

For information on
26 May 2014

**LEGISLATIVE COUNCIL
PANEL ON ENVIRONMENTAL AFFAIRS**

**Monitoring the Use of the
Environment and Conservation Fund**

PURPOSE

This paper briefs Members about the operations of the Environment and Conservation Fund (ECF) and the monitoring arrangements.

BACKGROUND

2. The ECF is a statutory trust fund established in 1994 under the ECF Ordinance (Cap. 450) to provide funding support for educational, research and other projects and activities in relation to environmental and conservation matters. Through subsidizing projects and activities initiated by eligible non-profit-making organizations, ECF seeks to promote behavioural and lifestyle changes for protecting the environment and achieving sustainable development. Over the years, ECF funding support has empowered various partners, including established charitable organizations, youth groups, district-based non-government organizations (NGOs), schools, tertiary institutions, etc. in undertaking various environmental projects.

3. Since its establishment in 1994, the ECF has supported 4,300 projects totalling \$1,900 million. A summary of the funding schemes operated under the ECF with related funding commitment over the past 7 years is at **Appendix 1**.

4. Between 1994 and 2012, the ECF has received six funding injections totalling \$1,735 million. As a long-term commitment to environmental protection and conservation, the Administration obtained the approval of the Finance Committee of the Legislative Council on 14 June 2013 for a capital injection of \$5,000 million into the ECF, so that investment returns of the fund could provide long-term and sustained support for community green actions. Following the injection, we obtained the agreement of the Hong Kong Monetary Authority for placing the funds with them to earn an investment return that is linked to the performance of the Hong Kong Exchange Fund.

PRIORITY AREAS

5. The ECF has been providing funding to eligible environment and conservation programmes that meet emerging policy priorities and public expectations. The ECF will continue to build on its existing network of funding recipients to deepen the impacts on behavioural changes. The priority areas for projects and activities to be funded by the ECF in the few years ahead are outlined below:

- (a) Initiatives that would encourage the community to embrace waste reduction, recovery and recycling as a way of life.
- (b) Initiatives which would help induce behavioural changes at the individual and household level to reduce food waste generation; and promote good practices of food waste reduction.
- (c) Collaboration with various strategic partners, in particular, charity, youth and green groups, to promote green messages in the community through initiatives targeted at achieving energy efficiency and energy saving for combating climate change.
- (d) Environmental researches which would help develop or introduce new and innovative technologies and practices to protect our environment and conserve resources.
- (e) Research and study of air pollution and climate change with a view to enhancing our capacity to tackle the issues. Initiatives related to energy efficiency and renewable energy would also contribute to these issues.
- (f) Projects which help conserve and protect our natural environment, and promote public awareness on nature conservation.

6. To sustain efforts to facilitate a mind-set change in the general public, the ECF would continue to provide funding support for environmental education programmes, including environmental campaigns initiated by the Environmental Campaign Committee (ECC), which has been ECF's close partner in pursuing community-wide environmental programmes.

MANAGEMENT AND OPERATIONS

Management of ECF

7. The ECF has an elaborate and transparent mechanism governing the approval, deployment and monitoring of the use of ECF grants. As the trustee of the ECF, the Secretary for the Environment (SEN) is required under the ECF Ordinance to provide a report on the administration of the fund, with a copy of audited statement of accounts together with the auditor's report, for tabling before the Legislative

Council (LegCo) on an annual basis. The latest trustee report of the ECF is available at the ECF's website at <http://www.ecf.gov.hk/en/publication/index.html>.

8. Under section 7 of the ECF Ordinance, the ECF Committee has been set up to advise and assist SEN in assessing the merits of funding applications and approving allocation of fund for current funding schemes and applications. Three vetting subcommittees, viz. the Research Projects Vetting Subcommittee, Waste Reduction Projects Vetting Subcommittee, and Energy Conservation Projects Vetting Subcommittee have been established under the ECF Committee to assist in vetting applications, and in monitoring approved projects. In addition, the ECF Committee has authorized the ECC to set up an Environmental Education and Community Action Projects Vetting Sub-committee to vet funding applications and monitor approved projects on environmental campaign and community action. Applications seeking grants of over \$2 million will be considered by the ECF Committee after vetting by the relevant vetting subcommittees. The terms of reference of the ECF Committee and the various vetting subcommittees are at **Appendix 2**.

