

立法會
Legislative Council

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Finance Committee of the Legislative Council

**Minutes of the 26th meeting
held at the Legislative Council Chamber
on Friday, 18 July 2008, at 9:00 am**

Members present:

Hon TAM Yiu-chung, GBS, JP (Chairman)
Hon Emily LAU Wai-hing, JP (Deputy Chairman)
Hon James TIEN Pei-chun, GBS, JP
Hon Albert HO Chun-yan
Ir Dr Hon Raymond HO Chung-tai, SBS, S.B.St.J., JP
Hon LEE Cheuk-yan
Hon Martin LEE Chu-ming, SC, JP
Dr Hon David LI Kwok-po, GBM, GBS, JP
Hon Fred LI Wah-ming, JP
Dr Hon LUI Ming-wah, SBS, JP
Hon Margaret NG
Hon Mrs Selina CHOW LIANG Shuk-yee, GBS, JP
Hon James TO Kun-sun
Hon CHEUNG Man-kwong
Hon CHAN Yuen-han, SBS, JP
Hon Bernard CHAN, GBS, JP
Hon CHAN Kam-lam, SBS, JP
Hon Mrs Sophie LEUNG LAU Yau-fun, GBS, JP
Hon LEUNG Yiu-chung
Hon SIN Chung-kai, SBS, JP
Dr Hon Philip WONG Yu-hong, GBS
Hon Jasper TSANG Yok-sing, GBS, JP
Hon Howard YOUNG, SBS, JP
Dr Hon YEUNG Sum, JP
Hon LAU Chin-shek, JP
Hon LAU Wong-fat, GBM, GBS, JP
Hon Miriam LAU Kin-yee, GBS, JP

Hon CHOY So-yuk, JP
Hon Andrew CHENG Kar-foo
Hon Timothy FOK Tsun-ting, GBS, JP
Hon Abraham SHEK Lai-him, SBS, JP
Hon LI Fung-ying, BBS, JP
Hon Tommy CHEUNG Yu-yan, SBS, JP
Hon Albert CHAN Wai-yip
Hon Frederick FUNG Kin-kee, SBS, JP
Hon Audrey EU Yuet-mee, SC, JP
Hon WONG Kwok-hing, MH
Hon LEE Wing-tat
Dr Hon Joseph LEE Kok-long, JP
Hon Daniel LAM Wai-keung, SBS, JP
Hon Jeffrey LAM Kin-fung, SBS, JP
Hon Andrew LEUNG Kwan-yuen, SBS, JP
Hon Alan LEONG Kah-kit, SC
Hon LEUNG Kwok-hung
Dr Hon KWOK Ka-ki
Dr Hon Fernando CHEUNG Chiu-hung
Hon CHEUNG Hok-ming, SBS, JP
Hon WONG Ting-kwong, BBS
Hon Ronny TONG Ka-wah, SC
Hon CHIM Pui-chung
Prof Hon Patrick LAU Sau-shing, SBS, JP
Hon KWONG Chi-kin
Hon TAM Heung-man
Hon Mrs Anson CHAN, GBM, JP

Members absent:

Hon WONG Yung-kan, SBS, JP
Hon LAU Kong-wah, JP
Hon Vincent FANG Kang, SBS, JP
Hon LI Kwok-ying, MH, JP
Hon Albert Jinghan CHENG, JP

Public officers attending:

Professor K C CHAN, SBS, JP

Mr Stanley YING, JP

Miss Amy TSE, JP

Secretary for Financial Services and the
Treasury
Permanent Secretary for Financial
Services and the Treasury (Treasury)
Deputy Secretary for Financial Services
and the Treasury (Treasury) 1

Mr Alfred FOK	Principal Executive Officer (General), Financial Services and the Treasury Bureau (The Treasury Branch)
Mr Henry TANG Ying-yen, GBS, JP	Chief Secretary for Administration
Mr Stephen LAM Sui-lung, JP	Secretary for Constitutional and Mainland Affairs
Mrs Carrie LAM CHENG Yuet-ngor, JP	Secretary for Development
Mr Michael SUEN Ming-yeung, GBS, JP	Secretary for Education
Mr Matthew CHEUNG Kin-chung, GBS, JP	Secretary for Labour and Welfare
Mr TSANG Tak-sing, JP	Secretary for Home Affairs
Mr Joshua LAW Chi-kong, JP	Permanent Secretary for Constitutional and Mainland Affairs
Mr MAK Chai-kwong, JP	Permanent Secretary for Development (Works)
Mr Patrick NIP Tak-kuen, JP	Deputy Secretary for Food and Health (Health)

