

**IMPACT OF THE REVENUE REFORM ON VULNERABLE COMMUNITIES IN
TONGA**



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Abstract

The Kingdom of Tonga is a Small Island Developing State (SIDS) in the South Pacific with a population of 100,745. Tonga is a constitutional monarchy and has never been colonised. Tonga's local economy relies on subsistence farming and fishing. Remittances continue to be the primary source of income, courtesy of relatives abroad. More recently, the Recognised Seasonal Employer (RSE) scheme in New Zealand and Seasonal Work Programme (SWP) in Australia have become another important income source, especially for vulnerable families. Foreign aid is another key income source that supplements tax revenues to fund development projects.

Economic turmoil and mismanagement during the late 1990s forced the government to seek technical and financial assistance from the Asian Development Bank to undertake a comprehensive Economic and Public Sector Reform (EPSR) programme. The weak economic situation presented overwhelming financial challenges for the government.

In February 2005, I was a member of a team of technical advisors contracted to advise and support the Tongan Government. Our main goal was to support the Minister of Finance and staff from the Revenue Services Department with the revenue reform programme. This programme was part of the EPSR strategy developed by donor agencies in consultation with the government. This thesis evaluates the impact of the revenue reform on the vulnerable people and communities in Tonga.

I interviewed two participant cohort groups. Participant group one consisted of 51 people representing the vulnerable communities. Participants were selected using key informants from the rural villages of Tongatapu and residents of the outer Islands. Vulnerable communities in Tonga are not to be equated with rural villages and outer islands per se because there are vulnerable communities and households in Tonga's urban areas too. In this study, rural communities were the primary focus of the field work exploring impacts of the EPSR programme, and especially the imposition of a consumption tax on fanau (families) and household wellbeing.

Participant group two consisted of six people from the government and business sector who were the elite of Tongan society. The Kakala Research Methodology provided the framework for the research, and the Talanoa Research Method was used to conduct the semi-structured interviews in the homes of the first cohort and in the workplaces for the second cohort. The fieldwork was hampered by the arrival of cyclone Gita in February 2018 but, fortunately, the interviews were completed a day before the storm arrived. I included residents from the outer Islands who migrated to Tongatapu. The data was

collected and analysed using thematic analysis to identify the key themes from the two participant cohort responses.

The main findings of the research identified the heavy burden of the consumption tax (CT) on the purchasing power of participant group one (vulnerable participants) and its impact on nearly every financial transaction they made. Participant group ones' main financial priorities were for *kavenga fakalotu* (obligations to the church), *kavenga fakafāmili* (obligations to the family) and *kavenga fakafonua* (obligations to cultural events for the village, nobility, and royalty). CT impacted participants when they purchased food and other materials, paid utility bills and education fees, as well as importing goods. Excise tax duties and customs duty were other taxes that impacted participants but to a lesser extent. Some activities were outside of the tax net such as roadside stalls, *katoanga* (bartering activities), and women's enterprises selling *koloa fakatonga* (Tongan artefacts). In contrast, participant cohort group two have a significant level of purchasing capacity but were able to cope with the revenue reform impacts. Cohort group two had a much higher and more regular source of cash income so they were able to adjust more effectively to the shocks generated by CT and the revenue reform programme.

Overall, the findings identified the inequities of the revenue reform, especially from CT, for the vulnerable people and communities compared to the elite sector of society. The government and donor agencies need better ameliorating policies to reduce the burden of tax on those who are vulnerable to the impact of the revenue reform. The learning from Tonga's revenue reform is for better research on the impact of future development policies on the most vulnerable, and economic arguments alone should not be the primary rationale for policy change.

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Glossary of Tongan terms

Commonly used phrases in this thesis:

Tongan	English
Angalelei	Generous
Faa'i kavei koula	Four golden threads of Tongan values
Fa'e tangata	Mother's brothers or male cousins
Fahu	Father's eldest sister or sisters
Fakaafe	Food donation in the form of raw food contribution to a preacher or cooked food for the congregation
Faka'apa'apa	Respect
Fakafāмили	Family prayer, group prayer, group of family members
Fakafetongi koloa	Bartering or exchange
Fakamaketi	Selling at the market
Fakate'ete'e puaka	Turning lou'akau into pigtails
Fala	Woven mat
Fanau	Children
Fanga fa'e	Mother's sisters or female cousins
Fanga tamai	Father's brothers or male cousins
Fāngota	Fishing or sea gleaners in shallow water
Fatongia	Responsibility
Fetokoni'aki	Caring for each other or helping each other
Feveitokai'aki	Reciprocity or respectful activities to maintain harmony, empathy, aroha, love for the context.
Fihu fatu fa	Ornamental fine mat from the pandanus leaf (10x40 foot up to 100 foot)
Fonua	Land or nation
Fuatanga	10 lālanga (divisions) or 45cm of 10 lālanga
Ha'a	Clan/tribe
Ha'apai	One of the main outer Islands
Hau	Champion – King
Hiapo	Raw material for making ngatu
Hou'eiki	Nobility
'Inasi	Share of total contribution
Kainga	Extended family
Kakai tu'a or me'a vale	Commoners
Kakala	Garland
Katoanga	Bartering festival for women to exchange goods for cash or goods
Kavenga	Obligations or commitment
Kavenga fakafāмили	Obligations to the family
Kavenga fakafonua	Obligations to cultural events for the village, nobility or royalty
Kavenga fakalotu	Obligations to the church

Koka'anga	Group of women making ngatu
Koloa fakatonga	Tongan artefacts but can also refer to ngatu, fala and traditional/indigenous handicrafts/items made by women
Kolukalu	Jellyfish
Konifelenisi	Annual general conference for church
Kuata	Quarterly donations to church
Lālanga	Weaving
Langanga	45cm division of a ngatu
Lou'akau	Pandanus leaf
Lukuluku	Food contribution by members of a group for the church
Luva	A gift from the heart, giving away
Māfana	Warmth
Mālie	Well done, harmonious, beauty
Matapule	Talking chief
Mateuteu	Preparedness
Mehikitanga	Father's sister
Misinale or tukumo'ui	Main annual church donation
Monomono	Patch work
Mo'oni	Truth
Ngatu	Prized tapa cloth from bark of mulberry tree
Ngatu pepa	Tapa cloth with paper underlay
Ofa	Love or care
Ofa fe'unga	Appropriate care and compassion, empathy, aroha, love for the context.
Pola	A table or spread of food for guests or congregation
Poto he anga	Thoughtful
Sepitema	Event in September to recognise women of the church
Tafu	Coordinators of food and cooking in a funeral
Talanoa	Talk, talking
Taufale	Tongan coconut straw broom
Taumafa kava	Tongan kava ceremony for a Royal Purpose
Teu	To prepare
Tohi tikite	Quarterly donation for ordained church members
Tokonaki	Saturday, or gathering crops and animals for fakaafe
Toli	To pick
Tongatapu	Main island of the Kingdom of Tonga. This island is often called “Tonga” by Tongans to refer to the main island.
Tou langanga	Group of weavers
Tui	Belief, string a garland
Tunu	Basket of food
Tutu	Inner bark of the ngatu
Tu'u laveangofua	Vulnerable or easily wounded
Tu'utu'uni	Family spokesman from father's family
Ua ngokumi	Fine mat
Ufi	Yam root crops
Ulumotu'a	Eldest living son on father's family
Ulungaanga	Personality

Ulungaanga fakatonga	Tongan traditional behaviour
Umana	Sea snails
Vā	Relationship

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Attestation of Authorship

"I hereby declare that this submission is my own work and that, to the best of my knowledge and belief, it contains no material previously published or written by another person (except where explicitly defined in the acknowledgments), nor material which to a substantial extent has been submitted for the award of any other degree or diploma of a university or other institution of higher learning."

Pauliasi Tony Fakahau

1. Introduction

1.1 Background

In January 2005, I was approached by Ian Dickson from Burleigh Evatt Limited (BEL), based in Wellington, New Zealand, to provide technical consultancy advice and support on a revenue reform project in Tonga. The opportunity to work in an official capacity on such an important project was exciting as well as providing a lucrative business opportunity. This was a dream come true as I was about to be hired for my economics expertise and experience in the New Zealand public service. I accepted the invitation from BEL and travelled to Tonga in early February 2005. At the time, BEL was contracted by Tonga's Ministry of Finance as economic and public sector reform specialists to advise the Minister of Finance, Honourable Siosua 'Utoikamanu, to implement the revenue reform component of the Economic and Public Sector Reform (EPSR) programme.

My role in the project began with conducting public consultation and taxpayer education programmes regarding the impending revenue reform initiative. My background in the New Zealand Tongan community and experience in Pacific consultation methods were utilised for the engagement in Tonga. I approached this project in a business-like manner with a specific focus on achieving a successful revenue reform programme for my client, who was the Tongan Government, funded by the Asian Development Bank (ADB, 1999).

This thesis examines the impact of the revenue reform programme on the vulnerable community. As mentioned above, I was determined to do my part in delivering a successful reform programme but, upon reflection, I have always had an uncomfortable feeling about the impact of the revenue reform on the poor, due to the one-sided economic lens I used to justify the need for the programme. Now, I want to analyse the impact of the programme from a social angle to highlight the experiences of those whose voices were not considered during the implementation stage of the reform.

1.2 The Kingdom of Tonga

1.2.1 Overview

Figure 1: Map of the Kingdom of Tonga



Source: World Atlas, 2020, <https://www.worldatlas.com/webimage/countrys/oceania/to.htm>.

The Kingdom of Tonga is made up of 170 islands and consists of five administrative Islands of Tongatapu, Vava'u, Ha'apai, 'Eua, and the Ongo Niu (Helu, 1993). These islands are spread across 360,000 square kilometres of the South Pacific and cover 650 square kilometres of land (Tonga Department of Statistics, 2017a). Tonga is a constitutional monarchy with the King as Head of State and the Prime Minister as

Head of Government (Benguigui, 2011).

Tonga's population is 100,745 with 74,679 (Table 1) living on the main Island of Tongatapu while 13,740 reside in the outer Islands of Vava'u; 6,144 in Ha'apai; 4,950 in 'Eua and 1,232 in the Ongo Niu (Tonga Department of Statistics, 2017b). The 2016 Census (Table 1) identified 18,213 total households in the Kingdom of Tonga (Tonga Department of Statistics, 2017b). Seventy-five percent of the population lives on the main island of Tongatapu and 25% in the outer Islands. In Tongatapu, 69% of the population live in rural areas, and 31% in urban centres (Tonga Department of Statistics, 2017b). Some of the rural areas are considered vulnerable because the majority of residents are subsistence farmers with limited income sources and have low household incomes. There are also vulnerable residents in the urban areas living in informal settlements.

Table 1: Population and households 2016

Island Division	Household			Population		
	Private household	Institution	Total households	Male	Female	Total persons
Tonga	18,017	196	18,213	50,312	50,433	100,745
Tongatapu	12,966	146	13,112	37,171	37,508	74,679
Vava'u	2,712	30	2,742	6,872	6,868	13,740
Ha'apai	1,181	14	1,195	3,130	3,014	6,144
'Eua	885	4	889	2,489	2,461	4,950
Ongo Niua	273	2	275	650	582	1,232

Source: Population data adapted from Table G1: Total population by sex, division, and district (2006, 2011, 2016), and household data adapted from Table G2: Total households (private and institution) and population by sex, division, district and village, in Tonga 2016 Census of Population and Housing, Tonga Department of Statistics (2017b), p.16-17.

The high percentage of the population living in rural areas in Tonga is typical of Pacific nations. This situation is reflected in the ADB's *Hardship and Poverty in the Pacific* report in which Abbot and Pollard (2001) found that Pacific societies are still orientated towards rural and outer Islands subsistence farming, and people only migrate to urban areas in search of employment opportunities (Abbott & Pollard, 2001).

1.2.2 Tongan society

European explorer Le Maire first sighted Tonga in 1616, followed by Abel Tasman passing by in 1643 and the sighting of the northern Niua Islands by Wallis in 1767 (Kaeppeler, 1971). Before contact with European explorers, Tongan society was classified as the most hierarchical of the Polynesian societies (Volkel, 2010). This level of hierarchy continues to influence modern Tongan society and shapes the priorities for the rest of the population. Every Tongan individual knows his/her place in society and position within different gatherings (James, 1992). I also understand my position as a member of a large family, village, and as a commoner in Tongan society. I accept my role as a commoner and proudly take my place in the hierarchy with dignity and humility. I learned about my position and role from my parents and family elders as well as through

observing cultural activities. This observation highlighted the importance of belonging to the collective through cultural ties.

The cultural event that captures the Tongan distinctive hierarchical structure is in the sitting arrangement of the *taumafa kava* (Tongan kava ceremony for a Royal Purpose). According to Professor Futa Helu, the sacred ritual of the *taumafa kava* is the best representation of the Tongan world view (Helu, 1993). *Taumafa kava* brings together all hierarchies of Tongan society, the *kainga* (related commoners) or *ha'a* (clans or tribe), the nobility and the King. Tongan society is based on the communal good rather than the individual.

This holistic view of Tongan society is reflected in Pacific research methodologies where communal interaction generates knowledge. This approach makes Pacific models unique and essential when researching Pacific people or subject matters (see section 3.4).

The poem by the late Ma'umatapule describes the importance of the collective and how it represents Tonga's heritage and being bound together in a sennit rope.

Lea 'a Ma'umatapule

*Ku ou faka'amu, ke kei ongo atu hoku le'o ki Tonga
'Oku ta kei faafaa nifo he peau momole 'oe fangatapu na*

*Pea 'oua na'a fakangalokuloku pe fakatukutukuange
Ka ta piki latai he 'oku kei hoko ia ko he pakakala ke manongi ke 'alaha 'i he 'otu Tonga
ni he taimi kotoa pe
Fakafeta'i, fakataula 'eni fonua fakakavei'aki ha kavei koula 'e fa
Ke tu'u ma'u pea tu'uloa he 'otu Tonga
'a e feongo'i 'aki, 'a e fe'ofa'ofani, 'a e fakakalisitiane
Monuu e ka koha monuu
Ta kei nofo 'i ha fonua tokalingolingo ai e melino
Pea ko e ha me'a teta faifai pa ta faka'u ke tau
Pe teta toe ngaue 'aki ha fa'ahinga poto 'oku nge'esi fefeka
Ta ngaue'aki e poto 'oku nge'esi molu
Kae ma'uma'u luta 'e ta kei taka 'i ha fonua malu
Ko eni ha pakakala, ngangatu, manongi, 'alaha
Pea 'oku 'alu atu hono ngangatu mo 'alaha ki he Pasifiki, ki 'Iulope
Ki he malie 'e ta to'o fatongia mo 'e tau uoungataha, mo 'e tau kafa taha*

English Interpretation

Ma'umatapule Speech

*"I long for my voice, still to be heard throughout Tonga.
You and I are still riding the tranquil wave of the sacred shore.
Let us not slacken or relinquish this precious heritage, but let us hold fast to it, for it is
still our grand display of sweet-smelling flowers, to waft abroad and throughout Tonga,
at all times.
We give thanks; the four golden waistbands represent our spiritual heritage: to fix and
preserve among Tongans our love and harmony and Christianity.
Oh, blessings of blessings, we still inhabit a land rich in peacefulness and tranquillity.
What is it that would ever cause us to challenge each other, to wrangle and fight, using
cleverness with a hard shell.
Let us use wisdom with a soft shell so we can journey steadfastly in a safe and secure
land.
This will be like a vibrant display of many flowers whose beauty and sweetness will
extend to countries abroad, in the Pacific, to Europe.
Moreover, they will admire our sense of duty, our unity, and our being bound together
with one sennit rope."*

*Source: Reproduced and translated from a documentary film presented by Faivaola Dr
Eric B Shumway: Tuku Fonua, Polynesian Cultural Centre, Brigham Young University,
1990s. Poem by the late Ma'umatapule at his residence (Shumway, n.d.).*

1.2.3 Social status

Substance abuse and illegal drug dealing are significant problems for Tonga. The local health and social service systems are struggling to treat alcohol and drug abuse addicts as well as the growing number of deportees from the United States, Australia and New Zealand with behavioural issues. The number of serious crimes is increasing significantly, especially gun-related violence, murder and serious assault, and the methamphetamine problem is growing (Dreaver, 2018; Vaka'uta, 2018).

According to Dr Mapa Puloka, Head of Psychiatry at the Ministry of Health, a high level of untreated psychosis and depression are the main reasons for the high suicide rate amongst Tongan males (Nielssen, Fukui, Fawcner, & Walker, 2014, p.184). Tonga provides free primary health care from the main hospital and community health centres in the rural areas. Health indicators have improved over the last 50 years and are among the best in the East Asia and Pacific region (World Health Organization & Tonga Ministry of Health, 2012). However, Tonga is facing a growing problem with non-communicable diseases (NCDs) which account for four out of five of the leading causes of mortality

(World Health Organization & Tonga Ministry of Health, 2012). This will be analysed further in the following chapters.

The literacy rate among the population aged 15 years and over is 99%, and life expectancy at birth is 72.5 years (UNICEF, 2019). As part of its social protection function to support the weakest sector of society, the government identified what it considered as the most vulnerable group, who were the elderly and disabled people. The government provides social welfare monthly payments to elderly citizens and disabled people of TOP\$70 to TOP\$80, up from TOP\$65 in 2016. This payment is intended to assist those with special needs and is paid out from the government's budget with support from donor agencies (Ministry of Finance and National Planning, 2017). In 2017, Cabinet approved the increase in social welfare payments as follows (Ministry of Finance and National Planning, 2017):

- People with disabilities to receive TOP\$75 per month;
- Elderly aged 70 to 75 to receive TOP\$70 per month;
- Elderly aged 76 to 79 to receive TOP\$75 per month; and
- Elderly aged 80 plus to receive TOP\$80 per month.

This is an increase from the flat TOP\$65 social protection monthly stipend to meet the challenges experienced by two of the most vulnerable groups in the population.

1.2.4 Culture

The Tongan social structure is based on the collective rather than individualistic wellbeing that is blended through established relationships at multiple levels (Campbell, 2001). Traditional protocols dictate the way of life in Tonga, and every individual cannot exist without the love and support of the wider family, village, and community (Bain, 1993; Morton, 2003). As Morton (1996) wrote:

In Tonga, too, a person's emotional life is seen as inextricably bound up with others. However, Tongans also value autonomy and recognize the importance of subjectivity. Emotion and thought emerge from one's loto (heart and mind) and may be as much a result of one's, 'ulungaanga as of one's social relations. (p. 216)

Tongan society is entrenched in mutual connections as highlighted by the significance of religion, community identity, kava clubs, school alumni, family events, and village festivals (Campbell, 2001). There are various levels of hierarchy in Tongan society from the royal family to the common folk (Morton, 1996, pp. 20-34):

1. The royal family (*Tu'i moe fale'alo*),
2. The nobility (*Hou'eiki*)
3. Orators (*Matāpule*)
4. The common people (*kakai tu'a, me'a vale*)

The same hierarchical structure applies to the families and broader connections made up of the following:

1. Family elder or head (*'Ulu motu'a*)
2. Sisters (including children of a sister) of the male head (usually the father) of the family (*mehikitanga, fahu*)
3. Brothers of the father (*ngaahi tama*)
4. Brothers of the mother (*fa'e tangata*)
5. Sisters of the mother (*ngaahi fa'e*) each having a ranking in the extended family unit.

The roles of each family member and ranking are acknowledged and are dependent on the type of occasion. For example, in a funeral, the deceased's paternal family will hold the highest rank and become the *fahu-mehikitanga, tu'utu'uni* (family spokesman) and leaders, while the maternal family look after the cooking (*tafu*) and cleaning (Bain, 1993; Geschiere, 2000).

In Tonga, every person and their family unit can trace his/her ancestry to the nobility and the King. Royalty refers to the people as his/her *kainga* (kinsman) and, together, they engage in events and activities to represent his/her village.

1.2.5 Churches and taxation

The church holds a significant role in Tongan society at all levels, from the royal family to the common folk. At every major event, it is normal for a prayer to be said to start proceedings and at the completion. This is now part of Tongan culture and has been weaved into traditional practices since the introduction of Christianity (Herda, 1987). The powerbase of Tongan society is the churches and is enshrined in the Constitution and our national motto which states: “*Ko e ‘Otua mo Tonga, Ko Hoku Tofi’a*” (Ministry of Information and Communication, 2018, p.1). This means God and Tonga are my inheritance. Churches are treated as non-government organisations (NGOs) under the Tonga Charitable Trust Act and receive tax-free status on income (Crown Law, 1993).

Churches are subject to consumption tax (CT) for operating commercial ventures, providing educational facilities and the purchase and supply of goods and services. Staff employed to administer the church pay PAYE and contribute to the retirement fund scheme (Ministry of Revenue and Customs, 2016). However, ministers and pastors of the church do not pay income tax because they rely on donations from ‘cash envelopes’ for conducting funerals, weddings, church events, and a range of other community functions. Some churches also provide a small stipend to support living expenses.

The case study research by Ridge (2003) on Tongan church members of the Uniting Church of Australia (UCA) found the need to consider the legal and ethical matters relating to the receipt of financial benefits provided to church ministers. A Code of Ethics was recommended to guide the church to avoid abuse of spiritual influence for financial gain by churches (Ridge, 2003).

Samoa has implemented a new policy, registering all church ministers to pay income tax, but Tonga has not considered this approach (“Tax Owed by Samoan Church Ministers”, 2018). There are important questions around fairness and equity of paying taxes. However, the government might not have the appetite to challenge churches to tax the clergy. The government is mindful of the fact that the early years of the revenue reform were hampered by public backlash and political instability, so it needs to take a cautious approach. Chapter 7 provides further discussion on churches and the taxing of the clergy.

1.2.6 Economic status

Tonga's gross domestic product (GDP) for 2017 was estimated at TOP\$970 million with the growth outlook projected at 3.4% compared to 2.7% in 2016 (Ministry of Finance and National Planning, 2017). Tonga is a small open economy with limited trading activities and a high concentration on primary agricultural products, including kava, squash, root crops, fish, and coconuts (Tonga Department of Statistics, 2017a). The tourism industry is small but has the potential to become a major contributor to foreign exchange earnings (Milne, 2009). Remittances make up 30% of GDP (Ministry of Finance and National Planning, 2019) and this figure continues to grow, boosted by Tongan workers on New Zealand's Recognised Seasonal Employers (RSE) programme and Australia's Seasonal Workers Program (SWP) (Doyle & Howes, 2015). The RSE and SWP schemes have proven to be a lucrative foreign exchange income earner for Tonga and its vulnerable communities. It is estimated that the two schemes have increased remittances by 85% between 2010 and 2016 (National Reserve Bank of Tonga, 2016).

The highest average household income for urban Tongatapu residents is TOP\$37,240, and the median is TOP\$29,800 (Table 2), reflecting the high number of workers employed in public and private sectors in the urban district. This is 7.7% higher than their rural counterparts; 37% more than Vava'u households and 110% more than the Ongo

Niua households. This analysis highlights the disparities between residents in rural areas and the outer islands on the one hand, and the much wealthier citizens in the urban areas of Tongatapu on the other. The government is the biggest employer in Tonga with over 3,700 public servants working mostly in the central business districts (Public Service Commission, 2016, p.7).

Table 2: Average and median household income

Region	Household Income	
	Average	Median
Tongatapu – urban	\$37,240	\$29,800
Tongatapu – rural	\$34,580	\$27,090
Vava'u	\$27,190	\$21,140
Ha'apai	\$23,010	\$19,420
'Eua	\$24,070	\$21,470
Ongo Niua	\$17,730	\$15,300

Source: Adapted from Table 98: Total, average and median annual HH and per capita income, by strata (TOP), Tonga Department of Statistics (2017a), p. 115.

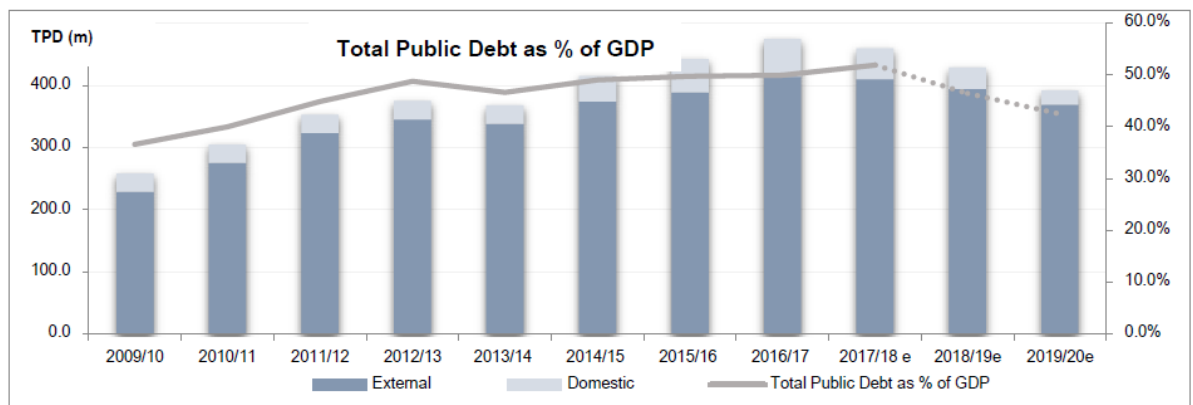
Subsistence farming makes up a high proportion of average household income in rural Tongatapu and this is still higher for the outer Islands as they rely more on local farming and fishing for their livelihoods (ADB, 2017). The property wealth of Tongatapu urban households is reflected in the highest imputed rents for house rentals and land leases. Vava'u and 'Eua both receive higher imputed rents than Tongatapu urban areas due to the popularity of rental property and leases of land for commercial ventures (Tonga Department of Statistics, 2017a, p.13).

A critical problem for Tonga is the massive public debt burden caused by years of borrowing, the civil unrest, and the destruction of Nuku'alofa that required loans from China to rebuild the capital (Langa'oi, 2010). This is a significant barrier for development over the coming years. Remittances are Tonga's primary source of income and continue to be the cornerstone of the economy (Ministry of Business, Innovation & Employment [MBIE], 2015). The gap between the rich and the vulnerable continues to widen and is exacerbated by the decision-making process, with the educated and middle-high income earners occupying key positions that approve significant national policies (Campbell, 2008b).

1.2.7 Indebtedness

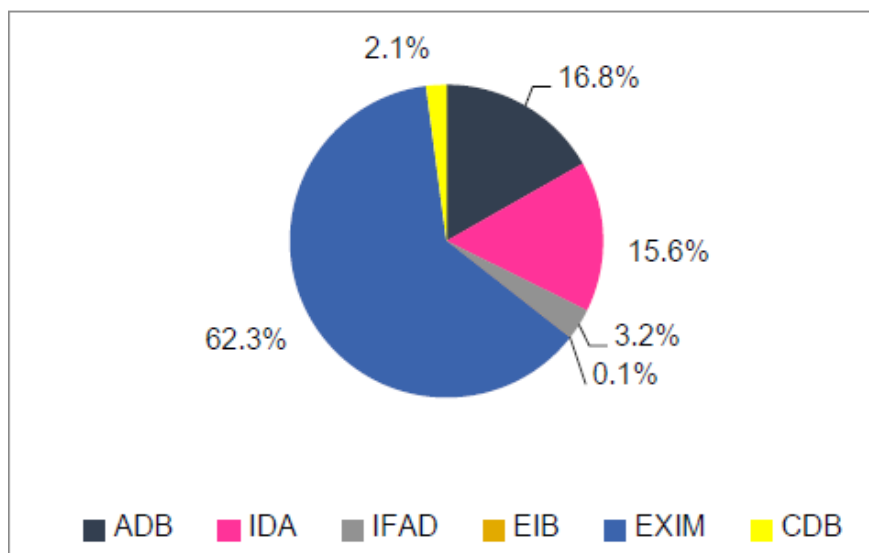
As of 30 June 2018, Tonga's total public debt (Figure 2) was estimated at TOP\$457.1 million (47% of GDP) with 62.3% owed to the EXIM Bank of China followed by the ADB (16.8%) and the World Bank (Figure 3).

Figure 2: Level of indebtedness



Source: Reprinted from Figure 4-3 - Total Public Debt Service (\$M) 2009/10 – 2018/19 (Including Actual and Projected), Budget Statement 2017/18, Ministry of Finance and National Planning (2018), p.74.

Figure 3: External debt



Source: Reprinted from Figure 4-4 - External Disbursed Outstanding Debt (DOD) by Creditor, June 2016, Budget Statement 2017/18, Ministry of Finance and National Planning (2018), p.75.

The New Zealand and Australian governments have raised concerns about China's influence, especially the cash loan diplomacy, which has increased the indebtedness of Pacific nations to unprecedented levels. Both countries have ramped up their aid programmes for the Pacific to try to counter China's influence (Soper, 2018).

The main concern for Tonga is the mounting debt to China and its inability to service the debt. If China calls in the loan, Tonga will face significant problems. Tonga's elevated level of indebtedness places more emphasis on the revenue reform programme to collect sufficient tax revenues to service the debt to China.

1.2.8 Acquiring land

Land acquisition is enshrined in the Constitution and Land Act. Section 113 of the Constitution of Tonga states that:

113 Right to allotments

Tongan male subjects by birth of or over the age of 16 years may be granted town allotments and tax allotments out of estates granted in pursuance of this Constitution with the consent of or upon consultation with the estate holder and out of the lands of the Crown, by the Minister of Lands. Such allotments shall be hereditary and shall be of such size and at an annual rent as may be determined by law. A widow shall have the right to succeed according to law, to her deceased husband's tax and town allotments (Crown Law, 2016, p.37).

Males have a legal right by birth while a female only has trusteeship rights to her husband's land upon his death and it is transferred to her son when he reaches 16 years of age. Sumeo highlighted the lack of ownership rights to land as a barrier to prosperity for Tongan women (Sumeo, 2016).

Land acquisition under the Land Act is possible either from Crown land or hereditary noble estates. Crown land requires the town officer and Minister of Lands to approve the

acquisition while hereditary estate land requires the hereditary noble's approval before signoff by the Minister of Lands, as per the Act.

8 Tofi'a to provide allotments:

Subject to the provisions of this Act relating to surrender, the grant, if the applicant is lawfully residing on a hereditary estate, shall be made from the lands in such hereditary estate; and if the applicant is lawfully residing upon Crown Land shall be made from Crown Land:

Provided always that land comprised in a hereditary estate shall not be granted as a tax or town allotment without prior consultation with the titleholder of the hereditary estate. (Ministry of Lands and Survey, 2016, p.15).

The other pathway to land acquisition is by paying the Crown or hereditary estates for leasehold land. Lease payments are taxable activities, and formalised arrangements must be approved by Cabinet according to the Land Act. However, the shortage of land is causing some applicants to provide cash or deliver services informally to officials or noble estates in return for land (Ward, 1997). This type of practice can result in applicants overpaying taxes because they do not receive a tax deduction on cash or services rendered informally. Further discussion on the role of land ownership is provided in Chapter 7.

1.2.9 Tonga as a Small Island Developing State (SIDS)

Tonga is described as a Small Island Developing State (SIDS) according to the United Nations (1992), due to being susceptible to climate change and the level of vulnerability as highlighted below (Wong, 2011):

1. Limited physical space - its small size, consisting of several small Islands, effectively limits the adaptation option to climate change and rising sea level.

2. Small island nation with a high population density, and pressure on natural resources.
3. Vulnerability to natural hazards, e.g. tropical cyclones (hurricanes), associated storm surges, droughts, tsunamis, and volcanic eruptions.
4. Relatively small watersheds and threatened water supplies.
5. Biodiversity is most threatened given their high levels of biodiversity (small size, isolation and fragility of island ecosystems).
6. Narrow range of land resources.
7. Costly public administration, infrastructure (transport and communications) and limited institutional capacities.
8. Limited funds and human resource skills, reducing capacity to adapt to climate change.

The vulnerabilities identified above impact all SIDS, but Tonga has some unique differences from the other small island nations such as:

- Being a constitutional monarchy with the King having near-absolute powers (Latukefu, 1993).
- The King owning all land and at his pleasure granting to nobles or titular chief estates to become their hereditary estates (Sumeo, 2016).
- Women having limited ownership rights to land, creating inequalities in asset distribution (Sumeo, 2016).
- Receiving one of the highest remittances per capita in the world (Lin, 2011).
- Heavy public debt burden (Ministry of Finance and National Planning, 2016b).
- Strong hierarchical system that is male dominated (Sumeo, 2016).

1.3 Modern political situations in Tonga

Tonga's Constitution was granted in 1875 as a constitutional monarchy with all executive powers resting with the King. In 2010, the Constitution was amended to incorporate new political reforms. Tonga has a unicameral Legislative Assembly with a constitutional monarchy and parliamentary democracy consisting of 26 elected members, nine of whom are noble representatives elected by the 33 hereditary nobles, and 17 who are members elected by popular vote as the people's representatives (The Commonwealth Secretariat, 2018). Elections are held every four years, and the Prime Minister is chosen by the Legislative Assembly and confirmed by the King. The Prime Minister then appoints Cabinet which is also approved by the King (Ministry of Information and Communication, 2010).

In 2005 and 2006, Tonga experienced some of its most politically challenging events, such as the public servants' strike, the death of Prince Tu'ipelehake who led the National Committee on Political Reform, the passing of King Tupou IV, succession of King Tupou V, and the destruction of the central business district in the civil unrest of 2006 (Powles, 2014). Langa'oi (2009) put the blame squarely on the public sector reform proposed by the government, which created a considerable gap between the higher income earners and those at the bottom echelons of the civil service. Ian Campbell highlighted the failure of the royal family to read the call for political reform that resulted in the riots of 16 November 2006 (Campbell, 2008b).

Most Pacific nations gained independence in the 1960s-80s, and changes were made to their constitutions to enshrine democratic ideals and the aspirations of a modern Pacific (Latukefu, 1993). Tonga is an exception and has not been directly colonised and so retained its constitution, substantially the same as it was when promulgated on 4 November 1875 (Latukefu, 1993; Powles, 2014). This has been a driving factor in Tonga becoming a relatively conservative society with a comparatively undemocratic governance system (Latukefu, 1993).

Tonga is considered the last 'absolute monarchy,' and throughout the 1990s, the government resisted calls for political reform while the King ignored petitions from respectable leaders of the community and demonstrators (Campbell, 2008b). After a series of ill-advised decisions to sell passports and invest the proceeds in the United States (Dutter, 2001), as well as attempting to shut down the media in 2003, the Crown Prince Tupouto'a signalled reform changes near the end of the reign of his father, King Tupou IV (Powles, 2014). Still, the relationship between the pro-democracy movement and government was strained, which culminated with the destructive riots of 16 November 2006 (Langa'oi, 2009). After further negotiations, the pro-democracy movement and government agreed to establish a new system of Parliament with changes to the Constitution, enabling elections in 2010 (Campbell, 2008b; Ministry of Information and Communication, 2010).

The political reforms occurred during the same period as the revenue reform. This was not the best time to promote the recent changes and impacted the ability of the Ministry of Revenue and Customs to effectively embed the reform (Murray, Oliver, & Wyatt, 2014). Langa'oi (2009) argued that the revenue reform programme and other public sector reform components of the EPSR programme were responsible for the riots and public servants' strike action.

The EPSR was implemented during Tonga's most tumultuous period from a political standpoint (Langa'oi, 2009). The government was facing significant challenges due to a lack of revenue and weak private sector growth (International Monetary Fund [IMF], 2001). Public support was with the pro-democracy movement, which was in a stronger position, given the economic situation and scandals rocking the establishment (Moala, 2002).

I met 'Akilisi Pohiva and two other MPs, 'Uliti Uata and 'Isileli Pulu, at their Parliamentary office in late March 2005 to consult them on the EPSR and revenue reform as part of the

public consultation process.¹ Mr Pohiva was concerned about the impact on the agricultural industry and whether prices would rise when the CT came online in April 2005. He was genuinely concerned because he understood the implications for his constituents, and as the number 1 People's Representative, he was not in favour of policies that might have adverse effects on the poor. I was impressed with his concerns and felt his genuine desire to look after those who were experiencing poverty, especially in rural areas. He advocated against introducing a CT, which was the general response from the business and farming community also.

In 2010, the political reform seemed to have reached a satisfactory point with the appointment of a government elected by the people and members of the nobility. However, the election resulted in Lord Tu'ivakano being appointed as Prime Minister, and not 'Akilisi Pohiva, the leader of the Democratic Party of the Friendly Islands (Ministry of Information and Communication, 2010). In 2014, 'Akilisi Pohiva and his party finally secured enough MPs to form the government. In 2017, 'Akilisi Pohiva and his MPs were re-elected and formed the government for a second term. Prime Minister 'Akilisi Pohiva died suddenly on 12 September 2019, and was succeeded by Pohiva Tui'onetoa on 8 October 2019, under the new Peoples Party.

1.4 Context of the study

I want to explore the experiences of the vulnerable people impacted by the revenue reform programme in Tonga since 2005. Of concern is the socioeconomic impact of the EPSR on vulnerable groups of the population. I aim to record their experiences during the various stages of the reform and the extent to which this has impacted their wellbeing.

This study is the first of its kind regarding the impact of the EPSR on the vulnerable communities in Tonga. There are no perfect comparisons with a SIDS like Tonga, but there are other countries that have adopted development policies similar to Tonga that

¹ 'A. Pohiva., 'U. Uata and 'I. Pulu., personal communication, March 25, 2005.

will be reviewed in the next chapter (see sub-sections 2.3.3 and 2.3.4). I will present my perspective as a former technical advisor contracted to assist with implementing the revenue reform programme and other parts of the EPSR. This will be reflected in my assessment and research perspectives.

The results of the research may assist government leaders, donor agencies, and policymakers to ensure they adopt policies that do not harm the vulnerable. More importantly, the results will provide a "voice" for the silent vulnerable cohort to be heard.

1.5 Significance of this study

This study is significant because it is the first that aims to understand the impact of the revenue reform on the most vulnerable people by:

- Identifying the extent of the impact on the vulnerable and how that has affected their wellbeing.
- Identifying and recording the experiences of the vulnerable and their perceptions of the revenue reform using a Pacific research methodology.
- Highlighting areas of the revenue reform that may have worked or failed, as well as potential gaps that may require further attention.
- Providing an example to other SIDS of the impact of a major policy so they can learn from Tonga's experience.
- Providing donor agencies (for example, ADB, World Bank, IMF, European Union, China International Development Coordination Agency, NZAID, AusAID and others) with valuable information on funding projects without harming vulnerable communities.
- Analysing the impact of the revenue reform on domestic trade in the rural areas and outer Islands.
- Offering solutions for a fairer distribution of wealth.

1.6 The research environment

Most of the existing research was focused on the positive economic indicators of revenue reform, but little mention is made of the implications for the poorer sector of society (Murray et al., 2014). It is hoped that I will be able to shed light on the plight of the vulnerable so that, through this study, better decisions are made to protect their wellbeing.

My primary focus is on the "WHAT" is the impact of the revenue reform on the vulnerable and using the "*talanoa*" and "*kakala*" methods in the study may bring out information on "HOW" and "TO WHAT EXTENT" has it impacted the vulnerable. The study will focus not only on the extent of the hardship and struggles of the vulnerable community but also suggest solutions that may afford equity and facilitate fairer wealth distribution in national development policies.

1.7 Researcher standpoint

I was born in Tonga and migrated to New Zealand in 1977 when I was four years old. My first language is Tongan, and my parents insisted that I was to be fully immersed in my culture and to become a good Christian. I was not as involved in the church as they were but fully respected how my parents and family contributed to their faith despite their limited financial means. My father was a tough taskmaster, but he ingrained in me the need to help our community and especially the most vulnerable. As a church leader, he witnessed the plight of our people and his final message before I left for university was to look after those in need and never forget my roots.

1.8 My philosophical base

To understand my position in this study, it is essential to state the grounds of knowledge upon which I stand. These grounds represent my point of origin and the world view of

my knowledge base. They also influence my interpretation and analysis of information and data.

My family lived in Ellerslie and Glen Innes in central Auckland among some of the largest Tongan communities. My Tongan identity is paramount, and any representations of customs, values, and beliefs will be sourced from my Tongan culture. Despite being raised in New Zealand for most of my life, I consider myself to be fully immersed in the Tongan culture and have the knowledge to undertake in-depth research about my people. These values and this epistemological knowledge will be reflected throughout every aspect of this study.

I spent a significant part of my career working in the Māori and Pacific sector as a statistician, policy analyst, manager, consultant, advisor, and CEO. My focus in these roles has always been to improve the lives of Māori and Pacific people, so I have a strong connection with vulnerable communities.

1.9 Justification

In 2005, I was focussed on the economic justification for revenue reform and convinced myself that this was the best policy for Tonga despite the negative impact on some of the vulnerable communities. The economic literature and experiences elsewhere also convinced me of its effectiveness in other developed nations, so I fully supported the revenue reform strategy. Public backlash was expected in the short term, but I was confident that, eventually, the situation might settle down and, by that stage, the public would see the positive side of the reforms.

Upon reflection, after more than a decade, I seriously questioned my decision. I miscalculated the resilience of Tongan people and the level of the animosity against the government and its policies under the EPSR programme.

1.10 The two major events

Figure 4: Destruction of Nuku'alofa CBD buildings, 16 November 2006



Source: Photo I took on the 18th of November 2006, of the TCF building next to Maseia Plaza. The TCF building was destroyed during the riot of 16 November 2006.

I witnessed two significant events in Tonga that made headlines around the Pacific and other countries outside the Pacific; the first was the public servants' strike on 22 July to 3 September 2005, and the second was the riots of 16 November 2006, which caused eight deaths and significant destruction in the capital

city (Amosa, 2007). In the first event, I was based at the Ministry of Finance office, which backed up to the Pangai Si'i park grounds where the public servants held their daily strike meetings. I heard the speeches from public servants, who were familiar with the EPSR, blaming the programme for causing the strike. That is something I would agree with because part of the reform was to increase the salary band for the CEOs and senior public servants while no adjustments were made for the lower-paid staff. This decision was made to reflect experience, qualification, and performance in setting salaries. However, the decision lacked consideration of the repercussions from the public servants who disapproved of the changes.

Modern Tongan culture is one that is closely linked with Christian values and beliefs, and there are certain tenets that people will stand up for such as humbleness, fairness, and love for those less fortunate. The decision to review public servants' salaries without consultation, and using a non-transparent method, caused suspicion. The revision was part of the EPSR neo-liberal reform designed to improve efficiency within the public service. However, public servants saw the situation differently, as one designed to increase the senior public servants' salaries at the expense of the lower-paid workers. This was in contrast with the Tongan and Christian values of *'ofa*, *fetokoni'aki*, and

faka'apa'apa. The public servants protested what they perceived as unfair and an injustice against the lower ranks of the public service (Langa'oi, 2010).

Figure 5: Public servants march against the reform



Source: Photo I took of the public servants' march against the EPSR remuneration proposal on 8 August 2005.

During the protest, the public servants penned their famous slogan “unity & solidarity forever” as they marched on Parliament demanding a 60/70/80% pay raise for all staff except CEOs (Amosa, 2007). The government relented and agreed to the terms demanded by the public servants. What is important to note here is how the 60/70/80%² decision reflected the tenets of

Tongan culture and Christian belief where the 80% pay rise was for the lowest-paid workers and those on medium-high scales received a 60-70% increase. The democratic movement supported the public servants, which strengthened their cause and called for immediate political change.

In 1998, the Tongan Electricity Power Board was privatised and leased to the Shoreline Power Company (Prime Minister's Office, 2010, p.3). The Shoreline Power Company was owned by the Crown Prince Tupouto'a and his fellow directors, Sosefo Ramalal and Soane Ramalal. However, revelations of mismanagement were made and claims of exorbitant directors' fees were levelled against the Shoreline Power Company directors, so the Tongan Human Rights and Democracy Movement organised a protest march to present a petition to the King. The petition objected to the way the electricity provision was managed and was expensive while the directors were paid significant salaries (Leslie & Heather, 2007). In September 2006, King Taufa'ahau Tupou IV passed away, and Crown Prince Tupouto'a became the new monarch. However, the cost of electricity was rising, and remittances were falling as the revenue reform was starting to be

² The 60/70/80% was the salary increase demanded by public servants. The lowest earners would receive the highest pay increase of 80%. The middle-income earners would receive a 70% pay increase, and the highest income earners (excluding CEOs) would receive a 60% increase. These were known as the 60/70/80 demands.

implemented. This caused further discontentment and added more impetus to the call for democratic change.

The democracy movement held daily rallies at Pangai Si'i park to retaliate against the King's business involvement with the Shoreline Power Company. The high cost of electricity made the power company unpopular, especially with the more impoverished sector of society. On 16 November 2006, the protest turned violent, destroying the central business district of Nuku'alofa.

These two events will live in infamy in Tonga's history and have made an unforgettable mark in my memory. During the events, I was on the ground witnessing everything that went on, the destruction, violence and the darker side of people, especially when a particular sector in society stands up against the ruling establishment.

1.11 Doubting the reform

My experience in trying to implement the revenue reform, living through the public servants' strike and civil riots, led me to question the rationale behind the programme. During implementation, I fully understood the economic rationale and believed that this alone, along with the quantitative reasoning, would be sufficient for the programme to be accepted by the public. In hindsight, I should have assessed the full implications from the social impact perspective and not just the economic benefits. This brings me to my research, where I can fully assess the implications of the revenue reform and seek the perspectives of the vulnerable community.

1.12 Silence of the vulnerable

Economic reform focuses on the far-reaching economic benefits of reform policies for developing countries but provides limited analysis of the social impact on the vulnerable sector. Gupta (1995) recommended constant monitoring of the impacts by decision-makers, so corrective action is taken to ameliorate the deprivation caused by the reform

in its impacts on the poor. The voice of the vulnerable groups in society is silent when decision-makers approve development programmes designed to generate economic growth. This happens because decision-makers neither consider the views of the vulnerable nor consult with their communities. This type of policymaking has ramifications in the long term for the vulnerable because their wellbeing is severely compromised.

Tonga's revenue reform programme is over a decade old now, and a limited amount of research focusing only on its economic impact has been conducted by a range of agencies including the IMF (2012) and New Zealand Aid (Murray et al., 2014). However, it is missing a critical element, which is the impact on the vulnerable sector of society. The lack of detailed scrutiny of the impact of the revenue reform policy on community wellbeing and welfare is the main subject of my investigation, to avoid future hardships.

1.13 Leadership

Figure 6: Hon. Siosuia 'Utoikamanu, Former Minister of Finance



Source: Photo I took, of the former Minister of Finance on 15 March 2005 during the workshop with key stakeholders of the tax reform at the National Reserve Bank of Tonga, Nuku'alofa, Tonga.

The Minister of Finance in 2005, Honourable Siosua 'Utoikamanu, was a brilliant economist and respectable leader with the ability to gather the necessary support for many of the reform components. He considered that the only way for Tonga to participate successfully in the new global economy was to have a modern tax system to enable taxpayers to be compliant. Businesses would be able to carry out their commercial activities without being hindered by the old tax system (IMF, 2007). However, he resigned in early 2008 due to differences of opinion with the Prime Minister, Dr Feleti Sevele, on the administration of taxes and the appropriation of the China loan funds. Fortunately, by this time, the bulk of the reform was completed.

1.14 Design of the study

I have conducted this study using the *kakala* and *talanoa* research methodologies and thematic analysis to identify the impact of the reform on the vulnerable. The study used semi-structured interviews with 51 participants from local villages (participant group one), and six members from the more privileged sector of Tongan society (participant group two) made up of government, politicians, and the business sector, as identified by key informants.

I used a qualitative method because the economic and quantitative analyses have been conducted by others, as mentioned earlier. I followed the approach charted by Pacific academic leaders in qualitative research by aligning my study to Pacific values and knowledge sharing (Fairbairn-Dunlop, 2014).

The research cohort in this study was made up of the potential vulnerable groups and participants from the privileged sector. I have attempted to provide a complete picture of how the policy decisions were made by the government, from the start of the policy development process to the implementation phase and finally its impact on vulnerable people. Children were not included in the interviews because of the period we are

focusing on. However, I did ask those in the groups who are parents to provide a perspective on the impact the revenue reform had on their children.

I approached each of the groups (cohort group one) through an invitation to visit the local village and to meet the town officer or reverend, who have information on all the residents. This approach guided me on the residents and the likely vulnerable category of each participant. I visited the home of each participant in the Tongan cultural way of “*fofola e fala kae talanoa e kainga*” (laying out the mat so the family can converse). This approach enabled me, as a researcher, to seek permission from the participant to “*talanoa*” by laying out the welcoming mat to allow both parties to dialogue in a culturally safe environment.

1.15 What this study helps to provide

- *Solutions for donors* – The research from this investigation can be used by donor agencies to develop solutions that are sustainable and palatable for developing nations. Donors want small nations to become self-sufficient, and this is reflected in the types of projects they are willing to fund.
- *Behavioural impact* – The revenue reform had a significant impact on the behaviour of taxpayers, and part of the research highlights the life stories of those citizens who have experienced the various revenue regimes. I wanted to analyse whether the tax regime is sustainable or has added to the informal economy. Therefore, I have investigated the impact of the reform on the behaviour of the vulnerable sector and what lessons can be taken from that.
- *Lessons for learning* – Tonga’s experience with the revenue reform programme will become a learning tool for other Pacific nations considering a similar policy. The results from my research provide clearer information on the impact of the reform on the vulnerable part of the community and allow the government to make an informed decision on what policies they should adopt.

- *Protection of vulnerable* – the voices of the poor and vulnerable must not be muted, because they suffer more than any other group when national policies are misdirected and inequitable. This study provides transparency and scrutiny of the outcomes of the reform.

1.16 Cyclone Gita

Figure 7: Damage to one of the participants' home in Hahake



Source: Photo I took on 13 February 2018 after the cyclone. The damaged house belongs to one of the participants I interviewed in the Hahake district.

On the morning of 12 February 2018, I heard the news on Tonga's A3Z that Cyclone Gita was expected to make landfall that evening from 7pm, reaching peak strength around midnight. My first thoughts were with the participants I had interviewed because I had seen first-hand how structurally weak some of their houses were. Many were unlikely to remain standing with a Category 2 cyclone, but Gita was predicted to reach Category 4

or 5 ("Tropical Cyclone Gita is a monster Category 4," 2018). It was a monster storm and one of the worst to hit the main island over the last few decades. The previous major storm to hit Tonga was Cyclone Isaac in 1982, and I was there also. I witnessed the destructive power of Isaac, and now 36 years later, I was about to go through the same experience facing Cyclone Gita.

I stayed at Keleti Beach Resort during the fieldwork, and for some reason, I decided to pack my belongings and move to my mother's family in Ha'asini and stay with my cousin Viliami. I stopped by the shops to pick up supplies and some kava to have with my male relatives while we waited out the storm. I reached Ha'asini around midday and moved into my cousin's lounge with a few other relations. By 4pm, we started to feel the arrival of Gita, and by 7pm, it began roaring as the wind started breaking trees. By 11pm, the cyclone was in full swing, and I could feel the wind trying to rip the roof off my cousin's house. I could hear the banging and ripping of trees and houses, so I was quite fearful that we may not last until the morning.

Fortunately, we made it through, and when daylight broke, we could see destruction everywhere. The first thing I noticed was that only modern houses stayed intact while old and weak houses were pretty much destroyed. I was very worried about the participants in my study, and I wanted to visit them to help and provide supplies.

Once the roads were cleared of debris, by 2pm, I drove to the Hahake region first to see participants in Lavengatonga and Haveluliku. I was shocked to see that the houses, where four of the participants and their families lived, were destroyed. I spoke to the families and offered supplies I brought with me. It was quite sad to see how these families struggled, and the cyclone had added further strife and hardship.

Participants in the Hihifo District also suffered extensive damage to their homes. I visited eight of the participants with houses I considered to likely fail from the storm, and six were blown sideways or flattened while two had massive holes on the sides and parts of the roof. This gave me an idea of the extent of the problem among my study cohort.

The common denominator for the participants was severe hardship, and this was reflected in their homes, with some having a tin structure without the proper storm ties to hold the roof down. In times of natural disasters, these cohorts feel the main brunt of the storm while the wealthy live in better, modern, and safer homes. The disparity in wealth between most of the participants I interviewed, and others considered wealthy, was significant. The disparity is evident in the types of homes each had as well as their status in each community.

The participants I interviewed and who suffered damage to their homes will become worse-off now and will need major support and intervention from government and aid agencies to rebuild their lives again. My hope in regard to the rebuilding effort, is for the government and aid agencies to build stronger and safer houses for the poor, including the participants in this study. This could be the silver lining to the cyclone where the poor can get better and safer homes.

1.17 Conclusion

The revenue reform component of Tonga's EPSR programme was designed to lift the economy out of a stagnant position and its deteriorating fiscal and foreign exchange situation between 1999 and 2001 (IMF, 2001). The revenue reform was part of five components of the EPSR and one which had a mixture of success and failure. The revenue-generating mechanisms, such as the introduction of CT and modernising the taxation regime, provided much-needed tax revenue to replace the heavy reliance on trade taxes.

The reform was unpopular among some government officials and community leaders despite the tax consultation programme. The major changes being proposed did not go down well with some factions such as the farmers and the political opposition. The revenue reform caused farmers to protest while the public sector reform programme led

to the public servants' strike in 2005. The destructive riots of 16 November 2006 followed, causing further challenges for the government.

The revenue reform has provided higher tax revenues for the government, but the question I want to answer concerns the impact it has had on the vulnerable communities. This study aims to provide sustainable solutions that support the poor and builds resilience among the vulnerable communities. Tonga's experience of the revenue reform will become a tool for other Pacific nations embarking on development policies. The voices of the vulnerable must be considered in any type of policy decision.

2. Literature review

2.1 Introduction

This chapter focuses on three key areas that make up the main parts of this research. The first part discusses the definition of the vulnerable according to the literature, as well as my definition of who may be perceived as vulnerable based on the Tongan context of this thesis. I discuss what vulnerability is and let the analysis of the data identify who may be the vulnerable in the data analysis chapter (chapter five) as it emerges from the field work. The second area is dedicated to literature on the EPSR programme. This section also provides an overview of the New Public Management (NPM) approach and how it has underpinned Tonga's EPSR programme, eventually leading into the revenue reform initiative.

Literature on revenue reform in the Pacific is still in its infancy with some of the Pacific nations such as Tonga, Solomon Islands, Kiribati and Samoa completing their reforms with mixed results (Murray et al., 2014). Most of the literature sources are from between 1980 and 2018 as this is the period in which the reforms took place and also covers the lead-up policies and socioeconomic changes that provided impetus for the reform. I have also expanded the discussion to review the experiences of other nations over the last five decades to provide context and to identify the impacts of economic reform policies on their vulnerable communities.

The third section considers the tax reform and the pre-reform tax regime in Tonga as well as the current tax system after the reform. An analysis of the tax reform experiences of other Pacific nations that have close trading relationships with Tonga is also provided.

2.2 Defining the vulnerable (*tu'u laveangofua*)

The word 'vulnerable' means "*exposed to the possibility of being attacked or harmed, either physically or emotionally*" and originated from the Latin word *vulnerare* which means to wound, injure or hurt ("Vulnerable," 2019). The Tongan word I have used for vulnerable is '*tu'u laveangofua*' which literally means 'easy to wound'. This is the most relevant Tongan word that describes the meaning of vulnerable. I also considered the word '*masivesiva*' which may be used to refer to a person with very limited possessions.

The main focus of this study is the impact of the revenue reform on vulnerable people or a vulnerable community so I want to clearly define what I consider as 'vulnerable people or individuals' and 'vulnerable community' for the purposes of this study in comparison to how the literature defines the term. The meaning of vulnerability may differ between different disciplines based on their own conceptual models. For example, social scientists define "*vulnerability as the set of socioeconomic factors that determine people's ability to cope with stress or change*" (Allen, 2003; Brooks, 2003, p.2) while climate change scientists consider vulnerability as people's likelihood of experiencing a climate change event (Brooks, 2003, p.2; Nicholls, Hoozemans & Marchand, 1999).

First and foremost, as a Tongan, I am part of a proud people never invaded by any of its Pacific neighbours or foreign nation. Tonga's history is taught to all young children including historical records of the nations conquered by their ancestors. One of the most famous is Tonga's conquest of Samoa and eventual expulsion of the 15th Tu'i Tonga by the Samoan ancestor of the Malietoa clan (Gunson, 1990). Tongan people are proud of their nation and always make their presence known. More recently, the Tongan National Mate Ma'a Tonga Rugby League team participation at the World Cup of 2017 highlighted the pride and togetherness of Tongan people in supporting a common cause for the nation.

Tonga has a rich history of being a powerful nation in the Pacific, so it is important to understand the type of people they are. As proud people, Tongans are unlikely to accept being labelled as vulnerable from a western perspective. I was mindful that if I had asked

the key informants to find the people or families who identified themselves as being poor and unable to meet their main obligations, I could not expect that I would get a strong response of offers to participate. The main reason is likely due to the pride and dignity of Tongan people as the representatives of their ancestors in upholding their proud history and traditions.

Classifying the participants in this study as vulnerable, viewing them through a western lens, is inappropriate because it does not take into consideration the Tongan way of life and practices that western researchers may not understand. The majority of the participants in this study may be classified as poor when seen through a western economic lens, but Tongan people, whether they are considered rich or poor, display some of the most elaborate and bountiful feasts for church, family or cultural events. These events highlight the pride and ability of Tongan people to showcase their love, determination and dedication to their community.

I have had personal experience of the pride displayed by Tongan people. I was fortunate to represent my church as the *fakafofonga* or representative of the South Island Free Church of Tonga in 2012-2015. I travelled as part of the New Zealand Free Church of Tonga delegation to the annual church conference held in the outer islands of Vava'u, Ha'apai and 'Eua and the main island of Tongatapu. I experienced first-hand the Tongan expression of *mafana* (warmth) and *mateaki'i me'a* (dedication) when families provided their *pola* at every breakfast, lunch and dinner for the entire five-day event, catering to the thousands of people who made up the delegates, family and visitors. The *pola* were decorated with the best food available locally and internationally, including fine wines from the Napa Valley in the United States.

In 2012, we travelled to Vava'u for the conference and on the first day I observed a level of *mafana* that I am not accustomed to in New Zealand. The Free Church of Tonga congregation from the village of Leimatu'a prepared the dinner *pola* for the conference. I counted over 120 *pola* and close to 2,000 people at the feast. Each of the *pola* was decorated with dozens of six-pounds (2.7kg) cans of corned beef. The cans are worth

about TOP\$80 each and some *pola* had cans lined up in the middle or on the sides as decoration. They were unopened but displayed as gifts for the guests. Some of the *pola* had food stacked on three levels ranging from chocolate, pork, chips, taro, yams, seafood and so many other types of dishes. I saw one of the elderly women whose *pola* we were sitting at, walk away and sit in a little puddle of water that had formed on the grass berm during a downpour earlier on. She sat there and started grabbing the muddy clay and putting it on her clothes and face, not in anger or sadness, but with laughter and happiness as she called out to us, how proud she is to serve her God through her *pola* and repeated the famous call from the *Leimatu'a* villagers, '*Ta e pauni 'e ono*' (beat the six pound) which referred to their legendary connection with the six-pound corned beef can.

Tongan weddings and funerals are other events that highlight the extravagance of Tongan cultural obligations. A foreign observer would not know that any of the people in these events are poor because everyone provides some form of contribution either in cash, unpaid work, goods or cultural items. The observer would not label any of the people involved in these events as being vulnerable. However, where they may be vulnerable is in terms of their exposure to the financial system and in buying goods that are subject to indirect tax.

My experience in Vava'u indicated that a western lens may misinterpret the Tongan way of life and label some people as poor or experiencing poverty based on what they measured, without looking at the support systems and family ties of each individual. Tongan people are humble but when it comes to their *kavenga* or obligations, they will strive to provide all the resources and money required to meet those obligations by seeking support from family locally or abroad and using every means possible. Other personal examples include the display of *mafana* at weddings, birthdays and village events. Funerals are other important events where the entire family come together and pool resources to farewell their loved ones with honour and dignity.

Vulnerability is defined by the World Health Organization as the degree that a population, individual or organisation is unable to anticipate, cope with, resist and recover from the impacts of a natural disaster (World Health Organization, 2019). This is more in line with natural hazard research scientists who focus on the concept of risk or the degree to which a natural disaster occurs (Downing et al., 2001). Chambers (1989) provided a much more detailed definition of vulnerability which has two parts: *“Vulnerability has thus two sides: an external side of risks, shocks and stress to which an individual or household is subject; and an internal side which is defencelessness, meaning a lack of means to cope without damaging loss”* (p.1).

As Chambers (1989, p.2) pointed out, vulnerability is not the same as poverty and should not be used as a substitute term for the poor: vulnerability is not a lack or want but defencelessness, insecurity and exposure to risks, shocks and stress. According to this line of thinking, the vulnerable individual, group, class or region are those who have the highest exposure to a disturbance to their state of equilibrium and have the lowest level of coping capability, who suffer the highest impact from crisis and possess a limited capacity to recover. At the same time, the response to vulnerability may be to reduce exposure, enhance capacity and strengthen the individual, community, group or region’s recovery potential by reducing destructive impacts (Watts & Bohle, 1993, p.118).

Concepts of vulnerability were introduced in other studies such as the use of cross-sectional data by Bourguignon, Goh and Kim (2004) to estimate individual vulnerability by studying their earning dynamics. This study found that the main source of vulnerability to poverty may not be in earning levels but in losing one’s job, which has the largest impact on economic welfare and poverty dynamics. This has similar implications for Tongan RSE workers because they may be considered vulnerable to job losses too if the host nations of New Zealand and Australia no longer require migrant labour due to a technological change or economic factors. If the RSE workers lose their jobs, their families in Tonga will be vulnerable to economic harm and severe hardship.

Chaudhuri, Jalan and Suryahadi (2002) used a similar approach to estimate household vulnerability because they postulated that anti-poverty interventions should target efforts on the *vulnerability* of households to poverty rather than simply aiming to prevent or alleviate poverty. I must add that Pacific people resist and even detest being labelled as suffering from poverty because of their pride and position in their community. I experienced this during my own upbringing when my parents would borrow money and sell our Tongan artefacts so they could donate thousands of dollars to the church during the *misinale* while we survived on bread, pig heads and snapper heads. My parents did not want to be labelled as poor but wanted to maintain the respect of the church and community. This was extremely important to my parents.

Others, such as Subbarao and Christiaensen (2005), have alluded to the key role that risk, and vulnerability have in understanding the dynamics of poverty in the case of rural households in Kenya. Kamanou and Morduch (2002, p.10) argued that while there is agreement about the link between poverty and vulnerability, there is no consensus on the definition and measurement of vulnerability. However, there are different types of vulnerability and these are discussed in the following section.

2.2.1 Types of vulnerability (*tu'u laveangofua*)

The meaning of vulnerability is covered extensively in western literature because of the impact it has on at-risk people or groups in the context of natural disasters or socioeconomic changes. Poverty researchers study the complexities of vulnerability to identify potential solutions that can reduce impacts on the poor while climate researchers focus on the harm caused by natural hazards (Birkmann & Wisner, 2006, p.9). Philip and Rayhan (2004) found that people in poverty are highly susceptible to health hazards, economic downturns, natural hazards and human-made destruction (p.2). They are the most vulnerable, with the lowest level of resilience capability.

The World Development Report 2001 defined vulnerability as: “(measuring) the resilience against a shock – the likelihood that a shock will result in a decline in wellbeing” (World Bank, 2001, p.139). As discussed in the previous section, there is no clear consensus on the definition of vulnerability but what is evident is the context in which it is used. Each scenario or situation is unique and how the term vulnerability is applied is determined by the key subject matter. In this study, the main subject matter is the participants I interviewed and their level of vulnerability from the impact of the revenue reform programme.

Participants in this study are susceptible to the impact of natural hazards and policy decisions. The quote from Amartya Sen (1981b) below highlights that the future of wage earners was promising compared to farmers but their exposure to the impact of natural hazards left them vulnerable.

*“About a quarter of the rural population survive by exchanging labour at market wages and commanding food with what they earn. For them a variation of the exchange relationships can spell ruin. There is, in fact, some evidence that in recent years in Bangladesh the wage system itself has moved more towards money wages, away from payments in kind – chiefly food. More modern, perhaps; more **vulnerable**, certainly”* (Sen, 1981b, p.150).

Sen’s quote is relevant to this study because of the similarities between the rural community areas in Bangladesh and the participant cohorts. In Tonga’s case, the RSE work scheme (see sub-section 5.4.1) is now one of the major wage-earning initiatives for people in the rural areas. The RSE scheme is becoming a major income source and replacing farming. This is the new form of income generation for a significant number of families from some of the villages. However, they may be more vulnerable in a different way, such as family breakdowns or natural disasters, when the younger members of the family travel to New Zealand or Australia for the work schemes. Having the younger members working abroad limits the ability to grow crops on the family farm. These issues

highlight the high risk of vulnerability for rural communities in their pursuit of economic wellbeing.

The broader term of vulnerability indicates that rural workers are defenceless and refers to the general frailty of people against natural hazards (Calvo & Dercon, 2005, p.4). Calvo and Dercon (2005) contributed to the debate by studying the link between vulnerability and poverty by defining vulnerability as “*the magnitude of the threat of future poverty*” (p.5). Tonga has a significant number of participants in the RSE scheme and they are involved as part of the political agreement between the three countries of New Zealand, Australia and Tonga. However, it is still a vulnerable situation because Tongan workers are only employed for a short-term basis until a longer-term sustainable solution is found for New Zealand or Australia.

2.2.2 My definition of the vulnerable (*tu’u laveangofua*)

I use Tongan lens to define the “vulnerable individual” as referring to a person experiencing the impact or shock and stress caused by the revenue reform policy. I refer to a “vulnerable community” as a group of vulnerable people experiencing a common type of impact, shock or stress from the revenue reform policy.

In this study, the vulnerable individuals or groups may be considered to be those who were not taxed under the old revenue regime (pre-1 April 2005) but taxed under the reformed system starting on 1 April 2005. The exact vulnerable individuals or community or groups are identified from the study of the participants interviews that are analysed in the data analysis chapter.

The previous tax regime in Tonga provided the following to support the poorer sector of society:

- Customs duty exemption for personal building materials – for building a home.

- Customs duty exemption for farming machinery and supplies.
- Customs duty exemption for educational materials.
- No indirect tax on goods and services for consumers.

These exemptions were provided to support those less fortunate such as low-wage earners and poverty-stricken families. Exemptions for customs duties on building materials aimed to ensure more people were able to import building materials to build a house. Exemptions for farming were aimed at supporting subsistence farmers while exemptions for educational materials were designed to support schools and parents. There were no indirect taxes imposed on the public prior to 1 April 2005.

On 1 April 2005, all these exemptions were abolished, and a CT was imposed on all goods and services in Tonga. There were no further exemptions for low-income earners or families experiencing any forms of poverty or vulnerability. All citizens were taxed at 15% on all goods and services. This meant that the following groups of people were now being taxed and might be susceptible to being vulnerable under the new revenue regime:

- Elderly – because they rely on the younger family members as caregivers and benefit providers of food and basic needs.
- Disability – they rely on caregivers and the rest of the family for support.
- Women – living in a male-dominated society that is hierarchical.
- Children – limited opportunities for higher qualifications and jobs.
- Homeless – lack of social infrastructure for the poor.
- Unemployed – lack of employment opportunities.
- Rural – subsistence farmers and lower household income.
- Outer islands – lack of transport, distance from healthcare centres and schools
- Displaced – lack of land and places to build a home.
- Low income – limited opportunities and low educational qualifications.

- The poor – living in hardship and struggling to pay for basic necessities.
- Youth – high youth population but growing up with limited opportunities.

The potentially vulnerable groups I have identified are similar to the category outlined by the United Nations Development Programme (2015). I consider these groups and individuals as potentially vulnerable because they are highly exposed to the reform, have low capacity to withstand the effect of the changes and lack the means to overcome the impacts on their wellbeing. These are the potentially vulnerable groups I refer to in this study because they may be vulnerable as their way of life may be impacted by the new taxes and the removal of instruments designed to assist the poor, such as exemptions. These potentially vulnerable groups may be represented in the interviews reported in this study, where I analyse the impact of the reform on their way of life, culture, values, financial decisions and wellbeing.

The United Nations definition of vulnerability is based on the criterion of anyone lacking the essentials for a minimally acceptable life and:

the poorest, most vulnerable and marginalized populations invariably face the most complex, intersecting and dynamic challenges and barriers, which are unlikely to be fully understood or addressed without direct and on-going feedback and engagement (United Nations Development Programme, 2018, p.23).

I want to make it clear here that I have only identified potentially vulnerable groups but, for this study, the actual 'vulnerable' groups or communities are those which will emerge from the study as clearly being impacted by the revenue reform based on the analysis of the data.

2.3 Economic and Public Sector Reform Programme

2.3.1 Rationale for reform

Between 1990 and 1994, Tonga's GDP experienced a boost from squash exports to Japan, providing temporary relief to the domestic economy from favourable export prices (Naidu, 2010, p.139). Unfortunately, prices started to decline from 1994 due to ineffective

production arrangements, marketing problems and foreign competition (Naidu, 2010, p. 140). The Japanese squash market prices crashed to its worst level in 1999 leading to an exodus of growers (IMF, 2001). This pretty much decimated Tonga's squash industry, and the only growers remaining were the large established farmers with adequate working capital to sustain their operation in a fragile industry.

In 2001, a major scandal made headlines around the Pacific and others outside the Pacific, about the loss of the US\$30 million Tonga Trust Fund, containing revenues from Tongan passport sales (Fossen, 2007). The decision by the financial advisor (J.D. Bogdonoff) appointed by the King to invest the funds in risky ventures caused the loss. This event strengthened the opposition's political change movement by calling for urgent reforms to Tonga's political system. However, given the economic hardship of the late 1990s and on-going political challenges, the government started developing the EPSR proposal with advice and financial support from the ADB (1999). Tonga's tax revenue system was weak and needed significant modification to be effective and efficient. The government and donors proposed using the EPSR programme, though heavily influenced by the NPM regime that included the revenue reform strategy (Murray et al., 2014). I want to expand this discussion to cover how the EPSR was introduced to Tonga.

The EPSR abolished tax exemptions because they were not permitted under the suite of programmes being proposed. At the time, little discussion or consultation was undertaken with the affected communities, especially the rural areas, farmers and poorer sector of society (Ministry of Finance, 2005a; World Trade Organization [WTO], 2005).

The economic situation, at the time of the reform, was challenging, from the ADB and World Bank perspective, so their advice was to implement a western development model under the EPSR banner to stabilise domestic activities and generate economic growth (ADB, 1999). From the outset, the proposed reform was controversial and was challenged by internal and external critics. Oxfam was highly critical of the reform because it did not take into consideration the likely impact on the poor as well as cultural values that are integral to the way Tongan society functions (Oxfam, 2005b).

Age and experience are held in high regard in Tongan society, especially with our cultural values of *faka'apa'apa* and *feveitokai'aki*. The reform programmes failed to consider these values and, inevitably, this oversight caused discontentment within the public service and, eventually, strike action in 2005 (Langa'oi, 2009). Similarly, the revenue reform also failed to consider the consequences for farmers and how this would impact the poorest sector of society and their way of life, causing farmers to protest by driving their tractors on to the steps of Parliament ("Tonga Government Says Exemptions," 2005). The Minister for Trade in mid-2005 and future Prime Minister, Dr Feleti Sevele, responded that the march was politically motivated, so it did not change the government's position ("Tonga Government Says Exemptions," 2005).

The point I want to highlight here is how Tongan public servants and the community revolted against the reform. Money was not the key issue; the opposition to it had to do with the failure to consider the cultural values that bind people together. This was an error of judgement by the reform planners. The rationale for the EPSR was clear to the government and donor agencies but the impact was likely to be in conflict with the Tongan values that are important for communal wellbeing in what Gershieri (2000) referred to as kinship societies. Sadly, this oversight led to a series of events that continued to hamper development efforts and political reform. It is ironic that the EPSR was implemented to provide economic stability but unintentionally played a part in the civil unrest of 16 November 2006 (Langa'oi, 2009). The government requested a reconstruction loan from China, through the Export Import Bank of China, to rebuild the Nuku'alofa CBD destroyed by the unrest. The reconstruction loan has boosted public debt to reach 47% of GDP (Ministry of Finance and National Planning, 2018).

2.3.2 New Public Management (NPM)

The EPSR originated from the NPM model (Murray et al., 2014). The NPM is an approach to operating public services by using private sector management methods and

was first used in the 1980s (Hood & Jackson, 1992). NPM is often mistaken for the New Public Administration (NPA) movement established in the 1960s. The traditional NPA is tilted more towards bureaucracy and accountability while the NPM favours a loosening of strictures to allow for flexibility and creativity to achieve efficiencies (Pfiffner, 2004).

The fiscal crisis of governments, lack of accountability, poor performance, imperious bureaucracy and corruption gave rise to the emergence of the NPM as a genuine public service delivery model, as observed by Common (1998) and Minogue (1998). NPM has been used extensively, but usually in non-Pacific regions, so it is useful to review the experience of the Cook Islands.

In 1996, the Cook Islands embarked on an education sector reform programme by replacing the traditional public administration system with the NPM (Puna, 2008). Contrary to the portrayal of NPM as a recipe for disaster by Hood and Jackson (1992), the Cook Islands' experience was revolutionary. According to Puna (2008), the application of the NPM to the education sector resulted in positive changes. The Cook Islands Ministry of Education embraced NPM and refocussed education from teachers teaching to students learning, reinforcing the dedication of educational practitioners to concentrate on the best interest of students.

Similarly, Tonga adopted the NPM philosophy, through the EPSR, as a means to reform the public sector and inject a new service culture based on private sector principles. The EPSR programme was developed to provide a solid foundation for long-term growth prospects (IMF, 2001).

Reviewing the successful adaptation of the NPM in the Cook Islands raised the question, why did parts of it fail in Tonga (Murray et al., 2014). The answer is – lack of support from key stakeholders. The Cook Islands Ministry of Education public servants and educational practitioners believed in the approach and offered their full support (Puna, 2008). The Cook Islands' government had buy-in from the key stakeholders and the NPM was only used to reform the education sector while Tonga applied the model broadly to

the entire public service sector. Tonga's government failed to secure support from the public service, leading to the strike action in 2005. Furthermore, the discontent with the government's handling of the reform is argued to have fuelled the public riot of 16 November 2006 (Langa'oi, 2009, 2010).

The ADB advised the Tongan Government in late 1999 to develop a consensus for reform which started the journey towards the revenue reform as part of the EPSR programme (ADB, 1999). This is when the EPSR was first broached, after two years of recession and the decline of the squash industry. The ADB and IMF worked with the Tongan Government to provide a package of reforms designed to lift economic performance. In 2001, the IMF also encouraged the government to use the EPSR to implement revenue reform in response to the macroeconomic challenges it faced (IMF, 2001). Finally, in 2002, the IMF announced a policy discussion involving a *“comprehensive reform in public financial management, revenue administration, public service, and foreign investment should enhance the economy's ability to withstand shocks and lay a solid foundation for better long-term growth prospects”* (IMF, 2003, p. 3). This was the formal indication of the revenue reform programme which would be a key component in the EPSR programme. The revenue reform part was expected to be made up of the following (IMF, 2003; Pacific Financial Technical Assistance Centre, 2002):

- A progressive tax structure.
- Changes to income tax.
- A simplified tariff structure.
- Implementing a value-added tax and abolition of other sales taxes.

2.3.3 Other countries' reform experiences

This section provides examples of other nations that have undertaken reforms similar to Tonga. These nations were selected because they were advised by the same donor

agencies as Tonga, had unique cultures and ways of life as well as experiencing significant changes from their own EPSR policies that impacted vulnerable sectors of society. In each case, I outline the reason they are being covered and relevance to Tonga's case. A comparison of each nation's EPSR policies is presented, followed by each nation's experiences.

Comparison of EPSR policies

Table 3: EPSR Experiences of Six Nations

Country	Tonga	NZ	Peru	Nigeria	Jamaica	Seychelles
Macroeconomic stability	✓	✓	✓	✓	✓	✓
Tax reform	✓	✓	✓	✓	✓	✓
Public sector reform	✓	✓	✓		✓	✓
Public enterprise reform	✓	✓	✓	✓		✓
Removing protectionist policies	✓	✓	✓		✓	
Exchange rate changes			✓		✓	✓
Privatisation		✓	✓			
Private sector reform					✓	
Welfare reform		✓				
Capital market changes			✓			
Price control changes			✓			
Structural reform				✓		✓
Governance reform				✓		
Public-Private Partnerships					✓	
Reducing state control					✓	
Monetary framework changes						✓
Balance of payment reform						✓
Deregulation		✓				
Legal framework changes						✓

Source: Tonga (Ministry of Finance, 2005); New Zealand (Dickson, 2007; Ball & Creedy, 2015); Peru (Cheibub et al., 1996); Nigeria (Okonjo-Iweala & Osafo-Kwaako, 2007); Jamaica (Bird & Miller, 1989; Stiglitz, 2002); Seychelles (Kothari and Wilkinson, 2013).

The comparison of the six nations in Table 3 highlights the vast range of EPSR policies employed in an effort to achieve stability and economic growth. The analysis shows that each nation experienced some form of economic shock or downturn which required drastic countermeasures to reverse the negative effects. The most common EPSR policies were macroeconomic stability, tax reform, public sector reform, public enterprise reform and the removal of protectionist policies. In all these cases, the IMF and World Bank played an important role in using development loans to direct government policy to achieve the objectives of the reforms with specific contractual obligations and loan payments (IMF, 2016). Such contracts were inflexible and designed to achieve macroeconomic outcomes despite the negative impacts being borne by the poor (Sachs, 2006).

New Zealand's reforms

New Zealand has the highest Tongan population outside of Tonga with 60,336, based on the 2013 Census (Statistics New Zealand, 2013). Remittances from the Tongan community in New Zealand have a major impact on Tonga's economy. The participation of the 1,800 Tongan workers in the RSE scheme annually also provides significant remittances for their families, many of whom live in the rural areas of Tonga (New Zealand Immigration, 2018a). New Zealand is Tonga's main import market and third largest export market, so it makes good sense to review New Zealand's experience of the reforms given the close economic ties (OEC, 2019). In addition, the technical advisors who advised the Tonga government on the revenue reform, followed the same approach used to implement GST in New Zealand in 1986 (Dickson, 2007).

Prime Minister David Lange's newly elected Labour government of 1984 took control of a struggling New Zealand economy with a heavily regulated financial sector, weak private sector and highly subsidised primary industry (Bale & Dale, 1998, p.103). Economic conditions were dire with the deficit at 9% of GDP, public debt was 60%, inflation was high and economic growth was one of the lowest in the OECD (Bale & Dale, 1998, p.105).

The new government adopted the NPM approach to stabilise the economy and implemented broad public sector reforms (Dalziel, 2002; Evans, Grimes, Wilkinson & Teece, 1996). The Finance Minister, Roger Douglas, initiated the economic reform policies of 1984 to 1990 of privatising state assets and cutting social welfare expenditure. These policies were known as 'Rogernomics' which referred to the neoliberal economic reforms used under the NPM approach (Nairn, Higgins, & Sligo, 2012, p.196).

On 1 October 1986, the Labour government introduced Goods and Service Tax (GST) at 10% on goods and services, replacing sales taxes (Dickson & White, 2008; New Zealand History Online, 1986). Exemptions were granted for wages, salaries, rent, financial services and fine metals (Dickson & White, 2008). This was in conjunction with compensating changes to income tax under the Rogernomics reform policies. GST was increased to 12.5% on 1 July 1989, and again to 15% on 1 October 2010 (Inland Revenue Department & the New Zealand Treasury, 2018).

As a broad-based tax, GST collected 31.4% of total taxation, making New Zealand one of the highest taxed countries in the OECD in terms of the value-added tax as a proportion of GDP (Inland Revenue Department and the New Zealand Treasury, 2018).

According to a study by Statistics New Zealand, the introduction of GST caused consumers with higher incomes to purchase luxury goods early to avoid the impact of GST (Statistics New Zealand, 2019). However, those on lower incomes do not have the same financial capacity to make such a choice, which highlights the negative impact of the tax on the poor.

In 1990, a new National Party government was elected and was led by Prime Minister, Jim Bolger. Finance Minister, Ruth Richardson, continued on a similar approach to the previous government using the NPM reform policies (Goldfinch & Roberts, 2013). In 1991, working alongside the Minister of Social Welfare, the Finance Minister proclaimed the 'mother of all budgets.' This consisted of the public sector reforms by devolving services such as state housing into state-owned enterprises, reforming the welfare system by abolishing universal family benefits and introducing a user-pays system for health and education.

The reforms of the 1980s and 1990s proved unpopular and were called radical economic policies (Easton, 1997). New Zealand Treasury's 2015 report on inequality identified the 1980s and 1990s as the period when New Zealand registered the highest inequality in the OECD (Ball & Creedy, 2015, p.25). The two population groups most affected by the reforms were Māori and Pacific people, due to their low incomes, high unemployment, low educational outcomes and poor health indicators (Carroll, Casswell, Huakau, Howden-Chapman, & Perry, 2011).

More recently, New Zealand's economy was dubbed a 'rock star economy' in 2014 based on its ability to withstand the global downturn and even perform better than Australia (Kelsey, 2015, p. 33). New Zealand's economic and public sector reforms were highlighted as contributing factors to building a strong economy that was able to weather the global financial crisis of 2008 as well as to build a solid economic base for the future. New Zealand was ranked fifth in the world in 2015 for social progress in terms of basic human rights, wellbeing and the opportunities available to citizens (Social Progress Imperative, 2015).

New Zealand's most vulnerable

In 2012 it was estimated that 285,000 or a quarter of all children were experiencing poverty, with Māori and Pacific children featuring disproportionately high relative to their

total population (Statistics New Zealand, 2012). The housing crisis has impacted Māori and Pacific people more due to their low incomes and lack of financial security. The widening gap between the rich and poor is the major cause of poverty amongst the marginalised communities, especially Māori and Pacific peoples (St John, 2013, p.48). New Zealand's economic indicators were the envy of other nations (New Zealand Productivity Commission, 2014); however, on the other side of the ledger, New Zealand's youth suicide rate is among the highest in the OECD and the heaviest burden is on the Māori and Pacific community (Ministry of Health, 2019; Tiatia-Seath, Lay Yee, & Von Randow, 2017, p.22).

Despite the solid economic conditions after decades of economic and public sector reform, there are serious repercussions for vulnerable individuals and communities. The vulnerable groups considered to have suffered the most from the reforms are:

- Māori,
- Pacific peoples,
- youth,
- children,
- low-income people,
- homeless people,
- displaced people, and
- alcohol and drug addicts.

Policy implications of the reforms

The economic reforms caused significant damage to Pacific and Māori families as a result of welfare reductions, unemployment, low educational achievement and low incomes. In 1998, Te Puni Kōkiri (Ministry of Māori Development) released the report *Progress Towards Closing Social and Economic Gaps Between Māori and non-Māori* which identified the severe inequalities experienced by Māori in Aotearoa (Turia, 2000).

The Ministry of Pacific Island Affairs also released its Pacific Vision 2000 project along with the special report on *Navigating the Currents of the New Millennium* in 1999 (Ministry of Pacific Island Affairs, 1999). This programme provided the impetus for a capacity building programme under a whole-of-government approach to empower Pacific communities and address the negative indicators.

