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**TUVALU AND THE MIRAB MODEL: THE PRIVATE
SECTOR AND A VIBRANT COMMUNITY**

by

Pesega Lifuka

A thesis submitted in partial fulfilment of the
requirements for the degree of
Master of Arts in Development Studies

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School of Government, Development and International Affairs
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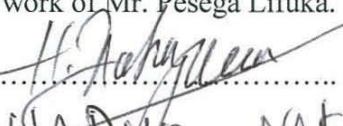
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The research in this thesis was performed under my supervision and to my knowledge is the sole work of Mr. Pesega Lifuka.

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Fakafetai Lahi

ABSTRACT

This study is an exploratory undertaking in the framework of the MIRAB model, which was originally formulated by Bertram and Watters in 1985. There have been several studies conducted to acknowledge the economic status and development of Tuvalu in the past which were either based on or modified/extended the MIRAB model for the country. Yet, this study is unique in trying to explain why it is important to start development from grassroots, which are the local communities in the case of Tuvalu.

This study conducted a desktop secondary research on existing literature on several relevant topics for this study. Fortunately, a set of relevant data and information has been available to conduct it. Upon the examination of them, it became clear that the original MIRAB framework would not be so useful for making the Tuvaluan economy more sustainable and vibrant for growth. Therefore, the study proposes a project to one of the local communities in Tuvalu utilising an institution called the Social Enterprise. It would become a catalyst of development of the community by leading an initiative, which has a triple bottom-line of long-term goals of economic prosperity, social harmony, and environmental protection.

In the Pacific region, it has been a priority to embrace the important role of the private sector in the development and that has been encouraged by the donor countries and agencies. However, one saying goes that one set of solutions cannot be equally applicable to all problems. As in the case of Tuvalu, by taking into account its geographic, demographic, economic status, the most suitable set of solutions for its development difficulties would be partially different from the one for other Pacific Island Countries with much larger population and markets, as well as more access that is convenient to modern technologies. A successful implementation of the proposals in this study would warrant wider applications of similar community based development initiatives in other outer islands of the country.

ACRONYMS

CSEF	Canadian Social Entrepreneurship Foundation
DBT	Development Bank of Tuvalu
FTF	Falekaupule Trust Fund
IMF	International Monetary Fund
INSP	International Network on Strategic Philanthropy
IRDF	Island Revolving Development Fund
NGO	Non-Government Organisation
NBT	National Bank of Tuvalu
SIS	Small Island States
SIE	Small Island Economies
SE	Social Enterprise
SOE	State Owned Enterprise
PIC	Pacific Island Countries
TEAC	Tuvalu Electric Authority Corporation
TCS	Tuvalu Co-Operative Society Ltd
TCTC	Tuvalu Coconut Traders Co-operative
TNPSO	Tuvalu National Private Sector Organization
TSEC	Tuvalu Solar Electricity Co-Operative
TTF	Tuvalu Trust Fund
UNDP	United Nation Development Programme

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CHAPTER ONE: INTRODUCTION

1.1 Development Models of Pacific Island Countries

In the discourse of development, all Pacific Island Countries (PICs) seem to have had their own unique pathways and their governments have been trying to improve their pace of economic development. In addition, realisation of a faster growth has been one of the core encouragements from the main development partners such as the Asian Development Bank (ADB) and the Department of Foreign Affairs and Trade (DFAT) of the Australian government (previously AusAID). Some of the previous government initiatives of PICs, which were sometimes driven by the recommendations from development partners, appeared to be based on the traditional growth models of development such as the neoclassical Solow growth model. However, more policies that are recent and recommendations appeared to be made by taking into account a unique economic model applicable to a few PICs called the MIRAB (the acronym stands for Migration, Remittances, Aid, and Bureaucracy).

This MIRAB model emerged from the observations of Bertram and Watters (1985) in the 1980s for the five PICs, which were Cook Islands, Kiribati, Niue, Tokelau, and Tuvalu. This model had dominated the literature for small island developing economies for some time until the mid-2000s when Godfrey Baldacchino (2006) emerged with a new small island economy model called the PROFIT. The acronym of which stands for People (immigration), Resources, Overseas management (diplomacy), FI stands for Finance and T for Transport. Around the same time, Jerome L. McElroy suggested another interesting development model for small island economies called the SITE (Oberst & McElroy, 2007: 163). The acronym of which stands for Small (warm water) Island Tourist Economies. This study uses these three models as its conceptual framework and proposes an unique strategy for developing private sector in a rural community of Tuvalu to make the community more vibrant.

There have been a limited body of knowledge on the relationship, and the association between the local communities and the private sector in Tuvalu and it is hoped that this study fills some part of this gap. Another aspect of this study lies on the fact that

exploring and re-emphasising the importance of community based development. In addition, it is hoped that this study becomes an interesting addition to the growing literature on development pathways for Small Island Developing Economies such as Tuvalu, which may have also the value for policy makers of the country.

More importantly, one of the main purposes of this study is putting forward tentative development proposals for a selected local community to consider a viable development plan for its future. Given enough time and space, the implementation of the proposals may realise a very significant achievement for the community, which can be emulated by other communities in the country.

1.2 The Main Questions of the Study

One of the objectives of this study is to explore and find answers for the following main questions:

1. What are the opportunities and pathways that can drive Tuvalu's economy away from the structured belief or limited possibilities for the future portrayed by the MIRAB model, which imposes certain restrictions on its development possibilities?; and
2. If the opportunities described in the first question exist, how can the people and communities of Tuvalu exploit them?

The answers to these questions are provided in the later chapters of this study.

1.3 The Organisation of the Study

This study has five chapters. This first chapter introduces the topic and explains the significance of this study. The second chapter provides the literature survey, which includes reviews of the Private Sector, Entrepreneur as well as various issues, concepts and institutions relevant for this study. One of the concepts covered in this chapter is the Theory of Change, which provides a foundation to develop proposals for community development for the targeted local community. An important institution reviewed in this chapter is the Social Enterprise, which will play crucial roles in the proposals made in Chapter 4.

The third chapter will provide the conceptual framework of this study which explains the core models of this study which are MIRAB, the PROFIT and the SITE Model. For the fourth chapter, it explains some background information of the country of Tuvalu as well as the targeted local community to which this study makes some important proposals. This chapter also includes detailed reviews of issues, concepts, and institutions in Tuvalu relevant for the study including the current situation of the private sector in the country. The Fifth chapter explains the proposals for the targeted community, which have been developed by using one of the application formats of the Theory of Change. There are detailed explanations of how the proposed Social Enterprise will be able to become a catalyst to bring positive changes in the targeted community. The proposed Social Enterprise will lead the implementation of the required initiatives. The last chapter will provide conclusion and policy recommendations.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter will describe the core theories to which the conceptual framework of this study is grounded, namely the MIRAB model and its later variations called as the PROFIT and SITE models. Then, this chapter will move on to cover other relevant concepts for this study, namely, Private Sector, Theory of Change, Co-Operative Society, Entrepreneur, Community, Diaspora and Social Enterprise in this order.

2.2 The Private Sector

Other than the conceptual framework covered in the previous section, this study will also focus on the roles of the private sector in development. The review of this section begins with a perspective from the global context and then moves on to the regional level. The private sector in the local context of Tuvalu will be covered in the next chapter. The concept of the Private Sector appears to be well defined by some of the existing literature. Bella *et.al.* (2013: 9) described the view that the Private Sector is a composition of;

organisations that have a core strategy and a mission to engage in profit seeking activities, whether by production of goods, provision of services and/or commercialization. This includes financial institutions and intermediaries, small and medium-sized enterprises (SMEs), individual entrepreneurs, farmers, co-operatives, and large corporations operating in the formal and informal sectors. This definition excludes independent foundations, NGO's and civil society organisations (including business associations) (p. 9).

The above definition strictly confines the private sector to the organisations that engage in economic activities to gain some surplus in the end of the days' activities. Authors such as Dercon (2005) and Bourguignon & Sepulveda (2008) who discussed the importance of the roles of private sector in boosting and helping struggling economies supported this definition.

Dercon (2005: 507) emphasised the importance of the Private Sector by stating, "the Private Sector will be a remedy that can reduce poverty and also generate revenues for the economy". In addition, "through the participation of Private Firms in the

Private Sector they can provide jobs, tax revenues, investments, and a mechanism that produce and diffuse ideas in the economy (ibid)".

2.2.1 Private Sector in the context of Development

In the broader context of development, Bella *et.al.* (2013) described that Private Sector Development are activities executed by governments, financial institutions, and development organisations in order to create an enabling environment for business to flourish. It consists of activities of development cooperation actors aiming to increase private sector investments in developing countries. In some circumstances, the Private Sector may induce a large amount of foreign direct investments in the developing countries (Moshi, 1998; Dercon , 2005; Cain, 2015).

However, it would be necessary to consider the fact that the Private Sector covers a number of quite different entities from a street vender trying to earn small amount of money to survive day by day to a huge multi-nationals whose revenues easily surpass the Gross Domestic Products of SIEs and employ a huge number of people around the world. A few different kinds of entities in the Private Sector would be potential participants to the development process of a SIE which would include, for example, multinational hotel and resort chains to develop tourism in the country. In this context it should be noted that while the Private Sector is recognised for its competence in creating economic returns or profits for businesses but in this process of accumulating profits mostly in developed countries may accompany some negative impacts or consequences in which many people especially in the developing countries have been negatively affected.

For example, the Dependency Theory as narrated by Rostow (1960) and Velasco (2002) argues that the third world countries have been utilised by the developed countries in the exploitation of their resources. In contrast, the Globalisation Theory assumes that all countries have been socially and economically connected to each other more closely than before to an unprecedented extent and this change has initiated from a centre then expanded outward which would have both positive and negative impacts in the developing countries (Strikwerda, 2000; Bigman, 2002; Stiglitz, 2006). In both theories the main participants in exploitation and globalisation are in the Private Sector.

However, it should also be noted that the Private Sector particularly indigenous to the developing countries concerned could be a remedy to poverty in SIEs. For example, according to the observation of Prahalad (2007) “Aid is not the answer to massive poverty.” He further stated that “subsidies, grants, and philanthropy may have a role to play, but the real solution is local development of the private sector”. A number of authors have stated that there are many different ways the private sector can contribute to poverty reductions. For example, UNDP (2008 and 2014) has encouraged the alternative approach that the private sector can pursue to tackle the problems of poverty reduction including an adoption of the communal approach.

To reflect on the status of the private sector at the Pacific regional level, there has been a positive undertaking namely the Private Sector Development Initiative (PSDI) funded by the ADB, and the governments of Australia and New Zealand. It became successfully operational in 2007 and has evolved as a vital technical instrument for Pacific governments and their strategies and programmes for their private sector development (ADB, 2014).

2.3 The Theory of Change

Seeking the possibility of making positive changes in local communities in Tuvalu is set as a priority of this study and therefore it is important to cover a theory, which describes how a community can achieve positive changes. Given the many perspectives and similar notions or ideas from different people about this theory, which was commonly named as the Theory of Change, it is very important to explain which particular approach is selected for this study.

Weiss (1995) as cited in Stein & Valters (2012: 3) illustrated that the Theory of Change is a theory that helps to describe how and why an initiative to bring positive changes works. Further Stein & Valters (2012) expressed that, in more practical application approach they preferred, the Theory of Change can be understood as a pathway to illustrate a set of ‘assumptions’ which would not be able to be altered together with some transitional stages (sometimes called as preconditions) that may eventually lead to a long term goal. The Theory of Change has been conceptualised and given such names as the roadmap, a blue print and engine of change, a theory of action and many more.

According to the International Network on Strategic Philanthropy (INSP) (2015), the Theory of Change is a tool developed to assist Trustees, NGOs and funding agencies or donor's consultants who wish to pursue investments to achieve some worthy goals. The INSP further stated that this tool is a stimulator of thoughts and discussion around questions and give guidance in times of critical consideration before taking of the initiative. Therefore, this theory can be considered as a tool for serving practical works.

Taplin & Clark (2013), Stein & Valters (2012) and Weiss (1995) seem to agree on one important aspect of the Theory of Change. They emphasised the capacity and the importance of the ideas that can be paraded and organised in a manner that clearly provide a defined path for a initiative to make change in a setting. According to Stein & Valters (2012: 5) there are four broad categories of purposes of the Theory of Change. The first component is strategic planning which assists organisations to basically chart the transformation process and its anticipated results together with the facilitation of project implementation. The second category is the monitoring and evaluation. The Theory of Change expresses the anticipated processes and outcomes that can be revised over time. In this essence, it permits organisations to evaluate their input to alter and revise their strategic plans. The third category is the description. The Theory of Change permits organisations to connect their preferred amended process to internal and external partners. It may be a very straightforward narration of an organisation's strategic plan can be agreed as a smallest means of engaging with Theories of Change of different partners. Last category is the learning tool. The Theory of Change can greatly assist individuals to explain and build up the theory behind their organisation or programme. And for this reason the author supports the view of (Stein & Valters, 2012) to understand the Theory of Change as a thinking tool.

2.4 The Co-Operative Society

2.4.1 Definition

The co-operative society, according to the International Cooperative Alliance (ICA) (2015) website, is an "autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly

owned and democratically - controlled enterprise”. The early founders of the co-operative movement had the belief in the ethical values of honesty, openness, social responsibility, and caring for others. As a result, co-operatives today generally embrace these values such as self-help, self-responsibility, democracy, equality, equity, and solidarity.

In addition to the above values, the co-operatives have further constructed principles that provide guidelines for them to put into practice. The ICA (2015) illustrates these principles in the following manner:

1. *Voluntary and Open Membership: Co-operatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.*
2. *Co-operatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one member, one vote) and co-operatives at other levels are also organised in a democratic manner.*
3. *Member Economic Participation: Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.*
4. *Autonomy and Independence: Co-operatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.*
5. *Education, Training and Information: Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of co-operation.*
6. *Co-operation among Co-operatives: Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.*
7. *Concern for Community: Co-operatives work for the sustainable development of their communities through policies approved by their members (ICA, 2016).*

2.4.2 *How Co-operatives Work*

According to the International Co-Operative Information Centre (CIC) (2015), history of the co-operative movement started in the Toad Lane, Rochdale England in 1844 by 28 people. This very first co-operative was originally selling basic commodities such as sugar, flour but later developed to have more diversified roles. Since then co-operatives flourished throughout Europe. With a wide literature review study on co-operatives, the Community-Wealth Organisation (2015) demonstrates that co-operatives are businesses administered on the principle of one member one vote.

There are some common types of co-operatives and some of them combine more than one types. This includes co-operatives owned and operated by the people working there (worker co-operatives). The other type is one that people are buying the goods or services purchased by the co-operatives (consumer co-operatives). On the other hand, the producer co-operatives are organised by producers such as farmers to process and market their products. Lastly people can unite to enhance their purchasing power, for instance through bulk purchases and it is the purchasing co-operative. According to King *et.al.* (2013: 165) the democratic and horizontal organisation structure of co-operatives is designed to prevent the exploitation of its members by a particular member such as a manager, to ensure an equitable distribution of goods and resources and to allow direct access to the benefits of their communal efforts for all members.

Moreover, the co-operatives have done serious contributions in realising prosperity of the communities they reside or establish for several important reasons.

1. First of all the co-operatives usually provide quality goods and services to areas that have shunned by traditional businesses because they are deemed to be less profitable as markets.
2. Cooperatives usually invest in local communities which have difficulty to attract investments. The classical example is that in most rural co-operative utilities finance community infrastructure projects, make equity investments in local businesses, make donations to neighbourhood non-profit organisations and sponsor a range of community focused activities.

3. In most cases co-operative members are local members or residents of a community, and as a result the profits remain and circulate within the community.
4. Moreover, the local membership builds social networks and strengthens social cohesion which are essential elements of strong, healthy communities, by connecting diverse residents of the communities.

2.4.3 Strengths and Weaknesses of Co-Operatives

In comparing a co-operative with an ordinary commercial business, it has certain relative weaknesses and strengths. For a co-operative, its existence to operate is for the benefit of its members whom are also the owners. These people have the core financial interests in the success of the co-operative where they put forth all their supports into the success of business undertakings of the co-operative. In the case of a typical commercial business, the owners (stockholders) of a company would also want to see the success of its business to receive more benefits from their ownership but will not participate in the operation of the company. In addition, all the members have their say in the management and control of a co-operative whereas in a typical commercial company the owners and management are almost completely separated. Having their control over the organisation, as within the limits of the majority rule, owners of a co-operative usually receive the required service they do desire which would not happen to ordinary owners of a commercial business. The members of a co-operative tend to connect themselves to the organisation of the co-operative, which would make them full partners and contribute to the building of these businesses operated by the co-operative, which would be most unlikely for the owners of a typical commercial business.

However, there are also some weaknesses in a co-operative relative to a typical commercial business. According to American Historian Association (2015), co-operatives do have the weaknesses of democratic organisations. For example, a manager involves in the operation of the co-operative must always seek approval from the members in all initiatives and certain groups of members may not agree on important initiatives. Therefore, relative to a commercial business decision makings in a co-operative can be time consuming and this can be a source of inefficiency.

In addition, a co-operative rarely offers attractive wage even if managers and workers it employs are highly capable and as a result the turnover of qualified and able managers and workers is relatively high. For a co-operative with a large number of membership, a majority of members can lose their interests in running the organisation, which would usually result in letting a small group of members manage the organisation and a typical agency problem would arise. This group may run the co-operative mainly for their own benefits and may ignore the interests of the majority.

2.5 Entrepreneurs

2.5.1 Introduction

In a commercial business, crucial roles played by an entrepreneur cannot be emphasised more. Li *et.al.* (2006: 358) pointed out that there had been two prominent driving forces in the new emerging market economies such as China, India and Vietnam. One is the economic reforms implemented by their governments to improve the governing rules upon the economic activities. The other is the increasing importance of private commercial businesses where entrepreneurial owners are the driving force of the success of their businesses. There are diverse literatures over entrepreneur and entrepreneurship. However, the focus of this section is the relationship between entrepreneur and community development. In this context, the concept of the Social Entrepreneurs will be also reviewed later.

