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## FOREWORD

This Annual Report covers all the Departments which comprise the portfolio of the Hon. Minister of Finance in his various capacities. The portfolio includes the Ministry of Finance, reporting to the Minister of Finance; the Treasury reporting to the Treasurer; Customs Department reporting to the Controller of Customs; the Inland Revenue Department reporting to the Commissioner of Inland Revenue; Statistics Department reporting to the Minister-in-Charge of Statistics; the Post Office reporting to the Controller of Post Office; and the Government Supplies Department reporting to the Minister-in-Charge of Government Store.

Whilst the Constitution of Tonga does not specifically provide for a Minister, or Ministry of Finance (rather noting that it is the King's prerogative to appoint any other Ministers in addition to the four specified). Cap 3.19 of the Laws of Tonga prescribes that "*the Minister of Finance shall act as Treasurer and shall guard and keep all the moneys of the Government. He shall prepare the Annual Estimates of the Kingdom for presentation to the Legislative Assembly, and shall also prepare the Annual Statement of Revenue and Expenditure for every completed financial year.*" In addition, over time the role of the Ministry of Finance/Treasury has evolved to include advice to Government on the management of the economy more broadly, beyond the narrow confines of budgetary policy and implementation.

The Constitution requires all Ministers to prepare an Annual Report acquainting the King with the affairs of their departments, and this report is then forwarded to the Legislative Assembly. Thereafter, should the Legislative Assembly wish to have information concerning the department of any Minister, the responsible Minister shall provide answers to all questions put to him by the Legislative Assembly and report everything in connection with his department.

Accordingly this Annual Report of the Minister of Finance covers all aspects of the Minister's responsibilities. It follows the format of the 1998 Annual Report by reviewing the recurrent budget, specifically for the financial year 1998/99, within the context of recent years. This is followed by the development budget for 1998/99 and reviews of prices and monetary developments and overseas trade. The first part of the document is completed by reports on overseas funds and investments and government lending and public debt. The second part of the document consists of individual reports from the various departments reporting to the Minister of Finance, namely Finance/Treasury, Customs, Inland Revenue, Post Office, Statistics and Government Store.

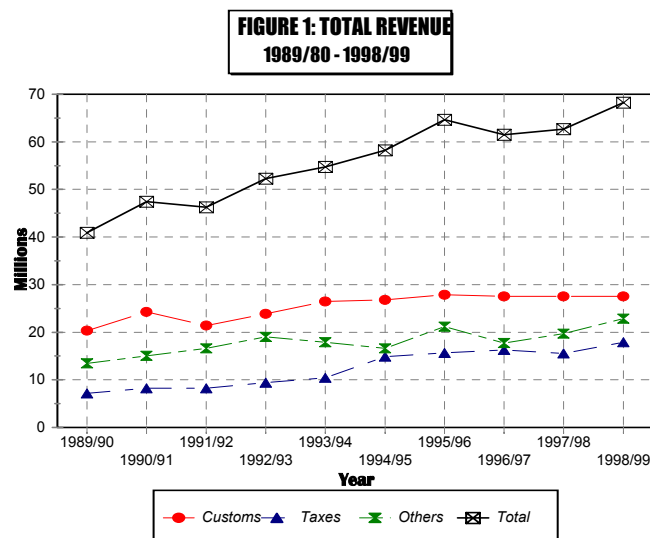


## 1. GOVERNMENT FINANCES

## I. RECURRENT REVENUE

1.1 The total revenue collected during the financial year ending 30 June 1999 amounted to \$68.263 million<sup>1</sup>. This reflects an increase of \$5.561 million or 8.87% as compared to \$62.702 million collected during 1997/98.

1.2. The comparative statement in *Table 1*, given below shows the amount of Government revenue collected during the last ten years (to the nearest \$10). *Figure 1*, depicts the same information graphically.



**TABLE 1: GOVERNMENT REVENUE COLLECTION, 1989/90-1998/99**

Year	Foreign Trade Taxes <sup>(1)</sup> (\$)	Domestic Taxes (\$)	Others (\$)	Total (\$)
1989/90	20,315,420	7,128,520	13,457,470	40,901,410
1990/91	24,228,230	8,642,500	14,571,250	47,441,980
1991/92	21,409,800	8,695,200	16,124,120	46,229,120
1992/93	23,862,540	11,591,670	16,832,960	52,287,170
1993/94	26,470,240	11,808,990	16,462,630	54,741,860
1994/95	26,774,790	11,068,060	20,375,610	58,218,460
1995/96	27,285,570	13,808,570	23,549,900	64,644,040
1996/97	27,231,170	14,469,290	19,776,140	61,476,600
1997/98	27,132,550	13,882,720	21,687,170	62,702,440
1998/99	27,513,660	15,523,780	25,225,910	68,263,350

<sup>(1)</sup> Wharfbages have been transferred from Foreign trade Taxes to "Other" as from 1990/91 onwards.

Source : Ministry of Finance

1.3. The revenue from Port & Services Tax of \$14.360 million was the highest single source of revenue collected during the year under review followed by Custom Duty (\$13.154 million), Income Tax (\$10.175 million) and Retail Sales Tax (\$5.348 million).

1.4. The five major sources of revenue for the past five years are outlined in *Table 2* with the percentages indicating each source's share of total revenue.

**TABLE 2: MAJOR SOURCES OF REVENUE 1994/95-1998/99**

	1994/95	%	1995/96	%	1996/97	%	1997/98	%	1998/99	%
	\$		\$		\$		\$		\$	
Import Duties	13,963,226	24	13,725,380	21	13,664,183	22	13,162,943	21	13,154,069	19
Port & Service Tax	12,811,564	22	13,560,192	21	13,566,990	22	13,969,609	22	14,359,595	21
Income Tax	6,685,587	11	9,179,208	14	9,881,055	16	9,038,404	14	10,175,207	15
Retail Sales Tax <sup>(1)</sup>	4,382,472	8	4,629,361	7	4,588,237	7	4,844,319	8	5,348,573	8
<b>Sub-Total</b>	<b>37,842,849</b>	<b>65</b>	<b>41,094,141</b>	<b>64</b>	<b>41,700,466</b>	<b>68</b>	<b>41,015,275</b>	<b>65</b>	<b>43,037,444</b>	<b>63</b>
Other <sup>(1)</sup>	20,375,608	35	23,549,903	36	19,776,144	32	21,687,169	35	25,225,908	37
<b>TOTAL</b>	<b>58,218,457</b>	<b>100</b>	<b>64,644,044</b>	<b>100</b>	<b>61,476,610</b>	<b>100</b>	<b>62,702,444</b>	<b>100</b>	<b>68,263,352</b>	<b>100</b>

<sup>(1)</sup> Retail Sale Tax does not include Fuel Sales Tax & Excise Tax

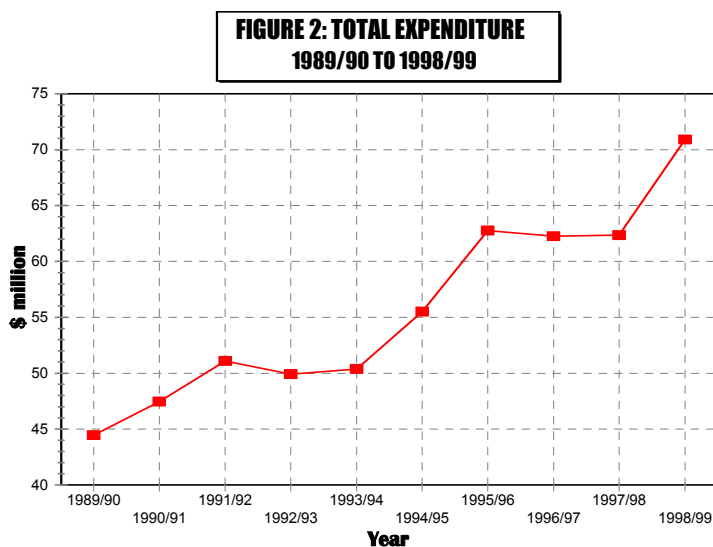
Source : Ministry of Finance

<sup>1</sup>The figures for 1998/99 are provisional.

## II. RECURRENT EXPENDITURE

1.5. The Actual Expenditure for the financial year ending 30 June 1999 amounted to \$70.896 million. This reflects an increase of \$8.542 million or 13.7% due to local bond issued and terminal payment for leave passage as compared to total expenditure of \$62.353 million in 1997/98. *Figure 2* shows the trend in total expenditure for the past Ten(10) years.

1.6. Expenditure by Ministry/Vote for the past five years are outlined in *Table 3*. The percentage figures represent each category's share of total expenditure.



**TABLE 3: EXPENDITURE BY MINISTRY FOR 1994/95-1998/99 (LOCAL FUND)**

	1994/95		1995/96		1996/97		1997/98		1998/99	
	\$	%	\$	%	\$	%	\$	%	\$	%
Education	9,882,471	17.81	9,893,111	15.77	12,054,909	19.37	11,910,957	19.10	11,022,761	15.55
Health	6,666,593	12.01	7,173,226	11.43	7,743,867	12.44	7,371,542	11.82	8,690,001	12.26
Works	3,324,401	5.99	3,189,858	5.08	2,931,397	4.71	3,105,104	4.98	3,358,854	4.74
Prime Minister's Office	3,860,124	6.95	5,573,540	8.88	3,599,489	5.78	3,031,469	4.86	5,643,812	7.96
<b>Sub-Total</b>	<b>23,733,589</b>	<b>42.76</b>	<b>25,829,735</b>	<b>41.16</b>	<b>26,329,662</b>	<b>42.30</b>	<b>25,419,072</b>	<b>40.77</b>	<b>28,715,428</b>	<b>40.50</b>
Police	2,456,172	4.43	2,759,354	4.40	2,907,886	4.67	3,082,400	4.94	3,046,248	4.30
Agriculture	2,309,203	4.16	2,451,921	3.91	2,422,593	3.89	2,867,609	4.60	2,720,906	3.84
Defence	3,169,310	5.71	3,235,795	5.16	3,352,444	5.39	3,893,792	6.24	3,546,800	5.00
Legislative Assembly	1,339,777	2.41	1,618,118	2.58	1,708,229	2.74	1,812,023	2.91	1,984,429	2.80
Public Debt	3,546,760	6.39	7,315,314	11.66	5,889,588	9.46	5,847,056	9.38	8,609,689	12.14
Foreign Affairs	2,460,482	4.43	2,133,851	3.40	1,949,451	3.13	2,003,454	3.21	2,520,832	3.56
Financial Contributions	3,609,323	6.50	2,904,455	4.63	1,962,098	3.15	643,012	1.03	310,697	0.44
<b>Total of Above</b>	<b>42,624,616</b>	<b>76.80</b>	<b>48,248,543</b>	<b>76.89</b>	<b>46,521,951</b>	<b>74.73</b>	<b>45,568,418</b>	<b>73.08</b>	<b>51,455,029</b>	<b>72.58</b>
Other	12,879,382	23.20	14,501,673	23.11	15,729,002	25.27	16,784,759	26.92	19,440,605	27.42
<b>GRAND TOTAL</b>	<b>55,503,998</b>	<b>100</b>	<b>62,750,216</b>	<b>100</b>	<b>62,250,953</b>	<b>100</b>	<b>62,353,177</b>	<b>100</b>	<b>70,895,634</b>	<b>100</b>

Source: Ministry of Finance, Government of Tonga Public Accounts (1998/99 figures are provisional)

1.7. From *Table 3* it is evident that the 11 major expenditure categories' share of total expenditure has varied only slightly in the four years to 1998/99, between a high of 76.80% in 1995/96 and a low of 72.58% in 1998/99. About 40.50% of the 1998/99 total expenditure was allocated to *Education*, *Health*, *Works* and *Prime Minister's Office*. The share of the total expenditure of the above eleven major expenditure categories reflects the priority given to social services, administration (including law and order) and economic infrastructure.

1.8. The actual expenditure of the following 17 Votes in *Table 4* exceeded the approved estimates by the amount shown. In each case, however it was covered by Supplementary Estimates and 5% of Special Warrant allowed by law.



**TABLE 4: COMPARISON OF ESTIMATED WITH ACTUAL EXPENDITURE 1998/99**

VOTE	MINISTRY	APPROVED ESTIMATES	ACTUAL EXPENDITURE	EXCESS OVER ESTIMATES <sup>1</sup>
				AMOUNT
01	H.M. The King	1,065,000	1,517,922	452,922
02	Legislative Assembly	1,499,770	1,984,429	484,659
03	Prime Minister's Office	2,819,739	5,643,812	2,824,073
04	Foreign Affairs	1,997,065	2,520,832	523,767
05	Governor Ha'apai	66,824	68,930	2,106
06	Governor Vava'u	89,024	98,083	9,059
09	Printing Department	771,000	838,949	67,949
13	Tonga Defence Services	3,250,068	3,546,800	296,732
14	Ministry of Finance	3,181,461	3,340,463	159,002
20	Ministry of Health	8,267,713	8,690,001	422,288
21	Civil Pension, Gratuities & Contribution	2,250,000	2,873,428	623,428
22	Prisons Department	520,800	844,527	323,727
24	Ministry of Fisheries	1,043,811	1,109,002	65,191
25	Central Planning Department	475,980	492,212	16,232
27	Tonga Visitors Bureau	908,500	945,826	37,326
29	Ministry of Civil Aviation	1,715,387	1,828,310	112,923
30	Marine & Ports	1,030,507	1,204,973	174,466
<b>TOTAL</b>		<b>30,952,649</b>	<b>37,548,499</b>	<b>\$6,595,850</b>

<sup>1</sup> Excess over 5% is covered by supplementary Appropriation  
(1998/99 figures are provisional)

Source: Ministry of Finance, Government of Tonga, Public Account.

1.9. The main reasons for the excess expenditure in the above votes are explained in Table 5 below:

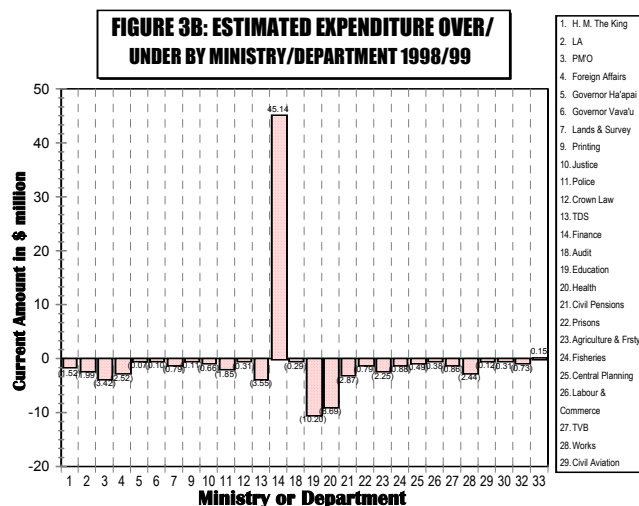
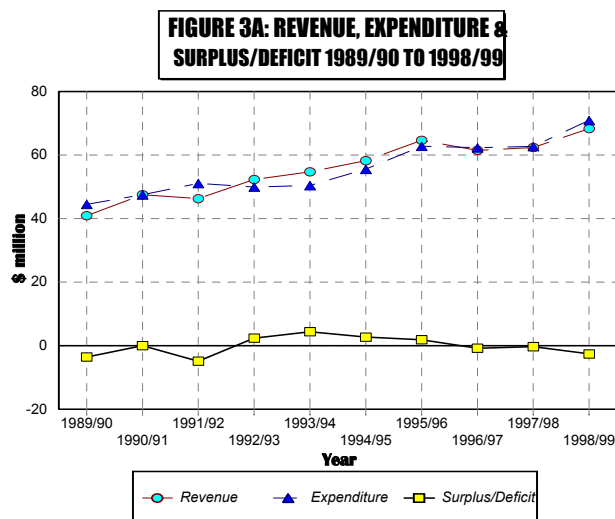
**TABLE 5: COMMENT ON EXCESS EXPENDITURE 1998/99**

Vote	Ministry	Amount	Comment
01	H.M. The King	\$452,922	Additional funds requested to cover travel expenses, cost of services and repair of Royal Palace and Residence etc.
02	Legislative Assembly	\$484,659	To meet members & staff allowances, also to cover overseas traveling and medical referral.
03	Prime Minister's Office	\$2,824,073	To cover outstanding leave passages entitlement to Government Civil Servants etc.
04	Foreign Affairs	\$523,767	To cover arrears of salary revision of staffs at the Diplomatic Mission.
05	Governor Ha'apai	\$2,106	To cover staff salaries and expenses on domestic travel up to the end of Financial year 1998/99.
06	Governor Vava'u	\$9,059	To meet with the expenditures on domestic travel, telecommunication and hospitality.
09	Printing Department	\$67,949	Amount requested to cover the expenses on office supplies and salaries.
13	Defence	\$296,732	To reimburse the funds spent on the maintenance of MV. Lomipeau.
14	Ministry of Finance	\$159,002	To cater for wages, overtime, travel, printing and supplies for the Ministry & other Divisions.
20	Ministry of Health	\$422,288	Additional funds requested to cover Capital Expenditures, repairs and maintenance and equipment
21	Civil Pension, Gratuities	\$623,428	To cater for Government contribution to the retirement fund, pensions and gratuities.
22	Prisons	\$323,727	To funds Prisoners Rations, repairs and maintenance
24	Ministry of Fisheries	\$65,191	To cover Overseas and Domestic Travel, maintenance of vehicles
25	Central Planning	\$16,232	To meet with the expenditures on overseas travel, printing and stationery
27	Tonga Visitors Bureau	\$37,326	To cater for expenses on promotional and marketing activities in preparation for the new millennium.
29	Ministry of Civil Aviation	\$112,923	To cover staff salaries and overtime, consultant and specialists fees
30	Marine & Ports	\$174,466	Amount requested to cover salaries, overseas travel and maintenance of specialised equipment.
		<b>\$6,595,850</b>	

*Source: Ministry of Finance: Government of Tonga, Public Accounts 1998/99*

### III. FINANCIAL ACCOUNTING BALANCES

1.10. The comparative statement given in Table 6 and depicted graphically in Figure 3A shows the total recurrent revenue and expenditure on the Recurrent Budget for the last ten years. Figure 3B shows the cumulative surplus/deficit by ministry/department for the same period.



**TABLE 6: COMPARISON OF REVENUE/EXPENDITURE**

Year	Revenue \$	% Increase/Decrease <sup>1</sup>	Expenditure \$	% Increase/Decrease (-) <sup>1</sup>	Surplus+/Deficit (-)
1989/90	40,901,430	21.41	44,457,184	27.64	-3,555,754
1990/91	47,441,982	15.99	47,437,957	6.70	4,025
1991/92	46,229,121	-2.56	51,084,855	7.69	-4,855,734
1992/93	52,287,168	13.10	49,924,843	-2.27	2,362,325
1993/94	54,741,864	4.69	50,368,233	0.89	4,373,631
1994/95	58,218,457	6.35	55,503,998	10.20	2,714,459
1995/96	64,644,044	11.04	62,750,215	13.06	1,893,829
1996/97	61,476,610	-4.90	62,250,953	-0.80	-774,343
1997/98	62,702,444	1.99	62,353,178	0.16	349,266
1998/99	68,263,352	8.87	70,895,634	13.70	-2,632,282

<sup>1</sup> Percentage increase/decrease over previous year.

Source : Ministry Of Finance, Government of Tonga Public Accounts 1998/99

1.11. The Recurrent Cash Balance for the year ended 30 June 1999 was a deficit of \$2.632 million compared to a surplus of \$0.349 million in the previous year. The cumulative recurrent cash balance for the year ending 30 June 1999 was \$5,594,765 million.

1.12. Details of the Cumulative Cash Balance showing comparative figures from June 1995 to June 1999 are given in Table 7, and the same information is depicted graphically in Figure 4:

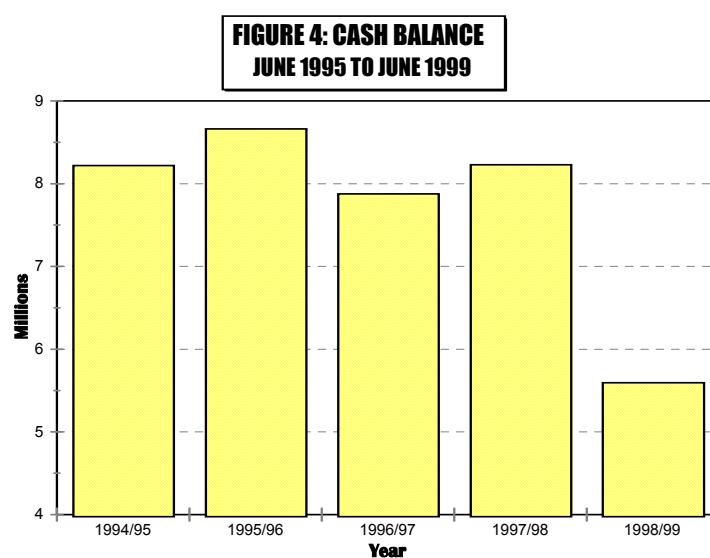


TABLE 7: CUMULATIVE RECURRENT CASH BALANCE

	1994/95 \$	1995/96 \$	1996/97 \$	1997/98 \$	1998/99 \$
Balance as at 1 July	5,852,940	8,217,399	8,660,181	7,877,781	8,227,048
Adjustments	(350,000)	(1,451,047)	(8,057)		
	5,502,940	6,766,352	8,652,124	7,877,781	8,227,048
Advance Store	-	-	-	-	-
	5,502,940	6,766,352	8,652,124	7,877,781	8,227,048
Deficit Financing	-	-	-	-	-
	5,502,940	6,766,352	8,652,124	7,877,781	8,227,048
Surplus/(Deficit)	2,714,459	1,893,829	(774,343)	349,267	(2,632,282)
<b>Balance at 30 June</b>	<b>8,217,399</b>	<b>8,660,181</b>	<b>7,877,781</b>	<b>8,227,048</b>	<b>5,594,766</b>

Source: Ministry of Finance, Government of Tong, Public Accounts (1998/99 figures are provisional).

1.13. The Cumulative Recurrent Cash Balance at 30 June 1999 does not include the balance of the Development Fund, the accumulated proceeds in Revolving Funds and other Government businesses.

## 2. THE DEVELOPMENT FUND

### I. DEVELOPMENT FUND EXPENDITURE

2.1. The actual Development Fund expenditure for the year ending 30 June 1999 amounted to \$8.07 million. As compared to the Estimate, this is \$20.43 million less than the amount of \$28.50 million provided for in the 1998/99 approved Development Estimates. Actual expenditure represents only 28.32% of the approved Development Estimates, this is mainly due to the fact that a large number of estimates do not match funding availabilities.

