

ITEM FOR FINANCE COMMITTEE

**HEAD 151 – GOVERNMENT SECRETARIAT: SECURITY BUREAU
Subhead 700 General non-recurrent
New Item “Injection into the Beat Drugs Fund”**

Members are invited to approve a new commitment of \$3 billion for injection into the Beat Drugs Fund.

PROBLEM

We need to enlarge the capital base of the Beat Drugs Fund (BDF) to generate an enhanced level of funding to support sustained anti-drug efforts of various organisations in the community.

PROPOSAL

2. The Secretary for Security proposes to create a new commitment of \$3 billion for injection into the BDF in 2010-11 for supporting various sectors of the community in combating drug abuse on a sustainable and long-term basis.

JUSTIFICATION

3. The Government attaches great importance to combating drug abuse, with priority accorded to the fight against youth drug abuse. The Government has allocated increased resources to address the problem and stepped up efforts on many fronts. The injection into the BDF is an indispensable measure for sustaining the anti-drug campaign on a community-wide level in the long run.

/Deterioration

Deterioration of Youth Drug Abuse Problem

4. The number of reported young drug abusers (below the age of 21) saw a significant rise of 54% in the past five years, from some 2 200 in 2004 to 3 400 in 2009, and the percentage of young drug abusers in the entire drug abuse population rose from 14.7% in 2004 to 24% in 2009.

5. In order to collect information on the latest trends and patterns of student drug abuse in Hong Kong, the Government commissions a detailed survey every four years. The latest survey, i.e. the "2008/09 Survey of Drug Use among Students" (the 2008/09 Survey) announced in February 2010, was conducted in the 2008/09 school year covering about 20% of all secondary school students, and included primary four to six as well as post-secondary programmes students for the first time since the first survey conducted more than 20 years ago. The most alarming trends revealed by the 2008/09 Survey include the increasing prevalence of young drug abusers, the lowering age of drug abuse, the rising trend in the abuse of psychotropic substances and the hidden nature of youth drug abuse.

6. Among secondary school students, 4.3% of the respondents indicated that they had abused drugs, representing an increase of 1% as compared with the survey results of the 2004/05 school year. The hidden nature of youth drug abuse is illustrated by the finding that 36.2% of the secondary school students who claimed to have abused drugs indicated that they had taken drugs in friends' home, and 25% in their own home. A particularly worrying finding is that 75% of the abusers did not seek help.

Mobilising the Community through BDF

7. The drug abuse problem is often a manifestation of underlying personal, family and social problems. As many risk factors associated with youth drug abuse involve multiple stakeholders in the community, it is imperative that different stakeholders collaborate in a multi-faceted manner.

8. Community mobilisation and community support are two of the five strategic directions promulgated by the Chief Executive to combat the youth drug problem in an enhanced and expedited manner, together with drug testing, treatment, and law enforcement. In addition to the many measures that have already been put in place to address the situation, e.g. voluntary school-based drug testing, the Administration is committed to strengthening and sustaining efforts to tackle the youth drug problem with community bodies and non-government organisations (NGOs).

9. The BDF, which was established in 1996, has been an effective vehicle for enhancing the community's anti-drug efforts. With its investment income, the BDF provides steady and sustained funding source to finance worthwhile community-driven anti-drug projects. The BDF offers flexibility in allocating grant to projects that meet the priority or prevailing issues as identified by the Action Committee Against Narcotics (ACAN) and the Administration through a continuous monitoring system, regular surveys and work contacts. The projects supported are mainly in the areas of preventive education and publicity, treatment and rehabilitation, research, and early identification of drug abusers. Since its inception, about 480 projects with a total grant of about \$240 million have been approved. The number of approved projects and the level of grant made each year are set out at Enclosure.

Encl.

10. Constrained by the size of and the need to keep intact the capital base of \$350 million, the BDF is limited in how much funding it can use. As illustrated by the statistics in Enclosure, only around 15% of funding sought was granted in the annual funding exercise on average. To address the worsening youth drug abuse problem, \$33 million and \$23 million were granted during the annual funding exercises in 2008 and 2009 respectively. In addition, \$18 million has been granted since 2008 for the implementation of the recommendations of the Task Force on Youth Drug Abuse (the Task Force). Such funding levels in fact have exceeded the normal expected return from the existing capital base (see paragraph 21 below).