2.5.2 Entrepreneurs in Commercial Businesses

In the accounts of Massey (1954: 246) John Bates Clark defined an entrepreneur in his *Essentials of Economic Theory* (1907) as an individual that hired all the capital and labor needed for a business. In addition, Massey (1954) further described the most famous classical economist, Adam Smith's assumption in which an entrepreneur was a proprietary capitalist, which means the person is a supplier of capital and also a manager, who mediates between the laborer on one hand and the customer on the other.

Massey (1954) further stated Alfred Marshall's writing in the 1890's regarding the entrepreneurship including the three main functions of it which are management,

innovation and risk bearing. Cole (1949) as cited in Massey (1954) addressed a specific account of the idea about the entrepreneur:

Entrepreneurship is the purposeful activity of an individual or group of associated individuals, undertaken to initiate, maintain, or aggrandize a profit oriented business unit for the production or distribution of economic goods and services with pecuniary or other advantage goal or measure of success (247).

Moreover, according to Massey (1954) a foremost exponent of the school of thought emphasising the crucial importance of entrepreneurs and innovations, Schumpeter (1934) narrates the entrepreneur as follows:

Innovation is a sole function of an entrepreneur. He defines a creative response in economic history as an action which cannot be predicted by applying the ordinary rules of inference from pre-existing facts; which produces relatively permanent social and economic changes, and which tied up with individual in society, their quality, their fields of endeavour, and their decisions, actions and patterns of behaviour. Such creative response, which brings economic development, is entrepreneurial activity (248).

All of the above descriptions of entrepreneurs appeared in the emergence of businesses and modern corporations in the 19th and early 20th Centuries.

2.5.3 Social Entrepreneurs

According to Falk (1978: 209) there are some situations where enough private investments are at hand to assist a neglected area, but to make these investments successful the local authority must create conditions that will bring confidence among residents over new business opportunities. The argument states that there is always a potential for a particular idle or neglected area and it can only be reached by what is termed as 'Social Entrepreneurship' of particular individuals that is innovative risk taking by certain individuals for public benefits.

Some of these particular individuals not only ventured into businesses in non-conventional areas but also successfully made good returns from their investments. According to Online College Organisation (2012) some of these individuals actually have lended a hand in mobilising resources, opportunities, trainings, and other assets to who needed them most. According to Martin & Osberg (2016: 34) these individuals have been called as the Social Entrepreneuers who have the passion and

value in realising a huge scale of transformational gains to substantial sectors of a society or to the general public at large.

Likewise, a Social Entrepreneur is described by the Canadian Social Entrepreneurship Foundation (CSEF) (2006) as someone who recognises a social problem and uses entrepreneurial principles to organise, create, and manage a venture to make social changes to deal with the problem. The CSEF (2006) further explained Social Entrepreneurs as individuals with innovative solutions to society's most pressing social problems. They are ambitious and persistent, and are tackling major social issues and offering new ideas to realise wide scale positive changes.

Interestingly, one of the outstanding characteristics of Social Entrepreneurs is their willingness and their capacity to persuade entire societies to take new leaps (ibid). They assist governments and business sectors in finding solutions or finding leverages to solve societal problems. In addition, a Social Entrepreneur presents acceptable ideas that are user friendly, vibrant and concise, ethical which would receive extensive supports in order to make the best use of the number of local people who will stand up, and capture the ideas proposed by a Social Entrepreneur and implement social changes.

A classical example of a Social Entrepreneur is provided by Martin & Osberg (2016: 37) regarding a famous philanthropist Muhammad Yunus who is the founder of the Grameen Bank and the father of a microcredit scheme in least developing countries. This legendary Social Entrepreneur lent \$27 each to 42 poor women in a village called Jobra in Bangladesh. These women invested the loan in garments and managed to repay their small loans with sufficient profits for the food of their households and education of their childrens. These women were successful to uplift themselves from extreme poverty. The Grameen Bank has been able to operate profitably because of a relatively low default rate to help more women in extreme poverty.

Another interesting social entrepreneur initiative that would worth highlighting is the ingenuity of a social entrepreneur named Al Harris. According to Ashoka (2016), Harris has managed to pursue a challenging task of protecting splendid coral

reefs of Madagascar which have been damaged by voracious fishing efforts from local communities. Harris has ventured into an ecotourism business called the Blue Venutre including conservation and sustainable harvesting of octopus and sea cucumbers, and protection of hammerhead sharks and green turtles. He has enlisted international volunteers to collect data for their conservation efforts and at the same time these volunteers can enjoy the beautiful views of the coral reefs.

The results have been remarkable and convincing enough for villages to understand how important to protect their reefs. Particularly, its conservation program for corals and marine animals has been quite successful and 23 villages have adopted similar initiatives which was followed by the government of Madagascar adopting a new legislation for similar conservation efforts. Remarkably, the Blue Venture and its networking communities are currently exchanging their conservation knowledge with islands such as Fiji and Malaysia (ibid).

In addition, the Online College Organisation (2012) highlighted an astounding achievement of three graduates of the University of Notre Dame named Xavier Helgesen, Chris Fuchs and Jeff Kurtsman. They established a corporation named as Better World and the core function of the firm is reusing and recycling of books through selling on their websites and donating to schools. Their initiative managed to raise a total of \$12.1 million to help assist the literacy funding in developing countries. This initiative was remarkable in adopting the “Triple Bottom Line” model that targeted not only profit but also positive social and environment impacts in everything they do.

Therefore, an entrepreneur, is an important pillar for any successful business undertaking. In the context of rural development in developing countries, an entrepreneur, particularly a social entrepreneur may have important role that connects the local community to participate in a commercial enterprise. Yet, working with communities is a challenging venture for a potential social entrepreneur. Baron & Markman (2000) suggested that to make a project effective, fruitful and successive, the entrepreneur’s social skills must have specific competencies that may be of great help to interact with the people in a community. An extraordinary level of individual social capital such as reputation and experience in a community would

be crucial. Also, the ability to read others accurately, the capacity to familiarise to social situations and being persuasive will further enhance the capacity of a potential social entrepreneur.

2.6 Community

In the engagement of the Private Sector in the development of an economy in rural areas, the local community sometimes play important roles. There have been studies and researches carried out to explain these relationships.

According to Little (2002: 7) “community is the key ingredient in the complex matrix of social organisation and individual self-identity that characteristics of modern life.” Morse (2004: 3) stated that communities are individuals that live together; they do connect and are responsible for one another. Bates & Bacon (1972: 371) further stated some assumptions based on the traditional theories of community which are (1) there exist social system boundaries and it is geographically determinable; (2) the communities are quantified in units, which can be in human, or families; and (3) the working together grounded on mutual goals inspires community relationship.

According to Stiglitz (2006: 11) communities are one of the important pillars in successful development. Being successfully combined with markets, individuals and governments, which are the three other pillars of economies, communities may achieve the ultimate goals of development. Furthermore, the UNDP (2014) argues that for most successful developing countries some of their successful development achievements have been attained through the participation and collective efforts of communities assisted by NGOs and the government. Consequently, a number of international aid agencies are now focusing more on developing communities when they provide aids to developing countries. Given this environment, educating of the community can be a priority for development. In the observation of Lotz (1971: 315) the community alone cannot achieve the best of the development goals but only through the implementation of an education system that will help alleviate the lack of knowledge and understanding for development.

In the explanation of Lotz (1967: 7) for the community development advocated by the United Nations in 1950s it “can be tentatively defined as a process designed to create conditions of economic and social progress for the whole community with its active participation and the fullest reliance upon the community’s initiative”. In the argument by Buck (1965) and the United Nations (1963: 160) as cited in Lots (1967) in the line of thinking of the most economists development meant to be the increase of material wealth in goods and services and per capita income while on the other hand for more socially oriented people, development meant community development which means more schools, more welfare programmes and more local decision makings for communities.

Cochrane (1969: 6) further expressed that community development was meant for developing human capital through a self educational process. He emphasised that community development was helping of people to define or appreciate their wants and letting them evolve the means to realise development with their satisfaction. This position is very important since it implies, in a community development initiative, people living in the community should pursue whatever developments that are comfortable for them individually or collectively.

2.7 Diaspora

The diaspora of a community has played important roles in the development context, particularly in SIEs such as Tuvalu. According to Kakazu (1994) cited in Baldacchino & Bertram (2009) the establishment of an affluent diaspora will basically assist the development of the home economy where they were from mainly through the inflows of remittances.

In the accounts of Safran (1991) as cited in Butler (2001) stated the five characteristics of the diaspora are as follows: (1) dispersal to two or more locations; (2) collective mythology of their homeland; (3) alienation from the hostland; (4) idealisation of the return to homeland; and (5) ongoing relationship with homeland. Yet, Butler (2001: 192) argued that most of the scholars on Diaspora agree that there are three main features of Diaspora. The first is the after dispersal there must be a

minimum of two destinations. The second is there must be a relationship to the homeland. Lastly is the the existence of the self awareness of the group's identity.

Moreover, Safran (1991: 83) as cited in Shuval (2000: 42) stated "Diaspora has acquired a metaphoric implication and is used more and more by displaced persons who feel to maintain and revive a connection with a prior home". In addition, according to Safran (1991), Sheffer (1986) and Clifford (1994) as cited in Shuval (2000) diaspora frequently have critical component characteristics which include history, memories of homeland, alienation in the host country and a desire to return to homeland and most of all the desire to support the homeland with a collective identity.

According to Ionescu (2006: 8) supports provided by the diaspora may deliver to their homelands usually involve skills, trade links, remittances, business creation, investments and also the exchange of experience. In addition, the importance of initiatives led by diaspora has been recognised in many countries. This includes the increase of organised diaspora activities that resembles the assertion of the civil society as a major development partner and the upsurge in the grassroots initiatives (Ionescu, 2006: 8).

Interestingly, according to Lim (2012) some homeland governments that would like to maintain close relationships with the diasporas such as Taiwan, Ethiopia, and Iceland have formulated initiatives such as tour, exchange and public fellowship programmes that strengthens the ties of the diasporas to their homelands. Similarly, Ionescu (2006: 62) expressed the need for the homeland governments to formulate policies that would accommodate more participation of their diaspora in development agenda of their home countries.

2.8 Social Enterprise

2.8.1 Definition

The emergence of the Social Enterprise phenomena has been recognised around the globe (Social Enterprise Alliance, 2016). Some scholars argue that this phenomenon

has existed for quite a while but they have not been acknowledged and recognised until recently (Kerlin, 2010: 164).

Young (2011: 212) highlighted that the social innovation has special features, which must be noted in terms of the returns that it may bring about. The one in particular that the author wants to highlight is the social networks that govern interaction of the people. The argument behind this is that when a social innovation first appears, it will naturally gain a foothold in a relatively small subgroup of individuals who are closely linked by geographic proximities or social connections. Once the new way of doing things has come to be firmly established within a local social group it spreads to the rest of a society through existing social networks.

Similarly, according to Spear *et.al.* (2009: 5) the Social Enterprise is a range of self-labelled forms of different institutions. They do have their own structures and representative bodies, which includes some of the following; (1) co-operatives; (2) credit unions; (3) trading charities; (4) community enterprises; (5) development trusts; (6) social firms; (7) social care enterprises; and (8) many others. These types of institutions usually engage in community-based undertakings to achieve the social and economic benefits for the participants or beneficiaries including marginalised people. There have been many crucial and important factors why this new emerging type of institution has been recognised to be a better service deliverer to the community.

From the perspective of the Social Enterprise Alliance (SEA) (2016), Social Enterprises are institutions different from conventional businesses and government agencies and non-profit organisations. The SEA (2016) further states that because of their diversity it is challenging to define Social Enterprises. However, the SEA (2016) proposes the following as a working definition for a Social Enterprise. “A Social Enterprise is an organisation or an initiative that marries with a non-profit or government programme with the market approach of a business.” Yet, some writers have their own definitions of what a Social Enterprise is and Plerhoples (2013: 224) stated that “academics define social enterprises according to their motives, operation and their activities.”

Moreover, Kerlin (2010: 164) reiterated that “a social enterprise reposes itself upon the socioeconomic contexts of which is located in the various regions of the globe.” Interestingly, Mathew (2008: 22) highlighted and emphasised that social “enterprises are based on tripple bottom line principle, i.e, based on economic viability, environmental sustainability and social responsibility.” The UNDP (2008 and 2014) grounds their interpretation and opinion on the importance of the social enterprise in line with Mathew (2008).

Nevertheless, it is important to establish some conceptual facts and opinions around the Social Enterprise. Battilana & Dorado (2010) and Emerson (2003) as cited in Fitzgerald (2014) stated that a Social Enterprise is a stand alone hybrid. Yet Fitzgerald (2014: 2) described that “to have a vivid understanding of income generating activities functioning or executed in a non profit initiative, it is vital to understand first the difference between the profit and the non-profit organisation.” In doing so, he suggested that understanding of the institutional logic will aid on how a Social Enterprise will be in this classification.

Greenwood (2008) as cited in Fitzgerald (2014) emphasised that institutions and organisations fundamentally work accordingly to some overarching principles of them, and these are normally called institutional logics. This argument rests on principles derived from “nested actions of individuals organisations and the broader societal and sectoral insitutions (Fitzgerald, 2014: 2). Moreover, Thornton & Occasio (1999: 804) stressed the importance of social interactions that will take place and these institutional logics can be distinct as “socially constructed, historical patterns of material practices, assumptions, values, beliefs and rules” that shape behavioural choices.

Furthemore, it is interesting to point out that Besharov & Smith (2014) as cited in Fitzgerald (2014) acknowledged that many organisations have multiple and different institutional logics. For example in a not-for-profit organisation, all participants such as a volunteer, social worker, manager and waged worker will have their own ultimate assumptions and principles of which some are well-matched to others while some are not. On the same account, Kreutzer & Jäger (2011) cited in Fitzgerald (2014) provided an illustration of an assumption such as the management logic.

It is possible that solving challenges in an organisation may be achieved through the belief that effectiveness and efficiency of the management, together with the decent use of resources and a vivid structure of the organisation (ibid). However, a widely accepted norm for solving challenges in a volunteer organisation have been through democratic action, relationship focus, and innovative development of scarce resources. Fitzgerald (2014) noted that a Social Enterprise may be able to operate in a hybrid space with a social and environmental and commercial mission blended together.

2.8.2 How Social Enterprise Works

The traditional way of doing business is changing and the ultimate imperatives that the industrial age forefathers of capitalism believed they could impose were only a memory now (Heller, 2014: 42). The SEA (2016) stated the importance of Social Enterprises with regards to the traditional institutions which are no longer sufficient to address challenges faced by the global community.

Mr. Tony Blair, ex-Prime Minister of the United Kingdom in his speech acknowledged the importance of Social Enterprises as a vital standard of the ambition towards a more flexible, adaptable state, which would be more in touch with real communities and better able to make most of limited resources. (The Institute for Social Entrepreneurs, 2008). This statement emphasises the fact that Social Enterprises seem to capture and fill the gap that governments, private sector and the NGOs failed to deliver to the underserved population. Moreover, Thornley (2012) explained how Social Enterprises execute their strategies to excel in their operations through employing from, locating in, and/or buying from the underserved communities as their primary goals.

Furthermore, a summarised framework that reflects a Social Enterprise operation is identified by the Sedge Organisation (2015). Their goals frequently reflect the tripple bottom line where business practices of a Social Enterprise lead to social and environmental responsibilities as well as economic profitability. The followings are the existing frameworks of various forms of Social Enterprises (ibid).

1. Cross Compensation: One group of customers buy services with a certain profit margin for a Social Enterprise and the profits from this group are used to subsidise the service delivery to an underserved group.
2. Fee for Service: Recipients of the goods or services pay direct to the Social Enterprise.
3. Skills training and employment provider: One of the main targets of a Social Enterprise is to offer a living wage, assist personal development, and provide career training to the beneficiaries, which are also the employees of the Social Enterprise.
4. Market Intermediary and Connector: A Social Enterprise performs the role as an intermediary or supplier, to larger markets including overseas and the beneficiaries of the scheme are the suppliers of the products and services that are been distributed to larger markets including overseas.
5. Autonomous Support: A Social Enterprise delivers products or services to an external market that is distinct from the beneficiaries and positive social impacts have generated among beneficiaries.
6. A Co-operative: A for-profit or non-profit business owned by its associates who use the goods or services provided by the Social Enterprise.

2.8.3 Areas that Social Enterprise works efficiently

The Social Enterprise has its own purpose and it falls in line with the commitments of individuals or groups to engage in an initiative that serves not only for a social purpose but also for gaining financial returns that benefit the community they reside at large. For example, in the United Kingdom many Social Enterprises have successfully achieved their goals to provide or sell their products and services to certain communities and have benefited the communities through the provisions of services other than their products and services including employments of energetic young people of the communities who were unemployed before. Since most of these young people lacked necessary skills for employment, they have been trained on the job with a minimum wage during their training period at the Social Enterprises.

In reference to the Pacific region, there have been some successful stories of Social Enterprises. The classical example is some Samoan women's initiatives on the productions and sales of coconut virgin oils (Walton, 2016). Some Fiji women have

also ventured in to the same line of business utilising a Social Enterprise (Centre for Social Change, 2016). Other initiatives undertaken in other Pacific Island Countries include a women's community in the Solomon Islands in provision of a fund facilitating members starting their small business projects in which members can borrow starting up funds with a small interest through a simple procedure (SPC, 2015). In the Pacific, this kind of institution is usually called as a Community Based Enterprise but it may be considered as a form of a Social Enterprise. Peredo & Chrisman (2006) described potential usefulness of an approach utilising Community Based Enterprises that can deliver better services to communities. Furthermore, Peredo & Chrisman (2006: 310) has the opinion that a Community Based Enterprise represents a promising strategy for forstering sustainable local development.

2.8.4 Strength and Weaknesses of Social Enterprises

Weaknesses

For starting a viable Social Enterprise in a Small Island Economy (SIE), it is frequently necessary to seek donor supports. Even if initial supports from donors are secured, the expiry of particular assistance programme utilised may effectively end the life of a Social Enterprise established with donor assistance. Therefore, a Social Enterprise in SIEs should not expect a continuous support from donors for a long period and dependence on donor-funded projects without self-sustainability must be avoided (Rykaszewski *et.al.*, 2013: 6). Moreover, the same authors argued that seeking of funds from commercial financial institutions such as private banks is difficult for a Social Enterprise because most of the financial insitutions usually focus on businesses which bring higher returns or that are more sustainable or 'safer' in their undertakings.

