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Finance Committee of the Legislative Council

Minutes of the 27th meeting
held at Conference Room 1 of the Legislative Council Complex
on Wednesday, 24 April 2013, at 8:30 am

Members present:

Hon Tommy CHEUNG Yu-yan, SBS, JP (Chairman)
Hon Emily LAU Wai-hing, JP (Deputy Chairman)
Hon Albert HO Chun-yan
Hon LEE Cheuk-yan
Hon James TO Kun-sun
Hon CHAN Kam-lam, SBS, JP
Hon LEUNG Yiu-chung
Hon TAM Yiu-chung, GBS, JP
Hon Abraham SHEK Lai-him, SBS, JP
Hon Frederick FUNG Kin-kee, SBS, JP
Hon Vincent FANG Kang, SBS, JP
Hon WONG Kwok-hing, MH
Dr Hon Joseph LEE Kok-long, SBS, JP
Hon Jeffrey LAM Kin-fung, GBS, JP
Hon WONG Ting-kwong, SBS, JP
Hon Cyd HO Sau-lan
Hon Starry LEE Wai-king, JP
Dr Hon LAM Tai-fai, SBS, JP
Hon CHAN Hak-kan, JP
Hon CHAN Kin-por, BBS, JP
Dr Hon Priscilla LEUNG Mei-fun, JP
Hon CHEUNG Kwok-che
Hon WONG Kwok-kin, BBS

Hon IP Kwok-him, GBS, JP
Hon Mrs Regina IP LAU Suk-yea, GBS, JP
Hon Paul TSE Wai-chun, JP
Hon Alan LEONG Kah-kit, SC
Hon LEUNG Kwok-hung
Hon Albert CHAN Wai-yip
Hon WONG Yuk-man
Hon Claudia MO
Hon Michael TIEN Puk-sun, BBS, JP
Hon James TIEN Pei-chun, GBS, JP
Hon NG Leung-sing, SBS, JP
Hon Steven HO Chun-yin
Hon Frankie YICK Chi-ming
Hon WU Chi-wai, MH
Hon YIU Si-wing
Hon Gary FAN Kwok-wai
Hon MA Fung-kwok, SBS, JP
Hon Charles Peter MOK
Hon CHAN Chi-chuen
Hon CHAN Han-pan
Dr Hon Kenneth CHAN Ka-lok
Hon CHAN Yuen-han, SBS, JP
Hon LEUNG Che-cheung, BBS, MH, JP
Hon Kenneth LEUNG
Hon Alice MAK Mei-kuen, JP
Dr Hon KWOK Ka-ki
Hon KWOK Wai-keung
Hon Dennis KWOK
Hon Christopher CHEUNG Wah-fung, JP
Dr Hon Fernando CHEUNG Chiu-hung
Hon SIN Chung-kai, SBS, JP
Dr Hon Helena WONG Pik-wan
Hon IP Kin-yuen
Dr Hon Elizabeth QUAT, JP
Hon Martin LIAO Cheung-kong, JP
Hon POON Siu-ping, BBS, MH
Hon TANG Ka-piu
Dr Hon CHIANG Lai-wan, JP
Ir Dr Hon LO Wai-kwok, BBS, MH, JP
Hon CHUNG Kwok-pan
Hon Christopher CHUNG Shu-kun, BBS, MH, JP

Hon Tony TSE Wai-chuen

Members absent:

Dr Hon LAU Wong-fat, GBM, GBS, JP
Hon Andrew LEUNG Kwan-yuen, GBS, JP
Hon Ronny TONG Ka-wah, SC
Dr Hon LEUNG Ka-lau

Public officers attending:

Ms Elizabeth TSE Man-ye, JP	Permanent Secretary for Financial Services and the Treasury (Treasury)
Ms Esther LEUNG, JP	Deputy Secretary for Financial Services and the Treasury (Treasury) 1
Ms Elsie YUEN	Principal Executive Officer (General), Financial Services and the Treasury Bureau (The Treasury Branch)
Mrs Carrie LAM, GBS, JP	Chief Secretary for Administration
Ms Kitty CHOI, JP	Director of Administration
Miss Helen TANG, JP	Deputy Director of Administration (1)

Clerk in attendance:

Mr Andy LAU	Assistant Secretary General 1
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Staff in attendance:

Mr Derek LO	Chief Council Secretary (1)5
Mr Daniel SIN	Senior Council Secretary (1)7
Mr Ken WOO	Council Secretary (1)5
Mr Frankie WOO	Senior Legislative Assistant (1)3
Ms Christy YAU	Legislative Assistant (1)7

Item No. 1 – FCR(2013-14)3
HEAD 184 – TRANSFERS TO FUNDS
Subhead 990 Payment to the Disaster Relief Fund

The Chairman advised that the item sought the Committee's approval of supplementary provision of \$100 million to enable an injection to be made to the Disaster Relief Fund (DRF), and 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).

