

Legislative Council Panel on Environmental Affairs

**Proposed Injection of \$100 million to the
Environment and Conservation Fund**

Purpose

This paper seeks Members' support for our proposal to invite Finance Committee (FC) to approve the injection of \$100 million into the Environment and Conservation Fund (ECF).

Background

2. Established in 1994 under the ECF Ordinance (Cap. 450), the ECF provides financial support for environment- and conservation-related education and research projects/activities. In 1994, FC approved an injection of \$50 million to the ECF, and in 1998, it approved another injection of \$50 million. The ECF has been relying on this \$100 million and its total interest income of around \$20 million over the past eight years to finance worthwhile projects.

3. Under the Ordinance, Secretary for the Environment and Food (SEF) is the trustee responsible for the administration of the ECF. A statutory body – the ECF Committee which comprises mainly non-officials – was set up under the Ordinance to advise SEF on the use of funds. Because of the large number and diverse nature of funding applications, the ECF Committee set up the ECF Vetting Sub-committee and authorized the Environmental Campaign Committee¹ (ECC) to vet project proposals that cost \$150,000 or less. The ECF Vetting Sub-committee vets research and technology demonstration projects while the ECC vets educational / promotional and community involvement projects. Projects seeking more than \$150,000 have to be approved by the ECF Committee. Large-scale territory-wide environmental campaigns organised by the ECC are also directly vetted by the ECF Committee.

¹ The ECC, which comprises mainly non-officials, was set up in 1990 to promote awareness of environmental issues so as to encourage and mobilize the public to contribute actively towards a better environment. In addition to vetting funding applications for the ECF Committee, it organizes large scale territory-wide environmental campaigns.

4. As at 31 March 2002, the ECF has received 900 funding applications. Of these, 647 were given funding support while 253 were withdrawn/rejected. The approved projects include 68 research projects, 570 educational projects, and nine pilot community waste recovery projects with a total funding commitment of \$121.8 million. The existing vetting and monitoring mechanism are at Annexes A and B. As the ECF has already fully committed all available funds, further injection is necessary to enable it to continue to fund new projects.

5. We informed Members through Paper CB(1)2103/00-01(06) in September 2001 of our new initiatives to promote further the prevention and recovery of domestic waste in Hong Kong. One of these initiatives is to provide financial support, through the ECF, for green groups, voluntary agencies, and community organizations to organize community waste recovery projects.

6. As mentioned in paragraph 4 above, the ECF has funded nine pilot community waste recovery projects organized by green groups, community organizations, and voluntary agencies². These projects aim to mobilize members of the public to take part in waste reduction and recycling. The average funding for each project is \$509,000, and the average duration is 18 months. So far, five projects have commenced and their preliminary results have been encouraging. Both the Administration and the ECF Committee consider that this pilot programme should be further expanded to promote further waste prevention and recovery.

Proposed Use of the ECF

7. Based on the number and scale of approved projects in the past years, we consider that \$100 million should be sufficient to fund ECF applications in the next few years. We further propose that the \$100 million be allocated to the three categories of ECF projects in the following manner :

² The nine projects are initiated by the following organizations in various districts:

- (a) Mongkok Kaifong Association Chan Hing Social Service Centre – Tai Kok Tsui
- (b) New Territories Association of Societies – rural villages in Tai Po, Sai Kung & Tsuen Wan
- (c) Green Power – Wong Tai Sin
- (d) Hong Kong People Council on Housing Policy Limited / Green Produce – Sham Shui Po
- (e) Hong Chi Shui Choi Centre – Tin Shui Wai
- (f) Hong Kong Women Workers' Association / Greenpeace / Oxfam etc – Kwun Tong
- (g) Industrial Relation Institute / Greenpeace / Oxfam etc – Cheung Sha Wan
- (h) Sham Shui Po Community Association / Greenpeace / Oxfam etc – Shek Kip Mei
- (i) HK Eastern District Environmental Advancement Association / Eastern District Livelihood Concern Group – North Point

- (a) community waste recovery projects – to take up about 60% of the ECF;
- (b) other educational, promotional and community involvement projects – to take up about 30% of the ECF; and
- (c) research and technology demonstration projects – to take up about 10% of the ECF.

The projected percentages are meant to be an *indicative* distribution of funds only. The ECF Committee will regularly review the allocation to each category and make adjustments as and when necessary so that no worthwhile projects in any category would be rejected because of the lack of funds.