In addition, the internal weaknesses of Social Enterprises indicated by Rykaszewski *et. al.* (2013) were (1) lack of solid business models, (2) slow and belated recongnitions of mistakes and hurdles during their operations, and (3) difficulty to find and attract the best people to their jobs. Yet a very specific and challenging weakness common in Social Enterprises is the balancing of business goals and the social goals. The reason simply being that running a profit undertaking is very different from running a nonprofit organisation. This may be reflected in their

strategies, operations and even to the presentation of their reports (Seedco Policy Center, 2015: 7).

Strengths

According to the Management Study Guide (2016) one of the unique strength of Social Enterprises compared to normal Corporate and Private firms is their flexible working environment which accomodates particular needs of particular people. This includes the employment of specifically targeted people includng the people in a specific community. Also, it is understood that the entrepreneur are the main innovators of change in the arena of businness whereas, in a Social Enterprise venture, a Social Entrepreneur who leads the Social Enterprise would visualise the venture by raising the necessary capital which can be assisted by the availability of incentives and schemes available from the government or other fund providers for Social Enterprises (ibid).

Furthermore, handling or tackling of social issues/problems with a possible solution at hand through a project initiated by a Social Entprise would always be viewed positively in the eyes of the public especially in the media. Therefore giving a priority to solve existing social issues/problems such as youth unemployment will be a good marketing and promotion strategy for Social Enterprises. In like manner, dealing with social issues/problems usually allows more support from people with common interests in the area which would enable recruting of people with a lower compensation in comparison to typical for-profit enterprises (Management Study Guide, 2016). Although many for-profit organisations have made amends to their roles in the social aspects of communities by integrating their social responsibilities in their business functions, only a few managed to create a real difference since they just have to make profits as their obligations to their stockholders.

2.9 Conclusion

This chapter covered the important concepts and ideas that would explain the grounding of this study. Starting from the theories that conceptualise the profiles of this study it extended to several related concepts in a order of Private Sector, Theory of Change, Co-Operative Society, Entrepreneur, Community, and Diaspora. The last concept covered in this chapter was the Social Enterprise and the section included

several different aspects of the Social Enterprise. The next chapter will review the important background about the country, Tuvalu which are relevant to the main theme of this study and also some particular conditions and situations of the country as a whole and the target community on a particular outer island. They include descriptions of Tuvalu specific conditions and situations of some of the concepts which were reviewed in this chapter such as Private Sector including Co-operatives and Diaspora.

CHAPTER THREE: CONCEPTUAL FRAMEWORK

3. Introduction

The Conceptual Framework covered in this section is a foundation of this study, which bases on the article written by Baldacchino and Bertram (2009) on the economic conditions of small island economies (SIEs) and their potential economic growth paths. The three important models for this study will be reviewed in the order of the MIRAB, PROFIT, and SITE models.

3.1 The MIRAB Model

In 1985, Bertram and Watters highlighted the decline in the village agriculture production in some of the Pacific islands and the reasons behind it. They emphasised that “there must be an understanding about two significant components; the village mode of production and the wider economic environment which conditions the decision making within the village (497).”

Furthermore, their model manages to explain the economic realities of many SIEs. The authors used the factors that form this model to name it using an acronym of MIRAB in which MI stands for migration, R for remittances, A for Aid while B for Bureaucracy. Basically, the model depicts a SIE dependent on remittances sent by migrant workers in foreign countries and assistance from donors and the dominance of public sector (at government offices and State Owned Enterprises (SOEs)) as a provider of domestic employment. They argued that these factors may form part of the development process in some of the SIEs but individual factors had not been dominant (Bertram & Watters, 1985).

Moreover, the MIRAB model suggested by Bertram & Watters (1985) clarifies the reasons behind the movements of Pacific Islanders to developed countries in searching for and exploiting economic opportunities, which allow these migrants, remit money to their people back home rather than trying to find opportunities in their own countries. On the same account, the massive inflow of remittances and the receiving of assistance from donor countries by some of the SIEs is a source of negative impacts such as the “Dutch Disease” on their economies. The dominance of

the government in providing cash employment was also spelled out in the model. Both would make Tuvaluan exports in both goods and services non-competitive and employment opportunities in the private sector unattractive (Bertram & Watters, 1985: 501).

In like manner, Baldacchino (2006: 48) agreed on why the MIRAB Model had become popular in analysing a number of the SIEs. The reason being, a few MIRAB supporters believe the effects of migration, remittances, aid and bureaucracy would exogenously determine the development of these SIEs, rather than support the evolution of an autonomous system in them. Watters (1987: 33) claimed that the idea of 'autonomous economic growth' in this particular contexts is simply 'false'. Although modified models were later proposed by Ogden (1994) and Guthunz and Von Krosigk (1996) they added only minor modifications to the original MIRAB model.

Interestingly Poirine (1998: 91) stated the MIRAB model could be considered as a welfare-maximising strategy. Likewise, Baldacchino (2006: 48) described the MIRAB model as a standing posture of a self-fulfilling prediction in the South Pacific. Equally importantly, Treadgold (1999) confirmed an important fact that currently the MIRAB model had been legitimised, validated, and profiled as an existing economic reality in many SIEs to which any long-term economic development strategy must be based on.

Baldacchino (2006: 48) expressed the allure of the MIRAB model as though it was named as the 'beast of the apocalypse' and it had successfully reached as a grand arrangement. The reason being was when Bertram and Watters originally introduced this model in 1985, it was applied only to the five Pacific micro-territories which were Tuvalu, Kiribati and the semi self-governing subnational jurisdictions namely the Cook Islands, Niue and Tokelau. Yet, the model was later applied to other SIEs such as Samoa, French Polynesia, and Federated States of Micronesia. Consequently, Poirine (1998) as cited in Baldachinno (2006) expressed that the United States named overseas territories of metropolitan countries such as Virgin Islands, Guadeloupe, Martinique and many more as MIRAB countries. Its popularity may

partially explain why the MIRAB model is vital as a guiding pillar not only for academics but also for policy makers in the Pacific and beyond.

3.2 The PROFIT Model

In 2006, Godfrey Baldacchino emerged with an interesting economic model specifically for the countries with small territories. This unorthodox economic development model proposed a notion that a country with a small territory is obliged to use extra territorial resources as its hinterland for their economic successes. This intriguing model was termed by the acronym of the PROFIT. According to Baldacchino (2006: 46) in the acronym of PROFIT, the P signifies people as the centre; R stands for resource management; O represents overseas engagement and ultra-national recognition; FI signifies Finance; and T stands for Transport (Baldacchino, 2006: 54).

Indeed, Baldacchino (2006: 45) argued because of the scarce of land in these small territory countries (of course, including all SIEs), compounded with over population, would have to turn to outside their territories to seek and exploit economic opportunities. Moreover, as Kakazu (1994) had emphasised as cited in Baldacchino (2006: 47) that “such small territories be looked upon as harbouring rentier economies, offering their strategic locations, investment potential, fishing rights, tax differentials or tourism products to attract ‘rents’ based on productive value added generated (in hinterlands) overseas.”

Notably, Baldacchino (2006) emphasized the special and the important characteristics of the PROFIT model in contrast to the cluster features employed in the MIRAB model. It should be noted the fact that the PROFIT model illustrates the importance of being proactive oriented in policies, and a character of carving out procedural and jurisdictional powers which is explained in more details below. Besides, Oberst & McElroy (2007: 165) stated the three unique differences or improvements of the PROFIT model from the MIRAB model: (1) dynamism of the private sector; (2) the active role of domestic policy; and (3) the strategical orientation towards diversification.

With respect to the above features Baldacchino and Milne (2006) further emphasized on the strategy behind the PROFIT model;

The jurisdiction powers that island federacies enjoy are principally a result of bilateral negotiations between island political elites and a (usually benign) metropole. This bargain is struck against the backdrop of a particular colonial inheritance, a local subnationalist culture and a varying ambitions of local elites to win jurisdictional powers to advance sub-national territorial interest (487).

Interestingly, Baldacchino and Bertram (2009: 141) further indicated a similar idea and further discussed and profiled the potentially higher development trajectories of small economies through thoughtful flexibilities employed by their governments to exploit economic benefits in more unsettled and active external environment. They concluded on an exciting potential framework that captures a sound and thoughtful strategic approach that these SIE governments can pursue to achieve their aspirations.

3.3 The SITE concept

McElroy (2003: 231) explained that there had been a shift of small economies in how they earn foreign exchanges after the Second World War from the normal exported staples like sugar and copra towards international tourism and other services such as offshore banking. According to Turner & Ash (1976) as cited in McElroy (2003), the shift of these small economies did transformed them which had started from the Caribbean, then in the Mediterranean and the North Pacific to other regions. This transformation was encouraged as SIEs in these regions becoming the “Pleasure Periphery” of North America, Europe and Japan correspondingly. Scholars such as McElroy (2003) observed this shift developed the new concept, called as the SITE, in which the acronym stands for the Small Island Tourism Economies.

Yet, Briguglio *et.al.* (1996) as cited in McElroy (2003) highlighted the downsides of this massive transformation in these SIEs. Frequently these rapid transformations brought unplanned, intrusive developments which have been frequently overwhelmingly damaging to the ecosystems of these SIEs. Problems include lagoon pollution and damages to reefs from sand mining and dredging and boat anchoring, deforestation and unsustainable erosion of forests for condominium

developments and road works, as well as the alarmingly high rate of decrease in numbers of indigenous birds and other species through tourists activities. So far, these developments have led to the United Nations calling for greener development and a number of researchers have been advocating for lower density tourism which would be less damaging to the environment of SIEs (McElroy, 2003: 232).

Interestingly, McElroy (2003) mentioned about a theory by Butler (1980) which had developed the so-called 'destination lifecycle model'. This model highlights the dynamic, market driven thrust of tourism development and claims that successful destination of tourism passes through a regular sequence of growth stages that parallel a S-shaped logistic curve (ibid). In a S-shaped logistic curve, the growth would start slowly and gradually becoming faster but after the peak the growth would gradually slow down again.

In addition to above model, McElroy (2006) elaborated his findings based on a tourism penetration index (TPI). The TPI is a tool that quantifies the degree of tourism development and also the impacts that tourism may have on the social environment. Moreover, it has a purpose of providing early warning signals for the areas which have a high risk from potentially damaging level of tourist numbers. More importantly, it is an analytical tool that provides a more meaningful categorisation of SIEs in terms of how extensive they are deploying this strategy of focusing on tourism as the main driver for their economy. McElroy (2006: 61) also pointed out the important correlations between the TPI and other social indicators such as fertility and infant mortality rates, life expectancy, literacy rate, and immigration as well as the rise of the average income.

In addition, to highlight an interesting finding by Butler's (1980) destination life cycle McElroy & Hamma (2010: 37) stated that:

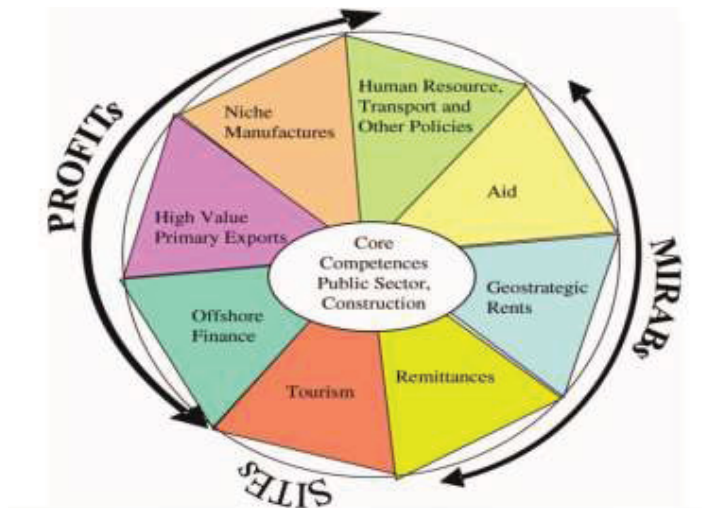
The most successful SITE islands were noticeably more advanced on many socioeconomic and demographic measures than their MIARB counterparts, and he located this superior performance especially in the tourism conducive advantages of political affiliation, i.e. their subnational island jurisdiction (SNIJ) status: same language, customs, currency, taxes etc for patron country visitors.

McElroy (2003: 237) also stated that these small islands which are the SITE islands have historically operated as nodes in center periphery trades. For this reason they gained the advantage of achieving political ties in which they have received aid to fund their transportation infrastructure which is a capital base for the tourism industry.

3.3.1 The relationship between the above models.

For the three models explained above, Baldacchino & Bertram (2009) proposed a summary that may show how the three models are linked together. In addition, their framing of the interrelationship of the three models clearly depicts how a small economy can shift from one model to another. They also argued that it shows a pathway for the public and private sectors of a small economy to strategically manoeuvre their economy to achieve the optimal results.

Figure 1: Relationship between 3 SIE Models



Source: Baldacchino & Bertram (2009:155)

CHAPTER FOUR: TUVALU, THE BACKGROUND AND COMMUNITY SETUP

4. Introduction

This chapter explains some of the relevant backgrounds of this study, which will be utilised in Chapter Four for discussions, analyses and examinations of data and justifying the proposals to be made in Chapter Five. The following section will provide the geographic, demographic, sociological, and economic information of Tuvalu. Then, the chapter moves to the current conditions of Tuvalu's Private Sector in Section 3; community setup and SWOT Analyses of Tuvaluan local communities in Section 4; background information of Nanumea Island where the targeted community of this study is located in Section 5; trust funds of Tuvalu which have been very important to the country's development in Section 6; and Diaspora of Tuvalu which have played vital roles in the country's development in Section 7. Then, the chapter will conclude in the last section.

4.1 Background Information of Tuvalu

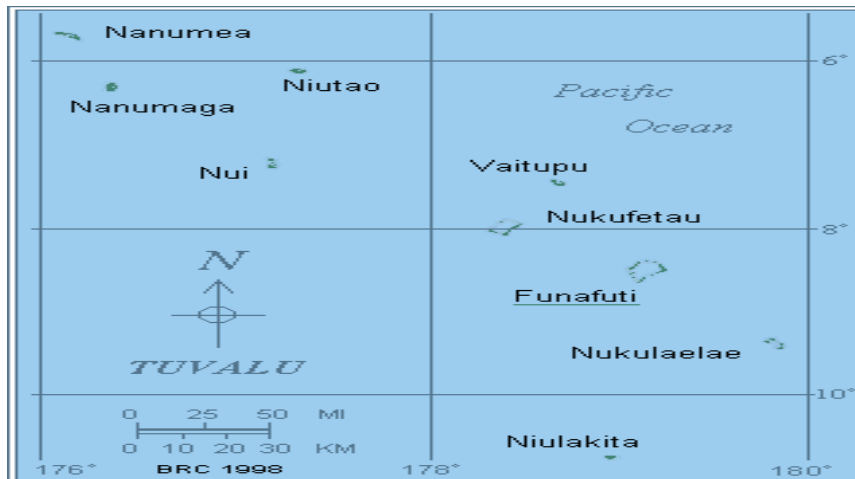
4.1.1 Geography

Tuvalu is a small island developing state (SIDS) as well as a small island economy (SIE) with an estimated population of about 11,000 people. It has nine islands with a total land area of the country, which is only about 26 square kilometres. Tuvalu was previously known as the Ellice Islands by the European navigators and British colonial administrators. The country is located north of Fiji and south of Kiribati between the latitudes of 5°39'S and 10°45'S and the longitudes 176°08'E and 179°52'E.

For Tuvalu's geographical position, it is interesting to note Munro (1982: iii) who wrote about Tuvalu in the 19th and early 20th Centuries that "the unimportance of Tuvalu can be gauged from the fact that the European vessels do not seldom visit Tuvalu for its own sake but rather for a wider network of commercial, religious and political activity." This statement shows that Tuvalu's position was not important in the commercial networks of the former tradesmen at all and this basic reality has not been changed much in today's business trades in the region. The country consists of

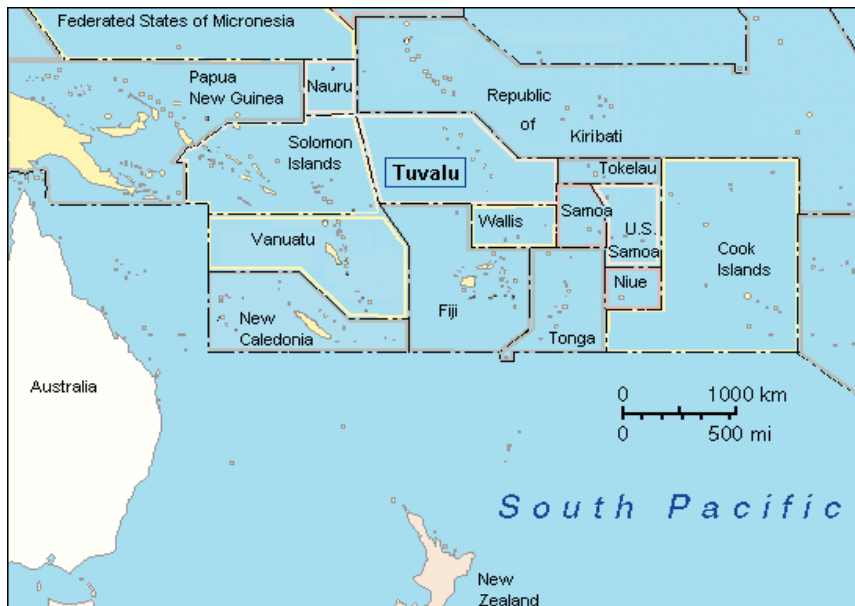
nine main islands including the capital island of *Funafuti* where approximately a half of Tuvalu's population reside now and eight outer islands. All of the nine islands are either atolls or reef islands and the highest point in the country is only about 4.6 meters high above the sea level.

Figure 2: The map of Tuvalu



Source: TuvaluIslands.com (2016)

Figure 3: Tuvalu in the South Pacific



Source: TuvaluIslands.com (2016)

4.1.2 Climate

According to the International Climate Change Adaptation Initiative (2011), Tuvalu has a wet season, which is in the months from November to April, and the dry season, which are the months from May to October. There have been large year-to-year variations in its climate and recently the country has been affected by the El Niño-Southern Oscillation but the usual climate of Tuvalu is typical for a tropical island in the Pacific Ocean. Moreover, for the extreme weather conditions, tropical cyclones and spring tides are the events that affect the entire islands group particularly the capital island of *Funafuti*.