2. The Chief Secretary for Administration (CS) thanked the Chairman for organizing the special meeting at short notice. She appealed to members to approve the proposed injection of \$100 million into DRF to enable provision of emergency relief to earthquake victims in Sichuan Province at the earliest opportunity. CS updated members on the latest casualties of the earthquake disaster.

3. CS said that she was aware of the suggestion by some members that grants under DRF should be provided to non-governmental organizations (NGOs) instead of the Sichuan Provincial Government to carry out relief operations. She assured members that NGOs could apply funding support from DRF, which had a balance of \$48.5 million, for their projects in Sichuan. The Administration had met with major relief organizations on this issue.

4. CS explained that grants under DRF had been made to governments outside HKSAR. In the current case, it was appropriate to disburse the grant to the Sichuan Provincial Government as it was operating the disaster relief headquarters which was responsible for co-ordinating rescue operations and subsequent rehabilitation and reconstruction work.

5. CS explained that under the prevailing practice, the Sichuan authorities would be requested to submit an evaluation report after completion of the relief programme. A report on the use of the grant would then be submitted to members for reference.

6. The Chairman said that the Secretariat had received five motions proposed by Mr Frederick FUNG Kin-kee, Dr Kenneth CHAN Ka-lok, Mr Gary FAN Kwok-wai and Mr SIN Chung-kai to express views on the Item FCR(2013-14)3 under paragraph 37A of the Finance Committee Procedure. In view of the number of members who had indicated intention to speak, he instructed that members' speaking time, including the Administration's reply, should be limited to four minutes.

Concerns about the handling of donations

7. Dr KWOK Ka-ki expressed sympathy towards the earthquake victims in Sichuan. He said that the public did not trust that the Sichuan Provincial Government would handle the donation properly. Dr KWOK said that following the Wenchuan earthquake in 2008, some \$20 billion in donation had been raised from the Hong Kong community. The Hong Kong Government donated \$9.6 billion of public funds to support relief and rehabilitation work. However, the public was very disappointed as they subsequently heard scandals about mishandling of donations. Dr KWOK commented that channelling donations to the Sichuan Provincial Government would only serve to increase the chance of corruption. He suggested that, as an alternative, the proposed \$100 million injection should be made available for international reputable organizations to provide emergency relief items to victims.

8. CS said that the Administration was aware of media reports suggesting that certain facilities funded by the Trust Fund in Support of Reconstruction in the Sichuan Earthquake Stricken Areas, which was set up after the Wenchuan earthquake in 2008, had been found to be defective or converted to other uses. The Administration had reported the matter to the Legislative Council (LegCo) earlier, and had followed up with the relevant authorities in the Mainland. She explained that contributions from Hong Kong had benefited many people in Sichuan.

9. Mr Frederick FUNG said that there were numerous reports of corrupt practices and misuse of donations in the Mainland. He queried whether the Administration was entitled to monitor the use of donation by the Sichuan Provincial Government. Mr Frederick FUNG agreed with the suggestion that DRF should be provided to reputable international non-governmental organizations (NGOs) with a proven track record of disaster relief work to undertake emergency relief operations.

10. CS responded that government-to-government grants and funding support to NGOs were not mutually exclusive. NGOs could apply for funding support from DRF to undertake relevant projects in Sichuan.

11. Ms Claudia MO said that the Central Government held more than US\$3,300 billion of foreign exchange reserve, and was fully capable of funding its relief operations without external aid. She said that what was needed in the Mainland was not financial assistance but a corruption-free system in the collection and use of charity donations. Ms MO said that the Mainland provincial authorities and official organizations had lost credibility. Provision of further donation would only serve to increase the chance of corruption. Instead, Ms MO suggested that Hong Kong's contribution should be channelled to Sichuan earthquake victims through reputable international relief organizations.

12. Ms Claudia MO said that recent media reports had exposed lavish practice of the former Commissioner of the Independent Commission Against Corruption (ICAC). There were also press reports revealing the use of plastic foam as construction material for a school funded by Hong Kong. When the integrity of Hong Kong's most respected anti-graft body was called into doubt, and the fact that the Administration had failed to notice the misuse of donation in the past, Ms MO queried whether the Administration was capable of monitoring the use of donations this time.

13. Ms Claudia MO said that the most effective means to monitor the disaster relief work was through the media. However, the normal reporting activities of Hong Kong journalists in the Mainland were often obstructed or under threat. Ms MO pointed out that DRF still had a balance of \$48.3 million, which was sufficient to cover for relief projects by NGOs. There was no urgency for further injection into DRF just to make donation to the Mainland government.

