

Frequently Asked Questions (FAQs) for Recycling Fund Applicants

Enterprise Support Programme (ESP)

1. Eligibility

1.1 What is the objective of Recycling Fund?

The primary objective of establishing the Recycling 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 its sustainable development. Sectors relating to recycling operation are eligible for applying the Recycling Fund. The Fund aims to support the project which can:

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

1.2 What is the eligibility for applying funding support from the Enterprise Support Programme?

The eligibility of applicants includes:

- 1) Any enterprise (including but not limited to sole proprietor, partnership, private company and public company) duly established, incorporated and registered under the laws of Hong Kong or its place of incorporation with a valid business registration certificate issued under the Business Registration Ordinance (Cap 310 of the Laws of Hong Kong) for carrying on a business in Hong Kong (unless it is exempted from the requirement to apply for a business certificate under such Ordinance (where applicable)) and have substantive business operations in Hong Kong. The applicant must provide documentary evidence proving its substantive business operations at the time of application. Such evidence can be employee records, tax returns, business transaction documents such as business contracts, invoices, etc.,

and

- 2) The applicant 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 the applicant can provide exceptionally strong justification (e.g. companies with shorter period of establishment but have very

experienced management/ supervisory staff in recycling related operation).

or

- 3) bodies and organisations with close connection to the recycling industry including property management companies (PMC) and Owners' Corporations (OC) registered under the Building Management Ordinance (Cap. 344).

For SP-\$1M, in addition to the ESP eligibility (1) and (2) as stated above, the following enterprises are also eligible to apply:

- 1) Local manufacturers who can partner with local recyclers for supplying local recyclables to make plastic or paper products.
- 2) Local manufacturers who have been using local recyclables as raw materials to make plastic or paper products.

Eligible recycling companies applying for SP-\$1M must also be conducting actual processing of local recyclables (e.g. collection, sorting, baling, dismantling, shredding, pelletising of recyclables etc.) as the major business.

1.3. Are enterprises that currently do not have substantive business operations in Hong Kong eligible for applying this funding support?

Enterprises that do not have business or operations in Hong Kong at the time of application are NOT eligible for applying the funding support.

Substantive business operations means that the applicants need to have actual operations and business transactions. In consideration of this, reference will be made to a basket of factors in respect of the applicant including the following:

- Type of business operations in Hong Kong;
- Volume/ intensity/ percentage of business operation in Hong Kong, capital investment in Hong Kong;
- Number of employees in Hong Kong, information of customers/ clients;
- Duration of establishment of the enterprise at the time of funding application;
- Information/ assessment issued by relevant financial and professional institutions; and
- Whether profits are tax assessable in Hong Kong.

A shell company or an enterprise having most of its main business operations outside Hong Kong will not be regarded as having substantive business operations in Hong Kong.

The applicant must provide documentary evidence together with the application form proving its substantive business operations at the time of application. Such evidence can be employee records, tax returns, business transaction documents (e.g. business contracts, invoices, etc.). Factors that will be taken into account in

assessing the eligibility of the applicants for the Enterprise Support Programme with respect to this eligibility requirement. Examples of the documents that may serve as the relevant proof can be found at the Guide to Application.

1.4 Are cleansing companies/ waste generating companies eligible to apply for the Recycling Fund?

The primary objective of establishing the Recycling 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 its sustainable development. Cleaner companies and waste generating companies are important players in the waste management and recycling chain. Applications from these companies are expected to involve the recycling trade as a co-applicant in the project. Applications will be assessed with reference to the vetting criteria as listed in the Guide to Application.

1.5 When is a guarantor required and what is the eligibility of the guarantor?

For projects under the Enterprise Support Programme, if the applicant wishes to receive an upfront payment (maximum of up to 30% of the approved funding) to help kick-start the project, a guarantor is required to guarantee the initial disbursement of the Government funds.

The guarantor(s) should be a natural person and major shareholder of the applicant enterprise, to personally guarantee the initial payment of the Government funds and will be required to sign a separate personal guarantee agreement. Alternatively, a bank guarantee can be provided in lieu of appointing a guarantor, however, the Recycling Fund will not cover any expenses or costs associated with the arrangement of the bank guarantee.