2.2. It should be noted that these figures only represent cash funds that come through the Treasury accounts. Development projects are also financed by donors paying for goods and services direct, without the involvement of the Treasury. These payments usually relate to materials, equipment and technical assistance from overseas and aid from non-government organisations.

2.3. Table 8 shows the actual expenditures on the Development Votes as compared with the approved 1998/99 Development Estimates. It should be noted that donor or overseas borrowed funds are not subject to the special warrant restrictions.

**TABLE 8: COMPARISON OF ACTUAL WITH APPROVED DEVELOPMENT FUND EXPENDITURE 1998/99**

VOTE	DESCRIPTION	ESTIMATE 1998/99 <sup>1</sup> \$	ACTUAL EXPENDITURE \$	UNDER ESTIMATE \$	OVER ESTIMATE <sup>2</sup> \$
02	Legislative Assembly	1	-	1	-
03	Prime Minister's Office	406,672	24,410	382,262	-
04	Foreign Affairs	1,450,000	-	1,450,000	-
05	Governor Ha'apai	2	11,611	-	11,609
07	Ministry of Land, Survey and Natural Reas.	3,389,504	405,051	2,984,453	-
09	Printing Department	2	-	2	-
10	Ministry of Justice	221,002	15,333	205,669	-
11	Ministry of Police	140,000	1,263	138,737	-
13	Tonga Defence Services	1	-	1	-
14	Ministry of Finance	700,503	785,860	-	85,357
19	Ministry of Education	170,864	218,922	-	48,058
20	Ministry of Health	6,476,842	153,129	6,323,713	-
23	Ministry of Agriculture and Forestry	3,145,767	1,201,394	1,944,373	-
24	Ministry of Fisheries	1,659,878	584,435	1,075,443	-
25	Central Planning Department	2,284,505	853,610	1,430,895	-
26	Ministry of Labour, Commerce & Industries	2,896,992	84,642	2,812,350	-
27	Tonga Visitor's Bureau	1,073,354	199,405	873,949	-
28	Ministry of Works	3,835,543	2,665,150	1,170,393	-
29	Ministry of Civil Aviation	473,200	649,133	-	175,933
30	Ministry of Marine and Ports	6	17,755	-	17,749
33	Financial Appropriation	175,000	200,000	-	25,000
<b>TOTAL</b>		<b>28,499,638</b>	<b>8,071,103</b>	<b>20,792,241</b>	<b>363,706</b>

<sup>1</sup> Funds passing through Treasury.

Source: Ministry of Finance, Government of Tonga Public Account 1998/99.

<sup>2</sup> Excess covered by supplementary Appropriation & Special Warrant

2.4. Significant variances between estimated and actual expenditures are explained in *Table 9* as follows:

**TABLE 9: NOTES ON VARIATIONS IN DEVELOPMENT ESTIMATES**

Vote	Department	Over/Under	Reasons
02	Legislative Assembly	\$1 under	Token provision for possible donor assistance.
03	Prime Minister's Office	\$382,262 under	Estimated contributions from Tongasat of T\$350,000 were not received.
04	Ministry of Foreign Affairs	\$1,450,000 under	The projects implemented were limited to funds available eg. Vava'u Development Project was estimated as \$1,450,000.
05	Governor Ha'apai	\$11,609 over	Funds for cyclone Cora Relief Fund of VHF Radio system.
07	Ministry of Land, Survey & Natural Resources	\$2,984,453 under	The following projects were not implemented as funds were unavailable - Parks & Reserves - \$30,000, Hydro geological Monitoring - \$17,000. In service Training \$90,000. A Project which has been implemented but not yet completed - Purchase of Land \$3,000,000.
09	Printing Department	\$2 under	Token provision for possible donor assistance.
10	Ministry of Justice	\$205,669 under	The following project was not implemented due to unavailable funds - Judicial Services Management (Technical Consultant \$100,000; Scholarship & Training \$51,000).
11	Ministry of Police	\$138,737 under	The following project were not implemented due to unavailable funds - Road Signs Management & Upgrade \$100,000 - Mess Services \$40,000.
13	Tonga Defence Services	\$1 under	Token provision for possible donor assistance.
14	Ministry of Finance	\$85,357 over	The only project implemented was Central Procurement Coordination under revolving fund. Funds also received from World Bank for Y2K Project.

Vote	Department	Over/Under	Reasons
19	Ministry of Education	\$48,058 over	Special Warrant of \$225,725 was approved for Capital Construction projects.
20	Ministry of Health	\$6,323,713 under	The following projects were implemented but only limited to funds available - Health Planning (WHO) \$167,000. The following project was not implemented due to unavailable funds - Capital Constructions \$4,563,600.
23	Ministry of Agriculture and Forestry	\$1,944,373 under	The following project was implemented but limited to funds available - Institutional Strengthening \$1,868,256.
24	Ministry of Fisheries	\$1,075,443 under	The following projects were implemented but limited to funds available - Tu'imatamoana Market Upgrade \$127,500, Fisheries Management Support Services \$97,821, Boatyard Support Services \$187,073, Oceanography \$1,119,457.
25	Central Planning Department	\$1,430,895 under	The following projects were implemented but limited to funds available - Public Sector Investment Programme \$1,477,004. The following project was not implemented as funds were unavailable Management Info. System \$145,000, National Strategic Planning \$660,000.
26	Ministry of Labour, Commerce & Industries	\$2,812,350 under	The following projects was not implemented due to unavailable funds - Industrial Development project \$2,452,288.
27	Tonga Visitor's Bureau	\$873,949 under	The following projects were implemented but limited to funds available - Tonga National Centre \$427,301, Queen Salote Memorial Hall \$146,050.
28	Ministry of Works	\$1,170,393 under	Several projects were implemented but limited to funds available.
29	Ministry of Civil Aviation	\$175,933 Over	Funds for Ha'apai Airport Project.
30	Ministry of Marine & Ports	\$17,749 over	A Special Warrant of \$33,219.92 for Tug & Pilot Boat Project.
33	Financial Appropriation	\$25,000 over	A special warrant for provision of fund to Tonga oil Company.
		<b>\$23,345,732</b>	

Source : Ministry of Finance, Government of Tonga, Public Account 1998/99

## II. DEVELOPMENT FUND RECEIPTS

2.5. Development funds received as cash for the year ending 30 June 1999 totaled \$9.13 million. This only covers the cash component of the aid funded by each donor and cash received from Tongan sources. Most donors provided substantially greater amounts of assistance which is received in-kind. The Ministry of Finance is responsible for the coordination of the assistance provided from multi-lateral agencies who provide loans and related technical assistance. The loans outstanding are covered under assistance. The Central Planning Department in its Annual Report gives greater details on the overall nature of the grant programmed of bilateral and multilateral donors overseas and Tongan sources of Development Fund receipts for 1998/99 are given in *Table 10*.

**TABLE 10: SOURCES OF DEVELOPMENT FUND RECEIPTS 1998/99**

SOURCE	\$
<b>BILATERAL AND MULTILATERAL SOURCES</b>	
New Zealand	99,770
Australia	1,318,986
Asian Development Bank	3,041,885
Miscellaneous - Bilateral International and Regional Institution	830,733
United Nations Family Planning Association	31,420
<b>SUB TOTAL</b>	<b>5,322,794</b>
<b>TONGAN SOURCES</b>	
Tonga Trust Fund	895,022
Revolving Fund	3,095,820
<b>SUB TOTAL</b>	<b>3,990,842</b>

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<b>GRAND TOTAL</b>	<b>9,313,636</b>
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Source: Ministry of Finance

2.6. Table 11 comments on sources and type of Development Fund receipts administered by Treasury (also called cash aid). Substantial aid in-kind was also received in the form of technical assistance, equipment, materials and training which did not pass through Treasury accounts from New Zealand, Australia, Japan, UNDP, FAO, CFTC and ADB. Other donors such as France and UN Agencies provide all their assistance in-kind.

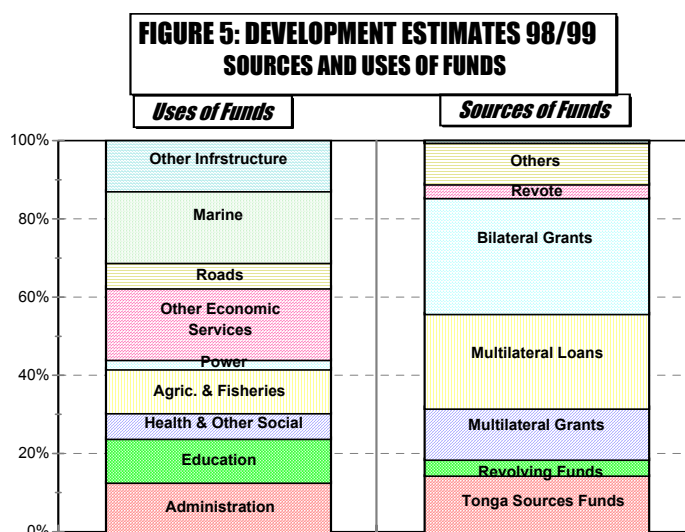
**TABLE 11: COMMENTS ON SOURCES & TYPE OF DEVELOPMENT FUND RECEIPTS 1998/99**

SOURCE	TYPE OF ASSISTANCE
<b>BILATERAL AND MULTILATERAL SOURCES</b>	
New Zealand Government Capital Aid	The Kingdom continues to receive a high level of assistance from the New Zealand Bilateral Aid Programme. The total cash grants received during the year ending 30 June 1999 was \$99,770. New Zealand also provides large amounts of In-kind assistance.
Australian Government Capital Aid	The Kingdom continued to receive a high level of assistance from the Australian Government. It contributed \$1,318,986 to the Development Fund during the year ending 30 June 1999. Australia also provides large amounts of In-kind assistance.
Asian Development Bank (ADB)	ADB is the largest sources of loans and related technical assistance. The areas agreed to between the Government and ADB, for ADB to concentrate on: assistance to productive sector, development of private sector through assistance to TDB, institutional development, technical assistance and training. Most of these are In-kind. ADB provided \$3,041,885 during the year ending 30 June, 1999
United Nations (UN)	The UN provided \$94,433 cash grants for the year ending 30 June 1999. UN also provides large amounts of In-kind assistance.
<b>Miscellaneous Donors</b>	Donor contribution through Bilateral, Multilateral and Regional Institutions amounted to \$767,720. Donors included Japan, South Pacific Regional Environment Programme and UNDP.
<b>TONGAN SOURCES</b>	
Tonga Trust Fund	A total of \$895,022 was available from the Tonga Trust Fund.
Revolving Funds	A total revenue of \$3,095,820 was generated from the Revolving Funds.

Source: Ministry of Finance, Government of Tonga Public Accounts 1998/99,

### III. DEVELOPMENT FUND BALANCE

2.7. The 1998/99 financial year began with a surplus balance in the fund of \$1.890 million. The balance at the end of June 1999 was a surplus of \$3.13 million. This surplus resulted from aid monies received during the year for various projects. However, part of the funds were not disbursed. Figure 5 shows sources and uses of development finance for 1998/99.

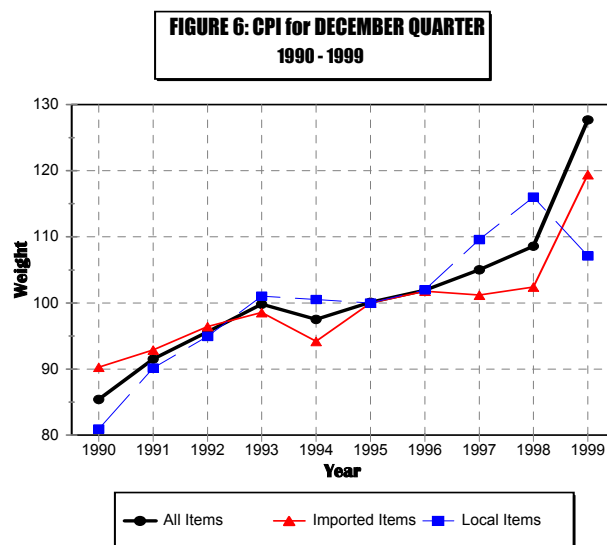




## 3. PRICES &amp; MONETARY DEVELOPMENTS

## I. PRICES AND INFLATION

3.1. The Consumer Price Index (CPI), also interpreted as the cost-of-living index, aims to measure changes in the general level of retail prices paid by households for the goods and services purchased over a period of time. The CPI of the Kingdom is designed to measure changes in the price of a fixed basket of goods and services which accounts for a high proportion of expenditure by households in Tongatapu. The CPI is now compiled on monthly quarterly and yearly basis with year November 1995 as base year (Nov. 1995 = 100.00).



3.2. A detailed statement indicating the CPI at December Quarter for the 10 years 1990 to 1999 broken down by commodity groups and local and imported items are given in *Table 12* below. *Figure 6* shows the trend for CPI in total, imported and local items for December Quarter 1990 - 1999.

**TABLE 12: ANNUAL CPI FOR DECEMBER 1990 TO 1999**

(Base Year: November 1995 = 100.00)

	All Items	Food	Housing	H/hold Goods	Clothing and Footwear	Transportation	Tobacco and Alcohol	Misc. Goods & Services	Imported Items	Local Items
Weight	100	43.2	6.4	14.2	4.2	15.5	5.4	11.2	54.2	45.8
1990	85.4	87.5	75.7	75.9	103.9	93.1	82.6	89.5	90.3	80.9
1991	91.5	93.0	86.0	83.4	105.3	95.4	85.6	97.3	92.9	90.2
1992	95.6	98.5	96.6	84.9	100.5	99.5	91.6	95.8	96.4	94.9
1993	99.8	98.9	105.8	94.9	105.2	99.6	93.1	105.8	98.6	101.0
1994	97.5	94.7	100.0	101.0	95.7	99.4	97.6	101.7	94.2	100.5
1995	100.1	100.0	100.1	100.3	100.1	100.4	100.1	99.8	100.0	100.2
1996	101.9	106.5	100.9	98.5	97.7	94.4	102.3	100.7	101.8	102.0
1997	105.0	110.6	100.2	98.6	99.9	98.0	105.1	106.0	101.2	111.6
1998	108.6	119.0	105.0	102.6	98.7	91.3	106.9	107.0	102.4	116.0
1999	127.7	122.2	110.9	105.8	104.2	94.4	109.0	116.1	119.4	107.1

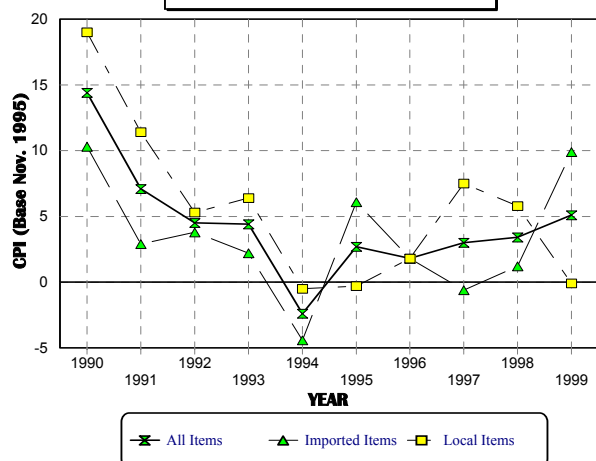
Source: Statistics Department

3.3. The annual percentage changes in the CPI for December of each year, 1990 - 1999 by commodity group, local and imported items are also given in *Table 13* below.

**TABLE 13: ANNUAL (%) CHANGES IN THE CPI FOR YEAR 1990 TO 1999**

	All Items	Food	Housing	H/hold Goods	Clothing and Footwear	Transportation	Tobacco and Alcohol	Misc. Goods & Services	Imported Items	Local Items
Weight	100.0	43.2	6.4	14.2	4.2	15.5	5.4	11.2	54.2	45.8
1990	14.4	11.6	33.8	4.1	3.7	18.0	26.1	22.5	10.3	19.0
1991	7.1	6.3	13.6	9.8	1.3	2.5	3.6	8.7	2.9	11.4
1992	4.5	5.9	12.3	1.9	-4.5	4.2	7.0	-1.6	3.8	5.3
1993	4.4	0.4	9.5	11.7	4.7	0.2	1.6	10.4	2.2	6.4
1994	-2.4	-4.2	-5.5	6.4	-9.1	-0.2	4.9	-3.8	-4.4	-0.5
1995	2.7	5.6	0.1	-0.7	4.6	1.0	2.6	-1.8	6.1	-0.3
1996	1.8	6.5	0.8	-1.8	-2.3	-6.0	2.2	0.9	1.8	1.8
1997	3.0	0.8	-0.7	0.1	2.3	3.8	2.7	5.3	-0.6	7.5
1998	3.4	7.6	4.8	4.1	-1.2	-6.8	1.7	0.9	1.2	5.8
1999	5.1	1.3	9.8	5.1	8.5	7.3	8.5	12.5	9.9	-0.1

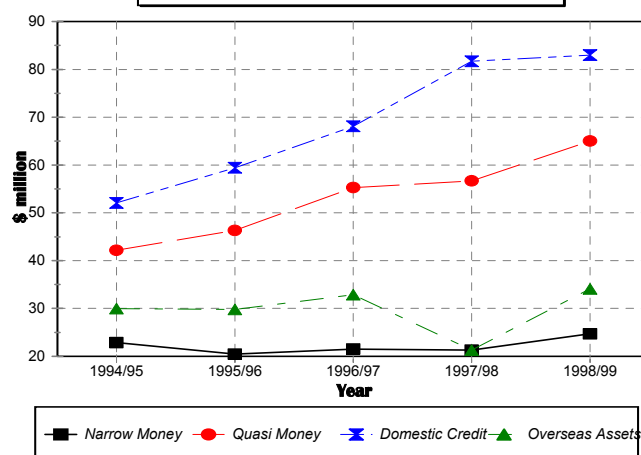
Source: Statistics Department

**FIGURE 7: ANNUAL INFLATION FOR THE MONTHS OF DECEMBER 1990 TO 1999**

3.4. The annual inflation rate recorded in the month of December 1999 was 5.1%, 9.9% for imported items and a -0.1% for local items. *Figure 7* shows the trend in the annual inflation for December Quarter 1990 - 1999.

## II. MONEY SUPPLY AND DOMESTIC CREDIT

3.5. The growth trend of money supply and domestic credit in the Kingdom and the position of overseas assets for the fiscal year ended 30 June 1999 with comparative position for the years 1994/95 to 1998/99 is given in *Table 14*. *Figure 8* presents the data in graphical form.

**FIGURE 8: MONEY, QUASI MONEY, DOMESTIC CREDIT & OVERSEAS ASSETS****TABLE 14: MONEY SUPPLY, DOMESTIC CREDIT AND OVERSEAS ASSETS (\$MN), 1994/95-1998/99**

ITEMS	YEAR				
	1994/95	1995/96	1996/97	1997/98	1998/99 r/
<b>1. NARROW MONEY (M1) :</b>	<b>22.8</b>	<b>20.4</b>	<b>20.9</b>	<b>21.3</b>	<b>24.7</b>
1.1 Currency in circulation ( <i>Outside Banks</i> )	7.4	6.9	6.3	6.1	7.4
1.2 Demand Deposits	15.4	13.5	14.6	15.2	17.3
<b>2. QUASI MONEY (Time and Saving deposits)</b>	<b>42.2</b>	<b>46.3</b>	<b>55.3</b>	<b>56.7</b>	<b>65.0</b>
<b>3. BROAD MONEY (M2) (items 1+2)</b>	<b>65.0</b>	<b>66.7</b>	<b>76.2</b>	<b>78.0</b>	<b>89.7</b>
<b>4. DOMESTIC CREDIT <sup>(1)</sup></b>	<b>52.1</b>	<b>59.3</b>	<b>68.1</b>	<b>81.7</b>	<b>83.0</b>
4.1 Net claims on Government	(1.5)	0.6	2.4	2.0	0.7
4.2 Claims on Non-financial Public Enterprises	0.1	0.1	0.4	0.6	1.5
4.3 Claims on Private Sector	53.5	58.6	65.3	79.1	80.8
4.4 Credit to Non-monetary Financial Institutions <sup>a/</sup>	(1.7)	(2.5)	(1.2)	(0.2)	(4.2)
<b>5. OVERSEAS ASSETS</b>	<b>30.0</b>	<b>29.8</b>	<b>32.9</b>	<b>21.3</b>	<b>34.1</b>
5.1 Overseas Funds (NRBT & Commercial Banks)*	27.6	27.6	30.6	18.6	30.5
5.2 Reserves Position in the Fund (IMF)	2.4	2.2	2.3	2.7	3.6

Note: r/ all figures are revised.

SDRs: Special Drawing Rights;

\* NRBT & Commercial Banks foreign reserve holding from 1989/90. Prior to the establishment of NRBT these assets were held by the Commissioners of Currency and Coinage at Treasury, and Bank of Tonga.

a/ Non monetary financial institutions are establishments that do not directly create money (i.e. do not both accept deposits and issue credit).

<sup>(1)</sup> Does not include credit to Non-monetary Financial Institutions

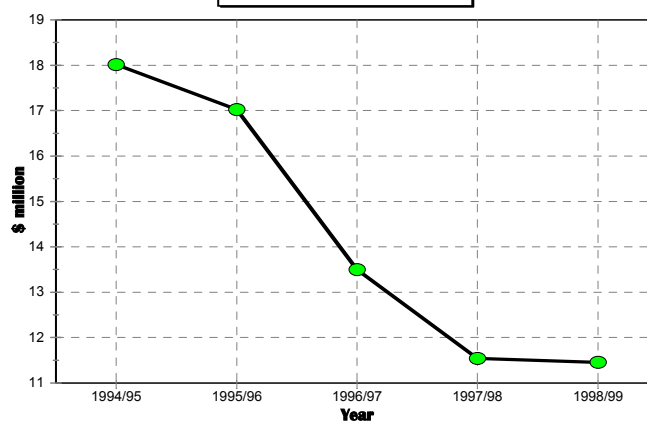
Sources: National Reserver Bank of Tonga

## 4. OVERSEAS TRADE

## I. EXPORTS

4.1. The total value of domestic exports (f.o.b) from the Kingdom stood at \$11.5 million at the end of fiscal year 1998/99, a stationary level compared to fiscal year 1997/98. Agricultural products continued to be the dominant exports. Table 15 gives the comparative figures for domestic exports (f.o.b) for the main sections of Standard International Trade Classification (SITC-R) for the last five years (1994/95-1998/99). Figure 9 shows the declining trend in exports (f.o.b) for fiscal year 1994/95 to 1998/99.

