



**GOVERNMENT OF TUVALU**

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PARLIAMENT SESSION 2025

BUDGET SPEECH 2025-2026

**Enabling Progress: Enhancing Connectivity and Domestic Investments for  
a Secure Future**

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**Deputy Prime Minister and Minister of Finance and Economic  
Development**

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## *Introduction*

1. Honourable Speaker, Members of Parliament, and fellow Tuvaluans.
2. I am honoured to present the 2025–2026 National Budget today, in accordance with Section 169 of the Tuvalu’s Constitution. This budget reflects our national progress toward greater resilience, self-reliance, and a secure, inclusive, and digitally connected future.

## *Theme and Vision*

3. The theme of this year's budget - **“Enabling Progress: Enhancing Connectivity and Domestic Investments for a Secure Future”** - captures the essence of our development agenda. It underscores that national progress hinges on robust investment in connectivity and foundational infrastructures to unlock new opportunities for economic growth, education, and improved service delivery.

## *Economic Overview*

4. Honourable Speaker, despite global economic uncertainty, Tuvalu projects a 3.0% in GDP growth in 2025, driven by infrastructure investments, a recovery in tourism, increased official development assistance, and growing remittances from labour mobility programs. This modest growth signals continued economic resilience and a rebound from the significant economic contractions experienced over three consecutive years, from 2020 to 2022, due to pandemic-related disruptions.
5. Looking ahead, the economic outlook remains broadly positive, driven by continued investments and major projects nationwide. Tourism is projected to stay at the current levels due to constraints on limited flights and accommodation capacity. This will be reflected in economic growth easing to an annual rate of 2.1% in 2026.
6. Despite this positive outlook, potential challenges loom. Ongoing uncertainty in global trade policy and the risk of geopolitical conflicts could hurt our economy. This uncertainty is already impacting global financial markets, investment, and growth, and Tuvalu is not immune to these effects.
7. Inflation decreased significantly to 1.2% in 2024, from 7.2% in 2023, and projections indicate a further moderation to 1.9% this year. This trend is expected to alleviate pressure on household budgets and enhance consumer purchasing power, with a medium-term forecast of stabilisation around 2.5%.

## *Budget Estimates*

8. The total projected revenue for the 2025–2026 National Budget is \$114.1 million, matching total budget expenditure, thus achieving a balanced budget. This approach reflects the Government's commitment to prudent fiscal management and long-term sustainability, strategically balancing the growth of financial reserves with the continuous provision of essential public services.

9. Honourable Speaker, a key highlight of this balanced budget is the total budget expenditure of \$114.1 million. This represents a substantial 30% increase from the estimates for the 2024-2025 fiscal year and marks one of the highest budget expenditures in the nation's history.
10. This Government has embraced this opportunity and allocated resources to tackle critical priorities, earmarking \$99.7 million for operating expenses, strengthening infrastructure investment with an \$11.2 million capital allocation, while containing statutory expenditure at \$3.2 million.
11. The anticipated 10% increase in revenue collection compared to the 2024-2025 estimates is primarily attributed to a significant 38% rise in fishing license revenue, stemming from new bilateral agreements that involve the purchase of additional fishing days and the potential disbursement of funds under the US Treaty.
12. Furthermore, an investment return of \$3.9 million was declared from the Tuvalu Trust Fund in October 2024, following improvements in financial markets. Potential returns from other commercial contracts, such as dotTV and the shipping registry, are also projected to grow by \$2.0 million.
13. Direct budget contributions from development partners remain significant at \$37.4 million, constituting 33% of the total projected revenue. It is important to note that certain aspects of this budget support are performance-linked and contingent upon close collaboration with partners to achieve crucial reforms.

### ***Budget Priorities***

14. Honourable Speaker, the allocations within this budget have been meticulously prioritised and assessed against the Government's 21 priorities, directly aligning with the vision articulated in *Te Kete*.
15. The Government remains firmly committed to achieving its 21 priorities, which are poised to deliver transformative outcomes by fostering a resilient economy amidst external challenges, streamlining governmental operations for enhanced service delivery, and increasing investments to generate new revenue streams.
16. To provide a clearer understanding of these allocation priorities, I would like to outline these initiatives under five key focus areas.

### ***Firstly: Harnessing Domestic Investment and Private Sector Growth***

17. Honourable Speaker, the vital link between domestic investment and private sector growth is clear. Increased domestic investment provides essential capital for the expansion of the private sector, which, in turn, creates more investment opportunities and contributes to overall national growth.