It is crucially important to acknowledge how vulnerable Tuvalu is to the impact of climate change nowadays. The Pacific Climate Change Science Programme (2015) suggested that for the Tuvalu region climate change impacts might include an increased chance of intense storms as well as acceleration of sea level rise. Because of the events triggered by the Tropical Cyclone Pam in 2015, some facts regarding this situation seem to be more firmly established. According to a SPC (2015) report, the storm surges caused by the TC Pam on the 10th and 11th of March 2015 went to the height which was in excess of 6 meters and possibly 7 meters that was two times higher than the height land level of most of islands of Tuvalu. Some scientists have predicted that most islands of Tuvalu may not be habitable in fifty years if the current pace of sea level rising continues.

4.1.3 People and Society

The people of Tuvalu have been categorised as Polynesians. The Tuvaluans do have many similarities with other Polynesians, such as Samoans and Tongans in their language and cultures (Munro, 1982). According to Ridgell (2006: 198), the western style of living has greatly influenced the typical Tuvaluan lives. Yet, the traditional chiefly system is still respected in the way of how the community is organised particularly in local politics and governance.

4.1.4 Religion

In the description of Goldsmith (2005: 110) “Tuvalu is not undergoing secularisation and it is still, by contemporary standards worldwide, a remarkably unified state in a

religious sense.” In addition, on the crest of the Tuvalu’s coat of arms in its national flag the Tuvaluan motto was written in its mother tongue and the English translation of which was “Tuvalu for The Almighty”. This does substantiate the understanding of Tuvalu as a nation that acknowledges Christianity in the fabrics of its social life.

According to the World Council of Churches (2015), the Congregational Church of Tuvalu (*Ekalesia Kelisiano Tuvalu* or EKT) is quite dominant in Tuvalu, which takes 96 percent of the population as its followers and has a crucial role in the cultural, socio-political and religious development of its society. Munro (1982: iii) states that in the days when the missionaries came to Tuvalu to preach Christianity, the approach and strategy was “a concerted missionary drive, comprehensive in scope and repressive in character. But, despite the undesirable characteristics, the missionization had the highly adaptive function of serving as the ideological cornerstone for community solidarity.” A few of other common faiths do exist as marginal minority sects in Tuvalu which include the Bahai, Seventh Day Adventists, the Jehovah’s witnesses, Brethren Brothers, and the Catholics (ibid).

4.1.5 Political History

In 1975, residents of the Ellice Islands (later Tuvalu) opted to separate from its colonial partner, the Gilbert Islands (later Kiribati) and to become an independent state in 1978 because of the fear of being dominated by the Gilbert Islands residents (current *i-Kiribati* people) who were ten times as numerous as they were. In addition, Ellice Islanders were largely Polynesians while Gilbert Islanders were largely Micronesians and their traditions and cultures were substantially different. According to Gerard (2002: 2) as one of the smallest and poorest chain of islands, Tuvalu started its independent statehood facing daunting challenges.

One of the main reasons Tuvalu was trailing behind was their ex-colonial master, the United Kingdom was not pleased to see the Tuvaluan initiative to be an independent state separating from Kiribati probably because the UK administrators considered Tuvalu would be too small and poor to survive by its own. Their disapproval can be seen from their warnings to the residents of the Ellice Islands about the consequences of becoming independent by themselves, which were given by the UK mission before the independence. In addition, the colonial administrative centre of both

island groups was located in Tarawa in present-day Kiribati and the colonial master had never invested much in the infrastructure developments in the Ellice Islands. Their warning proved true when Tuvalu became an independent state with nothing substantial left by the colonial master except for a second-hand passenger boat to serve the transportations between the islands (Gerard, 2002: 2).

From 1978, Tuvalu became a full member of the commonwealth as a constitutional monarchy with a unicameral parliament of fifteen (15) members of parliament (MPs) elected in every four years. After every general election, MPs elect the Prime Minister (PM) among them and the cabinet comprises of the PM and other ministers chosen by the PM from the MPs. Since independence, there have been several political upheavals, yet the successive political leaders and their visions and determinations have navigated Tuvalu through many difficult times.

4.1.6 Economy

Tuvalu, which consists of relatively small nine islands with about 11,000 people, is far away from the main international trade routes and has no major natural resources except for Tuna in its territorial water and the Exclusive Economic Zone. Therefore, it has been difficult for its economy to follow the ‘standard’ development strategies such as agricultural development or industrialisation by encouraging development of manufacturing industries.

According to Gerard (2002: 5) the resolutions by government policy makers to seek global economic opportunities have been grounded on the acknowledgement that Tuvaluans profoundly respect traditions, but also value formal education, advanced medical care, and generally aspire to realise an improved standard of living. Therefore, the country has sought outside resources which are sometimes well beyond the Pacific Rim.

The MIRAB model, which is one of the central themes of this paper, explains the current economic conditions of Tuvalu. The MIRAB model and its more dynamic variations for development strategy was explained in the previous chapter as the conceptual framework of this study. Bolland and Dollary (2005: 3) stated, “The Tuvaluan economy has survived largely by exploiting some elements of the MIRAB

system since its nationhood.” Similarly, ADB (2014) highlighted heavy reliance of Tuvalu’s economy on foreign aid from donor countries to realise its development.

The staff report for IMF Article IV consultation expressed the status of Tuvalu as being one of the small Pacific Island Countries and its “per capita income is among the highest in the group of small Pacific island countries (IMF, 2014: 3).” Other than foreign aid, revenues from fishing licenses, surpluses from national overseas investments, which include the Tuvalu Trust Funds (TTF), have helped the Tuvaluan government and Tuvalu as a state to survive since its independence. According to Bell (2001), the outstanding success of the TTF has been revealed in Tuvalu’s capacity to overcome continuing budget shortages and inspiring economic self-reliance. More detailed explanation of the TTF will be provided in the later section of this Chapter.

Another main pipeline of revenue that has brought foreign exchanges to the economy is the remittances from the overseas migrants and the revenues from the ‘.tv’ domain. According to Bolland and Dollary (2005) once the Tuvalu government received a substantial sum of revenue from the sales of Philatelic postal stamps in the 1980’s but this revenue has shrunk substantially after a revelation that some stamps produced by the International Philatelic Association depicted fictional locomotives in Tuvalu which had never existed. In addition, Tuvalu’s international telephone code was once used for sex chat service when a donor built an earth satellite station with an excess capacity, which was sold to a company providing the service. It was fortunately closed in a few years because of ethical concerns.

The same IMF (2014) report stated that the current Tuvaluan economy is quite fragile because of its heavy reliance on foreign aids and fishing license revenues that are not considered stable sources of income (3). The report also described that Tuvalu is a least developing country but absolute poverty is rare at the moment. Many Tuvaluans living on the outer islands still can survive through subsistence agriculture utilising their lands although some of the domestic migrants may face hardships after they move to *Funafuti* because of land scarcity.

4.2 The Private Sector in Tuvalu

This section will explain who the current major participating actors in Tuvalu's private sector are as well as the important roles the private sector is supposed to play in developing Tuvalu.

4.2.1 Introduction

In the discourse of the development of Tuvalu's private sector, the government of Tuvalu always claims to embrace and support the development of the private sector in its past development strategies and agendas but its public expenditures have mostly been spent on public sectors including its public enterprises or state owned enterprises (SOEs) because of several obvious reasons. From independence in 1978 and for a decade thereafter, the private sector barely existed in the country; in reality only a handful of private individuals were engaging in the commercial arena although there were several attempts at initiating business ventures by some of island communities.

At the end of 1991 a meeting to develop the economy of Tuvalu was convened in Suva, Fiji where the government of Tuvalu and the international donor communities had an opportunity to look into development policies, programmes and external assistance priorities for Tuvalu comprehensively (UNDP, 1991). The chairperson of this 'round table' meeting emphasised the importance for Tuvalu to encourage the growth of its private sector by engaging some business ventures. Furthermore, the meeting emphasised the potentials of the exploitation of the natural resources particularly in tourism because of the country's natural beauty (ibid).

In reflecting on the definition of the private sector in the literature (see Section 2.2 for more details), most people define the private sector as a group of organisations that have the objectives of obtaining profits in their course of commercial activities. This includes private firms, financial institutions and intermediaries, micro, small, and medium-sized enterprises, individual entrepreneurs, farmers, co-operatives, and large corporations operating in the formal and informal sectors (Bella *et.al.*, 2013: 9). For Tuvalu's case, its private sector has a limited landscape with a limited extent in diversity.

4.2.2 Tuvalu Private Sector Development Strategy

In 2005, the Tuvalu National Strategy for Sustainable Development 2005-2015 (*Te Kaakega II*) was launched with many medium term strategies and pathways including the ones for the development of Tuvalu's private sector. In the *Te Kaakega II* the government of Tuvalu took an inclusive approach where non-government entities such as business people and the civil society were involved in decision-making especially in plotting a way forward for the country. The target areas for development of the private sector described in *Te Kaakega II* included tourism, agriculture and fisheries and the main aim of the strategy was making an enabling environment that can create opportunities for economic development (Government of Tuvalu, 2005).

However, the Private Sector development in a least developed SIE such as Tuvalu naturally faces a number of daunting challenges. In the case of Tuvalu, they are as follows:

1. Small local market (11,000 persons scattered in nine islands);
2. The geographic and economic remoteness of Tuvalu from the potential export markets;
3. Domestic transportation infrastructures, particularly the ones between islands have not developed well and producers of outer islands have difficulty to have stable accesses to even the *Funafuti* market let alone the export markets. This issue of inadequate domestic transportation infrastructure also has hampered the development of the tourism sector in outer islands;
4. The difficulty of accessing land for development partly because of its scarcity, particularly in *Funafuti* and communal land owning system which consequently have made property rights of investments including tourism infrastructure like private hotels and guest houses to be insecure;
5. Pioneering into business is not considered a normal way to live by the general public of Tuvalu;

6. Services provided by the public sector (government departments and SOEs) are either poor in quality or expensive and this factor pushes up the input costs of any private business; and
7. The public sector is the sole provider of most jobs and services; their operations are mostly on non-commercial basis and heavily subsidised and some of them are competing directly with fledgling private sector businesses.

There were key policies laid down in the *Kaakega II* to tackle and overcome these challenges as follows (Government of Tuvalu, 2005):

1. Uphold macroeconomic stability and foster economic growth;
2. Create a conducive investment environment;
3. Revisit the subsidies option to SOEs;
4. Formulate a ‘level playing field’ for private sector investment;
5. Fiscal policies and budget management that do not result in deficits which would absorb most of domestic credits;
6. Provide adequate, efficient and cost effective economic infrastructure especially power, water, transport and communication;
7. Improve access to export markets;
8. Increase credit availability to potential investors, especially domestic ones;
9. Maintain International Maritime Organisation (IMO)’s ‘White List’ status so that Tuvalu mariners are kept employed by major shipping companies;
10. Create more jobs and other economic opportunities; and
11. Reach a 50% share of the private sector in both the GDP and national employment.

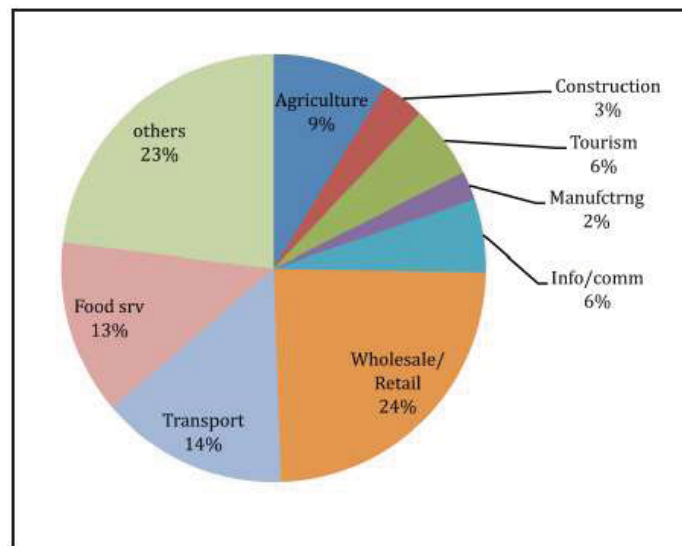
Point number 9 above is for the certification of the Tuvalu Maritime Training Institute (TMTI) provided by the International Maritime Organisation (IMO) and most commercial shipping companies around the world recruit their new sailors only from the maritime training institutions in the ‘white list’ of the IMO. These training

institutes have passed the regular examinations and inspections set by the IMO if they satisfy the IMO standards, which are regularly updated to keep up with technological advancements in the sector.

4.2.3 The Landscape

4.2.3.1 Business Types

Figure 4: Business Types of private Sector responded to the PIPSO Survey



Source: PIPSO (2013), p. 9

Fortunately, a recent survey conducted by the Pacific Islands Private Sector Organisation (PIPSO) in 2013 provided outlines and updated data of the status of the private businesses currently operating in Tuvalu. According to the report, “the TNPSO estimates that there are approximately 160 private sector businesses in operation that are active enough to be part of its organization (PIPSO, 2013: 3)” where PIPSO stands for the Tuvalu National Private Sector Organisation. According to the survey, the private businesses in Tuvalu which responded to the survey questionnaires (seems to be 74) are in the sectors shown in Figure 4. As shown in the pie chart, the construction sector takes 3%, manufacturing 2%, Information and communication 6%, and food services including restaurants and bakeries represents 13%. The largest sector is wholesale and retailing which has the share of 24% while agriculture 9%, transportation 14% and tourism only 6% while the other (23%)

includes services such as preschool education, printing, refrigeration & air conditioning, handicrafts & tailoring and scrap metal recycling (PIPSO, 2013: 9).

The same survey described the ownership structure of the 74 businesses responded to the survey as follows: (1) 54 are sole proprietorship (73%); (2) 14 partnerships (19%), (3) 11 companies (15%) and (4) the last 5 are co-operatives (7%) (Ibid). This structure reflects the dominance of micro to small and medium sized enterprises in the private sector of Tuvalu and 39 out of 74 (53%) reported their sales to be less than A\$2,000 a month (ibid). It should also be noted that only two of them are minority owned by foreigners and the rest is wholly owned by Tuvaluans (ibid). Actually, the government regulations including the Tuvalu Foreign Direct Investment Act 2008 only allow foreign direct investments through joint venture arrangements in which local Tuvaluan partners must have at least a 60% of joint venture ownership (exceptions may be allowed if there is no domestic competition).

On the other hand, according to the Government of Tuvalu (2010: 6) it was estimated that formal businesses accounted only for about 15% of the total market production (the PIPSO survey above only covers the registered businesses which are conducting formal activities), while the total private sector is estimated to account for 30% of the GDP when informal and subsistence activities are included. Furthermore, it explains that the formal business activities included retails, construction, farming, and provision of business, financial and personal services whereas the informal activities included fishing, baking for local consumption, canteens and small-scale shops and sales of local cigarettes (ibid).

Government of Tuvalu (2008: 3) referred to the 2007 Tuvalu National Provident Fund (TNPF) report in which 93 private businesses were reported to contribute to the TNPF as the estimated number of active participants in the private sector in 2007. It had also been reported that 421 licenses had been obtained to conduct businesses in 2007 while about 300 of them were on *Vaitupu*, the largest island in terms of landmass, alone (ibid). Although most of them can be short lived and some were for different activities conducted by same businesses, the data seemed to suggest that many families have shown interests in operating small business activities.

4.2.3.2 *The Co-operatives in Tuvalu*

It is important to note the existence of co-operative societies in Tuvalu. There have been several co-operatives that have operated in Tuvalu in the last few decades and the largest and most prominent one is the Tuvalu Co-operative Society (TCS), which is still partially in operation. The TCS has its branches (known as *Fusi*'s) on all eight islands of Tuvalu. Most residing population on each island hold shares in their *Fusi*. In this manner, the *Fusi* was not only seen as a business but also as an entity to provide some public services because of its involvement in most activities of the island communities. This used to be the strength of the *Fusi*, which was dominant in the retail and wholesale sector of Tuvalu. The TCS had \$A 7-8 million annual turnover at the end of 1990's with 140 employees and controlled 95% of retail and wholesale business in Tuvalu.

For many years when the TCS was actively operational, many initiatives had been implemented through the TCS and its *Fusi*'s alongside its wholesale and retailing business. In the 1980's when the TCS operated a small goods project, one of its major products was pork sausage. The initiative was seen as a success since the local farmers and communities successfully engaged in the pig farming to provide ingredients and the final products were locally consumed. The Tuvalu government assisted the project through the provision of experts.

However, the TCS faced a huge challenge in 2009. After a change of the national government, the new leadership initiated a reform in the pricing regulations that was not friendly with the TCS operation. Some people considered it as a political move by some elites for their private interests. One of the results of this reform was the abolition of standard pricing of major imported products across local communities of Tuvalu and the TCS operations have been significantly downsized. The TCS has also incurred a substantial amount of debts in a few years after the policy change.

Another change in Tuvalu's leadership in 2013 resulted in a decision to revive the TCS operations but now its retail and wholesale operations are facing competitions from private operators. According to IMF (2014), the TCS needs to deal with arrears of \$A 2.5 million owing to external suppliers and domestic banks. Currently, the TCS is operating on a very low scale by focusing on feeding its branches on the outer

islands with the basic commodities such as rice, flour, biscuits, and cleaning and hygienic products.

There have been two other prominent co-operatives in Tuvalu. One of them was the Tuvalu Coconut Traders Co-operative (TCTC), which used to participate in the economy of Tuvalu actively when the price of the copra was competitive. In the early 1990's there was an initiative by the government at that time to merge the TCS and TCTC so that they could share their resources. Meetings between two co-operatives convened with their members but the initiative failed because the managements of two co-operatives did not agree with some of the terms laid out for the merger. The TCTC is still operational but in a much smaller scale than before.

Another co-operative, which used to operate prominently in Tuvalu, was the Tuvalu Solar Electricity Co-Operative Society (TSECS). The structure of the TSECS was similar to the TCS and it was headed by a central committee and administered by the management. The TSECS was established in 1984 and corporatized in 1998. Unfortunately, because of a few unfortunate events and circumstances including high cost of operation and mismanagement led to the closure of this co-operative later.

