

2014 National Budget Speech
By the Honourable Maatia Toafa
Minister of Finance and Economic Development
16 December 2013

Salutations

1. Honourable Speaker to the House of Parliament, Hon Prime Minister and your good wife, Honourable Members of Parliament and your good wives, Representative of the EKT, Ambassador of the Republic of China to Tuvalu, Pule Fenua o Funafuti and Community Leaders, Ulu Alikii, Tupu, Pule o Kaupule from Nanumea to Nukulaelae, Permanent Secretaries and senior government Officials, General Managers of Public Corporations, representatives of the private sector and NGOs, Distinguished Guests, Fellow Tuvaluans.

INTRODUCTION

2. In accordance with Section 165 of the Tuvalu Constitution, I am honoured to present to Parliament the 2014 National Budget.
3. The 2014 National Budget will further build on the achievements attained in the past years. The Government will maintain delivery of an improved level of services for our people, improved efficiency and value for money government systems, whilst progressively investing in our infrastructure and for a better future.

Accordingly, Mr Speaker, I have pleasure in announcing that:

- 3.1) The Budget will deliver a surplus of \$6.281 million in 2014;
 - 3.2) Expenditures will be targeted at the highest priority areas consistent with the Te Kakeega II (TKII), Government Roadmap, and the Policy Reform Matrix (PRM), particularly in health and education, infrastructure and support to the outer islands communities;
 - 3.3) The 2014 Budget will consolidate the gains achieved in previous years through further economic reforms.
4. Mr Speaker, before turning to the details of the Budget, allow me to outline the background of the major economic and social developments in Tuvalu against which this budget was prepared.

BUDGET SETTING

5. A number of the world economies continue to struggle with huge economic issues such as high unemployment, overburdening debt levels and the lingering effects of the global financial crisis. It is likely that the economic volatility experienced in 2013 will continue into the foreseeable future, which creates uncertainty surrounding global markets and their impacts on our major revenue sources such as the Tuvalu Trust Fund (TTF).

6. IMF projects our growth to remain steady for 2014 at 1.3%, similarly, inflationary pressure on goods and services is also projected to remain constant at 2.7%, but this is sensitive to Australian dollar depreciation and rising oil prices.
7. As foreshadowed, Mr Speaker, I am pleased to confirm that the Tuvalu Trust Fund Board has confirmed an automatic distribution of \$6.5m for 2014 from the TTF investment. . As at 30 September 2013 the market value of the TTF was \$142.59m, with a maintained value (capital contributions adjusted for inflation) of \$136.07m. Distributions in future years have been projected at the same level, dependent on investment performance.
8. As mentioned earlier Mr Speaker and Honourable Members, the 2014 Budget will deliver a surplus of \$6.281 million by carefully targeting spending to priority areas. This budget surplus will mean that the Consolidated Investment Fund (CIF) will increase to \$ 17.845m in 2014, an increase of 230% over the current balance of \$5.401m as at 31 October, 2013. In the current economic climate this provides a level of surety for the people of Tuvalu that fiscal buffers are available to withstand temporary revenue shortfalls.
9. In light of the uncertain fiscal environment, revenue estimates remain conservative for 2014. Tuvalu's limited and volatile revenues from non-donor sources like fisheries license revenue and taxation continue to be difficult to forecast with accuracy, and are both subject to factors and influences that are beyond the control of the Government. Modest increases in Fisheries revenue have been projected, as well as increased company tax remittances and government charges. Total core revenue for 2014 is estimated at \$45.4 million, an increase of 67.47% on the 2013 approved budget.
10. Mr Speaker, it is important to note that while the 2014 Budget position has been greatly improved by the ongoing direct budget support from donors such as the Republic of China ROC (Taiwan), World Bank, Australia, Japan and New Zealand, the immediate and long term outlook remains uncertain. In this context, I wish to emphasize that the 2014 Budget was prepared with caution.

BUDGET HIGHLIGHTS

11. Mr Speaker and Honourable Members, this Budget ensures a clear focus on priorities and strives for efficiencies to ensure continued improvements and results and that the quality of life in Tuvalu continues to be raised. This Budget is about supporting policies to ensure that we will achieve a healthy, educated, peaceful and prosperous Tuvalu.