14. Ms MO said that she would vote against the funding proposal, and she declared that the motion to be moved by Dr Kenneth CHAN to express a view on the funding proposal did not represent her position.

15. Mr WONG Kwok-hing used the saying "blood being thicker than water" to describe the close relationship between people in the Mainland and Hong Kong. He said that there should be no reason to refuse donation to

victims of Sichuan earthquake, and the critical situation in Sichuan warranted urgent response from FC. Mr WONG did not subscribe to some members' views that contribution from Hong Kong was unjustified merely because of the considerable reserve being held by the Central Government, or because of the prevalence of corruption in the Mainland. Mr WONG said that members should support the funding proposal on humanitarian reasons, and he also urged the Administration to monitor the use of the donations rigorously.

16. CS reiterated that there was established mechanism to ensure effective use of government-to-government donations as the Administration would request the recipient authorities to submit evaluation reports after completion of relief programmes. Reports on the use of the grant would be submitted to LegCo and uploaded onto the relevant website for public inspection as appropriate. CS added that the proposed \$100 million donation was small in comparison with the scale of the relief and rehabilitation work required in Sichuan. She was confident that the relevant provincial authorities would make proper use of the donation and submit an evaluation report on completion of the relief programme.

17. Mr WONG Yuk-man said that public opinion on the matter was very clear. Many people in Hong Kong objected to giving donation to the Sichuan Provincial Government. He said that shortly after the earthquake in Wenchuan five years ago, the Hong Kong Red Cross was able to collect \$56 million donation to support rescue and relief work within three days. Mr WONG said that he personally managed to raise some \$500,000 of donation at that time. In contrast, after the recent earthquake in Sichuan, the Hong Kong Red Cross only managed to collect about \$5 million of donation. Mr WONG said that it was not a question of patriotism for FC not to approve the funding proposal. Rather the crux of the issue was whether members could trust the Sichuan authorities in managing the donation properly.

18. Mr WONG Yuk-man commented that CS was eager to donate \$100 million of public fund for relief work in Sichuan just to demonstrate allegiance to the Central Government. He said that the three Members belonging to the People's Power would vote against the funding proposal.

19. Dr Fernando CHEUNG Chiu-hung conveyed his sympathy towards victims of the Sichuan earthquake disaster. He said he could not support the proposal to donate \$100 million to the Sichuan Provincial Government. Dr CHEUNG quoted media reports which mentioned that the party secretary of

Sichuan Provincial Party Committee, who accompanied the State Council Premier to inspect the Sichuan earthquake disaster area, was in possession of a very expensive watch. He queried how the Administration could expect Mainland officials would handle Hong Kong's donation properly.

20. Dr Fernando CHEUNG said that there were other media reports which revealed that in 2010, the former Commissioner, ICAC, spent \$80,000 of public fund on official entertainment for officials from Sichuan during their courtesy visit to Hong Kong. There were also cases where facilities built using Hong Kong's donations had either been found to be defective, or demolished within a short time after completion of project. He said that the public had no confidence that the Administration had the political will or ability to monitor the use of funds by the Mainland provincial officials.

21. CS said that the Central Government accorded high importance on monitoring the proper use of donations. The National Audit Office had issued a notice requiring all relevant government organizations to track and audit the use of funds designated for specific purposes and to ensure that designated donations were allocated in full to the specified recipients or organizations. The regulations on sourcing and purchase of relief materials had also been tightened. The public was encouraged to report cases of abuse and mishandling of funds. The Central Government would take actions against those who breached the regulations.

22. Mr Jeffrey LAM Kin-fung said that Members belonging to the Business and Professional Alliance for Hong Kong would support the funding proposal. He said that the Central Government had rendered assistance and support to Hong Kong in times of economic hardship. It was time Hong Kong reciprocated by helping victims of earthquake in Sichuan. As regards the comments about misuse of donations for Wenchuan disaster relief and reconstruction works, Mr Jeffrey LAM said that these problems could be tackled through better monitoring and should not be used as reasons for blocking the current funding proposal.

23. Mr Jeffrey LAM noted that there were voices in the community against making donations to the Sichuan Provincial Government. He said that since many lives were at stake, one should not refrain from helping victims just because of certain problems. Mr LAM did not support the suggestion of providing donations only to NGOs to carry out relief projects as there was no

guarantee that these organisations would apply all funds to help victims and many of these organizations charged heavy administrative overheads. Mr LAM said that the Central Government was determined to build a corruption-free mechanism and would implement measures to ensure proper use of donations. He said that members should have confidence in the Central Government's measures.

