



ECAL in Action

*How Your Environment and Climate Adaptation Levy
is Building a Better, Stronger Fiji*

Bulletin 01/2019 | June 2019





Contents

What Is ECAL?.....	3
ECAL Usage in Numbers.....	4
Projects Funded by ECAL as at 30 April, 2019	5
How is ECAL Collected?	6
How is ECAL Used?.....	7
ECAL in Comparison.....	8
ECAL Project Spotlight	11
Clean and Safe Water to All Fijians	12
Resilient Roads.....	13
Coastal Protection.....	14

What Is ECAL?

Fiji is a Small Island Developing State with big aspirations. We Fijians are determined to build an inclusive, prosperous, resilient and low-carbon future for ourselves, and remain steadfast in the battle against climate change, the single greatest threat to our future. We aspire to achieve sustainable socio-economic development that preserves our unique and pristine biodiversity, enabling our people to pass on our worthy inheritance of environmental stewardship for future generations.

Meeting those aspirations will require innovative financing mechanisms that enable the mobilisation of large scale resources that meet Fiji's development agenda in a climate-centric and environmentally sensitive manner.

In this regard, the Environment and Climate Adaptation Levy (ECAL) is a consortium of taxes on prescribed services, items and income¹. It helps fund critical work across Fiji to protect our natural environment, reduce our carbon footprint, and adapt our economy, our communities and our infrastructure to the worsening impacts of climate change. When you spend time in Fiji, and pay ECAL, you are helping us secure our future by boosting our climate resilience and reducing our national greenhouse emissions.

ECAL is collected by the Fiji Revenue and Customs Services (FRCS) and administered by the Ministry of Economy in accordance with the Finance Management Act 2004 and the Financial Instructions 2010. Proceeds from ECAL are used to finance selected projects programmed in the National Budget.

Since its introduction in the 2017-2018 financial year, the Environment and Climate Adaptation Ley has collected FJ \$270.2 million in proceeds of which FJ \$255.9 has been used to finance 102 projects to date programmed in the National Budget to address climate change and environmental conservation. This innovative fiscal financing tool has helped raise unprecedented levels of public finance to support climate change and environmental conservation programmes.

To enhance community level actions to manage the impacts of climate change, the Fijian Government will soon allocate a certain percentage of ECAL proceeds into a Climate Change Relocation Trust Fund to help raise bilateral and multilateral donor funding to relocate low lying vulnerable coastal communities facing the brunt of climate change.

This bulletin gives a comprehensive breakdown of how ECAL is collected, managed and utilised and includes information on specific projects that ECAL funds have helped make possible.

¹ ECAL is a broader version of the Environmental Levy introduced in 2015. According to the Environmental Levy (Budget Amendment) Act 2017, ECAL is made up of the following: 10% tax on importation of luxury vehicles; Miscellaneous - inclusive of 10% charge on super yacht charters and docking fees; 10% income tax on individual earnings of more than FJ \$270,000; 20 cents levy on plastic bags; and 10% ECAL on prescribed services offered by business with a turnover of FJ \$1.5 million.