Realising the negative impact of the reform policies on Māori and Pacific peoples, the Fifth Labour Government of New Zealand was elected in 1999 after campaigning on reducing the socioeconomic disparities between Māori and Pacific people and other more prosperous communities. The policy framework proposed to achieve this was called 'Closing the Gaps' (Piercy, Mackness, Rarere, & Madley, 2017).

It is important to note that the Fifth Labour Government was attempting to address the growing inequalities caused by the Fourth Labour Government through the Rogernomics policy of the 1980s as well as the Fourth National Government with the 'mother of all budgets' of the 1990s (Rashbrooke, 2013, p.63). More recently, the Fifth National Government of Prime Minister John Key, along with the Māori party as coalition partner, implemented the 'Whānau Ora' wellbeing programme to target health and socioeconomic issues experienced by whānau (Te Puni Kōkiri, 2010). This time, agencies provided whānau with the resources to find the solutions from within the whānau rather than imposing agency-promoted solutions.

Peru's reforms

Peru adopted a similar reform programme to Tonga which targeted public sector downsizing and revenue reform. Political instability and corruption were other issues that led to the reform programme. The socioeconomic conditions, the need for macroeconomic stability, and an unstable political environment made Peru a good candidate to review because of its similarities to Tonga.

Since securing independence from Spanish rule in 1824, Peru experienced a tumultuous economic period even after the military coup of 1948 by General Manuel Odria (Quiroz, 2008). Internal conflicts resulting in further coups, and war with Ecuador culminated in chronic inflation and deteriorating economic conditions (Sheahan, 2010, p.157). Concerns about the economy, allegations of corruption and terrorist threats led to Alberto Fujimori assuming the presidency on 28 July 1990, and holding office until 22 November 2000 (Boesten, 2007).

President Fujimori's reforms are often credited with restoring Peru's macroeconomic stability. According to Stokes (1996) and Cheibub, Przeworski, Limongi Neto and Alvarez (1996), the government message to the public was designed to evoke an 'intertemporal' response. The government was exhorting the public to accept short-term austerity measures in order to achieve prosperity in later years. This provided President Fujimori with the mandate to impose the reforms despite the impact on people (Stokes, 1996, p.550).

The first neoliberal policy was a fiscal adjustment leading to a 400% inflation rate increase. This was followed by exchange rate unification and liberalisation, revenue reform, capital market liberalisation, the elimination of price controls, the removal of protectionist policies, public sector downsizing, the privatisation of state-owned enterprises and the reform of the financial sector (Stokes, 1996, p.555). These measures were extremely painful for the poor and this was reflected in voters' negative reaction to the government's decisions. Fortunately, by 1994, Peru's economy was growing. However, employment was falling behind, along with wages. The poor became a vulnerable group and blamed the reform policies during tough periods.

After Fujimori resigned in 2000, subsequent governments have continued to sustain economic growth, but many problems still exist, along with the marginalisation of the vulnerable groups that suffered during the reforms, and internal conflicts (White, 2009, p.40).

According to the IMF, Peru's economy has been one of the top performers in Latin America since the turn of the century due to robust economic growth and poverty reduction. However, internal political instability is a problem and the impact of the El Niño weather pattern in 2017 presents further challenges (IMF, 2018).

Nigeria's reforms

Nigeria's population and geographical size make it significantly different from Tonga but the country's reform programme targeting similar areas to Tonga made it a good candidate to review. Nigeria used a similar approach to Tonga by employing economic and public sector reform instruments such as tax reform, public sector management and structural reform to strengthen macroeconomic conditions. The key issue to note is the major impact of the reforms on Nigeria's vulnerable community who carried the burden of the reform despite the country achieving a positive macroeconomic position. This is the key issue that will be analysed in the next chapters as I determine the impact of the EPSR, specifically the revenue reform, on Tonga's vulnerable community. The Nigerian government followed advice from the same agencies as Tonga such as the World Bank and the IMF so reviewing their experience of western-driven economic development models is relevant for Tonga.

Nigeria is the most populous country in Africa with 140 million people and it is second only to South Africa in terms of GDP (Okonjo-Iweala & Osafo-Kwaako, 2007). Since becoming an independent federation in 1960, Nigeria became embroiled in civil war and military rule until 1999 (Library of Congress, 2008). After years of economic stagnation and weak infrastructure, Nigeria embarked on a comprehensive reform programme during the second term of President Olusegun Obasanjo between 1999 and 2007. The reform was based on the National Economic Empowerment and Development Strategy (NEEDS) focusing on five main policy areas (Okonjo-Iweala & Osafo-Kwaako, 2007):

- Improving the macroeconomic environment.

- Pursuing structural reforms.
- Strengthening public expenditure management.
- Implementing institutional and governance reforms.
- Tax reform.

Nigeria's major economic challenges were massive corruption, weak fiscal discipline and over-reliance on oil export earnings that dictated public expenditure. Fiscal expansions funded from oil revenues often caused currency appreciation raising Dutch-disease³ concerns (Barnett & Ossowski, 2002). The NEEDS reform enabled the government to improve the fiscal position and record a surplus in 2004 and 2005. The stable macroeconomic environment boosted private sector growth and improved economic performance.

The reforms faced stiff opposition from the Nigeria Labor Congress who protested the removal of petroleum subsidies. Media attacks and threats were made towards the government and key officials. The tax reviews of 1991 and 2003 failed to achieve any effective reform to diversify revenue collection from being heavily reliant on oil exports and trade taxes at the expense of the broader based VAT (Odusola, 2006). More recently, in 2017, the Federal Executive Council approved a comprehensive National Tax Policy due to the following challenges (Price Waterhouse Coopers, 2017, p.1):

- Low tax to GDP ratio.
- Fragmented database of taxpayers and weak structure for exchange of information.
- Multiplicity of taxes and revenue agencies.
- Poor accountability for tax revenue.
- Use of aggressive and unorthodox methods for tax collection.

³ The Dutch disease refers to the problems associated with a rapid increase in the production of raw materials (like oil and gas) causing a decline in other sectors of the economy. When the raw materials run out, the economy can be in a worse position than before (<https://www.economicshelp.org/blog/11977/oil/dutch-disease/>).

- Failure by tax authorities to honour refund obligations to taxpayers.
- The non-regular review of tax legislation, which has led to obsolete laws that do not reflect current economic realities.

Policy changes aimed at addressing the challenges include (Price Waterhouse Coopers, 2017, p.2):

- Ensuring that there is only one revenue agency per level of government.
- Establishment of a tax court as an independent body to adjudicate in tax matters.
- Lower tax rate and VAT compliance threshold for SMEs.
- Establishment of an Office of Tax Simplification for continuous improvement.
- Administrative framework for amnesty and whistle blowing as part of the strategies for curbing evasion and widening the tax net.
- Independent National Electoral Commission (INEC) to mandate political parties to articulate, prepare, provide and make public their tax agenda before and during election campaigns

The impact of the reforms on the poor was significant, especially after years of military dictatorship. A stable macroeconomic position was achieved but at a high cost to the vulnerable which future administrations needed to address through targeted spending on pro-poor programmes linked to the Millennium Development Goals (MDGs) (Gopaldak, 2012; IMF, 2015, p.31).

Jamaica's reforms

In Jamaica, 60% of the poor pay more taxes under indirect consumption tax than the rich (Bird & Miller, 1989; Stiglitz, 2002). Indirect taxes such as consumption tax on food disproportionately affect the poor but exempt capital goods that benefit the rich (Bird & Miller, 1989). More recently, the impact of indirect taxes on the poor has been questioned due to the share that poor people pay compared to the rich (Ward, 2017). As an island nation experiencing economic difficulties, low commodity prices and a

large public sector, Jamaica has struggled with similar problems to Tonga. I identified this nation as another good candidate to review in regard to their reform experiences. Jamaica was also guided by the same advisors as Tonga to adopt the NPM model, so their experience is important to highlight.

The economic reforms were at their height during the 1980s, according to Danielson (1996), and among the intended goals was the achievement of the objectives of the reform programmes, which were designed to establish a stable macroeconomic platform and greater privatisation. But there was a delay in implementing reforms due to timing, because of high inflation, an inefficient public sector and worsening living conditions for the majority of people. Next, there was the nonfulfillment of contract conditions due to bilateral donors making grants contingent upon successful implementation of World Bank requirements (Avramovic, 1988; Killick & Allen, 1996).

The Jamaican economy prospered during the early years after independence in 1962 but then experienced a period of stagnation in the 1980s due to large fiscal deficits and falling commodity prices (The Commonwealth Secretariat, 2019). Confronted with an economy in disarray in 1980, the new government of Prime Minister Edward Seaga committed to economic reform policies beginning with IMF loans between 1981 to 1983 to prop up the ailing economy and the implementation of the World Bank's conditions (Robinson, 2017; The Commonwealth Secretariat, 2019) which were to:

- Dismantle trade barriers.
- Unify the exchange rate.
- Reduce state control of the economy.
- Tax reform.

Reforming the public service was a lot harder for politicians due to a practice of reward and patronage to ruling party loyalists. Politicians were involved in creating roles in the

public service for the party faithful so reforming the sector became a low priority, despite the need for significant reductions to reduce expenditure (Ward, 2017).

The social effects of the reform policies were hardest on those working in the informal sector, mainly the poor and predominantly rural. The reform budget cuts disproportionately impacted schools and health clinics in the rural areas. In the first decade after the reforms, the key component was the performance of the export sector under the export-led growth policy (Danielson, 1996, p.106). This policy was critical in order for the government to reduce external debt and address the needs of the vulnerable.

Tax reform has been difficult due to the political forces at play and the influence of big business, according to Robinson (2017). Robinson has highlighted the need for comprehensive revenue reform but the government administrations between 1980 and 2010 failed to overhaul the tax system which exhibits structural inefficiencies and weak administration.

In 1991, a new framework for privatisation was implemented based on opening up the economy and attracting foreign investment, technological development and capital injection (Danielson, 1996). In 2012, a revised 'Privatisation Policy' was implemented to encourage private sector participation and investment. Public-private partnerships are also part of this policy to transfer risk to the private sector (Government of Jamaica, 2012/2017).

Seychelles' reforms

Seychelles has a similar-sized population to Tonga with around 95,000 people. It is an island nation and has experienced a significant economic reform process. The island is a popular tourist destination and had a stable economy. However, this all changed in the early 1990s when the Seychelle's largest international donor, the Soviet Union, collapsed and the nation faced the upcoming cost of hosting the Indian Ocean Games in 1993 and

2011 (IMF, 2011). After two decades of monetisation of fiscal deficits, weak economic growth and macroeconomic imbalances, the government called in the IMF to assist with economic reforms in 2008.

The Seychelles economic reform programme was designed to promote macroeconomic stability and sustainable growth. The programme consisted of (IMF, 2011, p.7):

- A market-based monetary framework.
- A liberalised foreign exchange policy.
- Sustainable fiscal policy.
- Sustainable public debt.
- Sustainable balance of payments.
- Public sector reform.
- A modernised tax system, with:
 - value-added tax,
 - personal and income tax,
 - business tax.
- A stronger institutional and legal framework.
- Private sector reform.

Kothari and Wilkinson (2013) analysed the impact of the reforms on Seychelles and concluded that inequality is rising, and the social equity gains of the past are being reversed. The small island state has been following the development plans but only has a small range of exportable goods, thus perpetuating their vulnerability to external shocks. The welfare systems of the past are no longer in place, making life more difficult for the vulnerable.

2.3.4 Enhancing revenue generation

The second component of the EPSR programme was “enhancing revenue generation” through revenue reform. I discuss the other components of the EPSR throughout this study to provide the context of the complete reform package, but I will concentrate specifically on the reform aimed at “enhancing revenue generation” as this is the revenue reform policy that is the focus of this study, along with its impact on the vulnerable.

In 2001, the Tongan government carried out a comprehensive review of the taxation system aiming to stimulate business development and provide an efficient taxation system. An equitable system for taxpayers would reduce the administrative burden experienced by the Revenue Services Department (Ministry of Finance, 2001).

The roll out of the revenue reform programme began in 2002 with an integrated package of legislation designed to enhance tax administration and collection (Ministry of Finance, 2006; Ministry of Revenue and Customs, 2007b).⁴ This package formed the foundation for the revenue reform. The four phases of the programme proposed for enhancing the revenue system were (Ministry of Finance, 2001):

- A stronger legal framework under the Revenue Services Administration Act 2002 (Crown Law, 2002).
- Introduction of the value-added CT in 2005.
- Customs duty reform.
- Income tax reform.

These initiatives were designed to bring about a fairer and more efficient tax system for taxpayers. This was the message communicated to the public through the consultation process. For the public to warm to the recent changes, a positive spin was always communicated (Ministry of Finance, 2007).

⁴ The tax authority was known in 2005 as the Department of Revenue Services. It was changed to a Ministry in 2007 and renamed the Ministry of Revenue and Customs.

In his statement to the IMF in 2002, the Minister of Finance stated that:

The key challenges for Tonga in the short term are to preserve external viability through strict fiscal and monetary policies. The key challenge in the medium term is to restructure the public sector to support private sector led growth ('Utoikamanu, 2002, p.1).

He also acknowledged the need to push on with the tax reform programmes and to focus on poverty alleviation ('Utoikamanu, 2002).

The first reform phase addressed the weak regulatory system by introducing the Revenue Services Administration Act (RSAA) in 2002, to come into operation on 1 July 2004 (Crown Law, 2002). This laid the platform for a modern and efficient tax administration based on self-assessment and voluntary compliance. The RSAA was the first of a series of regulatory changes required to push through the revenue reform.

The next phase was the passing of the broad-based Consumption Tax Act (Crown Law, 2003) and its implementation on 1 April 2005 followed by the Income Tax Act in 2007 (Ministry of Finance, 2007). The final legislative change was the Customs and Excise Management Act in 2007. These new laws provided the foundation to implement the new customs duty changes in accordance with WTO rules (Ministry of Revenue and Customs, 2007b).

Pacific nations' tax reforms

Tonga has been a strong advocate of the revenue reform so I will review the literature on the other Pacific nations that have introduced similar reforms. These Pacific nations are also trading partners and key allies for Tonga.

Samoa tax reform

Samoa implemented major tax reform policies beginning with the introduction of the Value-Added Goods and Services Tax in 1994 (Murray et al., 2014. p.114; Samoa Ministry for Revenue, 2019). This was followed by tariff reductions ranging from 10 to 20% as Samoa prepared to become a member of the WTO. A feature of Samoa's tax system is the high tax exemptions with more than 30 income tax exemptions available for private sector development. This is significantly different from Tonga's income tax exemptions.

Similar to Tonga and Fiji, Samoa has tried to broaden the tax base by strengthening tax administration as well as using a wider range of tax instruments such as indirect tax based on voluntary compliance. In 2010, the Samoan Government approved an Institutional Strengthening Project for the Ministry for Revenue to modernise the tax system. The New Zealand Government has been the main funder of technical support for Samoa's tax reform and contracted the Sapere Research Group to evaluate Samoa's tax reforms in 2014. The evaluation found that much work was still required to lift the performance of tax administration. The reviewers noted that "*the task of changing community behaviour to one of being voluntarily compliant has not yet been completely successful*" (Murray et al., 2014, p.124). The reviewers were also concerned that the community perceived the Ministry for Revenue to be weak on compliance and not strictly requiring taxpayers to comply with their tax obligations.

In 2017, the Samoan Government announced the impending tax policy changes requiring church ministers to pay tax from 1 July 2018. Church ministers' income was tax free and enshrined in the existing tax law ("Ministry Plans to Tax Pastors, Head of State," 2017). Many of these ministers earned significant incomes from donations and were often much better off than the rest of their congregation. The largest church in Samoa, the Congregational Christian Church, has opposed the new tax changes while others, such as the Catholic and Methodist Churches, have complied.

On 1 January 2018, the government increased the income tax threshold from SAT\$12,000 to SAT\$15,000 to support low-income earners as well as providing a

tourism tax credit scheme that ended in 2018 (“Tax Credit Scheme,” 2019). Samoa has a similar tax system to Tonga and Fiji with policies aimed at strengthening tax administration, especially monitoring and compliance. These tax systems are based on New Zealand, Australia and other western models. However, the evaluations show that these systems are not necessarily successful because Samoa’s tax administration does not have the capacity yet to fully implement the new policy changes.

Fiji tax reform

The Fijian Revenue and Customs Service (FRCS) collected F\$2.67 billion in 2016 from tax revenue, customs duty and other taxes which was an improvement of 6.6% from 2015 (Fiji Revenue and Customs Service, 2017, p.8). The biggest impacts on Fiji’s economy were the coups of 1987, 2000 and 2006, which destabilised the economy, especially in the tourism sector (Prasad & Narayan, 2008). The government has reformed the tax system to generate much needed revenue which included the introduction of a value-added tax in 1992. In 2008, the income tax reform raised the tax threshold from F\$9,000 to F\$15,000 and reduced duties on some imported food items to provide relief for vulnerable families in poverty and those struggling with the economic downturn (Prasad & Narayan, 2008, p. 23). The most recent tax reforms were announced in the 2018/2019 budget which followed the government’s fiscal policy of maintaining a low, reasonable and equitable tax structure to incentivise the private sector and managing government expenditure (Vula, 2018).

A common theme of the Fiji tax reform is the focus on the poor and how to ensure they are supported. In each reform iteration, the government has always been careful

to provide concessions to ensure that those experiencing poverty are supported through exemptions and tax regime changes.

Solomon Islands tax reform

The Solomon Islands revenue collection for 2011 was SI\$2,038 million (Solomon Islands Ministry of Finance & Treasury, 2019). The Solomon Islands have a similar tax system to Tonga, Samoa and Fiji with a value-added tax scheme and income tax and customs duties. The existing tax system is concentrated on indirect taxes and customs duties which make up 53% of total revenues (Solomon Islands Ministry of Finance & Treasury, 2019). The government announced a review of the tax system in 2017 due to the high tax burden placed on individuals and the inefficiencies and complexities of tax administration (Solomon Islands Ministry of Finance & Treasury, 2017). The review aims to deliver a fairer, simple and broad-based tax system and to stimulate private sector growth.

In 2015, the Solomon Islands Members of Parliament were granted tax-free status due to being paid lower than CEOs in state-owned enterprises; this led to public protests. This exemption was scrapped on 1 April 2019 (Wasuka, 2019). The current tax system has inherent weaknesses that are harming economic growth and encouraging tax avoidance and evasion practices.

Vanuatu tax reform

Vanuatu implemented a value-added tax in 1988 and reduced customs duties following the nations accession to the WTO (Murray, Oliver, & Wyatt, 2013, p. 66). Vanuatu has required additional support to strengthen tax administration for the collection of indirect taxes and to address compliance weaknesses within the tax system. The OECD listed Vanuatu as a tax haven due to the lax financial regulations

(Rawlings, 2005). It was removed from the list in 2010 after committing to the internationally agreed tax standards (Murray et al., 2013). However, cases relating to money laundering are being exposed which is attracting the ire of the Financial Action Task Force created by the Group of Seven leading industrial nations (Bremner, 2017).

Vanuatu has a unique tax system that relies primarily on the indirect value-added tax and import duties for revenues. Interestingly, there is no income tax on individuals or businesses. More recently, the government has come under financial pressure to cover the rising costs of public services and the high public debt, and so it has considered introducing income tax (O'Brien, 2016). A review of the political situation found that the government is trying to impose income taxes and tighten the tax system to eliminate the money laundering situation that is harming the nation's international reputation. Opposing the government are powerful local forces made up of foreign nationals, lawyers, bankers and financial advisers who have enjoyed the income tax-free status and the ability to protect their wealth (Bremner, 2017).

Vanuatu's tax system is quite different to the regimes in Tonga, Fiji and Samoa. Tonga relies on income tax, indirect tax and customs duties in order to cover public service expenditure. A key feature of inequality in Vanuatu is the contrast in wealth especially between the rich and the poor. Vanuatu's income tax-free status benefits those who are employed or operating businesses but not the poor and especially not those in the rural communities. This differentiates their tax system from Tonga's.

Cook Islands tax reform

The Cook Islands has a similar tax system to Tonga, Samoa and Fiji with indirect tax and direct taxes. The government introduced a number of tax reforms in 2014 made up of an increase in value-added tax to 15% as well as import tax and income tax adjustments (Ministry of Finance and Economic Management, 2013). The Cook

Islands was considered a tax haven by the OECD due to its considerable offshore financial service operations that provided for trusts for management protection (Murray et al., 2013). In 2009, Australia and New Zealand signed an agreement to share tax information with the Cook Islands if anyone is engaging in tax evasion (Library of Congress, 2009).

The government recognised the impact of the value-added tax increase on the vulnerable in the community and, to counter this, it provided a number of welfare payments to help those in need (Ministry of Finance and Economic Management, 2013). This is a very progressive decision and one that is quite unique because the other Pacific nations I reviewed did not provide support for those impacted by the tax reforms.

2.3.5 Economic context

Tonga can be defined as a MIRAB (Mi–Migration; R–Remittances; A–Aid; B–Bureaucracy) economy, as described by Bertram and Watters (1985), because of its reliance on migration, aid, remittances and having a large bureaucracy. Remittances continue to be the lifeline of the economy (see sub-section 2.3.13) at 28% of GDP in 2016, up from 20% in 2013 (World Bank Global, 2017).

In 2005, I assisted the Treasury Policy Team in writing the budget statement, which is the main financial plan for the nation to be delivered in Parliament by the Minister of Finance, and my task was to ‘put a spin’ on the revenue reform as well as articulating the various stages of the EPSR. I was writing the budget statement against a backdrop of weak private sector growth, low revenues, high unemployment and excess demand on a tight budget. The theme of the 2005 budget was to achieve sustainable growth and social equity (Ministry of Finance, 2005a). This phrase was selected to portray a government that is caring and wants to bring better income distribution to the poor.

The 2005 budget statement laid out the platform for the revenue reform programme and tried to justify the need for reform. The economy was floundering with growth rates of less than 3% in 2003, 2004 and 2005 compared to global growth rates of over 4% for similar periods (Ministry of Finance, 2004; Ministry of Finance, 2005a). On the other hand, tax revenues were projected to increase under the new reform programme from TOP\$102 million in 2004 to TOP\$114 million in 2005 (Ministry of Finance, 2005a).

2.3.6 Chronology of events

The key events that shaped the revenue reform programme are highlighted in Table 4 to provide a chronology of the events leading up to the reform:

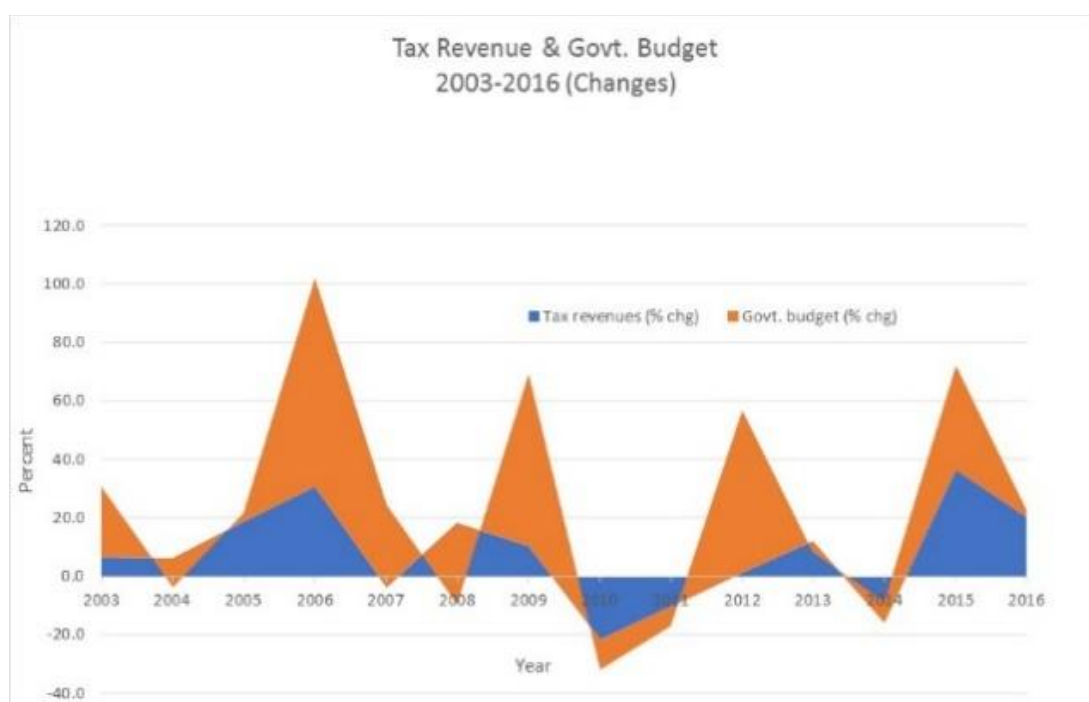
Table 4: Key events leading up to revenue reform

Key events	
Timeline	Event
1987-1989	Introduction of squash growing
1994 – 1999	Decline of squash export prices
1997 & 1998	Recession
1999	EPSR planned by ADB & government
2001	Loss of Tonga's US\$30 million trust fund
2001 & 2002	Announcement of EPSR implementation
2002	Passing of Revenue Administration Act
2003	Passing of Tonga Consumption Tax Act 2003
2005	Consumption tax introduction
2005	Public servants' strike
2006	Political Reform Committee established
2006	Public servants' redundancies
2006	Death of Prince Tu'ipelehake
2006	Death of King Tupou IV
2006	Civil unrest
2007	New income tax
2007	Customs duty harmonisation
2007	WTO accession
2008	Global Financial Crisis
2010	Political reform announced & Constitution changed
2011	Election of Lord Tu'ivakano as Prime Minister
2012	Death of King George Tupou V
2014	Election of Akilisi Pohiva as Prime Minister
2015	Foreign exchange levy
2016	New health tax changes
2017	Re-election of Akilisi Pohiva as Prime Minister
2018	New health excise duty on tobacco and unhealthy goods
2019	Death of Akilisi Pohiva and succeeded by Pohiva Tui'onetoa

2.3.7 Tonga's experience

The graph shown in Figure 8, below, outlines the percentage changes in tax revenues and government budget between 2003 and 2016 (Ministry of Finance and National Planning, 2016b). Tonga's annual budget is heavily dependent on tax revenues. Direct taxes provided the bulk of government revenues up to 2005, then replaced by CT (Ministry of Finance, 2005a).

Figure 8: Tax Revenue vs Budget



Source: Adapted from revenue and expenditure data from Total Government Budget tables and Total Revenue tables from Budget Statements for 2003 to 2017 (Ministry of Finance, 2003, 2005a, 2007; Ministry of Finance and National Planning, 2008–2017).

Prior to indirect taxes, government budgets were closely matched against expected revenues (Ministry of Finance, 2005a). However, the budget estimates started increasing from 2005 onwards with the expectations of a higher indirect tax revenue collection. The graph in figure 8 shows the relationship between tax revenues and the forecast government budget between 2003 and 2016. The higher taxes collected under the reform have pushed expectations higher to the point where the government budget is excessively high, even though revenues are fluctuating due to shocks and external

forces (Ministry of Revenue and Customs, 2007b). Accession to the WTO has reduced trade taxes so the government is heavily dependent on CT revenue.

Import exemptions were removed under the terms of the revenue reform programme as well as being a prerequisite for Tonga's accession to the WTO (Oxfam, 2005a). This had ramifications for the poor because they now had to pay duty and CT at the same level as businesses. The exemptions had been designed to ensure the population, especially the poor, had access to housing. Wallis (2010) argued that the costs of Tonga's tax reforms and WTO accession outweighed any benefits, due to the substantial trade concessions and erosion of the trade tax base. However, the introduction of CT made up for the tax shortfall, as indicated by Figure 8. CT has become the main revenue earner for the government instead of trade taxes (Murray et al., 2014).

The neoliberal policies pushed by donor agencies, such as the World Bank and the IMF encouraging Tonga to become part of the WTO, are controversial. The one-sided negotiations disadvantaged Tonga from an economic perspective (Oxfam, 2005b). Tonga's new WTO tariff maximum limit was set at 20% on all products (with the exception of goods under the customs excise schedule) compared to the 350% tariff applied by the United States on imported beef and the European Union's 300% tariff on sugar imports (Oxfam, 2005a, p.2). Oxfam was highly critical of this significant imbalance in trade arrangements between the powerful nations and the small island nations like Tonga.

The role of the Finance Minister is critical for the full EPSR programme as the main government decision-maker on the revenue reform component. The Finance Minister is also the Chief Commissioner of Revenue, and all tax decisions must be approved by the holder of this role. Honourable Siosua 'Utoikamanu, was appointed to those roles in the year 2000 until his resignation in February 2008 ("Tonga Finance Minister Forced to Resign," 2008). This is the longest tenure of a Finance Minister in the period 2000 to 2018. Since 2014, Tonga has had three different Finance Ministers ("Dumped Tonga Cabinet Minister Speaks Out," 2017). Such changes reflect the economic challenges of severe indebtedness confronting the Finance Minister and the higher demands on

Tonga's revenue base. Inevitably, the Finance Minister will make a stand to protect the vulnerable economic system but often faces opposition from Cabinet and can be ousted from this role by the Prime Minister ('Utoikamanu, 2008).

The Global Financial Crisis had a major impact on Tonga by reducing remittances. This had a flow-on effect on the entire nation and especially the vulnerable communities who rely on their families abroad for financial support. The nation also relies heavily on foreign aid to supplement domestic revenues and cover the annual government budget. For example, in 2016/2017, the government hoped to attract \$266 million (49%) in foreign aid grants to cover the \$545 million annual budget (Ministry of Finance and National Planning, 2016b).

The challenges for Tonga remain due to its remoteness, high transport costs, climate change and large external debt. This level of debt is Tonga's Achilles heel and dampens potential economic growth. The government's annual budget equates to 28% of GDP and 44% of government expenditure is made up of public servant's salaries, which is the largest proportion of the budget ('Utoikamanu, 2008). Public sector wage costs for government agencies range between 53% and 80% of departmental budgets, leaving limited funds for operational resources and causing shortages in much needed supplies within key departments (Ministry of Finance and National Planning, 2016b). The excessive cost of public sector wages has implications for the government's ability to deliver quality public services, due to the limited operational budget for other resources. Erosion of public services may undermine public confidence in the government, increasing the risk of political instability.

A study of economic reforms and productivity growth in Latin America and the Caribbean between 1950 and 1995 found that economic reforms generated on average a 1.5% increase in total factor productivity but reform does not always generate efficiencies and, in some cases, it has been associated with lower productivity growth (Fajnzylber & Lederman, 1999). Sutherland (2000) argued that the fashioning and elaboration of reforms in the Pacific Island states was driven by external forces, namely donors, to

compel the Pacific nations to conform to the demands of globalisation. Pacific nations were urged, or prodded, to follow through with reform decisions that might harm their own people.

Fairbairn (1999) examined the economic performance of six Pacific Island countries, including Tonga, during the Asian financial crisis that gripped much of East and Southeast Asia between 1997 and 1999. Fairbairn identified low commodity prices, weak macroeconomic policy, little micro-level reform and, in some cases, political instability as barriers to economic growth. Fairbairn suggested accelerating public sector reform and private sector development to raise the standard of living. This is the standard economic argument for small island countries, with a heavy reliance on reform policies and limited analysis on the vulnerable community. The same situation applies to Tonga because of its susceptibility to external shocks and dependence on foreign remittances (McGillivray, Naude, & Santos-Paulino, 2010).

NPM has been used by less developed countries to try to generate economic growth through various government-driven reforms. However, the impact of these reforms on the poor is often glazed over. Gupta (1995) asked this very question about the social cost of reforms for the poor, and suggested it was significant enough to demand corrective action. The reform needs to have an associated corrective action if it is to be sustainable. Governments would often implement policies to boost private sector businesses in the hope of a trickle down effect from the rich to the poor. Economist Robert H. Frank argued that the trickle-down theory does not hold:

In the United States, trickle-down theory's insistence that a more progressive tax structure would compromise economic growth has long blocked attempts to provide valued public services. Thus, although every other industrial country provides universal health coverage, trickle-down theorists insist that the wealthiest country on earth cannot afford to do so. Elizabeth Edwards faces her battle with cancer with the full support of the world's most advanced medical

system, yet millions of other Americans face similar battles without even minimal access to that system. (Frank, 2007, p.1)

During my tenure as a consultant in 2005 and 2006, I observed the worst public dissent in Tonga in the modern era, with blame directed at the many reforms being implemented. Campbell (2008b), a staunch critic of the Tongan monarchy, identified the new CT and public sector reform as key factors in the public servants' strike in 2005 and civil unrest in 2006. Langa'oi (2009) shared the same view. Campbell's depictions of the two events are near accurate from my point of view as someone who was present witnessing each situation unfold.

2.3.8 Taxpayer consultation strategy

Consultation and educational activities for the reform programme were held for the first time in Tonga's history, whereby public dialogue was undertaken to nurture relationships prior to policy implementation. Communication with taxpayers and stakeholders utilised the Tongan meeting method of the "fono."⁵ These fono were held throughout Tongatapu and the outer island groups. It was critical that a complete and thorough educational programme was implemented as well as the community consultation process, to inform the public and taxpayers. Experience shows that this must be delivered in a culturally appropriate environment, so all parties fully participate in the discussion ('Utoikamanu, 2007).

The consultation was based on the New Zealand GST experience, when public consultation proved beneficial in educating the public and preparing taxpayers for the upcoming changes. Thus, a new team called the Revenue Reform Information Office (RRIO) was established within the Revenue Services Department and staffed with

⁵ The *fono* is the term used to describe village or tribal meetings. These meetings are guided by protocols and enable participants to dialogue on critical issues for the community. In modern times, the *fono* is used to call together Pacific peoples to *talanoa* (dialogue).

communications and tax experts from New Zealand alongside local tax officers (Dickson, 2007; Ministry of Finance, 2005a).

RRIO was charged with the full media and communications task of covering the entire Kingdom utilising the local radio stations, television, newspaper and even the internet through a dedicated website called www.tonga-now.to (Dickson, 2007). In addition, they also had to provide a full educational programme for all taxpayers and the public to achieve the following:

- Discuss how the government carries out its functions.
- Seek feedback on what needs to be improved.
- Seek public input into government spending.
- Inform the public on what the possible implications of the recent economic and political events are for the economy.
- Explain the need to embark on the revenue reform programme.
- Outline the proposed revenue reform changes.
- Seek feedback from stakeholders and the public.

The approach was to undertake extensive public consultation throughout the Kingdom to explain why the government was embarking on the reform programmes as well as giving stakeholders the opportunity to provide feedback and input into the decision-making process. There was also consideration given to reaching all Tongans residing in New Zealand, Australia and the United States. This was important because Tongans abroad are influential in the lives and decisions of those living in Tonga, so it was critical to reach out to them.

There were 11 stages (Table 5) in the consultation process, which was designed to reach all sectors of the economy and key stakeholders including politicians, donor partners, ministries and other government departments, businesses, NGOs, and the general public.

Table 5: Government Public Consultation Strategy Approach

Stage	Audience	Process
Stage one: Politicians	Peoples Representatives; Nobles; and Ministers.	Special presentation Question and answer session
Stage two: Head of Departments	CEO Directors	Savingram sent out first CEOs informed by Sefita Tangi (Head of Revenue Services) and 'Aisake 'Eke (Secretary of Finance)
Stage three: Portfolio Departments (Internal staff)	Treasury Revenue Services and Customs Post Office Statistics Department	Minister of Finance – presentation Seminar by Media Team
Stage four: Government Departments	All staff	Minister of Finance – presentation Respective Department Minister will also be invited to attend along with Head of Department Seminar by Media Team
Stage five: Town District Officers	Officers	Seminar by Media Team
Stage six: High Commissioners	NZ High Commission Australian High Commission British Consulate Other Foreign Consulates	Special meeting with Minister of Finance
Stage seven: Community fono – Tongatapu	Hahake Hihifo Central	Minister of Finance – to address the public meeting Respective Noble to be invited to attend People's representative to be invited Seminar by Media Team
Stage eight: Community fono – Outer Islands	Niua Toputapu Niua Fo'ou Vava'u Ha'apai 'Eua	Governors first – courtesy visit Minister of Finance – to address the public meeting Respective Noble to be invited to attend People's Representative to be invited Seminar by Media Team
Stage nine: Business Community	Large businesses Small businesses	Minister of Finance – presentation Minister of Labour – to be invited to attend Seminar by Media Team
Stage ten: International Awareness Campaign Need an international awareness team comprising of: government rep district officer	Overseas Tongans in: New Zealand Auckland Wellington Christchurch Australia Sydney Brisbane	Radio – talkback on Tongan radio programmes TV – seek interviews on Pacific programmes Community fono – to meet the Tongan community face to face

business rep People's rep RRIO media person	Canberra United States Hawai'i San Francisco Los Angeles Utah	
Stage eleven: State Visit to NZ, Australia and US – seeking closer trade relations and possible assistance. Minister of Finance Minister of Labour	NZ Government Prime Minister Minister of Finance Minister of Foreign Affairs and Trade Australia Government Prime Minister Foreign Minister Trade Minister United States Government US Foreign Secretary US Trade Secretary	Meet to discuss trade relations and closer ties Identify opportunities for collaboration Visits to coincide with the international awareness team visit in stage 9 – possible joint sessions to meet the Tongan people in each country.

Source: Adapted from Revenue Reform Information Office, 2005, p.4.

The consultation strategy was delivered by the RRIO alongside the Tax Independence Committee. The strategy was quite ambitious and, in practice, was limited to stages 1 to 9 and the international component was cancelled, and other stages reduced to one or two meetings due to the timeframe and scale of the reform.

2.3.9 Views of business leaders, NGOs and government senior officers

A study was conducted in 2007 to assess the potential impact of the business income tax changes. These were the changes proposed under the revenue reform that would impact on private sector business. The study was conducted by the RRIO between 26 February and 9 March 2007 and involved 50 interviews with (Revenue Reform Information Office, 2007, p.4):

- Business leaders (34)
- Senior officials from (6):
 - Ministry of Labour and Commerce
 - Ministry of Finance
 - National Reserve Bank
 - Tonga Development Bank
 - Revenue Services Department

- Ministry of Agriculture, Food and Fisheries
- State-owned enterprise (1)
- Business associations (6)
- Civil society organisations (3)

The study identified the following (Table 6):

Table 6: Responses from business sector

Tax changes	Response
Minimum Turnover Tax	<p>The Minimum Turnover Tax (MTT) was a sore point for the business community. This was highlighted especially by those who operate high-turnover businesses with low margins such as gas stations. It was also added that this new form of tax does not address businesses that would find themselves in a loss-making year.</p> <p>The suggestion is to deal specifically with these companies that would appear to be in the business of 'loss making' rather than applying an all-encompassing MTT which would penalise legitimate operators. The minimum tax would also be seen as a barrier to business development.</p> <p>Some speakers expressed their concern with the new minimum taxes as they believed that the new Presumptive Tax would destroy many small businesses especially small stores. It was suggested that this be reduced to 1% or removed altogether.</p> <p>Again, this was asked by many present at the meeting to be removed. Special note was made by BP Oil as their line of business was price controlled and as such with low margins and a high turnover the impact on them would be catastrophic in nature. He alluded to a recently departed oil company as a reference point.</p>
Presumptive Tax	<p>As mentioned above this was also noted with a proposal for it to be removed.</p> <p>Attendees asked for this tax to be applied at different rates (say 3% for Tongatapu, 2% for Vava'u and 1% for Ha'apai). A valid point was made by one speaker stating that if his small shop generated an income of \$3,000, he would be taxed at 3% as opposed to, say, a worker earning \$5,000, who would be exempted. If the Presumptive Tax were to go through, he asked that a minimum income be tied in to whatever the threshold was eventually set at (please note that although the speaker mentioned the current proposed threshold, I have edited this to capture the gist of his proposal).</p>
Corporate Tax	<p>Submissions were also received to revise the proposed rate of 25% down to 20% to iron out any anomalies between the personal tax rates, company tax rates and taxes on trusts OR keep the local company tax at 20% and 30% for foreign based companies.</p> <p>Other speakers also suggested that a three-tier progressive tax system be explored</p>
Threshold	<p>The consensus was for the threshold to be raised to \$10,000. This would consider removal of exemptions especially in respect of church donations and educational expenses.</p> <p>Private sector, speakers were concerned with the low threshold and asked for it to be raised to \$10,000. It was also added that the removal of exemptions in the areas of church related activities and education would discourage support in the form of 'donations. The extra tax would also</p>

	<p>burden the church schools with increased staff attrition as teachers try to recoup dwindling income as a result of the extra tax.</p> <p>In addition to asking for the threshold to be raised to \$10,000 speakers believed that the removal of exemptions would result in extra revenue for government. They also expressed their belief that take-home pay for most people would decrease especially in the face of rising cost of living expenses would adversely affect real income. They also asked that some exemptions be continued in addition to the increase in the threshold.</p> <p>As with the other consultations the threshold had three proposals of \$7,000 \$8,000 and \$10,000. In addition to this they had questions with regards to the new proposed tax being of any benefit to anyone save the government. Some noted that the drop-in company income tax to 25% would shift the burden of tax to the individual.</p> <p>As with the other consultations this was again brought up to be raised to \$10,000 as the increasing rate of inflation and the impact of CT had affected real incomes. It was also noted as to why government was not doing anything to control the rate of inflation to 2%.</p>
Reporting date	<p>Speakers asked for the reporting date of 15 days be amended to 28 days to allow time for funds to be collected (where companies ran debtor systems) and for paperwork to be done in a timely fashion.</p> <p>Attendees asked for an amendment to the 15-day reporting period to be extended to end of the month to allow for cashflow issues and for proper paperwork to done.</p>
Tax on Technical Services to non-residents	<p>Submissions were also received regarding this tax for it to be removed. For example, an invoice from a local service provider for say auditing would have a CT component which could then be claimed back but with an overseas firm this would not be possible as they would not be registered for CT.</p>
Exemptions	<p>It was noted by some attendees that Tonga has an informal 'Social Services program' run by individuals and communities. This system was recognized by government in the allowance of dependents and other areas. Will government provide direct assistance to replace these subsidies? It is believed that the move to remove exemptions will indirectly pave the way for a reduction of 'care' in the society. They believed that \$3.8 million was a small price to be paid for the care of its elderly and young.</p> <p>Speakers noted with emphasis the need for exemptions to be allowed in the new regime stating the reasons.</p> <p>Speakers asked for exemptions to be allowed as they believed that amongst our neighbouring countries Tonga would be the only country with no exemptions allowed.</p> <p>Speakers supported the current tax system as they are allowed exemptions irrespective if benefits were derived before or after.</p>
Penalties	<p>It was noted by a former employee of the IRD that the penalty regime currently in place and proposed were too harsh and the solution should focus on the problem which he proposed were staffing to focus on areas of collection more efficiently and other areas which were falling through cracks in the system such as farmers (who he said earned up to and over 100K per year) and overseas operators earning money on income derived in Tonga.</p>
Church doing government's job (support for lifting threshold)	<p>There was concern that the churches were doing the government's job of educating the masses and that the \$200 subsidy provided by government was insufficient hence it would follow that the shortfall was met by donations. The removal of donations would subsequently have an impact on this vital role played by the churches.</p>

Proposed 20% tax on higher income bracket:	Some argued that the proposed higher-level bracket of tax is a disincentive to work one's way up as you would only get taxed more.
Tax on farmers and fishermen	Several attendees raised their concern as to why farmers and fishermen were not paying income tax as some of them earn very high incomes.
Different tax rate	It was noted by some that the above should be applied as local businesses donated to the local communities whereas foreign companies collected money and sent these funds overseas.

Source: Responses from the speakers at the business sector consultation about the proposed income tax changes under the revenue reform programme, recorded and analysed by staff from RRIO (Revenue Reform Information Office, 2007, p.1-3).

2.3.10 Embracing social media and other communication channels

At the time of the revenue reform programme, the main social media forums for the Tongan community were “Bebo” and “My Space” but these were mainly used by the younger generation before Facebook became popular. The public was still getting used to the new social media phenomenon and how it applied to their daily lives. The only private websites available at the time focussing on Tonga were the Matangi Tonga site (www.matangitonga.to) and Planet Tonga (www.planetonga.com). These sites were often used for political discussions by Tongan communities overseas. The strategy adopted by RRIO was to utilise all media in Tonga and flood the local networks with information on the positive impact of the revenue reform (Dickson, 2007; Ministry of Finance, 2006).

2.3.11 WTO membership

Tonga modernised its customs duty regime to comply with the requirements for admission to the WTO. Entry into the WTO was scrutinised due to the impact on duties and the application of the Valuation Agreement principles. Critics such as Oxfam (2005a) were sceptical about the membership because the loss of duties would result in lower revenue for government to pay for social support services. The agricultural industry had enjoyed government subsidies and assistance in the past but Tonga's entry into the WTO would eliminate the support packages, such as low tariffs for agricultural supplies and

subsidised loans (Oxfam, 2005b). It was difficult to see what benefit Tonga would receive, especially when it had a weak export sector and was heavily dependent on imports (Amosa, 2007).

In 2007, Tonga passed the new Customs Act along with obtaining full membership of the WTO. The new arrangement included the full deployment of PC-Trade as the computerised system for managing and monitoring imports and duty (Ministry of Revenue and Customs, 2007b). WTO membership restricted customs duties to a maximum of 20%, instead of 45%, for all goods and services (excluding alcohol, unhealthy goods, cigarettes, and fuel). The government supported the change as it would bring Tonga into line with other trading partners in the Pacific (Ministry of Revenue and Customs, 2007b).

According to Kang (2007), tariff-tax reforms are unlikely to favour countries which have a lower degree of interdependence upon foreign trade and lower tariff rates. Sectors that will be affected need to be reformed so they are competitive when markets open. In Tonga's case, the agricultural sector would be the most affected by the revenue reform programme and the welfare effect on farmers would be the most severe as they no longer received the development assistance previously available (Kaufmann, 2009).

The government wanted to provide local producers with greater access to international trade markets by requesting membership of the WTO. In 2007, Tonga became the 151st member of the WTO (WTO, 2007). Some of the revenue reform programme and other regulatory changes were necessary for the small island kingdom to meet its membership criteria. Being part of the WTO provided access to much needed technical support but, according to Wallis (2010), the costs of membership outweigh the benefits due to the substantial trade concessions made. As a member, market access was easier but there were no WTO programmes to help Tonga develop its small export sector. Customs duties and tariffs provided much needed revenue to support budgetary expenditure, but the WTO accession substantially reduced this revenue stream. Instead, the government

would rely on the CT and excise tax duties to make up the shortfall (Ministry of Revenue and Customs, 2016).

2.3.12 New Zealand and Australian employment schemes

The Recognised Seasonal Employer (RSE) scheme was introduced in April 2007 as a managed circular migration initiative developed by New Zealand's Department of Labour in response to labour shortages in the New Zealand horticulture and viticulture industry (Bedford, Bedford, & Ho, 2010). On a regional level, the RSE provides employment opportunities for the unemployed in the Pacific nations (World Bank, 2006). The RSE also responds to the recommendations of the United Nations for managed circular migration (United Nations, 2006). Tonga is one of the 'kick start' Pacific states involved in the RSE scheme alongside Samoa, Tuvalu, Kiribati, Solomon Islands and Vanuatu (Bedford et al., 2010).

The Australian RSE equivalent was piloted in 2008-2012 under the Pacific Seasonal Work Programme (SWP). The uptake of the SWP was slow due to lack of awareness and accommodation issues but eventually increased after changes were made to attract more workers from the Pacific (Doyle & Howes, 2015). More recently, the SWP has overtaken the RSE in the higher number of Tongan seasonal workers (Locke & Buchanan, 2017). In 2007, 805 workers from Tonga participated in New Zealand's RSE programme rising to 1,800 in 2016 (New Zealand Immigration, 2018b). In 2016, Australia employed 2,600 Tongan workers under their SWP (Locke & Buchanan, 2017).

2.3.13 Remittance inflows

As mentioned previously, remittances are the main source of income for Tonga provided by family members abroad. The three main remitting countries are the United States, New Zealand and Australia. The United States has always been the main source of

remittances, but New Zealand and Australia have increased their remittances to Tonga, especially from the seasonal workers. In New Zealand, MBIE (2015, p.8) found that between 2010 and 2014, Tongan RSE workers earned a total of approximately NZ\$52.04 million in net earnings.

Now, the RSE scheme is generating much needed remittances for Tongan families but this opportunity is not a permanent arrangement, only a temporary solution. A similar scheme was used in the 1960s and 1970s when Tongan workers were encouraged to migrate to New Zealand as a source of labour supply. The Tongan migrants worked in the manufacturing industry, but this ended when New Zealand's major trading partner, the United Kingdom, entered the European Union in 1973. The Tongan workers were no longer welcome and encouraged to return home. Those who overstayed their visas were deported. The New Zealand Government allowed Police and immigration officers to carry out dawn raids throughout New Zealand to arrest and deport Pacific workers. These dawn raids left a negative mark on Pacific people that still resonates today (Anae, 2012; Spoonley, 2006).

An analysis of the determinants of remittances to Tonga by Lin (2011, p.16) found that macroeconomic conditions in remitting countries and exchange rate fluctuations impact remittance inflows to Tonga. This applies to the United States, Australia and New Zealand. The temporary nature of the RSE scheme and macroeconomic conditions in the future leave the Tongan RSE workers and their families vulnerable to any policy change in New Zealand and Australia. In the data analysis chapter, I expand on the families who receive financial support from the RSE scheme, and their level of vulnerability.

2.3.14 Seasonal work scheme experiences

A key feature of the seasonal work scheme is the employment opportunities for the low-skilled and rural workers (Gibson, McKenzie, & Rohorua, 2008, p.12). This was highlighted by Gibson and McKenzie (2014):

RSE participants from Tonga in the first year tended to be poorer, more rural, and with less schooling, than non-participants. In contrast, in Vanuatu, the workers selected for the RSE tended to be wealthier and more urban than both the non-successful applicants and those who did not apply. This likely reflects a combination of both the recruitment approach, with a greater role for direct recruiting and agents, and less emphasis on choosing poorer individuals; as well as the fact that international migration was relatively new for most households in Vanuatu and poorer households lacked knowledge and/or financing to participate. (p.8)

A review of the annual employers' survey for the last three years provided positive perceptions of Tongan RSE workers as well as some negative experiences. An analysis of the employer survey on Tongan workers highlighted the following responses:

[Name blanked out] is excellent, we had one of our team pass away very suddenly back in Tonga, and her assistance out of hours was invaluable. Consistent support from her, and her level of care and compassion is appreciated. (Research New Zealand, 2018, p.80)

[Name blanked out] is the foundation of this programme, in my opinion, due to his deep understanding and commitment to the programme. He's easy to talk to and always gives high quality advice and direction. (Research New Zealand, 2018, p.80)

The response from the employers was positive about the Tongan Government representative's handling of the scheme and the level of support provided.

We had a joint ATR with [orchard blanked out] from [place blanked out] who sent 25 Tongans to us mid-way through the season. The way in which [orchard blanked out] pastoral care and manage their RSE is very different to us. We had problems with this group only regarding attitude, drinking alcohol and kava, smoking in our toilets and dining halls and being very disruptive around [place blanked out] and in the workplace. On average we have 7-9 people off each day. All our other RSE workers have been their usual outstanding selves.

(Research New Zealand, 2017, p.61)

In the ATR case, the employer perception was negative due to a change in pastoral care and expectations. Behaviours that may have been acceptable for one employer may not be with another.

Another employer had a different perspective and wanted to spread the recruitment to other island nations and highlighted the concerns about the future projections of a falling Tongan male population remaining in the Kingdom due to the RSE scheme.

I plan to get workers from Fiji as well as Tonga, as there [were] thoughts expressed at the RSE conference to spread around the recruitment to all the Pacific. The facts about male Tongan workers in NZ were staggering, i.e., predictions about the effects to the male population by 2020 in Tonga.

(Research New Zealand, 2017, p.82)

This employer was very satisfied with the performance of Tongan workers on the business and the flow-on impact on local staff:

The returning team from Tonga has allowed us to grow the business and employ more permanent members of staff. (Research New Zealand, 2016, p.67)

This employer is also satisfied with the Tongan workers and understands the reasons why some may not want to return:

We are very happy with the workers from Tonga. There are always some workers who don't want to return. This is usually for personal reasons.

Sometimes we don't re-employ a person - it might be to do with them struggling with the job or being away from home. (Research New Zealand, 2016, p. 78)

Based on these responses, the RSE employers have a positive perception of Tongan workers which is reflected in the growth in the number of RSE workers from 805 in 2008 to 1,899 in 2018 (New Zealand Immigration, 2018b).

2.3.15 Tonga's poverty level

According to the United Nations Development Programme, *"Poverty and vulnerability are linked, multidimensional and, at times, mutually reinforcing ... if people are vulnerable when they face an elevated risk of falling below the [poverty] threshold, the poor—already below it—are all vulnerable"* (United Nations Development Programme, 2015, p.2).

In 2009, the ADB calculated that 22 out of every 100 Tongan residents were living below the basic need's poverty line compared with 16 out of every 100 in 2001 (ADB, 2017). In the outer islands and rural communities, the rate of those living below the poverty line in 2009 had doubled. These community groups live in the hardest-to-reach areas but have important views on how the changes have impacted their lives and the socioeconomic wellbeing of their surrounding community. The gap between the rich and poor in Tonga has grown immensely and was part of the reason for the political unrest that caused the burning of the capital Nuku'alofa in 2006 (Lees, Taumoepeau, Tang, & Murdock, 2012). In addition, the high unemployment rate among Tongan youth adds further distress to the lives of displaced families who are struggling for survival. To counter the growing wealth gap, the government implemented a range of policy changes including tax reform.

However, the indirect value-added tax (CT), implemented in 2005, is a regressive tax and not a solution to closing the wealth gap because it is largely inequitable despite its efficiency in revenue gathering (Keen & Lockwood, 2010). A higher tax rate on the wealthy to fund projects for the poor is not a popular policy so the government relies on less progressive personal taxes (Gordon & Li, 2009). This decision only widens the wealth gap and reduces the ability of the vulnerable population to improve their wellbeing.

2.3.16 Development goals

The two policy frameworks that provided guidance and direction for Tonga were the MDGs and the Tonga Strategic Development Framework II (TSDFI) which aimed to achieve the MDGs as well as other key government outcomes. The MDGs concluded in 2015 and were replaced by the TSDFI with the national strategic goals (Ministry of Finance and National Planning, 2015a). Poverty alleviation and eradication are prominent in these two frameworks. Achieving the agreed outcomes has been possible in some areas and not achieved in others, especially the poverty and gender goals according to the MDG final report (Ministry of Finance and National Planning, 2015b).

The Tongan Government's TSDFI is designed to provide policy direction for all government departments and ministries to achieve its vision of "*A more progressive Tonga supporting higher quality of life for all*" (Ministry of Finance and National Planning, 2015b, p.16). Figure 9, below, highlights the TSDFI and it clearly states *God and Tonga are my Inheritance* written at the top of the framework to reflect the importance of religion to the government and Tongan society (Ministry of Finance and National Planning, 2015b, p.16).

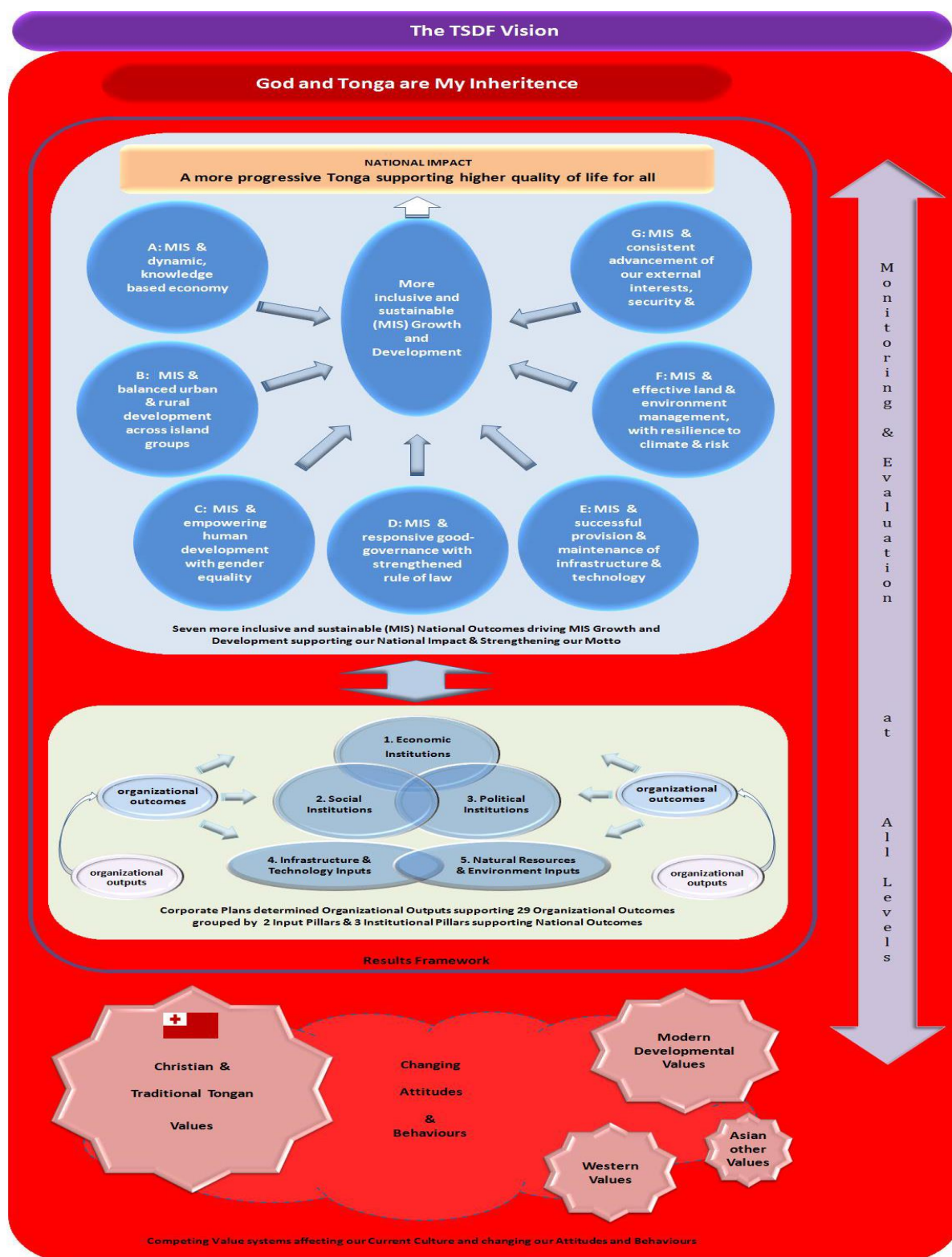
The TSDFI aims to achieve seven National Outcomes made up of (Ministry of Finance and National Planning, 2015b, p.18):

- i. A more inclusive, sustainable and dynamic knowledge-based economy.

- ii. A more inclusive, sustainable and balanced urban and rural development across Island groups.
- iii. A more inclusive, sustainable and empowering human resource development with gender equality.
- iv. A more inclusive, sustainable and responsive good governance with law and order.
- v. A more inclusive, sustainable and successful provision and maintenance of infrastructure and technology.
- vi. A more inclusive, sustainable and effective land administration, environment management, and resilience to climate and risk.
- vii. A more inclusive, sustainable and consistent advancement of our external interests, security and sovereignty.

These outcomes are supported by 29 organisational outcomes grouped into five pillars made up of economic institutions, social institutions, political institutions, infrastructure and technology inputs, and natural resource and environmental inputs.

Figure 9: Tonga Strategic Development Framework II Model



Source: Reprinted from: Figure 1: The TSDF Vision, Ministry of Finance and National Planning, 2015b, p.16.

2.4 Tax reform

This section introduces the tax reform, also referred to as the revenue reform, that forms a key part of the EPSR programme. I first review the previous tax system and then discuss the type of tax changes introduced under the tax reform programme.

2.4.1 Pre-2005 tax system

Tonga's tax system was nearing collapse due to inefficiencies, weak administration and outdated collection methods (Murray et al., 2014). Tonga's individual income tax rate was lowered to 10% while corporate tax rates increased from 20 to 25% in the late 1980s and, by the beginning of the new millennium, the government had implemented significant tax exemptions to generate business growth (Ahlburg, 1991). This required a large bureaucratic infrastructure to determine who qualified for the exemptions, and who did not. This led to an inequitable tax system that was struggling to implement the large number of tax exemptions (IMF, 2001; Murray et al., 2014).

One of the difficulties in Tonga's taxation system was the weakness within institutions and the lack of compliance and monitoring capability, capacity and resources required to maintain an efficient regime (Ministry of Finance, 2001). This was further exacerbated by political instability which hampered efforts to change taxpayer culture. It would take time for businesses and taxpayers in Tonga to adjust to a new taxation system that relied on voluntary compliance. However, it was thought that stronger tax monitoring and administration would ensure effective compliance (IMF, 2001).

In 2002, a diagnostic report by the Pacific Financial Technical Assistance Centre (PFTAC) highlighted serious concerns about Tonga's tax system being on the verge of collapse due to numerous problems and administration weaknesses (Cotton, 2008; PFTAC, 2002). Based on this list of issues, if assessed against PFTAC's Revenue Administration Baseline Assessment Tool, Tonga would have ranked as 'Below Baseline' on every metric indicator (Murray et al., 2014).

2.4.2 Value-added tax

Value-added tax (VAT) is an indirect tax known as goods and services tax (GST) in New Zealand and other countries, while in Tonga it is called consumption tax (CT). The 'value added' is the value that a producer adds to raw materials or purchases before selling a product. The VAT is the tax levied on the final good or service (Tait, 1988).

Germany and France were the first countries to adopt VAT in World War 1 (Helgason, 2017) and over 100 years later, over 130 countries use VAT where it commonly raises 20% or more of all tax revenue (Keen & Lockwood, 2010). The VAT tax system is a broad-based tax that does not differentiate between the rich and poor. It is very efficient in collecting taxes and the mechanisms used for Tonga were based on New Zealand's GST scheme introduced under the Labour Government of 1984-1990 (Dickson, 2007). The rationale for the New Zealand tax reform was to raise taxation revenue in a way which is more efficient, fairer and simpler (Russell & Baucher, 2017). The same approach was used in Tonga's revenue reform and establishment of CT, especially given the technical advisers had previous experience with New Zealand's GST system. CT operates in a similar legal framework to New Zealand's GST, with limited exemptions and preferences.

The consensus on tax policy in developing countries is that the poor should not be made poorer and the aim is to avoid regressive taxes in reform measures (Bird & Miller, 1989). Unfortunately, literature has shown that the poor are perceived to pay a larger proportion of their income in tax compared to the rich under a regressive tax system (Keen & Lockwood, 2010). Lambert (1993) addressed the impacts of the reform in terms of both direct and indirect taxes. Direct tax reform affects people's disposable incomes and they can adjust their incomes based on the impending reform. Indirect taxes, on the other hand, have an immediate effect on the relative prices of taxed and untaxed goods, making it more difficult to increase people's welfare (Lambert, 1993).

Governments have elected to replace direct with indirect taxation to increase revenues and make tax collection more efficient (Keen & Lockwood, 2010). A question to be asked is: What is the effect on the poor? This question was analysed by Ahmad and Stern (1991, p.51) who used Indian data for 1979-1980 to identify the effect of replacing all direct taxes with indirect value-added tax (Ahmad & Stern, 1991). Their study found that switching from direct to indirect tax reduced the real expenditure of the poor and increased the rich household's wealth (Bourguignon, Pereira da Silva, & Stern, 2002).

As a broad-based tax, Tonga's CT of 15% always has more impact on the poor (Gordon & Li, 2009). The government is a strong advocate of the tax given its coverage and revenue collection ability, but the vulnerable communities will be disadvantaged due to the regressive nature of the tax. Oxfam was a strong critic of the CT and stated that:

A change from import tariffs to a consumption tax usually has the effect of loading more of the tax burden onto the poor. While there have been no specific studies on the impacts of the TCT [Tongan Consumption Tax] in Tonga, the effect is likely to be similar. (Oxfam, 2005b, p.14)

Table 7 highlights the adoption of the VAT system in Tonga and three trading neighbours. The thresholds range from a low of US\$28,600 to a high of US\$46,100. Tonga's threshold for registration is US\$42,500 which is quite high given the size of the business sector. Tonga is one of the more recent VAT implementers while Samoa, Fiji and Vanuatu have had a longer time with the indirect tax system.

Table 7: Comparison of VAT in the Pacific

Comparison of VAT in the Pacific					
		Tonga	Samoa	Fiji	Vanuatu
Year	VAT introduced	2005	1994	1992	1998
Standard VAT rate		15%	15%	9%	12.5%
General Threshold (own currency)		TOP\$100,000	T\$78,000	F\$100,000	VT\$4 million
General Threshold (approx. US\$)		US\$42,500	US\$28,600	US\$46,100	US\$35,000

Source: Adapted from: Tonga Ministry of Revenue and Customs, 2019; Samoa Ministry for Revenue, 2019; Fiji Revenue and Customs Services, 2019; Vanuatu Customs and Inland Revenue Department, 2019; General threshold converted into US\$ using www.oanda.com rates as of 18 June 2019 for comparison.

Emran and Stiglitz (2005) pointed out that indirect tax reform policies in developing countries favour a reduction in trade taxes with an increase in indirect taxes to raise revenue. Emran and Stiglitz demonstrated that broadening the indirect tax base with a revenue-neutral reduction in trade taxes may also reduce welfare. This raises doubts about the rationale behind such policies which are popular among aid agencies for developing countries. Tonga relied on the success of the revenue reform to generate enough funds for public expenditure and debt servicing (Ministry of Finance and National Planning, 2008).

2.4.3 Impact of GST on the vulnerable (*tu'u laveangofua*)

New Zealand's GST is an improvement on the European VAT model. Countries seeking to introduce VAT are advised to analyse New Zealand's GST version (Dickson & White, 2008, p.2). The same advice was given to the Tongan Government who adopted a similar version of VAT to New Zealand's. It was also important to note that the implementation of New Zealand's GST required a compensation package, due to concern about the impact on pensioners, low-wage earners and beneficiaries. This group

was vulnerable to the impact of GST on their wellbeing, so the government linked pensions to average after-tax wages to protect the elderly. Low-income earners and beneficiaries received income tax credits and supplementary benefit income to keep up with the higher costs of goods and services (Dickson & White, 2008, p.11).

Studies using household income and expenditure surveys highlighted the regressive nature of the new GST in New Zealand (New Zealand Planning Council, 1990; Scott, Goss & Davis, 1985). The key findings were (Dickson & White, 2008, p.11):

- The incidence of indirect taxes is regressive, with a much higher average impact on households in low-income deciles compared to higher-income deciles.
- The presence of dependent children within a family type magnified the effect of taxing food and other necessities.
- The impact on pensioners was less than for a typical household due to their relatively low food consumption.

India introduced a 18% GST model, based on the VAT system, on 1 April 2017 replacing sales tax and other state taxes (Kour, Chaudhary, Singh & Kaur, 2016). Critics of the new tax, such as Dani (2016), argued that the government needs to protect the large poor sector of Indian society against the rising cost of goods and services from GST. A study of the redistributive impact of GST tax reform in Pakistan between 1990 and 2001 by Refaqt and Mohsin (2005), found that GST on items such as vegetable ghee, sugar and basic fuels negatively impact the poor. This creates a heavier burden on the poor while services used by richer households such as real estate, consultancy, lawyers, financial services and recreational activities are outside the GST net.

2.4.4 Recent tax changes

The Tongan Government has made additional policy changes to the original revenue reform programme. These changes were driven by recent governments' desire to

prepare for natural disasters, host the Pacific Games in 2019, curb diabetes and improve the health and wellbeing of the population (Kaldor, Magnusson, & Colagiuri, 2015). The following revenue reform changes were approved:

- Reducing the import duty rate of a list of commodities to 'free' to promote healthy living and to support local manufacture of water bottles and plastic water tanks (Ministry of Finance and National Planning, 2016b, p. 65).
- Health promotion taxation – a new excise tax rate for “unhealthy goods” such as chicken leg quarters, turkey tails, mayonnaise, ice cream, lard, instant noodles, sugary drinks, cigarettes and tobacco. The increase in tobacco excise tax duty in 2013 and 2016 was also aimed at reducing consumption of unhealthy products (Ministry of Finance and National Planning, 2016b, p.65).
- Excise duty on locally manufactured cigarettes was increased further in 2018 (Ministry of Finance and National Planning, 2018, p.34).
- Excise duty on locally grown *tapaka Tonga* (non-manufactured) was imposed at TOP\$200 per kilogram as part of the government’s health initiatives to combat non-communicable diseases. Imported eggs and motor vehicles over 10 years old also had excise tax changes (Ministry of Finance and National Planning, 2019, p.9).
- Taxes for 2019 Pacific Games:
 - A foreign exchange levy of TOP\$0.05 per every TOP\$1.00 in foreign exchange was implemented on 1 June 2016 to provide funding for the 2019 Pacific Games preparation (Ministry of Finance and National Planning, 2016a).
 - TOP\$100 departure tax levy to support preparations for the 2019 Pacific Games (Ministry of Finance and National Planning, 2016b, p. 110).
 - The Tongan Government withdrew from hosting the Pacific Games over funding concerns and redirected the approved taxes to business

and private sector development initiatives (Ministry of Finance and National Planning, 2018, p. 21).

- Natural disasters – the government exempted imports of food items, clothing and building materials from customs duty and CT after Cyclone Gita in February 2018 (Ministry of Finance and National Planning, 2018). This is normal practice for government in the event of a natural disaster and can last up to six months or longer (Latu, 2018).

2.4.5 Tonga's current tax system

Tonga's current tax system is modernised and intended to be more effective and efficient. The tax system is outlined as follows (Ministry of Finance and National Planning, 2017).

Personal income tax

Personal income tax rates were set in 2008 then revised in July 2017 (Table 8) to the following rates (Ministry of Finance and National Planning, 2017):

Table 8: Personal income tax rate

June 2017		July 2017	
Personal Income	Income Tax rate	Personal Income	Income Tax rate
\$0 - \$7,400	0 %	\$0 - \$10,000	0 %
\$7,401 – \$30,000	10 %	\$10,001 – \$30,000	10 %
\$30,001 and over	20 %	\$30,001 - \$60,000	20 %
		\$60,000+	25 %

Source: Adapted from the Ministry of Revenue and Customs website www.revenue.gov.to/taxoverview (Ministry of Revenue and Customs, 2019).

Business income tax

Small Business - income tax rate for both domestic and foreign-owned companies were the same. Businesses with turnover of less than \$100,000 are taxed on turnover rather than on profit and no deductions are allowed. Tax rates are as follows (Table 9):

Table 9: Small Business Income Tax

Annual Gross Turnover	Tax Payable
\$0 - \$10,000	Lump sum of \$100
\$10,001 - \$30,000	Lump sum of \$250
\$30,001 - \$50,000	Lump sum of \$500
\$50,001 - \$99,999	2% on gross turnover

Source: Adapted from the Ministry of Revenue and Customs website www.revenue.gov.to/taxoverview (Ministry of Revenue and Customs, 2019).

Large Businesses and profit-making entities - businesses, partnerships, trusts and societies earning more than \$100,000 in annual gross turnover are taxed at 25% on net profit. Resident and non-resident businesses pay the same tax rate of 25% on net profit (Ministry of Finance and National Planning, 2017).

Consumption Tax

CT is charged at 15% on all spending on the supply of goods and services in Tonga (Ministry of Finance, 2005a).

Non-residents and visitors

Non-residents are liable for tax on personal income generated in Tonga from interest, royalties, management fees, technical service fees, dividends, natural resource amounts and rent. The rates are as follows (Table 10):

Table 10: Non-resident tax rate

Type	Tax rate
Income for services in Tonga	15 % of gross amount
Non-resident contractors	10 % of gross amount paid
Shipping & air transport of a non-resident	3 % of gross amount
Withholding tax – interest	3 % of gross amount
Withholding tax – insurance premium	5 % of gross insurance premium
Withholding tax – rent	7.5 % of gross amount
Withholding tax – rent to Minister of Lands	3 % of gross amount
Withholding tax – any other case	15 % of gross amount

Source: Adapted from the Ministry of Revenue and Customs website www.revenue.gov.to/taxoverview (Ministry of Revenue and Customs, 2019).

Trade taxes

As part of Tonga's WTO requirements, customs duties and excise taxes were adjusted to align with the new rules. Import duties are imposed on a range of goods at 10%, 15% and 20% (for capital goods). Excise taxes are imposed on alcohol, tobacco, fuel, gas and motor vehicles and, more recently, unhealthy foods have been added to this list (Ministry of Finance and National Planning, 2018; Murray et al., 2014).

Tax and customs legislation

The main tax laws (Table 11) that control Tonga's tax and customs system are as follows:

Table 11: Tonga Tax and Customs Legislation

Tax Law		Customs Law	
Tax administration	Principal legislation:	Customs & Excise Management Act	Principal legislation:
	Revenue Administration Act 2002 Revenue Administration (Amendment) Act (No.3) 2013		Customs & Excise Management Act 2007 Customs & Excise (Amendment) Management Act 2013
	Subsidiary legislation:		Subsidiary legislation:
	Revenue Administration Regulations 2003 Revenue Administration (Amendment) Regulations 2015 Pacific Games Taxation Incentives Act (2017)		Customs & Excise Management Regulations 2008 Customs & Excise Management (Amendment) Order 2012
Income Tax	Principal legislation:	Customs Duty	Principal legislation:
	Income Tax Act 2007 Income Tax (Amendment) Act (No.2) 2015		Customs Act 2007 Customs (Amendment) Act 2013

Consumption Tax	Subsidiary legislation: Income Tax Regulations 2008 Income Tax (Amendment) Order 2017	Excise Tax Duty	Subsidiary legislation: Customs Regulations 2008 Customs (Amendment) Duty Order 2017
	Principal legislation: Consumption Tax Act 2003 Consumption Tax (Amendment) Act 2007 Miscellaneous Amendments (Privy Council) Act 2010		Principal legislation: Excise Tax Act 2007 Excise Tax (Amendment) Act 2013
	Subsidiary legislation: Consumption Tax Regulations 2005 Consumption Tax (Amendment) Regulations 2016		Subsidiary legislation: Excise Tax Regulations 2008 Excise Tax (Amendment) Rates Order 2017

Source: Adapted from Tongan legislation website (Attorney General's Office, 2019).

2.5 Conclusion

There is no common agreement on the definition of 'vulnerable' because it depends on the discipline and area of focus. Those considered vulnerable may be different from a climate change researcher's perspective compared to a social researcher's perspective. What is evident is the way in which the notion of 'vulnerable' is applied: it stands for the degree or magnitude of the extent to which an individual or people are unable to cope with a natural disaster or policy decision. It also represents the socioeconomic factors that determine people's ability to cope with the impact of an event.

Global changes in the squash industry and a declining economy encouraged the Tongan Government and donor agencies to embark on an ambitious reform programme that has far reaching implications for the public service, tax revenues and the political system.

The NPM framework influenced the reform programme through the EPSR and the revenue reform component. The NPM has worked in the Cook Islands but has had a mixed result in Tonga. The new revenue reform focused on strengthening Tonga's tax system by improving tax administration and shifting revenue generation from direct to indirect taxation. Tonga has an elevated level of indebtedness which is a major concern, so the government is reliant on an efficient tax system to service the public debt.

The common feature of the countries that implemented reforms like Tonga's EPSR was the lack of consultation and the voices of the vulnerable not being heard by the decision-makers. All the countries reviewed were developing nations and advised by donor partners. The focus has been on macroeconomic stability and limited consideration has been given to the poor who I would identify as the most vulnerable. Each of the reviewed nation's economic reforms were fixated with achieving positive economic indicators, and while the analysis also identified the heavy social price paid by the poor, this was not considered as a major issue during the implementation stage.

The EPSR originated from the NPM which was used extensively throughout developing countries struggling to maintain macroeconomic stability. The tax reform component of the EPSR has provided Tonga with a modern tax system but the political instability caused by the reform had a major impact on the overall policy. The uniqueness of Tonga makes comparisons with another SIDS more difficult. Tonga's economy faces long-term challenges ahead with the elevated level of public debt and it will rely heavily on an efficient tax administration to generate enough revenues to cover public services.

3. TEU – Research methodology

3.1 Introduction

This chapter presents the 'TEU' stage of the Kakala Research Methodology (KRM) and explicitly outlines the basis of applying the methods, the ethics and the analysis of information to be collected from the two participant cohort groups.

I used a qualitative approach, drawing on in-depth face-to-face semi-structured interviews from participants in rural areas, outer Islands and hardship-stricken communities in Tonga. Participants from the government and business sector were also interviewed.

As discussed in Chapter 1, I am revisiting the revenue reform programme in which I was a part of the implementation team in 2005. My commercial ambitions and desire to maximise financial returns during the revenue reform programme clouded my judgement on the wellbeing of the vulnerable. I want to ameliorate this decision by providing a platform to hear the voices of those who might be vulnerable. I also want to identify the impact of the reform on their wellbeing.

3.2 Research question

The main question of this study was: “***What is the impact of the revenue reform on vulnerable communities in Tonga?***” In order to answer this question, I held *talanoa* discussions with a cohort of participants considered by key informants as potentially being in a socioeconomically vulnerable situation. I used eight core questions that were asked at every interview with the first cohort of participants from the villages. These questions were strategically used to draw out the behaviour of participants through their *talanoa*. In doing so, I can identify whether they are vulnerable to the revenue reform and, if so, then identify the impact on their wellbeing. Each participant belongs to a family

and community that might be impacted by the reform. I wanted to ensure the silent voices of the vulnerable are heard and accounted for so that decision-makers, parliamentarians, public servants and development agencies consider their wellbeing when developing future policies. The perspectives of government and business participants are also discussed to highlight their views on the revenue reform programme.

The main research question and study questions are key components of the *Teu* stage to collect relevant data from participants.

3.3 Methodological considerations

I considered several research methodologies that may have had relevance to my study, but ultimately, the selected method had to be appropriate for Pacific participants to capture their views and lived experience. The methodology had to have the following characteristics (Anae, 2010; Brown Pulu, 2002; Fairbairn-Dunlop, 2014; Vaioleti, 2006):

- Provide a research method that can engage with Tongan participants from the vulnerable community – using the Tongan language.
- Consider the different socioeconomic backgrounds of the cohort.
- Utilise the Tongan cultural approach that can provide an appropriate environment for *talanoa*.
- Provide a platform for researcher and participant to have an in-depth discussion about the research questions.
- Provide an open and flexible research environment so the participant can expand on other areas of interest.
- To understand the situation with participants, family, community and Tongan society.

The research *talanoa* is based on the Tongan language so appropriate and respectful language must be used, in interactions with participants.

3.4 Methodology – KRM and TRM

3.4.1 Theoretical background

The original *Kakala Methodology* was developed by Professor Konai Helu Thaman using the three concepts of *toli* (picking or gathering of flowers – data collection stage), *tui* (weaving or making the garland – data analysis) and *luva* (to give away the flower garland to someone – dissemination of findings) to describe the Tongan custom of arranging flowers into a garland (Thaman, 1992). *Kakala* is a metaphor that means fragrant flowers and embodies elements of both western and Tongan notions. Thaman used the *kakala* to articulate her conceptualisation of teaching and learning (Thaman, 1997). Two additional stages were added to the original model by Manu’atu who argued for the inclusion of *malie* (relevancy and worthwhileness) and *mafana* (application, transformation, and sustainability) as essential components to enrich the research framework (Manu’atu, 2000a). The most recent expansion of the framework was the addition of the *teu* (conceptualisation) stage by Taufe’ulungaki, Johansson-Fua, Manu, and Takapautolo (2007). The six stages make up the KRM, transforming it into a robust research framework that can be applied to Pacific studies that reflect Pacific peoples’ lived realities.

Talanoa is described by Vaioleti (2006) as a phenomenological research methodology that is ecological and a derivative of oral traditions. Vaioleti argues that *talanoa* is a “personal encounter where people story their issues, their realities and aspirations” (Vaioleti, 2006, p.21). The *Talanoa Research Methodology* (TRM) enables the researcher to observe both the verbal and non-verbal response and reactions of participants that only a Pacific research methodology can explain.

The TRM has limitations as alluded to by Vaioleti (2006) if it is “examined using conventional interpretations of validity and reliability” (p.32) because viewpoints and ideas shared between participants and researchers may change over time. Fa’avae,

Jones, and Manu'atu (2016) argued that there needs to be further discussion about the practical dilemmas experienced by novice researchers who have difficulty in using the TRM due to its practical complexities.

The TRM has been applied effectively in previous Tongan and Pacific research (Latu, 2009; Toluta'u, 2008) and at PhD level (Vaka, 2014). Vaka successfully applied the TRM to his study on the Tongan conceptualisation and understanding of mental illness and found the *“talanoa discussions to be wide-ranging with no boundaries when talking about a chosen subject. There are no restrictions on contributing from any perspective, and participants are free to choose how they wish to talanoa about the subject”* (Vaka, 2014, p.77). Given the positive applications of the TRM, I have chosen to use the method for the interviews in this research because it provides the platform for participants to share their perspectives to my questions without restrictions.

3.4.2 The Kakala Research Methodology

The KRM provides a reliable infrastructure for this study as it enables the use of Tongan processes in an academic framework (Vatuvei, 2017). Using the model reflects the growing support for Pacific epistemologies to explore Pacific thought and philosophy. Thaman (1997) explained that *kakala* is fused into Tongan culture and ranked just as people are. When the flowers are strung or woven together into garlands, the final product is ranked according to patterns and elaborate etiquette standards. In the KRM, the conceptualisation of the garland-making process reflects how Tongan people see the method, as an intangible but vital part of their social reality. It is this social reality that gives the model credibility and legitimacy in the eyes of mainstream researchers (Johansson-Fua, 2014).

The KRM has been applied in other policy research projects in Tonga such as the following (Johansson-Fua, 2014):

- Sustainable Livelihood and Education in the Pacific project (SLEP),

- Tonga Police National Consultation 2009,
- National Domestic Violence Study 2009-2010,
- Profile of School Leadership for Tongan Schools 2010-2012, and
- National Consultation Teacher Professional Development 2010-2011.

The KRM has been used to advise policymakers on: tertiary education and how to support Pacific students to achieve better outcomes (Alkema, 2014); highlighting the needs of domestic violence victims (Sharma, 2005); and informing sports groups about cultural diversity and a desire for an inclusive organisation and processes (Stewart-Withers, Sewabu, & Richardson, 2017). In the same way that the KRM is being utilised for policy projects, I am extending it to the revenue reform policy in Tonga to identify the impact on the vulnerable.

