

## **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 \$50 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 mudslide victims in Gansu 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 mudslide victims in Gansu Province in the Mainland and for meeting other needs for relief. There is also a need to enable grants to be approved as expeditiously as possible in the light of the very serious conditions in Gansu.

### **PROPOSAL**

2. The Director of Administration proposes that –
  - (a) supplementary provision of \$50 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) .....

- (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 mudslide victims in Gansu Province in the Mainland upon the advice of the Disaster Relief Fund Advisory Committee (DRFAC).

## JUSTIFICATION

### Need for emergency relief

3. Heavy downpours that started on 7 August 2010 triggered massive landslides and mud-rock flows in the Zhouqu County of Gannan Tibetan Autonomous Prefecture, Gansu Province on 8 August. The Bailong River, which runs through the county seat, overflowed after being blocked by landslide and a large body of slow-moving water had engulfed Chengguan Township. The mud-rock flows have levelled an area of about 5 km long and 500 metres wide in the county seat with about 1.8 million cubic metres of mud and rocks. According to latest report, at least 1 248 people died and 496 were missing, with more than 20 000 people being affected. The Central Government has initiated priority emergency response for relief in Zhouqu County.

4. There is an urgent need to provide emergency relief to the mudslide victims. On the advice of the DRFAC, we have granted \$3.1 million to The Amity Foundation on 11 August for its relief projects for mudslide victims in Gansu and flood victims in Sichuan. The majority of the amount, at \$2.44 million, is for Gansu.

5. At the same time, the Provincial Government of Gansu has been carrying out large-scale emergency relief programmes to help the victims overcome the difficulties they face. Having regard to the latest development regarding the scale of the disaster in Gansu, we consider it appropriate to donate \$50 million to the Provincial Government of Gansu as contribution to their disaster relief and rehabilitation work. The proposed amount of donation is worked out having regard to the latest development of the mudslide in the Gansu Province and the scale of damage and level of relief grants made in response to recent disasters outside Hong Kong. Given the volatile situation in the disaster-stricken areas, we believe the Provincial Government of Gansu will require flexibility to determine how best the grant should be deployed in helping the victims on the ground. We will keep in view the latest development of the disaster closely. We stand ready to offer further assistance where circumstances so warrant.

**/Financial .....**

### Financial position of the Fund

6. As at 13 August 2010, the Fund has a balance of \$53.99 million. It serves as a readily available reserve to respond swiftly to appeals for disaster relief in other places outside Hong Kong in the remainder of 2010-11. To enable the Administration to make a grant of \$50 million to the Provincial Government of Gansu and to leave a sufficient balance to cater for other applications (including further applications from organisations for relief projects in Gansu), we propose to seek supplementary provision of an equivalent amount to top up the Fund.

### 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 (FC) 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 (ExCo) 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 Gansu, the Administration has to respond as expeditiously as possible to the needs for grants to provide emergency relief to the mudslide victims. We therefore propose to seek the approval of the FC for FS to make grants each in excess of \$8 million for the purpose of providing emergency relief to the mudslide victims in Gansu 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 \$50 million to the Provincial Government of Gansu.

/10. ....

---

<sup>Note</sup> The DRFAC is chaired by the Chief Secretary for Administration, and comprises two ExCo Members (Prof. the Hon. Anthony Cheung Bing Leung and the Hon. V Nee Yeh), two LegCo Members (the Hon. Mrs Sophie Leung Lau Yau Fun and the Hon. Wong Sing Chi), community members (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.

10. 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., an evaluation report on the use of the grant is required from the recipient government authority after completion of the relief programmes.

### **FINANCIAL IMPLICATIONS**

11. If Members approve the proposed injection of \$50 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 proposal, 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 passed by 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.

14. In the past three years, FC approved the injection of supplementary provisions to the Disaster Relief Fund on the following five occasions –

- (a) \$250 million in February 2008 to address the need for grants from provincial/municipal governments and relief organisations for providing emergency relief to the snowstorm victims in the Mainland;
- (b) \$350 million in May 2008 to address the need for grants from central/provincial governments and relief organisations for providing emergency relief to the victims of the earthquake in Sichuan;
- (c) \$50 million in August 2009 to address the need for grant from Taiwan authorities for providing emergency relief to the typhoon victims in Taiwan;

/(d) .....

- (d) \$150 million on 1 April 2010 to address the need for grants from provincial governments and relief organisations for providing emergency relief to the drought victims in the Mainland; and
- (e) \$130 million on 23 April 2010 to address the need for grants from provincial government and relief organisations for providing emergency relief to the earthquake victims in Qinghai.

-----

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