

ECF Paper 37/2012-13
For discussion

Environment and Conservation Fund

**Enhanced Framework for Dealing with
Nature Conservation Management Agreement Applications**

Purpose

This paper invites Members' advice on the proposed improvements to the current vetting mechanism in dealing with applications under Nature Conservation Management Agreement (MA) scheme. The suggested changes aim to improve the transparency and accountability of the vetting mechanism, and to provide clearer guidance on the vetting of MA applications with reference to the previous projects supported by the Environment and Conservation Fund (ECF).

Background

2. The need to protect private land that is ecologically sensitive or has conservation value had attracted increasing public attention since the early 2000's. The Government has announced in 2004 a new nature conservation policy to better achieve the nature conservation objectives, especially enhancing conservation of ecologically important sites which are in private ownership. Under this policy, MA scheme was proposed as one of the measure to enhance the conservation of the 12 priority sites identified to be of high ecological importance. Under MA scheme, competent non-profit making organizations may enter into management agreement with the landowners or tenants through the financial assistance provided by the ECF. It provides the landowners or tenants with financial incentives in exchange for management rights over their land or their cooperation in enhancing conservation of the sites concerned. Furthermore, in the light of the increasing public concerns over the need to protect country park enclaves against incompatible uses and for enhancing the conservation of country parks, in June 2011, upon reviewing the MA scheme (ECF Paper 14/2011-12), the ECF Committee also supported the extension of the MA scheme to cover country park enclaves as well as private land in country parks. ECF also agreed that the requirement of achieving self-sufficiency in the long run for the MA scheme under the ECF guideline shall be relaxed, in recognition that most of the activities carried out under the MA scheme are for the purpose of conserving and enhancing the natural environment rather than generating income. It is therefore impracticable to expect the MA to become self-sufficient even in the long term. Funding support should continue to be provided to the MA between landowners or

tenants of the priority sites and NGOs through the ECF. Nonetheless, all MA applications will still be supported on a time-limited basis (generally not longer than 3 years) and each application has to be assessed on its own merits.

3. Since 2005, a total of nine MA projects have been supported by ECF (at **Annex A**). Currently, three MA projects are being pursued at four priority sites, namely Long Valley, Fung Yuen, Ramsar Site and Deep Bay Wetland outside Ramsar Site. The financial input per year from ECF for these three projects is around \$10 million. The increase in the numbers and diversity of birds and butterflies suggested that the MA projects are effective in conserving and enhancing the conservation value of the sites. In addition to the direct benefit to species, the MA projects also raised the general public and local villagers' awareness of nature conservation.

Existing Vetting Procedures of MA Projects

4. Under the current arrangement, all MA applications received will first be vetted by Environmental Protection Department (EPD) and the Agriculture, Fisheries and Conservation Department (AFCD) in consultation with other relevant government departments and the Advisory Council on the Environment (ACE) or its subcommittee where appropriate. The recommendations will then be submitted to the ECF Committee for endorsement. The assessment criteria and the relevant procedures are set out in the Guide to Application for MA projects (Guide to Application) at **Annex B**. In gist, under para. 2.6 of the Guide to Application, the following broad criteria will be used in assessing the merits of individual applications –

- (a) the benefits that a proposed project will bring to the efforts in enhancing the conservation of the site concerned, better achieving the nature conservation objectives, and evaluating the effectiveness of this new conservation measure;*
- (b) the sustainability of a proposed project including its resource implications, participation of the landowner(s)/tenant(s) and local community, nature and enforceability of the management agreement concerned*
- (c) the technical and project management capability of the applicant organisation, as well as its track record, including the effectiveness of past projects, and its ability to comply with funding conditions;*
- (d) whether the proposed project's schedule of implementation is well-planned and practicable, and the duration is reasonable;*

- (e) *whether the proposed budget is reasonable and realistic, and whether the project is cost-effective, with full justification for every expenditure item; and*
- (f) *whether the proposed project has alternative sources of funding, and whether it would be more appropriate for the proposed project to be funded by other sources.*

The existing Guide to Application also spelt out that after project completion, EPD/AFCD would assess the success or effectiveness of the project by comparing the project results against its original objectives and targets as set out in the application (para. 5.5.2). In addition, unsatisfactory performance will affect the organization's future chance of obtaining funding (para. 5.5.4).