The KRM can capture Tongan cultural dynamics and rich data from within a Tongan context. This is the reason for selecting the KRM to provide the structure for this study. I will use the six-stage KRM (Table 12) articulated by Johansson-Fua (2014):

Table 12: Kakala Research Framework Stages

Stage	Short meaning	Research Application	Deeper meaning
Teu	Conceptualisation - to prepare	Planning stage	Conceptualising, designing and planning for the research.
Toli	Picking or gathering of flowers – data collection stage	Data collection using semi-structured interviews and secondary data collection	<p>This is the critical stage as the garland is dependent on the flowers that are picked. Flowers are purposefully selected and picked depending on the design.</p> <p>This is the data collection stage. The process of data collection and ethics used to access knowledge are critical to obtaining authentic and accurate data.</p>
Tui	Weaving or making the garland – data analysis	Thematic analysis to analyse the data	<p><i>Tui</i> is used to refer to the analysis stage. <i>Tui</i> in a garland follows a particular pattern according to the event and the designated wearer.</p> <p>Here we are looking for trends and new emerging patterns in the data. Negotiations and corrections also happen at this stage.</p>
Luva	To give away the flower garland to someone – dissemination of findings	Reporting and dissemination of results that honour the two participant groups	<p>Much work and sacrifice is required to make the garland. <i>Luva</i> is to honour those who have given their knowledge and time for the study. This is achieved by returning the gift of knowledge to the people who have given their knowledge.</p> <p>It is reporting back the results to the two participant cohorts. The thesis gives voice to the vulnerable communities and aims to provide recommendations to the government and funders that are beneficial to the cohorts.</p>
Malie	Relevancy and worthwhileness	Evaluation of the complete process at every stage of the research	<p>When there is a shared understanding between the performers and audience – that is <i>malie</i>. We evaluate the audience reaction to the performance.</p> <p>In this study, the evaluation and continuous monitoring of the thesis is conducted to ensure the research question is answered.</p>
Mafana	Application, transformation, and sustainability	Final evaluation process to seek whether transformation, and the application and sustainability of that transformation, has taken place.	<p>A member of the audience joins the performance or places money or <i>tapa</i> on the performers.</p> <p>This is the moment when the researcher and knowledge giver are both transformed. In that transformation, they have created a new solution or a new understanding of an existing problem.</p> <p>I ask the questions: Were the outputs practical and sustainable? Were participants transformed, empowered to make real changes? What were the impacts and results on the researcher and participants?</p>

Source: Adapted from Johansson-Fua (2014, p.50-55).

3.4.3 *Talanoa* Research Method

Using *talanoa* can provide a deeper understanding of a participant's response to my questions based on their knowledge, stories and emotions. As a Tongan researcher with a good understanding of Tongan customs and values, I wanted to delve into the participants' perspectives and understand both their verbal and non-verbal responses through listening and observing. *Talanoa* has proven to be useful for one-to-one interviews and group discussions (McFall-McCaffrey, 2010).

I conducted the research interviews using the TRM protocols identified by Vaioleti (2006, p.30) as follows:

- *Faka'apa'apa* (respectful, humble, considerate) – I conducted the interviews face-to-face and sought information about the participant from the town officer/pastor/key informant in order to work out how to approach the interview. I wore a *tupenu* (long male dress wear) and *ta'ovala* (customary waist mat) as a sign of respect to the participants because I was entering their home. This showed the participant that I am following protocol and being respectful, which is an excellent way to start the relationship. I wanted to approach each participant with a smile and greet them in the Tongan way with words of peace and love and seek their approval to participate in this study. I began the *talanoa* with an introduction of who I am, my family background, village and church affiliations. This usually put the participant at ease because it communicated my Tongan connection to them. I used respectful words and spoke slowly and softly. I wanted to put the participant at ease and build trust.
- *Anga lelei* (tolerant, generous, kind, helpful, calm, dignified) – I took a *koha/me'a'ofa* (gift/donation) of TOP\$50 for each participant to reciprocate their generosity and knowledge sharing. I was prepared to help with any cleaning or farm work that might be on when I arrived. It is important to take time with participants and appreciate what they are sharing so I took the time to talk to

them and assist where they needed help. This added to keeping the '*malie*' of the *talanoa*.

- *Mateuteu* (well prepared, hardworking, culturally versed, professional, responsive) – I prepared well in advance and asked the key informant about the participant's family background, living situation, church affiliations and role in the community. This information enabled me to understand the participant and be careful not to offend in any way. The questions were delivered in a manner that the participant could understand, using day-to-day Tongan language. I used basic examples to describe the question. I helped participants who could not fill in the form. I also prepared a prayer to use if the participant asked for a prayer.
- *Poto he anga* (knowing what to do and doing it well, cultured) – this was critical because, during the fieldwork, it was cyclone season, so I needed to be ready for emergencies. I took some supplies such as bread, biscuits and sweets, especially if there were children in the house or the participants were elderly.
- '*Ofa fe'unga* (showing appropriate care and compassion, empathy, aroha, love for the context) – I needed to be mindful of the situation of each participant and show compassion and *ofa* to them because they were sharing their knowledge and experience with me. They allowed me to *talanoa* in their home, so I showed empathy and respect throughout the whole thesis development process. I must acknowledge the participants and give them the honour and compassion for sharing their thoughts which informed this study. This means presenting an overview of the thesis to the participant and thanking them personally upon completion.

Talanoa does not have to be verbal. Participants can observe *talanoa* through non-verbal cues, such as nodding, facial expressions and shaking their head, and this allows them to keep on with *talanoa* until they arrive at a *mafana* and *malie* position (Manu'atu,

2000a). I observed these non-verbal reactions during the interviews because it adds to the flavour of the participant's response. This is important, especially when unpacking the different responses of participants to identify the impact the revenue reform changes make on their way of life.

Latu (2009) found that *talanoa* can bring together complex combinations of social strands made up of “*political, historical, geographical, educational, cultural, personal, spiritual, social, structural, constructional and emotional*” elements (p.2). *Talanoa* captures the emotional nuances which are essential for explaining the complete responses of participants. Farrelly and Nabobo-Baba (2014, p.322) highlighted western paradigms dismissing emotion because it is subjective, but research carried out without considering emotion and empathy provides research that is sterile and disconnected.

Prescott and Hooper (2009) used *talanoa* to examine the high failure rate of Tongan businesses in New Zealand and found that the Tongan culture of sharing is partially responsible. The study also suggested that “*Tongan culture, in the form of social capital, supports business sustainability*” (Prescott & Hooper, 2009, p.286). *Talanoa* considers the emotions and empathy, the cultural and social complexities which reflect the participants' lived realities. This is important when discussing questions regarding participants financial obligations, so the researcher can assess their decision-making process to determine the taxable transactions. More importantly, applying a culturally appropriate research method to this study is ethical and shows respect to the participants.

Talanoa can be referred to as a conversation, discussion, and talk both formal and informal (Vaiioleti, 2006, p.23). Manu'atu (2000a) categorises *talanoa* into the following concepts:

- *Fakatalanoa* – relates to the *talanoa* between people meeting for the first time. Part of the *fakatalanoa* process is about building a relationship relating or connecting through *maheni* (familiarity) and *fe'ilongaki* (to know of a place and

identity) according to Fa'avae et al. (2016, p.140). Vaioleti (2011) considered *talanoa* at the *fakatalanoa* level to be an informal conversation, cordial but not grounded in mutual trust and respect.

- *Po talanoa* is *talanoa* by people who are already familiar with each other and can create, exchange, develop solutions and share through talking (Fa'avae et al., 2016, p.140).
- *Talatalanoa* is a higher level of *talanoa* that involves people talking formally about an important matter. People with senior roles such as church ministers, teachers, village elders and government officials engage in *talatalanoa* (Fa'avae et al., 2016, p.140).
- *Fokotu'u talanoa* is typically used in a formal situation, mainly when essential and official concerns are discussed by people or a group of people (Fa'avae et al., 2016, p.140).

Each of the *talanoa* concepts discussed is applied to different settings between people or a group of people. The *talanoa* concept applied will depend on whether it is a formal situation, the level of familiarity between people, the topic being discussed, and how important it is for both parties. The *talanoa* would generally come to an end when the *mafana* and *malie* is no longer felt, and no more can be added to the conversation (Manu'atu, 2000a).

3.4.4 Insider preparation

I was born in Tonga, in a small village in the Hahake district called Folaha. This was my father's village while my mother's village, Ha'asini, was further out in the rural part of the district. I have close family and friends throughout the Hahake and Hihifo districts, so I felt confident in my ability to engage in a culturally appropriate manner with all participants. I consider myself fluent enough in the Tongan language to engage comfortably with commoners (*tu'a*), but I struggle with the formal Tongan language used

to engage with royalty and the nobility. I've lived in New Zealand most of my life, but I am heavily involved in various projects in Tonga in a commercial and personal capacity through the church and village. In that respect, I feel that I am an insider for the research.

I was raised in Tonga by my grandparents while my mother and father migrated to New Zealand to establish a new home for our family. After enduring the dawn raids era and receiving their permanent residency visa, my mother returned to Tonga to take me to New Zealand. However, every December, I travelled back to Tonga to learn about the culture and maintain a strong relationship with our extended family. I was able to learn and observe how elders conducted cultural activities and realised what my role was as a member of a collective family. From an early age, I understood the importance of family and the role of the church so had a good grasp of the cultural responsibilities of a Tongan family member.

My best memories were of accompanying my grandfather to our family land and planting root crops as well as making small *'umu* (earth oven of food) with my cousins. To this day, I continue to be close to my extended family in Tonga and lived with them during the data collection phase in February 2018 and mid-2019. Over the last three decades, I have visited Tonga at least twice a year, so I was well prepared for the research and had extensive experience in engaging the community. This gave me comfort and confidence to engage with the research cohorts effectively.

The fact that I conducted the semi-structured interviews in Tongan as well as understanding the cultural protocols made the journey to Tonga enjoyable, realising I am returning to the country of my birth and familiar with what was ahead of me.

As an insider researching participants from my community, I maintained neutrality and was extremely careful to avoid researcher bias and subjectivity due to my previous involvement in the revenue reform (Mehra, 2002). Banks (1998) referred to my position as an indigenous-insider researcher as I share the values, perspectives, behaviours, beliefs, and knowledge of the cohort in the research. There are positive factors to be an

insider, as alluded to by Aguilar (1981) and Chavez (2008), but there are also limitations which attract serious debate around subjectivity (Aguilar, 1981; Chavez, 2008) and bias (Merriam et al., 2001). To counter the issues of insider research, I have adopted Guba's (1981) techniques:

- Credibility through prolonged engagement and persistent observation to build understanding and knowledge of the participant.
- Maintaining my field journals – keeping at least three other forms of notes, in journal format: a personal log, an individual reflection diary and a methodological log (Lincoln & Guba, 1985).
- Transferability – detailed notetaking of the interviews. I used an audio recorder as well as taking notes of participant behaviour and nuances.
- Debriefing – keeping my supervisors informed of the findings and other elements of the research for discussion.

3.4.5 Type of interview questions

I am mindful of the power dynamics between myself, as the researcher, and participants, and how this can impact responses to my questions. I needed to develop trust, respect and emotional connection with the two participant groups because this is an integral part of building a relationship. Otunuku (2011) pointed out that *“Pacific people often feel that the development of the relationship is integral, and this takes precedence over the importance of the issues or the business at hand”* (p.47). Therefore, the questions need to be framed in a manner that enables the participants to convey their perspectives freely and accurately without fear of offending the researcher.

I considered the following epistemological questions used by Nabobo-Baba (2008, p.149) to guide the *talanoa* process in indigenous research:

- i. How do we approach people appropriately in order to request their knowledge?

- ii. How do we ask questions without being seen to be abrasive?
- iii. How do we seek knowledge? What are the appropriate protocols, structures and processes that are in place that determine the way knowledge seekers ask their questions?
- iv. Who can ask and answer the question asked? Who are the depositories of knowledge in the cultural set up of the study?
- v. Who will speak on behalf of the clan? How will the selection of the sample be made so that the insider researcher does not exclude nor insult essential people in the process?
- vi. Where is/are 'clan boundaries' and how does this influence the process of research and *talanoa*? This is in terms of what can be disclosed to the researcher and what cannot be disclosed.

Nabobo-Baba's (2008) questions guide how I designed the questions for the participants. Applying these questions to this study helped design a questionnaire that is more focussed but still flexible to allow in-depth analysis of the areas of interest raised by the participant that may be connected to the revenue reform. For this study, the following considerations were made:

- The participants were approached using the Tongan cultural protocols with respect in their home, speaking in Tongan and making the request directly to the participant.
- Questions that focus on the 'life stories' of participants and how they make financial decisions were used. The questions were indirect so that they were not too abrasive or might cause offence.
- The interviews were conducted using the TRM and the research infrastructure provided by the KRM. The research protocols were based on the AUT research ethics guideline. Tongan cultural values guided how the researcher conducted the interview process.

- The researcher asked the questions given the understanding of Tongan culture and experience with the subject of revenue reform. Those who could answer the question asked, were participants identified by key informants. The depositories of knowledge were the Tongan PhD Academic Group established for this study. This group provided peer support and guidance to the researcher on cultural matters and protocols.
- The key informant identified participants who may meet the criteria of vulnerability and provided contact details. The researcher contacted each participant to request a face-to-face semi-structured interview, and the sample was split between the regional groups.
- The regional boundaries are made up of the three areas in Tongatapu (Hahake, Hihifo and Nuku'alofa) and the outer islands. The *talanoa* focused on the lives of the first participant cohort in each area because they have unique differences.
- The second cohort of participants were from the wealthier sector and the *talanoa* focused on their perspective as learned professionals in government or owners and participants in the private sector.

3.4.6 Study questionnaire

Reasons for the questions

The questions selected for the study were based on a careful consideration of how best to facilitate *talanoa* with the two participant groups to share their perspectives that may identify the impact of the revenue reform on themselves, their family or community. The first set of questions (a) are for participant cohort one in the local village communities. The second participant group are for cohort two made up of (b) business and (c) government participants.

a) Questions for participant group one - local villages

In question 1: This question aims to build rapport and relationship with the participant. It starts by focussing on the participant's way of life, how they make money and determine priorities, because this will identify financial transactional points that are taxable.

1. How has life been for you over the last 10 years?

- What kind of family life do you have?
- How do you earn a living? Is it from local sources or overseas?
- How is life in your village/outer Island?
- What are the positives and challenges of living in a village/or an Island?
- What are the priorities for you?
- Have you noticed any changes over the last 10 years?

In question 2: This question provides an insight into the participant's largest expenditure. If they grow their own food, then they only buy some basic products which are taxed through CT. However, participants who do not grow their own crops pay more for food from the local shops, which is taxed through CT. This question also expands the discussion to include land ownership which is important for creating wealth and reducing hardship.

2. Do you grow your own food?

- Who owns the land you are using?
- Do you sell your produce locally or export?
- How do you sell your produce?
- How much of your produce do you sell and how much do you consume?
- What kind of produce do you grow?
- What prices do you get for your produce during the year?

- What inputs do you need for growing your produce and how do you source it?
- Who else helps you with your plantation?

In question 3: This question focuses on how traditional forms of exchange are impacted by the tax system and expands into women's groups and their economic activities.

3. Do you sell or exchange your produce or goods?
 - What kind of occasion do you sell or exchange your goods or produce?
 - Do you use this process locally or with others abroad?
 - What goods or produce do you use to sell or exchange?
 - How do you get your money from selling or exchanging the goods or produce?
 - What are the costs involved in selling or exchanging?
 - What do you use your earnings for?

In question 4: This question focuses on the way of life in the outer islands and asks the exchange question, because it is a common method for trading, to start the conversation then move into the obligations and way of life. This question aims to identify the points where tax is paid for participants from the outer islands.

4. How do you produce or exchange goods in your island?
 - Cultural, family, church or other obligations?
 - How do you do this?
 - How do you feel about this process?
 - What do you aim to achieve from doing this?

- What are the main priorities for using the money you receive from this?

In question 5: This question aims to understand the exchange methods used such as *katoanga* to identify the transaction points where tax is paid and how this is impacting participants involved in the process. This question also tries to understand how locals trade with their counterparts abroad and the way funds are transmitted. This will identify whether it enters the tax system or not.

5. What type of produce or goods do you use for exchanging and who do you exchange with?
 - How do you value your goods for exchange?
 - What process do you follow in the exchange?

In question 6: This question aims to understand the participant's knowledge of the most well-known tax in Tonga and whether they were part of the consultation process. It also expands into the participant's perceptions of the government policy decisions and whether their voice is heard by decision-makers.

6. Do you remember any changes over the last 10 years after the introduction of CT?
 - What do you understand about it?
 - Has anyone from the government asked you for your views?
 - What do you think about the government support for you?

In question 7: This question aims to track the participant's spending pattern and at each point identifies where tax is paid directly or indirectly. Customs duties are also discussed to identify where duties and taxes are paid.

7. Where do you buy your household supplies from?

- Have you noticed any changes on the island over the last 10 years and how?
- What about gas, electricity, water and fuel? If you have children, what are your main costs of raising them?
- Do you import goods and how do you go about it?

In question 8: This question provides more opportunity for the participant to expand into other areas of interest and enables the researcher to understand other areas raised in the earlier discussions.

8. Would you like to discuss any other questions we have missed out, which may be useful for this research?

b) Questions for participants from the business sector

In question 1: This question aims to provide the participant with the opportunity to cover the main points of the revenue reform from a business perspective.

1. What is the significance of the revenue reform from your perspective?

- Did you experience any changes in your business over the last 10 years?
- How has the reform affected your business?
- What about the level of prices?
- What impact has it had on your profitability?
- What about the impact on your customers?
- What kind of consultation was undertaken?

In question 2: This question focuses on the compliance situation with revenue services and even expands to other government regulators and agencies that also collect revenues.

2. Are there any compliance matters for businesses?
 - What do you have to do to comply with the new changes?
 - Who helps you with your tax compliance requirements and how?
 - How do the officials deal with you?
 - How were you supported by officials?
 - What positives or challenges do you face under the new changes?

In question 3: This question enables the discussion to shift to how government agencies work with businesses that import or export because of the tax impact from customs duty, excise duty and CT.

3. Are the businesses importers or exporters?
 - How do you source your goods?
 - What official fees and costs do you have to pay?
 - What changes have you noticed over the last 10 years?

In question 4: This question provides the business participant with an opportunity to share their perspective on the effectiveness of the implementation process and if the interests of businesses were considered.

4. Could the reforms have been implemented better? If so, how?

In question 5: This question offers the business participant the opportunity to expand into other areas of interest to the sector.

5. Do you have any other matters you would like to discuss?

c) Questions for participants from the government sector

In question 1: This question aims to provide the government's perspective on the reform since implementation.

1. What is the significance of the revenue reform from your perspective?
 - How have you contributed to the reform?
 - How do you think the reform has impacted taxpayers and consumers?
 - What has been the impact of the reform?
 - What impact has it had on the economy?
 - What about the impact on families?
 - What is your perspective on the reform?

In question 2: The question aims to discuss the government sector's policy experience of the reform and how it has worked over the past decade or more.

2. Has the revenue reform achieved its purpose?
 - How has the reform achieved its purpose?
 - Was there enough consultation on the reform?
 - What have you done to push forward the reform policy?
 - What changes have you noticed over the last 10 years?
 - What are the government leadership's perspectives on the reform?
 - What have been the positives/challenges?

In question 3: This question aims to understand how the government considered the wellbeing of the vulnerable communities and poor population groups.

3. What consideration was given regarding the communities impacted by the reform?

- How did government leadership consider impacts on communities?
- How were the concerns of the community considered?
- How were these concerns addressed?

In question 4: This question provides the government participant with an opportunity to share their perspective on the effectiveness of the implementation process.

4. Could the reforms have been implemented better? If so, how?

In question 5: This question enables the participant to expand to other relevant areas of the reform from their perspective.

5. Do you have anything further you would like to add?

3.4.7 Interview: village participants (cohort group one)

Over the last decade, I have conducted face-to-face semi-structured interviews as a consultant for the World Bank, ADB and government agencies in New Zealand and throughout the Pacific. Each of the Pacific nations have nuances that differentiate each from the other, and specific cultural factors need to be considered before an interview may be held. As a male interviewer with no relational connection to the participant, I was mindful of the *faka'apa'apa* or respect that must be conveyed during the interview

process. Equally important is the *va* or relationship that I am building with the participant and ensuring that I am framing the questions in a way that does not degrade the interviewee or make them uncomfortable (Taufe'ulungaki, 2004).

As a Tongan-born male with a strong understanding of Tongan culture, I may be considered an insider. However, I might also be treated cautiously as an outsider because I have no kin-relationship with the participant. This may be the case with female participants. In these situations, I follow a specific process to protect both the reputation of the participant and my role as the researcher. When approaching the home of a female participant, I would always be accompanied by my cousin who is a reverend, and he would sit in the car in plain sight while I would seek permission from the participant or family to enter the home. Upon entering the home, I would sit on the floor in the lounge with the door and windows open, so neighbours can see precisely what is going on. I also make sure that I explain the reason for the interview to male relatives who may be at home. I adhere strictly to the Tongan cultural protocols in all engagement with participants.

The interviews were held at the family home – in the lounge – for in-depth discussions as well as to make it more comfortable for the participant. In five cases, the interviews were held on the roadside next to the stalls owned by the participant. The sound of cars driving by was a distraction but the opportunity to observe the participant working and listening to them talk about their struggles and how they make money was one of the best methods used. I found the roadside participants to be friendly and keen to share their experiences. They were not afraid of people watching them sell goods for a living and were happy to negotiate deals to sell as many products as possible.

I opted for the interviews because it is more comfortable in an oral culture (Mahina, 1993). The cohort participants were able to have an in-depth *talanoa* with me in a setting they were familiar with, so oral discussion is more appropriate (Flanagan, 1998). This made my decision to conduct the interview more credible because I considered the preferences of the participants.

Participant cohort group one, from the villages are numbered from participant 1 to 51 to differentiate them from the second group of participants from the government and business sector (identified by GB for government and business followed by the letters A to F, i.e. GBA, GBB, GBC, GBD, GBE, GBF).

Interviewing approach: Participant group one - village participants

I conducted the 51 participant interviews using the *talanoa* research method by preparing for each interview thoroughly so that participants were at ease and felt *mafana* to share their stories with me. The first thing I do when meeting a participant is *fe'iloaki* (greet). Then I proceed to sit on the floor, but if there are seats in the lounge, the host may ask me to sit on the seat which I do but only if the participant is also sitting on a seat. If the participant is sitting on the floor, I too sit on the floor as a show of respect. The participant responds with, *malo 'e tau lava ki he 'aho ni* (thank you for making it to this day). Then I give an introduction of myself and the purpose of my visit. These formalities are conducted first before any discussion about the questions, consent form or information sheet.

I use the same approach even if we are conducting the interview on the side of the road or under a tree. Depending on the situation, I might ask an irrelevant question to my topic, such as, what do they think about the latest cyclone warning. At the time, this was the main subject on the radio, so everyone was on edge about the weather. This was always a good subject to discuss because we both had similar concerns. These formalities help to build the trust between myself and the participant highlighting the power sharing between both parties.

3.4.8 Interview: government and business participants (cohort group two)

I had the opportunity to return to Tonga in July 2019, for another assignment for the ADB on long term care so I decided to complete the original thesis research plan, by interviewing a second participant group made up of members from the government and business sector. As mentioned in chapter one, I was unable to complete the focus group interviews with the government and business participants due to the impact of Cyclone Gita on the 12th of February 2018.

I conducted interviews on 5 and 8 July 2019 with six participants from the government and the business sector. These interviews provided an opportunity to hear the views of government and business leaders on the impact of the revenue reform. My experience in Tonga is that people are reluctant to share openly in an open forum but are willing to do this in private where they are more comfortable in expressing their opinions. This was more effective and provided an excellent opportunity for each participant to provide their full perspective in confidence.

The questions asked of government and business participants may have risks of repercussions from others who do not share the same view, especially given the current political environment in Tonga. Therefore, I considered it safer and more comfortable to conduct face-to-face interviews rather than focus groups. These interviews were conducted with a high level of trust because each of the participants are well known. They have also held senior roles in government or the private sector. Some of the participants have held dual roles in both sectors.

The six participants of the government and business sector were identified alphabetically as GBA, GBB, GBC, GBD, GBE and GBF to differentiate them from the first group of participants from the villages.

3.4.9 Observations

I wanted to see with my own eyes the living standards of the participant cohort so I could observe their way of life. This was important because it provided detailed information on participant behaviour and their spending patterns.

Participants interviewed in the *Hahake* and *Hihifo* rural regions lived in the poorest part of the village, and this could be visually identified by the type of house they lived in. The houses were in disrepair, small and with minimal household furniture. I was privileged to be welcomed into each home and offered a cup of tea or what little food the family had. It was clear that the state of housing and living conditions were poor amongst the participants, but each had a story to tell and provided a window into their family history and connection to the land, church, family and rest of Tongan society.

I was fascinated by the ingenuity of participants to make do with what little they had as well as continuously searching for opportunities to earn a living through multiple income sources. I observed the level of hardship endured by participants, but each showed a spirit to live the best they could despite the challenges they faced daily.

The role of the local village stores in the spending behaviour of participants became more evident as I travelled throughout the villages. Chinese owners operated most stores, and it was apparent that several participants felt some form of animosity towards the immigrant owners. However, the participants also welcomed the variety of goods and the greater choice on offer compared to that available in the Tongan-operated stores in the past. The Chinese stores have become a key part of the village community and play a significant role in providing food and supplies for participants.

The vital function of the church was articulated thoroughly by participants, and every village had church buildings and church halls representing different denominations. It was clear that life revolved around the church, and this was obvious from participant responses as well as my observation of the congregations in some of the rural villages (Evans, 2001).

My observations and *talanoa* provided context and the ability to gain insight into the perceptions of participants, especially on their priority-setting. This gave me an understanding of the logic behind their decision-making process and the way participants survived in a modernised Tongan society while trying to maintain their traditional values and customs.

3.4.10 Participants (cohort one and two)

Participant cohort from the local villages (1 – 51)

A key informant was used to act as the link between the researcher and participant to avoid cultural pressures and uncertainty, especially for the participant. As a cousin of the Minister of Fisheries, who is in government and well known, I was cautious not to make the participant feel pressured to agree to the interview. I undertook all precautions to avoid creating a relationship with the participant where they saw me in a position of superiority. This may harm the *talanoa* process and limit the participant's responses to the questions. This is the same approach utilised by Vaka (2014, p.84) when researching a sensitive topic and, in his case, the conceptualisation of mental health and using an Intermediary Person (IP) as the key informant alleviated cultural pressures and avoided presenting the research from a position of superiority/authority.

Participants were recruited using the key informant referral technique outlined by Marshall (1996). The technique involves a key informant or known contact recommending potential participants. In my case, the key informants were town officers and church ministers in each of the villages I visited. I called the Prime Minister's Office to get the list of the town officers which I used to make contact before meeting face to face.

The town officer is an annually elected position, like a mayor in developed countries, except on a much smaller scale. The town officer also becomes the government representative that can call community meetings regarding essential matters for the

village. The other prominent position is the church minister because they have detailed knowledge of their congregation and could identify potential participants with characteristics that may have fitted my sample requirements.

I visited each village and went to the town officer to convey my respects and seek support to identify potential participants. I also visited the church ministers in the leading congregations on my contacts list, to discuss potential participants. These two informant sources provided mobile numbers, names and direction to where the participants lived. I was able to call the participant to invite them to a meeting to discuss if they would like to be part of the study. Both types of key informants provided ample information on potential participants that I could approach for the interviews.

I identified 10 population groups that may be categorised as being potentially vulnerable and impacted by the revenue reform programme due to capabilities, limited material assets, reliance on others, position in society or living in a remote location.

The topic of the study provided participants with a sense of uneasiness because their responses might be misconstrued, and some wanted confirmation of absolute confidentiality. Tonga's electoral system was changed in 2010 but political instability is still causing uncertainty. In 2017, the King dissolved the government led by Prime Minister 'Akilisi Pohiva before the end of their term. However, they were re-elected in the 2017 election. Participants are likely to be cautious not to criticise the government or the monarchy out of fear of retribution, given the current level of uncertainty. I assured participants that their responses were confidential, and they would not be identified in the study. This was crucial due to the political uncertainty and vulnerability of many participants.

I outlined categories of potentially vulnerable groups and participants discussed in Chapter 2, section 2.2, defining the vulnerable, identifying the actual vulnerable community or participants emerges from the analysis of the data from this study in the next few chapters.

Elite and privileged participant cohort from government and business sector (GBA–GBF)

I was aware of the government and business sector and had conversations with key government officials and business owners I worked with on the ADB Long Term Care Task Force to identify potential participants.

I used this group as my advisors, and one of the main issues they raised was confidentiality and how the interviews were going to be held in a focus group forum. I shared my thoughts that I could use a focus group but was concerned about some participants not fully engaging due to a fear of repercussions or being too shy to share in a group environment. I gauged from the discussion that the most effective method would be to undertake face-to-face interviews to avoid any problems for participants and to ensure I received their full perspectives.

The group of key colleagues nominated various participants from both sectors, and I settled on three from government and three from the private sector to become the second participant cohort for this study.

3.4.11 Sample

My sample was restricted to the three main districts of Tongatapu (Hahake, Hihifo, Nuku'alofa) and participants from Ha'apai and Vava'u. Cyclone Gita landed during the second week of the study, so this prevented my trip to Ha'apai. My sample of 51 participants from the villages were selected based on *talanoa* with the key informants about potentially vulnerable people and communities in the village. Another six individuals were added to the sample from the elite and privileged government or business sector. The study sample population provided a good range of participants for

both cohort groups to undertake a qualitative study of the community that was potentially vulnerable to the revenue reform in Tonga.

3.5 Secondary data

Over the last 13 years, I have collected secondary data to fill in the gaps in my knowledge. At the same time, I was trying to monitor developments in the revenue reform space. I was confident in the data I collected and fortunate to have former colleagues still working in Tonga's Ministry of Finance and National Planning as well as the Ministry of Revenue and Customs who provided regular updates and sources of information and data. The secondary data is critical because it supplements the primary data, it assists in providing a complete picture of the situation and is useful for clarification of the key points in the study.

I managed to gather well over 200 pieces of secondary data for my research and included the following:

- Published reports – government reports, ADB reports, World Bank and IMF reports, evaluations, consultancy projects, regional reports.
- Legislation – The Constitution, Land Act, Revenue Services Administration Act, Consumption Tax Act, Excise Duty Act, Customs Act, Income Tax Act.
- Web-based information – political dialogue, opinion pieces, historical information, diagnostic reports.
- Official statistics – national surveys in different sectors, census, and health, economic and social data reports.

I was fortunate to have much of the secondary data on hand after years of collection and gaps in my data were addressed by approaching key contacts in Tonga as well as others working for donor agencies.

3.6 Ethics

The ethics application process made me realise the importance of my research and the sensitivities surrounding the questionnaire, how it was to be delivered and the protection of participant information. This was a gap in my knowledge because this is the first academic research I have conducted, so I needed to follow the correct ethical procedures at all stages of the engagement.

The targeted participant cohort is part of a village with intricate relationships to families, church, businesses and government system. I was mindful that each participant is a member of a community and should be viewed in a holistic sense, with interdependent relationships with others and the surrounding environment. The different relationships included researcher-key informant, researcher-local communities, researcher-local stores, researcher-participant, researcher-government, researcher-former colleagues and researcher-supervisors at AUT. Taufe'ulungaki (2004) referred to this type of relationship as the *fonua* which is not just about individuals but also communities, the environment in which individuals live and the relationships that bind them together (Taufe'ulungaki, 2004).

The ethics guidelines apply at all levels, from the face-to-face semi-structured interviews all the way through the research continuum. Ethics guided the approach to potential participants and how to prepare for situations when harm or violation is committed, unintended or not, to restore their dignity and *mana*. I followed the instructions on the ethics guidelines to direct how I researched by the ethical standards of AUT.

3.6.1 Consent process

I explained the informed and voluntary consent process to each participant after the formal introductions were made. The consent process was communicated in Tongan. The forms were also translated into Tongan, so the participant was able to read the form. After reading the form and listening to my explanation, the participant signed the form. I

also helped those who could not fill in the forms and took time to explain each condition and meaning of the questions. I saved the physical copy of all consent forms as well as a soft copy in the AUT Cloud system. A hard copy of all forms and USB with all the data is held in secure storage at AUT.

3.6.2 Confidentiality

Confidentiality was crucial for both participant cohort groups because the subject matter related to the impact of revenue reform and government decisions. A few participants expressed concern that their views might be misconstrued as being anti-government and wanted assurances that their identity would remain confidential. This was understandable, given the volatile political situation in Tonga. I explained the ethical protocols for protecting participant information and assured participants that it will not be released to any other party.

Once confidentiality was assured, both cohort groups opened up and freely expressed their opinion without fear of being identified. I was encouraged by the desire of both participant groups to respond to my questions and trusted the process I used to record their responses.

3.6.3 Transcribing

All the interviews were semi-structured and audio-recorded with the participants' permission. I had two data voice recorders as well as my mobile phone recording every interview. I used three recording devices because I was unable to upload more than 28 megabytes of data onto my files on the AUT Cloud from Tonga. Only some of the interviews were backed up on the AUT Cloud while in Tonga and the rest I saved on the three recording devices until I returned to New Zealand to upload them.

I am a primary Tongan language speaker and have experience in translating Tongan into English. I translated the interviews from Tongan into English for this thesis. I spent over five weeks (February - March 2018 and July 2019) transcribing the interviews with 51 of the participant transcriptions undertaken on the 18th floor meeting room of the Ministry for Children (Oranga Tamariki) in Wellington during the evenings. At the time, I was working as a Policy Contractor, so I used the meeting room after hours to transcribe the interviews. The final six interviews for government and business sector participants were transcribed in my own home in Auckland while working as a Principal Policy Analyst for Auckland Council in July 2019.

Participants may wrap or cover (*kofukofu* or *faka'esia*) the *talanoa* out of respect or to avoid confrontation so, as it occurs, as an insider, I can unpack the essence of what they are trying to convey clearly. The true meaning of the *talanoa* may be hidden when the participant makes a sarcastic response, which is typical in Tongan conversations. Western researchers may misinterpret the response and fail to understand the true meaning of the *talanoa*. I was careful to record the participant response but also took paper notes of the participants demeanour, facial expressions, including any sarcasm. These notes were used to supplement the verbal recordings and helped to provide a more detailed transcription of participant responses.

I asked each participant if they would like to review the transcribed script of their interview and those who agreed provided an email for correspondence. I explained that if I did not hear back from them within a month, I would assume they are satisfied with the script. I did not receive any response from any of the participant's, so I proceeded to the analysis stage.

3.6.4 Translation

I translated the data from oral Tongan to written English. The translation was then shared with the Tongan PhD Advisory Group based at Otago University and with a Senior

Tongan Social Worker, from Oranga Tamariki, who is highly experienced in translating Tongan into English. Both parties reviewed the oral recordings and my translation. After further edits and suggestions by the group and social worker, I finalised the transcripts in Tongan and English. It is important to note that some of the Tongan concepts and words are difficult to translate precisely into English, so I have provided an interpretation that best reflects the participants' meaning.

3.6.5 Selection of excerpts

I used NVIVO as my data analysis tool, including coding the responses from both participant cohort groups. The main themes were highlighted and used as the main points of discussion. I reviewed the responses in detail and identified the excerpt that was the most representative of all the responses to a particular question, and not just for the convenience of it supporting my arguments. I used the recordings, field notes and transcriptions to ensure I selected the relevant excerpt.

3.6.6 Thematic Analysis

Thematic analysis is used to interpret the findings from the interview transcripts, analysis of secondary data and my observations of participants and the environment in which they live. Thematic analysis is a method for identifying and analysing common themes in qualitative research data (Clarke & Braun, 2013).

I entered all the transcripts into the NVivo analysis software to identify the main themes from responses. The research questions guided the nodes to use, and I expanded to other nodes that were important themes I picked up from participants. The general nodes focused on top priorities, spending behaviour, income sources, remittances, government intervention, bartering and more specialised nodes such as the RSE scheme, outer islands and women's enterprises.

I coded the themes based on the type of questions asked and relevance to a node. For example, all church, family and village obligations were coded under top priorities while remitted funds for women's *lālanga* were coded under income sources. All responses were coded into the nodes that provided the main themes from the study as this allowed me to highlight the findings in a structured format that best reflected participant views.

3.7 Conclusion

The KRM is used to frame the research and provide structure. The model conceptualises the garland making process by Tongan women, and uses six stages of *teu*, *tolī*, *tui*, *luva*, *malie* and *mafana* to create the Tongan garland or *kakala*. Each stage represents a stage in the research process and together they form the KRM. This chapter presents the *Teu* stage of making the *kakala* and in our case planning the research methodology to collect the relevant data from the cohorts.

The TRM is used for communicating with the two cohort groups of 51 village participants and six members from the government and business sector. *Talanoa* uses the Tongan way of communication to describe how people converse either formally or informally. To be effective, *talanoa* requires the researcher and participant to have a good relationship. The researcher also needs to have an in-depth understanding of the origins of the participant or subject to provide accurate results.

Data collection used face to face semi-structured interviews. The data was transcribed and entered into the NVivo data analysis programme. Thematic analysis was used to identify the main themes from the data. Participants were identified using key informants and based on the vulnerable categories. The AUT ethical guidelines controlled the research process and confidentiality of participants.

The KRM and the TRM provided an approach that was culturally appropriate and able to understand the participants' thoughts, which has provided better insight into the impact of the reform. The stories told by the participants have made it possible to identify how

the reform impacted their wellbeing, culture, economic situation, social status, community and other areas of their life. This is the focus of the following chapters, as I reflect on the participants' responses and interpret their stories to identify the impact of the revenue reform on those considered to be the vulnerable or *tu'u laveangofua*.

4. TOLI – Data collection

4.1 Introduction

This chapter represents the 'TOLI' stage of the KRM, highlighting the data collected from interviewing the two participant groups. *Toli* means picking flowers or harvesting crops that are mature and ready for consumption. *Toli* emphasises the significance of selecting the best flowers and, in my case, collecting the responses from the eligible cohort members for the semi-structured *talanoa* in this chapter (Malungahu, 'Ofanoa, Huggard, 'Ofanoa, & Buetow, 2017). The participants in group one (Participants 1 to 51) responded in Tongan. Participants in group two (GBA, GBC, GBD and GBF) responded in Tongan and English (GBB and GBE). All responses were recorded on three audio devices (Sony IC Recorder, Endeavour Voice Recorder and iPhone 7). I transcribed participant responses from the audio recorder and translated from Tongan into English. The data was entered into the NVivo analytical software to identify the main themes emanating from the cohort responses.

The first part of the chapter focuses on the expenditure transactions of participant cohort group one. The second part is the *kavenga fakalotu* which explores the participants specific financial contributions to the church. The third part provides participant perspectives on land. The fourth part outlines participant responses on a variety of important matters relating to the revenue reform. The fifth part outlines the 51 village participants' sources of income. The final section highlights the responses of participant cohort group two made up of the six elite and privileged members regarding their experiences with the reform. The data collected from the two cohorts will identify the impact of the revenue reform on the vulnerable communities in Tonga.

4.1.1 Village Participant Profiles

Table 13 provides a profile of the 51 village participants characteristics. This information provides important information on the age, gender, village, church affiliation, access to land status and estimated income based on the *talanoa* interviews. The sample of participants show that the majority were from the rural villages with limited access to land and incomes less than the TOP\$10,000 income tax threshold.

The two cohort participant group quotations are taken directly from the transcripts, and I have not altered their words. The translations are not word for word as this will not make-sense but the English meanings are interpreted in a manner that accurately reflect the respondent's perspective.

Table 13: Village participant cohort

Participant	Age	Gender	Village	Church	Access to land	Income estimate
1	73	Female	Ha'asini	Free Church of Tonga	No	\$ 10,000
2	72	Male	Ha'asini	Free Church of Tonga	Yes	\$ 20,000
3	66	Female	Kanokupolu	Free Church of Tonga	No	\$ 5,000
4	43	Male	Nomuka	Free Church of Tonga	No	\$ 5,000
5	66	Female	Kanokupolu	Free Wesleyan Church	No	\$ 10,000
6	36	Female	Lofanga	LDS	Yes	\$ 10,000
7	55	Male	Kāmeli	Free Church of Tonga	No	\$ 5,000
8	53	Female	Pelehake	LDS	No	\$ 10,000
9	69	Male	Foa	LDS	No	\$ 10,000
10	35	Female	Lofanga	Free Wesleyan Church	No	\$ 10,000
11	44	Female	Lavengatonga	Free Church of Tonga	No	\$ 13,000
12	33	Male	Haveluliku	Catholic	No	\$ 5,000
13	35	Male	Haveluliku	Church of Tonga	No	\$ 27,000
14	64	Male	Haveluliku	Free Church of Tonga	Yes	\$ 5,000
15	69	Male	Lavengatonga	Free Wesleyan Church	No	\$ 5,000
16	44	Female	Lavengatonga	Catholic	No	\$ 7,000
17	25	Male	Fua'amotu	Free Church of Tonga	No	\$ 4,000
18	32	Female	Fua'amotu	Free Wesleyan Church	no	\$ 5,000
19	59	Male	Fua'amotu	Catholic	yes	\$ 12,000
20	70	Male	Nakolo	Free Wesleyan Church	yes	\$ 6,000
21	20	Female	Kolonga	Pentecostal	no	\$ 4,000
22	18	Male	Kolonga	Free Wesleyan Church	no	\$ 4,000
23	66	Female	Afā	Free Wesleyan Church	yes	\$ 4,000
24	46	Female	Afā	Free Wesleyan Church	no	\$ 7,000
25	20	Female	Niutōua	LDS	no	\$ 3,000
26	44	Female	Niutōua	LDS	no	\$ 7,000
27	86	male	Niutōua	Free Wesleyan Church	yes	\$ 10,000
28	55	male	Manuka	Free Wesleyan Church	yes	\$ 5,000
29	70	male	Manuka	Free Wesleyan Church	yes	\$ 8,000
30	30	Female	Hoi	Free Church of Tonga	no	\$ 8,000
31	46	Female	Hoi	Free Church of Tonga	no	\$ 10,000
32	24	Female	'Utulau	LDS	no	\$ 3,000
33	70	Female	'Utulau	Free Wesleyan Church	no	\$ 8,000
34	53	Male	'Utulau	Catholic	no	\$ 5,000
35	44	Female	Mo'unga'one	Church of Tonga	no	\$ 7,000
36	36	Female	Vaotu'u	LDS	no	\$ 9,000
37	25	Female	Vaotu'u	Free Church of Tonga	no	\$ 8,000
38	43	Female	Fahefa	Free Wesleyan Church	no	\$ 8,000
39	35	Female	Kala'au	Free Wesleyan Church	no	\$ 8,000
40	35	male	Kala'au	Free Wesleyan Church	no	\$ 15,000
41	58	Female	'Āhau	Free Wesleyan Church	no	\$ 4,000
42	42	Female	Pātangata	Church of Tonga	no	\$ 7,000
43	68	male	Pātangata	Church of Tonga	yes	\$ 5,000
44	38	male	Pangai	Pentecostal	no	\$ 8,000
45	69	male	Pātangata	Free Church of Tonga	yes	\$ 7,000
46	58	male	Sopu	LDS	yes	\$ 40,000
47	23	Female	Houma	Free Wesleyan Church	no	\$ 6,000
48	65	Male	Pili	Church of Tonga	yes	\$ 10,000
49	47	Male	Hofoa	LDS	yes	\$ 8,000
50	35	Female	Sia'atoutai	Free Wesleyan Church	no	\$ 6,000
51	46	Female	Fatai	Free Wesleyan Church	no	\$ 5,000

4.2 Part 1 - EXPENDITURE

The highest number of responses related to a participant's expenditure transactions. This section aims to uncover the spending patterns of participants to identify the transaction point where tax is paid. Each sub-section is a theme and highlights the primary responses of participants about that particular theme.

4.2.1 Kavenga Fakalotu

See section 4.3, chapter four.

4.2.2 Kavenga Fakafāмили

Kavenga Fakafāмили is the contributions provided for family obligations according to Tongan customs. These contributions are mainly for the following events that may have a family connection:

- Funerals
- Birthdays
- Weddings
- Family activities and events
- Cultural practices
- Celebrations

Maternal or paternal family connections have specific requirements, so there are cultural protocols that need to be observed. Male and female members have special roles and cultural responsibilities to follow.

As one of the priority areas for participants, their response to the *kavenga fakafāмили* question on what they spend their money on depended on the event, as each demands a specific type of contribution to be made. Each event may involve financial transactions that are captured under the tax collection process that I aim to highlight (analysed extensively in chapter five). In the case of Participant 3, she is a 66-year-old widower and lives next door to her brothers and children. She is one of the lowest income earners

in the cohort but has a strong bond and cultural connection with her family and church. Her family's contribution to the *kavenga fakafāмили* consisted of *koloa fakatonga* (Tongan artefacts) and baskets of food:

Participant (3): Ka fai ha putu pe ko ha mali 'a e famili, kuo pau ke 'ave 'a e koloa fakatonga moe fo'i me'akai.

Interpretation: When we have a funeral or wedding in the family, we must provide Tongan artefacts and crops.

In a similar way to Participant 3, Participants 46 and 48 also contributed to their *kavenga fakafāмили* with monetary support to their families. All participants identified the *kavenga fakafāмили* as one of their key obligations. Participants also work together as a family or group of extended families to contribute towards other *kavenga* such as the *kavenga fakafonua*, to share the financial or material burden as explained by Participant 5 (this view is also shared by Participants 3, 4 and 9):

Participant (5): 'Oku 'i ai moe kavenga fakafonua hange ko e 'aho 'oe Tu'i. 'Oku mau tanaki konga ngatu mo ngaahi e 'u teu, pea fanga puaka moe fo'i me'a kai leva e kakai tangata. 'Oku mau lukuluku fakafāмили ki he kavenga e fāмили kae fakame'akai mo fanga monumanu leva hoku fanga tuonga'ane. Ko hoku tokoua pe moe ongo tuonga'ane 'oku kei toe pea 'oku mau fetokoni'aki.

Interpretation: We also have *kavenga fakafonua* like the King's birthday. We contribute a piece of *ngatu* and "*Teu*" (garlands) while the men provide the pig and *tokonaki* (root crops). We contribute as a family for the primary family obligations while my brothers provide crops and domestic livestock. I have a sister and two brothers remaining, and we help each other out.

Participant 5 is another widower who lives with her daughter. She also lives in the same village as her brothers and sisters. Her family is very close and they help each other with their *kavenga*. Her eldest brother has agreed to allocate part of the family land to her son. As the sister, Participant 5 provided the *koloa fakatonga* and her brothers

contributed the livestock and crops for the *kavenga*. Discussions with the participants highlighted the traditional way of providing for the *kavenga fakafāmili* by male and female siblings. The males provided the raw food (crops or boxes of chicken, mutton or beef) and meat while the females provided the *koloa fakatonga*, also referred to as the *me’a molu* (soft Tongan artefacts) and their labour.

The main cost of *kavenga fakafāmili* is for food to contribute towards meal preparation, especially if it is a wedding, birthday or funeral. These three events involve a significant amount of food to make many *pola* in the case of a wedding or birthday, or to make supper and *tunu* (takeaway pack of meat or cooked food) for a funeral wake.

4.2.3 Kavenga Fakafonua

Kavenga Fakafonua are the cultural obligations that participants contribute to the following occasions:

- Royal family national events – this is for the Monarch and the rest of the royal family, whether it is a birthday, coronation or funeral.
- Nobility functions – this applies to participants living in villages that are part of a noble’s estate. Obligations could be for birthdays, cultural celebration, funeral and *fakanofa* (bestowing) of a title.
- Village projects – this is for a communal project such as a hall, water supply system, road works or any projects that are funded by the village.

Tonga's villages are either government-controlled or under a noble's estate. *Kavenga fakafonua* means obligations to the village, nation, nobility and royal family. However, participants in government-controlled villages only have obligations to the village, nation and royal family while those from noble estate villages have the additional obligation to their noble (referred to as lords). I will highlight the differences when discussing the responses from participants in the analysis section (Chapter 5).

Participant 1 is 73 years-old from Hamula village, part of Lord Kalaniuvalu's estate. She is the eldest of 12 siblings and is the matriarch of the family. Despite her disability, she still works by making *ngatu* and *tutu* with her younger sister to make money for their *kavenga*. Participant 1 is very strong in her faith and seeks support from her children in New Zealand for her *kavenga*. Her response to the *kavenga fakafonua* question identified her obligation to the royal family and the noble estate holder (her views were shared by Participants 2, 3, 4, 5, 8, 17, 18, 19, 21, 22, 23, 25, 26, 27, 35 and 47 who were residents of noble estates):

Participant (1): 'Oku ma ngaue 'aki e seniti mei he fakatau e la'i tutu moe ngatu ke fua 'aki 'e ma kavenga lahi taha 'a ia ko e misinale, kuata moe lii fakafale. Hoko mai kiai ko e kavenga fakafonua hange ko e taimi na'e hala ai e Tu'i, 'oku mau tanaki puaka toho moe koloa fakatonga ko e fatongia ki he Nopele ma'u tofi'a ko Kalaniuvalu. 'Api kolo kotoa na'e kau ki he tanaki tunu ke foaki ki he 'emau 'inasi ki he Hau. Ko e 'Ofisa Kolo 'oku ne fua e fatongia, ko hono tanaki e tunu moe me'a kotoa 'o fakatu'uta ki he Nopele, ko e 'inasi ia e kolo.

Interpretation: We use the money from selling our rolls of *tutu* and *ngatu* to pay for our most substantial obligations, which are the *misinale*, *kuata* and *lii fakafale*. This is followed by the *kavenga fakafonua* like when the King passed away, and we provided a large pig and Tongan artefacts as part of our obligations to Lord Kalaniuvalu who owns the estate. Every household in the village provides a *tunu* (basket of food) with food to be given as part of our *inasi* (share of contribution) to the *Hau* (the name used when referring to the King as paramount ruler of Tonga). The town officer is responsible for collecting the *tunu* to present to Lord Kalaniuvalu as our contribution.

The Tongan culture is still strong in rural areas so that families will contribute regardless of affordability. I did observe a sense of pressure on participants to contribute out of fear of being banished from the village by the noble estate holder. These contributions were not voluntary but an important obligation that had to be made, otherwise there was a fear

of further repercussions from the noble estate holder (these views were also shared by Participants 18, 19 and 47).

Participant 23 is 66 years old and lives next door to her daughters in the village of Afā in the Eastern district of Tongatapu. As a widower, she relies on her adult children for financial support and home care as she is suffering from diabetes. She highlighted the magnitude of the obligations of each family. She contributes towards village projects using her financial resources and Tongan artefacts for each initiative, from gardening, rubbish collection, local road maintenance and their new water supply system.

Participant (23): 'Oku 'i ai 'emau ngaue fakakolo, hange ko e too ngoue moe tufi veve. Kapau ko e ngaahi hala, 'oku mau tanaki pa'anga ke tokoni ki he ngaahi hala. 'Oku mau toe tanaki pa'anga ki he ngaahi e filita vai e kolo. 'Oku 'aa'i moe fanga puaka ke tauhi e kolo ke ma'a. 'Oku toe kole mai ke mau tanaki langanga ke ngaahi ha ngatu fute 16. Foaki eni mei he 'eku ngatu. 'Oku ou toe kau foki he tou langanga. Ma'u mei ai 'eku fuatanga 'e 2 he ta'u. 'Oku ou too pe 'eku tutu ke ngaahi 'aki 'eku ngatu. 'Oku mau toko 12 'i he kulupu. Fe'unga moe 'aho 'e taha kakato hono ngaahi e fuatanga ki he memipa. Ko e fakamole lahi taha ki hono ngaahi e ngatu, ko e kumi mai e pepa 'aofi ka ko e vali ia moe ngaahi me'a kehekehe 'oku ma'u pe ia mei ho mau 'uta. 'Oku ou tanaki e ngatu ki he fua kavenga. Foaki me'a kai moe fanga puaka e kakai tangata kae ngatu e kakai fefine. Ko homau fatongia lahi ko e kavenga ki he Tu'i moe Nopele ma'utofi'a he ta'u kotoa.

Interpretation: We have village projects, like gardening and rubbish collection. If it's road works, we donate money to help with road maintenance. We also donate money for the village water tanks. We keep the pigs fenced in to have a cleaner village. We are asked to provide a *langanga* each to make a 16-foot *ngatu*. This is from my own *ngatu*. I am also part of the *toulanganga*. I get two *fuatanga* annually. I grow my own *tutu* and use it for my *ngatu*. There are 12 of us in the group. It takes about a day to make a *fuatanga* for each member. The main cost

for making the *ngatu* is the paper underlayment while the *vali* (traditional ink) and other supplies are sourced from our land. I save my *ngatu* for the *kavenga*. The men provide root crops and pigs while women provide the *ngatu*. Our main cultural obligation every year is to the King and the noble of the estate.

4.2.4 Utility costs

The main utility expenses for participants and their families were electricity (or solar power) for the home, gas for cooking, and water supply. Rural and outer island participants get their water supplied by the village council or from their own water tank while urban areas get their water supplied by the state-owned Tonga Water Board. Fuel was another utility expense but only for participants who had vehicles or boats. Participants in the outer islands do not have a permanent power supply system, so they either have solar power or village generators. Participant 10 is 35 years-old and was born on the outer island of Lofanga. She explained her utility expenses are for solar power, gas and fuel for the boat:

Participant (10): 'I Lofanga 'oku mau tanaki pa'anga 'e TOP\$13 he mahina ke totongi e sola ki he 'emau 'uhila. Mau toe totongi foki moe hina kasa mei Pangai. Hala ha mau me'alele ka 'oku mau fakatau penisini pe ki he vaka. 'Oku si'isi'i 'aupito a Lofanga ia pea 'ikai 'i ai ha me'alele. Fakafuofua ki he toko 50 'oku nofo 'i Lofanga. Mau lata pe he nofo ai.

Interpretation: In Lofanga, we collect TOP\$13 per month to pay for the solar power we use for our electricity. We also pay for a gas bottle from the main island of Pangai. We do not have a vehicle, but we buy fuel for the boat. Lofanga is small, so there are no vehicles. There are approximately 50 people that live in Lofanga. We enjoy living there.

Participants in the outer islands pay more for fuel and gas because they must travel by boat to collect their supplies from Pangai in Ha'apai (view shared by Participants 4, 6

and 10). Participants without a vehicle use public transport which is the main form of transportation for most people in the rural areas. In some cases, participants borrow their neighbour's vehicle in emergencies (view also shared by Participants 4, 12 and 39).

Expatriate villagers in New Zealand, Australia or the United States play a key role in some of the rural communities by donating water supply systems, scholarships for children or building materials. Participants highlighted the support for the village communal facilities from abroad (a view shared by Participant 13). Despite the modernisation of Tonga, some families are still using an open fire for cooking because they cannot afford electricity or gas (Participant 17). Participants over 70 years of age received social welfare payments of TOP\$75 every month that help pay for their utility expenses (Participants 1, 2, 20, 27 and 33). Participant 11 is 44 years old and married to a public servant. Her husband was one of the low-income earners in the public service but has had his salary increased after the public servants strike in 2005 and more recently to keep up with the rising cost of living. Her family does not own or have access to a vehicle, so relies on the public transport system. Without a water supply connection, she relies on her rainwater tank and pays for electricity and gas:

Participant (11): 'Oku 'ikai ke taki mai e vai ki 'api ni ka 'oku 'i ai pe 'a e tangike vai. Ko 'eku fakamole pe ko e 'uhila moe kasa. 'Ikai keu lava 'o kumi ha ki'i me'alele pea ko e famili 'oku nau si'i fononga pasi holo pe.

Interpretation: The main water supply is not connected to my house, but I do have a water tank. My expenses are for electricity and gas. I cannot afford to buy a vehicle, so my family travels around by bus.

4.2.5 Health care

Four participants preferred to use the private Chinese clinic and local Tongan pharmacy owned by Mr Siutaka Siua, who is a qualified pharmacist (Participants 23, 26, 29 and 32). The rest of the participants used other services, such as the former clinic operated

by the Catholic nuns and Mr Tukia's pharmacy. The pharmacists are not medical doctors, but participants seem to trust their advice and the prescribed medication provided (views shared by Participants 26, 29 and 32). Participant 23 highlighted her experience in using both public and private health services because of her diabetes and prescriptions. Her preference was for the nun's service or Tukia's clinic, but both have closed down:

Participant (23): 'Oku mau 'alu pe ki falemahaki kapau oku mau puke ka 'oku mau toe ngaue'aki foki e kiliniki 'a Siutaka pea moe kiliniki Siaina he 'oku ou suka. 'Oku totongi e kiliniki. Nau sai'ia he kiliniki e tāupo'ou mo Tukia kimu'a pea tapuni. 'Oku mamafa ka 'oku ou sai'ia ange au he kiliniki. Ko e faito'o eni 'ihi 'oku TOP\$20 – TOP\$30 mei he kiliniki 'a Siutaka ka na'e TOP\$2 – TOP\$3 pe taupo'ou.

Interpretation: We go to the public hospital if we are sick, but we also use the private clinic owned by Siutaka and the Chinese clinic because I have diabetes. We must pay to use the clinic. I preferred the nuns' clinic and Tukia's before they closed down. It is expensive, but I prefer going to the clinic. Some of the medication is TOP\$20 to TOP\$30 from Siutaka's clinic, but it used to be TOP\$2 - TOP\$3 at the nuns.

Participants who cannot afford private clinics use the public hospital service. The closure of the clinics operated by the Catholic nuns and Mr Tukia was felt by the participants who preferred their services (views shared by Participants 23, 26, 29 and 32). In situations where the public hospital is unable to dispense medication, participants are referred to the private clinic. This was experienced by Participant 37, who is a 27-year-old female from Vaotu'u village in the Western district of Tongatapu:

Participant (37): Taimi 'e ni'i hi, 'oku mau ngaue 'aki e falemahaki 'oku nau hala he faito'o pea mau 'alu leva ki he kiliniki. 'Ikai ke 'i ai ha toe filifili ia tatau ai pe kapau 'oku mamafa he 'oku mau kole tokoni mei he kaungā'api pe famili ke totongi'aki e faito'o.

Interpretation: Sometimes, we use the public hospital, but they do not have any medication, so we use the clinic. We do not have a choice, even though it is expensive, we can ask our neighbours and relatives for help to pay for our medication.

4.2.6 Where do participants purchase goods from?

One of the questions of the study was designed to identify where participants bought their goods. This information is used to provide a clear picture of spending patterns and where direct and indirect taxes were collected. Participant 1 outlined her shopping method and preference for the Tongan-owned shops compared to the Chinese stores (Participant 1 had similar views to Participant 13).

Participant (1): 'Oku ou kumi me'akai moe me'a kehekehe hange ko e moa, sipi, koloa faka'api moe penisini ki he misini kosi. 'Oku mau kumi koloa mei he fale koloa Tonga 'a 'Esafe Vuki 'i Kolomotu'a. 'Oku ma'ama'a ange ia he fale koloa Siaina.

Interpretation: I buy food and other goods such as chicken, lamb flaps, household items and fuel for our lawnmower. We buy our goods from the Tongan-owned 'Esafe Vuki shop in Kolomotu'a. It is cheaper compared to the Chinese shops.

Participant 11 used Chinese stores despite the volatility of prices and complaints about price changes. The Chinese shops provided a lot more variety, so participants appreciated having choices. However, Participants 19, 37 and 30 shared similar views to Participant 11 about the daily price changes at the Chinese stores.

Participant (11): Ko e ngaahi fale koloa Siaina 'oku nau hikihihi 'enau koloa pea 'oku ou fakafehu'ia eni ki he tama pule. Ko e tali 'a e pule 'oku hiki 'enau totongi 'o muimui pe ki he mahu'inga mei he kautaha huu koloa. 'Oku 'ikai keu tui au kiai

ka ko e me'a pe he 'oku lahi ange 'ene koloa kehekehe he ngaahi fale koloa Tonga.

Interpretation: The Chinese shops raise their prices sporadically, which makes me question the owner about it. The owner replied that their suppliers dictate the prices. I do not believe him, but he has more products and variety, unlike the Tongan stores.

Other participants with no transportation cannot travel to Nuku'alofa for shopping, so they use the local stores which are mainly Chinese-owned. They like the variety of products available and the convenience (views shared by Participants 19 and 20).

4.2.7 Cost of education

The cost of education is significant for participants, and they expressed a desire to support their children to achieve the highest qualification possible. Education was critical and regularly featured in their responses. Achieving a high academic qualification brings pride and status for Tongan families, so this is reflected in the responses of participants. Participants 5, 9 and 39 held similar views to Participant 11 in identifying educational costs as a major part of their household expenditure. Education is a key priority for these participants, and their children carry the aspirations of the entire family, so parents work hard to meet the costs of educating their children. The participants pay school fees directly to the schools while uniforms are purchased from the clothing shops and stationery is sourced from the local book shops or Chinese stores.

Participant (11): 'Oku mau fakatau teunga ako mei he fale koloa Siaina pea naunau mei he falekoloa e Siasi mo totongi e teemi ako. 'Oku foomu fitu 'eku ta'ahine. 'Oku ma fiema'u ke huu ki he kolisi fakafaiako. 'Oku 'i muli hoku foha moe timi 'akapulu fakafonua si'i hifo he ta'u taha ono.

Interpretation: We buy uniforms from the Chinese shops and stationery from the church's bookshop and pay school term fees. My daughter is in seventh form. We want her to go to Teachers Training College. My son is overseas for rugby with the Tonga National under 16s Rugby Team.

The main cost of education consists of uniforms, stationery, school fees, lunch, transport and other school fundraising activities that are held throughout the year. Educational costs place a high demand on participants' disposable income. Participant 24 is 46 years-old from Afā village earning less than TOP\$7,000 per annum from selling her Tongan artefacts. She outlines the cost of covering educational expenses for her children:

Participant (24): 'i ai 'eku ki'i fanau pea 'oku pau ke totongi 'enau teemi ako, ko e heka pasi pea moe teunga ako. 'Oku pa'anga 'e TOP\$40 'a e pingi pea 'oku fiema'u e ua ka 'oku TOP\$30 e sote hina pea fiema'u e sote ia 'e nima ki he 'aho kotoa pe he uike. Toe fiema'u foki moe naunau.

Interpretation: I have school children, we must pay their school fees, bus fare and uniforms. The school skirt is TOP\$40, and we need two while the shirt cost TOP\$30, and we need at least five for each day of the week. We also need stationery.

Participants in the rural villages of Hihifo (Western district) formed relationships with expatriate villagers residing in New Zealand to provide social welfare support in the form of scholarships. In the village of Kanokupolu, the local village committee established a direct relationship with the New Zealand Kanokupolu kava group to provide scholarships for the families who cannot afford to pay for their children's educational expenses. Three of the participants' children received scholarships from the village kava groups in New Zealand (Participants 3, 4 and 5). Participants who struggled with educational expenses kept their children at home until they could afford to purchase the compulsory uniforms and pay for school fees (Participant 39).

Participants from the outer island of Ha'apai used their savings from their *lālānga* venture to save for their children's educational expenses (Participant 6). Some of the outer island respondents (Participants 4, 6, 9 and 10) discussed the burden of the extra costs for accommodation when sending their children to the main island for further education. They often do extra work, such as *lālānga* and participating in the RSE work scheme. This helps to fund their children's education.

4.2.8 Outer islands

Participants from the outer islands of Ha'apai (Participants 4, 6, 9, 10, 35 and 44) and Vava'u (Participant 7) discussed their way of life, the close cultural bonds they shared and how they maintained traditional values despite living in isolation and far from the mainland. Participants identified the biggest problems with living in the outer islands were transportation and the shortage of basic products. Participant 35 is a 44-year-old female from the outer island of Mo'unga'one. She is a hard worker and was responding to my questions while weaving a high quality *fala* that only skilled weavers can make.

Participant (35): Nau tupu ha ke pe 'i Mo'unga'one pea na'e si'isi'i ange fakamole ai mo hono fakafehoanaki moe nofo 'i Tonga ni. Nau muimui mai hoku hoa ki Tonga ni ke tokoni ki he 'ene ongo matu'a na'a na ngaue fakamisiona he Siasi. 'Oku meimei houa 'e taha e folau mei Mo'unga'one ki Ha'apai pea 'oku 'iloa he me'a ko e mango. Ko e fefolau'aki 'oku faingata'a he 'oku 'ikai ke lava ha tokoni fakafalemahaki kapau 'e 'ikai ma'u ha vaka ke ngaue'aki. Si'isi'i foki moe koloa fo'ou pea 'oku honge ma'u pe he koloa faka'aho. 'Oku ma'u pe 'uhila moe sola pea 'i ai moe vai fakakolo 'oku totongi fakamahina. Ko e ki'i motu si'isi'i pe pea 'ikai ke 'aonga ai e me'alele ia he 'oku faingofua pe 'a e 'alu ia ki 'uta. Kai kehe, 'oku mau fakafalala kotoa ki he vaka ke fetuku mai ai e koloa moe ngaahi me'a kehekehe ki he fale koloa. Ko 'emau founa ma'u 'anga pa'anga ko e fakatau e mango 'i kolomu'a pea moe lālānga.

Interpretation: I grew up on the island of Mo'unga'one. The cost of living was lower compared to living here in Tonga. I followed my husband here to Tonga to support his parents, who were missionaries in the church. Mo'unga'one is about an hour out of Ha'apai and is famous for its mango produce. Transportation is a massive problem because you cannot get medical attention if you do not have access to a boat. New products are also in short supply, so we are always running out of essential goods. We have electricity from solar power, and we have a village water system that we must pay monthly. It is a small island, so we do not need a vehicle and accessing farmland is easy. However, we all rely on the boats to bring in supplies and replenish the local store. Our primary form of income is selling mangoes on the mainland and *lālanga*.

Participant 6 is a 36-year-old female from the outer island of Lofanga and proud of how they are closer as family compared to people on the main island of Tongatapu.

Participant (6): 'Oku vaofi ange ho mau famili 'o mautolu 'i Ha'apai pea mo tauhi e faka'apa'apa, 'i hono fai 'i Tonga ni.

Interpretation: Our family is closer in Ha'apai and maintain respect more than they do here in Tonga.

Fishing is a big part of a participants' livelihood in the outer islands because it is a source of food and income. Participant 4 is a 43-year-old father with a young family that migrated from the outer island of Nomuka. He discussed how he made money from fishing in Nomuka Island and the problem with preserving the fish for the market.

Participant (4): 'I Nomuka 'oku mau fakafalala pe ki tahi ke ma'u mei ai e kai moe seniti. Ko e ngaahi kautaha toutai 'oku nau fa'a folau ange ki Nomuka 'o kumi e kau toutai uku ke toutai'i e ika ki he maketi 'i Tonga. Taimi 'e ni'i hi 'oku mau toutai'i e ika 'o fakaheka ki Ha'apai ke fakatau. 'E toki lava pe 'o fakaheka e ika kapau 'e ma'u ha 'aisi poloka ke fakatolonga e ika. Ka hala ia he 'aisi, ko e toutai pe ika ke mau kai. 'Oku fakangatangata pe 'a hono ngaue 'aki 'a e 'uhila pea 'ikai

lava ke fakapoloka ha 'aisi. 'Oku totongi pa'anga pe 'emau ika fakatau pea hala ke tukuhau'i. 'Oku houa 'e fa e lele vaka ki Ha'apai pea 'ikai ke lava 'o uta ha ika ia kapau 'oku 'ikai ke 'i ai ha 'aisi. 'Oku sai e koloa oku lahi ai pea pau ma'u pe ke mau lele ki Ha'apai 'o kumi koloa mai mei ai.

Interpretation: In Nomuka, we rely on the sea for food and money. Commercial buyers often travel to Nomuka in search of divers to catch fish for the market in Tongatapu. Other times, we would catch the fish and travel to Ha'apai to sell. We can only transport the fish if we have ice blocks to preserve the fish. Without ice, we only catch enough fish for our consumption. We only have limited electricity supply, so making ice is not always possible. We receive cash for our fish and do not have to pay any tax. Travelling to Ha'apai is four hours long, so it is impossible to transport our fish to the market without ice blocks. The store products are plentiful there, so we always travel to Ha'apai to buy supplies.

Participants highlighted the problem of buying goods and materials because of the shipping costs to the smaller islands such as 'Uiha (outside Ha'apai). The goods are shipped from overseas to the main port in Nuku'alofa, then shipped to the outer island of Ha'apai. The final leg is in a smaller boat from Pangai, Ha'apai to 'Uiha. Each leg of the trip adds extra costs for the participant (a view shared by Participant 44).

Participants discussed how they generate income with both men and women working on various projects. Women make Tongan artefacts and use social media for marketing their products while men go fishing or work on their farm (a view shared by Participant 6).

4.2.9 Price of goods

A key question in the interview focussed on prices and the perceptions of participants. Some participants used the Tongan owned stores and the larger shops in Nuku'alofa,

but the majority used local Chinese-owned shops. I explored their views and experiences of changes in price levels.

A common issue raised by participants was the volatility of local prices, especially in Chinese stores (Participants 1, 19 and 37). Prices in the Tongan stores were high according to Participants 46 and 19, so price volatility is not limited to Chinese stores, but participants still found that price changes were more frequent in the Chinese owned stores (view of Participant 37).

Participant (37): 'Oku hiki pe mahu'inga ia e koloa te'eki tuku mai ha fakatokanga ia. 'Oku ou fa'a 'eke 'uhinga e toutou liliu e mahu'inga faka'aho e koloa. Talamai 'e he faifakatau ia ko e kautaha tiliva koloa 'oku nau liliu e mahu'inga. 'Oku ou tui kuo taimi ke siofi 'e he pule'anga 'a e hiki e koloa he 'oku uesia ai e kakai masiva.

Interpretation: Prices of goods increase without any prior warning. I usually query the price fluctuation and why it changes daily. The shopkeepers said the delivery company changed the prices. I think it is time for the government to monitor the price increases because it is hurting the poor people.

Outer island participants highlighted the impact of transportation on local store prices being higher than the mainland (a view shared by Participants 4, 9 and 10). Participant 7 is a 55-year-old male from Kāmeli village on the outer island of Vava'u, and still remembers when price levels were lower compared to the present situation.

Participant (7): 'Oku ou fakatokanga'i e toutou liliu e mahu'inga e koloa. 'Oku ou kei manatu'i pe 'a e ngaahi 'aho na'e seniti ai 'e TOP\$0.10 e fo'i maa pea pa'anga 'e TOP\$2 e sipi ki he kilo ka ko e taimi ni ia kuo laka ia he pa'anga 'e TOP\$10 ki he kilo. Na'a mau lava 'o fakamo'ua he falekoloa Siaina ka 'oku pau ke totongi kakato he tokonaki kotoa pe.

Interpretation: I notice the prices of the goods change regularly. I still remember the days when a loaf of bread was TOP\$0.10 seniti (cents), and mutton was

TOP\$2 per kg, but now it is more than TOP\$10 per kg. We used to get goods on credit from the Chinese shop, but we must pay it off every Saturday.

4.2.10 Raising domestic livestock for kavenga

Participants owned chickens, sheep, pigs and cattle for their consumption and to provide for their different obligations. Only 17 participants kept domestic livestock and the main reason given were for meeting their *kavenga* obligations. Keeping domestic livestock is cheaper, and an excellent form of saving for future *kavenga* because large pigs can cost upwards of TOP\$2,000 and a bull can reach TOP\$5,000, so participants find it more convenient to raise the domestic livestock as discussed by Participant 14.

Participant (14): 'Oku tauhi 'emau fanga puaka moe fanga moa ki he fua e kavenga. 'Oku tauhi e fanga puaka he 'oku faingofua ange ke fua 'aki e kavenga. Kai ke mau lava 'o fakatau ha puaka ka ko e sai taha ke fafanga 'o talifaki ha kavenga pe ko ha fiema'u fakapa'anga fakavavevave.

Interpretation: We raise pigs and chickens for our *kavenga*. We raise the pigs because it is easy to use them for our *kavenga*. We cannot afford to buy the pigs, so it is best to raise them for the *kavenga* or urgent financial needs.

Female cattle are often exchanged for male bulls because it is more valuable for reproduction. Male participants emphasised how vital livestock are for their *kavenga* because they are culturally expected to provide crops and meat for funerals, weddings and other *kavenga*, unlike women, who traditionally provide Tongan artefacts.

4.2.11 Disability

The government provides monthly social welfare payments for all disabled people to alleviate some of the financial pressures. Organisations such as the Naunau 'oe 'Alamaite Tonga Association (NATA) and Ma'a Fafine Moe Famili (MFMF) provide

advocacy and support. Despite the assistance available, disabled participants or family members discussed the difficulties they experienced in providing care. A 70-year-old amputee participant described how he still works on his farm plot to try to support his children and grandchildren, without support.

Participant (20): Ko e ki'i tokoni penefiti 'a e pule'anga 'oku tokoni lahi 'aupito he 'oku lava 'o totongi 'aki 'emau 'uhila. Kai ke 'i ai ha toe tokoni makehe mai ia kia au neongo 'eku faingata'a'ia fakasino ka 'oku ou kei ngaue pe ki 'uta 'o too ngoue ke fakatau. Ko 'eku fanau 'e toko ono moe fanga mokopuna 'oku nau nofo pe mo au pea 'oku ou fai 'eku lelei taha ke fafanga mo tokoni'i ki nautolu. 'Oku pau pe keu kei fua 'eku kavenga neongo 'eku vaivai fakasino.

Interpretation: The social welfare benefit from the government helps me immensely because it is used to pay for our electricity bill. I do not get any other support despite my physical disability. I still work on my farm plot to grow crops to sell. My six children and grandchildren live with me, so I do my best to feed and support them. I still have to pay for my kavenga despite my physical disability.

A disabled participant with vision and hearing problems relies on his children's support (Participant 27). Having a large supportive family is essential to provide care; otherwise, it is extremely difficult for disabled people. Participants who are caregivers to disabled family members struggle with providing care with limited support and equipment (This view is shared by Participant 27, 32 and 39). Disabled children in rural areas are neglected and rely heavily on their family. Participant 45 is the primary caregiver for his wife, who uses a wheelchair, and he still works even though he is 69 years old.

Participant (45): Ko 'emau hiki mai mei motu 'o nofo hili pe 'i Pātangata ni he 'oku mau hala ha 'api nofo'anga. Ko hoku hoa oku heka saliote pea 'oku ou kei ngaue pe 'o tokanga'i e ki'i fale koloa. 'Ikai ke tokoni mai ha taha ia pea 'oku ma feinga pe 'ia ma ua. Toe faingata'a ange ko e hala he kelekele. Ko hoku hoa pe 'oku ma'u 'ene ki'i vahe mei he welfare ka 'oku fe'unga pe ia mo 'e ma ki'i mo'ua. 'Oku

s'i'si'i e tokoni mai ki he kakai faingata'a'ia fakasino 'i Tonga ni pea ko e me'a ia 'oku pau ai ke te kei ngaue ka 'ikai ko e ta'ekai ia.

Interpretation: We migrated from the outer islands and lived in a temporary shelter in Pātangata because we had no home here. My wife is disabled, so I must keep working by operating a small store. We do not get much help from anyone, so we must fend for ourselves. Makes it harder when we have no land. My wife gets a social welfare payment, and it's only enough to cover our bills. Disabled people do not get much help here in Tonga so it's a must to keep working, otherwise you will have nothing to eat.

Four participants have a physical disability (Participant 1, 20, 27 and 46) while four are caregivers (Participant 39, 24, 45 and 51) for family members with a physical disability. Responses have highlighted a lack of support for caregivers and the need for more interventions to improve the quality of life for disabled people.

4.2.12 Imports

Participants received goods from family abroad and incur tax expenses for importing these goods, such as CT, customs duty and excise tax at the border. Imported goods include food, clothing, building materials, vehicles and personal items. Participants expected family members abroad to provide financial support and goods for important *kavenga*. They spoke proudly about the strong bond they had with their *famili* abroad. Participant 1 discussed the significant support she receives from her daughter and sisters.

Participant (1): Ko 'eku ta'ahine mo hoku fanga tokoua 'oku nau 'omai e koniteina moe naunau langa fale moe me'alele. Ko e koniteina 'oku NZ\$3,000 hono totongi pea TOP\$2,100 e tute. 'Oku tipeni e tute mei he ta'u motu'a e me'alele. Kapau ko e naunau langa pe ia, ko e tukuhaue'aki moe tute 'e TOP\$1,000 pe.

Interpretation: My daughter and sisters shipped to us a container with building materials and a vehicle. The container cost NZ\$3,000, and the duty here in Tonga was TOP\$2,100. The duty depends on the age of the vehicle. If it was only building materials, then the consumption tax and duty might only be TOP\$1,000.

Participants involved in importing goods from relatives abroad had a good understanding of the import process and associated costs. Twenty-foot containers were used, but the most common imported item received by participants were the 4x4 square-metre boxes. The box was filled with a variety of goods such as tin fish, noodles, flour, sugar, clothes, whiteware or electronics. The cost of duty on each 4x4 box varied and was noted for further analysis (see sub-section 5.5.4). Participants were confused about the inconsistent pricing method for the 4x4 boxes. Participant 36 discussed her experience.

Participant (36): 'Oku lahi 'emau ma'u e puha 4x4 'oku fa'o mai ai e koloa mei he famili 'i muli ka 'oku totongi TOP\$200-500 ki he tukuhau ngaue'aki moe tute.

Interpretation: We regularly receive a 4x4 box of goods from family abroad, which can cost between TOP\$200-500 for consumption tax and duty.

4.3 Part 2 – KAVENGA FAKALOTU

4.3.1 Top priority

I asked the question about the top priorities for respondents. All 51 village participants identified their *kavenga fakalotu* as a priority, with 40 out of 51 selecting it as their number one priority followed by their *kavenga fakafāмили* and *kavenga fakafonua*. Participant 1's response highlighted her dedication and commitment to the church and how much it means to her. Her views were also shared by Participants 3, 5, 10, 24, 33, 45 and 46. Participant 1's family in New Zealand provided full support for her *kavenga fakalotu*.

Participant 1: 'Oku ou talaange ki he 'eku fanau 'i Nu'u Sila, ko 'eku misinale pe 'oku mahu'inga taha kia au. Fai pe mo 'eku ki'i feinga, ko e fakamaketii e tutu moe ngatu ke tokoni ki he 'eku kavenga fakalotu.

Interpretation: I told my children in New Zealand that my *misinale* is the most important obligation for me. I also try and earn money by selling *tutu* and *ngatu* at the market to help with my church obligations.

All 51 participants belong to a church ranging from the largest, the Free Wesleyan Church of Tonga (*Siasi Uesiliana Tau'ataina 'o Tonga*), to the new Pentecostal churches. The significance of religion is best reflected in the response from Participant 14, who donated the very best of his crops:

Participant (14): 'Oku ou faka'ufi e kuata 'emau siasi peau foaki 'eku polopolo faka'ofo'ofa taha ma'a e kavenga fakalotu.

Interpretation: I provide all the yams for our church quarterly offering, and I contribute the best of my crops for the church obligations.

The participants *kavenga fakalotu* were made up of an annual donation, quarterly donations and *fakaafe* or feasts for special events. The *misinale/tukumo'ui* is the primary financial commitment highlighted by participants. Some participants donated individually by tithing, while those from the Free Wesleyan Church of Tonga, Catholic Church and Free Church of Tonga were part of a group or *kalasi* that worked together to fundraise towards their *'inasi* or financial target. Some participants donated a set amount while others contributed what they could afford. The donations ranged from TOP\$500 to \$5,000. The *misinale/tukumo'ui* is held annually. It is a public event with some churches calling out participant names and the amount donated. These donations are tax-free income for the church.

The *tohi tikite* is a quarterly cash donation, on behalf of congregation families to cover church operational costs. These donations are tax-free income for the church. The *totongi kuata* quarterly donation applies to members in a senior position, such as a lay preacher, in the Free Wesleyan Church of Tonga, Free Church of Tonga and Church of Tonga as a contribution for church stipend. The *fakaafe* is the church feast offering, and

every participant described how they had saved domestic livestock and cash to buy food for their church *fakaafe*. The *fakaafe* is the feast held during church events such as:

- Annual *konifelenisi* (conference).
- *Misinale/tukumo'ui*.
- *Pekia* – Easter.
- *Sapate tamai, sapate fa'e* – Father's Day and Mother's Day.
- *Faka-Sepitema* – Female church members' special Sunday.
- *Faka-me* – Special Sunday scripture reading and drama for children.
- Christmas.
- New Year's Eve.
- First prayer week of the year.
- Any other events the church may hold.

The *talanoa* with participants indicated that food purchases for church events were quite common. Food purchases for church activities were made at the Chinese stores where goods have the 15% CT applied on all products. Goods imported for church *kavenga* also have customs duty and CT applied at the border.

4.3.2 Our way of life

The *kavenga fakalotu* practice is instilled into all participants' way of life. In the village of 'Utulau, Participant 32 is the primary caregiver for her father who has been given dispensation from contributing to the *kavenga fakalotu* by the church leadership. However, the elderly father still insists on contributing because he believes that it is an integral part of his duty to God. Participants 1, 3, 15, 48 and 66 were over 60 years of age and shared similar views with Participant 32's father. According to these participants, the *kavenga fakalotu* takes priority over all other obligations.

Participant (32): Ko e vaivai 'i 'api ni 'oku ta'u motu'a taha he kolo ni pea 'oku faka'apa'apa'i 'e he ki'i potu siasi, 'oku Siasi Uesiliana, pea 'oku pau ma'u pe ke

mau feinga'i 'ene misinale ke sai. Te mau nounou he ngaahi me'a kehekehe kae koloa pe ke lava 'o fua 'ene misinale. Na'e lahi e kavenga ki he siasi ka ko eni kuo saisi mai he kuo loto e siasi ke 'oua 'e toe fua kavenga, ka 'oku kei loto pe ia ke fua.

Interpretation: My grandfather is the oldest in the village and he is very well respected by his church. He belongs to the Free Wesleyan Church and we always try to get a good amount of money for his *misinale*. We can do without other things, as long as we can provide for his *misinale*. We used to have many *kavenga* obligations but fortunately, the church has decided to exempt my grandfather from his *kavenga fakalotu* but he still wants us to contribute.

4.3.3 Reducing the burden of kavenga

Participant 14 was proud of his contributions and spoke passionately about the Free Church of Tonga, which is located near his home. The quarterly months of March, June, September and December are known as the *kuata* (quarter) period. During these months, the congregation visits the President of the church, Reverend Semisi Fonua, at his residence in Nuku'alofa, to pay their respects for the end of the quarter and to provide their *kuata* contributions of livestock, crops and *koloa fakatonga*. In each event, Participant 14 provides the crops and other members of the congregation provide the livestock and Tongan artefacts. This quarterly event enables Participant 14 to showcase his best crops, which is appreciated by the rest of the congregation. He also spoke about the burdens of *kavenga fakalotu* when he was a member of a large congregation such as the Free Wesleyan Church of Tonga.

To reduce his financial commitments to the church, he switched from the Free Wesleyan Church of Tonga to the Free Church of Tonga which is a smaller church with fewer people in his village. This also meant having a lower financial commitment for feasts and food presentations.

Participant (14): Na'aku Siasi Uesiliana kimu'a ka na'e fu'u faingata'a 'a e kavenga ia tautautefito ki hono fai 'eku fakaafe, nau ongosia lahi, pea fai ai 'a e fakakaukau keu hiki aa ki he Siasia Tonga Tau'ataina he 'oku ofi mai pe ki hoku 'api pea fakafiemalie ange hono fua 'a e kavenga fakalotu.

