

立法會
Legislative Council

LC Paper No. CB(1)922/18-19(04)

Ref. : CB1/PL/EA

Panel on Environmental Affairs

Meeting on 29 April 2019

**Updated background brief on the Recycling Fund
prepared by the Legislative Council Secretariat**

Purpose

This paper provides updated background information on the Recycling Fund. It also gives a brief account of the views and concerns expressed by Members when related issues were discussed by the relevant committees of the Legislative Council.

Background

Recycling Fund

Establishment and objectives

2. To support the sustainable development of a robust local recycling industry, the Chief Executive announced in the 2014 Policy Address that \$1 billion had been embarked for the establishment of a Recycling Fund. The relevant funding proposal was approved by the Finance Committee in July 2015. The Recycling Fund was subsequently launched in October 2015 and is open for applications initially for five years. With the objective of facilitating the upgrading of the operational capabilities and efficiency of the recycling industry, the Recycling Fund aims to support projects which can:

- (a) raise the quantity and quality of recyclables recovered from the waste stream as well as those of recycled products from their treatment;

- (b) promote markets for recycled products; and
- (c) enhance the overall capability, capacity, efficiency and skills as well as market information of the recycling industry.

Programmes of the Recycling Fund

3. The Recycling Fund comprises two parts, namely the Enterprise Support Programme ("ESP") and the Industry Support Programme. ESP provides project-based matching funds for individual enterprises to upgrade and expand their waste recycling operations in Hong Kong.¹ Grants for individual projects are set at a maximum of 50% of the approved expenditure and each project should be completed within two years. Individual enterprises are eligible to make more than one application, subject to a cap of three applications and the cumulative funding cap of \$5 million. To minimize the administrative workload of small and medium-sized enterprises ("SMEs") in making applications, a category of "Standard Projects" is established under ESP.

4. The Industry Support Programme provides funding support for non-profit-distributing organizations such as professional bodies, accreditation agencies, trade and industry organizations as well as education and research institutes undertaking projects to enhance the overall capability and productivity of the local recycling industry. Grants may cover up to 100% of approved expenditure items, subject to a cap of \$15 million per project.

Administration and monitoring of the Recycling Fund

5. An Advisory Committee on Recycling Fund ("RFAC") was set up in August 2015 to advise and make recommendations to the Secretary for the Environment on matters relating to the administration and operation of the Recycling Fund,² as well as give advice to the Government for its consideration and approval of funding applications. The Hong Kong Productivity Council

¹ ESP is open to any company with a valid business registration certificate established and registered under the laws of Hong Kong. The company should have substantive business operation in Hong Kong and be involved in recycling-related operation with a proven track record for at least one year.

² RFAC comprises experts, academics and people with experience in business management and community service, as well as representatives from various business and industry associations. Representatives of relevant government bureaux and departments including the Environmental Protection Department, the Food and Environmental Hygiene Department, the Labour Department, the Home Affairs Department and the Trade and Industry Department will also be invited to attend meetings for discussion as and when required.

("HKPC") is engaged as the implementation partner and Secretariat of the Recycling Fund ("the Fund Secretariat").³ As at end-January 2019, RFAC has approved 175 funding applications, involving a total funding of about \$135 million.

6. To ensure the prudent use of public money, successful applicants are required to enter into contractual agreements with the Government which lay down detailed conditions for grants under the Recycling Fund, terms for purchases and disposal of capital assets, as well as recall of payments and/or assets in the event of unsatisfactory project performance, etc. Grantees are required to submit periodic progress reports, audited accounts prepared by independent auditors, project completion reports and final audited reports. They also need to report on a regular basis relevant benchmarks, such as the increase in tonnage of recyclables treated. On-site spot checks and random inspections are conducted by HKPC to verify records and validate the deliverables and targets as reported by the grantees. Disbursements will only be made at designated stages of the approved projects after review of satisfactory performance. The Fund Secretariat needs to regularly submit independently-audited accounts and progress reports on the operation of the Fund to RFAC.

Mid-term review

7. The Environmental Protection Department ("EPD") commenced a mid-term review of the Recycling Fund in 2018. Following completion of the initial phase of the review, RFAC announced on 17 January 2019 a series of enhancement measures under the Fund to further support the recycling industry, such as increasing maximum upfront payment amount during the early phase of approved projects under the Fund, providing rental subsidy to encourage recyclers to relocate their existing operations to more appropriate venues, and streamlining the workflow to expedite payment of approved funding to grantees of Standard Projects.