18. In this regard, the Government has allocated \$11.2 million for total capital investment to support priority initiatives. These include the construction of additional housing for civil servants, critical road maintenance, and the completion of the courthouse.
19. A key component of capital investment is the continued focus on outer-island development, with \$6.6 million allocated, comprising \$5 million for COSFA and \$1.6 million for General Grant. These allocations will support the development efforts of each island, enabling communities to implement small-scale projects that align with their respective Island Strategic Plans (ISPs). Additionally, \$600,000 has been allocated to support hosting the Tuvalu Island Leaders Assembly (TILA) event and organising the cultural festival this year.
20. To further stimulate private sector growth, the Government has committed \$1 million to the Development Bank of Tuvalu. This investment will specifically target critical areas such as rental housing shortages and enhance access to finance for women and youth, as well as for micro and small enterprises operating in key sectors like agriculture, fisheries, and tourism.
21. I am also excited to underscore the Government's commitment of \$100,000 to support a mid-term review of *Te Kete* this year. This review presents a valuable opportunity to engage with the public and development partners, to assess progress, and refine our focus on strategic investments that can accelerate progress toward achieving *Te Kete*'s vision of a "peaceful, resilient, and prosperous Tuvalu." Furthermore, plans have commenced for the development of a new Tuvalu Infrastructure Strategy and Investment Plan (TISIP).

***Secondly: Strengthening Connectivity and Integration***

22. Connectivity, encompassing physical, digital, and financial aspects, is integral to and the backbone of rapid development transformation. Bridging the connectivity gap, including reliability and affordability, is a key Government's priority.
23. The arrival this year of the vessel MV Manusina marks a significant step towards improving the safety and quality of our domestic fleet, which will contribute to enhancing inter-island trade, improving travel experiences, and delivering essential materials for various projects.
24. A substantial investment has been made in maintaining shipping service, allocating an additional \$2.5 million to cover annual maintenance, slipping, fuel, and insurance expenses. A portion of this allocation will facilitate the charter of MV Nivaga III to the Cook Islands, with the charter fees offsetting these costs.
25. Investment in our aviation infrastructures are ongoing, and further construction works are anticipated under the Domestic Air Service (DAS) project.
26. Significant progress is also being made with the Te Vaka Cable and Starlink connection. These advancements are expected to lower internet costs and generate positive spinoff effects, creating more opportunities across sectors, improving internet access, and enhancing operational efficiency through digital solutions. The Starlink Gateway connection is anticipated to be operational this year, which will increase bandwidth.

### ***Thirdly: Investment in Social Development***

27. Honourable Speaker, our people are Tuvalu's greatest asset. Investing in their health and education is not only crucial but also essential for securing a brighter and more resilient future.
28. This budget allocates \$7.4 million to support scholarships for both in-service and pre-service students, empowering young Tuvaluans to pursue higher education and return equipped with the knowledge and skills vital to driving national development.
29. Furthermore, investments will focus on enhancing classroom infrastructure, learning resources, and training teachers to improve educational outcomes across all islands, with specific allocations including \$140,000 for major maintenance at Motufoua Secondary School, \$150,000 for the completion of Kaumaile Primary School, and an additional \$220,000 added to the block grant to assist each Kaupule in meeting salaries of approved teachers.
30. Turning to healthcare, the Government continues to prioritise access to quality medical services. A total of \$11.3 million is allocated to the Tuvalu Overseas Medical Referral Scheme (TOMRS), ensuring all Tuvaluans continue to access essential health treatment services both domestically and abroad. Following a recent review of TOMRS, efforts have been initiated to improve cost-effectiveness by bringing more medical specialists into the country. This allocation also takes into account recently approved referral rates, replacing outdated rates.
31. To further strengthen healthcare services, \$500,000 is allocated to support the contracting of medical experts, and an additional \$100,000 is designated for the maintenance of medical equipment. Moreover, the Government has approved three new positions within the establishment register for the Non-Communicable Disease (NCD) unit, following the conclusion of an ADB-funded project.
32. Recognising the importance of social welfare, the budget includes a \$1.2 million increase to sustain welfare payments and prioritise care for our senior citizens.

### ***Fourthly: Public Service Reform and Efficiency***

33. Urgent public service reform is imperative, and planning is underway with the assistance of partners. While typically a cumbersome process, the Government has consistently intended to review existing functions to enhance efficiency and deliver quality outcomes.
34. Honourable Speaker, a review of State-Owned Enterprises, funded by the ADB, is currently in progress and expected to conclude by July. This review will focus on performance efficiency, financial sustainability, the adequacy and consistency of the legal framework, compliance, and strategic outcomes.
35. The findings and recommendations will guide the Government in realigning the core responsibilities and services of each enterprise.

