

**立法會**  
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**Panel on Financial Affairs**

**Meeting on 7 January 2013**

**Background Brief on  
Hong Kong's contribution to the 10<sup>th</sup> replenishment  
of the Asian Development Fund**

**Purpose**

This paper sets out the background of the Administration's proposal for Hong Kong to contribute to the 10<sup>th</sup> replenishment of the Asian Development Fund ("ADF") (i.e. ADF XI), and summaries the major views/concerns expressed by Members at meetings of the Panel on Financial Affairs ("FA Panel") and the Finance Committee ("FC") on the proposals for Hong Kong to contribute to the 8<sup>th</sup> and 9<sup>th</sup> replenishments of ADF (i.e. ADF IX and X) in 2004 and 2009 respectively.

**Background**

2. ADF, established in 1973, is the concessional lending window of the Asian Development Bank ("ADB") to its most needy members in the Asia and Pacific region to support poverty reduction and improve the quality of life. ADB currently has 67 members, including 48 non-regional members (e.g. the United States and the United Kingdom) and 19 regional members (e.g. Australia and Japan). Developing member countries including Bangladesh, Pakistan, Sri Lanka, Vietnam and Nepal which are eligible for ADF resources are by far the largest beneficiaries of ADF. ADF is replenished once every four to five years and contributions by ADB members are on a voluntary basis. Donor contributions are made over a period of nine-year.

3. Hong Kong joined ADB in 1969 and has benefited from ADB's lending programme from 1972 to 1980 when it obtained five loans totaling US\$101.5 million to finance various infrastructure projects and all loans were repaid in full by 1987. Hong Kong has been a donor of ADF since 1983. Details of Hong Kong's contributions to the last seven ADF replenishments are as follows –

	<u>Date approved by Finance Committee</u>	<u>Amount (US\$ million)</u>
ADF IV	13 October 1982	1.0
ADF V	11 March 1987	1.0
ADF VI	12 June 1992	3.0
ADF VII	19 September 1997	15.39
ADF VIII	15 December 2000	16.28
ADF IX	17 December 2004	19.19
ADF X	20 February 2009	26.25

4. Unlike the token donations in ADF IV to VI, Hong Kong has made contributions according to the consensus burden sharing formula agreed amongst the donors<sup>1</sup> since ADF VII in 1997. According to the formula, Hong Kong's burden sharing ratio is 0.57% of the target size of contributions by donors. The total donor contributions to ADF from Hong Kong since 1983 amounted to US\$82.11 million.

#### **Major views and concerns expressed by Members on Hong Kong's contribution to the 8<sup>th</sup> and 9<sup>th</sup> replenishments of the Asian Development Fund**

5. FA Panel was briefed on the proposals for Hong Kong to contribute to the 8<sup>th</sup> and 9<sup>th</sup> replenishments of ADF at the meetings on 6 December 2004 and 5 January 2009 respectively. The proposals were approved by FC at the meetings on 17 December 2004 and 20 February 2009. Members in general supported the proposals given that Hong Kong had benefited from ADB operations in the past and it was Hong Kong's international obligation to support ADF activities in principle. The major concerns/views expressed by Members and the responses of the Administration at the above meetings are summarized in the ensuing paragraphs.

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<sup>1</sup> The burden sharing formula is based on donor member's per capita Gross National Product (which reflects the member's financial strength) and adjusted for its shareholding in ADB.

### Amount of Hong Kong's contribution to the Asian Development Fund

6. Members enquired about changes in other donors' contributions over the past replenishments and the reasons for the lower contributions from Singapore to ADF than those of Hong Kong. The Hong Kong Monetary Authority ("HKMA") explained that contributions to ADF were made on a voluntary basis and some members might choose to make contributions larger than or smaller than that derived from the burden sharing formula. While Hong Kong had made contributions according to its sharing ratio, Singapore had chosen to make contributions of amount smaller than its ratio. As to whether Hong Kong should reduce its contributions to ADF, the Administration was of the view that this might have adverse impact on the international image of Hong Kong.

7. As ADF resources were allocated to member countries in the form of loans and these countries should make repayments regularly, Members enquired about the reasons for donors to make substantial contributions to ADF every four to five years. HKMA advised the repayment period for ADB loans could be as long as 40 years. Given the increase in demand for assistance, the size of ADF lending operations had enlarged in the past years and the funds recovered from loan repayments were insufficient to meet the increased demand.

