

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 \$40 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 the Philippines, and to meet other possible calls for grants to relief organisations for disaster relief in the remainder of the 2013-14 financial year.

PROPOSAL

2. The Director of Administration proposes that a supplementary provision of \$40 million under Head 184 Transfers of 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.

JUSTIFICATION

(a) Need for emergency relief

3. The purpose of the Fund is to provide a ready mechanism for Hong Kong to respond swiftly to international appeals for humanitarian aids in relief of disasters that occur outside Hong Kong.

4. Recently, Super Typhoon Haiyan, the deadliest in the history of the Philippines, hit the country and caused severe and extensive devastation, resulting in numerous casualties and rendering hundreds of thousands homeless. According to official information released by the Government of the Philippines, as at 13 November 2013, as many as 7 million people were affected by the typhoon, 582 303 people were displaced, and the death toll was reported as over 1 800. A number of provinces in central Philippines had witnessed massive destruction and loss of life. International aid teams are rushing to the scene. The Fund has a part to play in rendering humanitarian aid to the people of the Philippines on this occasion.

(b) Need for funding injection

5. The opening balance of the Fund for 2013-14 was \$48.514 million. On 3 May 2013, the Finance Committee approved an injection of \$100 million to the Fund to enable a donation of \$100 million to the Provincial Government of Sichuan as contribution to their emergency relief to the earthquake victims in Lushan County of Ya'an in Sichuan. On 10 September 2013, the Secretary for Financial Services and the Treasury approved under delegated authority supplementary provision of \$10 million when the uncommitted balance of the Fund was insufficient to meet other applications for grants from relief organisations. Out of the above total funding provision of \$158.514 million, the Disaster Relief Fund Advisory Committee (DRFAC) has approved a total of 17 grants amounting to \$149.825 million up to 11 November 2013, as compared with the average annual disbursement of \$178.157 million in the past five years. Details are set out at Enclosure 1. As at 11 November 2013, the uncommitted balance of the Fund is \$9.313 million, with the detailed calculation set out at Enclosure 2.

Encl. 1
Encl. 2

6. The Secretariat of the DRFAC has been in touch with major relief organisations in Hong Kong since 11 November 2013. Some of the organisations have indicated their intention to apply for grants from the Fund to provide emergency relief to the typhoon victims in the Philippines while others are still considering. The indicative aggregate amount of grants required by the few relief organisations which have immediate plans to mount relief operations for the Philippines exceeds the current balance of the Fund at about \$9 million. The magnitude of the disaster caused by this record-strong typhoon is yet to be ascertained and the situation has been reportedly worsening by the day. It is therefore necessary to top up the Fund to meet the imminent needs for providing emergency relief to the typhoon victims in the Philippines, as well as other calls on the Fund for disaster relief during the remainder of the current financial year. The DRFAC Secretariat will, on receipt of applications, expeditiously process the funding proposals so as to enable the provision of early relief to the needy.

7. Owing to the unpredictable pattern of disasters, we are unable to estimate with any degree of certainty the amount of funds that may be required for relief grants arising from the recent typhoon in the Philippines, as well as for other disaster reliefs during the remainder of the current financial year. However, in the light of the past experience with the 2008 snowstorm in the Mainland, 2008 Wenchuan earthquake and the 2013 Ya'an earthquake in Sichuan whereby some \$21 million to \$29 million funding grants were sought by relief organisations in Hong Kong, we estimate that a similar amount may be required on this occasion. Having regard to the existing balance of the Fund, and to cater for other disasters that might occur before the lapse of the 2013-14 financial year, we propose to seek a supplementary provision of \$40 million to top up the Fund. If the proposal for supplementary provision is approved, the balance of the Disaster Relief Fund will be raised to about \$50 million.

(c) Application and control mechanism

8. The Fund is established under the Public Finance Ordinance 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's approval will be required for individual grants exceeding this delegated limit.

9. 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 reliefs, advises on specific amounts to specific recipients and monitors the use of grants. The membership list of the DRFAC is at Enclosure 3.

Encl. 3

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. Any overheads or other administrative costs of the relief programmes will be limited to no more than 5% of the grant or 5% of the total costs incurred whichever is the lesser. In addition, the DRFAC has also been implementing 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)

- (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) 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.

