

For discussion on
23 January 2006

Legislative Council Panel on Environmental Affairs

Proposed Capital Injection into the Environment and Conservation Fund

Purpose

This paper seeks Members' views on our proposal to inject \$35 million into the Environment and Conservation Fund (ECF).

Proposal

2. We propose to inject a sum of \$35 million into the ECF in 2005-06 to provide adequate financial support for research, waste recovery and educational projects that promote environmental protection and nature conservation.

Justification

Background

3. The ECF was established in 1994 under the Environment and Conservation Fund Ordinance (Cap. 450) to provide financial support for environment and conservation related education and research projects which benefit environment. The scope of projects covers research, waste recovery as well as publicity and public education projects. Separately, the ECF Committee also provides funding to the Environmental Campaign Committee (ECC) for carrying out territory-wide environmental publicity and public education campaigns. The ECF has received a total of \$200 million injection since its establishment in 1994 from the Government. The FC approved an injection of \$50 million each in 1994 and 1998 and \$100 million in 2002 respectively. The uncommitted balance of the fund was at \$32 million as at the end of December 2005.

Financial Position

4. The ECF has received 1 511 funding applications since its establishment in 1994. Of these, 905 were approved while 583 were withdrawn/rejected. The remaining 23 are being processed. The approved projects include 101 research projects, 733 educational projects and 71 waste recovery projects with a total approved sum of \$77.5 million. In addition, \$102 million were provided to the ECC by the ECF Committee for organising 127 territory-wide programmes since 1994.

5. With the growing concern of the community about environmental issues, we are receiving more requests for large-scale environmental projects. Recently, the ECF has approved \$5 million for implementing source separation programmes of domestic waste in residential buildings and another \$4.6 million for pilot conservation management agreement projects. We envisage that the ECF Committee will need to commit another \$15 million in the remaining months of the 2005-06 financial year. As such, the remaining uncommitted balance of ECF would be reduced to around \$17 million in 2006-07 or below. In the past years, the ECF annual funding commitment ranges from \$16 million to \$26 million. If there is no timely capital injection into ECF, the current uncommitted funding balance of ECF may not be able to sustain the spending in the 2006-07 financial year. The ECF Committee will not be able to process new funding applications and this will have an adverse impact on the community's participation in environmental protection activities.

Proposed Capital Injection into ECF

6. We have identified \$35 million in EPD's operating expenses in 2005-06 that could be saved for injection into ECF. After the injection of \$35 million into ECF, the uncommitted fund of ECF of the beginning of the 2006-07 financial year will be more than \$50 million which should be sufficient to fund various ECF projects in the next three years. The proposed capital injection will enable the ECF to maintain a sufficient level of resources for continuous support of environmental and conservation projects.

Operation of ECF

Establishment of ECF

7. Under the Environment and Conservation Fund Ordinance, the Secretary for the Environment, Transport and Works (SETW) is the trustee responsible for the administration of ECF. A statutory body, the ECF Committee which comprises mainly non-officials, has been set up under the Ordinance to advise SETW on the use of funds and to vet proposals for applications for the funds. Owing to number and diverse nature of funding applications, the ECF Committee has set up two Vetting Subcommittees and authorized the ECC to vet educational and community involvement projects which cost \$150,000 or less. The ECC is also responsible for organizing territory-wide environmental campaigns. Some large scale projects may also be vetted directly by the ECF Committee. Secretariat support to the ECF Committee and its Vetting Subcommittees is provided by the Environmental Protection Department (EPD).

Vetting of Funding Applications

8. The ECF Committee will continue to vet applications and advise SETW on the use of funds. The two Vetting Subcommittees and ECC will continue to assist the ECF Committee in vetting the applications.