³ The costs for HKPC to set up a dedicated team for programme management, technical evaluation and project monitoring of the Recycling Fund was \$84.1 million (i.e. about 8.4% of the Fund size). Separately, \$15.8 million was disbursed from the Fund to HKPC for publicity and promotional activities, as well as conducting related periodic market development and technological studies. HKPC will provide an in-kind contribution of \$18.9 million in terms of professional manpower support to supervise, monitor and review the work of the Secretariat, venue rentals and other ancillary technical and support services.

Major views and concerns expressed by Members

8. On 28 November 2016, the Administration briefed the Panel on Environmental Affairs ("EA Panel") on the implementation progress and operation of the Recycling Fund. Members also raised questions relating to the operation and effectiveness of the Fund during policy briefings on initiatives related to environmental protection and examination of Estimates of Expenditure in recent years. The major views and concerns expressed by Members are summarized in the ensuing paragraphs.

Administrative fees payable to the Secretariat of the Recycling Fund

9. Members noted that as at February 2018, the expenditure incurred by the Fund Secretariat (i.e. HKPC) for processing applications of the Recycling Fund, monitoring the progress of the projects and conducting compliance checks amounted to as much as \$13 million. They urged the Administration to review whether the expenditure level was on the high side and whether the secretariat services for the Recycling Fund could be provided by the Administration in-house instead.

10. The Administration advised that so far the expenditure of the Fund Secretariat was within reasonable range, taking into account expenses for setting up the Recycling Fund, and for providing secretariat services for the Fund. As the Fund Secretariat had to be conversant with the operation of the recycling industry and possessed a well-established network among the recycling trade, HKPC was considered more professionally qualified than other organizations. The Administration had no plan at this stage to change the arrangement of engaging HKPC as implementation partner and the Fund Secretariat.

Application procedures

11. Members were concerned about the complicated application procedures of the Recycling Fund, the long time required for processing applications, and the administrative burden on applicants. Members urged the Administration to streamline the application procedures and provide appropriate assistance to applicants, in particular SMEs.

12. The Administration advised that EPD and RFAC had been in close dialogues with the recycling sector to continuously optimize the operation of the Recycling Fund. A number of facilitation measures had been implemented including the provision of initial grant payments to approved projects before their launch, setting up a category of "Standard Projects" under ESP to help SMEs procure equipment, hardware and machinery, and provision of reimbursement midway through the project period. The measures were

expected to help relieve the administrative workload of SMEs when making applications.

Effectiveness of the Recycling Fund

13. Members criticized that the recovery rates of plastics, papers and food waste had not shown any marked improvement after the Recycling Fund had been launched. They asked the Administration to introduce measures to boost the recovery rates.

14. The Administration advised that they would continue to strengthen support on various fronts to enhance the operation of the recycling chain. Regarding waste plastics, the Administration had commenced a consultancy study on how to introduce a producer responsibility scheme for suitable plastic containers so as to strengthen recycling support at the community. As for recycling of waste papers, sites in the EcoPark and berths in public cargo working areas were available for bidding and use by the recycling sector under short-term tenancy. On recycling of food waste, a "Food Waste/Sewage Sludge Anaerobic Co-digestion Trial Scheme" would be implemented in 2019 to help raise Hong Kong's overall food waste treatment capability.

Support to the recycling industry

15. Members commented that the approved funding for some projects was grossly insufficient (i.e. less than \$10,000 in some cases) for the grantees to achieve the targets and deliverables of the projects. There was also a suggestion that the Administration should consider providing price subsidy to recyclers with reference to the international market prices of designated recyclables.

16. The Administration advised that recyclers were of varied scales. The relatively small amounts of funding for certain projects were proportionate to their actual business situations. The Administration stressed that it was important to strike a balance between assisting the recycling industry and ensuring prudent use of public money. Besides, it was not an objective of the Recycling Fund to directly subsidize individual recycling business as this would not incentivize the recyclers to improve their mode of operation.

17. Members asked if the Administration would consider establishing a credible and independent organization to promote the development and industrialization of environmental protection technologies. The Administration responded that HKPC conducted periodic technological studies on matters relating to the recycling industry, and would share the study findings with the industry, as appropriate, on new technologies that could enhance the trade's operation.

Recycling outlets

18. As the Mainland was progressively tightening its requirements on the import of recyclables, Members enquired about the Administration's efforts to assist the recycling industry and its initiatives to boost the local demand for recycled products.

