

**ECF Paper 11/2005
For Discussion**

**Funding to Support Source Separation of Domestic Waste
in Residential Buildings**

Purpose

This paper seeks Members' approval to allocate \$5 million from the Environment and Conservation Fund (ECF) in 2005/06 to support a territory-wide programme to implement source separation of domestic waste in residential buildings. Members are also invited to comment on the proposed arrangements as set out in paragraphs 6 to 27 for vetting funding applications.

Background

2. The existing landfills in Hong Kong are filling up much faster than expected and it is estimated that they will be full in 6 to 10 years. Waste reduction and recycling is therefore crucial in minimizing the amount of waste requiring disposal and the Government has set a target to increase the domestic waste recovery rate from 14% in 2004 to 20% by 2007. In parallel to developing mandatory economic measures such as waste disposal charges, and product responsibility schemes to create direct incentive for waste reduction, continuous promotion of voluntary public participation in waste reduction and recycling is necessary.

3. The 3-coloured waste separation bins system (3-bin system) has been implemented since around 1998. While this system has helped the public separate out their recyclable waste (viz. waste paper, plastic bottles and aluminum cans), it is recognized that other expanded and more convenient systems would be needed in order to further increase the recovery rate. With the ECF's financial support, a pilot programme on source separation of domestic waste was therefore introduced in the Eastern District in 2004. The 13 participating estates have received a total of about \$1 million from the ECF for the promotion of the programme and acquisition of waste separation facilities (like bins, racks, etc.) on each floor of the buildings. The amount of funding granted to these estates ranged from \$24,000 to \$350,000 for each

estate (i.e. on average \$110,000 per estate). A brief background note of Source Separation of Domestic Waste is at **Annex A**.

4. The pilot programme has produced encouraging results as the quantity of recyclables collected in some of the participating estates has doubled when compared to the 3-bin system. The key to success is the good support and cooperation from residents and property management companies. In view of the encouraging results, the Environmental Protection Department (EPD) initiated a territory-wide programme in January 2005 to implement source separation of domestic waste. Efforts are being stepped up to enlist more housing estates to participate with a target to recruit 180 estates or more to join the programme in 2005.

Justification

5. During the recruitment process, many owners/residents representatives and property management companies indicated that they would need funding support from the Government to meet part of the set-up cost. A survey conducted by three green groups in March 2005 also showed that there is a need to provide some seed money to housing estates in order to obtain their support and commitment to implement the programme. It is therefore proposed that funding support from ECF should be provided for the private housing estates. To meet the target of 180 estates in 2005, some 110 private housing estates and 70 public housing and Government quarters have to be recruited. It is estimated that \$5 million is enough to support the 110 private housing estates to meet their set-up cost partially. For public housing estates and Government quarters, they can rely on their own funding to implement source separation.

Proposed Framework

6. There are three types of project under the ECF, namely (i) environmental research and technology demonstration projects, (ii) community waste recovery projects, and (iii) environmental education and community action projects. Source separation of waste falls within the scope of community waste recovery projects.

7. Taking into account the nature of source separation projects, changes to some of the requirements set out in the Guide to Application for Community Waste Recovery Projects (the Guide to Application) are proposed to streamline the application and vetting procedures for source separation projects. Details are presented below for Members' consideration and endorsement –

Eligibility of the applicant

8. Under the existing requirements as set out in the Guide to Application, local non-profit making organizations (e.g. non-government organizations, community bodies, green groups) are eligible to apply for ECF funding. For application made by residential buildings, eligible applicants would include owners' committees, incorporated owners' committees, or residents' organizations of the buildings. However, residents' and owners' committees may not have the time and initiative to prepare an application and to implement and monitor their projects.

9. To encourage more residential buildings to join the domestic waste source separation programme, it is proposed to also allow management agents (i.e. property management companies) to submit ECF applications on behalf of their owners' committees, incorporated owners' committees, or residents' organizations of their estates / buildings to apply for the ECF to cover part of the expenses for procurement, delivery and installation of waste separation facilities and equipment or tools to be used in the source separation programme. As regards rendering support to profit-making companies, there was a precedent case in the Waste Recycling Campaign of the Environmental Campaign Committee (ECC) where ECC provided management agents with 3-coloured waste separation bins upon applications. With this arrangement, all residential buildings eligible for joining the Waste Recycling Campaign before can apply and migrate from the 3-bins system to the source separation of waste programme. This is indeed the major objective of the source separation programme in expanding on the type of recyclables collected as well as making the separation more convenient to residents.

