

## **ITEM FOR FINANCE COMMITTEE**

### **HEAD 53 – GOVERNMENT SECRETARIAT : HOME AFFAIRS BUREAU**

#### **Subhead 700 General non-recurrent**

#### **Item 892 Trust Fund in Support of Reconstruction in the Sichuan Earthquake Stricken Areas**

Members are invited to approve an increase in the commitment under Head 53 – Government Secretariat: Home Affairs Bureau Subhead 700 General non-recurrent Item 892 Trust Fund in Support of Reconstruction in the Sichuan Earthquake Stricken Areas by \$4 billion, that is to increase the commitment from \$2 billion to \$6 billion, to be injected into the Trust Fund in Support of Reconstruction in the Sichuan Earthquake Stricken Areas.

### **PROBLEM**

The Sichuan Wenchuan massive earthquake has brought about heavy casualties and massive damage, with Sichuan being the hardest hit province. The overall objective of the State's overall reconstruction planning is to complete the major restoration and reconstruction tasks in approximately three years. The post-quake restoration and reconstruction mission is arduous and urgent and requires support from all sides. On the basis of the Sichuan Provincial Government's advice and our assessment of the related projects, the 103 proposed second stage projects on education, medical and rehabilitation and social welfare facilities, and the related projects of the Wolong Nature Reserve should be started as early as possible.

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## PROPOSAL

2. The Secretary for Home Affairs proposes to increase the existing commitment of HK\$2 billion under Item 892 “Trust Fund in Support of Reconstruction in the Sichuan Earthquake Stricken Areas” (the Fund) by \$4 billion from \$2 billion to \$6 billion, and inject the same into the Fund to support Hong Kong Special Administrative Region (HKSAR)’s second stage reconstruction support work.

## JUSTIFICATION

### Latest Progress of HKSAR First Stage Reconstruction Support Work

3. The HKSAR has been actively supporting the reconstruction work in the Sichuan quake-stricken areas. In July 2008, the Legislative Council (LegCo) approved the creation of a commitment of HK\$2 billion for injection into the Fund to support HKSAR’s reconstruction support work at the first stage. To follow up on the support programme, the Chief Secretary for Administration, Mr. Henry Tang, convened the first meeting of “HKSAR’s Participation in Restoration and Reconstruction Coordination Mechanism” jointly with Executive Vice-Governor of Sichuan Provincial Government, Mr. Wei Hong, on 1 August 2008. Thereafter, officials at the working level of the two Governments had met and conducted site visits on a number of occasions and reached an agreement on the basic principles, list of first stage reconstruction projects, project and fund management, as well as the liaison and coordination mechanism.

4. The HKSAR Government signed the “HKSAR Cooperation Arrangement on Support of Restoration and Reconstruction in the Sichuan Earthquake Stricken Areas” (Cooperation Arrangement) with the People’s Government of Sichuan Province in Chengdu on 11 October 2008. The Cooperation Arrangement covers matters relating to the basic principles, 20 first stage reconstruction projects, project and fund management, as well as the liaison and coordination mechanism etc.

### Progress Report on HKSAR’s Reconstruction Support Work

5. We have undertaken to submit regular reports to the LegCo on the latest progress of the HKSAR’s reconstruction support work and the operation of the Fund. To this end, we have prepared a progress report (the Report<sup>1</sup>) for Members’

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<sup>1</sup> Please refer to the Annex to the Legislative Council Development Panel Paper CB(1)660/08-09(01).

perusal. The Report covers the latest progress of the HKSAR's reconstruction support work, details of the second stage funding proposal by the HKSAR Government and the relevant justifications.

#### Management, Monitoring and Auditing of HKSAR's Reconstruction Support Projects

6. The HKSAR and Sichuan Governments both share the common objective of ensuring proper, effective and efficient use of HKSAR's reconstruction support funds. The Cooperation Arrangement has set out the framework for project and funding management. For reconstruction support projects funded by the HKSAR, the Sichuan Government should be responsible for coordinating the implementation and construction, as well as day-to-day management and supervision of the projects. The technical standards should comply with the relevant Mainland laws and regulations, with appropriate monitoring mechanism. Tendering of these projects should be conducted in accordance with the relevant Mainland laws, rules and regulations, and the level of qualification of contracting enterprises may be set at a higher level as appropriate. The Sichuan and Hong Kong sides will jointly examine the actual progress of the projects and organise regular or irregular project inspection activities. Based on the principle of payment in accordance with the works progress, funds will be managed and disbursed in instalments in accordance with the actual progress of project milestones. Both sides will jointly examine the progress of each project, verify the completion of project milestones and conduct site inspections. The Sichuan side will also submit documents including reports by an independent notary, project programme/ photos/ plans, notes of meetings and records of tests as proof.

