GOVERNMENT OF TUVALU

PARLIAMENT SESSION 2026

BUDGET SPEECH 2026-2027

Theme: Sustaining our Economy, Securing our Future

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Introduction

1. Honorable Speaker, I rise today to present the National Budget for the Fiscal Year 2026–2027 under the theme "Sustaining our Economy, Securing our Future."

2. At the outset, I give thanks to Almighty God for His continued guidance and blessings upon our nation. I also acknowledge Honourable Members of this House, the people of Tuvalu, our island communities, our development partners, and all those whose dedication and service continue to advance the wellbeing and prosperity of our country.

3. This Budget is presented at a time when our nation faces significant global and domestic challenges. Yet it is also a Budget that reflects confidence in our resilience, confidence in our people, and confidence in our future.

Global Context and Economic Outlook

4. Honourable Speaker, the international environment remains uncertain. The conflict in the Middle East has disrupted global fuel markets, contributing to higher fuel prices and increased transportation costs worldwide. For a small island developing state such as Tuvalu, where essential goods, food, fuel, and construction materials are imported, these external shocks have direct consequences for households, businesses, and Government operations.

5. At the same time, climate change continues to present long-term challenges to our economic security, infrastructure, and way of life.

6. Despite these pressures, Tuvalu has remained resilient. Economic activities continue to be supported by major infrastructure investments, development partner assistance, and ongoing public sector programs.

7. Economic growth is projected at 2.6 percent in 2026, supported by investments in coastal adaptation, maritime transport infrastructure, and the commencement of the Funafuti Water Supply and Sanitation Project.

8. Inflation was initially expected to moderate to 2.3 percent in 2026. However, recent disruptions in global fuel supply chains may place upward pressure on domestic prices, particularly for imported food and essential goods.

9. In response, this Government has adopted a Budget strategy that prioritises economic stability, protects vulnerable households, and sustains domestic economic activity during this period of uncertainty.

Budget Strategy and Fiscal Position

10. Honourable Speaker, the Government has adopted a carefully managed deficit budget for 2026–2027. This approach recognises the extraordinary circumstances currently facing our nation and provides the necessary fiscal space to respond to rising living costs, strengthen essential services, address critical infrastructure needs, and create employment opportunities.

11. Total revenue is projected at $143.9 million, while total expenditure is budgeted at $154.4 million, resulting in a fiscal deficit of $10.5 million.

12. Both revenue and expenditure are projected to reach the highest levels in Tuvalu’s history, reflecting the scale of investments required to address immediate challenges while laying the foundation for long-term growth.

13. The fiscal deficit will be financed through accumulated surpluses held in the General Account, supported by strong fiscal surpluses achieved over recent years.

14. A significant increase in projected revenue is expected from two major sources: the declared distribution of $21.1 million from the Tuvalu Trust Fund and budget support assistance of USD 15 million from the World Bank, equivalent to approximately $22.3 million.

15. On the expenditure side, total spending is projected to increase by 38.4 percent compared with the current financial year. Capital expenditure rises substantially from $9.4 million to $38.1 million, reflecting the Government’s commitment to accelerating infrastructure development, improving public services, and generating employment opportunities throughout the country.

Strategic Priorities

16. Honourable Speaker, the allocations contained within this Budget are directly informed by the outcomes of the Te Kete Mid-Term Review and aligned with the Government’s 21 National Priorities.

17. The Government remains committed to addressing the immediate challenges facing our people while investing in the long-term prosperity and resilience of our nation.

18. This Budget is built around six strategic priorities: 1) Responding to Cost-of-Living Pressures; 2) Investing in Infrastructure and Job Creation; 3) Investing in People and Communities; 4) Advancing Digital Transformation and Economic Modernisation; 5) Strengthening Fiscal Sustainability and Revenue Growth; and 6) Building Climate Resilience.

19. Together, these priorities seek to sustain economic activity, improve service delivery, create opportunities for our people, and secure Tuvalu’s future.

