

**Energy Conservation Projects for
Non-government Organizations Funding Scheme under the
Environment and Conservation Fund**

Proposed Budgetary Arrangements

Purpose

With the adoption of a new budgetary management approach for the Environment and Conservation Fund (ECF) after the capital injection of \$5,000 million in June 2013, the ECF Committee recently met to consider the budgetary allocations for the various funding schemes in 2013-14. It was agreed that funding support for outstanding applications received under the Energy Conservation Projects for Non-government Organization (ECPNGO) funding scheme should be spread over a period of three years (i.e. from 2013-14 to 2015-16), and a budget of \$30 million be allocated for ECPNGO applications in 2013-14. Members are now invited to consider the details of the budgetary arrangements for the ECPNGO scheme.

Current Position of ECPNGO Applications

2. The three-year ECPNGO scheme was closed in October 2012. By the close of the scheme, a total of 795 funding applications were received. Up to the present, the Energy Conservation Projects Vetting Subcommittee (ECPVSC) has completed processing 487 applications, with an approval rate of 90.6%. Details are appended below:

Type of Project	No. of Applications Received	No. of Applications Processed			No. of Applications under Processing
		Approved	Rejected	Withdrawn	
EIW	701	366	14	20	301
ECA	50	44	0	1	5
EDU	44	31	3	8	2
Total:	795	441	17	29	308

EIW: energy improvement works

ECA: Energy-cum-carbon audits

EDU: energy conservation education projects

Of the 308 outstanding applications, 17 are submitted by the Green NGOs for which funding has been earmarked separately when their greening programmes received the ECF Committee's approval-in-principle. The total funding sought by the 291 non-Green NGO applications amount to \$73 million.

Funding Injection into the ECF

3. As a long-term commitment to environmental protection and conservation, the Chief Executive proposed in his 2013 Policy Address to inject \$5,000 million into the ECF so that the investment returns of the fund can provide long-term and sustained support for community green actions. The proposed capital injection was approved by the Finance Committee of the Legislative Council on 14 June 2013. As the funding schemes and activities of the ECF would henceforth mainly rely on the investment returns generated from the capital injection, the ECF's expenditure commitment will have to tie in with the investment returns. For this reason, it is necessary to adopt budgetary control to sustain the long-term operations of the ECF. With the agreement of the ECF Investment Committee, investment arrangements for the newly injected amount were made with the Hong Kong Monetary Authority (HKMA).

Budget for the ECPNGO Scheme

4. The ECF Committee met on 4 September 2013 to consider the budget allocations in 2013-14 as well as the revised framework for assessing funding applications to tie in with the new budgetary management approach. Taking into consideration the need to meet the funding requirements of various funding schemes at the same time, the ECF Committee agreed that the budget of \$73 million for ECPNGO applications would be spread over to be provided in three years (i.e. from 2013-14 to 2015-16), with an allocation of \$30 million for 2013-14. Separately, on the recommendation of the ECPVSC, the ECF Committee approved on 30 January 2013 an extension of our service level agreement (SLA) with the Electrical and Mechanical Services Trading Fund (EMSTF). The extended SLA provides for the provision of professional support by EMSTF for processing 100 funding applications of the ECPNGO scheme which involve an extent of technical complexities or where the amount of funding sought is substantial, and in monitoring those approved projects. At present, 28 out of the 100 applications handled by EMSTF have yet to be considered by the ECPVSC. As agreed by the ECF Committee, EMSTF should submit these outstanding applications to the ECPVSC for consideration by February 2014 according to the requirements of the SLA. The ECF Committee will further decide on the 2014-15 and 2015-16 allocations for ECPNGO applications nearer the time.

5. For budgetary control, the ECF Committee has tasked the various Vetting Subcommittees, including ECPVSC, to manage the deployment of the budget allocated for funding schemes within their purview.

Proposed Processing Arrangements

New applications

6. To comply with the conditions of the SLA and based on the arrangements endorsed by the ECF Committee, we would request EMSTF to submit the 28 outstanding applications handled by them to ECPVSC for consideration by February 2014. We propose that the other outstanding applications would be submitted to ECPVSC for consideration according to the order when they were received and subject to the completion of the initial vetting work by the Secretariat or EMSTF, until the budget of \$30 million for 2013-14 is used up. The remaining applications would be submitted to the ECPVSC for consideration in 2014-15 and 2015-16 under similar arrangements, taking due account of the budget allocated by the ECF Committee for the respective years.

Project variations

7. From time to time, recipient organizations may submit project variation requests, some of which may need additional funding from ECF to cover the shortfall in actual expenditure or expenses for additional budget items. Under the new budgetary management arrangements for the ECPNGO scheme, the approved budget of \$30 million for 2013-14 will only cater for the funding requirements of new applications. To meet budgetary constraints, there is a need for ECPVSC to adjust the existing arrangements for handling requests for project variations. We propose that henceforth, requests for additional funding for project variations will not be accepted. Project variation requests which do not require additional funding from the ECF would continue to be considered on a case-by-case basis.

Way Forward

8. Subject to Members' views on the proposed arrangements set out in paragraphs 6 and 7 above, the Secretariat would follow up to arrange further meetings for Members to consider funding applications which are ready for assessment, until the budget of \$30 million for 2013-14 is used up. We would also notify applicant organizations about the expected timeframe for consideration of their applications as endorsed by the ECF Committee and agreed by the ECPVSC.