

**Confirmed Minutes of the Third Meeting of the
Environment and Conservation Fund Committee
held on 25 February 2013 at 3:30 p.m.**

Present

Dr. Joseph LEE, S.B.S., J.P.	(Chairman)
Mr. CHAN Jor-kin, Kenneth	
Ms FUNG Dun-mi, Amy	
Mr. LAM Chiu-ying, S.B.S.	
Prof. LO Man-chi, Irene	
Ms WONG Wai-ching, Connie, J.P.	
Mr. TSE Chin-wan, J.P.	DDEP(1), EPD
Ms CHEUNG Miu-han, Betty	P(CR), EPD
Mr. LO Pui-lam	Senior Curriculum Development Officer, EDB
Mr. KW CHEUNG	Senior Conservation Officer, AFCD

In Attendance

Ms WONG Sean-ye, Anissa, J.P.	PS(Env)/DEP
Ms Anita SW TSUI	CEO(CR), EPD (Secretary)
Mr. TSOI Kwan-sang, Steve	SEO(CR)1, EPD
Mr. KAM Ka-lung, Simon	EM(CR), EPD

Absent with Apology

Ms CHAN Sui-kuen, Agnes
Mr. LEUNG Wai-kuen, Edward, J.P.
Mr. Douglas WOO



Opening Remarks

The Chairman welcomed all Members to the third meeting of the Environment and Conservation Fund (ECF) Committee.

Agenda Item 1: Confirmation on Minutes of the Meeting held on 30.1.2013

2. The draft minutes of the previous meeting held on 30 January 2013 were circulated to Members on 21 February 2013. The meeting confirmed the draft minutes without amendment.

Agenda Item 2: Matters Arising

Para. 3 Financial Position of the ECF

3. Ms Anita SW TSUI reported that the balance in bank as of end of January 2013 was \$1,033.63 million whereas the uncommitted balance (with amounts of approved projects deducted) was \$79.12 million. Taking into account the earmarked amounts under designated programmes, the balance would become \$15.24 million.

Agenda Item 3: New Injection for the Environment and Conservation Fund (ECF Paper 54/2012-13)

4. Ms Anita SW TSUI reported to Members that in his 2013 Policy Address, the Chief Executive proposed, as a long-term commitment to environmental protection and conservation, to inject \$5,000 million into the ECF, so that investment returns of the fund could provide long term and sustained support for green actions initiated by the community. To follow up on this initiative, the Administration would seek funding injection of \$5,000 million into the ECF from the Finance Committee of the Legislative Council (LegCo) in June 2013 after receiving support from the LegCo Panel on Environmental Affairs in March 2013. With the injection of \$5,000 million as an endowment fund for the ECF, if approved, the ECF Investment Committee (ECFIC) would take up a greater role in setting more dynamic and market-responsive strategies for the investment of the ECF. The Treasury would also be invited to handle the investment and financial reporting work for the enlarged ECF, including the appointment of investment consultant, custodian and investment managers, the investment of funds and the management of investment managers and custodian engaged by the ECF.

5. Ms Anita SW TSUI said that over the three years from 2009-10 to 2011-12, the ECF had approved an average of over \$370 million each year for supported projects. Assuming a 3% to 4% investment returns, the endowment fund might generate \$150 million to \$200 million per year. Pending the formulation of investment strategies and the setting up of the revised investment arrangements, a small portion of the injection would be set aside to cater for ECF's cash flow requirement for the various funding schemes before the investment would generate returns. The ECF had established priority areas for funding support in line with the major environmental challenges. It was proposed that the areas of (i) community waste recovery projects; (ii) food waste reduction projects; (iii) energy conservation projects; (iv) research projects; and (v) nature conservation projects should remain relevant for ECF support in the few years ahead. To facilitate a mindset change in the general public towards environmental protection, the ECF could continue to provide funding support for environmental education programmes on subjects related to the above priority areas. Subject to the LegCo Finance Committee's approval for the proposed funding injection, and Members' comments on the priority areas, a proposed budget allocation for the ECF in the coming two years would be worked out.

6. The Chairman supported the proposed injection into the ECF from which investment returns could be generated to provide long-term and sustained support for community green actions. He considered that the priority areas proposed in the discussion paper had already covered all imminent environmental issues. In response to the Chairman's enquiry, Ms Anissa WONG advised that under the proposed new approach whereby there was sustained funding support for the ECF, the level of investment income would directly affect the amount of annual ECF budget. Nonetheless, there was leeway for adjustments of the annual budget allocation amongst different funding areas having regard to the priority of the policy initiatives and the major environmental concerns of the community. Based on the current investment situation, with the assumption of 3% to 4% investment returns, the endowment fund was anticipated to generate about \$150 million to \$200 million per year. To achieve the targeted investment returns, the ECFIC would work closely with the Treasury in devising suitable longer term investment strategies for ECF.

7. Noting that the investment returns might fluctuate over years due to volatile investment markets, a Member suggested setting a five-year annual

budget allocation for funding ECF projects with a view to demonstrating to the public the Government's sustained commitment to supporting environmental projects. Ms Anissa WONG advised that upon the engagement of the investment managers by the Treasury, it would take a period of time to generate investment income. As an interim measure, a small portion of the injection would be set aside to cater for the ECF's funding requirements in the initial period pending receipt of investment returns.

8. The Chairman said that the current anticipated 3% to 4% investment returns target might become conservative when the interest rate was on a rising trend. Ms Anissa WONG advised that the ECFIC would, in collaboration with the Treasury, formulate responsive investment strategies taking into account the rapidly changing investment environment. A Member expressed that with the large injection amount, devising a set of guidelines to safeguard the proper allocation of the funds was equally important.