Responding to Cost-of-Living Pressures

20. Honourable Speaker, one of the Government's foremost priorities in this Budget is responding to the increasing cost-of-living pressures faced by households across the country.

21. The Government recognises that many families continue to experience financial strain from rising fuel prices, higher shipping costs, and increasing prices for imported food and essential goods. As a small island nation that relies heavily on imports, Tuvalu remains vulnerable to external shocks beyond our control.

22. Recent developments in global fuel markets have further highlighted these vulnerabilities. Higher fuel prices affect not only transportation and electricity generation, but also increase the cost of doing business and the prices ultimately paid by consumers.

23. In response, the Government has allocated $3 million to support economic measures aimed at cushioning the impact of the fuel crisis and maintaining economic stability. This allocation complements assistance being mobilised through development partners to support the nation's response to this externally driven challenge.

24. To provide direct assistance to those most affected, the Government has already introduced the Cost-of-Living Support Scheme. Under this initiative, eligible low-income households receive monthly financial support for a period of three months, based on established income thresholds, ensuring that assistance is targeted to those in greatest need.

25. The Budget also provides support for fuel subsidies through the Tuvalu Electricity Corporation to maintain a consistent electricity supply and prevent disruptions to essential services

26. Recognising the growing housing pressures in Funafuti, the Government has approved a housing allowance for eligible civil servants without government housing. An allocation of $1.3 million is provided to support this initiative.

27. At the same time, efforts continue to address the structural causes of high living costs. The High Cost of Living Implementation Plan remains operational, supported by an allocation of $200,000 to accelerate implementation. Ongoing work through the Price Control and associated legal reviews will seek practical solutions to improve affordability.

28. These measures demonstrate the Government's commitment to protecting vulnerable households while addressing both the immediate and long-term drivers of rising living costs.

Investing in Infrastructure and Job Creation

29. Honourable Speaker, while responding to immediate economic pressures is important, sustained prosperity requires investments that create jobs, improve productivity, and strengthen national infrastructure.

30. Accordingly, this Budget delivers one of the largest capital investment programmes in our history.

31. The Domestic Air Service Project receives an allocation of $3.1 million to complete remaining works in Nanumea and Vaitupu and prepare to commence work in other islands. This investment will improve connectivity, facilitate economic activity, and strengthen access to essential services.

32. Outer island development remains a cornerstone of the Government's agenda. This Budget allocates $6.6 million, comprising $5 million for COSFA and $1.6 million for General Grants, enabling island communities to pursue development priorities identified through their Island Strategic Plans.

33. Recognising the challenges associated with transporting construction materials and equipment to the outer islands, the Government has allocated $5.1 million for the procurement of a new barge. This investment will strengthen logistics capacity, accelerate project delivery, reduce material deterioration, and support economic activity throughout the country.

34. The Government is also investing heavily in education infrastructure. An additional $2.5 million has been allocated to replace aging classrooms and improve learning environments through the construction of new classrooms at Lotoalofa Primary School in Niulakita and the completion of 3 new dormitories at Motufoua Secondary School.

35. To improve transportation infrastructure, $1 million has been allocated for road rehabilitation works and the procurement of heavy-duty machinery required to undertake maintenance activities more efficiently.

36. Collectively, these investments will stimulate local employment, strengthen economic activity, and improve the quality of public infrastructure available to all Tuvaluans.

Investing in People and Communities

37. Honourable Speaker, the Government recognizes that sustained investment in human capital is essential to Tuvalu's long-term prosperity and resilience.

38. This Budget therefore continues to invest in education, health, social protection, culture, and community wellbeing to ensure that all citizens have the opportunity to contribute to and benefit from national development.

39. A total of $7.6 million is allocated to scholarships for both in-service and pre-service students. These investments will help address critical workforce shortages, build professional capacity, and prepare future generations of leaders and public servants.

40. In the health sector, the Government continues its commitment to ensuring access to quality medical services. An allocation of $11.1 million is provided for the Overseas Medical Referral Scheme while reforms are being developed to improve sustainability and cost effectiveness.