### Monitoring of Asian Development Fund sponsored projects and participation of Hong Kong firms in these projects

8. Some Members expressed concern about the effective use of ADF resources and sought information on the mechanism for monitoring and evaluating the performance of ADB sponsored projects. There was also concern about the impact of inefficiencies and corruption in some developing countries on the effective use of ADF resources. HKMA advised that a well-established mechanism was in place to assess and review the performance of ADF programmes. In addition, the management of ADB would conduct interim reviews of ADB sponsored projects and take follow-up actions as necessary. All donors including Hong Kong monitored the evaluations closely and would be informed of the follow-up actions taken. In allocating ADF resources to eligible countries, ADB would take into consideration the level of probity in these countries and their past performance in the effective use of ADF resources.

9. Members enquired about measures to facilitate the participation of Hong Kong firms and professionals in ADB sponsored projects and considered that the Administration should liaise with the relevant professional bodies and/or trade organizations to devise measures in this regard. HKMA responded that through Hong Kong's contribution to ADF, firms in Hong Kong might gain

additional scores when bidding ADB sponsored projects. The Administration had worked in collaboration with the Hong Kong Trade Development Council to improve the dissemination of information on ADB sponsored projects through various means to facilitate Hong Kong firms and professionals to participate in and benefit from these projects.

### Hong Kong's representation at the Asian Development Bank

10. Noting that Hong Kong was represented by the Australian Director in the Board of Directors of ADB, members were concerned how Hong Kong's interests could be represented in the Board and how Hong Kong could increase its participation in ADB matters for the benefit and protection of its rights, such as through the People's Republic of China given that it was one of the 12 Directors of ADB Board.

11. HKMA explained that Hong Kong was represented directly in the Board of Governors (the highest decision making tier at ADB), to which each of the 67 ADB members nominated one Governor and an Alternate Governor. The Board of Governors delegated largely the day-to-day responsibilities of ADB to the 12-person Board of Directors. As there were over 60 members in ADB, each member of the Board of Directors represented one constituency and each constituency included one or a number of members of ADB. Given the small percentage of Hong Kong's shareholding in ADB (which ranked only 25<sup>th</sup> among the ADB members), it was unlikely for Hong Kong to have its own constituency and Director on the Board. Nevertheless, Hong Kong monitored the performance of ADB programmes through the Australian Director. A Hong Kong officer was attached to the office of the Australian Director to assist in the work and HKMA had assigned staff to oversee ADB matters. The current arrangement for Hong Kong to be represented through the Australian Director had been in place for long and there was no plan to change this arrangement. Members noted that under Article 151 of the Basic Law, Hong Kong might on its own, use the name "Hong Kong, China", to maintain and develop relations and conclude and implement agreements with foreign states and regions and relevant international organizations in the appropriate fields. There was a view that as Hong Kong had been a member of ADB well before 1997, it should continue to participate in ADB as an independent member.

12. At the request of members of FA Panel, the Administration provided supplementary information on the governance structure of ADB and the mechanism for monitoring and evaluating ADB's operations and the performance of ADB sponsored projects. The details are given in the hyperlink in the **Appendix**.

### **Hong Kong's contribution to the 10<sup>th</sup> replenishment of ADF**

13. The Administration will consult FA Panel at the meeting on 7 January 2013 on the proposal for Hong Kong to contribute US\$33.14 million to ADF XI in accordance with the consensus burden sharing formula over a nine-year period from 2013-2014 to 2021-2022. The Administration plans to submit the funding proposal for FC's approval on 8 February 2013.

### **Relevant papers**

14. A list of relevant papers is given in the **Appendix**.

Council Business Division 1  
Legislative Council Secretariat  
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## Appendix

### List of relevant papers

Date	Event	Paper/Minutes of meeting
6 December 2004	The Panel on Financial Affairs discussed Hong Kong's contribution to the 8 <sup>th</sup> replenishment of the Asian Development Fund	<a href="#">Discussion Paper</a> (A2/5C(2004))  <a href="#">Minutes</a> (LC Paper No. CB(1)741/04-05)  <a href="#">Follow-up paper</a> (LC Paper No. CB(1)815/04-05(01))
17 December 2004	Finance Committee discussed contribution to the 8 <sup>th</sup> replenishment of the Asian Development Fund	<a href="#">Discussion Paper</a> (FCR(2004-05)33)  <a href="#">Minutes</a> (LC Paper No. FC32/04-05)
5 January 2009	The Panel on Financial Affairs discussed Hong Kong's contribution to the 9 <sup>th</sup> replenishment of the Asian Development Fund	<a href="#">Discussion Paper</a> (A2/5C)  <a href="#">Minutes</a> (LC Paper No. CB(1)857/08-09)  <a href="#">Follow-up paper</a> (LC Paper No. CB(1)679/08-09(01))
20 February 2009	The Finance Committee discussed the funding proposal on contribution to the 9 <sup>th</sup> replenishment of the Asian Development Fund	<a href="#">Discussion Paper</a> (FCR(2008-09)63)  <a href="#">Minutes</a> (LC Paper No. FC145/08-09)