Benefits of the Proposed Injection

11. The proposed injection of \$3 billion will increase the capital base of the BDF from \$350 million to \$3.35 billion. Assuming an average annual investment return rate of about 4% to 5% in the long run, this \$3.35 billion may generate around \$134 million to \$168 million investment proceeds per year. This will enable the BDF to give more financial support to anti-drug projects and to continue to provide funding to projects even in times of market volatility and fluctuations in investment income. The maximum level of grant for each application is currently \$3 million in general (\$5 million for exceptional cases) and that for each organisation is \$6 million. Following the injection, consideration will be given to raising the caps and we will consult ACAN and the anti-drug sector on the appropriate maximum levels.

12. With a higher level of grant to be made, the scope of the anti-drug projects that can be sponsored will be widened and the BDF will be in a better position to respond to community's needs. We anticipate that the proposed injection will bring to the anti-drug campaign major benefits as set out below.

/Strengthening

Strengthening Preventive Education and Promotion

13. Preventive education is one of the principal elements of the five-pronged strategy to combat the drug abuse problem. On the universal prevention level, it is necessary to enhance the roles and skills of different stakeholders in strengthening the protective factors and reducing the risk factors to prevent youth drug abuse. Parents, schools and the community should be encouraged to organise programmes to prevent and tackle youth drug abuse. On the targeted prevention level, it is important to reach out to high-risk youths and strengthen their resolve against drug abuse. As many high-risk youths and drug rehabilitees need to set a life direction, projects that mobilise and make effective use of community stakeholders and resources to help young people in this respect are important. With the capability to provide a higher level of grant, the BDF can better support community stakeholders such as parent-teacher associations, schools, youth groups and NGOs to organise community-based, school-based and evidence-based drug prevention programmes.

Supporting Drug Treatment and Rehabilitation Centres

14. The BDF set up in 2002 a Special Funding Scheme (SFS) for Drug Dependent Persons Treatment and Rehabilitation Centres with a sum of \$23 million to complement other funding sources in sponsoring drug treatment and rehabilitation centres (DTRCs) to carry out capital works to meet licensing standards under the Drug Dependent Persons Treatment and Rehabilitation Centres (Licensing) Ordinance (Cap 566)^{Note}. A ballpark estimate indicates that the capital works for all centres concerned may add up to \$200 million in cost depending on the scale and complexity of the projects. At present, given the funds available, each DTRC may only obtain a maximum of \$3 million, while each NGO may obtain a maximum of \$6 million for all its DTRCs.

15. As at end April 2010, among a total of 40 DTRCs currently covered by the said Ordinance, 19 have obtained licences and 21 are operating under a Certificate of Exemption (CoE) issued by the Director of Social Welfare. Of the 21 DTRCs issued with CoEs, 15 have indicated that they may possibly apply for funding. For the rest, they either have obtained funding from the BDF or other sources, or have not indicated any need for assistance. Many of these DTRCs have encountered difficulties in planning, land issues, relocation, or project implementation, with some requiring professionals to prepare planning

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^{Note} The objective of the statutory licensing scheme is to enhance the standard of service provided by DTRCs and to ensure that drug dependent persons undergoing treatment at these centres would receive services in a properly managed and secure environment.

and land submissions, building plans, and other technical documents. Some of the DTRCs also need funding support to embark on the requisite capital works, improve the premises or purchase new equipment.

16. Relocation, expansion and upgrading of these DTRCs to meet licensing standards are important in ensuring the provision of adequate and appropriate treatment and rehabilitation services. The proposed injection would enable the BDF to expand the scope of SFS to cover, for instance, fees for engaging authorised experts and professionals to expedite the planning and implementation processes, projects for increasing the capacity and sophistication of residential drug treatment and rehabilitation services, and potential new players to set up new DTRCs. We will be able to substantially increase the maximum level of grant for each application and each organisation. We will further consult ACAN and the anti-drug sector in this respect having regard to the actual needs and cost estimates from the DTRCs.