Interpretation: I was a member of the Free Wesleyan Church, but the church's obligation was too hard for me especially when I prepare a feast, it was a huge burden. I decided to join the Free Church of Tonga because it is closer to my home and contributing to church obligations was much more satisfying.

4.3.4 Pressure to donate

The quotes from participants highlight the importance of religion in the Tongan culture, despite the challenges with poverty. The participants have strong religious beliefs and if confronted with a decision to buy food or donate money for their *kavenga fakalotu*, the participants responded that the donation would be made, regardless of any other obligations (view shared by Participants 1, 3, 5, 10, 14, 24, 32, 33, 45 and 46).

The church plays a vital role in the lives of participants, as reflected in their prioritisation and willingness to donate money that they desperately needed for their own survival. My observations found that some of the participants were under pressure. They were under pressure to be seen to 'do their part' in contributing to the church to maintain their status as prominent members of the congregation.

The participants treat their *kavenga fakalotu* seriously, and it is a family affair where the whole family contributes. Participant 23 is a dedicated member of her church, and despite her ill health, her main priority is for her *kavenga fakalotu*.

Participant (23): Ko e uitou au. 'Oku ou nofo ofi ki tahi pea 'oku ou 'alu holo pe he 'api 'eku fanau he 'oku nau tokanga'i 'eku me'a fakapa'anga fekau'aki mo 'eku kavenga kotoa pe. 'Oku nau ngaue fakataha ke fua 'eku kavenga. 'Oku ou Siasi Uesiliana pea ko 'eku kavenga lahi pe ia.

Interpretation: I am a widower. I live near the sea, and I visit my children's homes because they look after me by financing all my *kavenga*. They work together to cover my *kavenga* obligations. I am a member of the Free Wesleyan Church of Tonga, and that is my main *kavenga*.

4.4 Part 3 – LAND

Land was one of the major themes for participants because it can be a source of money and food for a family to survive. It can also create division and hurt within families. This sub-section highlights the primary responses regarding land in this study.

4.4.1 Lack of land

The lack of land resources has a strong link to hardship. Participants highlighted their struggle with accessing land to plant crops for their families. Participants without land struggled to look after their families, and it gets worse if they have no family support from abroad. Thirty-nine participants did not own or have access to farming land. Only 14 participants had access to land belonging to a family member or communal land, and only four were actual family landowners. Owning land does not necessarily guarantee prosperity, but it provides the opportunity to grow food and generate income. Participant 14 utilises his land for that purpose.

Participant (14): Ko hoku ta'u 66 eni pea 'oku ou 'osi vahenga mālōlō. 'Oku 'i ai hoku 'api 'uta ko e fo'i teau 'e taha ki he too ngoue kehekehe kae lahi pe ko e 'ufi. Na'aku ngaue he 'api ako ka kuou mālōlō mai pea fai ai e feinga ke too ngoue ke fakamaketi atu. 'Oku ou fiema'u ke langa hoku fale nofo'anga. Kai keu fie fakafalala ki ha taha ka teu falala pe kiate au. Ko 'eku feinga ke tatanaki ha fo'i pulopula ke too 'aki e 'ufi ke lahi. 'Oku 'ikai keu ngaue 'aki ha fafanga kau tuku pe ke 'okeniki. 'Oku ou ngaue 'aki e founa too 'ufi fakalakalaka 'aupito pea 'oku 'ikai ke toe keli ha luo ia. Na 'aku ma'u e fe'auhi ngoue too 'ufi loloa taha. Ko e

‘ufi ‘oku tupu pe ia he funga kelekele pea ‘ikai ke toe mole ha seniti ia ki ha kau ngaue ke keli luo. Hala ke tokoni mai ha taha pea ‘oku ‘ikai keu tali ‘e au ha ‘a’ahi mai e Potungaue Ngoue ko e ‘uhi ‘oku ‘ikai keu fiema’u ke ‘ilo ha’a taha ‘eku founa too ‘ufi fakapulipuli ‘oku ma’u ai e ‘ufi lelei taha. Ko ‘eku founa too ‘ufi ‘oku foha loloa mo faka’ofa’ofa he ‘ene mo’ui he funga kelekele. ‘Oku ou too pulopula ‘o tanaki keu lava ‘o too ha fo’i ‘ufi ‘e tahaafe ‘e lava ai ke ma’u ha pa’anga ‘e lahi ange he TOP\$10,000 ke langa ‘aki hoku fale.

Interpretation: I’m a 66-year-old retired pensioner. I own an eight-acre plot of land to grow different crops, mainly yams. Previously, I worked for a school, but am retired, so I want to grow crops for the market. I would like to build a house. I do not want to rely on others but myself. I am trying to collect a lot of yam seedlings to grow more yams. I do not use any chemicals, so I am keeping it organic. I am using a different way of growing yam that is innovative and does not require digging. I won the competition for the longest yam. The yam grows on top of the ground, so we do not have to dig a deep hole. I had no support or help, and I did not accept any visits from the Ministry of Agriculture because I did not want to share my secrets on how to grow the best yams. The way I grow yams is yielding long and beautiful yams that are growing on top of the ground. I also grow the yam seedlings and collect them, so I can grow 1,000 yams to generate over TOP\$10,000 to build my house.

Participants without land expressed dissatisfaction with the land tenure system enshrined in the Constitution. The lack of land for farming and housing is causing social harm, especially for participants experiencing hardship.

Participant (16): Kau e kelekele he palopalema kia kimautolu. ‘Oku ‘i ai ‘emau fanau ka ‘oku nau si’i ta’e ma’u kelekele. Ko hoku foha ‘e tokotolu, nofo kotoa mo au ka ‘oku mau hala he kelekele ke langa ai ha nau ‘api. Ko e ki’i konga kelekele pe ko eni ‘oku langa ai e ki’i fale ‘e taha. Taimi eni’ihi ‘oku mau nofo hili holo pe ha kelekele ha taha kae kumi ha mau api.

Interpretation: The land is a problem for us. We have children, but they do not own land. I have three sons all living with me, but we have no land to build them a house. We only have this small piece of land for one house. Sometimes we live temporarily on someone else's land while we try to get our own home.

Participants with access to land through a family member utilise the land for making money or growing food. The government tries to assist some of the small-scale growers, but the scheme is often criticised by growers (Participant 19). In some cases, owning land can also be a point of contention that causes disagreements and a break-down of relationships between family members (Participant 23 and 29).

Participant (23): Ko e api 'oku mau nofo ai 'oku palopalema he 'oku ou fakauitou he 'api ka ko hoku ki'i mokopuna, mei he 'uluaki hoa hoku mali, 'oku ne fiema'u 'eia ke foaki kakato ange kiai e 'api he 'oku ne pehe 'e ia ko hono 'api tukufakaholo ka ko e 'api ia 'a hoku tuonga'ane na'ane momoi ma'a hoku hoa, kuo 'osi mālōlō. 'A ia ko homau 'api fakafāмили 'i he tafa'aki ia 'a'aku ka na'e fiema'u ia he'e ki'i mokopuna ke ne fakatau atu. 'E toki pule pe hoku ki'i mokopuna ki he 'api he 'aho teu mate ai ka he 'ikai ke 'oange leva he 'oku ou kei pule fakalao pe kiai he ko e 'api ia mei he tafa'aki hoku famili. Na'a mau fakatonutonu fakalao he 'api kae malo pe na'e lava 'o fakalelei'i pe 'i tu'a.

Interpretation: The home we live in caused problems because I'm a widowed trustee of the land we live in but my grandchild, from my late husband's first marriage, wanted to take full possession of the property thinking it belonged to him as part of his inheritance, but the land belonged to my brother who gifted it to my late husband. So, it is my family's land, but my grandchild wanted to sell it. My grandchild will take over the land once I pass away, but not yet, and I still have legal rights and it is from my side of the family. We had a legal dispute over the land, but fortunately it was resolved outside the court system.

Participant (38): *'Oku mau ngoue. Ko 'emau 'eka 'e valu 'oku too ai e manioke, 'ufi moe kumala. Fakatau atu 'i maketi. Mau too ngoue 'ata'ata pe pea 'ikai ke tokoni mai ha taha. Ko e palau pe 'oku totongi pea moe fafanga.*

Interpretation: We are farmers. We have eight acres to grow *manioke*, yams and kumara. We sell our produce at the market. We only grow crops and without help from anyone. The tractor and pesticides are our only expenses.

I considered sharing my knowledge about the harmful effects of pesticides with Participant 38 in the spirit of the TKM and KRM principles of two-way information sharing. However, I did not want to interject nor risk being disrespectful during the *talanoa* process, to allow the participant to complete his response. At the end of the *talanoa*, I did provide the participant with an example of my uncle *Moniti* (my mother's younger brother) who died in 2005 while I was conducting the revenue reform programme. I explained how my uncle died as a result of blood poisoning from using pesticides without safety equipment. This is a common problem with rural farmers in my village and a warning to growers about health and safety. The participant nodded in acknowledgement and carried on with the *talanoa*. This was my way of sharing my knowledge of the dangers of pesticides as a *koha* to him while taking his response as his gift to this study.

Participant 19 exported his crops but paid no tax on that income because he is a small grower and under the tax threshold. Other farmers sold their crops locally either at the front of their property or at the local market in Nuku'alofa. The income received is not taxed. However, like Participant 38, all the farmers pay CT when they purchase pesticides seeds, and hire tractors to prepare their land for planting.

4.4.2 Friction between siblings over land rights

Land ownership can also break-up relationships because only the eldest sons have automatic rights to owning the ancestral family land. This can cause frictions between the eldest and younger male siblings later in life, as experienced by Participant 29.

Participant (29): ...ko hoku fanga tokoua 'e fa 'i 'Amelika. Na'e foki mai 'eku ongo matu'a he 2004. 'Oku na 'osi malooloo naua pea talu mei ai moe 'ikai ke toe fetu'utaki pe tokoni mai hoku fanga tehina. 'Oku ou fu'u fie vaa ofi mo kinautolu ka 'oku pehe 'enautolu 'oku ou fiema'u pa'anga 'ata'ata pe. Kuo motuu 'aupito ho mau vaa. ... Ko au 'oku ou ma'u e 'api kolo moe 'api 'uta ko e fo'i teau 'e taha na'e momoi mai he 'eku tamai. 'Oku 'i ai e maumau lahi 'i hoku vaa mo hoku fanga tehina ko e tupu mei he alea he kelekele he ko e foha lahi taha au peau toe 'ea ki he 'api kolo pea ko au teu ma'u e 'api he malooloo 'emau tamai.

Interpretation: ...I have four brothers in the United States. My parents returned home in 2004. Both have passed away and ever since my brothers no longer contact or help me. I want to be closer to them, but it seems like they think I just want money. Our relationship has broken down. ... I own this home and the eight-acre land that was handed down from my father. There is a breakdown in my relationship with my brothers due to a dispute over land ownership as the eldest brother, I am the heir, so I own the land when our father passed away.

Participants from the former squatter village of Pātangata were granted land leases. Most of the village residents migrated from the outer islands. Landless participants in the village of Pātangata were treated with disdain by the previous governments. The government under Prime Minister 'Akilisi Pohiva has granted long-term leases to the village residents.

Participant (45): Na'e 'iloa ki mautolu ko e kau nofo fakapaea pea mau hoha'a ma'u pe na'a tuli ki mautolu pea faingata'a e feinga kae malo 'a hono ma'u e lisi e 'api.

Interpretation: We were known as homeless and always worried about being told to vacate the land, so it was a struggle, but now fortunately we have a leasehold on the land.

4.4.3 Income from land activities

Outer Island residents migrating to Tonga are often landless. To survive, the residents asked family members to use their land or secure access through marriage (Participant 50). Owning land is critical for survival or else participants will experience severe hardship.

Participant (48): Ko 'eku fo'i teau 'e taha 'oku ou too kumala'i moe ngoue kehekehe. 'Oku ou fakatau atu e kato sopingi kumala e taha ki he TOP\$20 ka 'e lava pe 'o a'u ki he TOP\$2,000 'oku ma'u mai he 'aho tokonaki. 'Oku ou too mo fakatau e kumala he mahina 'e 6 he ta'u ke fua 'aki 'eku kavenga fakasiasi. Ko hoku foha 'e taha 'oku tokoni mai kia au. Mau ngaue 'aki e palau kae hala ke ngaue'aki e fafanga. 'Kou ngaue'aki hoku 'api keu lava pe 'o hokohoko e too ngoue he taimi kotoa pe. Pau keu ngaue'aki e kau ngaue lau houa he taimi 'oku lahi ai e feimo'ekina.

Interpretation: I have eight acres which I use to grow kumara and other crops. I sell a shopping bag of kumara for TOP\$20 and can makeup to TOP\$2,000 on Saturdays. I harvest and sell kumara for six months of the year to cover my kavenga for church. I have one of my sons helping me. We also use a tractor but no fertiliser. I utilise my land, so I can continue growing all the time. I have to use hourly labourers when it's busy.

4.4.4 Securing land from the nobility

Acquiring land is essential, and in some cases, a direct approach is made to the noble who owns the estate, by offering cash, goods or a domestic animal for a section. This is another method of securing land because it is no longer allocated for free.

Participant (9): ...'oku si'isi'i fau e kelekele pea na'a ku 'ave e pulu kia Ma'afu ke 'omai ha konga kelekele ke langa ai ha fale 'i Vaini peau 'oange ma'a hoku foha

s'i'si'i taha. 'Oku pau kete fai ha fa'ahinga mea ke ma'u ai ha kelekele ke langa ha fale pe too ha fo'i me'akai. 'Ikai ke toe ma'u ta'etotongi e kelekele.

Interpretation: ...Land is scarce, and I had to give Lord Ma'afu a cow for a piece of land to build a house in Vaini, which I gave to my youngest son. You must do what you can to get land to build a house or for growing crops. We don't get land for free anymore.

4.4.5 Female access to land

Land can keep family relationships secure if the cultural values are upheld. Participant 33 is a single lady over 70 years old living on land that belongs to her father. This is her family land, but her brother has legal ownership as the eldest male sibling. However, with care and strong cultural bonds, the family can share the land and keep siblings close. According to her, she will live on the land until she dies and her brother and his children always visit to make sure she is healthy and well.

Participant 42 expressed dissatisfaction with the land ownership laws and how it leads to homelessness. It also reflects the change in attitude with females becoming more prominent and asserting their rights in a male-dominated society.

Participant (42): ...'ikai keu pou pou ki he founa pule'i oe kelekele. Ko e kakai tangata pe 'oku pule ki he kelekele ka ko e haa 'a hono faikehekehe 'o nautolu mea mautolu? Hala'ata. Ko e lao eni ia 'oku fu'u motu'a pea kuo liliu e taimi. Fiema'u ia ke tau toe fakalakalaka ange he 'oku tatau pe ho mau ivi fakapa'anga pea mo ho mau mali. 'E hanga 'e he lao kelekele lolotonga 'o tukuhausia'i e kakai, tautau tefito ki he kakai fefine. 'Oku fiema'u ia ke mau ma'u 'a e totonu tatau pe moe kakai tangata ki he kelekele.

Interpretation: ...I disagree with the way land is controlled. Only males can have ownership, so what is the difference between them and us? Nothing. This is an

outdated law and times have changed. We need to be more progressive because we make just as much money as our husbands now. The current land law disadvantages people, especially females. We want to have the same rights to land as males.

4.4.6 Underutilised land

Some of the land is owned by Tongans living abroad, and while they are away, the land is left untended and covered in weeds and long grass. Participant 19 raised an important issue that there is much underutilised land caused by Tongan's migrating abroad and leaving the land to waste and become unproductive.

Participant (19): Ko e toe me'a e taha ko e lahi e ta'e ngaue 'aki e kelekele. Lahi e kakai ma'u 'api ia 'oku nau 'i muli nautolu kae tuku noa'i pe kelekele. 'Oku ou fakamaketu 'ufi 'o fakatau ki he kakai kehekehe 'o tokoni mai ki he seniti 'oku lii mai mei he 'eku fanau.

Interpretation: Another issue is the amount of underutilised land. Many of the owners are overseas, and the land is left idle. I sell yams at the market to different people to supplement the money sent from my children.

4.5 Part 4 – OTHER KEY RESPONSES

4.5.1 Tax system

I questioned participants about their knowledge of the taxation system, and whether they had some understanding of how it works. I received 16 responses related to taxation, especially CT and customs duty. Most participants understood CT charges only at the border while two participants (Participants 2 and 46) knew that CT is charged on all

goods and services. Most respondents understood customs duty and the impact on their imported goods such as Participant 12, who was frustrated with the varying charges.

Participant (12): 'Oku 'omai 'eku ki'i puha mei muli ka ko e palopalema ko e ta'epau 'a e totongi tute he 'oku fai pe ia ki he fakamahu'inga 'a e 'Ofisa kasitomu. 'Oku fakatupu loto mamahi eni tautautefito kapau ko e puha 4x4 'oku fa'o mai ai e vala moe me'akai ma 'a e fanau. 'Oku fa'a a'u e tute ia ki he TOP\$500 pea 'oku hala eni he 'oku 'ikai ke ma'a e founa fakamahu'inga koloa.

Interpretation: I received a box of goods from overseas, but the main problem is the uncertainty around customs duty charges. This is because the charges are dependent on the Customs Officers and how they estimate the value of the goods. This is disheartening, especially when the goods come in a 4x4 box with food and clothes for my children. The duty can reach TOP\$500, which is unfair because the valuation process is not transparent.

Participants 46 and 2 were the only respondents that discussed personal income tax and business income tax because one was a financial expert (Participant 46) and the other owned one of the six local transport businesses that was CT registered (Participant 2).

The main issue relates to uncertainty with customs duty charges (Participant 17 has similar views to Participant 12). Some participants are charged less and others more, and this level of uncertainty is frowned upon by those who receive imported goods from family members abroad, especially the 4x4 boxes.

Public consultations about the revenue reforms did not reach any of the village participants. Participant 19 complained about not being consulted on the tax changes in the past, but he was more concerned with how laws are passed, which impact his way of life.

Participant (19): Kou tui au 'oku ma'ama'a e koloa humai ka 'oku tipeni pe ia mei he tama agent tute 'oku ne fai e alea ki he totongi tute. Ne 'osi talamai 'e he pule'anga 'oku lahi e tukupau 'oku nau tanaki pea toe 'i ai moe founga kehekehe ia ke ma'u e silini hange ko e tukupau 'i mala'e vakapuna. 'Oku 'i ai e me'a ia 'oku ou hoha'a ai ki he pule'anga, 'oku nau fai tu'utu'uni mo fakahoko fatongia te'eki ke fai ha fepotalanoa'aki moe kakai. Fakataataa 'aki 'enau fa'u lao kuo a'u mai ki hoku 'api ke tuku e ifi tapaka [ifi tapaka pe tamaio'eiki ni kae fai e fakafehu'i]. 'Oku sai pe tuku ifi ia ka 'oku 'ikai keu poupuu au ki he a'u mai e tu'utu'uni ki hoku 'api hange ko e tu'utu'uni tapu ifi tapaka he 'api nofo'anga. 'Oku kau ai pe moe ngaahi 'api siasi hono fakataputapui e ifi tapaka he holo, ka 'oku 'i ai e kau talasiti ia 'oku nau fai tu'utu'uni ki he me'a ko ia. Na'e tonu ke talanoa'i e ngaahi lao ko e ni moe kakai pea toki fakapaasi.

Interpretation: I believe imported goods are affordable now, but it depends on the customs duty broker that negotiates the charges. The government told us that they are collecting a lot of tax revenue. They also have other methods of generating more money, such as the airport tax. I have an issue with the government, on how they are making decisions and implementing them without consulting the public. For example, they are making laws that extend to my home, such as no smoking at home [the participant was smoking while I conducted the interview]. I do not mind giving up smoking, but I do not agree with the process being used to create laws which interfere with my home, such as the 'no smoking in the home' rule. They even interfere with our church premises, prohibiting smoking in our church hall – but we have trustees who should be making those decisions. The public should have been consulted about the new laws before they are passed.

The participant who owned the small transport business was concerned about the high taxes. Participant 2 felt that his small business suffered during the revenue reform due

to a lack of consultation and education for taxpayers. He ended up paying penalties until he was able to comply with the new tax rules.

Participant (2): Ko 'eku ki'i pisinisi na'e uesia he fakalelei tukuhau ko e 'uhi na'e te'eki ke mau 'ilo e me'a ke fakakakato ki he tukuhau. 'I he kamata na'a mau totongi mo'ua TOP\$900 ki he pasi ko e ta'e muimui ki he tu'utu'uni ka na'e 'alu pe taimi moe holo hifo he kakato 'a e muimui ki he fiema'u e tukuhau. Ko e pule'anga hilifaki tukuhau lahi ange eni ia he pule'anga motu'a pea 'oku ne uesia 'e ia e ngaahi pisinisi iiki mo masiva hange ko au.

Interpretation: The tax reform impacted my business because we did not understand how to be compliant with the tax requirements. In the initial stages, we had to pay up to TOP\$900 in penalties per bus because we were not compliant, but gradually, the penalties decreased as we met our tax compliance requirements. This government is charging more taxes than the previous government, and it is harming the weak and small poor businesses like mine.

Participants who do earn income from private enterprises have heard about the requirement to register as a taxpayer but decided against it. Participant 33 was aware of the notice from the Ministry of Revenue and Customs to register her business.

Participant (33): 'Oku fai pe 'eku tuitui vala tokotaha. 'Oku ou tuitui vala pea mo fakalahi mo fakasi'isi'i e vala ma'a e famili moe kakai. 'Oku 'ikai ke lahi e seniti ia 'oku ma'u ke lesisita moe tukuhau pea ko e me'a ia nau fakakaukau ai ke tuku pe. Nau fanongo pe he letiō 'a e lea 'a e kau 'ofisa tukuhau ki he kakai 'oku fakalele pisinisi iiki ke nau lesisita ka 'oku fu'u si'isi'i e me'a ia 'oku ou ma'u ke lesisita.

Interpretation: I do dress-making on my own. I sew clothes and make alterations for family and customers. I believe that, because I do not make enough money, there is no need to register as a taxpayer. I heard on the radio that revenue

officers are asking people who operate small ventures to register their businesses, but I do not make enough to register.

This participant was very cautious once she understood the topic of the research was revenue reform. She asked whether her response was confidential to protect her identity. She was worried that tax officers might charge her with tax evasion. Two participants owned a small store which was registered as a tax-paying venture (Participant 36 and 45). The size of their turnover did not meet the criteria for business income tax, but both were subject to paying turnover tax, as explained by Participant 36.

Participant (36): 'Oku 'a'ahi fakakuata mai e kau 'ofisa tukuhau 'o tanaki e pa'anga 'e TOP\$100 fakata'u ki he tukuhau. Ko e tukuhau pe ia 'oku ou totongi pea ko e taimi pe ia 'oku nau 'a'ahi mai ai. Ko 'emau silini humai 'oku si'isi'i pea kai ke ofi ia ki he fale koloa Siaina.

Interpretation: The tax officers only visit us quarterly to collect the annual TOP\$100 tax. That's the only tax I pay and the only time tax officers visit our store. Our turnover is small, unlike the Chinese stores.

Participant 46 received the highest income out of the 51 participants. He compared the old tax system against the current system which he believes is more accessible and fairer for taxpayers. As a financial expert, he experienced the complexities of the pre-2005 tax system, and the arduous administrative requirements made it difficult for businesses and the public. He likes the modernised tax administration system because it is based on voluntary compliance and is a lot more user-friendly. Participant 46 is near retirement age and has previously worked for government and the private sector, and now working for one of the largest churches, so he has a long history in the accounting and financial administration sector. He believes that the key to prosperity for Tongans is education, and he has spent his life supporting his children to gain their degrees and to lead a professional career. In his view, the current tax system makes it easier for educated people to earn a living either as business owners or government workers.

Participant (46): 'Oku 'ikai ke fu'u ongosia lahi au mei he sisitemi tukuhau ko 'eni fakatatau ki he kuohili he taimi na'e ma'olunga ai e tukuhau fakafo'ituitui. 'Oku ou ma'u e pa'anga 'e TOP\$40,000 he ngaue ma'a e siasi. 'Oku 'i ai mo 'eku laiseni hu koloa mei muli moe ngaahi monu'ia 'oku kau lelei kia au. Kakai eni 'ihi 'oku nau fehi'a he kau pule he fale koloa siaina ka 'oku ou tui au 'oku nau sai ki Tonga ni he 'oku tukuhau'i mamafa kinautolu. 'Oku lahi ange 'enau totongi tukuhau he kau Tonga. Kou tui 'oku tonu ke 'oua 'e hanu e kakai. Tonu ke tau vahevahe moe kau Siaina he 'oku nau ha'u 'o feinga ke nau Tonga. 'Oku nau 'omai e me'a 'oku tau fiema'u. Kapau na'e 'ikai ke nau ha'u, te tau faingata'a'ia he kumi koloa. Ko e tukuhau 'oku ne uesia pe 'a e kakai he taimi 'oku nau hu koloa mai ai ka ko e peseti e tukuhau fakafo'ituitui 'oku si'isi'i pe ongosia mei ai. Kau ai pe moe tukuhau ngaue'aki (CT) 'oku si'isi'i pe ongosia mei ai.

Interpretation: The tax system does not have a significant impact on me compared to the past, where it was a lot higher for personal income tax. I am earning TOP\$40,000 while working for the church. I also have a license to import goods, and there are other benefits for me. Some people hate the Chinese store owners, but I believe they are beneficial for Tonga because they are heavily taxed. They are paying more tax than the Tongans. I do not think our people should complain. We should share with the Chinese because they have come and tried to be Tongan. They bring the goods that we want. If they did not come, we would have struggled to obtain the goods we want. Taxes only affect people when they import goods, but income tax rates are low and have a limited impact. The same with CT, which has a small impact.

4.5.2 Government assistance

Participants discussed the range of government assistance during the last decade. I asked the question to gauge whether the government offered some form of assistance to potentially vulnerable communities. I also wanted to understand whether the

participants could recall the revenue reform public consultation undertaken between 2005 and 2007. The participants could not recall the tax consultations but did discuss the face-to-face meetings with government officers such as that experienced by Participant 10. According to Participant 10, government officers have visited her during the drought season to provide essential food items.

Participant (10): Ko e taimi honge 'oku fa'a 'a'ahi mai ai e kau 'ofisa mei he pule'anga 'o tufa mai e me'i suka moe mahoa'a. 'Oku fakafuofua pe lahi e tufa ki he tokolahi ho mau famili. Ko 'eku manatu, ko e taimi pe eni na'e fai ai ha felongoaki moe pule'anga.

Interpretation: When there is a drought, the government officers visit to hand-out sugar and flour. The amount of goods we received depends on the size of our family. In my recollection, that is the only interaction I have had with the government.

Participant 11 was adamant that she has never had a visit from government officers nor invited to discuss any tax reform policies over the last decade. In her opinion, the government officers only seem to visit when they want to conduct a survey and make promises to provide support, but nothing eventuates from it. She was very critical in her opinion of the government even though her husband is a government employee and is their primary income earner.

Participant (11): Kapau teke fehu'i mai pe 'oku 'a'ahi mai e kau ngaue fakapule'anga 'o vakai'i pe 'oku mau sai pe, pea ko e tali, 'ikai. Mahalo 'oku 'ikai ke nau mahu'inga'ia 'ia kimautilu. Ko e kau ngaue ia 'oku nau toki 'asi mai pe he savea 'o faka'eke'eke kimautilu mo talamai te nau tokoni mai kae 'ikai pe lava ha me'a. 'Oku mau masiva pea hala'ata ke nau tokanga mai kia kimautilu.

Interpretation: If you are asking me whether the government officers visit to check if we are fine, my answer is no. Maybe they do not value us. The government

officers only visit to conduct a survey and say they will help us, but nothing happened. We are poor, and they do not care about our wellbeing.

Participant 16 was scathing in her opinion of the government by stating that poor people are not supported. During the interview, she had two of her teenage children sleeping while she was preparing her *lālānga* to make a *fala*. She felt unsupported, and having three sons with no land has made life difficult for her family. She lives in Lavengatonga but has her extended family in the next village of Ha'asini. She has been trying to secure land for her sons using the government land allocation system but has not had much success with the town officials. She believes that being landless is the reason why they are experiencing poverty.

One of the participants was sceptical about government involvement in income-generating initiatives (a view also shared by Participant 48). Participant 19 is growing crops on his older brother's land. His brother is in New Zealand, so Participant 19 takes care of the land and grows crops on a small scale for the local market and for exporting. He has experienced different government initiatives designed to support growers but believes that these schemes only benefit the large producers. The Ministry of Agriculture's new scheme was unpopular because the risk was not shared equally but instead placed solely on the small growers. In his opinion, government assistance has been biased and favoured the large producers while small growers suffered from deductions if the crops were damaged during the transportation phase.

Participant (19): Founa tokoni 'a e pule'anga ki he kau too ngoue 'oku ta'e fakafiemalie 'aupito. Ko 'enau fiema'u ke totongi vaeua mai pe 'emau uta me'akai kae toki totongi e toenga he 'osi hono fakatau atu ki muli. 'Ikai ke mau pou pou ki heni he ko mautolu ia 'oku mau fua e kanongatamaki ka hoko ha me'a ki he 'uta me'akai.

'Oku lava pe mautolu ia 'o fakatau 'i maketi 'o ma'u e totongi kakato pea 'ikai ke mau toe tatali ki he toenga. Ko e founa fakatau me'akai ki muli 'a e pule'anga

‘oku ‘ikai potupotu tatau. ‘Oku ma’ulalo e mahu’inga e koloa pea ‘ikai ke mau ma’u e totongi kakato.

Interpretation: The government’s process for supporting the local growers is very unsatisfactory. They only want to pay for half of the price of our exported goods and the other half after it has been sold overseas. We do not support this because we are the ones that will suffer if something happens to our products. We can sell the products locally for the full price and not have to wait for the other half. The government's export initiatives are unfair. The prices are low, and we do not get the full price.

4.5.3 Family unit

Every participant was a member of a family and 50 out of 51 were either a parent or grandparent. Family is at the heart of Tongan society, and this is reflected in the responses of participants. The number of children in each family ranged from 1 to 11 and families were very close-knit. Families with more children had more financial support compared to smaller families, especially when some of the children migrated to New Zealand, Australia, the United States or France.

As an example, Participant 14 was supported by his eldest son, who is playing professional rugby in France. The close family connection ensures that his son continues to support the family and share his income with his siblings and parents. The family members work together, and Participant 14's younger son helps him with the farm work. His daughters visit every weekend to bring food and money as part of their duties to their parents. Participant 14 was very thankful that his children still maintain close ties and support him and his wife with all their *kavenga*.

Participant 24 has a close-knit family, and her adult children are very supportive. To help pay for their *kavenga* and household supplies, she joined the *toulanganga* group

alongside her mother. She lives near her children because she expects them to care for her and her husband during their old age.

Participant (24): Ko 'eku ki'i fanau 'e toko nima. Mali e ua 'o nofo ofi mai pe pea 'alu hoku ongo foha he toli fo'i'akau ki muli. Na lili silini mai pe kia maua mo hona ongo famili. Ko hoku hoa 'oku faka'uli pasi 'o lava ai ke fua 'e ma kavenga mo totongi 'emau me'a faka'api. 'Oku mahu'inga e nofo ofi ki he 'eku fanau he 'oku nau tokanga'i mai ki ma ua he 'e ma holo hifo. Na'e faingata'a hono tauhi 'eku fanau ka ko eni kuo nau fu'u lalahi pea 'oku nau tokoni mai, hoko eni ko e tapuaki.

Interpretation: I have five children. Two are married and are living close by while my two sons are away overseas in the RSE scheme. They still send us money as well as to their own families. My husband drives a bus which helps to pay for our *kavenga* and living costs. It is important to live close to my children because they will look after us as we age. It was hard raising my children, but now they have grown up and are supporting us, which is a blessing.

4.5.4 Changes over the last decade

I asked participants to describe their living conditions over the last decade (or more) and changes that may be attributed to the revenue reform. Participant 11 did not understand the tax changes, but she highlighted the impact of the public servants' strike on her husband's government wages. It increased by a significant margin because he was in the lowest wage bracket.

Participant (11): Kou tui au 'oku toe fakalakalaka ange 'a Tonga ni ia he ngaahi 'aho ni. Ko e liliu lahi na'e hoko ki hoku famili ko e vahenga ngaue fakapule'anga 'a hoku hoa. Na'e kamata 'aki e TOP\$34 fakauike 'e ua kotoa pe he ta'u eni 'e hongofulu ki mu'a ka kuo hiki lahi hake eni ia he 'osi e tukungaue 'a e kau ngaue fakapule'anga he 2005. Na'e toki 'osi atu pe eni e fakaha 'ehe pule'anga 'a e fakalelei vahenga ki he COLA 'o hiki ai e vahenga ki he TOP\$305 fakauike ua.

Interpretation: I think Tonga is more developed now and modernised. One of the significant changes in our family was my husband's wages from the government. He started at TOP\$34 per fortnight over a decade ago and this has grown significantly after the public servants' strike in 2005. More recently, the government announced another wage increase to reflect the COLA (Cost of Living Allowance), which increased his wages to TOP\$305 per fortnight.

Participant 14 lamented the cultural changes and how money has eroded values that once, were the foundation of village life. He has experienced the changes in the village. Some cultural practices are neglected due to the impact of money. As an elder of the village, he has seen how neighbours have lost the 'ofa or *feveitokai'aki* values that existed in the past. Now, villagers are more focussed on making money in his view and forgetting about the 'va' (relationship) that is important between neighbours.

Participant (14): Lahi 'aupito e me'a 'oku liliu. Ko e ngaahi 'aho ko e, ka langa ha fale 'oku 'i ai e kau tangata'eiki moe kaungā'api 'oku nau tokoni mai mo inu kava 'o pukepuke fonua ko e faka'apa'apa'i e langa 'oku fai ka kuo mole ia he taimi ni. Ko 'eku kui na'e too ngoue 'o tufa ta'e totongi. Kai toe lava ia he 'oku fiema'u 'ehe kakai ia ke fakatau atu ke ma'u ha pa'anga pea 'ikai ke toe tufa holo e me'akai ia. 'Oku ou too ngoue peau tala ki he kolo ni ke nau oo 'o ta'aki e me'a 'oku nau fiema'u mei hoku 'api 'uta ke fakatolonga 'e tau founa motu'a. Ko 'eku fu'u fiema'u pa'anga pe pea toki fakatau 'eku ngoue ka 'ihe me'a pe 'eni 'ihi. Kuo liliu e founa ia he taimi ni. Ko e kaungā'api na'e fa'a 'a'ahi holo 'o fetokoni'aki ka 'oku 'ikai ke toe pehe ia. Taki taha nofo pe 'o tokanga'i 'ene me'a ko e 'uhi ko e feinga pa'anga.

Interpretation: There are many changes. In the past when someone builds a house, the elders and neighbours would come to support and have kava, as an expression of holding the *fonua* (the land, the people and traditions), to respect the construction of the fale (house), but that is now gone. My grandfather used to grow crops and gave them away for free. That is no longer possible now because

people want to sell their crops for money. I grew crops and told the villagers to take food when they want from my land. I want to preserve our old ways. I will only sell my crops when I really need money, but only in some situations. Things have changed now. Neighbours used to visit each other and were caring for one another, but now it does not happen anymore. Everyone now sticks to themselves due to money-making.

The impact of money on the way of life is much more significant now, according to participants. Participant 20 is an elder of the village of Nakolo. He has reflected upon the changes over the last decade due to the impact of money. In his view, money has eroded the relationships and connections between villagers. His neighbours are not as helpful now compared to the past.

Participant (20): Na'e sai ange kuohili ia he na'a te lava pe kita 'o mo'ui ta'e pa'anga. Ko e 'aho ni, kuo pau ke 'i ai e pa'anga moe ngaue. 'Oku hange 'e he pa'anga 'o uesia e tauhi vaa pea mole ai moe anga fakafonua. 'Oku 'ikai ke toe tokoni mai e kaungā'api ia kia au hange ko e taimi ko e, neongo 'eku faingata'a'ia fakasino.

Interpretation: It was better in the past because you did not need money to survive. Now-a-days you need money and you need a job. Money negatively affects how we maintain our relationships which erodes our traditional values. My neighbours are no longer supporting me like in the past, even though I am physically disabled.

The increase in price is having an impact on the purchasing power of participants (a view also shared by Participant 28). According to Participant 24, she has noticed a significant increase in the price level over the last decade. The cost of living is higher and educational expenses continue to rise. New technology such as cell phones and the internet also add more expenses for their household.

Participant (24): Na'e fa'a a'u pe seniti ko e ma'ama'a e koloa ka ko e taimi ni 'oku fu'u mamafa pea ko e pa'anga ia 'e TOP\$40 ko e malo pe ma'u ha me'a ai. Ko e kuohili na'e hala ha telefoni to'oto'o, ko e taimi ni 'oku 'i ai e telefoni to'oto'o pea lahi ange fakamole.

Interpretation: Money used to stretch further due to cheaper goods, but now it is more expensive and TOP\$40 does not buy much. Previously we didn't have mobile phones. Now we have mobile phones and there are more expenses.

Participants with children abroad find the changes positive because of the financial support from remittances. Participant 31 struggled in the past but is experiencing a higher standard of living. Her son works in the RSE scheme, and her other adult children are also working. She was emotional when discussing the challenges, she experienced in the past but feels that there are more opportunities now for her family to achieve a better standard of living.

Participant (31): Na'e faingata'a e taimi ko e (ongo'i mafana) ka kuo lalahi e fanau pea nau ngaue 'o tokoni mai. Na'a mau fa'a luelalo holo pe ka ko e taimi ni kuo ma'u e ki'i me'alele. 'Oku 'ihe ni kotoa pe fanau. 'Oku 'i ai mo hoku foha oku kau he toli pea na'e toki foki mai. 'Oku taa silini mai ma'u pe mo tatanaki pe ke toki foki mai mo ia ki Tonga ni.

Interpretation: It was tough in the past (becomes emotional), but now the children are older and are working to help us. Previously we walked everywhere, but now we have a vehicle. All my children are here. I also have a son who was part of the RSE and he just returned. He sends money often and saved so he can bring back to Tonga.

Participant 48 has noticed the change in diet with unhealthy foods. He is 65 years old and grew up in an era when vegetables and fish were a major part of the diet. He has continued this diet because he believes in the health benefits, he gets from it. He is very healthy and still works on the farm. However, the modern-day diet of the younger

generation is full of fat and processed foods which he blames for causing obesity and diabetes.

Participant (48): Lahi ange fiema'u ia 'e he ngaahi famili ke nau kai kakano'i manu he taimi ni, he kuo hili. 'Oku 'ikai ke toe tali ia 'e he to'utupu 'a e kai la'i'akau pe. Ko e me'a ia 'oku fakautuutu ai e suka he fonua ni. Na mau fa'a mo'ui pe he vesitapolo moe fua'i'akau he na'e sai ange ia ki he sino. 'Aho ni, 'oku kai 'e he kakai e me'akai 'oku kaukovi ki he sino pea lahi moe fakapikopiko. Kai keu sai'ia he kakano'i manu he 'oku kovi ki he sino ka 'oku kai ke lava ia 'e he to'utupu. 'Oku ou fai pe me'a na'e fa'a fai 'e he matu'a ko e kai e la'i'akau moe ika. Ko e me'a ia 'oku ou mo'ui lelei ai mo kei mo'ui.

Interpretation: Families want to eat more meat with their meals now, compared to the past. The days of eating vegetables are no longer popular amongst the younger generation. This is why we have so many diabetes cases in this country. We used to eat a lot of vegetables and fruits because it was healthier. Today, people eat unhealthy food, and many are just lazy. I do not like meat because it is bad for my health, and the younger generation cannot do that. I do the things that my elders did, which was eating vegetables and fish. That has kept me healthy and alive.

Outer island participants experienced severe hardship in Tonga, living far away from their support base and loved ones (Participant 35). Participants and their family members travel abroad regularly for employment opportunities. Participant 41 is optimistic now compared to the past because her husband works abroad to support their family. The opportunities available now provide better financial support for families.

Participant (41): 'Oku fiemalie ange hoku famili he taimi ni he kuo ma'u e visa molotipolo hoku hoa ke lava 'o folau ai ki 'Amelika 'o ngaue leipa mo hoku famili ai. 'Oku ou ongo'i sai ange he 'oku lahi e faingamalie 'i muli. Ko e silini lelei 'oku ma'u mei hoku hoa pea lava ke mau mo'ui ai.

Interpretation: My family are better off now because my husband has a multiple visa which enables him to travel to the United States to work as a labourer with my relations there. I feel better because there are more opportunities abroad. I receive good money from my husband, and it enables us to survive.

In the other extreme, some participants experienced severe hardship but are hard workers who rely on fishing and roadside stalls. Participant 42 shared her experiences over the last decade and how hard her family has worked to survive and the impact of the higher cost of living. As landless people, her family have suffered significantly from having limited opportunities and being labelled as squatters. She does consider the current situation to be worse than the past because they did not have electricity, but now they have to pay, and the cost is quite high. However, the main change now compared to the past is the opportunity to lease the land they live on, so they are no longer squatters but leaseholders. This is the most significant change for her family over the last decade.

Participant (42): Mau ngaue malohi fakafāfili pe. Ko 'emau ha'u mei motu pea mau nofo hili pe heni he na'e 'ikai ke 'i ai ha mau 'api pea fakalele pe 'emau ki'i maketi he ve'e hala ke fakatau atu e ika 'oku toutai'i 'e hoku tuonga'ane mo hoku mali. Ko mautolu 'oku fai e fakatau kae toutai e kakai tangata. Ko e taimi ko e na'a mau hala he 'uhila ka ko eni kuo 'i ai pea ko e mamafa atu. Ko hono tauhi e famili 'e toko 20 'oku faingata'a ka 'oku toe faingata'a ange ia he taimi ni ko e mamafa e mahu'inga e koloa. Mau feinga ai pe he taimi kotoa pe ke ma'u ha seniti ke tauhi 'aki kimautilu.

Interpretation: We work hard as a family. We were homeless because we are from the outer islands, and we operate our roadside stall selling the fish that our brothers and husbands catch. We are the ones selling, while the men do the fishing. Previously, we did not have electricity, but now we do, and the bill is very expensive. Supporting 20 family members is hard, and it is much harder now with the goods being more expensive. We always work to make enough money to support ourselves.

4.5.5 Government consultation

A key requirement of the revenue reform programme was the need for the government to listen to the views of the public through meaningful dialogue and discussion. I asked participants if they could recall the public reform consultations that took place in 2005 or any government consultation regarding similar policies since.

All the participants said no. No-one was contacted or participated in the consultation process. Participant 1 explained how she learnt about government policy changes from other people but not from the government directly.

Participant (1): 'Ikai. Ko e pule'anga pe ko e 'ofisa tukuhau 'oku te'eki ke nau talanoa mai 'o fakamatala'i e ngaahi liliu. Mau ako pe mei he kakai kehekehe 'oku nau 'ilo'i e founa. 'Oku toki fa'a talamai pe 'a e totongi 'oku hilifaki mai 'i uafu. Nau manatu'i pe 'a e polokalama televisone ka na'e 'ikai ke nau ha'u ki he kolo ni.

Interpretation: No. The government or the tax officers have not spoken to me or explained the changes. We learn from others who know the process. Normally at the wharf, we get told about the additional charges. I do remember the television programme, but they did not come to our village.

Participant 19 expressed concerns about the lack of dialogue on significant policy decisions. His views are shared by the rest of the participants around the lack of consultation on policy decisions and believe that the focus should be on the volatile price levels in the Chinese stores. He complained, but feels that the government is not paying enough attention to the people and their concerns. Others, such as Participants 2, 37 and 30, would welcome the opportunity to put forward their views for government to consider before making decisions on policies that impact their village.

Participant (19): Na'e fiema'u 'e he pule'anga ke holoki e totongi e me'akai fakatupu mo'ui lelei ka 'oku kei mamafa pe pea toe faingata'a ke holo he 'osi e tu'utu'uni ngaue fo'ou. Na'a nau 'ai e suka moe sipi ke mamafa ka 'oku kau kovi eni ia ki he kakai masiva. 'Ikai ke siofi 'e he pule'anga ia e tu'unga mahu'inga e koloa pea kou fetu'utaki ki he potungaue Leipa moe Komesi 'o launga fekau'aki moe feliliu'aki e mahu'inga e koloa. 'Oku 'ikai ke mahino mai ia pe ko e ha e tu'unga 'oku tonu ke 'i ai e mahu'inga e koloa pea lava ai e fale koloa Siaina ia ke 'ai pe ha fa'ahinga mahu'inga te nau loto kiai. Ko e mahu'inga ia e koloa he fale Siaina 'oku fetongitongi faka'aho he Taimi 'e ni'i hi. Kou tui au 'oku 'ikai lava e pule'anga ia 'o fai 'enau ngaue ke vakai'i ka 'oku nau tali pe ke toki fai ha launga. Faingofua ange kapau na'e tohi ha lisi e koloa mo hono mahu'inga totonu. Te'eki ke na'u 'eke mai 'eku fakakaukau ki he tukuhau pe te nau talanoa ki ha taha he kolo ni.

Interpretation: The government wanted to reduce the costs of healthy foods, but it is still expensive and difficult to reduce after the latest policy announcements. They increased the price of sugar and lamb flaps, which hurts the poor. The government does not monitor the price of goods effectively. I contacted the Ministry of Labour and Commerce to complain about the volatile prices of goods. There is no clear answer to what the price of goods should be, so the Chinese shops can charge whatever price they want. The prices at the Chinese shops sometimes fluctuate daily. I believe the government is not doing their job to check the issue of pricing and only act when we complain. It would be easier if the government displays a list of the goods and their correct prices. No one asked about my views on taxes, nor have they consulted anyone in our village.

4.5.6 Home ownership

Home ownership reflects the economic status of cohort one participants. Twenty participants had access to a long-term home, but only five owned the house and land.

The low home ownership rate reflects the lack of assets among the cohort and the challenges of being poor. Most of the participants either lived on land and houses owned by family or through other temporary arrangements. Participant 37 lives with her family in her mother's ancestral home owned by her brother. They are caretakers of the home, which is convenient for them because her father's actual home is on the outer island of Ha'apai. Good family relationships are very important and reflected in how her father intends to gift his land to his wife's family as a token of his appreciation for the support they have given him and his children.

Participant (37): Ko e 'api eni e famili 'eku fa'e pea 'oku mau tokanga'i he 'oku nau folau ki muli. 'Oku ma'u 'api 'eku tamai 'a'aku 'i Ha'apai pea 'oku loto ke tuku ki he famili 'eku fa'e ko e 'uhi ko 'enau tali ke mau nofo heni.

Interpretation: My mother's family owns this house, and we are looking after it while they are abroad. My father owns land in Ha'apai and he wants it given to my mother's family for allowing us to live here.

Some participants disagree with how family property is distributed and this has caused relationship break-ups such as that experienced by Participant 29 and his younger brothers and by Participant 23 and her mokopuna. Participants 42, 43 and 45 are from the former squatter village of Pātangata and have expressed relief and gratitude to the government for finally allowing them to lease their land and register it as their permanent home. Previously, they were landless and were not able to lease the land due to previous government policy. Now, they can live in peace, knowing they have legal rights to the land.

4.5.7 Credit facilities

A few local village stores operated by Chinese and Tongan owners offer credit facilities which some of the participants use. This facility is available but only offered to trustworthy village residents with a limit of TOP\$50–100 and is paid at the end of the week.

Participants 7 and 39 utilise the credit facility, which helps provide food and supplies during the week. Participant 39 uses the Chinese store credit facility with a TOP\$50 limit.

Participant (39): Ko e falekoloa Siaina 'oku faka'ataa e fakamo'ua 'o a'u ki he TOP\$50 pea 'oku mau ngaue'aki ke kumi e me'akai. Ko e 'osi e uike, 'oku pau ke tapuni e mo'ua kae toki hoko atu. Sai e fakamo'ua kia mautolu he 'oku mau hala pa'anga he lolotonga e uike.

Interpretation: The local Chinese store offers credit up to TOP\$50, so we use this to buy our food. At the end of each week, we must clear our debt before we can continue the credit system. Credit is beneficial for us because we do not have any money during the week.

The credit facility is only available to some participants depending on their relationship with the store owner. According to Participant 19, the credit facility in his village is only available to the wealthier villagers. He does not have access to the facility but knows that others in his village use it and understands the process for repayment.

Participants (19): 'Oku nau tali e fakamo'ua ki he kau kasitoma falala'anga ka ko e kakai hange ko mautolu 'oku 'ikai tali kae 'oleva ke fai ha fefalala'aki. 'Oku tuku pe tohi mo'ua 'i he falekoloa ke hiki ai e fakatau 'a e tokotaha kotoa pe. 'Oku fiema'u ke totongi e mo'ua he 'osi 'a e uike kotoa pe kae toki faka'ataa ke hoko atu e fakamo'ua.

Interpretation: The shop owners allow credit for those trustworthy customers, but people like us are not allowed until there is trust between us. The credit book is kept at the store to record every customer's purchases. They require payment for credit at the end of every week before allowing the credit facility to continue.

4.5.8 High-income earner

Out of the 51 village participants, the highest income earner was a financial expert,

Participant 46, and he was included in the study because of his health problems and the fact that he was living in a shelter after his home was destroyed by fire. I interviewed him outside the shelter while he was peeling yams for his children in the United States. Participant 46 may be classified as a high-income earner because the gap between his income and the other participants is quite significant. His perspectives on the revenue reform and life in general was more optimistic than the other participants.

Participant (46): Kou tui au ko e kakai 'helo' pe 'e nofo 'i Tonga ni ko e 'uhi ko e fua kavenga he ko e founa ia 'a Tonga ni. 'Oku lahi 'aupito e kavenga ia pea he 'ikai lava e kau Tonga na'e tupu hake ia 'i muli 'o 'mo'ui heni. Pau ke nau 'ilo 'e fua e kavenga kotoa pe. Ko e kakai Tonga te tau mo'ui pe tautolu tatau ai pe 'oku faingata'a e fua e ngaahi fiema'u ki he kavenga. Tau 'osi anga tautolu ki hono fakahuu e seniti si'isi'i pea tau kei fua pe 'e tau kavenga ki he siasi, famili moe kolo.

Interpretation: I believe only brave people can live here in Tonga due to the amount of *kavenga* that we have to cover, and that is our Tongan way. We have so much *kavenga* that Tongans raised overseas cannot survive living here. They need to understand how to provide for all the *kavenga*. As Tongans, we can still survive even when struggling to meet the demands of our *kavenga*. We can save what little cash we have and still pay for our *kavenga* for church, family and village.

Participant 46 supports the revenue reform programme. From his perspective, Tonga's tax administration is more effective and efficient now because everyone is paying taxes, including the Chinese stores and business owners.

4.6 Part 5 – REVENUE SOURCES

4.6.1 Remittances

Remittances from abroad were made up of cash transfers and imported goods (see subsection 4.7.2). They were received by 37 out of the 51 participants, reflecting Tonga's position as the leading recipient of remittances relative to GDP in the Pacific region (Lin, 2011). These are the fortunate participants, but the 14 who did not receive remittances were in the most deprived category of the study cohort.

Some participants on the RSE and SWP schemes prefer to save and transfer their wages through a money transfer agent rather than buying goods. Each RSE worker is employed for six to nine months at a time and then returns to Tonga (views shared by Participant 13). Tongan professional rugby players are another source of remittances for their elderly parents and family members. Participant 14 explained how his son supports his family by sending money and arranging for shopping to be delivered to the family home.

Participant (14): Ko 'eku fanau 'e toko nima pea 'oku nofo Falanise 'a e tamasi'i lahi. 'Oku va'inga 'akapulu fakapolofesinale ai pea 'oku hoko ko e tapuaki. 'Oku lava 'o tokoni mai mo taa silini mai ma'u pe mo totongi e sopingi 'oku tiliva mai pe ki 'api ni. 'Oku toe tokoni mai foki ki he 'eku kavenga fakalotu he 'oku mahu'inga 'aupito.

Interpretation: I have five children, and the eldest son lives in France. He is a professional rugby player which is a blessing. He supports us and sends money regularly as well as paying for my shopping which is delivered directly to my home. He also helps with my *kavenga* at church which is very important.

Participant 19 raised concerns about the customs charges and store price levels and how important remittances are for the poor like himself (views also shared by Participants 8, 28 and 9). The high prices force him and other families to rely on relatives abroad.

Participant (19): Kuo lalahi kotoa 'eku fanau. 'Oku nau lii mai 'eku puha fakamoimoi peau totongi e tute he kasitomu oku laka hake he TOP\$100. 'Oku ou

ki'i hoha'a ki he tu'unga 'oe totongi koloa 'i Tonga ni ki he kakai masiva hange ko au. 'Oku fu'u mamafa e mahu'inga e koloa pea 'oku pau ai ke mau fakafalala ki ho mau ngaahi famili 'i muli ke tokoni'i ki mautolu. Ko 'eku ongo tamaiki tangata 'e ua 'i muli 'oku na feinga ke tokoni mai kiate au. Meimei ko e famili kotoa pe 'i Tonga ni 'oku nau fakafalala ki honau famili 'i muli.

Interpretation: My children are all grown up. They send me a box of goods, and I pay for customs duty of over TOP\$100. I am concerned about the cost of goods here in Tonga, it is too costly for poor people like me. The prices are too high, and we have to rely on our families overseas to help us. I have two sons overseas who try and help me. Nearly every family in Tonga relies on their relatives abroad.

Participants who make Tongan artefacts using *lālānga* can market their products on social media then arrange for their funds to be remitted (a view shared by Participant 31). Outer island participants complained about the prohibitive cost of transportation so preferred to receive cash rather than imported goods (a view shared by Participant 44). Remittances also provide an essential source of support for elderly and disabled parents (a view shared by Participant 51).

4.6.2 Bartering

Bartering or *fakafetongi koloa* was common amongst participants from the outer islands compared to those on the main island. Bartering involved exchanging goods for a range of items such as Tongan artefacts or domestic animals. The *katoanga* method of exchange became the medium for female participants to barter their Tongan artefacts for cash or other valuable items. Participant 1 is involved in bartering and discussed her experience:

Participant (1): 'Io, 'oku mau fakafetongi e ngatu pe ko e fuatanga 'aki e fala. 'Oku fakahoko e me'a ni kapau 'e ha'u ha taha 'o alea'i ha katoanga. Ko e ngatu-ngatu (ngaohi 'aki 'a e tutu 'ikai ko e pepa) 'oku fakamahu'inga ki he TOP\$4,000 ki he

TOP\$5,000. Ko e ngatu pepa (ngatu 'oku 'aofi 'aki 'a e pepa) oku fakamahu'inga ki he TOP\$3,500.

Interpretation: Yes, we would exchange *ngatu* or *fuatanga* for *fala*. This happens if someone approaches us and arranges a *katoanga*. The *ngatu-ngatu* (made with real bark, not paper) is worth TOP\$4,000 to TOP\$5,000. The *ngatu pepa* (*ngatu* made with a paper underlay) is valued at TOP\$3,500.

Women involved in bartering use the *katoanga* method while men use food or livestock for direct exchanges. The response from participants highlighted the use of bartering, as a popular form of earning a potentially lucrative income for some of the women in the outer islands (a view shared by Participants 10 and 23). Participant 6 found that sometimes, the financial benefits of a *katoanga* with New Zealand or Australian counterparts may be less than what she receives on the open market. However, bartering is a common form of transaction for the outer islands:

Participant (6): 'Io, ko e katoanga mo Nu'u Sila pea mo 'Aositelelia. 'Oku mau sai 'ia ange hono fakatau he maketi he ko e taimi eni'ihl 'oku 'ikai ma'u ha seniti fe'unga he katoanga. 'Oku mau toe fakafetongi 'emau pulu moe puaka 'aki e lālānga moe vala. Pe ko e kole mai ke mau ngaahi ha ngatu pe ko e fala ha taha ki he 'ene katoanga kae totongi fute 'a e lālānga. 'Oku totongi pa'anga 'e TOP\$30 ki he fute 'emau ngaue. Ko e ngaue faka-kulupu 'oku alea'i. Ko e kau lālānga 'e toko 3 pe 4 te nau lava 'o ngaahi e taki fute 4 he 'aho. Kai ke tukuhau'i. Mau toki ma'u pe totongi he 'osi hono ngaahi.

Interpretation: Yes, *katoanga* with New Zealand or Australia. We prefer selling at the market because sometimes we do not receive sufficient financial returns from the *katoanga*. We also exchange our cow and pigs for *lālānga* and clothes. Or we are asked to make a *ngatu* for someone else's *katoanga* or get paid to do a *lālānga*. We get paid TOP\$30 per foot for our work. This is a group working

arrangement. It takes three or four weavers to make four feet of *fala* per day. No tax is paid. We get the payment after it is made.

The participant responses highlighted the non-taxable status of the *katoanga*, which is outside the tax net. Female participants involved with *lālānga* (Participants 1, 6, 10, 31, 36) had a good understanding of the value of their product and the bartering system, which they utilised to boost their income.

4.6.3 Women's enterprises

The female participants showed their enterprising skill through weaving, working either individually or as a collective to produce Tongan artefacts (*koloa fakatonga*) for trading locally and abroad. Sixteen female participants relied on making Tongan artefacts as a source of income. Women who are weaving a *fala* or making a *ngatu* require delicate skill and experience learnt by watching their mothers and aunties from an early age (Participant 35).

Participant 1 described how she produces artefacts, starting from growing the raw materials to the selling process.

Participant (1): 'Oku ma'u 'eku mo'ui mei he tou lālānga, koka'anga moe fakatau tutu. Kou ngaue fakataha mo hoku ki'i tokoua si'isi'i ke tokoni'i ho ma fanga 'ilamutu moe fanga pusiaki.

Too ko e e tutu, 'oku ta'u 'e taha pea toki motu'a fe'unga. Ko e 'akau eni 'oku ngaahi 'aki e koloa ko e ngatu Tonga. 'Oku manakoa 'aupito pea faingofua hono fakatau 'i he maketi. Taimi 'e ni'i hi 'oku lahi e tutu fakatau ia pea ko e ha'inga tutu pe 'e taha 'oku lava 'o fakatau atu ka te toki foki he 'aho hoko 'o toe feinga.

Ko e ngaue lahi e ngaahi e tutu. 'Oku tutu'u e tutu 'i he tefito pea toki fohi 'o masi. 'Oku fufulu ke ma'a ke hinehina 'o fakatau atu. 'Oku fakatau 'e he kakai e tutu ke ngaahi 'aki e koloa fakamea'a ma'a e kau folau'eve'eva pe ko e fakatau atu ki

muli. 'Oku ngaahi 'aki e tutu 'a e tapa'i ngatu mo teuteu'i 'aki e kupesi. Ko e me'a faingata'a e ngaahi e tutu pea ka ngaahi 'aki e ngatu 'oku taimi lahi 'aupito. 'Osi hono fohi e tutu, 'oku fakakalakalasi pea vahevahe taki tu'unga 'o takai ke ha'inga tutu. 'Oku fakavai leva e ha'inga tutu pea toki tau ke mātu'u. Ko 'ene mātu'u pe pea taa 'aki e ike 'a e tutu ke falalahi pea ngaue'aki e maho'a ke monomono e avaava.

Ko e tutu 'oku lava 'o fakatau atu ki he TOP\$50-80 ki he tu'unga 'a e inisi 'e 26 pe 30. 'Oku feinga'i ke ngaahi e tutu ke ma'a ma'a e kau fakatau he te nau sivilisi'i pe 'oku 'i ai ha avaava pea mo vakai'i e monomono pe 'oku sai kae toki fakatau. 'Oku ha'u pe kau fakatau ia mo 'enau tepi fua ke fua e tutu. Ko e me'a mahu'inga 'aupito e alea fakatau ia he ko e tutu faka'ofa'ofa 'oku ngaahi 'aki e ngatu lelei taha. Lahi taha e kau fakatau 'oku nau kumi e tutu 'inisi 'e 26 pe 30 ki he 'enau toulanganga ka ko e tutu iiki ia 'oku fakatau atu pe ia ke TOP\$15-30 ki he ha'inga. Ko e fuatanga 'oku ngaahi 'aki ia e ha'inga tutu 'inisi 40 'e 12 pea ui ia ko e fo'i toka hongofulu. Ko 'emau founa ma'u'anga pa'anga lahi taha eni 'i Tonga ni.

Taimi eni'ihī 'oku ma'u e TOP\$400 he uike pea 'i he ta'u 'e taha 'oku a'u pe 'o TOP\$10,000 mei he fakatau e tutu 'i maketi. 'Oku lava eni mei he fakatau e tutu, ko e fuatanga, ko e ngatu pe ko e feta'aki.

'Ikai ke mau totongi tukuhau pea te'eki ke ha'u ha 'ofisa tukuhau ia 'o 'a'ahi mai. 'Oku sai eni ia kia mautolu he 'oku 'ikai ko ha pisinisi. Ko e me'a fakafo'ituitui pe eni ia pea fakapa'anga pe 'emautolu. Kai ke mau noo mei ha taha ke tokoni'i ki mautolu. Ko e 'osi pe hono fakatau atu, ko e ma'u ia 'emau seniti 'ikai toe fakahela ke totongi tukuhau.

Interpretation: I make my living from *toulālanga*, *koka'anga*, and selling *tutu*. I work with my younger sister, and together we support our nephews, nieces and adopted children. Growing *tutu* takes one full year to reach maturity and this is the raw material used for the prized Tongan *ngatu*. *Tutu* is very popular and easy

to sell at the market. Sometimes when there is a lot of *tutu* on sale, we might only sell one bundle a day, and we have to go back the next day and try again.

The harvesting process is labour intensive. We cut the *tutu* at the bottom of the stalk then we strip the bark using the *masi* process. The *tutu* is washed to make it clean and white for sale. Buyers purchase the *tutu* to make cultural artefacts to sell to the tourists or abroad. The *tutu* is made into a *tapa'i ngatu* which is decorated with patterns. Making *tutu* is a delicate process and turning it into *ngatu* takes time.

Once the *tutu* is stripped, we grade it, then pile them into similar sized lots before being rolled into a bundle of *tutu*. We then soak the bundles of *tutu* in water before drying. Once dried, we then use the '*ike*' (traditional bark flattening mallet) to pound the bark into a large flat piece of *tutu*, then we use flour to patch up any holes. One *tutu* can be sold for TOP\$50-\$80 for a 26 or 30-inch piece. The largest *tutu* is called a *laulalo* which is 40 inches and can reach TOP\$80 each.

We want to make the *tutu* clean for our customers because they will inspect the *tutu* for holes and check the quality of the patchwork (*monomono*) before buying. Customers bring their measuring tape to measure the *tutu*. It is a serious transaction because excellent quality *tutu* makes superior quality *ngatu*. Most customers buy the 26 or 30-inch *tutu* for use in their *toulanganga* while smaller *tutu* can sell for TOP\$15-\$30 per bundle. A *fuatanga* (part of a *ngatu*) is made from 12 bundles of 40-inch *tutu* which is called a *fo'i toka hongofulu*. This is our main money-making activity in Tonga.

Sometimes we might make \$400 a week and, in a year, we could earn up to \$10,000 from selling our *tutu* in the market. We achieve this by selling either the *tutu*, *fuatanga*, *ngatu* or *feta'aki*.

We do not pay any tax, and the tax officers have never visited me. It is suitable for us because this is not a business. It is only a personal activity and funded by

us. We do not borrow from anyone to help us. Once it is sold, we get our cash without any hassle of paying tax.

Lālānga plays a key role in meeting *kavenga* obligations for participants. It also provides much-needed support to families who have no other employment opportunities (Participant 12). Participant 23, who is 66-years-old and a widow, described how *ngatu*-making and weaving provided much needed financial support for her family.

Participant (23): Ko hoku ta'u 66 eni pea ko e uitou au. Ko 'eku ki'i finemotu'a ('ofefine) pe 'oku ma kau he ki'i kautaha koka'anga 'oku ma hoa ua ai. Lava heni ke ma'u 'e ma ngatu taki taha he ta'u kotoa pe. Kapau 'oku 'ikai ke mau ngaahi ngatu, 'oku mau lālānga lou'akau ke ngaahi ta'ovala 'o fakatau 'i maketi.

Ko 'emau koka'anga fakauike 'oku fe'unga pe ke ngaahi 'aki e ngatu 'e taha. Ko e memipa kotoa pe 'oku ma'u 'ene ngatu 'e taha he ta'u. 'Oku mau kumi pe 'a e tutu moe naunau koka'anga mei maketi ke ngaahi 'aki e ngatu he 'oku 'ikai ke mau too tutu.

Ko e ngatu 'oku TOP\$1,000 hono fakatau. 'Oku tu'uaki atu pe he feisi puka ki muli pe ko e ngaahi ki ha fiema'u mai. 'Oku 'i ai pe 'emau kakai he 'initaneti 'oku nau alea'i e totongi mo hono taa'i mai e seniti he Western Union.

Interpretation: I am 66 years-old and a widow. My daughter and I are part of a *koka'anga* group (*ngatu*-making group) which gives her and I a double membership. This means we both get a *ngatu* every year. When we are not making *ngatu*, we weave *lou'akau* to make *ta'ovala* to sell at the market.

Our weekly *koka'anga* (*ngatu*-making) sessions make enough materials for one *ngatu*. Every person in the group gets one *ngatu*. We buy the *tutu* and materials from the market to make the *ngatu* because we do not grow our *tutu*.

The *ngatu* is usually worth TOP\$1,000 when sold. We market the *ngatu* internationally on Facebook and can make to order. We have people on the internet arranging the payment and cash transaction through Western Union.

The use of social media as a trading medium is quite common and very convenient for participants. It is free to use, and transactions can be negotiated and confirmed quickly (Participant 31). Some participants offer skilled weaving services to customers who pay to order. Select customers have specific requests and one or more weavers can contract their services and charge per foot of work, also known as '*totongi fute*'.

Participant (9): 'Oku totongi 'ehe kau fakatau hoku hoa ke ne lālanga 'enau fala pea 'oku fakafuofua e mahu'inga ki he lahi e fala. Ko e fala fute 'e 20 'oku TOP\$3,000 ki he faka'ofu'ofa taha, ko e me'a hinehina. 'Oku 'omai 'e he tokotaha fakatau 'a e lou'akau moe me'a kotoa pe pea mo totongi e fakalanulanu, fakavai pea moe lālanga. Ko e fa'ahinga fala ia 'oku ngaahi 'aki e lou'akau lelei taha moe kupesi faka'ofu'ofa taha. Ko e seniti 'oku' ma'u mei he lālanga 'oku totongi 'aki e me'a fakaako mo 'emau nofo.

Interpretation: My wife is paid by customers to weave a *fala* and the amount depends on the size of the *fala*. A 20-foot *fala* can cost TOP\$3,000 for the best quality light coloured *fala* (*me'a hinehina*). The customer supplies all the raw materials. Such products are woven with the finest *lou'akau* into exquisite patterns. The money earned from weaving covers educational expenses and our living costs.

4.6.4 Savings

Saving among participants was short-term and targeted explicitly towards one of the priority *kavenga* or education expenses for their children. Participants also contributed to a family savings scheme for *kavenga* (views shared by Participants 1 and 17).

Participant 38 joined a village saving group to pay for her children's educational expenses:

Participant (38): 'Oku 'i ai pe 'emau ki'i liili fakakolo ki he totongi ako. 'Oku ou feinga'i pe 'eku ki'i liili ke lahi ke toki toho pe 'i Tisema. 'Oku tuku e seniti ko eni ke totongi 'aki e teemi ako e fanau, teunga ako moe naunau.

Interpretation: We have a village savings club for paying educational expenses. I try to save a lot and then withdraw it in December. I keep this money aside to pay for the children's school fees, uniforms and stationery.

Village savings groups are quite popular with low-income families as they force them to save money for school fees or a particular *kavenga*. Group savings activities have helped participants to plan and make better financial decisions with the little money they have (views shared by Participant 7). Outer island participants also have local savings schemes for their *kavenga* (Participant 6):

Participant (6): 'Oku 'i ai 'emau kautaha liili moe toenga e famili. 'Oku faingofua ange hono fua e kavenga 'i Ha'apai he 'oku tokosi'i pe kakai ka fai ha fakaafe.

Interpretation: We have a savings group with other family members. It is easier to provide for our *kavenga* in Ha'apai because we do not have as many people to cater for during a feast.

4.6.5 Government social welfare assistance

Six participants received social welfare payments because they were 70 years of age or more (Participants 1, 2, 20, 27, 29 and 33). Participant 39 received the benefit on behalf of her disabled child who is eligible for social welfare payments. Participant 14 is 66 years old and a retired former school gardener who earns a pension from the government retirement fund. Participants receiving social welfare payments were very grateful as the payment covers household expenses, as described by Participant 27.

Participant (27): 'Oku ou ngaue'aki 'eku vahe penefiti ke totongi e 'uhila pea ko e taimi pe ia 'oku ou heka pasi ai ki kolo. 'Oku 'aonga 'aupito e vahe he 'oku tokoni lahi mai kia te au. 'Oku 'ofa 'eku fanau pea nau tauhi au. Kai keu ifi pe fiema'u ha me'a kehe.

Interpretation: I use my benefit payment to pay for our electricity, and this is the only time I travel by bus to Nuku'alofa. The payment is very useful because it provides much needed support for me. My children love me and are taking care of me. I do not smoke nor want anything else.

The social welfare payment provides much-needed support for elderly participants and those with a disability. Other participants use the social welfare payment to support the rest of the family, as in Participant 29's case.

Participant (29): Ko 'eku ongo tamaiki 'e toko ua pea kuo mali 'eku ta'ahine. 'Oku mau ngoue 'o fakatau ke ma'u ha seniti. Ko e palopalema lahi taha 'a e tu'unga fakapa'anga he 'oku 'ikai ke mau ngoue lahi ke ma'u ha silini lelei. 'Oku mau ma'u pe seniti ke lava 'o fua 'aki 'emau fakamole faka'aho kae faingata'a'ia he fua kavenga. Ko hoku mali 'oku ne ma'u e vahe penefiti pea tokoni lahi eni ke totongi ho mau mo'ua. Kai koha seniti lahi ka 'oku tokoni 'aupito.

Interpretation: I have two children, and my daughter is married. We grow and sell our crops to make money. Our biggest problem is money, because we do not farm enough to have a stable income. We make just enough to cover our cost of living but struggle to pay for our *kavenga*. My wife gets the social welfare payment, and that is an immense help because we use it to pay our bills. It is not much, but it helps a lot.

4.6.6 Other income sources

Participants' sources of income varied between selling crops, remittances, roadside stalls, *katoanga*, bartering, RSE/SWP work or women's *lālanga*. Despite the impact of

severe hardship, participants were still able to generate income utilising the limited options available in Tonga (Participants 1, 10, 14, 17, 20, 32 and 51).

In the outer islands, participants relied on making Tongan artefacts and fishing. The RSE/SWP scheme is quite popular for villagers, and low-paid public servants. In Participant 13's case, he resigned from his permanent position as a fireman to become a seasonal worker, picking fruit in Australia, which provided much better income to support his family.

Participant (13): Ta'u 'e nima atu ki mu'a na'aku fakakaungatamaki 'i mala'e vakapuna ko e 'ofisa tamate afi ka na'aku fakafisi au 'o liliu hake ki he polokalama toli fo'i'akau. Na'e sai ange vahe ia he toli he 'oku te lava pe 'o ma'u e TOP\$18,000 he folau kotoa pe. 'Oku ou tanaki 'o fakahuu peau toki lii mai ki hoku hoa he Western Union. 'Oku fe'unga 'anoa pe ke mau mo'ui ai ki he toki folau hono hoko. 'Oku folau foki mo hoku hoa ki Hauai'i 'o fetuku mai e koloa ke fakatau he fea.

Interpretation: Five years ago, I worked at the airport as a firefighter, but I resigned and switched to the SWP work scheme. The money was more lucrative with the SWP because I can earn up to TOP\$18,000 per trip. I saved it and sent back to my wife through Western Union. It was more than enough for us to live on till the next trip. My wife also travelled to Hawaii'i to bring products to sell at the local fair.

An elderly couple struggled with their many *kavenga* and became emotional when discussing how they generated income by making and selling Tongan brooms or *taufale*. It is a difficult way of making money, but they have *kavenga* that have to be paid, especially to the church, household expenses and servicing debts.

Participant (15): 'Oku ma ngaahi e me'a ko e taufale 'o fakatau ki he ngaahi pisinisi moe kakai. Ko e ngaue faingata'a kia au he ko hoku ta'u 69 eni pea 'oku ma vaivai loua. 'Oku ma tufi e lou niu ke ngaahi e taufale mei he ngaahi 'api 'uta

e kaungā'api. Ko e 'osi hono tufi, 'oku ha'alo e tu'aniu pea 'oku lau 'aho eni ia he 'oku fiema'u ke ha'i. 'Oku tokoni mai e fanga mokopuna. Mau kole ki he kaungā'api ke mau tufi e louniu ke ngaahi 'aki e taufale 'o fakatau atu ke TOP\$10 ki he taha. 'Oku lava 'o fakatau atu e taufale 'e 6 ki he 10 he uike kapau 'oku sai pe hoku ivi. Hau he fuoloa hono ngaahi pea 'oku mau fakatau atu ki he ngaahi pisinisi moe falekoloa. Ko e seniti, 'oku fua 'aki 'emau kavenga fakalotu, me'akai, penisini moe mo'ua.

Interpretation: We both make *taufale* (broom made from coconut leaf strands) to sell to local businesses and the public. It is hard work for me because I am 69 and we are both old. We gather the coconut leaves for the *taufale* from the neighbouring farmland. we then strip the *tu'aniu* (coconut leaf strands), and to make the *taufale*, it can take a few days depending on how long I take to wrap and tie the strands together. Our grandchildren helped us out. We ask our neighbours to pick up the leaves which we use to make the *taufale* and sell for TOP\$10 each. We usually sell 6 to 10 *taufale* a week if I have enough energy. It takes a lot of time to make before we sell them to the businesses and shops. The money we receive is used to pay for our *kavenga fakalotu*, food, fuel and bills.

Younger respondents, such as Participant 17, with no formal qualifications, rely on family members as well as farm labouring jobs to make money. Participant 2 relies on careful management due to the low profit margins. The business employs some family members. As a business owner, Participant 2 is expected to contribute more than others towards all his *kavenga*. He believes that this expectation puts pressure on the business, so it is a constant problem of trying to meet his cultural obligations while keeping the business in operation. Participant 2 is one of the highest contributors to the *kavenga fakalotu* in his village as he is considered wealthy compared to the rest of the congregation in the village.

Participant (2): 'Oku ou fakalele 'eku ki'i kautaha pasi 'i 'uta pea 'oku ma'u ai e seniti e famili he ta'u eni 'e hongofulutupu. Lava he'e ki'i kautaha ni 'o totongi e

fiema'u e famili mo 'emau kavenga fakafonua moe fakalotu. Toe kole mai keu tokoni ke lahi ange ko e 'uhi ko 'eku ki'i kautaha ka 'oku faingata'a kapau 'oku 'ikai ke lava 'o ma'u ha silini lahi. Hala 'atā ke tokoni mai e pule'anga ke fakama'ama'a e totongi pasi. 'Oku mau fakahoko e fatongia mahu'inga ma'a e kakai e fonua moe tamaiki ako. Te'eki ai ke tokoni mai ha pule'anga 'e taha.

Interpretation: I own a small rural bus company which has generated income for my family for over ten years. The business has helped pay for our family needs, cultural obligations and contributions to the church. I also get asked to do more because of my little business, but it is hard when we do not make much money. Government does not help or give us a subsidy. We provide an essential service for the public and school children. No government has given us any support.

Participants work together as a family to generate income to support their children and to meet their *kavenga* obligations. Participant 26 provides an example of a family working together to generate an income using the skills and resources available to them. Participant 26 utilises her *toulanganga* skills to make a *ngatu* to sell while her husband grows crops on their small farm. This combination of work is also shared by Participants 10, 34 and 38.

Participant (26): Ko hoku hoa 'oku ngaue ki 'uta pea kou kau he toulālanga e finemātu'a. Kou toe kau foki he koka'anga he ta'u ni ke ma'u ha ngatu. Lava pe ke a'u 'o ta'u 'e taha hono ngaahi e ngatu ki he memipa kotoa pe. Mau fakatau atu e fala he maketi pe ko hono tala he letiō. Ko hoku hoa 'oku ne too 'eku hiapo ke fai 'aki 'eku koka'anga pea toe too ngoue me'akai foki ma'a e famili.

Interpretation: My husband farms the land while I join the women in the *toulālanga*. I also joined the *koka'anga* this year to make a *ngatu*. It can take up to a year to make a *ngatu* for each member. We sell the *fala* at the local market or advertise it on the radio. My husband grows my *hiapo* that I use for the *koka'anga* and he also plants crops for our family.

Participant 27 was the eldest member of the study sample at 86 years old. He was still working on his small plot of land and surrounded by family members who cared for him. He has children in the United States who send US\$100 monthly that supplements his Tongan social welfare benefit payment. He has severe asthma and is cared for by his eldest daughter, who lives across the road from him.

Some elderly struggle even if they own family land, such as Participant 29. Farming is difficult, especially for the elderly, so access to land does not always guarantee financial prosperity, but it does provide food for the family and income from selling crops. At 70 years of age, Participant 29 is past retirement age but still works on the farm with assistance from his son-in-law. His wife receives the social welfare benefit, and their daughter works at the local petrol station. Together, the income from all three family members helps to pay for their food and cover their different *kavenga* obligations.

The cultural obligations and relationship between brothers and sisters are still active in the rural areas. Participant 3 is 66 years old, and a widow but has strong support from her relatives living in Tonga and abroad. She has a close relationship with her brothers, who have taken over the support role since her husband and parents passed away. She describes the special cultural commitment to her. This has enabled her to survive and raise her five children. During the interview, she was emotional every time she spoke about her brothers because they have been her primary support system for many years and this continues even after her children have grown up. Her brothers in New Zealand send money for her *kavenga fakalotu* and to support her with raising her children while her brothers in Tonga provide food and help with her household needs.

Participant (3): 'I he ngaahi ta'u kuo maliu atu, na'e faingata'a ka na'e tokoni mai hoku fanga tuonga'ane. Fuolua e mālōlō 'eku fa'e pea mate 'eku tamai he 2009. 'Oku ou nofo ofi pe ki hoku fanga tuonga'ane mo 'eku fanau. Na'e tauhi pe au he 'eku fanga tuonga'ane kae 'oleva ke lalahi 'eku fanau ke nau tauhi au. 'Oku nofo takatakai holo pe hoku fanga tuonga'ane ke tauhi au. Kuo mole 'eku matu'a mo hoku hoa ka 'oku ou falala ki he 'Otua moe Siasi ke tokoni'i au pea ko e me'a ia

'oku ou tolonga ai. Ko 'eku fanau 'e toko 5. 'Oku ngaue pe 'eku fanau 'i Tonga ni pea tokoni mai hoku fanga tuong'ane mei muli.

Interpretation: For the last few years, it has been hard, but my brothers have helped me. I lost my mother a while ago, and in 2009 my father passed away. I live next to my brothers and children. My brothers cared for me until my children were old enough to look after me. I may have lost my parents and husband, but I rely on God and the church to support me, which is why I have lived this long. I have five children. They work here in Tonga while my brothers help from overseas.

Participants rely on family for financial support and imported goods, but they complain about the high cost of CT and customs duty. Participant 30 is a young mother with one child and relies heavily on her mother and sister for financial support. Also, she has health complications which limit her ability to work. She receives imported drums containing food and clothes from her sister and mother but is unhappy about the cost of duty especially given that they are low-income earners and struggling to make a living from selling second-hand clothes and cakes at the local market.

Participant (30): 'Oku folau 'eku fine'eiki ki Nu'u Sila ke huu mai e koloa sekeni heni ke fakatau 'i maketi. Ko hoku tokoua 'oku taa seniti mai mo 'omai me'a kai he talamu. Ko e me'a pango pe ko e totongi CT moe tute. 'Oku fakatau keke mo me'a kai 'eku fine'eiki 'i maketi ke toe ma'u ha seniti ke tokoni mai.

Interpretation: My mother travels to New Zealand to import second-hand goods to sell at the local market. My sisters also send us money and food in drums. Unfortunately, there is the cost of CT and duty. My mother also sells cakes and food at the market to make extra money to help us.

Participants 8, 42, 47 and 50 operated roadside stalls while Participants 33 and 39 provided sewing and clothing alteration services from their homes. Two participants owned small shops as their primary source of income. Participant 45 owned a small shop

in Pātangata and only had a limited amount of stock for sale. His shop was one of three small shops in the village. Participant 36 had her shop in the rural village of Vaotu'u and competed against the well-established Chinese stores. She operated the store while her husband worked on their family farm to supplement their income from the small store.

Participant (36): 'Oku 'i ai 'emau ki'i fale koloa si'isi'i ko e malo pe 'ene mo'ui. 'Oku ngoue hoku hoa 'i ho mau 'api fakafāmilī pea lava eni 'o holoki hifo e fakamole ki he me'akai. 'Oku mau fakatau atu e me'akai mei ho mau toumu'a pe ko maketi.

Interpretation: We have a small shop that is barely surviving. My husband farms our family land, which helps reduce the cost of food. We sell crops at the front of our house or at the market.

Outer island participants discussed how women undertake *lālānga* while men catch fish to generate income. This is a common practice for outer islands Participants 4, 6, 7, 9, 10, and 35, who have migrated to the mainland for employment opportunities and to further their children's education. Income sources for the outer islands are limited due to their isolation and transport problems. However, participants can still generate income in a similar way to those in the mainland, as demonstrated by Participant 6.

Participant (6): 'Oku ou tauhi 'api moe fanau 'e toko 6 'oku mahina 'e 4 ki he ta'u 11 honau lahi. 'Oku ou ngaahi tutu mo fakamaketi e lālānga. Ko hoku hoa 'oku ne too e tutu. 'I Ha'apai 'oku mau fakatau ika moe lālānga ke ma'u ha seniti. 'Oku ngaahi lālānga 'eku fine'eiki 'o fakatau atu 'i he maketi.

Interpretation: I'm a homemaker with a family of six children, aged from four months old to 11 years of age. I make *tutu* and sell my *lālānga* at the market. My husband plants the *tutu*. In Ha'apai, we sell fish and *lālānga* to make money. My mum makes *lālānga* and sells it at the market too.

The lowest income earner and asset poorest participant in this study was a jellyfish fisherman who was impacted by the destruction of the jellyfish stocks in the lagoon. He

was concerned about the potential impact of climate change on jellyfish because it is no longer abundant and has affected his ability to catch jellyfish (see sub-section 7.17).

Participant (7): Ko au mo hoku hoa na'e ma'u seniti mei he fua kolukalu. Na'e fa'a lahi e kolukalu pea mau fangota he ta'u kakato ka ko e taimi ni 'oku si'isi'i 'aupito ke ma'u e kolukalu pea mau afe leva 'o fangota 'Umana pe Limutao ke fakatau he ve'e hala. Na'a te lava pe 'o ma'u e TOP\$100 he uike mei he fua kolukalu ka 'oku 'ikai toe lava ia he taimi ni.

Interpretation: My wife and I made money by fishing for *kolukalu* (jellyfish catching). Previously, we used to catch jellyfish throughout the year, but now, we hardly find anything, so we have changed to fishing for 'umana or limutao and sell them on the side of the road. We used to get TOP\$100 per week from selling *kolukalu*, but we cannot do that now.