FINANCIAL IMPLICATION

11. If Members approve the proposed injection of \$40 million, we will offset the supplementary provision required by deleting an equivalent amount under Head 106 Miscellaneous Services Subhead 789 Additional Commitments. Any unspent balance in the Fund will be taken into account when we determine the amount of funds to be transferred from the General Revenue to the Fund in the preparation of the 2014-15 draft Estimates.

PUBLIC CONSULTATION

12. In view of the urgency of the proposal in paragraph 2 above, the Administration has not been able to conduct any prior consultation with the relevant panel of the LegCo.

BACKGROUND

13. A resolution under section 29 of the Public Finance Ordinance 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 when the draft Estimates are prepared, and as necessary during the financial year, depending on calls for relief, the size of the Fund balance and commitments.

Administration Wing
Chief Secretary for Administration's Office
November 2013

**Grants from the Disaster Relief Fund
(from 1 April to 11 November 2013)**

| Grants | Amount (\$ million) |
|--|--------------------------------|
| Relief programme for earthquake victims in the Sichuan Province, Mainland – grant to Amity Foundation, Hong Kong | 5.304 |
| Relief programme for earthquake victims in the Sichuan Province, Mainland – grant to Oxfam Hong Kong | 2.064 |
| Relief programme for earthquake victims in the Sichuan Province, Mainland – grant to Save the Children Hong Kong Limited | 3.500 |
| Relief programme for earthquake victims in the Sichuan Province, Mainland – grant to The Salvation Army | 6.180 |
| Relief programme for earthquake victims in the Sichuan Province, Mainland – grant to World Vision Hong Kong | 4.670 |
| Relief programme for earthquake victims in the Sichuan Province, Mainland – grant to the Provincial Government of Sichuan | 100.000 |
| Relief programme for earthquake victims in the Sichuan Province, Mainland – grant to ADRA Limited | 2.500 |
| Relief programme for earthquake victims in the Sichuan Province, Mainland – grant to CEDAR Fund | 3.127 |
| Relief programme for earthquake victims in the Sichuan Province, Mainland – grant to Habitat For Humanity China Limited | 1.595 |
| Relief Programme for drought victims in the Yunnan Province, Mainland – grant to Oxfam Hong Kong | 1.395 |
| Relief Programme for flood victims in the Sichuan Province and Guangxi Zhuang Autonomous Region – grant to Amity Foundation, Hong Kong | 4.087 |

| Grants | Amount (\$ million) |
|---|--------------------------------|
| Relief Programme for flood victims in India – grant to Save the Children Hong Kong Limited | 1.164 |
| Relief Programme for earthquake victims in the Gansu Province, Mainland – grant to Amity Foundation, Hong Kong | 2.845 |
| Relief Programme for earthquake victims in the Gansu Province, Mainland – grant to The Salvation Army | 5.480 |
| Relief Programme for earthquake victims in the Gansu Province, Mainland – grant to Social Workers Across Borders Limited | 0.538 |
| Relief Programme for flood victims in the Heilongjiang Province, Mainland – grant to Social Worker Across Borders Limited | 0.648 |
| Relief Programme for drought victims in the Hunan Province, Mainland – grant to the Salvation Army | 4.728 |
| Total | 149.825 |

**Calculation of the Balance of the Disaster Relief Fund
(as at 11 November 2013)**

| | \$million |
|--|-------------------|
| (a) Available balance as at 1 April 2013 | 48.514 |
| (b) Supplementary provision approved by the Finance Committee and by the Secretary for Financial Services and the Treasury under delegated authority | 110.000 |
| (c) Refund of grants and donation | 0.624 |
| (d) Total grants approved by DRFAC from 1 April 2013 to 11 November 2013 | (149.825) |
| (e) Uncommitted balance as at 11 November 2013 [(a) + (b) + (c) – (d)] | <hr/> 9.313 <hr/> |

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

| | Name | Background |
|----------------------|--|--|
| 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 |
| | Dr the Honourable Priscilla LEUNG Mei-fun, SBS, JP | Legislative Council member |
| | The Honourable CHEUNG Kwok-che | 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 | |