19. The Administration advised that they had taken multiple initiatives to facilitate the development and growth of the market of products made from local recyclables, including seeking more diversified and stable outlets for the recyclables. Besides, long-term affordable land and associated communal facilities were available in the EcoPark to encourage investment in recycling processes, and recyclers were encouraged to make use of the Recycling Fund to promote their recycled products made from locally generated waste.

20. The Administration emphasized that they had maintained close contact with the Mainland as well as the recycling industry to understand the tightened requirements imposed by the Mainland on the import of recyclables. Through funding support from the Recycling Fund, the recycling industry was encouraged to upgrade their operational capabilities and efficiency, so as to better adapt to the tightened requirements. For instance, the Recycling Fund announced in September 2017 that \$20 million had been earmarked to expand the list of fundable items under "Standard Projects" to help upgrade the recyclers' ability in turning waste plastics into plastic products or raw materials as well as in processing waste papers.

Council questions

21. At the Council meetings of 21 June 2017, 25 October 2017 and 30 May 2018, Ir Dr Hon LO Wai-kwok, Hon Kenneth LEUNG, Hon Martin LIAO and Hon CHAN Hak-kan raised questions relating to the Recycling Fund. The questions and the Administration's replies are hyperlinked in the **Appendix**.

Recent development

22. At the meeting on 29 April 2019, the Administration will brief EA Panel on the findings and recommendations of the mid-term review of the Recycling Fund.

Relevant papers

23. A list of relevant papers is set out in the **Appendix**.

Council Business Division 1
Legislative Council Secretariat
25 April 2019

The Recycling Fund

List of relevant papers

Date of meeting	Event	Paper
17 July 2015	Meetings of the Finance Committee ("FC")	<p>Administration's paper on "Recycling Fund" (FCR(2015-16)25)</p> <p>Minutes of meetings (LC Paper No. FC65/15-16) (LC Paper No. FC66/15-16)</p> <p>Administration's follow-up paper (LC Paper No. FC248/14-15(01))</p>
25 January 2016	Policy briefing cum meeting of the Panel on Environmental Affairs ("EA Panel")	<p>Administration's paper on "2016 Policy Address – Policy initiatives of Environment Bureau: Environmental protection" (LC Paper No. CB(1)459/15-16(03))</p> <p>Minutes of meeting (LC Paper No. CB(1)739/15-16)</p>
28 November 2016	Meeting of EA Panel	<p>Administration's paper on "Implementation of the Recycling Fund" (LC Paper No. CB(1)158/16-17(04))</p> <p>Administration's follow-up paper (LC Paper No. CB(1)393/16-17(02))</p> <p>Minutes of meeting (LC Paper No. CB(1)369/16-17)</p>
23 January 2017	Policy briefing cum meeting of EA Panel	<p>Administration's paper on "2017 Policy Address – Policy initiatives of Environment Bureau: Environmental protection" (LC Paper No. CB(1)451/16-17(01))</p> <p>Minutes of meeting (LC Paper No. CB(1)683/16-17)</p>

Date of meeting	Event	Paper
5 April 2017	Special meeting of FC for examination of Estimates of Expenditure 2017-2018	Written questions raised by Members and Administration's replies (Reply serial numbers: ENB044, 069 and 083)
30 October 2017	Policy briefing cum meeting of EA Panel	Administration's paper on "2017 Policy Address – Policy initiatives of Environment Bureau: Environmental protection" (LC Paper No. CB(1)75/17-18(01)) Minutes of meeting (LC Paper No. CB(1)399/17-18)
17 April 2018	Special meeting of FC for examination of Estimates of Expenditure 2018-2019	Written questions raised by Members and Administration's replies (Reply serial numbers: ENB098, 112 and 128)
22 October 2018	Policy briefing cum meeting of EA Panel	Administration's paper on "2018 Policy Address – Policy initiatives of Environment Bureau: Environmental protection" (LC Paper No. CB(1)10/18-19(01)) Minutes of meeting (LC Paper No. CB(1)276/18-19)

Letter from Member

Letter dated 8 June 2018 from Hon CHAN Hak-kan to EA Panel Chairman appealing for discussion of review of the Recycling Fund (Chinese version only)	(LC Paper No. CB(1)1105/17-18(01))
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Hyperlinks to relevant Council questions:

Date	Council Question
21 June 2017	Press release on Council question (oral) raised by Ir Dr Hon LO Wai-kwok
25 October 2017	Press release on Council question (oral) raised by Hon Kenneth LEUNG
25 October 2017	Press release on Council question (written) raised by Hon Martin LIAO Cheung-kong
30 May 2018	Press release on Council question (oral) raised by Hon CHAN Hak-kan