2. Funding Information

2.1 What is the funding amount and principles for the Enterprise Support Programme?

Project-based matching funds for the upgrading and expansion of their local waste recycling operations will be provided. Funding for these projects would be set at 50% of approved expenditure items and capped at HK\$15 million per enterprise.

Funding support will be granted to each enterprise for a maximum of ten approved projects and the cumulative funding ceiling per enterprise remains at HK\$15 million.

Eligible expenditure items may include capital investment in equipment,

installations and vehicles to enable more value-adding processes and/ or to raise the capacity of operations, operating costs such as additional costs of enhancing waste recovery at source, transportation, promotion and publicity associated with the enhancement of the recycling chain covering source separation, collection, transportation, processing, product improvement, marketing and sales of recycled products made from recyclables. Funding may also be provided for the training of staff to run the enhanced operation.

2.2 Can the enterprise submit another funding application before the completion of an ongoing project funded by the Programme?

The applicant can submit another funding application before the completion of an ongoing project funded by the Programme if the total number of projects and the accumulative funding amount approved are less than the corresponding caps (maximum of ten approved projects with cumulative funding ceiling of HK\$15 million). The applicant is required to provide relevant information of the approved project(s) (including the project title, approved funding amount and project duration etc.) on the application form.

The applicant should note that the project progress or performance of previously approved projects may affect the vetting results of their new applications. The Advisory Committee on Recycling Fund (RFAC) will also assess the applications on a case-by-case basis by considering the necessity and capability of the applicant in managing different projects simultaneously.

2.3 Can the cost of procuring equipment be funded under the Programme?

Only the cost of procuring or leasing of equipment in addition to the applicant's existing equipment for implementing the project can be charged to the funding support. Equipment proposed to be purchased or leased must be essential to or specifically required by the project. The applicant is encouraged to use their existing equipment as far as possible. In addition, only expenditures directly incurred for the project and described in the approved budget items within the project duration (except baseline audit and rental expenses) can be charged to the funding support.

The applicant should exercise the utmost prudence in procuring equipment, goods or services for the project and must adhere to the procurement procedures as set out in the Guide to Application unless the Government agrees otherwise.

Unless otherwise expressly approved by the RFAC/ Government, the funding support will not cover overhead expenses (such as salary of existing employee, renovation expenses, utility expenses), insurance costs (except premium for basic third party liability insurance), entertainment expenses, expenses for meals, local public transportation and other administration costs.

For ESP, rental expenses arising from new, expanding recycling business or existing premises could be funded. The cap for funding support for rent should not exceed

30% of the total approved funding amount or HK\$50,000 per month (whichever is the less).

Please refer to the Guide to Application for more details.

2.4 Can the fund cover the salary of existing employees of the enterprise for implementing project under this Programme?

Salary of existing employees is regarded as routine operating expenses, so using existing employees to implement the project will NOT be funded.

On the other hand, if the enterprise needs to establish new positions for implementing the funded project, the salary of the additional employees in these new positions can be funded.

For the requirements of recruiting additional staff, please refer to Guide to Application.

2.5 What is the application period of the Recycling Fund?

Subject to the funding balance and periodic review, the Recycling Fund will be open for application until 2027 starting from 6 Oct 2015. Applications are accepted all year around.

2.6 Can the development and preparation of the application form on its own be funded by the Programme?

The relevant internal expenses for drafting and preparing the application form will NOT be funded.

2.7 Funding under the Enterprise Support Programme will be provided on a matching basis and the applicant has to contribute no less than 50% of the total approved project cost. Can the applicant make use of contribution in-kind to pay for its part?

Contribution in-kind is not acceptable. The applicant has to contribute no less than 50% of the total approved project cost in cash.

2.8 Can the applicant apply for funding support from the Recycling Fund and at the same time apply for other sources of public funding support for the same project?

If a particular project has been/ will be granted from other sources of public funding support, the project will NOT be funded under the Recycling Fund.

If the company has applied for other sources of public funding support for the same project and the application was not approved or is still under the vetting process, the applicant has to declare the relevant information in the application form.

2.9 What are the main obligations and responsibilities of grantee?

The grantee is responsible for project implementation and management, signing funding agreement, comply with the terms and conditions set out in the funding agreement and utilizing the fund with utmost prudence. The grantee should set out in the application form the key performance indicators for assessing the effectiveness of the project and also state specifically how to evaluate the effectiveness of the project. The focus of both the key performance indicators and the methodology should be on the outcome and impact of the project, and these should be measured quantifiably as far as possible.

