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Implementation of the Recycling Fund

PURPOSE

This paper aims to inform Members on the implementation of the Recycling Fund which was launched on 6 October 2015.

BACKGROUND

2. In support of the sustainable development of the recycling industry, the Chief Executive announced in his 2014 Policy Address that \$1 billion had been earmarked for setting up a Recycling Fund. Funding approval was given by the Legislative Council Finance Committee in July 2015. The Recycling Fund (the Fund) was officially launched on 6 October 2015 and is open for applications initially for 5 years.

3. The primary objective of establishing the Fund is to promote the recovery and recycling of waste by facilitating the upgrading of the operational capabilities and efficiency of the recycling industry for sustainable development in order to achieve the policy objectives of waste reduction in Hong Kong as pledged in the “*Hong Kong Blueprint for Sustainable Use of Resources 2013-2022*” (the Blueprint) published in 2013 and to address some of the constraints in the recycling industry. Specifically, the 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, thus reducing disposal at our landfills;

- (b) promote markets for recycled products, thus providing greater impetus to local landfill diversion; and
- (c) enhance the overall capability, capacity, efficiency and skills as well as market information of the recycling industry, thus facilitating its sustainable development.

4. The Fund is expected to bring about the following benefits –

- (a) increase the quantity and quality of recyclables recovered from the waste stream, thus reducing disposal at our landfills;
- (b) drive investment in the standards and treatment capacity of recycling facilities, including, equipment and installations as well as development in technical capabilities, enabling recyclers to upgrade their operations and undertake value-adding processes;
- (c) promote market viability of recycled products to increase outlets for locally processed recyclables, thus incentivising investments in the industry;
- (d) facilitate sustainable development of the recycling industry by providing support to enhance the upgrading of the capacity and capabilities of recyclers as appropriate and where justified; and
- (e) develop a recycling industry with increased capabilities enabling more effective recovery and recycling of waste, thereby contributing to the Government's policy objective of waste reduction as pledged in the Blueprint.

5. Appointed by the Secretary for the Environment, members of the Advisory Committee on Recycling Fund (RFAC) will advise and make recommendations to the Government on matters relating to the overall administration and operation of the Fund. The committee comprises experts, academics and people with experience in business management and community service, as well as representatives from various business and industry associations. The appointments of the committee members are for a term of three years from 1 August 2015. The Hong Kong Productivity Council (HKPC) has been engaged as the implementation

partner and Secretariat of the Recycling Fund. While the Fund will receive applications all year round, the cut-off date for the first batch of applications is set on 30 November 2015 for review by the RFAC.

OPERATION OF THE FUND

Scope of the Fund

6. The Recycling Fund is mainly consisted of two parts, namely the Enterprise Support Programme (ESP) and the Industry Support Programme (ISP) to support individual enterprises and non-profit distribution organisations respectively. Major framework of the Recycling Fund is summarised below:

	Enterprise Support Programme (ESP)	Industry Support Programme (ISP)
Scope	<ul style="list-style-type: none"> ● To assist individual enterprises to undertake project that could increase waste reduction and recovery and so reduce the waste disposal burden on Hong Kong. 	<ul style="list-style-type: none"> ● To support non-profit distributing organisations (NPOs) to undertake projects which can assist the local recycling industry to enhance the overall capability, capacity, efficiency and skills.
Eligibility	<ul style="list-style-type: none"> ● Enterprises with a valid business registration certificate established and registered under the laws of Hong Kong, which has substantive business operations in Hong Kong ● Enterprises should have been involved in recycling related operation with a proven track record for at least 1 year before submitting an application to the Recycling Fund unless exceptionally strong justifications are provided. 	<ul style="list-style-type: none"> ● Non-profit-distributing organizations such as professional bodies, trade and industry organisations, research institutes or other industrial support organisations, which shall either be statutory organisations or organisations registered under the laws of the Hong Kong which are capable of conducting training and development projects for the good of the recycling industry as a whole.

	Enterprise Support Programme (ESP)	Industry Support Programme (ISP)
Funding principle	<ul style="list-style-type: none"> ● Project-based matching funds, with funding support generally up to 50% of the approved expenditure items and capped at \$5 million per enterprise. Funding support will be granted to each enterprise for a maximum of three approved projects and the cumulative funding ceiling per enterprise remains at \$5 million. ● The funding support is on project basis with a maximum project period of two years. 	<ul style="list-style-type: none"> ● Funding may cover up to 100% of approved expenditure items depending on the merits of the case. The amount of funding will be capped at \$15 million per project which may cover the costs of manpower and consumables, etc.
	<ul style="list-style-type: none"> ● There is no mechanism to recoup the Government's contribution from the net income generated from projects with commercial elements. This is to provide greater encouragement to individual enterprises and non-profit distributing organisations to invest in projects meeting the goals of the Recycling Fund. This arrangement also aligns with the goal of the Recycling Fund to help the recycling industry become sustainable through a funding support on a one-off basis. ● The Fund will not consider any proposed project that has been funded or will be funded by other Government sources, or if there is/will be any duplication in terms of the work carried out by other institutions/applicants of Government funds. 	
Application period	<ul style="list-style-type: none"> ● Open for application initially for five years, subject to the funding balance and periodic review. 	
Monitoring mechanism	<ul style="list-style-type: none"> ● Successful applicants are required to sign a funding agreement with the Government which will lay down detailed conditions for the grants, 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. ● Periodic progress reports and audited accounts prepared by independent auditors will be required, as well as project completion 	

	Enterprise Support Programme (ESP)	Industry Support Programme (ISP)
	<p>reports and final audited reports.</p> <ul style="list-style-type: none"> ● The Secretariat will conduct on-site checking, including random, surprise and routine inspections, to verify records, documents, any other evidence submitted, and/or interviewing other parties connected with the application so as to validate the stated baseline quantity, deliverables and targets as reported by the successful applicants on a case-by-case basis. ● Disbursement of funding to successful applicants will only be made on a milestone basis after the review of periodic reports (progress reports, audited accounts, etc.) and satisfactory performance during on-site inspection. ● The final payment will only be disbursed upon satisfactory completion of the project and acceptance of all reports submitted. 	