41. The Government is also pleased to provide funding for the introduction of a Child Benefit Support Scheme, which is expected to be launched later this year. This initiative reflects the Government's commitment to supporting families and investing in the wellbeing of future generations.

42. Sports and community development remain important priorities. An allocation of $1.9 million is provided to upgrade the National Sports Ground, creating improved facilities that promote healthy lifestyles and inclusive participation for people of all ages.

43. The Budget also supports two significant national events before the end of this year. An allocation of $330,000 is provided for the Tuvalu Cultural Festival and $300,000 for the Tuvalu Island Leaders Assembly.

44. These events are more than celebrations. They strengthen national unity, preserve our cultural heritage, and reinforce the values and traditions that define us as a nation.

45. By investing in our people, communities, and culture, we are investing in the long-term strength and resilience of Tuvalu.

Digital Transformation and Economic Modernisation

46. Honourable Speaker, digital transformation is no longer a future aspiration; it is an essential component of national development and economic competitiveness.

47. The Government has therefore prioritised several initiatives aimed at modernising public services, improving efficiency, and creating new economic opportunities.

48. This Budget provides $400,000 to establish the Digital Transformation Unit, which will coordinate the development of e-government services, improve interoperability between government systems, and support a more integrated approach to public administration.

49. The Government is also advancing work on the National Payment System Strategy, which will help reduce transaction costs, improve financial inclusion, and facilitate faster and more secure domestic and international payments.

50. A further $797,000 is allocated to support the Digital Nation Initiative, preserving and digitising records that strengthen and protect Tuvalu's national identity and cultural heritage.

51. In addition, $480,000 is allocated to support the review of the dotTV agreement to ensure that Tuvalu continues to maximise the value of one of its most important national assets.

52. These initiatives represent important steps towards building a modern, connected, and digitally enabled economy.

Fiscal Sustainability and Revenue Growth

53. Honourable Speaker, the Government remains firmly committed to responsible fiscal management and safeguarding the nation's long-term financial security.

54. Recent completion of the Revenue Opportunities Report, together with the Tax Policy Diagnostic Review, provides important pathways for strengthening domestic revenue and improving fiscal resilience.

55. While recommendations from these reports will be implemented carefully and at the appropriate time, they provide a strong foundation for future reforms aimed at broadening the revenue base and reducing reliance on external sources of funding.

56. The Tuvalu Trust Fund remains one of the country's most important financial assets and a cornerstone of fiscal sustainability.

57. The Fund's market value has continued to grow, reaching approximately $294 million and approaching the $300 million milestone. To further strengthen the Fund and preserve wealth for future generations, the Government will reinvest $10 million into the Fund during the coming financial year.

58. This decision reflects a long-term commitment to intergenerational equity and prudent stewardship of national resources.

59. The Government also acknowledges the significant contributions of Australia and New Zealand to the continued growth of the Fund and to Tuvalu's broader fiscal stability.

Building Climate Resilience

60. Honourable Speaker, climate change remains the single greatest long-term challenge facing Tuvalu. Rising sea levels, coastal erosion, extreme weather events, and increasing pressure on our limited land resources continue to threaten our economy, infrastructure, environment, and way of life.

61. The Government remains steadfast in its commitment to strengthening national resilience and securing a safe future for our people.

62. This year marks an important milestone in Tuvalu's adaptation journey with the completion of TCAP 1A. This transformative project has delivered approximately seven acres of reclaimed land, providing new opportunities for national development and enhancing our long-term adaptation capacity.

63. Planning has already commenced on the strategic use of this newly reclaimed land, including the future Parliament House and other priority public infrastructure.

64. Work under TCAP 1B is now underway and is expected to deliver an additional seven acres of reclaimed land, further strengthening Tuvalu's adaptation efforts and expanding opportunities for future development.

65. Looking ahead, preparations are advancing for the Funafuti Climate Adaptation and Disaster Resilience Infrastructure Project, which will further strengthen coastal protection, increase land availability, and improve resilience to climate-related hazards.

