

ECAL in Action

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

Bulletin 01/2018 | June 2018





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What is ECAL?

The Environment and Climate Adaptation Levy (ECAL) is a tax on prescribed services, items and income¹. ECAL 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.

Fiji is a nation on the frontlines of climate change. We are experiencing stronger and more frequent cyclones, rising seas are forcing some Fijian communities to relocate, and changing weather patterns pose a serious threat to our food security. When you spend time in Fiji, and pay ECAL, you are helping us secure our future by boosting our resilience to these devastating climate impacts across a broad front.

ECAL is collected by the Fiji Revenue & Customs Services (FRCS) and administered by the Ministry of Economy in accordance with the Finance Management Act 2004 and Finance Instructions 2010.

This bulletin gives a comprehensive breakdown on how ECAL is collected, managed and utilised, including 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; 10 cents levy on plastic bags; and 10% ECAL on prescribed services.



ECAL Usage in Numbers

Number of projects funded
as at 30 April, 2018

46

ECAL funds collected as at 30 April, 2018

FJ \$110.6
million

ECAL funds used as at
30 April, 2018

FJ \$106
million

Usage of ECAL funds

Disaster Relief and Response



FJ \$0.96 million

Meteorology Services



FJ \$1.04 million

Rural Development



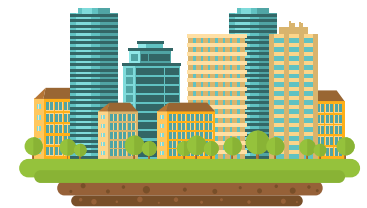
FJ \$1.10 million

Cyclone Rehabilitation



FJ \$29.50 million

Urban Development



FJ \$1.25 million

Agricultural Development



FJ \$4.60 million

Sustainable Resource Management



FJ \$1.83 million

Infrastructure Development



FJ \$63.77 million

Energy Conservation



FJ \$1.50 million

Environmental Conservation



FJ \$0.52 million

Projects Funded by ECAL as at 30 April, 2018

| | Project | ECAL Funds Used | | Project | ECAL Funds Used |
|--------------|--|-----------------|----|---|-------------------------|
| 1 | Disaster Risk and Climate Change Adaptation Fund | 191,898 | 24 | Groundwater Assessment and Development - Small Islands | 288,165 |
| 2 | Disaster Management Services | 4,237 | 25 | Groundwater Assessment and Development - Large Islands | 620,089 |
| 3 | National Disaster Database | 26,326 | 26 | Monitoring of Sand and Gravel Extraction | 22,051 |
| 4 | Disaster Relief & Rehabilitation Fund | 740,900 | 27 | Coastal Fisheries Development | 492,854 |
| 5 | Maintenance of Flood Early Warning System | 27,885 | 28 | Construction of Cicia Ice Plant | 79,997 |
| 6 | Maintenance of Meteorological Facility | 23,092 | 29 | Construction of Moala Ice Plant | 57,548 |
| 7 | Maintenance of Meteorological Equipment | 18,874 | 30 | Preparatory Works on Wainigadru Ice Plant | 30,656 |
| 8 | Upgrade of Nadi Radar Antenna | 971,605 | 31 | Purchase of New Ice Machine - Wainibokasi Ice Plant | 33,079 |
| 9 | Community Access Roads, Footpaths and Footbridges | 704,952 | 32 | Food Security Programme – Aquaculture | 97,934 |
| 10 | Rural Housing Assistance | 396,160 | 33 | Sustainable Management of Vulnerable Forests - Rewa Delta Project | 19,277 |
| 11 | Cyclone Rehabilitation for Levuka World Heritage Structures | 193,464 | 34 | Upgrade of Colo-i-Suva Forest Park | 84,421 |
| 12 | Ongoing Rehabilitation and Construction of Schools Damaged by TC Winston | 29,312,319 | 35 | New Capital Tourism | 6,125,875 |
| 13 | Upgrade of Informal Settlements | 62,452 | 36 | Upgrading and Replacement of Bridges - Bridge Renewals | 6,126,987 |
| 14 | Upgrade of Town Wide Informal Settlements | 839,711 | 37 | Jetties Maintenance and Renewals | 97,689 |
| 15 | City Wide Upgrade | 207,452 | 38 | New Capital Resilience Programme | 123,464 |
| 16 | Regularisation of Informal Settlements | 121,820 | 39 | Upgrading of Rural Roads | 9,490,744 |
| 17 | New Town Development | 16,528 | 40 | Maintenance Program | 41,800,769 |
| 18 | Fiji Sustainable Land Management Project | 160,916 | 41 | Upgrade of Lakeba and Rabi Biofuel Mills | 148,180 |
| 19 | Rural and Outer Island Agricultural Development Program | 256,507 | 42 | Energy Conservation Implementation | 37,093 |
| 20 | Food Security Programme | 26,214 | 43 | SHS New Installations (Under Rural Electrification Programme) | 1,307,821 |
| 21 | Flatland Development | 61,371 | 44 | Subsidy to Naboro Landfill | 495,432 |
| 22 | Cane Access Roads – FSC | 2,718,691 | 45 | Phase Out of Methyl Bromide | 15,093 |
| 23 | FDB Subsidy: Interest on Agricultural Loans to Fijians | 1,373,818 | 46 | Hydro Fluorocarbon Phase Out Management Plan | 11,526 |
| TOTAL | | | | | FJ \$106 million |

