

**For discussion
on 28 November 2016**

**LEGISLATIVE COUNCIL
PANEL ON ENVIRONMENTAL AFFAIRS**

Implementation of the Recycling Fund

Purpose

This paper informs Members of the implementation progress and operation of the Recycling Fund (the Fund).

Background

2. The Government endeavours to support the development of a robust local recycling industry in order to increase the recovery and recycling of waste and to reduce disposal at landfills. A sustainable recycling industry is also instrumental to the successful implementation of various waste management policies as laid down in the *Hong Kong Blueprint for Sustainable Use of Resources 2013-2022* issued in May 2013.

3. In July 2015, the Finance Committee of the Legislative Council gave approval for setting up the Fund with a non-recurrent commitment of \$1 billion. The Fund aims to promote the recovery and recycling of waste by facilitating the recycling industry to upgrade its operational capabilities and efficiency for its sustainable development. The Fund was launched in October 2015 and is open for applications initially for five years. The Hong Kong Productivity Council (HKPC) has been engaged as the implementation partner and Secretariat of the Fund.

4. An Advisory Committee on Recycling Fund (RFAC) was set up in August 2015 with a term of three years to advise and make recommendations to the Secretary for the Environment on matters relating to the administration and operation of the Fund. The RFAC

comprises representatives from the community service sector, the academia as well as business and industry associations. The Government will decide to approve applications to the Fund or otherwise having full regard to the advice of the RFAC. The terms of reference and membership of RFAC are at [Annex A](#).

Implementation progress

Funding programmes and approved projects

5. Two funding programmes have been established under the Fund, namely the Enterprise Support Programme (ESP) and the Industry Support Programme (ISP) -

- (a) The ESP provides project-based matching funds for individual enterprises to upgrade and expand their waste recycling operations in Hong Kong. Grants for individual projects are set at a maximum of 50% of the approved expenditure and each project should be completed within two years. To cater for different operational circumstances of recyclers, individual enterprises will be eligible to making more than one application, subject to a cap of three applications and the cumulative funding cap of \$5 million.
- (b) The ISP provides funding support for non-profit-distributing organisations such as professional bodies, accreditation agencies, trade and industry organisations as well as education and research institutes undertaking projects to enhance the overall capability and productivity of the local recycling industry. Potential projects include programmes which aim to promote recycling technology, to upgrade occupational safety and health (OSH) standard of the industry, or to develop certification schemes for recycling operations. Grants may cover up to 100% of approved expenditure items, depending on the merits of the case, at a cap of \$15 million per project.

6. The Fund is open for applications all year round. As at 18 November 2016, the RFAC has considered 137 applications and approved 48¹ of them, comprising 41 projects under the ESP and 7 projects under the ISP. Grants approved for these 48 projects range from \$ 90,000 to \$14 million, involving a total of around \$54 million (**Annex B**). As at 18 November 2016, 38 successful applicants have accepted the terms of grants (**Annex C**).

7. The applications approved under the ESP involve projects handling different types of recyclables, including plastics, metals, paper, electrical and electronic equipment, food waste, cooking oil, used furniture, tyres, expanded polystyrene and wood (**Annex D**). Grants approved for individual ESP projects range from \$ 90,000 to \$ 3 million. Some successful applicants plan to make use of the grants to expand their collection network to cover a larger amount of low-value recyclables, while others plan to expand their businesses to collect recyclables they do not previously cover. Also, some propose to introduce new technologies in the recycling operations, upgrade the processing of recyclables to produce raw materials with higher economic value, obtain accreditation for its recycling operation, enhance OSH standard of its operation as well as to conduct OSH audits.

8. Grants approved for individual ISP projects range from \$0.4 million to \$14 million. The approved ISP projects aim to develop practice notes and guidelines for recycling operations, provide training courses for the practitioners in the industry and formulate registration systems for recyclable collectors. There is also an ISP project which aims to improve the industry's OSH standard. Recyclers attaining the required OSH standards may enjoy a premium discount when purchasing employee's compensation insurance policy provided by the Employees' Compensation Insurance Residual Scheme Bureau.