4.3 Community Setup and SWOT Analysis

Understanding the dynamics of the Tuvaluan societies in the local context would be a key to consider solutions to the problems that prevents the development of local communities. Therefore, in doing so this section will provide the general community setup in Tuvalu and then moves to analyses utilising the SWOT (which stands for Strengths, Weaknesses, Opportunities and Threats) framework which is frequently used in evaluating business ventures in the management science.

4.3.1 Community Setup

The general community setup in Tuvalu has the following characteristics. Each of the community is usually physically divided into two or four areas called *feitu*. These divisions are usually based on social conditions and being a member of a certain *feitu* has a representational meaning and fishing competitions, games, fund raisings and communal projects are usually carried out within and between *feitu*'s.

In most of the setups of the local villages, other than residential areas, which are occupied by the populations belonging to *feitu*'s while the *Ahiga* or *Maneapa* occupies the middle, which is the community-meeting house, along the church building and an open field, which is called the *malae*. In addition, the local council, school, clinic, and other important public buildings are also usually located near to the centre of the village around the *Ahiga* or *Maneapa*.

In regards to the leadership in a local community, Tuvalu currently uses traditional leadership model in which chiefs and elders make decisions. Paeniu (2008) who was the Prime Minister of Tuvalu from the end of 1996 to April 1999 explained that the reversion to the traditional decision making system had been tabled before his prime ministership. When Tuvalu was colonised by the United Kingdom, the local island councils consisted of chiefs and elders who handled the local decision-makings but they lost their formal status when Tuvalu became independent. One of the reforms implemented by Paeniu and other leaders in 1996, was the re-establishment of the local chiefs and elders as the decision makers of their societies. According to Paeniu (2008), this government initiative was determined because of the following reasons.

Firstly, there were respects and allegiances to the traditional chiefs and elders as they used to deliver the decisions in local communities. In addition, people in disagreement can always raise their concerns in a polite manner with their chiefs or elders and in most circumstances consensus prevails in related decision-makings. Secondly, the traditional leaders can intervene when there are serious disputes, which frequently concern with behaviours of the youths in the local communities.

Hence, in the local communities, people do voice their concerns with due respects and not in the manners similar to the political debates in the national parliament which are supposed to be more confrontational. The last important point is the communal work. The influence of the western lifestyle had weakened the traditional way of working together for the betterment of the community. One of the reasons to bringing back the old ways was promotion of the traditional way of 'one for all and all for one' belief in rural communities in Tuvalu.

The daily life in Tuvalu especially on the outer islands is spent on subsistence farming. One of the most popular local plants is the *pulaka* (a swamp taro). The people in the olden days dug large pits into the top layer of the cover of freshwater lenses where *pulaka* are been planted. The other important tree that usually called by many Pacific Islands is the “tree of life” is the coconut palm. The tree bears the benefits to the daily diet of the Tuvaluan because of the special juice, which is the *kaleve* “toddy” or palm wine produced from the tree and its nuts, which have many useful characteristics for dietary and medicinal uses. Fish is the main protein source; men usually catch the ones in the deep sea while women collect seashells on the reef.

4.3.2 SWOT Analysis

In determining the capabilities of local communities of Tuvalu, the SWOT analysis is employed in this sub-section. According to Friesner (2015), this management science tool identify the Strengths, Weaknesses, Opportunities, and Threats (SWOT) of a particular issue such as a business project. In this case, study, the SWOT analysis is used to consider typical characteristics of the local communities in Tuvalu. The insight knowledge of the local context retrieved from the analysis will be used as a cornerstone to construct the profiles of the Social Enterprise that will be considered and recommended in the next chapter.

4.3.2.1 Identified strengths in the communities in Tuvalu

One of strengths of Tuvaluans would be their patriotism to the country of Tuvalu. However, within the country, the identification of individuals which island he or she resides or comes from stands out with a pride.

Another asset of Tuvaluan communities is its hard-working women who would be a strong pillar in most of the development initiatives. Their contributions to their communities would be similar to the recognised contributions of women in other Pacific societies. In the Pacific, the women do have the recognitions to be innovators of most local business ventures and their engagements in any local development projects is considered as the key to any projects to be successful. The classical examples were the Samoan Women with their virgin oil business and the Fiji Women in many small-scale business ventures (Walton, 2016). In the local communities of

Tuvalu, women usually play leading roles in local initiatives and fundraising (Paeniu, 2008: 17).

4.3.2.2 Weaknesses Identified

Reflecting upon the specific issues affecting the local communities as stated in *Te Kaakega II* (Government of Tuvalu, 2005: 28) can be a starting point to identify the weaknesses of Tuvaluan communities. The major difficulties Tuvaluan communities are facing can be identified through the priority policies for the outer island developments in the document. Below are the key policies for outer islands developments in *Te Kaakega II* and all of them are still relevant:

1. Halt outer islands depopulation;
2. Raise quality of basic service delivery to outer islands;
3. Promote Tuvalu culture to improve outer island living;
4. Create new development opportunities;
5. Improve public sector services (power, shipping and extension services);
6. Promote business development;
7. Increase access to maritime training and employment;
8. Expand access to microcredit; and
9. Better management of urbanisation.

A number of key policies above identify the unfavourable trends communities in outer islands (as well as in the capital island of *Funafuti*) currently face. Obviously, the most crucial weakness of Tuvaluan communities is uncontrolled domestic migration from outer islands to *Funafuti*. The outer islands communities are losing their vital members, which would make some of the labour intensive communal works more difficult to conduct. In addition, uncontrolled expansion of the residential areas of *Funafuti* has been taxing already scarce public infrastructure on the island.

Another weakness, particularly of rural communities of Tuvalu, which can be identified from the key policies above, is poor quality of the basic services available on the outer islands; they are simply not up to the required standards. These basic services include the health clinics, which do not meet the expectations of the communities and primary schools whose graduates seem to be academically handicapped when they enter the secondary schools relative to the graduates of primary schools in *Funafuti*.

Likewise, the other public services including electricity and telecommunications are still underperforming in outer islands. In addition, the shipping transportation service, which is the main avenue to link to outer islands to the capital face huge challenges. For instance, only two government owned ships service large scale transportations between outer islands and the capital at the moment. The cargo and passenger capacities of these ships are different since one is bigger than the other. Their visits to each island are not frequent enough for the development of serious tourism and commercial agriculture ventures in the outer islands.

4.3.2.3 Opportunities identified

One of the opportunities of Tuvaluan communities would be the possible utilisation of their community trust funds called the *Falekaupule* Trust Fund (FTF) and the explanation of the FTF will be covered in a later section of this chapter. Another opportunity of Tuvaluan communities would be the presence of their diaspora overseas and their interests in helping the development of the communities they hail from. The communities on the outer islands who have the capacities and willingness can pursue new initiatives by collaborating with their Diaspora. This potential partnership will be explained further for the targeted community in the following chapter.

4.3.2.4 Threats Identified

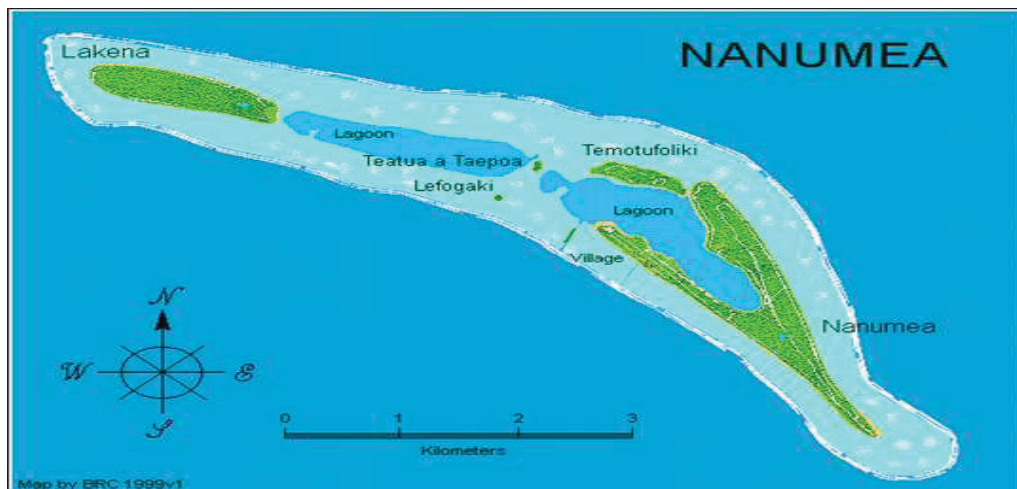
According to McMaster (1990) a promotion of privatisation of services currently provided by the government departments and SOEs can be sabotaged by the politicians and bureaucrats because the growth of a more vigorous and demanding private sector and a stronger entrepreneurial class, can be conceived by them as a possible challenge to their power base. In the case of Tuvalu, the members of

Parliament (MPs) from island communities can always be the point of influence in their communities. Considering an increase of the wealth of certain families or individuals through their businesses in a community can be a potential threat to the MPs and other local politicians because of increased influence of business/entrepreneurial people in their communities. Certainly, Tuvalu may also face a risk of having confrontations between traditional leaders/politicians and newly powerful business/entrepreneurial people as in the other countries (Pavlov & Sugden, 2006).

4.4 Nanumea Island

In this study, the Island of Nanumea, which is one of the outer islands of Tuvalu, is selected to be the target of more detailed analyses. The other seven outer island communities would face similar realities and it is assumed that they can utilise similar mechanisms proposed in the next Chapter for Nanumea to develop their communities if the attempt at *Nanumea* turns out to be successful. However, they would not be so relevant for the development of *Funafuti*. This section provides a brief profile of Nanumea Island.

Figure 5: The Map of the Island of Nanumea



Source: TuvaluIslands.com (2016)

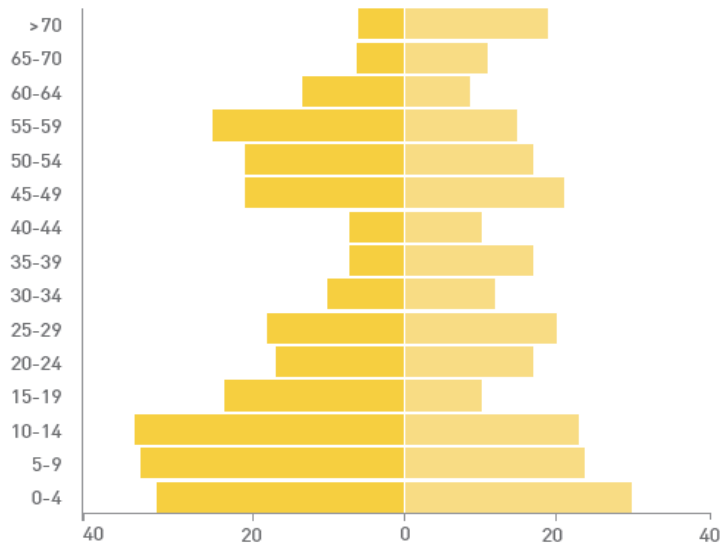
4.4.1 Geography/ People and History in Brief

Nanumea is the most northern island of Tuvalu. It is located about 460 kms northwest of the capital island of *Funafuti*. As shown in the map above, it has two lagoons and consists of five atoll islands (*motu*) on a coral reef. It has a small land area, estimated as 3.9 square kilometres in total and about 12 kilometres long with the width of 2.5 kilometres at the widest part (Stanley, 2015).

According to the accounts of Chambers & Chambers (2001: 50), *Nanumea*'s history can be linked to a great warrior named *Tefolaha* whom travelled from one of the Polynesian country and settled in *Nanumea*. The people of *Nanumea* consider themselves as 'heirs of *Tefolaha*' and their rights to their island rests on their descendants' deeds. This is their birthrights that identify them as exceptional and distinct in community organisation, ideology, and history not only from all the other communities of Tuvalu but also from the rest of the world (ibid: 54)

According to a report of the Tuvalu government (Island of *Nanumea* Profile Report 2012), the estimated residing population of was 527 in 2012 among which 272 are males and 255 are females. As shown in the population pyramid (Figure 6), its people are relatively young as it has a very broad base of people in the age of 0-14 years old. It then narrows at the 15 – 44 years age cohorts showing a smaller relatively young working age population and this could be the result of people migrating to *Funafuti* and overseas. It then pans out at the 45-59 years old cohorts indicating more people in matured working ages and lastly, the age structure significantly narrow down after 60 years.

Figure 6: Nanumea's Population Structure



Source: Island of Nanumea Profile Report 2012

Note: The left side of Figure 6 shows males and the right-side females.

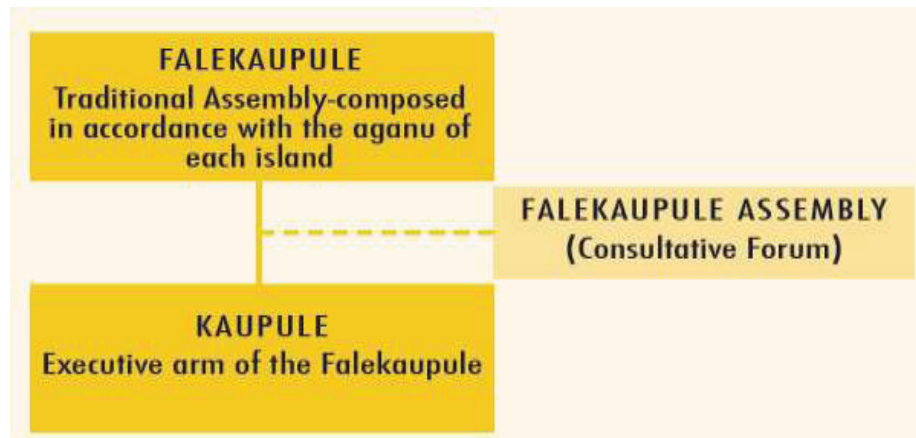
The same report of the Government of Tuvalu (2012) shows the following facts: The population of Nanumea has been decreasing as well as its population density. For the year 1991, the population density of the island stood at 232 persons/km² and for 2002, it was 212 persons/km² while in 2012 it was only 167 persons/km². The island has also the dependency ratio of 92%; which mean that more people at the age of 0-14 years and above 60 years than the age group between 15-59 years, which is the economically active age group.

4.4.2 Social, Governance & Religion

On the Island of *Nanumea* the religion that the residing people belongs and attend to is the *Ekalesia Kelisiano Tuvalu* (EKT) or Congregational Christian Faith. About 99% of the residing population are Christians (Government of Tuvalu, 2012). This predominance of one faith can be one of the assets of the community to keep harmony of the community and to mobilise them to any development projects led by the community leaders who are elders. As described in the quotation of the words of Paeniu (2008) in the previous section the traditional local governance system was revitalised in 2008 as the formally recognised local government system in Tuvalu

including in the *Nanumea* Island. Figure 7 below shows the governance structure of the island.

Figure 7: The Governing System of Outer Islands of Tuvalu



Source: Government of Tuvalu (2012: 48)

In the above figure, the *Falekaupule* is the traditional assembly, which governs its island community by customs and traditions and is the highest decision making body for all of the outer islands. Its composition is determined by customs and traditions of each island and for the *Nanumea* Island Council a person is eligible to be a *Falekaupule* member after the age of 50 and above. The *Falekaupule* meetings are conducted monthly on *Nanumea* and most of its members frequently attend the meetings. There is another institution called as the *Falekaupule* assembly, which is a consultative forum to be attended by any *Nanumea* residents of 18 years and above.

An important social aspect to acknowledge is the educational level of the residing population of *Nanumea*. The percentage of the population aged 15 years and above who have completed some form of education is 80-100%. A majority of the population has completed up to Primary School level education. In term of the health, it should be noted that the higher risk factors for non-communicable diseases (NCDs) among the residing population stood at 11.4% in 2009 (Government of Tuvalu, 2012), which was considered as an alarmingly high rate.

4.5 Economy

Employment

In the Tuvalu Government report (2012), employed persons refers to people aged 15 years and above, who are cash income earners and working in the formal or informal sector either on temporary or permanent basis. On the Island of *Nanumea*, the total employed population was 91 in 2012, which represented 26% of the working population of the island. Moreover, those who were in the working population but were not engaged in any employment stood at 258 or the remaining of 74% of the working population. The largest employer on the island was the *Kaupule*, which hired 33 persons followed by the Government of Tuvalu, which hired 25.

The Tuvalu Government report (2012) further stated that the number of men whom were engaging in the seafaring employment was 10 and those who employed by the TCS was 7 while the number of persons employed by the private sector and NGOs was 6. The self-employed persons were mostly women, which stood at 11. The subsistence activities refer to unpaid activities, which contribute to the households such as feeding of livestock, planting of edible crops, and fishing and handicraft making. A total of 223 people were involved in the subsistence activities and they did not engage in any forms of employment.

The “R” or remittance represent one of the features that holds Tuvalu under the MIRAB model. The remittance is receiving of money from overseas especially in the context of Tuvalu it is a transfer of money to a local household from one of its family members working overseas. According to the Government of Tuvalu (2012), 51 households in Nanumea received less than A\$100 while 24 households receive more than A\$100 per month as remittances. The report also stated that the people also send money to their family members within Tuvalu and about 24 households sent less than A\$50 while 12 households sent more than A\$50 per month (ibid).

It is also interesting to note that the Agriculture Department of Tuvalu has revitalised its programmes on the island. The department promotes the vegetable gardening despite of the difficult physical and climate conditions on the island (ibid). Most of the households of *Nanumea* are engaging in this initiative, which signals an

improved condition for the island community in terms of subsistence agriculture. Lastly, it is a tradition for all of the households on the island to keep some livestock such as pigs, chickens, and ducks.

4.6 Trust Funds

Existence of the two trust funds is important to describe the economy and public finance of Tuvalu. They are the Tuvalu Trust Fund (TTF) and the *Falekaupule* Trust Fund (FTF). They have played vital roles in assisting the development of the economy of Tuvalu.

4.6.1 Tuvalu Trust Fund

As stated in the beginning of this chapter Tuvalu began her journey of nationhood with daunting challenges (Gerard, 2002). Being projected a bleak future by its colonial master, the United Kingdom, Tuvalu has managed to build a pathway for its developments through an international wealth fund and the emergence of this fund originally started in the year 1982 (Bell, 2001). He further explained that through the persistence and dedications of Tuvalu's leaders at the time and a small band of Tuvaluan officials and expatriate advisers made it possible by persuading the major donors to contribute for the trust fund.