**FIGURE 9: TOTAL EXPORTS  
1994/95 - 1998/99**



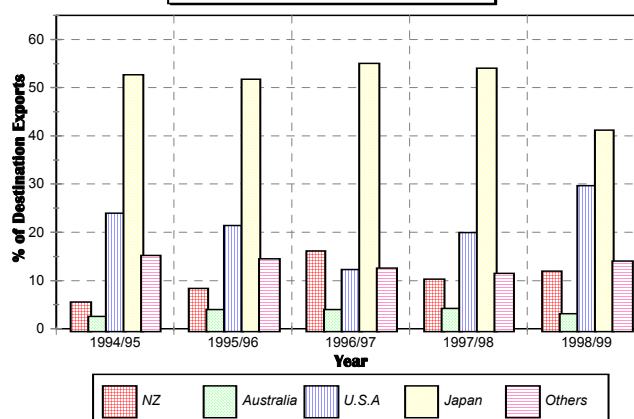
**TABLE 15: TONGA: DOMESTIC EXPORTS BY SITC SECTION, 1994/95 - 1998/99**

SITC(R) SECTION ITEM	1994/95 (\$'000)	%	1995/96 (\$'000)	%	1996/97 (\$'000)	%	1997/98 (\$'000)	%	1998/99 (\$'000)	%
0 Food & Live Animals	16,829.5	93.4	15,798.2	92.8	11,122.0	82.4	9,482.7	82.2	8,423.9	73.5
1 Beverages	0.1	0.0	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2 Crude Materials	515.0	2.9	500.8	2.9	1,600.4	11.9	1,398.4	12.1	2,025.8	17.7
3 Fuels and Lubricants	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4 Vegetables, Oils & Fats	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0
5 Chemicals	66.9	0.4	46.9	0.3	45.8	0.3	176.4	1.5	227.8	2.0
6/8 Manufactured Goods and Articles	499.8	2.8	637.3	3.7	675.2	5.0	430.7	3.7	696.8	6.1
7 Machinery & Transport	93.3	0.5	5.0	0.0	1.3	0.0	13.4	0.1	0.0	0.0
9 Other Exports	12.1	0.1	34.3	0.2	54.4	0.4	41.1	0.4	80.6	0.7
<b>TOTAL</b>	<b>18,016.7</b>	<b>100</b>	<b>17,022.9</b>	<b>100</b>	<b>13,499.1</b>	<b>100</b>	<b>11,542.8</b>	<b>100</b>	<b>11,454.9</b>	<b>100</b>

Source: Statistics Department

4.2. Japan continued to be the leading trading country for Tongan Exporters during fiscal year 1998/99. More than 40% of total exported were shipped to Japan although the situation portrayed a declining trend since 1996/97. Exports to Japan in value terms dropped by 24.4% from that reported in 1997/98, while US rose by 86.1%. Details are given in Table 16 and graphical presentation in Figure 10.

**FIGURE 10: DOMESTIC EXPORT BY  
DESTINATION 1994/95 - 1998/99**



**TABLE 16: EXPORTS BY COUNTRY OF DESTINATION  
1994/95 - 1998/99**

COUNTRY	1994/95 (\$'000)	%	1995/96 (\$'000)	%	1996/97 (\$'000)	%	1997/98 (\$'000)	%	1998/99 (\$'000)	%
New Zealand	998.6	5.5	1,424.2	8.4	2,178.6	16.1	1,184.2	10.3	1,370.1	12.0
Australia	463.6	2.6	675.2	4.0	535.0	4.0	486.3	4.2	361.4	3.2
Mainland USA	3,395.2	18.8	2,670.9	15.7	662.4	4.9	1,104.2	9.6	2,054.6	17.9
Hawaii	926.4	5.1	975.7	5.7	995.5	7.4	1,200.7	10.4	1,343.9	11.7
Japan	9,492.5	52.7	8,807.8	51.7	7,429.4	55.0	6,239.6	54.1	4,718.3	41.2
Singapore	481.4	2.7	469.6	2.8	202.0	1.5	64.2	0.6	58.9	0.5
American Samoa	416.0	2.3	1,076.9	6.3	79.4	0.6	525.8	4.6	95.3	0.8
Hong Kong	994.8	5.5	405.5	2.4	87.8	0.7	55.0	0.5	0.0	0.0
France	289.2	1.6	0.0	0.0	30.0	0.2	0.0	0.0	0.0	0.0
All other Countries	559.0	3.1	517.1	3.0	1,299.0	9.6	682.8	5.9	1,452.4	12.7
<b>TOTAL</b>	<b>18,016.7</b>	<b>100.0</b>	<b>17,022.9</b>	<b>100.0</b>	<b>13,499.1</b>	<b>100.0</b>	<b>11,542.8</b>	<b>100.0</b>	<b>11,454.9</b>	<b>100.0</b>

Source: Statistics Department

4.3. The Private Sector continued to head exporters from the three main Institutional Sectors. The Private Sector exported 97.4% of total domestic exports in 1998/99. In value terms this denoted a decline by 0.8% from the position reported in 1997/98. Comparison summary of exports by Institutional Sectors in the last five years since 1994/95 is shown in *Table 17*.

**TABLE 17: EXPORTS (\$'000) BY INSTITUTIONAL SECTOR, 1994/95 - 1998/99**

INSTITUTIONAL SECTOR	1994/95	%	1995/96	%	1996/97	%	1997/98	%	1998/99	%
Private Sector	15,243.8	84.6	14,710.1	86.4	12,504.5	92.6	11,333.1	98.2	11,161.9	97.4
Government Sector	0.0	0.0	0.3	0.0	0.0	0.0	85.7	0.7	172.8	1.5
Quasi-Government Sector	2,772.9	15.4	2,312.5	13.6	994.6	7.4	124.0	1.1	120.2	1.0
<b>TOTAL</b>	<b>18,016.7</b>	<b>100</b>	<b>17,022.9</b>	<b>100</b>	<b>13,499.1</b>	<b>100</b>	<b>11,542.8</b>	<b>100</b>	<b>11,454.9</b>	<b>100</b>

Source: Statistics Department & Customs Department

4.4. Bulk of the exported goods were transported on Non-Tongan sea vessels. Details of last five years since 1994/95 are shown in *Table 18*.

**TABLE 18: EXPORTS (\$'000) BY MODE OF TRANSPORT, 1994/95 - 1998/99**

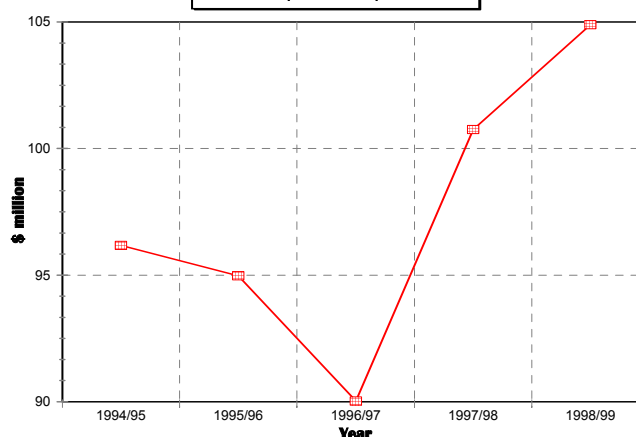
MODE OF TRANSPORT	1994/95	%	1995/96	%	1996/97	%	1997/98	%	1998/99	%
Tongan Sea Vessels	391.2	2.2	944.2	5.5	1,314.4	9.7	860.4	7.5	246.9	2.2
Non-Tongan Vessels	11,803.3	65.5	12,543.6	73.7	9,094.6	67.4	7,466.9	64.7	6,536.0	57.1
Air Freight	5,821.6	32.3	3,534.7	20.8	3,090.1	22.9	3,215.5	27.9	4,672.0	40.8
Post Parcel	0.6	0.0	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>TOTAL</b>	<b>18,016.7</b>	<b>100.0</b>	<b>17,022.9</b>	<b>100.0</b>	<b>13,499.1</b>	<b>100.0</b>	<b>11,542.8</b>	<b>100.0</b>	<b>11,454.9</b>	<b>100.0</b>

Source: Statistics Department

## II. IMPORTS

4.5. The total value (c.i.f) of goods imported to the Kingdom during fiscal year 1998/99 was T\$104.9 million vis-a-vis T\$100.8 million reported for fiscal year 1997/98. The increasing imports of the two major groups, food and manufactured goods continued to determine the level of imports during fiscal year 1998/99. The yearly comparisons showed that Machinery and Transport Equipment declined in imports during the fiscal year 1998/99 while Fuels and Lubricants tended to rise. Summary of imports by SITC Section are given in *Table 19*.

**FIGURE 11: TOTAL IMPORTS  
1994/95 - 1998/99**

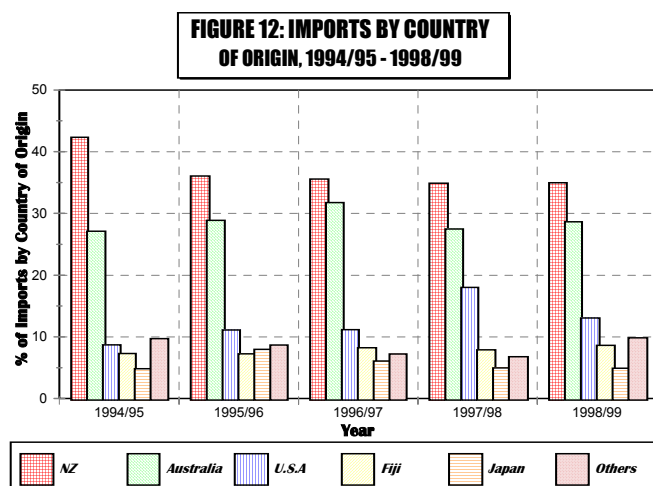


**TABLE 19: IMPORTS (\$'000) (CIF) BY MAIN SITC SECTION 1994/95-1998/99**

SITC(R) SECTION ITEM	1994/95	%	1995/96	%	1996/97	%	1997/98	%	1998/99	%
0 Food & Live Animals	22,523.5	23.4	22,652.5	23.9	24,538.1	27.3	25,352.2	25.2	28,122.4	26.8
1 Beverages & Tobacco	4,270.3	4.4	4,617.1	4.9	4,618.4	5.1	4,990.7	5.0	5,229.5	5.0
2 Crude Materials	5,016.6	5.2	5,192.5	5.5	3,754.6	4.2	5,105.5	5.1	5,693.1	5.4
3 Fuels and Lubricants	11,529.1	12.0	12,627.3	13.3	13,022.1	14.5	10,525.2	10.4	12,013.9	11.5
4 Vegetables Oils & Fats	337.3	0.4	371.1	0.4	342.4	0.4	295.3	0.3	423.3	0.4
5 Chemicals	6,970.6	7.2	6,487.4	6.8	6,486.2	7.2	7,783.1	7.7	8,156.4	7.8
6/8 Manufactured Goods and Articles	27,346.8	28.4	23,372.8	24.6	21,399.1	23.8	24,611.1	24.4	26,895.4	25.6
7 Machinery & Transport	17,894.0	18.6	19,377.9	20.4	15,551.0	17.3	21,772.8	21.6	17,791.0	17.0
9 Other Imports	285.0	0.3	276.1	0.3	316.6	0.4	316.8	0.3	569.9	0.5
<b>TOTAL</b>	<b>96,173.2</b>	<b>100.0</b>	<b>94,974.7</b>	<b>100.0</b>	<b>90,028.5</b>	<b>100.0</b>	<b>100,752.7</b>	<b>100.0</b>	<b>104,894.9</b>	<b>100.0</b>

Source: Statistics Department

4.6. Imports by country of origin during fiscal year 1994/95-1998/99 are shown in *Table 20*. New Zealand continued to be Tonga's major trading partner accelerating in value terms to T\$36.7 million compared to T\$35.1 million in the previous year. In contrast imports from Australia showed an increasing trend to 28.6% of the total compared to 27.5% in the previous year. Imports from the United States, Fiji and Japan fluctuated during the last three years. *Figure 10* gives a clear picture of the trend of imports and its country of origin for fiscal years 1994/95 to 1998/99.



**TABLE 20: IMPORTS (\$'000) BY COUNTRY OF ORIGIN, 1994/95 - 1998/99**

COUNTRY	1994/95	%	1995/96	%	1996/97	%	1997/98	%	1998/99	%
New Zealand	40,728.4	42.3	34,250.0	36.1	32,046.8	35.6	35,149.0	34.9	36,679.4	35.0
Australia	26,070.2	27.1	27,439.8	28.9	28,581.7	31.7	27,683.1	27.5	30,027.7	28.6
USA	8,362.3	8.7	10,571.2	11.1	10,040.8	11.2	18,128.1	18.0	13,707.3	13.1
United Kingdom	2,340.3	2.4	1,093.2	1.2	1,176.9	1.3	535.5	0.5	822.4	0.8
Fiji	7,030.8	7.3	6,891.8	7.3	7,404.4	8.2	7,954.8	7.9	9,032.8	8.6
Japan	4,647.6	4.8	7,582.8	8.0	5,478.8	6.1	5,002.6	5.0	5,136.4	4.9
Singapore	1,880.4	2.0	925.9	1.0	614.0	0.7	917.1	0.9	424.8	0.4
All other Countries	5,113.2	5.3	6,220.0	6.5	4,685.1	5.2	5,382.5	5.3	9,064.1	8.6
<b>TOTAL</b>	<b>96,173.2</b>	<b>100.0</b>	<b>94,974.7</b>	<b>100.0</b>	<b>90,028.5</b>	<b>100.0</b>	<b>100,752.7</b>	<b>100.0</b>	<b>104,894.9</b>	<b>100.0</b>

Source: Statistics Department

4.7. The Private Sector was the prime importer of the Kingdom for many years including the last five years. *Table 21* clearly illustrates their supremacy though their imports since 1994/95 in value terms and percentage of the total was on an increasing trend, climbing to 84% level of total imports in 1996/97. Within the last three years imports by the private sector has experienced a declined trend since 1996/97 and slowly decreased further in 1998/99. Imports by the Public Sector in the last three years. *Table 21* gives a summary of Imports by Institutional Sector for 1994/95 - 1998/99.

**TABLE 21: IMPORTS BY INSTITUTIONAL SECTOR, 1994/95-1998/99**

INSTITUTIONAL SECTOR	1994/95	%	1995/96	%	1996/97	%	1997/98	%	1998/99	%
Private Sector	70,522.5	73.3	73,305.7	77.2	75,935.4	84.3	82,604.8	82.0	85,565.4	81.6
Government Sector	13,022.6	13.5	14,049.0	14.8	9,698.0	10.8	11,429.0	11.3	13,618.3	13.0
Quasi-Government Sector	12,628.1	13.1	7,620.0	8.0	4,395.1	4.9	6,718.9	6.7	5,711.2	5.4
<b>TOTAL</b>	<b>96,173.2</b>	<b>100.0</b>	<b>94,974.7</b>	<b>100.0</b>	<b>90,028.5</b>	<b>100.0</b>	<b>100,752.7</b>	<b>100.0</b>	<b>104,894.9</b>	<b>100.0</b>

Source: Statistics Department

4.8. Non-Tongan Sea Vessels were commonly used by importers for transporting their goods into the Kingdom for the last five years since 1994/95. *Table 22* gives a detailed account of imports by mode of transport during 1994/95-1998/99.

**TABLE 22: IMPORTS {CIF} (\$'000) BY MODE OF TRANSPORT, 1994/95 - 1998/99**

MODE OF TRANSPORT	1994/95	%	1995/96	%	1996/97	%	1997/98	%	1998/99	%
Tongan Sea Vessels	15,285.3	15.9	16,301.6	17.2	12,661.2	14.1	9,031.3	9.0	10,294.6	9.8
Non-Tongan Vessels	74,973.2	78.0	72,920.5	76.8	72,718.4	80.8	85,857.7	85.2	86,704.3	82.7
Air Freight	5,792.3	6.0	5,679.6	6.0	4,606.8	5.1	5,823.0	5.8	7,732.5	7.4
Post Parcel	122.4	0.1	73.0	0.1	42.1	0.0	40.7	0.0	163.5	0.2
<b>TOTAL</b>	<b>96,173.2</b>	<b>100.0</b>	<b>94,974.7</b>	<b>100.0</b>	<b>90,028.5</b>	<b>100.0</b>	<b>100,752.7</b>	<b>100.0</b>	<b>104,894.9</b>	<b>100.0</b>

Source: Statistics Department

### III. INVISIBLE EARNINGS

4.9. Invisible receipts continued to play a key role in the Balance of Payments performance of the Kingdom where an increase of almost \$107.6 million was experienced in 1998/99, compared to the situation in 1997/98 of \$90.7 million. The contribution of earnings from remittances upholds its expansion as it picked up after a decline in the previous year, while earnings from tourism continued to decline. Invisible earnings for the last five years are shown in *Table 23*.

**TABLE 23: INVISIBLE EARNINGS (\$MN), 1994/95 - 1998/99**

SOURCE	1994/95	1995/96	1996/97	1997/98 r/	1998/99 p/
Tourism Earnings	12.6	15.8	17.0	14.7	10.0
Remittances from Overseas	27.9	31.2	40.4	31.3	52.0
Other private transfers (e.g) gifts, donations and supports	40.2	35.0	10.5	15.6	15.5
Grants, Aid and Other Official Transfers	28.2	33.4	35.4	29.1	30.1
<b>TOTAL</b>	<b>108.9</b>	<b>115.4</b>	<b>103.3</b>	<b>90.7</b>	<b>107.6</b>

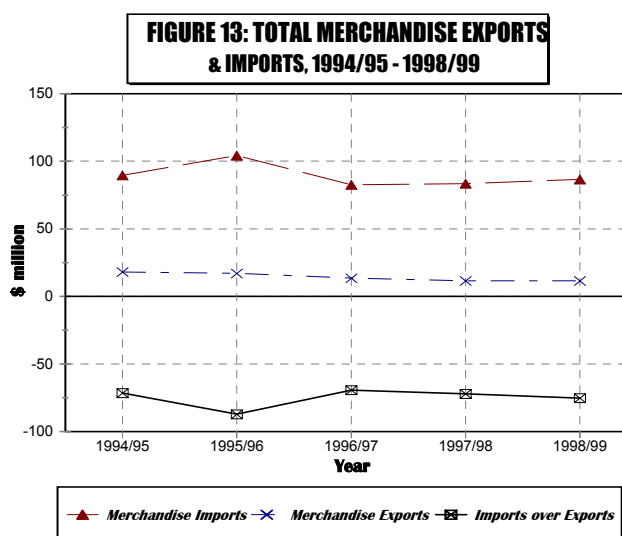
Note: p/ - Data subject to Revision  
r/ - Revised Figures

Source: Statistics Department

### IV. BALANCE OF PAYMENTS

4.10. The visible merchandise account of the Kingdom was further driven into a deficit balance of T\$75.2 million in fiscal year 1998/99 as compared with the recorded T\$72.0 million deficit in fiscal year 1997/98. The situation worsened when payments for imports tended to rise by 4.4% from that recorded in the previous year, coupled with deterioration in export receipts which stayed equally to the level in the previous year.

4.11. *Table 24* and *Figure 13* give a clear picture of merchandise imports and exports for year's 1994/95 to 1998/99 showing the year to year excess of imports over exports.



**TABLE 24: MERCHANDISE IMPORTS, EXPORTS AND BALANCE (\$M), 1994/95 - 98/99**

	Merchandise Imports	Merchandise Exports	Excess of Merchandise Imports Over Exports
1994/95	89.5	18.0	-71.5
1995/96	104.2	17.0	-87.2
1996/97 r/	82.7	13.5	-69.2
1997/98 p/	83.5	11.5	-72.0
1998/99 p/	86.7	11.5	-75.2

Note: p/ - Data subject to Revision  
r/ - Revised Figures

Source: Statistics Department

4.12. In spite of mounting merchandise trade deficit on the trade account again in the fiscal year 1998/99, the receipts from overseas remittances, earnings from tourism, other invisible earnings from private and official transfers have kept the balance of payments position of the Kingdom afloat at a surplus level of \$8.1 million. The Kingdom had sufficient foreign reserves at end of fiscal year 1998/99 to cover 4.4 months imports. The summary table showing the balance of payments position of the Kingdom for the year's 1994/95 - 1998/99 is given in *Table 25*.

**TABLE 25: SUMMARY BALANCE OF PAYMENTS (\$MN), 1994/95 - 1998/99**

ITEMS NET POSITION	1994/95	1995/96	1996/97	1997/98 r/	1998/99 p/
<b>1. Visible Merchandise Trade Balance</b>	-71.5	-87.2	-69.2	-72.0	-75.2
<b>2. Balance on Services</b>	-27.3	-15.7	-5.7	-15.5	-15.2
2.1. <i>Travel</i>	2.4	6.4	7.3	5.4	4.5
2.2. <i>Other Services</i>	-29.7	-22.1	-13.0	-20.9	-19.7
<b>3. Balance on Income</b>	4.7	6.2	6.4	12.2	10.2
3.1. <i>Investment Income</i>	1.7	0.1	-2.6	1.7	5.0
3.2. <i>Other Income</i>	3.0	6.1	9.0	10.5	5.2
<b>4. Balance on Current Transfers</b>	29.0	39.9	49.8	36.8	62.7
4.1. <i>Remittances</i>	25.4	28.3	34.8	28.0	42.4
4.2. <i>Other Current Transfers</i>	3.6	11.6	15.0	8.8	20.3
<b>5. BALANCE ON CURRENT ACCOUNT</b>	<b>-65.1</b>	<b>-56.8</b>	<b>-18.7</b>	<b>-38.5</b>	<b>-17.5</b>
<b>6. Capital Transfers</b>	53.7	49.4	28.7	27.3	22.8
6.1. <i>Migrant Transfer</i>	3.5	5.1	-0.1	2.6	2.0
6.2. <i>Other Capital Transfers</i>	50.2	44.3	28.8	24.7	20.8
<b>7. Balance on Other Capital Account</b>	0.0	-0.4	-0.2	-0.2	0.0
<b>8. BALANCE ON CAPITAL ACCOUNT</b>	<b>53.7</b>	<b>49.0</b>	<b>28.5</b>	<b>27.1</b>	<b>22.8</b>
<b>9. BALANCE ON FINANCIAL ACCOUNT</b>	<b>2.0</b>	<b>4.3</b>	<b>-2.4</b>	<b>4.7</b>	<b>3.9</b>
<b>10. TOTAL (5+8+9)</b>	<b>-9.4</b>	<b>-3.5</b>	<b>7.4</b>	<b>-6.7</b>	<b>9.2</b>
11. ERRORS AND OMISSIONS	-0.8	1.1	-0.5	-0.3	4.3
12. OVERALL POSITION [(-) Deficit (+) Surplus]	-10.3	-2.0	7.0	-11.8	8.1
13. MOVEMENT ON MONETARY RESERVES [(-) Increase (+) Decrease]	10.3	2.0	-7.0	11.8	-8.1

Note: r/ - Revised Figures p/ - Data subject to Revision

Source: Statistics Department

## 5. FOREIGN RESERVES, FOREIGN FINANCIAL RESOURCES AND GOVERNMENT INVESTMENTS

### I. FOREIGN RESERVES

5.1. The level of foreign reserves increased by 31.2% from T\$26.0 million at end of June 1998 to T\$34.1 million at end of June 1999. The level of foreign reserves for the past five years, 1994/95-1998/99, in response to the Kingdom's Balance of Payments, classified under broad international headings of the inflows and outflows of fund is given in *Table 26*.