24. Dr Kenneth CHAN clarified that NGOs were required to limit the overheads to 5% of the grant for each project. He said the Administration should have the duty to set the record straight.

25. CS added that NGOs receiving funding support from DRF for relief programmes would need to bear their own administrative overheads.

Monitoring of donations

26. CS said that in the Wenchuan earthquake case, out of the \$350 million from DRF, \$300 million was provided to the Central Government as it was operating the disaster relief headquarters and co-ordinating the rescue and relief work at that time. In the current case, the disaster relief headquarters was operated by the Sichuan Provincial Government. The proposed grant of \$100 million should be provided to the Sichuan Provincial Government.

27. As regards the previous grants from the Trust Fund in Support of Reconstruction in the Sichuan Earthquake Stricken Area for reconstruction purpose, CS said that the Administration had, with LegCo's agreement, instituted independent monitoring mechanism and had submitted nine detailed regular reports to LegCo. She said that for the current case, donation from DRF would be for providing emergency relief to disaster victims, and it was expected that the Sichuan Provincial Government would submit the evaluation report after the completion of rescue and relief operations. The Administration would submit a report on the use of grant to LegCo and upload the report onto the relevant website for public information.

Giving donations to non-government organizations

28. Mr Alan LEONG queried if CS was aware that a middle school built with Hong Kong's donation was demolished just two years after completion and instead a shopping mall was built on the same site. Two officials in a small county were found to have embezzled some \$100 million of public funds. The National Audit Office investigating the progress of reconstruction works in 2011 discovered that some 60 projects were either defective or had cost-overrun problems. Some of the funds had been reallocated for construction of expensive office buildings for officials. In one case, the Wenchuan county chief was found to have received \$25 million in bribes and had taken the funds earmarked for purchase of construction materials. Mr LEONG said that some senior Hong Kong journalists based in the Mainland had openly appealed to the public to donate money to reputable NGOs rather than to state-run organizations.

29. Mr Alan LEONG said that Hong Kong people did not trust the Sichuan Provincial Government, nor did they trust the Administration for being able to monitor the use of funds as effectively as CS had claimed. He said that there were also comments that DRFAC had not met for years. For these reasons, Mr LEONG said that Members belonging to the Civic Party would move a motion to the effect that if the donation was approved, the funding should be used directly on victims through NGOs.

30. CS said that the objective of establishing DRF was to ensure that funds could be made available for providing emergency relief for victims of natural disaster within the shortest possible time. In view of their urgent nature, DRFAC normally considered funding applications by circulation of papers instead of making decisions over meetings. Nevertheless, she had reviewed the operation of DRF with DRFAC members recently. Director of Administration said that funds under DRF were intended for supporting disaster relief projects outside Hong Kong. DRFAC would consider each grant or disbursement from DRF based on its own merits.

31. Ms Emily LAU expressed sympathy towards the earthquake victims. She urged the Administration as well as those LegCo Members who were also members of the National People's Congress or the Chinese People's Political Consultative Conference to exercise their personal influence to press the Mainland authorities to carry out relief and rehabilitation work expeditiously.

32. Ms Emily LAU referred to CS's remarks that members should trust the Sichuan Provincial Government to apply donations properly. Ms Emily LAU said that the voice of the public was clear. In the past, the public responded readily to appeals for donations to help disaster victims in the Mainland. They had turned lukewarm this time as there had been too many cases of malpractice and corruption. Even people in the Mainland had suggested that Hong Kong people should not give donations to the local governments so as not to enrich corrupted officials. Mainland-based Hong Kong Journalists had reported that some Mainland officials had treated them expensive banquets to entice them not to report the problems.

33. Ms Emily LAU said that Hong Kong people did not trust the Sichuan Provincial Government. She referred to evaluation reports cited by CS on the reconstruction projects implemented with public funds after the Wenchuan disaster. Ms LAU asked whether CS had verified the reports to ensure they were accurate. She said that the problem was the absence of an effective system in the Mainland to curb corruption and ensure proper use of public fund. She said that Members belonging to the Democratic Party (DP) would only back the funding proposal which provided support on relief activities carried out by reputable NGOs. Ms Emily LAU said that many people had told DP members not to vote for any proposal which would channel donation to the Sichuan Provincial Government.

34. CS said that notwithstanding the negative media reports which might have affected some members' position on the funding proposal, she believed that people in Hong Kong valued the close ties with people in the Mainland, and would be willing to render assistance to them.

