

## **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 \$100 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 Sichuan 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 Sichuan 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 \$100 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 earthquake victims in Sichuan Province in the Mainland upon the advice of the Disaster Relief Fund Advisory Committee (DRFAC).

## **JUSTIFICATION**

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

3. On 20 April 2013, an earthquake measuring 7.0 on the Richter scale hit Lushan county of Ya'an in Sichuan Province. More than 1 000 aftershocks have been reported. According to information released by the Ministry of Civil Affairs of the Central Government, as at 22 April, over 180 people were killed and more than 11 000 people injured. Many houses in the affected areas have collapsed and more than 120 000 people are reported to have been evacuated and relocated in Lushan county. About 1.7 million people are affected by the earthquake. The Central Government has initiated priority emergency response to co-ordinate earthquake relief in Sichuan Province. Disaster relief work of the provincial government is time-critical.

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 and the timely support rendered by the Hong Kong Special Administrative Region (HKSAR) Government to other provisional governments for disaster relief in the past, we propose to donate \$100 million to the Provincial Government of Sichuan as contribution to their disaster relief work.

5. We have liaised with major relief organisations. They are assessing the situation of the affected areas and have indicated their intention to shortly submit applications for grants from the Fund to provide emergency relief items to the earthquake victims in Sichuan. The Secretariat of the Fund will expedite the processing of these applications.

### **(b) Financial position of the Fund**

6. As at 22 April 2013, the Fund has a balance of \$48.5 million. We propose to seek supplementary provision of \$100 million and donate the said sum to the Provincial Government of Sichuan for providing emergency relief to earthquake victims in Sichuan Province.

/(c) .....

**(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 Finance Committee (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. 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. The membership list of the DRFAC is at Enclosure 1.

Encl. 1

9. In the light of the fast deteriorating conditions in Sichuan, 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 timely emergency relief to the earthquake victims in Sichuan 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 Sichuan, and any other subsequent applications for grants from relief organisations to carry out emergency relief projects in Sichuan.

10. The relief organisations receiving grants from the Fund are required to use the grants only for the approved purposes. To strengthen the monitoring of the use of grants, the DRFAC has reviewed and reinforced the implementation of the following measures –

- (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) .....

- (c) the relief organisation should submit an evaluation report after completion of the relief 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 organisations, 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.

Encl. 2

11. For relief grants made to government authorities outside HKSAR, the prevailing practice is to request the recipient authorities to submit an evaluation report after completion of the relief programme. In fact, this is not the first time the HKSAR Government makes a grant to other government authorities outside HKSAR for emergency relief purpose. There have been cases of government-to-government grants made to other authorities outside HKSAR in the past, for example the grants made to the governments of Maldives and Sri Lanka in relation to the South Asia Tsunami. Evaluation reports are required from the recipient authorities. In the last six years, FC has approved supplementary provisions as injection to the Fund on six occasions, details of which are at the Enclosure 2. In response to the concerns of LegCo, deployment of the supplementary provisions has been reported to FC since 2008. For example, a report on the use of the donation for emergency relief to victims and the number of beneficiaries of the Sichuan earthquake in 2008 was submitted to FC on 8 October 2009. A consolidated report on grants made to the government authorities of the Mainland and relief organisations relating to a few major disasters in 2010, including the drought in Guangxi, Guizhou, and Yunnan Provinces, the earthquake in Qinghai, and the mudslide in Gansu, was submitted on 16 July 2012. The relevant reports have also been uploaded onto the website of the Fund.

## FINANCIAL IMPLICATIONS

12. If Members approve the proposed injection of \$100 million, we will offset the supplementary provision required by deleting an equivalent amount under Head 106 Miscellaneous Services Subhead 789 Additional Commitments.

13. On 20 March 2013, the LegCo approved by resolution under S7(1) of the PFO a sum not exceeding \$75,545,010,000 to be charged on the general revenue for expenditure on the services of the Government in respect of the financial year

/commencing .....

commencing on 1 April 2013. According to the Resolution, funds on account equivalent to 100% of the provision shown in the Estimates, i.e. \$43 million was approved for Head 184 Transfers to Funds, Subhead 990 Transfers to the Disaster Relief Fund.