**TABLE 26: BALANCE OF PAYMENTS AND FOREIGN RESERVES 1994/95 - 1998/99**

	1994/95	1995/96	1996/97 r/	1997/98 p/	1998/99 p/
<b>A. BALANCE AS AT 1 JULY</b>	<b>43.1</b>	<b>32.8</b>	<b>30.8</b>	<b>37.8</b>	<b>26.0</b>
<b>B. PLUS RECEIPTS FROM</b>	<b>158.9</b>	<b>181.7</b>	<b>182.3</b>	<b>154.8</b>	<b>169.4</b>
B.1. MERCHANDISE EXPORTS	18.0	17.0	13.5	11.5	11.5
B.2. SERVICES	27.0	38.0	50.1	38.1	36.5
B.3. INCOME	8.4	9.9	11.5	15.9	13.2
B.4. CURRENT TRANSFERS	42.1	49.7	57.2	48.3	73.7
B.5. CAPITAL ACCOUNT	54.1	49.9	29.2	27.9	23.8
B.6. FINANCIAL ACCOUNT	9.3	17.2	20.8	13.1	10.7
<b>C. SUB-TOTAL (A+B)</b>	<b>202.0</b>	<b>214.5</b>	<b>213.1</b>	<b>192.6</b>	<b>195.4</b>
<b>D. LESS PAYMENTS FOR:</b>	<b>168.4</b>	<b>184.8</b>	<b>174.8</b>	<b>166.3</b>	<b>160.1</b>
D.1. MERCHANDISE IMPORTS	89.5	104.2	82.7	83.5	86.7
D.2. SERVICE	54.3	53.7	55.8	53.6	51.8
D.3. INCOME	3.8	3.7	5.1	3.7	3.0
D.4. CURRENT TRANSFERS	13.1	9.8	7.3	11.5	10.9
D.5. CAPITAL ACCOUNT	0.3	0.5	0.7	0.6	0.9
D.6. FINANCIAL	7.4	12.9	23.2	13.4	6.8
<b>E. SUB-TOTAL (C-D)</b>	<b>33.6</b>	<b>29.7</b>	<b>38.3</b>	<b>26.3</b>	<b>35.3</b>
<b>F. ERRORS AND OMISSIONS</b>	<b>(0.8)</b>	<b>1.1</b>	<b>(0.5)</b>	<b>(0.3)</b>	<b>4.3</b>
<b>G. BALANCE AS AT 30 JUNE</b>	<b>32.8</b>	<b>30.8</b>	<b>37.8</b>	<b>26.0</b>	<b>39.6</b>

Note: r/ - Revised Figures  
p/ - Data subject to Revision

Source: Statistics Department

5.2. *Table 27* below, provided by the National Reserve Bank of Tonga, shows the gross foreign reserves position of the Kingdom from 1990 up to the last day of business in December 1999, with monthly levels from 1997 to 1999. The Kingdom's gross foreign reserves as at 31<sup>st</sup> December 1999 amounted to \$39.2 million.



**TABLE 27: GROSS FOREIGN RESERVES**  
(In Millions Pa'anga)

As at the End: 1/	Held by:			Total Foreign Reserves
	Commercial Banks	Treasury & Commissioner	National Reserve Bank of Tonga	
1990	2.2	...	38.3	40.5
1991	0.6	...	42.2	42.8
1992	0.5	...	44.2	44.7
1993	2.1	...	50.0	52.1
1994	2.3	...	41.8	44.1
1995	2.5	...	31.5	34.0
1996	1.7	...	30.9	32.6
1997	2.2	...	32.8	35.0
1998	6.9	...	36.3	43.2
1999	5.5	...	34.1	39.6
Jan 1997	3.5	...	31.8	35.3
Feb. 1997	3.3	...	31.7	35.0
Mar. 1997	7.7	...	31.5	39.2
Apr. 1997	6.9	...	32.2	39.1
May 1997	6.3	...	32.3	38.6
June 1997	5.0	...	32.8	37.8
July 1997	6.5	...	31.8	38.3
Aug. 1997	4.2	...	31.5	35.7
Sept. 1997	7.0	...	31.0	38.0
Oct. 1997	2.4	...	28.5	30.9
Nov. 1997	1.8	...	34.8	36.6
Dec. 1997	2.2	...	32.8	35.0
Jan 1998	2.6	...	28.5	31.1
Feb. 1998	5.2	...	24.7	29.9
Mar. 1998	3.5	...	21.2	24.7
Apr. 1998	3.4	...	22.0	25.4
May 1998	4.3	...	19.7	24.0
June 1998	4.7	...	21.3	26.0
July 1998	4.6	...	19.3	23.9
Aug. 1998	6.0	...	18.8	24.8
Sept. 1998	11.7	...	21.6	33.3
Oct. 1998	7.8	...	29.1	36.9
Nov. 1998	6.7	...	32.4	39.1
Dec. 1998	6.9	...	36.3	43.2
Jan. 1999	4.9	...	33.8	38.7
Feb. 1999	7.0	...	36.1	43.1
Mar. 1999	5.1	...	36.2	41.3
Apr. 1999	3.2	...	34.8	38.0
May 1999	5.3	...	35.3	40.6
June 1999	5.5	...	34.1	39.6
July 1999	5.2	...	36.0	41.2
Aug. 1999	6.7	...	39.4	46.1
Sept. 1999	6.5	...	34.2	40.7
Oct. 1999	7.7	...	35.5	43.2
Nov. 1999	4.3	...	34.6	38.9
Dec. 1999	4.6	...	34.6	39.2

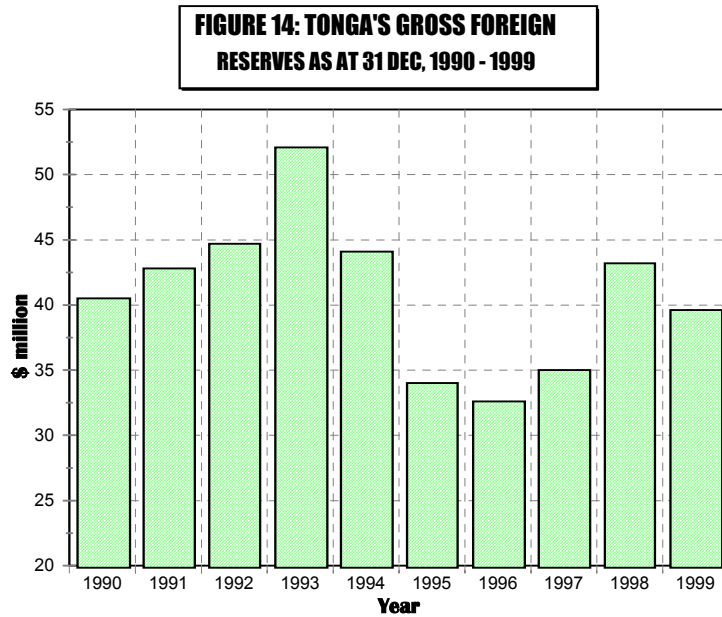
1/ Prior to June 1990, NRBT and Commercial Bank data are as at last - Wednesday.

Source: National Reserve Bank of Tonga

5.3. Tonga's Gross Foreign Reserves levels since 1990 is depicted graphically in *Figure 14*.

## II. TONGA TRUST FUND

5.4. The accumulated balance as at 31 March 1999 was \$65.158 million compared to a balance of \$48.480 million as at 31 March 1998. These funds were invested as follows: Fixed Deposits with the Bank of America \$43.938 million, Fixed Deposits with MBf Bank Ltd \$1.293 million, NRBT \$3.264 million, collections in transit \$0.010 million and \$16.650 million was advanced to the Government of Tonga to meet development expenditure.



Source: National Reserve Bank of Tonga

## III. INVESTMENTS

5.5. The following investments, Term Deposits in local commercial banks, were held by the Treasury as at 30 June 1999.

Term Deposits with Commercial Banks  
**TOTAL**

PA'ANGA  
9,931,570  
**9,931,570**

Note: On 1st July 1989 all overseas funds of the Government of Tonga, held as foreign exchange reserves, were transferred to the National Reserve Bank of Tonga.

5.6. The Government received a total dividend of \$2,408,069 during the year. These dividend came from the Bank of Tonga, Tonga Timber Ltd. and Leiola Duty Free as shown on *Table 28*.

**TABLE 28: DIVIDEND RECEIVED BY GOVERNMENT AS AT 30<sup>TH</sup> JUNE 1999**

Organisation	Amount (T\$)
Bank of Tonga	2,004,483
Leiola Duty Free Shop	300,000
Tonga Telecommunication Commission	100,000
Air Pacific	3,586
<b>TOTAL</b>	<b>2,408,069</b>

Source: Ministry of Finance

## 6. GOVERNMENT LENDING & PUBLIC DEBT

6.1 The Government total DOD is \$102.9 million, comprising of domestic debt of \$13.39 million and external debt of \$89.51 million. These are depicted at *Table 29A - B*.

6.2. The majority of external debt is borrowed at concessional terms with interest rates ranging from 1% to 3% with terms averaging 30 to 40 years repayment period. Government have contingent debt of \$13.9 million. This is depicted in *Table 29C*.

6.3. *Table 30* shows loans that are given from Government to Corporation and Statutory Boards. These loans are usually funds borrowed from external sources and are onlent to these corporations at higher rates. As well some of these loans are from Government own bonds.







## 7. DEPARTMENTAL REPORTS

### 7.1 FINANCE

#### i. OBJECTIVES AND FUNCTION

7.1.1. The Ministry of Finance has come to play a wider role than its core business of managing the Kingdom's finances, both revenue and expenditure. The additional role of the Ministry concerns the provision to Government of economic and financial advice on the economic management of the economy, alongside other sources of comparable advice such as the National Reserve Bank and Central Planning Department. The Ministry is undertaking with the assistance of the Asian Development Bank (ADB), and other donors, a major programme so as to improve and strengthen the Ministry's financial and economic management capabilities. A new organisational structure, headed by the Secretary for Finance, has been devised to better reflect these aspects of the role of the Ministry. In addition a Corporate Plan for the Ministry has materialised. The Australian Government also assist with the computerisation of the Ministry and Government's Account.

#### ii. REVENUE AND EXPENDITURE 1998/99

7.1.2. Table 31 gives revenue and expenditure both budgeted and out-turn for the ministry for 1998/99. It should be noted that, overall, actual revenue surpassed the estimate by \$1.208 million (2.55%). The Ministry's overall surplus of \$44.75 million or 1.45% above estimate.

**TABLE 31: MINISTRY OF FINANCE: ESTIMATED AND ACTUAL REVENUE AND EXPENDITURE 1998/99**

	ESTIMATED (\$)	ACTUAL (\$)	VARIANCE (\$)
REVENUE	47,289,000	48,497,084	1,208,084
EXPENDITURE	3,181,461	3,340,463	159,002
DEPARTMENTAL (DEFICIT)/SURPLUS	44,107,539	45,156,621	1,049,082

Source: Ministry of Finance: Government of Tonga Public Accounts (1998/99 figures are provisional)

#### iii. OFFICIAL INTERNATIONAL MEETINGS

7.1.3. The Ministry of Finance was represented at the following international meetings.

##### ***Fiscal Policy and Reform: Prioritization and Sequencing in Small Pacific Island Economies.***

7.1.3.1 Hon. Minister of Finance, Hon. K. Tutoatasi Fakafanua and the Secretary for Finance, Mr. 'Aisake Eke attended the regional conference on Fiscal Policy and Reform: Prioritization and Sequencing in Small Pacific Island Economies, that was held in Apia from 2-4 February, 1999.

##### ***Conference on Small States.***

7.1.3.2 The Hon. Minister of Finance, Hon. Kinikinilau Tutoatasi Fakafanua attended the Conference on Small States organized by the Commonwealth Secretariat and the World Bank, that was held in St. Lucia as from 17-19 February 1999.

***Asian Development Bank.***

7.1.3.3 The Hon. Minister of Finance as Governor for Tonga in the ADB, Hon. Kinikinilau Tutoatasi Fakafanua, led the Tonga's Delegation to the Thirty Second Annual Meeting of the Asian Development Bank (ADB) Annual meeting in Manila, Philippines from 28th April to 2nd May, 1999. The Hon. Minister of Finance was accompanied by Mr. 'Aisake Eke, Secretary for Finance who is the Alternate Governor for Tonga in the ADB, Mr. Siosuia 'Utoikamanu, Governor, National Reserve Bank of Tonga as Adviser.

***Maori Fund Manager's Meeting.***

7.1.3.4 The Hon. Minister of Finance, Hon. Kinikinilau Tutoatasi Fakafanua attended the Maori Fund Managers Meeting held in Auckland, New Zealand on Monday 24th May 1999.

***Forum Economic Ministers Meeting (FEMM).***

7.1.3.5 The Hon. Minister of Finance, Hon. K. Tutoatasi Fakafanua lead a delegation to the 1999 Forum Economic Ministers Meeting in Apia, Samoa from 1-2 July, 1999. The Hon. Minister was accompanied by Secretary for Finance, Mr. 'Aisake Eke and Mr. Timote Laume, Acting Senior Economist.

***Triennial Meeting of Regional Ministers of Finance on the University of the South Pacific, 2000-2002 Budget.***

7.1.3.6 The Hon. Minister of Finance, Hon. K. Tutoatasi Fakafanua, accompanied by Mr. 'Aisake Eke, Secretary for Finance and Accountant General, represented the Government of Tonga at the Regional Finance Ministers' Meeting on 30th July 1999, to consider the Budget of the University of the South Pacific for the next triennium, 2000-2002.

***Commonwealth Finance Ministers and Senior Officials Meeting.***

7.1.3.7 The Hon. Minister of Finance, Hon. Kinikinilau Tutoatasi Fakafanua accompanied by the Secretary for Finance and Accountant General, Mr. 'Aisake Eke, represented Tonga at the 1999 Meeting of Commonwealth Finance Ministers and Senior Officials in the Cayman Island from 21 - 23 September, 1999.

***World Bank/IMF 1999 annual Meetings.***

7.1.3.8 The Delegation to the 1999 World Bank/IMF Meeting was led by Hon. Minister of Finance, Hon. K. Tutoatasi Fakafanua in his capacity as Governor for Tonga in the World Bank, accompanied by the Secretary for Finance & Accountant General, Mr. 'Aisake Eke as Alternate Governor in the World Bank, the Governor of the National Reserve Bank of Tonga, Mr. Siosuia 'Utoikamanu as Temporary Governor in the IMF, and the Acting Deputy Secretary for Finance, Mrs Marieta Tukuafu as Temporary Alternate Governor in the IMF and Mrs. 'Ofa Ketu'u, Deputy Director of Research, National Reserve Bank as an Advisor. This Annual Meeting was held in Washington D.C. from 25 - 29 September, 1999.

***1999 Bangkok Round Table on Foreign Direct Investment***

7.1.3.9 The Hon. Minister of Finance, Hon. Kinikinilau Tutoatasi Fakafanua participated in a High-Level Roundtable on "Foreign Direct Investment and Sustainable Human Development in Asia: Past Experiences and Future Prospects" held in Bangkok, Thailand from 13-14 December 1999.



***Regional Meeting on Social Issue Arising from the East Asian Economic Crisis, and Policy implications for the future.***

7.1.3.10 The Hon. Minister of Finance, Hon. Kinikinilau Tutoatasi Fakafanua and the Deputy Governor of the National Reserve Bank, Mr. Samuela Tukuafu attended the above-mentioned Regional Meeting at Bangkok, Thailand from 20 - 21 January 1999. The meeting was organised by the World Bank.

***1999 Conference of the Commonwealth Postal Administrations (CCPA).***

***22nd Universal Postal Union (UPU) Congress.***

7.1.3.11 The Hon. Minister of Finance, Hon. K. Tutoatasi Fakafanua accompanied by the Acting Chief Postmaster, Mr. Sitiveni Takaetali Finau, attended the 1999 Conference of the Commonwealth Postal Administration (CCPA), from 16-19 August 1999; and the 22nd UPU Congress as from 23-26 August 1999, Beijing, Republic of China.

***Asian Development Bank.***

7.1.3.12 Hon. Minister of Finance, the Hon. K. Tutoatasi Fakafanua, in his capacity as Governor for Tonga in the Asian Development Bank, travel to Manila for two days from 15-17 December 1999 for meetings with the Asian Development Bank, Officials.

***Biennial Conference of the Asian-Pacific Centre for Security Studies: Asia Pacific Security in a Time of Economic Recovery***

7.1.3.13 Hon. Minister of Finance, Hon. K. Tutoatasi Fakafanua participated in Biennial Conference of the Asia Pacific Centre for Security Studies: Asia Pacific Security in a Time of Economic Recovery. This Conference was held in Honolulu, Hawaii from 30 August to 2 September, 1999.

***1999 CPA Centering on Excellence Conference***

7.1.3.14 The Deputy Accountant General, Dr. S. Leimoni Taufu'i participated in the 1999 CPA "Centering on Excellence" Conference that was held in Sydney Australia from 15-19 March 1999.

***1999 National Public Sector Accountants Conference***

7.1.3.15 The Accountant General, Mr. Tevita Lavemaau participated in the 1999 "National Public Sector Accountants" Conference, Adelaide, Australia, from 7-9 April 1999.

***University Grants Committee Triennial Meeting***

7.1.3.16 The Secretary for Finance, Mr. 'Aisake Eke attended the University of the South Pacific Grants Committee Triennial Meeting in Suva, Fiji from 12-16 April 1999.

***Regional Workshop on Year 2000 Compliance and Telecommunication.***

7.1.3.17 Mr. Salesi 'Akau'ola, System Analyst, participated in the Regional Workshop on the Year 2000 compliance and Telecommunication from 7-9 March 1999, Gold Coast, Australia.

***14th National Convention on Tax Reform***

7.1.3.18 The Deputy Accountant General, Dr. S. Leimoni Taufu'i, participated in the "14th National Convention on Tax Reform" that was held in Hobart, Australia, from the 24 - 27 March 1999.

***Information and Communication Technologies (ICT) strategies for Island and Small States. & Asia - Pacific Internet Conference.***

7.1.3.19 The Director of Information Systems, Mr. Siaso Sovaleni participated in the Information and Communication Technologies (ICT) strategies for Islands and Small States held in Malta from 17 - 19 March, 1999. Mr. Sovaleni was also attended the Asia Pacific Internet Conference held in Bali, Indonesia from 25 - 27 March, 1999.

***55th Session of ESCAP***

7.1.3.20 Mr. 'Aholotu Saafi Palu, Economist, represented the Government in the 1999 ESCAP 55th Session held in Bangkok, Thailand, from 22 - 28 April 1999.

***Tonga Trust Fund New Asset Allocation With Wellness Technologies Inc. (WTI) of California***

7.1.3.21 The Acting Accountant General/Acting Secretary for Tonga Trust Fund, Dr. S. Leimoni Taufu'i travelled to California, United States of America to implement and confirm all Financial Transfers of the Tonga Trust Fund Asset allocation with Wellness Technology Inc. (WTI) from 5 - 9 July 1999.

***Forum Official Committee Meeting - Work Programme and Budget Session.***

7.1.3.22 The Manager, Government Investment Unit, Mrs. Daphney T. Stone and Deputy Secretary of the Prime Minister's Office, Mr. Paula Ma'u represented Tonga at the Forum Officials Committee Meeting - Work Programmes and Budget Session held in Suva from 24 - 25 November 1999.

***Senimar on General Data Dissemination System held by IMF.***

7.1.3.23 Mr. 'Aholotu Palu, Economist participated in the General Data Dissemination System (GDDS) Seminar in Singapore from 18th to 22nd October 1999.

***World Trade Organisation's Third Ministerial Conference.***

7.1.3.24 Secretary for Finance & Accountant General, Mr. 'Aisake Eke represented Tonga at the World Trade Organisation's Third Ministerial Conference that was held in Seattle Washington, USA from 28th November to 3rd December 1999.

***Workshop on Pension Fund Reforms in Asia***

7.1.3.25 Mr. Henry Cocker, Senior Economist, participated in the Workshop on Pension Fund reforms in Asia organized by Asian Development Bank Institute (ADB), based in Tokyo, and held in Singapore, 9 - 13 November, 1999.

**iv. OVERSEAS VISITORS TO THE MINISTRY**

7.1.4. Overseas visitors to the Ministry during 1999 were as follows:

***Asian Development Bank - Headquarter (Manila)***

7.1.4.1 Mr. John Austin, Alternate Executive Director visited Tonga from 12 to 14 April 1999. The purpose of his visit was to discuss current and future ADB Programmes for Tonga and the wider role of the ADB in the region and to provide a briefing for the annual meeting in Manila.

7.1.4.2 The ADB Annual Programming Mission visited Tonga from 10 - 14 May 1999. The Mission comprised of Mrs. Lynn Pieper, (desk officer for Tonga), Evgene Zhukov (financial Sector Specialist) and Thomas Gloerfelt - Tarp (rural development project specialist) from the Bank's headquarters in Manila.

### ***ADB South Pacific Regional Mission (Vanuatu)***

7.1.4.3 A Preprogramming Mission from the Asian Development Bank visited Tonga from 8 to 12 February 1999. The mission comprised of Mr. Cedric Saldana, Manager Area B, Pacific Operations Headquarter; Mr Eugene Zhukov, Financial Sector Specialist; and Mr. Adrian Ruthenberg, as mission leader. The objective of the mission is to discuss with the Government the Bank's lending and technical assistance program to Tonga for the year 2000 - 2002.

7.1.4.4 A Review Mission comprised of Mr. Pita Moala, Mission Leader/Senior Project Implementation Officer, visited Tonga from 18 to 26 April 1999 to carry out the annual review of the entitle Project and the two associated advisory technical assistance.

7.1.4.5 A Fact - Finding Mission visited Tonga from 19 to 28 July 1999. The mission comprised of Mr. Pita Moala, Senior Implementation Officer, South Pacific Regional Mission of the Asian Development Bank in Vanuatu and Mrs. Lynn Pieper, Desk Officer for Tonga at the Asian Development Bank in Manila. The purpose of the mission is to gather information for a possible program loan to Tonga.