35. Mr IP Kwok-him said that Members belonging to the Democratic Alliance for the Betterment and Progress of Hong Kong (DAB) expressed sympathy towards victims of Sichuan earthquakes. Mr IP said that the Central Government was aware of the problem of corruption and had been trying to implement suitable safeguards. He said that the presence of corruption should not preclude Hong Kong's gesture of care and support for victims in Sichuan through donation.

36. Mr IP said that DAB would raise fund on its own and would forward the donation to the Mainland authorities. He asked CS to respond to members'

comments about the Administration's measures to monitor the use of donation to the Mainland made under DRF.

37. CS said that taking into consideration members' views, the Administration had set up a monitoring mechanism for project management and funding arrangements in relation to reconstruction projects supported by HKSAR in Sichuan following the Wenchuan earthquake. Members were subsequently briefed on the mechanism, and were generally satisfied with the approach. In fact, the Sichuan Provincial Government had taken immediate follow-up action when the middle school, which had received funding support from Hong Kong for its reconstruction, was found to have been demolished. The grant involved had also been refunded.

38. Mr Gary FAN Kwok-wai said that on behalf of the Neo Democrats, he expressed sympathy for victims of the Sichuan earthquake. Mr FAN said that people of Hong Kong had always been generous in helping victims of natural disaster in the Mainland. However, the public was put off by the spate of corruption scandals following the Wenchuan earthquake. Hong Kong people no longer trusted the Mainland government officials in handling donations. Mr FAN said that a clean and fair system was needed to be set up in the management of charity donation. The public could not be expected to support making donation purely on the basis of patriotism.

39. Mr Gary FAN Kwok-wai queried whether the funding application was consistent with the objective of DRF. He referred to the Memorandum Note of DRF which stipulated that the Fund provided a mechanism to respond to international appeals for humanitarian aid in relief of disasters outside Hong Kong. However, the Chinese Foreign Ministry had declared openly that there was no need for foreign donation of money or relief materials. Furthermore, there was no strong support from the community for making donation.

40. Mr Gary FAN said that he did not support the funding proposal as he considered that the more donation was made to Mainland authorities, the more of it would fall into the hands of corrupted officials. Mr FAN counter-proposed that the proposed funds should be provided to credible NGOs to provide relief materials for victims. He also suggested that the Chief Executive (CE), senior officials and LegCo members should donate one month of their salaries for purchase of relief materials and deliver them personally to the victims.

41. Mr Christopher CHEUNG Wah-fung said that the earthquake in Sichuan had caused significant damage and casualties. He said that members should not object to the funding proposal just because they were not satisfied with the conduct of certain Mainland officials. Otherwise, members would, in effect, be punishing victims of the disaster. Mr Christopher CHEUNG appealed to members to approve the funding application, given the close ties between Hong Kong and the Mainland. As the Administration had liaised with Mainland authorities to step up monitoring measures, Mr CHEUNG said that he had confidence that the proposed donation would be used properly.

42. Mr Christopher CHEUNG said that he did not agree to the suggestion that the funding being considered should be provided to NGOs to carry out relief projects. He explained that the Sichuan Provincial Government was responsible for co-ordinating disaster relief efforts. Since the local authorities had a good grasp of the local situation, they would be in a better position than NGOs to determine where the fund should be more effectively applied. Besides, NGOs interested in organizing relief or rehabilitation programmes could still apply for funds through established channels.

43. Mr Charles Peter MOK said that, on behalf of the Professional Commons, he expressed sympathy to the victims of the Sichuan earthquake disaster. He said that Hong Kong people had always responded actively to appeals for humanitarian aids. However, the assistance might not necessarily be measured in pecuniary terms; there should be other means to show Hong Kong people's concern for victims in Sichuan. He criticized the Administration for not having considered other forms of contribution apart from sending money. Mr MOK said that the Administration was trying to put up a show without evaluating the effectiveness of the proposed donation. He queried the Administration's rationale in channelling tax payers' money to provincial officials, when the Foreign Ministry had declared openly that foreign aids and material assistance were not needed.

44. Mr MOK did not subscribe to CS's comments that members should put faith in the Mainland's system for handling the donation. He also commented that the current monitoring mechanism had demonstrated to be ineffective and that the donation would end up enriching corrupted officials. The grant from DRF should be provided to NGOs for relief operations.

45. Mr LEUNG Chi-cheung said that disaster relief work must be carried out expeditiously. Since the Sichuan Provincial Government was responsible

for co-ordinating many of the post-disaster reconstruction projects, it was appropriate that the grant from DRF should be deployed by the Sichuan Provincial Government rather than NGOs. He also believed that the Administration was capable of monitoring the use of the grant.