Participant (41) and (44) receive support from the village *kalapu* scholarship scheme to support their children's education.

Participant (41): 'Oku tokoni mai e sikolasipi mei he kalapu ke lava 'o totongi e ako 'eku fanau. 'i ai moe kalapu sikolasipi pehe 'i Pātangata 'oku tokoni ki he ngaahi famili masivesiva.

Interpretation: The scholarship from the club has helped pay my children's school fees. There is another village scholarship club in Pātangata that supports poor families.

Participant (44): 'Oku foaki sikolasipi e kalapu e kolo ke tokoni mai ki he totongi ako kae lava 'emau fanau 'o 'alu ki he ako.

Interpretation: The village club provides scholarships to help pay for school fees so our children can attend school.

4.7 Part 6 – GOVERNMENT AND BUSINESS PARTICIPANTS

I selected six elite and privileged participants who had insight into, and significant experience of either government or the private sector, or both. Their professional characteristics were:

- i. GBA - Former high-ranking civil servant, business owner and political candidate.
- ii. GBB - Tonga Chinese Chamber of Commerce representative.
- iii. GBC – Tonga Chamber of Commerce representative.
- iv. GBD – Senior government policy advisor.
- v. GBE - Business owner, former senior public servant, financial specialist, NGO advisor.
- vi. GBF - Private sector advisor, former senior public servant.

The participants are well known in their respective fields and part of the wealthier sector of Tongan society. Their responses to the questions are presented in the following sub-sections.

4.7.1 Sin goods – unhealthy food tax

Participant GBA and GBD from cohort two, raised concerns about the Tongan people's unhealthy diet being a leading cause of death in the community. They both had personal experience with family members suffering from diabetes and heart disease, and so they identified non-communicable diseases (NCDs) as a major problem. GBA was previously involved in developing and implementing the government's policies for NCDs in 2015 and 2016. He gained insight into other Pacific nations using similar policies from the regional Oceania Customs Organisation Secretariat. The policy involved adding taxes to increase the price of goods with a high sugar and fat content such as soft drinks and mutton.

Participant (GBA): 'A ia ko e taimi ko e nau ha'u ai na'e toki fai ai e sio ki he me'a

kai ko e 'oku ma'olunga ai e suka ke tuku hake tuku hau ke toe lahilahi ange. Me'a kai ko eni ko ee 'oku fu'u melie mo lahi e ngako, inu moe sipi 'a ia ko e 'u me'a fo'ou ia nau 'oange kiai.

Interpretation: At the time I arrived, we started to look at the food that are high in sugar and fat content, to increase tax duty to a higher rate. The foods that are too sweet and fatty, soft drinks and mutton were the new things I gave them.

According to GBA, the Ministry of Health was the principal health policy agency, but their focus was limited only to tobacco (*tapaka*) because it was the leading cause of cancer. However, he used the experience gained from his time working in other Pacific jurisdictions to target unhealthy foods at the border as a way of contributing to the government's "Healthy Diet" policy. He could see essential benefits to the community from doing this.

As a senior policy advisor, GBD used a study by the World Bank to analyse the impact of taxation on reducing tobacco consumption. The study found that the amount of tobacco sold over the counter was falling, but the consumption of locally grown tobacco was growing at a higher rate. GBD advised the government to impose TOP\$200 per kilogram on locally grown tobacco to reduce consumption levels, and this was announced in the 2019/2020 government budget.

Participant (GBD – speaking in English and Tongan): The first study was by the World Bank, to see the use of taxation and its effect *he tapaka* (tobacco), *ki he holo ko e tapaka* (on the reduction of tobacco). *Find out ia mei he study oku lahi ange hono ifi ia 'o 'ona e tapaka Tonga* (the study found an increase in consumption of Tongan grown tobacco). *Na'e 'osi tali he budget statement 'oe ta'u ni ke impose e TOP\$200 ki he kilogram e tapaka* (this year's budget has approved imposing TOP\$200/kg on Tongan grown tobacco). *'Oku mahino oku holo e consumption e imported tobacco he 'oku afe kakai ia 'o ifi tapaka Tonga* (We realised that the consumption of imported tobacco is decreasing because more people are turning to Tongan grown tobacco).

Participant GBF was concerned with the high price of essential goods due to the health tax increase. Sugar is now under the excise tax schedule, causing prices to increase, but this is a staple product for low-income families. Sugar is a daily necessity for many low-income families, so the price increase will not change their spending behaviour. There has been no consultation on the health tax, and he felt like the government was taking people's freedom of choice away. He thought the government should focus solely on the economy and stop implementing policies that harm the poor.

Sin goods were added to the excise tax duty schedule alongside tobacco and alcohol in 2017. The sin goods were made up of the following products (Ministry of Finance and National Planning, 2019, p.50):

- Imported instant noodles.
- Alcohol.
- High-sugar content carbonated drinks.
- Mayonnaise.
- Ice cream.
- Imported turkey tails.
- Chicken quarters.
- Fuel.
- Baby diapers.
- Animal fats.

4.7.2 In-kind remittances

Participant GBA, GBD and GBF considered in-kind remittances as an integral part of each family's wellbeing. The in-kind remittances are the personal imported goods that are charged CT and duty at the border. GBA believed that imported in-kind remittances are greater than the financial remittances.

Participant (GBA): 'Oku ua foki e foi component ko e 'oe tukuhau. Ko e taha ko e fefakatau'aki. Ko e taha 'oku te 'eki ai ke lava 'e Tonga ni ia 'o record 'a e me'a oku ui ko e ko e in-kind remittance, ko ho'o ki'i puha, fakatau'aki e pa'anga Nu'u Sila, fakatau 'aki e koloa e pa'anga Nu'u Sila, toe feleti mai 'aki e pa'anga Nu'u Sila, toe 'o mai e pa'anga Nu'u Sila ke tute 'aki e puha heni.

Interpretation: There are two components of taxation. One is trade. The other one, which Tonga is unable to record, is what is called in-kind remittances, your box was purchased with New Zealand currency, the goods were purchased with New Zealand money, freighted with New Zealand money and New Zealand money was sent to pay for duty on the box here.

4.7.3 Priorities of the privileged

Participant GBA considered his family, fishing business and political status as the top financial priorities. GBB was similar to GBA except his third priority was towards his Chinese business community. I asked GBB about his views on the church, and he responded that he is part of a local church. He did observe Tongan families paying more for their church *kavenga* even though they cannot afford to make donations. Participant GBC was more family focussed and wanted to build her career. She considered the church *kavenga* as an individual matter but ranked it way down her priority list. She saves a maximum of TOP\$1,000 a year for her church *kavenga*. In her words, "*my misinale has been TOP\$1,000 all the time and will never increase*". She is part of the Free Wesleyan Church but does not consider their *kavenga* as priority. She will only contribute to what is reasonable and only if she wants to do it.

Participant GBD considers his family, career and community in the outer islands as his main financial priorities. Church *kavenga* is a lot lower in his list of priorities. Participant GBE has parents who donate a significant amount to the church, but she does not because she believes that her main priorities are her children, caring for her parents and

growing her business. She was critical of the church clergy because the only time they visited her parents was to collect their *misinale*, *kuata* and other church donations. She has neighbours who are living in severe hardship, but she is amazed at how they could contribute most of their income to the church *kavenga* and then struggle to pay for their living expenses. GBF's father is a prominent church leader, but he believes that church *kavenga* is a personal commitment and should be a private matter. His main priorities are his family, studying for a PhD and developing his new career. GBE highlights her priorities and views against the church obligations:

Participant (GBE): My priorities are my children, parents, and growing the business, and church is low priority. The church causes poverty. I would rate the church out of 1–10, with 10 being the lowest, as a 9 or 10 in terms of least priority. My church is not like the Mormons, they do a lot of community service. I am Siasi Uesiliana (Free Wesleyan Church). My parents' generation will save their money for their misinale, and little things like kuata, fa'a ha'u pe faifekau 'o 'ave 'enau seniti (the Reverend always comes home to pick up their donation).

4.7.4 Government subsidies

Participant GBD had been monitoring the impact of government subsidies in the form of tax or duty relief for tour operators, fishing companies and the Tonga Power Company. His concern was that the subsidies should reduce the price of goods for consumers, but this is not reflected in the prices charged by the businesses. He was concerned that subsidies are only benefitting the businesses and not the local communities and the poor. Government provides CT relief on fuel for local fishing companies, but they cannot meet the demand from consumers so foreign vessels operating within Tongan waters will offload 5 tonnes of fish at low prices under a pilot scheme. Participant GBD believed that the CT relief for fishing companies is around TOP\$20 million, but this has not benefitted the poor or those in the outer islands and rural areas. Only people living in Nuku'alofa

have access to the cheaper fish from the pilot scheme while those in the rural areas and outer islands receive nothing.

Participant (GBD): A'u e subsidy fuel ia ki he \$20 million ki he toutai local pea kei provide pe ia 'o ikai ke nau totongi CT he penisini ka ko e price ia e ika oku ikai holo ia. 'Oku 'i ai e ki'i founa pailate 'oku alea'i moe kau toutai mei muli ko e fo'i toni 'e fiha oku pa'anga 'e \$5 ki he kilo ka oku ikai ke fair ia he ko Nuku'alofa pe oku penefiti ka 'oku 'ikai ke a'u ia ki he ngaahi 'otumotu moe feitu'u 'uta.

Interpretation: Fuel subsidies in the form of CT exemptions has reached TOP\$20 million for the local fishing companies, but the price of their fish has not fallen. There is a scheme being piloted with foreign fishing companies for a certain number of tonnes of fish at TOP\$5 per kilogram, but this is unfair because it only benefits residents of urban Nuku'alofa, and it does not reach the outer islands and rural areas.

4.7.5 Capital gains tax

Participant GBA and GBD considered land as a barrier for vulnerable communities, especially those in the outer islands who migrated to the mainland for employment opportunities or to educate their children. GBF presented a different view but one that warrants further discussion in the following chapters. As a former senior economist working for government, GBF was involved in land transactions and how Tongan males can own land. He believes that the government should consider a capital gains tax for land transactions. The Constitution prohibits the sale of land so, to get around the law, landowners and buyers negotiate a private payment and refer to the financial transaction as a *me'a'ofa* or donation from the buyer, which is tax free.

There is an informal market for land, according to participant GBF, and a property measured by 30 poles by 30 poles can sell for upwards of TOP\$40,000. This is also advertised openly without any reference to the Constitution. When it comes to the formal

registration of the land by the new owner, the actual amount of money given to the original owner is not recorded. GBF believes that the government should formalise the process and call it what it is – the sale of land. The next thing to do is impose a capital gains tax on the sale of land. This will bring these transactions into the tax net. There are significant parcels of land being sold, and he thinks that this is one way of taxing the sale of land which may reduce property prices so the poor and vulnerable communities can have a better chance of securing land at an affordable price.

Participant (GBF): ko e palopalema he 'oku lahi e me'a oku 'ikai ke tukupau'i hange ko e capital gains tax. Kai 'i ai ha me'a pehe ia 'i Tonga ni ka ko e me'a lahi taha ia heni. Ko e pole 30 'oku 'osi a'u 'o TOP\$40,000. 'Osi 'ilo 'e he pule'anga 'oku fakatau e 'api ka 'oku nau ui e fakafetongi pa'anga ko e me'a'ofa. Kai ke 'i ai ha formal procedure. Tonu ke 'ai he pule'anga ha tax hange ko e gift tax pe ko e inheritance tax ke capture e tukupau.

Interpretation: The problem is due to many things that are untaxed like capital gains tax. There is nothing like that in Tonga, but it is the most common thing here. A 30-pole property can reach TOP\$40,000. The government knows this is happening, but they call the exchange of cash a donation. There is no formal procedure. The government should impose a tax such as a gift tax or inheritance tax to capture this tax revenue.

4.7.6 Government tax policy

Participants GBA, GBB, GBD and GBF had different views on the government's tax policy. GBD believed that the previous government of Prime Minister Feleti Sevele made changes to tax policy that were counter-productive to how Treasury develops fiscal policies to achieve the government's economic outcomes. The changes included shifting the tax policy function out of Treasury to the Ministry of Revenue and Customs, who were the operational arm of the tax system. Treasury no longer sets the policy targets

for taxes and customs duties. This function is now the responsibility of the Ministry of Revenue and Customs. This causes a difference in policy opinion between Treasury and the Ministry of Revenue and Customs. At one stage, the Ministry of Revenue and Customs proposed reducing CT from 15% to 12.5% in order to generate economic growth.

According to participant GBD, this is unhelpful to Treasury's role in setting economic growth targets. Treasury uses fiscal and monetary policy to give effect to the government's economic policy. However, the Ministry of Revenue and Customs is now the tax policymaker and tries to use that function to influence revenue collection without full consideration of the risks from a revenue shortfall and failure to pay for public services.

Participant (GBD): 'Ohovale pe mautolu ia tu'u mai e previous CEO e Potungaue Revenue moe Customs mo 'enau Minister ke nau holoki e CT mei he 15 ki he 12.5% ke teke 'ekonomika. Nau advise ke tuku na'a holo e GDP moe domestic revenue. 'Oku lolotonga surplus e patiseti. Ko e haa e tu'unga oku tau 'i ai in terms of outputs. Nau warn the ministers he ku na fakakaukau ke hiki e spending e pule'anga kae reduce e CT at the same time. CT is our primary revenue earner.

Interpretation: We were surprised when the previous CEO of the Ministry of Revenue and Customs and their Minister visited to inform us about their plan to reduce CT to generate economic growth. I advised against this because of the risk for falling GDP and domestic revenue. The budget is currently in surplus. What is our position in terms of outputs? I warned the Ministers because they were planning to increase government expenditure while reducing CT at the same time. CT is our primary revenue earner.

Participant GBA had a different view to GBD because, from a Customs point of view, he believed that by reducing CT, they can encourage more taxpayers to pay the right tax when it is a lower rate. This will increase revenues due to better compliance. He

experienced a similar policy in other Pacific nations, so was in favour of lower tax rates. Not only that, but he also believed that this would provide direct benefits to the poor who are disproportionately affected by CT. GBF held a similar view to GBA and was in favour of lower taxes and reducing restrictions to allow businesses to grow.

As a business operator and member of the business community, GBB believed that government policies are not pro-business. The two departments he works closely with are the Ministry of Revenue and Customs and the Ministry of Labour and Commerce. He was mainly concerned with the Competent Authority, which has the legal power to control some of the key items that families rely on for food and transport. His business colleagues complain about the draconian price setting that is not determined by the market but by the Competent Authority. From his perspective, this is a significant problem that is harming businesses' ability to meet the needs of consumers.

Participant (GBB) – in English: Labour and Commerce, they have a particular division called the Pricing Control Division (Competent Authority). In order to move forward, Tonga needs to go with where the market is. The market decides what the thing is worth. However, the Tonga pricing department sets the prices of what specific items are, but these items prices fluctuate on the international market, we are talking about rice, chicken and flour. Tonga have to realise we import. The margins are only 4%, but these stores have to pay storage, transport and all these costs have to be considered and why would businesses be providing these things if they are losing money on it? I do not understand the reason behind that, so on that note, the government is anti-business rather than pro-business.

Participant GBB has a good relationship with the Ministry of Revenue and Customs but criticised how they focus on scrutinising a business's turnover instead of its profit level. In his experience, the Ministry conducts draconian audits that often result in millions of dollars in penalties and fines, and it is up to the business to justify why their profit levels are low. His business colleagues have reported Revenue Officers harassing the Chinese

businesses, which can lead to the owner bribing the officers so they will leave their business alone.

GBB and GBC were concerned about the government's new Point of Sale (POS) policy where all businesses must have a system to record all purchases at the POS. GBA alluded to the fact that some businesses, especially the Chinese shops, were not recording all their financial transactions and under-reporting sales, so this method will address that problem. Participant GBB and GBC were not convinced that it will work because vendors will still find a way around it and will still evade paying the correct taxes. This was just another form of heavy-handed compliance. The POS policy highlights the mistrust between government and businesses because no-one understands what the Ministry of Revenue and Customs is trying to do (Participant GBB).

4.7.7 Lack of government support for outer islands and rural areas

Participant GBA, GBC, GBD, GBE and GBF were critical of how community development policies are created because the focus seems to be on the Nuku'alofa area only. The outer islands are left to donors to provide project support and to upgrade infrastructure. The government tends to direct domestic funding towards the Nuku'alofa area at the expense of the outer islands and rural districts. The participants would prefer an inclusive development and investment model that aims to reduce the inequalities between the urban area and those in the outer Islands and rural areas. GBD criticised how the bulk of the China loan was used to rebuild Nuku'alofa while the rural areas only benefitted from the roading projects. The government's sole focus on Nuku'alofa is causing poverty levels to increase in the outer islands, especially Niua and Ha'apai, which drives mass migration to the mainland (Participant GBD).

GBF believed that government lacks the fortitude to build a reserve to be used for capital investments in the outer islands. The needs of outer island communities have been left to donor agencies and civil society. These are the most vulnerable communities because

of the lack of transportation, which is needed for seeking medical attention and to replenish supplies. He criticises the more than 6,000 government workers' high salaries for reducing financial resources for public services. GDD shared that same view because 53% of the government budget is for salaries and only 47% is left for operational expenses.

4.7.8 Chinese shops

Participant GBB is a passionate supporter of the local Chinese businesses as well as a concerned advocate for the local commercial environment. I asked the question about the volatility of prices in the Chinese stores highlighted by members of the first cohort of participants in the villages and outer islands. He agreed with the participants and explained that the volatility in the price of certain products is due to changes in the market price. However, regular products are unlikely to fluctuate because they have a steady market supply chain on these goods. The products he believed will fluctuate in price are imported plastic goods, because there is a 10% charge added at the border on top of the regular customs duty fees. This tax has increased the price of plastic goods. Meat products also fluctuate due to the impact of the price set by the Competent Authority. Chinese vendors reduce their import of meat when the prices are set; however, due to the high demand, he knows that some stores “*jack up the prices in order to recover their costs*” (Participant GBB).

Participant (GBB): Today it could be \$3, tomorrow, 50 seniti depending on what government has done. Market demand is way higher than supply so people will pay for it regardless of the price. The more price control you make, the more prices fluctuate. If there is a low supply in the market, prices will go up. You are destroying the very thing you are trying to achieve.

According to GBB, Chinese migration was steady between 1990 and 2000 and then a massive influx in the 2000s due to families expanding their stores. Chinese immigration

declined after the civil unrest of 16 November 2006, but has started to increase, and numbers levelled out in 2010-2012. GBB believes that the Chinese population is around 1,000. The number of Tongan visas issued for Chinese people might be around 3,000, but he thinks that two-thirds have not migrated to Tonga. The normal behaviour of Chinese vendors is for the husband to migrate to Tonga and operate a store with a few staff while the wife and children remain in China. Tongan Chinese stores operate for about 2-3 years before the vendor sells the business or expands into a bigger store, or the family might decide to migrate to another country for better opportunities. GBB thinks that, generally, Chinese vendors are here for the long term and are quite resilient operators.

After the civil unrest in 2006, the government introduced restrictions on international money transfers which GBB thinks has impacted the Chinese operators. Single businesses cannot transfer more than TOP\$50,000 per year. There are also tight restrictions on business supply chains. If a person transfers money to a business overseas, then they must show the imported products they purchased for that amount. Chinese vendors must show evidence of the products arriving at the wharf. The banks monitor these restrictions closely and will call the vendor to ask for the telegraphic transfer (TT) when it arrives, and if the ordered products do not arrive in Tonga, then the vendor is flagged by the Reserve Bank and loses their TT licence.

Participant GBA acknowledged the prejudice that some customs staff show against Chinese vendors compared to Tongan people importing personal goods. This is an issue that GBB has witnessed regularly. There are accusations of corrupt behaviour at customs, and he believed that this needs to be addressed because it is harming the local Chinese businesses significantly, especially given that they are mostly involved in the retail sector.

Participant (GBA): 'Oku feinga e pule'anga ka 'oku ou tui lahi au ko e kau ngaue 'oku nau 'oange treatment kehe ki he kau pisinisi, kapau ko ho'o puha 'oku 'omai ai ha kapa pulu 'e hongofulu, 'oku kehe tute ia e koloa 'oku 'omai ki he trade, 'oku

kehe hono tute 'ona ia. 'E ma'ama'a ange pe me'a ia 'oku 'omai ko e fakafo'i tuitui ka ke manatu'i 'oku 'ikai 'i ai ha boundary pe standards ia mei he kau taki 'i 'olunga.

Interpretation: The government has tried, but I think the customs officers treat businesses differently. For example, if you have a box with ten cans of corned beef, the duty for commercial operators will be different from imported personal goods. The personal imported goods are cheaper because there are no boundaries or standards set by the top leadership.

According to GBA, Revenue Officers were stationed in the Chinese shops because of the massive discrepancies between their sales and profit records. The records made by the officers implicated the Chinese vendors in misrepresenting their profits, so the Ministry needs to be vigilant against the practices of these stores.

Credit facilities

I asked the question about credit facilities offered by the Chinese shops, and according to GBB, this is usually a revolving credit of a few hundred dollars or less that is offered to trustworthy customers. This was a popular arrangement in the past, but only a few stores have this facility now due to customers failing to pay or running away. These stores know how hard it is for some families to survive, so they try to help by offering small amounts of credit when the situation becomes desperate. He receives regular feedback from his Chinese store owners about the growing poverty level in the villages, and they can see it daily. Government should be focussing on reducing hardship instead of trying to make more money from businesses.

4.7.9 Increasing the tax threshold

One of the pro-poor policies driven by participant GBA was increasing the tax threshold from TOP\$7,400 to TOP\$10,000 and lifting the top income tax bracket from 20 to 25%. During his tenure as a senior officer of the Ministry of Revenue and Customs, he had

wanted to reduce the burden on the poor by changing the tax threshold. Increasing the tax rate for the top income bracket made up for the revenue shortfall. He estimated that the increase in the threshold provided low-income employees an extra TOP\$400 per annum.

Participant (GBA): Ko e taha e ngaahi polisi ko e na'e fokotu'u, mau hiki 'emautolu e tax threshold ceiling ki 'olunga pea hiki e ceiling ki he kau tama vahe lalahi. Ko e maximum ko e he taimi ko ia ko e peseti pe 'e 20, mau hiki hake 'emau tolu 'o peseti 'e 25. Ko e extra return ko e ki he kau tama na'a nau nofo he vaha'a e TOP\$7,400 moe TOP\$10,000 na'e ma'u e fo'i pa'anga 'e TOP\$400 'a ia 'oku hange ia ha fakalelei vahenga mei he ikai ke nau totongi 'enautolu e tukuhau.

Interpretation: One of the policies developed, we increased the tax threshold ceiling as well as the ceiling for the high-income earners. The maximum at the time was 20%, which we increased to 25%. The extra return to those between the TOP\$7,400 and TOP\$10,000 bracket was TOP\$400 which was like a salary increase from not paying tax.

According to participant GBD, the Ministry of Revenue and Customs also planned to reduce CT but his advice and warning to the Minister prevented this from happening. The Ministry of Revenue and Customs has a lot more power in terms of policy setting, but this can also cause a counterproductive effect on the economic policies set by Treasury. This is an on-going problem because of the way a previous government allocated the policy functions.

4.7.10 Corruption or loyalty to kin?

Participants GBA, GBB and GBE had different views on how customs officers were valuing imported goods and charging duties. GBB considered it as a blatant form of corruption when customs officers use different valuation methods for Chinese and Tongan businesses. GBE also held the same view because she is a business owner and

a financial expert. She knows that she could get away with a lower duty rate if she asked the customs officers for leniency, but she does not believe in that type of approach even though she has witnessed what she considered as corruption at the border: *“I have seen how the officers change the rates, especially if you know them or have family connections, but that is against my beliefs as a law-abiding citizen. It does happen a lot, and I've also heard a similar story from other people”* (Participant GBE).

Participant GBA has a different perspective from GBB and GBE. He believed that you need to understand Tongan society to make sense of the customs officers' situation.

Participant (GBA) – spoke in English: We live in a Tongan society where family loyalty is paramount. You have a family, and I have a family. Family ties are powerful, and it becomes complicated for officers to follow procedure when family is involved. This is normal behaviour because we are a nation built on collective wealth and wellbeing. It is not an individualistic society. The loyalty of staff to their family, village and *ha'a* is compelling, and this does impact the customs officers' decision-making ability. There are laws and procedures in place to guide and control staff behaviour, but the loyalty factor to families can blur the line between following the correct procedure or making a corrupt decision.

Participant (GBA) – spoke in Tongan: *Fakataataa eni kapau ko e 'ofisa au, ko e taimi ko e 'oku 'ave atu ai ko e me'a hoku famili, kapau kou ngaue au, 'oua e loi mai ha taha ia, 'e ma'ama'a ange 'ene me'a 'ia au 'oku 'ikai ke 'i ai ha no famili 'i loto he potungaue. Pau pe ke na kehekehe he valuation.*

Interpretation: For example, if I am an officer when my family's shipment arrives, and I am working, you would be lying to me if you said that your stuff is going to be cheaper than mine if you do not have family working in the department. The valuation will be different.

Participants GBA and GBB share the same view, that the customs officers are not following the law and still using old valuation methods that incorrectly value imported

goods. Two similar vehicles with little differences can still end up with wide-ranging valuations depending on the customs officer. With all the technology available, the Ministry has still not developed an anti-corruption system to ensure all importers are treated fairly and in accordance with the law.

4.7.11 Role of government

Participant GBA believed that the only way to eliminate poverty is to promote trade in Tonga. Trade is available to everyone, and even the poor can participate by exporting or importing. Government has a role in encouraging commercial trading activities, but it is not to be the 'grower of taro' or operating a fishing vessel. Government's role should be one of empowering (*fakaivia*) people to participate in trading activities. "*Our people are resilient and have always been known to work hard*" (Participant GBA). GBA recalls the agricultural initiatives implemented during the term of the late Prime Minister, Prince Tu'ipelehake, who was also the Minister of Agriculture. Each district had an agricultural extension centre with plenty of farming equipment and staff to guide farmers and increase the participation of the poor. These projects were successful but, sadly, they were terminated and, instead, the government relies on the private sector to provide agricultural development services to poor farmers. So far, this has failed because the private sector does not have the resources.

GBB believed that government should be issuing working visas to the Chinese people but, due to restrictions, many people are bypassing this and entering Tonga as visitors and staying on illegally for a couple of years and then paying an overstaying penalty when they leave the country. "*If you can't stop them, why not issue the visas and make everyone legitimate*" (Participant GBB). The other matter for government is to rule out corruption at customs and eliminate the separate treatment of Tongan and Chinese importers. His business community regularly witnesses Tongans clearing a container for only a few hundred dollars while Chinese businesses have to pay thousands in duty and CT charges. The Tongans claim their goods are personal effects, but this is not true

because they sell the goods at the roadside stalls. He wants the government agencies to treat the Chinese vendors with respect because most are only mum-and-dad operators trying to make a living.

According to GBC, Tonga's Chamber of Commerce has a strained relationship with the government of Prime Minister Akilisi Pohiva. This has been a problem for their members because their perspectives are not respected by the government. The Minister for Labour and Commerce has removed the Chamber from international business missions which has caused much anger and resentment between both parties. GBC thinks that the new Minister has a personal vendetta against the Chamber. Consultations on tax legislation have been inadequate, and the government seems to make policy changes without engaging the business community. The most recent instance was the Revenue Services Administration Amendment Bill which was tabled in Parliament without consultation with the private sector.

4.7.12 Vulnerable communities

Participant GBC believes that vulnerable communities are not even aware of the tax system and its impact on their lives. GBA highlighted the government's natural disaster policy where imported items for construction and communities are duty-free after a natural disaster. The vulnerable communities do access the duty-free scheme, and it has helped to rebuild some of the worse-off rural areas. GBF would prefer a reduction in CT, which will benefit the vulnerable and compensate the poor for landowners not paying capital gains taxes. GBE is concerned with the growing number of poverty cases occurring due to the high tax rates. Family breakdowns due to fathers migrating abroad for the RSE and SWP schemes are also hurting vulnerable communities.

4.7.13 Climate change

The participants identified climate change as a major issue that will have a severe impact on the vulnerable community. GBF believed that tax changes and climate change have had a double impact on the poor. Communities in low-lying areas and the outer islands are working hard to create seawalls to protect their lands from the rising sea level, and then, on top of that, the government imposes CT, health taxes, plastic tax and customs duties. These effects have made the poor worse off because they do not have many options to move inland or to the urban areas because their lands are at risk of being eroded by the rising sea level.

Participant (GBF): Faingata'a'ia 'aupito e masivesiva mei he climate change pea toe hilifaki mai e tax he koloa. 'Oku nau worse-off because of the tukupau pea secondly ko e impact 'oe climate change.

Interpretation: The poor are experiencing hardship from the impact of climate change and the added tax imposed on goods. They are worse off because of the taxes and secondly the impact of climate change.

Climate change also impacts on those in the rural areas because of the regular periods of drought and irregular rainfall patterns. GBD believed that this is a problem for both rural and outer islands communities which can drive down economic growth. GBF noted that, during the drought season, prices can increase by 300%. This is evident in the sale of vegetables. Small marble-sized tomatoes can cost TOP\$3 each during a drought season, and this has become more regular. On his trips to the outer islands, some of his colleagues who operate motels there would ask him to buy 20 small tomatoes for TOP\$60 for their restaurant. The rapidly changing weather patterns severely impact the outer islands, so their local communities and businesses all feel the adverse effects much more than people on the mainland.

Participant GBC's organisation has been contracted by donors to deliver more climate change training for businesses and farmers throughout the Kingdom. People are starting

to understand the impact of climate change, but she believed that the vulnerable communities and the poor have little knowledge about the repercussions of climate change. They are the most vulnerable groups to climate change, but they have not been properly educated and trained to address the increasing impact of climate change. In her experience, the government is slow to adjust to the growing problems posed by climate change and, instead, relies solely on donors for project support. This is not good enough because climate change should be a 'whole of government' and community priority because the sea levels are rising and those in the poorest sector of society will suffer the most from its effects.

4.7.14 Seasonal work scheme – RSE and SWP

The seasonal work scheme was a concern for participants GBA, GBE, and GBF due to the growing number of families breaking up. The income received from the scheme is evident to the participants. However, when the father (or male leader) travels abroad for employment, he leaves behind a family that will struggle to adjust to not having the main protector and decision-maker. By the time he returns, the wife has left, and other family members foster the children. This is a common issue and one that has become an unforeseen side-effect of the RSE and SWP.

Participant (GBF): Ko e RSE, lahi 'aupito e family break up. Sio, taimi ha'u ai e hoa ia mo e silini kuo alu e finemotu'a ia. Pehē mai pē afe he drugs he oku hala ha counselling ia. Tonu ke iai ha tax instrument ke set up ha counselling industry ke address e palopalema.

Interpretation: The RSE, there are a lot of families breaking up. See, when the husband returns with the money, the wife has already left. The husband then turns to drugs because there are no counselling services. We need a tax instrument to set up a counselling industry to address the problem.

4.7.15 The past decades

The participants had the same views on the current business and government policy environment before the revenue reform. GBF thought that leaders in the past, before the revenue reform in 2005 and democratic changes of 2010, listened to the opinions of citizens. He believes that the views of ordinary people were considered before the government took action. Now, he thinks that it is all about revenue collection and meeting unrealistic targets. He recalled how the pa'anga exchange rate was higher than the New Zealand currency. Goods were affordable and life much more comfortable, especially for the poor. In those days, everyone had an opportunity to participate in agriculture or some form of commercial venture.

Participant GBE regularly came across families struggling with daily needs and with paying household bills such as electricity and gas. She was amazed that, in this day and age, people still eat tinned-fish or the fatty chicken imported by the Chinese stores. In the old days, fish was cheap and regularly available but now it is up to TOP\$18 per kilogram so she can see why the poor prefer chicken which only costs TOP\$2 per kilogram.

GBB also recalled the 1990s when he first arrived in Tonga and how tax compliance was a lot simpler and easier to manage. Now, the Chinese vendors are inundated with fortnightly monitoring inspections by revenue officers to check sales figures and imported goods. Food safety officers from the Ministry of Health and officers from Labour and Commerce were checking all weighing equipment. This is quite a lot of compliance for a small country such as Tonga and adds further stress to the business community.

4.7.16 Role of churches

The participants all belonged to a church, but they do not consider themselves to be serious members of the congregation. They are members but only attend and contribute when they feel like it. They do not feel any pressure to contribute money or worry about

the perspectives of the congregation if they decide against it. They believe that it is a personal matter and one that does not require a person to pay to become a better Christian. Their main focus is on their families and other priorities.

According to GBE, the churches are very powerful institutions and major players in shaping Tongan society and even government policy. As an example, she described how the Council of Church Leaders demanded that the government abolish the sale of bread on Sundays because the sabbath is a day of rest. Sunday bread sale was banned in July 2016, causing job losses in the local bakeries. The churches made a demand for government not to ratify the United Nations Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW) convention.

Participant GBB and GBF shared the same view that Tongan people, especially the poor, are contributing considerably more than they can afford, causing hardship and social problems. The large churches are registered for CT and PAYE (pay as you earn) while the small ones are not. If the church's turnover is more than TOP\$100,000 then they must register for CT and PAYE if they employ staff such as administrators, teachers and other positions.

4.7.17 Impact of the revenue reform

Consumption Tax

In 2005, participant GBE was working in government and remembered the revenue reform clearly, especially the introduction of the 15% CT. She participated in the consultation that was offered to the finance team in her department. She felt that the reform was rushed through without proper engagement with the communities and outer islands. When she reviewed the consultation materials, she pointed out the heavy burden it would impose on the poor, because they have lower disposable incomes. In her experience, when she imports uniforms through her business, it automatically attracts a 30% tax. Every imported shirt has a 15% duty and 15% CT. She believed that the taxes

are collected because customs have strict annual targets to meet. She believed that there are corrupt practices at the border and knows of fake invoices being used. This is a common problem because the taxes are too high. She would prefer taxes to be placed on high-end items rather than basic products that are purchased by low-income people. Participant GBF and GBA considered the 15% CT to be too high, and the main cause of poverty and hardship amongst the poor whose incomes are below TOP\$6,000 per year. GBF is concerned about the CT's impact on reducing the purchasing power of the poor.

Participant (GBF): Na'e fu'u lahi hono uesia e kakai masiva he CT pea tokolahi e ngaahi famili ia oku ma'ulalo e income he TOP\$6,000 he tau. Fu'u keina 'aupito he CT e purchasing power ia e kakai masiva.

Interpretation: CT severely impacted the poor, and many families have incomes below TOP\$6,000 a year. The CT has significantly reduced the purchasing power of the poor.

CT impact on Chinese vendors

According to participant GBB, CT is not an issue for the Chinese vendors because they are importing large shipments of goods and paying CT at the wharf, which means they are always in credit. Most Chinese vendors have a revolving credit because they have not sold their products yet. *"We deduct two numbers and only pay at Customs and deduct once we sell. This happened to me, if I bring ten containers, I pay at the wharf and deduct over the year. Everything in Tonga is imported, so CT does not impact us"* (Participant GBB).

Progressive Tax

GBF thinks that Tonga should adopt a more progressive tax model to capture taxes more efficiently. The three existing income tax brackets should be increased to five brackets. The other change is to adjust the tax rates for inflation to protect people's purchasing

power from falling when inflation increases. He has witnessed a higher number of tax avoidance and evasion cases amongst local businesses due to the high company tax rate of 25% and believes that it is better to reduce the rate to 20% or 15% and broaden tax collection.

Depreciating pa'anga

Participant GBE's business has had to adjust to the changes in the tax rate and a depreciating pa'anga. Five years ago, the pa'anga was stronger than the Samoan tala and Fijian dollar, but now, the tala has the same value as the pa'anga, and both are weaker against the Fijian dollar. This has made the business environment harder for importers. She had a shipment worth TOP\$80,000 that had a TOP\$17,000 customs duty due to the high tax rates. In her opinion, tax policies need to consider the strength of the pa'anga for the business community and government needs to implement policies that encourage businesses to grow and not fail.

Opinion on the revenue reform

I asked each of the participants about their opinion of the revenue reform and their responses were similar. GBA responded that the revenue reform remains incomplete. His reasoning is based on the original package of tax changes being partially completed. However, he thinks the main reason is that the original revenue reform architects, such as former Finance Minister, Siosua 'Utoikamanu, had a vision to achieve but the current leaders of the reform have a different perspective so the original reform plan will never be completed.

Participant (GBA): Ko 'eku tali kiai ko e 'ikai – incomplete e reform. Lahi e ngaahi me'a ia e reform oku fiema'u ia ke fakakakato ee. Ka ko e 'uhinga foki 'ene ta'ekakato he ko e kakai kehe na'a nau kamata pea 'i ai 'enau visone ka ko e kakai kehe na'e 'omai ke faka'osi e reform, ihe tui ko e 'a'aku, 'oku si'isi'i 'aupito 'enau 'ilo ia 'a nautolu ki he kamata'anga moe taumu'a ko e reform.

Interpretation: My answer to that is no – the reform is incomplete. There are a lot of unfinished tasks that need to be completed. The original people that started the reform had a vision, but different people have been brought in to complete the reform. In my opinion, these people have limited knowledge of the start of the reform and its purpose.

Abolishing tax rebates

GBF was a staunch critic of the abolition of the tax rebates for donations and education costs during the implementation of the revenue reform. He noted that all families involved with church activities and paying for educational costs for their children might not have understood the workings of the tax system, but they all knew how the tax rebate system worked. He was involved in helping families to apply for their rebates, so knew its importance for the low-income employees. While working for government in the 1990s he always knew when the tax rebate payments were made because of the long queue of people who had come from rural areas and outer islands to collect their rebate cheque.

The rebate may not have been a significant return for high-income earners, but he knew the importance of the rebates to employees from the rural areas and outer islands because it was an incentive to keep contributing to the church *kavenga* and paying for their children's education. GBF believed that abolishing tax rebates in 2005 was a major mistake because this was taking money away from the low-income earners who relied on the rebates for their *kavenga* and their children's wellbeing. However, the rebates have minimal impact on the cohort one participant group because the majority do not earn more than TOP\$10,000 per annum. The rebates would benefit the cohort two participants more because of their significant incomes.

4.8 Conclusion

The data collected from the first cohort of 51 village participants identified 27 main themes that were used as the nodes in NVivo. These themes were refined into 10 expenditure categories (including *kavenga fakalotu* and land) and eight revenue streams. Participant responses provided the opportunity to undertake an in-depth analysis of their expenditure patterns, including their *kavenga* through to imported goods from relatives abroad. A key expenditure theme was *kavenga fakalotu*, which was identified as the main priority for most participants from the villages. Land was another important topic that was discussed in more detail, especially around the ability to generate income and grow food. Other key issues that impacted the lives of participants were discussed as they focussed on their perspectives on the tax system, government assistance and factors that influenced their behaviour. The participant group one cohort, identified their main sources of revenue, made up of remittances, bartering, women's enterprises, government support and other individual sources.

The research also highlighted the views and perspectives of the other side of Tongan society, the elite and privileged, on the revenue reform. This was presented by the views of six key participants in the second cohort (GBA, GBB, GBC, GBD, GBE, GBF) on the revenue reform. The responses of the second participant group were in stark contrast to those from group one (51 village participants), especially with regards to priorities, awareness of government policies, the tax system, and their *kavenga fakalotu*.

The two participant groups' comments were included in nearly every theme to highlight their views. They covered a wide range of themes, and the breadth and depth of the information is analysed in more detail in the next chapter. The responses indicated how involved the participants were in their respective communities. At every transaction point, some form of tax, mainly CT, was likely to be paid, and this is mapped out in the following chapters. Essential aspects of a participant's life were discussed to provide a detailed picture of how they lived, their expenditure behaviour and their sources of income.

5. TUI – Data analysis

5.1 Introduction

This chapter represents the 'TUI' stage (weaving or making the garland – data analysis) in the KRM. The *Tui* part of the process is when the garland begins to take shape with the different flowers and materials selected by the weaver. The weaver has considered the occasion and carefully selected the flowers to create a garland that best fits the purpose of the occasion and reflect the mana of the wearer. The weaver may have picked a range of different flowers but only the most appropriate and important are selected to be woven into the garland.

This stage prepares the data for the analysis of the two cohorts' responses to the research questions that identified the main themes. There are many themes and sub-themes but only the priority themes are selected – which best represent the voices of the cohort. I consider the data analysis stage as a critical part because the feedback from the cohorts are being analysed with academic rigour to interpret participants' responses (Vatuvei, 2017).

The previous chapter provided the raw data based on the NVivo coding process. I will use this data to map the participant group one's expenditure and income sources to identify the points of tax collection. This chapter aims to highlight the tax implications of the expenditure and income sources of participant group one. The perspectives of the six-participant group two cohort are also highlighted and analysed.

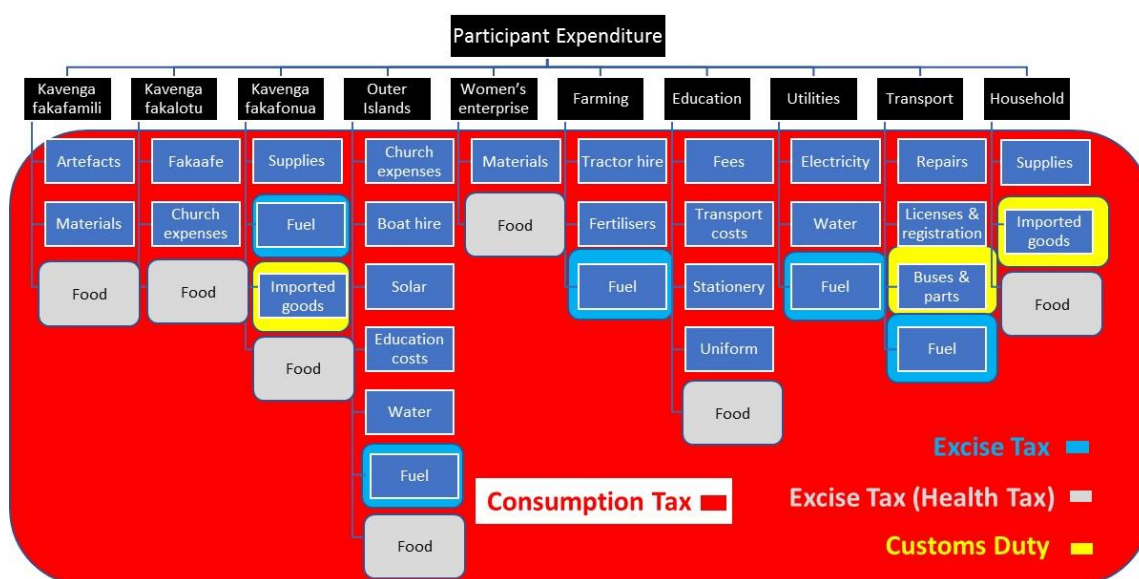
5.2 Mapping the tax payment net

The *talanoa* with the 51 village participants provided the researcher with a view into their lived experiences which identified their financial transactions. Every participant had a

story and the line of questioning allowed them to *talanoa* about their life in Tongan society and the different factors that influenced their decisions to purchase goods and services as well as how they make and receive money.

This section provides an outline of the participant spending pattern and sources of income based on their responses. This enables me to identify the transaction points where tax is collected because it impacts on the participants' financial resources. Figure 10 provides a map of participant expenditure on the ten main themes identified through the data coding process. The following sections provide an analysis of the mapping and the connections between the financial transactions and tax payments under the revenue reform.

Figure 10: Tax paid on participant expenditure



The diagram (Figure 10) highlights each expenditure category and the items revealed by the *talanoa* process. There are four types of tax payments incurred by the participants, made up of CT (red background), customs duty (yellow background), the excise tax on fuel (aqua background) and the most recent excise tax (also known in Tonga as the health tax) on unhealthy goods (grey background).

Consumption tax

The red background of the diagram represents the broad coverage of CT and how widely it reaches across the expenses of participants. The *talanoa* process identified the spending patterns, types of items, and where they were purchased. Analysing this data shows that all the items listed in the diagram were subject to CT, unbeknown to most participants. CT was also charged on all imported goods under the WTO Customs Duty and Excise Tax schedules.

Customs duty

All imported goods, as well as vehicle parts, were subject to customs duty. Customs duty was paid by participants who imported 4x4 boxes of goods from family abroad as well as 20-foot containers and drum containers. Customs duty is applied to goods listed in the Customs Duty Schedule (Ministry of Revenue and Customs, 2012).

Excise tax

All fuel and imported vehicles are subject to excise tax under the WTO-approved schedule. Participants regularly purchased fuel for vehicles or boats which included an excise tax component. Excise taxes that apply to participant goods are listed in the Excise Tax Act (Ministry of Revenue and Customs, 2007a).

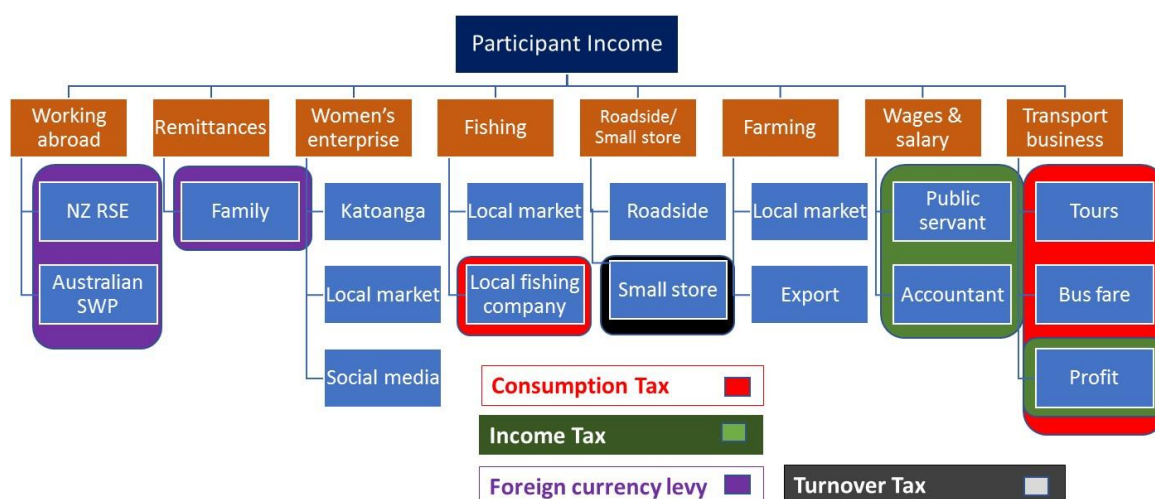
Excise tax (health tax)

Excise tax duties were charged on alcohol, tobacco and unhealthy foods imported by participants. Foods with high sugar and fat content are categorised under the excise tax which affected all food purchases by participants listed in the Excise Tax (Amendment) Order 2018 (Ministry of Finance and National Planning, 2019, p.58).

Tax payment on income sources

Figure 11 shows the eight sources of income for participants based on the *talanoa* responses. Some participants had one income source, while others had multiple sources. The following sections analyse the mapping in detail.

Figure 11: Tax paid on participant income



Participants paid four different types of taxes from eight revenue streams. The taxes were paid through CT (red background), income tax (green background), foreign currency levy (purple background) and turnover tax (black background). Four out of the eight income themes are outside the tax collection points, made up of women's enterprise, fishing for the local market, roadside stall and farming. Further discussion is provided in the following sub-sections.

Business consumption tax

Local businesses involved in fishing and the transport businesses charge CT on sales revenue (red background). This includes all services carried out by the businesses such as selling fish for the fishing company, and tours and public transport for the bus company.

Personal or business income tax

Personal income tax payments were collected directly from three participants. This was for a public servant, accountant and local bus company owner (green background). Businesses with a turnover of more than TOP\$100,000 are subject to a 25% business income tax.

Turnover tax

Two participants (Participants 36 and 45) operated small stores that were categorised as small businesses with a turnover of less than TOP\$30,000. Instead of paying business income tax, these two small businesses have to pay a lump sum of \$TOP250 per annum, collected by revenue officers during the year.

Foreign currency levy

A foreign exchange levy is charged on all foreign currency received through participants' remittances from family members (purple background). Participants pay this levy when collecting funds remitted through the banks and money transfer agents (Ministry of Finance and National Planning, 2016a).

5.3 Main themes – Key financial commitments

This section explores the participant expenditure patterns to identify where tax is collected, and at which point of the transaction. I analyse the responses and the key themes identified by participants.

5.3.1 Financial commitments to the church

The church has a crucial role in the lives of all participants in cohort one. They lived for the church and took pride in their ability to contribute and give as much as they possibly could for their *kavenga fakalotu*. Every participant identified with a church congregation and regularly attended Sunday services and other faith-based events during the week. There was a strong bond between participants and the Christian faith, which was intertwined with the Tongan cultural values and belief systems. The church symbolises spiritual sustenance and family wellbeing for participants so being part of a congregation provided a social safety-net, respect and a sense of being a valued member of the community.

The commitment of participants to the church may be criticised by outsiders, using a western lens, as unnecessary, but I can understand this from the lens of a participant with limited possessions. The church provides a sense of belonging and hope for their future. Besides, some participants utilised the church education services for their children and regularly sought support from the church leaders and congregational members during the most challenging times.

The vital role of the church for participants was ignored by the revenue reform when it abolished income tax rebates for church donations. This was raised by Participant 1 as one of the regrets she has with the new changes implemented by the government. However, the participants will only benefit if they paid income tax because the rebate is an income tax rebate. This will be discussed further in Chapter 7.

Special case – the financial burden

Participants expressed their willingness to contribute to their church and support financial activities without question. However, participant 14 had a different perspective. As a member of the largest congregation in the village, he found that preparing food and making financial donations was linked to the size of the congregation, so he decided to move to a different church with a much smaller congregation. This enabled him to reduce the financial burden of his contributions, so instead of preparing food for 50 families in the larger church, he only has to cater for 10 families in the new church.

What this highlighted was the impact of the financial burden of church obligations on participants. I will not analyse this issue in the study, but it would be interesting to see if other participants might consider switching church allegiances if it meant they could have a lower financial burden. Participant 14 was a special case, and his actions were based purely on financial matters. It also showed that it could be done and he was able to withstand the criticism from his former congregation members by arguing that at least he is still going to church and praying to the same God. He was much happier with his decision, especially with the impact on his financial resources.

The balance between private needs and church needs

Participants did not seem to compromise on their church obligations and always put their church commitments first before attending to their private needs. An example is Participant 29 from Manuka who said:

Participant (29): Kou fiema'u 'e au ke 'uluaki fakakakato 'eku kavenga fakalotu pea toki hoko mai e fiema'u e famili. 'Oku mau tui 'Otua pea 'oku mahu'inga ange 'ene kavenga 'a'ana 'i ha toe me'a.

Interpretation: I want to complete my church *kavenga* first before attending to our family needs. We believe in God, and his *kavenga* is more important than anything else.

When deciding between paying for *kavenga fakalotu* or personal needs, the participants were clear on what their priorities were, and that was their church commitments. There was no hesitation in stating this fact during the *talanoa*.

The church plays an integral role in the lives of the village participants especially given that 40 out of 51 participants prioritise their financial donations towards the church. The village participants are actively involved with their churches and are faithful members in terms of their commitment, belief and giving. Their lives revolve around church activities including regular religious events, prayer sessions, fund raising and family gathering. To them, the church provides a place for education, celebration, spiritual comfort, reassurance, and a sense of belonging. Belonging to the church helps participants to be resilient and strong as they perceived themselves to be part of the larger community. Tongan people regard the *lotu* (church) as their *koloa fungani 'i he hala fononga* (most valuable/highest treasure in their life journey).

In the Tongan culture, church ministers and pastors are highly respected and valued and they are involved in most family events. This is reinforced by the national mission that “God and Tonga are my Inheritance” (see sub-section 2.3.16). This led to families paying allegiance to the church and God regardless of their financial condition. It was evident from the *talanoa* that hardships faced by the village participants are no deterrent for meeting their regular financial giving towards the church. They are willing to forgo their own needs in ensuring their church obligations are met at all costs. This may involve working harder and seeking assistance from family members locally and abroad. Their giving symbolises their gratitude towards God and that they will be rewarded with heavenly blessings.

The revenue reform required all churches with a turnover of TOP\$100,000 to register for consumption tax. This requirement meant that churches are now paying consumption taxes on all their expenditure on goods and services. The church also pays income tax for employees and for church commercial activities.

5.3.2 Family Obligations

The family unit and extended relations are an integral part of being Tongan. The important role of family is reflected in why participants identified it as their second main priority behind religious obligations. These are the kinship obligations referred to by Geschiere (2000, p.55). The participants took pride in their ability to contribute to their *kavenga fakafāмили* and, despite having limited funds available, they found a way to contribute cash, *koloa fakatonga*, crops, livestock or other foods.

The participants' behaviour reflected the Tongan cultural values of being family-centric and keeping their 'va' strong. The majority of participants were categorised as low-income earners, but this did not change the way they contributed towards the cost of family events. The participants saved so they could contribute according to the requirements of Tongan customs. It was not considered a chore but as their display of the 'ofa and upholding the four golden pillars (*faa'i kavei koula*) of Tongan culture.

The participants belong to a traditional family unit steeped in Tongan culture. The families adhere to the Tongan customs and practice traditional values. These tenets bind the family together and even when one member is abroad, he or she continues to provide financial support and supply resources for the family. These strong family connections enable the transfer of remittances from children to parents and family in Tonga.

Family events involve purchasing food or paying for services from tax registered vendors who add consumption tax and other taxes on to their prices. These events can be costly but participants are determined to meet these obligations because the needs of the family is more important than their own individual needs. Tongans are happiest when

they are amongst family because the cultural ties are strong and continue to revolve around the need to share, care and support each other through difficulties and prosperity.

Males and females in the family practice the *anga fakatonga* (Tongan values) as part of maintaining traditional values. Brothers and sisters follow strict protocols where both may not watch television and participate in public events where inappropriate language might be used. This is *faka'apa'apa* or respect between male and female siblings. This practice is common among Tongan-born children and traditionally raised families. However, Tongan children abroad may not understand these traditional practices so lose these values. All the participants were born in Tonga and strictly adhere to the traditional values of *faka'apa'apa* between male and female relatives.

Every hierarchical level of Tongan society takes pride in being part of a family so the two go hand-in-hand. The participants spoke fondly about their families and how important it is to take care of each other including paying for contributions. The strong values hold the families together and helps reduce the burden when all members contributes toward the common-good. Wealth is not measured by economic resources but through the wellbeing of the entire family. This is why participants value family priorities as the second most important factor.

5.3.3 Cultural responsibilities

The 51 village participant cohort were people from the commoners-rank according to the Tongan hierarchical system. However, as commoners, they were expected to meet their cultural obligations. Being financially weak did not give them an excuse to avoid their cultural commitments. Village obligations were collected by the Town Officer and every household was expected to contribute. The village *kavenga* was closely linked to the nobility and Royal family. These obligations were also referred to as the *kavenga fakafonua*.

The participants felt a strong sense of obligation to their *kavenga fakafonua* because they did not want to be seen to neglect their responsibilities for the village or *kainga*. On special occasions, the entire village celebrated communal projects such as a new water supply system or roading projects to show their pride and happiness. Other events included the weddings of the estate holder or the King. These are important occasions marked by *tau'olunga*, *fiefia* and *mafana*. The participants do not converse directly with the nobility or Royal family, but through their contribution and *mafana* – this practice enables them to be part of the wider Tongan community and feel pride in their identity. As proud Tongans, the participants shared their experience in participating during the King's coronation by enjoying the main events in Nuku'alofa and providing a *tunu* or Tongan artefacts and meat towards the village contribution. The participants in noble estate villages were proactive in offering their contribution to the royal events. Some participants did express the view that they felt pressured to contribute because they wanted to keep a positive relationship with the noble. Failure to contribute may have negative consequences, so it was better to *fua e kavenga*.

The participants all lived in a village and were part of a community and church. The village schools, and the rugby and netball teams provided participants' children with education and sports activities. The villages also had a water committee (*komiti vai*), village police (*polisi fakakolo*) and village council (*kosilio fakakolo*). These different committees and activities had a direct impact on participants, so they were involved in fundraising and work schemes to develop their local community.

The National Tongan Rugby League Team (*Mate Ma'a Tonga*) visited in December 2017 and this was treated as a national event that involved celebrations throughout the nation. Some of the participants prepared food and provided Tongan artefacts for the team when they visited their village. They referred to this as a national event which they were happy to support because it was a way of showing their *'ofa* and pride in being Tongan.

The *'ofa* for and commitment to their *kavenga fakafonua* expressed by participants was evident in the way they contributed the little money they had for the national or village

events. They did not complain or object to participating with the rest of the community. They purchased food and decorations from the Chinese shops for their contributions which had a CT component on each product. Participants' *kavenga fakafonua* is another form of activity that is covered by the CT tax collection net. Paying CT is unavoidable for participants because they purchase their goods from the CT registered Chinese shops and large supermarkets.

5.3.4 Living in the outer islands

The outer islands of Vava'u and Ha'apai have shaped Tonga's history through legend and civil war. People on the mainland with links to the two islands are proud and not shy to boast about their family linkages. The *talanoa* highlighted the high cost of living on the outer island due to transportation. Land and housing were available but the need for basic goods made the experience more difficult. Fish and root crops were readily available but the distance from healthcare and schools caused problems for residents. These were highlighted as reasons for participants migrating to the main islands. Regular employment was not available for men so families made the decision to move to Tongatapu. In some cases, the participants may have been better-off to remain on the outer islands but were determined to build a new life on the mainland.

Six participants from the outer islands of Ha'apai and one from Vava'u had a different type of spending pattern based on their remote location and way of life. The participants were interviewed in Tongatapu due to the logistical problems caused by Cyclone Gita. The responses were informative and expressed with a lot of emotion and longing for their home island. Participants provided a picture of how they lived and the close kinship ties between families and neighbours. Kinship *va* or family relationships were stronger in the outer islands compared to the main island of Tongatapu, according to participants.

Essential household items were in short supply at the outer island shops. The cost of fuel, gas and store products were the main items purchased by the outer island

participants. Excise tax and CT was applied to fuel and gas and already included in the price paid by participants. The imported shop products included customs duty and CT components which are also paid by participants. This analysis indicate that outer islands residents spent a significant component of their income on CT and border taxes compared to participants on the main island.

The villagers in the outer islands do not receive any fuel subsidies like the fishermen on the main island of Tongatapu. The outer islands fishermen are small operators and are neglected despite the high cost of fuel they have to endure. Political support for the islands is weak and the needs of the local residents overlooked. The RSE and SWP schemes were originally designed for outer islands residents and rural participants so there is an opportunity for participants to seek employment abroad.

5.3.5 Female participants' enterprises

The large business sector in Tonga, is male dominated while females are involved in the micro-small enterprises as highlighted in this study. The women in cohort one had limited access to start-up finance or capital so they utilised their skills in making Tongan artefacts as well as selling raw and cooked food from the road-side in make-shift stalls. Many of the stalls are occupied by women while their husbands work on the farm. The female participants were heavily involved in enterprising activities and were quite astute in negotiating a good price and delivering quality products.

Making Tongan artefacts like a *ngatu* or *fala* is an art form that requires a high level of skill honed from watching and learning from mothers, aunties and grandmothers over many years. These skills enabled the women to be resilient and have the ability to generate income. The motivation for women to operate the enterprise is to make money to cover their financial obligations. The artefact making business is flexible and can be made anywhere the women congregate. It can be mobile and flexible enough to enable women to carry out their daily household activities.

The weaving and ngatu-making skills are similar to designing a garland according to the Kakala Research Methodology. The woven mat or *fala hina fatu fa*, *ta'ovala* or *fala paongo* is made from *pandanus* leaves or *lou'akau* and patterns are selected based on the needs of the recipient or occasion. It is a highly skilled process and one that requires knowledge and understanding of Tongan cultural designs. The same applies to the ngatu-making process and the patterns and type of ngatu such as a ngatu-uli (dark ngatu) or *lau nima* (standard sized 50 *langanga*). The *mafana* is felt by the recipient if the quality of the artefact presented is good quality and both parties experience the *malie* when the whole process is successful.

The female participants were from the rural areas of Tongatapu and outer islands. They did not have formal qualifications but they carried with them, the skills and training handed down from their elders. These women also understood hardship from living in the rural areas and outer islands.

The women joined a village network of other weavers and ngatu-makers to share the work-load and opportunities. These networks are known as the *kau toulanganga* or *koka'anga*. The women used these networks to do short-term contract work for buyers or to make large *ngatu*. The networks operated like a business or social network for women-only with a formal governance system. There was a chair, secretary, treasurer and leader or *angi*. Membership is highly sought-after because of the financial benefits. The female participants were members of these networks and committed to doing their part to complete their *fala* or *ngatu*. These networks are not mixed but restricted for women only. They provide a place of comfort and support for women who share similar dreams and aspirations.

The married female participants were very involved in the enterprising activities compared to the younger females. The younger females relied on the elderly members of their family for financial support while the older ones worked harder. This hard work involved joining a network of weavers and ngatu-makers or working alongside their husbands by operating the roadside stall.

The many obligations are the main drivers behind the female participant's enterprising activities. The fear of letting the family down and church is a major reason for women to work harder. The women also recognise the high demand for Tongan artefacts from abroad as a lucrative opportunity. These enterprises provide a way for women to showcase their value to the family and also to gain respect and status within their community.

Many of the inputs for making Tongan artefacts are sourced from each participant's land or suppliers from the local market. The goods purchased from the Chinese stores have a CT component and excise tax on some unhealthy food items. Participants indicated that they had purchased noodles, sugar and mutton to make lunch for their group of *kau toulanganga* so they do pay CT and excise taxes on these products.

5.3.6 Problem of access to land

The low land-ownership percentage among the village participants is a barrier to prosperity with only some having access to land for farming (see sub-section 4.4.1). The participants are from rural villages that depend on agriculture and related activities. The limited access to land makes subsistence farming difficult for participants experiencing severe hardship. The village participants expressed their dissatisfaction at the way land is distributed. The land tenure system is more complex because of the informal financial transaction between land-owners and potential buyers (see sub-section 5.5.1). This is unfair on the village participants because they do not have the financial resources to secure their own land so have to rely on the goodwill of extended family members to access land on a temporary arrangement.

There are compelling reasons to ensure rural people have access to land as this will increase agricultural productivity, provide family income, food security, prosperous villages and a growing economy. Ultimately, land access can help provide a long-term solution for participants in severe hardship. The outer island participants are

disadvantaged because their ancestral lands are not on the mainland. Accessing land is near impossible for outer island residents migrating to the main islands because they cannot own more than one farming property according to the Tongan Land Act. Land can be leased from estate holders but the cost may be too steep for participants. The participants that did, have access to land were better-off and had more opportunities compared to non-landowners.

Eighteen male and three female participants were involved in subsistence farming for consumption and, where possible, to make some money from surplus crops. These participants had little or no qualifications, and so relied on farming for their survival. The farmers in the research cohort were in the low-income bracket and had limited alternative employment opportunities in the public service or private sector.

Organic farming is a cheaper form of growing crops and only one participant made that decision. The rest of the farmers relied heavily on fertilisers and imported seeds which added extra costs. During the *talanoa*, the farming cohort believed that they incurred no input cost to grow crops but, after further questioning, I identified seeds and fertilisers were purchased from the large agricultural product suppliers who are CT-registered. Farming tools such as machete, hoe, spades and other tools were purchased from hardware stores that are CT-registered. Another expense was using the tractor from the hire companies who are CT-registered.

The farmers in the study did not pay income tax or indirect tax for selling or exporting their crops. However, they paid CT on all goods and services. As small growers, the participant farmers received no agricultural subsidies for imported goods and fuel. In the past, farmers were able to import agricultural supplies duty-free but this was abolished as part of the revenue reform changes. The farmers protested against the new changes by driving their tractors on to Parliament grounds in June 2005, but the revenue reform continued regardless.

Tonga's land tenure system is limited to a life interest and subject to strict inheritance rules stipulated in the Constitution and Land Act. The land system is quite traditional and well preserved but there are major problems. There is not enough land for all Tongan males so the family land becomes a major issue for male siblings. The eldest male is the legal holder of the land upon the passing of his parents which leaves nothing for the younger siblings. This problem can cause a breakdown in the relationship between brothers. Arguments over land has a profound impact on the family unit as experienced by participant 29 (see sub-section 4.4.2). Land is one of the key themes of this study because it has significant value for all Tongans. It is known as the *fonua* and for many rural families, it is the only valuable possession they own. Owning land empowers families and provides an asset base that can be used as collateral for bank loans to build a house or operate a business.

Twenty-three participants lived in government-controlled villages while 28 lived in villages that were part of a noble estate. There was a difference between both types of villages because participants in noble estates were proactive in providing crops, food and other items as a contribution to their noble. They were very mindful of doing their part to meet their *kavenga* obligations because there was a sense of fear that if they did not do this, then they could risk being banished from the village, most notably if their land has not been registered.

Living in the noble estates is not free because there is an obligation that the noble's *kavenga* is shared with the villagers. This is an important obligation and one that keeps the village community together as the noble's *kainga* or family. The participants from the noble estates did not openly complain about contributing to the nobles' *kavenga*, but I observed the strained expression on their faces about the seriousness of contributing and making sure they carried out their duty, as this is not a voluntary obligation like the church. The village town officer noted who contributed, and the list was given to the noble. None of the participants from the noble estates refused to contribute to the noble's

kavenga. The noble does not pay any income tax on any of these gifts and *kavenga* presentations.

Acquiring land can be a difficult process because of the demand from other families and the estate holder's own financial interests. Participants that want land have to apply to the village noble in the traditional way as highlighted by participant 9 (see sub-section 4.4.4). The traditional way means taking a gift (livestock, food, *fala*, *ngatu* or money) and asking for land. This is not stipulated in the Land Act, which only states that a person may apply to an estate holder (noble) for land. The estate holder may grant a piece of land informally until the Minister of Lands formalises the ownership process. Participants in government owned villages may also apply to the Ministry of Lands and Survey for land but there is a significant shortage of land which makes it more difficult to secure a piece of land close to the village.

The female participants did not own land and at best, they can be a trustee to their husband's family land according to the Land Act. Females can lease land but this is costly unless the government provides long-term leases in government owned villages such as the Pātangata residents (see sub-section 4.4.5). The female participants have shown a strong ability to operate microenterprises and having the legal rights to own land could offer more opportunities to secure capital to grow their business. The current land tenure system discriminates against women which leaves them at a disadvantage. The *talanoa* with the female participants highlighted a sense of resentment at the way women are treated with regards to land. The lack of land reform that takes into account women's rights on land ownership denies them socio-economic and political empowerment. There should be equal rights to land for both genders according to the *talanoa* with the female participants. A potential solution to alleviating severe hardship is to ensure females have access to land, especially ownership. Full ownership rights for women is impossible under the existing land tenure system so an alternative arrangement through long-term lease is a potential option.

Land cannot be sold so it remains outside the tax system, unless it is leasehold land where CT is imposed. Sub-section 5.5.1 will expand on the informal sale of land and how land-owners and estate holders get around the tax system.

5.3.7 Direct and indirect cost of education

Severe hardship and poverty are barriers to education. This problem is evident in the *talanoa* with the village participant cohort. Government funded primary school education is free, but there are out of pocket costs, such as uniforms, shoes and stationery that parents have to cover. These costs present a financial challenge for families in severe hardship. The village participants wanted to educate their children, but cost was a major issue as experienced by the rural families.

Secondary school education is not free and there are fees for enrolment as well as the other costs for uniforms and stationery. Transport and school lunches are additional costs. Participants that cannot pay for enrolment fees or uniforms will keep their children at home until such time they can come up with the money. The shame and peer pressure felt by poor families and their children is hurtful and dents their confidence and self-esteem. The situation was much more difficult for outer island families because secondary schools were only available from the main islands. The cost of sending children to school on the mainland can be prohibitive and limits further education. Some families do send their children to the mainland secondary school at significant cost to the family. Forty-nine of the 51 village participants had dependent children, and some had more than five children at school. They identified the cost of education as a significant part of their expenses.

Fusitu'a (1992) best described the role of education in the Tongan culture as so crucial that it becomes the motivation to migrate abroad in search of educational opportunities. Education for low-income families is expensive, but participant responses highlighted their desire to do the best they can to provide better opportunities for their children.

The government secondary schools make up a small number of schools in Tonga and not enough to enrol all secondary students. The majority of the secondary schools are church-owned and operated. The government provides a subsidy for each student enrolled at the church secondary schools. However, the fees charged by the schools are quite high for village participants and the *talanoa* indicate that it is a major cost. The hardships experienced by families impact the children's education which limits their ability to attain higher qualifications.

The proportion of educational costs on rural households is significant when both direct and indirect costs are considered. The school fees, uniform and stationery are direct costs but there are a plethora of indirect costs such as fundraising activities, food contributions, sports events, cultural performances and school trips. All these costs are a burden on village participants that are struggling to survive on their low incomes.

The only respondent with tertiary qualified children was participant 46 (see sub-section 4.5.8). He was a high-income earner and was able to pay for the best education for his children. This is in stark contrast to the rest of the participant's whose children did not make it beyond the secondary school level and a few from the local tertiary institutions. The families made significant sacrifices to support their children through the secondary school system and their tertiary education options were restricted to the local providers. The providers included the Tonga Institute of Higher Education, Tonga Maritime Polytechnic Institute (Fokololo 'oe Hau), Hango Agricultural College, Tupou High Institute, the local extension centre of the University of the South Pacific or one of the other smaller private training institutions. The costs for attending any of these institutions was significant for participants which precluded some of their children from further education.

Participants paid CT for most educational expenses because the schools, bookstores and shops were registered for CT. All school fees, materials and products had a CT component in the final price paid by participants. Some educational equipment, such as musical instruments, apparatus and books, are exempt from customs duty. However, all

other items such as uniform materials, school sandals and stationery are subject to customs duty and CT.

Before the revenue reform, dependent children's educational expenses of up to TOP\$2,500 were exempted from a parent's income tax. This was abolished as part of the reform, so participants in paid employment, could no longer claim any educational exemptions on their income tax (see section 7.15 for further discussion). The exemptions only apply to wage-earners. The cost of education for many participants was high, and some families could only afford to educate the younger children while the older ones either dropped out to help their father on the farm or applied for opportunities in the RSE work scheme.

5.3.8 Other costs

There are other costs that impact the village participants and this section analyses the impact on tax on each of the important goods and services.

Utilities

The village participants have a higher energy burden, meaning they pay a higher percentage of their income towards utility bills compared to the wealthier residents. The key utility expenses for most participants were electricity, water, gas fuel for cooking or fuel for a vehicle. All participants paid for utilities, and the only CT exemption was for the first 20 cubic metres of water supply. However, that exemption only applies to urban dwellers in Nuku'alofa where the Tonga Water Board is the main supplier. Participants in rural areas and the outer islands were not eligible for the CT exemption because the Tonga Water Board's water supply system did not extend beyond Nuku'alofa.

Excise tax duty and CT was applied to all fuel and gas at the border so participants pay the full price, including these taxes, at the fuel service stations and the Tonga Gas

distribution centres. Tonga Gas is a public-owned enterprise that is the sole gas provider in Tongatapu and to the outer islands. Utility providers such as Tonga Power Limited are financially stretched when oil prices increase. The increase is transferred directly on to consumers through higher utility bills.

The wealthier households can reduce their utility costs by purchasing energy efficient appliances. This option is not available to village participants with some still using old square televisions and inefficient appliances. This keeps the electricity costs high until they can afford to upgrade to more efficient appliances. Efficiency upgrades and solar power installations have upfront costs that are unaffordable for the poor. When electricity is disconnected, this has an impact on participants' children because they are unable to study in the evening or connect to the internet.

The overwhelming burden of utility costs makes it difficult for families to purchase important necessities of life such as food and medical bills. The government does not provide any specific assistance programmes for low-income households to ameliorate the burden. The high cost of utilities can impact the health and wellbeing of the village participants.

Transport

There is no distinction between low- and high-income earners when paying excise tax on fuel. There is an argument that the poor from the rural areas are having to pay excise duties that benefit the wealthy residents who operate late model vehicles. The village participants with vehicles were a mix of fuel-inefficient older vans and small cars. This means that the village participants disproportionately pay a higher excise tax on fuel.

Only 14 participants owned or had access to a motor vehicle while the rest identified public transport as their primary form of transportation. Participants who relied on public transport had limited choices in buying goods. Many purchased food and essential items from their local Chinese shops due to the cost of transport. Public transport businesses

were registered for CT and subject to the price restrictions set by the Ministry of Labour and Commerce Competent Authority. CT was applied on all bus fares, so participants and their families paid CT when travelling on buses. Car owners paid excise tax and CT for fuel at the service stations throughout the Kingdom. Many of the participants' children used public transport for school, so they paid CT on their bus fares.

Participants in the rural areas and outer islands were impacted most by transport costs because of the distance to the main town centre, secondary schools and health centres. This means higher cost for transport and walking or riding a bicycle is undesirable and dangerous due to the state of the roads. Public transport is the alternative to driving a private vehicle but the cost can be a barrier for participants.

Household

Food makes a up a significant part of the village participants household budget, but unlike the wealthier residents with savings, the participants cannot take advantage of specials by stockpiling groceries. The participants did not have the funds to buy in bulk and to negotiate a discounted price. The nutritional value of some of the food is lacking especially the unhealthy mutton flaps, turkey tails and salted beef.

Participants spent a considerable portion of their income on household items, including food and supplies purchased from the local Chinese or Tongan shops. The type of goods purchased included bread, tinned fish, noodles, corned beef, chips, batteries, sugar, flour and other household products.

All household products had CT applied by the Chinese and Tongan stores, so participants paid the full price. Some goods had other taxes added through excise taxes for unhealthy products. The health tax was imposed through excise taxes at the border and increased the price of products such as instant noodles, alcohol and tobacco, high-sugar content carbonated drinks, mayonnaise, ice cream, turkey tails, baby diapers and animal fats. The *talanoa* with participants indicated that these unhealthy goods make up

a significant part of their shopping list because some products were the only goods they could afford.

The price level has increased considerably over the last fifteen years since the reform. The *talanoa* with participants showed that they are experiencing the impact of the price increases. There are flow-on effects from the price increase that leaves insufficient income for families to cover their basic needs.

Health costs

Tonga's rate of infectious diseases fell from 32% in the 1950s to 6% in the 1990s. However, the proportion of deaths due to NCDs increased from 5.6% to 38% during the same period according to the World Health Organization (2014). These factors gave impetus to the health taxes placed on unhealthy goods highlighted in the previous section. The primary health expenses paid by participants were for health clinics and medication.

Public health services are free of charge, and there is a long waiting period during peak hours, but patients do get appointments with doctors and receive free medication. Interviews with participants highlighted a strong demand for health services and the majority used the public health system. Some elected to use private clinics if they could afford the fees.

Participants and their families struggled to provide a comfortable home for the elderly members of the family. There is a small social service provider, Ma'a Fafine moe Famili, delivering home care for a few of the elderly as part of a government pilot programme. However, none of our participants had any contact with the programme. Homecare for the elderly was provided by participants and family members (a view shared by Participant 32).

Diabetes was quite prominent amongst the elderly and some of the younger participants, such as Participants 30 and 37 who were young but experiencing early signs of diabetes.

Participant 37 discussed her health issues and physical restrictions due to diabetes. There is a lack of assistance for participants with diabetes other than medication and support from the public hospital (views shared by Participants 33 and 46). It was evident from responses that participants with a disability or a family member with a disability are living in severe hardship with a lack of support systems. Disabled participants receive a government social welfare benefit, but most need additional support such as diapers, supplies and equipment not available in Tonga, for example, hoists, wheelchairs and specialised hospital beds (views shared by Participants 45 and 32).

The older participants who needed health checks and medication often referred to three types of healthcare they were familiar with:

- *Falemahaki* or a clinic for modern medicinal cures.
- Traditional healers (*faito'o fakatonga*).
- Faith-based healers.

Participants often quoted a service provided by the Roman Catholic nuns in the village of Ma'ufanga in Nuku'alofa as being a low-cost and effective health service they had used. The participants also highlighted the low prices for medication and their preference to use this service. Some were saddened when the service was closed down because it provided them with affordable health care. Participants had a special rapport with the nuns' clinic which they referred to as the *kiliniki e 'taupo'ou'*. They trusted the advice and treatment provided by the service but is no longer operating since the foreign nuns left the Kingdom.

The *talanoa* identified a range of health services accessed by participants, and, often, their decisions are based on affordability. Participants who can afford a private clinic will use it, while those who cannot do so use the public health system. Private health services such as Siutaka Siua's clinic are CT-registered, so participants pay CT when using the clinic. Tonga imports all pharmaceutical products for medicines, and prices reflect the

market price, CT and the customs duty applied at the border. Public health services are free, but there are charges for some medications, which includes a CT component.

Imported goods

All imported goods have CT, customs duty, excise taxes and a processing fee applied at the border. Some participants received imported goods from relatives abroad, but their main concern was with the cost of customs duty and CT. The main type of import method was the 4x4 box of goods (*puha faafaa*) including non-perishable food items (corned beef cans, flour, sugar, noodles and others) and clothes. Participants reported that total customs duty and CT charges for these boxes ranged from TOP\$100 to TOP\$500. The contents were a mixture of food items and clothing, but the taxes charged by customs varied significantly. This was an issue for participants because they felt unsure about the customs valuation methods and why there were large variations. Some participants felt that the cost of duty was higher than the actual value of the contents in the box. Participants with family members abroad regularly received a box of goods, but they complained about the cost of duty and questioned the integrity of the Ministry of Revenue and Customs on the valuation of the 4x4 boxes.

Participants also imported goods in drums (*nge'esi talamu*), or a large container of goods and building materials. According to participants, the charges varied considerably, and they felt that a lot has to do with who you know within the Ministry of Revenue and Customs in order to receive a lower valuation. Vehicles and bus spare parts were other imported goods that had CT and excise tax applied.

As an example, table 14 outlines the full cost of importing healthy goods and unhealthy goods valued at TOP\$200. The costs are made up of:

- Freight expenses.
- Processing fee at the wharf in Tonga.
- Customs duty – depending on the type of goods.

- Excise tax – depending on the type of unhealthy goods.
- 15% CT on the total value of supply (value of the goods, freight, processing fee, customs duty/excise tax).

The participant pays TOP\$102.50 in taxes for healthy goods, which is 51% of the value of the goods (excluding freight). If the goods were categorised as unhealthy then it comes under the Excise Tax Schedule, the taxes paid would depend on the weight of the goods rather than value. Importing a box of TOP\$200 turkey tails has a TOP\$1.50 per kilogram excise tax so in this case, the tax will be TOP\$1.50 multiplied by the 100-kilogram weight of the product. The total taxes will add up to TOP\$240.50 or 120% of the value of the imported product (excluding freight). The new tax has a significant impact on the cost of the goods.

Table 14: Taxes paid at the border

Type of goods	Healthy Goods (Wheat bix, cereals etc.)	Unhealthy Goods (100 kg Box of Turkey Tails)
Value of goods	TOP\$200	TOP\$200
Freight	TOP\$100	TOP\$100
Processing fee in Tonga	TOP\$20	TOP\$20
15% Customs Duty	TOP\$30	\$0
\$1.50/kg Excise Tax	\$0	TOP\$150
TOTAL VALUE OF SUPPLY	TOP\$350	TOP\$470
15% CT	TOP\$52.50	\$70.50
TOTAL COST OF TAXES	\$102.50	\$240.50
TOTAL COST PAID BY PARTICIPANT	TOP\$402.50	TOP\$540.50
% of taxes on the value of goods	51%	120%

5.4 Main themes – Participant income stream and influencers

This section discusses the eight participant income sources (Figure 11) and transaction points where taxes were paid. I expanded on the participant responses to determine how they generated income from these various sources. This highlights whether tax was paid on this income or if the transactions were outside the tax net.

Eighty-eight per cent of participants made less than the tax threshold of TOP\$10,000 per annum, but they still managed their income prudently to cover all their basic needs and their *kavenga* obligations. Some participants had multiple income streams from the following sources:

- Wife working on *lālānga* (Tongan *fala* or *ta'ovala*) or *tou langanga* and *koka'anga* (Tongan *ngatu*) for sale.
- Husband growing crops for sale (local or export market).
- Remittances from abroad.
- RSE or SWP income.
- Fishing (local market or businesses).
- Roadside stall.
- Small store.
- Professional role.
- Transport business.
- Private sector employment.
- Public servant.

Seventeen participants had a single source of income, while 34 participants stated multiple sources. For example, the wife might work on her *lālānga* or *koka'anga* to sell on the internet, while the husband grows crops to sell at the local market; and in many cases family abroad also remitted funds to support the couple. This makes up three sources of income for one family and is considered normal by some of the participants. Note that the multiple income sources are small amounts of money and not enough to reach the tax threshold even when added together. The sale of a *ngatu* or *lālānga* can represent a whole year's work for the wife while crops are seasonal and do not provide a constant income. It highlights how participants have to look for income from various sources.

The farmers and fishermen in this study were micro-operators with limited scale so were not eligible for any government subsidies. Only large commercial operators benefitted from the government subsidies (see sub-section 5.5.5).

5.4.1 Seasonal employment income - RSE and SWP schemes

International economic opportunities are limited for the majority of the 51 village participants so the advent of the seasonal employment scheme offers a more lucrative financial option for young men and women from poorer families. The income from the seasonal employment scheme is empowering village participants and their families to build modern homes and lift their standard of living. The employment programmes were originally developed to attract workers from the Pacific to meet the labour shortage in the New Zealand and Australian horticultural and viticulture sectors. The New Zealand and Australian governments considered the scheme as providing positive economic benefits to the Pacific nations participating in the programme who send money home and gaining work experience. This presents a good opportunity for Pacific workers like young men and women from Tonga. The wages may be low for New Zealand and Australian worker's but it is higher than top government salaries in Tonga.

Workers are required annually to plant, maintain, harvest and pack fruits or crops. The schemes have operated for over a decade and found to be effective in reaching poorer and less-educated workers from Tonga. This is highlighted in 29% of the village participants identifying the seasonal work scheme as one of their key income sources through family members. Many of the unemployed Tongan young men and women can participate in the scheme and build up experience which enables them to work for seven to nine months a year in New Zealand and Australia. The income generated is significant because it makes a massive difference in improving standards of living and quality of life of the poor.

The seasonal work scheme attracted the significantly poorer people in Tonga who were unemployed and having no qualifications. However, these people were committed and had a desire to make significant sacrifices by being away from Tonga in order to earn enough money for their families. The New Zealand and Australian businesses involved in the scheme have benefitted significantly from the Tongan workers and other Pacific temporary labourers. Both parties are benefitting from the scheme but there are long-term social issues due to the long-term absence of Tongan males (see section 7.13).

The participants who benefited financially from the two seasonal work schemes were referred to as the *ngaue 'toli fo'i'akau* or fruit-picking work. Husbands, fathers and brothers participated in the seasonal work scheme. It is evident from the responses how the seasonal work scheme is making a difference in the lives of families. The income received can be substantial and enough to support a family for the entire year. Participant 13 discussed how the seasonal work programme provided him with TOP\$18,000, which was substantially more than what he would have received if he remained in his government-funded position at the airport fire department. The participants' responses were positive, and they discussed how participation in the scheme increased their asset base in having the resources to build a better home, purchase a vehicle and pay for their children's education.