Funding New and Innovative Treatment and Rehabilitation Programmes

17. The increasing prevalence of psychotropic substances abuse among young people requires targeted, innovative and effective treatment and rehabilitation programmes. Reintegration of rehabilitated drug abusers into mainstream schools or society is important to help them stay away from drugs. The BDF is an important source to fund pilot or innovative treatment and rehabilitation programmes and modes, including residential or community-based programmes and reintegration programmes with multi-disciplinary co-operation elements. With the increase in income subsequent to the enlargement of the capital base, the BDF may enhance its role and support schemes of a larger scale with more systematic evaluation and research. The BDF may also encourage and fund programmes which allow a continuum of treatment and rehabilitation services.

Supporting Healthy School Policy with Anti-drug Elements

18. With the proposed injection, the BDF may strengthen its support for effective school-based programmes for developing students' anti-drug knowledge and skills, e.g. strengthening students' life skills, refusal skills, and psycho-social skills. These projects would be complementary to the existing preventive education work. The BDF may also support new measures and tools for early identification of drug abusers and provide downstream support for identified drug abusers. One of the areas that may be sponsored is voluntary school-based drug testing.

/Conducting

Conducting Research to help Chart Anti-drug Strategy

19. Quality research provides evidence-based findings which enable the formulation of informed and effective anti-drug policy and measures. The BDF may support more studies in areas of concern, such as drug abuse patterns of primary and post-secondary students as well as young working adults. Large-scale longitudinal studies on drug prevention, early intervention, and treatment and rehabilitation programmes may also be supported.

Investment Criteria and Control Mechanism

20. The Beat Drugs Fund Association (BDFA), a company formed to manage the BDF, adopts a prudent investment strategy and invests in local and overseas stocks and bonds with a diversified portfolio to manage risks. It has set up an investment sub-committee comprising non-official members from business, finance and accountancy sectors to advise on investment strategies.

21. To ensure prudent financial management, the BDFA has adopted for planning purpose a maximum grant level of \$14 million for its annual funding exercise, or 4% of the \$350 million capital base, and will determine the actual level of grant approved having regard to the prevailing drug scene, number and quality of applications, progress of DTRCs in obtaining planning and other relevant approvals, and views of ACAN.

22. The BDFA consults ACAN on a regular basis on the priority areas for BDF grants. Following the proposed injection, the BDFA will continue the established practice of inviting ACAN's advice before deciding on the allocations of grants to different projects. While as far as practicable the BDFA will keep the capital base intact in the long run, we consider it appropriate to allow the BDFA to use part of its capital base in a particular year if the investment return plus the accumulated reserve are inadequate to meet the funding needs. This would ensure that sustained anti-drug efforts would not be disrupted by short-term fluctuations in the investment markets.

23. To ensure an efficient use of resources, the BDFA has in place a comprehensive monitoring system over the use of funds and grants. Following the proposed injection, we will continue to improve the administration and management of the BDF following the relevant recommendations of the Task Force. Having consulted ACAN, we will consider putting in place the following measures in future to raise transparency and enhance effectiveness –

/(a)

- (a) ACAN and its sub-committee members form an assessment panel for each round of funding exercise to study and vet the applications to assess if the applications are appropriate to meet the needs of tackling the prevailing drug situation. For projects that require substantial amount of funding, or last for a period of more than two years, consideration may be given to inviting two to three ACAN members to care-take each of such projects in order to monitor the progress of implementation. The BDF secretariat, comprising staff of the Narcotics Division (ND) of the Security Bureau, will provide administrative support to the members, including assessment of applications and monitoring of projects,
- (b) Currently, grantees are required to submit all cash receipts and other documentary proof for claiming funds. For projects with a grant above \$500,000, they are also required to prepare audited accounts. To further streamline the procedures for claiming funds, grantees will no longer be required to submit cash receipts. However, the requirement of annual audited accounts will be applicable to all grantees regardless of the amount of grant received, and the auditing fees may be included in the project as a reimbursable item. Grantees may be given initial disbursement of a proportion of the approved fund and the BDF may disburse further funds upon receipt of the audited accounts. Grantees may still be required to keep their cash receipts for future verification purposes,
- (c) The BDF secretariat will organise training to assist grantees to perform self-evaluation. More sharing sessions will be organised if necessary for grantees to share experience in effective planning and implementation of projects,
- (d) A review will be carried out to consider the need to increase the staffing level of the secretariat, or to engage organisations or personnel to enhance the assessment, monitoring and evaluation of projects and the administration and investment of the BDF,
- (e) The BDF secretariat will consider holding two rounds of funding exercise instead of just one per year to facilitate applications by interested parties, and
- (f) Grantees will be required to prepare half-yearly progress reports and full reports upon completion of the projects. To ensure transparency, such reports may be made available for viewing at the Hong Kong Jockey Club Drug InfoCentre and on the website of ND.