46. Mr CHAN Kin-por supported the funding proposal. He said that victims of earthquake disaster in Sichuan were in dire need of material assistance. Relief workers were working hard on the field. He criticized some members for protracting discussion or blocking the funding allocation on grounds that the donation would likely be embezzled by corrupted officials. Mr CHAN expressed his belief that if Hong Kong experienced a financial crisis again, the Central Government would lend a helping hand unconditionally. Mr CHAN said that the \$100 million funding sought was a small amount compared to the total required for disaster relief and reconstruction. While acknowledging the problems of corruption in the Mainland, Mr CHAN believed that the Administration would be able to institute appropriate measures to ensure that the donation would reach the victims.

Concerns about making donation to provincial government

47. Mr LEUNG Yiu-chung expressed, on behalf of the Neighbourhood and Worker's Service Centre, sympathy towards victims of the Sichuan earthquake disaster. He agreed that it was appropriate to render assistance to victims in Sichuan given the close ties between people of Hong Kong and the Mainland. He clarified that pan-democratic Members did not oppose to donating money to help victims of Sichuan earthquake disaster, but they did not support channelling the donation for deployment by the Sichuan Provincial Government. Many members were worried that, given the widespread corruption in the Mainland, providing donation to any provincial government would only encourage corruption rather than helping victims. Mr LEUNG further commented that he did not have confidence that the Administration could effectively monitor the use of fund by the Sichuan Provincial Government as the two organizations were of equal status.

48. CS commented that the Sichuan Provincial Government was in a much better position than NGOs to co-ordinate and mobilize large scale relief and reconstruction programmes. It was therefore appropriate that the grant

from DRF should also be channelled to the Sichuan Provincial Government for the provision of emergency relief to victims of disaster.

49. CS said that the Administration would not be involved in the internal operation of any provincial government. The Central Government had issued a notice to local authorities on the proper use and distribution of donations and materials. The notice could be made available for members' reference if necessary.

50. Mr WONG Kwok-kin said that there should be no dispute over the proposal of donating funds to help victims of the Sichuan earthquake disasters. Mr WONG was aware of the community's concern over corruption and misuse of donations by Mainland officials. He hoped that the Administration could introduce suitable measures that would assure members and the public that funds would be put to proper use.

51. Mr WONG Kwok-kin said that the funding proposal of \$100 million for disaster relief was not a large sum in comparison with the scale of disaster relief and post-disaster reconstruction work. He commented that the donation served as a token of Hong Kong's care for the victims in Sichuan and that to disapprove the funding application on the ground of prevalence of corruption in the Mainland would only punish the Sichuan earthquake disaster victims. He also considered that there was no evidence that Hong Kong's donation would be embezzled by the Mainland officials.

52. Mr WONG Kwok-kin criticized that some members took the opportunity of the current issue to spread biased views and vent their grievances against the Mainland authorities. He said that such behaviour would damage the relationship between Hong Kong and the Mainland, and was not acceptable.

53. CS said that there had been precedent cases where overseas governments, other than Mainland provincial governments, had received grants under DRF. These foreign authorities were allowed flexibility in the use of the grants for rescue, relief and rehabilitation programmes. Furthermore, it would be impractical to require the Sichuan Provincial Government, which was already preoccupied with disaster relief work, to institute a monitoring mechanism specifically for the use of the \$100 million grant from Hong Kong.

54. CS said that that the Central Government had already announced measures to tighten up the monitoring system on the use of disaster relief donations.

55. Mr CHAN Chi-chuen commented that as CS had already indicated that the Administration had no jurisdiction over another Chinese provincial government, it implied that the Administration was incapable of checking or tracing the movements of donations to ensure their proper use.

56. Mr Tony TSE Wai-chuen said that disaster relief work must be carried out expeditiously and he requested members to approve the funding application urgently. Mr TSE said that the amount of the proposed funding of \$100 million was not significant in comparison with the scale of disaster and relief work, but the donation represented the care for earthquake disaster victims by Hong Kong people, who were always ready to help those who were in need. Instances of corruption and misuse of charity funds by certain Mainland officials reflected deficiencies in the system of monitoring donations. Mr TSE supported the Administration's efforts in improving the monitoring system.

57. Mr WU Chi-wai said that the Foreign Ministry had declared that there were sufficient funds and materials for relief and rehabilitation work in Sichuan. He said that members should consider where Hong Kong's donation should be put to use other than handing it over to the Sichuan Provincial Government. While agreeing that the Sichuan Provincial Government should assume a primary role in co-ordinating the reconstruction and rehabilitation operations, Mr WU Chi-wai said that NGOs were contributing in other relief support efforts. He suggested that Hong Kong's donation should be provided to support NGOs in those areas.