©Photo by Luke Gordon

ECAL Usage in Numbers

Number of projects funded
as at 30 April, 2019

56

ECAL funds collected as at 30 April, 2019

FJ \$119.7
million

ECAL funds used as at
30 April, 2019

FJ \$105.5
million

Usage of ECAL funds

Disaster Relief and Response



FJ \$2.15 million

Meteorology Services



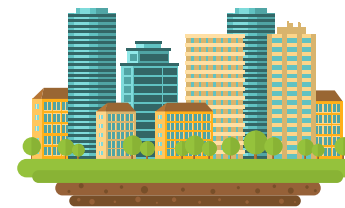
FJ \$0.63 million

Rural Development



FJ \$0.96 million

Urban Development



FJ \$1.30 million

Agricultural Development



FJ \$3.63 million

Sustainable Resource
Management



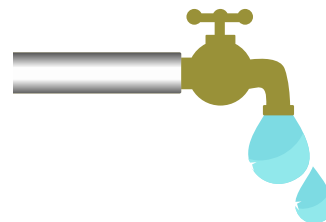
FJ \$3.61 million

Energy Conservation



FJ \$3.51 million

Water Management



FJ \$19.99 million

Environmental Conservation



FJ \$1.05 million

Infrastructure Development



FJ \$68.67 million

Projects Funded by ECAL as at 30 April, 2019

Project		ECAL Funds Used	Project		ECAL Funds Used
1	National Disaster Database	\$ 157,311	29	Supply and Installation of 5000 Solar Home Systems	\$ 1,908,595
2	Disaster Relief and Rehabilitation Fund	\$ 1,000,000	30	Supply of Solar Home System Replacement Component Ongoing	\$ 85,608
3	Disaster Risk and Climate Change Adaptation	\$ 991,537	31	Maintenance of Irrigation Schemes	\$ 616,556
4	Upgrade of Outer Island Stations	\$ 111,898	32	Drainage and Flood Protection	\$ 1,851,630
5	Upgrade of Nadi Radar Antenna	\$ 339,140	33	Watershed Management	\$ 879,196
6	Installation of Water Level Rainfall Telemetry Instruments	\$ 184,458	34	Coastal Erosion Protection Works	\$ 161,233
7	Community Access Roads, Footpaths and Footbridges	\$ 959,390	35	Maintenance of Drainage - Non - Municipal Councils	\$ 1,252,521
8	Upgrade of Informal Settlements	\$ 186,241	36	Drainage for Rural Residential Areas	\$ 439,272
9	Upgrade of Town Wide Informal Settlements	\$ 1,118,189	37	Drainage Farmlands	\$ 1,137,193
10	Food Security Program	\$ 662,077	38	Improvement and Upgrade of Wastewater Distribution System	\$ 3,628,354
11	Agricultural Research and Development	\$ 1,016,355	39	Rural Water Supply Programme	\$ 6,701,885
12	FDB Subsidy: Interest on Agricultural Loans to Fijian	\$ 1,952,065	40	Rainwater Harvesting Systems – Government to Reimburse 70% for Residential Households	\$ 3,323,633
13	Coastal Fisheries Development	\$ 568,548	41	Subsidy Naboro Landfill	\$ 559,168
14	Aqua Culture Development	\$ 246,995	42	Environment Programme - Northern and Western Division	\$ 51,798
15	Food Security Program - Aquaculture	\$ 83,459	43	Compliance and Enforcement of EIA	\$ 3,645
16	Reducing Emissions from Deforestation and Forest Degradation(REDD+)	\$ 377,480	44	Environment Management Act	\$ 6,726
17	Research and Development of Wood and Non Wood Species	\$ 102,089	45	Litter Awareness	\$ 50,039
18	Reforestation of Degraded Forest	\$ 630,068	46	Phase Out of Methyl Bromide	\$ 27,530
19	Reforestation of Indigenous Species	\$ 236,600	47	National Waste Management Strategy	\$ 189,362
20	Ground Water Assessment and Development-Small Islands (32)	\$ 191,868	48	Hydrochloroflorocarbon Phase Out Management Plan	\$ 29,801
21	Ground Water Assessment and Development-Large Islands (29)	\$ 1,099,574	49	Implementation of National Biodiversity Strategies Action Plans and Cartagena Protocol	\$ 29,071
22	Environmental Monitoring of Mines and Quarries	\$ 71,438	50	3R Awareness Programme	\$ 25,123
23	Renewable Energy Development Projects	\$ 153,875	51	Construction of Naboro Landfill - Stage 2	\$ 74,409
24	Energy Conservation Implementation	\$ 54,816	52	Upgrading and Replacement of Bridges - Bridge Renewals	\$ 20,034,042
25	Energy Conservation Assessment	\$ 43,686	53	Jetties and Crossing Maintenance and Renewals	\$ 1,589,530
26	Upgrade of Gau and Cicia Biofuel Mills	\$ 322,316	54	Upgrading of Rural Roads (Access)	\$ 19,792,207
27	Supply and Installation of 2635 Solar Home Systems Ongoing	\$ 473,323	55	New Capital Resilience Programme	\$ 799,365
28	Supply & Upgrade of 700 Type I Solar Home Systems	\$ 467,453	56	Rehabilitation and Construction of Schools and Public Buildings	\$ 26,450,531
TOTAL					FJ \$105.5 million

Keys									
Disaster Relief and Response	Meteorology Services	Rural Development	Urban Development	Agricultural Development	Sustainable Resource Management	Energy Conservation	Water Management	Environmental Conservation	Infrastructure Development

How is ECAL Collected?

