

## **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.

#### **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 typhoon victims in Taiwan. 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 in Taiwan.

#### **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) 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 typhoon victims in Taiwan upon the advice of the Disaster Relief Fund Advisory Committee (DRFAC).

**/JUSTIFICATION .....**

## JUSTIFICATION

### (a) Need for emergency relief

3. In early August, Taiwan was struck by Typhoon Morakot. The typhoon brought about exceptionally heavy rainfall which led to the worst flooding in 50 years in southern Taiwan. According to latest report, death toll has reached 108, with another 62 persons missing and 45 persons injured. More than 130 major highways have been damaged, with over 50 still being obstructed. The total financial loss in agricultural/fisheries industries and domestic facilities has amounted to over nine billion New Taiwan Dollars.

4. There is an urgent need to provide emergency relief to the typhoon victims. We have been in close contact with the Chung Hwa Travel Service (CHTS) to gain a fuller understanding of the situation and seek its advice on how the Hong Kong Special Administrative Region Government (HKSARG) could help and contribute towards the disaster relief work. We propose to donate \$50 million out of the Fund as our contribution to the disaster relief and rehabilitation work in Taiwan. Subject to Finance Committee (FC)'s funding approval, the provisions would be given to the Taiwanese authorities through CHTS for the related relief and rehabilitation work.

### (b) Financial position of the Fund

5. As at now, the Fund has a balance of \$32.71 million. This balance is meant to cater for grants in response to applications from organisations in the remainder of 2009-10, for the relief of disasters outside Hong Kong (including possible applications from relief organisations providing emergency relief to victims in Taiwan and other areas affected by Typhoon Morakot). For the purpose of enabling the HKSARG to provide the proposed grants of \$50 million to the Taiwanese authorities, we propose to seek supplementary provision of an equivalent amount to top up the Fund.

### (c) Control mechanism

6. 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. FC's approval will be required for individual grants exceeding this delegated limit.

7. Disbursements from the Fund will be made on the advice of the DRFAC which is chaired by the Chief Secretary for Administration and comprises,

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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.

8. In the light of the ongoing search and rescue efforts and the evolving conditions, the Administration has to respond as expeditiously as possible to provide emergency relief to the typhoon victims in Taiwan. 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 emergency relief to the typhoon victims in Taiwan 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 Taiwanese authorities, and any other applications from relief organisations in relation to the typhoon victims in Taiwan. We will request the submission of detailed breakdowns that account for the use of funds from the relevant agencies in due course.

#### **FINANCIAL IMPLICATIONS**

9. 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**

10. 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**

11. 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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