The Tuvalu Trust Fund (TTF) has been greatly assisting the health of Tuvalu's economy particularly its public finance since its establishment on the 16th of June 1987. The TTF is designed to cover the shortfalls of the annual national budgets of the Tuvalu government. Furthermore, it was created by an agreement signed by the governments of Tuvalu, the United Kingdom, Australia, and New Zealand (ibid). Three donors contributed A\$8 million each, the Tuvalu government A\$1.6 million and the fund started with the total value of A\$27.1 million which included small contributions of other donors (ibid). Later the United Kingdom pulled out from the agreement but Australia and NZ have continued to contribute capital to the TTF (ibid).

The importance of the TTF to Tuvalu's economy and its people was noted by Petrini *et.al.* (2013: 3) as follows:

1. Support the government to attain greater financial power in the management of its recurrent budget;
2. Enable the government to uphold and improve existing level of social infrastructures and services;
3. Increase the capacity of the government to obtain and effectively utilise capital development and technical assistance from donors;
4. Enable the government to meet long-term maintenance and operating costs of social and economic infrastructures and services; and
5. Assist the government to develop the economy of Tuvalu.

Petrini *et.al.* (2013) also described that the Fund had the initial value of A\$27.1 million and it had grown to the maintained value of A\$127 million in 2012. The World Financial Crisis had negatively affected the TTF between 2008 and 2012 but the total value of the TTF has reached to A\$140 million in the end of 2013 (IMF, 2014). As the value of the TTF increases so as its potential supports to the government coffer although the amount to be transferred to the national budget have been affected by the world economic conditions because most of the funds are invested in the largest global markets by investment professionals.

4.6.2 *Falekaupule Trust Fund*

According to Bell (2008: 3) the “Tuvalu people have great pride and sense of ownership in the Tuvalu Trust Fund. This milestone also created and motivated most of the Tuvaluans at that time to contribute to another Trust Fund which is now the Falekaupule Trust Fund.” The *Falekaupule* Trust Fund (FTF) is another breathtaking initiative that highlights the commitment of the Tuvalu people to thrive through difficulties. According to Paeniu (2008: 13) the creation of the FTF was a “blessing in disguise” since the donors were conscious about proposals for another Trust Fund beside the TTF and they were well verse of all the happening in the Tuvalu government at that time. When the rejection of donors to the original plan of incorporating outer island development projects into the TTF was left the Tuvalu government with an only other feasible option that was to establish a new trust fund to be called as the *Falekaupule* Trust Fund (FTF), which is wholly controlled by the

Tuvalu government and island councils. In fact, for the decision-makings of the TTF, donor's directors of board still outnumbers the Tuvaluan chair and in this context, the TTF is not really a 'sovereign' wealth fund (Wrighton, 2015).

The FTF has the following objectives: (1) increasing ability to generate revenue within the community for its common good; (2) funding community projects that improves communities living condition; (3) assisting and developing skills and self-reliance in communities through local training; and (4) enabling communities to acquire, maintain, and improve community assets and resources to boost education and self-reliance (ADB, 2007: 121). From all the above objectives, the main goal of the FTF is to develop local communities and eliminate poverty (Ibid).

While the establishment of the FTF has been a successful achievement, there still exists some dissatisfaction among some communities because of the initial foundation idea of the FTF to incorporate some forms of 'competition' and 'the survival of the fittest'. This element of the FTF was blocked to avoid creating sources of contentions and keep peace and harmony among the Tuvaluan people (Paeniu, 2008). Actually, the inability of the local councils to increase their FTF shares further was described by Paeniu (2008) as a preventive measure for the large communities to disadvantage smaller island communities whose dividends would be further constrained by their smaller populations.

4.7 Diaspora of Tuvalu

In the context of the Tuvaluan diaspora, history tells how they have helped and contributed to the welfare of the country from the early days since the start of the colonial era. In the days of the phosphate mining on the Ocean Island and Nauru, which is after the World War II and until the 1980's, many Tuvaluans were recruited to work in these schemes. Contributions of these people have helped their families in the home islands by sending money and materials to their homes.

Their families worked in the Ocean Island and Nauru funded most of the successful students attended high schools outside Tuvalu especially in Fiji. Recalling to those days when the people in the islands of Tuvalu did always receive boxes packed with

stuffs including household products, canned foods, and huge bales of second hand clothing. Sometimes even building materials such as cement bags were sent to build new houses on the islands.

In another example in the days before Tuvalu became independent, the Tuvalu Christian Church was under the administration of the London Missionary Society, which had their headquarters in Western Samoa. The donations that each church collected in Tuvalu were remitted to the headquarters in Western Samoa. Sadly, most of the collections sent to Tuvalu from its diaspora living abroad including New Zealand, Australia, Fiji, Nauru and Ocean Island were mostly not spent for the people of Tuvalu. Yet, this story shows how strong the ties of the diaspora to their home islands.

Ionescu (2006: 26) stated that many literature claimed that a number of diaspora in the world have been supporting their home communities, and the Tuvaluan Diaspora are not the exceptions. It has been a tradition in Tuvalu for each island to be the host of the Tuvaluan Christian Congregational meeting every two years. In this event, the dedicated diaspora of each community living abroad do play a crucial part in contributing to the fundraisings.

For Tuvaluan diaspora, their participations in the community activities in Tuvalu have helped them to maintain their identities as particular islanders of Tuvalu. It has been noticed that many of the development projects such as building of community halls and maintenance of church building in each island, a number of diaspora have participated in fundraisings while some even returned to their home islands just for helping these specific projects. Moreover, the knowledge and the expertise of diaspora have been widely acknowledged and utilised by the people and government of Tuvalu.

4.8 Conclusion

In this chapter, a number of important information and factors are reviewed to provide background information of the country of Tuvalu as a whole, outer island communities in general and the targeted community on the *Nanumea* Island. The

results of the SWOT analyses in this chapter also provide strengths, weaknesses, and opportunities and threats for outer island communities in Tuvalu including *Nanumea* Island. Moreover, the important roles and contributions of the Tuvalu Trust Fund (TTF) and *Falekaupule* Trust Fund (FTF) are reviewed in this chapter and the latter of it would play an important role in the proposal in the next chapter. Finally, contributions of diaspora of Tuvalu around the globe are reviewed and they also have crucial roles in the proposal in the next chapter.

CHAPTER FIVE: THE STRATEGY AND THE SOCIAL ENTERPRISE

5. Introduction

In developing an effective strategy that will best achieve the development visions of a selected local community as a viable part of the private sector is the main purpose of this chapter. It will include articulation of a suitable type of mechanism to be utilised including a Social Enterprise which would be the main institution as well as a catalyst to deliver the main goals of the proposed initiative. The following section will start with the explanation of the proposed Social Enterprise and it will be followed by the explanation of how the Theory of Change can be applied to change the targeted community. The last section will provide a conclusion of the chapter.

5.1 The Proposed Social Enterprise

5.1.1 Why the Social Enterprise?

Social Enterprises are reviewed in Section 2.9 above. From the many definitions of a Social Enterprise the author favours the one described by Kim (2005) which is quoted by Dawans & Alter (2009: ii) as follows:

Social Enterprise is a socially oriented venture (nonprofit/for-profit or hybrid) created to solve a social problem or market failure through entrepreneurial private sector approaches that increase effectiveness and sustainability while ultimately creating social benefit or change.

According to Fikret & Davidson (2007: 209) a Social Enterprise provides some avenues by which rural communities can interact with international actors in the process of globalisation. A Social Enterprise can provide a mechanism for rural people to secure tenure for common pool resources and allows them to make direct decisions for the management of the enterprise. In the context of Tuvalu it should be pointed out that the establishment of a Social Enterprise to be proposed by this study is viable because similar enterprises have already in operation in the country. The author will endeavour to identify and propose the Social Enterprise that will utilise the existing strengths of the communities to elevate livelihood of people in the targeted community.

As described in the previous chapter, two institutions that perform some of the functions of which resemble the ones of a typical type of Social Enterprises are in operation and are serving the communities in Tuvalu. They are the Tuvalu Co-Operative Society (TCS) and the *Falekaupule* Trust Fund (FTF) and both institutions are explained in the previous chapter. Particularly, the FTF can be considered as a classical example of a Social Enterprise, as its objectives are as follows: (1) increasing the ability to generate revenue within the community for its common good; (2) funding community projects that improves communities living condition; (3) assisting and developing skills and self reliance in communities through local training; and (4) enabling communities to acquire, maintain, and improve community assets and resources to boost education and self reliance (ADB, 2002).

According to Morse (2004: 76) the asset strategy is one of the important aspects that is useful to consider to establish a Social Enterprise in a community, since it directs the attention of community members in building confidence to invest in their assets talents and gifts using the resources the members have already had rather than what they do not possess. This creates a sense of belonging and at the same time initiates a process in which people can see themselves and their community as a part of the solution and not the problem.

Another important point to consider is what Escobar (1995) as cited in Berkes & Hunt (2007: 210) emphasised, that is a strategy of utilising business enterprises as vehicles for development, controlling of local resources and keeping of local ownership. It can be a form of a transformative engagement with modernity whereby traditional practices are modified and enriched by outside technologies and knowledge. The main point in the strategy proposed by Escobar (1995) is for rural communities to gain control of local natural resources so that these resources can be utilised to build local economies.

5.1.2 The Structure

When a Social Enterprise which is the most suitable for Tuvaluan communities to be considered it is possible to refer to the approach proposed in a publication of the UNDP (2008) regarding the adoption of a Social Enterprise as a leverage to transform disadvantaged local communities or groups to be self-sufficient and

vibrant. The UNDP (2008) stated that the influence of Social Enterprises to socio-economic development could be seen from various perspectives such as:

- “providing access to basic services (social, educational, and health) to local communities, including people who are unable to pay;
- contributing to a more balanced use of local resources encouraged by wide participation of local stakeholders;
- contributing to the promotion of inclusive governance models that empower the local community in strategic decision-making;
- creating new employment as a result of the new services supplied and favouring labourmarket integration of disadvantaged people (minority groups, single women, people with disabilities, etc.) otherwise excluded from income-generating opportunities;
- contributing to enhance social capital at local levels (based on broad ownership and local participation), which is of crucial importance;
- contributing to take informal activities out of the underground economy for instance by regularizing the situation of illegal workers on the black market (4-5).”

5.1.2.1 Triple Bottom Line

First of all an accounting framework of the triple bottom line which takes care of three different and related aspects of the proposed Social Enterprise for the targeted community. The first pillar of the triple bottom line is to achieve the highest economic benefits possible for the community. The second pillar is to accomplish some social benefits of the community. The third pillar is to keep the environment of the community clean.

5.1.2.2 Legal structure

To make the proposed Social Enterprise for the targeted community and elsewhere in Tuvalu, it is vitally important to make the proposed Social Enterprise to be compatible to the existing laws and regulations of the country to survive and serve to its purpose. The necessary amendments to the existing laws and regulations should be minor. Given the current state of operation of the Tuvalu government, one of the existing laws that may provide guidance to the proposed Social Enterprise and the intended initiative will be the Public Enterprise Act 2009, although the proposed enterprise is not a public enterprise (state owned enterprise).

5.1.2.3 Business Overview

Ownership: The proposed Social Enterprise shall be owned and controlled by the targeted local community which in this case study is the island community of *Nanumea*.

Key Beneficiaries: The key beneficiaries would be the people living in the targeted local community which must be stipulated clearly in the agreement to establish the enterprise. All the profits that this enterprise earns should be reinvested to the enterprise itself in order to make the enterprise and its initiatives sustainable. In other words, the main beneficiaries of the enterprise will be the producers of the local products and their families in the targeted local community. This may extend to the Diaspora of the targeted community since they form a part of the local community and they are potential consumers of the products from Tuvalu, especially the salted and dried fish, and the local sweet syrup produced from the coconut trees.

Main Activities: The main line of operations and activities of this proposed Social Enterprise will be explained in the following section of applying the Theory of Change but they should include the answers for any social needs that the previous and current government social programs have failed to meet or meet inadequately.

Office Building: For housing the initiative, there are buildings available on the targeted community with excess capacities. They are the Fusi building and the Community Fishing Centre building. Both of them are still in good condition and can be used as an office space and an operational centre for the proposed Social Enterprise.

Funding: All the outer island communities of Tuvalu have a continuous support from the *Falekaupule* Trust Fund (FTF) which was created to assist the local communities in their development (See Chapter 3 for more details). The author believes the proposed Social Enterprise can receive a seed funding from the FTF for its establishment and implementation of the initiative described below. The reason being that the proposed Social Enterprise will be established and operating as a partner of the *Kaupule*, which is the executive arm of the *Falekaupule* (See Chapter 4 for more details of local governing system of Tuvalu). Of course the proposal to establish the

social enterprise in the targeted community of Nanumea, which is to be partially funded by *Nanumea's* FTF savings and implementation of its initiatives for the community must be approved by the *Falekaupule* of Nanumea and the national government of Tuvalu before its initiation.

Another potential source of the funding for the proposed Social Enterprise is the central government of Tuvalu and foreign donors. The proposed Social Enterprise and its initiatives will create more rural jobs and opportunities in *Nanumea* and make *Nanumean* community more vibrant. If the proposed Social Enterprise and its initiatives are successful in *Nanumea*, the formulae can be copied in the other outer island communities of Tuvalu. Since one of the priorities of the government of Tuvalu is to stop the rural to urban migration of people and this proposed project can be welcomed wholeheartedly by them. If the proposal of this project is made to the relevant ministries through correct channels the government may allocate some money from its annual budget to this undertaking and also would give its full supports in endorsing any submissions from the targeted community to potential donors to receive assistance.

Human Resource: The delivery of service by the proposed Social Enterprise should be manned by a team of professionals. The team consists of a leader and four other members and all of them must have relevant qualifications and entrepreneurial skills. The persons currently living in *Nanumea* and *Nanumeans* living in *Funafuti* will be given the priority but if persons with enough qualifications and talents cannot be located among them other Tuvaluans will be recruited. The human resource can also be recruited from the interested *Nanumean* Diaspora who can return to *Nanumea* and contribute to the development of the island.

5.2 The Strategy: Application of the Theory of Change

“To improve is to change; to perfect is to change often” Winston Churchill.

The popular quote above signifies the importance of making changes. Churchill's words above further implies that the people to get the best in their lives would be the ones making necessary changes. Without a doubt, having an understanding of how the Theory of Change can be applied in the establishment of the proposed Social

Enterprise and implementation of its initiatives is highly important. According to Valters (2015: 3) the Theory of Change involves some established principles about how changes will take place and it would be helpful to make a document or a diagram describing how and why a particular organisation believes some interventions will lead to a change in the organisation.

Moreover, in the accounts of Taplin *et.al.* (2000: 4) the Theory of Change has developed to inform all the participants including the planners and communities involved about the conceptualisation and formation of an initiative. In addition, they described the Theory of Change as a contemplative process of acquiring knowledge around what has been carried out, functioned and why it is necessary to know the past to plan for the future (*ibid*).

Furthermore Taplin & Clark (2012: 1) explained that the Theory of Change is also a planning, monitoring and evaluation tool. It expresses long-term results, prerequisites and necessary interventions of a project or a programme. The Theory of Change also encapsulates the foundation of visioning papers, annual plans, strategic plans and goal setting processes. Taplin & Clark (2012) also stated that the Theory of Change can map out initiatives through the following stages:

- “Identifying long term goals and the assumptions behind them
- Backward mapping from the long term goals by working out the preconditions or requirements necessary to achieve that goal -- and explaining why.
- Voicing your assumptions about what exists in the system without which your theory won’t work, and articulating your rationales for why outcomes are necessary preconditions to other outcomes.
- Weighing and Choosing the most strategic interventions to bring about the desired change.
- Developing indicators to measure progress on your desired outcomes and assess the performance of your initiative.
- Quality review should answer three basic questions: Is your theory 1) plausible, 2) “Doable” (or feasible), and 3) testable?
- Writing a description to explain the summary logic of your initiative (2)”.

Application of the methodology of Theory of Change advocated by Taplin & Clark (2012) has the task of identifying the most crucial outcomes and the best preconditions. For the proposed Social Enterprise and its initiative three long-term

goals (triple bottom line) have been identified. For realising the long-term economic goals three different strategies are identified and each of them has several preconditions or steps to be reached before the ultimate goals. For the long-term social goals there are two different categories of goals, one is for health and the other for community governance. Each category has a single strategy which has several preconditions. The long-term environmental goals are in a single category and will be catered by a single strategy which also has several preconditions to reach. These long-term goals and their strategies and preconditions are summarised in Figures 8 and 9 below in the subsection explaining the long-term goals and strategies in details.

The first stage proposed by Taplin & Clark (2012) prompts the long-term goals to be identified and expressed. The author would like to propose that these long term goals should be considered from the standpoint of the national level. In this context, the long-term goals from the national medium term development plan called the Tuvalu National Strategies for Sustainable Development or the *Kaakega II* should be recognised and acknowledged since there is a link between the national and the local goals in the *Kaakega II*. The long term goals of *Kaakega II* cover the various areas which are good governance, economic growth and stability, social development, more participation of assemblies of traditional chiefs called the *Falekaupule*, development of outer islands, securing more employment and private sector development, improvements in education and human resource, natural resource developments and development of infrastructure and support services.

Consequently among the above long-term strategies, the author believes that the ones related to the *Falekaupule* and its executive arm the *Kaupule*, outer islands, employment and private sector can be linked to the argument made by Oberst & McElroy (2007: 165) that the PROFIT model can be a more positive alternative to the original MIRAB model. The reason is that the PROFIT model has three unique characters which are better than the corresponding characteristics of the original MIRAB model. They are (1) higher dynamism of the private sector, (2) more active roles of domestic policy makers and (3) strategical orientation towards diversification. Actually, the author considers that the optimal course of actions will be gained by combining the PROFIT and SITE models because tourism would be crucially important in developing communities in Tuvalu.

Moreover, reflecting on the *Kaakega II* of what is needed, it would be important to provide an alternative to the weary status or deteriorating conditions of the *Falekaupule* and the outer islands. The following points in the *Kaakega II* would be relevant to the author's proposal: (1) Raise quality of basic service delivery to outer islands; (2) Promote Tuvalu culture to improve outer islands living; (3) Create new development opportunities; (4) Improve public sector services (power, shipping and extension services); (5) Promote business development; (6) Increase access to maritime training and employment; (7) Expand access to microcredit; and (8) Improve management of urbanisation.