Assessment Criteria

9. The following criteria, which have been adopted and progressively refined by the ECF Committee over the past 11 years, form the basis for assessing funding applications:

- (a) Projects must contribute to the overall environment of Hong Kong, to raise environmental awareness of the local community, or to mobilize the community to take action to improve the environment;
- (b) The benefits must accrue to the district/local community as a whole, and not just to individuals, a single private organization or a consortium of private companies;
- (c) Projects must be non-profit making in nature; and

- (d) In considering a project proposal, due consideration is given to –
- (i) the benefits that it will bring to Hong Kong's environment, ecology, flora and fauna etc., or the extent to which it will enhance the environmental awareness of local community;
 - (ii) whether there is a demonstrable need for the proposed project;
 - (iii) whether the programmes of the project proposal can bring about positive impacts in the longer run;
 - (iv) the technical and project management capability of the applicant, as well as the past performance of the applicant, including the effectiveness of past projects, and the applicant's ability to comply with the funding conditions;
 - (v) whether the proposed schedule of implementation is well-planned and practicable, and the duration is reasonable;
 - (vi) whether the proposed budget is prudent, realistic and cost-effective, with full justification for every expenditure item;
 - (vii) whether the proposed project has alternative sources of funding support;
 - (viii) whether the proposed project should more appropriately be funded by other sources;
 - (ix) whether there is or likely to be a duplication of the work already or currently carried out by other groups; and
 - (x) if recurrent expenditure is incurred, whether the proposed project has potential to become self-sufficient after a certain period of time.

Monitoring of Approved Projects

10. Project proponents are required to set out targets/deliverables in their funding applications. After funding has been approved, project proponents are required to submit regular progress reports to the Secretariat of the ECF Committee for review. Payments to the project proponents are made by installments. Project proponents must submit reports proving satisfactory progress of the projects before installments are disbursed. During the course of the projects, any substantial changes to the projects, such as changes in completion date or usage of funds, will have to be approved by the ECF Committee or the relevant Vetting Subcommittees. The ECF Committee, Vetting Subcommittees or the Secretariat to the ECF Committee may carry out inspections to examine the progress of the projects.

11. To allow other organizations to share the experience and information arising from the ECF funded projects, project proponents are encouraged to publicize the projects through publications, seminars, workshops, conferences and exhibitions; etc. Information on the approved projects are also uploaded to the homepages of the ECF Committee and ECC accordingly.

Project Income

12. To ensure the best use of public fund, all income arising from an approved project during the project duration, including sales of output and fees generated from activities, should be ploughed back into the project account for running the project. In addition, cash in hand should be placed in interest-bearing bank accounts, and the interest income should also be ploughed back into the project account.

Statement of Accounts

13. For projects costing over \$150,000, audited statements of account have to be prepared once a year and within two months of the completion of the project. The final installment is only disbursed to a project proponent upon provision of the accounts. To strengthen the budgetary control of the project and further ensure proper use of public funds, the auditors are required to confirm in the statements of accounts whether the conditions of grant and approved budget items have been complied with.

14. For projects costing \$150,000 or less, project proponents are required to submit to the Secretariat a complete statement of accounts, together with the original copy of invoices and receipts.

15. In addition, the accounts of the ECF are audited by the Director of Audit on an annual basis. A copy of the statement of accounts and the auditor's report, together with a report by SETW on the administration of the ECF are tabled to the Legislative Council annually.

Intellectual Property Arising from Projects

16. The intellectual property arising from a project belong to the proponent organization in order to encourage applications and innovative ideas. Nevertheless, the ECF Committee retains the right to publish and use the information arising from the projects.

Title and Procurement of Equipment and Capital Items

17. The ECF only supports capital items in special circumstances where such items are absolutely necessary for carrying out of the proposed projects. In some research projects and waste recovery projects, some minor tools or equipment may be required. The ownership of these items will rest with the Government. The Secretariat to the ECF Committee keeps an inventory of these funded items and put them to beneficial use in other projects wherever possible.

Financial Implications

18. The proposed injection of \$35 million into ECF is a one-off exercise and there are no recurrent implications arising from the proposal.

Advice Sought

19. Members are invited to comment on the proposed injection of \$35 million to the ECF for supporting research, waste recovery and educational projects that promote environmental protection and nature conservation. Subject to Members' comments, we plan to seek the approval of FC for the

proposed injection of \$35 million into the ECF in February 2006.

Environmental Protection Department
January 2006