The female participants smiled when discussing the positive impact of the scheme on their family but did laugh and say that not all cases have been positive. For example, in the village of "Āhau, Participant 41 was proud of her husband working in the United States and said that some of the younger families involved in the RSE scheme broke up because the relationships were weak, unlike her marriage. Her husband was not involved in the RSE, but her nieces were married to men who were. She has witnessed their families breaking up. This is a growing problem in her village, leaving behind broken families and homeless children.

Participants' remittances from partners on the RSE or SWP pay a government foreign exchange levy when they receive their funds through the money transfer agents. They

also pay CT when using their remittances to buy goods from the stores and customs duty or excise tax when clearing imported goods at the border.

Gender issue

The RSE and SWP is overwhelmingly male-dominated, which is an area of concern around inequality between male and female workers. No females in the research cohort participated in the seasonal work scheme, and this needs further consideration by the Ministry of Internal Affairs, which manages the programme and selection process.

According to Gibson et al. (2008), of the 5,000 Tongans who registered for the work pool, 87% of applicants were male. In May 2008, only 73 (or 9%) of the 816 RSE workers recruited were female (Gibson et al., 2008). Friesen (2018, p.120) analysed New Zealand Immigration's RSE visa data between 2008 and 2017, and found that just over 10% of RSE visas were granted to Tongan females. This significant disparity between Tongan male and female RSE workers will increase the level of inequality between genders. The financial returns from the RSE scheme are lucrative, so more effort is required to support Tongan females to participate in the scheme to reduce the growing level of inequality.

Participation of the poor

The popularity of the RSE and SWP scheme is evident in the high number of participants benefiting financially from it. The schemes are providing much needed financial support for low-income families as well as improving wellbeing. This research found that six participants (12% of the cohort) earned more than the tax threshold (TOP\$10,000). Two out of the six were RSE workers who just returned from fruit picking in New Zealand. This reflects the high rate of hardship within the sample and how vital the RSE and SWP schemes are for low-income families to make money.

The RSE and SWP offer a good source of income for participants. A pilot study by the New Zealand MBIE in 2014/15 on RSE remittances to Tonga found that Tongan workers earned an average gross income of NZ\$19,482 and remitted NZ\$5,525 (MBIE, 2015). Participants with husbands and sons involved in the seasonal work schemes highlighted the impact of financial support to their family.

5.4.2 Money from the family abroad

Remittances from family abroad is a very important source of income for many village participants. The money is transmitted through the banks, Western Union, MoneyGram and mobile phone companies. There is an expectation by participants that their relations abroad will send money back home. That practice is part of the strong family and cultural connections that is ingrained in Tongan people. The participants with family abroad were proud to *talanoa* about the loving-bond they share and how they receive financial and material support for their *kavenga*.

Thirty-seven participants received cash remittances and in-kind non-cash remittances such as building materials, vehicles, food and other goods. As an example, Participant 1 described how much in terms of remittances and goods she received with her container of goods.

Participants treated remittances as an expression of '*ofa* (love or care) between relatives living abroad and those remaining in Tonga. Young Tongan sportsmen playing rugby in New Zealand, Australia, Japan and Europe share their wealth with their loved ones. This is demonstrated through participant 14's son who is playing rugby in France and regularly sends money and shopping for his parents and siblings in Tonga.

Remittances are a significant driver of economic growth because they provide a boost to domestic demand. The Ministry of Finance and National Planning estimated remittances at 30% of nominal GDP in 2017 and reached TOP\$332.5 million for the 2018 financial year at a monthly average of TOP\$27.2 million (Ministry of Finance and National

Planning, 2019, p.16). The RSE and SWP are a significant source of remittances but, for the analysis, I have identified the income separately and highlighted it in Figure 11.

Participants with family members abroad received remittances and imported boxes of food for their church obligations. An example is Participant 5, who relied on her son in New Zealand to support her church *misinale* or *tukumo'ui*, *kuata* and other donations. Her son also sends a box of food for the church conference. This supports the preparation of her *pola* of food. This is a common practice for other participants who discussed the support they also receive from relations abroad to assist with church obligations. The imported goods have CT and the customs duty components applied at the border. All purchases of food and materials for Participant 5's *pola* from the Chinese shops will likely include a CT and excise tax component.

The remittances are subject to the government foreign currency levy charged by all money transfer agents. Participants are not aware of some of these charges. No CT or any other tax is applied to remittances during the transmission, except for the levy. However, participants are likely to pay a significant amount of CT when they purchase goods from local stores. They also pay customs duty and excise tax when they import goods and pay for fuel and gas. Participants also pay an excise tax component when they use remittances to purchase unhealthy foods.

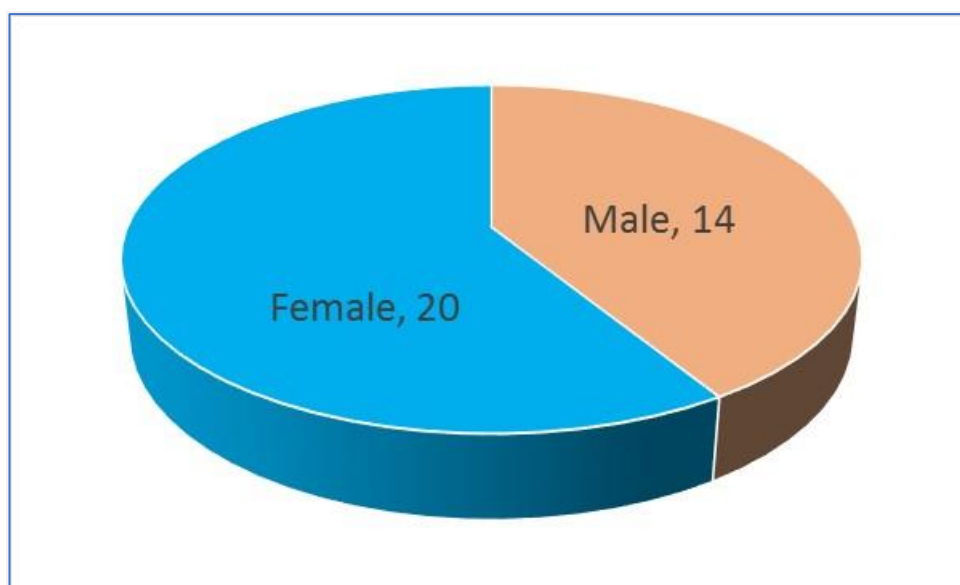
5.4.3 Resilient entrepreneurial activities by female participants

The female participants expressed pride and joy in how they are supporting their family by doing their part through various entrepreneurial activities to generate additional income. All the female participants had no formal qualifications, but they had basic numeracy and literacy skills as well as intimate knowledge on making high quality Tongan artefacts. These skillsets enabled the women to become resilient and work in any type of setting in Tonga. They could carry out their household duties as well as make beautiful artefacts by multi-tasking. The women displayed an ability to adapt and be

innovative which helped with how they adjusted to living under financial pressure to meet their *kavenga* obligations. Their strong sense of resilience to hardship enabled them to thrive under pressure and work alongside their husbands to support their families.

The *talanoa* identified 34 participants (67%) were involved in some form of enterprising activity. Female participants had the highest rate of enterprising activity, with 20 women involved in micro-enterprising activities (Figure 12). That represented 71% of the female participants in the study, compared to only 14 or 60% of male participants who conducted some form of enterprising activity. Females were identified as being very entrepreneurial despite the hardships they were experiencing. The females tried to make money for their *kavenga* and survival by participating in *katoanga* exchanges, operating a small store, sewing, weaving, baking, making *ngatu*, *fala* or *ta'ovala* as well as selling food on the roadside. The female participants had a resilient attitude best portrayed by the Tonga phrase of *loto'i feinga* (heart of trying).

Figure 12: 34 participants involved in some form of enterprise



Sixteen female participants worked individually and collectively with a group of *kau tou langanga* to make *koloa fakatonga*. Participants were able to make various *koloa fakatonga* depending on client needs and the marketability of the product. The skill levels

of participants were extremely high because of the years of experience they had in producing *ngatu* and *fala*. The participants identified three methods of making money from their enterprises:

- First - direct selling at the local market or through an agent.
- Second - advertising the product on Facebook or other social media platforms.
- Third - a formal arrangement for *katoanga* to exchange their *koloa fakatonga* for an agreed cash amount with groups of other Tongan women from New Zealand, Australia or the United States.

Women's enterprises consisted of *tou lālanga* and *koka'anga* to make *koloa fakatonga* for sale or saved for their *kavenga*. Talei and Memmott (2014, p.29) described this type of behaviour as the 'transformative value' of the *kau tou lālanga* where Tongan women use their skills in a collective group to enhance their financial capacity with wages and profits earned from weaving. I was impressed with the multi-tasking by female participants in looking after the children, cooking, keeping the house clean and, in between all this, they laid out their *lālanga* materials in the lounge to weave. For example, while interviewing Participant 31, she had her grandchild on her lap and was trying to rock her to sleep and weaving at the same time. I could see their stove was on with a pot of food for lunch. She was articulate and able to answer all my questions with no obvious problem. She estimated the value of the *koloa fakatonga* she was making at TOP\$3,000 because of the quality and skill required to weave the fine *lou'akau*. The main costs for the *kau tou langanga* or *koka'anga* were the materials they used to make the *koloa fakatonga*.

Five participants' primary source of income was from operating roadside stalls on the main roads of Tongatapu, selling crops, fish and cooked food. One male and four female participants looked after stalls. The male participant operated his stall in Sopu selling kumara directly to the public. Two female participants operated a fish stall in Pātangata while their husbands were out catching fish. One female operated another stall in Sopu

selling crops from her husband's farm. The other female was selling cooked food on the main road to Hihifo using crops from her husband's family farm. All the income from the roadside stalls was not taxed because they were under the tax threshold.

The majority of women's enterprise income was below the new income tax threshold, so they were not subject to income tax. Participant 44's husband's income was TOP\$13,000, but her income was well below this. Participant 36 operated a small store that had a business turnover under TOP\$10,000, so she was only paying a turnover tax of TOP\$100 per annum. Participant 36 was the only female participant whose small business paid some form of direct tax. All other female participants' enterprises paid no direct taxes.

5.4.4 Farming and fishing

Twenty-one participants were subsistence farmers who sold crops at the local market or outside their front gate. The farmers were optimistic but felt they could make more money with better government support. Participants 14 and 19 held similar views about making a good return on their crops. There were also opportunities for exporting, but they disagreed with the government's development scheme that put crops at risk if the process failed. There would be excellent opportunities for participants to make a solid return on their crops if they were able to grow more crops and vegetables for the local market. This was demonstrated by Participant 48, who quickly made an estimated TOP\$2,000 from selling kumara every Saturday.

The *talanoa* highlighted several barriers to successful farming. First was a lack of access to the export market. The second was the transport and storage costs. The third was the cost of farming inputs such as seeds, pesticides and farming equipment. All these factors impacted on the farmers' income. All farm incomes were received from cash sales, and no taxes were paid because total income was below the tax threshold of TOP\$10,000 or outside the tax net.

Fishing and selling fish at the local Pangai market in Ha'apai were identified by the outer islands participants as their main source of income. Participants described how the men would go out fishing and try to reach the Pangai market before sunrise in the morning while the fish is still fresh. They do not have ice blocks to preserve the fish, so reaching port is very important. Many of the residents in Ha'apai are alerted to the arrival of the fishermen by the sound of a rugby whistle. The fishermen try to sell all their fish before returning home. This was a direct cash transaction with no income tax paid.

Other participants rely on fishing by diving, such as Participant 4, who was contracted by local fishing companies to dive for the prized sea cucumber. This was dangerous because he has witnessed friends killed during illegal diving trips, especially when there is a ban on harvesting sea cucumbers. Some of the fishing companies are registered for CT and follow the law, but there are also non-registered fishing vessels that hire locals to dive for sea cucumbers.

The biggest problem for outer islands fishermen is the distance to the port to offload their catch, and preserving the fish for the market (see sub-section 4.2.8). This limits their ability to reach the lucrative Nuku'alofa market, so they can only sell their fish at the local Pangai market where prices are not as high. The income from fishing is modest because of the high cost of fuel and distance from the market. The fishing income was only enough to cover costs and some of the participants' basic needs, so it was not considered to be a sustainable source of income. The main cost for participants is the fuel which has a CT and excise tax component.

5.4.5 Using indigenous koloa for katoanga

The Tongan artefacts used for the *katoanga* for bartering were indigenous - created by five of the female participants (see sub-section 4.6.2). The *ngatu* and *fala* made for the *katoanga* were high quality and high value textile *koloa fakatonga* (Talei & Memmott, 2014, p.34). The koloa made were not the low-value and low-priced textile products for

the tourist market. The women worked in groups and individually at home to create a product that meets the ceremonial requirements of the Tongan *katoanga*. The *katoanga* is a major event and the reputation and pride of each member and the group will be measured by the quality of the *koloa fakatonga* used to exchange for cash or material goods.

According to the female participants in group one, the *katoanga* is widespread and common throughout the outer islands and rural areas where Tongan artefacts are made (see sub-section 4.6.2). A representative of Tongan female groups in New Zealand, Australia and the United States regularly visits the villages to arrange a *katoanga*. Once the arrangements and negotiations are confirmed, a date is set for when the Tongan group abroad will travel to Tonga to meet face-to-face to exchange the goods for cash. The weavers are given time to make the *koloa fakatonga* before the arrival of the *katoanga* partners. The two parties would meet and conduct the exchange, and most often, the deal is satisfactory and meets the partner's requirements, but there are times when one party feels aggrieved if the goods are not up to the expected quality standards.

The main customers are Tongan women living in Australia, New Zealand and the United States who want to collect fine mats and *ngatu* for their *kavenga*. The fine mats empower the Tongan weavers to provide for their families, pay for church obligations and cultural commitments. When questioned about their top priorities for the income from their *katoanga*, the cohort one women answered: it is for their *kavenga fakalotu*, *fakafonua*, *fakafāмили*, children's education and household expenses.

Female participants can make up to TOP\$5,000 or more in each *katoanga* so it can be a lucrative income source, if more *katoanga* are held during the year. The number of partners depends on those abroad and in Tonga who are willing to participate. The total amount of money being exchanged is significant, especially if the number of partners is high. The five participants involved in the *katoanga* used their own resources and skills to make the products. They did not receive any financial support from the government or

donors. As low-income earners, the female participants should have been supported by the donor development programmes.

The market for *koloa fakatonga* is growing locally and abroad, due to the Tongan ceremonial requirements and *kavenga*. The *talanoa* with female participants highlighted the increasing demand to make the *koloa fakatonga* because it can be used for their various *kavenga* as well as a form of savings. The *koloa* can be sold quickly and always in demand. The international market is lucrative because the Tongan population is increasing so the price for indigenous artefacts will grow as families collect *koloa fakatonga* for their *kavenga*. The *koloa fakatonga* is indigenous wealth from the perspective of the common people and this is why women use the lucrative *katoanga* method to exchange their *koloa* in a Tongan cultural ceremony.

The *katoanga* provides an opportunity for women to collect *koloa fakatonga*. The wealthy families will participate in the *katoanga* to exchange cash with women from rural or outer islands who are skilled at making quality *koloa*. The *koloa fakatonga* for Tongan women, provides the unique Tongan fabric that values hierarchy, kinship, relationships and honour. The *koloa fakatonga* is used as an important part of presentations in a ceremony, ritual events, weddings, birthdays and funerals. This is why the *katoanga* exchange events are important for Tongan women.

The *katoanga* is a culturally-based method which is not subject to the Consumption Tax Act (Crown Law, 2003). In addition, the materials and cash exchanged on the day of the *katoanga*, so the village participants do not have to pay customs duty or personal income tax (see sub-section 2.4.5). The tax system does not have the ability to capture the cultural and informal transactions directly unless the funds enter the formal tax system or one of the tax collection agents. The participants involved in the exchange do not pay tax directly, but they do pay consumption tax indirectly when they use the funds from the *katoanga* to purchase goods and services from the shops and service providers that are registered tax collection agents.

5.4.6 Other influencers on participant income

Government support for small enterprises

The village participants involved in micro-small enterprises were neglected by government and donor agencies. Two small shop operators (participant 36 and 45) and a public transport provider (participant 2) were registered commercial taxpayers. The women's microenterprises, roadside stall operators and farmers were microenterprises and non-registered taxpayers. All these enterprises received no subsidies or start-up support from the government or donors.

Participant 2's main business customers are school children and low-income earners without a private vehicle. He earns a wage and pays business income tax on the profit he makes from the business. Bus fares and chartered tours provide the revenue for the business.

When asked for his opinion on government support, he was disappointed and felt that his business and other fellow transport providers are not supported as much as agricultural and fishing businesses.

Participant 2 believed that his business is heavily taxed, but the government should be reducing his tax obligations and provide support or a subsidy because he is transporting those passengers with the highest needs. As a member of the Tongan Bus Owners Association, he highlighted the discrepancy in government subsidies not being provided for public transport businesses, especially when they are a crucial component of the education system and supporters of the vulnerable sector of society. He identified the main costs of operating the transport company as:

- Licensing and registration.
- Repairs and maintenance costs.
- Buses – imported.

- Parts – importing parts to repair the bus.
- Fuel for the bus.

As a small business owner, Participant 2 has a high turnover due to public bus fares, so is registered for CT. However, his business has high costs for fuel, labour and maintenance. He pays business income tax on profits as well as PAYE for his employees. He also pays CT, excise tax and customs duty for buying fuel and importing spare parts for the buses. He does acknowledge that the tax system is effective in capturing his CT and income tax payments.

Microenterprise development programmes are used to provide credit, financial and sustainable business development programmes for the poor. However, this is not provided nor offered to the village enterprises. The closest is the government's export programme for farmers but the terms were unattractive according to participant 19 (see sub-section 4.5.2).

There is clearly a lack of government support or any type of pro-poor microenterprise programmes for the village participants. Such a programme is required to build the resilience of the entrepreneurs and support their efforts to become self-sufficient. The government has a strong revenue system to capture direct and indirect taxes from the poor but not poverty reduction programmes targeting village entrepreneurs. The microenterprises analysed have potential to generate higher income for village participants but unfortunately, there is a lack of capacity building and enterprise development programmes.

Climate change

Participant 7 is one of many former jellyfish harvesters (*fua kolukalu*) from the Fanga Lagoon around the Vaini and Malapo villages. The *toka* and *ma'anu* are edible jellyfish that were common in the lagoon area. The participant stated that over the last ten years, he has become unable to catch jellyfish (*kolukalu*) in large quantities. In the past, he could collect enough jellyfish to make at least ten bags to sell for TOP\$10 each. *Kolukalu*

were abundant and available all year round, but this is no longer possible, so he has had to rely on his wife's family and older children for financial support.

The *kolukalu* is a delicacy, but it is also vulnerable due to its fragile body. Any changes to the environment could impact its life cycle. It is possible that climate change or pollution in the Fanga Lagoon has reduced the *kolukalu* fishery. Similarly, the popular sea cucumber or *mokohunu* is experiencing a serious decline in stock levels. The government has imposed a moratorium on the *mokohunu* to help regenerate growth and improve stock levels. However, there are only a few *kolukalu* and there are no plans yet to regenerate stocks in the lagoon. *Kolukalu* is harvested by the poor while the *mokohunu* is harvested by the commercial operators. The government seems to focus on the prized *mokohunu* and disregarding the impact of declining stocks of the *kolukalu*, which has a significant impact on the livelihood of local families such as Participant 7.

The impact of climate change and over-exploitation of sea resources on highly vulnerable communities is analysed further in Chapter 7.

5.4.7 Government financial support and village scholarships

Government welfare support for eligible participants

There are three types of government social welfare payments received by sixteen percent of eligible village participants (see sub-sections 4.2.11 and 4.6.5). The welfare payments are for elderly, disabled and pensioners. The elderly and disabled were considered by government as two of the most vulnerable groups of people and should receive direct welfare support. Both groups of people were from poor families and living in severe hardship. The pensioner was a former public servant receiving a retirement pension. All government welfare payments are administered through the National Retirement Fund Board.

The welfare payments aim to reduce hardship and poverty among the most vulnerable participants as well as to maintain their dignity and place in society. The payments also reinforce the interdependence of the vulnerable and their families. The elderly participants are considered the guardians of Tongan customs so the welfare system recognises and values their important role in the community and village. The strong fabric of Tongan society is severely tested in the rural areas with a growing elderly population living without a stable income. The welfare system is essential to ensure the elderly and the disabled receive basic health and social support services. The eligible participants are grateful for the financial assistance but it is still inadequate to cover their basic needs.

Care for the elderly and disabled people have always been the responsibility of the family but the growing migration of children and caregivers abroad for better opportunities have left vulnerable family members in a worse off situation.

The growing divide between the village participants and wealthy is expanding and the social protection policies introduced through the welfare payments may help to reduce the gap before it become entrenched. Social inequity is a major problem facing the Kingdom through the *talanoa* with the participants. Tonga cannot achieve its full potential socially and economically if the rural population is left behind in severe hardship, poverty, unemployment, poor educational achievement, ill health, landless and living in poor housing. The village participants do not have the resource to increase their incomes beyond their current situation. The social welfare system needs to be able to strengthen the capacity of others identified in the village participant cohort. Social welfare should be expanded beyond the elderly and disabled to include those potentially vulnerable participants that need a lot more support to cover the basic necessities of life. Such a policy will empower and enable participants to find the solution for their long-term prosperity.

Village scholarships

Village kava groups regularly provide scholarships of a few hundred dollars for families in need. These scholarships are small cash donations collected from *kava* group activities to support the poor to educate their children. There are kava groups in Tonga and abroad who provide such support. Typically, people from the same village establish *kava* clubs abroad and work with their counterparts in Tonga to offer financial support for the poor.

Two participants (36 and 44) from the local villages received scholarships to help pay for their children's school fees and uniforms. These schools and shops are CT-registered so participants pay CT on these expenses.

5.5 Responses from the government and business participants

The following sections provide the analysis of the six participants from the government and business sectors. They are referred to as participant cohort group two to differentiate from the group one respondents (see section 4.7). The six participants are from the elite sector of Tongan society who hold the highly paid public sector roles or involved in the medium-large businesses.

The *talanoa* with the participant group two were in stark contrast to the poorer village participant cohort one. The elite have a different perspective on life in Tonga and have strong opinions on what people should do to progress in life. On the other hand, the village participants live a simple life that revolves around their church, family and community. The traditional Tongan concepts and values have become monetised causing rifts within families. The elite complain about the financial burden of belonging to the church. The unwavering commitment of the poor to the church is also frowned upon as a leading cause of poverty.

The elite participant cohort are focused on building wealth and providing a solid financial base for their children whereas the poor village participants are simply trying to survive through whatever means possible.

5.5.1 Land sales should be taxed

The revenue reform has been very effective in strengthening and modernising the tax administration system. Participant GBA and GBD complimented the way the Ministry of Revenue and Customs had managed tax collection and reduced tax arrears. However, this only applies to taxable activities. There are lucrative transactions that are not covered by the tax system, especially the sale of land. GBF raised the issue of fairness and transparency in land transactions and asked why it is not taxed like other business activities. Why is it that interest on bank term deposits are taxed but not income from selling land?

The ideal situation is to apply a capital gains tax on land sales, but this is a problematic issue. The sale of land is illegal and enshrined as such in the Constitution. The participants openly discussed how the land can be purchased and how much it can cost, so it is common knowledge that land is used as a tradeable asset. To get around the legal issues, officials have deliberately avoided calling the monetary exchange a formal financial transaction, but treated as a gift. This makes the land exchange legal, because it was not sold, but gifted to another person. The transaction is also tax-free. The Ministry of Revenue and Customs cannot seek any tax payment for land purchases because it is an informal process that is not recognised by the law. It happens regularly, and there have been many court cases on such illegal land exchanges when others challenge the process.

The current law needs further discussion. Wealthy individuals and families have considerable land holdings that they have acquired and paid for without any tax implications. This makes land expensive and beyond the financial capacity of the poor.

Formalising the land sales process may make more land available at affordable prices so that land ownership is not just exclusively for the wealthier sector of society; it would also capture the tax revenue component of such transactions.

5.5.2 Unhealthy goods taxation only impacts the poor

The government used the tax system to address the health issues through higher prices (see sub-section 4.7.1). The participants on the other-hand, were unimpressed because the new health tax policy targeted products regularly purchased by poor families. The sin goods had a 20% customs duty applied, which was the maximum allowed under the terms of the WTO. However, in order to increase prices to discourage consumption, the government re-categorised and shifted these goods from the customs duty schedule to the excise tax schedule to support its efforts towards reducing the risks of NCDs. One of the goods, baby diapers, was added due to its negative impact on the environment. This enabled the government to charge up to TOP\$2 per kilogram for instant noodles and mayonnaise while animal fats, turkey tails and chicken had TOP\$1.50 per kilogram in excise tax. A 15% CT is also applied in addition to the excise tax on all these products. This ultimately impacts the price at the Chinese stores used by the village participants.

The six government and business participants were privileged and could afford goods that were healthier and expensive, such as fish, which can reach TOP\$18 per kilogram. GBC and GBE were critical of the way low-income people can survive on noodles and fatty foods. However, GBC and GBE enjoyed a diet of fish and vegetables on a regular basis. They also dined out at restaurants during the week. In comparison, the 51 village participants survived on the cheapest food available such as the fatty turkey tails, noodles and *manioke* (cassava). The excise tax has increased the price of noodles and imported fatty meat, so the 51 village participants in this study will pay more for their food. The point to note here is that the new health tax policy had good intentions, but it impacts the poor severely. During the *talanoa*, I witnessed many of the village

participants' children eating packets of uncooked noodles because they are cheaper than chips. The adults also cooked chicken and noodles for their main meal as this was an easy and affordable meal costing less than TOP\$10 for two kilograms of chicken and several packets of noodles.

The government and business participants consider the unhealthy goods as unnecessary dietary items. However, these food items make up a large part of the participant cohort's daily diet. The meat and fish choices for the poor are limited to the cheapest products. Switching from unhealthy products to fish is unlikely to happen because fish is expensive, especially on the main islands. Therefore, the health tax on the sin goods have a significant impact on the wellbeing of the village participants.

5.5.3 Contrasting priorities between the elite and poor

A comparison of the top three priorities of the six participants from the government and business sectors (GBA, GBB, GBC, GBD, GBE and GBF) against the 51 village participants (by category of potential vulnerability) is highlighted in Table 15:

Table 15: Top Priorities of 6 Privileged Participants vs 51 Village Participants

Participant group two - Government and business cohort (the privileged)					
GBA	GBB	GBC	GBD	GBE	GBF
Family Business Political status	Family Business Our business members	My daughter My household My career	My family My career My community	My family My career My community	Family Further study New Career
Participant group one - 51 Village Participants					
Elderly 15 Participants over 60 yrs	Women 28 Participants	Landless 37 Participants	Unemployed 3 Participants	Rural 39 Participants	Displaced 2 Participants
Kavenga fakalotu Kavenga fakafāмили Kavenga fakafonua	Kavenga fakalotu Fanau Famili	Kavenga fakalotu Kavenga fakafāмили Kavenga fakafonua	Kavenga fakalotu Famili Fonua	Kavenga fakalotu Kavenga fakafāмили Kavenga fakafonua	Kavenga fakalotu Kavenga fakafāмили Kavenga fakafonua
Low income 45 Participants (Under tax threshold of TOP\$10,000)	The poor 18 Participants (under TOP\$5,000)	Youth 7 Participants under 25 yrs	Outer Islands 7 Participants	Disabled 4 Participants	Owner of small/micro business 6 Participants
Kavenga fakalotu Kavenga fakafāмили Kavenga fakafonua	Kavenga fakalotu Kavenga fakafāмили Kavenga fakafonua	Kavenga fakalotu Kavenga fakafāмили Kavenga fakafonua	Kavenga fakalotu Kavenga fakafāмили Kavenga fakafonua	Kavenga fakalotu Kavenga fakafāмили Kavenga fakafonua	Kavenga fakalotu Kavenga fakafāмили Kavenga fakafonua

The top three priorities of the two cohorts show a significant difference in thinking and way of life for each group. The privileged participant cohort group two, placed a higher rating on non-faith-based priorities, while the village participant cohort group one, considered faith as their number one priority and financial obligation. The family was the top priority for the privileged, followed by career and business commitments. They also felt that their local community was a priority in terms of participation rather than as a financial commitment.

The elite cohort are confident and well-connected people with assets and lucrative income sources. Their qualifications and abilities also give them a sense of entitlement and influence in government and commercial sector. The priorities of the elite revolve around their personal needs. Their behaviour might seem selfish but the elite are driven

and focused on achieving the best outcomes for themselves and their children. The community-centric values and church obligations are secondary to the personal priorities of the elite. The priorities of the elite are in contrast to the community-centric views and attitudes of the poor village participants. This reflects the different socioeconomic make-up of the two study cohorts.

Abolishing the income tax deductions may have reduced the church donations made by the elite but that needs further research (see sub-section 4.7.16). There are no tax benefits for making donations so this could be a potential reason for the lower priorities placed on church obligations. The participant group two, are modernised and understand the global environment so their choices and decision-making are influenced by other factors not available to the group one village participants.

5.5.4 Imported goods from families abroad – unfairly taxed

Cash remittances from families abroad have already been taxed in the host nations through the income tax system. The Tongan government does not impose the 15% consumption tax on cash remittances except for a small foreign exchange levy (see sub-section 4.6.1). In contrast, imported in-kind remittances are heavily taxed at the border. The village participants are unaware of this issue but GBA has highlighted this as a major problem. GBA raises this matter as a concern for the poor but he is also a major importer of personal and commercial goods so there may be a case of self-interest here. However, the point raised is important to discuss further because cash and non-cash remittances are taxed differently. The value of in-kind remittances is unknown because customs officers often undervalue imports categorised under personal effects.

The Reserve Bank reports the value of financial remittances by recording financial transmissions through the money transfer agents. The value of remittances is used by the government as an indicator of economic prosperity, but this does not take into account the value of in-kind imported goods. GBA considers the failure to properly

account for in-kind remittances as an under-valuation of Tonga's actual remittances and real economic indicator.

Families received imported goods from relatives abroad regularly, but these goods are not recorded in detail like commercial goods, so the real value of in-kind remittances are unknown. However, it is one of the most significant import categories at the border. In-kind remittances are valuable because it is made up of food, clothing, household goods, construction materials and motor vehicle. Importing these goods is more affordable than purchasing in Tonga. Participant GBB is concerned about the valuation methods for personal imports because businesses are paying a higher duty based on the method used by customs officials to value commercial goods. Some personal goods that are incorrectly valued are ending up for sale on roadside stalls that compete directly with businesses who pay a higher customs duty for the same product.

5.5.5 Government tax policies are not pro-poor

The village participants were unfamiliar with the tax system and the rationale behind it so were unable to have an in-depth *talanoa* on its impact. The tax policies are complex and difficult for the poor to understand. However, the government and business participants had a very good understanding of these policies because they were involved in the consultation and development process from the beginning. The participants had a significant advantage over the poor either as a public servant or business operator. They had access to the reports and policy discussion sessions so were fully aware of the tax reform policies.

The main purpose of tax policy is to fund public services and create the right conditions for national economic growth. Another key goal is to eliminate poverty through tax breaks for pro-poor development programmes. These conditions require tax policy to have two key functions which are to collect adequate revenues as well as fund the public services for the entire nation. A key population are the poor represented by the 51 village

participants in this study. The tax policies are critical for ensuring the appropriate social protections are in place to prevent any adverse effects on the poor from tax reforms. These arguments are missing from the *talanoa* with the government and business participants who are only focusing on the control and decision-making role instead of looking after the needs of those deemed to be impacted by the tax reform.

There is concern about the government's decision to shift the tax policy function from Treasury to the Ministry of Revenue and Customs. GBD is concerned about the potential changes to the tax system that may weaken the revenue collection for public services, thereby exposing the government to potential service cut-backs. The change in focus puts the government's fiscal policies at risk from falling revenue collection. The revenue reform was implemented to improve and enhance the Ministry of Revenue and Customs' tax administration, not for it to become an economic policy agency.

The opinions of the participant group two, revolve around the control and decision-making process for tax policy. GBA was proud of changes that incentivised the tourism operators and fishing companies (see sub-section 4.7.6). The Ministry of Revenue and Customs also established an Industry Assistance Committee that collaborated with the Ministry of Labour and Commerce. This committee was tasked with providing tax and duty breaks to encourage businesses in the tourism and fishing sectors. The business members in cohort two, identified this scheme as progressive but felt that the same should be offered to the retail sector too where the majority of businesses are Chinese-owned stores. More government tax-breaks and incentives were preferred and hoped for a much broader roll-out to other relevant industries that contribute to the nation's economy.

My real concern about the response from the elite participants is their lack of empathy about the impact of the tax policy on the poor participants. The *talanoa* highlighted the significant divide between the two cohorts because participant cohort two had power and influence over tax policy, while the poor participant cohort one had none. The government support and development initiatives always targeted the larger business

operators and tax breaks for CT did not reach the poor village participant entrepreneurs. The government's tax policies are not providing any special support for the village participants who need the assistance more than the privileged cohort.

5.5.6 Chinese influence in Tonga

The six participants had a positive view of the Chinese stores and their impact on the retail sector, especially with more choice and competition against the long-standing Indian and Tongan-owned stores. There was concern from the Chinese advocate about the heavy-handed approach taken by government agencies against Chinese store owners (see sub-section 4.7.8). The Chinese owners are also accusing the authorities with prejudice at the border regarding two different valuation methods being used for valuing goods.

Border control is managed by the Ministry of Revenue and Customs who handle imports for the general public and businesses. The customs officers are operating in a small nation with family ties to many people, so it is not an easy role. There are likely to be cases of below-par service for Chinese owners and others that do not have family connections within the Ministry of Revenue and Customs. This problem is acknowledged by GBA because this behaviour is part of being Tongan and a member of a collective, which is different from the views of GBB. As a member of the Chinese business community, GBB's loyalties are to his community, as reflected in his priorities, while GBA sympathised with the Tongan customs officers trying to do their job according to the new reform rules while under pressure from family members or people from their community to show them loyalty when valuing their imported goods.

The majority of the village participant cohort had a negative perception of the Chinese stores. There was a high level of mis-trust and suspicion that Chinese stores were price-gouging and exploiting the poor villagers (see sub-section 4.2.9). The Chinese operators own the majority of the retail outlets in both the rural and urban areas. The strong

presence of the Chinese community is creating animosity and concern from the village participants.

In contrast to the privileged participant's views, the village participants identified the price levels in the Chinese stores as highly volatile with no satisfactory explanation. This caused frustration and anger towards the Chinese owners. However, according to participant GBB, the Chinese stores are not the problem and have not deliberately tried to inflate their prices to make exorbitant profits. They have been forced to charge prices set by the Competent Authority. This price control mechanism has caused stores to reduce supply which can influence price in some cases, especially when demand is higher than supply. This is likely to cause price changes so it might be more effective for the market to set the price rather than the Competent Authority.

I do sympathise with the village participants because the retail stores in the rural areas were traditionally owned by Tongan families. The small Tongan stores supplemented the incomes of families. It was common to have a large number of micro-stores in the village. However, the arrival of the Chinese operators changed the retail landscape by taking over the supply chain and village stores. The Chinese built large stores with a good variety of products and lower prices compared to the Tongan stores. The Chinese stores have been good for consumers but there is still resentment towards them from the poorer village participants.

The Chinese immigrants have made an impact on the elite and poor through the retail stores, construction companies, road works and also the massive loan to rebuild Nuku'alofa after the civil unrest (see section 1.10). The participants acknowledge that the Chinese influence is growing and embedded into all parts of Tongan society. The Chinese government is very active in Tonga and funding government buildings, sports and scholarships so it is increasing. Such strong influence will open-up the business sector for more Chinese operators at the expense of Tongan entrepreneurs.

5.5.7 Revenue reform should support businesses and economic growth

The perspectives of the participant cohort on the revenue reform resonate with the trickle-down theory. The theory proposes that taxes on the wealthy and businesses should be minimised to generate better economic outcomes for society (see sub-section 2.3.7). Tax breaks and benefits for the businesses and elite will eventually trickle down to the poor. The trickle-down theory is from the supply-side economic school of thought which promote less regulations and tax cuts for businesses. One participant preferred higher taxes for the wealthy but the rest supported tax breaks and support for businesses to grow and prosper. Unfortunately, the experiences of the village participant cohort do not support the trickle-down theory or the views of the government and business participants on the revenue reform.

The government participants had mixed views on the revenue reform while the business sector members were critical of its implications for commercial ventures. GBA and GBD supported the rationale of the reform but were concerned with the implementation process and loss of focus on the original policy intentions of the reform, which was to develop a more effective tax and customs agency. The role of government should be to set policy and provide the best environment for businesses. However, the current government is creating trading mechanisms that directly compete against the private sector, such as the government agricultural marketing project for subsistence farmers.

The business sector did not support the revenue reform and pointed out the heavy burden it places on customers. The 15% CT impacts on the poor while businesses can offset the CT, they pay at the border against the CT they collect from customers. The participants would support an income distribution policy that raises the tax threshold as well as increasing the top tax bracket. However, this will only benefit employed people which eliminates the majority of the village participant cohort.

The reform has given the Ministry of Revenue and Customs powers to effectively monitor and penalise non-compliant businesses, especially the Chinese stores that had a history

of non-compliance. This meets the purpose of the reform but creates animosity and criticism from the Chinese community.

It can be argued that the reform is making it harder for businesses to operate. There is preference for the previous tax system because it was less intrusive and allowed the private sector to prosper. The current tax system imposes a lot more administrative tasks on businesses, which is costly. The current system is complicated and places unnecessary pressure on small business owners.

The participants from the government sector believed the revenue reform had generated benefits in terms of better tax administration and compliance, while the private sector participants found the reform too intrusive and also that it added unnecessary costs for doing business. They were concerned with the performance of revenue and customs officers and considered this a failure of the reform. However, there is minimal concern about the negative implications of the reform for poor people and vulnerable communities. Especially, due to the higher prices caused by broad-based CT and customs duty charges at the border.

The revenue reform should focus on national economic growth policies and supporting the business sector should be top priority according to the elite participants. These policies do not always work and often leaves behind the poorer village population in a worse off situation. The tax breaks and subsidies are one-sided policies that benefit the wealthy business sector at the expense of the struggling poor communities.

5.5.8 Social problems from the seasonal work scheme

The seasonal work schemes are empowering and life-changing for the poor. The money made by Tongan migrant workers help families to lift their standard of living as well as improve their financial capacity. Families are able to pay educational expenses, medicine, food and meet their kavenga obligations (see sub-section 4.7.14). The Ministry of Internal Affairs' employment office in Nuku'alofa is always full of seasonal workers

undergoing pre-departure training. The financial benefits are lucrative but there is a downside to the scheme. The government and business participants have a different perspective. The participants focussed more on the negative implications of the scheme rather than on the wellbeing impact on the families.

The village participant cohort described the seasonal work offered by the RSE and SWP schemes as a blessing and great opportunity to improve their quality of life. There were reports of families breaking up, but this did not involve any of the participants.

The RSE and SWP had the most significant impact on village participant incomes, but the government and business group cohort did not acknowledge this. This may also reflect the income differences between the two cohort groups. The government and business cohort are high-income earners and consider the RSE and SWP to be labour-intensive work for the poor. They are more concerned with the social impact of the scheme, such as the increasing number of single-parent families, and alcohol and drug abuse by some fathers who struggle with family break-ups. The financial benefits are lucrative for the poor, but these need to be weighed against the social costs on vulnerable families. The participants are highly critical of the seasonal work scheme but is unfair because they have the ability to migrate abroad under the highly-skilled migrant scheme that is not available to RSE and SWP workers. The qualified and wealthy have significant career options locally and abroad while the poor are restricted to government and donor funded employment programmes.

5.5.9 Different perspective on the church

The wealthy sector of Tongan society is knowledgeable and well-versed in the global environment while many of the poor have never travelled abroad. The internet and social media are opening up the world to the poor and as more get the opportunity to travel abroad, they will learn new ideas and way of life. They would see a vast difference in how New Zealand, Australia and the United States practice religion compared to Tonga.

The participants are highly qualified and understand the differences between religion in Tonga and the outside world so are comfortable to contribute what they consider is appropriate for the church. The wealthy participants are respectful of their religion for spiritual sustenance but not as a financial burden.

The privileged government and business cohort acknowledge the role of the church, but they are highly critical of the clergy and the impact of *kavenga fakalotu* on the poor. The perspectives of this cohort on the church are the total opposite of the village participants' responses. The government participants considered the church to be an essential part of Tongan society, but they make their decisions based on their relationship to God and not pressure from the congregation. The business participants considered the church to be a financial burden for the poor and an organisation which should be doing more to help instead of being more interested in collecting donations.

The church is the most powerful institution in Tonga, and both cohorts acknowledged this fact. The church has also been at odds with the government and the business sector over practices that violate Christian beliefs. In such an event, the church leaders use their combined resources to force the government to comply with their demands. A criticism of the church is its tax-free status for donations and exemption from income tax. The revenue reform abolished income tax rebates for church donations and imposed CT on all large charitable organisations, including the church. The members of the clergy are not paid by the church but receive tax-free financial and non-financial gifts from their congregation.

5.5.10 Impact of climate change

The adverse effects of climate change impact the poor and low-income vulnerable communities. Natural disasters severely impact the poor as highlighted by the effect of cyclone Gita which ravaged the homes of some village participants. These homes were of poor quality and not weather-proofed. The government and business participant group

lived in higher quality houses that were weather-proof and able to withstand the high winds.

The government and business participants were well aware of climate change and its effects, unlike the village participant cohort (see sub-section 4.7.13). Climate change was considered to have a significant impact on the poor, in terms of droughts and land erosion, especially in the low-lying coastal areas and outer islands. The vulnerable communities in climate change affected areas would experience the physical impact on their livelihood as well as the higher prices caused by CT, and a range of other taxes, imposed through the revenue reform. The business sector is receiving training from the Chamber of Commerce on how to manage the effects of climate change, but the government has not delivered adequate resources to prepare the business sector for future climate change problems. The privileged participant cohort did not personally experience the effects of climate change but believed that Tonga has to be prepared because climate change has already started to erode the rural coastal areas, and the irregular rainfall patterns can severely impact the farming sector.

5.6 Conclusion

Analysis of the first cohort of 51 village participants found their main financial priorities to be *kavenga fakalotu*, *kavenga fakafāмили* and *kavenga fakafonua*. These three themes were identified by most participants as their main priorities, with *kavenga fakalotu* as the top priority. The richness of the data enabled mapping and the use of tables to provide a detailed analysis of the main themes. Mapping the tax payment points identified where participants paid the most tax through consumption tax, income tax, excise tax and customs duty.

Participants were impacted by consumption tax in nearly every financial transaction, from purchasing goods from the local shops to paying for educational supplies for children. Outer island participants enjoyed living in the islands but experienced problems with

transportation and the inflated cost of goods at the local stores. The outer island participants migrated to the main island in search of opportunities and employment.

Female participants were involved in ambitious ventures that supplemented incomes using *katoanga* or bartering as well as weaving and *ngatu*-making. Bartering through the *katoanga* system was popular amongst female participants as a stable source of income because it was outside the tax net. Utility costs applied to all the participants and incurred CT and excise tax duty for fuel and gas. The health tax policy has directly impacted the village participants due to the type of goods being taxed. The tax is one-dimensional and targets prices on popular goods commonly purchased by the poor.

Participant incomes obtained through the RSE and SWP schemes provided much needed financial support for families and remittances were also a major income source. The land is an issue for most participants, and outer island residents were disadvantaged because their tax allotments were not on the main island. The church has a significant role in the life of all participants. Every aspect of life revolves around some form of church activity as well as being the primary financial cost for participants.

The second cohort consisted of six privileged participants of the government and business sectors. These participants held contrasting views to the first cohort, especially in terms of priorities and the role of the church. They also raised important issues such as the need for a capital gains tax, sin goods and the role of government in policy setting. The impact of the revenue reform was evident in a more efficient tax administration but was harming the poor and business profitability. Chinese store price volatility was caused by price controls imposed by the Competent Authority, and there is a perception of uneven treatment between Chinese and Tongan importers. Capital gains tax for land should be legislated because it is being sold but recorded as a gift and outside the tax system.

The themes highlighted in this chapter are discussed in the next chapter outlining the main findings of this study.

6. LUVA – Findings

6.1 Introduction

This chapter represents the ‘LUVA’ stage in the KRM which refers to gifting from the heart or giving away. In this study, it represents the dissemination of the findings to honour the two participant cohort groups who gifted their stories from the *loto* (heart) to enrich this research. It is both an honour and privilege as a researcher to present the findings in a respectful and dignified manner that will reflect the perspectives of the two cohorts. I was treated with utmost respect and ‘*ofa* (love) by the 51 village participants and six members from the government and business sectors, so I should gift these findings to all who have shared their stories in response to the research questions (see sub-section 3.4.7 and 3.4.8).

The findings chapter focuses on identifying the main themes emanating from the data analysis and involves the transformation of the results into the key themes to energise knowledge and understanding (Manu’atu, 2000a). I focus on the spending patterns and income sources of the first cohort of 51 village participants to identify the transaction point where tax is paid, through legally registered tax collection agents such as private businesses, NGOs, government departments or state-owned enterprises, either directly or indirectly. The findings were based on tracking and mapping the financial transactional behaviours of participant cohort one. I also highlight the perspectives of the privileged sector in Tongan society represented by the second cohort of government officials (former and current) and business operators regarding the impact of the revenue reform on the vulnerable. The previous chapter analysed the data while this chapter aims to highlight the main findings from the *talanoa* with the two research cohorts.

6.2 Cohort 1: 51 Village Participant Group

This section highlights the important findings from the 51 village participants according to their *talanoa* responses to the 8 core questions asked by the researcher (see subsection 3.4.7).

6.2.1 Financial hardship due to higher prices

The participants reflected on life over the last decade (and more, for the elderly) as they discussed the changes that had an impact on their way of life. There were mixed reactions about life experiences, with a few being positive and the majority being negative. The majority found life a lot more difficult financially, especially with the higher prices for goods, and they struggled to keep up with paying for household supplies and expenses. The higher prices are a direct impact of the revenue reform, especially CT and border tax duties, but participants did not realise the cause and thought it was part of normal inflation and economic conditions.

The majority of participants purchased their daily goods from the local Chinese stores except for two participants who preferred the Tongan-owned shops. The prices in the Chinese shops were lower and the shops had better variety than Tongan-owned stores. Participants on the main island of Tongatapu had access to a broader range of shops in the village and in Nuku'alofa, but outer islands participants were not as fortunate due to transportation issues and the distance to the main ports. Instead, outer island residents made trips to the main island of Ha'apai to do their shopping. The shops in the outer islands are often out of stock and expensive due to transportation costs.

Households

Household goods purchased from the Chinese and Tongan shops included CT and were more expensive relative to the pre-revenue reform period. Imported goods from relatives abroad incur CT, customs duty and excise tax on unhealthy goods and a processing fee. The other cost for households is fuel for the family vehicle, which includes excise tax charges. The taxes paid are highlighted in Table 16 below:

Table 16: Type of tax paid on household activities

Type of household activities	Goods/service	Type of tax paid
Household products	Goods	Consumption Tax (for goods from shops)
Imported box of food	Goods	Consumption Tax Customs Duty Excise tax (unhealthy goods) Processing fee
Fuel for family vehicle	Goods	Consumption Tax Excise Tax Duty

Education

Education is essential to participants and featured highly as an important part of raising their children. This is reflected in the 99.4% literacy rate for adults and youth in Tonga (UNESCO, 2011). According to Ewins (1998), “*there is a proliferation of educated people almost to the point of oversupply*” (p.127).

A famous Tongan quote epitomises the significance of education to Tongan families and to Tongan society (Kalavite, 2010, p.2):

Mou ō 'o ako kemou 'aonga ki he fāmili, siasi mo e fonua.

Interpretation: Go forth and be educated so you can be useful to your family, church and nation.

I have heard this saying during speeches by elders and even my parents. Education is given a high status in Tongan society, and children strive to achieve the highest academic qualifications to honour their parents and family. It also brings prestige and respect to the family and village. The school prize-giving ceremonies in Tonga are elaborate events and well attended because every child is hoping to be the top of their class. Failure is devastating for the child, but success brings accolades and hope for parents and families for a prosperous future (Mila-Schaaf & Robinson, 2010).

I found that participants’ educational expenses were significant and indirect taxes were paid through the items listed in Table 17. Donations are exempt from tax, but all other activities incur CT.

Table 17: Type of tax paid for educational activities (Participants 9, 24 and 31)

Type of educational activity	Goods/service/cash	Type of tax paid	Average Annual Cost
School donations	Cash	Exempt (donations)	\$100
School fundraising	Food	Consumption Tax (on food from shops)	\$150
School fees	Cash	Consumption Tax	\$220
Stationary	Goods	Consumption Tax	\$100
School uniform	Goods	Consumption Tax	\$150
School lunches	Goods	Consumption Tax (on food from shops)	\$200
Bus fare	Service	Consumption Tax	\$200
TOTAL (CT inclusive)			TOP\$1,120
Consumption Tax included			TOP\$146

Using table 17, the average educational costs identified by participants (9, 24 and 31) with secondary school children (each participant had two secondary school children), I can calculate the estimated average cost they spent on their children's education per annum. The average cost per student was TOP\$1,120 per annum, of which TOP\$146 was the 15% CT component. Comparing educational costs to the incomes of Participants 9, 24 and 31, I found that school costs made up 11%, 16% and 11% respectively of their total household income (see Table 13, Income Estimate column). CT has increased the cost of education as shown in this example. My main concern is the cost of secondary school education for participants with low incomes. The cost for participants with three or more children is unaffordable so children will be forced to stay home or look for unskilled work.

Except for a few high-income earners in the participant cohort group, it is highly likely that some of the secondary school children of participants with low incomes will not progress to tertiary education unless they gain a government scholarship or support from other family members to continue their higher education studies.

Utilities

Every participant paid for water, fuel and electricity every month, and a gas bottle when required. As highlighted in Table 18, electricity has CT charged on the final bill to customers and participants are aware of this utility expense. Gas has CT and excise tax duty components per kilogram. Fuel for vehicles incurs CT and excise tax duty per litre. The only subsidy for consumers is for water but no specific protection or exemption for the poor on CT or excise taxes on other utilities.

Table 18: Type of tax paid on utilities

Type of utilities	Goods/service/cash	Type of tax paid
Water	Service	Exempt first 20 cubic metres from Consumption Tax Consumption Tax after first 20 cubic metres
Electricity	Service	Consumption Tax
Gas	Service	Consumption Tax Excise Tax Duty per kg
Fuel	Service	Consumption Tax Excise Tax Duty per litre

Transport business

The participant with the transport business outlined the costs incurred in his operation, and I was able to identify the tax payments through CT, excise tax, customs duty, licensing and registration charges for the vehicles (Table 19):

Table 19: Type of tax paid in transport activities

Type of transport activity	Goods/service/cash	Type of tax paid
Vehicle licensing	Service	Consumption Tax
Registration costs	Service	Consumption Tax
Fuel	Service	Consumption Tax Excise Tax Duty
Imported bus	Goods	Consumption Tax 3% Customs Duty
Bus parts	Goods	Consumption Tax 3% Customs Duty
Staff	Service	PAYE & Retirement Fund
Business profit	Service	Business Income Tax

The Tonga Competent Authority sets bus fares so the transport business must operate according to pre-approved prices. The owner complained that the price level is insufficient to cover his costs and feels that the public transport sector is being unfairly treated compared to the agricultural industry, which receives subsidies and government assistance.

Discussions with participants identified the importance of the public transport system as many did not have a vehicle. Participants' children and family members relied on the public transport system and felt the price was still affordable despite the owner's dissatisfaction with the fare price. The actions of the Competent Authority are having a positive impact on the poor in terms of lower bus fares.

6.2.2 Different set of priorities

The *talanoa* highlighted the different set of priorities for the village participants compared to the wealthier participants in cohort 2 (see sub-section 4.7.3). The financial hardship experienced by the cohort one participants affected their livelihood and priorities. Participant's leaned on their Christian faith for support which was their main priority. Family obligations were the second priority and cultural obligations were third priority.

Christian faith - top priority

Most village participants considered life to be much harder due to higher prices and limited access to economic opportunities, but they relied on their faith and church as their main support base. The strength of their faith is evident from their desire to ensure their *kavenga fakalotu* was top priority. They have experienced significant changes over the last decade, or more but the one constant factor in their life has been their faith. That commitment involves meeting their financial obligations such as the *misinale*, *kuata*, *li fakafale*, providing food for conferences and any other fundraising activities.

The participants' financial contribution to the church was in four parts:

1. Cash – for *misinale*, *li fakafale*, *kuata* and other fundraising events.
2. **Cooked food – food for making a *pola* for the annual conference, *misinale* or other church events.**
3. Raw food and livestock – for presentations to the church leadership.
4. Tongan artefacts – women provide *ngatu* or *fala* for special church events.

The second contribution, cooking food for the *pola*, has tax implications **(these are indicated in bold)** because most participants in cohort one purchased goods from the Chinese stores. These goods have a 15% CT included in the price. Participants also receive imported boxes of food from family members abroad for their *pola*. The imported goods are charged 15% CT and up to a maximum of 20% customs duty. The cost is higher if the goods are categorised as unhealthy products which have a higher excise tax rate applied to the weight of the product and not the value (see sub-section 5.5.2 for an example). Many of the participants did not understand how CT works, so they blamed the higher prices on the Chinese stores, not the tax system.

The top priority for most participants (40 out of 51) was their *kavenga fakalotu* reflecting the importance of religion in Tongan culture. It was evident from interviews that participants and their families spent a considerable proportion of their income on their *kavenga fakalotu*, despite having limited financial resources. The *fakaafe* is one area that involves significant amounts of food and supplies for preparing a *pola* (table of food). Participants planned and saved throughout the year for their *fakaafe*. Livestock, such as pigs and cattle, are kept for that purpose. Other food items are purchased from the local Chinese or Tongan stores or sourced from relatives abroad. This situation is best described by Participant 5:

Participant (5): 'Oku mau ngaahi pola ki he konifelenisi e siasi. 'Oku fakaheka mai e ki'i puha me'akai mei hoku foha ke tokoni mai ki he ngaahi me'akai.

Interpretation: We make a *pola* for the church conference. My son sends a box of food to help with the food preparation.

The *fakaafe* food and supplies are subject to 15% CT at the Chinese or Tongan stores, and customs duty when goods are imported. The annual church conference (*konifelenisi*) of the large churches such as the Free Wesleyan Church of Tonga, Catholic Church, Latter-Day Saints and Free Church of Tonga are some of the busiest times for local businesses. The impact of the *konifelenisi fakaafe* is significant and has a strong economic flow-on effect on agriculture, fisheries and business activities (National Reserve Bank of Tonga, 2017).

Donations are tax-free, but when the church uses the funds to pay for operational expenses and purchase supplies and equipment, this incurs CT because nearly all the major churches are registered as consumption tax agents. Participants also purchase food and materials for the different church *kavenga*, and these transactions incur tax payments for CT and customs duty.

Table 20 provides an outline of the church *kavenga*, type of goods, services or cash donations and the tax incurred by each activity.

Table 20: Tax paid on kavenga fakalotu

Type of <i>kavenga</i> fakalotu	Goods/service/cash	Type of tax paid
<i>Misinale/tukumo'ui</i> (Annual donation)	Cash	Exempt (donation)
<i>Tohi tikite kuata</i> (Quarterly donation)	Cash	Exempt (donation)
<i>Li pa'anga fakafale</i> (Quarterly donation)	Cash	Exempt (donation)
Other church fundraising activities	Food or cash	Exempt (donation) Consumption Tax (for food from shops)
'A'ahi or fe'iloaki (formal visit to church leader)	Food & crops	Consumption Tax (for food from shops)
<i>Pola</i> preparation for <i>fakaafe</i>	Food, crops & animals	Consumption Tax (for food from shops) Consumption Tax, Customs Duty or Excise Tax (plus Ports Authority charges (for an imported box of food))
Church building activities	Food & materials	Consumption Tax

Figure 13: Tonga National Coat of Arms



Source: Reprinted from the Ministry of Information and Communication website, 2018.

Tonga's motto is written on the national Coat of Arms or '*Sila 'o Tonga*' (Figure 13) and states "*Ko e 'Otua Mo Tonga Ko Hoku Tofi'a*", which means God and Tonga are my inheritance. The motto embodies Tonga's inheritance and wealth through the people, the land and the strong Christian and traditional beliefs that define Tongan culture.

The motto also highlights the vital role of the Christian faith, represented by the church, in Tongan society (Pulu-Lakai, 2018). Participants identify this sense of belonging as providing security, identity and wellbeing. Pulu-Lakai (2018) found that "*Many Tongans considered lotu as a haven where relationships, cultural values and practices are established and maintained. It is also a place where friendships and relational networks are encouraged and nurtured through mutual fulfilment of obligations and responsibilities*" (p.19).

Participants believed that their commitment to the church was an essential part of preserving the culture. That commitment included keeping strong relationships between family members and the rest of the community. The Tongan culture and the church are intertwined and reflected in how participants *talanoa* about their priorities and

commitments. The church is the top priority, followed by family commitments. Material wealth was a necessity to participants, but the *talanoa* found that they considered obedience to God, family happiness and meeting their different *kavenga* as more important.

The Tonga Strategic Development Framework II also states the national motto as its main priority and hope for prosperity. The role of religion and the church is nationally recognised as the top priority for the nation. This is reflected in the responses from the village participants such as 10, 11, 12 and 15.

Participant (10): Ko 'eku kavenga mu'omu'a taha ko e misinale, lii kuata, fakasepitema moe lii pa'anga. 'Oku mau fiefia he totongi 'emau kavenga fakalotu.

Interpretation: My first priority is the *misinale*, *kuata*, *fakasepitema* and donations. We are happy to pay for our church obligations.

Participant (11): 'Oku ou misinale, kuata peau kau he konifelenisi. Taimi 'e ni'i hi ko e kavenga fakakolo ka ko 'eku kavenga lahi taha ko e me'a fakasiasi.

Interpretation: I contribute to the *misinale*, *kuata* and *konifelenisi*. Sometimes we have the village *kavenga* but my main *kavenga* is the church obligations.

Participant (12): Ko 'eku kavenga mahu'inga taha ko e me'a fakasiasi moe tokoni ki he langa e holo fo'ou e kolo.

Interpretation: My main obligation is the church *kavenga* and supporting the village with building the new hall.

Participant (15): Mau fua e kavenga hange ko e misinale moe fakaafe he Siasi Uesiliana.

Interpretation: We pay for our *kavenga* like the *misinale* and *fakaafe* (feast) for the Free Wesleyan Church of Tonga.

The church is the cornerstone of village activities. There were multiple churches in every village I visited, and responses from participants highlighted the leading role religion has in their life. The church provides a place of worship, social support and even educational opportunities for participants' children. The participants identified their *kavenga fakalotu* as an essential commitment that took up a significant part of their household budget. An example is Participant 1, who has an annual income of TOP\$10,000 but spends up to TOP\$3,000 for her *kavenga fakalotu*, which is 30% of her total income. Participants donated between TOP\$500 and TOP\$5,000 for the annual *misinale/tukumo'ui* but this does not include all the other quarterly donations and church fundraising activities as well as the cost of food preparation for a *pola*. The total church financial commitments are significant for each of the participants relative to their annual income.

Nevertheless, participants have a strong belief that their *fua kavenga* or meeting their church financial commitments brings blessings and good fortune to themselves and their family. Even though most of the research cohort are in severe hardship, none were willing to give up their financial obligations to the church. Even Participant 14, who switched churches to reduce his financial commitments, was still paying the same amount of annual donation to his new church. He was only saving money during the food preparation for his *pola* for a smaller congregation but was still devoted and never questioned whether he should stop donating money to the church.

Family commitments – second priority

The participants identified the *kavenga fakafāmili* as their second most important priority. The participants relied on the extended family for support during difficult times and reciprocated this by always making an effort to meet their obligations for funerals, weddings, birthdays and other family events. The strong family connections provided participants with a sense of belonging and identity as a member of the wider *ha'a* or clan. *Kavenga fakafāmili* involved the following:

1. Cash contribution
2. **Cooking food**
3. Tongan artefacts
4. Raw crops and/or livestock

The second contribution **(in bold)** is the main component that involves paying CT and, potentially, customs duty or excise taxes if family abroad sends a box of goods to help with the event.

Family obligations refer to the cultural duties one has through kinship ties. For example, participants referred to *kavenga fakafāmili* as a funeral, wedding, birthday or significant event within the more extensive family network they are related to by birth or marriage. Participants prepared a *pola* of food for these events and the food supplies are purchased from the Chinese or Tongan stores, who are registered for CT. Materials and supplies purchased from any store are likely to have a consumption tax component attached.

I have outlined the main *kavenga fakafāmili* in Table 21, highlighting the different goods, services or cash contribution for various *kavenga* and the type of tax incurred by participants.

Table 21: Tax paid on kavenga fakafāmili

Type of kavenga fakafāmili	Goods/service/cash	Type of tax paid
Funeral	Food, artefacts, <i>koloa fakatonga</i> , livestock & cash	Consumption Tax (for food & artefacts from shops) Consumption Tax, customs duty or excise tax (and Ports Authority charges on an imported box of food)
Wedding	Food, artefacts, <i>koloa fakatonga</i> , livestock & cash	Consumption Tax (for food & artefacts from shops) Consumption Tax, customs duty or excise tax (and Ports Authority charges on an imported box of food)
Birthday	Food, artefacts, <i>koloa fakatonga</i> , livestock & cash	Consumption Tax (for food & artefacts from shops) Consumption Tax, customs duty or excise tax (and Ports Authority charges on an imported box of food)
Cultural obligations	Food, <i>koloa fakatonga</i> , livestock & cash	Consumption Tax (for food from shops)

Cultural responsibilities - third priority

The participants contributed to community and village projects with pride and genuinely wanted to improve their local facilities. The same applies to the broader obligations to the nobles and the royal family. The participants did not complain but considered it an important *kavenga*. These obligations included:

1. Tongan artefacts
2. **Food to prepare a *tunu***
3. Raw crops or livestock

The second component (**in bold**) involves purchasing food from the Chinese or large Tongan stores to make the *tunu* pack. CT is added on all products in the Chinese stores.

Kavenga fakafonua is a formal offering and all households, rich or poor, contribute as a community. It is a time of community pride because participants are providing food or

koloa fakatonga to show their love and respect for the village, nation, nobility or royal family.

The *kavenga fakafonua* involves paying CT on food purchased from the Chinese or Tongan shops, and on supplies from hardware stores for village projects such as a water system or building. Imported goods incur customs duty and CT charges unless an exemption can be secured. The *koloa fakatonga*, crops and livestock are provided by participants directly and do not incur CT charges but making a *tunu* or other food baskets will incur tax if food is purchased from the local Chinese stores.

Table 22 highlights the taxes incurred for *kavenga fakafonua*, including commitments to the noble estate holder, royal family and national event:

Table 22: Type of tax paid for kavenga fakafonua

Type of <i>kavenga fakafonua</i>	Goods/service/cash	Type of tax paid
Village roading project	Materials, equipment, rocks	Consumption Tax on materials, rocks and equipment hire
Village fencing project	Materials	Consumption Tax on materials
Village hall renovation	Cash, materials	Consumption Tax on materials
Village water generator	Fuel, cash	Consumption Tax Excise Fuel Tax Customs Duty
Village fundraising	Cash	Exempt (donations)
Noble <i>kavenga</i>	<i>Tunu, koloa fakatonga, livestock, crops, cash</i>	Consumption Tax (on food from shops to make <i>tunu</i>)
Royal <i>kavenga</i>	<i>Tunu, koloa fakatonga, livestock, crops, cash</i>	Consumption Tax (on food from shops to make <i>tunu</i>)
National celebration or event	Food, livestock, crops	Consumption Tax (on food from shops)

6.2.3 Access to land is critical for the poor

Land was a key subject in this research and participants mentioned how important it was for family wellbeing, prosperity and culture. Land is part of being Tongan and being without it leaves a hole because the physical manifestation of one's connection to Tonga

is through the land. The most vulnerable community must have access to land for survival and family wellbeing.

Only 14 participants had access to land and were able to grow their crops as well as sell the surplus at the front of their homes or at the local market in Nuku'alofa. The outer islands participants had access to land so grew their own crops, but those on the main Island of Tongatapu were not so fortunate to own land. Out of the 44 participants from Tongatapu, only 7 had access to land, highlighting the shortage of farmland on the main island.

Significance of land

The responses from participants on access to land was emotional and will continue to create animosity between some family members. Under the current land regime, ownership is still the realm of males in Tonga (Sumeo, 2016). Participants from the outer islands complained about the lack of land to grow crops because they have no access to land in Tongatapu. It is near-impossible to register land in Tongatapu if you already have land in the outer islands. Section 48 of the Lands Act prohibits a male from owning a second tax or town allotment (Ministry of Lands and Survey, 2016). Some fathers get around this by getting their son to own the second land plot.

Participants on the main island of Tongatapu also struggled to secure land for their children as in the case of Participant 16, who has three sons and no access to land. Disputes over land have also caused families to seek legal action to resolve ownership matters (see sub-section 4.4.2). Land disputes can also be devastating as they can break up families and destroy the kinship relationships:

Participant (29): 'Oku hoko e maumau ko e 'uhi ko e alea ki he kelekele he ko e foha lahi 'oku 'ea pea ne ma'u ai e kelekele he 'osi e mālōlō e tamai moe fa'e.

Interpretation: The dispute occurs over land negotiations because the eldest son is the heir, so he owns the land after the father and mother have passed away.

Responses from participants highlight the significance of land and how important it is for the survival and long-term wellbeing of families. Disputes are common and can lead to inter-generational breakdown in kinship relationships. The traditional Tongan values of *faka'apa'apa*, *'ofa* and *feveitokai'aki* that bind families together are destroyed when disputes take place, causing irreparable damage to families.

There were two cases of family disputes over land, which caused relationship breakdowns, all because of the greed and sense of entitlement of family members (participant 23 and 29). This also reflects how important land is to the participants because it can make a difference to families if they are able to generate an income, provide food and shelter.

Farming

Owning land does not automatically guarantee prosperity but provides better opportunities for wellbeing and survival. Participants with land often use seeds and fertilizers to grow crops and in doing so, paid CT on all their farm supplies identified during the *talanoa*. I was able to link purchases to the farming supply businesses such as Nishi Trading who are registered for CT. All the costs of farming products from these suppliers include CT. Tractor hire businesses are CT-registered, so participant farmers are charged when hiring tractors for ploughing. Table 23 identifies the indirect taxes incurred by growers:

Table 23: Type of tax paid for farming activities

Type of Farming Activity	Goods/service	Type of tax paid
Pesticides & fertilisers	Goods	Consumption Tax
Seeds	Goods	Consumption Tax
Tractor hire	Service	Consumption Tax
Fuel	Goods	Consumption Tax Excise Tax Duty

Selling crops

Some of the participants sold crops from their front gate on a similar basis to the roadside stallholders. This practice is common and another form of generating supplementary income and is possible when land is easily accessible to the poor. Participant 9 is an example:

Participant (9): 'Oku ou too manioke mo tokoni ki he lālānga hoku hoa. 'Oku tuku ma'u pe kato manioke 'e 3 he Tokonaki kotoa pe ki he TOP\$10 ki he kato pea 'oku lava ai 'emau kiki ki he Sapate. Kapau teu toe fiema'u ha seniti ki he totongi pasi e fanau, teu toe tuku atu e kato me'akai ke lahi.

Interpretation: I plant cassava and help my wife with her *lālānga*. I put out three baskets of cassava on Saturdays for TOP\$10 per basket which covers our food costs for Sunday. If I need money for the children's bus fare, I will put out more cassava baskets.

Participant 49 also sells crops from his front gate:

'Oku ou ngoue peau toe toutai. 'Oku 'i ai 'eku 'eka 'e 4 'oku ou too ngoue ai 'o fakatau atu 'i maketi, pe mei hoku toumu'a pe. Ko 'eku fanau 'e toko ono 'oku nau nofo kotoa pe 'i Tonga ni. 'Oku ngaahi kiekie hoku mali 'o fakatau atu pe 'i heni pea taimi eni 'i hi 'oku 'ave ki muli.

Interpretation: I am a farmer and fisherman. I have four acres which I use to grow crops and sell at the local market or from my front gate. I have six children all living here in Tonga. My wife also makes *kiekie* for cash and sells them locally and sometimes sends it overseas.

Participants selling crops from their front gate did not attract CT. Some of the participants also exported their *koloa fakatonga* to relations abroad, which did not incur CT or income tax, so these transactions are outside the tax net. Responses from participants indicated that their pricing decision for crops are not influenced by tax because they receive cash

directly from the buyer and outside the tax net. When asked if they understood their tax obligations, participants were unsure and assumed they did not have to pay tax.

Empowering the participants

The participants had a good understanding that land ownership provided certainty and protection against homelessness, poverty and hunger. Participants treated access to land as a way of being empowered, supporting life and connection to their traditional *fonua*. Land is a powerful resource that can transform the lives of the poor. Unfortunately, the reality is that land is not easy to acquire if you are poor and have no financial resources, as explained by the village participants. Landless participants found the land acquisition process to be discriminatory against the poor and presenting challenges for those considered vulnerable and in desperate need of land for housing and farming. Land can also create animosity and long-term hatred between siblings as discussed earlier.

The main issue around land is ownership. Having access is one thing but that only provides temporary relief for participants to grow crops. The real problem is the lack of legal ownership of lands by the majority of the 51 village participants. Only 14 out of the 51 participants (27%) had access to land through ownership or family connections. Only four participants owned their land through inheritance or acquisition through the normal land allocation process from the Ministry of Lands and Survey, or noble land estates. It was evident that available land, especially arable land, was in limited supply. The growing population was causing land shortages, as was highlighted during the *talanoa* with participants. Tonga's land tenure system was contentious for some participants, especially those who were not the eldest male in the family. Tonga's land system favours the eldest male heir.

One of the elderly participants was close to tears during his *talanoa*, describing how the traditional land tenure system has caused a significant rift with his younger brothers who

migrated to the United States. They no longer communicate, and this is his biggest regret because they have aged, and he will probably never see his brothers again. I can feel the pain in his voice and his desire to see his siblings again (participant 29).

The land issue is even harder for women because they can only have rights as a trustee or leaseholder, not ownership like males. Participant 42 expressed her frustration with the land allocation system and questioned why women could not own land. Section 7 of Tonga's Land Act states that:

Every Tongan male subject by birth, upon making application in the prescribed form to the Minister of Lands shall be entitled to receive, subject to the provisions of this Act, a grant of land not exceeding 3.3387 hectares as a tax allotment and where any such grant is less than 3.3387 hectares the Minister may from time to time as land becomes available and as he deems expedient to make further grants to such holder until the area granted to him as a tax allotment has a total area of 3.3387 hectares. He shall also be entitled to receive on making application as aforesaid and subject to the provisions of this Act a grant of an area not exceeding 1618.7 square metres in a town as a town allotment (Ministry of Lands and Survey, 2016, p.14).

The Land Act clearly highlights the gender rights to land which is a male dominated system that has remained the same since King George Tupou 1 declared all land to be the property of the Crown in 1862 (Sumeo, 2016). Being landless makes life extremely difficult for participants because opportunities are limited. Participants without the land struggle to survive, and they reflected this issue in their *talanoa*. The most vulnerable participants have no access to land, primarily for farming, and their hardship is more severe than any of the other participants in the study.

6.2.4 Cash payments are outside the tax net

The majority of participants' financial transactions are conducted with cash which is not captured under the direct tax system (Income Tax). Tax is paid, indirectly through CT, when cash is used to pay for goods and services from tax-registered stores and organisations. The cash payments were used by fishermen, women's enterprises, farmers and roadside stalls. Participants working for the large fishing operators were paid cash directly and did not pay any personal income tax. The fishing companies are registered, so they pay CT on sales as well as income tax on their fishing profits (see sub-section 2.4.5).

In some situations, these cash jobs can result in death – as discussed by Participant 4 (see section 5.4.4). Illegal fishing without the appropriate health and safety precautions caused the death of some of his fellow fishermen when they tried to escape from the Tongan Defence patrol vessels. The outer island fishermen are in a vulnerable position, and the lack of employment opportunities forces them to work for illegal fishing operators.

The roadside stalls provided five participants with a good income but avoided the tax net because transactions were conducted in cash and were undocumented. Three of these participants had access to land so were able to utilise their land to generate income as well as growing food for their family. Income from the roadside stall provided much needed financial assistance for each family, covering educational costs, transport costs, household supplies and church financial commitments. I found the dependency of the five participants (participant 9, 42, 47, 48 and 50) and their families, on the roadside stalls, similar to when Tongan families owned small shops to supplement their income – before the arrival of the Chinese shop owners who have taken over the local retail industry.

The participants avoided paying tax on cash transactions but the broad-based imposition of CT means that every product or service has a 15% CT which all respondents pay regardless of their income status. CT has ensured that participants pay tax even though

the initial cash transactions are untaxed. This is the impact of the revenue reform which does not differentiate between the rich and poor.

6.2.5 Outer island residents are heavily impacted

The cost of living in the outer islands was significantly higher than for those on the main island. This is due to the cost of transport and fuel, so travel was kept to a minimum. It was evident from the *talanoa* with the participants that, even though they enjoyed living on their home island, they had to migrate to the main islands in search of better opportunities and to educate their children. Education is essential to Tongan families, so participants worked and saved money to send their secondary school children to the main islands for further education. The educational costs include fees, school donations, uniform, stationery and boarding costs. The other expenditure is fuel and the hire fee for the boat. Food purchased from the local stores and utility costs for water and solar power are other expenses. CT is charged on all these expenses except for the school donations.

One of the observations made by participants was the strong kinship ties in the outer islands compared to the main islands. According to the participants, outer island families still follow the traditional customs of *'ofa* (love or care), *feveitokai'aki* (reciprocity) and *faka'apa'apa* (respect) between families.

Outer island participants followed traditional practices of sharing with neighbours and supporting each other without the need to ask for monetary payment. The traditional role of the father's oldest sister (*mehikitanga* or earthly god of her brother's children) is honoured when important family events are held and gifts are exchanged. These gifts are given to her as a sign of respect and to recognise her status in the family as the *mehikitanga* (Naepi, 2015).

Table 24 highlights the main activities for the participants from the outer islands and transactions where taxes are paid.

Table 24: Type of tax paid by outer Island participants

Type of outer island activity	Goods/service	Type of tax paid
Household products	Goods	Consumption Tax
Fuel for boat	Goods	Consumption Tax Excise tax
Boat hire	Service	Consumption Tax
Ferry service to Ha'apai & Vava'u	Service	Consumption Tax
Educational fees	Service for children	Consumption Tax
Educational materials and supplies	Service for children	Consumption Tax
School donations	Service for children	Exemption (donations)
Village water supply	Service	Consumption Tax
Electricity	Service	Consumption Tax
Gas	Service	Consumption Tax Excise Tax

The responses of outer island participants indicated that they have better access to communal resources such as the sea for fishing and land to grow crops.

Participant (6): 'Oku lālanga e kakai fefine kae toutai e matu'a tangata. 'i ai pe mo 'emau kelekele ke mau too ngoue ai. Lahi ho mau kakai 'oku 'alu he toli.

Interpretation: Women weave while the men go out fishing. We have our own land to grow crops. Many of our people travel to pick fruits (RSE work scheme).

Participant (10): 'Oku lahi fe'unga pe ngoue kai he 'oku mau tokosi'i pe 'i Lofanga. Mau too ngoue pe ka 'oku lava pe 'o ma'u mei he kaunga 'api ka fiema'u. Mau toe fai moe fangota pea toutai leva hoku hoa.

Interpretation: We have enough crops because there are only a few of us in Lofanga. We grow crops and can also get it from our neighbours if we need to. We also glean the shallow waters for shellfish and my husband goes out fishing.

Outer island participants enjoyed having easier access to public resources, unlike the participants on the main island who struggled to secure land and access to the sea due to their location and overfishing.

Despite the abundance of land and fishing resources on the outer islands, participants struggled when they migrated to the mainland in Tongatapu due to scarce and limited

opportunities to grow crops. This adds further problems because participants cannot farm or generate an income. The lack of land for outer island participants can cause severe hardship, as highlighted in the *talanoa*. Tonga's land laws prevent ownership of two tax allotments and this impacts on participants who own land in the outer islands because it precludes them from owning land on the main island of Tongatapu.

I interviewed six participants from the outer islands of Ha'apai and one from Vava'u. The seven participants were asked to respond to my questions from their outer island lens. This provided a good understanding of their experiences and how the revenue reform impacts their wellbeing. It became apparent during the interviews that there were unique aspects of living in the outer islands and, from a research perspective, I can identify the transaction points where participants pay direct and indirect taxes. I found their unique characteristics to be as follows:

- ***Stable cultural connectivity*** – participants had stronger relationships with their neighbours and everyone supported each other, whether it was for a funeral, wedding, church activity or natural disaster.
- ***Friendliness*** – the participants reflected on the friendliness of the island community compared to people on the main island of Tongatapu.
- ***Transportation*** – the primary transport method for the participants was by small motorised boats to Ha'apai. Two of the participants, who were from the islands of Lofanga and Ha'ano, which are to the north of Ha'apai, explained the importance of small boats as their main form of transportation. There are only a few vehicles in Lofanga but, to travel to the main Island of Ha'apai, they have to hire a small boat. The boat fees covers fuel and hire costs. CT and excise tax duty is included in the price of fuel.
- ***Shopping*** – participants purchased some of their household supplies from the local outer island shops, but the prices are much higher. Each leg of the trip adds additional transport charges which increases the prices. Participants will try to buy their goods from the main island of Tongatapu or Ha'apai where

possible. *“When we buy it’s expensive because there are transport costs added to the normal prices. We must hire a local boat to travel to Pangai, which takes a few hours from Lofanga. We are used to this form of travel” (Participant 6).* The local shops on the main island and ferry operators charge CT. Fuel for the boats has CT and excise tax duty on each litre.

- **Electricity** – participants in Ha'ano use a combination of solar power and electricity. Solar power was installed by donor agencies and is free in some areas but only supplies enough for lighting. The electricity supply is through a community diesel generator which operates for a few hours of the day. Electricity provided through Tonga Power Limited includes CT and excise tax for fuel for individual generators in the central Ha'apai Island.
- **Financial support** – the primary form of revenue generation is from fishing and making *koloa fakatonga*. The fish is typically transported to the local Pangai market by boat for sale to consumers or direct to local businesses who purchase the fish directly from the fishermen. These cash transactions are outside the tax collection system.

The interviews with the Ha'apai participants identified the tax collection points as follows:

- Petrol station in Ha'apai supply fuel to the participants – all fuel companies pay excise tax and CT.
- Local shops – all goods entering Ha'apai through the Ministry of Revenue and Customs incur customs duty and CT, so participants purchasing goods from these shops pay indirect taxes.
- Money transfers – any funds received through the official money transfer agents such as Western Union and Money Gram incur a foreign exchange levy.
- Purchases from the leading shops in Ha'apai and Tongatapu incur CT.
- Electricity supply from Tonga Power Limited incurs CT.
- Fuel for the boats and village generators incurs CT and excise tax.

- Educational supplies incur CT.

Every financial transaction involves an indirect tax component so the outer islands participants are heavily impacted, as highlighted by the extent of taxes on each activity.

6.2.6 Trading koloa fakatonga using traditional method

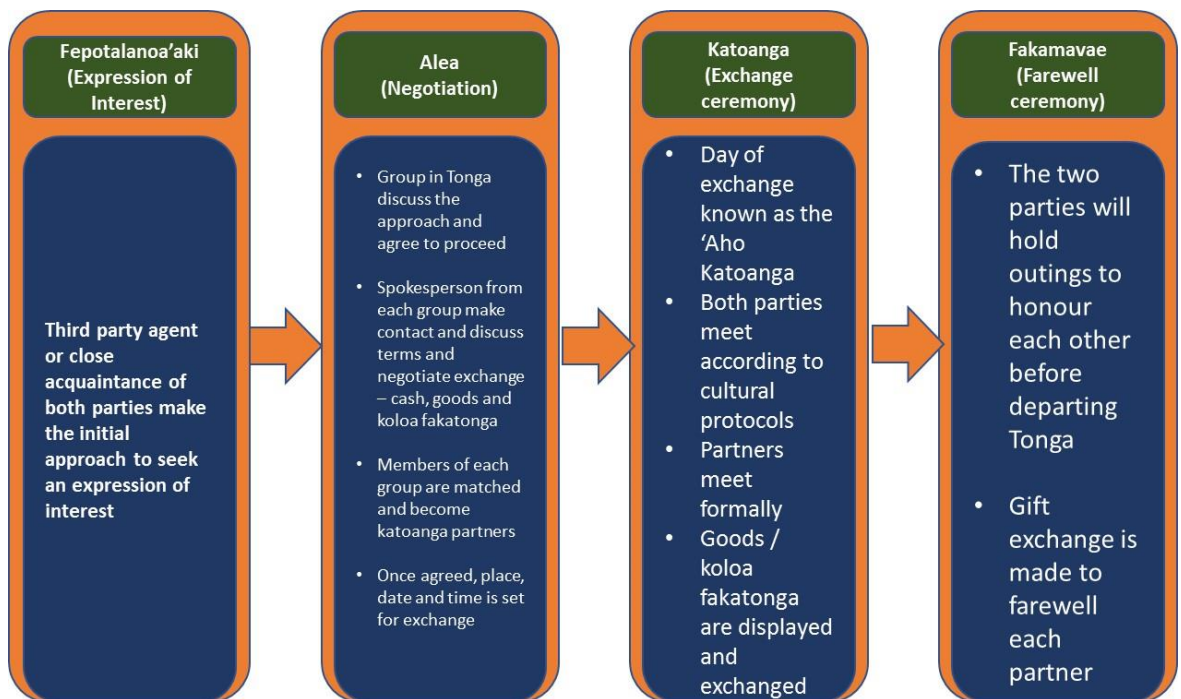
The participants valued their culture and followed traditional Tongan customs. The majority of their activities includes some form of Tongan cultural element. Traditional forms of trade are popular and used to exchange koloa. The participants used the *katoanga* trading method for women's development groups.

Katoanga

Women's enterprises are a significant income earner for participants and their families. Women's enterprising activities such as *katoanga* use a cultural method of bartering (*fakafetongi*) between participants and external parties. This form of transaction avoids the tax net because the tax system is unable to capture cultural transactions. There is no formal written agreement or record, and the entire process is governed by cultural protocols and relationships between women's groups in Tonga and abroad.

In Figure 14, the *katoanga* process is highlighted based on the female participants' responses. Cash and *koloa fakatonga* or goods are the mediums of exchange and *talanoa* is the communication method used by both parties to complete the transaction. The process starts with an expression of interest, negotiation, exchange ceremony and farewell between the parties. The *talanoa* method is used by both parties to discuss and negotiate the exchange process without any formal documentation. Both parties agree to meet at a designated place, date and time to make the actual exchange.

