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Statement by the Hon. **VIKA SIVOKI LAVEMAAU,**
Governor of the Fund for **TONGA**

**Statement by the Hon. Vika Sivoki Lavemaau,**
Governor of the Fund for Tonga

Mr. Chairman,
Mr. President of the World Bank Group,
Madame Managing Director of the International Monetary Fund,
Governors,
Excellencies and Distinguished Guests.

**Introduction**

I am pleased to address the Annual Meeting 2026 on behalf of the Kingdom of Tonga. I also extend our gratitude to the Royal Thai Government and the people of the Kingdom of Thailand for their generosity and hospitality in hosting us in this year's annual meeting.

Tonga participates in these Annual Meetings at a pivotal moment. Rising inflation, slowing growth, and escalating global uncertainty underscore the urgency of rebuilding economic momentum while strengthening resilience against future shocks.

Tonga's economy grew strongly in 2025 by 4.4%, before moderating to 2.2 percent in 2026 and 1.9 percent in 2027; with the medium-term outlook remaining below 1.5 percent. This reflects the continuing exposure of small island economies to external shocks, climate risks, and structural constraints. Our headline inflation surged from 2.0% in January 2026 to 12.0% in August, a sharp 10 percentage-point increase in just 7 months, exceeding that of our regional peers, while elevated core inflation signals persistent underlying price pressures. In addition to the current El-Nino event, these shocks threaten fiscal stability, as rising costs of living increase pressure on the Government to expand subsidies and social assistance, further constraining already limited fiscal space and weakening the economy's capacity to absorb future shocks.

As such, the Government is embarking on targeted reforms aimed at strengthening connectivity and unlocking investments in high-potential productive sectors, including agriculture, tourism, and small to medium-sized enterprises. At the same time, we are modernizing our public finance management system and financial sector reforms towards mobilizing climate finance, strengthening disaster preparedness, expanding financial inclusion, and improving access to affordable finance and encourage greater private sector participation.

**Protecting People from Fuel Crisis**

The global fuel crisis has intensified inflationary pressures, increased business costs and disproportionately affected vulnerable households and outer-island communities. Through our

FY2027 Budget, the Government has introduced targeted measures to ease cost-of-living pressures, maintain energy security, and preserve essential inter-island connectivity.

Our challenge is to protect households while preserving fiscal sustainability. We are strengthening revenue administration and compliance without increasing taxes, tightening expenditure controls and managing debt prudently aligned to our Medium-Term Debt Strategy.

**Building long-term resilience and sustainability**

Tonga's dependence on imported fuel exposes households, businesses, and public finances to recurring global price shocks. We are accelerating the Tonga Energy Road Map Plus, expanding renewable generation and storage to reduce fuel dependence and strengthen long-term competitiveness.

Climate pressures further compound our vulnerabilities. One of the most severe droughts in the last 70 years is forecasted for the next quarter of the year threatening agriculture, fisheries, and food and water security, particularly on the outer islands, while rising sea levels endanger communities and essential infrastructure.

We must increasingly shift from financing disaster recovery to investing in resilience before disaster strikes. Progress has been made through the establishment of Tonga's Climate Finance Trust Fund, support for the Pacific Resilience Facility, and investments in resilient infrastructure and community adaptation.

Our short-to-medium-term challenge is to safeguard improvements to education, health and workforce skills to raise productivity and employment, alongside digital government, improved access to finance and insurance, and investment reforms to unlock opportunities in tourism, agribusiness, fisheries and the blue economy. Our greater concern now is to rebuild resilience while accelerating growth, without further compromising fiscal sustainability.

**Priorities for Development Partnerships**

We welcome the World Bank Group's new Pacific Regional Partnership Framework and Small States Strategy, recognizing the distinct vulnerabilities of small island economies. We also welcome the World Bank–ADB Full Mutual Reliance Framework to streamline development assistance and reduce implementation burdens.

We also seek stronger, results-oriented partnerships focused on: protecting vulnerable households during crises; advancing energy security; expanding access to climate and concessional finance; strengthening vulnerability-based financing approaches beyond income-based criteria; building implementation capacity; and investing in human capital and private sector development to support inclusive growth and job creation for our people.

**Conclusion**

The Government of Tonga remains firmly committed to sound fiscal management, stronger institutions and reforms that promote sustainable growth and resilience. Yet the scale and frequency of external shocks continue to place significant pressure on the resources of small island developing states. We therefore call for deeper collaboration with the World Bank Group, the IMF, and our development partners to expand access to finance, technology and expertise. Together, we can accelerate recovery, strengthen resilience, unlock opportunity and build a more prosperous and self-reliant future for the people of Tonga.