FINANCIAL IMPLICATIONS

24. We propose a one-off injection into the BDF in the amount of \$3 billion in 2010-11. The additional workload arising from the administration and operations of the BDF will initially be handled by ND and the Treasury. We will review the long-term staffing requirements in light of practical experience following the proposed injection, and follow up as appropriate.

PUBLIC CONSULTATION

25. We consulted ACAN on 26 February and 16 March 2010. ACAN saw an urgent need to strengthen the BDF as a vehicle for supporting various sectors of the community to combat drug abuse. Members supported the proposed injection and commended it as a commitment of the Administration to sustain the fight against drug abuse. They suggested that project assessment, monitoring and evaluation should be enhanced to ensure the proper use of the BDF.

26. We consulted the Legislative Council Panel on Security (the Panel) on 13 April 2010. Members had no objection to the proposed injection and the submission to the Finance Committee for approval. On the maximum level of grant for each project and each organisation under the SFS for DTRCs, a Member suggested that the Administration should indicate the likely maximum level of grant. We will consult ACAN and the anti-drug sector on the maximum level of grant and will inform the Panel of the outcome.

BACKGROUND

27. A sum of \$350 million was approved in March 1996 as a one-off injection into the BDF. This capital base has to be kept intact. Investment income generated from the BDF is used to finance anti-drug projects which would complement the multi-faceted strategy adopted by the Administration and NGOs.

28. The BDFA was established in 1996 under the Companies Ordinance (Cap. 32) as a vehicle to manage the BDF. The Governing Committee of BDFA manages the BDF and determines the use of the BDF on the advice of ACAN. It is chaired by the Permanent Secretary for Security with three non-official members and two official members, namely Commissioner for Narcotics and Director of Accounting Services (DAS). DAS manages the finances and investment of the BDF.

29. In his 2010-11 Budget, the Financial Secretary announced that \$3 billion had been earmarked for the proposed injection into the BDF to strengthen collaboration with the community to combat the youth drug abuse problem on a long-term basis.

Security Bureau
May 2010

**Statistics on the Level of Grants under the Beat Drugs Fund
(1996 to 2010)**

Annual Funding Scheme

Year of Approval#	No. of applications received	No. of applications approved	Total funding sought (\$m)	Total funding granted (\$m) (Percentage of funding sought)
1996	44	24	59.5	8.7 (15%)
1997	88	30	116.3	11.8 (10%)
1998	89	45	69.6	18.1 (26%)
1999	153	49	117	19.8 (17%)
2000	121	29	104.6	16.6 (16%)
2001	121	36	107.7	19 (18%)
2002	144	25	139	19.7 (14%)
2003	131	16	115.4	5.5 (5%)
2004	56	15	46.4	6.9 (15%)
2005	53	20	50	7.7 (15%)
2006	73	18	79.3	9.8 (12%)
2007	75	25	86.9	15.4 (18%)
2008	117	59	125.2	32.9 (26%)
2009	157	68	169.9	22.8 (13%)
Total	1 422	459	1,386.8	214.7 (15%)

The annual funding exercise for 2010 is underway and no grant has been made in 2010 yet.

Special Funding Scheme for DTRCs

Year of Approval	No. of applications received	No. of applications approved	Total funding sought (\$m)	Total funding granted (\$m) (Percentage of funding sought)
2005	3	3	4.7	3.8 (81%)
2008	1	1	10.8	6 (56%)
2010 (up to April)	1*	1*	0.3	0.2 (67%)
Total	5	5	15.8	10 (63%)

* Application for additional funding

Special Funding Scheme for Measures of Task Force on Youth Drug Abuse and Related Projects

Year of Approval	No. of applications received	No. of applications approved	Total funding granted (\$m)
2008	9	2	2.9
2009	15	15	13.1
2010 (up to April)	6	1	2
Total	30	18	18