Figure 14: Katoanga process



Source: Participant feedback on katoanga process

The *fakafetongi*, or cultural exchanges, have been an important part of the Tongan culture. The *katoanga* was used as a way of trading and building relationships with neighbours throughout the Pacific. These gatherings are very lucrative and financially profitable for both parties. It is important to note that this is not a deliberate attempt at tax evasion but a critical cultural practice to nurture relationships. This extends to weddings, funerals, birthdays and customary rituals of *fatongia* or duty to ones *ha'a* or clan.

The informal trade of another popular commodity, *kava* (*Piper methysticum*), also avoids the tax net as some private growers negotiate deals directly with Tongan *kava* buyers in Australia, New Zealand and the United States without formal documentation. These transactions are not held in a formal setting but often under a cultural arrangement or family connection. The *kava* products are exported, and the buyers take delivery of the *kava* and remit the payment or goods of an equivalent value directly to the seller as

remittances. This form of exchange avoids the income tax net except for the foreign exchange levy (for cash remittances).

In this study, bartering does occur and is more frequent among the female participants who make *koloa fakatonga*, *ngatu* and artefacts for tourists. It is a regular event in the outer islands with female participants because it can be a lucrative financial arrangement if negotiated by experienced weavers or agents. Female participants (35 and 10) from Ha'apai described how they conducted *katoanga* with Tongan women's groups in New Zealand and Australia. The deal is negotiated by a third party or one of the weavers from their weaving club. The price is confirmed early in the process. The two participants preferred cash in return for their Tongan mats as this was easier to arrange, compared to receiving goods of a similar value. The *katoanga* is described by Horan (2002) as within the sphere of exchange:

[Katoanga] are elaborately organised group exchanges, which take a year or more to come to fruition. They occur between women's groups in an Outer Island say, and a group in Tongatapu or more often now in a place like Auckland, Los Angeles, or Sydney. Types of wealth in the Tongan frame of reference tend to be geographically specific. Women in Auckland may 'specialise' in the provision of cash and 'kind' (western goods), women in the north of Tonga in fine mats. The cash and in-kind return from a katoanga for a ceremonial fine mat or ngatu are likely to be higher than the market rate because producers receive extra gifts known as 'love gifts' or me'a'ofa as well. Also, women gain considerable prestige and joy from participating in a katoanga. Exchanges are made amid feasting and celebration (p.211).

Kau tou lālanga and koka'anga

Female participants operated various enterprising activities to generate extra income. The activities undertaken required materials that were sourced from their land or purchased from the local suppliers who were not registered for CT. According to the participants, if they cannot grow the raw materials, they purchase these from friends or

growers at the local market. *Koka'anga* or *ngatu*-making for sale was another primary source of income for female participants and, like the *lālānga*, it incurred no tax payment because they were cash sales. Table 25 shows the three women's enterprises involving goods used for exchange. No tax is paid on this income.

Table 25: Type of tax paid on women's activities

Type of women's activity	Goods/service/cash	Type of tax paid
<i>Katoanga</i>	Koloa fakatonga	No tax paid
<i>Tou lālānga</i>	Koloa fakatonga	No tax paid
<i>Koka'anga</i>	Koloa fakatonga	No tax paid

6.2.7 Lack of knowledge about the reform

Only two participants remembered the introduction of CT in 2005. Participant 2 operated a small business that was registered for CT, and he experienced some of the compliance issues and the penalty system. Participant 46 is a financial advisor so was well aware of the changes caused by CT but did not participate in the public consultation.

Forty-nine or 96% of participants did not understand CT and the rest of the tax system imposed by the revenue reform. It is only through their *talanoa* that I could track the impact of the reform on their financial transactions. These transactions are subject to CT, customs duty and excise taxes that participants paid. The participants were impacted but did not realise how it happened.

In 2005, the government conducted consultation with the public and educational programmes with the business community. However, as reflected by the *talanoa* with participants, the consultation was inadequate and failed to reach those who would likely suffer from the reform. The failure to consult widely, in order to reach the poor has become a key problem with the revenue reform programme.

6.2.8 Financial benefit and social cost of the seasonal work scheme

The RSE and SWP Schemes provided much-needed income for participants and their families. I found the participants involved with the two schemes benefitted in the following manner:

- Provided financial contribution to church obligations.
- Paying educational costs for children or siblings.
- Imported goods for kavenga, food and clothing.
- Building materials to build a house.
- Vehicle for the family.
- Higher standard of living.

RSE and SWP workers are taxed in New Zealand or Australia, so do not pay income tax when they remit the funds to Tonga. However, a foreign exchange levy is charged through banks and agents involved in transferring the funds.

As discussed previously (see sub-section 2.3.14), a survey of RSE employers identified strong support for Tongan workers despite some issues around pastoral care. One of the employers had a different perspective and wanted to spread the recruitment opportunity to other island nations and highlighted the concerns about the future projections of a falling Tongan male population remaining in the Kingdom due to the RSE scheme (Research New Zealand, 2017).

The majority of the participants who had family involved in the RSE or SWP indicated that they were male members. With the growing demand for Tongan workers in the RSE and SWP, this could have both a positive and negative impact on the Tongan male population. Some of the negative factors include family break-ups and exposure to alcohol and drugs. On the other hand, the benefits of participating in the RSE or SWP are financial rewards and a better standard of living. All participants with family members

in the RSE or SWP had positive responses and highlighted the financial benefits and a higher standard of living.

Remittances sent from family living abroad (or on the RSE and SWP), either as cash or goods, are crucial income for participants. Imported goods have a CT component and customs duty. Participants were aware of the CT and customs duty charged for remitted goods during the *talanoa*.

6.3 Cohort 2: Participants from the government sector

6.3.1 Higher revenue and modernised administration

Participant GBA and GBD agreed that the most significant factor about the reform was the higher revenue collection and improved tax administration process. The reform introduced a modern tax system that was able to capture taxes from businesses and taxpayers more effectively. However, GBF believed that the reform has severely impacted the poor and is the cause of poverty in low-income families. The reform removed exemptions that benefitted the low-wage earners, and solely focussed on revenue generation.

6.3.2 Revenue reform objectives are partially achieved

According to participant GBA, the revenue reform has partially achieved its purpose but will never be fully completed because the current policy leaders of the reform have forgotten the original purpose. The reform is now guided by political decisions that will continue to adjust the tax system to fit current policies. The government is also encroaching into the business sector by directly investing in marketing and business activities, crowding out private business operators.

GBF believes that the reform was ill-timed and caused significant damage to the poor by failing to provide a safety mechanism to reduce the adverse effects. The reform was

pushed through without proper consultation to consider the views of the poor communities. The on-going effect of the reform is more poverty and hardship for families, especially in the rural areas and outer islands.

6.3.3 Lack of consideration for the poor

GBF identified the lack of consideration of the impact on the poor as the most destructive part of the reform. He used the example of the abolition of the exemptions as an example of how the reform removed tax benefits from donations, dependents, education, and loans which were claimed by low-wage earners. These benefits were abolished without any effort to replace this loss from taxpayers. The government failed to consult the low-income taxpayers about abolishing the exemptions and imposed it by stealth. Participant GBE highlighted the lack of knowledge among the poor as a reason why some of the tax changes were made with limited opposition.

6.3.4 Failure to secure support from public servants

GBF participated in the public servants' strike in 2005, so he was highly critical of the consultation process used for the reform. Government leaders failed to realise that public servants were critical to the reform because they were the largest workforce in the Kingdom. The public service reform worked alongside the revenue reform, and it became apparent right from the start that consultation and meaningful dialogue was missing from the process. Government ministers and their advisors misread the reaction of the public servants and instead moved forward with the public sector reform, hoping that employees would conform and accept the proposed changes.

The senior public servants decided to take action and formed the original leadership group to lead the strike action against the government. GBF recalled how the farmers' protest in June 2005 against the introduction of CT was a catalyst for further protest, so

the public servants considered this to be an opportune time to raise their concerns by holding a national strike. This event was the first public reaction against CT on a large scale, but government leaders failed to realise the potential upheaval that was about to take place. Next was the public servants' strike in July 2005 and then the destruction of the Nuku'alofa central business district on 16 November 2006. Public support for the reform failed due to the lack of consultation and support from key stakeholders such as public servants, church leaders, business leaders and vulnerable communities.

GBE was more direct in highlighting the high rate of CT as being excessive and explaining why it should be reduced. The high rate of CT was creating an atmosphere of corruption as businesses under-report profit levels and turnover to avoid paying taxes. CT should be set at a lower rate than 15% to improve business compliance and ease the burden on the poor from paying higher prices.

6.3.5 Other important factors

Capital gains tax

GBF highlighted a problem with Tonga's land tenure system that needed to be addressed because it could provide a better land distribution system captured by the tax net. The idea of imposing a capital gains tax system on land sales is a matter of national significance. It requires changes to the Constitution. Land is considered sacred and is the Tongan citizens' connection to the nation. The amount of money being exchanged for land transfers are significant, so the idea of imposing a capital gains tax may be worth further discussion with the broader community and leaders. Such a tax will provide the government with an additional revenue stream and may even provide the poor participants with an opportunity to secure land through a leasing arrangement.

Accusations of corruption at the border

Accusations of corruption in the handling of imported goods by customs authorities was acknowledged by a former senior customs officer, participant GBA, and experienced by GBB and GBE during the import valuation process. GBA believes that the accusation of corrupt behaviour is misinterpreted and is related to Tongan culture and family ties which puts pressure on customs officers to do the best they can without breaking their family relationships. There are two different valuation methods used for Tongan importers and Chinese or business importers. This issue is a long-running problem that the Ministry of Revenue and Customs is trying to resolve, but GBA believes that more consideration and understanding is needed due to the cultural relationships involved. The problem was also discussed by the village participants regarding the different valuations given to 4x4 boxes imported from their families abroad.

Government tax policy

The role of developing and implementing tax policy was transferred from Treasury to the Ministry of Revenue and Customs during the government of Prime Minister Feleti Sevele. GBA supported the change but Treasury officials, represented by GBD, disagreed and believed that the policy function needs to be held by Treasury because the Ministry of Revenue and Customs needs to focus on tax administration and collection instead of economic development policymaking. The policy function for revenue reform will continue to be a problem if the Ministry of Revenue and Customs loses focus on its primary function.

Lack of outer islands support

GBD criticised the lack of support for the outer islands and how government resources and initiatives were concentrated on Nuku'alofa rather than the most vulnerable communities. A good example is the China loans being used to rebuild the Nuku'alofa

central business district, as well as roads on the main island of Tongatapu, while a limited amount of support was offered to the outer islands. The revenue reform impacts the most vulnerable, especially those in the outer islands, but the government is not providing resources to support these impoverished communities.

6.4 Cohort 2: Participants from the business sector

6.4.1 Promoting private-sector growth

Participant GBA believed that the reform and the tax policy-makers are not focussing on growing the economy or providing a business-friendly environment. Businesses need to be incentivised and supported. At the same time, he wanted to keep the pressure on the Chinese stores because of the under-reporting of their actual financial position and tax evasion. He does sympathise with the Tongan customs officers being accused of corrupt practices. Cultural relationships are strong, and following the rules is still a problem when valuing customs duty for goods belonging to family members or friends.

GBB disapproved of the revenue reform, especially with the way it was imposed on the Chinese businesses without proper consultation, and the on-going inspections by the different government agencies. The Point of Sale policy is the latest initiative that reflects the growing tension and mistrust between the government and the business community. He believed that the policy is misguided and based on unfounded accusations against Chinese businesspeople. Such heavy-handed tactics are only going to encourage corruption and illegal tactics with Chinese owners resorting to paying off government officials to avoid the inspections. As one of the original Chinese immigrants in the 1990s, GBB found the revenue reform to be administratively expensive and a barrier to businesses operating profitably. The Chinese business community wants a fairer tax system and fewer administrative requirements. Owners are paying more for financial advisors and accountants to work out how to pay the least tax, rather than cooperating with the revenue officers. GBB suggested that government might consider replacing the

current tax system based on profit and turnover with one based on the size of the footprint of a business which might be more straightforward for Chinese businesses, and easier to administer.

Participant GBC represented the Tongan business community and was a strong advocate for private-sector-led economic growth. She was concerned with how the government engages with taxpayers and the business community. Policies are being implemented without proper consultation, such as the demand for all businesses to have a POS system. The POS is an extra cost on businesses that are struggling with the high compliance costs of the reform. Many businesses and the general population do not understand the revenue reform and how it works. This issue is a reflection of government failure in educating taxpayers and engaging effectively. The relationship between businesses and government varies and, according to GBC, the current government has not developed the pro-business environment promoted by the original EPSR programme, where public enterprises were to be restructured, and business compliance costs reduced. None of this has happened since the beginning of the reform.

GBE was highly critical of the reform. Her biggest concern was the corruption allegations at customs and the 15% CT that businesses were struggling with, especially small operators like her. The reform may have increased tax collection but has reduced the ability of businesses to be sustainable. Some industries, such as fisheries and tourism, receive government tax subsidies while importers and retailers do not. She has witnessed many businesses failing due to the sheer magnitude of compliance and regulations imposed under the reform. There is a mismatch between the reform and what may be appropriate for businesses. Tonga has adopted New Zealand's GST model and tax administration system, which is causing challenges for Tonga's small private sector.

6.4.2 Higher business compliance requirements

The revenue reform added tax compliance for businesses and, based on the responses of participants GBA, GBB, GBC and GBE, the following are compulsory:

Tax compliance

- CT return and payment.
- Income tax return and payment.
- Tax Identification Number.
- Point of Sale.
- Revenue audits.

The compliance requirements load additional administration costs onto businesses and owners working under an increasingly complex tax system. Each new policy adds additional compliance costs. The participants found that compliance requirements under the reform have increased and have negatively impacted the profitability of small operators.

6.4.3 Customs officers mistreatment of Chinese businesses

Participant GBB represents the Chinese importers who make up the majority of retailers in the Kingdom. The importers are concerned with the way customs officers treat them compared to the Tongan public. GBC represents the Tongan businesses that include a significant number of exporters from the fishing and agricultural industries. GBE is an importer of school uniforms, shoes and materials from Fiji, and questioned the impact of the PICTA and PACER agreements⁶ because she has not seen any benefits from trading with the Fijian businesses (PACER Plus Negotiations Concluded, 2018).

⁶ The Pacific Island Countries Trade Agreement (PICTA) is a free trade agreement on trade in goods among 14 members of the Pacific Islands Forum. The Pacific Agreement on Closer Economic Relations (PACER) is a framework agreement to deepen trade and investment liberalisation in the broader Pacific on a step by step basis (<https://www.bilaterals.org/?-PACER-PICTA->).

The participants criticised the revenue reform for the impact it has had on businesses and national economic growth. The reform has not been perfect and has only partially met its objectives (Murray et al., 2014). There are allegations of corrupt practices among some customs officers handling imported goods for family members and not following the correct procedures. The Ministry of Revenue and Customs still rely on the judgement of customs officers to value imported goods. The weakness seems to be the reliance on humans in the customs valuation process rather than the approved practices for valuation.

The revenue reform was designed to eliminate corrupt behaviour, especially in customs, by using best practice and a modernised valuation system. However, it is evident from the business participants that there are discrepancies between the valuation of personal imports and commercial goods that may be harming compliant businesses. The Chinese businesses are significant importers, but they are concerned about the different valuation methods being used, which means they are paying more for customs duty and excise tax than their Tongan counterparts.

6.4.4 Business sector consultation was inadequate

The business participants agreed that the reforms could have been implemented more effectively by better consultation. They understood the government's rationale for the reform, but how it was implemented without proper consultation continues to be debated by business leaders.

Better consultation

The public consultation process for the business community failed to make an impact and owners felt that the government had already made the final decisions, and were only

going through the motions to make it look like it was engaging with the business community. The evaluation of the reform by the Sapere Group identified the following:

Consultation with businesses improved in the most recent reforms. With the CT, there was education about tax but not consultation. This attitude is changing now; our opinion is being sought. – Member of the business community. (Murray et al., 2014, p.92).

In some cases, the consultation was not done by officials from the Revenue Ministry itself (it was done by the Minister of Finance and his advisors instead). Sometimes they did not know precisely the contents of the reform. (Murray et al., 2014, p.93)

Taxpayer education

The reform needed to have a consultation process and a comprehensive education programme to equip businesses with the tools to comply with the new tax system. Participants felt that the revenue advisors mixed the consultation and education process rather than providing a comprehensive training programme for business owners.

Unsustainable tax rates

GBA agreed with other participants (GBB, GBC, GBE and GBF) that the CT rate was too high and should be reduced to 10% or 12.5%. The current rate is unsustainable and causing prices to increase and impact on the poor. The new health tax will increase excise taxes on some essential goods that will raise the prices for goods that are usually purchased by the poor. All these rates need to be reviewed because the consequences for the vulnerable are significant, according to GBB, GBE and GBF.

6.5 Revenue reform consultation process

In Chapter 2, I highlighted the public consultation process used to educate the public and taxpayers about the revenue reform (see sub-section 2.3.8). Part of the public consultation included visiting some of the rural villages, but it was apparent from the responses that it never reached those who needed to understand the consequences of the reform. An evaluation of the revenue reform found that the consultation was inadequate, and this is a sentiment shared by the village participant cohort.

The interview found that no participants were involved in the public consultation and that they were never advised about the village visits by the revenue officers.

Participant (19): Tala 'e he pule'anga 'oku lahi e tukuhaui 'oku nau tanaki ko e 'uhinga he 'oku nau to'o e tukuhaui mei he kakai. 'Oku fu'u mamafa e tukuhaui pea 'oku 'i ai mo 'enau founa kehekehe ke ma'u e pa'anga mei ai. 'Oku nau fai tu'utu'uni mo fakahoko fatongia te'eki pe ke fai ha talanoa kiai.

Interpretation: Government has stated that they collect a lot of tax revenue – it is because they are taking taxes from people. The tax rates are too high, and they have other methods of generating more money. They make decisions and implement without discussing with the public.

The public consultation strategy developed by government and tax advisors failed to adequately include the perspectives of the village participants and outer islands respondents in this study. The government advisors visited the main outer islands of Vava'u, Ha'apai and 'Eua but not the Niua and the smaller outer islands where some of the participants in this study lived. The coverage of rural areas was also limited to seven meetings spread around the main Island of Tongatapu. This approach failed to reach any of the village participants in this study. Overall, the revenue reform consultation was ineffective and had no impact in terms of providing village participants with an opportunity to share their perspectives with the government about the tax changes.

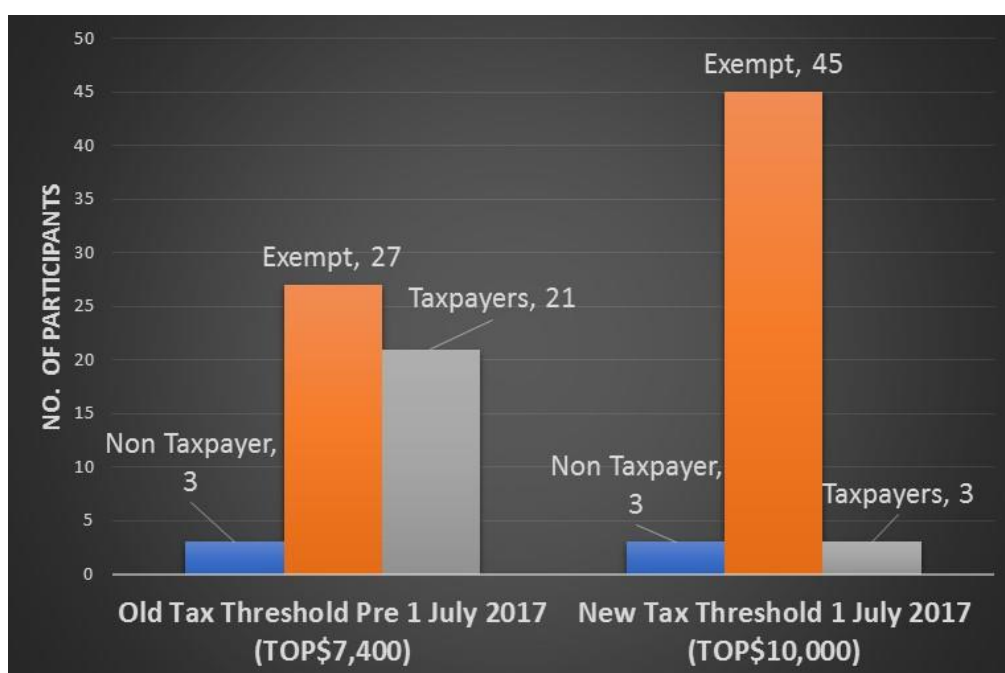
6.6 Tax threshold exemptions – limited impact on the poor

As noted in the literature review, Tonga's tax threshold was increased from a minimum income of TOP\$7,400 to TOP\$10,000 on 1 July 2017 (Ministry of Finance and National Planning, 2017). This policy change enables wage-earners under TOP\$10,000 to pay zero income tax.

Income tax exemptions

In Figure 15, the first set of bars shows the old tax threshold which would have required 41% or 21 participants to pay income tax on all income above TOP\$7,400; this would leave three non-taxpayers (RSE workers and the farm exporter) and 53% or 27 participants under the threshold. The second set of bars on Figure 15 highlights the changes when the tax threshold was raised from TOP\$7,400 to TOP\$10,000, resulting in there being three taxpayers; there are three taxpayers while 88% or 45 participants were under the new threshold and so are exempt from income tax. The change from the old to the new income tax threshold is a net gain of 67% or 18 additional participants making up 88% or 45 exemptions from paying income tax. Also note, that these exemptions would have only applied to workers in formal employment.

Figure 15: Income tax threshold



Source: Adapted the tax threshold figure announced by the government of Tonga at the 2017 budget (Ministry of Finance and National Planning, 2017, p. 12).

CT exemptions for water

The other exemption for participants was the first 20 cubic metres of their monthly water bill, which is free from CT. This exemption only applies to the urban water supply system operated by the Tongan Water Board as a state-owned enterprise.

Natural disaster tax relief

Participants will be eligible for the natural disaster exemptions for imported goods through the Cyclone Gita import scheme (Ministry of Finance and National Planning, 2018). Construction materials and supplies relating to participant recovery are exempt from CT and customs duty.

Exemptions abolished under revenue reform - personal exemptions on income tax

By way of deduction from assessable income on expenses incurred and donations made as follows (Burleigh Evatt Limited, 2007, p.1):

- a) Dependent wife or husband, or other, up to \$350 per dependent.
- b) Charitable or religious donations, up to \$750.
- c) Education expenses, \$2,500 per dependent.
- d) Life insurance premiums (up to \$600), superannuation contributions (up to \$1,500) and loan repayments (up to \$1,000 for dwelling house loan and fixed asset loan).

This policy was designed to support the larger families and give relief for children, donations, education, insurance, superannuation and loans. However, in 2007, advice provided by the consulting firm, Burleigh Evatt Limited, to the Tongan Government found that claims for exemptions of TOP\$3.8 million were made by 14,406 people (81%), compared with 17,789 eligible people in the population with 3,383 people (19%) who made no claims (Burleigh Evatt Limited, 2007, p. 2). The recommendation to abolish the exemptions was based on a tax policy argument against *“allowing any tax relief for personal expenses, particularly in countries where qualified people carry out administration are scarce. Such scarcity means that resources are diverted from general enforcement activities involving high-risk taxpayers to more mundane administration tasks associated with verifying claims for personal expenses* (Burleigh Evatt Limited, 2007, p.4). Besides, the fiscal saving of abolishing the personal exemptions is TOP\$3.8 million that the Ministry of Revenue and Customs no longer has to pay out.

The participants in this study would have only been eligible to claim the exemptions if they were employed and paying personal income tax of over TOP\$7,400 under the old threshold. Employed participants can no longer claim the income tax exemptions, so this is a loss for them.

6.7 Who is vulnerable (*tu'u laveangofua*) to the impact of revenue reform?

As discussed in Chapter 2, Tongan people are proud and conduct themselves with dignity and respect. They know their place in society as a commoner or royalty and act accordingly. These same qualities apply to both research cohorts. The 51 village participants did not consider themselves to be subservient to the privileged members of Tongan society represented by the government and business advocates, but accepted their status proudly as commoners. They also have obligations to the church, family and the *fonua* which they accept with pride and a sense of endearment because it is part of their culture and position in society. Some of the village participants considered themselves to be financially destitute, and could do with some form of government support, but were not in extreme poverty as all had shelter, food and access to the necessities of life including education and free health care.

The 51 village participants did not consider themselves to be vulnerable people, but through their *talanoa* responses, I was able to highlight their 'vulnerability' to government policies that impact their way of life. These participants lived a healthy life, from their point of view, and changes made by the government were part of life, so they accepted them and moved on. However, they were oblivious to the actual impact of some of these changes. They felt powerless to stop the process. They were God-fearing, law-abiding and proud citizens who felt their voices would not make a difference, so they were subjected to the policy changes without having an opportunity to voice their concerns.

The vulnerable (*tu'u laveangofua*) emerging from the *talanoa*

The *talanoa* with the participant group one cohort, identified those who were vulnerable to the impact of the revenue reform. As mentioned previously, these participants are proud and do not consider themselves to be vulnerable but, for this study, I consider

them as being vulnerable to the impact of the revenue reform. Table 26 highlights participants considered to be vulnerable to the effects of the revenue reform:

Table 26: Participants in each category

51 Village Participants					
Elderly 15 Participants over 60 yrs	Women 28 Participants	Landless 37 Participants	Unemployed 3 Participants (12, 22 and 55)	Rural 39 Participants	Displaced 2 Participants (16, 30)
Low income 45 Participants (under tax threshold of TOP\$10,000)	The poor 18 Participants (under TOP\$5,000)	Youth 7 Participants under 25 yrs	Outer islands 7 Participants	Disabled 4 Participants (20, 39, 46, 69)	Small/micro enterprise 4 Participants (42, 47, 48, 50)

The 51 participants are listed under twelve vulnerable categories and with some in multiple categories. The largest categories are low income, rural, landless, women, the poor and elderly. These participants are vulnerable to the reform due to the taxes paid on their various activities, based on their *talanoa*. This is discussed further in the following section.

6.8 Impact of revenue reform on participant spending

The types of taxes collected from the grouped activities identified by participants cover many forms of government revenue. Tax is collected directly through income tax or indirectly through CT, customs duty, excise tax, vehicle registration fees or licences collected and paid to the Ministry of Revenue and Customs.

Table 27 identified seven categories of participants' spending activities that incurred tax payments. Note that the categories are basic goods and services that reflect the socioeconomic status of the participant cohort one. Luxury items or high-priced personal goods and services do not feature in these spending categories. The table also highlights the main taxes collected from the activities of participants, the type of goods or service and the tax collection agent.

Table 27: Tax collected on spending activities

Spending activity	Goods or service	Type of tax	Tax collection agent
1. FOOD AND OTHER PRODUCTS			
Purchased from local Chinese & Tongan stores	Goods	Consumption Tax	Private Businesses
2. FARMING ACTIVITIES			
Pesticides Seeds Tractor hire	Goods & services	Consumption Tax	Private Businesses
3. HEALTHCARE ACTIVITIES			
Medication Private health clinic fees	Goods & services	Consumption Tax	Private Businesses
4. UTILITIES			
Water	Goods & services	Consumption Tax	State-Owned Enterprise (Tonga Water Board)
Gas	Goods & services	Consumption Tax & Excise Tax Duty	State-Owned Enterprise (Home Gas Ltd & Tonga Gas Ltd)
Electricity/Solar Power/Village Generator	Service	Consumption Tax	State-Owned Enterprise (Tonga Power Ltd)
5. TRANSPORTATION			
Ferry transportation	Service	Consumption Tax	Private Businesses & State-Owned Enterprise (Friendly Islands Shipping Agency)
Bus fares	Service	Consumption Tax	Private Businesses
Vehicle registrations	Service	Consumption Tax & registration licensing	Police & Fire Services
Fuel	Goods	Consumption Tax & Excise Tax Duty	Private Businesses
6. EDUCATION			
Educational supplies	Goods	Consumption Tax	Private Businesses & NGOs (church-operated businesses)
Educational fees	Service	Consumption Tax	NGOs (church-operated schools) & Ministry of Education (public schools)
7. IMPORTS			
Imported goods	Goods	Consumption Tax & Customs Duty	Ministry of Revenue and Customs & State-Owned Enterprise (Ports Authority)
Imported vehicle	Goods	Consumption Tax & Excise Tax Duty	Ministry of Revenue and Customs & State-Owned Enterprise (Ports Authority)

The seven categories of goods and services highlight the impact of CT on participants and how it covers every transaction. No service or activity is outside the CT tax net. Other taxes are also added to the price and paid for by the participant.

The main tax changes that impacted the participants over the last decade were:

Introduction of Consumption Tax

Introduction of the 15% CT which was applied broadly on nearly all goods and services purchased or used.

Customs duty and excise tax changes

In 2006, the Revenue Services Department (as it was known before the name was changed to the Ministry of Revenue and Customs) informed all importers (private or commercial) to provide an accurate and correct declaration as to the contents of any package or container imported into Tonga. Commercial importers were prepared because they had invoices, and packing lists stating the value and the type of goods which was used to calculate customs duty. However, private importers were expected to follow the same rules:

The current practice for private importers is for Customs to examine the goods in order to establish the contents to assess the customs duty charges. This practice is no longer acceptable, and Customs now requires private importers to supply a packing list noting all contents of their shipment. Customs will then verify this. This requirement places more obligations on private importers than that previously required in Tonga. (Revenue Services Department, 2006, p.1)

The new rules made a significant impact on participants as they found the valuation method used to be unclear and unfair. Participants recognised the change in customs duty charges with the higher cost based on the customs officer's valuation methods,

especially with 4x4 boxes. The customs valuation charges varied considerably, and they did not trust the decisions made by customs officers.

6.9 Impact of revenue reform on participant incomes

The taxes collected from income sources were categorised into three areas: public service, private sector and NGOs. Determining which participants paid income tax was based on their level of income and type of employer. The interviews identified six participants who earned more than the TOP\$10,000 tax threshold, but only three paid income taxes, made up of a financial expert, a transport business owner and a public servant. Two were RSE workers who already paid income tax in New Zealand and Australia, while one participant was a farmer who exported his crops and did not pay income tax.

The banks and money transfer agents that remitted funds for the RSE workers or cash remittances for families pay a foreign exchange levy to government. The transport business pays CT on bus fares and tour charters. The business owner also pays income tax on profit and wages (PAYE). NGOs employing staff and operating commercial ventures pay PAYE for their staff, CT for service charges and income tax on their commercial profits. Table 28 highlights the main taxes collected from income sources and the collection agents:

Table 28: Tax collected from income sources

Income sources	Role/income	Type of tax	Tax collection agent
PUBLIC SERVICE			
Government department	Employee	PAYE Individual Income Tax	Government department
PRIVATE SECTOR			
Local stores Construction company	Employee	PAYE Individual Income Tax Business Income Tax	Private Businesses
Transport Business	Owner & employee	PAYE Income Tax Consumption Tax	Private Business
Remittances	Recipients	Consumption Tax Foreign Exchange Levy	Banks Money transfer agents
NON-GOVERNMENT ORGANISATIONS			
Schools Administrators	Teachers, staff	PAYE Individual Income Tax Consumption Tax	Schools
Church businesses	Staff	Business Income Tax PAYE Individual Income Tax	Schools Church Head Office

6.10 Weak political leadership for the reform

Since the passing of the revenue reform administration legislation in 2002 (see subsection 2.4.5), Tonga has had five different Prime Ministers (His Royal Highness Prince Lavaka Ata, Dr Feleti Sevele, Lord Tu'ivakano, 'Akilisi Pohiva and Dr Pohiva Tui'onetoa) and seven Finance Minister's (Siosua 'Utoikamanu, Lord Matoto, Lisiate 'Aloveita 'Akolo, Sunia Manu Fili, Dr 'Aisake Eke, Dr Pohiva Tui'onetoa and Tevita Lavemaau). The Prime Minister and Finance Ministers are the key drivers of the revenue reform but the political uncertainty around leadership has added to the ineffectiveness of the reform in providing social protection for the vulnerable communities. Each new government has focussed on generating revenues at the expense of reducing the hardship and poverty experienced by the poorest citizens.

The main concern of the government participants was the political instability that continues to create uncertainty and division in Tongan society. Such instability takes resources away from caring for the poor and is used for populist initiatives, such as road

construction or paying for legal challenges against the government. The participants do not blame the revenue reform entirely for the political issues but believe that it was one of the causes of public unrest and anger against governments for over a decade.

The government policies have caused key departments such as Treasury and the Ministry of Revenue and Customs to challenge each other's role within the revenue reform and where the policy-making function should be held (see sub-section 6.3.5). The Ministry of Trade and Development and Tourism are also involved in trying to exempt key sectors from CT and customs duties. No clear direction is being provided from government ministers about the revenue reform. The tax policy has a single focus on maximising revenue collection due to the increasing demand for public services and large public debt (see sub-sections 1.2.6 & 1.2.7). Such uncertainty and lack of political leadership is a weakness of the reform and while the focus is on revenue collection, the needs of the vulnerable will not be a priority.

6.11 Who carries the highest burden from the reform?

The wealthy citizens earn the highest incomes but are not paying their fair share of taxes. Some of their incomes are hidden, such as capital gains from properties and other commercial activities. Tongan business owners are able to set up overseas bank accounts to accept payments from foreign clients which evades the tax system. Tax evasion among Chinese business owners are a problem which has caused the tax authorities to impose the Point of Sale system (see section 4.7.6). The rich business owners aim to reduce their tax payments using a range of methods available through the business operation continuum. In contrast, the poor village participants have limited options because their incomes are under the personal income tax threshold. The poor have limited options and are exposed to the broad-based nature of CT in all their spending.

The analysis of the expenditure and revenue generation behaviour of the two cohorts, indicated that the village participant's actually pay a higher proportion of their income on CT and customs duties compared to the elite sector of Tongan society. Wealthy citizens benefit from Tonga's free public health system and most of their children are educated in the top state secondary school, Tonga High School. The village participants struggle just to make it to the public hospital as well as buying medication. All the participant's children were enrolled in church schools rather than Tonga High School. The rich do not pay the highest taxes and are able to hide some of their earnings from the tax system through asset sales and informal business transactions.

The income inequality between the rich and poor is quite prominent in Tonga and evident with only six participants earning more than the TOP\$10,000 income tax threshold. Three earn their income from local salaries or wages (participant 46, 2 and 11). Two are RSE workers (participant 13 and 40) but is not subject to the income tax threshold. One participant earns TOP\$12,000 (participant 19) from his subsistence farming but not employed formally. The threshold is designed to alleviate the financial burden on the poor and increase the tax collected from the high-income earners who are taxed between 10 – 25% on incomes above the income tax threshold (see section 2.4.5). Income tax is the direct-tax but the largest tax collection system is indirect tax made up of consumption tax. There is no CT threshold for taxpayers and no differentiation between the low and high-income earners. All consumers pay the same indirect tax. The main difference is that the low-income earners who are potentially vulnerable pay a higher proportion of their income on consumption tax compared to the higher income earners.

6.12 Conclusion

Luva e kakala describes how the research information is presented back to the 51 village participants (cohort one), and six members from the government and business sectors (cohort two), which becomes a *me'a'ofa* or gift as the information and knowledge informs others (Thaman, 1999, p.20). The findings were based on the responses of the two

cohorts to the core questions of the study. The aim of the study is to identify the impact of the revenue reform on the vulnerable community. The *talanoa* with the participants have helped to achieve that aim.

Participants from cohort one, have limited access to land ownership so struggle to have a sustainable income. Outer islands residents migrating to the main island experience significant hardship especially when they have no access to land. The majority of the rural participants have no formal employment, so they rely on women's enterprising activities as well as remittances from abroad. The RSE and SWP seasonal work schemes are major income streams for the participant families which is lifting their standard of living. However, the social cost of family break-ups are starting to impact young families.

The business and government cohort group two, were more focused on their businesses, careers and the political environment. They had a different set of priorities compared to the cohort one. The government members acknowledged the effective changes to tax administration but were concerned about the government's loss of focus on completing the reform as well as protecting the poor from the adverse impacts. The volatile political environment creates uncertainty and policies that are counter-productive for economic growth. The government is failing to provide pro-poor policies to support the 'most-in-need' who are from the outer islands and rural areas.

The business owners highlighted the gaps in the tax system such as the lack of a capital gains tax and weak standards at the border to ensure private and commercial imports are valued according to the law. The Chinese business community are concerned about the double-standards used for valuations at the border.

Participant cohort group one are impacted significantly by the revenue reform due to their low-income status, and vulnerability to the effects of indirect tax, and lack of pro-poor initiatives under the new tax system. The broad-based capacity of consumption tax affects all goods and services purchased by the cohort one participants. The purchasing

power of the poor has declined due to CT. Border tax changes (customs duty and excise tax) also impact participants because there are no exemptions for construction materials or micro-farming imports (unless there is a natural disaster). Exemptions made for the poor were abolished under the revenue reform. Income tax has a limited impact on the participants because the majority earn less than the personal income tax threshold and were not in formal employment.

The 51 village participants of cohort one, purchased a range of goods and services that had a CT component. CT had the biggest impact on the purchasing pattern of participants. Excise taxes and customs duty were charged on fuel, gas and imported goods. Taxes on incomes were a lot lower with only three participants paying income tax under the higher tax threshold. Income for RSE and SWP participants is already taxed at source in New Zealand or Australia, so income tax is not charged in Tonga. *Katoanga* and cash jobs by participants are also tax-free along with roadside stalls and subsistence farming.

7. MALIE – Discussions

7.1 Introduction

This chapter presents the ‘MALIE’ stage of the KRM, which represents a point of reflection of the exceptional quality of the *talanoa malie* with the participant. The researcher’s skills in discussing the different pieces of information from the literature review (chapter two), analysis (chapter five) and findings (chapter six), follows the KRM where the different flowers are woven to make a quality *kakala*. In a traditional Tongan *tau’olunga* performance, the audience members respond with *malie* to encourage, support and give tribute to the excellent skills and grace shown by the performer. In this research, the *malie* refers to evaluating the relevancy and worthiness of the research findings. I have analysed the information gifted by the 51 village participants (cohort one) and six government and business sector members (cohort two). This chapter evaluates the results to determine whether I have answered the research question which asks: *What is the impact of the revenue reform on the vulnerable communities in Tonga?*

The main findings from the previous chapter are discussed in detail in relation to the literature and analysis. The discussion begins with the foundation of the revenue reform programme, to provide context behind the decision to implement such a policy. The primary strategic documents guiding the government policy decisions are discussed as well as the critical issues experienced by the village participants, government professionals and business owners.

7.2 Economic development origins

The revenue reform was developed in response to the declining squash industry, the loss of the Tonga Trust Fund, and the failing domestic economy (ADB, 1999; IMF, 2001; Naidu, 2010). The squash industry decline was the catalyst for donors and the

government to consider other forms of economic development in the early 2000s (ADB, 2003; Fakava, 2006). Interestingly, when I discussed agriculture and crops with participants, none were involved in growing squash except for Participant 46, who also had the highest income. The key to growing squash is having access to land, knowledge about growing squash and financial support. The 14 participants who did have control over land used it to grow crops for their family, and any excess was sold in small quantities. This way of life was evident in Participant 12's comments:

Participant (12): Ko e 'api eni ia e famili hoku mali. Mau too ngoue pe ke kai pea ka toe pea toki fakatau atu ki maketi ke ma'u ha ki'i seniti. Ka 'oku si'isi'i pe he 'oku mau fakafalala pe he ngoue ki he 'emau kai.

Interpretation: This land belongs to my wife's family. We grow food to eat, and if there is any excess crops, we might sell at the local market to make some money. But not a lot because we rely on the crops for our own consumption.

At the height of the squash industry during the early 1990s, when market prices were high, the government provided subsidised development loans and tax exemptions for growers (Felemi, 2001; Grijp, 1997). This form of assistance was designed to assist the poor farmers and people from the vulnerable community but, instead, the wealthier sector of the community entered the squash industry. Even members of the nobility were involved because they had extensive land holdings and influence that allowed them to take advantage of this new cash crop (Murray, 2001; Storey & Murray, 2001). The involvement of high-powered growers in the sector crowded out micro-growers with small parcels of land.

The government seems to have failed to learn from the mistakes of the past, and to be only interested in the bigger growers and not the small micro farmers, according to Participant 19:

Participant (19): 'Oku tokoni pe ngaahi ngaue fakalakalaka ia ki he kau too ngoue lalahi hange ko e kautaha Nisi mo nautolu kae hala pe 'a ki mautolu ia e kau too

ngoue iiki. 'Oku kai ke 'i ai ha fu'u 'aonga ia e kau too ngoue iiki pea hala ke tokoni mai e pule'anga, ka 'oku fakalele 'a e sekitoa ia 'e he ngaahi kautaha lalahi mo tu'umalie.

Interpretation: The development initiatives benefit the larger growers like the Nishi business and them, but nothing for us smaller growers. Small growers are insignificant and get no support from the government while the large businesses and wealthy control the sector.

The government decision-makers and donor agencies need to be aware of the target needs of the vulnerable. According to Fakava, Nuthall and Nartea (2001), *“the smallholder farmers are by far, the most important element of agriculture development in Tonga, but there is little prior analysis of their needs and capabilities by planning bureaucracies in designing development projects”* (p.2). The social relationships of vulnerable communities are complex, and that lack of understanding can cause a mismatch in development policies.

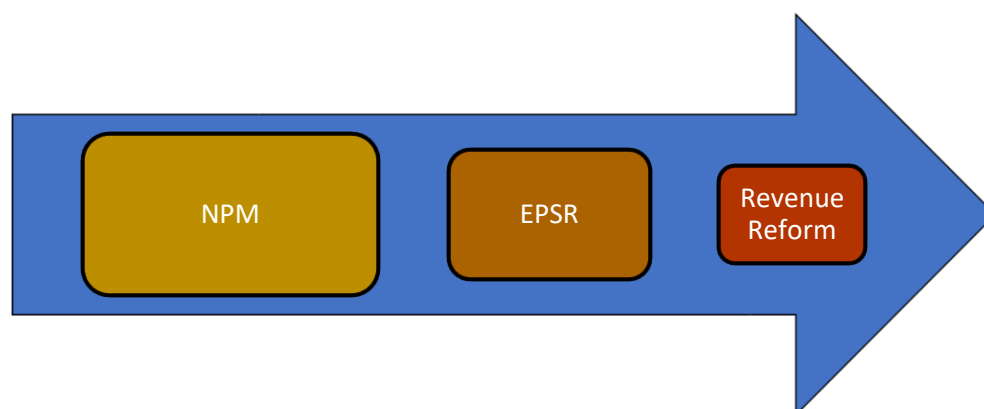
When the squash industry declined in the latter half of the 1990s, along with the Tonga Trust Fund loss in 2001, and a shrinking domestic economy, the government and donors once again returned to the planning table to map out a new solution to provide sustainable economic growth (ADB, 1999; IMF, 2001). This policy reaction in the early 2000s is where the NPM-influenced EPSR programme was first discussed ('Utoikamanu, 2002; World Bank, 2002). The EPSR was based on the NPM framework that is linked to broader changes in the political economy, advocating for privatisation and reforming the public service. One of the critical components of the EPSR programme was revenue reform ('Utoikamanu, 2007).

7.3 Efficient revenue system with high compliance costs

The revenue reform programme originated from the NPM policies of the 1980s (Hood & Jackson, 1992). The lack of accountability, corruption and fiscal crises led to the

development of the NPM as a public service model (Minogue, 1998). Figure 16, below, highlights the NPM providing a foundation which has flowed on to the EPSR and revenue reform programme. The NPM may be credited with providing the framework for the EPSR, which produced the revenue reform policy (IMF, 2001).

Figure 16: New Public Management Influence



One of the critical components of the EPSR was enhancing revenue generation through the revenue reform programme. The objective was to modernise Tonga's tax system so that tax collection would be more efficient and effective (Murray et al., 2014). The reform aimed to stimulate business development and provide an efficient taxation system that would reduce the administrative burden for taxpayers (Ministry of Finance, 2001). The government participants agree that the revenue reform has modernised Tonga's tax system and made tax collection more efficient. The business participants acknowledge the improvements but consider the compliance requirements, such as the POS system, as unnecessary because this increases the cost of operating a business.

The main criticism of the tax reform by the business owners was the 15% CT applied on all goods and services. The government professionals, GBA and GBD, believed that the revenue reform created a fairer and more efficient tax system for taxpayers.

7.4 Vulnerable (*tu'u laveangofua*) to the effects of revenue reform

The first cohort of 51 village participants in this study are respectful members of society, their communities, families and church. By hearing their stories, I was able to understand how they were valued and treated with dignity and love by their *kainga*. Through their stories in the data collection and analysis phases, it was evident that the participants saw themselves not as vulnerable people but as key members of their community. This learning was their contribution to Pacific culture. As the researcher, I assumed that every participant with limited assets or financial resources was vulnerable. The participants in this study showed a whole new world that I did not fully comprehend. In a way, it was similar to how the revenue reform technical advisors thought about the so-called vulnerable sector of Tongan society.

The participants in this study are not vulnerable or *tu'u laveangofua* people because they have support and access to resources, and they have a vital role in each community. As the researcher, I was able to identify the 'vulnerability' of the participants to the effects of the revenue reform policy. The participants may not fully comprehend the impacts. However, through their stories, I was able to track how the revenue reform impacted on their way of life in terms of decision-making and purchasing behaviour. The revenue reform added a new layer of tax compliance and cost that the participants did not realise but, through their stories, I can highlight these and identify which points of their decision-making resulted in them paying taxes without their knowledge.

Concerning the aim of this study, the vulnerable were precisely those who had a change in their tax status as low-income earners or were not employed in the formal sector, so they are '*vulnerable to the impact of the revenue reform*' based on their way of life. The participants' way of life is community-centric and based on collectivism. The revenue reform impacts on that collectivism. The participants do not recognise this impact, but I can analyse and identify this effect through their *talanoa*.

7.5 Impact of revenue reform on participants

The most substantial burden of the reform was disproportionately carried by the cohort one participants in this study. The regressive nature of CT added severe hardship to the lives of participants from the rural and outer island communities. Many of these vulnerable participants were exempted from income tax due to their low-incomes, but their expenditure is heavily captured by indirect taxes at the shops and the border.

My main concern is with the impact on vulnerable communities. The analysis and results articulated a heavy burden of indirect taxes on the poor compared to the government and business elite cohort. The government and business cohort had no financial hardship problems with CT. However, the spending patterns of participants identified the significant impact of taxes, especially CT, on their financial transactions. Of the vulnerable participant cohort categories interviewed, table 29 identifies those who were impacted by the revenue reform.

Table 29: Participants impacted by revenue reform

Participant category	No. of participants in the vulnerable category	CT	Excise Tax	Other taxes
Low income	45	All	All	20
Rural areas	39	All	All	20
Women	28	All	All	10
The poor	18	All	All	7
Unemployed	17	All	All	8
Elderly	15	All	All	6
Youth	7	All	All	2
Outer islands	7	All	All	7
Disabled	4	All	All	2
Displaced	2	All	All	0

Table 29 highlights the significant impact that the CT has on all participants. As an indirect tax, it is included in most participant expenses. Excise tax impacts on all participants due to the health tax applied on unhealthy products (see sub-section 5.5.2). This is in addition to fuel and gas for cooking. Other taxes include customs duties, vehicle licence fees and port authority charges for imported goods which impact some of the participants. All the taxes impact all the outlying island participants.

The 15% CT reduces the purchasing power of participants who already have the lowest household incomes. The income tax threshold is designed to protect the vulnerable from paying higher income tax. However, no protection or exemption for CT is offered to the vulnerable. CT is a regressive tax and the poor are perceived to carry a higher burden of the tax compared to the wealthier citizens (Bird & Miller, 1989; Keen & Lockwood, 2010).

The new foreign exchange levy impacts 37 of the participants who receive remittances from relatives abroad. It is estimated that the levy will generate up to TOP\$10 million between 2016 and 2019 (Ministry of Finance and National Planning, 2015c). A departure tax was implemented in 2016 to also provide financial support for Tonga's preparation for the Pacific Games in 2019 (see sub-section 2.4.4).

The health promotion tax initiatives impact all the participants, especially the tax on unhealthy foods. The responses of the participants indicated that they purchase many of the goods that are unhealthy because some are cheap and easier to source, such as turkey tails. Participant 1 was asked What do you buy from the shops the most? *“Chicken, noodles, turkey tails, lamb flaps and domestic supplies, fuel for lawnmower.”* I did not ask participants about smoking, but I did observe five male and two female participants consuming locally grown tobacco, which is subject to excise tax.

The government implemented a duty exemption initiative after Tropical Cyclone Gita in 2018 (Ministry of Finance and National Planning, 2018, p.76). The Tropical Cyclone Gita initiative has the potential to support the participants in repairing and rebuilding their houses, but only if they imported goods and materials under the relief scheme, which ends on 29 February 2020.

7.6 Impact of consumption tax on participants

The analysis found that CT was the most burdensome for participants due to its broad application and extensive coverage of most goods and services used or consumed.

Tonga's CT was based on the New Zealand GST model and both tax regimes stem from the VAT system (Dickson, 2007; Murray et al., 2013). To demonstrate the impact on participants, I will provide a basket of goods example used in the 2005 pre-CT (March 2005) and post-CT (from April 2005) period to track the price changes.

Ten products were chosen based on popularity and what many households were likely to buy during the week. These products are listed in Table 30, and average prices were collected from ten local stores throughout Tongatapu from March 2005 to September 2007. Prices decreased after the CT implementation due to the abolition of Port and Sales Tax (PST) and Sales Tax (ST). Price levels remained lower than the pre-consumption tax period until September 2007 and have increased quarterly since.

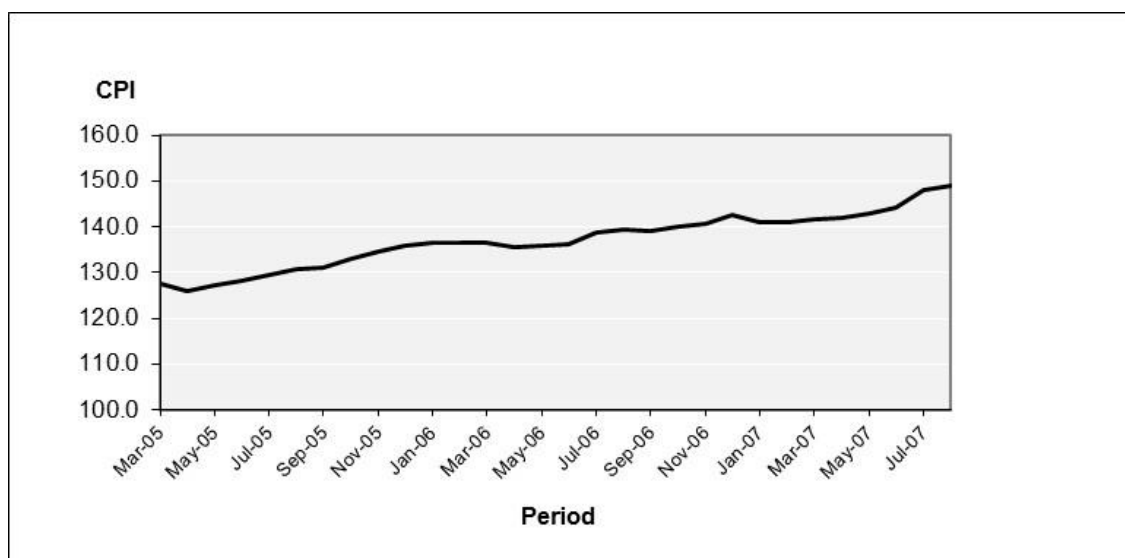
Table 30: Basket of Goods Comparison – Pre-and Post-CT

10 Products	Mar-05	Apr-05	May-05	Apr-06	1-Sep-07
Gel (Helena Super Hold) 250g	3.50	3.59	3.58	3.39	3.50
Milk - 1 ltr (Anchor)	3.30	3.14	3.12	3.01	3.20
Noodles (Maggi)	0.80	0.70	0.70	0.69	0.80
Weet Bix - 375g	6.30	5.14	5.05	8.68	4.60
Palm Corned Beef 12 oz	6.00	5.83	5.98	5.77	5.93
Breakfast Cracker Pack	2.20	2.02	2.04	1.81	1.87
Chicken (\$/kg)	3.50	3.34	3.29	2.91	5.32
Mutton (\$/kg)	5.99	5.30	5.12	4.85	7.10
Bread	1.00	1.11	1.21	1.20	1.40
Bell Tea Bags (30)	3.50	2.88	2.88	2.91	2.67
TOTAL	36.09	33.05	32.97	35.22	36.39

Source: Prices collected pre- and post-CT implementation by the RRIO, 2007.

The basket of goods price changes were also reflected by the Consumer Price Index (CPI) data. Figure 17 highlights the price level before and after CT, as measured by the CPI. The price level has increased steadily and, given the regressive nature of CT, it continues to erode the purchasing capacity of the vulnerable.

Figure 17: Consumer Price Index



Source: Reprinted from Ministry of Finance, 2007/08, Budget Statement, Quarterly Inflation rate, Figure 1, p.20; Ministry of Finance, 2008/09, Budget Statement, CPI, Figure 5, p.25.

It is important to understand that the prices increased due to the imposition of CT and not by the Chinese owned stores. The stores are registered tax collection agents and all they do is collect the 15% CT on all goods and services purchased by customers. All taxes are paid directly to the Ministry of Revenue and Customs. CT should not have been imposed on basic necessities as alluded to by the government and business members, because of the adverse impact on the poor. It would be preferable to impose CT on luxury items rather than basic items to maintain lower prices for the poor. But, overheads for operating an exemptions regime cannot be justified, so it is better to pay benefits to the poor because exemptions also help the rich.

7.7 Impact of revenue reform on the privileged

The revenue reform impacted the privileged differently from the more impoverished sector of Tongan society. The six government and business participants were also privileged in the sense that they were high-income earners and able to maintain a high standard of living under the reform. The interviews with each participant found the reform

increased prices but their personal income levels increased as well because they were highly qualified and employed in either government or the private sector. The responses from the participants focused on developing themselves and their careers or businesses using their education and professional skills rather than relying on other family members for assistance. The participants were able to purchase luxury items and healthy foods, but were concerned about the impact of the reform on price levels for the poor, especially for items categorised as unhealthy.

7.8 Impact of revenue reform on the business sector

The revenue reform was designed to modernise the tax system and reduce inefficiencies (Ministry of Finance and National Planning, 2017). It also strengthened the capacity of the Ministry of Revenue and Customs to collect revenues more effectively. This policy has resulted in higher domestic revenues and better compliance activities. The members of the business sector (GBB, GBC and GBE) acknowledged the efficient collection methods used by the Ministry but were critical of the compliance requirements and high tax rates, especially CT at 15%. The business sector owners want the government to reduce the CT rate, but there is no indication that this is forthcoming.

The positive part of the revenue reform is its ability to collect taxes from businesses more efficiently now compared to the past. The counter-argument from businesses is that the rates are too high and can lead to evasive tax behaviour. GBB argued against the treatment of Chinese importers by customs officers, regarding it as corruption. However, GBA raised the cultural sensitivities that the officers have to consider when working with Tongan importers and family members. Calling it corruption is harsh and based on a western lens, but the customs officers are working in a small island with strong family and tribal connections, so there is pressure to show favour for one's relations. I understand GBB's perspective, but I also sympathise with the pressure on customs officers because they have to live amongst their community.

In the literature, the 2007 study by the RRIO found that some of the 36 business leaders interviewed expressed concerns about the proposed income tax changes for the business sector. The business leaders asked the government to eliminate the Minimum Turnover Tax (MTT) due to the impact on high turnover businesses with low margins such as gas stations. The MTT was also considered by leaders to be a barrier to business development and could destroy small businesses (Revenue Reform Information Office, 2007).

Presumptive taxes were opposed by the sector, due to the impact on low profits, but low-income earners were exempted (see sub-section 2.3.9). The local businesses preferred a 20% business income tax rate rather than 25% and suggested taxing foreign companies at 30%. Local businesses also alluded to the fact they donated to the local communities, whereas foreign companies collected money and sent those funds overseas (Revenue Reform Information Office, 2007).

7.9 Impact of revenue reform on government

Table 31 presents the tax collection data from 2003 to 2018 (Ministry of Finance, 2005 - Ministry of Finance and National Planning, 2018). In 2003, the government collected TOP\$97 million from tax revenues, with trade taxes making up the bulk of revenues with 56% and indirect taxes contributing 11% (Ministry of Finance, 2006). The revenue reform implementation started with the roll-out of consumption tax during the 2005 fiscal year. The initial stages of the reform were shrouded with uncertainty as the government tried to put the new systems in place. In 2006, government revenues declined by 21% due to the abolition of the PST, ST and accommodation tax, under the Goods and Services Tax category. However, CT collection was showing positive signs with TOP\$53 million collected, which represented 56% of total revenues. In comparison, for the year 2003, trade taxes made up 56% of total revenues. From 2006, CT became the main revenue generator for government (Ministry of Finance, 2006; Ministry of Finance and National Planning, 2019).

Table 31: Impact of revenue reform on tax collection

Year	Consumption Tax	Goods and services	Direct taxes	Trade duties	Non-tax revenue	Total Tax Revenue	% change
2003	\$0	\$11m	\$16m	\$54m	\$16m	\$97m	-
2004	\$0	\$12m	\$16m	\$56m	\$16m	\$100m	3%
2005	\$0	\$21m	\$21m	\$56m	\$17m	\$115m	13%
2006	\$53m	\$2m	\$27m	\$42m	\$24m	\$95m	-21%
2007	\$51m	\$0	\$26m	\$49m	\$21m	\$96m	1%
2008	\$67m	\$0	\$28m	\$50m	\$18m	\$96m	0%
2009	\$74m	\$0	\$21m	\$59m	\$23m	\$177m	46%
2010	\$43m	\$0	\$25m	\$37m	\$34m	\$139m	-27%
2011	\$48m	\$0	\$23m	\$39m	\$33m	\$143m	3%
2012	\$54m	\$0	\$22m	\$44m	\$34m	\$154m	7%
2013	\$55m	\$0	\$30m	\$43m	\$38m	\$166m	7%
2014	\$61m	\$0	\$25m	\$43m	\$22m	\$151m	-10%
2015	\$61m	\$0	\$35m	\$45m	\$28m	\$169m	11%
2016	\$69m	\$0	\$37m	\$63m	\$39m	\$208m	19%
2017	\$83m	\$0	\$46m	\$77m	\$47m	\$253m	18%
2018	\$92m	\$0	\$40m	\$80m	\$62m	\$274m	8%

Source: Adapted from Table 2: Estimated Revenues and Grants, Ministry of Finance, 2003, p. 39; Table 2: Estimated Revenues and Grants, Ministry of Finance, 2004, p. 43; Table 2: Estimated Revenues and Grants, Ministry of Finance, 2005a, p. 59; Table 2: Estimated Revenues and Grants (\$) for 2006/07 Budget, Ministry of Finance, 2006, p. 53; Table 2: Estimated Revenues and Grants (\$) for 2007/08 Budget, Ministry of Finance and National Planning, 2008, p. 31; Table 2: Estimated Revenues and Grants (\$) for 2008/09 Budget, Ministry of Finance and National Planning, 2009, p. 39; Table 2: Revenue by Standard Group, Ministry of Finance and National Planning, 2011, p. 3; Table 30: Taxes Revenue 2012/13 to 2016/17 (Current \$ million), Ministry of Finance and National Planning, 2015c, p. 94; Table 6-26: Taxes Revenue (\$ million), Ministry of Finance and National Planning, 2016b, p. 108; Table 6-15: GFS Presentation (\$million), Ministry of Finance and National Planning, 2017, p. 97; Table 4-20: Tax Revenue (\$M), Ministry of Finance and National Planning, 2018, p. 62.

The public servants' remuneration settlement in 2005 and civil unrest in 2006 had flow-on effects on tax revenues until 2008 and 2009 when CT collection started increasing (Ministry of Finance, 2008). This increase was short-lived as the global financial crisis reduced remittances and slowed economic activity. However, since 2015, CT collection increased significantly from TOP\$61 million to TOP\$92 million in 2018 (Ministry of Finance and National Planning, 2019). Trade taxes have also increased, boosting total revenues.

The effectiveness of the tax administration system enabled the government to collect higher revenues overall, increasing from TOP\$97 million in 2003 to TOP\$274 million in 2018 after the reform had been bedded in. This is an increase of 282% or TOP\$177

million over 15 years. Indirect tax has now become the primary source of revenue so the government will rely on CT for the foreseeable future, given its success in tax collection.

The 2007 study by RRIO found that some revenue officers believed the penalty system was harsh and that the organisation should focus on efficient tax collection and taxing high-income earners who are not declaring their income, such as farmers (RRIO, 2007). The interviewees from the 2007 study believed that real income would fall due to the higher cost of living expenses. There was concern that removing the exemptions may have reduced church donations and educational expenses. The church was seen to be doing the government's role of educating the masses so any impact on donations would harm church schools. The business and government members both agreed that removing exemptions would pave the way for a decline in social services and the TOP\$3.8 million cost is a small price to pay for looking after the elders and young people (see section 6.6). The government and business cohort supported raising the tax threshold from TOP\$7,400 to TOP\$10,000 to take into account the removal of exemptions relating to church donations and educational costs.

Public servants' salaries made up 34.7% of the government's budget in 2018 and expected to increase to 35.5% in 2019 (Ministry of Finance and National Planning, 2019, p.53). Salaries and wages make-up over a third of the government's total expenditure and this proportion continues to grow. These increases are the negative implications of the reform because of the 60/70/80 public service settlement in 2005 (see section 1.11).

7.10 Poverty Level

Table 32 provides a comparison between the 51 village participants' annual household income from the study (middle column) and the poverty line (right column) used by western countries as 50% (United Nations Development Programme, 2015) of the national average household income from the Household Income and Expenditure Survey (HIES) (Tonga Department of Statistics, 2017a). According to this method, only three

participants, highlighted in yellow, live above the poverty line while the rest are categorised as living in poverty. The poverty rate of the participant cohort is, therefore, 94% compared to the national poverty rate of 22% identified by the ADB (2017). Such a finding is to be expected. Most of the participants were considered vulnerable based on their susceptibility to the impact of the revenue reform.

Table 32: Poverty line measure compared to participant annual income

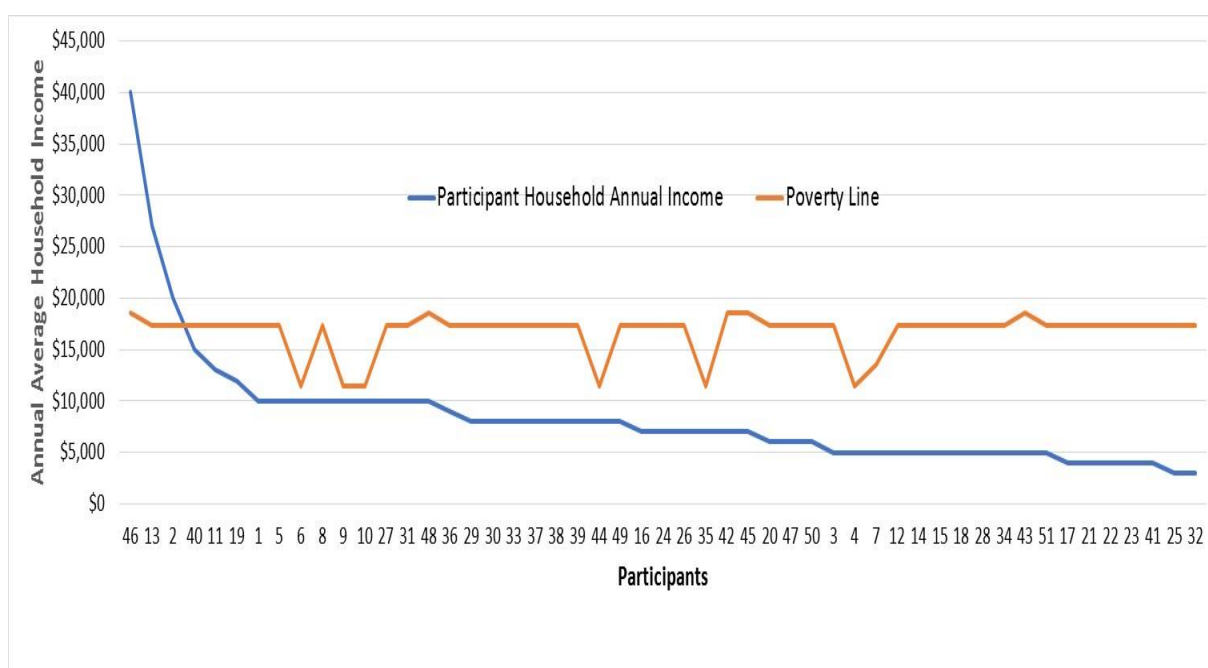
Participant	Region	Participant Household Annual Income	Poverty Line
46	Tongatapu - urban	\$ 40,000	\$ 18,620
13	Tongatapu - rural	\$ 27,000	\$ 17,290
2	Tongatapu - rural	\$ 20,000	\$ 17,290
40	Tongatapu - rural	\$ 15,000	\$ 17,290
11	Tongatapu - rural	\$ 13,000	\$ 17,290
19	Tongatapu - rural	\$ 12,000	\$ 17,290
1	Tongatapu - rural	\$ 10,000	\$ 17,290
5	Tongatapu - rural	\$ 10,000	\$ 17,290
6	Ha'apai	\$ 10,000	\$ 11,505
8	Tongatapu - rural	\$ 10,000	\$ 17,290
9	Ha'apai	\$ 10,000	\$ 11,505
10	Ha'apai	\$ 10,000	\$ 11,505
27	Tongatapu - rural	\$ 10,000	\$ 17,290
31	Tongatapu - rural	\$ 10,000	\$ 17,290
48	Tongatapu - urban	\$ 10,000	\$ 18,620
36	Tongatapu - rural	\$ 9,000	\$ 17,290
29	Tongatapu - rural	\$ 8,000	\$ 17,290
30	Tongatapu - rural	\$ 8,000	\$ 17,290
33	Tongatapu - rural	\$ 8,000	\$ 17,290
37	Tongatapu - rural	\$ 8,000	\$ 17,290
38	Tongatapu - rural	\$ 8,000	\$ 17,290
39	Tongatapu - rural	\$ 8,000	\$ 17,290
44	Ha'apai	\$ 8,000	\$ 11,505
49	Tongatapu - rural	\$ 8,000	\$ 17,290
16	Tongatapu - rural	\$ 7,000	\$ 17,290
24	Tongatapu - rural	\$ 7,000	\$ 17,290
26	Tongatapu - rural	\$ 7,000	\$ 17,290
35	Ha'apai	\$ 7,000	\$ 11,505
42	Tongatapu - urban	\$ 7,000	\$ 18,620
45	Tongatapu - urban	\$ 7,000	\$ 18,620

20	Tongatapu - rural	\$ 6,000	\$ 17,290
47	Tongatapu - rural	\$ 6,000	\$ 17,290
50	Tongatapu - rural	\$ 6,000	\$ 17,290
3	Tongatapu - rural	\$ 5,000	\$ 17,290
4	Ha'apai	\$ 5,000	\$ 11,505
7	Vava'u	\$ 5,000	\$ 13,595
12	Tongatapu - rural	\$ 5,000	\$ 17,290
14	Tongatapu - rural	\$ 5,000	\$ 17,290
15	Tongatapu - rural	\$ 5,000	\$ 17,290
18	Tongatapu - rural	\$ 5,000	\$ 17,290
28	Tongatapu - rural	\$ 5,000	\$ 17,290
34	Tongatapu - rural	\$ 5,000	\$ 17,290
43	Tongatapu - urban	\$ 5,000	\$ 18,620
51	Tongatapu - rural	\$ 5,000	\$ 17,290
17	Tongatapu - rural	\$ 4,000	\$ 17,290
21	Tongatapu - rural	\$ 4,000	\$ 17,290
22	Tongatapu - rural	\$ 4,000	\$ 17,290
23	Tongatapu - rural	\$ 4,000	\$ 17,290
41	Tongatapu - rural	\$ 4,000	\$ 17,290
25	Tongatapu - rural	\$ 3,000	\$ 17,290
32	Tongatapu - rural	\$ 3,000	\$ 17,290

Source: Reprinted from Table 117: Average annual Tongatapu (urban) household (HH) income (TOP), Tonga Department of Statistics, 2017a, p.139; Table 118: Average annual Tongatapu (rural) HH income (TOP), Tonga Department of Statistics, 2017a, p.140; Table 119: Average annual Vava'u HH income (TOP), Tonga Department of Statistics, 2017b, p.141; Table 120: Average annual Ha'apai HH income (TOP), Tonga Department of Statistics, 2017a, p.142.

Figure 18 highlights Table 32 in a line graph to show the growing gap between the poverty line and participant household annual incomes. The highest participant annual household incomes are TOP\$40,000, TOP\$27,000 and TOP\$20,000, respectively. These are the only incomes above the poverty line, with the rest of the participants earning less than the annual average household income. The poverty gap in the outer islands is not as extensive due to the lower average household incomes outside of the main islands. However, the gap for participants in Tongatapu rural and urban areas is significant. Such a large poverty gap also raises the issue around the tax burden and how the participants pay CT and other taxes in all aspects of their life. This situation highlights the growing poverty gap between the rich and poor sector of society.

Figure 18: Poverty gap



Source: Adapted from Participant Household Annual Income from Table 32. Poverty line adapted from Table 32.

7.10.1 Severe hardship not absolute poverty

In 2005, the first MDG report estimated the poverty line as US\$1.00 per day or TOP\$1.42 per day for each individual, or TOP\$2,840 per household per annum (Ministry of Finance, 2005b, p.9). This was revised upwards in 2009 to US\$1.25 per day. The poverty line measure used in the second MDG report was the standardised measure for 'absolute poverty' which was US\$1.25 per day (Ministry of Finance and National Planning, 2010b, p.3). The poverty assessment made in the third and final MDG found that:

Dialogue over the last 15 years on 'poverty' became more evident after several reports were produced, notably by ADB on poverty and hardship in Tonga released in 2004 (noted earlier) and the HIES of 2001 and 2009. It was clear that there is no 'absolute poverty in Tonga' but 'hardship', defined (Ministry of Finance and National Planning, 2015a, p.30).

After the conclusion of the MDGs in 2015, the government adopted the Tonga Strategic Development Framework II (TSDFII) with goals linked to the National Outcomes. Goal 1 focuses on eliminating poverty in all forms everywhere (Ministry of Finance and National Planning, 2015b, p.98). The TSDFII refers to poverty, not hardship, and is based on the 2001 and 2009 HIES, estimating the poverty rate at 22.5% of the national population (ADB, 2017; Ministry of Finance and National Planning, 2015b, p.30). I would counter this by arguing that the TSDFII uses a western methodology based on the HIES data to calculate the poverty rate. I explain my reasoning in the next sub-sections.

The TSDFII is an ambitious national strategic plan outlining the government's hopes for a thriving Tongan society (see sub-section 2.3.16). Achievements are to be made through the social welfare scheme for the elderly and disabled communities. Enterprising initiatives for women and upskilling programmes for youth are other vital programmes that aim to meet the outcomes in the TSDFII. The only scheme from the TSDFII that has impacted the participants in the study is the social welfare payments for the elderly and disabled. Seven participants received social welfare payments from the government:

- Participant 1 – is 73 years old and receives the elderly social welfare payment of TOP\$75 per month.
- Participant 20 – is 70 years old and disabled so receives the social welfare payment of TOP\$75 per month.
- Participant 27 – is 86 years old and receives TOP\$81 per month.
- Participant 29 – is 70 years old and receives the social welfare payment of TOP\$75 per month.
- Participant 32 – is the caregiver for her grandfather, who receives social welfare payment of TOP\$75 per month.
- Participant 33 – is 70 years old and receives the social welfare payment of TOP\$75 per month.
- Participant 39 – is the caregiver for her disabled child and so receives a social welfare payment of TOP\$75 for her care.

Interviews with participants receiving government support expressed that they were grateful for the social welfare benefit. Even at the current benefit level, it has made a significant impact for those with no other source of income, though it may not be sufficient to pay for all their household expenses.

Concerning the village participants in this study, I would not consider any of them to be in absolute poverty because they had access to basic needs, food, free medical care and social support structures. I consider some of the participants to experience hardship, as evidenced by their response to income generation and lack of financial wealth. Despite the difficulties and hardship, the vulnerable were cushioned by the social safety net of sharing and the inflow of remittances from relatives abroad.

7.10.2 Poverty measure for Pacific nations

The poverty measures used by ADB and the OECD are both western methods which may have limited relevance to Tonga's situation (ADB, 2017; Organisation for Economic Co-operation and Development, 2018; World Bank, 2014; World Bank, 2018). Pacific society is renowned for sharing and caring for family and villages, so the idea that poverty exists is not accepted by Pacific leaders (Abbott & Pollard, 2001). Poverty is often connected with images of starving children, landless people and families crying for support. Pacific people may not be wealthy in financial or material resources, but their families and *ha'a* (tribal clan) provide social safety nets (Seccombe, 2000). Besides, the strong position of churches also provides another safety net in protecting the poor.

Poverty in the Pacific has not been defined, but it does have different meanings to different stakeholders. Three poverty measures have been highlighted as follows (Seccombe, 2000):

- Absolute poverty – occurs where an individual or family is unable to meet basic needs for food, clothing, shelter, health care or education.

- Destitution – is the extreme form of absolute poverty. This situation describes the poor, those who are unable to meet the basic costs of living.
- Relative poverty – is experienced by those whose income is insufficient to meet their basic needs or is below the average norm.

Poverty is the term used to describe the living conditions of people that are harmful to their “*health, comfort and economic development capabilities*” (Elvidge et al., 2009, p.1652). Through the observations of the participants and analysis of their responses, I would consider their living standards to be categorised, not as poverty but as severe hardship. Most participants were poor, but they do not meet the criteria of absolute poverty and destitution because they were still able to have the necessities for life such as health care, education and ability to generate income. Their level of income is insufficient to live on comfortably but enough to provide food and shelter and to cover their various *kavenga* expenses.

Tongan society includes a high level of subsistence production, so using income levels to determine poverty is not appropriate in this case (Seccombe, 2000). This is why I consider the majority of the 51 village participants to experience severe hardship rather than poverty as described by western measures (World Bank, 2014). My perspective is also supported by the ADB (2017) study on poverty and hardship in Tonga. The ADB found that there is no ‘absolute poverty in Tonga’ but there is ‘severe hardship’ (ADB, 2017).

7.11 Tax reform increases hardship

The majority of the 51 village participants struggled with day-to-day life and were dealing with hardship regularly. The 15% CT and other reform taxes are placing further pressure on their way of life. The former Minister of Finance, Hon. ‘Aisake Eke, stated in the government report on the final MDGs in 2015:

I am happy to report that Tonga continues to work with partners and stakeholders to reduce the level of hardship for those who are most vulnerable. There are high enrolment ratios in the education sector and a high literacy level in the age group 15-24. The disparity between the proportion of females against males in school enrolments has improved while the share of women in wage employment has remained steady. However, there will still be more to do to create opportunities for those who live in hardship (Ministry of Finance and National Planning, 2015a, p.2).

The government acknowledges the hardship amongst the vulnerable community and it will require significant work from the public sector and NGOs to improve wellbeing within this sector of society. Analysis of village participants' household expenditure and average costs for the family budget are highlighted below. Calculating the average participant budget, as shown in Table 33, found that the estimated cost of living for the cohort was TOP\$7,248 per annum, equivalent to TOP\$604 per month, TOP\$151 per week or approximately TOP\$21 per day. This budget represents the cost of covering the basic needs of the family and meeting their main *kavenga* (based on participant responses).

Table 33: Average Participant Household Budget

Ave. Participant Household Budget	Monthly	Annual
Utilities		
Gas	\$26	\$312
Electricity	\$52	\$624
Water	\$16	\$192
Household		
Products	\$160	\$1,920
Meat	\$80	\$960
Education		
Uniform	\$10	\$120
Stationary	\$5	\$60
Fees	\$15	\$180
Bus fares	\$40	\$480
Lunch	\$40	\$480
Kavenga		
Fakalotu	\$100	\$1200
Fakafāmili	\$50	\$600
Fakafonua	\$10	\$120
TOTAL	\$604	\$7,248

To survive and afford to cover the necessary costs of living, participants must earn at least TOP\$7,248 per annum to cover their household expenses, utilities, children's education and *kavenga* based on the lowest level of contribution. Applying the average participant household budget to the annual household income will identify those who will face hardship if they cannot cover their basic costs of living. The government increased the income tax threshold from TOP\$7,400 to TOP\$10,000 on 1 July 2017. I can see merit in this decision because the household expenditure of participants is just below the old tax threshold of TOP\$7,400 (Ministry of Finance and National Planning, 2017). However, these participants will only benefit from the income tax threshold if they are employed.

Table 34: Participants with household incomes below TOP\$7,248

Participant	Age	Gender	Village	Region	Landowner/ use	Vulnerable category	Annual Income
35	44	Female	Mo'unga'one	Ha'apai	No	Outer Islands, informal worker	\$7,000
16	44	Female	Lavengatonga	Hahake	No	Rural, poor, informal worker	\$7,000
24	46	Female	Afā	Hahake	No	Rural, poor, informal worker	\$7,000
26	44	Female	Niutōua	Hahake	No	Rural, poor, informal worker	\$7,000
42	42	Female	Pātangata	Nuku'alofa	No	Urban, poor	\$7,000
45	69	Male	Pātangata	Nuku'alofa	Yes	Elderly & disabled, urban	\$7,000
20	70	Male	Nakolo	Hahake	yes	Elderly & disabled, rural, socially excluded	\$6,000
47	23	Female	Houma	Hihifo	No	Rural, youth	\$6,000
50	35	Female	Sia'atoutai	Hihifo	No	Rural, poor	\$6,000
4	43	Male	Ha'ano	Ha'apai	No	Outer Islands, poor, unemployed	\$5,000
12	33	Male	Haveluliku	Hahake	No	Rural, socially excluded, poor, unemployed	\$5,000
14	64	Male	Haveluliku	Hahake	Yes	Elderly, rural, poor	\$5,000
15	69	Male	Lavengatonga	Hahake	No	Elderly, rural, poor	\$5,000
18	32	Female	Fua'amotu	Hahake	No	Rural, poor	\$5,000
28	55	Male	Manuka	Hahake	yes	Rural, poor, unemployed	\$5,000
3	66	Female	Kanokupolu	Hihifo	No	Elderly, rural, poor	\$5,000
34	53	Male	'Utulau	Hihifo	No	Rural, poor, unemployed	\$5,000
51	46	Female	Fatai	Hihifo	No	Rural, unemployed	\$5,000
43	68	Male	Pātangata	Nuku'alofa	Yes	Elderly, urban	\$5,000
7	55	Male	Kāmeli	Vava'u	No	Outer Islands, poor, unemployed	\$5,000
17	25	Male	Fua'amotu	Hahake	No	Rural, poor, unemployed	\$4,000
21	20	Female	Kolonga	Hahake	No	Rural, youth, poor, unemployed	\$4,000
22	18	Male	Kolonga	Hahake	No	Rural, youth, poor, unemployed	\$4,000
23	66	Female	Afā	Hahake	Yes	Elderly, rural, poor	\$4,000
41	58	Female	'Āhau	Hihifo	No	Rural, poor, informal worker	\$4,000
25	20	Female	Niutōua	Hahake	No	Rural, youth, poor, unemployed	\$3,000
32	24	Female	'Utulau	Hihifo	No	Rural, youth, poor, unemployed	\$3,000

Table 34 identified 27 participants, or 53% of village participants, who have household incomes below TOP\$7,248. These participants are likely to experience severe hardship because they will not be able to meet their necessary living expenses and *kavenga*. Participants earning only TOP\$3,000 will have the most challenging experience of hardship because they are unable to cover all their monthly utility bills, so electricity will probably be turned off. The family may use an open fire to cook their meals and use kerosene lamps for lighting. During the *talanoa*, some participants stated that when they cannot afford to pay their household expenses, they often revert to the traditional forms of survival:

Participant (20): 'Oku 'i ai 'emau hina kasa ka 'oku mamafa ia, mau tafu afi pe 'o ngaahi ai 'emau me'akai. Ka si'isi'i e seniti 'e ma'u te mau, nofo ta'e 'uhila mo e kasa ai pe. 'Oku ou falala pe ki he 'e tau founa motu'a e anga e mo'ui ko e fei'umu moe tafu afi.

Interpretation: We have a gas bottle, but it is too expensive, so we use an open fire to cook our food. When we have little money, we live without electricity and gas. I rely on our old ways of surviving by making 'umu (earth oven) and using an open fire.

The village participants displayed a really strong sense of resilience because they were able to find a way to survive despite the significant challenges in front of them. This resilient attitude was evident after Tropical Cyclone Gita when they were able to start again and took everything in their stride without complaint or giving up their *kavenga* obligations. The participants are resilient and strong, which reflects their way of life.

7.12 Participant demographics

I approached the interviews with confidence and the knowledge that, as an insider, I may be accepted and welcomed by my people. At first, this was how I felt and was comfortable to enter the private homes of the first cohort of village participants, considered as

vulnerable by key informants due to their economic status within the community. However, once I entered the homes and living spaces of these participants, I quickly realised that this was a different world from what I was familiar with. These so-called vulnerable cohort are first and foremost proud people with families and tackling the same challenges as others in their village when confronted with limited resources and opportunities.

Despite the hardship experienced by participants, they still made the time and effort to welcome me into their space and followed through on our Tongan custom of *fofola e fala kae talanoa e kainga*.⁷ It allowed the participant and me to *Talanoa* and share their views on the subject matter. I was treated with utmost respect and sat with participants in their living rooms or roadside stalls to share their stories in response to my questions.

I was surprised at the severe hardship experienced by many of the participants. The most challenging case was an elderly couple, over 70 years of age, describing their source of income and how difficult it was to make enough money to pay for essential food items. They collected the coconut leaves that fell off the trees and turned this into a Tongan broom, called a "*taufale*", which they sell to local businesses. Each batch of 10 *taufale* takes nearly seven days to complete but the money received is hardly enough to get them through the week. Their home was a little tin shed with no electricity or flushed toilet. Every time it rained; the tin house would flood. Despite the difficulties, the couple were upbeat and worked hard to maintain their status as elders of the community. Any spare funds were saved for their obligations to the church and family. This is only one example of the difficulties experienced by the participants I interviewed. However, it provided insight into life as a member of Tongan society characterised as being vulnerable and poor.

⁷ "Fofola e fala kae talanoa e kainga" is a traditional Tongan communication framework which means 'lay out the mat' so that the family can dialogue. This practice is the process for communication between two people or groups.

Initially, I used the United Nations category of vulnerable which included the elderly, women, children, homeless, unemployed, rural, displaced, low income, poor and youth (see sub-section 2.2.2). There is an appropriate mix of participant categories with ages ranging from 18 to 86 years and a split of 27 females and 24 males. Participants from rural areas and outer islands were well represented, especially villages from the Hihifo and Hahake Regions (Tongatapu), urban fringes of Nuku'alofa (Pātangata and Sopo), Ha'apai outer islands and one participant from the island of Vava'u. The excellent range of participants provided rich information that was evident in the breadth and depth of the responses.