Vetting of Funding Applications

8. The ECF Committee will retain overall authority in vetting funding applications and advising SEF on the use of funds. The ECF Vetting Committee and the ECC would continue to assist the ECF Committee in vetting research / technology demonstration projects and educational / promotional projects that cost \$150,000 or less respectively. In addition, a new “Waste Recovery Projects Vetting Sub-committee” will be formed under the ECF Committee to vet community waste recovery project proposals that cost \$500,000 or less. This Sub-committee will be chaired by a non-official and comprise representatives of the ECF Committee, WRC and ECC. Applications for research and educational projects costing over \$150,000 and community waste recovery projects costing over \$500,000 will have to be approved by the ECF Committee. Large-scale territory-wide campaigns organized by the ECC will continue to be separately vetted by the ECF Committee.

Assessment Criteria

9. The following criteria, which have been adopted in the past eight years, will continue to be the basis to assess the merits of individual funding applications :

- (i) Projects must contribute to promoting environmental protection and conservation in Hong Kong. For community waste recovery projects, project proponents must specifically

demonstrate their capability to mobilize the local community to take action in waste separation and recovery.

- (ii) The benefits must accrue to the community or to a district/local community, and not to individuals, a single private organization or a consortium of private companies.
- (iii) Projects should be non-profit making.
- (iv) There should be a demonstrable need for the proposed project. For instance, a research proposal aiming to develop a technology or device that is already widely available in the market is unlikely to meet this criterion.
- (v) The project team should have good technical and project management capability. In this connection, past performance of the team, including the effectiveness of past projects funded by ECF, and the applicant's ability to comply with funding conditions, will be taken into account.
- (vi) The proposed project's schedule of implementation should be well-planned and reasonable.
- (vii) The proposed budget should be reasonable and realistic, with full justifications for every expenditure item.

10. In the light of experience gained in administering the ECF over the past eight years, as well as experience of other Government funds, we consider that there is a need to strengthen the existing vetting / monitoring mechanism (Annexes A and B) and funding guideline for evaluating research and educational projects. In addition, we need to develop new funding guideline for community waste recovery projects. The aim is to ensure that funded projects would be able to achieve the planned objectives and deliverables, and that ECF funds would be used in accordance with the approved purpose.

11. The proposed vetting / monitoring mechanism and administrative measures, which have been considered by the Waste Reduction Committee³(WRC), the ECF Vetting Sub-committee and the ECC, and have been endorsed by the ECF Committee, are set out in

³ The WRC comprising mainly non-officials was established in 1999 to promote public and private sector action to reduce waste, recover and reuse resources, and to advise the SEF on local and international developments in waste reduction/materials recovery.

paragraphs 12 – 24 below. The new funding guideline for the three categories of projects are at Annexes C, D and E.

Measurement of the Effectiveness of Projects

12. First, project proponents will be required to set out targets in their funding applications. In particular, proponents of community waste recovery projects will be required to set quantifiable targets, such as the projected amount of recyclables to be collected and the target population to be covered by the project. The ECF Committee and the relevant vetting body will evaluate the success or effectiveness of the projects based on the agreed targets.

13. Project proponents will be required to submit a report upon completion of the projects. However, under the revised arrangement, a project proponent will need to give in the report an overall evaluation of the completed project, such as whether it has achieved the expected benefits, the difficulties experienced during the project period, measures taken to address the problems, and their effectiveness. Project proponents will also be required to suggest areas for improvement in pursuing similar projects in future. These reports would be made available for public inspection so that other prospective ECF applicants could benefit from past experience of other organizations in running ECF-funded projects.

14. To allow other organizations to share the experiences 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 projects will also be uploaded on the ECF / ECC homepages.

Monitoring Mechanism for the Funded Projects

15. Funded projects will be monitored by the relevant vetting body to ensure that they are run in a satisfactory manner and that public funds are used properly. The vetting body or its secretariat may carry out visits or surprise checks to examine the progress of the projects.

16. Project proponents will be required to submit regular progress reports to the secretariat of the vetting body. In the progress reports, project proponents will have to provide information such as implementation progress, problems encountered, remedial measures taken to tackle problems encountered, and interim findings of the project.

17. Project proponents will be required to adhere to the approved budget and will not be allowed to change the usage of funds without prior approval of the relevant vetting body. We consider that this step is necessary to ensure that the public funds allocated to the proponents would be used as approved by the vetting body. Project proponents will also have to report the financial position of projects in their regular progress reports.