Now linking the national development visions with the local development goals of the particular case chosen in this study, the national long term goals and strategies described in the *Kaakega II* must also reflect the long term goals of the *Nanumea* island community as described in the Section 3.5 above. The ultimate mission of the proposed Social Enterprise must capture both the national and local goals.

Of course, one of the ultimate long-term goals will be making successes at the targeted community to make the Social Enterprise and its initiatives to become an example for all communities on the outer islands of Tuvalu to emulate. The following sub-sections will explain how to reach the long-term goals by using the outcome framework which was developed by following the steps provided in Taplin & Clark (2012) explained above.

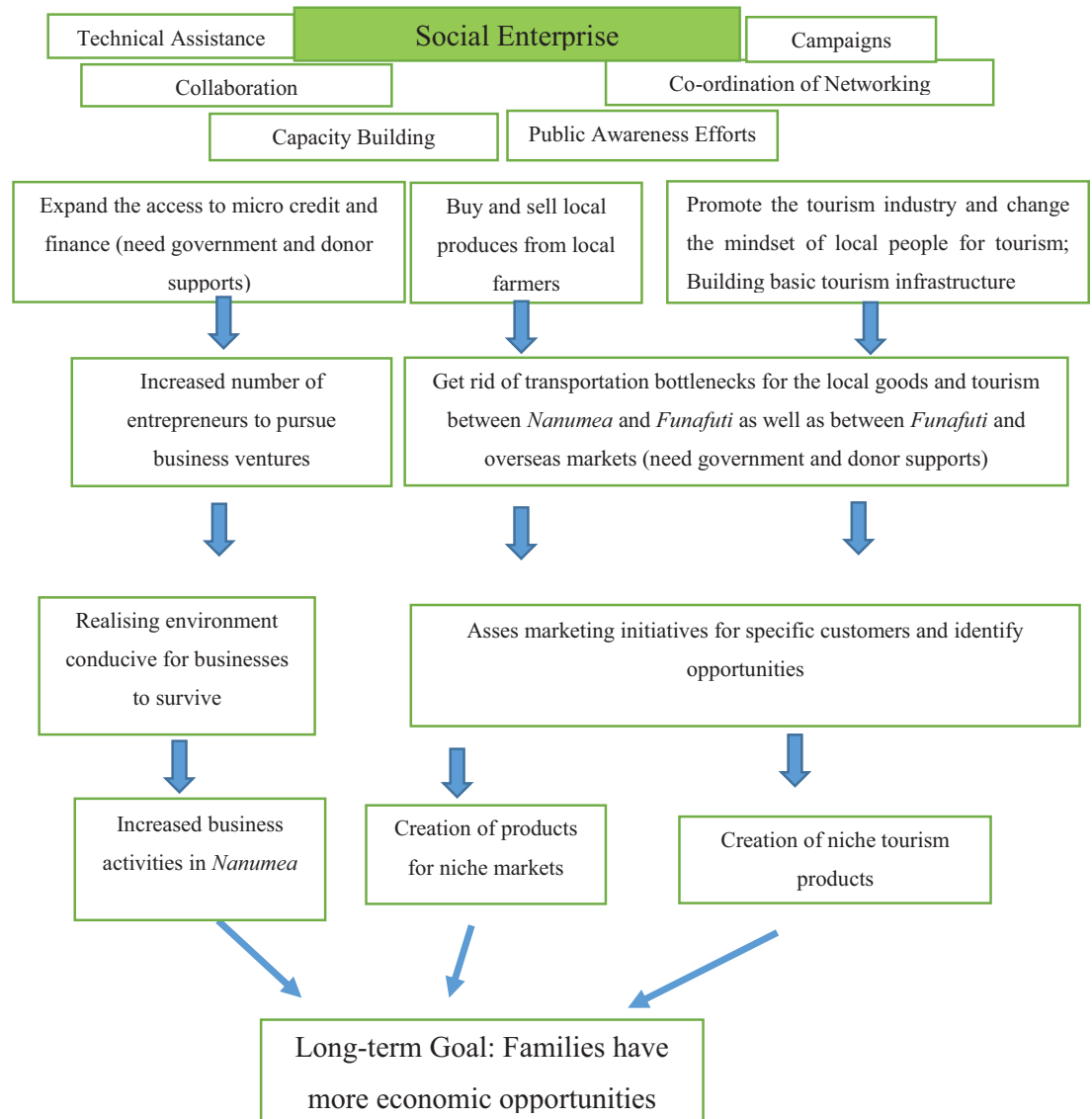
5.2.2 The Strategic Long-Term Economic Goals

The Strategic Long-Term Economic Goal of the proposed Social Enterprise and its initiative is to increase economic opportunities for families and individuals in the targeted community. There are several assumptions and preconditions to achieve this goal. In the terminology of Theory of Change, assumptions and preconditions are both conditions that are necessary for a program's success but assumptions are already in place or taken for granted whereas preconditions are intentionally created.

In achieving the major long-term economic goals, the existing conditions, which are the assumptions to consider, are as follows:

1. An existing programme called the Island Revolving Development Fund (IRDF) is already in operation on the island. This fund was established to cater for the needs of individual families to access small loans to help developing initiatives such as small businesses.
2. The low interest loan programmes of the Development Bank of Tuvalu (DBT) and the National Bank of Tuvalu (NBT) are available to respond to some needs for small financial capital of the potential entrepreneurs although the borrowers must clear all of the strict conditions attached to the loans.
3. On the island, there is a very successful conservation area and one of the assumptions is the sufficiency of available local land resources to cater for the needs of the trading initiative of local agricultural products.
4. The other assumption considered in this initiative is the existence of diaspora of the *Nanumean* community, which would be ready to participate in most initiatives of the local community including this initiative.
5. The island of *Nanumea* has a beautiful lagoon that has been used by a few yachts passing by in the Tuvalu waters. Also, there is an old US Marine airfield on the island, which stands as a potential runway for future air flights if the initiative is successful.

Figure 8: Long-term Economic goals and their preconditions



(Source: Author)

Three proposed strategies shown in Figure 8 to attain long-term economic goals starting from (1) expansion of microcredit accesses, (2) buying and selling products from local farmers and (3) promotion of the tourism industry are series of preconditions, which must be realised to move on to the next step.

Access to micro credit and finance

The first precondition of the first strategy is accessing micro-credit financing on the island, and it is crucial to revisit all the potential existing financial resources

available on the island such as the IRDF will be important. In addition, revisiting the opportunities provided by the existing financial institutions in Tuvalu, particularly the ones from the DBT and NBT is also important.

If the existing funds such as the Island Revolving Development Fund (IRDF) were still in operation but facing difficulties or challenges then this would be an opportunity for the technical support from donors to revisit in terms of analysing the processes and provide advices to reduce or eliminate the difficulties in the operation of the IRDF. Similarly, seeking the service of small fund providers outside of the country may be an opportunity to grasp but it would require the assistance from the national government of Tuvalu and/or donors.

To buy and sell the local produces from local farmers

The first precondition of the second strategy is letting the Social Enterprise buy and sell the local produces from local farmers. In order to achieve this precondition, the proposed Social Enterprise must be viable. As mentioned earlier, the selected local community has buildings to house the initiative such as the Community Fishing Centre and the *Fusi* (TCS branch) buildings that are currently not utilised to their fullest capacities.

Moreover, another reality, which is an assumption (in the terminology of the Theory of Change assumptions are conditions, which cannot be altered) in this study, is that there are still sufficient local natural resources for subsistence and commercial productions. Therefore, buying the local produces such as coconuts, taro, pulaka and fish from local farmers (they are also fishermen) by the Social Enterprise and selling these local harvests to the capital island of *Funafuti* will be the objective to achieve. After establishing successful domestic export trade business, naturally the export opportunity will be sought.

In addition, the domestic and foreign diaspora of *Nanumea* have already been a complementing arm of the island community for the development of the island. In the capital, there is a building named the *Tamaga Tah* owned by the *Nanumea* community. It has been renovated and can be used for the promotion and marketing of the *Nanumean* products in *Funafuti* as well as to the potential markets overseas.

In addition, the *Nanumeans* in the capital can provide more assistance including provision of feedbacks to the *Nanumean* community on the island on the necessary improvements for the local products to be more recognised in the domestic and foreign markets.

Promotion of the tourism industry

The first precondition of the third strategy to be achieved is the promotion of the tourism industry. As McElroy (2003) has stressed it in the SITE model, tourism is one of the sectors that may create most opportunities for small island economies. There is no domestic air service available in the country now but on the island of *Nanumea* there still exists an old US Marine airfields created during the World War II that can be a potential pathway for airlines if renovation of the runway is relatively easy and a domestic air service starts to operate. Moreover, the beautiful lagoon of the island has been an attractive harbour for international yachtsmen. It is informative to note that the *Kaupule* of *Nanumea* has started collecting small fees from the visiting yachts. Therefore, considering these specific landmarks there would be a great opportunity for the community to engage in the tourism industry by working with the national government as well as interested donors, which may be able to provide initial seed funding to build some of core tourism infrastructures such as guesthouses and jetties.

The three identified economical strategies as series of preconditions are to realise the ultimate economic goal, which is “Families have more economic opportunities.” They are assumed to be the priority since the first strategy is focus on funds to provide assistance to start local businesses, while buying of local produces at the community level is a good start for local farmers to move to commercial production. In the context of the most significant intervention that may bring about the desired changes can be a campaign to promote tourism on and around the island. This is a grassroots initiative, which uses the particular local strengths relative to the previous initiative, which was introduced by the national government and has not been successful.

To measure the progress of achieving the long-term economic goals is essential. This is to be done by using a few indicators identified below.

1. The number of the previously unemployed individuals (and her/his dependent families) of the island selling their products to the proposed Social Enterprise.
2. An increase of individuals or households in possession of assets such as outboard motors is an indicator for the readiness of the *Nanumean* individuals and households to engage in business activities.
3. The number of entrepreneurs accessing micro credit facilities may show if the entrepreneurial encouragement initiative is successful or not given that there are reasonable and continuous supports from financial institutions to the local small businesses.
4. The participation of community members in the activities of the community can be another good indicator. An example will be people attending the *Falekaupule* meetings discussing fundraising for a charity or community investments.
5. Increased revenue of the *Kaupule* from taxes and fees through more economic activities on the island.

Actually, the past and current leaders of the *Nanumea* community have been floating the idea of starting small business enterprises of the community for quite a while. It has not been plausible yet but having a few small-sized business enterprises, which are sustainable can be one of the long-term objectives of the community. This initiative can be a promising venture to be undertaken by the community and its members in the future. Furthermore, it is important to instil positive views on business entrepreneurship, particularly to be a social entrepreneur in the culture of the local community.

5.2.3 The Strategic Long Term Social Goals

For attaining the long-term social goals the assumptions, which are pre-existing conditions which cannot be changed in the terminology of the Theory of Change, do play vital roles in the initiatives as follows:

1. Collaboration with the local government of the island or the *Kaupule*. As mentioned earlier, this institution is the executive arm of the local government. It is supposed to become a great partner of the proposed Social Enterprise to collaborate with in order to attain the main goals of the

initiatives. Collaboration between the proposed Social Enterprise and the *Kaupule* shall immediately start if the establishment of the Social Enterprise were successful.

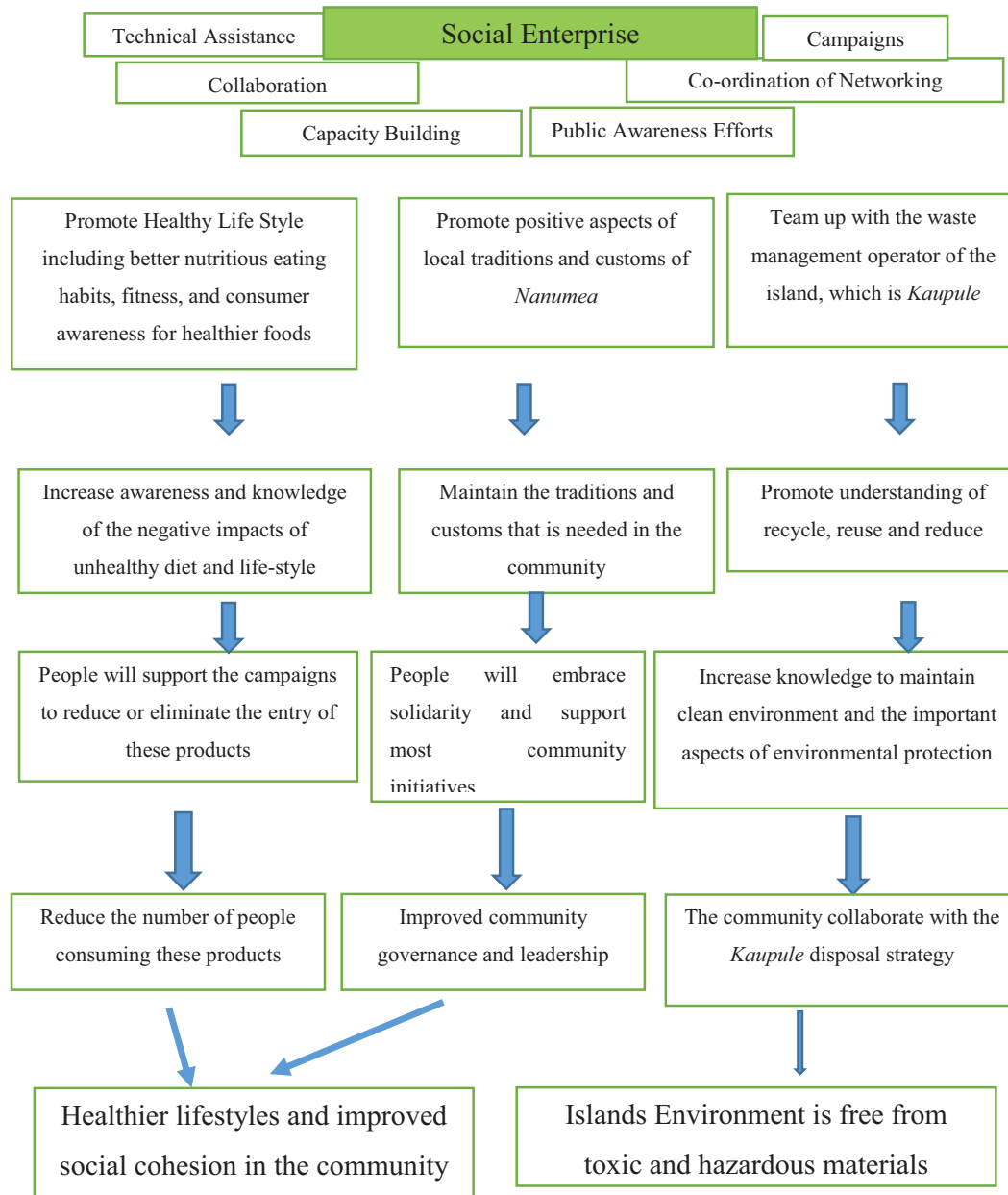
2. Community supports to the proposed Social Enterprise and its initiatives in general. The community supports to an initiative, which would be approved by the *Falekaupule* and the national government and provide direct benefits to the local community, general supports from local community is already guaranteed. Of course, some dissenters would exist in any community and they may oppose some particular parts of the initiatives but overall community supports are supposed to exist from the first day the proposed Social Enterprise is established.

Elaborating on the major strategic long-term social goal, it grounds on the notion of living a healthier life and an improved social cohesion within the community. This strategy has a focus on individuals to improve their lifestyles. In achieving this goal, the preconditions that needed to be realised are shown in Figure 9 and one of the two strategies starts with a precondition of promotion of healthy lifestyle including better nutritious eating habits, fitness, and consumer awareness for healthier foods. The other strategy will start with a precondition of promotion of positive aspects of local traditions and customs of *Nanumea*. The proposed Social Enterprise and its initiatives are for creating intended changes in the community to achieve the long-term goals, and the long-term social goals are “Healthier lifestyles and improved social cohesion in the community”.

First social issue to be addressed is the problem of many people in the community suffering from non-communicable diseases (NCDs) such as diabetes and high blood pressure. These problems have been recognised as threats to the health of the Tuvalu population including the *Nanumea* local population. Some of the major causes or contributing factors would be the consumption of unbalanced diet and lack of exercise, which have reflected on a relatively high number of the population in the overweight category. The poor quality of imported foods with extensive consumption of imported and locally made cigarettes and excessive alcohol consumption lead to poor lifestyles of some residents. Therefore, a community-wide preventive approach is the strategy to take in order to attain a part of the long-term goals. In this context,

the presence of champions to promote changes in the community to realise healthier lifestyles would be important.

Figure 9: Long-term Social and Environmental Goals and their preconditions



(Source: Author)

The second social issue to be addressed is the impacts of western culture, which have indeed changed the mentality and behaviour of substantial number of youth in

Nanumea and according to the author's observation, they seem to overlook and fail to uphold the virtues of the traditions and customs of their home island. To have pride in their culture and traditions should be the priority of communal teaching including speaking of their mother tongue, the *Nanumean* dialect of Tuvaluan language. According to Chambers & Chambers (2001: 18) *Nanumean* language is a distinctive dialect of Tuvaluan, which is categorised as one of the fifty Polynesian languages.

Furthermore, to realise the first part of the long-term social goals it would be important to use all available resources particularly ones provided by the national health authority, which has been kept supported by donors providing assistance in this area. Moreover, the most appropriate strategy for the targeted community to have a healthy population would be overcoming some of unhealthy behaviours that have derailed the health of many people in the community.

For realising the second part of the long-term social goals the promotion of local traditions and culture, including the *Nanumea* language would be crucial. It would be vital to include these aspects in the local primary school education curriculum and they must be also emphasised at other local opportunities. For example, the engagement of youth in workshops that gear them to be advocates of their culture and traditions will be a priority for the community. The popular tradition such as paying respects to the elders is a pillar in the solidarity of the community. Therefore, in embracing such practices by youth will be first good initiatives to be targeted.

The following identified indicators have been selected to provide the progress of the initiatives in this area.

