

## **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 \$130 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 earthquake victims in Qinghai Province 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 earthquake victims in Qinghai Province 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.

### **PROPOSAL**

2. The Director of Administration proposes that –
  - (a) supplementary provision of \$130 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 earthquake victims in Qinghai Province in the Mainland upon the advice of the Disaster Relief Fund Advisory Committee (DRFAC).

## **JUSTIFICATION**

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

3. An earthquake measuring 7.1 on the Richter scale has struck Yushu County, Yushu Tibetan Autonomous Prefecture, Qinghai Province at 7:49am on 14 April 2010. The epicenter was at the Rima Village in the Shanglaxiu Township, a pasturing area about 50 km west of Gyegu and about 800 km away from the provincial capital Xining. According to information released by the Ministry of Civil Affairs and Xinhua News Agency, as at 20 April 2010, the earthquake has taken the life of over 2 000 people and injured twelve thousand others. About 150 000 houses have collapsed and ten thousand people have been displaced. Many people are still buried in the debris as more than 85% of houses in Gyegu, mostly made of mud brick and wood, have collapsed. As the temperature of the affected places is very low, the victims are in dire need of warm clothing, shelter, food, water and medicines. The Central Government has initiated priority emergency response for earthquake relief in Qinghai.

4. There is an urgent need to provide emergency relief to the earthquake victims. Having regard to the information obtained on the latest development of the disaster, we propose to donate \$100 million to the Provincial Government of Qinghai as contribution to their disaster relief and rehabilitation work.

5. On the advice of the DRFAC, we have already approved a grant of \$4.5 million from the Fund for a relief organisation to provide emergency relief to the Qinghai earthquake victims. Several other major relief organisations have indicated that they will shortly submit applications for grants to undertake similar emergency relief projects for the 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**

6. As at 20 April 2010, the Fund has a balance of \$66.3 million. We propose to leave this amount intact and seek supplementary provision of \$130 million so as to earmark sufficient funding for providing relief to earthquake victims in Qinghai Province. 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 relief related to the Qinghai earthquake and to other victims of unforeseeable disasters around the world).

**(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<sup>Note</sup>. 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 in Qinghai, 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 the FC's approval for FS to make grants each in excess of \$8 million for the purpose of providing emergency relief to the earthquake victims in Qinghai 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 \$100 million to Provincial Government of Qinghai, and any other applications from relief organisations in relation to the earthquake.

10. The relief organisations receiving grants from the Fund are required to use the grants only for the approved purposes. To monitor the use of grants, the following measures are put in place –

---

<sup>Note</sup> 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.

- (a) the concerned relief organisation should report to the DRFAC the critical project milestones, such as the commencement date and completion date of a project, within one month from the respective scheduled date;
- (b) should there be signs of deviation from the approved targets, including the schedule, relief area, number of victims benefited, etc., the relief organisation is required to obtain prior approval from the DRFAC;
- (c) the relief organisation should submit an evaluation report after completing the project. The report should comprise an overall assessment of the programme in terms of the number of victims benefited and the total time used to provide emergency relief to them. Other information such as a statement of need, project goal, relief items, timeliness of relief actions, coordination with other relief organizations, monitoring effort and project finance, etc. should also be provided as far as practicable and applicable; and
- (d) the evaluation report and audited accounts are reviewed by the Secretariat of the DRFAC and the Audit Commission during the annual audit of the Fund to ensure that the grant conditions are complied with.

11. For grants made to governments outside HKSAR, only evaluation reports are required from the recipient authorities. This is in line with the arrangements as applied in previous cases of donations made to authorities of South Asian countries as well as in the Mainland and Taiwan in support of their relief programmes for victims in tsunami, earthquake, typhoon, drought etc.

## **FINANCIAL IMPLICATIONS**

12. If Members approve the proposed injection of \$130 million, we will offset the supplementary provision required by deleting an equivalent amount under Head 106 Miscellaneous Services Subhead 789 Additional Commitments.

## **PUBLIC CONSULTATION**

13. 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**

14. 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  
April 2010