The grantee is required to submit reports (including progress report/ final report) and audited accounts. The grantee shall cooperate with the Secretariat for the proper arrangement of on-site checking and make available all project documents and explain to the Secretariat for any matters relating to the progress and results of the project.

ESP grantee is required to share the experience gained in implementing the projects approved under the Programme. The grantee will need to participate in the publicity and promotional activities, such as seminars, conferences and exhibitions, or providing input / contributing materials for publications.

The risk in the equipment (e.g. loss, damages, liabilities, etc.) shall also be borne by and remain with the grantee. The grantee shall commit and continue to use the equipment at least for two years after completion of the project and shall keep an “Equipment Register” to account for such equipment. If the grantee intends to sell, mortgage, transfer, dispose of or discontinue the use of any equipment at the unit purchase price of HK\$100,000 or above at any time within two years after the actual completion of the approved project, the grantee shall promptly notify the Secretariat in writing with full justification and can only proceed upon obtaining written approval from the Government / Secretariat.

The above mentioned would only be the major obligations, for other obligations and responsibilities, e.g. the requirement on report submission and audited account, please refer to the Guide to Application.

2.10 How does the programme facilitate the Small and Medium-sized Enterprises (SMEs) to apply for the Fund?

In order to facilitate SMEs to apply for the Recycling Fund, “Standard Project - \$1M (SP-\$1M)” is set up under the Enterprise Support Programme. The grant for each “SP - \$1M” shall be capped at HK\$1,000,000, or 50% of the approved total

estimated project / item cost, whichever is the less.

2.11 What are the main features of the “SP – \$1M” under the Enterprise Support Programme ?

The Standard Project is a streamlined programme to provide targeted assistance to SMEs in implementing the following types of projects:

(a) Standard Project - \$1M (SP-\$1M)

Type (a):	Attending training courses to upgrade the skills of employees and / or enhance the safety and health standards, and productivity of enterprises;
Type (b):	Joining accreditation / registration schemes ¹ to enhance the capability, capacity, efficiency or skills of enterprises;
Type (c):	Conducting occupational safety and health audits / carrying out measure(s) as specified in the safety and health audit of enterprises to improve occupational safety and health (OSH) standards; or conducting environmental audit to assess the compliance with relevant requirement or environmental performance;
Type (d):	Procurement/ installation of prescribed equipment or machineries for fostering good practices and reducing nuisances;
Type (e):	Procurement/ installation of prescribed small-scale equipment/ hardware/ machineries for enhancement of capability, capacity, efficiency and skills; and
Type (f):	Upgrading the capability of recyclers in collecting, transporting and processing local recyclables or manufacturing recycled products from local recyclables

Each SP should be completed within 12 months except for project arranging staff to attend training courses (SP-\$1M Type (a)). Any change request to extend the project period beyond 12 months under the SP would not be approved. For project arranging staff to attend training courses (SP- \$1M Type (a)), the project period could be up to two years to cover attendance by different staff members at different times.

2.12 Is there any upfront payment for “Standard Project - \$1M (SP-\$1M)”?

There will be no upfront payment to the applicants under SP. Disbursement of funds for SP could be made in full to the applicant on a reimbursement basis after the completion of the projects when the following documents are accepted by the RFAC, the Government and/ or the Secretariat:

¹ For joining accreditation / registration scheme projects, only the initial fee will be supported.

- (a) Submission of the claim form to the Secretariat within 1 month after project completion with supporting documents demonstrating the completion of project and deployment of the funded equipment,
- (b) For project to purchase machineries under SP-\$1M (Type (f)), the grantee shall keep all the transaction records of sources of recyclables and sales of recycled products / processed recyclables such as supplier documents, receipts for the sales of the recyclables, material balance summary, etc. under the project. They should be submitted or made available to the Secretariat / Government upon request.

The successful applicants of SP could seek interim fund disbursement on reimbursement basis once during the project period subject to satisfaction of conditions. For detailed requirement and procedure, please refer to Guidance Notes for Applications on “Standard Project”.