Need to Enhance the Vetting Mechanism

5. Since 2005, some of the MA projects have been modeling on previous projects endorsed by ECF, with the same project proponents at the same conservation sites. We consider it appropriate to establish a **more robust mechanism to assess the project effectiveness**, as well as to consider a **mechanism for inviting proposals** from other potential NGOs. This will help enable a more open and transparent selection of the projects to support as well as to ensure that the projects are implemented effectively. If there are more than one NGOs interested in the same conservation site, we also need to devise a **mechanism to evaluate the merits of the competing applications** objectively and to consider **setting out suitable parameters** to guide potential applicants.

Proposal

6. To address the above issues, we have come up with the following proposals for consideration:

- 6.1 Including additional requirements and parameters in the Guide to Application to enhance the assessment on project effectiveness
 - We propose to add a criterion under para. 2.6 of the Guide to Application to request the applicant to assess the effectiveness of the previous MA projects in enhancing the conservation value of the subject site if the application is modeled on a project previously supported by ECF: whether the project proponent has demonstrated, by reference to the

previous MA project, the achievements made with respect to enhancing the conservation of the site concerned in the new application.

- Where the expenditure items shall deviate from the budgets of previous MA by a substantial amount, say 30%, the project proponent shall explain the differences by each project item.
- The applicant of MA projects needs to promote nature conservation and implement appropriate education activities as part and parcel of the MA project. To reduce the reliance of funding support from the ECF, the applicant should at the same time promote education on nature conservation through revenue-generating activities that are compatible with the conservation objectives of the MA project site such as eco-tours, sale of agricultural produce and souvenirs and sponsorships. We suggest introducing performance targets to measure the promotional/educational aspects of the project. Some broad indicators may include number of visitors (schools, public etc.), number of publications, number of educational tours, number of seminars/talks/workshops, number of engagement activities involving landowners / tenants for joining the MA scheme, higher awareness of nature conservation (to be evaluated by questionnaires or interviews)¹.

6.2 Vetting of Applications

- The MA applications shall be vetted by an assessment panel which consists of members from AFCD, EPD and other relevant departments. The panel would assess the applications according to the revised criteria set out in the Guide to Application. A suitable marking scheme or suitable guidelines shall be developed to facilitate consideration of the benefits and compliance of each proposal with respect to the vetting criteria. The Nature Conservation Subcommittee (NCSC) under the ACE will then be consulted before seeking ECF's endorsement on the projects.

¹ Other indicators that may be considered include:

- number of participants in the engagement activities
- number of organizations (such as schools / local interest groups/companies) approached to form partnership to promote nature conservation
- number of partnerships formed
- number of potential sponsors approached
- amount of sponsorship secured

6.3 Percentage of contribution from an applicant

- While acknowledging the nature of conservation work not being income-generating and that conservation of important habitats and wildlife should not be at the expense of excessive or incompatible income-generating activities, ECF agreed in January 2012 that applicants should be encouraged to explore alternative funding, including income-generating activities and private sponsorships, to deepen community ownership and uphold a greater sense of ownership in budget control of the project. A 5% contribution to the total budget was recommended as a reference point for the amount of alternative funding to be sought by the MA applicants.
- To formalize the above arrangement, we would recommend the inclusion of the 5% contribution requirement into the Guide to Application. In our view, **the project proponent should demonstrate that they have made their utmost efforts in seeking alternative funding.** In the event the 5% contribution could not be achieved, **the proponent's attempts and efforts** (e.g. as reflected by number of potential sponsors approached and amount of sponsorship secured) **should be given due consideration** in the vetting process, and recommendation could be made to the ECFC for accepting a lower contribution.
- That said, it should be pointed out that the “5% benchmark” may need to be reviewed from time to time taking into account the practicality for the MA projects to achieve this target.