18. To monitor the use of funds, we will disburse the approved amount by instalments rather than in one go, having taken into account the cashflow of the projects. Except for the first disbursement, all disbursements will only be released upon satisfactory progress / completion of the projects.

19. In the event of unsatisfactory performance, the project proponent will be asked to give an explanation to the satisfaction of the relevant vetting body. Failure to do so may lead to suspension or termination of the project. In the former case, the suspension may be lifted if the relevant vetting body considers that the problems causing the lack of progress have been tackled. In the latter case, the project proponent will be asked to return the unspent balance to the ECF. Any suspension or termination of a project will affect the organization's future chance of getting ECF funds, and the organization's management will be informed.

Other Key Issues

Project Income

20. All income arising from the 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, we consider that the cash in hand should be placed in interest-bearing bank accounts, and the interest income should also be ploughed back into the project account. Such a requirement would ensure the best use of public funds. We also propose that no negative interest should be charged to the project.

Statement of accounts

21. For projects costing over \$150,000, audited statements of account will have to be prepared once a year and within two months of the completion of the project. The final payment will only be disbursed upon provision of the accounts. In addition, we will require the auditor to confirm in the statements of accounts whether the conditions of grant and approved

budget items have been complied with. We believe this will help strengthen the budgetary control and would further ensure proper use of public funds.

22. For smaller projects costing \$150,000 or less, a complete statement of accounts, together with the original copy of invoices and receipts, will be required. Auditing will not be required.

Intellectual Property Rights Arising from Projects

23. The intellectual property rights arising from a project will belong to the proponent organization in order to encourage applications and innovative ideas, especially in regard to research projects. Nevertheless, the ECF Committee will maintain the right to publish and use the information arising from the projects.

Title and Procurement of Equipment and Capital Items

24. The ECF does not normally support capital items, except in very special circumstances. Among the 647 projects approved so far, only eight capital items have been approved. Nonetheless, in some research projects and waste recovery projects, some minor tools or equipment may be required. The ownership of the items will rest with the Government. The Secretariat will keep an inventory of the funded items and put them to beneficial use in other projects.

Timetable

25. Subject to Members' comments, we plan to seek the approval of FC for the proposed injection of \$100 million into the ECF in May 2002.

Advice Sought

26. Members are invited to comment on the proposed injection of \$100 million to the ECF for supporting waste recovery, research and educational projects.

Environment and Food Bureau
April 2002

**Existing Vetting and Monitoring Mechanism for
Environmental Research and Technology Demonstration Projects**

The ECF Vetting Sub-committee meets once every two months to consider applications. Two external reviewers will be invited to assess funding applications costing over \$150,000 before the Vetting Sub-committee considers the applications. A “double-blind” system (i.e. identity of both assessors and applicants will not be disclosed to each other) is adopted for these external reviews. Projects costing more than \$150,000 will need to be approved by the ECF Committee.

2. Projects are monitored by the Vetting Sub-committee. Project proponents are required to submit half-yearly progress reports. Except for the initial disbursement, payments will only be released upon satisfactory progress. Project proponents are required to adhere to the approved budget and will not be allowed to change the usage of funds without prior approval of the Vetting Sub-committee.

3. Within one month of completion of the project, project proponents are required to submit a report and a statement of accounts. For projects receiving a grant over \$150,000, one independent evaluation report must be provided on completion of the project, and for projects receiving a grant of \$1 million or more, the statement of accounts must be an audited one. The remaining balance will only be disbursed upon project completion subject to endorsement of the completion report and the statement of accounts. Unsatisfactory performance will affect the organization’s future chance of getting funding support, and the organization’s management will be informed.

Annex B

Existing Vetting and Monitoring Mechanism for Educational, Promotional and Community Involvement Projects

The ECC's Vetting Sub-committee meets quarterly to consider applications. Normally, grants for each project will not exceed \$150,000 and could be approved by the Vetting Sub-committee. Projects costing more than \$150,000 will need to be approved by the ECF Committee.

2. Projects are monitored by the Vetting Sub-committee. Project proponents are required to submit half-yearly progress reports to the Vetting Sub-committee. Except for the initial disbursement, subsequent payments will only be released subject to satisfactory progress of the projects. Project proponents should adhere to the approved budget and will not be allowed to change the usage of funds without prior approval of the Vetting Sub-committee.