7. The Central Government accords great importance to the monitoring of reconstruction projects, and has promulgated a series of related laws, rules and regulations for monitoring purposes. For example, there is a dedicated chapter (Chapter 7) in the "Regulations on Post-Wenchuan Earthquake Rehabilitation and Reconstruction" prescribing the statutory provisions for reconstruction monitoring work (see Annex 3 to the Report). The areas covered include the responsibility of local authorities on inspection and monitoring of engineering qualities/safety; auditing of the collection, distribution, allocation, use and outputs of the reconstruction funds by the relevant auditing authorities, monitoring of state bodies and public organisations and their personnel by the relevant auditing authorities; and the measures for the handling of acts in violation of laws and discipline.

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### The 20 Confirmed First Stage Reconstruction Projects

8. We have received two batches of recommended projects together with background information from the Sichuan Government. The list of 57 first batch recommended projects was received in September 2008, of which 20 project are confirmed for implementation in the first stage reconstruction support work, two have been undertaken by the Hong Kong Jockey Club (the HKJC)<sup>2</sup>, and two have been merged with other projects<sup>3</sup>. The list of 20 first stage reconstruction support projects was drawn up in consultation with the Sichuan Government and having regard to the “State Council Circular on the Overall Planning for Post-Wenchuan Earthquake Restoration and Reconstruction” (Reconstruction Overall Planning) and the actual needs of the quake-stricken areas (see **Annex 5 to the Report**). These 20 projects cover five school reconstruction projects, nine medical facilities projects, four integrated social services centres, one highway and one project on drawing up of plans, estimated to involve a commitment of around RMB1.665 billion (HK\$1.905 billion)<sup>4</sup>.

### Hong Kong NGOs’ Participation in Reconstruction through Fund Application

9. In line with the “Government-led, full community involvement” approach and with a view to consolidating the efforts by all sectors of the community, the Fund has been inviting applications from the Hong Kong non-government organisations (NGOs) since mid-October 2008 for proposals to assist in the reconstruction work in the quake-stricken areas of Sichuan. In December 2008, the Fund approved a total of 12 applications in the areas of education, medical services, physical and psychological rehabilitation, and training schemes etc. These projects cover both hardware construction as well as software services which Hong Kong NGOs have accumulated much experience. The total amount of grant is about HK\$87 million (see **Annex 11 to the Report**).

### Uncommitted Balance of the Fund

10. In July 2008, the Finance Committee of the LegCo (FC) approved a commitment of HK\$2 billion to support HKSAR Government’s first stage reconstruction support work, and applications for grants by Hong Kong NGOs. In

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<sup>2</sup> Namely the Number 5 Secondary School Senior Secondary Section in Deyang, and the Number 3 Hospital of Mianyang.

<sup>3</sup> Namely the Wolong Nature Reserve “Replacement of testing instrument” and “Balang River hydroelectric power station in Dengsheng Sanctuary” projects.

<sup>4</sup> At the rate of HK\$100 : RMB87.40 as at 31 December 2008. The same exchange rate will be used throughout this paper for the sake of consistency.

addition, the Fund has so far received about HK\$9 million donation from the public, making a total of HK\$2.009 billion. As at end of January 2009, the committed sum of the Fund amounts to HK\$1.992 billion, leaving an uncommitted balance of about HK\$15 million after deducting the estimated staff cost and operating expenses, details as follows –

<b>Projects committed by the Fund</b>		<b>HK\$ (Billion)</b>
(a)	FC first stage provision and public donation	2.009
(b)	HKSAR Government's 20 first stage reconstruction support projects	1.905
(c)	12 first phase approved projects granted to successful NGOs	0.087
(d)	Estimated staff cost and operating expenses for 2008-09	0.002
(e)	<b>Sub-total (b-d):</b>	<b>1.994</b>
<b>Uncommitted Balance of the Fund (a) – (e):</b>		<b>0.015</b>

The remaining sum of about \$15 million is reserved as contingency fee for the first stage reconstruction projects.

#### The Hong Kong Jockey Club's Reconstruction Support Work

11. The HKJC has pledged earlier to allocate HK\$1 billion to support the reconstruction work in the quake-stricken areas of Sichuan. In November 2008, the HKJC signed letters of intent with the relevant Sichuan authorities, covering four reconstruction projects on medical and rehabilitation facilities, secondary schools and an Olympic School. The HKJC's total commitment for these four projects is around RMB409 million (HK\$468 million). According to the understanding reached between the HKSAR and Sichuan Governments earlier, the total amount of HKSAR's contribution for reconstruction support work will include that made by the HKSAR Government, HKJC and public donation to the Fund.