7. EPD and HKPC have extensively engaged the recycling trade and associated industry practitioners to deepen our understanding of the local recycling landscape. Based on the information collected, a profile of the local recycling industry is compiled with key features shown as follows:

- (a) Around 2 000 companies/organisations are involved in recycling operations in Hong Kong currently;
- (b) These companies/organisations are engaged in various types of recycling activities in the following categories-

Recycling business	Estimated number of companies / organisations ^[1]
Collection of recyclables	1 500
Recycling and processing of recyclables	1 100
Trading of recyclables	700

¹ Some companies / organisations are involved in multiple recycling activities.

(c) More than 95% of the companies are Small and Medium-sized Enterprises (SMEs) with less than 50 employees;

(d) The most common types of recyclables handled/treated include paper, metal, plastics, computer product, electrical appliances, textile, food waste, wood, rubber tire, glass, construction waste, etc.

8. In order to provide targeted assistance to facilitate SMEs to upgrade their operation and enhance their capability under the ESP, applications for certain small projects can be made under the Small-Scale Standard Projects (SSP) in shorter timeframe, through streamlined procedures and fewer document submissions. The features of the SSP are highlighted below –

Small-scale Standard Projects (SSP)	
Types	<p>There are initially four types of projects: -</p> <ul style="list-style-type: none"> (a) Attending training courses to upgrade the skills of employees and /or enhance the occupational safety and health standards and productivity of enterprises; (b) Joining accreditation/registration schemes to enhance the capability, capacity, efficiency or skills of enterprises; (c) Improving occupational safety and health standards through conducting safety and health audits or carrying out measure(s) as specified in the safety and health audit of enterprises; and (d) Enhancing processing and collection of recyclables and upgrading of the operation through procurement of small-scale equipment/hardware.
Funding amount and principles	<ul style="list-style-type: none"> ● The funding ceiling for each SSP application is HK\$150,000 or 50% of the approved total project expenditure, whichever is the less. ● The cumulative funding ceiling and maximum number of approved projects per enterprise under ESP also apply to SSP. ● Each SSP should be completed within 12 months.
Monitoring mechanism	<ul style="list-style-type: none"> ● Project completion reports and final audited reports by independent auditors will be required.

Small-scale Standard Projects (SSP)	
	<ul style="list-style-type: none"> ● Disbursement of funds will be made in full to the successful applicant on a reimbursement basis upon satisfactory completion of the project and acceptance of all reports submitted.

Control and review of the Fund

9. HKPC is required to work out annual implementation plans and budgets for prior approval by EPD. The manpower arrangements and activities in relation to publicity and/or promotion, administration of the Fund will be reviewed and suitably adjusted as necessary having regard to the workload, status of the Fund and prevailing market conditions.

10. HKPC will submit quarterly programme reports to the RFAC for scrutiny and endorsement. The reports will cover the implementation progress, problems encountered, remedial measures taken to tackle problems, cash flow position, resource allocation and the interim findings and evaluation of the Fund. In evaluating the effectiveness of the Fund, a number of objective criteria such as promotional activities organised and number of projects processed and approved will be adopted.

11. Beside quarterly programme reports, HKPC will also submit an Annual Report each year which would include annual audited accounts for the operation of the Fund by an independent auditor.

12. For the sake of transparency, application procedures and assessment criteria of the Fund and key information on funded projects will be made available for access by the public.

Publicity of the Fund

13. We have set up a dedicated hotline (Tel: 2788 5658) and a dedicated website (url address: www.recyclingfund.hk) to facilitate recyclers to better understand the scope of the Fund and provide assistance for recyclers in the application process. HKPC has also formed a dedicated team to provide assistance for recyclers in the application process and to organise a series of education, publicity and promotion programmes to outreach to the stakeholders with the aim to enhance the exchange and transfer of relevant knowledge and skills among the

recycling industry and to promote the Fund.

CONSULTATION WITH STAKEHOLDERS

14. We have conducted several engagement sessions between April and August 2015 to gauge the industry's views on the Fund. These sessions were attended by more than 200 participants from various sub-sectors of the recycling industry including trade associations, collectors, recyclers, non-profit organisations, etc. We will continue to engage with the trade in order to gather their views on the scope and operational framework of the Fund.

15. We have also organised visits to recyclers for the RFAC in August 2015 to allow exchange and interaction between RFAC and the trade so as to enhance RFAC's understanding of the current situation of the recycling industry. We will continue to maintain close communication with the recycling industry and relevant stakeholders to address their needs and keep abreast of market development and public expectation on the implementation of the Recycling Fund.

CONCLUSION

16. Members are invited to note the implementation arrangements for the Recycling Fund as set out above.

Environmental Protection Department
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