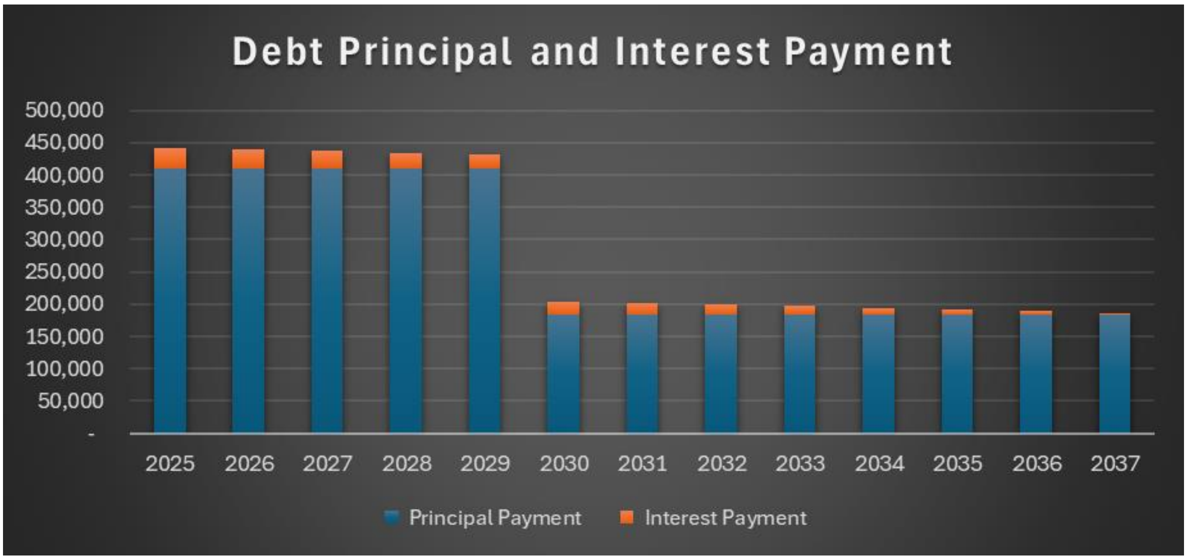

Figure 4: Debt servicing of Public Debt (Government Debts only)

To highlight the impact of the AUD depreciation against foreign currency, a sensitivity analysis was undertaken. A 15% decrease in the AUD buying power will result in an increase in debt stock by AUD594,256 including the principal and interest repayments. The variation in exchange rates exerts additional pressure on the budget fiscal balance.

Sensitivity Analysis	Base Scenario	Depreciation of AUD by 15% against foreign currency	Projected Difference
Debt Stock (2024)	$ 3,519,671	$ 4,047,622	$ 527,951
Principal Payment	$ 409,411	$ 470,823	$ 61,412
Interest Payment	$ 32,617	$ 37,510	$ 4,893
Total	**$ 3,961,699**	**$ 4,555,955**	**$ 594,256**

Table 6: Sensitivity Analysis for Public Debts

3. Risks Arising from State-Owned Enterprises

Public Enterprises are vital for essential services such as electricity, telecommunications, banking, and postal operations. Governed by the Public Enterprise Performance and Accountability Act (2009), the National Bank of Tuvalu (NBT) and Development Bank of Tuvalu (DBT) fall under financial institutions, while Tuvalu Post Limited (TPL), Tuvalu Broadcasting Corporation (TVBC), Tuvalu Maritime Training Institute (TMTI), National Fishing Corporation of Tuvalu (Naficot), Tuvalu Electric Corporation (TEC), and Tuvalu Telecom Corporation (TTC) operate as non-financial corporations.

However, recent structural and governance reforms, Tuvalu Telecom Corporation (TTC) and Tuvalu Electric Corporation (TEC) are no longer classified as public enterprises under the PE Act. Instead, they have transitioned into state-owned enterprises (SOEs), meaning they now operate under a different legal and regulatory framework that aligns with government policies for state-owned entities. This transition allows for greater government oversight and strategic control while ensuring that these entities continue to provide essential services to the public.

State-Owned Enterprises (SOEs) receive yearly capital injections from the government to guarantee the effective provision of vital public services. Although they are managed independently by their board members and executive management, the government retains the authority to intervene when necessary to ensure financial sustainability, service delivery, and alignment with national priorities. This support mechanism helps maintain stability in key sectors such as telecommunications and electricity, ensuring that TTC and TEC can continue operating efficiently while serving the public interest. The assessment in this report primarily focuses on TTC and TEC, with plans to eventually incorporate other public enterprises in the next financial year.

Ratio		TEC			TTC		
		2021	2022	2023	2021	2022	2023
Profitability Ratio	EBITDA Margin	-0.23	-0.15	0.13	0.3	0.3	0
	ROA	-0.53	-0.47	0.19	0.1	0.12	0.11
Liquidity	Current Ratio	1.1	0.66	0.87	0.79	2.81	3.65
	Quick Ratio	1.06	0.64	0.76	0.72	2.72	3.58
Solvency	Debt to Equity	4.35	-4.26	-16.3	2.62	2.53	2.15

Table 7: SOE Profitability, Liquidity and Solvency Ratio (Daya extracted from SOEs unaudited data)

The financial performance of the Tuvalu Electricity Corporation (TEC) highlights significant fiscal challenges that require immediate action. TEC's liquidity ratios indicate a declining capacity to fulfill short-term obligations, with the current ratio decreasing from 1.10 in 2021 to 0.66 in 2022, followed by a slight recovery to 0.87 in 2023. This trend points to cash flow issues that could hinder operations and lead to increased dependence on government support. In contrast, TEC's profitability ratios have improved from 2021 to 2023, transitioning from negative to positive figures. This change reflects TEC's successful initiatives to boost operational efficiency, enhance revenue generation, and manage costs more effectively. However, the solvency situation is concerning—TEC's debt-to-equity ratio of -16.3 in 2023 indicates severe financial distress, with liabilities significantly surpassing assets, posing a risk of default for the government. If TEC does not stabilize, the government may encounter escalating liabilities, rising national debt, service interruptions, and broader economic instability. Urgent measures are essential to restructure debt, improve revenue collection, and eliminate inefficiencies, ensuring TEC's financial sustainability and preventing it from becoming a long-term liability for public finances and the Government of Tuvalu.