#### HKSAR's Second Stage Reconstruction Support Work

##### *Considerations for Determining Priorities*

12. Having regard to our resource capability, we need to set priorities for Sichuan's recommended projects and take forward the reconstruction support work by stages. In short-listing suitable projects, we have exchanged views with the relevant Sichuan authorities under the established coordination and communication mechanism. Both sides agreed that the following considerations should be taken into account in short-listing the second stage projects –

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- (a) According to the initial understanding reached earlier between both sides, we will take part in the reconstruction of public services facilities, infrastructural facilities and the reconstruction of the Wolong Nature Reserve.
- (b) In line with the general direction of the Reconstruction Overall Planning and the needs of the quake-stricken areas, priorities should be accorded to the important livelihood facilities, such as schools and medical and rehabilitation facilities as far as possible. We have also considered Sichuan's initial views on the order of priorities.
- (c) Consideration should be given to including Sichuan's recommended projects with preparation work already advanced to the more mature stage in the second stage list for implementation, while the remaining ones can be considered at a latter stage.

*Remaining First Batch Recommended Projects not Yet Funded*

13. The total commitment for the remaining 33 first batch projects is estimated to be about RMB1.750 billion, equivalent to about HK\$2.002 billion (see **Annex 6 to the Report**). As stated in the Cooperation Arrangement, on the basis of compliance with the relevant financial legislation and regulations of the HKSAR, the HKSAR Government agrees in principle to fund the remaining first batch projects recommended by Sichuan and not yet funded, and will put forward funding application to the LegCo in due course to continue to take forward the implementation of reconstruction work. After signing the Cooperation Arrangement, we have all along maintained close contact and communication with the relevant Sichuan authorities to discuss the project details and take forward the project preparation work jointly. We also conducted a number of site visits. Preparation for these first stage remaining projects is now relatively more mature. For example, the commencement of the "Wolong Nature Reserve Drawing Up of Plans" project and the opening of the temporary engineering access road connecting the Nature Reserve in November 2008 have paved the way for the early implementation of the remaining 23 Wolong Nature Reserve reconstruction projects<sup>5</sup>. Further, the feasibility studies for the remaining ten first batch recommended projects have now been substantially completed, pending final approval by the Sichuan Provincial Development and Reform Commission. On this basis, it is recommended that all of the 33 remaining projects be included in the HKSAR's second stage reconstruction plan for implementation as early as possible.

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<sup>5</sup> Save the "Wolong Nature Reserve drawing up of plans" project, of the 25 Wolong Nature Reserve projects mentioned in the Cooperation Arrangement, two have been merged with the other projects.

*Second Batch Projects Recommended by Sichuan*

14. The list of second batch recommended projects received in December 2008 was revised by Sichuan in January 2009. The total commitment required for the 132 second batch recommended projects is estimated to be about RMB 4.256 billion, equivalent to about HK\$4.869 billion (see **Annex 7 to the Report**).

15. After receiving the list of second batch projects recommended by the Sichuan Government, the HKSAR Government has conducted a number of study missions in Sichuan in recent months with a view to enhancing understanding of the local situation on-site. Meetings with local officials were held and views exchanged on the projects concerned with a view to short-listing suitable projects for inclusion in the next stage implementation plan. After preliminary studies, HKSAR Government's relevant bureaux and departments have short-listed 70 projects which merit in-principle support and early implementation (see **Annex 8 to the Report**). The estimated commitment required is about RMB 1.696 billion, equivalent to about HK\$1.941 billion, covering 52 education, 15 medical and three social welfare (rehabilitation centres for the disabled and homes for the elderly)<sup>6</sup> projects.

*Consideration on Timing*

16. On the basis of the Sichuan Government's advice, we propose to proceed with HKSAR's second stage reconstruction support work now, so as to take forward the 103 projects mentioned in paragraph 13 and 15 above. The following considerations are relevant –

- (a) Of the 103 projects, 80 are education, medical and rehabilitation, and social welfare projects. Regarding schools, Sichuan's target is to substantially complete the reconstruction of basic schooling facilities by September 2009. The related medical and rehabilitation, and social welfare projects are also planned for providing urgently needed services for the quake-stricken areas. There is a pressing need for early implementation of these projects.