As stipulated in the Environmental Levy (Budget Amendment) Act 2017², the Fiji Revenue and Customs Service (FRCS)³ has been administering taxes and collecting revenue from the five major ECAL tax streams on behalf of the Fijian Government.

At the end of the third quarter of the 2018-2019 financial year, a total of FJ \$119.7 million ECAL funds have been collected. The table below shows further details on ECAL funds received by the five sources.

ECAL Sources	Aug - Oct Q1	Nov - Jan Q2	Feb - Apr Q3	Year to Date Aug - Apr
10% ECAL on prescribed services	45,546,742	38,228,997	26,595,732	110,371,472
10% tax on importation of luxury vehicles with engine capacity exceeding 3000cc	46,202	40,516	40,278	126,997
20 cents Levy on Plastic Bags	1,699,874	2,027,802	1,799,736	5,527,412
Miscellaneous - Inclusive of 10% ECAL on super yachts	323,159	40,000	-	363,159
10% income tax on chargeable income of more than FJ \$270,000	963,329	1,390,507	966,376	3,320,212
Total Receipts	48,579,307	41,727,822	29,402,122	119,709,251

**FJ \$119.7 million collected
as at 30 April, 2019**

² Access the Environment Levy (Budget Amendment) Act 2017 at:
[https://www.fiji.gov.fj/getattachment/2c1e826d-dab8-4802-b561-7925f8c3138b/Bill-29---Environmental-Levy-\(budget-amendment\)-Bi.aspx](https://www.fiji.gov.fj/getattachment/2c1e826d-dab8-4802-b561-7925f8c3138b/Bill-29---Environmental-Levy-(budget-amendment)-Bi.aspx)

³ Fiji Revenue and Customs Service Website Link – provides an in depth information of FRCS ECAL collection mechanism.
<https://www.frscs.org.fj/our-services/taxation/business/environmental-levy/>

How is ECAL Used?

Figure 1 below shows how ECAL funds have been utilised into the two major climate action categories of adaptation and mitigation. Due to Fiji's vulnerability to the impacts of climate change effects, the ECAL funds have been predominately utilised in adaptation centric-projects to help protect the Fijian economy from the disastrous impacts of climate change, enhancing our nation's ability to manage climate and disaster risks.

The utilisation of ECAL funds have been categorised into 10 thematic areas to support streamlined monitoring and reporting.

Figure 2 provides a snapshot of what percentage of ECAL funds each of these Thematic areas have utilised as at 30 April 2019. With Infrastructure development being Government's main area of focus during ECAL's second year of inception, it continues to be the largest target priority for ECAL funds. ECAL is supporting the Fijian Government's continuing efforts to build critical and climate resilient infrastructure such as bridges, roads, schools, hospitals and public buildings helping to ensure these structures can withstand the impacts of climate change.