| Keys | | | | | | | | | |
|------------------------------|----------------------|-------------------|------------------|-------------------|--------------------------|---------------------------------|----------------------------|---------------------|----------------------------|
| Disaster Relief and Response | Meteorology Services | Rural Development | TC Winston Rehab | Urban Development | Agricultural Development | Sustainable Resource Management | Infrastructure Development | Energy Conservation | Environmental Conservation |

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. Revenue collection from these tax streams has been positive and is forecasted to well exceed the initial FJ \$94 million that was projected at the beginning of the 2017-2018 financial year, demonstrating robust and effective tax collections by FRCS.

At the end of the third quarter of the financial year (April 2018) total proceeds received from ECAL amounted to FJ \$110.6 million. The table below provides further details on proceeds received by the five revenue sources.

| ECAL Sources | Aug – Oct Q1 | Nov – Jan Q2 | Feb – Apr Q3 | Year To Date Aug - Apr |
|---|-------------------|-------------------|-------------------|------------------------|
| 10% ECAL on prescribed services | 36,417,669 | 38,496,438 | 28,838,926 | 103,753,033 |
| 10% tax on importation of luxury vehicles with engine capacity exceeding 3000cc | 43,182 | 145,514 | 190,162 | 378,858 |
| 10 cents Levy on Plastic Bags | 642,379 | 1,311,001 | 1,172,159 | 3,125,539 |
| Miscellaneous - Inclusive of 10% ECAL on super yachts | 88,749 | 63,639 | 0 | 152,388 |
| 10% income tax on chargeable income of more than FJ \$270,000 | 1,182,383 | 1,057,680 | 1,005,513 | 3,245,576 |
| Total Receipts | 38,374,362 | 41,074,272 | 31,206,760 | 110,655,394 |

**FJ \$110.6 million
collected to date**

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

3. Fiji Revenue and Customs Services Website Link – Offers in depth information on how the ECAL is structured and administered by FRCS.

<https://www.frcs.org.fj/our-services/taxation/business/environmental-levy/>

How is ECAL Used?

Figure 1 shows that the vast majority of ECAL funds have been utilised for climate adaptation initiatives. This is because Fiji is one of the most vulnerable nations on earth to climate impacts, but is a relatively tiny source of global carbon emissions.

Funds from ECAL have gone directly towards the Fijian Government’s comprehensive agenda of climate adaptation works to protect Fijians and the Fijian economy from the disastrous impacts of climate change, to reduce the risk of a single climactic event wiping out Fiji’s progress and development.

The utilisation of ECAL proceeds have been categorised into 10 thematic areas for better monitoring and reporting.

Figure 2 provides a thematic snapshot of how proceeds have been utilised. As Government focuses on making critical infrastructure more climate resilient and furthers its commitment to “building back better” after the devastation caused by Tropical Cyclone Winston, it is no surprise that the largest usage has been for Infrastructure Development and TC Winston Rehabilitation works including building of schools, hospitals and essential public buildings.