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<sup>6</sup> After review, the Sichuan Provincial Government suggested to replace No.70 Zitong County Rehabilitation Services Centre for the Disabled in Annex 8 of the Report by No.108 Mianzhu County Rehabilitation Services Centre for the Disabled in Annex 7 of the Report. The estimated cost remains unchanged. We will include this revision and other latest development in our next progress report to the relevant LegCo panels for Members' perusal.

- (b) Regarding the remaining 23 projects in the Wolong Nature Reserve, which is located in the mountainous area, the weather there is extremely cold during the winter months of December to February, with heavy snowfall, making it not suitable for construction works. The Wenchuan earthquake has inflicted devastating damage to the Wolong Nature Reserve, necessitating urgent reconstruction works as soon as possible. The Sichuan Government is keen to have the Wolong Nature Reserve reconstruction works commenced by the first quarter of 2009. It is desirable for the HKSAR Government to complement Sichuan's plan.

17. Including the 20 projects undertaken in the first stage, the distribution of HKSAR Government's different stages of reconstruction support projects by nature is set out below –

<b>Nature Stages</b>	<b>Education</b>	<b>Medical and Rehabilitation</b>	<b>Infrastructure</b>	<b>Wolong</b>	<b>Social Welfare</b>	<b>Total</b>
First Stage Projects	5	9	1	1	4	20
Second Stage Projects	52	21	0	23	7	103
<b>Total :</b>	<b>57</b>	<b>30</b>	<b>1</b>	<b>24</b>	<b>11</b>	<b>123</b>

#### *Projects by Non-Government Organisations*

18. We will continue to consolidate the efforts by different sectors of the community to take forward the second stage reconstruction work. Taking into account the enthusiastic response to the first phase funding applications, and that over 30 projects are pending further consideration, we recommend that a sum of HK\$150 million be reserved for application for grants by NGOs from the Fund.

#### **FINANCIAL IMPLICATIONS**

19. For the 103 proposed projects comprising 33 remaining first batch projects recommended by Sichuan and not yet funded (see paragraph 13 above) and 70 projects short-listed from Sichuan's recommended second batch projects (see paragraph 15 above), the estimated commitment required is about RMB3.446 billion, equivalent to about HK\$3.943 billion. We also recommend that a sum of HK\$150 million be reserved for application by NGOs from the Fund. In addition, for 2009-10 and in the first half of 2010-11, the estimated staff cost and operating expenditure relating to HKSAR's reconstruction support work is roughly HK\$44 million. In aggregate, the estimated expenditure involved for the second stage reconstruction work is about HK\$4.137 billion.

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20. In order to take forward HKSAR's second stage reconstruction support work, we propose to increase the commitment to the Fund by \$4 billion to cover the related expenditure. Our initial assessment is that there would be an estimated shortfall of about HK\$137 million, compared with the estimated commitment of \$4.137 billion required to support the second stage reconstruction support work. We will liaise closely with the Sichuan side to refine the estimated project costs. We have discussed with the HKJC to explore the possibility for them to undertake some of Sichuan's recommended projects from the remaining funds reserved for supporting reconstruction in Sichuan. We will also consider liaising with some local commercial enterprises and encourage them to sponsor some of the projects. On the premise that the total commitment agreed by the LegCo is not exceed and taking into account the progress of the preparatory work and the funding position of the Fund, we will exercise flexibility and make suitable adjustments to the list of recommended projects and the relevant project details as appropriate. If necessary, we will flexibly adjust the estimated expenditure under different categories as discussed in paragraph 19 above, to meet the various needs relating to reconstruction support work.

21. Under the Secretary for Home Affairs Incorporation Ordinance (Cap 1044), the Trustee (i.e. Secretary for Home Affairs Incorporated) (SHAI) shall submit a copy of the SHAI's audited statement of accounts, together with the Director of Audit's report and a report by the SHAI on the administration of the Fund during the period covered by the audited statements of accounts, to the LegCo for perusal not later than three months after the audited statement of accounts and the report thereon are received by the SHAI from the Direct of Audit. The SHAI's audited statement of accounts will incorporate the Fund's audited statement of accounts.