Publicity

9. The EPD and the Secretariat have stepped up efforts to promote the Fund and to engage recyclers and prospective applicants with a view

¹ Successful applicants will be given a certain period to accept the terms and conditions and undertake necessary actions to fulfill the approval conditions.

to enhancing their understanding of objectives of the Fund as well as the application criteria and procedures. A dedicated website has been set up to provide comprehensive information of the Fund. It also serves as a resource center for disseminating the latest news including the results of applications, relevant events and activities as well as other useful information related to the recycling industry. Besides, the Secretariat has organised hitherto 14 briefings and seminars, which were attended by over 900 representatives from recycling industry and relevant stakeholders. In parallel, the Secretariat has been actively participating in forums or seminars of different sectors to keep relevant stakeholders abreast of the Fund. The Secretariat has also set up a dedicated hotline to assist recyclers to better understand the Fund and to make applications in accordance with the procedures. We will continue with our work to promote the Fund and engage relevant stakeholders in better utilizing the Fund for enhancing the overall capability and efficiency of the recycling industry.

Project monitoring

10. We have put in place a robust monitoring mechanism to guard against the risk of abuse and to ensure public funds are put to good use. For each approved project, the applicant concerned is required to enter into an agreement with the Government, which sets out detailed terms and conditions governing the use of the grants and the necessary procedures (e.g. procurement procedures) to be followed in the course of implementing the project. Periodic progress reports and audited accounts prepared by independent auditors are also required. Reimbursements will be made by phases upon satisfaction of milestones as stated in the signed agreement by successful applicants, such as submission of the required progress reports and audited accounts.

11. As a pre-requisite for reimbursements, successful applicants should demonstrate that they have processed an additional amount of recyclables using the Fund, and the deliverables and targets should be verified by independent professionals. In this regard, we have promulgated practical guidelines for reference by the applicants and independent professionals, and have organized briefing sessions for them. On-site spot checks and random inspections will be conducted by the

Secretariat to verify records and validate the deliverables and targets as reported from time to time.

Facilitation measures

12. The Fund attaches great importance to facilitating the development of small and medium enterprises (SMEs), which constitute over 95% of some 1 800 companies in the recycling industry. Measures have been taken to facilitate SMEs to apply for the Fund and to make good use of the available resources. Firstly, to minimise the administrative workload of the SMEs in making applications, a new category of Small-scale Standard Projects (SSP) has been established under the ESP. SMEs undertaking SSP may submit applications, report achievements and seek reimbursements in accordance with a set of streamlined rules and procedures. Besides, as some SMEs have encountered difficulties in opening a designated project bank account (which is one of the general grant conditions), the RFAC has already waived such condition for SSPs, provided that no up-front payment is required and reimbursements will only be made after the relevant milestones have been achieved.

13. Since the launch of the Fund in October 2015, the RFAC and we have kept under review the operational experience of the Fund in light of the market conditions as well as the views of applicants and stakeholders. The RFAC and we, together with the Secretariat, have been exploring the need for and feasibility of introducing further measures to facilitate the industry to make use of the Fund to address its needs and to attract more applications which are worthy of support. The RFAC has recently approved the introduction of further facilitation measures including the following –

- (a) to overcome the cash flow crunch of applicants of SSP projects (which are mostly SMEs), we will provide partial reimbursement of expenses of an SSP project midway through the project period (generally lasts no longer than 12 months) upon meeting significant milestones, instead of full reimbursement upon completion of the project to RFAC's satisfaction;

- (b) another category of SSP will be created to facilitate recyclers to procure general equipment for efficiency upgrading (e.g. storage racks, lifting equipment) or for minimising nuisances caused to the neighbourhood (e.g. noise shields, dust screens) and this new category does not require processing of additional quantity of recyclables; and
- (c) to encourage recyclers to undertake new recycling business, the rental expenses relevant to the additional throughput under a proposed project, subject to a cap set at a certain percentage of the total project cost, will become one of the fundable items.

14. The EPD and the Secretariat will continue to closely engage RFAC and the stakeholders in drawing up implementation details for the above new measures with a view to rolling them out as soon as practicable.