7.1.4.6 A Review Mission comprised of Mr. Pita Moala, Senior Project Implementation Officer/ Mission Leader and Mary Narfi Navaika, Project Assistant, visited Tonga from 15 - 27 September 1999. The Mission held discussions with officials from the Ministry of Finance (MOF), the Ministry of Agriculture and Forestry (MAF), the Ministry of Works (MOW), Ministry of Labor, Commerce and Industries (MLCI), Tonga Trade (TT), to review the progress under the loan No. 1412 - TON (SF) Outer Islands Agriculture Development Project, TA No. 2467 - TON Capacity Strengthening of Ministry for Agriculture and Forestry and TA No. 2468 - TON: Institutional Strengthening of Tonga Trade.

7.1.4.7 A Review Mission, the Mission comprised of Mr. Pita Moala, Senior Project Implementation Officer visited Tonga from 23-29 November 1999. The purpose of this mission was to review Loan No. 1303 - TON (SF). Transport Infrastructure Project. The status of the implementation progress of the Project. The mission also review the project financial status, outstanding audited financial statements, impact of the projects, compliance of Loan Covenant and the associated TAs.

7.1.4.8 A Review Mission, the Mission comprised of Mr. Cheolghee Kim, Senior Project Implementation Officer (Financial Analyst) and Mr. Pita Moala, Senior Project Implementation Officer visited Tonga from 28th June to 6th July, 1999. The purpose of this mission was to review Loan No. 1030 - TON (SF) Fisheries Development Project. The mission were required to inspect the two Bank financial fishing vessels, MVs. Pakeina and Tavake.

### ***World Bank***

7.1.4.9 A Mission from the World Bank visited the Ministry from 23<sup>rd</sup> of October to 5<sup>th</sup> of November, 2000. Mr. Hilarian Codippily, Mr. Raja Mitra, Mr. Juan Constain, and Mr. Bikki Randhawa were Economist Officers came in the Mission from the World Bank. The purpose of the visit were to look into the aid from overseas, government expenditures, and each sector in the economy.

## v. STAFF TRAINING/ATTACHMENTS

### **7.1.5 The following staff were undertaking training overseas.**

7.1.5.1. Mrs. Marieta Tukuafu has successfully completed her Master of Business Administration (M.B.A) from Southern Cross University, Australia.

7.1.5.2. Mr. Kisione Niualiku Tupou has successfully completed his conjoint degree, Bachelor of Commerce (Financial Accounting)/Bachelor of Arts (Economics) from Auckland University, New Zealand.

7.1.5.3. Mr. 'Apaiata 'Aho has successfully completed his Bachelor of Economics/Management and Public Administration from the University of the South Pacific, Fiji.

7.1.5.4. Mr. Sione Hiko Pepa has successfully completed his Bachelor of Management and Public Administration/Economics from the University of the South Pacific, Fiji.

7.1.5.5. Miss Makeleta Taulangovaka has successfully completed her Bachelor of Accounting and Economics from the University of the South Pacific, Fiji.

7.1.5.6. Mrs. Pamela V. Mone has successfully completed her Bachelor of Economics/ Management and Public Administration from the University of the South Pacific, Fiji.

7.1.5.7 Miss Lesieli Mafi is still at the University of the South Pacific, Suva, Fiji doing her Bachelor of Economics and Accounting.

7.1.5.8. Mr. Henry Cocker, has completed two and half years working at the IMF Headquarters, Washington D.C. as a Technical Assistant. He is now working with the Ministry of Finance as Senior Economist.

7.1.5.9. Mr. Robert Matafonua Soakai, Principal Economist, attended the Financial Programming and Policy Course, IMF - Singapore Regional Training Institute, Singapore as from 24th May to 4th June, 1999.

7.1.5.10 Mrs. Irma Daphney Stone attended the Fiscal Management Course, held in Singapore, 25th October - 05 November 1999.

7.1.5.11 Dr. Sione Ngongo Kioa, Deputy Secretary for Finance was posted to the IMF on secondment for two years effective as from May 1999.

7.1.5.12 Miss Yasmin Wibberley recruited as Daily Paid Consultant as from 21 October, 1999.

7.1.5.13 Dr. Leimoni Taufu'i, Deputy Accountant was seconded on to the Retirement Fund Board for the duration of his appointment as Chief Executive Officer, effective as from 26th July, 1999.

7.1.5.14 The following Officers was also Seconded to the Retirement Fund:

- , *Mr. Ikapote Tavalea, Computer Programmer effective as from 30<sup>th</sup> August 1999.*
- , *Mrs. Veisia Lo'amanu, Computer Operator Grade 1 effective as from 6<sup>th</sup> September 1999.*
- , *Mr. 'Anitoni Mo'ungaloa, Clerk Class 1 effective as from 6<sup>th</sup> September 1999.*
- , *Mr. Tevita S. Tu'itupou, Clerk Class 1, effective as from 6<sup>th</sup> September 1999.*
- , *Miss Lavinia Halafih, Clerk Class III, effective as from 6<sup>th</sup> September 1999.*

, *Miss 'Ofaloto Fatu, Clerk Class III, effective as from 8<sup>th</sup> November 1999.*

**vi. ESTABLISHED STAFF**

7.1.6. Established Staff at post for both Ministry of Finance at 31 December 1998 and December 1999 were as follows:

POSITION	NUMBER AT POST	
	<u>31 DECEMBER 1998</u>	<u>31 DECEMBER 1999</u>
<b><i>Minister's Office</i></b>	<u>1</u>	<u>1</u>
Minister of Finance, also Treasurer		
Controller of Customs		
Controller of Post Office		
Commissioner of Inland Revenue		
Minister-in-Charge of Statistics and Government Supplies	1	1
<b><i>Direction Overall</i></b>	<u>23</u>	<u>26</u>
Secretary for Finance & Accountant General	1	1
Deputy Secretary for Finance	2	3
Principal Assistant Secretary	2	-
Assistant Secretary	-	2
Senior Executive Officer	-	-
Executive Officer	1	1
Principal Economist	2	2
Senior Economist	2	3
Economist	4	3
Senior Statistical Assistant	1	-
Computer Operator Grade I	1	1
Computer Operator Grade II	-	-
Computer Operator Grade III	-	2
Computer Assistant	1	2
Clerk Class II	1	1
Clerk Class III	3	1
VIP Driver	1	1
Driver	-	-
Caretaker	1	1
Manager, Government Investment Unit (GIU)	-	1
Senior Financial Analyst	-	1
<b><i>Treasury</i></b>	<u>72</u>	<u>66</u>
Director, Treasury Operation	1	-
Deputy Director	2	1
Chief Accountant	-	1
Principal Accountant	1	-
Assistant Principal Accountant	2	-
Senior Accountant	1	1
Accountant	2	1
Chief Accounting Officer	-	1
Principal Accounting Officer	0	2
Senior Accounting Officer	3	1
Assistant Senior Accounting Officer	8	6
Treasury Clerk	1	1

POSITION	NUMBER AT POST	
	<u>31 DECEMBER 1998</u>	<u>31 DECEMBER 1999</u>
Chief Clerk	1	-
Treasury Cashier	1	1
Clerk Class 1	12	8
Clerk Class II	11	10
Clerk Class III	10	12
Clerk Typist Grade II	1	1
Internal Auditor	1	1
Director of Information Systems	1	1
Systems Analyst	1	1
Senior Computer Programmer	0	-
Computer Programmer	1	-
Computer Operator Grade I	2	1
Computer Operator Grade II	2	3
Computer Operator Grade III	2	1
Computer Assistant	2	1
Trainee Accountant	1	1
Driver	2	1
Director of Procurement		1
Assistant Procurement Officer		7

**SUB-TREASURY SERVICES**

<b><u>A. Vava'u</u></b>	<b><u>11</u></b>	<b><u>11</u></b>
Sub-Treasurer/Chief Accounting Officer	1	1
Principal Accounting Officer	-	1
Senior Accounting Officer	1	-
Clerk Class I	1	1
Clerk Class II	1	3
Clerk Class III	5	4
Clerk/Typist Grade II	1	-
Driver	1	1
<b><u>B. Ha'apai</u></b>	<b><u>8</u></b>	<b><u>6</u></b>
Sub-Treasurer	1	1
Clerk Class I	1	1
Clerk Class II	2	2
Clerk Class III	3	1
Driver	1	1
<b><u>C. 'Eua</u></b>	<b><u>3</u></b>	<b><u>4</u></b>
Sub-Treasurer	1	1
Clerk Class II	1	1
Clerk Class III	1	1
Driver		1
<b><u>D. Niuatoputapu</u></b>	<b><u>3</u></b>	<b><u>3</u></b>
Sub-Treasurer	1	1
Clerk Class II	1	1
Clerk Class III	1	-

Night Watchman		1
<b><i>E. Niuafu'ou</i></b>	<b><u>2</u></b>	<b><u>3</u></b>
Sub-Treasurer	1	1
Clerk Class II	-	1
Clerk Class III	1	1
<b><i>TOTAL</i></b>	<b><u>123</u></b>	<b><u>120</u></b>

## 7.2. CUSTOMS DEPARTMENT

### i. INTRODUCTION

7.2.1. The Department continues with its primary objective of seeking to achieve effectiveness and efficiency in the examination and clearance of goods, people and carriers entering in and out of Tonga. Its also serves to protect the Kingdom and its people by carrying out the provisions of the Customs Act.

### ii. OBJECTIVES & FUNCTIONS

7.2.2. During the year, the Department has observed the four fundamental objectives as being its focal activities. They are described in more detail below.

- ) Maximising Revenue Collection in compliance with Statutes;
- ) Facilitating Assistance to Local Industries and Institutions;
- ) Monitoring and facilitating international movements of people and goods; and
- ) Maintain adequate security for the Kingdom to prevent the introduction of contraband goods including narcotics.

7.2.3. Achieving these objectives was essentially considered to promote efficiency and effectiveness of the quality of services that it has been continuously offered to the public, and also its prime responsibility of collecting the Government Revenue.

7.2.4. These objectives are categorised according to their nature and methods, procedures, post and state of application, as follows:

#### 7.2.4.1. *Maximising Revenue Collection:*

- , Facilitate, upgrade and consistently emphasizing revenue collection through a more realistic procedures and proper formulation of short and long term projection to pay for the day to day expenses of the country and its development.
- , Focused on the improvement of Fraud Prevention Programme.

#### 7.2.4.2. *Provide Assistance to Local Industries/Institutions:*

- , Contribute and assist the development of social institution and International Trade Competitiveness, based on exports oriented products through vital, efficient and timely administrative support required for documentation need.

#### 7.2.4.3. *International Customs Control:*



- , Improve investigation procedures and methods.
- , Facilitate the administrative control over the imports and exports, inwards and outwards movement of Aircrafts, vessels and people.
- , Prohibit/Restrict any importation of illicit drugs and other prohibited and restricted goods and commodities.

#### 7.2.4.4 Security, Internal Audit and Investigations:

- , To constructively undertake internal audit of the import entries after assessment and payment.
- , To regularly conduct follow-up investigations to ensure proper security resources and informed.
- , To obtain any revenue arrears.

### iii. OPERATIONS

7.2.5. During the year 1998/99 financial year the focus was on the following factors which highlights the extends of customs operations.

#### 7.2.6. Revenue Collection Activities

7.2.6.1. The Revenue Target was \$30,980,000 but the actual revenue collection for the year was \$29,571,871 leaving a surplus of \$1,408,129.

7.2.6.2. Trends of collection of imports and excise duties and miscellaneous fees for the past five years from 1995 to 1999 are shown in *Table 32* below.

**TABLE 32: REVENUE COLLECTION 1995 TO 1999**

YEAR	REVENUE COLLECTION	MANPOWER
1995	\$30,129,116	59 + 17 non-established
1996	\$30,629,435	59 + 17 non-established
1997	\$31,695,042	58 + 16 non-established
1998	\$30,015,291	58 + 15 non-established
1999	\$29,571,871	58 + 18 non-established

Source : Customs Department

### iv. ASSESSMENT OF PERFORMANCE

7.2.7. The facilitational clearance of goods from the wharf, as well as checking of passengers at the airport, our major focus has been the continuous recognition of the need to improve consultation and liaison with the business community. We have changed our approach to customs clearance process by:-

- , Allowing revenue payment at One Stop Shop at Queen Salote Wharf starting as from the 1<sup>st</sup> November 1999, Air Cargo and Airways Station, Post Office and Airport as well.
- , Delegating and distributing of responsibilities among four major divisions under the supervision of each Division by Senior Officer.
- , Allowing to discharge perishable goods such as frozen foods etc. at point of arrival.
- , Involving senior supervisors in decision-making process to hasten the movement of goods.

## v. REVENUE AND EXPENDITURE

**TABLE 33: COMPARISON OF ACTUAL REVENUE COLLECTIONS WITH ESTIMATED REVENUE**

	1994/95	1995/96	1996/97	1997/98	1998/99
ACTUAL REVENUE (\$)	30,129,116	30,629,435	31,695,042	30,015,291	29,571,871
ESTIMATED REVENUE (\$)	30,482,000	31,415,000	32,012,150	32,100,000	30,980,000
SURPLUS/DEFICIT (\$)	(352,884)	(785,565)	(317,108)	(2,084,709)	(1,408,129)

Source: Customs Department

**TABLE 34: CUSTOMS REVENUE ITEMS**

	1995/96		1996/97		1997/98		1998/99	
	Est.	Actual	Est.	Actual	Est.	Actual	Est.	Actual
Import Dues	18,000,000	13,725,380	15,130,000	13,664,183	14,935,205	13,162,943	13,885,000	12,524,453
Port & Service Tax	13,100,000	13,560,192	13,301,150	15,241,686	13,479,900	13,969,609	13,500,000	14,820,449
Wharfage	1,750,000	1,677,401	1,800,000	1,629,124	1,776,825	1,696,482	1,500,000	1,105,000
Fuel Sales Tax	1,250,000	1,025,423	1,250,000	650,685	1,373,905	808,630	1,500,000	796,926
Excise Tax	350,000	420,372	350,000	316,633	355,495	189,299	400,000	82,201
Bond Rent	45,000	49,269	50,000	50,776	49,356	7,887	50,000	72,204
Officer's Overtime	115,000	170,946	125,000	141,512	123,391	180,406	140,000	170,638
Storage	5,000	452	6,000	443	5,923	35	5,000	-
<b>Total</b>	<b>34,615,000</b>	<b>30,629,435</b>	<b>32,012,150</b>	<b>31,695,042</b>	<b>32,100,000</b>	<b>30,015,291</b>	<b>30,980,000</b>	<b>29,571,871</b>

Source: Customs Department

7.2.8. The overall revenue performance for 1998/99 has declined by \$1,408,129.

**TABLE 35: ESTIMATED REVENUE VS ESTIMATED EXPENDITURE**

	1994/95	1995/96	1996/97	1997/98	1998/99
REVENUE (\$)	30,482,000	31,415,000	32,012,150	32,100,000	30,980,000
EXPENDITURE (\$)	325,123	375,549	421,573	398,869	368,800
PERCENTAGE	1.07%	1.20%	1.32%	1.24%	1.19%

Source: Customs Department

## vi. STAFFING AND ACTIVITIES

### Meetings

7.2.9 The Collector of Customs Mr. Halahuni Langi, represented the Department at the Customs Heads of Administration Regional Meeting Sub-Committee on Regional Consultative Mechanism held at the Forum Secretariat, Suva, Fiji from 19-20 April 1999. At this meeting, the Reference Group consider the evaluation report and developed the Action Plan required for presentation to 1999 CHARM in Niue.

#### **The issues discussed include:**

- , Consideration of the Consultant's Report on the Evaluation of CHARM
- , Preparation of a report to CHARM/OCO on the Consultant's Evaluation
- , Proposals for the future of the OCO (including OCO Charter and Strengthening the Secretariat)
- , Development of an Action Plan for the future of the OCO

7.2.10. Mr. Halahuni Langi, Collector of Customs, represented the Department to UNDP Terminal Review Meeting and Forum Regional Security Committee (FRSC) Meeting, Forum Secretariat, held in Suva, Fiji from 15-18 June 1999.

7.2.11. The Collector of Customs, Mr. Halahuni Langi, represented the Department at the Customs Heads of Administration Regional Meeting (CHARM/OCO) was held in Alofi, Niue from 2-6 August 1999.

Member countries including Tonga were invited to participate in this meeting.

***The issues considered for this meeting included:***

- , *The activities, and CHARM's linkages to various international customs related bodies and conferences such as the World Customs organization (WCO), ASPEC, the Forum Regional Security Committee, the Forum Economic Ministers Meeting and the Pacific Basin Conference in Honolulu.*
- , *Trends in the smuggling of drugs and other goods*
- , *Revenue fraud*
- , *Weapons control*
- , *Regional Consultative Mechanisms between law enforcement agencies*
- , *Integrity issues for customs officers*
- , *CHARM Regional Intelligence Network*
- , *The evaluation of CHARM processes and achievements*
- , *The implementation of ASYCUDA in the region*
- , *Training*

***Training Course***

7.2.12. The Collector of Customs, Mr. Halahuni Langi, represented Customs to a Senior International Defense Management Course, held in Monterey, California from June 28 to July 23, 1999. The Collector's attendance was funded under the auspices of the United States Defense Services.

***The discussion covered the following topics:***

- , *Analytical Decision Making*
- , *Management System*
- , *Analysis of Threat Environment*
- , *Individual level of Analysis*
- , *State level of Analysis*
- , *International Analysis*
- , *Dealing with complexity*

7.2.13. The Customs Warehousing Officer, Mr. Saimone Tukipili, represented Tonga at the Training Course in Computer Applications Systems held in Singapore from 11-22 October 1999.

***Conferences***

7.2.14. The Collector of Customs, Mr. Halahuni Langi, represented Tonga in the 15<sup>th</sup> Pacific Basin Customs Enforcement Conference, organized by the U.S. Customs Services held in Honolulu, Hawaii, from 17<sup>th</sup> - 20<sup>th</sup> August 1999. The following topics were presented in the conference:

- , *Worldwide Drug Smuggling Trends*
- , *Threats to Computer Linked Industries*
- , *U.S. Customs project Amber and Counter*
- , *Weapons of Mass Destruction*

- , *Prosecution of Cyber Crimes*
- , *An Overview of International mail*
- , *Significant maritime Seizures*
- , *Alien Smuggling in the Pacific Area*

## **vii. WORKSHOP**

7.2.15. The Senior Customs Officer, Mr. Paula Naitoko, represented the Department to Samoa and Fiji in connection with the introduction and the implementation of the ASYCUDA from 18-26 August 1999.

## **viii. ESTABLISHED STAFF**

	<b>Number of Post at 31 December 1999</b>	<b>At Post 31 December 1999</b>
Collector of Customs	1	1
Deputy Collector of Customs	2	2
Assistant Deputy of Collector of Customs	2	1
Principal Customs Officer	1	1
Principal Customs Security Officer	2	2
Senior Boarding Officer	2	1
Boarding Officer	1	1
Senior Examination Officer	1	0
Senior Customs Officer	3	3
Senior Customs Security Officer	2	2
Customs Warehousing Officer	1	1
Customs Officer Grade I	4	4
Customs Officer Grade II	23	14
Customs Security Officer	2	1
Accountant	1	0
Clerk Class I	1	1
Clerk Class II	2	2
Clerk Class III	2	1
Clerk Typist Grade II	1	1
Driver	1	1
Computer Operator Grade II	1	0
Computer Assistant	1	0
Casual Staffs	16	17
<b>TOTAL STAFF</b>	<b>76</b>	<b>58</b>

## **ix. ACKNOWLEDGMENT**

7.2.16. Acknowledgment is given to various Ministries, Private Sector Enterprises, Statutory Boards, and the public for support and valuable contribution during the year. Appreciation and most heartfelt

thanks is extended to each staff members for commendable effort which enable us to perform our tasks effectively and efficiently.

## 7.3. INLAND REVENUE DEPARTMENT

### 7.3.1 INCOME TAX

#### i INTRODUCTION

The aim to be amongst the best revenue administration, in terms of fairness, integrity and professionalism.

##### *Mission*

- i. To provide government with appropriate revenue, clear, relevant and timely information.
- ii. Quick responsive and impartial in servicing and handling of taxpayers.
- iii. Conservatively deal with non-compliance, tax evasion and tax avoidance.
- iv. Ensure to collect government revenue within the ambit of tax laws and subsidiary legislation on fair and equitable basis such that both highest net revenue and taxpayers' voluntary compliance would be accomplished.

##### *Objectives and Function*

7.3.1.1. In attaining a balanced budget, the Inland Revenue Department (Income Tax and the Sales Tax Divisions) had the task of collecting \$9 million of the Government's Estimate of Total Recurrent Revenue. The sole function of the Inland Revenue Department (Income Tax Division) therefore was to maximize revenue collection from its tax base as mandated by the Income Tax Act (Cap. 68).

##### *OPERATIONS*

7.3.1.2. For fiscal year 1998/99, the \$9 million revenue target for the Income Tax Division was surpassed with an actual collection of \$12.038 million. However, the income tax refunds of \$1.078 million, reduced the gross revenue figure to approximately \$10.960 million of net revenue. As in the past, the revenue target was surpassed, despite the usual substantial income tax refunds. *Table 36* below gives a comparison with the previous financial years.

**TABLE 36: COMPARISON OF ATTAINMENT OF REVENUE TARGETS BY THE INCOME TAX DIVISION**

(i) Fiscal Year	(ii) Revenue Target \$	(iii) Total Revenue Collected \$	(iv) Refunds \$	(v) Net Revenue (iii) - (iv) \$	(vi) Surplus/ (Deficit) (v) - (ii) \$
1998/99	9,000,000	12,038,903	1,078,102	10,960,801	1,960,801
1997/98	8,677,000	9,782,757	744,354	9,038,403	361,403
1996/97	8,177,000	10,650,106	768,981	9,881,125	1,704,125
1995/96	7,110,000	9,883,380	810,374	9,073,006	1,963,006

Source: Inland Revenue

#### **ASSESSMENT OF PERFORMANCE**

7.3.1.3. The surplus collection of \$1.961 million over the \$9 million revenue estimate can be better appreciated when taking into account the considerable involvement of staff and resources in the processing of income tax refunds.

## ii. REVENUE AND EXPENDITURE

### REVENUE COLLECTION

7.3.1.4. Of the \$16.31 million total collected by the Income Tax Division and the Sales Tax Division, 69% (\$10.961m) came from Income Tax and the balance of 31% (\$5.349 m), from Sales Tax.

7.3.1.5. Table 37 below compares the revenue collection for 1998/99 with the two previous fiscal years. Revenue is also broken down according to different classes of taxpayers.