9. To ensure integrity of operation, a two-tier system for declaration of interests has been adopted by Members of the ECF Committee and the various vetting subcommittees. Under the system, each Member is required to report in writing his personal interests upon appointment or re-appointment and subsequently on a yearly basis, and to declare any conflict of interests as and when it arises, for instance, when individual applications are reviewed and assessed. A Code of Conduct setting out the guidelines and standard of integrity has been drawn up for Members' reference, which requires, inter alia, that funds are allocated in a prudent and responsible manner to safeguard public interests, and that only funding applications which fall within the objectives of the ECF should be approved.

10. A secretariat has been established under the Environmental Protection Department to provide administrative support for the ECF Committee in vetting funding applications and monitoring approved projects, including arranging for the disbursement of grants, monitoring of cash flow, and conducting projections on cash flow requirements and project funding demand.

Assessment Mechanism for Funding Applications

11. Following the capital injection of \$5,000 million into the ECF in June 2013, the Administration has, in conjunction with the ECF Committee and the various vetting subcommittees, reviewed and revised the mode of handling funding applications to strengthen the deployment of ECF and ensure that the most meritorious projects would be selected for funding support. Since early 2014, invitations for applications under each funding scheme would be called at scheduled intervals, so that the received applications could be considered on a competition basis on account of their support-worthiness and comparative merits. Generally, an application to be considered for ECF support should fulfill the following basic requirements:

- (a) the project must contribute to the overall environment of Hong Kong,

or raise environmental awareness of the local community, or mobilize the community to take action to improve the environment;

- (b) the benefits of the project must accrue to the local community as a whole, and not just to individuals, a single private organization or a consortium of private companies; and
- (c) the project must be non-profit making in nature.

12. On top of the above basic requirements, each funding scheme has a set of vetting criteria developed on the basis of the nature of projects involved, as well as the outcomes and deliverables expected to be derived from these projects. The vetting subcommittees will assess applications based on the vetting criteria, which will also take into account the past performance of project proponents in implementing ECF-supported projects, where appropriate, and select the best applications for full or partial funding support. Details of the assessment mechanism and vetting criteria are set out in the Guide to Application for the respective funding schemes, which are public documents available at the ECF website at <http://www.ecf.gov.hk/en/application/index.html>.

Control and Review Mechanism for Approved Projects

13. The ECF has a well-established monitoring system to ensure that supported projects meet funding conditions as well as their objectives and planned deliverables as set out in the project proposals approved. Regular progress reports to the ECF Secretariat are required. Payments to the project proponent are made by instalments subject to the project's satisfactory progress, including the proponent's due compliance with the ECF funding rules in implementing the project. The ECF Committee, vetting subcommittees and the Secretariat may carry out visits to examine the progress of the projects. Completion inspections may also be conducted depending on the nature of activities and works involved. Overall, a total of 2600 inspections have been conducted over the past three years. Final disbursement to the project proponent will only be made after the relevant vetting subcommittee or ECF Committee is satisfied with the completion of the project as supported by a completion report together with a duly certified statement of account. For the sake of transparency, the application procedures of various ECF funding schemes, papers and minutes of the ECF Committee and its vetting subcommittees, and essential information on approved projects have been made public at the ECF's website at <http://www.ecf.gov.hk/>.

14. The ECF has set out clear requirements in its Guide to Application and in the funding conditions to prohibit the use of ECF-funded activities as well as the related educational, promotional or other materials for any personal, political, commercial or religious publicity for any individuals or groups. When informing the applicants of the approval of their applications, the ECF Secretariat will also remind them that the use of the ECF funded projects for purposes of political, religious or commercial publicity of any individuals or organizations is prohibited. Any breach

of or non-compliance with the funding conditions may result in the suspension or termination of ECF funding support, and may affect the organization's future chance of receiving funding support. Recipient organizations have been reminded from time to time to observe the funding conditions on the use and deployment of ECF grants.

15. The ECF Committee will regularly review the funding guidelines and administrative measures on invitation of applications, assessment criteria and monitoring and reporting of funded projects, and to make suitable revisions or updating where necessary to ensure fairness and accountability on the use of funds, and to meet public expectations at all times.