3. Within one month of completion of the project, project proponents are required to submit a report and a statement of accounts. The remaining balance will only be disbursed upon endorsement of the completion report and the statement of accounts. Unsatisfactory performance will affect the organization's future chance of getting funding support, and the organization's management will be informed.

Funding Guideline for Community Waste Recovery Projects

	Funding Guidelines
<i>Nature of Projects</i>	<ul style="list-style-type: none">• Action projects, which are community-based and result-oriented, to enhance awareness and ensure sustained participation of the public in waste prevention and recovery• Such projects should bring about sustained and tangible effect in local communities, and thus should not be one-off publicity events
<i>Administration of grants</i>	<ul style="list-style-type: none">• Waste Recovery Projects Vetting Sub-committee
<i>Who may apply</i>	<ul style="list-style-type: none">• Local non-profit making organizations (e.g. green groups, community organizations, voluntary agencies)
<i>Funding limits</i>	<ul style="list-style-type: none">• Normally, grants for each project will not exceed \$500,000• Funds may be granted for full or partial support of projects• Projects applying for grants exceeding \$500,000 will need to be approved by the ECF Committee
<i>Project duration</i>	<ul style="list-style-type: none">• Not less than 12 months and not more than 30 months
<i>Budget</i>	<p><u>Manpower</u></p> <ul style="list-style-type: none">• Direct labour cost involved in waste collection, separation and recycling etc is supported. The actual amount to be granted will depend on the modus operandi of the project• No funding support will be given for full time administrative staff• Funding for part-time project coordinators/

	<p>assistants may be considered on a case-by-case basis, but should not exceed one-third of their monthly salaries and the monthly salaries should not exceed \$18,000. The total cost for project coordinators/assistants should not exceed 25% of the total approved amount. This will help ensure that there would not be over-spending on the administrative aspect of the project when our focus is really the waste recovery work</p>
	<p><u>Equipment and capital items</u></p> <ul style="list-style-type: none"> • Expenses for minor waste recovery equipment or tools are supported. The total amount for these tools should not exceed \$50,000 • Funding support for large equipment/capital items over \$50,000 is normally not supported, unless full justifications are given • The objective of community waste recovery projects is to mobilize the public to recover waste in various localities/districts. While enabling the organizations concerned to acquire the necessary equipment to carry out their projects, we wish to ensure that there would not be over-spending on capital equipment
	<p><u>Rental payment and renovation fee</u></p> <ul style="list-style-type: none"> • Funding support for renting premises necessary for the project (e.g. establishment of a recyclables collection centre) will be considered, subject to a ceiling of \$10,000 per month. The actual amount will depend on the size and location of the selected venue. This does not apply to premises under the possession of the recipient organization • One-off payment for basic renovation of premises necessary for the project and for implementing measures to mitigate potential problems associated with the recovery projects will be considered, subject to a ceiling of \$20,000

	<p><u>Others</u></p> <ul style="list-style-type: none"> • Funding for public education activities in connection with the project, hire of transport and premium for public liability insurance will be supported. Purchase of light meals for unpaid voluntary workers will also be supported at a maximum of \$34 and \$48 per person for half-day and whole-day activities respectively • Carnivals or one-off events of similar nature will not be supported, but opening/closing ceremonies may be supported, subject to a ceiling of \$10,000 per project. Applicant organizations are encouraged to seek private sponsorship for the events • Funding for administrative, contingency and unspecified miscellaneous items and overhead costs will not be given • Funding support will not be given to the recipient organization for renting or purchasing materials already in the organization's stock
<i>Renting of premises under the management of Housing Authority and Housing Society</i>	<ul style="list-style-type: none"> • Applications for leasing premises under management of the Housing Authority should be submitted to the Housing Department (HD) upon the Vetting Sub-committee's approval of the project • HD will positively consider each application on individual merits and subject to the established criteria • The premises, if approved, will be let on monthly licence at fair market or concessionary rent to be determined by HD • For projects that require the use of premises under management of the Housing Society, applicants should follow similar procedures applicable to the Society