**TABLE 37: A COMPARISON OF REVENUE COLLECTION BY THE INCOME TAX DIVISION ACCORDING TO TAXPAYER GROUPING**

	Type of Revenue	1996/97 Actual (\$)	1997/98 (\$)	1998/99 (\$)
<b>A</b>	<b>Corporation</b>	<b>6,843,299</b>	<b>6,157,372</b>	<b>7,561,238</b>
<b>B</b>	<b>Non- Corporation</b>	<b>3,806,807</b>	<b>3,625,385</b>	<b>4,477,665</b>
i)	Salary/Wage	11,228		
ii)	PAYE Private	1,926,563	1,963,012	2,102,102
iii)	PAYE Govt.	1,204,315	1,311,314	1,913,292
iv)	Withholding *	267,716	19,490	182,286
v)	Provisional	396,985	331,569	279,985
	<b>TOTAL COLLECTED</b>	<b>10,650,106</b>	<b>9,782,757</b>	<b>12,038,903</b>
	<i>less Refunds</i>	<i>768,981</i>	<i>744,354</i>	<i>1,078,102</i>
	<b>TOTAL NET REVENUE</b>	<b>9,881,125</b>	<b>9,038,403</b>	<b>10,960,801</b>
	<b>Estimated Revenue</b>	<b>8,177,000</b>	<b>8,677,000</b>	<b>9,000,000</b>
	<b>Surplus</b>	<b>1,704,125</b>	<b>361,403</b>	<b>1,960,801</b>

Source: Inland Revenue

\* Part of the Withholding tax is already incorporated for the current year in the other types.

### RECURRENT REVENUE

7.3.1.6. The Actual Revenue collected from corporation tax (\$7,561,238) contributed 69% of net revenue, and together with 27% from PAYE tax deduction payments (after adjustment for income tax refunds -\$1,078,102) amounts to 96% of the net revenue collected (\$10.961 million). The remainder was collected from other areas such as provisional and withholding tax.

7.3.1.7. The personal income tax refund figure of over half a million pa'anga reflect provisions in the Income Tax Act for a general exemption (\$2,500) and special exemptions: dependents (\$350 per dependent to a maximum of 5 i.e. \$1,750), school fees/educational expenses of dependent children (\$2,500 per dependent), monetary contributions to superannuation schemes (\$1,500), life insurance policies (\$600), housing loan repayments(\$1,000), fixed assets loan repayments (\$1,000) and charitable contribution (\$750).

Some of the other factors that helped to promote an environment-friendly climate for both the individual and corporate taxpayers include the following: -

- the granting of the development licence through the Industrial Development Incentives Act that entitles the recipient to a 5 years tax holiday; losses are allowed to be carried forward as well as consideration for the extension of the tax holiday;*
- the exemption of income derived directly from subsistence farming and fishing activities;*
- the relatively low income tax rates for individuals and corporations compared to neighbouring economies, such as Samoa and Fiji.*

However, it is worth noting the impact of the above factors on the income tax collection. That is the tax

revenue forgone in the above situations.

### **RECURRENT EXPENDITURE**

7.3.1.8. The expenditure for the fiscal year 1998/99 is given in *Table 38* and the expenditure for the 1997/98 year is given for comparison.

**TABLE 38: A TWO YEAR COMPARISON OF THE RECURRENT EXPENDITURE VOTE FOR THE INCOME TAX DIVISION**

Fiscal Year	1997/98		1998/99	
	Actual \$	Estimate \$	Actual \$	Estimate \$
Personal Emolument	203,635	297,838	255,409	263,628
Recurrent Expenditure	132,850	144,250	191,680	398,340
Special Warrant				
<b>TOTAL</b>	<b>336,485</b>	<b>442,088</b>	<b>447,089</b>	<b>661,968</b>
Surplus/(Deficit)	(105,603)		(214,879)	
Cost of Collection	3.7 seniti		4.1 seniti	

Source: Inland Revenue

### **COST OF COLLECTION**

7.3.1.9. The opportunity cost of staff and resources preoccupied with the processing of the income tax refunds was reflected in the increase in the cost of collection from 3.7 seniti in 1997/98 to 4.1 seniti per pa'anga of net tax collected for the fiscal year 1998/99.

### **INCOME TAX ARREARS**

7.3.1.10. The arrears from delinquent taxpayers increased from \$9.5 million for 1997/98 to \$10.3 million for 1998/99. The arrears for 1998/99 is made up of 62% from Corporations and 38% from Non Corporations. On the other hand, the arrears for 1996/97 was made up of 58% from Corporations and 42% from Non Corporations.

7.3.1.11. Currently, over \$2 million of these arrears are with the Crown Law Department for further recovery actions.

7.3.1.12. It is anticipated that as the resources of the department would be strengthened, the department would be able to consistently reduce the arrears as desired. Also any review of the Tax Law would contribute to effective controlling of the tax arrears.

## **iii. STAFFING AND ACTIVITIES**

### **RELATED ACTIVITIES**

7.3.1.13. The primary function of the income tax division is the collection of income tax, once the income tax is assessed. However, as part of Government's policy of encouraging individuals to invest in higher education and the construction of housing, etc, the processing of income tax refunds have become a major part of the department's work cycle. The shortage of technical staff such as Legal Officers, Accountants, etc has had a thinning out effect that does not help in trying to reduce the income tax arrears. But despite this problem, the Inland Revenue was able to operate and maintain continuity of activity.

### **HEAD OF DEPARTMENT**

7.3.1.14. Mr. Sione Fikaloto Naulivou, Assitant Deputy Commissioner is Acting Deputy Commissioner of Inland Revenue while Deputy Commissioner, Sitiveni Takaetali Finau held the post of Acting Chief



Post Master.

### ***PERFORMANCE OF OUTER ISLAND OFFICES***

7.3.1.15. There are four posts allotted to the Vava'u Office comprising of Senior Examiner, Mrs. Tupou Lavemaau, two Examiners Miss Seini Laulaupea'alu and Mr. Saia Folau and one Assistant Tax Recorder Miss Liona Maama. There are also three daily paid clerks transferred from Government Store to this office.

7.3.1.16. For the Island Groups of Ha'apai, one Senior Examiner, Miss Makueta Vakasiuola is the Treasurer's Office at Ha'apai to handle tax matters.

7.3.1.17. In the other outer islands of 'Eua, Niuatoputapu and Niuafu'ou, the Inland Revenue uses the services of the Sub-Treasurers who have offices at each of these islands.

### ***STAFF TRAINING***

*During the year the Department obtained some training opportunities offered locally and overseas.*

7.3.1.18. The Pacific Financial Technical Assistance Centre (PAFTAC) funded the attachment of two of the senior staff with the Fiji Inland Revenue Department. Mr. Sione Naulivou (Acting Deputy Commissioner of Inland Revenue) had a three weeks attachment in February with tax review as its purpose. Currently the Department, Secretary for Finance and the PAFTAC Tax Advisor are still working on a proposed review of the Income Tax Law.

7.3.1.19. The Assistant Deputy Commissioner Mr. Sione Naulivou also had a three weeks attachment with the Tax Investigation Unit of the Fiji Inland Revenue Department. Since then, this Department has informally set-up a Tax Investigation Section, basically drawing on the skills of existing Officers.

7.3.1.20. Mr. Pita Ha'angana, Acting Chief Recovery Officer was at Malaysia from 24<sup>th</sup> June to 4<sup>th</sup> August, 1999. Participating in Training on General Tax Administration Course. The Inland Revenue Board of Malaysia funded the required training expenses for the officer.

7.3.1.21. Three members of the staff were enrolled in the Accounting Studies programmes offered by the Community Development and Training Centre. One member was awarded the Certificate in Accounting Studies. He was Mr. Paula Vea Falevai (Clerk Class III).

### ***ESTABLISHED STAFF***

7.3.1.22. At the Inland Revenue Department there was a total number of 49 established staff and 4 daily paid clerks. A list of names of the Established Staff and the Daily Paid Clerks for the Income Tax division is provided.

7.3.1.23. Amongst the staff rotation was Mr. Pita Ha'angana (Senior Accountant), Treasury Department as Acting Chief Recovery Officer be promoted to the new post of Assistant Deputy Commissioner of Inland Revenue. Mr. Vai Koaneti (Principal Custom Security Officer) returned to his post at Customs Department.

7.3.1.24. Mr. Latu Silatolu Filise (Assistant Deputy Commissioner) retired from civil service in May this year, and also Mr. Mataiasi Lua Holani (Chief Examiner) be promoted to vice Mr. Filise.

7.3.1.25. There were various vacant posts due to promotion, retirement and dismissal. Some of these posts were filled but four posts were still vacant.

**COMPUTERIZATION**

7.3.1.26. The Income Tax Division currently has 6 computers and 3 printers. Some officers have now undertaken introductory computer courses and some staff are actually using these computers.

The use of computers have been advantageous especially in word-processing as well as the following specific activities:

- , Updating the File Index for each type of taxpayer group
- , Preparation of Monthly Reports
- , Updating the Tax Arrears

Their usage have enhanced the efficiency of some of the work routines but is yet to be fully integrated into the administration of revenue collection.

7.3.1.27. Currently, the Aus Aid Revenue Strengthening Project is due to commence. It is anticipated that the tax collection process will be fully computerised under this project and that would enhance the collection of this department.

**iv. COMMONWEALTH ASSOCIATION OF TAX ADMINISTRATORS**

7.3.1.28. The Acting Deputy Commissioner of Inland Revenue, Mr. Sione Naulivou attended the CATA's 20<sup>th</sup> conference of the Tax Administrators which was held in Belize, Central America as from 16<sup>th</sup> to 20<sup>th</sup> August 1999.

**v. COURT OF REVIEW**

7.3.1.29. No cases were heard in the Court of Review this year. However, currently there are some cases to be heard in this court and are with the Crown Law Department to take up in due course.

7.3.1.30. Established Staff:

**STAFF OF THE INLAND REVENUE DEPARTMENT 1999**

	<b>Position</b>	<b>No. of Post</b>	<b>No. of Post as at 31/12/99</b>
1	Deputy Commissioner	-	1
2	Assistant Deputy Commissioner	2	3
3	Chief Examiner	4	5
4	Chief Recovery Officer	1	1
5	Principal Examiner	1	1
6	Assistant Tax Administrator	1	1
7	Senior Examiner	4	4
8	Senior Examiner ( <i>Vv.</i> )	1	1
9	Accountant	1	1
10	Examiner ( <i>Vv.</i> )	1	1
11	Examiner	3	3
12	Recovery Officer	1	1
13	Examining Clerk	1	1
14	Computer Operator Grade II	1	1

	Position	No. of Post	No. of Post as at 31/12/99
15	Computer Operator Grade III	1	1
16	Computer Assistant	1	1
17	Clerk Typist III	-	1
18	Clerk Typist III ( <i>Vv.</i> )	-	-
19	Clerk Class I	2	2
20	Clerk Class II	2	2
21	Clerk Class III	6	6
22	Driver/Messenger	1	2
23	Assistant Tax Recorder	5	5
24	Assistant Tax Recorder ( <i>Vv.</i> )	1	1
25	Daily Paid Clerk	1	1
26	Daily Paid Clerk ( <i>Vv.</i> )	3	3
	<b>TOTAL</b>	<b>45</b>	<b>50</b>

## 7.3.2. SALES TAX ADMINISTRATION

### i. INTRODUCTION

#### OBJECTIVES AND FUNCTIONS

The statutory functions of the Sales Tax Office of the Inland Revenue Department is to collect revenues on two broad categories of transactions:-

- i on retail and sales and certain services made or provided by business owners who have Sales Tax numbers.*
- ii on goods imported by non-registrants (i.e) all private individuals and business owners provided these goods are intended for re-sales.*

No sales tax is applied on trading for re-sale between registrants. Certain specified goods and enterprises are exempted from the tax.

7.3.2.1. The principal Sales Tax Office operates from distinct premise at Fakafanua Centre, Ma'ufanga, Tongatapu, and shares staff and premises in the Income Tax office of the Department in Neiafu, Vava'u. Collections are made through Sub-Treasuries elsewhere in the Kingdom.

7.3.2.2. The objective is to maximise the collection of the sales tax within the parameter of the Sales Tax Act No. 3 of 1986 in the most cost effective manner possible.

### ii. OPERATIONS

7.3.2.3. The actual sales tax collection has exceeded both the Estimate Revenue to 30<sup>th</sup> June 1999 as well as the actual revenue of the previous year. There were no relevant changes in the Law applicable to the year and the effect of inflation was minimal. There has been a marked increase in the coverage and the transaction base activity related to Sale Tax.

Operating cost decreased by 24% as compared to the previous year and able to hold at 6% below the estimate.

### iii. ASSESSMENT OF PERFORMANCE

7.3.2.4. Despite the attempts to eliminate the practice under declaration of value that resulted in low revenue collection, the Sales Tax Office performed strongly during the year. However, there are other sources of concern as follows:-

- i. many goods imported as “not for re-sale”, undoubtedly continued to be diverted to that end.
- ii. a significant proportion of goods imported by non-registrant appear to be declared at sometime unrealistically low valuation.
- iii. the current Act needs to be modernised and to provide for an effective enforcement powers.
- iv. urgent need for technical staff to provide effective compliance and auditing.

### iv. REVENUES AND EXPENDITURES.

7.3.2.5. Revenue Collections :-

Table 39 shows actual revenue, expenditure and surplus available for government activities for the Sales Tax Administration during the last 10 years of its existence and has a marked increase from \$2.4 million 1988/89 and now reached \$5.3 million this year 1998/99.

**TABLE 39: SALES TAX ADMIN.: ACTUAL REVENUE, EXPENDITURE AND SURPLUS**

YEAR	ACTUAL REVENUE	ACTUAL EXPENDITURE		ACTUAL SURPLUS
	(\$)	(\$)	% OF REVENUE	(\$)
1989/90	2,489,443	36,513	1.47%	2,452,930
1990/91	3,505,031	34,445	0.98%	3,470,586
1991/92	3,647,941	54,972	1.51%	3,592,969
1992/93	3,630,796	47,839	1.32%	3,582,957
1993/94	4,525,141	58,273	1.29%	4,466,868
1994/95	4,382,472	60,202	1.37%	4,322,270
1995/96	4,629,361	79,269	1.71%	4,550,092
1996/97	4,588,237	89,177	1.94%	4,499,060
1997/98	4,844,319	80,281	1.66%	4,764,038
1998/99	5,348,573	91,266	1.71%	5,257,307

Source: Sales Tax Department

7.3.2.6. Table 40 shows actual sales tax revenues by island sectors over the last 10 years, together with their percentage share of total collections. Nuku'alofa has marginally increased its share over the years. The collection for the Outer Islands have shown marked improvement. Vava'u collections increased from T\$536,778 in 1997/98 to T\$546,746 during 1998/999, an increase of 1.86%. Ha'apai reflected an increase of 0.80% whilst 'Eua experienced a decline of 2.55%..

**TABLE 40: SALES TAX ADMINISTRATION: ACTUAL REVENUES BY ISLAND SECTOR**

YEAR	NUK. \$	% OF TOTAL	VAVA'U \$	% OF TOTAL	HA'APAI \$	% OF TOTAL	'EUA \$	% OF TOTAL	TOTAL \$
1989/90	2,101,316	84.41%	311,176	12.50%	52,073	2.09%	24,878	1.00%	2,489,443
1990/91	3,018,605	86.12%	366,345	10.45%	72,619	2.07%	47,462	1.35%	3,505,031
1991/92	3,202,627	87.79%	321,664	8.82%	75,866	2.08%	47,784	1.31%	3,647,941
1992/93	3,156,739	86.94%	349,747	9.63%	79,977	2.20%	44,532	1.23%	3,630,995
1993/94	3,993,411	88.25%	402,727	8.90%	78,297	1.73%	50,706	1.12%	4,525,141
1994/95	3,755,502	85.69%	481,636	10.99%	96,399	2.20%	48,935	1.12%	4,382,472
1995/96	3,985,587	86.09%	509,995	11.02%	83,416	1.80%	50,363	1.09%	4,629,361
1996/97	4,132,820	90.07%	376,974	8.22%	43,748	0.95%	34,695	0.76%	4,588,237
1997/98	4,205,470	86.81%	536,778	11.08%	58,292	1.20%	43,779	0.90%	4,844,319
1998/99	4,700,407	87.88%	546,746	10.22%	58,756	1.10%	42,664	0.80%	5,348,573

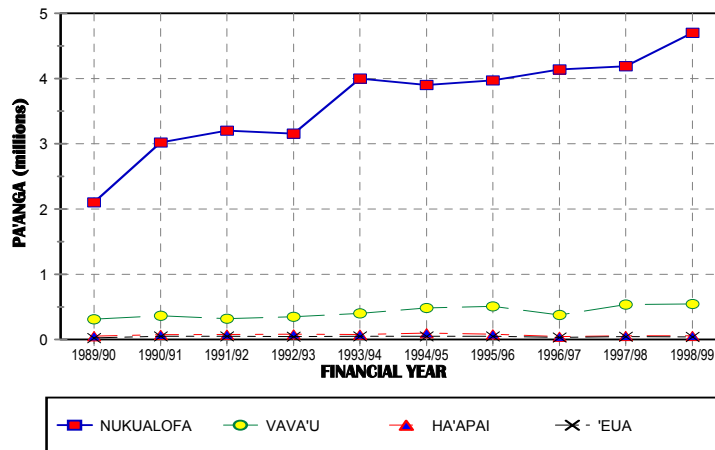
Source: Sales Tax Department

7.3.2.7. Figure 16 shows the actual collection by island.

**COST OF COLLECTION:-**

7.3.2.8. Cost of collections during the 10 years, are shown as follows:- the 1988/89 - 1994/95 has not exceeded 1.5% and 1995/96 - 1997/98 has increased to 4% and 1998/99 a decrease of 1.7% of the total collection which is exceptionally low as compared to the normal conventional percentage cost of collection for taxation generally.

**FIGURE 16: ACTUAL REVENUE COLLECTIONS BY SECTORS 1989/90 to 1998/99**



**v. STAFFING AND ACTIVITIES.**

**7.3.2.9. Related Activities:-**

The Sales Tax Office has to monitor and check the monthly analysis of turnover of registrants, and has to monitor both the imports by others. It has to ensure the exemption privileges on transactions between and with registrants is not abused. Further, it has to monitor both statutory and specially exempt transactions on a continuing basis, and to identify potential new registrants as well as performing its routine collection functions.

Its activities extend throughout the Kingdom, but are constrained as described below. If these constraints can be reduced, there is no doubt that sales tax collection could increase by substantially more than the additional costs involved to achieve this.

**7.3.2.10. Performance of outer island office:-**

The annual collection for the outer islands has shown a marked improvements during the past 10 years. However, Vava'u's annual collection has increased from T\$536,778 in 1997/98 to T\$546,746 during 1998/99 an increase of 1.9%. Ha'apai had increased from T\$58,292 in 1997/98 to T\$58,756 in 1998/99 an increase of 0.8% while 'Eua decreased from T\$43,779 in 1997/98 to T\$42,664 in 1998/99 a decrease of 2.5%. However, annual collection at Nuku'alofa has increased from T\$4.19 million 1997/98 to T\$4.7 million 1998/99, an increase of 5%. During the 1998/99, the two Niua recorded no Sales Tax revenues.

**7.3.2.11. Official Visits:-**

Several visits by Sales Tax Administrator were undertaken during the year to Vava'u. However, regular contact with other islands has been maintained through the modern telecommunications services.

**7.3.2.12. The total personnel are as follows:-**

	<b>1997/98</b>	<b>1998/99</b>
Sales Tax Administrator	1	1
Chief Examiner	1	1
Principal Examiner	1	1
Clerk Class I	1	1
Clerk Class III	2	3
Computer Assistant	1	1
Computer Operator Trainees	2	2
Driver	1	1
Daily Clerks	6	5
	<b>16</b>	<b>16</b>

7.3.2.13. During the year 1998/99 the number of staff remains the same. Staffs consist of 2 Senior Officers, namely a Chief Examiner and a Principal Examiner, Sales Tax Administrator, 1 Clerk Class I, 3 Clerk Class III, 2 Computer Operators Trainees, 1 Driver, 5 Daily Paid Clerks and 1 Computer Assistant.

7.3.2.14. With the increase in number of staff at senior level, it enabled the administration to cover various areas such as the airports and business enterprises at Tongatapu and the outer islands.

**vi. ACKNOWLEDGMENT**

7.3.2.15. I would like to place on records my sincere appreciation and grateful thanks to the Honourable Minister of Finance, Commissioner of Inland Revenue for his guidance for the overall functions of the administration during the year. May I also thank the department head, the Deputy Commissioner of Inland Revenue and all officers under my administration for their valued assistance and support throughout the year. The data of revenue collection gives a strong encouragement despite the world wide recession are now faced by most developed countries. Under the present economic guideline it appears that I shall be rewarded with another successful year of collection.

## **7.4. POST OFFICE**

### **i. POSTAL SERVICES**

#### ORGANIZATION STRUCTURE

7.4.1. The Hon. Minister of Finance is the Controller of the Post and is the highest authority of the Tonga Post Office. He recommends to Cabinet for the appointment of the Chief Postmaster to direct the operations of the Post Office with headquarters at Nuku'alofa. The operations of postal services are centralised at the Nuku'alofa Chief Post Office, which handle all overseas, domestic, air and surface mails under the direct control of the Chief Postmaster. Each of the five districts of Vava'u, Ha'apai, 'Eua, Niuatoputapu and Niuafu'ou is under the charge of the Sub-Treasurer for each respective district, who is also designated as Postmaster. The islands of Ha'afeva and Nomuka are being served by postal agents, one in each island, who sell stamps, collect and deliver mails to the people.

#### OPERATIONAL OBJECTIVES

7.4.2 The Tonga Post is an indispensable link in the Kingdom's development process. Its main work objectives are as follow:

- i) To facilitate speedy, secure and economical exchange and distribution of the mail throughout the Kingdom, and with the rest of the world;
- ii) To generate and earn revenue for the Government through the sales of postage stamps, special duty and philatelic purposes, and provision of other services related to the main function of mail exchanges; and,
- iii) To generate and earn foreign exchange for Government through the exchanges of mails with foreign postal administrations plus overseas philatelic stamp sales.

#### MAIL DISPATCH AND CIRCULATION

7.4.3 The standards and structure of mail circulation provided during the year under review were basically the same as the previous year. With regard to international Air Mail, which makes up about 91.5% of total mail traffic, all air carriers that link Tonga with the rest of the world were used. The selection of air routes takes into account speed, conveyance costs, and regularity. The main direct mail exchange partners continued to be New Zealand, Australia, United States of America, United Kingdom, Germany, Japan, Taiwan, Fiji, Eastern and Western Samoa and Niue. For each of these destinations there was an average Air Dispatch of twice a week. For all other countries, mail exchanges were operated on an 'Open Mail' transit basis (A'decouvert). Frequency of Air Dispatch depends on availability of the mail, which was on average three times a week.