22. As the HKSAR's reconstruction support work progresses, it is expected that the staff cost and operating expenditure of the concerned bureaux and departments will increase accordingly from the financial year of 2009-10. The Steering Committee on the Hong Kong Special Administrative Region's Support for Reconstruction in the Sichuan Earthquake Stricken Areas (the Steering Committee) has supported the creation of 20 additional time-limited civil service posts in the financial year of 2009-10 (including 1 time-limited Administrative Officer Staff Grade C post and 19 non-directorate posts, see **Annex 12 to the Report** for details). Save for one post lasting for one year, the other posts will last for three years. The main duties of the time-limited Administrative Officer Staff Grade C post proposed to be created under the Constitutional and Mainland Affairs Bureau (CMAB) are to assist the Steering Committee in coordinating inter-departmental efforts, and handling coordination and communication with the relevant Sichuan authorities. During the early stage, CMAB will endeavour to

meet the need for the proposed time-limited directorate post through internal deployment of manpower as far as possible, and will put forth a proposal to create this post to the Establishment Subcommittee of the FC only when there is a practical need. In addition to the newly created civil service posts, the relevant policy bureaux/departments and the Hospital Authority have planned to create a total of 11 time-limited non-Civil Service contract posts. Except for one post lasting for one year, the remaining ones will last for three years.

23. We will review the actual manpower requirement from time to time having regard to the actual work volume and continue to seek the additional manpower resources according to the established mechanism when necessary. The related financial expenditure will be absorbed by the Fund.

#### Other Projects

24. Besides the 70 short-listed projects recommended for implementation in the second stage as mentioned in paragraph 15 above, there are 62 remaining projects out of the 132 second batch projects recommended by Sichuan. The estimated commitment for these projects is RMB2.56 billion, equivalent to about HK\$2.928 billion, covering education, medical, social welfare, transport infrastructure and cultural and sports facilities etc. The HKSAR Government will proceed having due regard to our resource capability. We will take into account the general direction of the Reconstruction Overall Plan, actual needs of the quake-stricken areas and the progress of HKSAR's reconstruction support work in considering the next stage reconstruction support plan, and will submit a concrete proposal to the LegCo in due course. In addition, as mentioned in paragraph 11 above, the HKJC has pledged to allocation \$1 billion to support the reconstruction work in Sichuan. Of the amount, \$468 million has been earmarked for the four projects undertaken in the first stage, and the use of the remaining \$532 will be subject to further consideration. Besides the commitment by the HKJC, the Fund has so far received donations of \$9 million from the public. We will continue to appeal to the community and different organisations to donate to the Fund. Our overall objective is that HKSAR's financial commitment to the reconstruction support work will not exceed HK\$10 billion.

25. The financial commitment for different stages of HKSAR's reconstruction support work is summarised below –

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<b>Stages</b> <b>Uses</b>	<b>First Stage</b> <b>(HK\$ Billion)</b>	<b>Second Stage</b> <b>(HK\$ Billion)</b>	<b>To be considered at</b> <b>Subsequent</b> <b>Stages</b> <b>(HK\$ Billion)</b>	<b>HKJC's</b> <b>Funding</b> <b>Allocation</b> <b>(HK\$ Billion)</b> <b>(For</b> <b>reference)</b>
Sichuan's first batch recommended projects	1.905	2.002	N.A.	0.468 <sup>7</sup>
Sichuan's second batch recommended projects	N.A.	1.804 (HK\$137 million to be raised from other channels)	2.928	To be considered <sup>8</sup>
NGO applications from the Fund	0.087 (latest approved amount)	0.150	To be decided	N.A.
Staff cost and operating expenditure	0.002	0.044	0.044	N.A.
<b>Sub-total:</b>	<b>1.994</b> (a sum of \$15 million is reserved as contingency fee for the first stage projects)	<b>4.000</b>	<b>To be considered</b>	<b>1.000</b>

## PUBLIC CONSULTATION

26. We issued an information paper to the Development Panel on 11 October 2008 and briefed the Panel Members on 28 October 2008 on the content of the  
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<sup>7</sup> Two were selected from Sichuan's first batch recommended projects, and the other two were identified through direct liaison between the HKJC and the Sichuan Government.

<sup>8</sup> Uncommitted balance of the HKJC's HK\$1 billion allocation is around HK\$532 million.

Cooperation Arrangement and the latest progress regarding the invitation to NGOs for application from the Fund. On 11 November 2008, Mr. Liu Qibao, Party Secretary of Sichuan Province, came to Hong Kong to attend the “Sichuan Province Post-quake Relief Thanksgiving Ceremony cum Post-quake Reconstruction (Hong Kong) Investment Promotion Seminar” to express gratitude to the Hong Kong people. Mr. Liu also attended a luncheon hosted by the HKSAR Government and met with representatives of various sectors of the community and NGOs, as well as a number of LegCo Members and briefed them on the latest progress regarding the post-quake reconstruction work.