36. Furthermore, a recent independent evaluation of public financial management systems, conducted under the Public Expenditure and Financial Accountability (PEFA) framework, has validated the government's efforts to address inefficiencies and compliance issues. Outcomes from this review have led to the development of the Public Financial Management Roadmap 2025-2030.
37. Another critical aspect of the government's priority addressed in this budget is the payment of annual bonuses to civil servants based on their performance. All outstanding bonus payments since 2023 have been directed to be covered from this year's savings, while the allocation in this budget will only meet performance appraisals completed in the next financial year.

***Finally: Building Economic and Climate Resilience***

38. Honourable Speaker, I am pleased to inform this august House that the Cost-of-Living Report has recently been finalised, and I will table it during this session for the information of members.
39. A key takeaway from the report highlights the ongoing external pressures Tuvalu faces - pressures that present significant challenges to our economy and society. Our heavy reliance on imports for essential goods continues to expose us to price volatility and global supply chain disruptions, making it increasingly difficult for families to cope with rising living costs.
40. In response, the Government is committed to developing a comprehensive Implementation Plan to address these cost-of-living challenges, as outlined in the report. This includes exploring cost-effective alternatives for freight shipping, reviewing price controls, and reforming the tax system.
41. The Government also recognizes that the threats posed by climate change and sea-level rise further strain our already limited resources and constrain our adaptation options.
42. To address these compounding challenges, the Government is actively advocating for an extension of our flagship coastal adaptation project and pursuing more concrete and sustainable policy solutions.
43. In parallel, urgent action is being taken to review key strategies, with a strong emphasis on enhancing disaster preparedness and ensuring that infrastructure investments are climate-resilient.
44. Additionally, the Government is committed to strengthening our financial foundations. This includes maintaining robust national reserves and the Tuvalu Survival Fund, while also exploring new revenue-generating avenues. To this effect, a consultant will soon be fielded to identify and assess potential revenue-generating initiatives that can help diversify and strengthen our economic base.

## *Development Partners*

45. Honourable Speaker, it is with profound gratitude that we recognize and commend the invaluable support provided consistently by our esteemed development partners. Their commitment extends far beyond mere assistance, as they actively engage and collaborate with the government and various entities within our civil society, demonstrating a genuine partnership in our national progress.
46. Their contributions to our flagship projects reflect a shared sense of responsibility and a collective pursuit of a brighter future for our nation. We deeply value their support, which is integral to the sustainable and impactful advancement of Tuvalu.
47. The Republic of China (ROC), Taiwan, has generously increased its grant assistance beyond regular budget support, extending to direct sectoral support and multi-year projects. This includes a commitment for the new Parliament House, a 10-year long-term support for the Te Vaka cable (in addition to USD 5 million for the initial setup), and an annual allocation of USD 1 million for the Climate Change Transition Fund.
48. The strengthening of our bilateral partnership with Australia under the Falepili Union has fostered renewed cooperation. The Tuvalu-Australia Development Partnership Plan (DPP) 2025-2030 outlines clear areas of collaboration that align with our government's strategic priorities.
49. One of the key initiatives under this partnership is Te Ao (Tuvalu–Australia Partnership on Economic Governance), an eight-year program comprising a \$52 million budget support component and a \$42 million technical assistance component.
50. Australia’s significant support for our flagship projects, specifically TCAP and the Te Vaka Cable, has grown significantly over the years.
51. I would also like to acknowledge Australia’s one-off contribution of \$12 million this month to the Tuvalu Trust Fund, recognizing its importance for the government's fiscal sustainability.
52. Our bilateral cooperation with New Zealand has also seen an increase in its financial support, reaching NZD 16.5 million over three years, comprising NZD 12 million in direct budget support and a NZD 4.5 million contribution to our Tuvalu Trust Fund.
53. Cooperation with the Asian Development Bank (ADB) under the Country Program 2025-2028 is anticipated to elevate grant assistance to USD 112.7 million. This will significantly contribute to water security, land reclamation, renewable energy, the revival of the budget support program, and a new project on Operation & Maintenance for Transport Investments.
54. I am also glad to reiterate our substantial project portfolio with the World Bank and their continued support in mobilizing technical assistance to streamline and strengthen critical public service functions.

## *Conclusion*

55. Honourable Speaker, the 2025–2026 National Budget marks an important step forward for Tuvalu. It is a Budget of progress—not just in numbers, but in outcomes.
56. Every step forward embodies our shared aspirations, a commitment to equity, and a vision for a resilient Tuvalu that stands connected and secure in the face of uncertainty.
57. I wish to place on record the government’s deep appreciation to all those who contributed to the preparation of this National Budget. In particular, I thank our hardworking civil servants across ministries and departments for their tireless efforts, and our development partners for their generous financial and technical support. Their commitment and collaboration have made it possible to present a budget that is credible, inclusive, and forward-looking.
58. Honorable Speaker, I now present the 2025-2026 National Budget to this Honorable House.

**Fakafetai lasi, Tuvalu mo te Atua.**