7.4.4. International Surface mail circulation continued to be irregular except for the Tonga, Australia, New Zealand, Fiji, Samoa sector where the Forum Lines operate on a relatively regular basis. Mail exchanges with the other destinations continued to be very irregular. Surface mails destined beyond and to other countries were sent in transit through New Zealand, with an average frequency of once a month.



7.4.5. Domestic mail circulation efficiency was maintained. Air mail exchanges between Nuku'alofa and Neiafu were regularly made twice a week, and once a week between Nuku'alofa and Pangai. To 'Eua, the daily boat service was utilised to save costs. The exchanges of surface mails between Tongatapu, Ha'apai (Lifuka and Lulunga districts) and Vava'u were improved from once to twice a week, using the "MV OLOVAHA", "LOTO HA'ANGANA", AND "TAUTAHI". The exchange of surface mails with the two Niuas and the 'Otumu'omu'a District in Ha'apai continued to be irregular due to the absence of a permanent sea service for those sectors.

7.4.6. The local mail distribution programmes for the year under review are shown in Table 41:

**TABLE 41: LOCAL MAIL DISTRIBUTION PROGRAMS FOR 1999**

POST OFFICE	SERVICE/DISTRICTS	CONVEYANCE/ MEANS	FREQUENCY	OBSERVATIONS
Neiafu	Vava'u District	Air	Twice a week	Regular
-	-	Surface	Twice a week	Regular
Pangai	Ha'apai District	Air	Once a week	Regular
-	-	Surface	Twice a week	Regular
Nomuka	'Otumu'omu'a	Surface	Twice a month	Irregular
Ha'afeva	Ha'apai Lulunga	Surface	Twice a week	Regular
'Ohonua	'Eua District	Surface	Daily	Regular
Niuaotuputu	Ntt / Tafahi	Air	Twice a month	Regular
-	-	Surface	Once a month	Irregular
Niuafo'ou	Niuafo'ou	Air	Once a month	Regular
-	-	Surface	Once a month	Irregular

Source: Post Office

## MAIL DISTRIBUTION AND DELIVERY

7.4.7. The main delivery mediums were:

- Private Mail Boxes which the owner can clear any time. One can rent a box at Nuku'alofa, Neiafu or Pangai.
- Private Mail Bag which the owner can clear or collect the mail only in office hours. One can rent a bag only at Nuku'alofa.
- Town Officers periodically visit the Post Office to collect the mails for their respective areas or the addressees themselves collect their mails from the Post Office. Mails were delivered twice weekly to Town Officers in the Tongatapu District and they then distributed to the addressees in their respective villages.
- All Post Offices in Tonga operate a separate counter which services addressees with no specific address but with an implication that the addressees would personally collect their mails from the Post Office. Yachts' people and occasional visitors invariably use this medium.

## MAIL VOLUME

7.4.8. During 1999 the Tonga Post handled a total volume of 1,360,194 pieces compared to 1,138,087 pieces in 1998, an increase of 19.5%. This contrasts with 1998 in which there was a decrease of 6%. Total domestic mail handled amounted to 6.4% and 93.6% were international mails. The domestic mails handled 92,832 pieces in 1999 compared to 104,885 pieces in 1998, a decrease of 11.5%. The international mails handled 1,360,194 pieces in 1999 compared to 1,138,097 pieces in 1998 - an increase of 19.5%.



7.4.9. The mail volume figures for 1998 and 1999 are shown in *Table 42* and *Table 43* :

**TABLE 42: DOMESTIC MAIL VOLUME**

A) LETTER POST	TRAFFIC	1998	1999	INCREASE/ -DECREASE
Air LC/AO in	Inward	36,582	38,584	5.5%
Weight by kg	Outward	44,408	34,580	-22.1%
<b>Total Weight (kg)</b>		<b>80,990</b>	<b>73,164</b>	<b>-9.7%</b>
<b>Total in Number of Items</b>		<b>80,990</b>	<b>73,164</b>	<b>-9.7%</b>
Surface LC/AO by	Inward	9,864	6,566	-33.4%
Number of Items	Outward	12,972	11,859	-8.6%
<b>Total Number</b>		<b>22,836</b>	<b>18,425</b>	<b>-19.3%</b>
<b>Total Number (Air and Surface)</b>		<b>103,826</b>	<b>91,589</b>	<b>-11.8%</b>
B) LOCAL PARCEL	TRAFFIC	1998	1998	0
Air by	Inward	151	245	62.3%
Number by Items	Outward	192	290	51.0%
		<b>343</b>	<b>535</b>	<b>56.0%</b>
Surface by	Inward	133	143	7.5%
Number of Items	Outward	583	565	-3.1%
		<b>716</b>	<b>708</b>	<b>-1.1%</b>
<b>Total Number (Air and Surface)</b>		<b>1,059</b>	<b>1,243</b>	<b>17.4%</b>
<b>TOTAL NUMBER A) &amp; B)</b>		<b>104,885</b>	<b>92,832</b>	<b>-11.5%</b>

- Notes: i. LC and AO abbreviations used in *Table 43*) above refer to letters, cards, small packets, newspapers, etc, excepting parcels.  
 ii. Inward mail refers to all mails coming in to Nuku'alofa from the outer islands Sub-Post Offices.  
 iii. Outward mail refers to all mails going out of Nuku'alofa Post Office to outer islands of the Kingdom.  
 iv. Airmails LC/AO are stated in their weights per kilograms and estimated items while Surface LC/AO and Parcels (Air & Surface) are stated in number of items.  
 v. There was a decrease of 11.5% in exchange of mail between Tongatapu and outer islands compared to the previous year, a decrease of 8.3%.

**TABLE 43: INTERNATIONAL MAIL VOLUME**

a) Letter Post	Traffic	1998	1999	Increase/ -Decrease
Air LC/AO in	Inward	640,276	806,442	25.95%
Weight by kg	Outward	262,314	260,104	-0.84%
Surface LC/AO in	Inward	214,968	264,070	22.84%
Weight by kg	Outward	13,884	23,400	68.54%
<b>Total Weight (kg)</b>		<b>1,131,442</b>	<b>1,354,016</b>	<b>19.67%</b>
<b>Total in Number Items</b>		<b>1,131,442</b>	<b>1,354,016</b>	<b>19.67%</b>
b) Foreign Parcel	Traffic	1998	1998	Increase/ -Decrease
Air by	Inward	5,021	3,642	-27.46%
Number of Items	Outward	433	478	10.39%
Surface by	Inward	745	739	-0.81%
Number of items	Outward	456	319	-30.04%
<b>Total Number</b>		<b>6,655</b>	<b>5,178</b>	<b>-22.19%</b>
<b>Total Number A) &amp; B)</b>		<b>1,138,097</b>	<b>1,359,194</b>	<b>19.43%</b>

**Notes:**

- The total volume of International mail items received in 1999 decreased by 19.5%.
- Inward international mail decreased by 24.8% and Outward international mail decrease by 1.03%
- Outward Parcel Post decreased by 11.5%.
- Inward Parcel Post decreased by 24%.

Source: Post Office



## **MONEY ORDER SERVICE**

7.4.10. Money Order exchanges between Tonga, Australia and New Zealand were terminated in 1990. The British Postal Orders is being phased out. There is a strong preference by the public to utilize the service of other institutions for transfer of money.

## **EXPRESS MAIL SERVICE**

7.4.11. This project has been in the pipeline for a few years, yet it has not been implemented due to funding constraints. Express Mail Service is planned to be established in 2001 to raise the Post revenue, as well as counter the growing strength of couriers in Tonga. However, Tonga Post received Express Mail from New Zealand Post and Australia Post and Fiji from which we collected service fees for instant delivery.

## **ii. PHILATELIC**

7.4.12. The Philatelic Bureau continued to improve in its operation, as well as trying to modernise by building its customer database and computerise its stock. It continues to work closely in consultation with the New Zealand Post Philatelic Advisory Service in design and stamp production, international agents liaison, marketing as well as assisting in Bureau servicing.

7.4.13. There were 7 stamp issues in 1999, 4 for Tonga and 3 for Niuafou'ou. The period of sales of each issue released is two years.

7.4.14. A Millennium Issues Programme for Tonga and Niuafou'ou was launched to mark Year 2000. Part 1 was a Pre-Millennium setenant picture (4 stamps) which was released on September 15, 1999. Part II consists of 4 round stamps and a mini sheet (Tonga) and mini sheet for Niuafou'ou, released on January 1, 2000. A Millennium pack (consists of all Millennium Stamps was also released on January 1, 2000.

7.4.15. Philatelic customers are 100% foreign collectors. We have acquired overseas agents in various countries as an attempt to get into the global philatelic market. Sales have increased substantially.

## **iii. FINANCIAL PERFORMANCE**

7.4.16. In 1998/99, Tonga Post Office collected gross revenue of \$826,380 an increase of 58.2% from 1997/98 gross revenue. The total expenditure was \$437,790 a decrease of 21.7% from the previous year. The surplus of \$388,590 was a contrast to previous financial year deficit.

7.4.17. Sales of Stamps increased by 28.1% compared to previous year decrease of 25%.

7.4.18. There is an increase of 69.1% in mail boxes rental revenue. Effort is made to collect rental arrears as well as renting out mail boxes with 2 years arrears to new customers.

7.4.19. Revenue for Foreign Accounts increased by 134.5% compared to previous year despite the irregularity of overseas accounts payment.

7.4.20. The Philatelic Section collected \$220,694 in revenue and expended \$101,285 a surplus of \$119,409.

7.4.21. Philatelic and Foreign Account Sections together earned \$466,434 an increase of 82.4% from previous year.

7.4.22. Tonga Post Office financial position for the financial years 1997/98 and 1998/99, and for the calendar years 1998 and 1999 are shown in *Table 44* and *Table 45* respectively:

**TABLE 44: FINANCIAL POSITION FOR 1997/98 AND 1998/99**

REVENUE	1997/98	1998/99	+/-
Sales of Stamps	221,434	283,741	62,307
Foreign Accounts	104,778	245,740	140,962
Rental Boxes	45,063	76,205	31,142
Philatelic	150,823	220,694	69,871
<b>Total Revenue</b>	<b>522,098</b>	<b>826,380</b>	<b>304,282</b>
EXPENDITURE			
Mail Transit	69,907	55,939	-13,968
Salaries	146,031	150,718	4,687
Wages	31,826	22,700	-9,126
Overtimes	23,638	14,075	-9,563
Others	116,797	93,073	-23,724
Philatelic	170,611	101,285	-69,326
<b>Total Expenditure</b>	<b>558,810</b>	<b>437,790</b>	<b>-121,020</b>
<b>Excess of Revenue over Expenditure</b>	<b>-36,712</b>	<b>388,590</b>	<b>425,302</b>

**TABLE 45: FINANCIAL AT CALENDER YEAR POSITION 1998 AND 1999**

REVENUE	1998	1999	+/-
Sales of Stamps	239,604	268,664	29,060
Foreign Accounts	249,255	44,931	-204,324
Rental Boxes	58,919	63,701	4,782
Philatelic	158,037	215,824	57,787
<b>Total Revenue</b>	<b>705,815</b>	<b>593,120</b>	<b>-112,695</b>
EXPENDITURE			
Mail Transit	67,196	12,453	-54,743
Salaries	177,589	139,953	-37,636
Wages	21,300	30,970	9,670
Overtimes	15,262	13,406	-1,856
Others	103,507	121,225	17,718
Philatelic	63,286	70,281	6,995
<b>Total Expenditure</b>	<b>448,140</b>	<b>388,288</b>	<b>-59,852</b>
<b>Excess of Revenue over Expenditure</b>	<b>257,675</b>	<b>204,832</b>	<b>-52,843</b>

Source: Post Office

## **iv. STAFFING**

### **TRANSFER**

7.4.23. Mr. Tevita Tupou, Chief Examiner at the Inland Revenue Department, was promoted to Manager Philatelic and resumed duty on July 1, 1999.

7.4.24. Mr. Pita Pepa, Manager Philatelic, was promoted to the post Deputy Chief Postmaster, April 14, 1999.

7.4.25. Mr. Paula Tafitu'a, Mail Supervisor, Vava'u Post Office, was promoted to the post Sub-Treasurer, Niuatoputapu, April 14, 1999.

7.4.26. Mr. Holani, Chief Clerk, Post Office, was promoted to Auditing Officer, Audit Department, April 14, 1999.

7.4.27. Ms. Fe'ofa'aki Latu, Auditing Officer, Audit Department, was promoted to the post Mail Supervisor, Vava'u Post Office, April 14, 1999.

7.4.28. Mr. Taulango Manukeu, Senior Returning Officer, Prime Minister's Office, was promoted to the post Chief Clerk, Post Office, April 14, 1999.

7.4.29. Mr. Teulilo Moala, Clerk Class III, Ministry of Justice, was promoted to the post Clerk Class II, Post Office, April 14, 1999.

7.4.30. Mr. Kaumavae Sefesi, Clerk Class III, Post Office, was promoted to the post Clerk Class II, Statistics, April 14, 1999.

7.4.31. Mr. Nicollette Palu, Daily Labour, Post Office, was appointed to the post Clerk Class III, Post Office, April 14, 1999.

### **RETIREMENT**

7.4.32. Mr. Sione Lavemai 'Eukaliti, Driver, retired from the Civil Service on April 1, 1999.

### **OVERSEAS TRAVEL**

7.4.33. The Acting Chief Postmaster, Mr. Sitiveni Takaetali Finau, attended the 22nd UNIVERSAL POSTAL UNION (UPU) Congress, Beijing, People's Republic of China, August 23 - September 15, 1999.

7.4.34. The Deputy Chief Postmaster, Mr. Pita Pepa, attended the China '99 World Stamps Exhibition, Beijing, People's Republic of China, August 21 - 30, 1999.

7.4.35. Postal Inspector, Ms. Katalina Vavahe'a Falemaka, attended the Melbourne World Stamp Exhibition '99, Melbourne, Australia, 19 - 24 March, 1999.

7.4.36. Accounting Officer, Mrs. 'Atelaita Taukei'aho, attended the Advanced Business Management Course, APPTC, Bangkok, Thailand, May 17 - 28, 1999.

7.4.37. Senior Stampseller, Mrs. Matelita Taufu, attended the Sales and Selling Skills Management Course, APPTC, Bangkok, Thailand, July 12 - 23, 1999.

**ESTABLISHED STAFF**

7.4.38. Established staff at post are shown in table below:

**ESTABLISHED STAFF POSTS**

POST	NUMBER AS PER ESTIMATE	POST FILLED AS AT 31/12/99
Chief Postmaster	1	1
Deputy Chief Postmaster	1	1
Manager Philatelic	1	1
Postal Inspector	1	1
Senior Mail Supervisor	1	1
Mail Supervisor	2	2
Accounting Officer	3	1
Chief Clerk	1	1
First Class Clerk	2	2
Second Class Clerk	6	4
Junior Clerk	6	4
Clerk/Typist	2	2
Reception Typist	1	1
Computer Grade III	1	1
Computer Trainee	1	-
Accountant	1	-
Senior Stamp Seller	1	1
Stamp Sellers	7	6
Transport Supervisor	1	1
Drivers	3	3
Postman	2	2
<b>Total</b>	<b>45</b>	<b>36</b>

7.4.39. Daily Paid Employees are shown in the table below:

**DAILY PAID EMPLOYEES**

Stamp Seller	2
Postman	4 (1 in Hp., 1 in Vv., 2 in Tongatapu)
Clerk Typist	1
Watchman	2
Cleaner	1
<b>Total</b>	<b>10</b>

**v. HUMAN RESOURCE DEVELOPMENT PROJECT**

**STRATEGIC PLAN**

7.4.40. The main thrust of the 1998/99 strategic Plan is concentrated on internal efficiencies with emphasis on improving our effectiveness in Marketing, Human Resources, Operations and Administration.

7.4.41. The 1998/99 Goals:

- *To Improve Image and Marketing Effectiveness*
- *To Improve Human Resource Management*
- *To Improve Administrative System*
- *To Improve Tonga Post Office Operations*



- To Improve Philatelic Bureau

## 7.5 STATISTICS DEPARTMENT

### i. INTRODUCTION

#### OBJECTIVES AND FUNCTIONS

7.5.1. The Department in its function as the central statistical authority for Government aims at developing an integrated and comprehensive statistical information system to serve the needs of economic and social development planning and management of the Kingdom.

7.5.2. Duties of the Statistics Department as specified in the Statistics Act. 1978 are:

- a) to collect, compile, analyze and disseminate statistics and related information on the activities and condition of the people and their institutions;
- b) to ensure co-ordination of the operations of departments of government in the collection, compilation and dissemination of statistics and related information, with particular regard to:
  - i. *the avoidance of duplication in the collection by departments of government's information for statistical purposes;*
  - ii. *the attainment of compatibility between, and the integration of statistics compiled by departments of government; and*
  - iii. *the maximum possible utilization, for statistical purposes, of information, available to departments of government;*
- c) to formulate, and ensure compliance with, standards for the carrying out by departments of government of operations for statistical purposes;
- d) to provide advice and assistance to departments of government in relation to statistics; and
- e) generally to promote and develop integrated social and economic statistics for Tonga.

7.5.3. During the calendar year 1999, the Department continued in its primary role of collection, compilation, analysis and dissemination of statistics and related information on economic and social conditions of the Kingdom. Resources were made available in the Recurrent Estimates to implement various statistical exercises in order to provide the required statistics. There was an increasing demand both locally and from international organizations, for a wide range of social and economic statistics by island division, mainly for planning, monitoring and evaluation purposes.

7.5.4. There were three major sources of data and information that the Department utilized in order to obtain much needed statistics. These three sources were:

- i. *Administrative records of other government Ministries/Departments and Statutory Boards;*
- ii. *Private Company records; and*
- iii. *Households. Sometimes the required data and information were obtained by sending out a questionnaire and asking those concerned to complete and return, or staff of the Department may visit to interview respondents or complete required questionnaires on premises. The interview*

*method of data collection has proved to be the more effective method for accuracy, completeness and timely collection.*

## **ii. OPERATIONS.**

7.5.5. The organizational structure of the Department is such that 3 main divisions are in place. They are firstly the Administration, comprising of Personnel Development, Information and Publications, and secondly the Statistical Services Division comprising of the Economics Statistics Section and Social Statistics Section and lastly the Data Processing and Computer Services Division. As expected, the largest division is the Statistical Services Division with 74% of the staff employed in this section mainly in data collection activities, compilation and data analysis. The other two divisions are mainly supporting services in nature, such as computer processing activities, accounts keeping, staff training and provision of statistical information via publications to interested users.

### **A.) Statistical Services Division:**

#### ***a). Economic Statistics Section***

##### ***National Accounts***

7.5.6 Staff of the National Accounts Division produced revised estimates of Gross Domestic Production (GDP) for the period 1993/94 to 1997/98 and forwarding estimates of GDP for 1998/99.

7.5.7 A draft report was prepared for Industries covered in the Business Establishment Survey (BES) of 1995/96. Due to shortage of staff in this Division, this Report was not finalised for publication during 1999.

7.5.8 A draft Report was prepared for the Household Income and Expenditure Survey 1992/93. Finalisation of this Report was delayed due to staff shortage in this Division.

##### ***Consumer Price Index***

7.5.9 The Department continued to produce the Consumer Price Index (CPI) on a monthly basis during 1999 with a base period of November 1995 = 100. A total of 339 items were priced from several outlets in Tongatapu every month for CPI calculation.

7.5.10 The CPI relates to Tongatapu only. An Index for Local Items was also produced as well as an Index for Imported Items. The annual inflation rate is also calculated every month and in December 1999 the annual inflation rate was 6.3 percent.

##### ***Foreign Trade Statistics***

7.5.11 Statistics on foreign trade activities were compiled on monthly, quarterly and annual bases. These trade statistics include total imports broken down by country of origin, broad economic categories, institutional sector of importer, duty charged, end use of commodities, value and quantity of commodities with commodities classified using the Standard International Trade Classification Revised Version (SITC-R). Statistics on exports and re-exports include country of destination of exports, institutional sector of exporter, and value and quantity of exports.

7.5.12 In July 1999, the Department adopted a new computer program called PC-Trade for processing of trade statistics. PC-Trade was prepared by Statistics New Zealand primarily for processing and tabulation of trade statistics. The Department had for many years used a program written in Dbase 3 Plus which has become limited in its capacity to handle new information required by users. Hence the search

for a better program to cater for the increasing new demands from users for trade related statistics. The first Trade Statistics Report to be produced using PC-Trade was for the third Quarter, July-September 1999. And although some of the statistical tables normally published in the Quarterly Trade Reports were not included in this first Report using PC-Trade, further experience and training would enable staff in the Computer Division to overcome this problem. The change to using PC-Trade will also enable the Department to continue processing trade statistics without much delay when the Harmonized System is introduced for classifying items of imports and exports. The Department is indebted to the PC-Trade Team in Statistics New Zealand for their support and technical assistance.

7.5.13 Due to special requests, work continued on the compilation of Port and Service Tax source from Customs entries and import statistics where duty was exempted for various reasons.

7.5.14 Like previous years, the Department continued to supply the Ministry of Foreign Affairs with relevant production and export statistics of selected commodities required for annual applications to the EU for STABEX assistance to Tonga.

### ***Balance of Payments***

7.5.15 Balance of Payments (BOP) statistics continued to be compiled and estimates of BOP statistics for 1998/99 were produced.

7.5.16 The coding manual for use by commercial banks in coding of receipts and payments of overseas exchange transactions (OET) was finalised using the 5th Edition of the IMF. Training was undertaken in collaboration with staff of the National Reserve Bank of Tonga, to enable staff of the Department to use the new coding manual.

7.5.17 The Department continued the surveys of financial institutions like Western Union, Teta Tours, Sitani Mafi & Sons, Pacific Finance Investment Ltd. and others which were involved in the transfer of money to and from overseas. The BOP Division initiated and conducted surveys of non-residential official diplomatic missions in the Kingdom on official transfers aid & grants, etc. and distributed forms and collected information on transportation from national, regional and international airlines and shipping companies and agencies. All the results of these surveys were incorporated in the compilation of BOP statistics.

### ***Manufacturing Output, Wages and Employment***

7.5.18 The Department continued to conduct on a quarterly basis a Survey of Manufacturing Establishments in the Kingdom, with the aim of obtaining statistics on total value and quantity of manufacturing output, total employment in manufacturing and total wages paid to employees.

### ***Other Economic Statistics***

7.5.19 The Department also collected and compiled other economic statistics like Air Transport statistics, international and Inter-island shipping statistics.