9. A Member said that based on her working experience in dealing with young people, many of them had expressed interest in joining the environmental industry. To enable youths to obtain more knowledge on the green industry which in turn would help local capacity building, she suggested exploring the possibility of organizing more internship programmes for youths. Another Member shared the Member's views. Ms Anissa WONG advised that in view of the nature of the ECF and the administrative resources required, it was not practically feasible for the Secretariat to arrange internship programmes for youngsters. Both Ms Anissa WONG and a Member suggested that the NGOs could consider incorporating an element of internship for youths in their environmental educational proposals.

10. Two Members expressed that many youths had creative ideas in promoting environmental protection and conservation. A Member enquired whether it was possible for them to apply for ECF funding support for carrying out projects. Another Member considered that while some youngsters were passionate in organizing green activities, they might lack the experience in the actual implementation of projects, in particular in budgetary monitoring and control. Ms Anissa WONG said that as the ECF was public money, accountability on the proper use of grant had to be adequately taken into account when approving applications.

11. A Member expressed the importance of collaborating with community groups in implementing green projects at district level with a view to conveying green messages to the general public more effectively. The Chairman agreed that it was vital to seek the cooperation of strategic partners to carry out district-based green activities for greater social impacts. The Chairman opined that cultivating a green culture in the community was of paramount importance for the success of environmental protection. Taking the Buildings Energy Efficiency Funding Schemes as an example, the buildings participated in the Schemes had all benefitted from the installation of energy saving installations. On energy conservation, another Member said that the focus should be placed on energy savings instead of energy efficiency as the latter was only a means to achieve reduction in energy consumption.

12. Replying to a Member's suggestion of providing more funding support for small scale organizations, Ms Anissa WONG advised that under the prevailing ECF application guidelines, all local non-profit-making organizations (e.g. community bodies, green groups, schools, etc.) were eligible to apply for subsidies from ECF. Ms Betty CHEUNG added that all projects seeking ECF funding support must be non-profit-making in nature and had to contribute to the overall environment of Hong Kong and raise environmental awareness of the local community, and not just benefiting individuals, a single private organization or a consortium of private companies. Applicants were requested to set out their project objectives and deliverables clearly in the applications. ECF had a well established system of monitoring to ensure that projects met funding requirements as well as their objectives. In vetting the applications, reasonableness of the proposed budget and project durations as well as the track records and project management capability of the applicants would be examined. After funding was approved, recipient organizations were required to submit regular progress reports to the Secretariat of the ECF Committee for review. Disbursements to the recipient organizations were made by installments upon receipt of progress reports proving satisfactory progress. Inspections might be carried out to examine the progress of the projects whereas completion inspections were also conducted for some projects depending on the nature of activities and works involved. Final disbursement to the recipient organizations would only be made after satisfactory completion of project as supported by a completion report together with duly certified statement of accounts. For educational projects, recipient organizations were also required to conduct evaluations through questionnaires to assess the effectiveness of the projects in inducing behavioural changes to participants of the activities.

13. After deliberation, the Chairman affirmed the meeting's views that the ultimate aim of various ECF programmes was to deepen and sustain educational messages and induce behavioural change at the community, household as well as individual levels. The ECF Committee would constantly keep the various priority areas under review, so as to meet prevailing needs of the community in the campaign for a greener environment.

Agenda Item 4: Project Completion Recommended by the Research Projects Vetting Subcommittee – Project 17/2008: Development of an Automatic Switching-Off System for Idling Engine to achieve Enhanced Fuel Economy and Improved Environment (ECF Paper 47/2012-13)

14. Ms Anita SW TSUI briefed Members that at the meeting of the ECF Committee on 30 January 2013, Members assessed the results of research-cum-technology project ECF 17/2008 for “Development of an Automatic Switching-Off System for Idling Engine to achieve Automatic Fuel Economy and Improved Environment” (2008 Project) undertaken by the Hong Kong Productivity Council (HKPC), and considered possible arrangements for handling the revenue expected to be generated from the 2008 Project and another ECF-funded project initiated by HKPC (i.e. ECF 26/2010 for "Development of an Electric Air Conditioning System Tailored for Commercial Vehicles with Dedicated Operational Needs" (the 2010 Project)). Noting that any ECF Committee's decision on the arrangements for handling the revenue expected to be generated from HKPC's two projects might set a precedence for other ECF-funded projects where there were potential product commercialization and revenue generation angles, Members suggested at the previous meeting that the Secretariat should gather relevant information on the arrangements of or conditions imposed by other comparable government funds for their sponsored projects to facilitate further consideration by the ECF Committee. The Secretariat had since obtained information on the operations and arrangements of the Innovative Technology Fund (ITF) and Research Grants Fund (RGF).

15. Note

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20. After deliberation, the Chairman concluded that Members agreed that, subject to the views of the Woo Wheelock Green Fund which had shared out the funding support for the 2008 Project, 5% of the gross revenue generated from the 2008 and 2010 Projects should be recouped until full recovery of the grants from ECF / WWGF.

Agenda Item 5: Any Other Business

21. Members had no other business to raise.

Agenda Item 6: Date of Next Meeting

22. The next Meeting would be held in around three months from now. The Secretariat would confirm with Members the meeting date in due course.

23. The meeting ended at 5:15 p.m.

Secretariat, Environment and Conservation Fund Committee February 2013

Note: The paragraph will not be included in the version of notes to be uploaded to the webpage of ECF according to the standing practice of not disclosing the detailed reasons for supporting or rejecting an application. The ECF webpage contains a general disclaimer that “Reasons for supporting/rejecting an application had been made known to the project proponents concerned, and the public could ask the project proponents direct for such information.”