Figure 1: Adaptation vs Mitigation

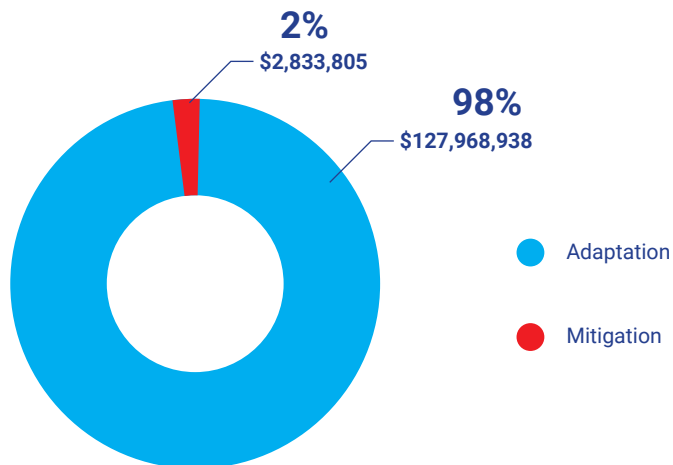
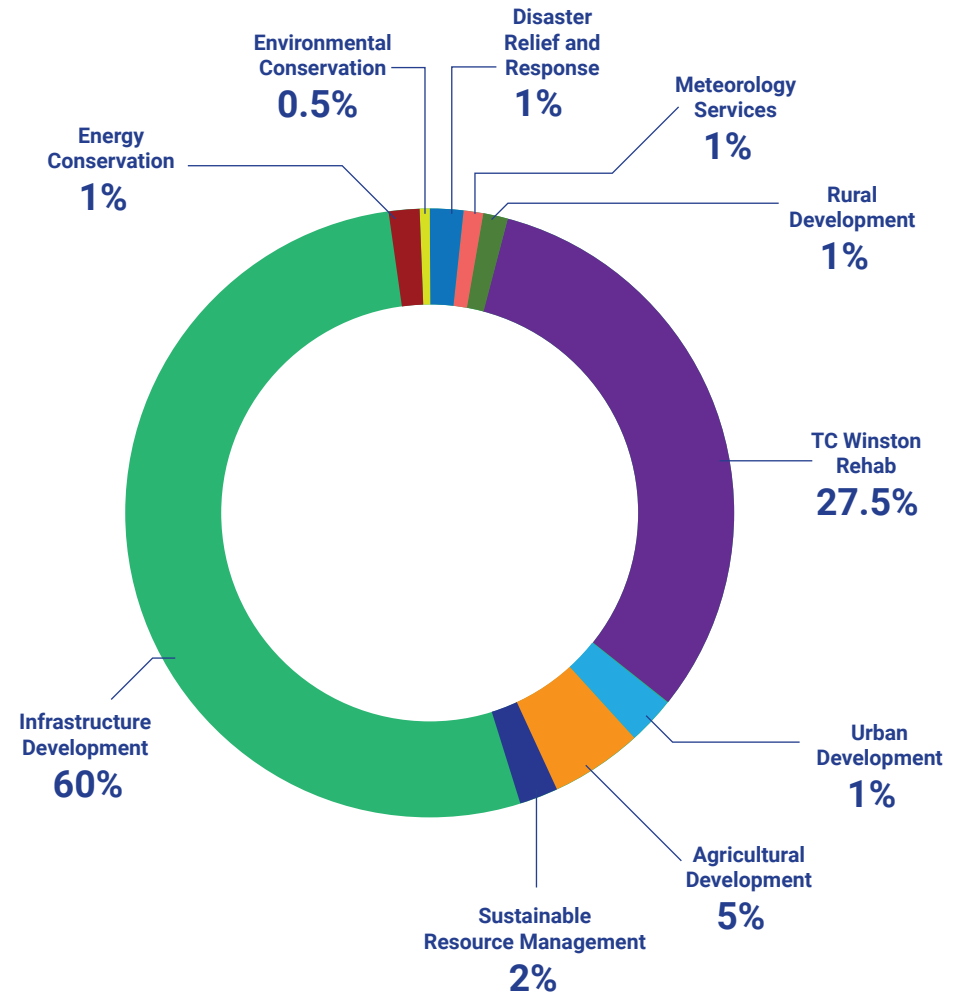
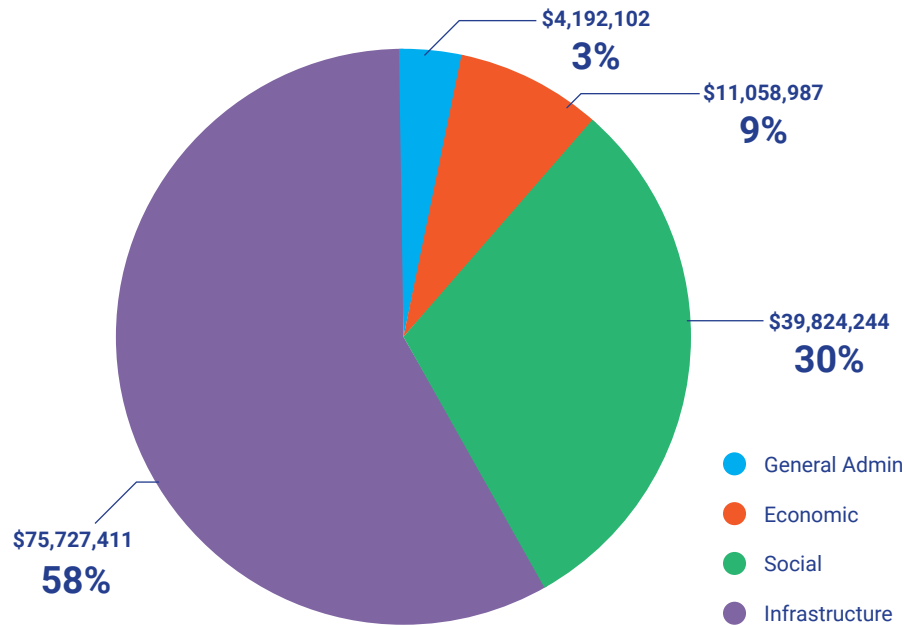


