

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 \$150 million to enable an injection to be made to the Disaster Relief Fund, and to delegate to the Financial Secretary the authority to make grants each in excess of \$8 million for the purpose of providing emergency relief to drought victims in the Mainland upon the advice of the Disaster Relief Fund Advisory Committee.

PROBLEM

The existing balance of the Disaster Relief Fund (the Fund) is insufficient to address the need for grants for providing emergency relief to the drought victims in the Mainland. There is also a need to enable grants to be approved as expeditiously as possible in the light of the very serious conditions in the affected areas in the Mainland.

PROPOSAL

2. The Director of Administration proposes that –
 - (a) supplementary provision of \$150 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 drought victims in the Mainland upon the advice of the Disaster Relief Fund Advisory Committee (DRFAC).

JUSTIFICATION

(a) Need for emergency relief

3. Since autumn 2009, the south-western part of the Mainland, including Yunnan, Guizhou and Sichuan Provinces, Guangxi Zhuang Autonomous Region and Chongqing Municipality, has received only half its average annual rainfall and water stores are depleted. The Ministry of Civil Affairs stated on 23 March 2010 that severe drought had affected 61 million people and left more than 18 million people and 11 million livestock with drinking water shortage. About 5 million hectares of farmland were affected in which 1 million hectare would yield no harvest. The direct economic loss was estimated to reach RMB 23.6 billion.

4. The drought has been both very severe and unusually long, a situation not experienced over the past century. The meteorological stations in Yunnan and Guizhou Provinces have forecast that widespread and substantial rainfall is not expected before May. To cope with this dire situation, the Mainland authorities have activated emergency responses in the hardest-hit areas, spending hundreds of millions of money in emergency funds, deploying water tank trucks, bringing in necessary water-tapping and storage equipment; as well as supplying food to victims with food shortage. Nevertheless, a lot still remains to be done in order to provide people with sufficient drinking water and food for themselves and their livestock as well as irrigation water for whatever is left of their crops.

5. There is an urgent need to provide emergency relief to the drought victims. Having regard to information obtained from the Central People's Government (CPG) on the latest development of the disaster, we propose to donate \$40 million each to Guangxi, Guizhou and Yunnan Province/Region which are hardest hit by the drought (totalling \$120 million), as contribution to their disaster relief and rehabilitation work.

6. In addition, several major relief organizations have submitted or will shortly be submitting applications for grants from the Fund for providing emergency relief to the drought victims. We consider it necessary to build in a buffer of \$30 million in the Fund for handling such applications.

(b) Financial position of the Fund

7. The Fund has a balance of \$8 million as at 25 March 2010 and an injection of \$47 million has been included in the Appropriation Bill to replenish the Fund to \$55 million. As the balance of \$55 million is inadequate for the present purpose, we propose to leave this amount intact and seek supplementary provision of \$150 million so as to earmark sufficient funding for providing emergency relief to drought victims in the Mainland. This will enable the Administration to meet in full the proposed grants for the present purpose, while ensuring that the Fund has adequate readily available provisions to respond swiftly to other appeals for disaster relief in 2010-11 (including possible further applications from relief organizations providing emergency relief to drought victims in the Mainland and to other victims of unforeseeable disasters around the world).

(c) Control mechanism

8. 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.

9. 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^{Note}. 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.

10. In the light of the deteriorating situation in the south-western part of the Mainland with improbable widespread and substantial rainfall in the coming weeks, the Administration has to respond as expeditiously as possible to provide emergency relief to the drought victims in the Mainland. Therefore, we propose to seek the FC's approval for FS to make grants each in excess of \$8 million for the purpose of providing emergency relief to the drought victims in the Mainland upon the advice of the DRFAC. Subject to FC's approval of the proposal in this paper, we will invite the DRFAC to consider the proposed grant of \$120 million to the Mainland authorities, and any other applications from relief organizations in relation to the drought victims in the Mainland. We will request the submission of detailed breakdowns that account for the use of funds from the relevant agencies in due course.

^{Note} The DRFAC is chaired by the Chief Secretary for Administration, and comprises two members of the Executive Council (Prof. the Hon. Anthony Cheung Bing Leung and the Hon. V Nee Yeh); two members of the Legislative Council (the Hon. Mrs Sophie Leung Lau Yau Fun and the Hon Wong Sing Chi), community members (Mr Victor Lo Chung Wing, Mr Irving Koo Yee Yin and Mrs Alice Chong Yuk Tak Fun); Secretary for Financial Services and the Treasury; and Secretary for Labour and Welfare.

FINANCIAL IMPLICATIONS

11. If Members approve the proposed injection of \$150 million, we will offset the supplementary provision required by deleting an equivalent amount under Head 106 Miscellaneous Services Subhead 789 Additional Commitments.

PUBLIC CONSULTATION

12. 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

13. 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.

Administration Wing, Chief Secretary for Administration's Office
March 2010