Figure 1: Adaptation vs Mitigation

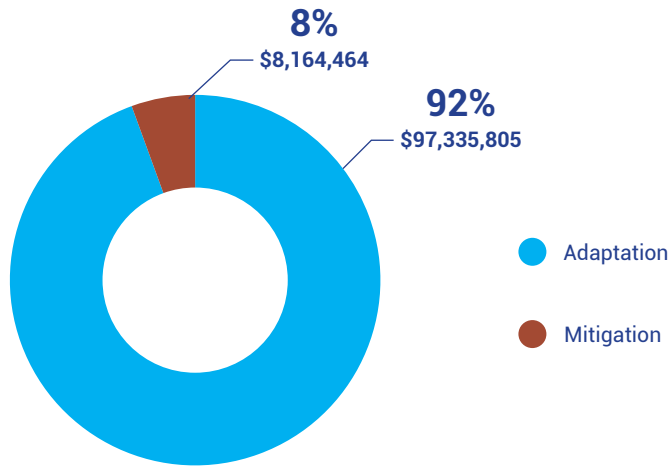
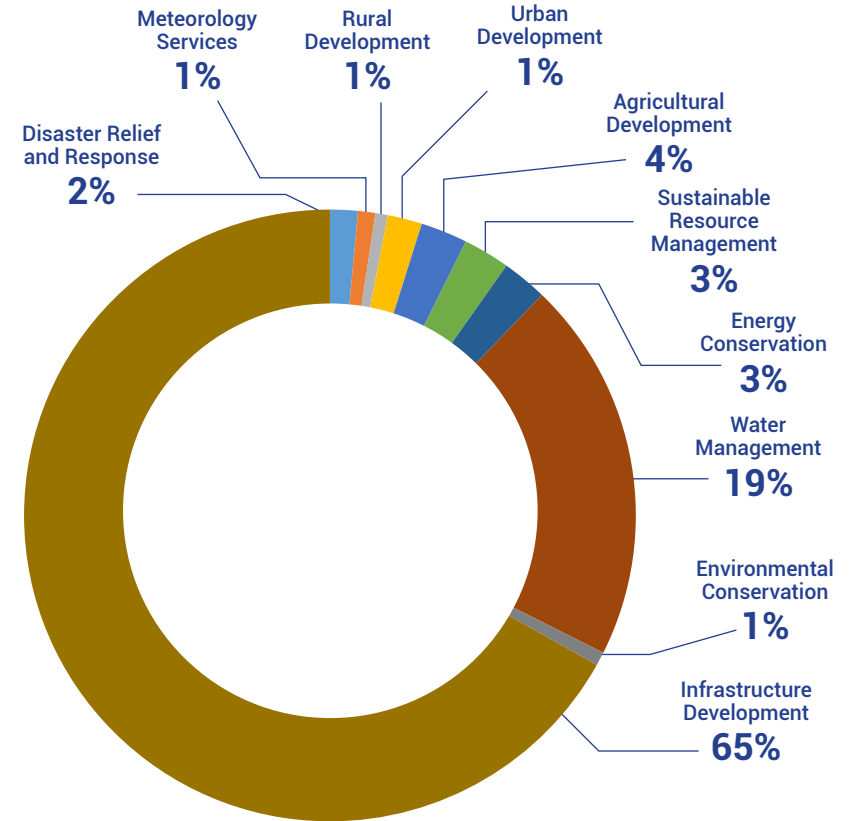
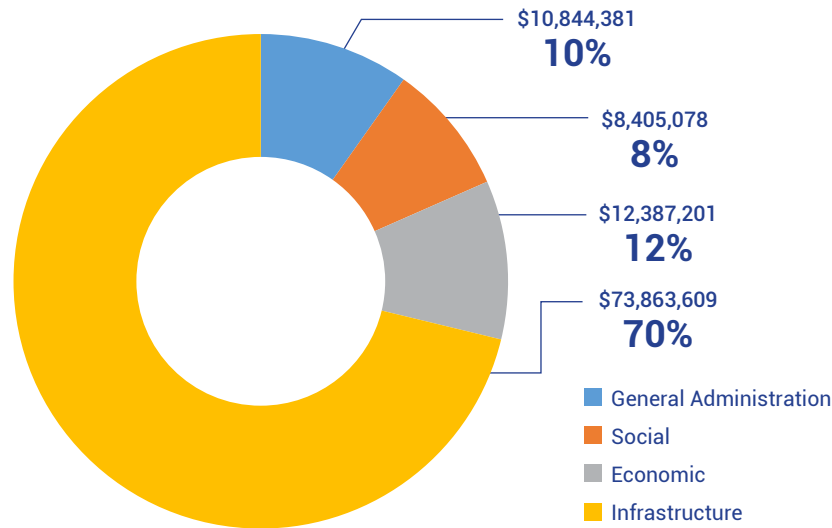