Clerk in attendance:

Mrs Constance LI	Assistant Secretary General 1
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Staff in attendance:

Miss YUE Tin-po	Chief Council Secretary (1)3
Mr Noel SUNG	Senior Council Secretary (1)4
Ms Alice CHEUNG	Senior Legislative Assistant (1)1
Mr Frankie WOO	Legislative Assistant (1)2

Action

Item No. 1 - FCR(2008-09)40

HEAD 53 – GOVERNMENT SECRETARIAT : HOME AFFAIRS BUREAU

♦ **Subhead 700 General non-recurrent**

New Item “Trust Fund in Support of Reconstruction in the Sichuan Earthquake Stricken Areas”

The Chairman advised that the subject had been discussed at a special briefing of the Finance Committee (FC) on 14 July 2008.

2. At the invitation of the Chairman, the Chief Secretary for Administration (CS) briefed members on the proposal by highlighting the salient points in FC paper FCR(2008-09)40.

Relief measures for Hong Kong people

3. Mr LEUNG Kwok-hung said that despite the Administration's pledge to take care of the livelihood of Hong Kong people while supporting the reconstruction of the earthquake stricken areas in the Mainland, the short-term relief measures recently announced by the HKSAR Government to alleviate the pressure of the rapidly rising cost of living on Hong Kong people did not benefit many low-income people. Mr LEUNG pointed out that more than 100 000 people could not benefit from the relief measures because they did not have elderly parents or young children in their family, and they were not living in public housing nor receiving assistance under the Comprehensive Social Security Assistance Scheme. Since the Central People's Government (CPG) had the capability of paying for the reconstruction programme, he urged the HKSAR Government to carefully re-consider the need to contribute more than \$2 billion to this purpose. While he supported rendering assistance to the earthquake victims, he considered the HKSAR Government should at the same time draw up comprehensive measures to help Hong Kong people, especially the low-income and middle-class, who were hard hit by the escalating cost of living. Dr YEUNG Sum shared Mr LEUNG's concern that many low-income people in Hong Kong could not benefit from the proposed relief measures.

4. CS responded that the current proposal was made after careful consideration of the actual requirement of the earthquake stricken areas and Hong Kong's financial situation. The preliminary assessment of Hong Kong's overall contribution to the reconstruction of the earthquake stricken areas amounted to not more than \$10 billion. The proposed creation of a new commitment of \$2 billion for the purpose of establishing the Trust Fund in Support of Reconstruction in the Sichuan Earthquake Stricken Areas (Trust Fund) was considered appropriate to meet the immediate needs of the earthquake victims.

5. Mr LEUNG Yiu-chung said that many members of the public had expressed dissatisfaction that HKSAR Government had reacted promptly in providing assistance to the earthquake stricken areas in the Mainland, but was less generous in addressing the needs of Hong Kong citizens for schools and welfare facilities. He pointed out that Hong Kong people deeply sympathized with the Mainland earthquake victims and had spontaneously made substantial donations and offered assistance to the earthquake stricken areas. Since many low-income and middle-class people in Hong Kong could not benefit from the relief measures announced recently, he hoped the Government could also provide comparable facilities in Hong Kong as those proposed in the reconstruction programme for the earthquake stricken areas. Mr HO Chun-yan and Ms Emily LAU shared similar views. Mr HO opined that HKSAR Government should give equal attention to the needs of Hong Kong people.

6. CS responded that the Government was committed to looking after the well being of Hong Kong people, and would implement the relief measures as soon as possible while providing assistance to the earthquake stricken areas at the same time.

7. Mr LEE Cheuk-yan expressed dissatisfaction that priority was not given to providing more assistance to the low-income people in Hong Kong.