REVENUE

12. Firstly, let me briefly express about the 2014 Budget revenues. Expanding Tuvalu's very narrow revenue base to ensure that we have a reliable source of revenue by which to fund ongoing Government programs is an ongoing priority.

13. Income received from fishing revenue for 2014 are anticipated to increase by 51.24% to \$13.859 million. This improved performance in fisheries revenue is the culmination of several years' work; in particular the Vessel Day Scheme (VDS), the improvements in tuna fisheries monitoring, control and surveillance management, and effective negotiations with stakeholder groups such as the PNA, FFA, SPC and WCPFC for the improvements in the application of a common set of regional fisheries management standards.
14. Significantly improved assessment and collections of duties, particularly on company tax will see income increase by 34.86% to \$7.769 million in 2014. This increase is largely driven by the increased economic activity by the Tuvalu Tuna Fish Holding Company (Taumoana) and also greater compliance activities of the Inland Revenue Department.
15. Continued improvement in fishing performance of Taumoana anticipates a dividend of \$1.3m in 2014. This is an increase of \$1m from past years.
16. Further budget support will be received from Tuvalu's development partners namely; Republic of China ROC (Taiwan), World Bank (WB), Australia and New Zealand.

EXPENDITURE

17. Mr Speaker, I would now like to move to the expenditure side of the Budget. Total core expenditure for 2014 is projected at \$39.1 million. This is an increase of 20.06% from the 2013 budget of \$32.6 million. Of this expenditure, \$34.67 million will finance the recurrent budget (which also includes the \$553,712 from CSOs), and \$4.5 million will be used for Special Development Expenditures (SDEs). The 2014 Budget will have a surplus of \$6.28 million.
18. As noted earlier, even though total spending is projected to increase, the Government continues to review all of its expenditures and shift spending to high priority areas, to ensure it is meeting key objectives in the TKII, the Government Roadmap and the PRM, while at the same time maintaining fiscal constraint.
19. While details of all new spending items are contained in the 2014 National Budget, Mr Speaker, I would like to highlight the following important areas of domestic Government spending in 2014 which are directed at key economic reforms and priorities under the Government Roadmap, PRM and TKII.
20. Mr Speaker, I am pleased to announce that the Government is providing a salary increase for the public service. This increase has been spread equally and will mean that each public servant, regardless of level, will receive an extra \$30 in disposable income each fortnight to alleviate cost of living pressures. This modest increase will have an overall impact on the Budget of \$1.7m.

HEALTH

21. Funding available for medical treatment will increase by 25% for the local and overseas schemes. This will ensure that a greater number of Tuvaluans have access to medical care.
22. Tuvaluans will now have access to an Ambulance after a number of years. This means that we can now respond to medical emergencies.
23. The introduction of Health Clinics in the northern and southern ends of Fogafoale will ensure accessible medical services are available in the Lofeagai and Tekavatoetoe communities.

EDUCATION and SPORTS

24. 2014 will see the introduction of the first Loan Scheme for students unsuccessful in obtaining scholarships. This scheme will broaden the educational opportunities for students across Tuvalu to complete tertiary studies.
25. In support of modernizing the school curriculum Internet connectivity will be provided to all schools during 2014. Access to the internet will especially enable students to undertake e-learning activities.
26. The upgrading of sports grounds will ensure governments support to improving sports participation and healthy lifestyles in our communities.

OUTER ISLANDS DEVELOPMENT

27. From 2014 our government will increase support to senior citizens by providing them with an extra \$20 a month to help with the cost of living.
28. The Outer islands projects have increased to \$1.6m in 2014 to equally distribute among island communities \$200,000. In addition, \$400,000 is allocated for reviving TCS to address the food security issue with the outer islands. TCS will provide price control for essential food items including rice, sugar, biscuit and flour.
29. To enable the communities in the outer islands to fully participate in government decision making, the Prime Minister and delegation will be touring the islands in early 2014.

PUBLIC SECTOR REFORM AND COMMUNITY SERVICE OBLIGATIONS

30. Mr Speaker, I am pleased to announce the establishment of the Tuvalu Postal and Travel Limited (TPTL). TPTL has received a capital injection of \$86,326 to assist with the corporatization of the travel and postal services. The 2014 Budget also includes allowances for public enterprises (PE). These Community Service Obligation's allows PE's to undertake non profitable operations as directed by the government. This year the budget includes allocations for the Tuvalu Electricity Corporation (TEC), National Bank of Tuvalu (NBT), Tuvalu Telecommunication Corporation (TTC), Development Bank of Tuvalu (DBT) and TPTL, largely to allow

them to continue to maintain their outer islands operations without impacting on their profitability.