Conversely, the financial position of the Tuvalu Telecommunications Corporation (TTC) has shown marked improvement, with its debt-to-equity ratio decreasing from 2.6 in 2021 to 2.15 in 2023. This reduction indicates a slight decrease in the company's dependence on debt financing, suggesting that TTC has lowered its total debt while enhancing its equity base over the two-year period. Although the lower ratio reflects a more balanced capital structure, TTC still carries more than double its equity in debt, indicating ongoing financial leverage and potential reliance on external funding to maintain operations. Additionally, the EBITDA to Total Debt ratio for TTC has significantly dropped from 0.30 in 2022 to 0 in 2023, signalling a sharp decline in the company's capacity to generate earnings relative to its debt obligations.

4. Climate change and Natural Disaster

Climate change poses significant fiscal risks to Tuvalu’s economy by increasing the frequency and severity of extreme weather events such as Cyclones, King Tide, Long Distance swells, Drought or Pandemic (Covid-19). The IMF's Article IV Consultation Report on Tuvalu indicated that the effects of Cyclone Pam in 2015 were estimated to represent 30 percent of the nation's GDP. These natural sources or biological hazards cause extensive damage to livelihood, infrastructure and property, leading to substantial repair and recovery costs that strain public finances.

Additionally, climate change threatens key economic sectors, particularly agriculture and fisheries. Coral reef degradation, driven by ocean warming and acidification, disrupts marine ecosystems, reducing fish stocks and directly impacting the fishing industry—a crucial source of income for many Tuvaluans and a major contributor to government revenue. As these environmental challenges weaken Tuvalu’s ability to generate revenue, they further exacerbate fiscal vulnerabilities and economic instability. With these risks, climate change and natural disasters will disrupt the national budget by increasing unplanned expenditures for disaster response, infrastructure repairs, and climate adaptation measures. This will strain government resources, potentially leading to higher fiscal deficits, reduced funding for essential public services, and greater reliance on external aid. Additionally, disruptions to key revenue sources, such as fisheries and tourism, will further limit the government's ability to sustain economic stability and long-term development.

5. Managing Fiscal Risks

a. Mitigation measures for macroeconomic shocks and debt portfolio

To mitigate these risks, the government focus on adopting proactive strategies to minimize the impact of macroeconomic shocks deliberate above. These includes:

i. Increase government saving through sovereign wealth funds (eg, Tuvalu Trust Fund) to cushion economic shocks.

ii. Strengthen taxpayers’ compliance through continuous annual audits.

iii. Developing and implementing policies to promote private sector growth.

iv. Diversification of revenue sources through the development of a new revenue generating initiative framework.
v. Develop and implement an action plan to guide the operation of TOMRS.
vi. Avoiding new external borrowing to eliminate the risk of refinancing and reduce exchange rate risks.
vii. Development of a debt management strategy.
viii. Publication of debt bulletin reports on public debts and SOE's debts.
ix. Development of a fiscal risk management plan by the TWG to address issues outlined in the report.

b. Mitigating measures for SOEs

To curb fiscal risks imposed by SOEs, the following measures should be taken into consideration includes:

i. Promoting and strengthening SOEs accountability through regulating the development of Corporate Plans
ii. The submission of timely financial reports and regular audits for financial improvements.
iii. Enforce monitoring by PERMU.
iv. Reviewing of electricity tariffs to cover production.

c. Mitigation strategies for climate change-related fiscal risks

The government has consistently pledged to protect Tuvalu's future by enhancing governance frameworks crucial for addressing fiscal risks linked to climate change. To fulfill this objective, various initiatives have been launched, including:

i. Investment in Disaster Risk Reduction (DRR) through the allocation of funds to disaster risk reduction projects can significantly alleviate fiscal risks. This encompasses the development of infrastructure resilient to climate impacts, such as:
   - Support from the Green Climate Fund for the Tuvalu Coastal Adaptation Project receiving USD36 million to enhance coastal management and reduce vulnerability of infrastructure.
   - Rainwater Catchment Enhancement Project enhancing water storage and capture systems, it addresses the basic needs of the population, demonstrating a successful investment in infrastructure that mitigates the risks associated with water scarcity due to climate change.
   - World Bank Grant for Infrastructure Resilience, where, following the devastation caused by Tropical Cyclone Pam, the World Bank approved a $3 million grant to support a $17 million recovery plan.
   - Collaborative efforts with SPREP, SPC and Australian Bureau of Meteorology on the development of Early Warning System.
ii. Building Capacity through education and training awareness programs can empower communities to better prepare for and respond to climate-related disasters. This includes training in sustainable

agricultural practices and disaster preparedness, which can help reduce vulnerability and associated costs.

iii. Involving local communities in disaster risk management and climate adaptation strategies ensure that the measures taken are relevant and effective. Community education programs can raise awareness about climate risks and promote sustainable practices that mitigate fiscal impacts