58. Dr Joseph LEE Kwok-lun said that the key issue in determining the funding proposal was whether a proper monitoring system was in place to ensure that the funds could benefit victims. Although the Administration had asked members to have faith in the Mainland systems, members would rather entrust NGOs to provide relief to disaster victims with DRF.

59. Dr Joseph LEE queried how the Administration arrived at the amount of \$100 million to be donated. As DRF had a balance of around \$48 million in 2013-14, Dr LEE suggested that the Administration should consider seeking

funding injection of around \$50 million to make up a pool of \$100 million and to encourage NGOs to carry out rescue and relief projects in Sichuan from this pool of fund. He also asked if the Administration would submit periodic reports to LegCo to account for the detailed use of the funds.

60. CS said that under the current arrangements, governments outside Hong Kong in receipt of grants from DRF would be asked to provide evaluation reports after completion of disaster relief projects. The reports would include details on how the grant was used, the number of victims benefited, as well as details of relief work undertaken and items distributed.

61. Mrs Regina IP expressed sympathy towards victims of Sichuan earthquake disaster on behalf of the New People's Party. Mrs IP expressed support for the funding proposal. She said that Members belonging to the New People's Party had made donations in their personal capacity. Mrs IP did not subscribe to the views that Hong Kong should not donate money to victims because the Central Government had substantial fiscal reserve. Mrs IP explained that there were huge gaps in economic circumstances among different regions of China. Besides, there were differences in the system of finance between the Central Government and provincial governments. Furthermore, Mrs IP explained that the presence of isolated corruption cases among certain Mainland officials should not be generalized.

62. Mrs Regina IP asked whether the Administration would organize visits for Members to inspect the relief efforts and the reconstruction projects funded by Hong Kong, or whether the Administration would liaise with the respective Mainland authorities to facilitate members to conduct their own visits.

63. CS said that it was not appropriate to organize visits to the Sichuan disaster areas at this stage as local officials and rescue personnel were preoccupied with rescue and relief operations. The Administration might consider liaising with the Sichuan Provincial Government on visit arrangements at a later stage if necessary.

64. Dr Kenneth CHAN said that he did not support the funding proposal, and he did not support channelling donations to provincial authorities. He explained that from previous experience, the government-to-government

approach in providing donations to the Mainland authorities had resulted in funds being mishandled. Dr CHAN said that the donation should be provided to reputable international NGOs to carry out the relief and rehabilitation projects.

65. Mr James TO Kun-sun said that in any form of donation, it was almost inevitable that some part of the funding would not be used directly in helping targeted beneficiaries. The Administration should select the best method that would minimize wastage and benefit the largest number of victims. Mr TO said that the Sichuan Provincial Government should have sufficient resources to carry out the first tier of disaster relief and the reconstruction work, whereas NGOs could have a pivotal role in the longer term rehabilitation efforts. He suggested that the Administration should consider focusing funding for NGOs to perform these aspects of work.

66. CS said that providing donations to provincial authorities to support disaster relief and reconstruction work and subsidizing NGOs' projects were not mutually exclusive. NGOs could submit applications for grants under DRF to implement relief programmes through established procedures. She reiterated that it might be more cost-effective to contribute donations to the Sichuan Provincial Government as it was in a better position in mobilizing local efforts and resources in implementing large scale disaster relief operations.

67. CS stressed that the current funding application to FC was submitted out of the Administration's own initiative with the intention of providing emergency relief to earthquake victims in Sichuan. The Administration was not responding to any requests from the Central Government.

68. Mr CHAN Chi-chuen said that he would vote against the funding proposal because he believed that the donation would eventually fall into the hands of corrupted officials in the Mainland. In fact, he had received many public comments against providing donations to the Sichuan Government. Mr CHAN referred to some members' comments that refusing donation would mean punishing the disaster victims. He said that the amount of \$100 million donation could not contribute significantly to relief and reconstruction work in Sichuan, but would enrich corrupted officials. Mr CHAN said that, even if the Administration were to apply the funds on relief projects through NGOs, these organizations might still be forced to pay the provincial governments before they could carry out the programmes. Mr CHAN asked the Administration

how much of the donation from Hong Kong would benefit the victims eventually, how much would fall into the pockets of officials, and how much would be spent as NGOs' administrative overheads.

69. CS said that the donations would be used entirely on disaster victims.

70. Mr SIN Chung-kai commented that the Administration should not over-estimate its ability to monitor the use of donation by the Mainland authorities. He said that the majority of public comments that DP Members had received indicated that the community did not object to providing donation to help victims of earthquake disaster in Sichuan, but the public did not agree that Hong Kong's contribution should be provided to the Sichuan Provincial Government or the Central Government.