10. Any estates or buildings with the same name of estate/building can only submit one application (e.g. different phases of a residential development can only apply once). If the application is submitted by a property management company on behalf of the estate / building, the property

management company should seek agreement from the owners' committee, incorporated owners' committee, or residents' organization, if any, before making an application to the ECF. An application form is attached in **Annex B**.

11. Private residential buildings, Housing Authority's (HA) home ownership scheme buildings with incorporated owners' committee, and HA's estates that have been sold to their tenants under the tenant purchase scheme are eligible. Public housing estates owned by HA and Housing Society (HS), as well as Government quarters are not eligible because they may receive other forms of Government funding directly or indirectly.

Funding Limit and Expenditure Items to be supported

12. It is proposed that funding is for partial support of source separation of waste projects only. The total grant for each project should be limited to 25% of the actual expenditure spent on the approved items and also subject to a maximum of HK\$150,000. The funding support will only cover expenditure on the procurement, delivery and installation of waste separation facilities and equipment or tools to be used in the source separation programme. The applicant should absorb the recurrent maintenance and running costs of the project as well as expenditure on promotion programmes and materials. The applicant who has been funded for this project would not be approved for another funding application of ECF's Environmental Education and Community Action Projects to organize promotion activities of the source separation programme. Nevertheless, they can request Community Relation Unit of EPD to offer some assistance such as publicity materials, delivering talks and organizing exhibition, etc. on the programme for their estates.

13. According to the Guide to Application, the current level of funding support for expenses on waste recovery equipment or tools and basic renovation of a community waste recovery project are set at HK\$50,000 and HK\$20,000 respectively. It is proposed that these current ceilings be lifted.

14. The amount of approved budget will depend on the total number of floors of the residential buildings in the individual application. On the basis that a set of waste separation bins would cost around \$1,000, a subsidy of 25% per floor for a total grant of HK\$150,000 should be enough to support a large

housing estate with 20 blocks and 30 floors in each block. Almost all sizes of estates and residential buildings in Hong Kong can be supported by this funding scheme. An example is given below to illustrate how the total grant is calculated based on the proposed funding formula -

Taking an estate - La Cite Noble as an example, it has 2184 households, 6 blocks and 273 floors in total. Assuming the estate plans to purchase waste separation bins at a cost of HK\$1,000 per set for placing on each floor of the buildings :

- No. of sets of bins required: 273
- Fund required: \$1,000 x 25% x 273 sets = \$68,250

In this example, this estate can get \$68,250 from ECF.

Duration of Project

15. The proposed projects must continue to run for at least 36 months after completion of the installation of the waste separation equipment and facilities.

Title of Equipment and Capital Items

16. According to the Guide to Application, the title of equipment/capital items will remain with the Government and the applicants should surrender the equipment to the Government upon completion of the project. As the recipient organizations under this Programme will need to bear 75% of the cost of the equipment and capital items and most importantly, the equipment and facilities can be continuously used by the applicants to sustain the residents' action in waste separation and recovery, full ownership of the equipment and capital item shall be granted to the recipient organizations. They will be responsible for the use, maintenance, repair and ultimate disposal of the waste separation equipment and facilities. However, the applicants are required to seek EPD's agreement on the method of disposal of the waste separation equipment and facilities during the 36- month project period.

Estimated Revenue Generated from the Project

17. According to the Guide to Application, income derived from the project during and after the project period, including sales of recyclables, should be returned to ECF for offsetting part or whole of the funded amount. As the income will be used by residential buildings to offset the capital and operating cost of the projects, the revenue generated from sales of recyclables as well as from sales of unserviceable equipment upon their disposal is not required to be ploughed back to offset the project costs. This arrangement has been adopted previously for the housing estates funding by ECF under the source separation of waste pilot programme.

Monitoring and Reporting

18. Applicants will be required to submit a notification to EPD after installation of waste separation facilities or completion renovation works. Instead of submitting quarterly progress reports to the Secretariat of the Waste Recovery Project Vetting Sub-committee (WRPVSC) as required in the existing Guide to Application, the applicants have to submit monthly statistics to EPD on the quantity of recyclables collected from the source separation programme together with the quantity of waste disposed of for a consecutive period of at least 36 months. EPD will carry out visits or surprise checks to examine the progress and achievements of the projects.