Figure 2: Utilisation by Thematic Areas



ECAL in Comparison

Figure 3: ECAL Allocation by Budget Sectors

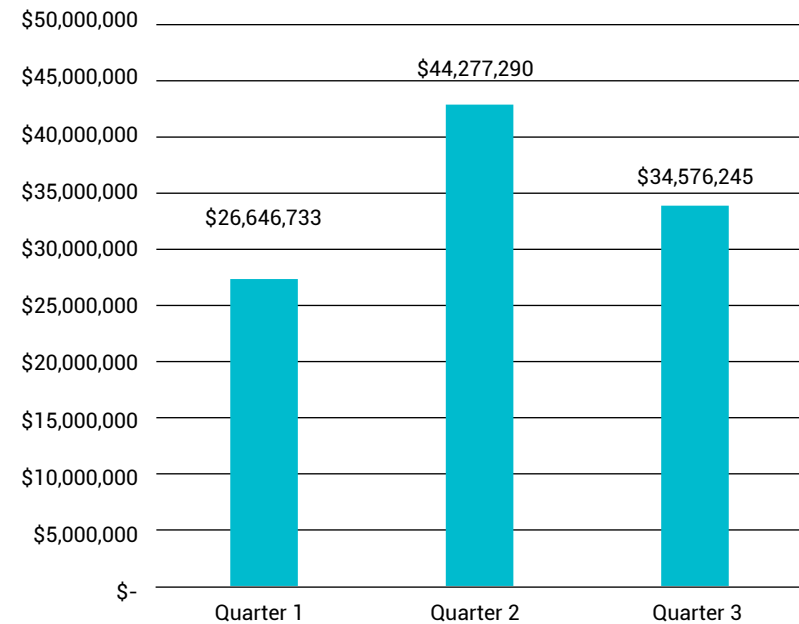


The National Budget is divided into five broad sectors: General Administration, Economic, Social, Infrastructure and Miscellaneous sectors. **Figure 3** gives a snapshot of how ECAL has been utilised across budget sectors, with the Miscellaneous Sector integrated in the other four sectors.

As reflected in **Figure 3**, the Infrastructure Sector has been the largest recipient of ECAL funds. These funds have helped provide reliable and safe water for all Fijians and supported the ongoing development of resilient road infrastructure. The Economic Sector has the second largest utilization. ECAL has funded projects that focus on promoting agricultural innovation and food security, sustainable management of marine and forest resources, and geospatial data collection for effective resource planning.

The General Administration sector and the Social Sector have the third and fourth highest allocations with projects focusing on enhanced climate and disaster risk planning, investments in meteorological services assets, and the upgrade of rural and urban settlements.

Figure 4: Quarterly Utilisation of ECAL



The Government (fiscal) financial year begins on 1 August and ends on 31 July. **Figure 4** provides a snapshot of ECAL utilisation by quarter.

Government agencies tend to use most of their budget in Q2 and Q3, as the financial year comes to an end. This trend has continued in the 2018-2019 financial year, with approximately FJ \$44.3 million and FJ \$34.6 million utilised in Q2 and Q3 respectively.

As more projects are initiated and implementation gains momentum, the Q4 utilisation is expected to be similar to Q3.

Figure 5: Quarterly Utilisation Comparison

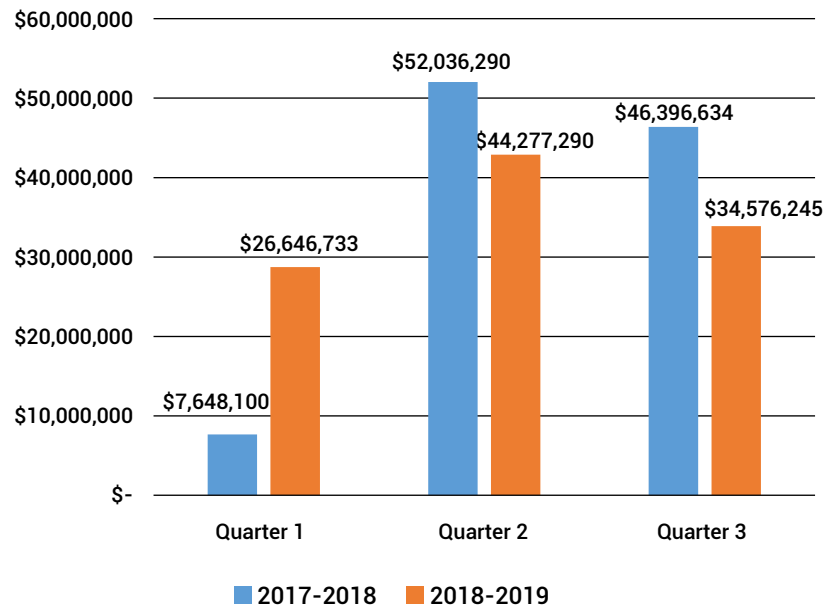


Figure 5 provides a snapshot of the 2017-2018 quarterly utilisation rates against the 2018-2019 quarterly utilisation rates.

Utilisation for the first quarter of 2018-2019 has been higher compared to the same period last year as ECAL projects were proactively identified to be financed through the ECAL before the start of the financial year and ministries were informed of the need to have consistent budget usage throughout the financial year.