## **B). Social Statistics Section**

### ***Population Statistics - National Population Census 1996***

7.5.20 During the year 1999, the Department finalised efforts made in 1998 concerning analysing of information collected in the Population Census of 1996. The output were published in four Census Reports and Bulletins namely the a) Administrative and General Tables b) The Demographic Analysis and Population Projections c) Household Analysis and d) Internal Migration. The Acting Government Statistician, Mrs Seini M. Filiai and the Principal Statistician, Mrs Mele P. Finau, prepared the Administrative Report and the Household Analysis Report, and Mrs Finau assisted the Population

Advisor of the Secretariat of the Pacific Community, Mrs Vilimaina Rakaseta, in the preparation of the Demographic Analysis Report and the Internal Migration Report.

7.5.21 In October 1999, the Department conducted a series of 6 User Workshops primarily for presenting results of the 1996 Population Census. The four Census Bulletins were sold or distributed in these Workshops which proved to be a good public relations campaign for the Department.

7.5.22 The Social Statistics Division continued with the collection and reconciliation of vital statistics of births and deaths from the registration of the Ministry of Justice and Ministry of Health, as well as information on international arrivals and departures from the Immigration Department of the Ministry of Police. A staff member entered information from the Arrival Cards on a daily basis at the Immigration Department. A copy of the database was made available to the Ministry of Police and Tonga Visitors Bureau on a monthly basis for information and further processing.

7.5.23 The Social Statistics Division also continued to collect data on contraceptive use from the Ministry of Health and the Tonga Family Planning Association..

### ***Other Social Statistics***

7.5.24 Statistics on the number of Marriages, remarriages and divorces were also compiled from Civil Registration records.

7.5.25 The Department obtained other social statistics on health and education from the annual report of the Ministries of Health and Education.

### ***Development Project***

7.5.26 The Department did not have any new Development Projects in 1999. Work on the processing of the results from the Population Census of 1996 though completed in 1998 was further enhance in 1999 through production of Census Reports and Bulletins, as well as promoting census products and services through a Census User Workshop.

## **iii. ASSESSMENT OF PERFORMANCE**

7.5.27. In 1999, the Department was able to collect, compile and disseminate a lot of economic and social statistics as required by government. The Department in 1999 released the following statistical publications.

1. Consumer Price Index November 1998
2. Quarterly Foreign Trade Statistics 4<sup>th</sup> Quarter 1998
3. Consumer Price Index December 1998
4. Consumer Price Index January 1999
5. Annual Trade Report 1998
6. Consumer Price Index February 1999
7. Population Census 1996: Administrative Report and General Trades
8. Consumer Price Index March 1999
9. Consumer Price Index April 1999
10. Quarterly Foreign Trade Statistics 1st Quarter 1999
11. Consumer Price Index May 1999
12. Provisional Estimates of GDP for the Kingdom of Tonga 1993/94 - 1997/98 and forward estimates for 1998/99.

13. Quarterly Foreign Trade Statistics 2<sup>nd</sup> Quarter 1999
14. Consumer Price Index June 1999
15. Consumer Price Index July 1999
16. Consumer Price Index August 1999
17. Consumer Price Index September 1999
18. Tonga Population Census 1996: Household Analysis
19. Tonga Population Census 1996: Internal Migration
20. Tonga Population Census 1996: Demographic Analysis
21. Consumer Price Index October 1999
22. Consumer Price Index November 1999

7.5.28 The statistical Reports released during 1999 were equally shared between the Economic and Social Statistics such as trade and consumer price index and social statistics on results collected in the Population Census 1996. A special effort was made to produce statistics which were gender specific in order to meet user needs. Steps have been made to produce the same statistics for the Vava'u division.

7.5.29 Timeliness in the release of statistical information was often an issue that needed constant addressing. Very often, the Department's over-reliance on administrative sources of other government departments has meant delays and limitations on what the Department could produce, either because data were not readily available or were not in a form suitable for statistical purposes. Better coordination with other statistical units of government departments would have to be rigorously pursued especially if the roles and functions identified in section 7.5.2(b) above are to be achieved satisfactorily. New technologies have however helped statistical activities, not only in faster processing but also in better outputs and attractive presentation of statistical reports.

#### iv. REVENUE AND EXPENDITURE

##### ***Revenue Collection***

7.5.30. The only source of revenue for the Department was the sale of published Statistical Reports. In fiscal year 1998/99, the Department collected a total revenue of \$1,871.

##### ***Expenditure***

7.5.31. A comparison of the Department's actual Expenditure and the amount allocated in the Recurrent Estimates FY 1998/99 is given below.

**TABLE 46: A COMPARISON OF THE DEPARTMENT'S ACTUAL EXPENDITURE AND THE ESTIMATES 1998/99**

<b>Vote Head</b>	<b>Estimates</b>	<b>Expenditure</b>	<b>Difference</b>
1. <i>Established Staff</i>	269,161	233,881	35,280
2. <i>Unestablished Staff</i>	2,800	17,137	-14,337
3. <i>Travel &amp; Communications</i>	1,000	5,248	-4,248
4. <i>Maintenance &amp; Operations</i>	2,000	2,765	-765
5. <i>Goods &amp; Services</i>	4,937	29,957	-25,020
6. <i>Specialised Expenditure</i>	-	-	0
<b>TOTAL</b>	<b>279,898</b>	<b>288,988</b>	<b>-9,090</b>

Source : Statistics Department

7.5.32. Special features of the Department's expenditure for 1998/99 include a saving of \$35,280 in Sub-vote Established Staff which resulted from savings due to staff members on leave without pay or

posts still vacant and yet to be filled, a deficit of \$25,020 in Goods and Services, an over expenditure of \$14,337 in wages of Unestablished Staff, a deficit of \$4,248 in Travel and Communications. At the end of 1998/99 the Department had total deficit of \$9,090. Fortunately, the Ministry of Finance transferred funds to the Department's vote to cover this \$9,090 deficit.

### ***Development Estimates***

7.5.33. The Department did not have any new project under the Development Estimates in 1998/99.

## **v. STAFFING AND ACTIVITIES**

### ***Related Activities***

7.5.34 The Government Statistician, Mrs 'Ilaisaane Pongi, was away on special leave without pay during calendar year 1999. The Assistant Government Statistician, Mrs Seini Fili'ai acted as Government Statistician during the year 1999.

7.5.35 Mrs Mele P. Finau, Senior Statistician was promoted to Principal Statistician with effect from 1 July 1999.

7.5.36 Miss Siosi'ana Fisi'inua, Statistician, resumed duties in November 1999 after being away from her duties for 9 months pursuing studies in New Delhi India. Miss Fisi'inua successfully completed a Graduate Diploma in Human Resource Planning and Development.

7.5.37. Mr. Sepesitiano Vaohea, Statistician, resigned from his position and the Civil Service with effect from 17 May 1999.

7.5.38. Miss Tamaline Wolfgramme, Statistician, resigned from her assignment and from the Civil Service with effect from 4 January 1999.

7.5.39. Mrs 'Ana Fifita, Computer Operator Grade I, was on loan lateral transfer to the office of the Administrator, Revenue and Services with effect from 4 August 1999. Payments of Mrs Fifita's salary continue to be paid from the Department's vote.

7.5.40 Mrs Salote Latu, Statistical Assistant, was promoted to Senior Statistical Assistant with effect from 1 July 1999.

7.5.41 Mr. Toni Ma'asi, Statistical Clerk Grade II, through the Cabinet Decision of 3 March 1999 was dismissed from his position and the Civil Service with effect from 13 August 1998.

### ***Performance of Outer-Island Offices***

7.5.42. The Department does not have any other permanent office in the outer islands other than a small core of staff comprising of a Typist Clerk Grade 2 and 2 temporary Statistical Clerks Grade 3 based at the Vava'u Development Unit (VDU) in Neiafu. Their role was simply to collect statistical data from administrative sources available in Vava'u, such as vital registration and immigration records, and to assist in the conduct of the quarterly surveys of Manufacturing Establishments. The data was then sent for processing, analysis and dissemination from the Head Office in Nuku'alofa.

7.5.43 The Department greatly appreciates the assistance rendered by the VDU in providing free office accommodation as well as amenities including transport during survey fieldwork, as well as wages for temporary employees.

## vi. OFFICIAL VISITS

7.5.44. The following official visits were made from the Department:

The Acting Government Statistician, Mrs Seini Filiiai, attended the Statistical Analysis for Decision Making Meeting at the Secretariat for the Pacific Community, Noumea, in April 1999, together with Miss 'Unaloto V. Vaka'uta, Statistician.

The Acting Government Statistician, Mrs Seini Filiiai, attended the Expert Group Meeting on the Model Population and Housing Questionnaire for the 2000 Round of Censuses held in Suva, Fiji in May 1999.

7.5.45 The following official visits were made to the Department:

- , *His Excellency Brian Smythe, New Zealand High Commissioner made a courtesy call to the Department in February 1999.*
- , *Mr. Garth Parry, Statistician, Secretariat of the Pacific Community visited in May/June 1999 to assist with compilation of Gross Domestic Product.*
- , *Mrs Vilimaina Rakaseta, Population Advisor, Secretariat of the Pacific Community, visited to assist with the analysis and report preparation for the 1996 Population Census, as well as conduct a Workshop on the Tonga Population Profile.*
- , *Mr. Bill Parr, Consultant from the Forum Secretariat visited in March 1999 for statistics on the Labour Force and various statistics from the 1996 Population Census.*
- , *A Mission from the Japan International Cooperation Agency (JICA) headed by Michiko Narahara visited in March 1999 to collect imports and exports statistics.*
- , *The Department continued to receive a lot of visitors from overseas as well as local researchers and users seeking statistics and information.*

## vii. STAFF TRAINING:

7.5.46 The following undertook long-term training overseas during 1999:

- , *Miss Siosi'ana Fisi'inaua, Statistician, completed her 9 months studies towards a Post Graduate Diploma in Human Resource Planning and Development at the Institute of Applied Manpower Research, New Delhi. The course commenced in February 1999.*
- , *There was one scholar on training at the University of the South Pacific on a scholarship allocated for the Department, and is expected to join the Department early 2000.*

7.5.47 The following undertook short-term training overseas during 1999:

- , *Mrs Mele P. Finau, Principal Statistician, participated in the Training Attachment on Population Information at ESCAP, Bangkok in August 1999.*
- , *Mrs Mele P. Finau, Principal Statistician attended the Pacific POPIN Consultative Meeting and Information Technology Training Workshop at the University of the South Pacific, Suva in May 1999.*
- , *Mr. 'Ata'ata Finau, Senior Statistician, participated in the IMF-Singapore Regional Training Institute (STI) seminar on General Data Dissemination System (GDDS), held in Singapore in October 1999.*
- , *Mr. Tamaseno Penitani, Senior Statistician, participated in the Training Course on Statistics for Social Policy, Munich, March to June 1999.*
- , *Miss 'Unaloto V. Vaka'uta, Statistician, attended the Training Course on National Accounts Statistics at the Singapore Training Institute during January and February 1999.*
- , *Miss 'Unaloto V. Vaka'uta, Statistician, was on a statistical training attachment, at the Secretariat for the South Pacific, in Noumea during April and May 1999.*
- , *Mr. Samisoni Fotu, Senior Statistical Assistant, participated in the 5 months Group Training Course in Modules on Core Official Statistics at the Statistical Institute for Asia and the Pacific in Tokyo, Japan. The course*

*commenced in May 1999.*

7.5.48 The Statistical Officers of the Department following a request conducted a series of statistical workshops for Ministry of Finance staff by the Ministry of Finance. The main purpose of these workshops was to inform Ministry of Finance staff on methodologies used by the Department in producing our major statistical series. The workshop was conducted for two hours each day on the 13<sup>th</sup>, 15<sup>th</sup>, 20<sup>th</sup>, 22<sup>nd</sup> and 27<sup>th</sup> July 1999.

7.5.49 The Social and Demographic Statistics Division conducted a series of “Population User Workshops” based on the results of the Population Census 1996. Mrs Mele P. Finau, Principal Statistician prepared computer slide shows which was presented by the Acting Government Statistician to guests who were invited from the Diplomatic Corp, Government Ministries and Departments, Statutory Boards, the Private Sector, Schools, Churches, NGO’s, the media and the public. The purpose of these workshops was to present to major users of statistics and the public the wealth of socio-economic statistics and information collected in the Population Census 1996. The User Workshop lasted for two hours spread over three days, during 18-20 October 1999, with one session in the morning and one in the afternoon.

7.5.50 Mrs Vilimaina Rakaseta, Population Adviser, Demography Programme, Secretariat of the Pacific Community, conducted a two days workshop in November 1999 on the Tonga Population Profile, a bulletin prepared by the SPC based on the 1996 Population Census results. Participants were invited from Government Departments, Statutory Boards and the Private Sector. Mrs Mele P. Finau, Principal Statistician assisted Mrs Rakaseta in the workshop especially in providing background information on how the Census was conducted and clarifying population issues raised by participants.

**7.5.51 The Department's Established Staff numbers were as follows:**

<b>Position</b>	<b>At post 31/12/98</b>	<b>At post 31/12/99</b>
1. Government Statistician	-	-
2. Assistant Govt. Statistician	2	2
3. Principal Statistician	-	1
4. Senior Statistician	3	2
5. Statistician	9	5
6. Computer Programmer	1	1
7. Senior Statistical Assistant	3	4
8. Computer Operator Grade I	2	2
9. Statistical Assistant	1	-
10. Computer Operator Grade II	1	1
11. Statistical Clerk Grade I	5	4
12. Computer Operator Grade III	-	-
13. Statistical Clerk Grade II	4	4
14. Statistical Clerk Grade III	8	8
15. Computer Assistant	1	1
16. Clerk Typist Grade II	2	2
17. Clerk Typist Grade III	1	1
18. Junior Clerk	-	-
19. Driver	1	1
<b>TOTAL</b>	<b>44</b>	<b>39</b>

**viii.FUTURE DEVELOPMENTS**



7.5.52 The established Statistics Advisory Group (SAG) continued to assist the Department during 1999 in identifying user needs for statistics and played a vital role in guiding and directing the Department in its forward work programme .was formalised with membership from Ministry of Finance, NRBT and Central Planning Department. The SAG assisted the Department in identifying user needs for statistics which has guided and directed the Department in its forward work programme.

## ACKNOWLEDGMENT

7.5.53 The Department would like to acknowledge with many thanks the kind direction and support of the Hon. Minister of Finance and senior staff of the Ministry of Finance during the year 1999. The assistance and cooperation of other government Ministries and Departments, Statutory Boards, Private Companies, Institutions, Households and Individuals in supplying data and information as and when required by the Department is gratefully acknowledged. The assistance and support of various International, Regional and overseas National Organisations during the year 1999 is also greatly appreciated.

## 7.6 GOVERNMENT SUPPLIES DEPARTMENT

### i. INTRODUCTION

7.6.1. The Government had approved by His Majesty's Cabinet decision No.589 of 21<sup>st</sup> April, 1999 to close down the operations with effect on 30<sup>th</sup> June 1999. The remaining stocks on hand are put out for sale.

### ii. FUNCTIONS & OBJECTIVES

7.6.2. The main function of the Department was used to supply Government Department requirements. However, the decision to close down the operation shift the focus to the disposal of all stocks on hand as soon as practically possible.

### iii. FUNDING AND EXPENDITURE

7.6.3. The store continued to operate on revolving fund.

7.6.4. Table 47 shows how the funds were provided in the Estimate for the operation of the Store from 1996 - 1999.

**TABLE 47: RECURRENT EXPENDITURE 1996 - 1999**

	1996	1997	1998	1999
Personal Emoluments	103,000	72,705	76,102	30,626
Daily Paid Labour	42,823	55,357	67,378	25,675
Operation Expenses	60,455	63,595	34,373	13,443
(i) New Vehicle	-	-	29,246	-
(ii) New Photocopier	-	-	2,600	-
<b>Total</b>	<b>206,278</b>	<b>191,657</b>	<b>207,099</b>	<b>69,744</b>
Less Items 4(i) & (ii)	-	-	31,846	-
Total Operating Expenses	206,278	191,657	177,853	69,744
Acquisition of Stocks	765,199	577,471	660,433	247,741
<b>GRAND TOTAL</b>	<b>971,477</b>	<b>769,128</b>	<b>838,286</b>	<b>317,485</b>

Source : Government Store Department

## iv. TRADING RESULTS

7.6.5. Even though the procurement of stocks was discontinued, except for the bowsers and disposal of the residual stock on hand, during the year, *Table 48* shows the trading results from 1996 to 1999.

**TABLE 48: GOVERNMENT STORE SUMMARY OF TRADING RESULTS 1996-1999**

	1996	1997	1998	1999
Sales	1,721,785	1,567,776	1,067,919	410,434
Opening Stock	1,551,326	1,450,600	968,382	867,711
<b>ADD</b>				
Purchases	1,217,278	577,471	660,433	247,740
	<b>2,768,604</b>	<b>2,028,071</b>	<b>1,628,815</b>	<b>1,115,451</b>
<b>LESS</b>				
Closing Stock	1,450,600	968,382	867,711	811,012
Cost of Goods Sold	1,318,004	1,059,689	761,104	304,439
(%)	77%	68%	73%	75%
Gross Profit	403,781	508,087	306,815	105,995
(%)	23%	32%	27%	25%
<b>LESS</b>				
Operating Costs	206,278	191,657	177,853	69,744
<b>Net Profit</b>	<b>197,503</b>	<b>316,430</b>	<b>128,962</b>	<b>36,251</b>

Source: Government Supplies Department

## v. NOTES TO ACCOUNT

### **7.6.6. Sales**

The total revenue for the 1st half of 1999 was T\$410,343.

### **7.6.7. Acquisition of Stock**

Total amount of T\$247,740 were spent mostly on the two Bowsers in Tongatapu and Vava'u.

### **7.6.8. Stock**

Stock valuation as at 30/6/99 was T\$811,012, after the deduction of 25% mark up.

### **7.6.9. Gross Profit**

The Gross Profit was \$105,995 which is 25% of the total Sales.

### **7.6.10. Expenditures**

Total of T\$690,744.

### **7.6.11. Net Profit**

Total Net Profit for the half year was T\$36,251.

### **7.6.12. Internal Stocktake**

Periodic counting of stocks is important for verification of their physical existence against the stock recorded in the pin cards. This task was not carried out due to shortage of staff.

**7.6.13. Debtors**

Outstanding arrears amounting to T\$19,650.96 as at 30/06/99.

**vi. STAFFING AND MOVEMENTS**

7.6.14. There were 38 established staff posts as at 30/06/99, and 13 were filled leaving a total vacancies of 25, with no movements. The detail is as follow:-

***The number of staff in the Department is as follows:***

Position	Number as at 30/06/99	Number at Post 30/06/99
Established Staff		
Director of Government Supplies	1	1
Government Supply Officer	1	-
Senior Procurement Officer	1	-
Senior Head Store man	1	-
Head Store man	3	1
Store man	7	1
Assistant Store man	11	8
Accounting Officer	1	-
First Class Clerk	1	-
Second Class Clerk	2	-
Junior Clerk	7	-
Shorthand Typist Grade III	1	1
Clerk Typist Grade II	1	1
Driver	-	-
<b>Total</b>	<b>38</b>	<b>13</b>

Position	Number as at 30/06/99	Number at Post 30/06/99
Non-Establish Staff		
First Class Clerk	1	1
Second Class Clerk	2	2
Junior Clerk	7	7
Storeman	1	1
Assistant Storeman	8	8
Clerk Typist	1	1
Driver	2	2
<b>Total</b>	<b>22</b>	<b>22</b>

Prior to close down of this operation. The Hon. Minister of Finance has approved that the daily paid employees be transferred to various Department under his control as from 7<sup>th</sup> June 1999, as follows:

**(1) Post Office**

Miss Losa Fatai  
Mr. Siosifa Mafile'o  
Mrs. Maletani Tupou  
Mr. Petelo Leone

Mr. Siaso Folau

**(2) Customs**

Mr. Tevita B Kata  
Mr. Fine Ngalu  
Mr. Lisiate Lavaka  
Miss Liselote Latu  
Mr. Sione Houpi Tu'ipulotu  
Miss Grace Latu  
Mr. Kava H. Tupou - Vava'u  
Mr. 'Ahotau Soane - Vava'u

**(3) Ministry of Finance**

Mr. Vilipele Tupou  
Mrs. Salote 'Unga  
Mr. Siosifa Fungavai  
Mr. Samiuela Vivili  
Mr. Sione Kaivei Hoeft  
Mr. Sione Paongo  
Mr. Tevita Tongia  
Mr. Vainikolo Mahe

**(4) Inland Revenue**

Mrs. Talafaiva Lotolua  
Mrs. Tupou Palu - Vava'u  
Miss Siosi'ana Fakatava - Vava'u  
Mr. Lopeti Sika - Vava'u

**(5) Central Procurement Unit**

Mr. 'Eliseni S. Tafa  
Mr. Tevita Kaufusi  
Mr. Sione Tu'ilotolava  
Mr. David Iohani Wolfgram - Vava'u  
Mrs 'Uliafu Fakatulolo  
Miss Fine Tangitau - Vava'u  
Miss Loloahi Tongotea - Vava'u  
Mr. Taitusi Taufu  
Mr. Sioeli Paongo  
Mr. Mataele Mafi

**7.6.15. RETIREMENT**

None of the workers was transferred to the Retirement Fund.

#### **7.6.16. ACTING APPOINTMENTS**

During the year, the following acting appointments took place.

- L Dr Leimoni Taufu'i, - Deputy Accountant General to act as Government Supply Officer.
- L Mr. Siaso M Folau - Head Store man to act as Senior Procurement Officer.
- L Mr. Sione Houpi Tu'ipulotu - Store man to act as Head Store man.
- L Mr. Samuela Vivili - Assistant Store man to act as Store man.
- L Mr. Sione Kaivei Hoefi - Assistant Store man to act as Store man.
- L Mr. Tevita Tongia - Assistant Store man to act as Store man.
- L Mr. David I. Wolfgramme - Assistant Store man to act as Accounting Officer and Senior Head Store man - Vava'u.
- L Mr. 'Uliafu Fakatulolo - Typist Clerk Grade II to act as 1st Class Clerk and Accounting Officer.

### **8. OVERALL ACKNOWLEDGMENT**

8.1. I would like to acknowledge my sincere appreciation and grateful thanks to the heads and all officers in the departments under my Ministerial control for their loyalty, industry and efficient cooperation during the year under review. May I also thank my Ministerial colleagues for their valued suggestions, advice, assistance and support throughout the year, and to the foreign governments and agencies which also contributed to the development of Tonga. The commitment of the people of Tonga to the further raising of living standards in the Kingdom, demonstrated through their hard work, fruitful investment and mutual cooperation, is particularly deeply appreciated.