Encl. 27. Another information paper cum report was issued to the Development Panel on 3 February 2009 to consult Members on the proposed increase in commitment as mentioned in paragraph 2 above. Members expressed support to the proposal in general. Some Members are concerned about project management and monitoring arrangements relating to HKSAR’s reconstruction support projects. We have prepared a supplementary information note as attached at the Enclosure for Members’ reference. We will uphold our policy of full public accountability by maintaining transparency in the use of funds and submitting periodic progress report to the relevant LegCo panels. Relevant information will also be uploaded to the website under CMAB for public perusal. A Member asked whether the Administration could provide further information on the estimated project costs of similar reconstruction projects undertaken by other provinces/Special Administrative Region for reference. We are seeking relevant information from the Sichuan Government and will revert to the Secretariat of the Development Panel after receiving the requested information from Sichuan.

## **BACKGROUND**

### *Damage to the Sichuan Quake-stricken Areas*

28. The massive earthquake measuring 8.0 on Richter scale that hit Wenchuan on 12 May 2008 had affected 417 counties/districts/county cities in ten provinces/autonomous regions/municipalities directly under the Central Government, including Sichuan, Gansu, Shaanxi, Chongqing and Yunnan. The quake-stricken areas covered some 500 000 km<sup>2</sup>, with millions left homeless. As at 25 August 2008, 69 226 people were killed, 374 643 injured and 17 923 missing. Given the wide expanse of the quake-stricken areas, huge disaster-affected population, complex natural conditions, and serious damage of infrastructure, the post-quake restoration and reconstruction mission is arduous and urgent.

29. Damage to Sichuan Province is particularly serious, with a total of ten seriously hard-hit counties/county cities/districts, 29 hard-hit counties/county cities/districts and 100 general quake-damaged areas. The Sichuan Province has an area of 485 000 km<sup>2</sup>. The quake-stricken areas in the province amount to 250 000 km<sup>2</sup>, of which 100 000 km<sup>2</sup> was seriously hard-hit or hard-hit. Among the total population of some 87.7million, more than 29.83 million people were affected to different degrees. Countless houses, infrastructural facilities as well as community facilities such as schools and hospitals were severely damaged<sup>9</sup>.

### Priority and Scope of Reconstruction

30. Post-quake reconstruction is an arduous task and takes at least several years to complete. According to the Reconstruction Overall Planning issued by the State Council on 19 September 2008, the overall objective is to complete the major restoration and reconstruction tasks in approximately three years. Under the principle of “people-based governance”, the Reconstruction Overall Planning accords high priority to livelihood matters, such as the early reconstruction of houses, public services and infrastructural facilities.

31. According to the initial assessment of the Sichuan Province, post-quake restoration and reconstruction may cost more than RMB 1,600 billion<sup>10</sup>, roughly 12 times the total general budget revenue of the province in 2007<sup>11</sup>. As such, support from all sides, concerted efforts of the whole nation and participation of all are needed to overcome this severe challenge.

32. The reconstruction support work requires resources and professional expertise in different fields in its implementation. The Steering Committee, chaired by the Chief Secretary for Administration, was formed to oversee and coordinate the HKSARG’s efforts in support of the reconstruction of the quake stricken areas. Members of the Steering Committee include the relevant Directors of Bureaux and Heads of Department. Five dedicated working groups have been set up, namely:

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<sup>9</sup> Source: Speech made by Mr. Wei Hong, Vice-governor of the Sichuan Provincial Government, on 6 July 2008 during his meeting with Members of the Hong Kong Legislative Council delegation visiting the quake-stricken areas in Sichuan; and the document entitled "Rebuild Homeland, Revitalise Industries, Revive Hope-Report on International Investment and Financial Assistance Demands on Sichuan Post-quake Reconstruction" released by the Sichuan Provincial Department of Commerce on 16 October 2008.

<sup>10</sup> Source: Speech made by Mr. Liu Qibao, Party Secretary of Sichuan Province, in November 2008 at the “Sichuan Province Post-quake Relief Thanksgiving Ceremony cum Post-quake Reconstruction (Hong Kong) Investment Promotion Seminar”.

<sup>11</sup> The total general budget revenue of Sichuan Province in 2007 was RMB 139.57 billion.

Working Group on Reconstruction Works, Working Group on Medical Health and Rehabilitation Services, Working Group on Home Affairs, Working Group on Social Work, and Working Group on Education and Training. These working groups are led by the relevant policy bureaux. Membership may include representatives of individual bureaux and departments, as well as non-official members such as representatives of the relevant professional bodies or organizations as appropriate. We will engage the non-official members in the reconstruction support work and consult their views as far as possible as necessary. As mentioned at the Development Panel meeting on 3 February 2009, we will cover their work in Sichuan in our regular progress reports to the relevant LegCo panels.