8. In response, CS stressed that the primary concern of the HKSAR Government was the well-being of Hong Kong people. He pointed out that the annual recurrent expenditure for improving the livelihood of Hong Kong people was over \$200 billion, with more than \$120 billion spent on education, medical and public health, security and social welfare.

9. Ms Margaret NG opined that the Government had proposed more relief measures for Hong Kong people only with the objective of securing support for the granting of funds for the reconstruction projects in the Mainland earthquake stricken areas. She said that the establishment of the proposed Trust Fund should not set a precedent for similar projects in future. Mrs Anson CHAN agreed with Ms NG.

Selection of reconstruction projects and funding arrangements

10. Mrs Anson CHAN asked whether a ceiling had been set, other than the preliminary assessment of \$10 billion, for HKSAR's financial assistance to the reconstruction projects in the earthquake stricken areas and how long Hong Kong was to be involved in such projects.

11. CS advised that based on the CPG's reconstruction plan, the relevant works projects would be completed within three to five years. Taking into account its resource capability, the preliminary assessment was that the overall commitment of HKSAR to the reconstruction projects would not exceed \$10 billion. The current proposal included the provision of \$2 billion for injection into the Trust Fund at the initial stage, and under the "government led, full community involvement" approach, donations from the community would be sought. As a start, the Hong Kong Jockey Club (HKJC) had agreed to donate \$1 billion to the reconstruction effort.

12. Dr Fernando CHEUNG asked about the urgency of the present funding proposal. He enquired how the priority of the reconstruction projects would be set, and the portion/percentage of the Trust Fund allocated to projects undertaken by the HKSAR Government, Mainland authorities, entrusted professional bodies and non-governmental organizations, and other organizations which applied for support from the Trust Fund. He also expressed concern whether additional staffing resources would be required to implement the reconstruction projects under the Trust Fund. Ms Audrey EU also sought information on the projects to be undertaken and their priorities.

13. The Secretary for Development (SDEV) explained that the HKSAR Government would liaise with the Mainland authorities to work out the list of reconstruction works items to be financed by the Trust Fund. The priorities of proposed works and the amount of funds required would be considered when drawing up the list. Separate staff would be employed to undertake such works so that the implementation of infrastructure projects in Hong Kong would not be adversely

affected.

14. Ms Audrey EU enquired about the criteria for approving applications for assistance from the Trust Fund for carrying out reconstruction work in the earthquake stricken areas. She also asked whether the full list of reconstruction works items could be drawn up before seeking FC's approval of the financial proposal for the establishment of the Trust Fund. She expressed reservations about including in the Administration's paper only some of the current projects being undertaken by a few Members who would be candidates for the coming Legislative Council (LegCo) election.

15. CS responded that the Steering Committee on the HKSAR's Support for Reconstruction in the Sichuan Earthquake Stricken Areas (the Steering Committee) would carefully consider the nature and financial implications in selecting individual reconstruction projects for implementation. Professional and non-governmental organizations could participate in the reconstruction works through the five working groups formed under the Steering Committee. It was anticipated that CPG and the Sichuan Provincial Government (SPG) would soon map out an overall reconstruction plan for the earthquake stricken areas, and it was desirable for HKSAR to participate early in the reconstruction to provide timely assistance to the earthquake victims.

16. Mr Alan LEONG said that while Hong Kong people were sympathetic with and gave generous donations to the earthquake victims, he did not agree to setting up a \$2 billion Trust Fund without details of the reconstruction projects and how they would be monitored. He also had reservations about entrusting the Steering Committee, which consisted solely of government officials, to supervise the implementation of the projects. Mr LEONG opined that the HKSAR Government should first draw up detailed procedures for selecting, monitoring and auditing the reconstruction projects and submit the funding proposal to the FC at the beginning of the next term of LegCo. As such, he did not subscribe fully to the need to put forward the proposal in haste. Mr LEE Cheuk-yan shared Mr LEONG's view and requested the Administration to submit the project proposals to LegCo for approval before implementation.

17. CS stressed that there was a pressing need to provide assistance to the earthquake victims as soon as possible and that the proposed allocation of \$2 billion was in line with the "government-led, full community involvement" approach to encourage public participation in rendering immediate assistance to the earthquake victims. Given the emergency situation, it would not be practicable nor desirable to submit individual reconstruction projects to LegCo for approval. The current proposal of forming the Steering Committee to oversee the implementation of the projects and making regular progress reports to the LegCo was considered the most effective arrangement in rendering assistance to the earthquake stricken areas.