6.4 Project duration and funding ceiling,

- As regards the project duration, ECF plays a role, through grants of fund, in supporting initiatives and activities which complement the Government's policy priorities. It is therefore considered not suitable for ECF-funded projects to last for a long duration, given the need for ECF to adjust its priority funding areas to support the Government's new policy initiatives. We suggest that approved projects should not last more than 3 years.
- According to para. 2.2 of the Guide to Application, there are no funding limits on the MA projects. However, to observe the principle of accountability for the use of public fund, in particular in relation to the potential public interest over projects receiving sizable funding support, we suggest that all MA projects should observe a funding cap of \$10m

for each project lasting a period of 3 years.

- Subject to members' view, we would amend para. 2.2 of the Guide to Application to reflect the above new requirements.

6.5 Regular reporting of the progress to Nature Conservation Subcommittee (NCSC) under ACE

- According to para. 5.5 of the Guide to Application, the recipient organisation has to submit a progress report with statement of accounts of its project together with receipts for expenses (original) once every six months to EPD/AFCD. For projects receiving a grant more than \$150,000 and lasting more than 18 months, recipient organisations are also required to submit, once every 12 months, a statement of accounts audited by certified public accountants (practising) within the meaning of section 2 of the Professional Accountants Ordinance (Cap 50) to EPD/AFCD. Similarly, the recipient is required to submit a progress / completion report and a statement of accounts to EPD/AFCD² within two months after completion of the reporting period / project or before the date specified in the agreement.
- Currently, AFCD and EPD would vet the progress report and final report to examine the progress and achievements of the project, as well as to assess the success or effectiveness of the project by comparing the project results against its original objectives and targets as set out in the application. For better monitoring of MA projects, on top of the vetting by AFCD and EPD, we recommend regular reporting of the progress of the ongoing MA projects to the NCSC under the ACE to monitor the progress and effectiveness of the MA projects.

7. The existing MAs at Fung Yuen, Long Valley and at Ramsar Site and Deep Bay Wetland outside Ramsar Site have set a positive model for NGOs to consider implementing MA projects in the priority sites, Country Park enclaves or private land within country parks. However, whether MA schemes may be carried out in a particular site is subject to the availability of competent and interested non-profit making organizations, as well as support and willingness of landowners or tenants to join the MA scheme. For better publicity and management of MA projects, we recommend the following improvement

² For projects receiving a grant more than \$150,000, the statement of accounts should be audited by certified public accountants (practising) within the meaning of section 2 of the Professional Accountants Ordinance (Cap 50)).

measures:

7.1 Open invitation for MA proposals at eligible sites

Under the current arrangement, any registered local non-profit making organisations (e.g. universities, community bodies, green groups) or groups formed under a registered non-profit making organisations in Hong Kong are eligible to apply for MA project **at any MA sites at any time**. For better management of funding under ECF, as well as to facilitate comparison and prioritisation of proposals, we should aim at considering all the proposals at the same time. We suggest open invitation of MA proposals at a fixed time every year. In practice, we suggest to publicize the MA scheme regularly with a view to promoting applications for MA projects at the eligible sites.

7.2 Mechanism to evaluate the merits of the competing applications

- Each MA project is unique in terms of the ecological benefits that can be brought to individual site of ecological importance. However, as public funds are limited, they must be used effectively in delivering conservation programme. We would have to come up with a way in assessing the relative merits of individual applications targeted at different areas, areas of different sizes, and different ecologies of flora and fauna, etc, and decide on which of the applications should be recommended for funding support. We may consider in devising a marking scheme based on the vetting criteria set out in the Guide to Application, as well as other factors for evaluating the relative ecological value of individual MA project.

Advice Sought

8. Members are invited to give views on the recommended measures to improve the current vetting mechanism in dealing with applications under MA schemes. After incorporating members' comments, we would submit the revised Guide to Application to ECF for formal endorsement.

9. Before the above additional measures are endorsed by ECF, we suggest that the same requirements shall be applied to the recently received applications for the two MA projects at Fung Yuen and Fishponds, which current project will soon expire in late January 2013 and late February 2013 respectively. As a stop-gap arrangement, we suggest to impose the above requirements as part of the approval conditions to be set out in the approval letter to applicant.

Agriculture, Fisheries and Conservation Department
Environmental Protection Department
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