71. Mr SIN Chung-kai asked if the Administration would consider reducing the amount of injection into DRF and providing the funds to NGOs for carrying out relief projects. He said that in order to gauge the support of members, this revised mode of donation should be adopted.

72. CS responded that the mode of current funding proposal was consistent with past practice. She reiterated that the proposed grant under DRF would be used to provide relief to disaster victims through the Sichuan Provincial Government. She appealed to members to expedite deliberation to ensure early implementation of relief projects in Sichuan.

73. The Chairman noted that some members had speculated on why other members supported or objected to the proposal in their comments. He reminded members to observe Rule 41(5) of the Legislative Council Rules of Procedure that "a Member shall not impute improper motives to another Member."

74. Dr Helena WONG Pik-wan said that DP Members supported any proposal to provide humanitarian aids to victims of earthquake disaster in Sichuan, but the donations should not be routed through the Sichuan Provincial Government. She explained that many of her constituents requested her not to support the funding proposal as they were worried that the donations would be embezzled by Mainland officials. Dr WONG said that a Hong Kong relief worker in Sichuan had told her that NGOs operating in the disaster area were in

acute shortage of funds and material supplies, but the local authorities had held up all the donations and relief materials.

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75. Dr Helena WONG said that there was no strong community support for using DRF to provide donation to the Sichuan Provincial Government. Dr WONG added that other Mainland cities and provinces either provided in-kind support or nominal amounts of cash donation. She queried the rationale for Hong Kong to donate a disproportionately large sum of \$100 million. She also queried whether the Administration was capable of monitoring the proper use of fund effectively. Dr WONG queried the credibility of DRFAC in making sound decisions on funding allocation when at present, one of its members, Mr Franklin LAM Fan-keung, could not even attend DRFAC meetings.

76. Ms Cyd HO Sau-lan said that she objected to the Administration's approach of giving the donation to Sichuan Provincial Government. She queried if the Administration had the authority to monitor the use of the donation by the Sichuan Provincial Government. She said that the public was aware about the widespread corruption in the Mainland, and had no faith in the Mainland's system in ensuring the donation would be put to the intended use. Ms HO echoed CS's earlier comment that instituting a monitoring system specifically for the \$100 million donation from HKSAR was not practical. She also referred to Dr Helena WONG's comment that other provinces were offering material relief rather than direct monetary contribution. She said that there were reports suggesting that local officials had taken the material supplies for sale rather than distribute them among victims.

77. Ms Cyd HO queried about the number of meetings DRFAC had held to discuss funding allocation or follow up on the monitoring of the use of funds.

78. Director of Administration said that DRFAC held a meeting in December 2012 during which members reviewed the operation of DRF. The Advisory Committee considered it appropriate that disbursement of grants under DRF could be decided by circulation of papers. A meeting would be convened on specific funding proposal if some members requested so, or had dissenting views. Deputy Director of Administration (1) supplemented that

apart from the meeting held in December 2012, DRFAC had not convened any meetings in the past 24 months. All funding applications had been considered by circulation of papers.

79. In response to the queries by Mr Dennis KWOK, CS confirmed that monitoring measures outlined in the paper (FCR(2013-14)3) were only applicable to NGOs seeking funding support from DRF but not for donations to governments outside Hong Kong.

80. As the meeting was drawing to a close, the Chairman read out the list of members waiting to speak on the item and said that the deliberation of the item would have to continue at another meeting. He invited CS to make further response before he declared the meeting close.

81. CS remarked that the special meeting was convened to consider an urgent item of providing emergency relief to disaster victims in Sichuan. She was disappointed that the Committee could not reach a decision. The donation could also serve as a token of Hong Kong community's care about the people in the Mainland. The approach of making grants under DRF to the Mainland government and receiving evaluation reports on completion of the relief programmes was consistent with the past practices and was made in response to members' previous suggestions that flexibility should be allowed for recipient governments to use the funds to provide early relief to disaster victims. She hoped members could apply the same standard in considering the current funding application.

82. CS also said that the Central Government and the Sichuan Provincial Government had made efforts to improve the process of using donations on relief work. She hoped that members could have faith in the Mainland authorities' efforts and should avoid hurting the feelings of people in the Mainland.

83. The Chairman said that in addition to the five motions received earlier at the meeting, Mr Albert CHAN Wai-yip had submitted eight motions to express views on the funding proposal pursuant to paragraph 37A of the FC Procedure. The Chairman said that he would determine whether these motions were directly related to the funding item under deliberation.

(Post-meeting note: The item FCR(2013-14)3 was carried over to the agenda for the meeting scheduled for 3 May 2013.)

84. The meeting was adjourned at 10:30 am.

Legislative Council Secretariat

23 October 2013