18. Mr Albert CHAN expressed concern as to how funds would be allocated to the projects, since individual provincial/municipal governments in the Mainland had been arranged to support the reconstruction works in assigned earthquake stricken

areas. He opined that the Trust Fund should only be used for reconstruction works in the earthquake stricken areas rather than for the provision of new facilities in such areas. Given that CPG held a very substantial amount of foreign exchange reserve, he questioned the need for HKSAR to provide \$2 billion for the Mainland reconstruction projects.

19. CS responded that in the eleven years since Reunification, Hong Kong had successfully implemented the "one country, two systems" principle and maintained its stability and prosperity with the staunch support of CPG and local governments at all levels. Subscribing to the concept of "when one place suffers misfortune, aids come from all sides", it was essential for HKSAR to actively participate in the earthquake rescue and relief works, and the reconstruction projects for the earthquake stricken areas.

20. Mr CHAN Kam-lam enquired whether the allocation of funds under the Trust Fund would be determined by the Steering Committee, or whether the five specific working groups had to apply to the Steering Committee for funding of individual projects.

21. CS replied that detailed funding arrangements for individual projects would be worked out after the list of reconstruction items had been finalized. Periodic progress reports would be provided to LegCo, and the latest development could also be made public via the Internet.

Work plan and public participation

22. In response to Mr WONG Kwok-hing's and Mrs Selina CHOW's enquiry about measures taken to encourage the public to make donations to the Trust Fund, CS advised that HKJC had undertaken to contribute \$1 billion as a start in canvassing public support in making donations to the reconstruction efforts. Subject to the approval of the current funding proposal, further efforts would be made to encourage the public to contribute to the Trust Fund.

23. Mr Howard YOUNG opined that the reconstruction programme should aim at reviving the economy in the earthquake stricken areas. He asked whether such programme would include recovery of tourist facilities and tourist spots so as to attract tourists to visit Sichuan.

24. CS responded that the Mainland authorities were working out the overall reconstruction programme, and HKSAR's reconstruction programme would tie in with the plan of CPG and SPG. CS referred to paragraph 5 of the FC paper and said that SPG's preliminary plan was to request the HKSAR and the Macao SAR to take part in the reconstruction of public service facilities such as schools, hospitals, orphanages, and specific infrastructural projects like construction of roads and bridges. SDEV supplemented that the HKSAR Government's work plan would also include the restoration of the livelihood of some ethnic minorities and reconstruction of the Wolong Giant Panda Reserve. She referred to the Ocean Park Corporation's letter

addressed to the Chairman and the HKSAR Government, indicating its intention in participating in the reconstruction work of the Reserve because of Ocean Park's past experience and involvement in protection works for pandas.

25. Mr LEE Wing-tat and Dr Fernando CHEUNG enquired whether voluntary organizations which had already been carrying out relief work in the earthquake stricken areas would be allowed to continue with their work after the establishment of the Trust fund. They were concerned that the existing activities of these organizations would be subject to endorsement by the Steering Committee. Mrs Selina CHOW shared Mr LEE's and Dr CHEUNG's concern and pointed out that many non-governmental organizations had collected private donations to carry out reconstruction projects in the earthquake stricken areas, such as building of schools and orphanages. She asked whether and how such private projects would be co-ordinated under the Trust Fund. Miss CHAN Yuen-han added that many small non-governmental organizations performing relief work in the earthquake stricken areas claimed that they had difficulty in obtaining financial assistance from the Government for their work. In this connection, Mr CHAN Kam-lam opined that in line with the "government-led, full community involvement" approach, the Government should select certain priority projects for early implementation so as to highlight the effectiveness of the Trust Fund arrangements, and identify projects for participation by non-governmental organizations.

