

## **ITEM FOR FINANCE COMMITTEE**

### **HEAD 184 – TRANSFERS TO FUNDS**

#### **Subhead 990 Payment to the Disaster Relief Fund**

Members are invited to approve a supplementary provision of \$50 million to enable an injection to be made to the Disaster Relief Fund for donation to the Government of Nepal for providing emergency relief to earthquake victims in Nepal upon the advice of the Disaster Relief Fund Advisory Committee.

### **PROBLEM**

Emergency relief is needed for victims of the earthquake that hit Nepal on 25 April 2015.

### **PROPOSAL**

2. The Director of Administration proposes that the Government donate \$50 million to the Government of Nepal as contribution to assist in their disaster relief work. To this end, we seek a supplementary provision of \$50 million under Head 184 Transfers to Funds Subhead 990 Payment to the Disaster Relief Fund to enable the transfer of additional funds from the General Revenue to the Fund.

### **JUSTIFICATION**

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

3. On 25 April 2015, an earthquake measuring 7.8 on the Richter scale hit the northwest of Nepal's capital Kathmandu. It is the largest earthquake the country has seen in 80 years. Dozens of aftershocks with magnitudes ranging between 4.5 and 6.7 on Richter scale were recorded. According to information released by the United Nations Resident and Humanitarian Coordinator for Nepal, as at 27 April, over 3 351 people were killed and more than 6 833 people were

injured. It is estimated that 8 million people in 39 districts have been affected, of which over 2 million people live in the 11 severely affected districts. Many houses and facilities in the affected areas have collapsed. The Government of Nepal has declared a state of emergency and appealed to the international community for assistance. Disaster relief work of the Government of Nepal is time critical.

4. There is an urgent need to provide emergency relief to the earthquake victims. In a recent letter furnished by the Consul-General of Nepal to the Hong Kong Special Administrative Region (HKSAR) Government, an appeal was made to provide support to the Government of Nepal in this hour. Having regard to the information obtained on the latest development of the disaster and the need to provide urgent humanitarian assistance in the relief and rescue operations in the affected regions, we propose to donate \$50 million to the Government of Nepal as contribution to assist in their disaster relief work. As advised by the Consul-General of Nepal, the Government of Nepal has created a permanent fund – Prime Minister Disaster Relief Fund (PMDRF) – to manage disaster related relief efforts under the Chairmanship of the Prime Minister. The PMDRF, which is an integrated fund to operationalise rescue, relief and rehabilitation for the people and areas affected by the disaster, reports to the Government of Nepal on its activities and financial performances and will account for their work in the public.

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 Nepal. The Secretariat of the Fund will expedite the processing of these applications when received.

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

6. As at 28 April 2015, the Fund has a balance of \$45.6 million. We propose to seek a supplementary provision of \$50 million and donate the said sum to the Government of Nepal for providing emergency relief to earthquake victims in Nepal.

#### **(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). Financial Secretary, 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.

Encl. 1 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.

9. 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 Government of Nepal. A commitment will be created upon DRFAC's advice.

10. The DRFAC has been processing and disbursing relief grants on the basis of a set of guidelines and conditions. All approved grants have to be used only for the approved purposes. The DRFAC has put in place the following measures to monitor the use of grants –

- (a) the concerned relief organisation should report to the DRFAC the critical project milestones, such as the commencement date and the completion date of the 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 (save for those minor changes which relief organisations are allowed to handle without the need to seek DRFAC's prior approval);
- (c) the relief organisation should submit an evaluation report and an audited statement of accounts of the relief programme within six months after completion of the project; and
- (d) the evaluation report and the audited accounts are examined by the DRFAC Secretariat and reviewed by the Audit Commission during the annual audit of the Fund to ensure that the grants 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 eight years, FC has approved supplementary provisions as injection to the Fund on seven 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. Reports on the use of donation and the deployment of the donation balance for emergency relief to the Sichuan earthquake in 2013 were submitted to FC in May 2014 and 10 February 2015 respectively. The relevant reports have also been uploaded onto the website of the Fund.

## FINANCIAL IMPLICATIONS

12. 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.

13. On 18 March 2015, the LegCo approved by resolution under section 7(1) of the PFO a sum not exceeding \$81,582,078,000 to be charged on the general revenue for expenditure on the services of the Government in respect of the financial year commencing on 1 April 2015. According to the Resolution, funds on account—equivalent to 100% of the provision shown in the Estimates, i.e. \$30 million was approved for Head 184 Transfers to Funds Subhead 990 Payment to the Disaster Relief Fund.

14. If Members approve the proposed injection of \$50 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 \$50 million from \$30 million to \$80 million. An equivalent sum i.e. \$50 million will correspondingly be deleted from the amount of funds on account approved for Head 106 Miscellaneous Services Subhead 789 Additional Commitments.

## **PUBLIC CONSULTATION**

15. 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**

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 2015

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<sup>Note</sup> Clause 2 of the Resolution approved on 18 March 2015 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 2015-16 laid before the Legislative Council on 25 February 2015 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 CHENG Yiu-tong, GBS, JP	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
	Dr TIK Chi-yuen, SBS, JP	Chief Executive, Evangelical Lutheran Church Social Service – Hong Kong
Ex-officio members :	Mr Leo KUNG Lin-cheng, BBS, JP	Executive Vice President, Bangkok Bank Public Company Limited
	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
3.5.2013	4.20 Earthquake in Lushan County, Sichuan	100 million	100 million	Provincial Government of Sichuan	28.940 million	2.5.2014 10.2.2015

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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