**Funding Guideline for Environmental Research and
Technology Demonstration Projects**

	Funding Guidelines
<i>Nature of Projects</i>	<ul style="list-style-type: none">• Research, technology demonstration and other related projects, which are considered having contribution in a direct and practical way towards the environmental improvement and conservation of the local environment and should not be too theoretical in nature <p><u>For technology demonstration projects</u></p> <ul style="list-style-type: none">• Funding will be provided to the project to promote waste minimization and recycling technologies and to encourage the adoption of these technologies by different sectors in Hong Kong• The benefits must accrue to one or more industries, and not just to individual companies
<i>Administration of grants</i>	<ul style="list-style-type: none">• ECF Vetting Sub-committee
<i>Who may apply</i>	<ul style="list-style-type: none">• Local non-profit making organizations• For technology demonstration projects, local incorporated companies may also apply
<i>Funding limits</i>	<ul style="list-style-type: none">• There are no funding limits• Funds may be granted for full or partial support of projects• Projects applying for grants exceeding \$150,000 will need to be approved by the ECF Committee

<i>Duration of project</i>	<ul style="list-style-type: none"> • No specified requirements
<i>Budget</i>	<p><u>Manpower</u></p> <ul style="list-style-type: none"> • No funding support will be given for full time administrative staff • Funding for research assistants may be considered on a case-by-case basis • <u>For environmental research projects</u>, funding will not be given for remunerating the principal investigator(s). Funding for research supporting staff may be considered
	<p><u>Equipment and capital items</u></p> <ul style="list-style-type: none"> • Purchase of equipment/capital items may be supported if (i) the equipment/capital item is essential for the project; (ii) the recipient organization will bear all subsequent recurrent costs, including maintenance costs, of the equipment/capital item; and (iii) the recipient organization will surrender the equipment for use by another organization for undertaking an ECF funded project or dispose of the equipment in accordance with ECF Committee's instructions
	<p><u>Rental payment and renovation fee</u></p> <ul style="list-style-type: none"> • Not supported
	<p><u>Others</u></p> <ul style="list-style-type: none"> • Funding for administrative, contingency, unspecified miscellaneous items and overhead costs will not be considered • Funding for reprinting of existing leaflets or education materials will not be supported, unless they form an essential part of the project • Funding for overseas travel will not normally be supported • Overseas participants in a local function are normally expected to pay for their own travelling and living expenses

<p><i>Other requirements regarding funding applications</i></p>	<ul style="list-style-type: none"> • For application of grant over \$150,000, the application must be supported by two independent referees. • Separately, the Vetting Sub-committee will also invite two external reviewers to review the proposals. A “double-blind” system will be adopted in the review process whereby neither the project teams nor the reviewers will be informed of the others’ identity.
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**Funding Guideline for Educational, Promotional and
Community Involvement Projects**

	Funding Guidelines
<i>Nature of Projects</i>	<ul style="list-style-type: none">• Environmental educational programmes or activities• Environmental projects in which individual groups are mobilized to take direct and positive action to improve and conserve the environment in Hong Kong
<i>Administration of grants</i>	<ul style="list-style-type: none">• Environmental Campaign Committee
<i>Who may apply</i>	<ul style="list-style-type: none">• Local non-profit making organizations
<i>Funding limits</i>	<ul style="list-style-type: none">• Normally, grants for each project will not exceed \$150,000• Funds may be granted for full or partial support of projects• Projects applying for grants exceeding \$150,000 will need to be approved by the ECF Committee
<i>Duration of project</i>	<ul style="list-style-type: none">• No specified requirements
<i>Budget</i>	<u>Manpower</u> <ul style="list-style-type: none">• No funding support will be given for full time administrative staff• Funding for part-time project coordinators/assistants may be considered on a case-by-case basis, but should not exceed one-third of their monthly salaries and the monthly salaries should not exceed \$12,000. The total amount for covering the cost of project coordinators/assistants should not exceed 25% of the total approved amount
	<u>Equipment and capital items</u> <ul style="list-style-type: none">• Purchase of equipment and capital items will not be considered

	<u>Rental payment and renovation fee</u> <ul style="list-style-type: none"> • Not supported
	<u>Others</u> <ul style="list-style-type: none"> • Funding for administrative, contingency, unspecified miscellaneous items and overhead costs will not be considered • Funding for reprinting of existing leaflets or education materials will not be supported, unless they form an essential part of the project • Funding for overseas travel will not normally be supported • Overseas participants in a local function are normally expected to pay for their own travelling and living expenses • Funding for payments to individuals as a reward for their participation in the project will not be given • Subsidy for volunteer involvement in organizing the project may be considered • Funding support for expenses incurred in one-off projects may be considered