Despite being lower than the previous financial year, utilisation for quarters 2 and 3 have remained high as most projects were well implemented in quarter 1.

Figure 6: ECAL funds collected comparison

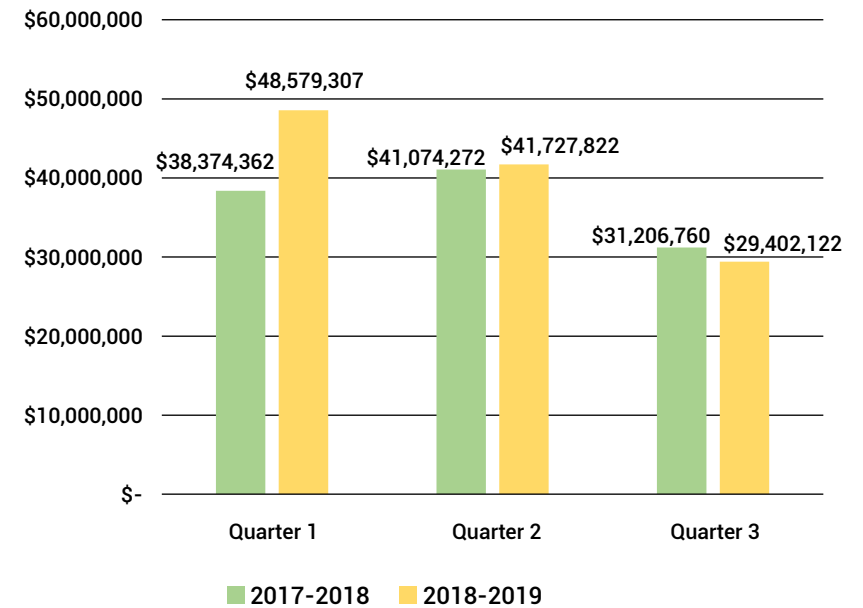


Figure 6 provides a snapshot of the quarterly collection of ECAL funds. For the financial year ending 30 April 2019, total collections from ECAL are FJ \$119.7 million compared to FJ \$110.6 million for the same period last year.

The slight increase in ECAL collections in the 2018-2019 financial year has currently been driven by increased proceeds from the 10% ECAL on prescribed services, indicating that economic activity has been strong for prescribed services, with more sales resulting in more ECAL collection.

Regarding the increase in ECAL proceeds from the Plastic Bag Levy in the 2018-2019 financial year, we are pleased to highlight that the increase in Plastic Bag Levy from 10 cents to 20 cents has resulted in a decline in plastic bag usage by 11.57% in 2018-2019.





ECAL Project Spotlight

Clean and Safe Water for All Fijians

Nakoso Village, a small rural community in Cakaudrove province now has access to clean and safe drinking water after the commissioning of a new water intake dam, a tank base with 10,000 liters of water storage that connects piped water to every household in the village. This has revolutionised the lives of 60 villagers who previously relied on untreated water from a nearby river for drinking, cooking, washing and bathing, which often exposed them to dangerous germs and diseases. Productivity in the village has increased as women do not have to carry water from the river to do household chores allowing more time to engage in other economic activities. Children are less likely to fall ill as they now have access to clean water allowing them to attend school consistently. Overall sanitation has improved as use of flush toilets and piped septic tanks has been made possible.

The story of Nakoso Village is a reflection of the Fijian Government's commitment to provide 100 percent access to clean and safe water to all Fijians by 2031 as per the 5-Year and 20-Year National Development Plan. The joy experienced by a person having access to clean and safe water reticulation for the first time is priceless. Investments in clean water access and sanitation have far reaching socio-economic benefits, particularly for marginalised segments of society. Access to basic infrastructure is also fundamental when it comes to bridging the divide between urban centres and rural communities. Rural development is a key focus area for the Fijian Government and every effort is being made to ensure that rural communities bear the fruits of sustainable, inclusive, resilient and low carbon development.

Nakoso Village is one of 51 rural communities that have been assisted in the 2018-2019 financial year through the Rural Water Supply Programme administered by the Water Authority of Fiji. Of the 51 rural communities assisted as at 30 April 2019, 27 were from the Central Division, 9 from Eastern Division, 1 from the Western Division and 14 from the Northern Division. Work in an additional 36 rural communities is currently underway and is expected to be completed by the end of the 2018-2019 financial (31 July 2019). Material procurement is also underway for a further 14 rural communities.