14. If Members approve the proposed injection of \$100 million (a proposal for the change of the Estimates made under section 8(1) and section 7(2) of the PFO), the amount of funds on account for Subhead 990 approved under the Resolution will be increased<sup>Note</sup> by \$100 million from \$43 million to \$143 million. An equivalent sum i.e. \$100 million will correspondingly be deleted from the amount of funds on account (\$1 billion) approved for Head 106 Miscellaneous Services, Subhead 789 Additional Commitments.

## **PUBLIC CONSULTATION**

15. In view of the urgency of the proposals in paragraph 3 above, the Administration has not been able to conduct any prior consultation with the relevant LegCo Panel.

## **BACKGROUND**

16. 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.

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Administration Wing, Chief Secretary for Administration's Office  
April 2013

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<sup>Note</sup> Clause 2 of the Resolution approved on 20 March 2013 states that "subject to this Resolution, the sum so charged may be expended against the heads of expenditure as shown in the Estimates of Expenditure 2013-14 laid before the Legislative Council on 27 February 2013 or, if the Estimates are changed under the provisions of the Public Finance Ordinance (Cap. 2) as applied by section 7(2) of that Ordinance, as shown in the Estimates as so changed."

**Disaster Relief Fund Advisory Committee**

**Terms of reference**

The terms of reference of the Disaster Relief Fund Advisory Committee are as follows :

- (a) To advise on the policy and practices regarding the disbursements from the Disaster Relief Fund for disaster relief outside the Hong Kong Special Administrative Region ;
- (b) To advise on the award of grants of specified amounts from the Disaster Relief Fund to specified recipients; and
- (c) To monitor the use of grants by the recipients of the disbursements from the Disaster Relief Fund.

## **Disaster Relief Fund Advisory Committee**

### **Membership**

	<b>Name</b>	<b>Background</b>
Chairman :	Chief Secretary for Administration	
Members :	The Honourable Franklin LAM Fan-keung	Executive Council member
	The Honourable Starry LEE Wai-king, JP	Executive Council member, Legislative Council member
	The Honourable CHEUNG Kwok-che	Legislative Council member
	Dr the Honourable Priscilla LEUNG Mei-fun, JP	Legislative Council member
	Mrs Alice CHONG YUK Tak-fun, JP	Executive Vice-President, YMCA of Hong Kong
	Mr Leo KUNG Lin-cheng, BBS, JP	Executive Vice President, Bangkok Bank Public Company Limited
Ex-officio members :	Secretary for Financial Services and the Treasury	
	Secretary for Labour and Welfare	

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**Details of supplementary provision approved to the Disaster Relief Fund  
by the Finance Committee of the Legislative Council and the use of supplementary provision  
since 2007-08**

<b>Date of Finance Committee's approval</b>	<b>Incident</b>	<b>Amount injected to DRF (\$)</b>	<b>Amount of grant to other Governments (\$)</b>	<b>Name of the recipient Government</b>	<b>Amount of grants to relief organisations (\$)</b>	<b>Date of report to the Finance Committee</b>
5.2.2008	Snowstorm in the Mainland	250 million	(a) 100 million  (b) 100 million  (c) 10 million	(a) Provincial Government of Hunan (b) Provincial Government of Guizhou (c) Municipal Government of Shaoguan	27.43 million	27.10.2008 19.12.2008 2.9.2009
14.5.2008	5.12 Earthquake in Wenchuan County, Sichuan	350 million	(a) 300 million  (b) 0.8 million <sup>Note</sup>	(a) Disaster Relief Headquarters of the Central Government (b) Relief Command of Yingxiu Town, Wenchuan County	21.24 million	8.10.2009



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			(c) 4.3 million <sup>Note</sup>	(c) Hong Kong and Macao Affairs Office, Provincial Government of Sichuan		
17.8.2009	Typhoon in Taiwan	50 million	50 million	Taiwanese authorities through the Chung Hwa Travel Service	-	5.9.2011
1.4.2010	Drought in the Mainland	150 million	(a) 40 million  (b) 40 million  (c) 40 million	(a) The Government of Guangxi Zhuang Autonomous Region (b) Provincial Government of Guizhou (c) Provincial Government of Yunnan	18.59 million	16.7.2012

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23.4.2010	4.14 Earthquake in Qinghai	130 million	100 million	Provincial Government of Qinghai	13.139 million	16.7.2012
19.8.2010	Mudslide in Gansu	50 million	50 million	Provincial Government of Gansu	-	16.7.2012

Note \$0.8 million worth of items for environmental cleansing and disinfection as well as \$4.3 million worth of tents.

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