

ITEM FOR FINANCE COMMITTEE

HEAD 184 – TRANSFERS TO FUNDS Subhead 990 Payment to the Disaster Relief Fund

Members are invited to approve supplementary provision of \$250 million to enable an injection to be made to the Disaster Relief Fund.

PROBLEM

The existing balance of the Disaster Relief Fund (the Fund) is insufficient to address the need for grants to provincial/municipal governments and relief organisations for providing emergency relief to the snowstorm victims in the Mainland. There is also a need to enable grants to be approved as expeditiously as possible in the light of the fast deteriorating conditions in the affected provinces of the Mainland.

PROPOSAL

2. The Director of Administration proposes that -
 - (a) supplementary provision of \$250 million under Head 184 Transfers to Funds Subhead 990 Payment to the Disaster Relief Fund be approved to enable the transfer of additional funds from the general revenue to the Fund; and
 - (b) approval be given for the Financial Secretary (FS) to make grants each in excess of \$8 million for the purpose of providing emergency relief to snowstorm victims in the Mainland upon the advice of the Disaster Relief Fund Advisory Committee (DRFAC).

/JUSTIFICATION

JUSTIFICATION**(a) Need for emergency relief**

3. Since early January 2008, various provinces of the Mainland have been severely battered by the heaviest snowstorms in 50 years. The snowstorms have affected more than 77.8 million people in about 19 provinces, claiming 60 lives, forcing the relocation of over 1.7 million people, leading to the collapse of 223 000 houses and inundating over 7.2 million hectares of farmland. The direct economic loss is estimated to be about RMB 53.8 billion. The inclement weather has also wreaked havoc on the transportation system and the electricity network, thereby causing a food shortage in many parts of the affected areas.

4. We have been in close contact with the Central People's Government (CPG) to understand the situation and seek advice on how the HKSARG could help and contribute towards the disaster relief work. The advice of the CPG is that aid from the HKSARG would best be channelled towards Hunan and Guizhou, which are the two provinces hit hardest by the snowstorms. Hence, we propose to donate \$100 million each to the Hunan and Guizhou provincial governments as contribution to their disaster relief and rehabilitation work. Separately, we have also been in touch with the Guangdong authorities to see if they would need any help. The Guangdong authorities are very appreciative of our offer and have suggested that the Municipality of Shaoguan, which has suffered badly from the damage caused by the snowstorms, would benefit from help from Hong Kong. We therefore propose to donate \$10 million to the Shaoguan Municipal Government to assist their relief work. Subject to funding approval by the Finance Committee (FC), the provisions would be allocated to the relevant Mainland government agencies responsible for the disaster relief and rehabilitation work.

5. In addition, several major relief organisations have submitted or will shortly be submitting applications for grants from the Fund for providing emergency relief to the snowstorm victims, which would amount to some \$21 million in total. As further applications may come later on, we consider it necessary to also build in a buffer of \$19 million in the Fund for handling such applications prior to the close of 2007-08. As a result, we need to provide an injection of \$250 million (i.e. \$210 million + \$21 million + \$19 million) into the Fund.

/(b)

(b) Financial position of the Fund

6. As at the end of January 2008, the Fund had a balance of about \$14.96 million. On 1 February 2008, the Government accepted the advice of the DRFAC and approved a grant of \$8 million from the Fund to a relief organisation to provide emergency relief to snowstorm victims. As a result, the current balance of the Fund is about \$6.96 million. This balance is insufficient to cater for the immediate need for emergency relief to victims affected by the snowstorms as well as the potential need for relief to victims from other disasters which may arise in the rest of the current financial year.

(c) Control mechanism

7. The Fund is established under the Public Finance Ordinance (PFO) by means of a resolution passed by the Legislative Council (LegCo). FS, as the administrator of the Fund, has been authorised by the resolution to approve each individual disbursement of \$8 million or below. FC's approval will be required for individual grants exceeding this delegated limit.

8. Disbursements from the Fund will be made on the advice of the DRFAC which is chaired by the Chief Secretary for Administration and comprises, among others, two Executive Council Members and two LegCo Members. The DRFAC advises on the policy and practices regarding the disbursement of funds for disaster relief, advises on specific amounts to specific recipients and monitors the use of grants.

9. In the light of the fast deteriorating conditions, the Administration has to respond as expeditiously as possible to the needs for grants from provincial/municipal governments/relief organisations to provide emergency relief to the snowstorm victims. Therefore, we propose to seek FC's approval for FS to make grants each in excess of \$8 million for the purpose of providing emergency relief to the snowstorm victims in the Mainland upon the advice of the DRFAC. Subject to FC's approval, we will invite the DRFAC to consider the proposed grants. We will request the submission of detailed breakdowns that account for the use of funds from the relevant agencies in due course.

FINANICAL IMPLICATIONS

10. If Members approve the proposed injection of \$250 million, we will offset the supplementary provision required by deleting an equivalent amount under Head 184 Transfers to Funds Subhead 988 Payment to the Loan Fund.

/PUBLIC

PUBLIC CONSULTATION

11. In view of the urgency of the proposals in paragraph 2 above, the Administration has not been able to conduct any prior consultation with the relevant LegCo Panel.

BACKGROUND

12. A resolution under section 29 of the PFO was introduced into the LegCo on 1 December 1993 to establish the Fund for disaster relief in places outside Hong Kong with an initial appropriation of \$50 million from the general revenue. The Fund is topped up in the beginning of each financial year, and as necessary during the financial year, depending on calls for relief and the size of the Fund balance and commitments. Disbursements from the Fund will be made on the advice of the DRFAC. FC's approval will be required for each individual disbursement exceeding the limit of the delegated power, which at present is \$8 million.

Administration Wing, Chief Secretary for Administration's Office
February 2008