

立法會 *Legislative Council*

LC Paper No. CB(2)1676/13-14(10)

Ref : CB2/PL/FE

Panel on Food Safety and Environmental Hygiene

**Background brief prepared by the Legislative Council Secretariat
for the meeting on 10 June 2014**

Fisheries Development Loan Fund

Purpose

This paper provides background information on the Fisheries Development Loan Fund ("FDLF") and highlights the main concerns of members of the Panel on Food Safety and Environmental Hygiene ("the Panel") on the subject.

Background

2. FDLF is a revolving fund¹ established in January 1960 with a commitment of \$2 million from the Development Loan Fund to provide loans at an interest rate of 6% per annum to promote fishing in middle and distant waters. Subsequently, the approved commitment for FDLF was increased to \$5 million in 1961, \$7 million in 1984 and \$100 million in 1997. In June 2006, the approved commitment for FDLF was further increased to \$290 million to provide loans for fishermen to switch to sustainable fisheries or related operations, and for mariculturists and pond fish farmers to develop sustainable aquaculture business.

3. The subsidiary legislation to ban trawling activities in Hong Kong waters was passed by the Legislative Council ("LegCo") on 18 May 2011 and came into effect on 31 December 2012. With a view to helping the trade to overcome the challenges brought about by the trawl ban and encouraging it to

¹ Repayments from borrowers are ploughed back into the fund for financing other loan applications.

upgrade themselves to sustainable fisheries, the Administration consulted the Panel in April 2012 on its proposal to expand the scope and revise the terms of FDLF and the Fishing Moratorium Loan Scheme² ("FMLS") under the Fish Marketing Organization Loan Fund. The proposal was subsequently approved by the Finance Committee ("FC") on 27 April 2012.

4. The revised terms and conditions of FDLF are as follows -

- (a) to provide one-off loans to owners of trawlers and fish collectors affected by the trawl ban, if the application is submitted on or before 31 December 2015, for upgrading their vessels to operate outside Hong Kong waters or switching to more sustainable fisheries operations and other fisheries-related operations, or for carrying out projects that would reduce fuel consumption or carbon footprint of their operations without increasing fishing effort;
- (b) providing loans to capture fishermen and owners of fish collectors for switching to more sustainable fisheries operations and other fisheries-related operations, and for carrying out projects that would reduce fuel consumption or carbon footprint of their operations without increasing fishing effort;
- (c) providing loans to fish farmers to help them develop aquaculture or improve their aquaculture businesses leading to more environmentally friendly operations or an improvement of the quality and food safety standards of the aquaculture products; and
- (d) interest for loans to owners of trawlers and fish collectors affected and not affected by the trawl ban is compound interest calculated on a monthly basis at 1% and 2.5% per annum respectively, and for loans to aquaculture operators is compound interest calculated on a monthly basis at the "no-gain-no-loss" rate. Loans are repayable by installments according to a quarterly repayment pledge.

² In 2006, FC approved a commitment of \$60 million to the Fish Marketing Organization Loan Fund to provide loans on a revolving basis to fishermen affected by the annual fishing moratorium. The loans are to assist the fishermen to tide over the moratorium and to make preparation for resumption of fishing operation after the moratorium.

Members' concerns

5. The Panel discussed the proposed amendments of the scope and terms of FDLF and FMLS at its meeting on 10 April 2012. The main concerns expressed by the Panel members relating to FDLF are summarized below.

Terms and processing procedures

6. Expecting that the proposed revised scope as well as terms and conditions of FDLF would alleviate the difficulties faced by fishermen, members generally supported the Administration's proposal. However, a concern was raised as to whether the Administration would provide a set of guidelines that clearly stated the authority of different ranks of officers of the Agriculture, Fisheries and Conservation Department in the approval of loan applications at different loan amounts. There was also a view that the Administration should set out certain performance pledges on the time span for processing loan applications.

7. The Administration advised that it would draw up internal guidelines in consultation with the Fisheries Development Loan Fund Advisory Committee. The guidelines would be adopted for use following the endorsement of the Financial Services and the Treasury Bureau ("FSTB"). As regards the time span for processing loan applications, the Administration would examine whether and how the performance pledge would be set out. The Administration further explained that as FMLS was implemented to meet more urgent financial needs of fishermen during the fishing moratorium, the processing of FMLS applications was faster when compared with FDLF.

Adequacy of the fund amount

8. Some members were worried that the existing amount of fund under FDLF might not be sufficient to meet the needs for loans of the trade. They were concerned that the Administration would make the applications difficult or even decline the applications when the fund under FDLF was going to be exhausted. An enquiry was raised about the time span for the Administration to provide its new funding request to LegCo and to process the subsequent new loan applications after the fund was exhausted.

9. The Administration advised that the number of applications for FDLF was expected to increase following the proposed amendments of terms and the changes to be brought by the trawl ban. The Administration assured members that it would keep in view the capital flow of FDLF, and the Food and Health Bureau would take the lead to liaise with FSTB when further injection of fund was warranted. While the timing for the Administration to seek LegCo's

approval for new financial injection would depend on the financial position of the Government and the need of fishermen, the Administration would proceed with funding proposal before the fund of FDLF was exhausted.

Latest Development

10. When discussing the Administration' proposal for setting up the \$500 million Sustainable Fisheries Development Fund ("SFD Fund") at the meeting on 12 November 2013, members were advised that SFD Fund was designed to fill the gaps not met by the existing fisheries loan funds including FDLF. According to the Administration, as a general principle, the SFD Fund would not consider projects falling under the objectives of fisheries loan funds including FDLF. The SFD Fund was approved by FC at the meeting on 10 January 2014.

11. The Administration will consult the Panel on its proposal to increase the approved commitment of the loan capital of FDLF at the Panel meeting on 10 June 2014.

Relevant Papers

12. A list of relevant papers on LegCo website is in the **Appendix**.

Appendix

Relevant papers on Fisheries Development Loan Fund

Committee	Date of meeting	Paper
Panel on Food Safety and Environmental Hygiene	10.4.2012 (Item IV)	Agenda Minutes
Finance Committee	27.4.2012 (Item 5)	Agenda Minutes
Panel on Food Safety and Environmental Hygiene	12.11.2013 (Item IV)	Agenda Minutes

Council Business Division 2
Legislative Council Secretariat
4 June 2014