PRIVATE SECTOR DEVELOPMENT & NON GOVERNMENT ORGANISATION

31. Mr Speaker, This government recognises the importance of private sector development and its contribution to economic growth. In this budget, the government has approved \$400,000 for private sector development to assist Small and Medium Enterprises (SME's) and this fund will be administered by the Development Bank of Tuvalu (DBT). In addition the government has also increased its support to non government organisations including Fetuvalu High School and Seventh Day Adventists Primary School.

CENTRAL PROCUREMENT UNIT

32. Honourable members, 2014 will see the establishment of a Central Procurement Unit (CPU). The CPU will provide oversight of the purchasing of goods and services and will ensure that government procurement is undertaken in accordance with the Procurement regulation. The new procurement rules will ensure value for money in the use of public funds and promote transparency in decision making. The new regulation also includes enforcement provisions which will be managed by the CPU.

DONOR FUNDING

33. Mr Speaker, and Honourable Members, as mentioned earlier, our development partners have in the past played a very important role in helping Tuvalu achieve its development objectives.
34. We are truly grateful for the ongoing support of the Republic of China (Taiwan) who has been a long standing donor partner to Tuvalu. I am pleased to announce that ROC Taiwan has generously increased its general budget support in 2014 from the current US\$5m to USD\$7.5m (AUD\$7.983 million). This funding will support a range of expenditure including the Tuvaluan Medical Treatment Scheme, fuel and maintenance for MV Manufofau and ongoing assistance to pre-service scholarship holders. In addition, Taiwan will continue to provide a range of in kind assistance, including its Technical Mission, the Mobile Medical mission visits, scholarships and technical assistance.
35. We are also been fortunate to have secured funding of \$3 million from the World Bank for 2014. This funding will be directed to general budgetary support, to enable us to continue towards achieving priorities under the PRM. Australia, New Zealand and Papua Ne Guinea will continue to provide general budget support, with \$2 million, \$520,800 and around \$2.5m being made available respectively in 2014 which will be directed to projects that support our priority goals under the PRM.
36. Japan has been a great friend to Tuvalu over the years. The assistance that the Government of Japan has provided has ranged across many sectors - education, transport, energy and communications. In recent years we have benefited from the Japan fuel grant which has helped us to provide fuel for the nation. The fuel grant was

expected to end this year but after lengthy negotiations and lobbying by the Government we are able to extend this for another year. Tuvalu acknowledges the generosity of Japan because this grant will continue to the year 2014. This grant consists of fuel to the value of \$1m that will be provided to the Government for use by the Tuvalu Electricity Corporation (TEC). This grant is reflected in our budget as revenue for the Government corresponding to spending in support of TEC and for which the Government of Tuvalu is truly grateful.

37. Mr Speaker, I would like to state that while we have made major inroads in a number of development areas, there remains a long way to go. Accordingly, I would like to acknowledge the support of Tuvalu's major development partners in our reform endeavours and welcome their continued support into the future.

CONCLUDING REMARKS

38. Mr Speaker, Honourable Members of Parliament, this Budget will continue to improve the quality of life for our people. Strengthening education, enhancing health services, outer islands development, providing appropriate infrastructure, and providing basic and essential services to the public and the people remain top priority areas of this government. Today's Budget will deliver more and wider benefits across our communities and will ensure that Tuvaluan's are given the tools to take this country forward.
39. Finally, I would like to take this opportunity to express my appreciation to everyone involved in the preparation of the 2014 National Budget, particularly to my fellow Cabinet colleagues, Development Coordinating Committee, Ministries, Core Budget Team and the staff of the Planning and Budget Department. All these efforts have contributed to what I believe is another excellent achievement. I express my sincere gratitude to you all.
40. But the hard work is still ahead. To turn the budget into real results for our people. For this I humbly beseech God to lead and guide us in our 2014 journey.
41. Mr Speaker, I commend the 2014 Budget to the Parliament.
42. Tuvalu mot e Atua
43. Thank you very much