Advice sought

15. Members are invited to note and give views on the implementation progress and operation of the Fund.

Environmental Protection Department
November 2016

Advisory Committee on Recycling Fund

Terms of Reference

To advise the Secretary for the Environment on –

- (a) matters relating to the overall administration of the Recycling Fund (the Fund), including publicity and promotion, consultation and engagement of stakeholders, application and assessment arrangements, monitoring mechanism, consideration of plans, budgets and reports prepared by the Secretariat of the Recycling Fund, and evaluation of the effectiveness of the Fund;
- (b) matters relating to the operation of the Fund –
 - (i) application guidelines and procedures, assessment and funding criteria, safeguard and control mechanisms;
 - (ii) assessment of applications, terms and conditions to be imposed for each application recommended for approval by the Government and the amount of fund to be granted;
 - (iii) monitoring on progress of approved projects, project results and disbursement of funds; and
 - (iv) advising appropriate actions to be taken against non-compliance of approved projects; and
- (c) any other matters related to the Fund.

Membership

Chairperson: Mr Jimmy Kwok

Members

Ms Carmen Chan

Mr Choi Kam-wah

Mr Richard Chow

Ms Jessica Jook

Mr Mark Lin

Professor Irene Lo

Professor Poon Chi-sun

Mr Yeung Man-yui

Mr Yip Hing-kwok

Mr Edward Chan

(Representative of the Business Environment Council)

Mr Andrew Chan

(Representative of the Hong Kong Chinese Importers' & Exporters' Association)

Mr Chan Wing-hong

(Representative of the Hong Kong General Chamber of Commerce)

Mr Daniel Cheng

(Representative of the Federation of Hong Kong Industries)

Mr Teddy Cheung

(Representative of the Hong Kong Association of Property Management Companies)

Mr Marvin Hsu

(Representative of the Chinese Manufacturers' Association of Hong Kong)

Dr Raymond Leung

(Representative of the Chinese General Chamber of Commerce)

Since 1 August 2015 (Term: Three years)

Annex B

**Approved Funding Amount for Enterprise Support Programme
(ESP) (including Small-scale Standard Projects (SSP))
(as at 18 November 2016)**

Amount (HK\$)	No. of Approved Projects
≤ 150,000	25
>150,000 - 1,000,000	5
>1,000,000 - 2,000,000	7
>2,000,000 - 3,000,000	3
>3,000,000 - 5,000,000	1
Total	41

**Approved Funding Amount for Industry Support Programme (ISP)
(as at 18 November 2016)**

Amount (HK\$)	No. of Approved Projects
≤ 500,000	1
>500,000 - 2,000,000	2
>2,000,000 - 5,000,000	3
>5,000,000 - 15,000,000	1
Total	7

Annex C

Successful Applicants which Accepted the Fund's Offer

Enterprise Support Programme (including Small-scale Standard Projects)

Successful Applicants	Project	Approximate Approved Amount
Champway Technology Limited	To collect more used cooking oil and to adopt a low cost heating system for processing.	\$ 1,100,000
Champway Technology Limited	To recover organic oil from concentrated fat arising from grease trap waste facility.	\$ 670,000
Cheuk Kit Environmental Recycle Limited	To collect waste plastic bottles from community for recycling.	\$ 91,000
ECO Oil Company Limited	To enhance the collection and export of used cooking oil to biodiesel producers.	\$ 2,500,000
Fat Kee Environmental Recycling Company Ltd	To collect waste plastic bottles from community for recycling.	\$ 91,000
Forest Hill Co	To enhance the collection and treatment of waste plastics and small waste electrical appliances for recycling.	\$ 3,100,000
Hau Tak Wasted Paper Company	To collect waste plastic bottles from community for recycling.	\$ 110,000
Hip Wa Environmental Recycling Company	To enhance the collection of waste paper and metals from community for recycling.	\$ 830,000

K&S Enterprise Company Limited	To collect waste plastic bottles from community for recycling.	\$ 110,000
Kam Wing Electronics Metal Co	To collect waste plastic bottles from community for recycling.	\$ 91,000
Kim's Recycling Metal Limited	To enhance the collection of aluminium scraps for recycling.	\$ 1,200,000
Kwan Tai Metal Recycle Company	To enhance the treatment of waste small household appliances collected from housing estates.	\$ 100,000
Lau Choi Kee Papers Company Limited	To collect and treat waste plastic bags into Polyethylene (PE) pellets.	\$ 2,400,000
Leung Fai Kee Waste Paper Co	To collect waste plastic bottles from community for recycling.	\$ 91,000
Lok Sze Recycling Co	To collect waste plastic bottles from community for recycling.	\$ 91,000
M. Y. Hong International Limited	To enhance the collection and treatment of waste truck tyres for producing retreaded tyres for sales.	\$ 1,250,000
Nan Sing Warehouse Ltd	To enhance the collection and treatment of waste plastic films and bags into plastic pellets.	\$ 150,000
Ngau Kee	To collect waste plastic bottles from community for recycling.	\$ 91,000
Peace & Cooperation Resource Recycle Limited	To enhance collection and treatment of unused or unserviceable furniture for reuse and recycling.	\$ 1,100,000
P L Environmental Limited	To join certification schemes in recycling operation and occupational safety and health (OSH) management and conduct OSH audits.	\$ 120,000