ADVICE SOUGHT

16. Members are invited to note the contents of this paper for reference.

Environmental Protection Department
May 2014

Funding Schemes Operated under the Environment and Conservation Fund

<u>ECF-funded initiatives / funding schemes</u>	<u>Amount funded (\$ million)</u>						
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Environmental Campaign Committee Programmes	18.96	20.59	38.47	25.35	22.72	25.24	24.41
Environmental Education and Community Action - General Projects	0.68	1.42	7.34	6.11	23.21	5.49	7.36
Environmental Education and Community Action - Minor Works Projects	-	52.04	84.86	78.48	52.93	49.44	30.24
Nature Conservation Management Agreement Projects	6.82	0	9.63	0	14.79	19.36	0
Research, Technology Demonstration and Conference Projects	3.24	4.41	29.38	10.41	10.90	9.22	9.91
Waste Reduction and Recycling Projects	2.38	1.69	54.29	61.84	65.59	47.06	87.71
Energy Conservation Projects	-	-	84.09	232.70	132.31	150.89	38.21
Others (e.g. Public Education Programme under the "Policy Framework for the Management of Municipal Waste (2005-14), etc.)	2.95	3.63	42.25	13.24	13.45	20.83	0
Total:	35.03	83.78	350.31	428.13	335.9	327.53	197.84

Notes: Injections of \$1,000 million, \$500 million and \$5,000 million were made to ECF in January 2008, May 2011 and June 2013 respectively.

Environment and Conservation Fund Committee

Terms of Reference

- (a) To vet applications seeking funding support ^{Note} from local non-profit making organizations to undertake educational, research and other projects and activities in relation to environmental and conservation matters, as well as community waste reduction projects and to advise on their relative priorities for funding support; and
- (b) To advise the trustee on the exact amount of fund to be allocated ^{Note} for each project supported.

Note: Under the existing arrangements, the Environment and Conservation Fund Committee (ECFC) has delegated the responsibility of and authority for vetting applications seeking funding support of not exceeding \$2 million, and advising on the exact amount of fund to be allocated for each of these supported projects to its various vetting subcommittees.

Environment and Conservation Fund Committee
Research Projects Vetting Subcommittee

Terms of Reference

- (a) To vet applications seeking funding support from local non-profit making organizations (and for technology demonstration projects on waste recycling and minimization, from local companies incorporated under the Companies Ordinance) to undertake environmental research, technology demonstration and conference projects and advise on their relative priorities for funding support;
- (b) To make recommendations to the ECFC on the exact amount of fund to be allocated for each project supported where the grant is over \$2,000,000; and
- (c) To advise the trustee on the exact amount of fund to be allocated for each project supported where the grant is \$2,000,000 or below, and report back to the ECFC.

Environment and Conservation Fund Committee
Waste Reduction Projects Vetting Subcommittee

Terms of Reference

- (a) To vet applications seeking funding support from local non-profit making organizations to undertake community waste reduction projects, on-site meal portioning in schools, food waste recycling projects in housing estates and projects under the Source Separation of Waste Programme, and advise on their relative priorities for funding support;
- (b) To make recommendations to the ECFC on the exact amount of fund to be allocated for each project supported if the grant is over \$2,000,000; and
- (c) To advise the trustee on the exact amount of fund to be allocated for each project supported if the grant is less than or equal to \$2,000,000 and report back to the ECFC.

Environment and Conservation Fund Committee
Energy Conservation Projects Vetting Subcommittee

Terms of Reference

- (a) To vet applications seeking funding support from local non-profit making organizations to undertake projects to promote energy efficiency and conservation, and advise on their relative priorities for funding support;
- (b) To make recommendations to the ECFC on the exact amount of fund to be allocated for each project supported if the grant is over \$2,000,000; and
- (c) To advise the trustee on the exact amount of fund to be allocated for each project supported if the grant is \$2,000,000 or below and report back to the ECFC.

Environmental Campaign Committee
Environmental Education and Community Action (EE&CA) Projects
Vetting Subcommittee^{Note}

Terms of Reference

- (a) To vet applications seeking funding support from local non-profit making organizations to undertake environmental education and community action projects and advise on their relative priorities for funding support;
- (b) To make recommendations to the ECFC on the exact amount of fund to be allocated for each project supported if the grant is over \$2,000,000; and
- (c) To advise the trustee on the exact amount of fund to be allocated for each project supported if the grant is less than or equal to \$2,000,000 and report back to the ECFC.

Note: The ECFC has delegated the authority to process applications to the EE&CA Projects Vetting Subcommittee under the Environmental Campaign Committee.