A sum of FJ \$27 million was allocated in the 2018-2019 financial year of which FJ \$6.7 million was used from ECAL proceeds as at 30 April 2019 to deliver community-based, tailor-made water reticulation solutions that include modern catchment systems, portable treatment plants and innovative ecological purification systems ('EPS').



Rural water project, Cakaudrove

Resilient Roads

Residents of Vakabuli – a rural community in Lautoka lived in fear of crossing the flooded Vakabuli - Paipai Irish Crossing every time storm clouds would gather, and heavy rain would fall. For nearly a decade members of the Vakabuli community were unable to transport farm produce to markets, school children and university students had to miss classes, the sickly were unable to go to hospitals, and funerals had to be cancelled all because of the Vakabuli crossing being far too dangerous to cross during adverse weather conditions.

That all came to an end, when the Prime Minister, Honourable Josaia Bainimarama, opened the new the Vakabuli - Paipai Bridge Crossing in January 2019 giving more than 150 households safe and reliable access to urban centres and essential services.

The new bridge crossing is built 1.5 meters higher than the previous structure and is fortified by concrete to withstand severe elemental impacts. The high engineering standards used on this bridge crossing will also be replicated in 17 other similar projects around Fiji to enhance the climate and disaster resilience of critical public infrastructure assets.

Articulated in its 5-Year & 20-Year National Development Plan, the Fijian Government has set out goals, policies and strategies to promote equal opportunities, increase access to basic services, and help build resilient communities. Initiatives such as the Vakabuli - Paipai Bridge Crossing are strengthening integrated rural development, assisting rural communities to meet their basic needs, improving the living standards and quality of life, and enhancing self-sufficiency, all in a resilient and sustainable manner.

Approximately FJ \$1.6 million ECAL funds were used from the 2018-2019 allocation for the Vakabuli - Paipai Bridge Crossing project through the Upgrading and Replacement of Bridges programme administered by the Fiji Roads Authority. A total of FJ \$20 million has been used from the ECAL in the 2018-2019 financial year to fund other similar projects under this programme.



Vakabuli Bridge, Lautoka

Coastal Protection

Over the past decade, over 100 residents of Lamini Village on the island of Taveuni have often had their homes and village grounds inundated by strong tides and cyclone induced waves. When the first village seawall was built in Lamini in 1995, the effects of climate change were not as apparent as they are today. As a result, when the seawall was built, it was built only slightly above ground level. 23 years later, sea level rise and more ferocious cyclones have decimated the old Lamini village seawall.

To address this problem, the Fijian Government began the construction of a stone masonry seawall in front of the skeleton of the old seawall. Once completed, this new development will tremendously improve the structural integrity of the existing seawall and create another layer of coastal protection built to modern and resilient engineering specifications. To negate the issue of coastal inundation, the new seawall is approximately 2.5 meters above sea level, building badly needed resilience in a highly vulnerable community.

The Fijian Government continues to incorporate holistic sustainable development considerations within all projects designs. In this regard, the new Lamini village seawall project will also include a drainage system to enhance the structural integrity of the new seawall, a boat landing fixture to enable ease of access to Lamini village and help support fishing activities, culvert crossings to ensure the safety of villagers, and footpaths to improve the mobility of villagers.

As the effects of climate change continue to threaten national development, livelihoods, natural resources, food security and health, there is an urgent need to build climate resilience, particularly in low-lying coastal communities who are the most vulnerable to rising sea levels and storm surges. Moreover, coastal erosion induced by climate change can wash away precious land, inundate cultural sites and burial grounds, and ruin arable farm land. Needless to say, climate change is an existential threat to the way of life we Fijians hold dear.

The Lamini village seawall project is one of 25 coastal protection projects earmarked by the Fijian Government in the 2018-2019 financial year. These coastal works are expected to utilise environmentally friendly infrastructure solutions to prevent coastal erosion, prevent coastal inundation during storm surge events, protect existing village infrastructure, and enhance the overall safety of coastal communities.

The Ministry of Waterways and Environment have been allocated FJ \$14 million in the 2018-2019 financial year under the Coastal Erosion Protection Works programme.



Lamini Village seawall, Taveuni



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