Disbursement of Fund and Budget Control

19. Unlike the current arrangement for waste recovery projects where disbursement of allocation by phases will be made, full funding disbursement of the approved cost or 25% of the actual expenditure, whichever the less, will be paid to the applicants after EPD has received the invoice receipts, and checked and confirmed the completion of installation of waste separation facilities. Auditing will not be required, but the WRPVSC Secretariat and EPD reserve the right to check all financial records kept by the recipient organizations relating to the use of the grant.

Approval on changes to project proposals

20. To provide sufficient flexibilities to the applicants and streamline the

administrative efforts in handling the subsequent changes to the budgets and implementation plan of the project proposals, the applicants are allowed to deploy their budget among the approved items provided that the amount to be paid will not exceed the approved total. In case there are major changes to the project such as procurement of new items or change of the recovery modes, prior agreement and confirmation from EPD should be obtained.

21. According to the Guide to Application, approval from the WRPVSC is required for major changes to the projects such as revisions to the objectives/content/budget; change of team leader; transfer of project to another organizations etc. It is proposed that EPD should be delegated to approve such changes.

Application Period

22. A three-month application period is allowed after the announcement of the funding scheme in August 2005 through the website of EPD and ECC as well as through the Hong Kong Association of Property Management Company Limited. Applications will be processed on a first come first served basis until the allocated amount of \$5 million is exhausted or the application period has lapsed.

23. If the scheme is very well received such that the fund is exhausted before the end of the application period, a review can be conducted to assess the need to allocate more money from ECF for the scheme.

24. A comparison between the proposed funding guidelines and control mechanism and those being currently adopted for waste recovery projects is summarized at **Annex C**.

Ethical Practices

25. In line with the existing practice, the applicants are required to commit themselves to ethical practices in project proposals and are obliged to purchase goods and services (including collection and sales of recyclables) in a competitive and equitable way. A system should be in place for declaration of interest. For purchase of goods and services of value equals to or exceeds

\$5,000, written quotations are required to be sought in accordance with the stipulated requirements in paragraph 4.10 of the Guide to Application. All records of declaration of interest relating to projects funded by ECF and quotations obtained should be properly documented for inspection by EPD

Vetting Criteria and Mechanism

26. Similar to other waste recovery projects, the following broad criteria are proposed to be adopted in assessing the merits of individual proposals on source separation -

- (a) the project must contribute to promoting waste recovery in the estate and providing convenience to the residents to take action in waste separation and recovery;
- (b) the project should adopt any one of the recognized source separation modes mentioned in the Guidebook published by EPD for the source separation programme¹ or the proposed recovery mode is in line with the Source Separation of Domestic Waste Programme;
- (c) the proposed budget is prudent, realistic and cost-effective;
- (d) the proposed project is well-planned and practicable and adhered to relevant government regulations such as Fire Safety, Buildings Regulations, etc.;
- (e) the technical and project management capability of the applicant ;
- (f) whether the proposed project has alternative sources of funding support; and
- (g) whether the proposed project should more appropriately be funded by other sources.

¹ The Guidebook will be published by EPD in July/Aug 2005 for giving advice to property managers and residents on the different waste separation and recovery modes that can be adopted in possible locations on each floor of residential buildings.

27. It is proposed that the WRPVSC Secretariat will receive and process the applications for these projects together with EPD. To streamline and expedite the vetting procedures, the Secretary, in conjunction with EPD, will compile a list of applications that meet the criteria mentioned in paragraph 26 above. The list would be submitted and recommended to Members of the WRPVSC for endorsement. The applicants will be informed of the results within about 1 month upon the endorsement of the WRPVSC.

Endorsement of the Waste Recovery Projects Vetting Sub-committee

28. The Waste Recovery Projects Vetting Sub-committee (WRPVSC) considered the Paper at its meeting on 28 June 2005 and recommended the allocation of \$5 million for the Source Separation of Domestic Waste Programme and the proposed arrangements to the ECF Committee for endorsement.

Way Forward

29. Subject to Members' endorsement, we hope to announce the funding programme on 1 August 2005, followed by a 3-month application period. A review will be conducted after one year to examine the effectiveness of this funding programme in enhancing territory-wide source separation of domestic waste.

Advice Sought

30. Members are invited to endorse an allocation of \$5 million from ECF to support the source separation of waste programme. Members are also invited to endorse the operational arrangements for approving applications made under this proposal.

**Waste Reduction Group
Environmental Protection Department
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