1. More youths are engaging in the activities of the local community such as sports events and community work.
2. Increased number of community members including women are attending and participating in the *Falekaupule* meetings. The youth can be encouraged to attend the meetings of *Falekaupule* assembly.
3. Increased numbers of people are willing to engage and participate in health programmes.

4. Fewer numbers of people visiting the *Nanumea* island clinic as outpatients for sicknesses, while increased number of people are engaging in health maintenance activities such as regular exercises, eye, and dental exams and so on.
5. Fewer numbers of outlets on the island selling tobacco and this includes the small canteens selling local cigarettes.

It is important to emphasise the significance of the long-term social goals, which can be more easily attainable than other long-term goals because the important resources for attaining them are available on the island such as the health centre. In addition, the proposed Social Enterprise can form a partnership with youth groups and some of the unemployed youth on the island can be trainees of the enterprise.

5.2.4 The Strategic Long Term Environmental Goals

For the last strategic long-term goal, there are few prevailing assumptions that do play important roles. One of the crucial assumptions is the support from the national government of Tuvalu. The strategy for attaining the environmental long-term goal, which is making the islands environment free from toxic and hazardous materials and a sequence of the preconditions are shown in Figure 9.

The author would like to propose the targeted community to embrace the idea of living on an island that is free from toxic and hazardous materials. The reason behind this is the increased accumulation of imported hazardous materials such as old batteries from discarded motor bikes on the islands. They have become threats to the health of the local community especially because inadequate processes have been used to dispose of these non-degradable and toxic/hazardous products. There may have been some guidelines laid down by the government ministries and *Nanumean Kaupure*, but the idea of utilising available resources for better use is an important concept to be embraced by the local people.

In this essence, the first precondition to be achieved for this objective is the proposed Social Enterprise having a partnership with the *Kaupule*. In this partnership, the alliance will be to assist the *Kaupule* in advocating for the awareness of the local community to understand the full impact of the non-degradable products and the

idea of the triple R of disposing, which is Reduce, Reuse and Recycle. Another important factor is to explain to members of the community explicitly the byelaws that elaborate the need to protect the environment of their island and its lagoons.

Moreover, conducting more research on the methods that can improve the process of ensuring the long-term safety when hazardous wastes are disposed. In this context, assistance from academic institutions such as the University of the South Pacific (USP) and the regional organisations specialised in the environmental arena such as the Pacific Regional Environment Programme (SPREP) and the Applied Geoscience and Technology Division (SOPAC) of the Secretariat of the Pacific Community (SPC) can be sought via the national government of Tuvalu. Similarly, to protect the livelihood of the people it will be vitally important to address the behaviours of community and its people. They shall not destroy the environment that they are enjoying. Therefore, to be an effective strategy, an effective intervention is the continuous awareness promotion of waste management in community programmes including in the school activities to prevent the tragedy of the commons where the local people overexploiting commonly owned natural resources on the island.

Lastly, the indicators to measure the success of the long-term environmental goals will be:

1. More people in the community are disposing their rubbish according to the required instructions of the *Kaupule*, which means the people and households of the community are fully aware and understand the importance of separating the non-degradable from the degradable garbage;
2. Shorter time is required to collect all the non-disposable and hazardous wastes since most people know and follow the rules; and
3. Fewer frequent enforcements of environmental regulations and standards such as fines on violations to the people and households in the community including small businesses.

In regards to the plausibleness of the long-term environmental goal, it can be achieved by assisting the *Kaupule* in implementing a proper waste disposing programme. It requires only minimum resources for the proposed Social Enterprise

to implement as long as it has appropriate people who can run the initiative. Hence, the feasibility and practicality of this strategy will depend on solely on the credibility of the proposed Social Enterprise.

5.2.5 Start Up Plan for the First Year

5.2.5.1 Economic Activities

In the early stage of the venture of creating economic activities, the Social Enterprise needs to buy local products such as coconut, dalo, pulaka together with some of the seafood from private small holder producers in the local community. The pricing strategy to be adopted will be to cover the cost with a minimum profit margin of 20% but when there is a need to avoid obsolete stock or for charity to sell at cost.

Another potential area for economic activities for the targeted community can be small-scale tourism. Actually, during the author's visit to the island, during a *talanoa* session with the head of the *Kaupule*, he pointed out that, the community had shown their interests of investing into a tourism initiative, which had been promoted by the government. Tourism development in the targeted community would be a huge challenge but it could be an opportunity to grasp. It may be possible to start with a test case of a game fishing initiative since the position of the island is favourable for such initiative. Actually, according to the source, the engagement with an overseas investor for the game fishing tourism initiative is now in progress although the government approval would be required to make it a reality.

5.2.5.2 Social Activities

The existing culture of competitions between the two sides of the local community named *Haumaefa* and *Lolua* in fishing, planting of root crops and even dancing are great opportunities to capitalise on a health initiative for the fledgling Social Enterprise. This is through the organisation of a health programme starting with a family visitation programme in coordination with the health professional of the island clinic (currently a medical nurse) to collect data required to determine the health status of the targeted individuals. A competition will be among the most active age group, which is the age of 15 to 40 years old, between the two sides can be an interesting initiative to undertake. A better average Body Mass Index (BMI)

between the two sides in a month can be rewarded with recognition and a prize. This will increase the morale of the contestants and the community as a whole.

5.2.5.3 Environmental Activities

The proposed Social Enterprise must work as a partner of the *Kaupule*. Actually, the *Kaupule* of the targeted community has initiated several environmental programmes but they have been terminated because of many challenges. One of the challenges was the insufficient human resources on the island to deliver such programmes. Therefore, the proposed Social Enterprise may begin with its environmental activities by collaborating with the *Kaupule* and provide assistance to restart the above environmental programmes.

5.2.6 Anticipated short-term and long-term impacts

5.2.6.1 The anticipated short-term impacts

1. The proposed Social Enterprise will be a pioneering agent in the targeted local community, which will create new job opportunities for the local community. It may help people who were been excluded from the local labour market.
2. The proposed Social Enterprise will be a medium that would conduct and provide training and retraining for different categories of skills and knowledge in business entrepreneurship, which would include basic skills in accounting and management of a small-scale business. This will fill a gap of relatively low human capital in business.
3. The proposed Social Enterprise is expected to create an important change in the area of health, particularly in the awareness on the negative effects of consuming unhealthy food and maintaining the fitness level at all age levels. The advocacy together with a good participation of the community members in fitness programmes may deliver immediate results if the medical professional on the island assists the initiative.

5.2.6.2 The anticipated long-term impacts

1. The green growth movement is to have dominated the development agendas of many countries in the world in the era of global warming effects becoming visible. Similarly, the intension of the proposed Social Enterprise and its initiatives would have projects and programmes which would be definitely

conscious about environmental impacts. Although this engagement would be relatively small, if similar Social Enterprises are adopted by other communities of Tuvalu, the overall efforts of Tuvaluan communities to be green might have put Tuvalu to a better position in adapting to climate change effects.

2. The full participation of the local community in the proposed initiative will be a good indication of how viable this initiative would be. If all long-term goals in the three areas are attained, then the initiative will not only be identified as a poverty eradication campaign but also a health promotion strategy. The initiative will give the local people a chance to create a future for them instead of becoming irrelevant and eventually abandoned from the sea level rise and depopulation.
3. The engagement of the local community into tourism will be one of the central projects of the proposed Social Enterprise and its initiative and development of tourism activities, which would have positive linkage effects and some of the other community activities will support the tourism initiative.
4. Another anticipated long-term impact of the proposed Social Enterprise and its initiatives to the targeted community is the advancement of the youth. This includes embracing their possibilities and equipping them with knowledge which can empower them to answer the many challenges of contemporary society. This is only possible through engaging them in fruitful programmes in the local community. In this manner, they can become better members of the community and hopefully to become the leaders in years to come.

5.3 Conclusion

After the introductory section, this chapter first explained the main vehicle or mechanism to deliver desired changes to the targeted local community, which is a Social Enterprise specially designed for implementing some initiatives, which would include various projects and programmes. Then, the chapter moved to the application of the Theory of Change in setting the triple bottom line long-term targets of the initiatives and explained the assumptions and pre-conditions for attaining the triple bottom long-term goals. Then, the operation of the proposed Social Enterprise at its start-up stage and the short and long-term impacts of the proposed Social Enterprise and its initiatives are explained. The next chapter will provide the conclusion of this study and provide some recommendations.

CHAPTER SIX: CONCLUSION AND RECOMMENDATION

6. Introduction

As shown in the literature review in Chapter 2, the MIRAB is widely accepted as a model depicting the realities of small island economies (SIEs) in the Pacific and elsewhere. The author has noticed that donor countries and aid agencies such as the World Bank sometimes have taken a position of considering some aspects of a MIRAB economy such as its aid dependency and relatively large bureaucracy as well as its 'brain drain' as symptoms of the 'MIRAB' problems to be fixed. However, the author believes that the development strategy of a MIRAB economy such as Tuvalu should embrace some of the positive aspects of the MIRAB model, and can refer to its more development-oriented versions such as the PROFIT and SITE models when the government makes its development strategies and their implementation policies. This concluding chapter will provide answers to the major questions identified in the Chapter 1 and policy recommendations to relevant authorities of within and beyond Tuvalu and conclude with some final remarks.

6.1 Answers to Major Questions

From the results of the literature reviews and desktop analyses, the major questions identified in Chapter 1 were answered as follows.

The first question:

What are the opportunities and pathways that can drive Tuvalu's economy away from the structured belief portrayed by the MIRAB model?

The global and regional aid agencies such as the World Bank, ADB and IMF have provided a few analyses and recommendations to deal with the development difficulties and challenges Tuvalu faces and achieves more sustainable and stable growth. Some of the factors reviewed in the Chapter 3 such as extreme isolation from the main trade and tourism routes, inadequate infrastructures for development and very small domestic markets have been a major obstacle for Tuvalu to be on a sustainable and stable growth path and shift away from the negative realities depicted by the MIRAB model.

However, as described in the Chapter 2, an alternative more growth oriented economic model called the PROFIT provided by Baldacchino (2006) would be more promising for a MIRAB country such as Tuvalu because it has three unique characteristics different from the original MIRAB model. They are (1) dynamism of the private sector, (2) the active role of domestic policy and (3) the strategical orientation towards diversification. In addition, the SITE model proposed by McElroy (2003) that is explained in Chapter 2 would indicate a more positive pathway for development utilising tourism development. These points were reflected in one of the ADB (2014: 1) reports, which showed that the private sector in Tuvalu had hardly expanded in the past two decades. This same report indicated that there were opportunities to exploit which include fisheries and tourism and investments in human resources for improving Tuvaluan skills for overseas employments.

In addition, Bertram (2006: 2) stated, “In a globalizing world, inhabitants of small island economies have open to them a myriad of evolutionary responses to external forces that potentially enable them to seize niches of opportunity, and thereby insulate them from global economic shocks.”

These positions described above may have been well reflected, in some of the programmes initiated by the ADB including its Private Sector Development Initiative (ADB, 2010) which focused on to assist least developed countries including the small Pacific island economies to move away from the negative realities of a MIRAB economy. The ADB (2014: 5) further highlighted the importance of increasing creativities of development programmes that are owned by the aid recipient country and its communities and relatively simple in scope and well within the country’s capacities.

Therefore, the obvious answers to the question would be the government and community initiatives, which may or may not be supported by donor agencies to develop Tuvalu and its communities, by utilising the strategies indicated in the PROFIT and SITE models. In this context, it would be crucial to include some important aspects indicated above such as dynamism of the private sector, tourism development and human capital development.

The second question:

If opportunities exist, how can such aspiring objectives be attained?

In creating opportunities, which are well within the capabilities of Tuvalu and its communities, the author would like to recommend the approach and strategy, which has been advocated by the UNDP (2008) that would ground the development on the communities. This approach will give ownership of the development initiative to the communities, and will be relatively simple and most of all will be within the capacities of the country. According to the UNDP (2008: 3), this kind of strategies had realised improved livelihood in some of the marginalised communities in a few developing countries.

In Chapter 4, the author proposed to establish a Social Enterprise to a targeted community as a pilot project, which can be emulated to other local communities later if the pilot project is successful. This Social Enterprise would be owned by the local community and is also a part of the private sector. It may not a typical private sector operator in more developed societies, but in closely knitted small local communities in the Pacific an alternative approach to develop private sector may be more efficient and equitable. The Social Enterprise would be the core institution to implement the intended triple bottom initiatives, which would change the community. This plan would have a potential to advance the economy of Tuvalu from the grass-root level and also to realise dynamism in private sector, development of tourism and human capital in the local communities.

6.2 Recommendations

The following recommendations have been made after taking into account all of the analyses and findings of this study to answer some of the challenges of development in Tuvalu and for the establishment of the proposed Social Enterprise to deliver the expected services and opportunities to the targeted local community in addition to the recommendations already described in Chapter 4.

For the community of *Nanumea*

1. Recommendation for the *Falekaupule* of *Nanumea*, if it agrees to establish the proposed Social Enterprise and implement proposed initiatives, is to realise a firm understanding to all the *Nanumean* communities, which would include all *Nanumean* individuals and families in other parts of Tuvalu and the Diasporas about the importance of them.
2. The facilities that accommodate the operation of the Social enterprise and its initiative, particularly domestic sales and exports of agricultural and marine products must be in the required standard that will keep the freshness and other good quality of the products when they are sold at the capital.
3. The *Nanumean* community on the island must encourage the Nanumean Diaspora particularly in New Zealand to find potential markets for the local products.

For the National Government of Tuvalu:

The proper operations of the proposed Social Enterprise would require a substantial assistance from the national government of Tuvalu, which would include assistance to find interested donors to participate in this venture. Some of the recommendations are related to the issues highlighted in the Tuvalu's National Strategy for Sustainable Development or the *Kaakega* II as follows:

1. Create a conducive investment environment; formulate a 'level playing field' for private sector investment.
 - To include the recommended Social Enterprise in the scope of private sector clearly, which may need some amendments of relevant existing laws and one of the amended law may need provisions for the obligations of the proposed Social Enterprise. In this context, the Community Service Obligation section of the Public Enterprises (Performance and Accountability) ACT 2009 (Tuvalu Government, 2009) can provide a model to emulate although the proposed Social Enterprise is a private entity, which will be owned by the community and not a public enterprise to which the above law is applicable.

- To provide more financial assistance through the financial intermediaries which are the NBT and the DBT for potential entrepreneurs so that to have more attempts to start small businesses by local entrepreneurs within the local communities. Another potential assistance would be the government becoming a guarantor for the potential and existing entrepreneurs and businesspersons in their undertakings. In this context, it might be possible to consider a special exception category for the prudential regulation of the banks but in the case of defaults, the government must repay the debts.
2. Provide adequate, efficient and cost effective economic infrastructures especially power, water, transport and communication:
- Communication: This is one of the essential services to develop some of the businesses, which must be efficient and effective. On the outer islands, the downtimes of mobile and conventional phones are sometimes one to two or even three days in a week. Therefore, it is natural to call for the government to open up the market to introduce competition such as Digicel or Vodafone against the state monopoly provider the Tuvalu Telecom. If the monopoly of the Tuvalu Telecom needs to be kept, at least the internet connectivity must be improved to make it possible to use some of the convenient internet facilities for business such as online advertisement and booking, internet banking, and so on.
 - Transport: The key service to deliver the agriculture and marine products from *Nanumea* to the capital and eventually abroad would be more frequent and reliable maritime shipping service and properly temperature controlled storage facilities at the key transportation hubs such as the ports of *Nanumea* and *Funafuti*. The government must provide such services, if necessary as a joint venture with the proposed Social Enterprise.
 - For the identified old US marine airbase described in Chapter 4, for the tourism initiative, a feasibility study for the use of the airstrip for domestic and international flights should be initiated. The study should

also determine the feasible scale of operation. If it were found to be feasible, the government would be able to seek more interested parties to develop an airport, whatever the scale it is, on the island. However, even if the airstrip were feasible to be refurbished, it would eventually need a viable domestic air service provider operating in Tuvalu, which would require more tourism development all over the country so that such a business can make sense to operate in the country.

- The government would be also able to increase the water storage capacities on outer islands including *Nanumea* especially as backup water sources before their underground water is too contaminated by the sea-level rise and salt-water intrusion.
- Making the passage from the outer ocean to the lagoon of *Nanumea* wider and deeper would be crucial to develop tourism industry on the island. The government would be able to assist the *Nanumean Falekaupule* and the proposed Social Enterprise in finding donors to improve the passage so that bigger boats and ships can enter the lagoon for a safe anchorage in time of strong winds. Of course, a relevant environmental study must be conducted before implementing such an initiative.

3. Improve access to export markets;

- The government of Tuvalu should revitalise the roles of the existing institutions such as the Private Sector Organisation of Tuvalu and the relevant government offices to engage in and affiliate with regional organisations in the Pacific and beyond to promote Tuvaluan exports for both goods and services.
- In addition, the government can assist the representatives from the community to attend expos held overseas in both around the region particularly in Fiji and beyond to promote Tuvaluan exports and tourism.
- The government of Tuvalu can be more serious in promoting entrepreneurship in very small-scale enterprises for the potential entrepreneurs in local communities.

6.3 Areas for further research

This study proposes to explore new opportunities for local communities utilising a particular type of Social Enterprise in a local community in Tuvalu, but it is only exploratory and the study has not seriously analysed detailed feasibility of the proposal. Therefore, further research to overcome the real-life challenges would be essential if the *Nanumean* community and the Tuvalu Government take the proposal seriously and try to implement it.

It may be also crucial to be aware of the effects of climate change and sea level rise and their effects on any potential development plans of the country. No one would be seriously considering investing substantial amount of money in the country if most of the outer islands of Tuvalu would be inhabitable in two decades or so. Therefore, the future research in the similar and related areas must take into account the effects of climate change and sea level rise.

6.4 Conclusion

Learning the subject of development at a post-graduate level at the University of the South Pacific and applying what the author learned in the development studies programme to the Tuvaluan community where the author hails from in this study has been an exciting and worthwhile undertaking. Although the knowledge gained from this particular study maybe too partial to be an important part of the wider literature on development, it should be noted that the study is for a small island developing economy, which has been rarely been paid attention to by the mainstream scholars.

Lastly, it is worthwhile to state that this exploratory undertaking has provided wider views and more confidence to work in the local communities to the author and it is greatly appreciated if this study can contribute for the development of the *Nanumean* and other local communities of Tuvalu.

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