Rainbow Ecoactivist Engineering Service Co	To enhance the collection and treatment of small waste electrical and kitchen appliances and furniture from the community for recycling.	\$ 2,000,000
Shek Lun Waste Paper	To collect waste plastic bottles from community for recycling.	\$ 91,000
Shun Fat Recycling Company	To collect waste plastic bottles from community for recycling.	\$ 91,000
Success Grand Environmental Limited	To enhance the collection and treatment of waste Expanded Polystyrene (EPS) into recycled polystyrene.	\$ 880,000
Tat Long Environmental Company Limited	To collect waste plastic bottles from communities for recycling.	\$ 110,000
Tim Kee Company	To collect waste plastic bottles from community for recycling.	\$ 110,000
Top Step Development Ltd	To enhance the collection and treatment of starch food waste for production of animal feed.	\$ 1,600,000
Wing On Metal Recycling Limited	To enhance the recovery of waste ferrous metal, non-ferrous metal and paper from mixed waste.	\$ 2,700,000
財記環保回收公司 (Chinese name only)	To enhance the collection of waste cooking oil (WCO) and oil cans.	\$ 520,000
發記環保回收公司 (Chinese name only)	To collect waste plastic bottles from community for recycling.	\$ 91,000
龍記五金貿易 (Chinese name only)	To collect waste plastic bottles from community for recycling.	\$ 91,000

Industry Support Programme (ISP)

Successful Applicants	Project	Approximate Approved Amount
Green Technology Consortium Limited	To implement an integrated programme to promote advanced technology and improved operation method for local recycling industry.	\$ 3,000,000
Hong Kong Environmental Protection and Recycle Industry Sustainable Development Association Limited	To develop an online platform for recyclers to share market information and to enhance their operational capability and efficiency.	\$ 4,000,000
Hong Kong Quality Assurance Agency	To develop the practice note for recycling of food waste, waste cooking oil, waste textile, waste rubber tyres and waste wood and to provide training to local recycling industry.	\$ 2,200,000
Hong Kong Quality Assurance Agency	To develop and implement a registration scheme to enhance the operation of food waste recycling.	\$1,730,000
Occupational Safety and Health Council	To develop and implement a scheme to improve OSH standard of the recycling industry.	\$ 14,000,000
Sino-forest Applied Research Centre for Pearl River Delta Environment, Hong Kong Baptist University	To develop operational guidelines for recycling of waste papers, waste glass, waste plastics and waste metals, organise recyclers' forum, etc.	\$ 1,900,000

Successful Applicants	Project	Approximate Approved Amount
Vocational Training Council	To develop and conduct an accredited training course for the practitioners in the recycling industry.	\$ 410,000

(The list is arranged in alphabetical order of the applicants' names.)

Annex D

Types of Recyclable Processed by Approved Projects under Enterprise Support Programme (ESP) including Small-scale Standard Projects (SSP) (as at 18 November 2016)

Recyclable Type	No. of Approved Projects
Plastics	26 (52%)
Food waste or waste cooking oil	6 (12%)
Metals	6 (12%)
Paper	4 (8%)
Waste Electrical and Electronic Equipment (WEEE)	3 (6%)
Used furniture	2 (4%)
Tyres	1 (2%)
Expanded polystyrene	1 (2%)
Wood	1 (2%)

Note: Some successful applicants handle more than one type of recyclables in the funded projects. In addition, one successful SSP applicant will only use the Fund to obtain the accreditation of its recycling operation and OSH management as well as to conduct OSH audit. This successful application is not included in the above table.