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July 14, 2021

**Statement by Mr. Bevilaqua, Mr. Fuentes, and Ms. Mahabir on Tuvalu  
(Preliminary)  
Executive Board Meeting  
July 19, 2021**

We thank staff for the report and Mr. Huh and Mr. Iona for the helpful statement. Tuvalu has been largely unaffected by the pandemic, in terms of cases and loss of human lives, on the back of timely restriction measures and a strong fiscal response. Despite the unprecedented external shock, the country enjoyed buoyant fishing revenues and donor grants that helped the economy avoid a recession in 2020. While domestic conditions favor a higher growth rate in 2021, the country faces significant structural challenges that warrant the steady implementation of sound policies and reforms to boost potential growth and strengthen fiscal sustainability and financial stability.

**The country's avenues for generating revenue remain limited.** During 2020, Tuvalu benefited from higher demand for tuna, thus resulting in an increase in revenue earned from fishing licenses. In general, the fiscal revenue base remains narrow and volatile, restricted by the size and structure of the economy. Therefore, we see merit in staff recommendation to improve PFM practices to enhance revenue administration and boost the efficiency of public investment. An important source of foreign exchange earnings is the licensing of the country's domain name (.tv) to Verisign. Various reports indicate the contract is set expire in 2021. *Could staff share an update on the state of the negotiations?*

**Efforts to accelerate financial development are paramount to support growth.** Tuvalu exhibits a relatively low level of financial development with important gaps in financial depth, inclusion, and efficiency, that result in low credit to the private sector. While the country has a small customer base spread across several atolls, there are efficiencies to be gained from adopting electronic banking. In this regard, learning from the experience of other island nations, such as the Bahamas, could be valuable. In addition, we urge the authorities to continue working with international organizations and regional agencies to

address the rising challenges in correspondent banking relationships. This a critical action considering the importance of foreign financial flows for the economy.

**Tuvalu is highly susceptible to climate change.** According to reports, the country is already experiencing the effects of the rise in sea levels as ground water is losing potability due to saltwater intrusion. The increasing salinity levels in ground water are also impacting the productivity of crops. Considering the importance of the tuna as a vital source of government revenue, the protection and management of this resource remain a high priority. Under these circumstances, the country could benefit from the use the UN's Climate Adaption Fund to boost climate resilience. Furthermore, Tuvalu may be a good candidate for IMF-WB Climate Change Policy Assessment.

**Finally, we concur with staff on the need to place greater emphasis on the collection, processing, and dissemination of national statistics** We take note of the Fund's technical assistance in statistical development in Tuvalu. Despite the progress, there are still significant data gaps in key statistical categories. While capacity constraints may explain the bulk of the deficiencies in data collection and distribution, the more intensive use of the available technology may be able to improve the availability of statistics.