66. The Government is also honoured that Tuvalu will host the Leaders' Pre-COP Meeting later this year. This important gathering provides an opportunity to showcase both the realities of climate change in Tuvalu and our leadership in advocating for ambitious global climate action..

67. The Government is also pleased to announce the rollout of Parametric Insurance and the launch of its first high-tide insurance product earlier this year. As designed, pre-agreed tidal thresholds were reached, triggering a payout of $75 per household for families registered under the pilot programme. This demonstrates the practical value of innovative financial instruments in helping communities respond quickly to climate-related impacts.

68. Climate resilience is not solely about protecting our shores. It is about protecting our people, preserving our sovereignty, safeguarding our economy, and ensuring future generations can continue to thrive in Tuvalu.

69. For this reason, climate resilience remains at the centre of our national development agenda and will continue to guide future investments across all sectors.

Development Partnerships

70. Honourable Speaker, before concluding, I wish to acknowledge the invaluable support of our development partners.

71. Tuvalu's development progress continues to be strengthened through partnerships built on mutual respect, shared objectives, and a common commitment to improving the wellbeing of our people.

72. The Government recently signed the Kaitasi Treaty with the Republic of China (Taiwan), marking a significant step forward in our longstanding bilateral relationship. One of the key outcomes is the establishment of the Kaitasi Sovereign Fund, which will provide an additional source of long-term financial support for Tuvalu.

73. Our partnership with Australia continues to deepen under the Falepili Union arrangements. The establishment of the Falepili Implementation Unit and the rollout of the Te Ao Programme have strengthened cooperation across a range of priority sectors.

74. Australia has recently announced approximately $46 million in Official Development Assistance for 2026–2027, including substantial bilateral investments that support key national priorities. We also acknowledge Australia's continued contributions to the Tuvalu Trust Fund, energy sector support, and assistance with preparations for the Leaders' Pre-COP Meeting.

75. We are equally grateful for the enduring partnership with New Zealand through annual budget support and sector investments that continue to contribute significantly to national development.

76. The World Bank remains a key development partner under the IDA21 cycle, providing substantial assistance across infrastructure, health, education, energy, and budget support operations. Major investments in maritime infrastructure, renewable energy, and public service delivery will continue to benefit communities throughout the country.

77. Likewise, the Asian Development Bank remains a trusted partner through its expanding programme of assistance, supporting critical investments in infrastructure, energy security, public financial management, and economic governance.

78. The collaborative framework recently established between the World Bank and the Asian Development Bank in the energy sector is particularly encouraging. This partnership will support more efficient project implementation and accelerate Tuvalu's transition towards renewable energy.

79. To all our development partners, I extend the sincere gratitude of the Government and people of Tuvalu. Your support continues to play a vital role in helping us achieve our national aspirations.

Conclusion

80. Honourable Speaker, this Budget is presented at a time of global uncertainty, rising living costs, and increasing climate challenges. Yet it is also a Budget grounded in confidence—confidence in the resilience of our people, the strength of our institutions, and the future of our nation.

81. The investments contained in this Budget are designed to address today's challenges while building the foundations for tomorrow's opportunities. It supports families facing cost-of-living pressures, invests in critical infrastructure and job creation, strengthens education and healthcare, advances digital transformation, and reinforces our long-term fiscal and climate resilience.

82. The theme of this Budget, **"Sustaining our Economy, Securing our Future,"** reflects the Government's commitment to balancing immediate needs with long-term priorities. Sustaining our economy requires prudent fiscal management, strategic investment, and continued support for growth and opportunity. Securing our future requires resilience, innovation, and a steadfast commitment to future generations.

83. Together, we can strengthen our economy, protect our people, preserve our culture, and build a more resilient and prosperous Tuvalu.

84. I want to extend my appreciation to all involved in the preparation of the 2026-2027 National Budget, senior government officials and dedicated staff of the Planning and Budget team.

85. Honourable Speaker, I now commend the 2026–2027 National Budget and the Appropriation Bill to this Honourable House.

86. Tuvalu mo te Atua.

87. Fakafetai lasi.