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Home Affairs Bureau  
Constitutional and Mainland Affairs Bureau  
Development Bureau  
February 2009

**Management and Monitoring Arrangement for  
Reconstruction Works in the Sichuan Earthquake Stricken Areas Supported by  
HKSAR**

Both the HKSAR and Sichuan Provincial Governments fully understand the importance of works quality in reconstruction for Sichuan earthquake stricken areas, and will make arrangements and take initiatives to ensure that the reconstruction works supported by HKSAR will meet the latest quality requirements of the Mainland and fulfill public aspirations. Details of the initiatives are given in the following paragraphs.

**Well-defined Commitments and Applicable Laws and Regulations**

2. The “Cooperation Arrangement on the Support of Restoration and Reconstruction in the Sichuan Earthquake Stricken Areas” (the Arrangement) signed by the Hong Kong and Sichuan Provincial Governments in October 2008 clearly defines the basic responsibilities of the two governments, technical standards for the HKSAR’s post-quake reconstruction support work and project management arrangement, etc. It is stated in paragraph 5 of the Arrangement that the technical standards for the works projects funded by the HKSAR should comply with the laws and regulation in the Mainland, with suitable monitoring mechanism. The HKSAR Government is the fund provider of the relevant projects. The Sichuan Provincial Government should be responsible for the arranging actual implementation, as well as the daily management and supervision of the projects. Tender invitation and assessment for these projects should be conducted in accordance with the relevant laws and regulatory systems in the Mainland. In fact, after the earthquake, the Central Government and the Sichuan Provincial Government enacted a series of ordinances and requirements<sup>1</sup> to regulate the reconstruction support work, including the seismic resistance requirement and construction standards, seismic design, works quality supervision responsibilities, inspection on completion of seismic resistance construction, management and monitoring, tendering arrangement and legal liabilities, etc.

3. The Arrangement has laid down a framework for management and monitoring of the reconstruction works supported by HKSAR, which forms a well defined basis for execution of the related work.

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<sup>1</sup> The related legislation and regulations include the “Tendering Ordinance”, the “Construction Works Quality Management Ordinance” and the series of ordinances and regulations enacted after the earthquake, examples of which are the “Wenchuan Post-quake Restoration and Reconstruction Ordinance”, the “General Planning by the State for Restoration and Reconstruction after Wenchuan Earthquake” and the “Seismic Design Standards (2008)”, etc.

## **Project Management**

4. The reconstruction works supported by the HKSAR will be executed on project by project basis. The Sichuan side will carry out necessary project feasibility study and prepare a feasibility study report (hereinafter referred to as “feasibility report”). A “feasibility report” will normally include the scope and scale of the project, planning standard of the facility, seismic resistance design standards, cost estimates, preliminary plans on timing of project milestones and tendering methods. Based on the “feasibility report” approved by the relevant departments of Sichuan Provincial Government, and following the principles of the Arrangement, the HKSAR Government will sign project cooperation arrangement for each project. The signed project cooperation arrangement will clearly specify matters such as the project nature, scale, scope, people to be served, seismic resistance design standard, estimated project progress and ceiling of HKSAR’s financial commitment. This project cooperation arrangement is conducive to monitoring of project progress during implementation jointly by HKSAR and Sichuan Provincial Governments, in a systematic manner. It would also help ensure that works at every important stage are carried out in strict compliance with the Mainland laws and regulations, and with suitable level of monitoring and audit.

## **Project Monitoring**

5. Under the “Construction Works Quality Management Ordinance” promulgated by the State Council in 2000, it is stipulated that the project agent, investigation agent, design agent, supervision agent and construction agent shall be held responsible for the quality of construction projects, and relevant government departments must manage the monitoring of works quality. The “Restoration and Reconstruction after Wenchuan Earthquake Ordinance”, clearly specifies that relevant government departments should step up monitoring of the quality and safety of the post-quake restoration and reconstruction works, product quality as well as the appropriation and usage of fund. The Ordinance also stipulates that the supervisory organs should step up supervision on the personnel of State Organs and related organisations involved in the post-quake restoration and reconstruction work.

