

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 \$350 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 considered insufficient to address the immediate need for grants for providing emergency relief to the victims from the earthquake in Sichuan (earthquake victims). 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 earthquake-hit areas.

PROPOSAL

2. The Director of Administration proposes that –
 - (a) supplementary provision of \$350 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 the earthquake victims upon the advice of the Disaster Relief Fund Advisory Committee (DRFAC).

/JUSTIFICATION

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(a) Need for emergency relief

3. On 12 May 2008, an earthquake (the Earthquake) measuring 7.8 on the Richter scale, the worst one since the Tangshan earthquake in 1976, jolted Wenchuan County, Sichuan Province, resulting in about 9 000 deaths and collapse of about 500 000 houses so far. There is an urgent need to provide emergency relief to the earthquake victims. We have been in contact with the Central People's Government (CPG) to understand the situation and seek advice on how the Hong Kong Special Administrative Region Government (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 the earthquake victims through the disaster relief headquarters (DRH) (中央抗震救災總指揮部). Hence, we propose to donate \$300 million to the DRH as contribution to its disaster relief and rehabilitation work, as appropriate.

4. In addition, several major relief organisations will shortly submit applications for grants from the Fund for providing emergency relief to the earthquake victims. As further applications may come later on, we consider it necessary to also build in a buffer in the Fund for handling such applications. As a result, we estimate that we will need a total of \$350 million (i.e. \$300 million for DRH + \$50 million for major relief organisations and as buffer) under the Fund to provide emergency relief for the earthquake victims.

(b) Financial position of the Fund

5. As at now, the Fund has a balance of about \$67.14 million. We propose to leave this amount intact and seek supplementary provision of \$350 million for the present exercise. This will enable the Administration to meet in full the proposed grants for the earthquake victims, while ensuring that the Fund has adequate readily available provisions to respond swiftly to other appeals for disaster relief in the remainder of 2008-09 (including those to be submitted by some major relief organisations in response to the cyclone disaster in Myanmar earlier this month).

6. We will keep the situation under review. If there is a need to provide more relief to the areas affected by the earthquakes in the Mainland, we will seek further approval from the Finance Committee if necessary.

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(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. The approval of the Finance Committee 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 to provide emergency relief to the earthquake victims. Therefore, we propose to seek Finance Committee's approval for FS to make grants each in excess of \$8 million for the purpose of providing emergency relief to the earthquake victims upon the advice of the DRFAC. Subject to Finance Committee'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.

FINANCIAL IMPLICATIONS

10. If Members approve the proposed injection of \$350 million, we will offset the supplementary provision required by deleting an equivalent amount under Head 106 Miscellaneous Services Subhead 789 Additional Commitments.

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

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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. The Finance Committee'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
May 2008