26. The Secretary for Constitutional and Mainland Affairs (SCMA) responded that the reconstruction support work required professional expertise in its implementation. The Steering Committee would have regard to the proposed specific reconstruction support arrangements and tasks proposed by SPG and the needs of the stricken areas in setting up five dedicated working groups, namely, working groups on (a) reconstruction works; (b) medical, health, hygiene and rehabilitation services; (c) home affairs; (d) social work and (e) education and training. The working groups would follow the "government-led, full community involvement" approach in consolidating efforts of different sectors of the community, and coordinating and implementing individual items of work. Professionals and experts of relevant fields would be invited to join the relevant working groups to assist in planning and implementing the reconstruction projects. Owing to resource constraints, SPG was prepared to continue to work with the Hong Kong non-governmental organizations already undertaking relief work in the earthquake stricken areas, but would have difficulty in providing support to new organizations seeking to assist in the reconstruction work. However, SPG would be prepared to consider new applications for relief work in the earthquake stricken areas when resource permitted.

27. Mr Jeffrey LAM enquired whether the working groups could also perform a supervisory role for the reconstruction projects financed by the Trust Fund. He also asked whether, apart from the recruitment of volunteers, professionals would be employed under the Trust Fund to perform the reconstruction work.

28. SDEV responded that the HKSAR Government planned to recruit relevant professionals and experts to provide advice and services for the various reconstruction projects on a voluntary basis. Consideration would also be given to employing relevant professionals in Hong Kong to assist in implementing the reconstruction projects if and when necessary. Discussion would be held with the professional bodies concerned regarding the arrangements for taking forward the reconstruction projects.

Monitoring of projects financed by the Trust Fund

29. Ms Margaret NG expressed strong reservations about the proposed funding arrangements. She said that even if the funding proposal was in conformity with the Basic Law (BL), such as Article 106(2) in BL, there was strong suspicion that the HKSAR Government was obliged to make a political contribution by sharing about 1 % (about \$10 billion) of the overall reconstruction costs which was estimated to be in the region of \$1,000 billion. She pointed out that some of the reconstruction projects were not purely for disaster relief purposes. She also considered it necessary to ensure that the projects met the standard of Hong Kong rather than the Mainland to ensure project reliability and safety.

30. Miss TAM Heung-man expressed grave concern about the Administration submitting the funding proposal in haste. She was worried that there would not be effective monitoring of the work items financed by the Trust Fund and that there would be another fiasco similar to the Harbour Fest. She questioned whether the Steering Committee, which was composed of government officials only, could effectively prevent any misuse of funds. She urged for the establishment of an effective monitoring system, rather than relying only on the progress reports and the auditing of the project accounts.

31. Referring to paragraph 12 of the FC paper, SDEV advised that reconstruction items financed by the Trust Fund should comply with the following principles, irrespective of whether these were projects undertaken by Hong Kong professionals/organizations or jointly with the Mainland authorities:

- (a) there should be a definitive list setting out the location, scope of the project and scale, the estimated budget and number of beneficiaries for individual work items;
- (b) the technical standards for the works items should comply with Mainland's rules and regulations, and there should be an appropriate monitoring mechanism; and
- (c) the disbursement of project funds should follow Hong Kong's practice with regard to the progress of works, with some flexibility for providing kick-off grants to start the works.

32. Mr WONG Kwok-hing and Miss CHAN Yuen-han opined that since the Trust Fund was financed by contributions from the HKSAR Government and public donations, the Steering Committee should include representatives of the public. Mr HO Chun-yan and Mr LEE Cheuk-yan also opined that representatives from different professions and other sections of the community, including LegCo Members, should be appointed to the five working groups of the Steering Committee.

33. CS advised that apart from those non-governmental organizations already undertaking relief and reconstruction works in Sichuan, professionals and experts from the private sector could be invited to participate in the work of the five working groups under the Steering Committee to assist in implementing the reconstruction programme.

34. Dr YEUNG Sum asked whether it was possible to entrust the works to authorized persons/professionals in Hong Kong with the relevant Government departments certifying the completed works, in order to ensure the quality and standards of works delivered. He suggested that arrangements should also be made for LegCo Members to observe the progress of projects on site.