Figure 2: Utilisation by Thematic Areas



How is ECAL Used?

Figure 3: ECAL Allocation by Budget Sectors

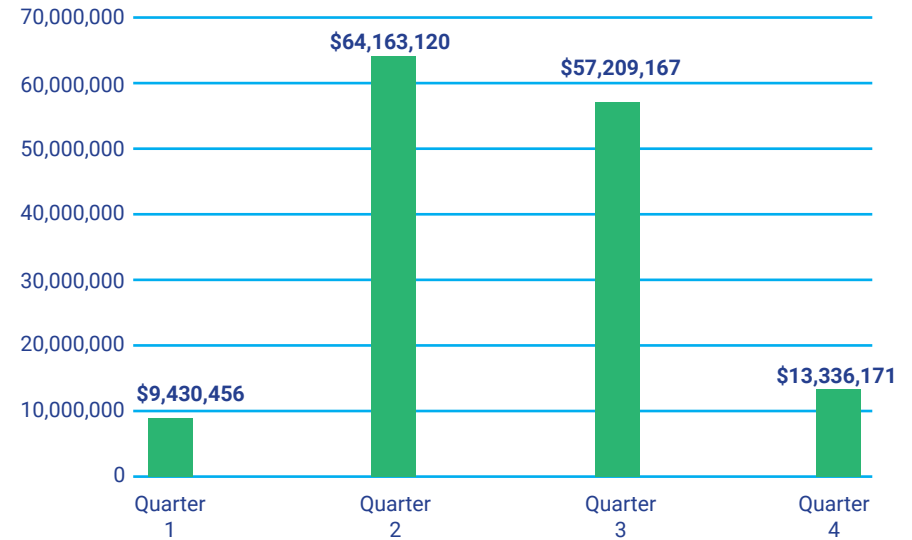


The National Budget is divided into five broad sectors: General Administration, Economic, Social, Infrastructure and Miscellaneous sectors. **Figure 3** gives a snapshot of how ECAL has been utilised across budget sectors, with the Miscellaneous Sector integrated in the other four sectors⁴.

As reflected in **Figure 3**, the Infrastructure Sector has the largest utilisation, mainly driven by road asset works. The Social Sector has the second largest utilisation, mainly driven by the massive rebuilding of schools from severe weather events, which is administered by the Ministry of Economy.

4. For further details on the Budget sectors, please visit Ministry of Economy website on: <http://www.economy.gov.fj/>

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. Q4 is represented by utilisation for the month of May only for comparison.

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 2017-2018 financial year, with approximately FJ \$64.1 million and FJ \$57.2 million utilised in Q2 and Q3, respectively. Utilisation for Q4 looks positive, as May has already exceeded the entire Q1 utilisation.

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

ECAL Project Spotlight



Clean Power to Fijians

As the Fijian Government continues to make strides towards achieving its development targets as outlined in the 5-Year and 20-Year National Development Plans, emphasis is being placed on improving access to energy for all Fijians. In many cases, Fijians living in rural areas have faced issues relating to geographic disparity and distance from the nearest electricity grid in accessing reliable and affordable electricity.

Access to electricity has significant implications on human development and productivity. Electricity can give families time to socialise after dark, children are provided a more conducive study environment, access to information technology is vastly expanded, and all economic activity is no longer constrained to daylight. The Fijian Government is dedicated to not only increasing access to electricity to all Fijians, but to expanding the grid in a sustainable manner that meets our national commitments to the Paris Agreement. In line with both of these goals, Government is dedicated to providing access to clean and renewable electricity to 99% of Fijians by 2030.

To help simultaneously mitigate greenhouse emissions and provide access to electricity for vulnerable communities in rural areas, Government has installed 2,500 solar home systems around Fiji through its Rural Electrification Programme. However, 680 of these systems were severely damaged during Tropical Cyclone Winston and are in the process of being repaired or replaced. During the repair and replacement process, the Department of Energy will replace its old diesel generator schemes with cyclone-resilient solar systems in over 54 communities in the Northern, Eastern and Western Divisions of Fiji.