2.13 Will applications for Standard Project count towards the funding ceiling per enterprise under the Enterprise Support Programme?

The cumulative funding ceiling per enterprise under the Enterprise Support Programme is HK\$15 million. During the tenure of the Enterprise Support Programme, funding support will be granted to each enterprise for a maximum of three ten approved projects. Funding for Standard Project will count towards the cumulative funding ceiling and the maximum number of approved projects under the Enterprise Support Programme.

3. Application Procedures and Details

3.1 What are the content requirements of the application form to be submitted by the applicant?

Applicants should provide proposals to enhance the recycling chain covering source separation, collection, transportation, processing, product improvement, commercialization, marketing and sales of recycled products made from recyclables in their application forms. Proposals must demonstrate the sustainability of the enhanced operation without further funding support after the project period, set at two years maximum. The need, viability and cost-efficiency of the proposal would be assessed with reference to prevailing market conditions (including for example outlets and prices of recyclables, cost of alternative treatment methods etc.), contribution to increasing the quantity and quality of recyclables recovered from the waste stream as well as those of recycled products from their treatment, and enhancing the competitiveness of recyclables, thus reducing the amount of waste disposed of at landfills. Applicants should also provide a baseline quantity of recyclable treated before implementing the project with evidence and expected quantity of recyclables treated in the interim period and

after the project completion. Applications should also include a clear implementation plan and business plan for the project.

4. Project Monitoring

4.1. Do approved projects have to be monitored? What are the monitoring measures?

In order to ensure effective implementation of the funded project, the applicant has to comply with the requirements during implementation of the project, including, but not limited to:

- The applicant has to sign a designated agreement with the Government.
- The applicant has to open a separate bank account (except “Standard Project - \$1M”) for processing all receipts and payments of the project, and related statement of income and expenditure has to be audited by the third party.
- The applicant has to submit the progress report(s)/ final report and the audited accounts as according to the project duration.
- The Secretariat will arrange on-site checking for the selected projects in order to monitor the project progress and results.
- The applicant may be required to produce evidence showing that he/ she has followed the required procurement procedures.

For the details of the monitoring measures, report(s) and audited accounts submission, and procurement procedures, please refer to the Guide to Application.

4.2. Under what circumstances will the Government suspend or terminate the disbursement of fund for the approved project?

Circumstances which warrant suspension or termination of funding support may include, but are not limited to, a lack of satisfactory progress or a slim chance of completion of a project, failure to submit progress/ final reports or audited accounts within the stipulated deadlines, non-acceptance of those reports/ accounts by the RFAC and Government, a breach of the terms and conditions of the funding agreement, or if the RFAC and Government sees fit to terminate the project in public interest. The applicant may have to return all/ part of the Government funding disbursed in respect of these projects together with all administrative, legal and other costs and interest (regardless of whether the applicant has already spent the funds or not).

4.3 What are the criteria for the Secretariat to conduct on-site checking for

monitoring the progress and results of the funded projects?

Based on the implementation status and nature of individual projects, the Secretariat will perform on-site checking, including random, surprise and routine inspections in order to monitor the project progress and results. The Secretariat will consider the following factors for on-site checking:

- The complexity and scale of the project implementation.
- The progress report(s)/ final report / claim form submitted by the applicant.
- The work/ results of the project implemented by the applicant (e.g. installation of major equipment in the site, publicity and promotional activities, etc.) and the deviation from the content of the approved project.
- The amendments made by the applicant during the project implementation.
- The past performance on the project implementation of the applicant or the service provider engaged.

4.4 Will the amount of the grant be reduced if the project outcome cannot meet the stated targets?

In the case of unsatisfactory performance or for any reason that the applicant is unable to attain the project targets under the Enterprise Support Programme, the Government, with the RFAC's advice reserves the right to reduce the amount of the approved funding based on the performance of the applicant, by taking into account of the progress already made in implementing the project, percentage of the quantifiable milestones completed and/ or other factors deemed relevant. For projects that also involve raising the quality of recyclables, provided that the RFAC is satisfied with the quality output of the project but the achieved quantity is less than expected, the reduction of the approved funding will be determined based on the performance of the applicant in achieving the quantifiable milestones. However, the Government, with the RFAC's advice, shall have sole discretion in deciding the amount of funding to be reduced from the final payment of the grant, if any.