The 2016 Census identified the primary sources of income for Tongan households (Table 35) as salary and wages, sale of products, remittances and income from own businesses. In comparison, the research participants' primary source of income is the sale of products followed by support from family members (in 'Other') and remittances from family abroad or the RSE/SWP scheme. Twenty-six participants have more than one source of income, including seven that have three incomes from a combination of sources. The need for the different income sources highlights the effort made by families and participants to survive under challenging conditions.

Table 35: Main source of household income

Source of income	Households (Census 2016)	Cohort 1 - Research Participants
Salary and wages	46%	12%
Sale of products (crops, fish, handicrafts)	20%	65%
Remittances	19%	31%
Income from own business	8%	6%
None	3%	2%
Pension or retirement fund	2%	10%
Rental income from house rented out	0%	0%
Other	0%	37%
Rental income from land lease	0%	0%
Tonga Total Households	18,005	51

Adapted from: Table H 17: Main source of household income by division, district and village, Tonga Department of Statistics, 2017a, p. 205.

7.13 Benefits of the seasonal work scheme

The RSE and SWP schemes have been major contributors to the increase in remittances to Tonga. MBIE in New Zealand estimated that the RSE scheme generated NZ\$52.04 million in net earnings between 2010 and 2014 (MBIE, 2015, p.8).

The participants involved in the RSE scheme were financially stable and able to build an asset base. Participants 13 and 40 both expressed how their financial situation improved significantly from the RSE scheme. Participant 46 was emotional about the positive financial rewards the family is receiving now that her children have grown up and are working abroad under the RSE scheme. The family has endured hardship in the past but now is able to buy a vehicle and improve their standard of living.

A Cabinet Paper from the New Zealand Minister of Immigration stated that the RSE scheme accounts for approximately 20% of GDP in Samoa and Tonga (MBIE, 2018c, p.5). The paper also highlights potential opportunities in other sectors beyond horticulture and viticulture, claiming this is a win-win arrangement for New Zealand. Workers from the Pacific can fill the gaps in the labour market in a way that also provides much needed remittances.

The participants in this study who were involved in the RSE scheme had positive experiences but the literature found cases of sexual violence and alcohol abuse by Tongan workers on the scheme. In June 2017, the Prime Minister of Tonga, 'Akilisi Pohiva, held a press conference to apologise for the behaviour of Tongan RSE workers for excessive drinking and alleged sexual crimes (Radio New Zealand, 2017). These workers were returned to Tonga in early 2017. There are a few cases but, when it occurs, it is likely to be covered in the media which puts the scheme at risk, so the government's selection criteria are quite strict to ensure the right people are selected.

There are claims of family breakdowns, especially pressures on women and children who are left behind in Tonga while the husband is away for six to nine months. Some of the people involved in the scheme are the primary caregivers for their elderly parents,

so their absence significantly impacts vulnerable older people. A study by Moala-Tupou (2016), on the social impact of the seasonal work scheme on children left behind, found that there were positives and negatives. The positive is a better financial capacity such as being able to use the remittances from the scheme to pay for school fees, *kavenga fakalotu*, and purchasing vehicle and new clothes. However, the children faced numerous challenges such as fear, loneliness and sometimes abuse from the community. There are also problems with diet, school performance and young girls going out at night. The breakdown in family structures was highlighted by government and business member GBF and some of the female village participants (see sub-section 4.7.14 and 5.5.8).

Migration was a male-dominated process as they saw themselves as the leader of the family and, therefore, responsible for providing the financial resources required. This male-centred view is changing with more females joining the seasonal work schemes in Australia and New Zealand (Chattier, 2019, p.51). The *fahu* system elevates women's role as sisters to a high status and means they have privileges within the family, but the patriarchal norms continue to dominate Tongan culture, and the male figure is regarded as the leader of the family (Chattier, 2019; Lee, 2017). This issue has been a barrier to women becoming the financial provider, but more are now participating in the work scheme due to economic benefits.

Who benefits from the RSE/SWP?

The RSE/SWP positively impacts Tonga, New Zealand and Australia. Tongan workers are able to remit their wages to Tonga but charged TOP\$0.05 per every TOP\$1.00 foreign exchange levy under the revenue reform. The New Zealand employers' survey presented in the literature review (see sub-section 2.3.14) showed a positive experience with Tongan workers. The RSE National Manager, Matt Hoskin, released the 2018 Employers' Survey and provided a positive response from employers who rated the

performance of RSE workers highly (MBIE, 2018b). He highlighted the importance of the horticultural and viticulture sectors. The two sectors are now the fourth largest export industry, and projected to reach \$10 billion in 2020. However, the Covid-19 pandemic in 2020 may have a significant impact on the actual export earnings of the industry due to the lockdown and border closure.

The participants involved in the RSE scheme who benefit from the financial returns, both directly as workers and indirectly as family members, do experience a higher standard of living compared to participants not involved in the seasonal work scheme. However, I would argue that New Zealand's RSE and Australia's SWP employers benefit disproportionately from the seasonal schemes by taking advantage of the low-cost labour offered by Pacific workers. The participants involved in the RSE scheme expressed their desire to take up the opportunities offered by the employers because of their desperate financial situation. The employers are then able to harvest their produce on time using a steady labour supply.

According to Dennis Maga, General Secretary of First Union, the RSE workers are disadvantaged because their work visas are exclusively for a particular employer. If they are dissatisfied, they are returned home (O'Sullivan, 2018). The visa restrictions remove workers' rights to seek better opportunities or higher-paying positions which undermines the market rate. The power rests with the employer and workers can be dismissed and returned to the Pacific at the owner's discretion. The power dynamics leave RSE workers with limited options, and they must follow the employers' commands without failure. The option to move to other orchards is impossible, unlike tourists who are travelling and working casually for spending money. These tourists can move to another orchard if there is a better rate or better conditions. This option is not available to Pacific RSE workers.

Matt Hoskin considers the RSE as a programme to *"support development aims in the Pacific and provide valuable remittances and the transfer of skills back into the Pacific"* (O'Sullivan, 2018, p.1). The Pacific workers have to understand some essential English

words because some tasks, such as pruning, require highly skilled and experienced workers. These workers must understand the different methods of pruning. Such skill is highly sought-after by employers. The scheme also targets capable and efficient fruit pickers who can work according to the employer's instructions.

The RSE workers have helped increase the wealth of the horticulture and viticulture industry significantly in the last decade. The Minister for Immigration, Ian Lees-Galloway alluded to this fact:

Industry reports say that since 2015, apple and kiwifruit orchards have increased in value by about 70% each and the 2018 wine vintage was 2.6% larger than the previous year. NZ's RSE scheme is a ground-breaking initiative introduced by the previous Labour Government in 2007, helping meet labour shortages in important industries while providing economic support to our Pacific neighbours. (Tipa, 2019, p.1)

Based on the Minister's response and positive experience of employers, the RSE seems likely to continue for the foreseeable future. Participants and the Tongan Government need to be mindful that a similar employment initiative was used during the labour shortage of the 1960s and 1970s when Pacific people were lured to New Zealand to work in unskilled and low-skilled jobs in the manufacturing industry (Schoenberger-Organ & McKie, 2005). However, the oil crisis of 1973-74 hit the manufacturing industry hard, and jobs became scarce, so Pacific workers were no longer needed but were seen as taking opportunities from New Zealanders. The Labour and National government policies turned to one of deporting Pacific overstayers using tactics such as the notorious 'dawn raids' (Mila, 2013, p.103). The same could happen with the RSE except, this time, it is more controlled, and the government policy restricts workers' employment movements and freedom of choice.

The RSE should only be a short-term solution for Tonga. I would suggest upskilling people to become internationally qualified caregivers, construction workers, nurses or

other professional workers, as that will offer more choice and longer-term economic stability to workers and their families. I am concerned with the RSE programme due to the power imbalance and employers taking advantage of the Tongan workers with few to no qualifications. Dr Dennis Rockwell raised the issue of family breakups happening for RSE workers (O'Sullivan, 2018). There is also a generation of children who will grow up only seeing their father or mother for a few months of the year due to the RSE scheme (O'Sullivan, 2018). These are the personal costs that need to be considered by policymakers and RSE participants.

7.14 Cash and in-kind remittances

The literature identified remittances as Tonga's main driver of economic growth and especially given that it was equivalent to 30% of nominal GDP in 2017 (Ministry of Finance and National Planning, 2019). The literature supports the findings which highlighted the large number of participants who received remittances. Seventy-three per cent or 37 of the village participants received remittances in cash or goods in-kind from family abroad. This number also includes participants receiving remittances from family members involved in the RSE or SWP work schemes in New Zealand and Australia.

Remittances play a significant role in poverty alleviation by enabling families to have the necessities of life. This role is evidenced by the experience of participants who discussed the disposable income they receive, which provides a welfare buffer against severe hardship. The strong performance of remittances reflects the deep cultural ties and family bonds that exist within the participants and their loved ones abroad. The '*ofa*, *feveitokai'aki* and *tauhi va* are strong amongst the participants and their families, which facilitates the inflows of remittances to Tonga. All cash remittances are subject to the foreign exchange levy discussed in the previous section. Participants in cohort one did not realise that there is a levy on cash remittances.

The total amount of remittances reported by the National Reserve Bank of Tonga, only includes the cash transactions while in-kind remittances are not. In-kind non-cash remittances were identified by participants in cohort two, as being treated unfairly because imported goods are charged CT and customs duty and excise tax.

7.15 Consideration for tax relief

The 51 village participants are donating a significant amount of funds to the church and paying for their children's educational expenses when meeting their *kavenga* obligations. Therefore, financial relief should be provided in the form of a social welfare benefit rather than a tax deduction or a tax credit. Tax relief based on formal employment income will not provide relief for the majority of participants in cohort one because they are involved in informal employment.

A tax deduction is a subtraction from income, and, under a progressive tax rate system, higher-income individuals obtain higher value from the relief. A tax deduction provides what is known as "upside-down" relief because the value of the deduction increases with the taxpayer's income (Dickson, 2007). To avoid these problems, some countries, such as New Zealand, have moved from a tax deduction system to a tax credit (or rebate) system. Under a tax credit system, the expense claim would not affect the determination of a taxpayer's taxable income, but instead would directly reduce the tax payable on that taxable income. If it is decided to provide tax relief for donations, then the relief is best provided through a tax credit rather than through a tax deduction. The tax credit approach enables the tax relief given to be independent of an individual's marginal tax rate (Dickson, 2007).

The problem with the tax credit is that it only provides income tax exemptions for participants who are employed and earning over the tax threshold limit of TOP\$10,000, so only three participants from cohort one will be eligible. The tax credit and rebate schemes would benefit the elite participants of cohort two and not the vulnerable

participants in cohort one, due to their employment status. Vulnerable participants who are not in formal employment could be supported with a welfare benefit similar to the social protection scheme targeting the older citizens and people with disabilities.

Participants earning less than TOP\$7,248 per annum are vulnerable to the impact of the revenue reform due to the higher prices, so they can barely cover their living expenses. However, participants earning less than TOP\$3,000 are in a worse position and are the 'most-in-need' (see Table 34). A targeted social welfare benefit for the most vulnerable would provide relief from the impact of the revenue reform.

7.16 Tax on unhealthy goods

The health tax policy impacts all the village participants because they regularly purchase the goods listed as being an unhealthy product. The government hopes to raise TOP\$62.3 million in 2018/2019 from the new tax reforms including imposing an excise tax of TOP\$200 per kg on locally manufactured Tapaka-Tonga products (Ministry of Finance and National Planning, 2019). The excise tax rate on imported motor vehicles, that are more than ten years old, will also be amended. Excise tax will be imposed on imported instant noodles, alcohol, high-sugar content carbonated drinks, mayonnaise, ice cream, imported turkey tails, fuel, baby diapers and animal fats in support of an improved, healthier lifestyle in Tonga. The new changes are part of the government's effort towards reducing the risks of NCDs (Ministry of Finance and National Planning, 2019, p. 50).

7.17 Climate change and over-exploitation

Climate change and the over-exploitation of sea resources are having an impact on participants. Most obvious is Participant 7 whose livelihood, harvesting jellyfish from the local lagoon area has been severely impacted. Participant 7 experienced the gradual decline of the jellyfish stock over the last 10 years.

The TSDF II states that Tonga is ranked as the second most at-risk nation, in regard to natural hazards, out of 172 countries (Ministry of Finance and National Planning, 2015b, p.13). The strategy emphasises the need for building resilience to natural disasters and the threat of rising sea level due to climate change. The main policy statement in the strategy for climate change is National Outcome F which provides for: “*a more inclusive, sustainable and effective land administration, environment management, and resilience to climate and risk*” (Ministry of Finance and National Planning, 2015c, p.18). The strategy directs the Ministry of Meteorology, Energy, Information, Disaster Management, Climate Change and Communications (MEIDMCC) to enforce the climate change policy nationwide because of the impact on Tonga's fragile environment.

The MEIDMCCC has implemented community resilience projects on six eastern coastal villages, Nukuleka, Makaunga, Talafo'ou, Navutoka, Manuka and Kolonga. The objective is to assess the impact of climate change and design coastal defences against the rising sea level (MEIDMCCC, 2019). The six villages also access the Fanga'uta Lagoon area, which is highly polluted and impacting the economic wellbeing of people in the coastal areas. Participant 7 is one of those impacted by the deteriorating health of the lagoon's ecosystem because traditional species that were plentiful are now disappearing due to a combination of natural and human-caused environmental changes.

The Global Environment Facility's Stewardship Plan was developed in 2014 to rehabilitate the degraded ecosystem and stimulate alternative livelihood opportunities for residents in the catchment area (Global Environment Facility, 2019). The sea level is expected to continue rising and temperatures will keep warming, according to the research on Tonga's current and future climate by the Pacific-Australia Climate Change Science and Adaptation Planning Program (Pacific Climate Change Science, 2016, p.11).

Another problem impacting participants that rely on sea resources is over-exploitation for consumption or financial gain. Sea cucumbers (*mokohunu*) were an essential source of income for people but, like the jellyfish, the stocks were depleted, and the

government placed a five-year moratorium on harvesting in 2015 to allow the stocks to rebuild (Moore et al., 2017). Despite the moratorium, illegal fishing does take place as shared by Participant 4, who was hired by private fishing operators to dive for the prized sea cucumber (see sub-section 5.4.4).

Climate change and over-exploitation of traditional fish species affects the two male participants (4 and 7) who relied on sea resources for their livelihood. The lack of sea resources has reduced their ability to provide for their families, so alternative sources of income were needed. Participant 4 was exploited by the private fishing operator to dive illegally for the over-fished sea cucumbers and risked losing his life in the process. Participant 7 lost his ability to support his family because his main form of employment ended with the lack of jellyfish, possibly due to the impact of climate change and human-induced harm on the lagoon ecosystem.

7.18 Role of land

Tonga's land tenure system is intimately linked with cultural traditions and the structure of society. Families without land struggle to survive, and this adds to the widening gap between the rich and poor. The noble landowners hold most of the land while vulnerable communities are landless and do not have any means to build up capital assets. They bear the full brunt of the tax reform compared to the wealthier landowners and aristocracy. Women also have limited rights to land.

Access to land is a problem for participants in the outer islands migrating to Tongatapu because they do not have legal rights to acquiring land as they already have land on their home island. Having no access to land creates financial difficulties because participants are unable to grow crops to generate income and produce food for their family.

In 1975, Tonga had a population of 88,318; land population density was 123 people per square kilometres of arable land, and there was an annual population growth of 0.92%,

according to the estimation of Worldometers (2019). Forty-one years later, the 2016 Census found that land population density was expanding and, at 149 people per square kilometres, was placing significant pressure on land. Tonga would face significant land shortages for a population that was, in 2016, over 100,000, raising concerns for the World Health Organization (Tonga Department of Statistics, 2017b; World Health Organization, 2016).

In the past, borrowing land to grow crops was acceptable and a regular practice (Maude, 1973). However, this is no longer a simple arrangement according to the *talanoa* with participants. Some participants had access to land, but the majority did not, and this was highlighted as a significant barrier to economic prosperity and wellbeing. Land scarcity has implications for the participants and has caused breakdowns in family relationships. The case of Participant 29 highlights the impact of land disputes on families. During the interview, I observed the emotional pain expressed by the 70-year-old participant who no longer has a relationship with his four younger brothers in the United States.

Demand for land has increased with population growth reducing the arable land available for subsistence farming. The scarcity and financial value of land have made elder kin reluctant to share with their younger kin, causing family disputes that sometimes end up in court and may lead to a breakdown in relationships (James, 1993).

Cash gifts to the nobles for land

The study identified cash gifts and livestock presented by participants to nobles as gifts to acquire land. These activities are not taxed but can be substantial financial gifts. Acquiring land, especially from noble estate holders, was known to require the applicant to provide gifts and services, as identified by James (1995) and Sumeo (2016). Land sales are illegal according to section 12 of the revised Land Act, but scarcity of land is causing applicants to provide gifts or other means to secure land.

Nobles can grant land to applicants as leasehold land under the terms of the Constitution, which is a formal process, but there are cases where gifts are given informally to progress the transaction. The formal transactions of paying for leasehold land are subject to tax, but gifts provided informally are not.

The scarcity of land reduces the ability of the poor, such as participants in this study, to acquire land ownership, but leasehold land may be their best option. However, this involves paying significant financial resources they do not possess. This issue may need further research because participants do have a right to land, as enshrined in the Land Act and Constitution. There are informal practices that can be regarded as unconstitutional (see sub-section 5.5.1). Once again, it is a very sensitive topic because of the cultural practice of *faka'apa'apa* and *kavenga* to the noble estate holder. Tonga has a hierarchical system that makes it extra difficult for the vulnerable to question authority (see sub-section 1.2.2).

My recommendation is for further research to understand the extent of this practice and whether there should be legislation to reduce the informal practice of gifting cash or services by vulnerable people to acquire land, and to require such payments to be treated as taxable income.

7.19 Role of churches in Tonga

The role of religion in development is essential, according to Keister (2008), as it has a direct effect on wealth resulting in low rates of asset accumulation over time. Marshall and Keough (2004) highlighted the lack of research on the relationship between faith and economic and social development. Religion is invisible and not included in the thinking of many development practitioners. However, the links between religion and development have become much more apparent because development organisations and faith institutions are working on similar issues to fight poverty (Marshall & Keough, 2004). Understanding the significance of religion to Tongan people is relevant, as this

reflects the 40 cohort one participants' decision to choose *kavenga fakalotu* as their number one priority.

Table 36 presents the census data on churches in Tonga. There are over 16 licensed churches as NGOs with various levels of tax registration. Churches with schools, businesses, reverends and administration staff are registered for CT and PAYE. If turnover is more than TOP\$100,000, they must register as a consumption taxpayer. Church commercial activities pay income tax on profits.

Table 36: Registered churches in Tonga

Denomination	No. of members	School/Business/Staff	Registration
Free Wesleyan Church	35,082	School & Businesses & Staff	CT, PAYE, Income Tax
Latter-Day Saints (LDS)	18,673	School & Businesses & Staff	CT, PAYE, Income Tax
Roman Catholic	14,276	School & Businesses & Staff	CT, PAYE, Income Tax
Free Church of Tonga	11,896	School & Businesses & Staff	CT, PAYE, Income Tax
Church of Tonga	6,868	Staff	CT, PAYE
Assembly of God	2,347	Staff	CT, PAYE
Seventh-Day Adventist	2,249	School & Staff	CT, PAYE
Other Pentecostal Denomination	1,593	Staff	CT, PAYE
Tokaikolo/Maamafo'ou	1,562	School & Businesses & Staff	CT, PAYE, Income Tax
Constitutional Church of Tonga	957	Staff	PAYE
Bahai Faith	755	Staff	PAYE
Mo'ui Fo'ou 'ia Kalaisi	741	Staff	PAYE
Anglican Church	697	School & Staff	CT, PAYE
Jehovah's Witness	385	Staff	PAYE
Salvation Army	297	Staff	PAYE
Gospel Church	287	Staff	PAYE
Others	164	Nil	Nil
<i>Adapted from: Table G17: Total population by religious affiliation, sex and division, Tonga Department of Statistics, 2017b, p.50.</i>			

The data on table 36 shows that 98% of the Tongan population belong to a church, which is pretty much the same as the proportion of the participant cohort who were members of a church. It is well documented that church obligations are considered a priority and should be met before one's own needs (Morton, 1978). On a similar note, remittances to

Tonga placed church obligations as the top priority followed by other commitments to the family (Faeamani, 1995). Small (2011) identified the importance of religion to Tongan communities even when migrating overseas. The same occurs in Samoan culture, according to Janes (1990), where ethnic churches were the most important institutions for integrating dispersed Samoan people. Evans (2001) argued that churches play a role in all levels of Tongan culture, which is reflected in the responses from the participant cohort.

Church is a way of life and ingrained into Tongan culture and tradition (Puloka, personal communication, July 26, 2018). The lives of participants reflect their strong connection with the church in all aspects of their life. The role of religion is displayed in Tonga's national symbols, the flag has the red cross, and the coat of arms has the motto: *Ko e 'Otua mo Tonga ko Hoku Tofi'a* – God and Tonga are my Inheritance. Religion is the most critical aspect of life in Tongan society, and the nation follows the Christian beliefs, even banning all forms of commercial activity (except for tourism) and sport on Sundays (Colson, 2006).

Misinale/tukumo'ui in western society may be considered inappropriate but not in Tonga. This practice is held as an event of socially visible gifting by families to the church (James, 2007). The *misinale* or *tukumo'ui* donations are tax-free and collected by the church administration to cover their operational costs. Tax rebates for donations ceased as part of the revenue reform.

A study on the traditional gift-giving among Pacific families in New Zealand found that from a cohort of 1,376 Pacific mothers, 76% gave to their church of whom 59% reported financial hardship arising from this practice (Cowley, Paterson & Williams, 2004). Higa (2011) researched the donation to the Wesleyan Methodist Church in Tonga and found that the practice is due to a complex blend of competition and cooperation. During annual donation events, donors' names and contributions are announced to the entire congregation so it may put pressure on participants to donate beyond their financial limit.

The participants in this study have a strong connection to the church and reflect this with their number one priority being the *kavenga fakalotu*.

What does the church do with the donations?

I have categorised the churches into three tiers, with the first being churches with membership of over 10,000, the second tier being all churches with membership below 10,000 and above 1,000, and the third tier being those with under 1,000 members. The first-tier churches ranked by membership size according to the 2016 Census (Tonga Department of Statistics, 2017b, p.13) are:

- Free Wesleyan Church of Tonga (35,082)
- Latter-Day Saints (18,673)
- Roman Catholic (14,276)
- Free Church of Tonga (11,896)

Tier two churches under 10,000 memberships:

- Church of Tonga (6,868)
- Assembly of God (2,351)
- Seventh-Day Adventist (2,249)
- Pentecostal church (1,593)
- Tokaikolo Church (1,562)

Tier three under 1,000 membership:

- Constitutional Church of Tonga (957)
- Bahai Faith (755)
- Mo'ui Fo'ou Church (741)
- Anglican Church (697)
- Jehovah's Witness (385)
- Salvation Army (297)

- Gospel Church (287)

The tier one churches and two of the tier two churches (Seventh Day Adventist and Tokaikolo) operate schools and business units. The Free Wesleyan Church of Tonga is the largest by membership and operates schools, accommodation apartments, office space and several other commercial ventures. The other tier one and tier two churches also conduct business activities and operate schools on the main island of Tongatapu as well as in the outer islands of Ha'apai, Vava'u and 'Eua.

The churches in Tonga operate as charitable trusts and are registered as NGOs under the Charitable Trusts Act (Crown Law, 1993). Churches must operate according to the rules within the Charitable Trusts Act as a condition of having an income tax free status (Crown Law, 1993). The churches are major economic institutions employing a large workforce. The donations made by the church members provide the financial resources for the church to fund its schools and support its nationwide operation. The church business ventures also provide funding for the church.

In Table 37, I map out how the churches use the donations from the congregation and study participants:

Table 37: Participant donations fund church activities

Church	Donations support	Taxes
Schools	Teachers wages School buildings Textbooks Furniture and equipment	PAYE Consumption Tax Consumption Tax Consumption Tax Retirement fund
Village Church Reverends	Stipend Retirement superannuation	PAYE PAYE
Church buildings	Construction Maintenance Builders	Consumption Tax Consumption Tax PAYE
Church administrators	Wages	PAYE Retirement fund

Donations provide the churches with the financial resources needed to deliver their numerous services and pay taxes for some activities. The churches are major institutions

that can impact the local economy. Table 37 highlights how the church uses donations to cover the cost of providing schools, paying staff and maintaining its asset base. This practice highlights how participant donations help to keep the churches operating.

The village participants are passionate and committed Christians which is reflected in their *talanoa*. Church activities make up a significant part of life for the villagers and involves attending the morning and evening services up to four days a week. The call to prayer is common throughout the villages and attendance is important. The church meets the spiritual needs of the villagers as well as being a social hub for families. The participants daily activities revolved around the church events. Such dedication and commitment by participants resonate with their financial decisions and donating the highest proportion of their income for their faith.

Priority obligations

I entered the *talanoa* with participants to identify their priorities and way of life but quickly understood their main priorities because this regularly featured in their responses (Taylor, 2011). The three main priorities identified by participants were *kavenga fakalotu*, *kavenga fakafāmili* and *kavenga fakafonua*. The three main priorities were highlighted by Powles (2014), because they were related to the kinship of Tongan families. The three *kavenga* reflected the most critical factors in life for Tongan people (Bellamy & Gott, 2013).

It is evident from the responses that most participants had similar priorities. The more I discussed the *kavenga* commitments with the participants, the more I began to realise the significant impact *kavenga fakalotu* had on each participant, their family and Tongan society in general. Literature on kinship relationships and remittances highlighted the main priorities of Tongan migrants and their efforts to remit funds to family in Tonga to meet their *kavenga fakalotu* obligations (Connell, 2005; Cowling, 2002). I also found the flow-on effects of *kavenga fakalotu* in the broader economy to be significant. The cash

injection and business activities during church events have an impact on the economy (National Reserve Bank of Tonga, 2016). Literature on the impact of *kavenga fakalotu* on the economy is limited to indicators in terms of remittances boosting foreign reserves (National Reserve Bank of Tonga, 2016). However, I am of the view that *kavenga fakalotu* is embedded in Tongan culture, and this needs to be recognised as a significant part of the Tongan economy. Participant 1 made a statement that reflects the role of *kavenga fakalotu* and how it is a major part of life and not just an obligation:

Participant (1): Ko e taimi misinale pe 'i 'Aokosi uike hono tolu, 'oku ou lele ki he pangike 'o toho mai e tokoni mei he fanga moko moe fanau mei Nu'u Sila ke tokoni ki he 'eku peleti. Laka ange kia au ke mau ta'e kai mo tu'usi 'emau 'uhila, koloa ke lava e kavenga e lotu he ko e me'a ia na'e mate kiai 'eku matu'a.

Interpretation: When the annual donation event is held on the third week of August, I visit the bank to withdraw the funds sent from my grandchildren and children from New Zealand for my *peleti* (plate of cash offering). I would rather that we go without meals, even have our power disconnected, as long as our church obligation is met as that was what my parents gave their lives to.

The analysis of the three *kavenga* types (church, family and village) highlighted the significant impact of CT on goods and services purchased by participants for each *kavenga*. The only transactions that did not incur taxes were donations, *katoanga* and participants using their own homes, plantations, crops and domestic livestock for their *kavenga*. The participants gave to the church regardless of their financial situation. Their perspective on church obligations is different from the western world. The *kavenga fakalotu* distinguishes the participants from other western countries, according to the literature review. These participants received donations from family abroad to give to the church – to ensure donations are paid. Reverence to God is their number one priority and giving is non-negotiable – which is a unique part of being Tongan (James, 1992).

Should the church reverends be taxed?

The study found an elevated level of financial contribution made by vulnerable participants to the churches as part of their *kavenga fakalotu*. This topic is very sensitive because the clergy are not taxed, unlike their counterparts in Samoa who are in the process of being registered as taxpayers (“Tax Owed by Samoan Church Ministers,” 2018). The churches in Tonga are legal entities and are taxed as NGOs for CT and PAYE but only for material purchases and paying administration staff. The church also contributes to a retirement fund scheme as required by law.

The church has a positive impact on participants, as reflected in the *talanoa*, and some churches provide access to schools. The church also provides spiritual sustenance and holds the community together during challenging times. On the other hand, the church is taking money from the poor who cannot afford to meet their *kavenga fakalotu*. I observed during the *talanoa* with participants that failure to meet their *kavenga fakalotu* can be embarrassing for their family, so they do feel pressured to donate.

Church ministers and pastors are not taxed, especially for income received as donations for attending funerals, weddings and various activities. As the cornerstone of the community, it might be worthwhile considering the pathway taken by Samoa and whether it is required in Tonga. This practice is beyond the scope of this study, but given the extent of the financial donations made by members, it should be researched further.

If further research identifies the income of church ministers and pastors exceed the income tax threshold, then I believe they should be taxed like every other citizen.

7.20 Loto’i vilitaki - Resilience

The village participants displayed the four golden threads of Tongan values throughout their *talanoa* and more fascinating was their resilience and ability to survive through

hardship and make the most of a difficult situation. They did not complain or blame others but continued to work and strive for a better life. The government professionals and business owners complained about the government policies and other issues. Cohort two always focused on what was in their best interest. This behaviour was the total opposite of cohort one, who accepted the revenue reform policy and got on with trying to live their lives as best as they could. This was a true reflection of their mana and the dignity that was maintained throughout the research process. Despite the resilience of the participants, they were not immune to the impact of the revenue reform because of the wide-reach of CT on all their purchases.

The village participants displayed the four golden threads of Tongan values, namely:

- *Feveitokai'aki* (reciprocity) – helping each other and sharing.
- *Tauhi vaha'a* (maintaining relationship) – maintaining a good relationship.
- *Mateaki'ime'a* (dedication) – total dedication to the vision.
- *Faka'apa'apa* (respect) – showing respect and being humble.

Rural participants

It is estimated that 85% of Tonga's population live in rural areas and are dependent on subsistence agriculture and fishing for their livelihood (International Fund for Agricultural Development [IFAD], 2018). The findings from IFAD are reflected in the study participant cohort one, where 90% resided in the rural areas of Tongatapu, Ha'apai and Vava'u. The male participants from the rural areas were subsistence farmers and fishermen, while female participants were weavers and *ngatu* makers. Transport was identified as costly for participants who relied heavily on public transport. *Talanoa* with Participant 2, who owns a small public transport business, highlighted how much rural people relied on his buses:

Participant (2): Ko e Taimi 'e ni'i hi 'oku hala e tamaiki ia ha totongi pasi he 'oku faka'ofa honau famili pea 'ikai ke 'ilo ia he 'eku kau faka'uli ka ko e Tonga ki

tautolu pea he 'ikai ke ta'ofi ai e tamaiki ako ia tatau ai pe 'oku si'i hala honau famili he seniti. 'E 'i ai e 'aho 'e ma'u ai ha'a nau seniti pea toki totongi mai ai. 'Oku ou lava pe 'o tala e masiva he 'oku neongo 'a e ma'ama'a e heka pasi, 'oku nau kei faingata'a'ia pe he totongi e pasi.

Interpretation: Sometimes the children have no bus fare because their family is poor, and my drivers do not know that, but as Tongans, we will never turn away school children even though their family has no money. One day when they have money, they will pay us. I can tell how the poor struggle because public transport is cheap, but they still struggle to pay the bus fare.

Employment opportunities in the rural areas are scarce, so participants relied on traditional methods to generate income. Every participant from the rural areas I interviewed was involved in some activity or money-making venture. They did not complain or blame others but found ways to make a living. None were homeless or without food, and they were able to survive despite the hardship they experienced. They were resilient and did not consider themselves victims because of their ability to cope with the challenges that were part of their way of life.

Outer islands participants

My original intentions were to travel to the Islands of Niua, which is 600 kilometres from Tongatapu. The Niua Island Group is made up of Niua Toputapu, Niua Fo'ou and Tafahi; these are the northern-most islands and have the smallest population, around 1,300 residents. As the smallest island group and most under-developed, I wanted to conduct the study there to test the impact of the revenue reform on this small and isolated island group.

I arrived in Tonga on 5 February 2018 and planned to travel to Niua on the next available flight which was likely to be the following week on Wednesday 14 February. The local airline only has flights to Niua once a week, every Wednesday, but rotates the flights

between Niua Toputapu and Niua Fo'ou which means I would have to wait for two weeks until the next flight for the return leg to Tongatapu. This situation was beyond my travel arrangements, so I approached my supervisor to request a change from the Niua Islands to the closer Ha'apai Island, which has a daily flight schedule.

The new plan was to interview part of the cohort of participants in Tongatapu and then travel to Ha'apai for the second week and complete the interviews. However, I started to hear on the radio about the storm warning and potential for a cyclone. I arrived in Tonga on 5 February, but Cyclone Gita formed on 3 February and hit Tonga on 12 February 2018. The cyclone changed my approach to one of focusing on the rural areas of Tongatapu and then selecting outer island participants who had migrated to the main island.

I identified seven participants from the outer Islands, six from Ha'apai and one from Vava'u. These seven participants made up my outer island cohort. The seven participants migrated from the outer islands in search of opportunities and to provide education for their children. I found the outer island participants to be hard working and always striving to improve their wellbeing. They were at a disadvantage in being away from their home and land. Now, they are on the main island of Tongatapu and must struggle to generate enough income to survive.

The central theme I identified with outer island participants was the more convenient access to communal resources such as land and fisheries in their home islands. Such access gave the outer island participants an advantage over their counterparts in Tongatapu. The lifestyle in the outer islands was more enjoyable and community-oriented, unlike the main island communities. However, the disadvantages included transportation, lack of necessary supplies, higher prices at the local shops, distance from health services and schools for their children, and lack of employment opportunities.

Participant 10 migrated to Tonga with her husband in search of better opportunities. Her main form of income was *“making lou'akau to sell and lālānga. We also go fishing for*

food and the rest we sell." Her husband also works on the RSE scheme when possible, for extra income. She described selling their crops in the Pangai market and using *katoanga* opportunities to make money.

Participant (10): 'Oku mau katoanga fakafetongi pa'anga moe kau Nu'u Sila. Nau ha'u pea mau fakafetongi fala ki he pa'anga. Taimi 'e ni'i hi 'oku ma'u e TOP\$3,000, ko e fala ia 'e tolu ko e fihu fatufa, ua ngokumi moe fala 12. Ko e koloa ia ki he pa'anga 'e TOP\$3,000. Mau ngaue'aki e seniti ke fua 'emau misinale pe tanaki ki ha kavenga e famili moe kumi pulopula ki he too 'ufi. Ma'u eni ia mei he kau too ngoue kehe pe.

Interpretation: We have *katoanga* in exchange for cash with the New Zealanders. They visit, and we exchange *fala* for cash. We sometimes make TOP\$3000 worth which is 3 *fala* – *fihi fatufa, ua ngokumi* and a *fala taha ua*. That is for TOP\$3,000 cash. We use the money for *misinale* and save for family *kavenga* as well as seedlings for growing *'ufi*. We get this from the other farmers.

Participant 6 from the outer Island of Lofanga in the Ha'apai group of Islands also makes *tutu* and *lālānga* for extra income.

Participant (6): 'Oku fakatau atu 'emau lālānga mei hono fakamaketi he telefoni moe Facebook 'o alea'i ai e mahu'inga ke maau pea toki fai 'a e fakafetongi. Mau ngaue 'aki moe EMO moe messenger.

'Oku mau fakafetongi 'a e pulu moe puaka 'aki e lālānga pe ko e fakafetongi e vala 'aki e lālānga ki he fute. 'Oku TOP\$30 ki he fute 'o fakafetongi 'aki e vala. Ko e ngaue faka kulupu eni. Ko e lālānga fute 'e fa 'oku a'u pe 'o 'aho kakato 'e taha ke ngaahi 'e he kakai fefine 'e toko tolu pe fa. 'Oku ngaue 'aki eni ke fakafetongi e pa'anga moe vala pe ko e pa'anga pe. Ta'e totongi ha tukuhau pea ma'u e pa'anga he taimi pe ko ia.

Interpretation: We sell the *lālānga* through marketing on the phone and Facebook to negotiate, and once a price is agreed, then we settle and exchange. We also

use Emo and Messenger. We exchange cattle and pigs for *lālanga* or clothes in exchange for *lālanga* per foot. We charge \$30 per foot, which is exchanged for clothes. This is a group working arrangement. Four-foot *lālanga* can take one day to make by three or four women. This is used to exchange for money or clothes or just money. No tax is paid and we receive the cash straight away.

The outer island participants' income-generating activities were outside the tax net. However, participants do pay CT and excise tax when they purchase goods from the local shops and fuel for transport. The seven participants from the outer islands shared their *talanoa* about their experiences in their beloved islands during the interview. I observed how their expression became one of deep longing and love for their homeland during the interviews. When I asked the question about the difference between Tongatapu and their island, their expressions changed to excitement; they described the laid-back lifestyle and how food was plentiful, neighbours were friendly and they held on to the traditional way of life.

It was evident from the *talanoa* that the outer islands had an advantage over their Tongatapu counterparts through easy access to land and fisheries resources. However, access to essential goods and services is limited. Healthcare is a significant issue because the hospital is situated on the main island of Ha'apai, so transportation was a problem in emergencies.

In 2017, I visited Ha'apai to discuss long-term care policies with the town officers from the outer Islands. The Town Officer of Ha'ano shared his perspective on the main issue for his constituents:

Ha'ano Town Officer: Ko e palopalema lahi taha 'oku fepaki mo hoku kakai ko e tokoni fakafalemahaki. 'Oku houa 'e ua e lele vaka ia ki he falemahaki Niu'ui 'i Pangai pea 'oku fa'a tomui ma'u pe hono leleaki'i ia e mahaki kuo mālōlō ia. Ka hakohako 'e 'ikai lava ha vaka ia 'o folau. Ko e me'a faingata'a taha eni e nofo 'i Ha'ano.

Interpretation: The biggest problem experienced by my people is access to healthcare. The Niu'ui Hospital in Pangai is two hours away by boat, and often in an emergency, the patient does not make it. If the weather is rough, we cannot even use the boat. This is the most challenging problem with living in Ha'ano (Ha'apai Town Officer, personal communication, May 27, 2017).

Another factor raised by the outer island participants was how proud they were to be known as a participant from the outer islands. Historically, the warriors that helped the first King of Tonga to conquer and rule the whole kingdom, known as the "*Tautahi*" or sea warriors, were from Ha'apai, so these participants were proud people (Kaepler, 1971). Despite the migration of participants to the main island of Tongatapu, they explained that those still living in the outer islands have strong connections with relations abroad who sent remittances regularly to support their family in the islands.

Female participants

Women are particularly vulnerable because they have limited access to land and assets (Sumeo, 2016). The fascinating finding is how enterprising and innovative they were despite being charged with looking after the children and the family home. The literature paints a picture of Tongan women being burdened with maintaining stability and keeping the family together (Volkel, 2010).

Female participants were very innovative and were responsible for generating additional income to supplement their husband's income. The main enterprising activity for women was weaving and *ngatu*-making. Four female participants operated a roadside stall while their husbands were away farming or fishing. Participant 50 operated her roadside stall as well as looking after the children while her husband was away farming the land provided by her father.

Participant (50): Fakatau me'akai moho, kato talo moe manioke kae ngaue ki 'uta hoku mali. 'Oku ma'ala he 'api 'uta 'eku tangata'eiki. 'Oku 'i ai pe ho ma 'api 'uta 'i Vava'u.

Interpretation: Selling baked food and crops while my husband works on the land. He uses my father's land. We have our land in the outer island of Vava'u.

I observed how she kept the stall operating, and when customers stopped to purchase food, she would also try to sell them other products as well. She was quite innovative and had excellent customer service. She kept a clean stall and made sure the products were fresh and still warm for customers. All the while she was watching her house across the road where her toddler was sleeping.

Participant 1 is 73 years old, making her the oldest female participant in the study cohort. Her physical movement is restricted, and she uses a walker for assistance. Despite her disability, she works in partnership with her younger sister to grow the raw materials for making *ngatu*. The raw materials are stripped and rolled into *tutu* which they sell for cash at the market and store some away to make *ngatu* for sale or bartering. She was very passionate about making the *ngatu* and how they prepare the raw materials.

Tongan women are strong and extremely resourceful, as reflected in the participant interviews. Even with limited access to land and resources, the female participants were able to use their traditional skills to generate income or support their husbands in selling crops and food using excellent customer service skills. They are resilient and do not consider themselves to be inferior.

My experience of Tongan women through my mother, aunties and sisters was unlike what the literature portrayed as being vulnerable because women have a hierarchical role in Tongan society as discussed by Puloka (2018).

Women of wisdom are pillars of nations (Puloka, personal communication, July 26, 2018).

This is my perception of Tongan women because they hold the role of *mehikitanga* and *fahu*. In the Tongan context, women are not categorised as vulnerable because they are respected and have hierarchical roles. For example, I cannot swear in front of my sisters nor disrespect them because they hold a higher hierarchical position than I, even though I am the eldest son. *Faka'apa'apa* is a customary practice between brothers and sisters and maintains the hierarchical respect that women hold in Tongan society.

7.21 Strong cultural and spiritual belief

Given the impact of the revenue reform on the wellbeing of the vulnerable in this study, I want to highlight the participants strong belief systems that guided their way of life.

Spiritual beliefs

The Christian beliefs of participants is strong, as highlighted by their dedication and commitment to the various churches. At the same time, the participants' financial contributions to the church were just as substantial. The participants shared how proud and dedicated they were to their faith and happily shared how much money they donated and goods purchased to meet their *kavenga fakalotu*. The broadening of the tax base to CT added extra costs on goods and services purchased by participants.

The tax implications of this for the spiritual activities of participant cohort one were disproportionate compared to their income level. The participants may have been financially weak, but their commitment to their faith reflected the strong values they had for their family and community. Participants were proud of their faith and showed this in how they donated and made food for their *polu*. Participants who may be considered vulnerable are difficult to differentiate from those who are considered better-off because of their contribution to their church *kavenga*.

The church is a beacon of hope for participants and provides a sense of belonging and a safety net. It would be preferable to consider offering CT and duty exemptions on educational products such as uniforms and stationery because this will benefit the vulnerable directly.

Gender inequality

As Tonga is a male-dominated society, the female participants treated their husbands as the main decision-makers, but the issue around land ownership was raised as a problem. Participant 42 discussed the unfairness of the government decision to allow land for lease to males in her family but not her. She works hard and contributes just as much as her brother to the upkeep of the family. However, she is discriminated against when it comes to land ownership decisions by government. This issue is an ongoing problem that is highlighted by Sumeo (2016). It may be rectified by Tongan females migrating overseas for a better opportunity. This is not a long-term solution but one that needs to be discussed further so that females have the same right to land as males.

In March 2015, the government announced plans to ratify CEDAW. This decision would grant women equal rights to land, but it was met with public protest led by church leaders who petitioned the King who in turn announced that the ratification was unconstitutional because only the King can make treaties with foreign states (Lee, 2017). Tonga is one of only six nations that have not signed up to CEDAW and, according to Lee, the protests *“conceal much deeper anxieties about gender equality and, more broadly, about democracy and Tonga’s future”* (Lee, 2017, p.66).

The political support for gender equality is still uncertain and may not change in the short-term, especially with a male-dominated Parliament with only two female Members of Parliament. Mangisi argued that gender equality is considered to be a foreign idea that challenges the current policies and attitudes, so this becomes a barrier for women's rights (Mangisi, 2018, p.11). A change in land ownership would require the younger

generation, women with qualifications and those holding top positions within the government to promote gender equality in the future. Land ownership is closely linked with economic development wellbeing, so the current policy restrictions on land ownership present a barrier to economic wellbeing and prosperity for female participants.

Indigenous belief systems

The participants were all steeped in Tongan tradition, which was reflected in their responses about commitment to family, church, village, land, nobility and royal family. Despite the lack of assets and financial wealth among cohort one participants, they expressed a desire to follow traditional practices such as respect for their *fahu* in a funeral or family event and being culturally appropriate. These beliefs are reflected in how participants saved their livestock, *koloa fakatonga* and money for their *kavenga fakafāmili*. Participants made the same contributions for their *kavenga fakafonua* as this is their cultural obligation to their village, nobles or royal family.

Even with low incomes, participants were proud of their traditional beliefs and their efforts to meet their obligations. No participant expressed any negative responses in regard to their beliefs and wished they had more financial capacity to meet their obligations. The interviews showed that the traditional beliefs were a key pillar in the participants' holistic wellbeing.

7.22 The failure of the EPSR programme

The EPSR was the Tongan government's response to the adverse economic downturn in the late 1990s and early 2000s (see section 2.3). The most pressing issues were the inefficient government departments, high unemployment rate, alcohol and substance abuse, limited government resources and immense pressure on public services due to internal migration. The recommended solution to address the socioeconomic issues were to reform the public service, comprehensive reform of the tax system and

encourage private sector-led growth (International Monetary Fund, 2003). The EPSR programme had two objectives. The first was to improve the efficiency of the government sector in order to improve service delivery to the public. Secondly, to create an environment that is more conducive to economic development, which will create employment opportunities over the next decade (Ministry of Finance, 2003, p.5).

The public sector reform has not achieved the efficiencies desired by the government. The public service strike in 2005 prevented the government from making the performance-oriented changes needed to promote efficiency gains (Langa'oi, 2009). Private sector-led growth was more difficult to achieve due to the lack of pro-business initiatives and political instability. The revenue reform was partially achieved because CT was implemented along with changes to customs duty, excise tax and income tax. The tax system was modernised and became more effective. The government professionals highlighted this fact which was also supported by the evaluation of Tonga's tax reform, conducted by the Sapere Group on behalf of the New Zealand Ministry of Foreign Affairs and Trade (Murray et al., 2014).

The tax reform was designed to make revenue collection more efficient and to broaden the tax base. The government simultaneously implemented the reforms so that efficiencies from the public sector reform might lead to lower costs for public services. The lower cost of public services might also reduce the amount of taxes required from the public. Better compliance and a modern tax system would assist private sector-led growth, allowing businesses to expand and create more employment opportunities. Consumption tax was the key revenue instrument proposed under the reform in order to shift the tax collection away from import levies (customs duty and excise tax) to a broader system and reducing the pressure on the commercial sector.

The government's revenue reform was ambitious and promoted: (i) fairness and equity across all people; (ii) transparency, clarity and simplicity of law; (iii) modernised administration and (iv) a system that is suitable for Tonga's development (Ministry of Finance, 2003, p.9).

Unfortunately, as highlighted in the *talanoa* with cohort one and two, the reform failed to achieve some of the key objectives that would have been beneficial for the poor. The fairness and equity across all people have not been realised because the poor in cohort one pay a higher proportion of their income on CT compared to the elite members of cohort two. The business owners and village participants are unhappy with the customs duty charged at the border. The process used by customs officers to value imports are not transparent or clear, raising doubt for both private and business importers. The tax system is modernised but has not supported businesses to expand and create employment opportunities. According to the business participants, the tax system is creating more compliance costs and impacting the profitability of businesses. Tonga's tax system has improved, how revenues are collected and administered but it has not provided a platform that is conducive for economic development.

Overall, the tax reform component of the EPSR has generated a strong revenue base for the government but has failed to provide the flow-on effects to address the social problems identified during the planning stage. Unemployment remains high and the alcohol and drug abuse problems are worsening. The demand on government services continue to grow as well as the cost of delivering public services.

The EPSR has not provided any protection for the poor but relied on pro-business policies that have failed to generate economic growth. The revenue reform component of the EPSR has become a tax gathering mechanism and failed to consider the social costs on the vulnerable village participants of cohort one, identified in this study.

7.23 Conclusion

I was driven to undertake this research because I wanted to find out about the impact of the revenue reform on vulnerable communities. I was surprised at the significant impact of the reform on the participants, especially from the CT. Customs duty and excise taxes also had an impact but not as high as CT. The participants did not see themselves as vulnerable and were oblivious to the impact that CT had on their daily activities. However,

I was able to map out the transaction points that incur a tax payment, based on their interview responses. The participants were vulnerable to the impact of the revenue reform through their financial decision-making.

The most important finding is the impact of the revenue reform and, based on the analysis, I can state that the findings identified the heavy burden of CT on the vulnerable communities. Every expenditure made by participants incurred CT, ranging from food at the local stores and school fees, to transport costs and church activities.

The government's MDGs and TSDFII were ambitious but needed to focus more on reducing the tax burden on the poor. Tonga may not be experiencing poverty, as measured by western countries, but severe hardship is prevalent amongst the participants. The elite and privileged government and business sector participants of cohort two, are high-income earners and able to pay higher prices as well as maintaining a high standard of living. The revenue reform impacts the elite to a lesser extent, and they can increase their incomes and make choices that are not available to cohort one participants. Therefore, the impact disproportionately affects the 51 village participants of cohort one compared to the six privileged government professionals and business owners of cohort two.

The church has a leading role because it commands the highest contribution from participants so there may be room to consider the wellbeing of the weaker members in the congregation. Land scarcity is a hindrance for participants and especially so for those from the outer islands.

To rectify the heavy burden of taxes on the vulnerable, I would recommend extending the social welfare system to the vulnerable participant families, especially those who are most in need, earning less than TOP\$3,000 per annum. Participants earning less than TOP\$3,000 will struggle to pay for basic supplies, utilities and household expenses. Tax credits and rebates will only benefit workers in formal employment but not the majority of the vulnerable participants in cohort one.

8. MAFANA - Conclusion

8.1 Introduction

This chapter presents the 'MAFANA' (warmth) stage in the KRM, which is the presentation of the conclusions and recommendations of the research. The notion of '*Mafana*' represents the movement of warm currents which Manu'atu refers to as the force that energises the process of *malie* (Manu'atu, 2000a, p.77). This stage is the culmination of the efforts of and sharing by the two research cohorts (51 village participants and six government and business owners) and the researcher to create a new understanding of and solution to the impact of revenue reform on the vulnerable community in Tonga. In that process, the cohorts and researcher are transformed with the new knowledge and insight into the implications of the revenue reform policy.

This chapter assesses whether the findings identified in the research answers the main question of this thesis: *What is the impact of the revenue reform on the vulnerable communities in Tonga?* The chapter provides advice to government and donors on the learnings identified in the research. The limitations of the research, policy implications and recommendations for future research are also offered.

I approached this research with a solid foundation of knowledge of the revenue reform and economic policies in Tonga. As one of the technical advisors involved in the implementation of the revenue reform in 2005, I was mindful of the need to address the socioeconomic impact of the reform on the poor but struggled to identify a research method for that task. Fortunately, the combination of Pacific culturally-based methodologies (KRM and TRM) and mainstream process (thematic analysis) captured the key messages and central themes from the two research cohorts. The main findings of this research aims to answer the main question of this research.

8.2 Major research findings

8.2.1 Impact of the revenue reform on the village participants (cohort one)

Vulnerable to the impact of the revenue reform

In the literature review, I discussed the 'definition of vulnerability' and how the village participants did not consider themselves to be vulnerable. However, their way of life, cultural practices, faith and beliefs make them vulnerable to the impact of the revenue reform (see section 2.2). The Tongan word I have used for vulnerable is *tu'u laveangofua* which translates to 'easily wounded'. The cohort one village participants are respectable and dignified community-oriented people, but their circumstances make the majority vulnerable or *tu'u laveangofua* to the impact of the revenue reform programme.

The village participants may not realise the impact of the reform. However, through their *talanoa* I was able to highlight the effects of the taxes on their decision-making, livelihood and wellbeing. Any changes to the tax system had an immediate impact on the participants purchasing power because they had limited capacity to avoid the effects.

The village participants are considered vulnerable and most live in low-income households but do not experience poverty, in terms of the western poverty measurements of per capita income, because this is not a useful or appropriate indicator in the Pacific context, but they do suffer from severe hardship.

Based on the *talanoa*, I identified 27 participants earning TOP\$7,248 annually or less as the most vulnerable, that are experiencing severe hardship due to the revenue reform (see section 7.11). These participants are barely covering their basic needs for survival. The lowest income earners and most at risk of poverty have an annual income of TOP\$3,000, which is not enough to even cover the basic cost of living.

Consumption Tax has most significant effect

The *talanoa* with the village participants highlighted the regressive nature of CT and how the low-income households pay proportionally more CT than the wealthier sector of

Tongan society. The analysis supports the literature that the lowest income households pay substantially more CT as a fraction of their annual expenditure. CT caused the biggest impact on the wellbeing of the participants and reflects how indirect taxes are disproportionately borne by the poor. The tax collection capacity of CT is quite broad and increases income inequality between the rich and poor communities. Participants are impacted by CT through the higher prices at the shops and paying for basic services. Every participant expenditure involved paying 15% CT for food, household items, educational costs, medicine and utilities.

Higher customs duty cost

Participants are heavily reliant on family members abroad for cash remittances and goods freighted in boxes and containers. The imported goods support participants with their *kavenga* obligations and maintaining their household. However, there are often wide variations in the customs valuation process which can increase costs for participants. The revenue reform removed the exemptions on building materials and farming supplies which impacted participants that needed to build a house and to grow crops. The participants are now required to pay duty on the same level as commercial importers.

Village participants found that they are paying more to import their goods now compared to the past due to CT and higher customs duty charges. Customs duty charges are not clear, and feedback from participants found that charges fluctuated. For example, a 4x4-foot box of goods (clothes and food) were valued differently by customs officers, with the duty ranging from TOP\$100-500.

Unhealthy tax policy affects the poor

A recent policy change was the taxing of unhealthy goods using excise taxes since 2016. The policy is designed to lower the level of NCDs, but the goods being targeted are those that make up a large part of the poor participants' diet. The government believes that

taxing unhealthy goods will prompt consumers to purchase healthier alternatives. However, the participants are still buying the same unhealthy foods and are unhappy because the tax burden falls heavily on their families.

The new policy increased the excise duty on unhealthy products, and that impacts on all the village participants because they rely on those cheaper products. The government also reduced customs duties on healthy goods to promote a better diet. However, some participants are concerned that this may not reach the poor because, according to Participant 19, the government is not monitoring the price changes expected from the local stores.

The poor allocated a larger component of their income for food which makes the tax more regressive. The double impact of CT and excise tax disproportionately affects the participants. The government should consider other alternative policies involving exercising and health promotion rather than using taxes to change a behaviour that is quite entrenched. The tax may be doing more harm than good for the poor.

Higher prices caused by CT

The participants experienced hardship and difficulty under the revenue reform. Participants recalled the pre-2005 period and post-2005 and how the cost of living increased significantly. They blamed the Chinese shops for the price increase, but the analysis found that the revenue reform was the cause. CT was the main reason for the price increases because of the charges levied at the border and again when the product is given the final price by the store owner. The analysis highlighted the heavy burden of CT on all the *kavenga* obligations when goods and services were purchased.

Participants are concerned with the volatile price levels in the Chinese stores, with reports of prices changing daily with little explanation. When questioned, the store owners blamed the supply chain operators. This issue was raised by participants in the

Hahake and Hihifo regions. However, according to business owner GBB, customs officers are charging higher customs duty rates to Chinese importers compared to Tongan importers, causing owners to raise their prices. This is unfair to the Chinese owners who are getting blamed for deliberately increasing their prices.

Enterprising activities outside the tax net

The majority of the enterprising activities for participants were outside the tax net and did not pay income tax or CT. These enterprises provided an opportunity for the women and low-income participants to sell *koloa fakatonga* using *katoanga* and direct marketing. Income from these enterprises empowered the participants to fund their various *kavenga* and take care of their families. The income is subject to the 15% CT when the funds are used to buy goods and services from Chinese and other large stores.

Higher income tax threshold not benefitting the participants

The income tax threshold was increased to TOP\$10,000 to reduce the tax burden on employees on low wages. Unfortunately, this tax benefit only applies to three participants who were employed formally (participant 2, 11 and 46). The rest of the participants did not benefit from the higher income tax threshold because they were involved in informal employment.

Land is critical for survival

Land is very important for survival and prosperity but it was limited, with only 14 participants having access to land. Land has become a problem and causes relationships to break down as families dispute ownership. Land cannot be sold but there are many land transactions taking place in exchange for informal financial gifts that are not taxed. Tonga does not have a capital-gains tax system and participant GBF proposed

imposing a tax on land as a way of reducing the cost for land so that the poor may have a chance to secure land at a reasonable price.

Land is vital because it can provide food, income and shelter. Hardship becomes more severe for participants without land, as was evident in their *talanoa* about their desire for land to grow crops and make money. Securing land on the main island of Tongatapu is difficult because of the growing population and the migration of the outer islands' residents. Land is no longer free, and participants have to pay landowners informally to secure a plot. This practice is sometimes beyond the financial capacity of participants. Having land may not guarantee prosperity, but it does enable the participant and their family to survive and generate an income.

Outer islands migrants are the most vulnerable

Outer island participants struggled with transportation problems and the high cost for basic goods. Families had close-knit relationships and enjoyed living on their island. However, opportunities were limited, and they had to migrate to the mainland for employment and educational purposes. The cultural values and relationships are still strong in the outer islands. Fuel costs make life more difficult for participants as it drives up prices for goods and for the transportation of equipment and materials from the main islands. Participants pay CT, customs duty and excise taxes for all goods. The cost of education and travel is also higher for participants from the small islands.

Seasonal work schemes having positive impact

The RSE and SWP is having a significant impact on participants' financial wellbeing and making a positive difference. The remittances from the scheme are a major income source for participants and will continue to grow with more participation. The seasonal work scheme is proving to be an important income source for participants because it is actually improving living standards and giving the poor access to assets and resources.

The funds earned from the scheme are not subject to income tax except for a foreign exchange levy. However, when the funds are used to purchase goods and services, this is when it is subject to CT.

More effort is required to increase the number of female participants in the RSE and SWP to allow them also to benefit from the financial opportunities available. The work schemes and migration of male leaders is causing social problems for families. Participants from both cohorts expressed the growing problem caused by male family leaders migrating abroad, leaving families vulnerable to breaking up.

Traditional activities are lucrative and tax-free

Bartering, especially in the *katoanga*, was a lucrative financial event for female participants because it was outside of the tax net and Tongan partners received tax-free cash for their *koloa fakatonga*.

Women's enterprises are outside the tax system

Women's enterprises were significant, with many of the female participants involved in weaving or *ngatu*-making to supplement their family income. This was also outside the tax net. If the *koloa fakatonga* was sold to a foreign buyer, the only tax component was the new foreign exchange levy deducted when funds were remitted to the participant.

Subsistence farming activities were outside the tax system

Village participants selling crops and goods from roadside stalls or front gate were outside the tax net, as this was a cash transaction. Many profitable micro-enterprising activities are outside the tax net. Some of the participants in this study generated income through private microenterprises which did not pay income tax because they were unregistered and outside the tax system.

Money is eroding cultural values

Money has eroded some of the cultural values in some families, according to village participants. Making money is more important than sharing one's crops with neighbours. This was the experience of Participant 14 who witnessed the lack of interaction between neighbours and the lack of sharing crops. Cultural practices were no longer followed because of the financial focus of village folk.

Removing exemptions impact the low-income workers

The only exemptions on CT was for the first 20 cubic metres of water from the Tonga Water Board, and on goods imported for the Cyclone Gita reconstruction. The income tax exemptions were removed as part of the reform but this only affected participants who were employed and earning over TOP\$10,000.

The revenue reform removed customs duty exemptions from farming supplies and building materials for personal use. This impacted the participants because they could no longer import farming supplies and construction materials duty free. These policies were developed to support the poor but removed under the revenue reform.

Remittances from abroad have positive impact

Remittances from family members abroad have a positive impact on vulnerable communities. These remittances supplement other participant incomes and pays for various *kavenga*, food and household expenses. In-kind remittances in the form of imported goods are taxed at the border with CT, customs duty and excise tax.

Village community groups provide important support

Local village kava groups provide financial scholarships to vulnerable families to pay for school fees. Village groups abroad provide financial assistance and resources for communal facilities such as water tanks, power generators, and developing village roads. Even these contributions are subject to CT and customs duty charges at the border.

Revenue reform consultation was inadequate

Public consultations about the revenue reform in 2005 were inadequate, according to village participants. The consultations failed to reach any of the participants in this study. The Tongan government failed to consult or engage appropriately with potentially vulnerable communities. The experience of the village participants in this study should act as a caution to other SIDS considering revenue reforms. Vulnerable communities need to be considered before broad-based tax policies are introduced. Policies should not make vulnerable communities worse off as this creates further inequity and inequality.

Redistribution policy required to support the most in need

The wealth imbalance caused by the revenue reform needs to be rectified through a redistribution policy such as a social welfare payment, especially for village participants with low incomes. A tax credit is only useful for people that are employed and paying income tax. The research shows that participants earning less than TOP\$7,248 per annum should be supported by extending the social welfare payments to these participants. Failing that, the lowest income earners (TOP\$3,000 or less) who are the 'most in need' should be supported financially by the government.

Climate change is impacting traditional fisheries

The experiences of participant 7 is an example of the possible impact of climate change. He can no longer catch jellyfish due to the decline in fish stock over the last decade (see section 7.17). Another potential problem is the pollution in the Fanga'uta lagoon.

Climate change is having a major impact on coastlines and outer islands communities, and families are struggling to protect their homes from the rising sea levels. The new taxes are adding further pressure making them vulnerable to the worsening climate and higher cost of living.

The church is the main priority for participants

Forty out of the 51 village participants identified their *kavenga fakalotu* as their top priority. The church plays a major role in the lives of the participants, from their spiritual beliefs to their financial wellbeing. The amount of money donated by village participants and spent on *kavenga fakalotu* is higher as a proportion of their income than those representing the elite and privileged. The church may need to provide support for vulnerable communities through social services and low school fees. Another option is to reduce the financial contribution of the vulnerable families. Participant 14 found a way to reduce his *kavenga fakalotu* by changing churches to reduce his financial commitment. The churches are NGOs, so they do not pay income tax. However, the church obligations of participants means they have to purchase goods that have CT and duty added on to the prices. Participants pay a significant amount of tax when purchasing goods for their *kavenga fakalotu*. In contrast, the elite participants did not worry about church donations because they did not contribute as much as the village participants.

8.2.2 Impact on the government and business participants (cohort two)

There were significant contrasting perspectives and priorities between the six government and business sector members and the 51 village participants. The six

respondents were also representing the privileged elite of Tongan society. They had significantly higher incomes than any of the 51 village participants as well as being highly qualified. Each had tertiary qualifications and professional experience, which provided them with high-paying roles in government or the private sector. They also had significant personal assets and a regular income. They all understood the impact of the revenue reform and sympathised with the low-income community. The elite cohort were able to afford luxury goods and enjoy a high standard of living while the poor experienced hardship.

CT has limited impact the wellbeing of the elite

The research found the revenue reform had minimal impact on the six privileged participants. The impact of CT on business owners was limited as expressed by the participant from the Chinese business community. CT does not impact his Chinese store owners because they only collect the CT on behalf of government. They are major importers so they are often in credit and do not feel any impact from CT.

Government's role is to empower (*fakaivia*)

The key recommendation from the privileged, especially GBA, is for government to empower the people by providing an environment that promotes economic trading activities as a form of community empowerment. Such a policy will empower all people, especially the poor, to participate in economic activities. Government should focus only on supporting the people and economic activities but should not be involved directly, as this crowds out the private sector.

Government should reduce educational costs

The government does not provide any direct support to village participants, except those eligible for the elderly and disabled social welfare payments. A suggestion from the elite

would be to make educational supplies duty-free and CT-free. This regime would cover uniforms, stationery and school fees. An exemption on CT of 15% and customs duty of 15% for school uniforms and stationery for low-income families will be a 30% relief for vulnerable families. CT exemptions on school fees will also be another option to consider.

Revenue reform paid for salary increases

The public servants' strike in 2005 was beneficial for government workers, as indicated by Participant 11. Her husband's wages increased from TOP\$34 per fortnight to TOP\$305, including recent increases for the cost of living allowance. The new taxes from the reform helped pay for the public servants' pay increase. However, the majority of village participants were not public servants so did not enjoy the higher wages and salaries being paid.

Treatment of Chinese importers

Customs officers are treating Chinese importers differently from Tongan importers according to business participant GBB. He considers this to be corruption because customs officers are valuing imported goods for Tongan customers lower in order to charge lower customs duties. This is causing Chinese importers to resent Customs and accuse them of corruption. Former senior government worker GBA believes that customs officers are adhering to Tongan culture by providing lower valuations for family members or villagers because they have to live in the community and cannot overlook their family and village connections.

Higher revenue for government

The government has achieved its goal of increasing tax revenues through the reform, driven mostly by CT. It is growing constantly and the business participants suggest

reducing CT from 15% to encourage private sector led growth and reduce tax avoidance practices.

8.3 Research Implications

My research adds to the body of knowledge on tax reform in Tonga by interviewing participants I considered as being potentially vulnerable to the impact of the reform. I also present the perspectives of the privileged, represented by six prominent members from the government and business sectors. If the ADB or IMF had conducted further research on the impact of the reform on the vulnerable community, it might have produced valuable information on the pros and cons for different sectors of society. The research information may have produced alternative considerations to influence the recommendations to the government.

The insider position is a strength because I found that using the KRM and the *talanoa* requires a good understanding of how to converse with Tongan people. Showing respect and having a warm approach helps to establish a good relationship with the interviewee. I believe that a non-Tongan with no knowledge of the EPSR, would fail to understand these perspectives and not be able to gather the real perspectives of the cohort groups.

The six stages of the KRM provided a framework that was based on the cultural practice of making the *kakala* which enabled the researcher to connect with the interviewees more effectively. The different stages of the KRM were interwoven with each other to present a *kakala* that can be used to identify the vulnerable community living in severe hardship and how the revenue reform would impact their wellbeing. The method of communication was the *talanoa* which allowed the researcher and interviewee to share views and knowledge on the impact of the reform.

The study enabled business owners to convey their perspectives on the reform. The perspectives of the business community were unique and different to the village participants. The *talanoa* with the business advocates identified the uncertainty around

the customs valuation's method. This issue also highlighted the difficult situation experienced by customs officials who have to serve members of their family and village that raises concerns about potential corruption on valuing imported goods.

The findings highlight the need to consult with non-government agencies such as the Red Cross, MORDI (Mainstreaming of Rural Development Innovation), Tongan Council of Churches, Tonga Disability Association (NATA), Women's Crisis Centre, Women and Families (Ma'a Fafine moe Famili), Salvation Army and numerous other agencies which can provide information on the vulnerable communities.

Public consultation should have been extensive with the community, and undertaken in-depth engagement to identify the ramifications of the reform and how it would impact their lives. Policy makers will realise the heavy burden of consumption tax on the vulnerable by putting in place a social welfare benefit or remove CT on educational supplies such as uniforms and stationery to support the vulnerable communities in managing the disproportionate impact of the revenue reform (Keen & Lockwood, 2010). Tax exemptions do not benefit the poor if they do not pay tax.

The government should have delayed the revenue reform due to the political instability caused by the public servants strike in 2005 and the civil unrest on 16 November 2006. Timing of any reform is essential, but the Kingdom was experiencing tumultuous political upheaval, and any significant changes were likely to cause further deterioration in stability. However, this was not taken into consideration, so the reform continued.

This study is the first to use a qualitative approach, through the KRM and TRM, to research the impact of the revenue reform on vulnerable communities. This study has shown the effectiveness of utilising a Pacific research methodology to gain knowledge about the impact of the policy on the poor. Quantitative methods typically used in such studies are limited to the economic indicators (Gupta, 1995).

It is advisable that donor agencies undertake more qualitative research on NPM-based programmes, to study the impact of the revenue reform programme to gain a full picture of the implications of the policy.

The research methodology also needs to be culturally appropriate to allow a free flow of information between the researcher and participant cohorts.

In my opinion, the findings in this study could only be captured through a qualitative approach because the stories told by participants provided a window into their experience. The results provided rich data with depth and breadth. Analysing that data identified the full impact of the reform.

This study contributes to the literature due to the scarcity of research about the impact of tax reform on the vulnerable communities in Tongan. This study will provide policymakers and donors insight into using Pacific research methodologies to analyse the effects of tax reform on the poorer sector of society.

8.4 Limitations of this research

This section highlights the limitations of this study and offers perspectives on what those challenges were, as follows:

- The research touched on priorities such as the church practices that were important to the vulnerable communities, and it became clear how important it was for the wellbeing of the vulnerable. Further research on the impact of the church on the vulnerable would provide more information about costs to the vulnerable. There should also be a focus on the social protection practices of the churches to understand any redistribution of the resources received from communities to the vulnerable.
- The revenue reform was funded by donors who preferred modern economic development policies. However, this study did not investigate the impact of

funding by donors on the vulnerable sector. This gap is an area that requires further research.

- The extent of support and programmes required to maintain participants' standard of living, to reduce cases of severe hardship, should be investigated.
- The children category was not included in this research. Therefore, the study is not generalisable to the whole population: the study targeted the vulnerable but needs to include children and youth. There is high unemployment among Tongan youth that is worth researching but it was not covered here. The study is only limited to cohort one, made up of the 51 participants and cohort two, made up of six government and business members.
- The timeline for the fieldwork was limited due to the approaching Cyclone Gita preventing the visit to the outer islands of Ha'apai or Ongo Niua.
- The main limitation is the sample of village participants and government and business members. The findings are restricted to the two cohorts in this study.

8.5 Suggestions for future research

The research examines the impact of the revenue reform on vulnerable communities. These impacts were caused by economic policy changes that were made without full consideration of their impact on those who would bear the full effects of the policy change. Further research and investigation are needed on these impacts. The literature on such policy changes in Tonga and the Pacific was limited.

Climate change may have reduced the opportunities for a participant who relied on fishing for jellyfish (*kolukalu*). The climate change issue may require further research to determine its impact on vulnerable communities.

Further research should be undertaken on whether church ministers and pastors should be liable for income tax on a similar basis to what is happening in Samoa. Informal cash payments and services provided to noble estates for land should also be investigated.

Informal land sales occur regularly but are not recorded as formal financial transactions, so they are not taxed. It would be ideal to undertake further research on options for land and formalising the process so capital gains taxes can be collected from sales.

8.6 Policy implications

I conclude the study with the policy implications for the government and donor agencies for developing and implementing economic and public sector reform policies. Policy development needs to be comprehensive and must consider all the potential impacts of any decision, most importantly, on the vulnerable sector of society. It is necessary to research the full implications of policies, not only the economy but also the social implications, especially in Tonga where collectivism is the way of life, as opposed to individualism. Consideration must be given to alternative economic development options and adverse impacts need to be rectified with ameliorating actions.

Community consultation on the revenue reform was inadequate because it did not reach the vulnerable communities, as evidenced by the village participants. Proper and effective consultation is essential and more effort needs to be made to hear the voices of the marginalised community.

The monitoring function of government agencies needs more capacity to monitor price volatility in stores so that consumers, especially the vulnerable, receive a fair deal. The daily price changes are causing animosity and mistrust between participants and store owners. The Ministry of Revenue and Customs should monitor prices to ensure price changes are valid and not taking advantage of the vulnerable communities. It is also necessary to eliminate the perceived corruption at the border and treat Tongan and Chinese importers equally. Customs duty charges for boxes of goods need full transparency and more explicit guidelines.

This research adds much-needed literature for Pacific nations considering revenue reform, especially with regard to Tonga's experience and the impact on the vulnerable

community. However, the relatively small sample size and diverse range of participants make a single study on the implications of the reform difficult. This research does provide a foundation for further research on tax policy in the Pacific.

Donors need to consider alternative options through better research to ensure the vulnerable are not disadvantaged or made worse-off. The experience of the village participants under the revenue reform highlights the heavy burden of CT on their livelihoods without any form of support to maintain their standard of living. The revenue reform, under the framework of the EPSR programme, was primarily driven by economic reasoning. However, as identified in the *talanoa* with participants, no consideration was given to the social impact on the vulnerable community. Also, it is necessary to understand the values and traditions of Pacific nations such as Tonga, as this will guide how reforms should be implemented.

This study shows that the enterprising activities of the poor are very important for economic and social development. The skills and potential of the village participants, if supported and effectively harnessed, has the ability to transform the vulnerable into a stronger and more economically productive part of society.

8.7 The existing literature

The literature on nations (see section 2.3.3) undergoing their own form of the EPSR programmes identified that their main objective was to achieve economic growth. The wellbeing of the vulnerable communities were secondary and even neglected, especially in Peru's case due to the severe austerity measures impacting the poor. New Zealand's economic and welfare reforms caused long-term inter-generational effects on Maori and Pacific people. In Jamaica, the social effects of the reforms were hardest on those working in the informal sector, the poor and rural communities. This study has identified the lack of consideration of the impact of EPSR policies on the most vulnerable which is a common feature of the nations covered in the literature.

The IMF and World Bank promoted the EPSR in each nation but failed to make the wellbeing of the vulnerable communities as a priority in order to ameliorate the negative impacts of the reforms.

The experiences of the Pacific nations with revenue reform has been mediocre and heavily impacted the poor from indirect tax. The Pacific islands of Fiji, Samoa, Cook Islands, Vanuatu and the Solomon Islands have similar tax policies that relies on indirect taxes as the government's main form of revenue collection. However, as identified in this study, the poor disproportionately bear the burden of indirect taxes.

Future EPSR programmes need to give top priority to the wellbeing of the poor. This study identified, how the poor were oblivious to the impact of the revenue reform on their wellbeing so it is important that decisionmakers give equal priority to both the social and economic impacts. Acknowledging and providing social welfare support for vulnerable communities is the *mafana* that a caring government and society has for those in need. In Tonga's case, such a social welfare policy will be regarded as a reflection of the Christian values and principles of the *faa'i kavei koula* for the most vulnerable.

8.8 Review of the research methodologies

Here I review the Pacific worldviews and epistemologies, axiology and ontology and knowledge gained from using the *kakala* and *talanoa* research methodologies discussed in Chapter Three. These two methodologies provided a solid Pacific framework to underpin this study. Ravulo (2016) highlighted the need to use Pacific epistemologies when researching Pacific people. The Pacific practices have a holistic approach that “contains within them cultural, social, spiritual, emotional and linguistic realities” (Ravulo, 2016, p.192).

The study employed the Pacific qualitative methodology known as the *Kakala* Research Methodology. One-on-one semi-structured interviews were used to interview and collect

data from two cohorts: 51 village participants and 6 government and business sector operatives.

8.8.1 Axiology

I selected a methodology that would reflect the four golden threads (*faa'i kavei koula*) of Tongan values throughout the research process. These values are essential for the relationship between the researcher and the two study cohorts. The four values were:

- *Feveitokai'aki* (reciprocity) – helping each other and sharing. It is a two-way process where the researcher receives the knowledge as a gift from the participants and in return provides a *me'a'ofa* to acknowledge the special gift.
- *Tauhi vaha'a* (maintaining relationship) – maintaining a strong relationship. Presenting the results and findings of the research to the participants to acknowledge the special relationship formed during the research process.
- *Mateaki'ime'a* (dedication) – total dedication to the vision. Doing justice to the participants by constructing a high-quality thesis that reflect the researcher's commitment and undertaking to the two cohorts.
- *Faka'apa'apa* (respect) – being humble and respecting the views, stories, honesty, opposition and confidentiality of the participants.

The application of the six stages of the KRM describes the research planning and selection of participants (*teu*), data collection (*tolu*), data analysis (*tui*) and presenting the findings (*luva*). The final stages of *malie* and *mafana* reflect the discussion and conclusion of the research. The six stages are culturally appropriate and applied with the foundations made up of the *faa'i kavei koula* values at the core of Tongan culture.

The TRM was employed for the interviewing process. The *talanoa* was powerful because it was conducted mostly in Tongan and enabled the researcher to hear each respondent's views and observe the important physical nuances. I could have used a survey or phone call to interview the two cohorts. However, I would not have been able

to observe the village participant's home, family situation and standard of living. Most importantly, the *talanoa* process helped build the important relationship between the researcher and each respondent. The interview is easier when conducted face-to-face and using the core values of the Tongan culture. In some of the interviews, a prayer was conducted as part of adhering to the Christian values and showing respect for the gift provided by the respondent.

I used the *faa'i kavei koula* as the foundational values and guides to how the two research methodologies were employed. *Feveitokai'aki* (reciprocity) was shown to the research cohorts by providing a *me'a'ofa* to acknowledge the sharing of their knowledge with the researcher. I also agreed to present the findings to the two cohorts in two sessions in Tonga after the study. Where possible, during the interviews, I offered advice on experiences on pesticides and the way the tax system works.

8.8.2 Kakala Research Methodology reflection

The subject matter and research cohorts steered my decision towards the KRM to provide the structure for the study. The six stages of the methodology and its Tongan origins made the approach appropriate for the research. The KRM reflected the lived realities of the two cohorts from a Tongan context rather than through a western lens (Naufahu, 2018, p.16). The KRM aligns this research with traditional Tongan cultural practices, which is the most critical factor in the decision to employ this methodology.

8.8.3 Talanoa Research Methodology reflection

Vaioleti's (2006) TRM provided the medium of communication between the researcher and participant. Vaioleti (2006) described the TRM "*as a phenomenological approach which is ecological, oral and interactive*" (p.34). The set of research ethics proposed by Vaioleti (*faka'apa'apa, anga lelei, mateuteu, poto he anga, 'ofa fe'unga*) to preserve the

integrity of participants and the gifting of knowledge is quite powerful (Vaiotei, 2006, p.30). These ethics resonate with the *faa'i kavei koula* values that underpin the research journey.

The TRM was a good fit for the research because it allowed the conversation to flow, and the flexibility enabled the respondent to discuss other topic areas that I expanded on to reach deeper into their experiences. The two participant cohorts shared their inner thoughts without any restriction. I performed the interviews using the TRM and adhered to the ethical protocols provided by Vaiotei which helped build respect between both parties.

8.8.4 Future use of the methodologies and any changes

As a first-time user of the KRM and TRM, I found both to be easy to understand and the approach resonated with how I work with the Tongan community. The ability of the models to help me complete the research was outstanding. I am a strong advocate of both models. I would encourage the two models to be used for Pacific research because the approach is culturally safe and underpinned by strong Tongan values.

8.9 Conclusion

This thesis is part of my attempt to try to provide a balanced approach to the reform programme I supported in 2005. It is important to me personally that the voices of the potentially vulnerable village participants are captured and used to provide knowledge for decision-makers so that remedial action may be considered in the future. The findings provided unmistakable evidence of the severity of CT, which puts excessive pressure on the financial resources of participants with the lowest household incomes.

Excise tax duty and customs duty also affect participants but to a much lesser extent compared to CT, which collects taxes from nearly all transactions. The broad-based

power of CT is evident in the mapping exercise where it captures taxes in utility expenses, educational costs, household costs and the three priority *kavenga*.

The responses of village participants provided a complete picture of their experiences with the reform. This response in turn provided rich information on activities that were taxed and what the applicable tax was. The large array of topics and depth of discussion in the *talanoa* process enabled the thematic analysis method to identify the main themes for the research.

The secondary data and government reports on tax collection are very positive, with taxpayers, businesses, NGOs and public servants paying the correct amount of income tax and CT. The tax administration system is modernised and is more effective and efficient in collecting direct and indirect taxes. In contrast, most of the village participants interviewed had no recollection of the tax reform consultation or how it worked. They were not involved in the public consultation process.

The village participants do understand the informal economy, especially *katoanga*, roadside stalls and cash transactions, being outside the tax net. Some of the participants consider their incomes to be at the lower end, so they use this to justify not declaring or paying income tax. The *katoanga* and *koloa fakatonga* activities are productive financial activities that are outside the tax net so there may be an opportunity to undertake specific research on the financial value of these transactions and, if it is worthwhile, bringing these into the tax net.

The primary learning from Tonga's revenue reform is the imbalance of the tax burden on the vulnerable village participants compared to the privileged government and business cohort. The research identified CT as impacting on nearly every aspect of the life of the village participants. The reform was implemented during a politically tumultuous period, and the five components of the EPSR programme experienced challenges from all sectors of society. This type of situation is not ideal for any reform that is likely to

disadvantage the vulnerable community, especially one that includes changes to tax collection.

This thesis provides a platform for vulnerable participants to highlight their experiences by describing their way of life. I was able to understand their stories to determine the impact of taxes on their wellbeing. Revenue reform places a heavy burden on the vulnerable, especially from CT. The reform policy creates inequities between the vulnerable participants and the wealthy citizens, represented by the six government and business sector respondents. The policy has failed to protect the vulnerable participants but instead made them worse off. It has increased the severity of hardship within the village participant cohort. This problem needs to be rectified, and recommendations are offered for the government and donor agencies to consider alternative amelioration policies.

Tonga's excessive public debt is a significant concern for the next generation, and I fear that the lessons from the revenue reform programme will be forgotten as the government and donors attempt to control the situation. Any future policy must consider the impact on the vulnerable people as the first step in the policy development process and ensure systems are in place to ensure they are not worse off.

The government and business sector cohort represented the elite and privileged of Tongan society. Their views and priorities were in contrast to those of the 51 village participants. They were high-income earners who had more options and choices that were not available to the village participants. This cohort focused on their wellbeing and what is in their best interest.

In conclusion, the impact of the revenue reform is discussed in detail and proven that it has a disproportionate effect on the wellbeing of the village participant cohort who represent the vulnerable communities in Tonga. I hope this study is the start of future discussions for government, NGOs, community and donor agencies on how to work with development policies. The study has provided the missing voice of the vulnerable

community on a policy that was intended to deliver economic benefits but has made them worse off. However, I believe that we have an opportunity to do better for our vulnerable people and the findings from this study provide an excellent platform to start that discussion.

Tu'a 'ofa 'eiki atu

Pauliasi Tony Fakahau

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Appendix A: AUT Ethics Approval



AUTEC Secretariat

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11 December 2017

Marilyn Waring

Faculty of Culture and Society

Dear Marilyn

Re Ethics Application: **17/414 The impact of the revenue reform programme on the vulnerable community in Tonga**

Thank you for providing evidence as requested, which satisfies the points raised by the Auckland University of Technology Ethics Committee (AUTEC).

Your ethics application has been approved for three years until 11 December 2020.

Standard Conditions of Approval

1. A progress report is due annually on the anniversary of the approval date, using form EA2, which is available online through <http://www.aut.ac.nz/researchethics>.

2. A final report is due at the expiration of the approval period, or, upon completion of project, using form EA3, which is available online through <http://www.aut.ac.nz/researchethics>.
3. Any amendments to the project must be approved by AUTC prior to being implemented. Amendments can be requested using the EA2 form: <http://www.aut.ac.nz/researchethics>.
4. Any serious or unexpected adverse events must be reported to AUTC Secretariat as a matter of priority.
5. Any unforeseen events that might affect continued ethical acceptability of the project should also be reported to the AUTC Secretariat as a matter of priority.

Please quote the application number and title on all future correspondence related to this project.

AUTC grants ethical approval only. If you require management approval for access for your research from another institution or organisation then you are responsible for obtaining it. If the research is undertaken outside New Zealand, you need to meet all locality legal and ethical obligations and requirements. You are reminded that it is your responsibility to ensure that the spelling and grammar of documents being provided to participants or external organisations is of a high standard.

For any enquiries, please contact ethics@aut.ac.nz

Yours sincerely,



Kate O'Connor

Executive Manager

Auckland University of Technology Ethics Committee

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