6. On the engagement of investigation, design, supervision and construction corporations to take part in the reconstruction projects supported by HKSAR, the “Arrangement” stipulates that tendering exercise would be handled in accordance with related laws and regulations. The requirements for credential of the corporations to be contracted could be raised as appropriate so as to further enhance the assurance of the quality of the projects. According to the “Sichuan Provincial Government’s Notice of Tendering for the Reconstruction of Post Earthquake State Investment Construction Projects”, the tendering of post-earthquake reconstruction projects must comply with the



principles of fairness, just and honesty. It also stipulates that the laws, regulations and rules on tendering must be strictly enforced. Furthermore, public finance departments and auditing organs will also monitor the tendering exercise. The Hong Kong side may require the Sichuan side to provide tender documents and other information of each project in due course, so that the Hong Kong side may provide views on the scope, forms, procedures, cost estimates, pre-qualifying requirements and tender assessment criteria.

7. On project monitoring, the “Construction Works Quality Management Ordinance” stipulates that strategic constructions, major and medium-sized public utilities projects, projects with foreign aid fund etc. must have a qualified supervision engineer resident on-site, to supervise the construction project in accordance with the standards of project supervision. Without the signature of the supervision engineer, construction materials, parts and equipment should not be used and installed in the project; work should not proceed to the next stage; project payment should not be effected and completion inspection should not be carried out. Should there be a relationship of subordination or interests between a project supervision agent and a construction agent or a supplies agent of construction material, construction parts and equipment under his supervision, the project supervision agent shall not undertake the supervision duty of the project.

8. The “Construction Works Quality Management Ordinance” also stipulates that the construction agent should establish a quality responsibility system and be responsible for the quality of all the construction works, including the sub-contracted works. The construction agent must examine the construction materials, construction parts and equipment in accordance with the construction design requirements, construction technical standards and contract terms; and nothing unexamined or found sub-standard should be used. The construction agent must establish a sound construction quality inspection system and must strictly manage work processes. Concealed works must be inspected by the project agent and construction works quality inspection authority before concealment, with filing records. Sampling of materials for structural safety testing must be conducted in the presence of the project agent and supervision agent and be inspected and tested by a quality inspection and testing agent with suitable level of credential.

9. Regarding the completion inspection, when the project agent has received the completion report, he should arrange the design, construction and supervision agents and other related parties to carry out inspections, and report to the construction office or other relevant departments of the Peoples’ Government at provincial level or above for record purposes, so as to enhance the level of supervision and management by the Government. The government departments would base on the supervision report prepared by the quality monitoring and inspection agent to check whether there has been any non-compliance with the requirements on construction works quality control in the process of the completion inspection. If necessary, an order to suspend the usage will be given and a new round of completion inspection should be arranged. The facility can only be used upon satisfactory inspection.

10. To further ensure the quality of the works, the Hong Kong side would suitably take part in the monitoring of the reconstruction works, with reference to the works quality management mechanism established by the Sichuan side. The Arrangement states that the Hong Kong side, while abiding by the State's relevant regulations and polices, may assign professional organisations/personnels to provide professional advice where necessary on the planning, design, construction, consultation, management, supervision, accounting and audit work of the reconstruction projects funded by the HKSAR. The Hong Kong side may also organize inspections, at regular or irregular intervals, on the related data and information of the projects, and may conduct on-site inspections to check on the progress, quality of the materials used as well as the use of the allocated funds, to ensure that the projects are implemented according to standards. The Sichuan side should provide relevant documents, such as report by an independent certification body, report by supervision agent, works report (the contents of which include construction progress, quality of works, financial status, works safety, environmental impact, etc.) as well as drawings showing completion of works at various stages and site photos, notes of meetings and records of test, as proof and reference.

### **Project Supervision Framework**

11. The overall implementation and monitoring of the reconstruction projects supported by HKSAR falls on relevant bureaux. For the implementation of works, the Development Bureau will provide technical support to other bureaux. As the monitoring of works quality is of utmost importance and that there are many reconstruction projects supported by HKSAR, the workload of on-site inspection is very heavy. On top of additional civil service staff, the Development Bureau will commission “**independent professional consultants**” with extensive experience in monitoring and checking Mainland works projects to assist in carrying out site inspections. The consultants will conduct on-site checking of the progress of works, quality and use of funds at important stages, such as construction of foundation and structures as well as the completion of project milestones. The service also includes vetting of documents on quality management provided by the Sichuan side. To apply the “Government-led, full community involvement” principle, the “Hong Kong Construction Sector 5.12 Reconstruction Joint Conference” and other volunteer professionals from the construction industry, as well as other professional bodies/volunteers may also participate in monitoring of the reconstruction projects supported by HKSAR.