35. CS responded that CPG would issue a new set of standards for the reconstruction projects in the earthquake stricken areas, and works items financed by the Trust Fund would have to comply with such standards. He stressed that implementation of the reconstruction programme would be highly transparent, and arrangement could be made for representatives of the community to visit the work sites where appropriate. SDEV supplemented that Hong Kong and foreign professionals without Mainland qualifications would not be able to work in the Mainland. The Permanent Secretary for Development (Works) would liaise with SPG regarding the appointment of qualified contractors both in the Mainland and Hong Kong to undertake the reconstruction works.

36. Mr LEE Wing-tat asked whether authorized Hong Kong contractors appointed to carry out the reconstruction works could be asked to provide independent monitoring and/or progress reports for the projects financed by the Trust Fund.

37. SDEV replied that the HKSAR Government and SPG would discuss the detailed arrangements for implementation of the reconstruction works, with a view to ensuring high transparency of the projects. SCMA supplemented that qualified experts would be invited to help monitor the reconstruction works, and regular progress reports on the projects would be made to LegCo.

38. Mr Frederick FUNG said that while the Hong Kong Association for Democracy and People's Livelihood supported in principle the proposal for the establishment of the Trust Fund, he urged the Government to publicize the list of reconstruction works projects agreed with the Mainland and enable non-governmental organizations to participate as well. Mr FUNG considered that FC approval should be required for large projects, and that the commitment should be capped at \$10 billion for the Trust Fund. However, he did not consider it appropriate for

LegCo Members of this term to make such a commitment for the next LegCo term, since the amount of private donations was still unknown.

39. CS responded that the Administration had proposed an initial commitment of \$2 billion, and not \$10 billion, for the establishment of the Trust Fund. He assured members that the Administration would regularly report to LegCo the progress of the reconstruction projects financed by the Trust Fund.

40. Ms Emily LAU referred to the progress report provided by the Administration dated 17 July 2008 regarding the injection of \$250 million to the Disaster Relief Fund approved by FC on 5 February 2008 for providing emergency relief to the snowstorm victims on the Mainland. She noted that while funds had been allocated to the Guizhou, Hunan and Shaoguan governments, so far only the Guizhou government had submitted a report which had yet to be presented to the LegCo. She requested the Administration to make public the reports on the use of emergency relief funds provided by the Mainland authorities. Ms LAU also referred to paragraph 16 of FCR(2008-09)40 and asked whether there were different funding and monitoring mechanisms for projects undertaken by non-governmental organizations of Hong Kong and those jointly undertaken by the Mainland authorities.

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41. CS advised that the reconstruction projects financed by the Trust Fund would focus on individual project items such as schools and homes for the aged. The Steering Committee would make reference to the "Regulations on Post-Wenchuan Earthquake Reconstruction" promulgated by the State Council on 4 June 2008 to ensure that the relevant works would be managed in strict accordance with the Mainland monitoring system. SCMA added that the reconstruction projects would cover a wide range of facilities including orphanages, rehabilitation centres for the disabled, roads and bridges, and reconstruction of the Wolong Giant Panda Reserve. Some of these projects would be carried out jointly with the Mainland provincial/municipal governments and consideration could be given to involving Hong Kong non-governmental organizations in some items. Details of these projects, including the project estimates and progress reports, would be provided to LegCo in due course.

42. Mrs Selina CHOW suggested that the Government should set up a webpage for releasing updated information on the progress of the reconstruction work and the operation of the Trust Fund. The Administration noted the suggestion.

Other comments

43. Mr CHAN Kam-lam said that the Democratic Alliance for the Betterment and Progress of Hong Kong supported the funding proposal. He agreed that all reconstruction projects should be monitored by the Steering Committee and its five working groups and also subject to accounting control and auditing requirements.

44. Mr Jeffrey LAM supported the establishment of the Trust Fund and the five working groups to oversee and co-ordinate the reconstruction works with the

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Mainland authorities, so as to ensure the quality of the projects. He pointed out that since 1997, Hong Kong had experienced a number of crises and CPG had never hesitated to render assistance without asking for details of plans. In view of the gravity and emergency of the Sichuan earthquake, he considered that Hong Kong people should have no hesitation in providing assistance to the earthquake victims.

45. As the meeting was scheduled to end at 11:00 am, members agreed to continue discussion on the item at the next meeting scheduled for the same day at 11:05 am.

46. The meeting was adjourned at 11:00 am.

Legislative Council Secretariat
18 November 2008