To enhance the Solar Home System programme, Government has allocated FJ \$10.4 million in the 2017-2018 National Budget for the installation of cyclone resilient solar home systems in approximately 2,630 rural households in the Western, Northern and Eastern Divisions. Other sources of renewable energy generation such as wind, hydro and biogas are also being explored by the

Department of Energy through various programmes allocated financing in the national budget.

To date, FJ \$1.3 million has been utilised from ECAL to procure materials for the Solar Home Systems and a further FJ \$4.5 million is expected to be utilised by the end of the 2017-2018 financial year (July 2018).



Pagai Settlement, Taveuni

Securing Fiji's Future Today

The devastation left behind after Tropical Cyclone Winston will forever be entrenched in the minds of Fijians. The country was left on its knees after the strongest cyclone ever recorded in the Southern hemisphere hit Fiji in February 2016.

Amongst widespread damages to homes, infrastructure and livelihoods was the mammoth damage to over 196 (R3-R5) schools. Many Fijian children were left without access to education and a conducive learning environment resulting in massive hindrance to the education curriculum.

However, in the true spirit of solidarity and perseverance Fiji is continuing to build back better, making remarkable strides towards making Fiji climate and disaster resilient. Soon after Tropical Cyclone Winston, the Fijian Government rolled out the Cyclone Rehabilitation for Schools programme administered by a dedicated unit within the Ministry of Economy known as the Construction Implementation Unit (CIU).

The CIU formed a robust partnership with the Fiji Institute of Engineers to assess school damages and roll out the rehabilitation package. Most of the damaged schools did not have proper floor plans or followed appropriate design standards as they were built many years ago. Floor plans were developed for each school and cyclone resilient engineering standards have been continuously imposed to rebuild 118 schools since the rehabilitation programme commenced in March 2016.

In the 2017-2018 financial year FJ \$79.1 million has been used of which FJ \$29.5 million has been utilised from the ECAL to fund the rebuild of 101 schools. Compared to other disaster rehabilitation efforts around the Pacific, Fiji garnered international acclaim for its fast response in rebuilding from TC Winston, particularly in rebuilding Fiji's schools.

The Fijian Government takes this opportunity to thank bilateral and multilateral partners for their support to Fiji's rebuild efforts.



Penang Primary School, Rakiraki



Ra High School, Rakiraki

Bridging Communities to a Productive Future

As Fiji moves towards its ninth consecutive year of economic growth, the Fijian Government is determined to ensuring that all parts of Fiji are connected, accessible and able to benefit from the new economic opportunity in a growing Fijian economy.

When we speak about connectivity, bridges are a crucial part of our everyday lives that massively open up Fijians to the rest of their country and to new opportunities, as they cross previously-unpassable geographic barriers. As recent events in Fiji have shown, closure of major bridges can cause a significant decline in productivity, as people are stuck in traffic for hours, goods and services have to be uneconomically rerouted resulting in economic losses, and significant resources are redeployed to remedy the problem.

According to an independent assessment done on bridges and crossings (collectively referred to as bridges) throughout Fiji, it was found that out of the 524 bridges surveyed around the country, 31 were in need of immediate attention and repair. This issue is perpetuated by climate change and natural disasters, which continues to adversely affect road infrastructure. To proactively address this matter, approximately \$30.5 million has been allocated in the 2017-2018 national budget to the Fiji Roads Authority under the Upgrading and Replacement of Bridges programme.

As of 30 April, 2018, approximately FJ \$6.12 million has been utilised from ECAL for the upgrading and renewal of bridges and crossings around Fiji.

The bridges are being redesigned to incorporate increased climate resilience, environmental sustainability and improved accessibility. Additional armour is being on used on bridge approaches, stronger footing designs are being put in

place, concrete materials are being used where required and bridges are being built taller. Together, this strategic building effort is increasing the lifespan of bridges and crossings, and improving their durability. Moreover, these bridge improvements are giving rural communities far greater access to commercial markets, schools, health facilities, government offices and urban centres. In the true spirit of inclusive and sustainable development, the bridge renewals programme is helping ensure that the rural-urban divide is bridged and no Fijian is left behind.



Nakama Crossing, Labasa

Highlights

2,630

Solar Home Systems procured

\$9.5 million

spent on upgrade of Rural Roads



Highlights

118

Schools rehabilitated

\$1.0 million

spent on upgrade of Informal Settlements



Highlights

**\$1.4
million**

spent on Agricultural loans to Fijians

**\$2.7
million**

spent on cane access roads



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